2015 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 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 on our netpages.

CEO's review

In 2015, we at Martela focused on improving profitability, implementing the Martela Lifecycle® strategy and making sure our operations are outstanding. I am pleased to say that progress was made according to plan and that we appear to be on track to meet our cost-savings schedule. We have removed unprofitable sections of the business and trimmed the remaining ones to generate added value for our customers.

The implementation of the Martela Lifecycle strategy has been successful and the future certainly looks bright. More and more of our customers have come to appreciate the undeniable importance of a well-functioning workplace and its significance to employee wellbeing and the cost structure of their company. Last year we conducted several projects in each of our market areas in accordance with the four stages of the Martela Lifecycle model from specification to planning, implementation and finally maintenance.

Economically challenging times have also proved to be a blessing in disguise for us because they have forced companies to assess their efficiency from new perspectives. Offices are getting smaller and working environments play an increasingly important role in efficiency. The development of Martela's service business and our excellent product portfolio have been the perfect answer to this trend.

WORKING ENVIRONMENTS ARE AN IMPORTANT MANAGEMENT TOOL

Many knowledge workers know first-hand how the world of work is changing: we need less storage space, a wider variety of meeting rooms and often we no longer have a personal workstation. Common spaces are becoming more and more important for meetings and discussions. On the other hand, a workstation shared by many may actually feel more personal than an assigned spot because the chair and the desk can be made to adjust automatically to our personal preferences.

During the autumn I had an opportunity to learn about Martela's workplace philosophy in practice, because I came here from a company where the environment was based on the traditional cubicle lay-out. Martela House is an activity-based office and it has taught me new things about myself as a worker. I've noticed how my energy levels have improved, got to know my colleagues very quickly and understood what a powerful management tool a well-planned and implemented workplace can be.

This is why I believe that our third focus area – outstanding operations – is a very justified and achievable goal. We operate in accordance with the Martela One principle where the unified business model and way of working are implemented in every unit. In order to make our operations outstanding, we have simplified job descriptions, improved management models and assigned responsibility in new ways. As we have brought decision-making closer to our customers, we have been able to act in a more agile fashion than before. A great working environment is important to attaining goals.

As an organisation increasingly geared toward service business we have been able to change quickly thanks also to our working environment.

Finally, I would like to thank our entire personnel for 2015. I have felt welcome and seen that we have a very competent and inspired working community here. I am also thankful to our customers, partners, shareholders and all stakeholders for their contribution to making better workplaces.

Takkatie, February 2016
Matti Rantaniemi
Chief Executive Officer

- **AS A BIT OF PRACTICAL ADVICE,** I'd like to share an experience from Martela House. Sometimes it's hard to find time for exercise, and so it pays to stand up while working. It's worth putting high or adjustable tables in meeting rooms too, as well as at work stations!

KEY FIGURES

		2015	2014
Revenue	Meur	132.8	135.9
Growth in revenue	%	-2.3	2.7
Operating profit	Meur	4.1	0.2
- as a percentage of revenue	%	3.1	0.1
Pre-tax profit	Meur	3.4	-0.6
- as a percentage of revenue	%	2.5	-0.4
Return on investment		12.1	0.5
Balance sheet, total	Meur	56.0	54.2
Equity ratio	%	40.9	38.1
Earning/share	eur	0.61	-0.18
Equity/share	eur	5.54	5.02
Dividend/share	eur	0.25*	0.10
Capital expenditure	Meur	0.7	1.7
Average personnel		622	742

* Proposal of the Board of Directors

MAINTENANCE

IMPLEMENTATION

SPECIFICATION

PLANNING

Strategy and values

MISSION
Better Interiors

VISION
Creating the best workplaces

STRATEGY
Supporting customer business with Martela Lifecycle®

VALUES
Family business
Passion for Innovations
User Driven Design
Finnish

Read more about Martela Lifecycle® model

Offering

Martela's development work on its products and services changed quite considerably during 2015. Our development work is now based on an agile and real-time model and team work. Our products and services, based on the continuously developing Martela Lifecycle strategy, offer customers greater added value and improve the productivity of Martela's business operations.

The core group responsible for developing our offering comprises specialists with specific areas of competence from furniture to service design and from well-being at work to recycling. We also have a broad network of other specialists within the company and on the outside as well. Our products and services are developed together through participatory development.

Martela offering is the Martela Lifecycle and its four stages. They include services and furniture solutions and combinations of these. Many of these combinations are part of the Martela Dynamic product family that makes use of cloud technology. In the following we will present some of the most important launches and development targets of 2015.

SPECIFYING WORKPLACE NEEDS

The planning of an activity-based office must always be based on a detailed definition of the working environment that the particular company needs. We analyse the organisation's users, tasks, required spaces and products and the objectives of changing the workplace in the user-oriented workplace specification we have developed. The goals of the change are always derived from the strategy and objectives so that they will help drive the organisation towards its future vision. The specification service launched at the beginning of the year already has dozens of satisfied customers in all of our home markets.

Read more about out specification services.

MARTELA IS A CORPORATE REMOVALS EXPERT

Our removals business in Finland operated previously under the Grundell brand. We have now given a sharper focus to our operations and offer removal services under the Martela brand. We can handle the entire removal process or office alteration project on a turnkey basis. We offer our customers removal staff, materials and a flexible removal that causes as little disruption as possible. In addition to the removal itself, we can also carry out an inventory of existing furniture, acquire new furniture, recycle responsibly and conduct project management and scheduling of the removal. In 2015, Martela was Finland's second largest removals firm.

Read more about Martela's removal services.

AVOID UNNECESSARY WASTE!

Tonnes of furniture items end up in landfills unnecessarily in Finland. Martela's recycling system, which is unique in Europe, makes workplaces more environmentally friendly. Approximately 100,000 tonnes of furniture ends up as waste every year in Finland, while studies show that 70 to 80 per cent of this is recyclable. Martela has made the recycling of used furniture possible since the summer of 2010 when it started the nationwide Martela Outlet chain in Finland. The goal is to minimise the environmental impact of workplaces and unnecessary waste.

Watch a video A Chair's Story by Martela.

INTELLIGENT WORKPLACES WITH MARTELA DYNAMIC

In February 2015 Martela launched the Martela Dynamic Workplace Utilisation Service for managing utilisation rates. The service is based on advanced technology. To ensure that an office designed to precisely fit its purpose remains perfect despite the constant changes that are taking place in knowledge work, a company will need to be able to manage the utilisation rate of its furniture and work spaces with a simple-to-use solution that is based on reliable technology and designed to be unobtrusive. With precise data on its utilisation rate, a work environment can be quickly and efficiently maintained, modified and optimised on a user-oriented basis. This ensures constant optimum levels of work satisfaction. Monitoring can span a certain period of time or it can be integrated into the work environment permanently.

In addition to utilisation rate monitoring, the Martela Dynamic product family will be complemented by the Dynamic Desk Booking and Dynamic Meeting Room Booking products, which make the booking of workstations and meeting rooms even easier.

WHAT TYPE OF STORAGE SPACE DO COMPANIES NEED – AND FOR WHAT PURPOSES?

Companies are transferring to activity-based offices with no personal desks. This means that storage solutions need to be rethought. Storage space is needed for materials used by everyone in a department, but also for personal items. The Wall is a versatile locker cabinet designed by Pekka Toivola that is suitable for small businesses and global corporations alike. It has several locking options and there is a range of materials available to vary its appearance.


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In the Martela Dynamic Storage model furniture generates data on the usage rate of its lockers, which makes it possible to optimise storage capacity in accordance with the actual need.

FURNITURE SOLUTIONS FOR ACTIVITY-BASED OFFICES

As the design of office spaces shifts towards an activity-based model, the use of individual furniture items is also changing. Knowledge workers may not necessarily spend their time sitting in the same chair and in the same position for hours anymore, but in various spaces, depending on their duties. It is increasingly important to offer good furniture solutions that suit each situation and their surroundings.

The benefits of activity-based offices are based on increased interaction and the resulting improvement in comfort. The furniture and design of the spaces must support the meetings that take place in activity-based offices. There are many kinds of meetings: accidental, casual, official, those that require intense concentration, and those that draw from the surrounding hustle and bustle.

Today, pleasant facilities that reinforce a company's brand serve as a business card for customers and employees. Inspiring spaces often communicate a company's values and vision more effectively than anything else.

IN ACTIVITY-BASED OFFICES, WORKSTATIONS MUST FEEL PERSONAL EVEN IF THEY ARE USED BY SEVERAL EMPLOYEES

All Pod products are perfect for activity-based offices. Pod furniture supports different ways of working and feels personal even when used by several people. An important factor is the design, which is both open and suitably intimate. The Pod product family includes workstations that are open or more intimate, a meeting space, and sofas and chairs, which can all be combined to create spaces for various needs. The PodWork workstation was introduced in 2015.

Watch a video of the designing of the Pod series.

NOOA IS INDIVIDUAL AND VERSATILE

Designed by Antti Kotilainen, the Nooa product family features a large selection of different seats that can be easily combined into a classic sofa either straight or curved, a combination facing in various directions or a private armchair or sofa group. A home-like feel is increasingly popular in offices. Nooa supports this trend with cushions, which give the furniture a cosier, more relaxing and more welcoming look. The cushions are available in three different models.

Watch a video of the designing of the Noa-sofa.

RAISE THE LEVEL OF YOUR MEETINGS WITH THE PUSH OF A BUTTON

Designed by Iiro Viljanen, Frankie has quickly become a popular conference table. Its relaxed stylishness fits the bill, especially when a home-like feel is sought for activity-based offices. In addition to the electrically adjustable model, the popular range is now supplemented with a 'bench' version, which is well suited for group work, as well as a version equipped with a desk screen for short-term individual work.

NEW MODELS TO COMPLEMENT THE SOLA PRODUCT FAMILY

The popular Sola chair range designed by Antti Kotilainen has been supplemented with the anticipated conference and lobby chairs.

The height adjustment and rocking mechanism also mean that this chair can be used as a task chair for short-term work.

Watch a video of the designing of the Sola -chairs.

GO WITH THE GOBAG!

The best innovations are inspired by real needs, just like the GoBag, designed by Iiro Viljanen. When Martela House was redesigned and renovated in 2014 and most employees gave up using personal desks, it was necessary to rethink storage. When they put their personal items in a locker for the day in the morning, they take out a GoBag for their work-related items. Originally intended as an experiment, the GoBag immediately became so popular that it was included in Martela's product range.

FLOW RESCUES MEETINGS

Out of every ten meetings, how many times do you find that the computer and projector are not compatible, a connector is missing or the remote control is nowhere to be found? To help overcome this problem we created Flow, the perfect presentation solution that supports efficient ways of working, also in activity-based offices. It combines a projector and a screen surface in one package that is easy to move from one place to another.

ARMCHAIR ADDED TO CUBE SERIES

The newest addition to the Cube product family is an armchair with two superior qualities: style and comfort. The Cube product family designed by Mikko Halonen is ideal for public spaces, such as stylish lobbies and elegant waiting areas. Combined with Cube sofas and tables, the new armchair can be used to create a diverse range of seating groups. Its two-coloured upholstery can be used to highlight its stylish shapes or create exciting contrast.

BIT SEATS FOR SCHOOLS

Iiro Viljanen, the designer of the Bit product family, is convinced that light, comfortable and versatile seating would make public spaces more enjoyable. He believes that the Bit product family serves to encourage interaction and spontaneity. Furniture must support creativity, not suffocate it. The Bit stools, armchairs and sofas are versatile and easy to move.

GO CRAZY WITH COLOURS!

More and more companies want a colour scheme for their offices as a part of their brand building. In response to this need, we launched the Inspiring Colours selection of metal colours.

Corporate responsibility

Corporate responsibility is an important part of Martela's strategy. Martela's operating approach includes supporting the responsibility of its customer companies by offering durable solutions for the working environment for its entire lifecycle and by ensuring the responsible recycling of any furniture that is no longer needed. Martela creates responsible working environments by taking into account user needs and by supporting user wellbeing.

WORKPLACE LIFE CYCLE MANAGEMENT BY MARTELA LIFECYCLE

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. At the same time the best working environments create wellbeing and efficiency for the whole working community. According to user experience in Martela house renewal almost 70% felt that their wellbeing at work had increased and more than 70% felt that they're working more efficiently.
Read more on user experience in Martela house renewal.

With responsibly planned spaces it is possible to flexibly respond 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.

In interior planning projects, furniture that is in good condition but no longer needed by the company can be used by others. Sometimes it can be sold after cleaning through Martela's Outlet stores or through Martela's webstore concentrated in recycled furniture. Furniture that needs repairing is taken to Martela's logistics centre where it is refurbished and then sold through Martela Outlet channels.

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.
Watch a video A Chair's Story by Martela.

QUALITY AND ENVIRONMENTAL CERTIFICATION

Local producers and employment are important factors for Martela, and we aim to create jobs primarily in our market areas.

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 management system is certified in accordance *to the ISO 9001 (quality) and the ISO 14001 (environmental)* standards. The standardised system creates a more continuous, more consistent and closer way of working, which enables the units to be compared using the same key quality indicators. The indicators include delivery reliability, customer satisfaction and management of complaints.

Martela's test laboratory is *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. With the accreditation it can be verified 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 including the continuous improvement of operations.

During 2015 our most important suppliers answered to our questionnaire on their commitment to Martela's responsibility guidelines that were published in 2011 and are annually validated. The most important environmental aspects of our suppliers are mainly sorting of the waste and use of energy. In the area of social responsibility the main aspects include safety at work, labour relations and equality. Supply chain of only one supplier is rooted in so-called risk area and they are committed to comply to Martela's social requirement on suppliers.

- *Purchasing Principles*
- *Social Requirements on Suppliers*

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*
- *ILO core conventions on labour rights*
- *OECD guidelines for multinational companies*
- *UN Global Compact -initiative*

We have also defined specific management principles for guiding our responsibility actions. The main guideline is our *Corporate Code of Conduct*. We annually confirm our commitment to the UN Global Compact initiative with the *Communication On Progress letter* 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 2015 will be published later in the spring 2016.

Martela's people

Success and responsible development at Martela are dependent on a skilled and motivated personnel who enjoy their work. That is why we are committed to the continuous development of our personnel, organisation and wellbeing at work. During 2015 we focused especially on securing the wellbeing and commitment of our employees and the competence of our supervisors in the midst of the changes the company is going through.

SUPPORTING PERSONNEL COMES FIRST DURING CHANGES

Systematic development of our employees' readiness to change is an important part of our operations. This work is based on development needs derived from Martela's business operations, the Martela Lifecycle strategy and internalising the Martela One philosophy, which reaches across the boundaries in our organisation.

The international Martela Lifecycle training that took place in early 2015 helped people from different organisations to understand what the Martela Lifecycle strategy means in everyday work. In the autumn we implemented the so-called Quote-to-Cash training, which was also based on the Martela One philosophy. The purpose of the training was to lower the thresholds between organisations and to increase cross-boundary communications and clarify processes within the organisation. Training produced many concrete suggestions for improvement related to internal processes and we will continue to develop them in 2016.

With the Martela Lifecycle strategy, international collaboration has increased within the company. The company has supported internal co-operation by organising English language courses in various units. We have also engaged our personnel more actively in developing internal operations through workshops.

MARTELA LIFECYCLE STRATEGY IMPLEMENTED

In 2015, the implementation of the Martela Lifecycle strategy was evident in the form of various change projects targeting personnel. We carried out reorganisations in Finland and in Poland. Personnel numbers have been adapted to the company's new strategy and operating model and the changes that have been carried out have clarified roles and responsibilities and increased production efficiency. Constant change is not always easy on employees, which is why the company has also focused on supporting employees through open communications and with the assistance of supervisors.

WELLBEING AND COPING AT WORK

Martela's activity-based solutions incorporate user-oriented design and support wellbeing, ergonomics and coping at work. In late 2015 the company started a project in which all of its offices are to be converted to reflect Martela's product and service offering. The primary goal of the project is personnel wellbeing. Before the project starts in full, we will conduct a user survey and interviews of key persons in accordance with the specification stage of the Martela Lifecycle model. We will also co-operate with occupational health care so that we can take proactive action regarding wellbeing at work also in matters that concern office spaces.

Martela and its markets

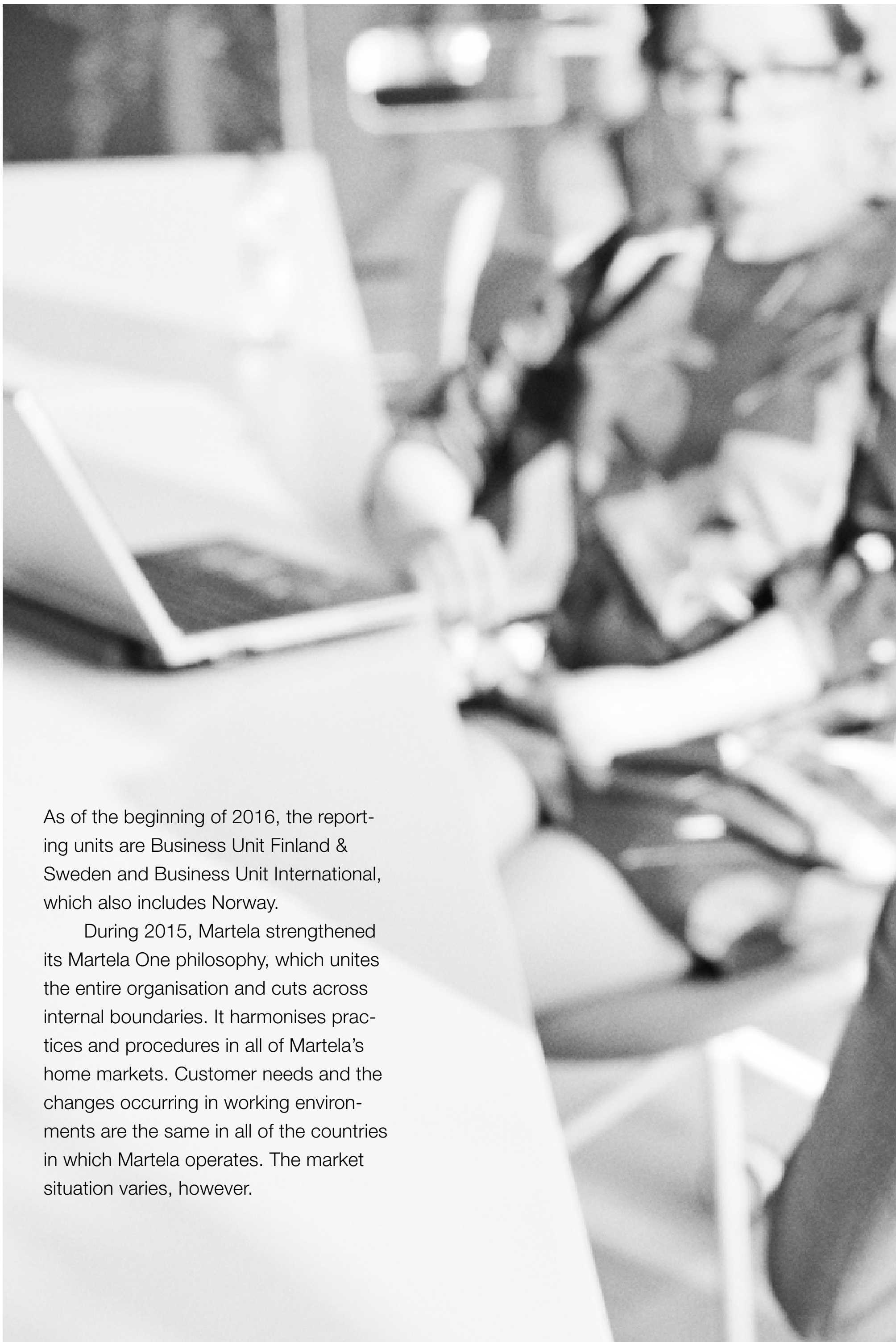
BUSINESS UNITS

In the 2015 reporting, Martela's business units were Business Unit Finland, Business Unit Sweden and Norway and Business Unit International. The financial performance of the business units in 2015 was as follows:

Business Unit Finland (meur)	2015	2014	Change %
Revenue	96.7	87.5	10.6
Operating profit	8.2	2.8	
Investements	0.2	0.1	
Average personnel	230	273	-15.8

Business Unit Sweden and Norway (meur)	2015	2014	Change %
Revenue	20.0	24.9	-19.5
Operating profit	-1.5	-0.4	
Investments	0.0	0.0	
Average personnel	23	25	-8.0

Business Unit International (meur)	2015	2014	Change %
Revenue	14.9	22.4	-33.3
Operating profit	-1.7	-0.6	
Investments	0.1	0.5	
Average personnel	65	88	-26.1



As of the beginning of 2016, the reporting units are Business Unit Finland & Sweden and Business Unit International, which also includes Norway.

During 2015, Martela strengthened its Martela One philosophy, which unites the entire organisation and cuts across internal boundaries. It harmonises practices and procedures in all of Martela's home markets. Customer needs and the changes occurring in working environments are the same in all of the countries in which Martela operates. The market situation varies, however.

Finland

CASE: 3 STEP IT

When moving to a new location within the Helsinki metropolitan area, 3 Step IT contacted Martela to partner in the creation of a new more collaborative workspace in close contact with the architect and the users. Martela helped design and create the new workplace. Martela also took care of the move to the new location as well as recycling of the old furniture.

Read more

WEAK ECONOMY ACCELERATES WORKPLACE CHANGE IN FINLAND

In Finland, our main market, the Martela Lifecycle model has brought new energy to the organisation in various ways. Our new services – from the measurement of capacity utilisation rates to specifications, and from recycling to maintenance – have attracted interest and increased demand.

This development was in fact anticipated as many companies have come to realise that new ways of working require new kinds of working environments. On the other hand, the weak economy has forced companies to consider ways to improve efficiency and reduce costs, which has made activity-based offices an attractive alternative. After all, improved profitability and enhanced wellbeing at work are the most important goals achieved with an activity-based office. These are especially important to organisations undergoing change.

Improving profitability and increasing service sales have also required considerable improvements in our own operations. Roles and resources have been adjusted and we are now able to offer customers an efficient service and a wider offering.

Despite the sluggish market, our customer base is expanding thanks to the wider service portfolio. Once workplace design is seen as an important element in a company's operating culture or as a management tool, managing directors also start to take interest in it.

Sweden

SWEDEN LEADS IN NEW WAYS OF WORKING

Among our home markets, Sweden is the best prepared to adopt the new way of working. In addition to the activity-based office model, Swedish customers are interested in the full Martela Lifecycle philosophy, from measuring utilization rates to recycling services.

In Sweden we have traditionally relied heavily on dealers, but in order to answer the rapidly growing demand for Martela Lifecycle services, we have also provided resources for managing direct customers.

The Stockholm Furniture Fair is one of the highpoints of the year. At the 2015 fair, we presented our intelligent Martela Dynamic solutions.

CASE: FRESCATI UNIVERSITY

The university library at Frescati in Stockholm, designed by Ralph Erskine, is one of the largest research libraries in Sweden. In 2015 it was modernized and a large part of the furniture was delivered by Martela – with birch being the material that runs like a blonde theme throughout the library. Chosen to correspond with the existing decor but also because it in a nice way harmoniz-es with Ralph Erskine way to integrate the surrounding nature.

Read more

Poland

CONSIDERABLE POTENTIAL IN POLAND

In October, extensive efficiency improvement measures were initiated in the Polish unit, which is part of Business Unit International. These measures have successfully revamped the sales structure and speeded up the process of implementing the Martela Lifecycle strategy.

The market is growing rapidly as the volume of new office construction is very high compared to the rest of Europe. Standards for working environments used to be low but today, new offices are increasingly expected to be of a high quality and to incorporate the versatility that Martela's service portfolio can offer. The first specifications based on the Martela Lifecycle strategy have already been carried out for customers in Poland. In addition to building new premises, older office space built some 20 years ago is also being renovated in Poland.

Poland has an expanding private market, but its public sector is also strong with some three million employees. A substantial part of Martela's sales effort is targeted at this segment.

Martela has already operated in the Polish market for 20 years resulting the brand to be well-known and customers very loyal.

CASE: SOPOTEKA MEDIA LIBRARY

Martela participated in a library project that was a great success story for the city of Sopot. The state of the art multimedia library is equipped with solutions to handle multiple meetings and cultural events. In addition the space is arranged in a modern, flexible way to support activity based working. Martela as an expert in creating the best workplaces provided a friendly & inspiring environment for all generations.

Read more

Norway

SERVICE BUSINESS DEVELOPING IN NORWAY

In Norway, projects based on the Martela Lifecycle strategy are proceeding at a good pace.

Martela's business in Norway has previously been handled by dealers, but during 2015 direct sales increased substantially and sales operations have been reinforced. Developing the service business is one of our key goals and we are looking for partners that can support this.

In Norway we serve customers in Oslo and Bergen. The country's oil-reliant economy has recently suffered a slight setback but its economic outlook nevertheless appears positive. Norway's unemployment rate is low and the public sector is investing heavily. Both indicators support Martela's business.

CASE: NORDEA RECYCLING

Nordea moved to its new headquarters in Oslo in December 2015. As a part of a Nordic agreement Martela provided Nordea furniture recycling services. In total 11 208 units of furniture were removed from the old headquarters. Some of the furniture was refurbished and taken back to use in the new office. Some was sold as used furniture in Martela's Outlet stores. Some were recycled as parts for furniture and some as energy and materials for industry. A part of the furniture was donated to Majorstutunet bo- og behandlingssenter, a home for the elderly in Oslo.

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Russia and export

RUSSIAN OPERATIONS HAVE BEEN ADJUSTED TO THE MARKET

The market situation in Russia has changed dramatically, both in Moscow and St Petersburg, due to the sanctions imposed. Martela's operations have been adapted to the current market situation but we are also prepared to take rapid action when the situation changes.

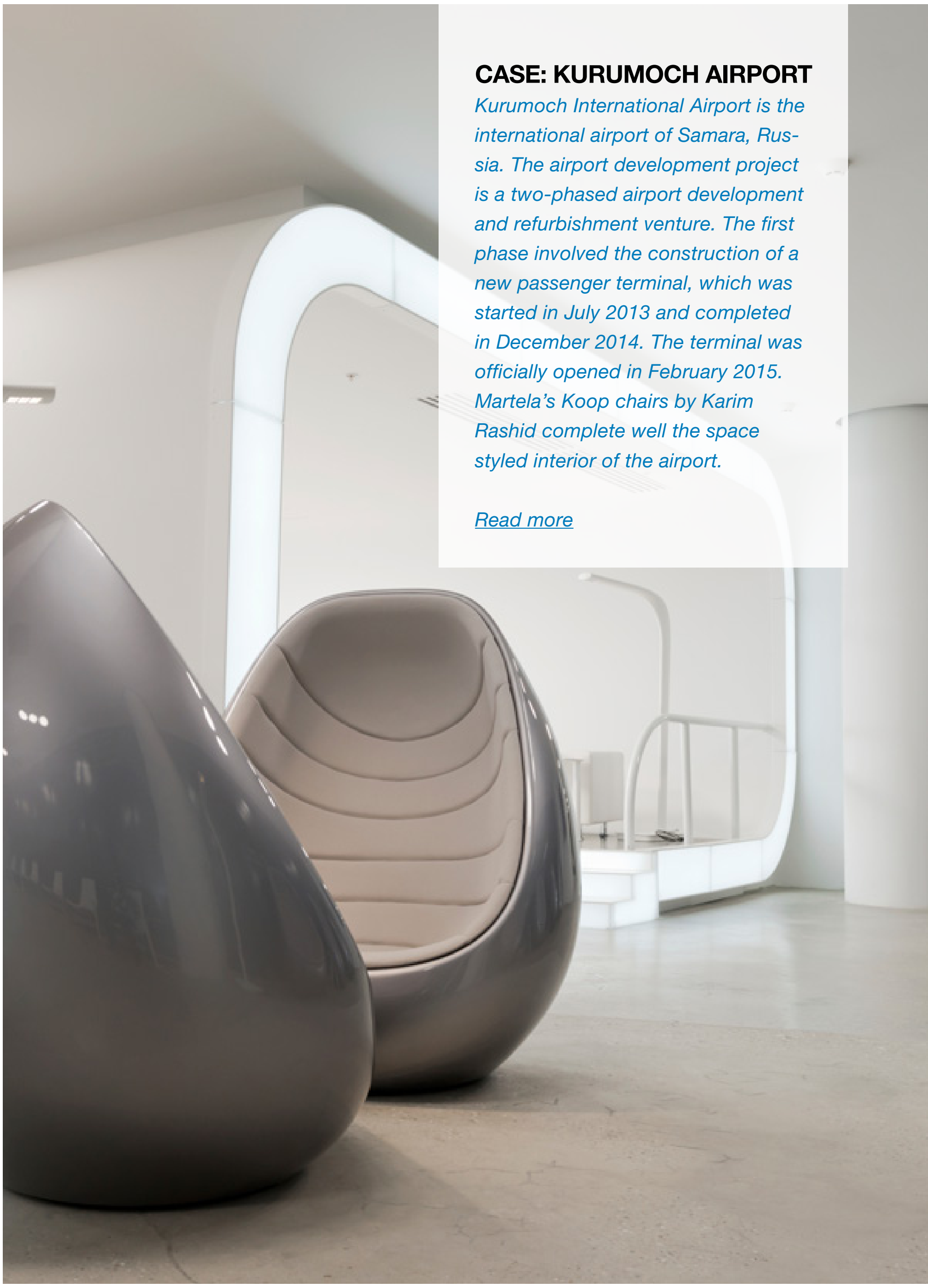
There are nevertheless various substantial projects under way in Russia. Martela has successfully attained a solid position as a workplace specialist and developer of school environments. While the situation is especially challenging with commercial offices, Martela Lifecycle projects have also attracted interest.

We gained valuable brand visibility in the autumn at an exhibition in the Hermitage presenting modernism in Finnish architecture.

EXPORTER OF SCANDINAVIAN DESIGN

Martela exports to 33 countries through more than 60 dealers. Our principal export countries are Denmark and Estonia, where we have our own distributors. The Benelux countries, France, Australia and the UAE are also important export markets.

Martela's export activities are founded on the attractiveness of its products among architects abroad, as these products represent the best in Scandinavian design.



CASE: KURUMOCH AIRPORT

Kurumoch International Airport is the international airport of Samara, Russia. The airport development project is a two-phased airport development and refurbishment venture. The first phase involved the construction of a new passenger terminal, which was started in July 2013 and completed in December 2014. The terminal was officially opened in February 2015. Martela's Koop chairs by Karim Rashid complete well the space styled interior of the airport.

Read more

Customer-oriented operations

The organisation responsible for Martela's supply chain, formerly named Supply Chain Management, was renamed Customer Supply Management (CSM) in 2015. The reason for this change was that Martela is now producing its Martela Lifecycle based services for customers as flexibly as possible by rationalising resourcing and developing common operating methods.

CSM has also taken the lead in adopting the new Martela One philosophy. The unit, which has over 300 employees, operates flexibly in teams comprising people working in different countries. The model was developed as a joint effort in workshops and by assigning responsibility to personnel in a new way.

Customer Supply Management produces products for Martela's business units in all countries. The production units in Poland, Sweden and Finland each have a specific role.

CSM also includes customer service and Martela's project service covering the whole company. Under the new organisation the salesperson still carries the principal responsibility for the customer and can better serve customers in workplace related matters.

The importance and volume of tailored services are growing rapidly. Sourcing and technical product development form a single organisation to allow deeper partnerships with the principal suppliers. Suppliers play an important role in development work because they have the best experience and know-how regarding their technologies. We do not always need to have all areas of competence in-house at Martela.

Under the Martela Lifecycle model, recycling services are also increasing. Logistics plays an important role in this: usable furniture will be refurbished and recyclable materials taken to where they should go with fewer kilometres travelled.

The quality organisation plays a key role in promoting and guaranteeing continuous improvement. It allows us to jointly develop common quality systems and methods required for certification in all countries.

CASE: DB SCHENKER

Environmental values, work efficiency and new ways of working were all taken into consideration when the terminal operations of DB Schenker were all moved to the same building in June 2015.

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Corporate governance statement 2015

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 2015 published by the Securities Market Association. Martela comply with all Code's guidelines.

ORGANISATION

The Group plans, provides and maintains cost–effective working environments that promote wellbeing, above all, and are based on the Martela Lifecycle model. 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.

In 2015 sales operations and customer service were organised by business segment as follows:

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

From beginning of 2016 sales is organised by business segment as follows:

- Business Unit Finland and Sweden
- Business Unit International

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

The main market areas of Business Unit International are Poland, Norway and Russia. In addition the unit is responsible for exports to countries other than those in which it has subsidiaries. In Norway, the Business Unit has its own sales and showroom facilities in Oslo. Sales in Poland are organised via the sales network maintained by the Business Unit. The company has altogether 7 sales centres in Poland. The main office in Poland is in Warsaw and includes both sales and administration. In Russia the sales operation is organised through Martela's subsidiary, which has offices in Moscow and St. Petersburg. In other markets sales are organized through local authorised dealers.

The Business Units share Group-level processes:

- Marketing unit is responsible for common visualization and market communication
- Offering unit is responsible for competitiveness of group offering
- Customer Supply Management (CSM) is responsible for all Business units' production, the principles and technology of production management, product development, Group procurement and steering the quality as well as customer service. 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.

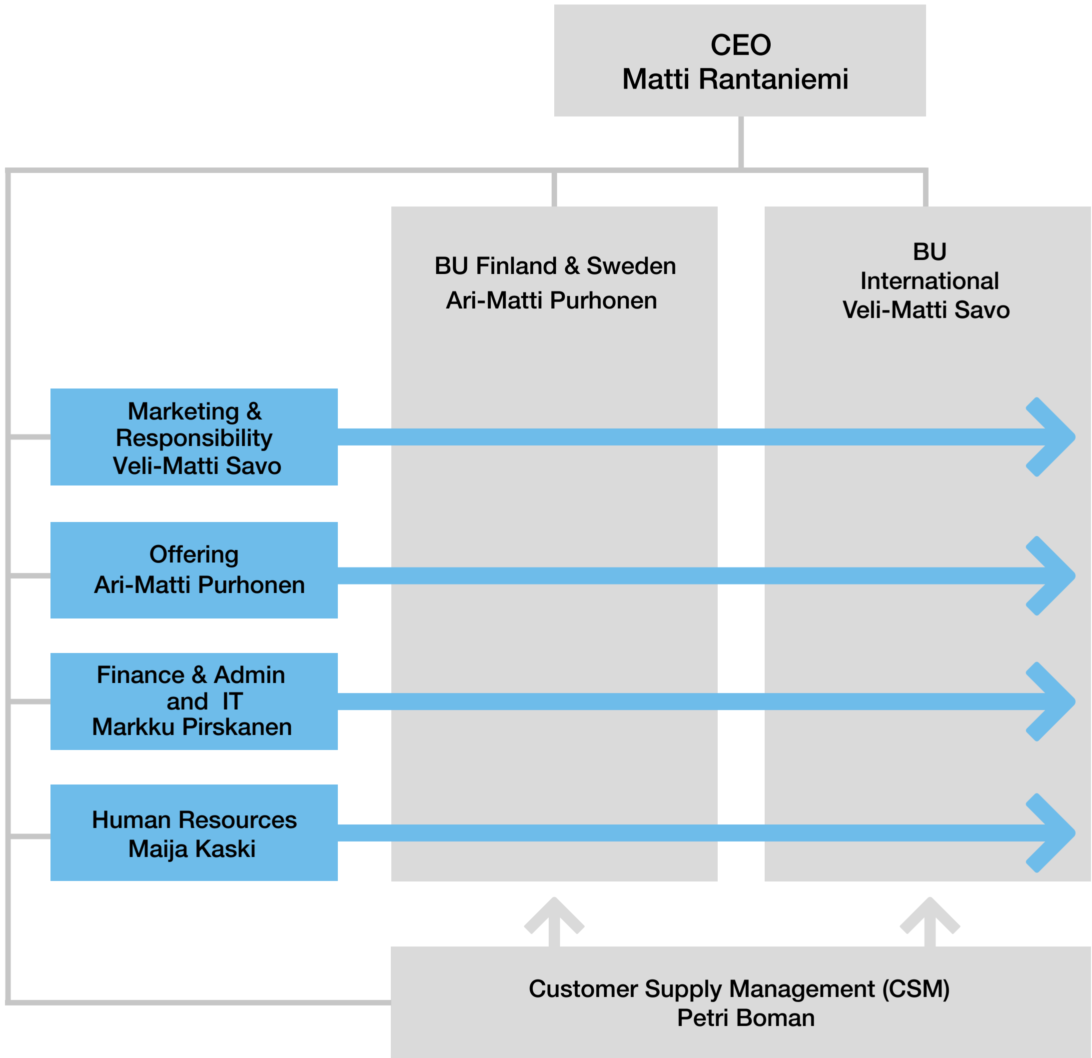
Manufacturing takes place on an order-driven basis at Martela. Management of the supply chain and product assembly have been concentrated in the company's logistics centres in Finland, Sweden and Poland which are part of the Supply Chain Management organization. The logistics centres rely on an extensive 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 17 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 2015 was EUR 7 million.

In January–December 2015, a total of 765,413 (745,536) of the company's A shares were traded on the NASDAQ Helsinki exchange, corresponding to 21.6 per cent (21.0) of the total number of A shares.

The value of trading was EUR 2.4 million (2.4); the share price was EUR 2.91 at the end of the year 2014 and EUR 3.53 at the end of the year 2015. During January–December 2015 the share price was EUR 3.58 at its highest and EUR 2.75 at its lowest. At the end of December, equity per share was EUR 5.54 (5.02).

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. The shareholders representing more than 50% of the Company's voting rights make the preparations and suggestions concerning the composition of the Board of Directors to the General Meeting. 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 ten times during the financial year. The average attendance of Board members was 98 per cent.

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

The Board has evaluated the independence of its members and determined that Heikki Ala-Ilkka, Kirsi Komi, Eero Leskinen, Eero Martela, 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 Matti Rantaniemi 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 Martela Heikki, Leskinen Eero, Ala-Ilkka Heikki, Komi Kirsi, Martela Eero, Metsäranta Pinja and Närhinen Yrjö.







MEMBERS OF THE BOARD

CHAIRMAN OF THE BOARD
Martela Heikki Born in 1956, M.Sc. (Econ), MBA
Member of the Board of Martela Oyj since 1986, Chairman of the Board of Martela Oyj 2000–2002 and again starting 2015. CEO of Martela Oyj 2002–2015.
Other key duties: Chairman of the Board of Marfort Oy and member of the Board of the Association of Finnish Furniture and Joinery Industries and Lappset Group Oy.
Owns 130,942 Martela Oyj A shares and 52,122 Martela Oyj K shares.

VICE CHAIRMAN OF THE BOARD
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.
Owns 19,750 Martela Oyj A shares.

Ala-Ilkka Heikki Born in 1952, M.Sc. (Econ)
Member of the Board since 2002.
Chairman of the Board 2003–2015.
Chief Financial Officer of Onninen Oy 1996–2011.
Other key duties: Chairman of the Board of Masino-yhtiöt, Vice Chairman of the Board of Silmäsäätiö
Owns 15,000 Martela Oyj A shares.

Komi Kirsi Born in 1963, LL.M.
Member of the Board of Martela Oyj since 2013.
Other key duties: Member of the Board 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.

Martela Eero s. 1984, M.Sc. (Tech)
Member of the Board since 2015.
Technology Strategy Analyst, Accenture 2012–.
Owns 6,710 Martela Oyj A shares and 400 Martela Oyj K shares.

Metsäranta Pinja Born in 1975, M.A.
Member of the Board since 2010
Senior coordinator, Academy of Fine Arts, University of the Arts Helsinki
Owns 4,000 Martela Oyj A shares and 380 Martela Oyj K shares.

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

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

CHIEF EXECUTIVE OFFICER (CEO)
Rantaniemi Matti Born in 1973, Engineer, MBA
At Martela since 2015 and member of the management team since 2015.
Working experience:
Otis Oy, Carrier Oy, Kidde Finland Oy, UTC Building & Industrial Systems Finland, Managing Director, 2011–2015
Halton Putzair Oy, COO/CEO, 2010–2011
Infosto Group, Various management positions, 2000–2010
Owns no Martela Oyj shares.

VICE PRESIDENT, CUSTOMER SUPPLY MANAGEMENT
Boman Petri Born in 1966, M.Sc. (Tech.)
Area of responsibility: Group sourcing, production, logistics, customer & project service, quality and Product Development
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 7,900 Martela Oyj A shares.

VICE PRESIDENT, HUMAN RESOURCES
Kaski Maija Born in 1967, MA (ed.)
Area responsibility: Human resources
At Martela and member of the management team since 2015.
Working experience:
Talvivaara Mining Plc, Chief HR Officer, 2012–2015
Nokia Oyj, Senior Manager, HR, 2006–2012
Elcoteq SE, HR Director, various HR positions, 1995–2006 Owns no Martela Oyj shares.

CHIEF FINANCIAL OFFICER (CFO)
Pirskanen Markku Born in 1964, M.Sc. (Econ)
Area of responsibility: Group's Finance and IT operations
At Martela and member of the management team since 2011.
Working experience:
Comptel Oyj, CFO, 2009–2011
Finlayson & Co Oy, CFO, 2003–2009
F-Secure Oyj, CFO, 1998–2003
Componenta Oyj, Financial manager, CFO, 1989–1998 Owns 9,400 Martela Oyj A shares.

VICE PRESIDENT, BUSINESS UNIT FINLAND & SWEDEN AND GROUP OFFERING
Purhonen Ari-Matti Born in 1971, M.Sc. (Tech.)
Area of responsibility: Sales and Service Production in Finland and Sweden and Group Offering
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 6,400 Martela Oyj A shares.

VICE PRESIDENT, BUSINESS UNIT INTERNATIONAL, GROUP MARKETING AND RESPONSIBILITY
Savo Veli-Matti Born in 1964, B.Sc.(Eng.)
Area of responsibility: Sales and Service Production in Poland, Norway and Russia, International Dealer Network, 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 12,369 Martela Oyj A shares.

In the pictures from left to right Rantaniemi Matti, Boman Petri, Kaski Maija, Pirskanen Markku, Purhonen Ari-Matti and Savo Veli-Matti.

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 2015, a total of EUR 114,000 (109,000) was paid in fees for the Group's auditing, while EUR 24,000 (19,000) 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 2015, internal control focused on sales functions and especially the processes concerning the management of inventories.

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. Instead, internal audit is carried out in the form of ordinary business processes and the controls within them.

RISKS

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

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

MANAGEMENT REMUNERATION, BENEFITS AND INCENTIVE PLANS

The fees paid to the Chairman and to the members of the Board in 2015 totalled EUR 27,000 and EUR 95,000, respectively. However, no fees are paid to Board members employed by the company.

Martela Corporation gained a new Managing Director on 1 October 2015. The total salaries and other benefits paid to Martela Corporation's previous Managing Director Heikki Martela in 2015 were EUR 252,000 (288,000). In addition Heikki Martela received, EUR 63,000 (78,000) as bonuses and share-based incentives. The total salaries and other benefits paid to the present Managing Director Matti Rantaniemi in 2015 were EUR 57,000 (0). Martela's previous Managing Director Heikki Martela, is entitled to retire on a full pension at the age of 60 in spring 2016. He announced his intention to exercise his right. 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 6 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 2015 the targets were fulfilled and therefore shares were distributed according 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.

RELATED PARTY TRANSACTIONS

The company has defined the persons considered related parties and keeps a list of them. The related parties include the members of the Board of Directors and of the Group Management Team and any companies in their sphere of control. Business transactions between related parties and companies in their sphere of control and companies in the Martela Group are monitored. In 2015 there were no material related party transactions.

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.

Financial statements

Information for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Martela Oyj will be held on Tuesday, 8 March 2016, 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 Euroclear Finland Ltd no later than 25 February 2016, and the shareholders should register at the Company's head office, tel. +358 (0)10 345 5396, by email yhtiokokous2016@martela.fi, or by post to Martela Oyj, PL 44, FI-00371 Helsinki, no later than 4 p.m. on 3 March 2016.

PAYMENT OF DIVIDENDS

The Board of Directors proposes to the General Meeting that a dividend of EUR 0.25 per share be paid for the financial year 1 January 2015 – 31 December 2015. 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 10 March 2016. The Board of Directors proposes that the dividend would be paid on 17 March 2016.

PUBLICATION OF FINANCIAL INFORMATION

Martela will publish three interim reports in 2016:

- January–March (Q1) on Friday 29 April 2016
- January–June (Q2) on Tuesday 9 August 2016
- January–September (Q3) on Tuesday 1 November 2016

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

Martela's Annual report 2015 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 2015 financial year was EUR 132.8 million (2014: 135.9 million), a year-on-year decrease of 2.3 per cent. The operating result for the year was EUR 4.1 million (0.2) and the earnings per share EUR 0.61 (-0.18). The cash flow from operating activities in 2015 was EUR 3.9 million (6.2). The equity ratio was 40.9 per cent (38.1) and the gearing ratio was 16.6 per cent (33.4). The return on investment for the year was 12.1 per cent (0.5).

MARKET

Economic conditions continued to be challenging in Finland and Russia during the final months of 2015. By contrast, in Sweden and Poland the general trend in the economy improved towards the end of the year, as did the confidence that the economy would pick up in the short term. Although the general trend in the Finnish economy was weak during 2015, a significant number of companies nevertheless implemented office alteration projects. With the aid of the Martela Lifecycle model for these alteration projects and for life-cycle management of corporate working environments, Martela has been able to operate successfully even in the challenging Finnish market.

The improving situation in the Swedish and Polish economies has not yet been evident to any great extent in the demand for office furniture. The most significant projects in these markets are still alteration and enhancement projects. The market in Russia continued to be challenging and no improvement is anticipated in the short term.

In addition to office construction, the demand for Martela's products and services is significantly affected by the general economic situation and by the extent to which companies need to use their office space more efficiently. The need to boost efficiency often leads to office alteration projects, which in turn generate demand for Martela's products and services. The annual change in gross domestic product (GDP) can be regarded as a good indicator of the general trend in the economy. In Finland, the change in GDP was estimated to be about zero per cent in 2015. Most forecasts for the change in GDP in 2016 indicate a slight increase, which would mean that the Finnish economy will see a gradual, slow recovery. There is still no sign of a stronger recovery in the near future.

GROUP STRUCTURE

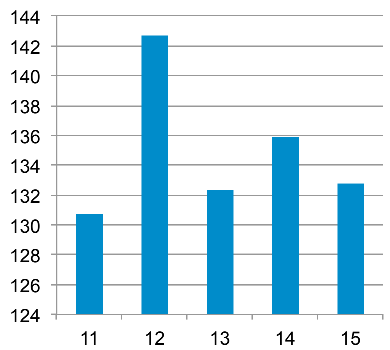
There were no changes in Group structure during the review period.

SEGMENT REPORTING

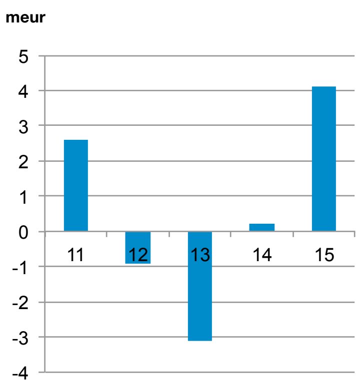
The business segments are based on the Group's operating structure and internal financial reporting.

Sales between segments are reported as part of the segments' revenue. The segment results presented are their operating results, as 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.

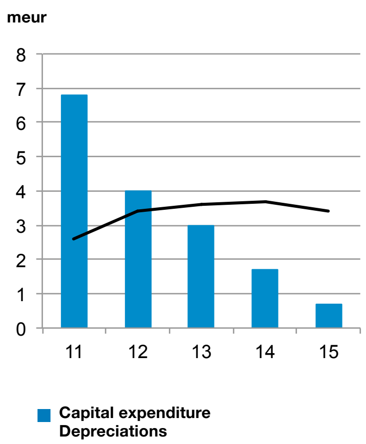
Revenue



Operating profit



Capital expenditure and depreciations



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 and Norway's sales are handled through dealers. The unit also has its own sales and showroom facilities in three locations: Stockholm and Bodafors in Sweden and Oslo in Norway. Its 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 International is responsible for the sales of Martela products in Poland and Russia and in countries where Martela does not have a subsidiary. The most important export countries are Denmark, Estonia, the Netherlands, Germany and Japan. The unit has its own sales network in Poland and Russia, while in other countries it relies on authorised importers. The unit is also responsible for managing the Group's key international accounts. There are seven sales centres in Poland and two in Russia.

'Other segments' includes the business activities of Kidex Oy. Non-allocated Group functions, production units and non-recurring sales gains and losses are also reported in the operating result of other segments.

Production and sourcing for the Business Units are the responsibility of the Group's Customer Supply Management unit (formerly Supply Chain Management), which has logistics centres in Finland, Sweden and Poland.

CHANGES IN SEGMENT REPORTING FROM 1 JANUARY 2016

As of the start of 2016, the Group's operating structure and internal financial reporting have been modified in such a way that the Group now has two business units. Sweden joins the Finland business unit, which will now be reported as Business Unit Finland & Sweden. Norway also becomes part of Business Unit International and will be reported under that unit. Business Unit International therefore now comprises Norway, Poland, Russia and exports to countries other than those in which Martela has a subsidiary.

REVENUE

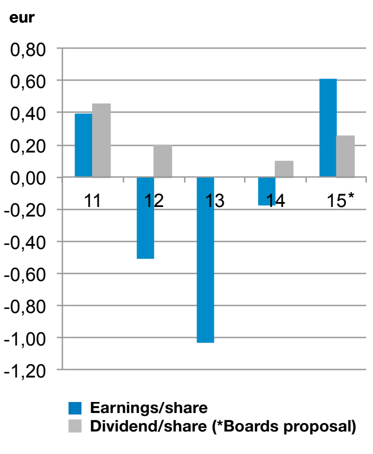
Consolidated revenue for the full year 2015 was EUR 132.8 million (135.9), a decrease of 2.3 per cent on the previous year. Revenue in Finland increased significantly, both in the fourth quarter and for the full financial year. The favourable performance in Finland was due in part to the success of Martela's Lifecycle model among customer companies. Business Unit Sweden and Norway achieved revenue growth in the final quarter of 2015, although revenue for the full twelve months was significantly down on the previous year's figure. For Business Unit International the fourth quarter showed a slight decrease year-on-year. The business unit's full-year revenue was down significantly, with much of this decrease being from the Russian market. Polish revenue also fell slightly. Due to the difficult situation in the market, no major improvement in demand in Russia is anticipated during 2016.

Business Unit Finland's revenue was up by 10.6 per cent. Business Unit Sweden and Norway's revenue was down by 19.5 per cent, and Business Unit International's was down by 33.3 per cent. Movements in exchange rates did not have a significant impact on the Group's revenue.

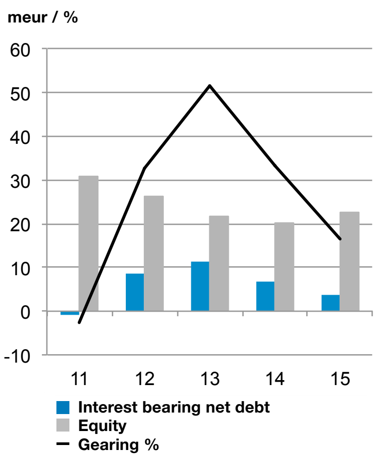
CONSOLIDATED RESULT

The cumulative full-year operating result increased considerably and was EUR 4.1 million (0.2), which was 3.1 per cent (0.1) of revenue. The clear improvement in the Group's January–December operating result was mainly due to the savings made in the cost structure as a result of the adjustment

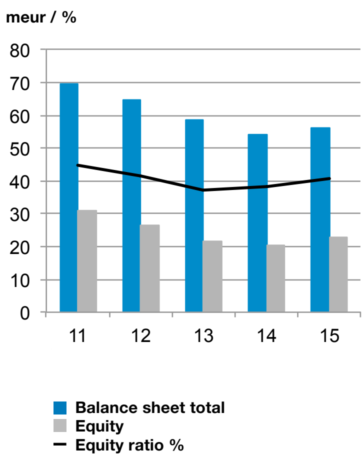
Earnings/share and dividends



Gearing



Equity ratio %



measures taken. The Group's fixed costs were reduced during the year, as planned, in comparison with the previous year's figures, and it was also evident that the EUR 6 million savings programme launched in autumn 2013 had been a success.

Business Unit Finland improved its operating result for the period as a consequence of improved revenue and the efficiency measures taken. In both Business Unit Sweden and Norway and Business Unit International, the operating result for the final quarter and for the full year was negative. The negative result was mainly due to the weak trend in revenue. Efficiency improvement measures were initiated in Poland (part of Business Unit International) in October, and the aim of these was to reorganise the sales structure, speed up the process of implementing Martela's Lifecycle strategy and reduce the unit's costs.

In April 2015, Martela started a new savings programme, the goal being to reduce costs by EUR 4 million at the annual level by the end of 2016, with the cost savings taking full effect in 2017. The measures taken by the end of 2015 were as follows: Martela Oyj's statutory employee negotiations concerning office staff were held in April 2015 (annual savings of EUR 1.2 million); efficiency measures launched in Poland in October (EUR 0.5 million); reorganisation of Martela's premises (EUR 0.9 million); and efficiency measures at Kitee (EUR 0.9 million). The measures already introduced will allow the Group to achieve a total of EUR 3.5 million of the targeted savings of EUR 4 million. About one third of the savings that can be achieved with the measures taken so far was realised in the 2015 result, and about half will be achieved in 2016, with the remainder being realised during 2017. At the same time, however, the Group will continue in 2016 to invest in implementing and further developing its Martela Lifecycle model, which will increase fixed costs a little, preventing the Group's cost level from falling by the full amount of the savings referred to above. Plans to bring about the final part of the savings programme are continuing.

Over the past year or more, interest in activity-based office solutions has continued to increase in Martela's main market areas. The Group has introduced novel solutions suitable for activity-based offices and continues to invest in its ability to provide even more high-quality comprehensive solutions and services in the field of activity-based working. The Group has strengthened 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 3.4 million (-0.6), and the result after taxes was EUR 2.5 million (-0.7).

FINANCIAL POSITION

The Group's financial position is still stable. Cash flow from operating activities was good in January–December 2015, and came to EUR 3.9 million (6.2).

Interest-bearing liabilities at the end of the year were EUR 11.5 million (13.2) and net interest-bearing liabilities were EUR 3.8 million (6.8). The gearing ratio at the end of the period was 16.6 per cent (33.4), and the equity ratio was 40.9 per cent (38.1). Net financial expenses were EUR -0.7 million (-0.8). Financing arrangements include a covenant clause which examines the ratio between the Group's net liabilities and EBITDA and the Group's equity ratio. The figures calculated at the time the financial statements are prepared comply with the covenant clause. On 31 December 2015 a total of EUR 7.8 million of the Group's loans were subject to the covenant clause.

The balance sheet total stood at EUR 56.0 million (54.2) at the end of the period.

CAPITAL EXPENDITURE

The Group's gross capital expenditure for January–December came to EUR 0.7 million (1.7). This consisted of expenditure on production replacements.

The Group's capital expenditure in the last two years has been relatively low compared with depreciation. In 2016 the Group's capital expenditure will be in the region of EUR 2.5 million, with the main emphasis on the development of IT systems. The Group's depreciation in 2015 came to EUR 3.4 million.

PERSONNEL

The Group employed an average of 622 people (742), which represents a decrease of 16.2 per cent. The number of employees in the Group was 575 (670) at the end of the period. Salaries and fees in 2015 totalled EUR 25.7 million (29.2). Expenses arising from employee benefits are presented in more detail under note 3 of the notes to the financial statements.

Mr. Matti Rantaniemi begun as a new CEO on 1 October 2015. At the same time previous CEO Heikki Martela was nominated as a Chairman of the Board.

PRODUCT DEVELOPMENT AND SERVICES

Martela Lifecycle® model

The Martela Lifecycle® model has been well received in all the home markets and it formed the focus of sales and marketing measures during 2015. With the Lifecycle model, Martela can specify the customer's workplace requirements, and design, implement and maintain the workplace in accordance with these requirements. In Finland, Martela already has comprehensive services available for each stage of the life cycle. Now Martela is also able to provide its customers in Poland, Russia, Sweden and Norway with almost full life-cycle services. Martela's product development has focused intensively on the development of life-cycle services.

Great interest in productive environments

Martela's broad range of solutions for offices and learning environments has attracted wide interest. Both the media and our customers are interested in new ways of working. This has generated greater debate in the media on activity-based offices and the way in which they can improve productivity and wellbeing at work. A number of seminars on the topic were held during the year and these were also attended by representatives from Martela. Groups of customers who want to take a closer look at more efficient and pleasant working environments are also a frequent sight at Martela's own office premises.

User-oriented furniture solutions in activity-based offices

The benefits of activity-based offices are based on increased interaction and the associated enhancement of positive experiences of the workplace. The furniture and design of the spaces must support the meetings that take place in activity-based offices. There are many kinds of meetings: spontaneus, casual, official, those that require intense concentration, and those that draw from the surrounding hustle and bustle. In 2015, in response to these needs, Martela launched the Nooa sofa range, designed by Antti Kotilainen, and the height-adjustable Frankie conference table designed by Iiro Viljanen. The Sola product range was also expanded with the addition of the keenly anticipated conference and lobby chairs.

Martela also launched the novel PodWork workstation during the year. All Pod products are perfect for activity-based offices. Pod furniture supports different ways of working and feels personal even when used by several people. An important factor is the design, which is both open and suitably intimate. The Pod product family includes workstations that are open and with different levels of intimacy, a meeting space, and sofas and chairs, which can all be combined to create spaces for various needs.

Better user experiences through Martela Dynamic solutions

User-oriented activity-based offices significantly reduce companies' needs for space while also improving operational efficiency. When offices are divided into zones based on their purpose of use, employees are able to make more effective use of their resources and potential. Activity-based offices can be enhanced considerably with Martela's new, intelligent Dynamic solutions. Dynamic Desk Booking is a new workstation reservation system, Dynamic Storage is a solution for temporary storage needs, and Dynamic Meeting Booking is an easy-to-use solution for reserving meeting rooms and locating other available spaces. These solutions make working in an office easier and more convenient, and enable employees to effortlessly locate free workstations, meeting rooms and storage space and to find their colleagues. Reserving desks and spaces is also uncomplicated.

CORPORATE RESPONSIBILITY AND QUALITY

Responsibility forms an integral part of Martela's strategy and daily operations. We support the responsibility of our customer companies by offering durable solutions for the working environment throughout its entire life cycle 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 working environment. Martela creates responsible working environments by taking into account user needs and by supporting user wellbeing.

With responsibly planned spaces it is 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.

Furniture that is in good condition but unwanted after an office alteration project is delivered to the Martela Outlet central warehouse in Finland, where the items are then available through the online store that was opened in December as the first such store focusing on the sale of recycled products. The Martela Outlet stores order furniture from the central warehouse according to their local needs.

Furniture that needs repairing is taken to Martela's logistics centre where it is reupholstered and then taken to the Outlet central warehouse. Furniture that is unfit for reuse 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.

Local production and employment are important factors for Martela, and we aim to create jobs primarily in our market areas. 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 create a more continuous, consistent and close way of working at Martela, and this enables the units to be compared using our key quality indicators. The quality indicators include delivery reliability, customer satisfaction and management of complaints.

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 January–December 2015, 765,413 (745,536) of the company's A shares were traded on NASDAQ Helsinki, corresponding to 21.6 per cent (21.0) of all A shares.

The value of trading turnover was EUR 2.4 million (2.4), and the share price was EUR 2.91 at the end of 2014 and EUR 3.53 at the end of 2015. During January–December the share price was EUR 3.58 at its highest and EUR 2.75 at its lowest. At the end of December 2015, equity per share was EUR 5.54 (5.02).

TREASURY SHARES

Martela did not purchase any of its own shares in January–December. On 31 December 2015, Martela owned a total of 63,147 Martela A shares, purchased at an average price of EUR 10.65. Martela's holding of treasury shares amounts to 1.5 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. The external service provider was not in possession of any undistributed shares at the end of the review period on 31 December 2015.

2015 ANNUAL GENERAL MEETING

Martela Corporation's Annual General Meeting was held on 10 March 2015. The AGM approved the financial statements for 2014 and discharged the members of the Board of Directors and the Managing Director from liability. The AGM decided, in accordance with the Board of Directors' proposal, to distribute a dividend of EUR 0.10 per share. The dividend was paid on 19 March 2015.

The number of members on the Board of Directors was confirmed as seven. Heikki Ala-Ilkka, Kirsi Komi, Eero Leskinen, Heikki Martela, Pinja Metsäranta and Yrjö Närhinen were re-elected to the Board, and Eero Martela was elected as a new member. KPMG Oy Ab, Authorised Public Accountants, was reappointed as the company's auditor.

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 new Board of Directors convened after the AGM and elected from its members Heikki Ala-Ilkka as Chairman and Eero Leskinen as Vice Chairman.

ADMINISTRATION

Martela Corporation is a Finnish limited liability company that is governed in its decision-making and management by Finnish legislation, especially the Finnish 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 Corporate Governance Code 2015 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 governance: www.martela.com/corporate-governance

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 22 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

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

OUTLOOK FOR 2016

The Martela Group anticipates that its revenue and operating result in 2016 will remain at the previous year's level. Due to normal seasonal variation, the Group's operating result is weighted towards the second half of the year.

PROPOSAL OF THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The Board of Directors will propose to the AGM that a dividend of EUR 0.25 per share be distributed for 2015. 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 8 March 2016 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 International	Other segments	Total
1.1.2015–31.12.2015					
External Revenue	96.7	20.0	14.9	1.2	132.8
Internal Revenue	8.2	0.0	0.4	17.7	26.3
Total 2015	**104.9**	**20.0**	**15.3**	**18.8**	
1.1.2014–31.12.2014					
External Revenue	87.5	24.9	22.4	1.2	135.9
Internal Revenue	6.6	1.4	2.7	18.3	29.0
Total 2014	**94.1**	**26.3**	**25.1**	**19.5**	
External Revenue change %	10.6%	-19.5%	-33.3%	-1.6%	-2.3%

Business Unit Poland has been united with Business Unit International in 2015 and comparative information has been recalculated accordingly. More information about segments in Note 1.

Average staff by region

	2015	2014
Finland	469	559
Scandinavia	49	62
Poland	93	110
Russia	11	11
Group total	**622**	**742**

Consolidated comprehensive income statement

(EUR 1,000)	Note	1.1.–31.12.2015	1.1.–31.12.2014
Revenue	1	**132 820**	**135 918**
Other operating income	2	395	1 049
Changes in inventories of finished goods and work in progress		-725	-741
Raw material and consumables used		-73 668	-73 251
Production for own use		68	91
Employee benefits expenses	3	-32 277	-36 258
Depreciation and impairment	4	-3 417	-3 764
Other operating expenses	5	-19 121	-22 888
Operating profit (-loss)		**4 075**	**156**
Financial income	7	21	28
Financial expenses	7	-710	-781
Profit (-loss) before taxes		**3 386**	**-597**
Income taxes	8	-903	-112
Profit (-loss) for the financial year		**2 483**	**-709**
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		253	-72
Taxes from items that will not later be recognised through profit or loss		-32	14
Items that may later be recognised through profit or loss			
Translation differences		-41	-613
Total comprehensive income		**2 663**	**-1 380**
Allocation of profit (loss) for the financial year:			
Equity holders of the parent		2 483	-709
Allocation of total comprehensive income:			
Equity holders of the parent		2 663	-1 380
Earnings per share for the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	0.61	-0.18
Diluted earnings/share, EUR	9	0.61	-0.18

Consolidated balance sheet

(EUR 1,000)	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Intangible assets	10	4 733	5 481
Tangible assets	11	8 524	10 499
Available-for-sale financial assets		55	55
Investment properties	12	600	600
Deferred tax assets	14	381	496
Non-current assets, total		**14 293**	**17 131**
Current assets			
Inventories	15	10 655	10 161
Trade receivables	13,16	21 543	18 105
Loan receivables	13,16	69	274
Accrued income and prepaid expenses	13,16	1 702	2 159
Cash and cash equivalents		7 724	6 407
Current assets, total		**41 693**	**37 106**
Assets, total		**55 986**	**54 237**

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

(EUR 1,000)	Note	31.12.2015	31.12.2014
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	17		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Other reserves		-9	-9
Treasury shares *		-673	-1 050
Translation differences		-740	-699
Retained earnings		15 968	13 962
Equity, total		**22 662**	**20 320**
Non-current liabilities			
Deferred tax liabilities	14	758	813
Pension obligations	20	574	737
Financial liabilities	13, 19	8 388	6 794
Non-current liabilities, total		**9 720**	**8 344**
Current liabilities			
Interest-bearing			
Financial liabilities	13,19	2 517	5 671
Interest-bearing current liabilities, total		**2 517**	**5 671**
Non-interest-bearing			
Advances received	13, 21	595	961
Trade payables	13, 21	8 044	7 079
Accrued liabilities and prepaid income	13, 21	7 373	7 460
Other current liabilities	13, 21	5 075	4 402
Non-interest-bearing current liabilities, total		**21 087**	**19 902**
Liabilities, total		**33 324**	**33 917**
Equity and liabilities, total		**55 986**	**54 237**

* The shares acquired for and assigned to the share-based incentive scheme are shown in accounting terms as treasury shares. See Notes, 17.

Consolidated cash flow statement

(EUR 1,000)	1.1.–31.12.2015	1.1.–31.12.2014
Cash flows from operating activities		
Cash flow from sales	129 489	139 896
Cash flow from other operating income	354	764
Payments on operating costs	-125 229	-133 266
Net cash from operating activities before financial items and taxes	4 614	7 394
Interest paid	-422	-425
Interest received	10	15
Other financial items	-273	-355
Dividends received	0	7
Taxes paid	-55	-471
Net cash from operating activities (A)	**3 874**	**6 165**
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-626	-1 484
Proceeds from sale of tangible and intangible assets	41	21
Net cash used in investing activities (B)	**-585**	**-1 463**
Cash flows from financing activities		
Proceeds from short-term loans	11 932	33 500
Repayments of short-term loans	-15 262	-34 292
Proceeds from long-term loans	4 000	0
Repayments of long-term loans	-2 231	-2 119
Dividends paid and other profit distribution	-405	0
Net cash used in financing activities (C)	**-1 966**	**-2 911**
Change in cash and cash equivalents (A+B+C), increase +, decrease -	1 323	1 791
Cash and cash equivalents at beginning of year	**6 407**	**4 857**
Translation differences	-6	-241
Cash and cash equivalents at end of year	**7 724**	**6 407**

Statement of changes in equity

(EUR 1,000)

Equity attributable to equity holders of the parent	Share capital	Share premium account	Other reserves	Treasury shares	Translation diff.	Retained earnings	Equity, total
Equity 1.1.2014	**7 000**	**1 116**	**-9**	**-1 050**	**-86**	**14 602**	**21 573**
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
Total comprehensive income					**-613**	**-767**	**-1 380**
Share-based incentives						127	127
Equity 31.12.2014	**7 000**	**1 116**	**-9**	**-1 050**	**-699**	**13 962**	**20 320**
Equity 1.1.2015	**7 000**	**1 116**	**-9**	**-1 050**	**-699**	**13 962**	**20 320**
Other comprehensive income							
Profit (loss) for the financial year						2 483	2 483
Other items of comprehensive income adjusted by tax effects							
Translation differences					-41		-41
Items resulting from remeasurement of the net debt related to defined benefit plans (incl. deferred taxes)						221	221
Total comprehensive income					**-41**	**2 704**	**2 663**
Share-based incentives				377		-293	84
Business transactions with owners							
Dividends						-354	-354
Withholding tax on dividends						-51	-51
Business transactions with owners, total						-405	-405
Equity 31.12.2015	**7 000**	**1 116**	**-9**	**-673**	**-740**	**15 968**	**22 662**

More information in Notes 17 Equity and 18 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.

These financial statements were authorized for issue by the Board of Directors of Martela Oyj on February 3rd 2016. 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. 2015. 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.

Martela Group has applied as from 1 January 2015 the following new and amended standards that have come into effect.

- Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions: The amendments clarify the accounting treatment under IAS 19 in respect of defined benefit plans that involve contributions from employees or third parties towards the cost of benefits. The amendments had no significant impact on Martela's consolidated financial statements.
- Annual Improvements to IFRSs (2011–2013 cycle and 2010–2012 cycle): 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.

Other amended standards did not have an effect on Martela's financial reporting.

USE OF ESTIMATES

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company, Martela Oyj, and all the subsidiaries in which the parent company controls, directly or indirectly, more than 50 per cent of the voting power of the shares, or otherwise has control. 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.

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

OPERATING PROFIT

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

INCOME TAXES

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

Deferred tax assets and liabilities are recognised on temporary differences between the tax bases and IFRS carrying values of assets and liabilities in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which it can be used. 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 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 possibly 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. Those borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

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

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

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

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

Investment properties

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

Impairment of tangible and intangible assets

The carrying amounts of assets are assessed at the end of each reporting period to observe whether there are any indications that an asset may be impaired. If such indications exist, the recoverable amount of the asset will be estimated at the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised if the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2015 or 2014.

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.

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

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

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

Impairment testing

The carrying amounts of non-current assets are assessed at the end of each reporting period to observe whether there are any indications that an 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.

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.
* = not yet endorsed for use by the European Union as of 31 December 2015

- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative (effective for financial periods 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 had 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 periods 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 an impact on Martela's consolidated financial statements.

- Amendments to IAS 27 Separate Financial Statements – Equity Method in Separate Financial Statements (effective for financial periods beginning on or after 1 January 2016): The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will not have an 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 periods beginning on or after 1 January 2018): 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 periods 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 International is responsible for the sales of Martela products in Poland and Russia and in countries where Martela does not have a subsidiary. The most important export countries are Denmark, Estonia, the Netherlands, Germany and Japan. The unit has its own sales network in Poland and Russia, while in other countries it relies on authorised dealers. The unit is also responsible for managing the Group's key international accounts. There are seven sales centres in Poland and two in Russia.

Other segments includes the business activities of Kidex Oy. Non-allocated Group functions, production units and non-recurring sales gains and losses are also reported in the operating result of other segments.

Production and sourcing for the Business Units are the responsibility of the Group's Customer Supply Management unit (formerly Supply Chain Management unit), which has logistics centres in Finland, Sweden and Poland.

The Business unit Poland was united with the BU International in 2015 and is reported under Business Unit International. In the following table segment information has been recalculated accordingly for 2014.

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(EUR 1,000)

Segment revenue	**1.1.–31.12.2015**	**1.1.–31.12.2014**
Business Unit Finland		
external	96 702	87 469
internal	8 214	6 613
Business Unit Sweden and Norway		
external	20 026	24 886
internal	3	1 425
Business Unit International		
external	14 905	22 357
internal	398	2 709
Other segments		
external	1 186	1 206
internal	17 663	18 275
Total external revenue	**132 820**	**135 918**
Income from the sale of goods	117 539	122 536
Income from the sale of services	15 281	13 382
Total	**132 820**	**135 918**
Segment operating profit/loss	**1.1.–31.12.2015**	**1.1.–31.12.2014**
Business Unit Finland	8 234	2 840
Business Unit Sweden and Norway	-1 457	-398
Business Unit International	-1 667	-564
Other segments	-1 035	-1 722
Total operating profit/loss	**4 075**	**156**

Business Unit International consists of Martela’s sales operations in Poland and Russia as well as exports.
The item ‘Other segments’ includes operating activities of Kidex Oy, non-allocated Group functions, production units and non-recurring sales gains and losses.

Information about geographical regions

Non-current assets	Intangible assets 31.12.2015	Tangible assets 31.12.2015
Finland	4 731	7 756
Sweden	0	202
Other regions	2	566
Total	**4 733**	**8 524**

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

2. Other operating income

(EUR 1,000)	1.1.–31.12.2015	1.1.–31.12.2014
Gains on sale of tangible assets	41	21
Rental income	39	64
Public subsidies	185	211
Other income from operations	130	753
Total	**395**	**1 049**

Other income from operations includes EUR 374 thousand from the sale of businesses in 2014.

3. Employee benefits expenses

(EUR 1,000)	1.1.–31.12.2015	1.1.–31.12.2014
Salaries and wages	-25 539	-28 942
Pension expenses, defined contribution plans	-4 012	-4 384
Pension expenses, defined benefit plans	-367	-336
Part paid as share-based incentives	-203	-262
Other salary-related expenses	-2 156	-2 334
Personnel expenses in the income statement	-32 277	-36 258
Other fringe benefits	-471	-383
Total	**-32 748**	**-36 641**

A total of EUR -2,151 thousand for 2015 and EUR -1,871 thousand for 2014 were recognised in the result from incentives and salary-related expenses associated with the incentive scheme. Salaries and fees and share-based payments made to management are presented in more detail under Note 25 Related-party transactions. More information about share-based incentives in Note 18 Share-based payments.

Personnel	2015	2014
Average personnel, workers	304	376
Average personnel, officials	318	366
Average personnel, total	**622**	**742**
Personnel at year end	**575**	**670**
Average personnel in Finland	469	559
Average personnel in Sweden	42	56
Average personnel in Norway	7	6
Average personnel in Poland	93	110
Average personnel in Russia	11	11
Total	**622**	**742**

4. Depreciation and impairment

(EUR 1,000)	1.1.–31.12.2015	1.1.–31.12.2014
Depreciation		
Intangible assets	-796	-941
Tangible assets		
Buildings and structures	-818	-812
Machinery and equipment	-1 803	-2 011
Depreciation, total	**-3 417**	**-3 764**

5. Other operating expenses

Other operating expenses are reported by type of expense.

(EUR 1,000)	1.1.–31.12.2015	1.1.–31.12.2014
Freights	-1 909	-2 466
Travelling	-1 340	-1 602
Administration	-1 731	-2 085
IT	-2 631	-2 956
Marketing	-1 585	-2 042
Vehicles	-861	-912
Real estate	-4 621	-5 481
Other	-4 443	-5 344
Total	**-19 121**	**-22 888**

Auditor's fees	1.1.–31.12.2015	1.1.–31.12.2014
Auditing	-114	-109
Other services	-24	-19
Total	**-138**	**-128**

Auditors fees are included in administration expenses.

6. Research and development expenses

The income statement includes research and development expenses of EUR -2,074 thousand in 2015 (EUR -2,775 thousand in 2014).

7. Financial income and expenses

(EUR 1,000)	1.1.–31.12.2015	1.1.–31.12.2014
Financial income		
Interest income on loans and other receivables	10	16
Foreign exchange gain on loans and other receivables	11	6
Other financial income	0	6
Total	**21**	**28**
Financial expenses		
Interest expenses from financial liabilities measured at amortised cost	-425	-419
Foreign exchange losses on loans and other receivables	-10	-68
Other financial expenses	-275	-294
Total	**-710**	**-781**
Financial income and expenses, total	**-689**	**-753**
Total exchange rate differences affecting profit or loss are as follows:		
Exchange rate differences, sales (incl. in revenue)	-488	-333
Exchange rate differences, purchases (incl. in adj. of purchases)	-18	26
Exchange rate differences, financial items	1	-62
Exchange rate differences, total	**-505**	**-369**

8. Income taxes

(EUR 1,000)	1.1.–31.12.2015	1.1.–31.12.2014
Current taxes	-887	-241
Taxes for previous years	7	-26
Change in deferred tax liabilities and assets	-23	155
Total	**-903**	**-112**

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 2015 (20.0% for 2014).

Profit before taxes	3 386	-597
Taxes calculated using the domestic corporation tax rate	677	-119
Different tax rates of subsidiaries abroad	-27	0
Taxes for previous years	7	26
Recognition of unused tax losses not booked earlier	-211	-362
Tax-exempt income	-3	-24
Non-deductible expenses	123	330
Unbooked deferred tax assets on losses in taxation	337	261
Income taxes for the year in the income statement	**903**	**112**

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.–31.12.2015	1.1.–31.12.2014
Profit attributable to equity holders of the parent	2 483	-709
Weighted average number of shares (1,000)	4 092	4 049
Basic earnings per share (EUR/share)	**0,61**	**-0,18**

The company has no diluting instruments 31.12.2015 or 31.12.2014.

10. Intangible assets

(1 000 eur)				1.1.2015–31.12.2015				1.1.2014–31.12.2014
	Intangible assets	Goodwill	Work in progress	Total	Intangible assets	Goodwill	Work in progress	Total
Acquisition cost 1.1.	9 219	883	0	10 102	9 001	883	200	10 084
Increases	49	0	0	49	218	0	2	220
Decreases	0	0	0	0	0	0	-202	-202
Acquisition cost 31.12.	**9 268**	**883**	**0**	**10 151**	**9 219**	**883**	**0**	**10 102**
Accumulated depreciation 1.1.	-4 621	0	0	-4 621	-3 681	0	0	-3 681
Accumulated depreciation, decreases	0	0	0	0	0	0	0	0
Depreciation for the year 1.1.-31.12.	-796	0	0	-796	-941	0	0	-941
Exchange rate differences	-1	0	0	-1	1	0	0	1
Accumulated depreciation 31.12.	**-5 418**	**0**	**0**	**-5 418**	**-4 621**	**0**	**0**	**-4 621**
Carrying amount 1.1.	4 598	883	0	5 481	5 320	883	200	6 403
Carrying amount 31.12.	**3 850**	**883**	**0**	**4 733**	**4 598**	**883**	**0**	**5 481**

GOODWILL

The Group's Goodwill EUR 883,000 (EUR 883,000 in 2014) 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. In impairment testing the average growth is estimated to be 1.5% and profitability 3.5%. The use of the testing model requires making estimates and assumptions concerning market growth and general interest rate level. The used pre-tax discount rate is 11.1%, (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 1.5%. 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 6.5 Meur higher than the book value according to the performed impairment test. The rise in discount rate by 64% or the actual operating profit (EBIT) level on the terminal year to be 4% lower than estimated would cause that the recoverable amount of the cash generating units would be the same as the book value.

11. Tangible assets

(EUR 1,000)

1.1.2015–31.12.2015	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	65	24 083	33 322	34	0	57 504
Increases	0	160	504	0	14	678
Decreases	0	0	-229	0	-5	-234
Exchange rate differences	0	25	-174	0	0	-149
Acquisition cost 31.12.	**65**	**24 268**	**33 423**	**34**	**9**	**57 799**
Accumulated depreciation 1.1.	0	-19 431	-27 575	0	0	-47 006
Accumulated depreciation, decreases	0	0	177	0	0	177
Depreciation for the year 1.1.-31.12.	0	-818	-1 803	0	0	-2 621
Exchange rate differences	0	-6	181	0	0	175
Accumulated depreciation 31.12.	**0**	**-20 255**	**-29 020**	**0**	**0**	**-49 275**
Carrying amount 1.1.	65	4 652	5 747	34	0	10 499
Carrying amount 31.12.	**65**	**4 013**	**4 403**	**34**	**0**	**8 524**

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	-1 498	-248	0	-592	-2 338
Exchange rate differences	2	-172	-188	0	0	-358
Acquisition cost 31.12.	**65**	**24 083**	**33 322**	**34**	**0**	**57 504**
Accumulated depreciation 1.1.	0	-20 188	-25 702	0	0	-45 890
Accumulated depreciation, decreases	0	1 470	181	0	0	1 651
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
Accumulated depreciation 31.12.	**0**	**-19 431**	**-27 575**	**0**	**0**	**-47 006**
Carrying amount 1.1.	63	5 324	6 198	34	148	11 767
Carrying amount 31.12.	**65**	**4 652**	**5 747**	**34**	**0**	**10 499**

	31.12.2015	31.12.2014
Carrying amount of productions machinery and equipment	**2 069**	**2 848**

Tangible assets, finance leases

Tangible assets include assets acquired through finance leases as follows:

			1.1.2015–31.12.2015			1.1.2014–31.12.2014
	Machinery and equipment	**Buildings**	**Total**	**Machinery and equipment**	**Buildings**	**Total**
Acquisition cost 1.1.	3 748	666	4 414	3 551	706	4 257
Increases	133	0	133	197	0	197
Decreases	0	0	0	0	0	0
Exchange rate differences	0	14	14	0	-40	-40
Acquisition cost 31.12.	**3 881**	**680**	**4 561**	**3 748**	**666**	**4 414**
Accumulated depreciation 1.1.	-3 510	-518	-4 028	-3 239	-478	-3 717
Accumulated depreciation, decreases	0	0	0	0	0	0
Depreciation for the year 1.1.-31.12.	-207	-67	-274	-271	-69	-340
Exchange rate differences	0	-9	-9	0	29	29
Accumulated depreciation 31.12.	**-3 717**	**-594**	**-4 311**	**-3 510**	**-518**	**-4 028**
Carrying amount 1.1.	238	148	386	312	228	540
Carrying amount 31.12.	**164**	**86**	**250**	**238**	**148**	**386**

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. 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 2015 (EUR 600 thousand in 2014). 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.

13. 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
2015 balance sheet items							
Non-current financial assets							
Other financial assets		55		55	55		
Current financial assets							
Trade and other receivables	21 612			21 612	21 612		16
Book value by group	21 612	55		21 667	21 667		
Non-current financial liabilities							
Interest-bearing liabilities			8 388	8 388	8 388	2	19
Current financial liabilities							
Interest-bearing liabilities			2 517	2 517	2 517	2	19
Trade payables and other liabilities			13 142	13 142	13 142	2	21
Book value by group			**24 047**	**24 047**	**24 047**		
2014 balance sheet items							
Non-current financial assets							
Other financial assets		55		55	55		
Current financial assets							
Trade and other receivables	18 379			18 379	18 379		16
Book value by group	18 379	55		18 434	18 434		
Non-current financial liabilities							
Interest-bearing liabilities			6 794	6 794	6 794	2	19
Current financial liabilities							
Interest-bearing liabilities			5 671	5 671	5 671	2	19
Trade payables and other liabilities			11 500	11 500	11 500	2	21
Book value by group			**23 965**	**23 965**	**23 965**		

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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.

14. Deferred tax assets and liabilities

(EUR 1,000)

Changes in deferred taxes during 2015	1.1.2015	Recognised in income statement	Recognised in other comprehensive income	Exchange rate differences	31.12.2015
Deferred tax assets					
Pension obligations	148	0	-32	0	116
Other temporary differences	348	-78	0	-5	265
Total	**496**	**-78**	**-32**	**-5**	**381**
Deferred tax liabilities					
On buildings measured at fair value on the transition date	594	-66	0	0	528
Other temporary differences	219	11	0	0	230
Total	**813**	**-55**	**0**	**0**	**758**
Deferred tax assets and liabilities, total	**-317**	**-23**	**-32**	**-5**	**-377**

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

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 7,5 million EUR including 2015 results (11.4). These losses have no expiry date according to knowledge that is available today.

15. Inventories

(EUR 1,000)	31.12.2015	31.12.2014
Raw materials and consumables	6 872	7 952
Work in progress	958	1 043
Finished goods	2 825	1 166
Total	**10 655**	**10 161**

The value of inventories has been written down by EUR -1,549 thousand in 2015 (EUR -1,399 thousand in 2014).

16. Current trade receivables and other receivables

(EUR 1,000)	31.12.2015	31.12.2014
Trade receivables	**21 543**	**18 105**
Loan receivables	**69**	**274**
Accrued income and prepaid expenses		
Personnel expenses	569	539
Royalties	3	3
Advances	1 130	1 555
Other	0	62
Accrued income and prepaid expenses, total	**1 702**	**2 159**
Total	**23 314**	**20 538**

17. 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**
1.1.2014	**4 049 253**	**7 000**	**1 116**	**-721**	**-329**	**7 066**
Acq.of shares for share-based inc.system*						
Shares given*						
Shares returned						
Share issue						
31.12.2014	**4 049 253**	**7 000**	**1 116**	**-721**	**-329**	**7 066**
Acq.of shares for share-based inc.system*						
Shares given*	43 200			48	329	377
Shares returned						
Share issue						
31.12.2015	**4 092 453**	**7 000**	**1 116**	**-673**	**0**	**7 443**

Martela Oyj owns 63,147 A shares purchased at an average price of EUR 10.65. The number of treasury shares is equivalent to 1.5% 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.

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 23,032 thousand on 31.12.2015.

18. 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 1.1.2015–31.12.2015

Program		**Share Incentive Program 2014–2016**		**Total**
Type		**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	0.0	0.3	1.3	0.5
Number of persons at the end of the reporting year	7	6	6	
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	

Changes during the period 2015	**Earning Period 2014**	**Earning Period 2014–15**	**Earning Period 2014–16**	**Total**
1.1.2015				
Outstanding at the beginning of the reporting period, pcs	43 200	50 401	50 401	144 002
Changes during the period				
Granted	0	0	0	0
Forfeited	0	0	0	0
Shares given	43 200	0	0	43 200
Outstanding at the end of the period	0	50 401	50 401	100 802

No incentives were granted during the period 1.1–31.12.2015

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

Expenses for the financial year, share-based payments	202 969
Expenses for the financial year, share-based payments, equity-settled	83 919
Liabilities arising from share-based payments 31 December 2015	124 672

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.

19. Financial liabilities

(EUR 1,000)	31.12.2015	31.12.2014
Non-current		
Bank loans	7 295	4 618
Pension loans	1 000	2 000
Finance leases	93	176
Total	**8 388**	**6 794**
Current		
Bank loans	1 015	923
Pension loans	1 000	1 000
Bank overdrafts used	321	3 500
Finance leases	181	248
Total	**2 517**	**5 671**

The Group's bank loans have either variable or fixed interest rates. The Group's average interest rate is 2.88% (2.00% in 2014). The current portions of debt are presented in more detail under Note 22 Management of financial risks.

A covenant linked to net debt to EBITDA -ratio and the Group's equity 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 and the equity ratio 30% at minimum. 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 7.8 million on 31.12.2015.

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 24 Pledges granted and contingent liabilities.

Finance lease liabilities are payable as follows:	31.12.2015	31.12.2014
Finance leases – total amount of minimum lease payments		
Not later than one year	316	327
Later than one year and not later than five years	163	211
Later than five years	0	0
Total	**479**	**538**
Finance leases – present value of minimum lease payments		
Not later than one year	181	248
Later than one year and not later than five years	93	155
Later than five years	0	21
Total	**274**	**424**
Unearned finance expense	**205**	**114**

The average interest of financial leases was 4.5% in 2015 and 4.1% in 2014.

20. 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 companies 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**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
1.1.	3 951	3 070	-3 214	-2 432	737	638
Recognised in profit or loss						
Service cost in the period	248	230			248	230
Past service cost					0	0
Interest expense or income	99	110	-84	-96	15	14
	346	**340**	**-84**	**-96**	**263**	**244**
Recognised in other comprehensive income						
Items resulting from remeasurement:						
Gains (-) or losses (+) resulting from changes in demographical assumptions	165	0			165	0
Actuarial gain (-) and losses (+) resulting from changes in financial assumptions	-59	721			-59	721
Experience-based profits (-) or losses (+)	-623	-181			-623	-181
Return on the funds included in the plan, excluding items in interest expenses or income (+/-)			264	-469	264	-469
	-516	540	264	-469	-252	71
Other items						
Employer's payments (+)			-173	-217	-173	-217
	0	0	-173	-217	-173	-217
31.12.	**3 781**	**3 950**	**-3 207**	**-3 214**	**574**	**736**

The Group anticipates that it will pay a total of EUR 188 thousand to defined benefit pension plans in the financial period 2016.

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.

	Defined benefit liability		**Fair value of the funds included in the plan**	
Effect of a change in the assumption employed	The assumption is growing	The assumption is growing	The assumption is growing	The assumption is growing
Discount rate (0.5%-change)	-8.4%	-8.3%	-7.5%	-7.3%
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.

21. Current liabilities

(EUR 1,000)	31.12.2015	31.12.2014
Advances received	**595**	**961**
Trade payables	**8 044**	**7 079**
Accrued liabilities and prepaid income		
Personnel expenses	4 263	4 272
Interests	23	19
Royalties	1	104
Residual expenses	3 069	2 143
Other	17	922
Total	**7 373**	**7 460**
Other current liabilities	**5 075**	**4 402**
	21 087	**19 902**

22. 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 used are mainly forward contracts maturing within 3–12 months. The Group does not apply hedge accounting. The Group has not hedged against transaction risks during the financial periods 2014 and 2015.

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 31.12.2015 (EUR thousand)

	EUR	SEK	PLN	NOK	DKK
Trade receivables	27	688	744	879	0
Trade payables	-754	-620	-189	-113	0
Total	**-727**	**68**	**555**	**766**	**0**

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
Total	**-346**	**82**	**1 213**	**201**	**63**

Other currencies have minor impact.

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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 2015 (2014). The estimates are based on the assumption that no other variables change.

Analysis of sensitivity to transaction risk (EUR 1,000)	Impact on shareholders' equity	Impact on results
31.12.2015		
EUR	0	+/- 73
SEK	0	+/- 7
PLN	0	+/- 56
NOK	0	+/- 77
DKK	0	+/- 0

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

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.

Financial instruments (EUR 1,000)	31.12.2015	31.12.2014
Fixed rate		
Financial liabilities, incl. derivatives	274	424
Variable rate		
Financial liabilities	10 631	12 041
Total	**10 905**	**12 465**

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.

Analysis of sensitivity to interest rate risks (EUR 1,000)	Impact on shareholders' equity	Impact on results
31.12.2015		
Financial liabilities		
Variable rate financial instruments	0	-106

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

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 derivative contracts. The turnover and maturity structure of Group's companies' trade receivables are reported monthly and are monitored by the parent company's financial management.

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

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

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

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

Maximum financial asset credit risk (EUR 1,000)	2015	2014
Available-for-sale financial assets	55	55
Loans and other receivables	21 612	18 379
Cash and cash equivalents	7 724	6 407
Total	**29 391**	**24 841**

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

Age distribution of trade receivables (EUR 1,000)	2015	2014
Unmatured	17 171	13 666
Matured 1–30 days	3 531	3 520
Matured 31–60 days	294	177
Matured over 60 days	546	742
Total	**21 542**	**18 105**

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

Distribution of trade receivables by country or region (EUR 1,000)	2015	2014
Finland	15 795	12 570
Scandinavia	3 216	2 481
European countries	2 194	2 227
Other regions	338	827
Total	**21 543**	**18 105**

Credit risks from trade receivables are not concentrated.
In 2015, EUR -281 thousand in credit losses has been recognised as expenses and presented in other operating expenses. In 2014, EUR -196 thousand in credit losses was recognised as expenses.

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 7,724 thousand, and unused bank overdrafts totalled EUR 9,263 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2016	2017	2018	2019	2020	Later	Total	Balance sheet value
Bank loans	1 015	5 206	876	813	400	0	8 310	8 310
Pension loans	1 000	1 000	0	0	0	0	2 000	2 000
Financial leases	181	93	0	0	0	0	274	274
Trade payables	8 044	0	0	0	0	0	8 044	8 044
Bank overdrafts, used	321	0	0	0	0	0	321	321
Loan interest and quarantee fees	183	177	74	40	8	0	482	
Total	**10 744**	**6 476**	**950**	**853**	**408**	**0**	**19 431**	
Guarantees given*	175	27	0	0	0	0	202	
Total	**10 919**	**6 503**	**950**	**853**	**408**	**0**	**19 633**	

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

Cash and cash equivalents at the end of financial year 2014 totalled EUR 6,407 thousand, and unused bank overdrafts totalled EUR 7,349 thousand.

Loans and payments mature as follows,
at the end of 2014: (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	3 500	0	0	0	0	0	3 500	3 500
Loan interest and quarantee fees	142	87	15	0	0	0	244	
Total	**12 964**	**5 559**	**1 216**	**49**	**0**	**0**	**19 788**	
Guarantees given*	175	175	27	0	0	0	377	
Total	**13 139**	**5 734**	**1 243**	**49**	**0**	**0**	**20 165**	

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

MANAGEMENT OF CAPITAL STRUCTURE

It is the Group's objective to ensure an efficient capital structure that will secure its operating capacity in the capital markets in all circumstances irrespective of volatility.

The Group's Board of Directors assesses the capital structure on a regular basis. The Group uses the equity ratio to monitor its capital structure. The equity ratio formula is presented in the following table:

Equity ratio	**31.12.2015**	**31.12.2014**
Shareholders' equity	22 662	20 320
Balance sheet total – advance payments	55 390	53 276
Equity to assets ratio, %	**40.9**	**38.1**

23. Operating leases

(EUR 1,000)	31.12.2015	31.12.2014
Minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	3 157	3 950
Later than one year and not later than five years	5 219	6 576
Later than five years	0	0
	8 376	**10 526**

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 2015 includes rents paid on the basis of operating leases totalling EUR -4,170 thousand (EUR -4,923 thousand in 2014).

24. Pledges granted and contingent liabilities

(EUR 1,000)	31.12.2015	31.12.2014
Debts secured by mortgages		
Bank loans	10 631	12 041
Property mortgages	11 768	10 104
Corporate mortgages	15 133	11 894
Shares pledged	4	4
Total mortgages	**26 905**	**22 002**
Other pledges		
Guarantees as security for rents	376	287
Guarantees on behalf of others	221	0

25. 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 5.5% of the share capital and 7.9% of the votes.

Group structure	Domicile	Holding (%) 31.12.2015	Voting power (%) 31.12.2015	Sales company	Production company
Parent company					
Martela Oyj	Finland			x	x
Subsidiaries					
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
LLC Martela, Moscow	Russia	100	100	x	

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.

Management employee benefits (EUR 1,000)	**2015**	**2014**
Salaries and other short-term employee benefits	-1 390	-1 296
Benefits following end of employment	0	0
Share-based benefits	-203	-262
Total	**-1 593**	**-1 558**
Salaries and other short-term employee benefits	**2015**	**2014**
Board members	-122	-126
CEO	-309	-330
Management team members(excl. salary of CEO)	-1 162	-1 102
Total	**-1 593**	**-1 558**
Fees paid to Board members:	**2015**	**2014**
Heikki Ala-Ilkka	-31.5	-36
Pekka Martela *	-4.5	-18
Jaakko Palsanen **	0	-4.5
Eero Martela ***	-13.5	0
Eero Leskinen	-18	-13.5
Yrjö Närhinen	-18	-18
Pinja Metsäranta	-18	-18
Kirsi Komi	-18	-18
Total	**-121.5**	**-126**

* in Board 1 Q 2015
** in Board 1 Q 2014
*** in Board 2-4Q 2015
Fees based on board membership are not paid to members employed by the company.

Salaries, other short-term employee benefits and pension commitment of CEO	**2015**	**2014**
Salaries	-309	-330
Voluntary pension plans	-63	-36
Statutory earnings-related pension payment (TyEL) on salaries	-74	-77

Salaries include also share-based incentives

Martela's previous CEO Heikki Martela is entitled, if he wishes, to retire with a full pension after reaching the age of 60 in spring 2016. He has informed to use this right. 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 present CEO and the company, and in the event of a dismissal by the company, the CEO is entitled, besides of the notice period, to a lump-sum compensation equalling his salary for 6 months.

Martela's Group management team members and CEO 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 sheme will be paid as a combination of shares and cash after the end of the earning periods.The profit and loss for 2015 includes reservations of EUR 0 thousand (EUR -58 thousand in 2014) for the CEO's incentive and EUR -203 thousand (-204 thousand in 2014) for the incentives of other management team members based on this incentive program.

More information in Note 18 Sharebased payments.

26. Key financial indicators for the Group

Martela-Group 2011–2015		2015	2014	2013	2012	2011
Revenue	EUR million	132.8	135.9	132.3	142.7	130.7
Change in revenue	%	-2.3	2.7	-7.3	9.2	20.6
Export and operations outside Finland	EUR million	35.9	47.8	39.9	41.2	40.9
In relation to revenue	%	27.0	35.1	30.1	28.8	31.3
Exports from Finland	EUR million	11.1	14.3	10.2	10.4	10.5
Gross capital expenditure	EUR million	0.7	1.7	3.0	4.0	6.8
In relation to revenue	%	0.5	1.3	2.3	2.8	5.2
Depreciation	EUR million	3.4	3.7	3.6	3.4	2.6
Research and development	EUR million	2.1	2.8	2.4	2.7	2.4
In relation to revenue	%	1.6	2.1	1.8	1.9	1.8
Average personnel		622	742	770	806	637
Change in personnel	%	-16.2	-3.6	-4.5	26.5	6,0
Personnel at end of year		575	670	767	801	791
Of which in Finland		430	505	618	634	610
Profitability						
Operating profit	EUR million	4.1	0.2	-3.1	-0.9	2.6
In relation to revenue	%	3.1	0.1	-2.4	-0.6	2.0
Profit before appropriations and taxes	EUR million	3.4	-0.6	-4.6	-1.8	1.9
In relation to revenue	%	2.5	-0.4	-3.5	-1.3	1.5
Profit for the year *	EUR million	2.5	-0.7	-4.2	-2.1	1.6
In relation to revenue	%	1.9	-0.5	-3.2	-1.4	1.2
Revenue/employee	EUR thousand	213.5	183.2	171.8	177.0	205.2
Return on equity (ROE)	%	11.6	-3.4	-17.4	-7.2	5.1
Return on investment (ROI)	%	12.1	0.5	-8.4	-2.7	6,0
Finance and financial position						
Balance sheet total	EUR million	56.0	54.2	58.6	64.6	69.7
Equity	EUR million	22.7	20.3	21.6	26.4	30.8
Interest-bearing net liabilities	EUR million	3.8	6.8	11.2	8.7	-0.8
In relation to revenue	%	2.8	5.0	8.4	5.4	-0.6
Equity ratio	%	40.9	38.1	37.2	41.4	44.7
Gearing	%	16.6	33.4	51.7	32.8	-2.6
Net cash flow from operations	EUR million	3.9	6.2	-0.1	0,0	1.2
Dividends paid	EUR million	0.4	0.0	0.8	1.8	1.8

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

27. Key share-related figures

		2015	2014	2013	2012	2011
Earnings per share	EUR	0.61	-0.18	-1.03	-0.51	0.39
Earnings per share (diluted)	EUR	0.61	-0.18	-1.03	-0.51	0.39
Share par value	EUR	1.7	1.7	1.7	1.7	1.7
Dividend *)	EUR	0.25	0.10	0.00	0.20	0.45
Dividend/earnings per share	%	41.0	-55.6	-	-39.2	115.4
Effective dividend yield	%	7.1	3.4	-	4.0	7.8
Equity per share	EUR	5.54	5.02	5.33	6.51	7.60
Price of A share 31.12.	EUR	3.53	2.91	3.35	5.02	5.79
Share issue-adjusted number of shares	thousands	4 155.60	4 155.60	4 155.60	4 155.60	4 155.60
Average share issue-adjusted number of shares	thousands	4 155.60	4 155.60	4 155.60	4 155.60	4 155.60
Price/earnings ratio (P/E)		5.8	-16.2	-3.3	-9.8	14.8
Market value of shares **)	MEUR	14.4	11.9	13.6	20.3	23.4

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

28. Shares and shareholders

SHARE CAPITAL

The number of registered Martela Oyj shares on 31.12.2015 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 31.12.2015	Number	Total EUR	% of share capital	Votes	% of votes
K shares	604 800	1 018 500	15	12 096 000	77
A shares	3 550 800	5 981 500	85	3 550 800	23
Total	**4 155 600**	**7 000 000**	**100**	**15 646 800**	**100**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The largest shareholders by number of shares 31.12.2015	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	130 942	183 064	4.4	1 173 382	7.5
Palsanen Leena	24 486	131 148	155 634	3.7	620 868	4.0
Palsanen Jaakko	1 600	132 140	133 740	3.2	164 140	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	31 841	74 963	1.8	894 281	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
Nordea Pankki Suomi Oyj, hallintarek.	0	65 186	65 186	1.6	65 186	0.4
Martela Oyj	0	63 147	63 147	1.5	63 147	0.4
Oy Joeston Ltd	0	43 425	43 425	1.0	43 425	0.3
Other shareholders	63 940	1 614 275	1 678 215	40.4	2 893 075	18.5
Total	**604 800**	**3 550 800**	**4 155 600**	**100.0**	**15 646 800**	**100.0**

The list includes all shareholders holding over 5% of the shares and votes.
The company's Board of Directors and CEO together hold 5.5% of the shares and 7.9% of the votes.

Martela Oyj owns 63,147 A shares purchased at an average price of EUR 10.65.The number of treasury shares is equivalent to 1.5% of all shares and 0.4% of all votes.

The Annual General Meeting has in 2015 re-authorised the Board of Directors to decide, for the following year, on share issue, on 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, 31.12.2015

Number of shares	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of total votes
1–500	1 206	70.0	216 993	5.2	227 633	1.5
501–1000	225	13.1	175 650	4.2	179 450	1.1
1001–5000	207	12.0	448 386	10.8	588 986	3.8
Over 5000	86	5.0	3 313 145	79.7	14 642 085	93.6
Total	**1 724**	**100.0**	**4 154 174**	**100.0**	**15 638 154**	**99.9**
of which nominee-registered	5		105 857	2.5	105 857	
In the waiting list and collective account	1		1 426	0.0	8 646	0.1
Total			**4 155 600**	**100.0**	**15 646 800**	**100.0**

Breakdown of shareholding by sector, 31.12.2015

	Number of shareholders	%	Number of shares	%	Number of votes	%
Private companies	74	4.3	994 931	23.9	6 542 931	41.8
Financial and insurance institutions	14	0.8	686 657	16.5	686 657	4.4
Public corporations	1	0.1	335 400	8.1	335 400	2.1
Non-profit entities	8	0.5	6 317	0.2	6 317	0.0
Households	1 620	94.0	2 099 915	50.5	8 035 895	51.4
Foreign investors	7	0.4	30 954	0.7	30 954	0.2
Total	**1 724**	**100.0**	**4 154 174**	**100.0**	**15 638 154**	**99.9**
of which nominee-registered	5		105 857	2.5	105 857	
In the waiting list and collective account			1 426	0.0	8 646	0.1
Total			**4 155 600**	**100.0**	**15 646 800**	**100.0**

Parent Company Income Statement

(EUR 1,000)	Note	1.1.–31.12.2015	1.1.–31.12.2014
Revenue	1	**93 591**	**88 966**
Changes in inventories of finished goods and work in progress		1 346	-89
Production for own use		68	91
Other operating income	2	349	504
Materials and services	3	-61 247	-54 578
Personnel expenses	4	-17 943	-19 256
Depreciation and impairment	5	-6 282	-4 707
Other operating expenses		-10 785	-13 502
Operating profit (-loss)		**-903**	**-2 571**
Financial income and expenses	6	-416	-449
Profit (-loss) before extraordinary items		**-1 319**	**-3 020**
Extraordinary expenses	7	435	284
Profit (-loss) before appropriations and taxes		**-884**	**-2 736**
Accumulated depreciation difference		198	-357
Income taxes	8	-849	-60
Profit (-loss) for the financial year		**-1 535**	**-3 154**

Parent Company Balance Sheet

(EUR 1,000)	Note	31.12.2015	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		225	318
Other long-term expenditure		3 812	4 356
		4 037	**4 673**
Tangible assets	10		
Land and water areas		80	80
Buildings and structures		2 167	2 250
Machinery and equipment		1 228	1 651
Other tangible assets		23	23
		3 498	**4 004**
Investments	11		
Shares in subsidiaries		7 677	7 962
Receivables from subsidiaries		9 571	14 364
Other shares and participations		15	15
		17 263	**22 341**
CURRENT ASSETS			
Inventories			
Materials and supplies		4 716	5 425
Work in progress		768	825
Finished goods		2 402	1 000
Advances paid to suppliers		468	310
		8 354	**7 559**
Non-current receivables	12		
Loan receivables		**0**	**329**
Current receivables	12		
Trade receivables		16 622	13 945
Loan receivables		2 526	2 886
Accrued income and prepaid expenses		1 110	1 137
		20 258	**17 968**
Cash and cash equivalents		**3 476**	**2 550**
ASSETS, TOTAL		**56 886**	**59 424**

PARENT COMPANY FINANCIAL STATEMENTS, FAS

(EUR 1,000)	Note	31.12.2015	31.12.2014
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Shareholders' equity	13		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Reserve fund		11	11
Retained earnings		24 567	28 455
Profit for the year		-1 535	-3 154
Total		**31 159**	**33 428**
Appropriations	14		
Accumulated depreciation difference		**159**	**357**
LIABILITIES			
Non-current	15		
Loans from financial institutions		7 000	4 200
Pension loans		1 000	2 000
Accrued liabilities and prepaid income		111	100
		8 111	**6 300**
Current	16		
Interest-bearing			
Loans from financial institutions		800	4 200
Pension loans		1 000	1 000
		1 800	**5 200**
Non-interest-bearing			
Advances received		199	452
Trade payables		6 873	6 408
Accrued liabilities and prepaid income		4 667	4 619
Other current liabilities		3 918	2 659
		15 657	**14 138**
Liabilities, total		**25 568**	**25 638**
EQUITY AND LIABILITIES, TOTAL		**56 886**	**59 424**

Parent Company's Cash Flow Statement

(EUR 1,000)	1.1.–31.12.2015	1.1.–31.12.2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flow from sales	91 363	90 553
Cash flow from other operating income	348	510
Payments on operating costs	-89 130	-88 106
Net cash from operating activities before financial items and taxes	**2 581**	**2 957**
Interests paid and other financial payments	-412	-332
Taxes paid	8	-53
Net cash from operating activities before extraordinary items	2 177	2 572
Net cash from operating activities (A)	**2 177**	**2 572**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-348	-252
Proceeds from sale of tangible and intangible assets	1	32
Loans granted	-16	-996
Repayments of loan receivables	1 116	145
Net cash used in investing activities (B)	**753**	**-1 072**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from current loans	7 400	4 000
Repayments of current loans	-11 600	-6 200
Proceeds from non-current loans	3 600	0
Repayments of non-curret loans	-1 000	0
Dividends and other profit distribution	-405	0
Net cash used in financing activities (C)	**-2 005**	**-2 200**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**926**	**-699**
Cash and cash equivalents at beginning of financial year 1)	**2 550**	**3 248**
Cash and cash equivalents at end of financial year 1)	**3 476**	**2 550**

1. Liquid funds include cash in hand and at bank.

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.

Shareholder loans denominated in foreign currency to subsidaries are considered as investments. Currency exchange rate differences are hence not recognised in parent company financial statements. Exchange rate differences related to shareholder loans are recognized in the Consolidated financial statements.

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 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 31.12.2015 or 31.12.2014.

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.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

PENSION PLANS

The company's pension security has been arranged through pension companies. The company former CEO, current Chairman of the Board, 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 conditions 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

	2015	2014
Finland	90	86
Scandinavia	7	8
Other	3	6
Total	**100**	**100**

2. Other operating income

(EUR 1,000)	2015	2014
Gains on sale of fixed assets	1	1
Rental income	76	96
Public subsidies	185	209
Other operating income	87	198
Total	**349**	**504**

3. Materials and services

(EUR 1,000)	**2015**	**2014**
Purchases during the financial year	-53 787	-46 896
Change in inventories of materials and supplies	708	-373
External services	-8 169	-7 308
Materials and supplies, total	**-61 247**	**-54 578**
Auditor's fees		
Auditing	-48	-54
Tax services	-1	-9
Other services	-23	-11
Auditor's fees, total	**-72**	**-74**

4. Personnel expenses and number of personnel

(EUR 1,000)	**2015**	**2014**
Salaries, CEO	-309	-271
Salaries of boards of directors	-122	-126
Salaries of boards of directors and managing director, total	-431	-397
Other salaries	-13 882	-15 037
Pension expenses	-2 854	-3 090
Other salary-related expenses	-776	-732
Personnel expenses in the income statement	-17 943	-19 256
Fringe benefits	-407	-308
Total	**-18 349**	**-19 563**
Personnel		
Average personnel, workers	98	118
Average personnel, officials	185	205
Average personnel, total	**283**	**323**
Personnel at year end	**263**	**299**

5. Depreciation and write-down

(EUR 1,000)	2015	2014
Depreciation according to plan		
Intangible assets	-841	-971
Tangible assets		
Buildings and structures	-89	-92
Machinery and equipment	-559	-659
Depreciation according to plan, total	**-1 489**	**-1 723**
Impairments	-4 793	-2 984
Depreciations and impairments, total	**-6 282**	**-4 707**

Impairments 2014 include a Martela Sp. z o.o. loan receivable write off.
Impairments 2015 include a Martela AB shareholder loan write off.

6. Financial income and expenses

(EUR 1,000)	2015	2014
Financial income and expenses		
Interest income on short-term investments	2	12
Interest income on short-term investments from Group companies	127	144
Foreign exchange gains	7	5
Other financial income	0	1
Interest expenses	-311	-298
Losses on foreign exchange	-7	-67
Other financial expenses	-234	-246
Total	**-416**	**-449**

7. Extraordinary items

(EUR 1,000)	2015	2014
Extraordinary income		
Group contribution	740	284
Extraordinary costs		
Group contribution	-305	0
Extraordinary items, total	**435**	**284**

8. Income taxes

(EUR 1,000)	2015	2014
Income taxes from operations	-857	-33
Taxes from previous years	7	-27
Total	**-849**	**-60**

Deferred taxes liabilities and assets have not been included in the income statement or balance sheet.

9. Intangible assets

(EUR 1,000)

1.1.2015–31.12.2015	Intangible rights	Other long-term expenses	Work in progress	Intangible assets total
Acquisition cost 1.1.	3 130	8 039	0	11 168
Increases	49	144	0	193
Acquisition cost 31.12.	**3 179**	**8 183**	**0**	**11 361**
Accumulated depreciation 1.1.	-2 813	-3 683	0	-6 496
Depreciation for the year 1.1.–31.12.	-142	-688	0	-830
Accumulated depreciation 31.12.	**-2 955**	**-4 370**	**0**	**-7 325**
Carrying amount 1.1.	317	4 356	0	4 673
Carrying amount 31.12.	**224**	**3 812**	**0**	**4 037**

1.1.2014–31.12.2014	Intangible rights	Other long-term expenses	Work in progress	Intangible assets total
Acquisition cost 1.1.	3 124	7 678	200	11 001
Increases	213	154	0	367
Decreases	0	-1	-200	-200
Acquisition cost 31.12.	**3 130**	**8 039**	**0**	**11 168**
Accumulated depreciation 1.1.	-2 734	-2 802	0	-5 536
Depreciation for the year 1.1.–31.12.	-285	-674	0	-959
Accumulated depreciation 31.12.	**-2 813**	**-3 683**	**0**	**-6 495**
Carrying amount 1.1.	390	4 877	200	5 467
Carrying amount 31.12.	**317**	**4 356**	**0**	**4 673**

10. Tangible assets

(EUR 1,000)

1.1.2015–31.12.2015	**Land areas**	**Buildings**	**Machinery and equipment**	**Other tangible assets**	**Work in progress**	**Total**
Acquisition cost 1.1.	80	10 612	11 214	23	0	21 928
Increases	0	5	151	0	0	156
Decreases	0	0	-2	0	0	-2
Acquisition cost 31.12.	**80**	**10 617**	**11 362**	**23**	**0**	**22 082**
Accumulated depreciation 1.1.	0	-8 362	-9 562	0	0	-17 925
Accumulated depreciation, decreases	0	0	0	0	0	0
Depreciation for the year 1.1.-31.12.	0	-88	-572	0	0	-659
Accumulated depreciation 31.12.	**0**	**-8 450**	**-10 134**	**0**	**0**	**-18 584**
Carrying amount 1.1.	80	2 250	1 651	23	0	4 004
Carrying amount 31.12.	**80**	**2 167**	**1 228**	**23**	**0**	**3 498**

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
Acquisition cost 31.12.	**80**	**10 612**	**11 214**	**23**	**0**	**21 928**
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
Accumulated depreciation 31.12.	**0**	**-8 362**	**-9 562**	**0**	**0**	**-17 925**
Carrying amount 1.1.	80	2 337	2 132	23	8	4 580
Carrying amount 31.12.	**80**	**2 250**	**1 651**	**23**	**0**	**4 004**

Revaluations included in buildings total EUR 1,850 thousand in 2015 (EUR 1,850 thousand in 2014).
Carrying amount of production machinery and equipment in 2015 total EUR 806 thousand (EUR 1,141 thousand in 2014).

11. Investments

(EUR 1,000)

1.1.2015–31.12.2015	**Subsidiary shares**	**Shares in associated undertakings**	**Other shares and partici-pations**	**Loan receivables**	**Total**
Balance sheet value at beginning of year	7 677	0	15	9 571	17 263
Balance sheet value at end of year	**7 677**	**0**	**15**	**9 571**	**17 263**

1.1.2014–31.12.2014	**Subsidiary shares**	**Shares in associated undertakings**	**Other shares and partici-pations**	**Loan receivables**	**Total**
Balance sheet value at beginning of year	7 962	0	15	14 324	22 300
Increases	0	0	0	40	40
Balance sheet value at end of year	**7 962**	**0**	**15**	**14 364**	**22 341**

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	4 440
Kiinteistö Oy Ylähanka	Finland	100	100	510	9 teur	8
Martela AB, Bodafors	Sweden	100	100	50 000	5 000 tsek	550
Aski avvecklingsbolag Ab, Malmö	Sweden	100	100	12 500	1 250 tsek	132
Martela AS, Oslo	Norway	100	100	200	200 tnok	24
Martela Sp. z o.o., Warsaw	Poland	100	100	3 483	3 483 tpln	135
LLC Martela, Moscow	Russia	100	100		7 400 trub	180
Total						**7 677**
Other shares and participations:						**15**

12. Receivables

(EUR 1,000)	2015	2014
Non-current receivables		
Loan receivables	**0**	**329**
Current receivables		
Receivables from group companies		
Trade receivables	1 554	2 469
Loan receivables	2 526	2 886
Accrued income and prepaid expenses	70	3
Receivables from others		
Trade receivables	15 067	11 475
Accrued income and prepaid expenses	1 040	1 135
Current receivables, total	**20 258**	**17 968**

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 31.12.2015	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
Total	**4 155 600**	**7 000 000**	**100**	**15 646 800**	**100**
Treasury shares	63 147				
Number of shares outstanding	**4 092 453**				

Shareholders' equity (EUR 1,000)	2015	2014
Share capital 1.1. and 31.12.	**7 000**	**7 000**
Share premium account 1.1. and 31.12.	**1 116**	**1 116**
Reserve fund 1.1. and 31.12.	**11**	**11**
Retained earnings 1.1.	**25 301**	**28 455**
Dividends	-405	0
Profit (-loss) for the year	-1 535	-3 154
Distributed shares based on the share-based incentive plan *	-329	0
Returned dividends	0	0
Retained earnings 31.12.	**23 032**	**25 301**
Shareholders' equity, total	**31 159**	**33 428**

The distributable equity of the parent company is EUR 23.032 thousand in 2015 (EUR 25.301 thousand 2014).

Treasury shares held by Martela Oyj are reported as a deduction from retained earnings.
Martela Oyj owns 63,147 A shares and they were purchased at an average price of EUR 10.65.
Market value of treasury shares on 31.12.2015: EUR 3.53/share; (2.91 EUR 2014), total EUR 222.9 thousand (EUR 197 thousand 2014).

* 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)	2015	2014
Appropriations		
Accumulated depreciation difference	159	357
Total	**159**	**357**

15. Non-current liabilities

(EUR 1,000)	2015	2014
Loans from financial institutions	7 000	4 200
Pension loans	1 000	2 000
Accrued expenses	111	100
Total	**8 111**	**6 300**
Changes and repayments of non-current liabilities	**2015**	**2014**
Loans from financial institutions		
Loans 1.1.	4 200	4 900
Proceeds	3 600	0
Repayments	-800	-700
Loans 31.12.	**7 000**	**4 200**
Pension loans		
Loans 1.1.	2 000	3 200
Proceeds	0	0
Repayments	-1 000	-1 200
Loans 31.12.	**1 000**	**2 000**

Repayments	2016	2017	2018	2019	2020
Loans from financial institutions	800	5 000	800	800	400
Pension loans	1000	1000	0	0	0
Total	**1 800**	**6 000**	**800**	**800**	**400**

16. Current liabilities

(EUR 1,000)	2015	2014
Current liabilities		
Liabilities to group companies		
Trade payables to group companies	2 490	2 193
Accrued liabilities to group companies	186	173
Other liabilities to group companies	305	
Total	**2 981**	**2 365**
Other current liabilities		
Loans from financial institutions	800	4 200
Pension loans	1 000	1 000
Advances received	199	452
Trade payables	4 382	4 215
Other current liabilities	3 613	2 659
Accrued liabilities	4 482	4 447
Other current liabilities, total	**14 476**	**16 973**
Current liabilities, total	**17 457**	**19 338**

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

Essential items of accrued liabilities	2015	2014
Personnel expenses	2 397	2 458
Interest and financing accruals	23	19
Royalties	0	97
Taxes from accounting period	857	
Residual expenses	1 206	1 117
Other accrued liabilities	0	747
Accrued liabilities, total	**4 482**	**4 439**

17. Pledges granted and contingent liabilities

(EUR 1,000)	2015	2014
Debts secured by mortgages		
Bank loans	**7 800**	**4 900**
Property mortgages	4 505	5 900
Corporate mortgages	10 359	8 200
Shares pledged	4	4
Pension loans	**2 000**	**3 000**
Property mortgages	4 204	4 204
Total mortgages	**19 068**	**18 304**
Other pledges		
Guarantees as security for rents	266	277
Guarantees given on behalf of companies in the same group	990	1 131
Total	**1 256**	**1 407**
Leasing commitments		
Falling due within 12 months	366	663
Falling due after 12 months	535	524
Total	**901**	**1 187**
Rent commitments	**6 113**	**6 438**

Formulas to key figures

Earnings / share $= \dfrac{\text{Profit attributable to the equity holders of the parent}}{\text{Average share issue-adjusted number of shares}}$

Price / earnings multiple (P/E) $= \dfrac{\text{Share issue-adjusted share price at year end}}{\text{Earnings / share}}$

Equity / share, EUR $= \dfrac{\text{Equity attributable to the equity holders of the parent}}{\text{Share issue-adjusted number of shares at year end}}$

Dividend / share, EUR $= \dfrac{\text{Dividend for the financial year}}{\text{Share issue-adjusted number of shares at year end}}$

Dividend / earnings, % $= \dfrac{\text{Dividend / share}}{\text{Earnings / share}} \times 100$

Effective dividend yield, % $= \dfrac{\text{Share issue-adjusted dividend / share}}{\text{Share issue-adjusted share price at year end}} \times 100$

Market value of shares outstanding, EUR = Total number of shares at year end x share price on the balance sheet date

Return on equity, % $= \dfrac{\text{Profit/loss for the financial year}}{\text{Equity (average during the year)}} \times 100$

Return on investment, % $= \dfrac{\text{(Pre-tax profit/loss + interest expenses + other financial expenses)}}{\text{Balance sheet total - Non-interest-bearing liabilities (average during year)}} \times 100$

Equity ratio, % $= \dfrac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$

Gearing, % $= \dfrac{\text{Interest-bearing liabilities - cash and cash equivalents and liquid asset securities}}{\text{Equity}} \times 100$

Average personnel = Month-end average calculation of the number of personnel in active employment

Interest-bearing net debt = Interest-bearing debt - cash and other liquid financial assets

Board of directors' proposal for the distribution of profit

The parent company's distributable funds are EUR 23,031,932.51of which the profit for the financial year is EUR -1,535,363.12.
The Board of Directors proposes to the Annual General Meeting that the distributable funds be used as follows:
distribution of a dividend of EUR 0.25 per share, totaling EUR 1,023,113.25
to be left in shareholders' equity EUR 22,008,819.26

Helsinki, 3 February 2016
The Board of Directors' Report and the Financial Statements are signed by:

Heikki Martela
Chairman of the Board

Eero Leskinen
Vice Chairman

Matti Rantaniemi
Managing Director

Heikki Ala-Ilkka

Kirsi Komi

Eero Martela

Pinja Metsäranta

Yrjö Närhinen

We have today issued a report on the audit performed by us.
Helsinki, 3 February 2016
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, 2015. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

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

Helsinki, 3 February 2016
KPMG OY AB
Ari Eskelinen
Authorized Public Accountant

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