2013 annual report

Inspiring spaces

Martela

Content

ANNUAL REPORT

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Martela in brief

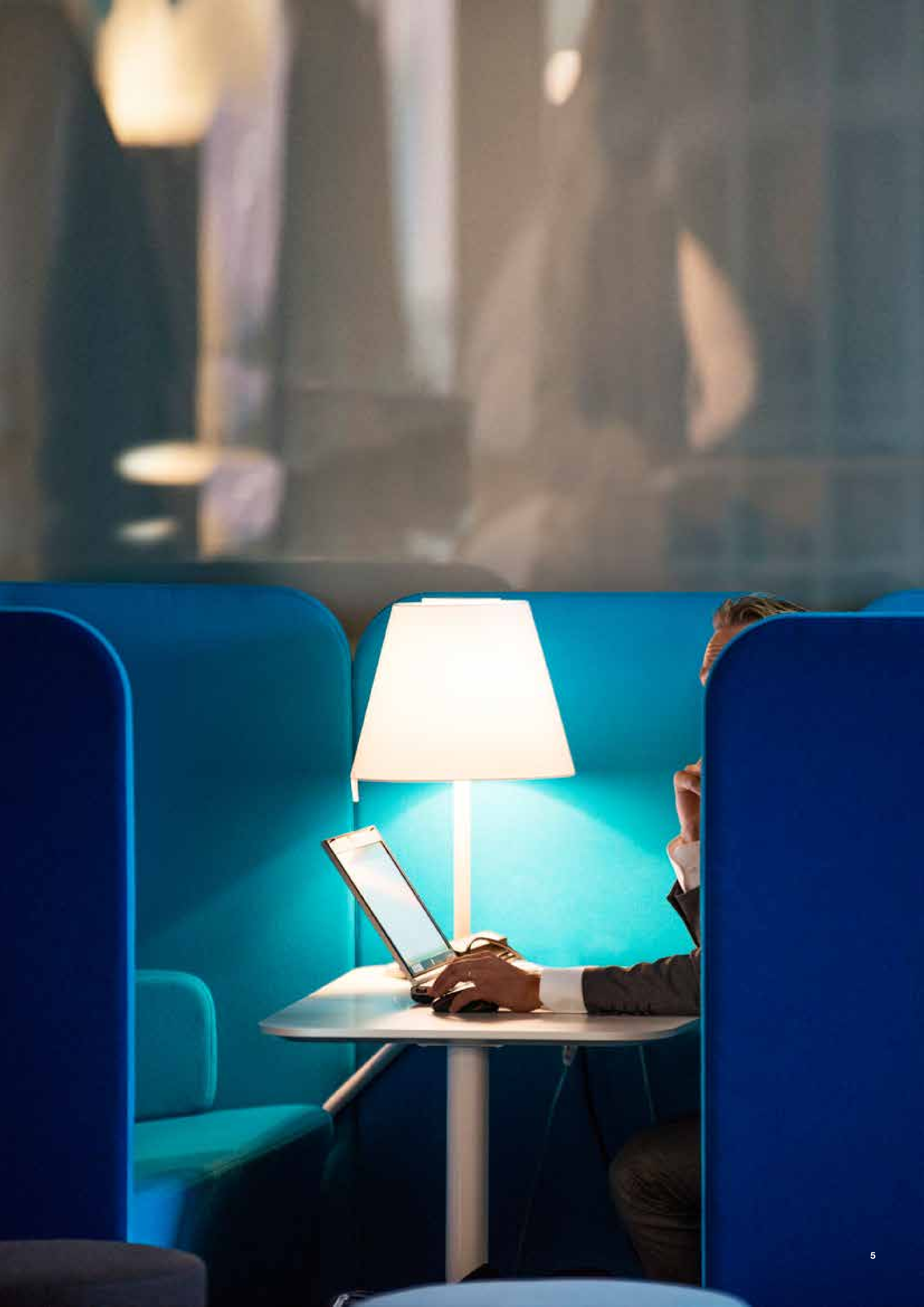
Martela Corporation supplies ergonomic and innovative furniture and provides services to modify and maintain premises. Martela's products and services improve the functionality and comfort of working environments and other environments such as public spaces, schools and nursing homes. Martela's collection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

Martela is a family company founded 68 years ago and its shares are quoted on NASDAQ OMX Helsinki Ltd. Martela is the largest company in its sector in Finland and one of the three largest in the Nordic countries. The company has production facilities in Finland, Sweden and Poland. In 2013, the Group's revenue was EUR 132.3 million, and at the end of the year it employed 767 people.

Key Figures

		2013	2012
Revenue	Meur	132.3	142.7
Growth in revenue	%	-7.3	9.2
Operating profit	Meur	-2.9	-0.9
- as a percentage of revenue	%	-2.2	-0.6
Pre-tax profit	Meur	-4.4	-1.8
- as a percentage of revenue	%	-3.3	-1.3
Return on investment		-7.9	-2.7
Balance sheet, total	Meur	58.6	64.6
Equity ratio	%	37.6	41.4
Earning/share	eur	-0.97	-0.51
Equity/share	eur	5.38	6,51
Dividend/share	eur	0.00*	0.20
Capital expenditure	Meur	3.0	4.0
Average personnel		770	806

* Proposal of the Board of Directors



Managing Director's review

The shift towards a new way of working continued to be strong in 2013. The nature of demand has changed, particularly in the Nordic countries, where customers expect work spaces to be much more versatile than before. The demand for services is increasing, though at the same time furniture order volumes have decreased markedly in Finland and Sweden, our main markets. We believe that our competitive ability in the new market situation is strong, however. We have invested in services and developed our business structures to better meet the present customer needs. This work continues, with the aim of enhanced efficiency and a rapid improvement in profitability.

OFFICE WORK IS CHANGING

Martela sees the technology-driven changes in working culture as an opportunity. In addition to a more efficient use of space, mobile work enables a more extensive change in ways of working. Personal offices were replaced by open-plan offices, and these are now being converted into Activity Based Offices. This trend has reduced the size and number of personal workstations. For Martela, the customer need for more efficient use of space is a key trend. Mobile work is increasing, which sets new requirements for spaces and furniture. Customers are using their premises more efficiently, and this is increasing the demand for new types of interior solutions. We have developed work environment solutions that reduce costs but also support employee wellbeing and the customer's business operations, as well as the brand. During 2013, Martela registered the Inspiring Office® by Martela concept, which offers highly customisable comprehensive solutions for constantly changing work environments.

MARTELA COVERS THE FULL LIFE CYCLE OF FURNITURE

Responsibility plays a significant role in today's changing market. Martela has an important mission to offer the best services in its field for the life-cycle management of furniture. Recycling is an essential part of our corporate responsibility, and we can help our customers adopt more responsible solutions. The Martela Outlets are part of Martela's recycling service, which allows us to care for furniture throughout its life cycle. Our new data management services have further strengthened the role of Martela Outlets in Finland. We support our customers' business operations by streamlining their management of fixed assets and related reporting. For example, well-timed maintenance and recycling of furniture produces savings for customers. Martela's data management services enable us to offer more comprehensive solutions for the life-cycle management of furniture. Martela has secured significant deals through its portfolio of services and concepts, which also focuses strongly on responsibility. A good example is the five-year cooperation agreement signed between Martela and Nordea Bank, covering comprehensive office furniture deliveries and a number of furniture life-cycle management services for Nordea Bank's facilities in Finland, Sweden, Norway and Denmark. These serve to ensure the efficiency and ecological sustainability of Nordea Bank's refurnishing programme, which spans several years.

NEW SUPPLY CHAIN MANAGEMENT UNIT AND ERP SYSTEM

In 2013, we worked extensively to transform Martela's structure to ensure we can meet customer needs as effectively as possible. In the autumn, we merged our purchasing, production and logistics functions to create a new unit, Supply Chain Management (SCM). The new unit serves to harmonise processes and make the supply chain faster and more efficient. A more efficient operating model enables us to meet customers' needs more quickly and with a more competitive service than before.

Major projects also included the introduction of a new ERP system. It was implemented in Poland in 2011 and Sweden in 2012, and was adopted by our largest business unit, Finland, in the spring of 2013. This Group-wide ERP system covers the working methods and processes of all employees, and the aim is to enhance the efficiency and transparency of the supply chain. The establishment of the SCM organisation and the implementation of the new ERP system are among the most extensive changes in the history of Martela.

SAVINGS PROGRAMME

In the summer, we announced significant measures to improve our operations and competitiveness and reduce costs. The programme aims to achieve cost savings equivalent to an annual EUR 6 million by the end of 2014. The principal measures include production transfers among the Group's different business locations and merging of support functions as well as reorganising and improving the productivity of poorly performing businesses.

As part of our reorganisation of business operations, Martela carried out three sets of codetermination negotiations in its Finnish units in 2013 and early 2014. As a result of these negotiations, the Group's costs will decrease significantly due to personnel reductions and production transfers,

which will be carried out between our units in Nummela, Riihimäki and Warsaw. The personnel reductions and production transfers made represent approximately EUR 3.5 million of the total savings programme of EUR 6 million.

TECHNOLOGY IN DESIGN AND FURNITURE SOLUTIONS

At the Stockholm Furniture Fair in February 2014, we presented new solutions and concepts for a transformed working culture. We create added value for customers by offering dynamic workstations that are more than just furniture: they provide services and include information systems. For example, a desk can be customised to individual preferences by showing an access card. When arriving at the workplace, mobile employees can check the location of free workstations from a joint reservation system. They can also see who will be working next to them. Our dynamic furniture solutions were piloted at PwC Bergen, and the feedback was very positive.

I would like to take this opportunity to thank our customers, partners, shareholders and employees for an energetic and eventful 2013.

Takkatie, February 2014
Heikki Martela,
Managing Director

Strategy and Values

MISSION
Better Interiors

VISION
Leading Finnish Interior Brand

STRATEGY
Inspiring Spaces

We are the responsible partner for inspiring and complete workspace solutions. We help our customers to define, plan and run their working environments as the way of working is changing. Our inspiring solutions help to improve the quality of working life, strengthen customers' brands and efficiency. We focus on direct customer and specifier relationships.

VALUES
Family business
Passion for Innovations
User Driven Design
Finnish

Corporate responsibility

Martela is committed to acting responsibly in all of its operations. Corporate responsibility is a key element of the company's values, operating strategy and daily activities at all levels of the organisation. This means transparency, sustainable business activities and commitment to international agreements and guidelines, as well as caring for the company's personnel and stakeholders. At Martela respect for the environment is evident in its life cycle approach, in the user-oriented design and manufacture of products, and in the services designed to extend the life of premises and products.

Corporate responsibility is also integral to the Inspiring Spaces promise: a passion for innovation that offers customers ever more inspiring premises, helping build a better tomorrow for everyone. Such solutions, boosting productivity, efficiency and satisfaction, will facilitate responsible actions at the individual level and within the organisation.

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

Martela published its third responsibility report during the year, in compliance with the GRI (Global Reporting Initiative) guidelines. In addition to the responsibility reporting, Martela's operating models were also audited by one of its key customers. This proved valuable for obtaining new perspectives on ways in which responsibility can be further developed.

ECONOMIC RESPONSIBILITY

In its responsibility reports, Martela explains openly about the distribution of economic benefits in its value chain. The largest share of the Martela Group's revenue goes to product and service suppliers in the form of payment for materials, goods and services. Most of the purchases for customer products are made from local suppliers in Finland, Sweden and Poland. The second greatest share of the economic benefits is distributed among the personnel in the form of pay and indirect employee costs. Shareholders gain economic benefits in the form of annual dividends.

SOCIAL RESPONSIBILITY

Martela's success is dependent on skilled and motivated employees who enjoy their work. Its human resources (HR) policy is aimed at responsible management of these resources, which ensures that the company's personnel-related success factors are in place. Martela's responsibility report contains a set of HR indicators revealing the personnel structure and the turnover among personnel. They also present information on personnel competence and health and safety, and on Martela's remuneration systems.

During the year, an employee wellbeing model was assembled, which defines employee wellbeing at Martela and specifies the measures taken in the different units to promote this wellbeing. Social responsibility is taken into account throughout the supply chain. Suppliers and their subcontractors are required to commit to observing human rights and to comply with the relevant national labour legislation and ILO agreements.

ENVIRONMENTAL RESPONSIBILITY

Martela promotes environmental protection in its operations and complies with the requirements of the relevant legislation. Through continuous development the aim is to reduce adverse environmental effects and promote recycling. The company's environmental work is an integral part of everyday management, in accordance with ISO 140001. Environmental certification has been granted for Martela's companies in Finland and Sweden by an independent certification body. On the Swedish and Norwegian markets the Nordic Swan ecolabel has been obtained for key products as a symbol that they are environmentally friendly. Based on the principle of openness, Martela supplies information to customers about the materials used in its products. Carbon footprint calculations have been made for the company's main products, and these indicate the origin and nature of the emissions.

More detailed information on the indicators connected with environmental responsibility is given in Martela's responsibility report. The most important environmental impact of the products is considered to be the carbon footprint generated by the use of materials.

The most important goal is to find products and interior designs that meet customer needs ever more closely in term of longevity and suitability. This will minimise the overall use of materials. With the Outlet model, our used furniture items are being discovered by an increasing number of new users. The recycling service also allows furniture materials of different kinds to be utilised efficiently.

Better future by Inspiring Spaces

One office, many spaces

The nature of knowledge work has changed dramatically over a short period of time. The Inspiring Office® by Martela concept is our response to the needs of the modern Activity Based Office. Developed by Martela, this revolutionary concept allows more efficient use of space, improved well-being at work and more diverse opportunities for encounters between people.

The concept of ergonomics nowadays also covers the effect of the work environment on employee wellbeing. Efficient design of spaces improves the flow of information and use of time and reduces the amount of unnecessary interruptions during the working day.

Martela's new Inspiring Office® by Martela concept divides spaces into public, semi-public and private zones. We also examine the use of space from the employees' perspective by dividing employees into four groups according to the nature of work tasks, the need for privacy and individual personality. In a mobile world, people increasingly work outside the office. The office is used for encounters between people and for meetings. This change, in particular, has been taken into account in the concept. Martela offers not only an excellent range of furniture for work environment remodelling projects, but also a full selection of the services needed by the customer over the lifecycle of its premises – and all on the one-stop shop principle. Our wide selection includes furniture and materials produced by Martela as well as top brands represented by Martela.

The Inspiring Office® by Martela concept allows customers to work more efficiently and make their brand more attractive to their customers and to potential new employees. In an inspiring office, every person will feel that the space is designed especially for their own needs.

Read more about the Activity Based Office concept at **martela.fi/inspiring-office**

Business Unit Finland

In Finland, Martela has a network of 27 sales centres, of which 6 are Martela Outlet stores specialising in recycling. Martela holds a strong position in the market as a provider of comprehensive interior modification services and as a designer and supplier of innovative furniture, and is the largest company of its kind in Finland. The Business Unit's revenue in 2013 was EUR 92.3 million, down 5.9% from the previous year. Its operating result was EUR 1.4 million (EUR 3.9 million).

In addition to office furnishing, the Business Unit offers interior solutions for learning environments and care sector. Changes in the learning environment are reflected in Martela's product range and business. For the care sector, Martela has developed extensive comprehensive solutions and a collection designed entirely on a customer-driven basis.

Demand for responsible life-cycle management of business premises furniture has increased. Martela's data management services support customers' business by simplifying furniture stock management and the related reporting. For example, a well-planned maintenance and recycling timetable produces savings for the customer. The service has allowed the Business Unit to offer more comprehensive solutions and to strengthen Martela Outlet's role in the unit's operations. Significant system projects and organisational changes were carried out in 2013. A new Group-wide ERP system was introduced in Finland, and investment was made in sales tools.

CASE: VALIDIA SERVICES

Martela's care sector business designed an interior concept for Validia Services, which is part of the Finnish Association of People with Physcial Disabilities. The design takes into account the special housing of the occupants. The aims of the design were safety, support for the occupants' wellbeing, and comfort. The interior concept has six different variations to cover the accommodation needs of the elderly and disabled occupants. In 2013, projects were completed in accordance with the concept at the following locations: Kalasatama in Helsinki, Hirvensalo in Turku, Kauhajoki and Seinäjoki.

Business Unit Finland (meur)	2013	2012	Change %
Revenue	92.3	98.1	-5.9
Operating profit	1.4	3.9	
Investments	0.7	0.5	
Average personnel	473	485	-2.5

Business Unit Sweden and Norway (meur)	2013	2012	Change %
Revenue	20.5	20.1	2.0
Operating profit	-1.4	-0.7	
Investments	0.0	0.1	
Average personnel	58	58	0.0

Business Unit Sweden and Norway

This Business Unit is the second biggest at Martela. Sales take place through a network of dealers, and Martela also has its own sales and showroom facilities in three locations: Stockholm and Bodafors in Sweden and Oslo in Norway. Logistics centre and order handling are located in Bodafors. In Norway, a marketing company located in Oslo operates as a support organisation for the Norwegian sales network. The Business Unit's revenue in 2013 was EUR 20.5 million, up 2.0% from the previous year. Its operating result was EUR -1.4 million (EUR -0.7 million).

Changes in office environments are setting new demands on acoustic management of spaces. Disruptive sounds need to be minimised without preventing fluent communications. At the Stockholm Furniture Fair, Martela presented exciting products from its Silence solution that enable privacy and peaceful working conditions in open spaces. The new furniture solutions allow premises to be used in a versatile and efficient manner.

Products that are well suited to activity based working methods were also presented at the fair. Intelligent storage units guarantee an easy storage solution for employees even if they use a different workstation every day.

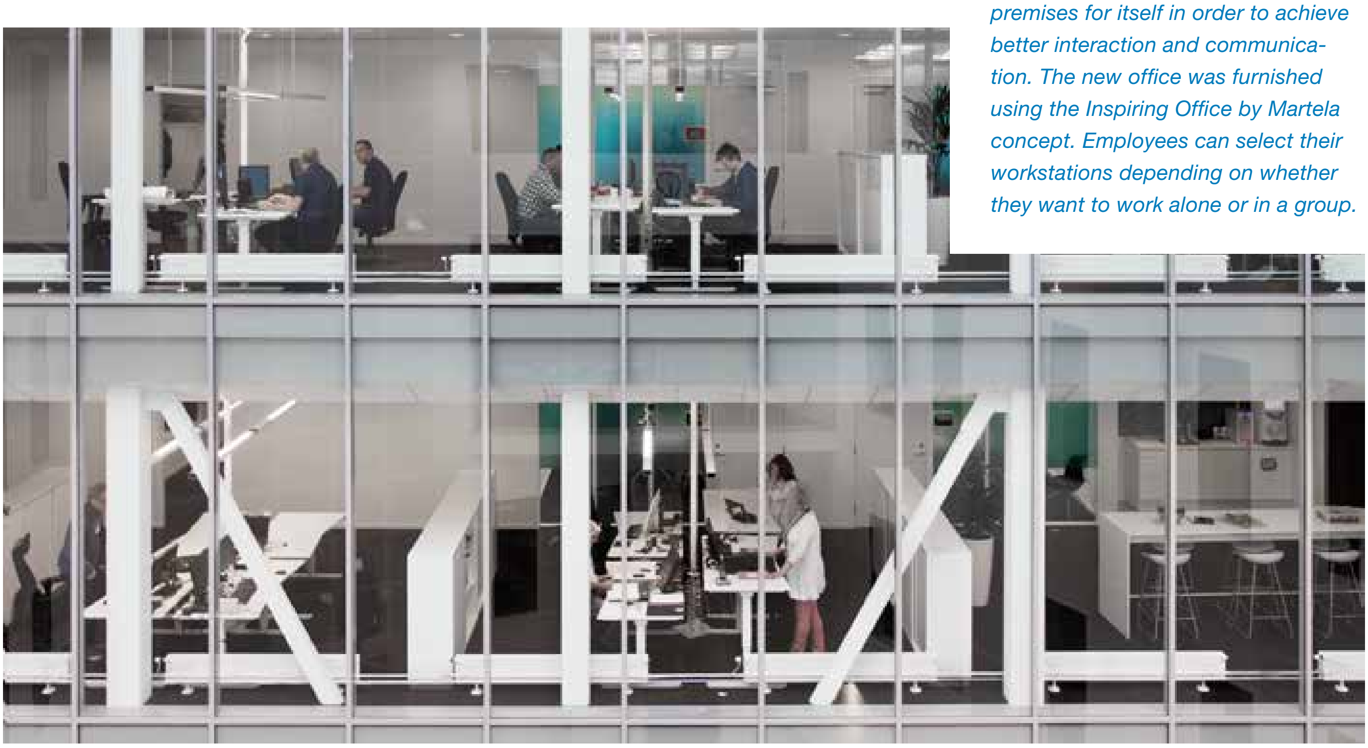
One of Martela's strengths is comprehensive project deliveries. Both standard furniture and customised products can be delivered to the customer as part of a single project. The selection of customised products was broadened during the year.

Martela is committed to acting responsibly in all of its operations. Responsibility is an important part of the company's values and operating strategy. Martela's high-volume products have already gained the Nordic Swan ecolabel for environmental friendliness. This year, Martela also obtained the Swedish Möbelfakta label for its high-volume products. The label informs customers that the product meets the requirements set by Möbelfakta regarding quality, environmental friendliness and social responsibility.

The Designers Saturday event was held in Oslo in autumn 2013. Finnish design heritage and new products for activity-based offices were exhibited at Martela's Oslo showroom. Over 1,000 guests visited the showroom during the weekend.

CASE: EVRY

The Norwegian information technology company EVRY built new business premises for itself in order to achieve better interaction and communication. The new office was furnished using the Inspiring Office by Martela concept. Employees can select their workstations depending on whether they want to work alone or in a group.



Business Unit International

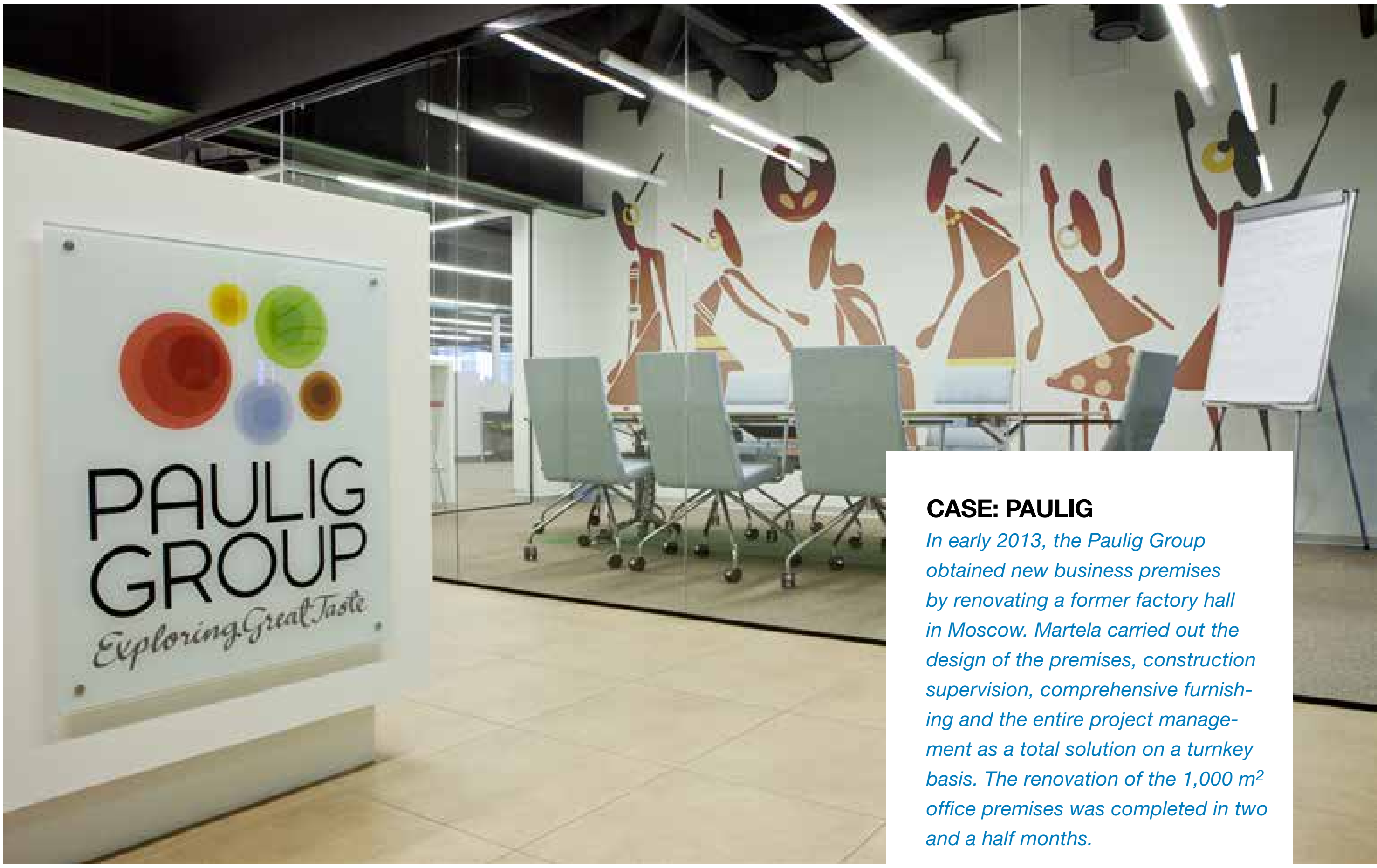
Business Unit International's main market area is Russia. Other export markets include Denmark, Estonia, the Netherlands and Japan. Sales in Russia take place both directly and through a network of dealers. In other markets there are local importers. In addition, the unit is responsible for managing the Group's key international accounts.

RUSSIAN MARKET

Russian working culture is changing at a comparable rate to Western Europe. The mobile way of working has increased demand for modern interior modification solutions and services. Martela's high-quality and versatile product portfolio is designed to meet this demand. Customers have given positive feedback on the Inspiring Office® by Martela concept.

Martela's companies in Moscow and St. Petersburg continued to build up their business. The companies focused on strengthening the brand image and broadening the network of relationships. Martela held a one-day design event in co-operation with Russia's most important design establishment, the Strelka Institute for Media, Architecture and Design, and the Finnish Embassy in Moscow. The event drew 500 invited guests who were informed about the opportunities presented by activity based interior planning.

During the year, Martela focused not only on developing its own companies but also its dealer network. One of the results was that Martela delivered its first learning environment solutions to Kazakhstan.



CASE: PAULIG

In early 2013, the Paulig Group obtained new business premises by renovating a former factory hall in Moscow. Martela carried out the design of the premises, construction supervision, comprehensive furnishing and the entire project management as a total solution on a turnkey basis. The renovation of the 1,000 m² office premises was completed in two and a half months.

Business Unit Poland

Business Unit Poland (meur)	2013	2012	Change %
Revenue	11.7	12.7	-7.6
Operating profit	-0.6	-1.2	
Investments	0.2	0.1	
Average personnel	80	81	-1.0

Martela occupies a significant position on the Polish market, being market leader within its particular segment. Martela serves its customers through a nationwide sales network that includes seven sales offices in the country's largest cities. The Business Unit's headquarters are in Warsaw. Logistics centre in Warsaw is responsible not only for managing logistics but for assembly of products as well. The Business Unit's revenue in 2013 was EUR 11.7 million, down 7.6% from the previous year. Its operating result was EUR -0.6 million (EUR -1.2 million).

Despite the uncertain economic conditions in Europe, a wave of investment by western companies is in progress in Poland. New business premises are being constructed and old ones are being rebuilt in order to meet the needs of international companies. Martela's competitive advantages in Poland's large and growing furniture market lie in its extensive sales network, direct customer and architect relationships and local production. During 2013, the development of project and service sales continued, and investment was made in sales training.

Preparations were made during the year to relocate the head office and logistics centre of Poland, and this will take place in early 2014. The Inspiring Office® by Martela concept was incorporated in the head office design work. The new head office will be in central Warsaw and will also function as a showroom for customers and meeting place for architects.

The new logistics centre will result in more flexible and cost-effective production, and will increase production capacity. It will also enable production to be better allocated between the Group's three logistics centres.

CASE: TORUŃ AGENCY OF REGIONAL DEVELOPMENT

Toruń Agency of Regional Development (TARR) is a local body responsible for business and science development, support of innovations as well as management of European projects. Its building is divided into private and public spaces such as workstations and managers rooms, conference rooms, informal meeting places, cantinas as well as IT development and data center. Martela tailored an Inspiring Office® by Martela concept based solution and furnished the entire building with own and partners' products.

Personnel

In 2013, Martela employed an average of 770 people in five countries. As a Finnish family-owned company, Martela's employment culture is one in which the owner has a face and each employee is treated as an individual. The company's success is based on its competent and motivated personnel. The company's responsible approach to HR management is aimed at constantly maintaining the competence and wellbeing of its personnel.

2013 was marked by changing customer needs and a weakening of market conditions and the economic outlook. These led to measures being taken in the company to improve the efficiency of operations and reduce the cost level. Operations were reorganised, the number of employees had to be reduced and some job descriptions were modified to better reflect the needs of the changed market conditions.

In the Service Production Unit, a new collective agreement for the removals industry was adopted in February.

SUPPORT TO DEAL WITH CHANGE

Substantial organisational changes were implemented in 2013. In this difficult situation, Martela aims to support both those who have been made redundant and those who are continuing in the organisation. Supervisor skills were developed through labour legislation training and training to manage dismissal situations. Training in job seeking was arranged for those who were made redundant.

Major development projects begun in 2012 were continued in 2013. The Group-wide ERP system was adopted in Finland and now covers the working methods and processes of the Group's entire personnel. Personnel skills were supported through training, which was also provided via the Martela Learning virtual environment. In 2013, a sales training programme was launched in Finland that offers new operating models for working at the changing customer interface.

TOOLS FOR JOB SATISFACTION

Job satisfaction is assessed regularly at Martela. An action plan that aims to make Martela the best workplace for the best employees was drawn up on the basis of the latest assessment. In 2013, Business Unit Poland launched a pilot project based on the action plan. The aim of the project is to create a tool that allows the entire personnel to participate in the development of the organisation and its operations, and thus in the improvement of job satisfaction.

Products and Communication

Product development, product portfolio management and marketing, which previously constituted Martela's Products and Communication Unit, were separated into discrete functions in 2013. This was carried out in conjunction with the organisational changes made in autumn 2013, with the aim of better reflecting Martela's changed business environment.

PRODUCT DEVELOPMENT AND PORTFOLIO MANAGEMENT

The shift in working culture towards mobile and activity based working enables new types of solutions for working environments and more efficient use of spaces. The solutions that Martela offers for today's Activity Based Offices support both employee and business needs. Dividing an office into private, semi-public and public zones is a way of bringing the entire premises into active work use. Martela has registered its Inspiring Office® by Martela concept, which offers unique solution-based packages for a constantly changing work environment. The aim of the concept is to optimise customers' premises costs, improve the efficiency of communications between functions and improve employee wellbeing.

An important product launch took place in the second quarter, when sales of the Alku desk series began. Alku is a range of dynamically designed lightweight desks, which are typically key products in modern offices.

Changing teaching methods and increased group work in schools are creating demand for new furniture solutions. The Salmiakki table, which was launched as a furniture product for learning environments, is designed for various group work situations. The round Movie Button couch, which can be placed in the middle of a learning environment, was added to the Movie product range.

Martela's collection offers a wide range of colour and material options. The collection contains durable materials designed for professional use that are well suited to public spaces and meet even the strictest safety requirements. With these constantly updated material options, a unique interior solution can be planned for every customer. A linoleum option was added to the table top alternatives for the Exceed and Canti tables in Martela's standard collection in 2013. The new print patterns on the range of Face screens also bring variety to the traditional screen materials.

Martela's own collection can be excellently complemented by representatives of other strong brands including Arper, Artek and Offecct. Customers can be supplied with just the right products that match their needs from a range of manufacturers.

Responsibility forms an integral part of Martela's product development and portfolio management. In product development, Martela is constantly looking for opportunities to reduce its environmental impact. It also actively measures the carbon footprint of its products. The already long lives of products are extended with Martela's recycling and re-upholstery services.

MARKETING

At the Stockholm Furniture Fair, Martela presented its Silence solutions, which take into account the changing requirements for performing work. Martela's Silence solutions improve ergonomics in the workplace by reducing detrimental interruptions. The new Silence products offer acoustic protection that allows employees to concentrate without interruption. The fair was a success for Martela, and the new products and solutions generated interest among visitors.

Having long worked with Martela, Grundell has become an integral part of Martela's service production chain, following our acquisition of the company. A brand reform that highlights Grundell's important role in Martela's service offering was undertaken in autumn 2013. The Grundell removals and interior planning services are now known as Grundell by Martela.

At the Open Day held in Martela House in September, Dutch interior designer Casper Schwarz gave a talk on the topical theme of Activity Based Offices. At the event, Martela also launched a large number of new products for its collection in support of this theme. These included PodMeeting, which was added to the Pod family of products.

Digital channels are playing a greater role in marketing, reflecting changes in customer behaviour. Martela's digital sales tools were improved during the year. A new website covering all Business Units and a media bank were also introduced. The benefits that have already been felt include product information being easier to find, better features and greater flexibility of the platform.

Supply Chain Management Unit

The Martela Group's purchasing, production and logistics functions were combined to form a new unit called Supply Chain Management (SCM) in 2013.

EFFICIENCY THROUGH A NEW OPERATING MODEL

The merging of Martela's purchasing, production and logistics functions increases the speed and efficiency of the entire delivery chain and harmonises processes. Thanks to a more efficient delivery chain and an expanded network of subcontractors and partners, customers' needs can be met more quickly and with a more competitive service than before. New operating models are required as a result of the increase in international projects and their comprehensive deliveries, and the need for individually tailored solutions. Martela's new Supply Chain Management Unit allows the company to better meet the changing needs of customers.

The creation of the new unit gives employees in Martela's delivery chain a broader perspective on decision-making and allows their influence to extend further within the organisation. Information flow between the business units will improve as employees can share information and best practices more easily than before. The new SCM Unit will also reduce unnecessary overlaps in activities and therefore increase efficiency.

KIDEX OY BECOME PART OF THE SCM UNIT

The Group’s contract manufacturer Kidex Oy is part of the supply chain.

Kidex Oy is a contract manufacturer of board-based furniture components. Reliable and efficient production management and professional staff guarantee Kidex Oy’s competitiveness. In 2013, the company employed an average of 65 (70) people.

Quality

At Martela, quality is based on meeting customer requirements and expectations. Several projects were conducted in the Group to improve quality in 2013.

Development of the Group's operations is based on certified quality systems (ISO9001) and environmental systems (ISO14001). The certificates are granted by an accredited third-party assessor for three years at a time.

Martela's Finnish units switched over to using the Group-wide ERP system during the year. The key quality indicators for the delivery chain, such as delivery reliability, were integrated into the ERP system. Therefore, the new system not only supports operating efficiency but also enhances quality measurement and continuous improvement of operations.

The entire Martela Group's delivery chain was reorganised in September 2013 into a new Supply Chain Management Unit. The new unit and the ERP system together enable uniform processes within the Group, from customer service to quality control. Rather than being a separate process, quality is an integral part of the entire delivery chain operation and the Group Management Team's work. During the year, quality control in Martela's units, customer complaints management, and quality control in the delivery chain were audited internally and externally. The results serve as a basis for developing uniform operating models that support quality-related work, and for developing personnel training.

Corporate governance statement

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

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

ORGANISATION

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

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

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

Sales in Business Unit Sweden and Norway is handled through dealers. In addition, the Business Unit has its own sales and showroom facilities at three locations: Stockholm and Bodafors in Sweden and Oslo in Norway. The Business Unit's order handling are also located in Bodafors, Sweden. Sales office in Oslo acts as a support organisation of reseller network in Norway.

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

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

The Business Units share Group-level processes:

- Research & Development, Product and Communication Units are responsible for the competitiveness of the product portfolio and its visual consistency and for the development of innovative products and the Group's marketing communications.
- Supply Chain Management (SCM) is responsible for all Business Units' production, the principles and technology of production management, Group procurement, quality and the environment. 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.

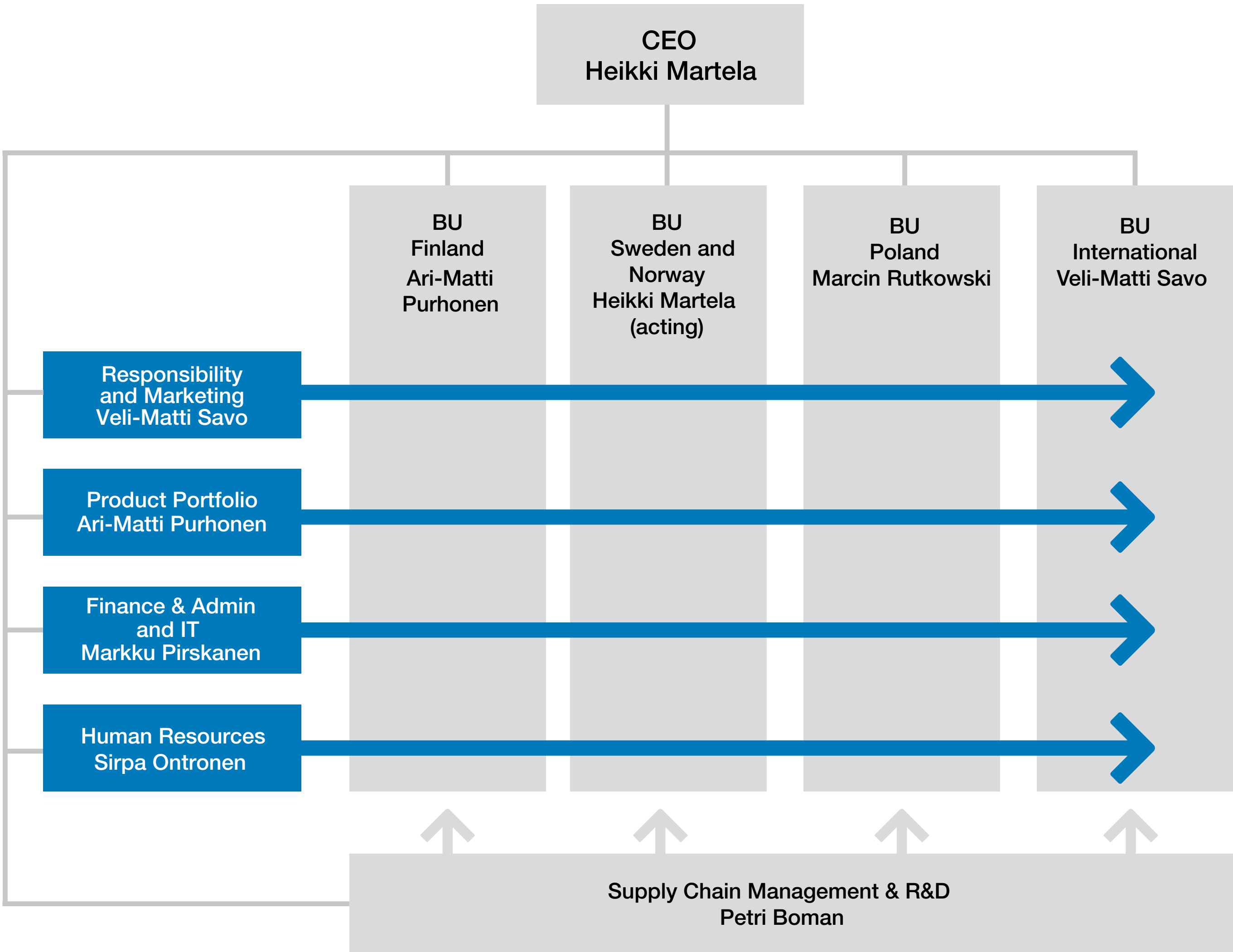
Manufacturing takes place on an order-driven basis at Martela. Management of the supply chain and product assembly have been concentrated in the company's logistics centres in Finland, Sweden and Poland which are part of the Supply Chain Management organization. The logistics centres rely on an extensive 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 24 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 2013 was EUR 7 million.

In January-December 2013, a total of 629,357 (422,271) of the company's A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 17.8 per cent (11.9) of the total number of A shares.

The value of trading was EUR 2.6 million (2.5); the share price was EUR 5.02 at the beginning of the year and EUR 3.35 at the end of the year. During January-December the share price was EUR 5.50 at its highest and EUR 3.30 at its lowest. At the end of December, equity per share was EUR 5.38 (6.51).

BOARD OF DIRECTORS

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

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

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

The Board convened nine times during the financial year. The average attendance of Board members was 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, Pinja Metsäranta and Yrjö Närhinen are independent of the company. Of the company's largest shareholders, Heikki Ala-Ilkka, Kirsi Komi 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, Pinja Metsäranta and Jaakko Palsanen.

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

MANAGING DIRECTOR

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

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







MEMBERS OF THE BOARD

CHAIRMAN OF THE BOARD
Ala-Ilkka Heikki
born in 1952, M.Sc. (Econ)
Chairman of the Board of Martela Oyj since 2003, member of the Board since 2002.
Chief Financial Officer of Onninen Oy 1996–2011.
Other key duties: Board member of Silmäsäätiö.
Owns 15 000 Martela Oyj A shares.

VICE CHAIRMAN OF THE BOARD
Martela Pekka
born in 1950, M.Sc. (Econ)
Vice Chairman of the Board of Martela Oyj since 2003, Member of the Board since 1981, Chairman of the Board 2002–2003, Vice Chairman of the Board 1994–2001.
Managing Director of Marfort Oy since 2002.
Other key duties: Board member of Marfort Oy, Auto Innovation Oy.
Owns 8 Martela A shares and 69 274 Martela Oyj K shares.

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

Martela Heikki
born in 1956, M. Sc. (Econ), MBA
Member of the Board of Martela Oyj since 1986, Managing Director of Martela Oyj since 2002.
Other key duties: Member of the Board of Marfort Oy and the Association of Finnish Furniture and Joinery Industries.
Owns 121 342 Martela Oyj A shares and 52 122 Martela Oyj K shares.

Metsäranta Pinja
born in 1975, M.A.
Member of the Board of Martela Oyj since 2010.
Senior coordinator, Academy of Fine Arts, University of the Arts Helsinki.
Owns 2 000 Martela Oyj A shares.

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

Palsanen Jaakko
born in 1944, M.Sc. (Eng)
Member of the Board of Martela Oyj since 1993.
Owns 114 931 Martela Oyj A shares and 1 600 Martela Oyj K shares.

In the pictures from left to right Martela Heikki, Boman Petri, Ontronen Sirpa, Pirskanen Markku, Purhonen Ari-Matti, Rutkowsk Marcin and Savo Veli-Matti.

GROUP MANAGEMENT TEAM

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

MEMBERS OF GROUP MANAGEMENT TEAM

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

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

Ontronen Sirpa
born in 1961, M.Sc. (Psych.)
HR Director.
Area of responsibility: Group HR
At Martela and member of the Management team since 2002.
Working experience: Sonera Oyj, HR Manager, 2000–2002, PricewaterhouseCoopers, Management consultant 1995–2000.
Owns 7 769 Martela Oyj A shares.

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

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

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

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

Kolinen Petteri*
born in 1963,
M.A. (Design Leadership)
Design Director, Products & Communication.
Area of responsibility: Group Product Portfolio, Marketing, R&D, Design, Corporate Responsibility and Martela Brand.
At Martela and member of the Management team since 2007.
Working experience: Nokia Design, Design Manager 1993–1998, Senior Design Manager 1998–2007.
Owns no Martela Oyj shares.
*at Martela until 24.9.2013

Olsson Anders*
born in 1965, B. SC. (Eng.)
Director, Business Unit Sweden and Norway.
Area of responsibility: Sales, production and logistics in Sweden and Norway.
At Martela and member of the Management team since 2007.
Working experience: IBS Sverige AB, Business Unit Director, Sales and Marketing Director, 2005–2007.
Owns 5 022 Martela Oyj A shares.
*at Martela until 10.1.2014







FINANCIAL REPORTING IN THE GROUP

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

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

AUDITING

The auditing of Group companies is carried out in accordance with the valid laws in each country and each company's articles of association. The principally responsible auditor of the parent company co-ordinates the auditing of the Group's subsidiaries together with the Group's Managing Director and Finance Director. The auditors of Martela Corporation and the Group are the authorised public accountants KPMG, with Ari Eskelinen, Authorised Public Accountant, as the principally responsible auditor.
All the auditors of the Group's companies are in the KPMG chain. In 2013, a total of EUR 137,000 (117,000) was paid in fees for the Group's auditing, while EUR 9,000 (151,000) 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 2013, a key area of focus in internal control has still been the implementation of the Group's ERP system as well as in production processes and in inventory management.

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

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

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

RISK MANAGEMENT AND INTERNAL AUDIT

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

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

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

RISK

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 2013 totalled EUR 35,000 and EUR 86,000, respectively. However, no fees are paid to Board members employed by the company.

The total salaries and other benefits paid to Martela Corporation's Managing Director in 2013 were EUR 332,000 (299,000). In addition, the Managing Director received EUR 0 (42,000) as bonuses and share-based incentives. The Managing Director is entitled to retire on a full pension at the age of 60. The period of notice of termination of contract is six months for both the Managing Director and the company. If the company gives notice of termination of contract, the Managing Director is entitled to one-off compensation equivalent to 18 months' salary.

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

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

The Managing Director and Group management participate in a long-term share-based incentive plan. The plan offers Martela Corporation A shares when the targets set for the specified earnings period are attained. The Earning period is the calendar year 2013. 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 39,000 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 2013 the targets there not fulfilled and therefor no shares were distributed. See the notes to the financial statements for information on the share-based incentive plan's effect on the result for the year.

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

INSIDER ADMINISTRATION

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

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

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

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Financial statements

Information for shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Martela Oyj will be held on Thursday, 13 March 2014, starting at 3 p.m. at Takkatie 1, 00370 Helsinki. The names of shareholders wishing to attend the meeting should be entered in the shareholder register at the Finnish Central Securities Depository Ltd no later than 3 March 2014, and the shareholders should register with Johanna Suhonen at the Company's head office, tel. +358 (0)10 345 5301, by email yhtiokokous2014@martela.fi, or by post to Martela Oyj, PL 44, FI-00371 Helsinki, no later than 4 p.m. on 10 March 2014.

PAYMENT OF DIVIDENDS

The Board of Directors proposes to the general meeting that no dividend be paid from the financial year 1 January 2013 – 31 December 2013.

PUBLICATION OF FINANCIAL INFORMATION

Martela will publish three interim reports in 2014:
January–March (Q1)
on Tuesday 29 April 2014
January–June (Q2)
on Wednesday 6 August 2014
January–September (Q3)
on Tuesday 28 October 2014

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 is available in company's website during week 9.

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 2013 financial year was EUR 132.3 million (2012: 142.7 million), a year-on-year decrease of 7.3 per cent. The operating result for the year was EUR -2.9 million (-0.9) and the earnings per share EUR -0.97 (-0.51). The cash flow from operating activities in 2013 was EUR -0.1 million (0.0). The equity ratio was 37.6 per cent (41.4) and the gearing ratio was 51.2 per cent (32.8). The return on investment for the year was -7.9 per cent (-2.7).

MARKET

The demand for office furniture in Finland continued to be weak in the second half of the year. Demand in Finland is currently focused largely on office alteration and enhancement projects of different kinds instead of new offices. In Sweden, too, the market weakened towards the end of the year. By contrast, the Polish market remained at a normal level.

Statistics on office construction are available for the first three quarters of 2013, and they indicate that 61 per cent fewer office buildings were completed in Finland in terms of square metres in the first nine months than in the same period a year earlier. In the same period, however, 49 per cent fewer office building permits were granted, and there were about 66 per cent fewer new office building starts than the previous year. Office construction activity continued to be at a low level, but it is significant that the number of building permits granted in the third quarter was 35 per cent more than in the same quarter a year earlier. But as this concerns such a short period it is not yet possible to draw any far reaching conclusions from it.

GROUP STRUCTURE

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

SEGMENT REPORTING

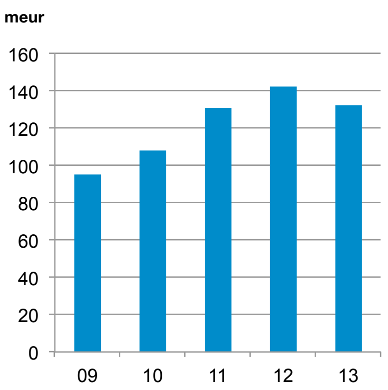
The business segments are based on the Group's operating structure and internal financial reporting.

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

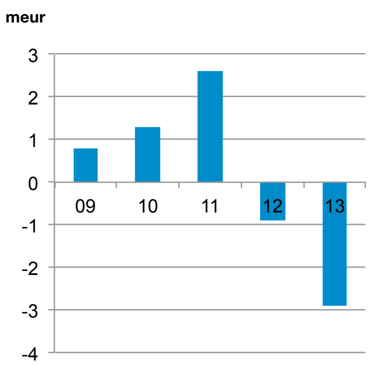
Business Unit Finland is responsible for sales and marketing and for service production in Finland. Martela has an extensive sales and service network covering the whole of Finland, with a total of 27 sales centres.

Business Unit Sweden & Norway's sales are handled through dealers. In addition, the Business Unit has its own sales and showroom facilities at three

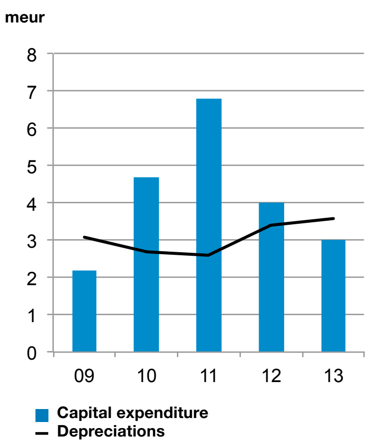
Revenue



Operating profit



Capital expenditure and depreciations



locations: Stockholm and Bodafors in Sweden and Oslo in Norway. The Business Unit's administration and order handling are also located in Bodafors. The sales company in Oslo acts as a supporting organisation for Norway's dealer network.

Business Unit Poland is responsible for the sales and distribution of Martela products in Poland and eastern Central Europe. Sales in Poland are organised via the sales network maintained by the Business Unit. There are seven sales centres in Poland. The Business Unit's main location is in Warsaw, where its sales and administration is located.

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

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

REVENUE

Consolidated revenue for the full year 2013 was EUR 132.3 million (142.7), a decrease of 7.3 per cent on the previous year. The difficult market conditions in Finland were reflected in the unit's revenue. Revenue decreased in Finland and also in Poland, both cumulatively and in the final quarter of the year. By contrast, full year revenue in Sweden was at the previous year's level, although revenue in the fourth quarter showed a year-on-year decrease. In other markets, the transfer of the Danish business at the end of 2012 from the Martela subsidiary to a dealer slightly reduced (2.2%) consolidated revenue for the review period. Revenue in Russia grew once again, but is still relatively low compared with the Group's overall revenue.

Business Unit Finland's revenue was down by 5.9 per cent. Business Unit Sweden & Norway's revenue was down by 1.2 per cent, and Business Unit Poland's by 6.8 per cent, calculated in local currencies. Movements in exchange rates did not have a significant impact on the Group's revenue.

CONSOLIDATED RESULT

The cumulative full year operating result was EUR -2.9 million (-0.9), which was -2.2 per cent (-0.6) of revenue. The consolidated operating result was boosted by EUR 0.9 million from the sale of a residential property in Nummela.

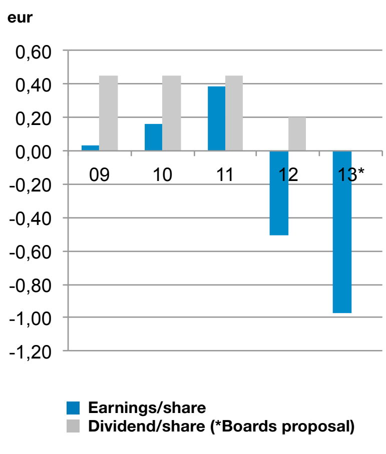
Despite a reduction in the Group's costs, the full year operating result was down from the previous year due to a clear drop in revenue.

The Group's fixed costs gradually fell during the year as a result of the measures already taken. In the third quarter, the Group began to plan further measures to reduce its costs, targeting an annual cost saving of about EUR 6 million. The savings programme will be implemented by the end of 2014, after which the full impact of the savings will be felt. It is estimated that due to the timing of the measures the cost reduction impact of the savings programme in 2014 will be equivalent to about one third of the total savings target. The measures being put in place allow the Group to adjust its cost structure to correspond to the changed operating environment.

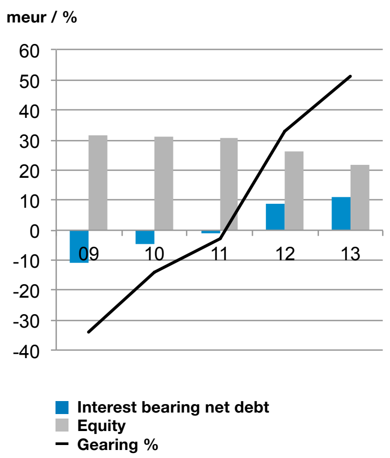
As part of the savings programme, the company began codetermination negotiations in Finland in August, and these were completed at the start of October. The outcome of the negotiations was that the Group's cost level will be reduced by costs equivalent to 35 employees by the end of 2014.

In January 2014, the Group began codetermination negotiations aimed at

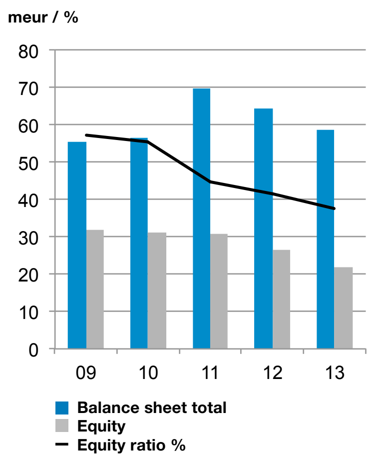
Earnings/share and dividends



Gearing



Equity ratio %



improving production efficiency. This improvement will be sought by production transfers between the Group's units located in Nummela and Riihimäki in Finland, and in Warsaw, Poland. It is estimated that the measures implemented and under way will account for approximately EUR 3.5 million annually of the total savings programme. Preparation of further measures to achieve the targeted savings is continuing.

As previously stated, the Group will nevertheless be investing resources at the same time in improving its ability to offer even better comprehensive solutions and services, especially to meet the growing customer need for Activity-Based Office solutions. The Group's aim is to strengthen its pioneering position as a supplier of comprehensive solutions and as the leading service provider for offices and other working environments.

The result before taxes was EUR -4.4 million (-1.8), and the result after taxes was EUR -3.9 million (-2.0). The result for the review period was adversely affected by the EUR 0.6 million recognised in financial expenses as a provision for the realisation of the loan guarantee given to Martela's associated company P.O. Korhonen Oy.

FINANCIAL POSITION

The Group's financial position weakened but remains stable. Cash flow from operating activities in January–December was only slightly negative, at EUR -0.1 million (0.0), despite posting a loss. The Group is continuing to focus attention on more efficient use of its working capital.

Interest-bearing liabilities at the end of the year were EUR 16.0 million (16.2) and net interest-bearing liabilities were EUR 11.2 million (8.7). The gearing ratio at the end of the year was 51.2 per cent (32.8), and the equity ratio was 37.6 per cent (41.4). Net financial expenses were EUR -1.2 million (-0.6). Financial expenses included a provision of EUR 0.6 million for the realisation of the loan guarantee given to Martela's associated company P.O. Korhonen Oy. The current financing arrangements do not include any covenant obligations.

The balance sheet total at the end of the year was EUR 58.6 million (64.6).

CAPITAL EXPENDITURE

The Group's gross capital expenditure in 2013 totalled EUR 3.0 million (4.0). Martela's most important capital expenditure project during the year was the new enterprise resource planning (ERP) system, which was introduced in Finland in spring 2013. Capital expenditure otherwise consisted of normal everyday maintenance and replacement expenditure.

PERSONNEL

The Group employed an average of 770 (806) persons, which is a year-on-year decrease of 4.5 per cent. Salaries and fees in 2013 totalled EUR 30.1 million (31.0). Expenses arising from employee benefits are presented in more detail under note 3 of the notes to the financial statements.

PRODUCT DEVELOPMENT, PRODUCTS AND COMMUNICATIONS

The Group continued its vigorous development of new products during the year. The 'New Way of Working' (NWOW) trend intensified as the year wore on. This is all about a fundamental change of working from traditional office work to a more mobile mode. Work is no longer dependent on time and place in the way it used to be. This major change in the way we work is also reflected in the Martela collection: furniture must facilitate the work and inspire the employee in this new approach and in new locations. Modes of working are constantly changing and the industry is affected by new trends all the time, resulting in a rapid pace of change. Martela has responded to the changing customer need with new products and space concepts. Martela registered its principal marketing theme in July 2013: the Inspiring Office® by Martela concept. This concept was also the main theme at the Open Day held in Martela House in the autumn. At the event, Martela launched a large number of new products for its collection in support of the theme. These included the PodMeeting assembly area, which was added to the Pod family of products.

Martela is also a leading furnisher of learning environments in Finland. For these environments Martela offers its Inspiring School concept. As a new addition to its furniture for learning environments, Martela launched the Salmiakki table for adaptable teaching spaces. The design of the table allows for inspired classroom furniture solutions. The round Movie Button sofa, specially aimed at Martela's school collection, was also launched during the year as an addition to the Movie product family. The Movie Button brings new opportunities for furnishing learning environments because it can be placed in the middle of a space.

Another important product launch took place when sales of the Alku desk series began. Alku is a range of dynamically designed lightweight desks, which are typically key products in modern offices. The Alku desks are available in many different versions, and the product family also includes the increasingly popular 'workbench' arrangement. The impact of materials choices in a changing work environment is also generating an increasing amount of interest. As a consequence, a linoleum option was added to the table top alternatives for the Exceed and Canti tables in Martela's standard collection. The print patterns on the range of Face screens also bring variety to the traditional screen materials.

RESPONSIBILITY

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

In 2013, Martela's personnel were given training on implementing the Group's responsible business principles. This Martela Corporate Code of Conduct incorporates concrete guidelines and requirements for Martela's employees and for the company's partners. This training is given every year.

Martela's third corporate responsibility report based on the GRI protocol was completed in May. Responsibility has already become a well established part of management, operating plans and actions at Martela. In the early part of the year, Martela also launched the Citizen Day project. Martela employees can get involved by working, on the company's time, at care homes, for example.

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

SHARES

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

During the financial year, 629,357 (422,271) of the company's A shares, or 17.7 per cent (11.9) of all A shares, were traded on NASDAQ OMX Helsinki.

The value of trading turnover was EUR 2.6 million (2.5), and the share price was EUR 5.02 at the beginning of the year and EUR 3.35 at the end of the year. During the year, the share price was EUR 5.50 at its highest and EUR 3.30 at its lowest. At the end of December, equity per share was EUR 5.38 (6.51).

TREASURY SHARES

Martela did not purchase any of its own shares in 2013. On 31 December 2013, Martela owned a total of 67,700 Martela A shares, purchased at an average price of EUR 10.65. Martela's holding of treasury shares amounts to 1.6 per cent of all shares and 0.4 per cent of all votes.

Share acquisition for the share-based incentive scheme and management of the scheme have been outsourced to an external service provider. These shares have been entered under equity in the consolidated financial statements for 2013.
A total of 38,647 shares under the incentive scheme were still undistributed on 31 December 2013.

2013 ANNUAL GENERAL MEETING

Martela Corporation's Annual General Meeting was held on 14 March 2013. The AGM approved the financial statements for 2012 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 0.20 per share totalling 817,580.00 EUR. The dividend was paid on 26 March 2013.

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

The AGM also approved the Board of Directors' proposals, detailed in the meeting notice, to authorise the Board to acquire and/or dispose of Martela shares.

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

ADMINISTRATION

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

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

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

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

RISKS

It is estimated that the greatest risks concerning profit performance are related to general economic growth trends and the consequent overall demand for office furniture. In accordance with Martela's risk management model, the risks are classified and are guarded against in different ways. At Martela's production plants, product assembly is automated and based on component subcontracting, with the assembly carried out by Martela. Production control is based on orders placed by customers, which means that there is no need for any extensive warehousing. Risks of damage are covered with appropriate insurance and this provides comprehensive coverage for property, business interruption, supplier interruption loss and loss liability risks. Martela uses the services of an external insurance broker to manage insurance matters. The services of an external partner are also used in legal matters.

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

SHORT-TERM RISKS

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

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

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On 9 January 2014, the Group began codetermination negotiations concerning Martela Corporation's employees at its Nummela and Riihimäki locations.

On 3 February 2014 Martela announced that P.O. Korhonen Oy, a joint enterprise of Martela Corporation and Artek Oy Ab, is to cease operating, due to the unprofitability of its operations. In spite of various development and efficiency improvement measures, the company's core business has remained unprofitable, and no change is expected in this in the longer term. P.O. Korhonen Oy's Board of Directors decided on 3 February 2014 to apply for bankruptcy. The company's principal creditors are its owners, Martela Corporation and Artek Oy Ab. At a future date, Martela will acquire some of the products manufactured by P.O. Korhonen Oy from outside subcontractors. The revenue of P.O. Korhonen Oy was in 2013 approximately EUR 3 million.

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

OUTLOOK FOR 2014

The Martela Group anticipates that its revenue in 2014 will be at the 2013 level, and that its operating result will show a year-on-year improvement. 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 no dividend be distributed for 2013.

ANNUAL GENERAL MEETING

Martela Corporation's AGM will be held on 13 March 2014 at 3 p.m. in Martela House, Helsinki. The notice of Annual General Meeting will be published in a separate stock exchange release.

Revenue by segment

(meur)	Business Unit Finland	Business Unit Sweden and Norway	Business Unit Poland	Other segments	Total
1.1.2013–31.12.2013					
External Revenue	92.3	20.5	11.7	7.8	132.3
Internal Revenue	0	1.7	0.1	10.1	11.8
Total 2013	**92.3**	**22.2**	**11.8**	**17.9**	
1.1.2012–31.12.2012					
External Revenue	98.1	20.1	12.7	11.9	142.7
Internal Revenue	0.0	2.2	0.0	13.2	15.4
Total 2012	**98.1**	**22.3**	**12.7**	**25.1**	
External Revenue change %	-5.9%	2.0%	-7.6%	-34.4%	-7.3%

Average staff by region

	2013	2012
Finland	620	637
Scandinavia	58	76
Poland	80	81
Russia	12	12
Group total	**770**	**806**

Consolidated comprehensive income statement

(EUR 1,000)	Note	1.1.–31.12.2013	1.1.–31.12.2012
Revenue	1	**132 293**	**142 686**
Other operating income	2	1 352	409
Changes in inventories of finished goods and work in progress		-325	-193
Materials and services		-70 773	-73 859
Production for own use		54	278
Employee benefits expenses	3	-38 160	-38 617
Depreciation and impairment	4	-3 550	-3 421
Other operating expenses	5	-23 780	-28 195
Operating profit (-loss)		**-2 889**	**-912**
Financial income	7	38	73
Financial expenses	7	-1 233	-706
Share of result in associated undertakings	12	-305	-300
Profit (-loss) before taxes		**-4 389**	**-1 845**
Income taxes	8	455	-203
Profit (-loss) for the financial year		**-3 934**	**-2 048**
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		337	-126
Taxes from items that will not later be recognised through profit or loss		-81	31
Items that may later be recognised through profit or loss			
Translation differences		-80	230
Total comprehensive income		**-3 758**	**-1 913**
Allocation of profit (loss) for the financial year:			
Equity holders of the parent		-3 934	-2 048
Allocation of total comprehensive income:			
Equity holders of the parent		-3 758	-1 913
Earnings per share for the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	-0.97	-0.51
Diluted earnings/share, EUR	9	-0.97	-0.51

Consolidated cash flow statement

(EUR 1,000)	1.1.–31.12.2013	1.1.–31.12.2012
Cash flows from operating activities		
Cash flow from sales	132 033	143 990
Cash flow from other operating income	353	394
Payments on operating costs	-131 746	-143 434
Net cash from operating activities before financial items and taxes	640	950
Interest paid	-475	-514
Interest received	24	33
Other financial items	-196	-126
Dividends received	1	1
Taxes paid	-130	-346
Net cash from operating activities (A)	**-136**	**-2**
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-2 711	-3 504
Proceeds from sale of tangible and intangible assets	38	15
Capital expenditure on other investments	0	-200
Proceeds from sale of other investments	960	0
Capital expenditure on subsidiaries	0	-2 975
Net cash used in investing activities (B)	**-1 713**	**-6 664**
Cash flows from financing activities		
Proceeds from short-term loans	18 500	10 876
Repayments of short-term loans	-18 246	-7 762
Proceeds from long-term loans	1 283	4 000
Repayments of long-term loans	-1 502	-3 103
Dividends paid and other profit distribution	-810	-1 822
Net cash used in financing activities (C)	**-775**	**2 189**
Change in cash and cash equivalents	**-2 624**	**-4 477**
Cash and cash equivalents at beginning of year 1)	**7 589**	**11 947**
Translation differences	-107	120
Cash and cash equivalents at end of year 1)	**4 858**	**7 589**

Consolidated balance sheet

(EUR 1,000)	Note	31.12.2013	31.12.2012
ASSETS			
Non-current assets			
Intangible assets	10	6 403	6 031
Tangible assets	11	11 767	12 881
Investments in associates and associated undertakings	12	0	42
Available-for-sale financial assets	14, 15	55	55
Investment properties	13	600	600
Receivables	14, 16	0	10
Pension receivables	26	0	55
Deferred tax assets	17	373	393
Non-current assets, total		**19 198**	**20 067**
Current assets			
Inventories	18	10 913	12 885
Trade receivables	14, 19	22 332	22 586
Loan receivables	14, 19	87	124
Accrued income and prepaid expenses	14, 19	1 227	1 298
Financial assets at fair value through profit and loss	14, 20	0	0
Cash and cash equivalents	21	4 857	7 589
Current assets, total		**39 416**	**44 483**
Assets, total		**58 614**	**64 550**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	23		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Other reserves		-9	-9
Treasury shares*		-1 050	-1 050
Translation differences		-86	-6
Retained earnings		14 831	19 319
Equity, total		**21 802**	**26 370**
Non-current liabilities			
Deferred tax liabilities	17	846	1 269
Other non-current liabilities		0	151
Pension obligations	26	637	904
Financial liabilities	14, 25	8 645	9 331
Non-current liabilities, total		**10 128**	**11 655**

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

Current liabilities	Note	31.12.2013	31.12.2012
Interest-bearing			
Financial liabilities	14, 25	6 731	6 010
Interest-bearing current liabilities, total		**6 731**	**6 010**
Non-interest-bearing			
Advances received	14, 27	627	777
Trade payables	14, 27	7 346	8 268
Accrued liabilities and prepaid income	14, 27	6 423	6 655
Other current liabilities	14, 27	4 990	4 815
Provisions		566	0
Non-interest-bearing current liabilities, total		**19 952**	**20 515**
Liabilities, total		**36 811**	**38 180**
Equity and liabilities, total		**58 614**	**64 550**

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

Statement of changes in equity

(EUR 1,000)

Equity attributable to equity holders of the parent	Share capital	Share premium account	Other reserves	Treasury shares	Trans-lation diff.	Retained earnings	Equity, total
Equity 1.1.2012	**7 000**	**1 116**	**117**	**-1 050**	**-236**	**23 809**	**30 756**
Retroactive application of the revised IAS 19 standard						-778	-778
Adjusted shareholders' equity 1.1.2012	**7 000**	**1 116**	**117**	**-1 050**	**-236**	**23 031**	**29 978**
Other comprehensive income							
Profit (loss) for the financial year						-2 048	-2 048
Translation differences					230		230
Total comprehensive income					**230**	**-2 048**	**-1 818**
Business transactions with owners							
Dividends						-1 822	-1 822
Share-based incentives						-50	-50
Business transactions with owners, total						**-1 872**	**-1 872**
Equity 31.12.2012	**7 000**	**1 116**	**117**	**-1 050**	**-6**	**19 111**	**26 288**

Equity 1.1.2013	**7 000**	**1 116**	**117**	**-1 050**	**-6**	**19 889**	**27 066**
Retroactive application of the revised IAS 19 standard			-126			-778	-904
Retroactive application of the revised IAS 19 standard, deferred taxes						208	208
Adjusted shareholders' equity 1.1.2013	**7 000**	**1 116**	**-9**	**-1 050**	**-6**	**19 319**	**26 370**
Other comprehensive income							
Profit (loss) for the financial year						-3 934	-3 934
Other items of comprehensive income adjusted by tax effects							
Translation differences					-80		-80
Items resulting from remeasurement of the net debt related to defined benefit plans (incl. deferred taxes)						256	256
Total comprehensive income					**-80**	**-3 678**	**-3 758**
Business transactions with owners							
Dividends						-810	-810
Business transactions with owners, total						**-810**	**-810**
Equity 31.12.2013	**7 000**	**1 116**	**-9**	**-1 050**	**-86**	**14 831**	**21 802**

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

Accounting principles for the consolidated financial statements

MARTELA GROUP

Martela Corporation supplies ergonomic and innovative furniture 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.

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 5th 2013. The Finnish Limited Liability Companies Act permits the shareholders of a possibility to approve or reject the financial statements in the general meeting that is held after publishing the financial statements. As well, the general meeting has a possibility to amend the financial statements.

Basis of preparation

Martela's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as on December 31.2013. 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. Martela's consolidated financial statements cover the full calendar year, and this represents the financial period for the parent company and the Group companies.

Since 1 January 2013, Martela has applied the following new and revised standards:

Amendments to IAS 1 Presentation of Financial Statements: The key change is the requirement to group items of other comprehensive income in accordance with whether they will possibly be later reclassified to the profit or loss section of the income statement if certain conditions are met. The amendments only affected the presentation of the Group's items of other comprehensive income.

Amendment to IAS 19 Employee Benefits: The most significant amendments are that all actuarial gains and losses are recognised immediately in items of other comprehensive income – in other words, the "corridor method" is abandoned – and the financial expense is measured at its net value. The amended standard has been applied retroactively in accordance with the transition requirements. Unrecognised actuarial gains and losses are recognised in the balance sheet for the beginning of the comparison period on 1 January 2012. The information for the comparison period 2012 has been adjusted in accordance with the amended standard. Additional information is presented in Note 26: Pension Liabilities. The amendments did not have significant effects.

IFRS 13 Fair Value Measurement: IFRS 13 includes requirements for fair value measurement and the presentation of the related information in financial statements. The use of fair value is not expanded, but the standard provides guidelines on fair value measurement when its use is allowed or is required by another standard. The notes to the consolidated financial statements are somewhat more extensive as a result of IFRS 13.

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.

Subsidiaries are included in the consolidated financial statements by using the acquisition method. The intra-group transactions, unrealised margins on intra-group deliveries, intra-group receivables and liabilities and profit distribution are eliminated.

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

ITEMS DENOMINATED IN FOREIGN CURRENCY

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

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

GOVERNMENT GRANTS

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

REVENUE RECOGNITION PRINCIPLES

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

EMPLOYEE BENEFITS

Pension liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. The main temporary differences arise in the measurement of buildings at fair value in accordance with the exemption permitted by the IFRS 1 transition standard. Deferred taxes are measured by using the tax rates enacted or substantively enacted by the end of the reporting period.

INTANGIBLE ASSETS

Goodwill

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

Goodwill is tested annually or more frequently if there are indications that the amount might be impaired. Testing is performed at least at the end of each financial year. For this purpose goodwill is allocated to cash generating units. An impairment loss is 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. R&D-related equipment is capitalised in machinery and equipment.

Other intangible assets

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

The useful lives of intangible assets are as follows:

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

Amortisation is recognised using the straight-line method.

TANGIBLE ASSETS

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

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

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

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

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

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

Investment properties

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

Impairment of tangible and intangible assets

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

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

LEASES

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

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

INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The value of inventories is determined by the FIFO method (first in, first out) and it includes all direct expenditure incurred by acquiring the inventories and also a part of the variable and fixed overhead costs of manufacture. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

FINANCIAL ASSETS

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

Derivatives and investments in mutual fund units are classified as financial assets at fair value through profit or loss. Investments in mutual fund units are measured at fair value on the basis of published price quotations in an active market, and changes in the fair value are recognised in profit or loss in the year in which they arise. Derivatives that 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 2013 or 2012.

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. A mandatory provision of EUR 566,000 is recognised in the Group's financial expenses in 2013. The provision is for the possible realisation of the loan guarantee given by Martela Corporation to its associated company P.O. Korhonen Oy. The Group had no provisions at the end of 2012.

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

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

Impairment testing

The carrying amounts of assets are assessed at the end of each reporting period to observe whether there are any indications that an asset may be impaired.

If such indications exist, the recoverable amount of the asset will be estimated at the higher of its fair value less costs to sell and its value in use. Value in use is calculated based on discounted forecast cash flows. An impairment loss is recognized if the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

An impairment loss in respect of goodwill is never reversed.

DEFERRED TAX RECEIVABLES

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.

The Group's management estimates that the adoption of the new and amended standards and interpretations will not have a significant effect on Martela's consolidated financial.

* = The regulation had not been adopted by the EU by 31 December 2013.

IFRS 10 Consolidated Financial Statements and its amendments (effective in the EU for financial periods beginning on or after 1 January 2014). The standard determines control to be the key factor in evaluating whether an entity should be included in the consolidated financial statements of the parent company.

IFRS 11 Joint Arrangements and its amendments (effective in the EU for financial periods beginning on or after 1 January 2014). The standard gives greater emphasis in the accounting for joint arrangements to the rights and obligations arising from a joint arrangement than to its legal form. There are two types of joint arrangements: joint operations and joint ventures. The standard requires that the equity method of accounting be used for interests in joint ventures, and no longer the proportionate consolidation method.

IFRS 12 Disclosure of Interests in Other Entities and its amendments (effective in the EU for financial periods beginning on or after 1 January 2014). The standard includes disclosure requirements for all types of interests in other entities, including joint arrangements, affiliated companies and structured entities. IFRS 12 expands the disclosures presented by the Group about its interests in other entities. IAS 28 (revised in 2011) Investments in Associates and Joint Ventures (effective in the EU for financial periods beginning on or after 1 January 2014). Revised after the publication of IFRS 11, the standard includes requirements for the consolidation of joint ventures and associate companies using the equity method.

Amendments to IAS 32 Financial Instruments: Presentation (effective in the EU for financial periods beginning on or after 1 January 2014). The amendments clarify the regulations on the net presentation of financial assets and liabilities on the balance sheet and provide further instruction on applying the standard.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective in the EU for financial periods beginning on or after 1 January 2014). The amendment provides an exception to the requirement to discontinue hedge accounting in situations where derivative instruments designated in hedging relationships are novated from one counterparty to a central counterparty as a result of laws or regulations.

IFRIC 21 Levies* (effective for financial periods beginning on or after 1 January 2014): The interpretation further specifies the accounting treatment of levies. A liability for a levy must be recognised at the occurrence of the activity that triggers payment, as defined in the relevant legislation. The standard's scope of application excludes income tax, fines and other penal payments as well as payments that fall within the scope of the application of other IFRS standards.

Annual Improvements to IFRSs: 2011–2013*, 2010–2012*, December 2013 (effective for financial periods beginning on or after 1 July 2014): Minor and less urgent amendments made to standards through the Annual Improvements procedure are compiled and implemented once a year. The amendments concern four (2011–2013) and seven (2010–2012) standards. The effects vary by standard, but are not significant.

IFRS 9 Financial Instruments* and its amendments (the effective date will be determined later): The IFRS 9 project has not been completed. For this reason, the effects of the standard on Martela's consolidated financial statements cannot be estimated.

The adoption of other new or amended standards is not expected to have an effect on Martela's financial reporting.

1. Segment reporting

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

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

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

Business Unit Sweden and Norway is responsible for sales in Sweden and Norway, handled through dealers. In addition, the Business Unit has its own sales and showroom facilities at three locations: Stockholm and Bodafors in Sweden and Oslo in Norway. The Business Unit's administration and order handling are located in Bodafors. Sales company in Oslo operates as a support organisation for the Norwegian sales network.

Business Unit Poland is responsible for the sales and distribution of Martela products in Poland and eastern Central Europe. In Poland, sales are organised through our own sales network. The company has altogether 7 service locations in Poland. The Business Unit Poland is based in Warsaw, where it has its administration.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(EUR 1,000)

Segment revenue	**1.1.–31.12.2013**	**1.1.–31.12.2012**
Business Unit Finland		
external	92 272	98 054
internal	0	2
Business Unit Sweden and Norway		
external	20 524	20 095
internal	1 658	2 222
Business Unit Poland		
external	11 710	12 673
internal	61	1
Other segments		
external	7 787	11 865
internal	10 107	13 170
Total external revenue	**132 293**	**142 686**
Income from the sale of goods	119 232	130 546
Income from the sale of services	13 061	12 140
Total	**132 293**	**142 686**

Segment operating profit/loss	**1.1.–31.12.2013**	**1.1.–31.12.2012**
Business Unit Finland	1 436	3 871
Business Unit Sweden and Norway	-1 363	-720
Business Unit Poland	-676	-1 224
Other segments	-1 635	-3 044
Other	-650	205
Total operating profit/loss	**-2 889**	**-912**

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

Information about geographical regions

Non-current assets	Intangible assets 31.12.2013	Tangible assets 31.12.2013
Finland	6 403	10 636
Sweden	0	643
Other regions	0	488
Total	**6 403**	**11 767**

Non-current assets	Intangible assets 31.12.2012	Tangible assets 31.12.2012
Finland	6 028	11 724
Sweden	0	636
Other regions	3	521
Total	**6 031**	**12 881**

2. Other operating income

(EUR 1,000)	1.1.–31.12.2013	1.1.–31.12.2012
Gains on sale of tangible assets	38	15
Rental income	77	62
Public subsidies	166	162
Other income from operations	1 071	170
Total	**1 352**	**409**

Other income from operations includes EUR 955 thousand from the sale of a residential property.

3. Employee benefits expenses

(EUR 1,000)	1.1.–31.12.2013	1.1.–31.12.2012
Salaries and wages	-30 084	-30 988
Pension expenses, defined contribution plans	-4 881	-4 813
Pension expenses, defined benefit plans, adjusted	-380	-247
Part paid as shares	0	-50
Other salary-related expenses	-2 815	-2 519
Personnel expenses in the income statement	**-38 160**	**-38 617**
Other fringe benefits	-437	-403
Total	**-38 597**	**-39 020**

A total of EUR -1,216 thousand for 2013 and EUR -731 thousand for 2012 were recognised in the result from incentives and salary-related expenses associated with the incentive scheme. Salaries and fees and share-based payments made to management are presented in more detail under Note 31 Related-party transactions.

Personnel	2013	2012
Average personnel, workers	403	391
Average personnel, officials	367	415
Average personnel, total	**770**	**806**
Personnel at year end	**767**	**801**
Average personnel in Finland	620	637
Average personnel in Sweden	54	54
Average personnel in Norway	4	4
Average personnel in Denmark	0	18
Average personnel in Poland	80	81
Average personnel in Russia	12	12
Total	**770**	**806**

4. Depreciation and impairment

(EUR 1,000)	1.1.–31.12.2013	1.1.–31.12.2012
Depreciation		
Intangible assets	-734	-654
Tangible assets		
Buildings and structures	-811	-789
Machinery and equipment	-2 005	-1 931
Depreciation, total	**-3 550**	**-3 374**
Impairment	0	-47
Depreciation and impairment, total	**-3 550**	**-3 421**

5. Other operating expenses

Other operating expenses are reported by type of expense.

(EUR 1,000)	1.1.–31.12.2013	1.1.–31.12.2012
Freights	-2 279	-2 775
Travelling	-1 575	-1 768
Administration	-2 139	-2 154
IT	-2 986	-2 448
Marketing	-2 793	-2 727
Vehicles	-1 063	-1 620
Real estate	-5 600	-6 324
Other	-5 345	-8 379
Total	**-23 780**	**-28 195**

Audotor’s fees	1.1.–31.12.2013	1.1.–31.12.2012
Auditing	-137	-117
Tax services	0	-14
Other services	-9	-137
Total	**-146**	**-268**

Auditors fees are included in administration expenses.

6. Research and development expenses

The income statement recognised research and development expenses of EUR -2,337 thousand in 2013 (EUR -2,181 thousand in 2012).

7. Financial income and expenses

(EUR 1,000)	1.1.–31.12.2013	1.1.–31.12.2012
Financial income		
Dividend income on other financial assets	0	1
Interest income on loans and other receivables	23	33
Foreign exchange gain on loans and other receivables	13	38
Other financial income	2	0
Total	**38**	**73**
Financial expenses		
Interest expenses from financial liabilities measured at amortised cost	-458	-521
Foreign exchange losses on loans and other receivables	-24	-34
Other financial expenses	-751	-151
Total	**-1 233**	**-706**
Financial income and expenses, total	**-1 195**	**-633**
Total exchange rate differences affecting profit or loss are as follows:		
Exchange rate differences, sales (incl. in revenue)	-580	424
Exchange rate differences, purchases (incl. in adj. of purchases)	-151	-458
Exchange rate differences, financial items	-11	4
Exchange rate differences, total	**-742**	**-30**

Provisions

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

8. Income taxes

(EUR 1,000)	1.1.–31.12.2013	1.1.–31.12.2012
Current taxes	-91	-80
Taxes for previous years	67	-71
Change in deferred tax liabilities and assets	479	-52
Total	**455**	**-203**

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 2013 (24,5% for 2012).

Profit before taxes	-4 389	-1 845
Taxes calculated using the domestic corporation tax rate	-878	-452
Different tax rates of subsidiaries abroad	14	4
Taxes for previous years	0	71
Recognition of unused tax losses not booked earlier	-36	-99
Tax-exempt income	-12	-12
Non-deductible expenses	366	309
Share of result in associated undertakings	-75	-74
Unbooked deferred tax assets on losses in taxation	166	456
Income taxes for the year in the income statement	**-455**	**203**

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.–31.12.2013	1.1.–31.12.2012
Profit attributable to equity holders of the parent	-3 934	-2 048
Weighted average number of shares (1,000)	4 049	4 049
Basic earnings per share (EUR/share)	**-0.97**	**-0.51**

The company has no diluting instruments.

10. Intangible assets

(EUR 1,000)				1.1.2013–31.12.2013				1.1.2012–31.12.2012
	Intangible assets	Goodwill	Work in progress	Total	Intangible assets	Goodwill	Work in progress	Total
Acquisition cost 1.1.	5 652	883	2 443	8 978	5 057	883	1 644	7 584
Increases	3 349	0	1 764	5 113	1 214	0	2 465	3 679
Decreases	0	0	-4 007	-4 007	-645	0	-1 666	-2 311
Exchange rate differences	0	0	0	0	26	0	0	26
Acquisition cost 31.12.	**9 001**	**883**	**200**	**10 084**	**5 652**	**883**	**2 443**	**8 978**
Accumulated depreciation 1.1.	-2 947	0	0	-2 947	-2 885	0	0	-2 885
Accumulated depreciation, decreases	0	0	0	0	617	0	0	617
Depreciation for the year 1.1.–31.12.	-734	0	0	-734	-654	0	0	-654
Exchange rate differences	0	0	0	0	-25	0	0	-25
Accumulated depreciation 31.12.	**-3 681**	**0**	**0**	**-3 681**	**-2 947**	**0**	**0**	**-2 947**
Carrying amount 1.1.	2 705	883	2 443	6 031	2 172	883	1 644	4 699
Carrying amount 31.12.	**5 320**	**883**	**200**	**6 403**	**2 705**	**883**	**2 443**	**6 031**

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

GOODWILL

The Group's Goodwill EUR 883,000 (EUR 883,000 in 2012) relates to the Grundell acquisition Martela made in 31 December 2011. The cash generating unit is allocated fully to segment Business Unit Finland. The expected future cash flows will be generated through combining and streamlining service operations to improve the quality and efficiency of service processes and the efficiency of service logistics.

With a simpler service chain it is also possible to implement more comprehensive product and service solutions and offering. In addition, functionally integrated service business operations can be used more effectively than before in sales by Martela, which will increase the sales of services in the future.

IMPAIRMENT TESTING

Goodwill is tested annually or more frequently if there are indications that the amount might be impaired. In assessing whether goodwill has been impaired, the carrying value of the cash generating unit has been compared to the recoverable amount of the cash generating unit. The recoverable amount of goodwill is determined based on value in use calculations. The value in use is calculated based on discounted forecast cash flows. The cash flow forecasts rely on the plans approved by the management concerning profitability and the growth rate of revenue. The plans cover a five-year period taking into account the recent development of the business. The profitability used in the forecast period considers above mentioned synergies at a modest rate and the growth rate used, i.e. the growth factor, is on average 3,4%. The use of the testing model requires making estimates and assumptions concerning market growth and general interest rate level.

The used pre-tax discount rate is 12,9%, which equals the weighted average cost of capital.

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

SENSITIVITY ANALYSIS OF IMPAIRMENT TESTING

The ralization of an impairment loss would require the actual operating profit (EBIT) level to be 53,9% lower than the management's estimate at the end of reporting period, or that the discount rate was higher than 40%.

11. Tangible assets

(EUR 1,000)

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

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

	31.12.2013	**31.12.2012**
Carrying amount of productions machinery and equipment	**3 100**	**3 155**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Tangible assets, finance leases

Tangible assets include assets acquired through finance leases as follows:

			1.1.2013–31.12.2013			1.1.2012–31.12.2012
	Machinery and equipment	**Buildings**	**Total**	**Machinery and equip-ment**	**Buildings**	**Total**
Acquisition cost 1.1.	3 229	729	3 958	3 033	702	3 735
Increases	322	0	322	201	0	201
Decreases	0	0	0	-5	0	-5
Exchange rate differences	0	-23	-23	0	27	27
Acquisition cost 31.12.	**3 551**	**706**	**4 257**	**3 229**	**729**	**3 958**
Accumulated depreciation 1.1.	-2 956	-418	-3 374	-2 644	-332	-2 976
Accumulated depreciation, decreases	0	0	0	0	0	0
Depreciation for the year 1.1.–31.12.	-283	-72	-355	-312	-72	-384
Exchange rate differences	0	12	12	0	-14	-14
Accumulated depreciation 31.12.	**-3 239**	**-478**	**-3 717**	**-2 956**	**-418**	**-3 374**
Carrying amount 1.1.	273	311	584	389	370	759
Carrying amount 31.12.	**312**	**228**	**540**	**273**	**311**	**584**

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

12. Investments in associates and associated undertakings

	2013	2012
Investments in associates and associated undertakings	**0**	**42**

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

(EUR 1,000)	2013	2012
1.1	**-658**	**-358**
Share of result in associated undertakings	-306	-300
31.12	**-964**	**-658**

Information about associates

(EUR 1,000)	Domicile	Assets	Liabilities	Revenue	Result	Martela's share of result (%)
2013						
P.O. Korhonen	Finland	1 336	2 727	3 276	-599	51
	Domicile	**Assets**	**Liabilities**	**Revenue**	**Result**	**Martela's share of result (%)**
2012						
P.O. Korhonen	Finland	1 816	2 607	3 746	-588	51

P.O. Korhonen (Former Fiota)

On 17 January 2011, Artek Oy Ab and Martela Corporation signed an agreement to establish a joint enterprise. Under the shareholding agreement, Martela does not have control of the company as defined in IAS 27. Martela's consolidated income statement will only include Martela's share of the joint enterprise's profit or loss on the basis of Martela's holding, and this is reported in the consolidated income statement under 'share of result in associated undertakings'.

13. Investment properties

The land belonging to Kiinteistö Oy Ylähanka has been classified as investment property. The fair value of the land belonging to Kiinteistö Oy Ylähanka was EUR 600 thousand at the end of financial year 2013 (EUR 600 thousand in 2012). The Group has determined that the fair value of all its investment properties represent level 3 in the hierarchy, because observable market information for the determination of fair values is not comprehensively available.

14. Book values of financial assets and liabilities by group

(EUR 1,000)	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised acquisition cost	Book values of balance sheet items	Fair value	Note
2013 balance sheet items						
Non-current financial assets						
Non-current non-interest bearing receivables	0			0	0	16
Other financial assets		55		55	55	15
Current financial assets						
Trade and other receivables	22 419			22 419	22 419	19
Book value by group	**22 419**	**55**		**22 474**	**22 474**	
Non-current financial liabilities						
Interest-bearing liabilities			8 645	8 645	8 645	25
Other liabilities			0	0	0	
Current financial liabilities						
Interest-bearing liabilities			6 730	6 730	6 730	25
Trade payables and other liabilities			12 360	12 360	12 360	27
Book value by group			**27 735**	**27 735**	**27 735**	
2012 balance sheet items						
Non-current financial assets						
Non-current non-interest bearing receivables	10			10	10	16
Other financial assets		55		55	55	15
Current financial assets						
Trade and other receivables	22 746			22 746	22 746	19
Book value by group	**22 756**	**55**		**22 811**	**22 811**	
Non-current financial liabilities						
Interest-bearing liabilities			9 331	9 331	9 331	25
Other liabilities			151	151	151	
Current financial liabilities						
Interest-bearing liabilities			6 010	6 010	6 010	25
Trade payables and other liabilities			13 126	13 126	13 126	27
Book value by group			**28 618**	**28 618**	**28 618**	

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

15. Other financial assets

(EUR 1,000)

Available-for-sale financial assets	**31.12.2013**	**31.12.2012**
Balance sheet value at beginning of year	55	55
Decreases	0	0
Balance sheet value at end of year	**55**	**55**

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

16. Non-current receivables

(EUR 1,000)	**31.12.2013**	**31.12.2012**
Loan receivables	**0**	**10**

17. Deferred tax assets and liabilities

(EUR 1,000)

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

Changes in deferred taxes during 2012	**1.1.2012**	**Recognised in income statement**	**Recognised in other comprehen-sive income**	**Exchange rate differences**	**Purchased/ sold enterprises**	**31.12.2012**
Deferred tax assets						
Pension obligations, adjusted *	208	0	0	0	0	208
Other temporary differences	407	-236	0	15	0	185
Total	**615**	**-236**	**0**	**15**	**0**	**393**
Deferred tax liabilities						
On buildings measured at fair value on the transition date	970	-81	0	0	0	889
Pension obligations	38	-25	0	0	0	13
Other temporary differences	451	-84	0	0	0	367
Total	**1 459**	**-190**	**0**	**0**	**0**	**1 269**
Deferred tax assets and liabilities, total	**-843**	**-46**	**0**	**15**	**0**	**-876**

* Retroactive application of the revised IAS 19 standard

Deferred tax assets have not been recognised on unused tax losses that probably cannot be utilised in the future against taxable income. These losses including 2013 results total about MEUR 12.0 (9.6). These losses have no expiry date according to knowledge that is available today.

18. Inventories

(EUR 1,000)	31.12.2013	31.12.2012
Raw materials and consumables	8 304	9 746
Work in progress	977	900
Finished goods	1 632	2 238
Total	**10 913**	**12 885**

The value of inventories has been written down by EUR -734 thousand in 2013 (EUR -946 thousand in 2012).

19. Current trade receivables and other receivables

(EUR 1,000)	31.12.2013	31.12.2012
Trade receivables	**22 332**	**22 586**
Loan receivables	**87**	**124**
Accrued income and prepaid expenses		
Personnel expenses	275	105
Royalties	6	11
Interest income	0	0
Derivatives	0	0
Other financial assets	0	36
Advances	773	419
Other	173	728
Accrued income and prepaid expenses, total	**1 227**	**1298**
Current tax receivable	0	0
Total	**23 646**	**24 008**

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.

20. Financial assets at fair value through profit or loss

The Group has not had financial assets at fair value through profit or loss in 2013 or 2012.

21. Cash and cash equivalents

(EUR 1,000)	31.12.2013	31.12.2012
Cash in hand and at bank	4 857	7 589
Deposits	0	0
Total	**4 857**	**7 589**

22. Derivative contracts

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

The Group had no derivative contracts in 2013 or 2012.

23. Equity

SHARE CAPITAL

The paid share capital entered in the Trade register is EUR 7,000,000. According to the Articles of Association, the maximum capital is EUR 14,000,000 and the minimum capital EUR 3,500,000.

The counter value of a share is EUR 1.68. The K shares carry 20 votes at a general meeting and the A shares 1 vote. Both share series have the same dividend rights.

Changes in share capital	Number of shares	Share capital	Share premium account	Treasury shares	Treasury shares, share-based incentive-system	Total
1.1.2012	**4 049 253**	**7 000**	**1 116**	**-721**	**-329**	**7 066**
Acq.of shares for share-based inc.system*						
Shares given*					186	186
Shares returned					-25	-25
Share issue						
31.12.2012	**4 049 253**	**7 000**	**1 116**	**-721**	**-329**	**7 066**
31.12.2013	**4 049 253**	**7 000**	**1 116**	**-721**	**-329**	**7 066**

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

* Acquisition of shares for the share-based incentive scheme and the management of the scheme have been outsourced to an external service provider, Evli Alexander Management Oy until transferred to Martela's key personnel under the incentive scheme. Notwithstanding this legal formality, the shares will be treated in the consolidated financial statements for 2010 onwards under equity, as if the company had acquired its own shares. On 31 December 2013, 38,647 shares under the incentive scheme were still undistributed.

Translation differences in equity comprises translation differences of financial statements of foreign subsidiaries when translated into euros and of investments in foreign units. Other reserves consist of reserve funds.The share premium account is a fund established in accordance with the previous Finnish Companies Act. According to the present Limited Liability Companies Act (effective from 1 September 2006), it is included in restricted shareholders' equity and can no longer be accumulated.

The share premium account can be reduced in accordance with the regulations on the reduction of share capital, and it can be used as a fund increase to increase share capital. The acquisition cost of treasury shares is deducted from shareholders' equity (including the related transaction costs).
The parent company's distributable equity was EUR 28,683,930.81 on 31.12.2013.

24. Share-based payments

SHARE OWNERSHIP PLAN

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

Earnings periods are 2010 and 2010–2012. The share ownership plan offers the key personnel a possibility to earn up to 80,000 shares. In addition to shares a cash payment up to an amount that is needed for taxes and tax-related costs arising from the reward will be paid. A total of 24,000 shares were issued for the 2010 earning period based on results. No shares were issued for the earnings period 2010–2012 based on the group's EBIT.

Martela Corporation's Board of Directors resolved on 5 February 2013 and approved the terms for the share-based incentive scheme 2013. The scheme offers key personnel an oppotunity to receive the company's A shares for one year earning period if they attain the targets set for them for the earning period. Rewards will be paid as combination of shares and cash. The earnings criteria for the earning period 2013 is the Group's EBIT. Rewards will be paid to key personnel after the earning period 15 April 2014 as combination of shares and cash. In addition to shares a cash payment up to an amount that is needed for taxes and tax-related costs arising from the reward will be paid. The reward will not be paid to key persons whose employment or service relationship with a Group company ends before the end of the earning period. After the introduction of the share ownership plan the earned shares have compulsory ownership of 2 years. Maximum reward is 39,000 shares. No shares will be issued for the 2013 earning period based on the Group's EBIT.

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Basic data	**Earning period 2010**	**Earning period 2010–2012**	**Earning period 2013**
Grant date	February 9, 2010	February 9, 2010	February 5, 2013
Form of the reward	Equity and cash	Equity and cash	Equity and cash
Target group	Key personnel	Key personnel	Key personnel
Maximum number of shares	24 000	80 000	39 000
Cash in terms of number of shares*	27 064	90 213	40 560
Beginning of earning period	January 1, 2010	January 1, 2010	January 1, 2013
End of earning period	December 31, 2010	December 31, 2012	December 31, 2013
End of restriction period	April 30, 2013	April 30, 2013	January 1, 2015
Vesting conditions	EBIT	EBIT	EBIT
	Service until the end of restriction period	Service until the end of restriction period	
Required share ownership term in years	0,0	0,0	1,0
Remaining vesting period (31 December 2013)	0,0	0,0	1,0
Number of persons (31 December 2013)	9	10	8

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

2013		**Earning period 2010**			**Earning period 2010–2012**	
Gross number of shares **	**1.1.2013**	**Changes**	**31.12.2013**	**1.1.2013**	**Changes**	**31.12.2013**
Granted	51 064	0	51 064	180 787	0	180 787
Forfeited	4 532	0	4 532	15 106	0	15 106
Settled	46 532	0	46 532	0	0	0
Expired	0	0	0	46 532	0	46 532

2013		**Earning period 2013**	
Gross number of shares **	**1.1.2013**	**Changes**	**31.12.2013**
Granted	0	79 560	79 560
Forfeited	0	0	0
Settled	0	0	0
Expired	0	79 560	79 560

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

Main parameters of the fair value of share incentives

Inputs to fair value measurement	**Earning period 2010**	**Earning period 2010–2012**	**Earning period 2013**
Granted shares during the period (equity and cash)	46 532	0	79 560
Share price at the grant date	7.34€	7.34€	5.16€
Expected dividends	0.45€	1.35€	0.20€
Fair value of the share at the grant date ***	6.89€	5.99€	4.96€
Share price at the end of period	3.35€	3.35€	3.35€
Expexted forfeitures before settlement	8.9%	8.9%	10.0%
Expected forfeitures after settlement	0.0%	0.0%	0.0%
Expected fulfillment of earning criteria	100.0%	0.0%	0.0%
Fair value of the expected reward at the grant date	351 830€	1 019 574€	394 618€
Fair value of the expected reward 31 December 2013	155 882€	0€	0€
Expense recognised for the period 2013	1 298€	0€	0€

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

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

25. Financial liabilities

(EUR 1,000)	31.12.2013	31.12.2012
Non-current		
Bank loans	5 043	5 751
Pension loans	3 200	3 200
Finance leases	402	380
Total	**8 645**	**9 331**
Current		
Bank loans	5 617	4 914
Pension loans	800	800
Bank overdrafts used	0	0
Finance leases	314	296
Total	**6 731**	**6 010**

The Group's bank loans have either variable or fixed interest rates. The Group's average interest rate is 2.14% (2.94% in 2012). The current portions of debt are presented in more detail under Note 28 Management of financial risks.

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

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

	31.12.2013	31.12.2012
Finance lease liabilities are payable as follows:		
Finance leases – total amount of minimum lease payments		
Not later than one year	373	471
Later than one year and not later than five years	532	647
Later than five years	0	0
	905	**1 118**
Finance leases – present value of minimum lease payments		
Not later than one year	314	296
Later than one year and not later than five years	402	380
Later than five years	0	0
	716	**676**
Unearned finance expense	**189**	**442**

The average interest of financial leases was 2.4% in 2013 and 4.8% in 2012.

26. Pension obligations

Martela adopted the amended IAS 19 Employee Benefits standard retroactively on 1 January 2013. The effects of the standard are explained under "Accounting policies".

Martela's defined benefit pension plans concern its operations in Finland. The arrengements 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	
	2013	**2012***	**2013**	**2012***	**2013**	**2012***
1.1.	3 271	2 451	-2 422	-1 828	849	623
Recognised in profit or loss						
Service cost in the period	267	225			267	225
Past service cost	91	0			91	0
Interest expense or income	98	110	-76	-88	22	22
	456	**335**	**-76**	**-88**	**380**	**247**
Recognised in other comprehensive income						
Items resulting from remeasurement:						
Actuarial gains (or losses)						
Actuarial gain (-) and losses (+) resulting from changes in financial assumptions	-515	600			-515	600
Experience-based profits (-) or losses (+)	-142	-114			-142	-114
Return on the funds included in the plan, excluding items in interest expenses or income (+/-)			321	-271	321	-271
	-657	486	321	-271	-336	215
Other items						
Employer's payments (+)			**-255**	**-235**	**-255**	**-235**
	0	**0**	**-255**	**-235**	**-255**	**-235**
31.12.	**3 070**	**3 272**	**-2 432**	**-2 422**	**638**	**850**

* adjusted retroactively on the adoption of the amended IAS 19 standard

The Group anticipates that it will pay a total of EUR 324 thousand to defined benefit pension plans in the financial period 2014.

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 decreasing	The assumption is growing	The assumption is decreasing
Discount rate (0.5%-change)	-8.3%	9.3%	-7.0%	7.9%
Increase in salaries (0.5%-change)	2.4%	-2.3%	0.0%	0.0%
Mortality rate (a change of 5% points)	-1.1%	1.1%	-1.0%	1.0%

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

27. Current liabilities

(EUR 1,000)	31.12.2013	31.12.2012
Advances received	**627**	**777**
Trade payables	**7 346**	**8 268**
Accrued liabilities and prepaid income		
Personnel expenses	4 382	4 560
Derivatives	0	0
Interests	25	43
Royalties	133	152
Residual expenses	1 346	905
Other	537	995
Total	**6 423**	**6 655**
Other current liabilities	**4 990**	**4 815**
Provisions	**566**	**0**
	19 952	**20 515**

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

28. Management of financial risks

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

MARKET RISKS

Market risks comprise the following three risks: currency risk, interest rate risk and price risk. The associated fluctuations in exchange rates, market interest rates and market prices lead to changes in the fair value of financial instruments and 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, PLN and DKK currency positions are reviewed mainly on a half-yearly basis. The Group's policy is to hedge the net positions remaining after reconciliation of forecast income and expenses. The hedging instruments used are mainly forward contracts maturing within 3–12 months. The Group does not apply hedge accounting. The Group has not hedged against transaction risks during the financial periods 2012 and 2013.

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.

Currency risks per instrument and currency 31.12.2013 (EUR thousand)

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

Currency risks per instrument and currency 31.12.2012 (EUR thousand)

	EUR	SEK	PLN	NOK	DKK
Trade receivables	576	1 691	3 445	769	0
Trade payables	-735	-627	-4	-76	0
Total	**-159**	**1 064**	**3 441**	**693**	**0**

Other currencies have minor impact.

Analysis of sensitivity to currency risk

Net investments in foreign subsidiaries have not been taken into account in the calculations.

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 2013 (2012). The estimates are based on the assumption that no other variables change.

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

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

INTEREST RATE RISKS

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

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

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

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

Financial instruments (EUR 1,000)	31.12.2012	31.12.2011
Fixed rate		
Financial liabilities, incl. derivatives	716	675
Variable rate		
Financial liabilities	14 659	14 665
Total	**15 375**	**15 340**

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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
31.12.2013		
Financial liabilities		
Variable rate financial instruments	0	-147

Analysis of sensitivity to interest rate risks (EUR 1,000)	Impact on shareholders' equity	Impact on results
31.12.2012		
Financial liabilities		
Variable rate financial instruments	0	-147

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Maximum financial asset credit risk (EUR 1,000)	2013	2012
Available-for-sale financial assets	55	55
Financial assets recognised at fair value through profit and loss	0	0
Loans and other receivables	22 419	22 746
Cash and cash equivalents	4 857	7 589
Total	**27 331**	**30 390**

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)	2013	2012
Unmatured	14 969	16 761
Matured 1–30 days	4 441	3 612
Matured 31–60 days	1 265	1 400
Matured over 60 days	1 657	813
Total	**22 332**	**22 586**

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)	2013	2012
Finland	13 587	14 509
Scandinavia	4 693	4 109
European countries	466	3 491
Other regions	3 586	477
Total	**22 332**	**22 586**

Credit risks from trade receivables are not concentrated.

EUR 167 thousand in credit losses has been recognised as expenses and presented in other operating expenses. In 2012, EUR 102 thousand in credit losses was recognised as expenses, and a provision of EUR 190 thousand was cancelled, producing a net effect of EUR +88 thousand on the result.

LIQUIDITY RISKS

The Group strives to assess and monitor the amount of funding required by business operations so that there are sufficient liquid assets for operating expenses and repayment of maturing loans. In addition, the Group continually maintains sufficient liquidity by means of effective cash management solutions such as cash reserves and bank overdrafts. The refinancing risk is managed by balancing the maturity schedules of loans and bank overdrafts according to forecast cash flows and by using several banks in financial operations. There are no covenants attached to loans.

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

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

	2014	2015	2016	2017	2018	later	Total	Balance sheet value
Bank loans	5 399	871	4307	82	0	0	10 659	10 659
Pension loans	1 000	1 000	1 000	1 000	0	0	4 000	4 000
Financial leases	240	301	111	45	19	0	716	716
Trade payables	7 346	0	0	0	0	0	7 346	7 346
Bank overdrafts	0	0	0	0	0	0	0	
Loan interest and quarantee fees	282	229	195	54	13	0	773	
Total	14 267	2 401	5 613	1 181	32	0	23 494	
Guarantees given*	177	177	177	46	0	0	577	
Derivatives							0	
Total	**14 444**	**2 578**	**5 790**	**1 227**	**32**	**0**	**24 071**	

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

Cash and cash equivalents at the end of financial year 2012 totalled EUR 7,589 thousand, and unused bank overdrafts totalled EUR 3,493 thousand.

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

	2013	2014	2015	2016	2017	later	Total	Balance sheet value
Bank loans	4 914	851	700	4 200	0	0	10 665	10 665
Pension loans	800	800	800	800	800	0	4 000	4 000
Financial leases	295	181	86	91	22	0	675	675
Trade payables	8 268	0	0	0	0	0	8 268	8 268
Bank overdrafts	0	0	0	0	0	0	0	
Loan interest and quarantee fees	347	277	241	204	36	0	1 105	
Total	14 624	2 109	1 827	5 295	858	0	24 713	
Guarantees given*	176	176	176	176	48	0	752	
Derivatives	0						0	
Total	**14 800**	**2 285**	**2 003**	**5 471**	**906**	**0**	**25 465**	

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

MANAGEMENT OF CAPITAL STRUCTURE

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

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

Equity ratio (EUR 1,000)	**31.12.2013**	**31.12.2012**
Shareholders' equity	21 802	26 370
Balance sheet total – advance payments	57 987	63 773
Equity to assets ratio, %	**37.6**	**41.4**

29. Operating leases

(EUR 1,000)	**31.12.2013**	**31.12.2012**
Minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	4 595	4 267
Later than one year and not later than five years	8 706	9 013
Later than five years	819	1 802
	14 120	**15 082**

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 2013 includes rents paid on the basis of operating leases totalling EUR -4,808 thousand (EUR -5,602 thousand in 2012).

30. Pledges granted and contingent liabilities

(EUR 1,000)	**31.12.2013**	**31.12.2012**
Debts secured by mortgages		
Bank loans	14 659	10 808
Property mortgages	10 760	9 194
Corporate mortgages	12 455	12 395
Shares pledged	4	4
Total mortgages	**23 219**	**21 593**
Other pledges		
Guarantees as security for rents	**336**	**336**
Collateral granted on behalf of others		
Guarantees on behalf of associated undertakings	**546**	**537**

31. Related party transactions

Martela Group's related party comprise the CEO, members of the board, the group's management team and associated undertaking P.O. Korhonen Oy. Members of the company's board and the CEO hold a total of 9.1% of the share capital and 17,3% of the votes.

	Domicile	Holding (%) 31.12.2013	Voting power (%) 31.12.2013
Parent company			
Martela Oyj	Finland		
Subsidiaries			
Kidex Oy	Finland	100	100
Grundell Henkilöstöpalvelut	Finland	100	100
Grundell Muuttopalvelut	Finland	100	100
Kiinteistö Oy Ylähanka	Finland	100	100
Martela AB, Bodafors	Sweden	100	100
Aski Avvecklingsbolag AB, Malmö	Sweden	100	100
Martela AS, Oslo	Norway	100	100
Martela SP. Z o.o., Warsaw	Poland	100	100
000 Martela, Moscow	Russia	100	100
000 Martela SP, St. Petersburg	Russia	100	100

Management employee benefits
The Group has determined key persons in management to be:
Members of the Board, CEO, Group's Management Team

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

(EUR 1,000)	2013	2012
Management employee benefits		
Salaries and other short-term employee benefits	-1 410	-1 499
Benefits following end of employment	0	-146
Share-based benefits	0	90
Total	**-1 410**	**-1 555**

Salaries and other short-term employee benefits	2013	2012
Board members	-121	-105
CEO	-249	-280
Management team members (excl. salary of CEO)	-1 040	-1 170
Total	**-1 410**	**-1 555**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fees paid to Board members:	2013	2012
Heikki Ala-Ilkka	-35	-30
Pekka Martela	-17	-15
Jaakko Palsanen	-17	-15
Jori Keckman	0	-2
Tapio Hakakari	-4	-15
Yrjö Närhinen	-17	-13
Pinja Metsäranta	-17	-15
Kirsi Komi	-14	0
Total	**-121**	**-105**

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	2013	2012
Salaries	-249	-280
Voluntary pension plans	-83	-61
Total	**-332**	**-341**
Statutory earnings-related pension payment (TyEL) on salaries	**-57**	**-63**

The CEO is entitled, if he wishes, to retire with a full pension after reaching the age of 60. Retirement benefits are included in pension expenses, defined benefit plans, presented in note 3. The period of notice is 6 months with respect to both the CEO and the company, and in the event of a dismissal by the company, the CEO is entitled to a lump-sum compensation equalling his salary for 18 months.

A new long-term share-based incentive scheme was launched for the Managing Director and Group Management, which covered the period from 2010 to the end of 2012. The incentive plan was based on the Group's overall profit performance during 2010–2012. Rewards based on this system will be paid as a combination of shares and cash. A total of EUR 0 thousand from this system has been recognised in the result for the year 2012.

A new share-based incentive scheme has been launched for the Managing Director and Group Management 2013. The incentive plan is based on the Group's overall profit performance 2013. A total of EUR 0 thousand from this system has been recognised in the result for the year 2013.

32. The Group’s financial indicators

Martela-Group 2009-2013

		2013	2012	2011	2010	2009
Revenue	EUR million	132.3	142.7	130.7	108.4	95.3
Change in revenue	%	-7.3	9.2	20.6	13.7	-32.5
Export and operations outside Finland	EUR million	39.9	41.2	40.9	32.7	29.2
In relation to revenue	%	30.1	28.8	31.3	30.2	30.6
Exports from Finland	EUR million	10.2	10.4	10.5	9.6	11.1
Gross capital expenditure	EUR million	3.0	4.0	6.8	4.7	2.2
In relation to revenue	%	2.3	2.8	5.2	4.4	2.3
Depreciation	EUR million	3.6	3.4	2.6	2.7	3.1
Research and development	EUR million	2.4	2.7	2.4	2.2	2.6
In relation to revenue	%	1.8	1.9	1.8	2.0	2.7
Average personnel		770	806	637	601	636
Change in personnel	%	-4.5	26.5	6.0	-5.5	-6.6
Personnel at end of year		767	801	791	625	606
Of which in Finland		618	634	610	457	453
Profitability						
Operating profit	EUR million	-2.9	-0.9	2.6	1.3	0.8
In relation to revenue	%	-2.2	-0.6	2.0	1.2	0.8
Profit before appropriations and taxes	EUR million	-4.4	-1.8	1.9	1.1	0.4
In relation to revenue	%	-3.3	-1.3	1.5	1.0	0.4
Profit for the year *)	EUR million	-3.9	-2.1	1.6	0,6	0.1
In relation to revenue	%	-3.0	-1.4	1.2	0.6	0.1
Revenue/employee	EUR thousand	171.8	177.0	205.2	180.4	149.9
Return on equity (ROE)	%	-16.3	-7.2	5.1	2.0	0.4
Return on investment (ROI)	%	-7.9	-2.7	6,0	3.7	2.3
Finance and financial position						
Balance sheet total	EUR million	58.6	64.6	69.7	56.7	55.6
Equity	EUR million	21.8	26.4	30.8	31.2	31.8
Interest-bearing net liabilities	EUR million	11.2	8.7	-0.8	-4.4	-10.8
In relation to revenue	%	8.4	5.4	-0.6	-4.0	-11.3
Equity ratio	%	37.6	41.4	44.7	55.6	57.4
Gearing	%	51.2	32.8	-2.6	-14.1	-33.9
Net cash flow from operations	EUR million	-0.1	0,0	1.2	-0.1	10.8
Dividends paid	EUR million	0.8	1.8	1.8	1.8	2.4

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

33. Key share-related figures

		2013	2012	2011	2010	2009
Earnings per share	EUR	-0.97	-0.51	0.39	0.16	0.03
Earnings per share (diluted)	EUR	-0.97	-0.51	0.39	0.16	0.03
Share par value	EUR	1.7	1.7	1.7	1.7	1.7
Dividend	EUR *)	0.00	0.20	0.45	0.45	0.45
Dividend/earnings per share	%	-	-39.2	115.4	281.3	1 500.0
Effective dividend yield	%	-	4.0	7.8	5.8	6.3
Equity per share	EUR	5.38	6.51	7.60	7.74	7.88
Price of A share 31.12.	EUR	3.35	5.02	5.79	7.77	7.13
Share issue-adjusted number of shares	thousands	4 155.6	4 155.6	4 155.6	4 155.6	4 155.6
Average share issue-adjusted number of shares	thousands	4 155.6	4 155.6	4 155.6	4 155.6	4 155.6
Price/earnings ratio (P/E)		-3.5	-9.8	14.8	48.6	237.7
Market value of shares **)	EUR million	13.6	20.3	23.4	31.3	28.1

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

34. Shares and shareholders

SHARE CAPITAL

The number of registered Martela Oyj shares on 31.12.2013 was 4,155,600. The shares are divided into A and K shares. Each A share carries 1 vote and each K share 20 votes in a general shareholders' meeting. Both share series have the same dividend rights. The company's maximum share capital is EUR 14,000,000 and the minimum is EUR 3,500,000.

Martela Oyj's shares were entered in the book-entry register on 10.2.1995.

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

Distribution of shares 31.12.2013	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 31.12.2013	K series shares	A series shares	Number of shares	%	Number of votes	% of total votes
Marfort Oy	292 000	232 574	524 574	12.6	6 072 574	38.8
Ilmarinen Mutual Pension Insurance Company	0	335 400	335 400	8.1	335 400	2.1
OP-Suomi Arvo	0	285 000	285 000	6.9	285 000	1.8
Nordea Pankki Suomi Oyj	0	177 711	177 711	4.3	177 711	1.1
Martela Heikki	52 122	121 342	173 464	4.2	1 163 782	7.4
Palsanen Leena	24 486	131 148	155 634	3.7	620 868	4.0
Pohjola Vakuutus Oy	0	117 982	117 982	2.8	117 982	0.8
Palsanen Jaakko	1 600	114 931	116 531	2.8	146 931	0.9
Oy Autocarrera Ab	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
Sijoitusrahasto Nordea Suomi Small Cap	0	111 333	111 333	2.7	111 333	0.7
Lindholm Tuija	43 122	32 841	75 963	1.8	895 281	5.7
Martela Pekka	69 274	8	69 282	1.7	1 385 488	8.9
Martela Oyj	0	67 700	67 700	1.6	67 700	0.4
Oy Joeston Ltd	0	43 425	43 425	1.0	43 425	0.3
Erikoissijoitusrahasto Fourton Fokus Suomi	0	39 700	39 700	1.0	39 700	0.3
Other shareholders	63 940	1 566 723	1 630 663	39.2	2 845 523	18.2
Total	**604 800**	**3 550 800**	**4 155 600**	**100.0**	**15 646 800**	**100.0**

The list includes all shareholders holding over 5% of the shares and votes.
The company's Board of Directors and CEO together hold 9.1% of the shares and 17.3% of the votes.

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

The Annual General Meeting has in 2013 re-authorised the Board of Directors to decide, for the following years, on raising the share capital, issuing convertible bonds and acquiring and/or disposing of the company's shares in deviation from the pre-emptive rights of shareholders.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Breakdown of share ownership by number of shares held, 31.12.2013

Number of shares	Number of share-holders	% of total share-holders	Number of shares	%	Number of votes	% of total votes
1–500	1 543	73.3	283 821	6.8	294 461	1.9
501–1000	273	13.0	211 317	5.1	222 337	1.4
1001–5000	215	10.2	452 234	10.9	592 834	3.8
Over 5000	75	3.6	3 207 182	77.2	14 536 122	92.9
Total	**2 106**	**100.0**	**4 154 554**	**100.0**	**15 645 754**	**100.0**
of which nominee-registered	5		186 637		186 637	
In the waiting list and collective account			1 046	0.0	1 046	0.0
Total			**4 155 600**	**100.0**	**15 646 800**	**100.0**

Breakdown of shareholding by sector, 31.12.2013

	Number of share-holders	%	Number of shares	%	Number of votes	%
Private companies	94	4.5	1 062 524	25.6	6 610 524	42.2
Financial and insurance institutions	10	0.5	738 929	17.8	738 929	4.7
Public corporations	1	0.0	335 400	8.1	335 400	2.1
Non-profit entities	10	0.5	8 717	0.2	8 717	0.1
Households	1 982	94.1	1 988 871	47.9	7 932 071	50.7
Foreign investors	9	0.4	20 113	0.5	20 113	0.1
Total	**2 106**	**100.0**	**4 154 554**	**100.0**	**15 645 754**	**100.0**
of which nominee-registered	5		186 637	4.5	186 637	
In the waiting list and collective account			1 046	0.0	1 046	0.0
Total			**4 155 600**	**100.0**	**15 646 800**	**100.0**

Parent Company Income Statement

(EUR 1,000)	Note	1.1.–31.12.2013	1.1.–31.12.2012
Revenue	1	**88 838**	**102 251**
Changes in inventories of finished goods and work in progress		-147	-125
Production for own use		54	278
Other operating income	2	1 266	308
Materials and services	3	-54 004	-58 652
Personnel expenses	4	-19 718	-21 134
Depreciation and impairment	5	-1 515	-1 411
Other operating expenses		-16 074	-23 056
Operating profit (-loss)		**-1 300**	**-1 541**
Financial income and expenses	6	-930	-314
Profit (-loss) before extraordinary items		**-2 230**	**-1 855**
Extraordinary expenses	7	0	184
Profit (-loss) before appropriations and taxes		**-2 230**	**-1 671**
Income taxes	8	0	-102
Profit (-loss) for the financial year		**-2 230**	**-1 774**

Parent Company Balance Sheet

(EUR 1,000)	Note	31.12.2013	31.12.2012
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		390	530
Other long-term expenditure		4 877	1 805
Advance payments		199	2 443
		5 466	**4 778**
Tangible assets	10		
Land and water areas		79	84
Buildings and structures		2 337	2 430
Machinery and equipment		2 133	2 525
Other tangible assets		23	23
Advance payments and purchases in progress		8	99
		4 580	**5 161**
Investments	11		
Shares in subsidiaries		7 962	7 962
Receivables from subsidiaries		14 324	14 324
Shares in associated undertakings		0	250
Receivables from associated undertakings		0	450
Other shares and participations		15	15
		22 301	**23 001**

PARENT COMPANY FINANCIAL STATEMENTS, FAS

CURRENT ASSETS	Note	31.12.2013	31.12.2012
Inventories			
Materials and supplies		5 797	6 794
Work in progress		784	558
Finished goods		1 129	1 437
Advances paid to suppliers		387	131
		8 097	**8 920**
Non-current receivables	12		
Loan receivables		**328**	**328**
Current receivables	12		
Trade receivables		15 220	18 697
Loan receivables		4 839	3 099
Accrued income and prepaid expenses		689	867
		20 748	**22 663**
Cash and cash equivalents		**3 248**	**4 266**
		64 771	**69 118**
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		30 914	33 497
Profit for the year		-2 230	-1 774
Total		**36 811**	**39 850**
OBLIGATORY PROVISIONS			
Other obligatory provisions		566	0
		566	**0**
LIABILITIES			
Non-current	14		
Loans from financial institutions		4 900	5 600
Pension loans		3 200	3200
Accrued liabilities and prepaid income		90	150
		8 190	**8 950**
Current	15		
Interest-bearing			
Loans from financial institutions		4 700	4 708
Pension loans		800	800
		5 500	**5 508**
Non-interest-bearing			
Advances received		256	448
Trade payables		5 881	6 457
Accrued liabilities and prepaid income		4 547	4 974
Other current liabilities		3 019	2 931
		13 703	**14 810**
Liabilities, total		**27 393**	**29 268**
		64 771	**69 118**

Parent Company's Cash Flow Statement

(EUR 1,000)	1.1.–31.12.2013	1.1.–31.12.2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flow from sales	88 988	102 111
Cash flow from other operating income	304	308
Payments on operating costs	-87 498	-102 733
Net cash from operating activities before financial items and taxes	1 794	-314
Interests paid and other financial payments	-919	-325
Taxes paid	447	-619
Net cash from operating activities before extraordinary items	1 322	-1 258
Net cash from operating activities (A)	**1 322**	**-1 258**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-1 781	-2 593
Proceeds from sale of tangible and intangible assets	2	1
Investment in shares in subsidiaries	0	-2 900
Investment in associated undertakings	0	-200
Proceeds from other investments	960	0
Loans granted	-565	-827
Repayments of loan receivables	562	0
Net cash used in investing activities (B)	**-822**	**-6 519**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	18 500	10 000
Repayments of short-term loans	-18 287	-6 500
Proceeds from long-term loans	800	4 000
Repayments of long-term loans	-1 721	-2 821
Dividends and other profit distribution	-810	-1 822
Net cash used in financing activities (C)	**-1 518**	**2 857**
CHANGE IN LIQUID FUNDS (A+B+C) (+ increase, - decrease)	**-1 018**	**-4 920**
Liquid funds at beginning of financial year 1)	**4 266**	**9 187**
Changes in fair value, investments	0	0
Liquid funds at end of financial year 1)	**3 248**	**4 266**

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

Accounting policies for parent company financial statements

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

ITEMS DENOMINATED IN FOREIGN CURRENCY

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

INTANGIBLE ASSETS

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

TANGIBLE ASSETS

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

DEPRECIATION PERIODS FOR TANGIBLE ASSETS

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

INVESTMENTS

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

INVENTORIES

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

DERIVATIVES

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

INCOME TAX

The company's income taxes are recognised on an accrual basis and are calculated according to local tax legislation with adjustments from previous financial years. Deferred tax liabilities are reported in the Notes.

REVENUE AND RECOGNITION POLICIES

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

RESEARCH AND DEVELOPMENT

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

OTHER OPERATING INCOME AND EXPENSES

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

EXTRAORDINARY INCOME AND EXPENSES

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

OPERATING LEASES

All leasing payments are treated as rent expenses.

PENSION PLANS

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

TREASURY SHARES

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

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

	2013	2012
Finland	91	92
Scandinavia	5	5
Other	4	3
Total	**100**	**100**

2. Other operating income

(EUR 1,000)	**2013**	**2012**
Gains on sale of fixed assets	2	1
Rental income	106	54
Public subsidies	164	160
Other operating income	994	93
Total	**1 266**	**308**

Other operating icome include sale of Ahtela property EUR 960 thousand.

3. Materials and services

(EUR 1,000)	**2013**	**2012**
Purchases during the financial year	-47 211	-53 525
Change in inventories of materials and supplies	-931	171
External services	-5 862	-5 298
Materials and supplies, total	**-54 004**	**-58 652**
Auditor's fees		
Auditing	-64	-79
Tax services	0	-14
Other services	-3	-68
Auditor's fees, total	**-67**	**-161**

4. Personnel expenses and number of personnel

(EUR 1,000)	2013	2012
Salaries, CEO	-237	-287
Salaries of boards of directors	-121	-105
Salaries of boards of directors and managing director, total	-358	-392
Other salaries	-15 026	-16 413
Pension expenses	-3 069	-3 277
Other salary-related expenses	-1 265	-1 051
Personnel expenses in the income statement	**-19 718**	**-21 133**
Fringe benefits	-349	-373
Total	**-20 067**	**-21 506**

Personnel		
Average personnel, workers	125	147
Average personnel, officials	221	251
Average personnel, total	**346**	**398**
Personnel at year end	**334**	**395**

5. Depreciation and write-down

(EUR 1,000)	2013	2012
Depreciation according to plan		
Intangible assets	-737	-608
Tangible assets		
Buildings and structures	-93	-93
Machinery and equipment	-684	-670
Depreciation according to plan, total	**-1 514**	**-1 371**
Impairments	0	-41
Depreciations and impairments, total	**-1 514**	**-1 412**

6. Financial income and expenses

(EUR 1,000)	2013	2012
Financial income and expenses		
Interest income on short-term investments	8	18
Interest income on short-term investments from Group companies	98	131
Foreign exchange gains	3	24
Other financial income	0	0
Interest expenses	-303	-385
Losses on foreign exchange	-17	-17
Other financial expenses	-718	-85
Change in value of assets recognised at fair value through profit or loss	0	0
Total	**-929**	**-314**

Provisions
Financial expenses 2013 include obligatory provision of EUR 566 thousand for the realisation of the loan guarantee given to Martela's associated company, P.O. Korhonen Oy.

7. Extraordinary items

(EUR 1,000)	2013	2012
Extraordinary income		
Group contribution	0	562
Extraordinary expenses		
Group contribution	0	-378
Extraordinary items, total	**0**	**184**

8. Income taxes

(EUR 1,000)	2013	2012
Income taxes from operations	0	-31
Taxes from previous years	0	-71
Total	**0**	**-102**

Deferred taxes liabilities and assets have not been included in the income statement or balance sheet. Deferred tax assets due to matching differences and losses total EUR 0 thousand 2013 and 2012.

9. Intangible assets

(EUR 1,000)

1.1.2013–31.12.2013	**Intangible rights**	**Other long-term expenses**	**Work in progress**	**Intangible assets total**
Acquisition cost 1.1.	2 978	4 162	2 443	9 582
Increases	147	3 516	0	3 663
Decreases	-1	0	-2 243	-2 244
Acquisition cost 31.12.	**3 124**	**7 678**	**200**	**11 001**
Accumulated depreciation 1.1.	-2 448	-2 358	0	-4 806
Accumulated depreciation, decreases	0	0	0	0
Depreciation for the year 1.1.–31.12.	-286	-444	0	-730
Accumulated depreciation 31.12.	**-2 734**	**-2 802**	**0**	**-5 536**
Carrying amount 1.1.	530	1 805	2 443	4 778
Carrying amount 31.12.	**390**	**4 876**	**200**	**5 466**

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

10. Tangible assets

(EUR 1,000)

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

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

Revaluations included in buildings total EUR 1,850 thousand in 2013 (EUR 1,850 thousand in 2012).
Carrying amount of production machinery and equipment in 2013 total EUR 1,559 thousand (EUR 1,923 thousand in 2012).

11. Investments

(EUR 1,000)

1.1.2013–31.12.2013	**Subsidiary shares**	**Shares in associated undertakings**	**Other shares and partici-pations**	**Loan receivables**	**Total**
Balance sheet value at beginning of year	7 962	250	15	14 774	23 000
Increases	0	0	0	0	0
Decreases	0	-250	0	-450	-700
Balance sheet value at end of year	**7 962**	**0**	**15**	**14 324**	**22 300**

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

Subsidiary shares:		**Parent company's holding %**	**Voting power %**	**No. of shares**	**Par value**	**Book value**
						(EUR 1,000)
Kidex Oy	Finland	100	100	200	2.208 teur	2 208
Muuttopalvelu Grundell Oy	Finland	100	100	100	3 teur	4 675
Grundell Henkilöstöpalvelu Oy	Finland	100	100	100	3 teur	50
Kiinteistö Oy Ylähanka	Finland	100	100	510	9 teur	8
Martela AB, Bodafors	Sweden	100	100	50 000	5.000 tsek	550
Aski avvecklingsbolag Ab, Malmö	Sweden	100	100	12 500	1.250 tsek	132
Martela AS, Oslo	Norway	100	100	200	200 tnok	24
Martela SP.z.o.o; Warsaw	Poland	100	100	3 483	3.483 tpln	135
000 Martela, Moscow	Russia	100	100		3.700 trub	90
000 Martela SP, St. Petersburg	Russia	100	100		3.700 trub	90
Total						**7 962**

Other shares and participations:	**15**

12. Receivables

(EUR 1,000)	2013	2012
Non-current receivables		
Receivables from associated undertakings	0	0
Loan receivables	329	329
Current receivables		
Receivables from companies in same group		
Trade receivables	1 476	5 017
Loan receivables	4 839	3 099
Accrued income and prepaid expenses	0	93
Receivables from associated undertakings		
Trade receivables	0	16
Loan receivables	0	0
Other receivables		
Trade receivables	13 744	13 664
Loan receivables	0	0
Accrued income and prepaid expenses	688	774
Current receivables, total	**20 748**	**22 663**

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 31.12.2013	Number	Total EUR	% of share capital	Votes	% of votes
K shares (20 votes/share)	604 800	1 018 500	15	12 096 000	77
A shares (1 vote/share)	3 550 800	5 981 500	85	3 550 800	23
Total	**4 155 600**	**7 000 000**	**100**	**15 646 800**	**100**
Treasury shares	67 700				
No. of shares	**4 087 900**				

Shareholders' equity (EUR 1,000)	**2 013**	**2 012**
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.	**31 722**	**35 319**
Dividends	-817	-1 840
Profit for the year	-2 230	-1 774
Shares assigned on the basis of the share-based	0	0
incentive scheme*		
Returned shares	**8**	**17**
Retained earnings 31.12.	**28 683**	**31 722**
Shareholders' equity, total	**36 810**	**39 849**

The distributable equity of the parent company is EUR 28.683 thousand in 2013 (EUR 31.723 thousand 2012).

Treasury shares held by Martela Oyj are reported as a deduction from retained earnings. Martela Oyj owns 67,700 A shares and they were purchased at an average price of EUR 10.65. Market value of treasury shares on 31.12.2013: EUR 3.35/share; (5.02 EUR 2012), total EUR 227 thousand (EUR 340 thousand 2012).

* In the parent company balance sheet, the loan issued for the acquisition of shares has been treated as a loan receivable, and for the assigned shares, the acquisition cost has been recognised as a reduction in receivables and removed from equity. The acquisition cost of shares for the incentive scheme has been treated in the IFRS consolidated financial statements as an item comparable to treasury shares.

14. Non-current liabilities

(EUR 1,000)	2013	2012
Loans from financial institutions	4 900	5 600
Pension loans	3 200	3200
Accrued expenses	90	150
	8 190	**8 950**

Changes and repayments of non-current liabilities	2013	2012
	Loans from financial institutions	**Loans from financial institutions**
Loans 1.1.	5 600	6 808
Proceeds	0	0
Repayments	-700	-1 208
Loans 31.12.	**4 900**	**5 600**
	Pension loans	**Pension loans**
Loans 1.1.	3 200	0
Proceeds	800	4 000
Repayments	-800	-800
Loans 31.12.	**3 200**	**3 200**

Repayments	2 014	2 015	2 016	2 017	2 018	2019-
Loans from financial institutions	700	700	3 500	0	0	0
Pension loans	800	800	800	800	0	0
Total	**1 500**	**1 500**	**4 300**	**800**	**0**	**0**

15. Current liabilities

(EUR 1,000)	2013	2012
Current liabilities		
Liabilities to group companies		
Trade payables	1 523	1 692
Accrued liabilities to group companies	317	30
Total	**1 840**	**1 722**
Liabilities to associated undertakings		
Trade payables	**99**	**200**
Other current liabilities		
Loans from financial institutions	4 700	4 708
Pension loans	800	800
Advances received	256	448
Trade payables	4 259	4 565
Other current liabilities	3 018	2 930
Accrued liabilities	4 230	4 944
Other current liabilities, total	**17 263**	**18 395**
Current liabilities, total	**19 203**	**20 317**

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

	2013	2012
Essential items of accrued liabilities		
Personnel expenses	1 793	2 760
Interest and financing accruals	24	43
Royalties	122	142
Residual expenses	1 028	249
Taxes	0	0
Other accrued liabilities	1 263	1 749
Accrued liabilities, total	**4 230**	**4 943**

16. Pledges granted and contingent liabilities

(EUR 1,000)	**2013**	**2012**
Debts secured by mortgages		
Bank loans	5 600	6 808
Property mortgages	6 556	4 990
Corporate mortgages	8 368	8 200
Shares pledged	4	4
Pension loans	4 000	4 000
Property mortgages	4 204	4 204
Total mortgages	**19 128**	**17 394**
Other pledges		
Guarantees as security for rents	**335**	**334**
Guarantees given on behalf of companies in the same group	**1 344**	**1 556**
Guarantees given on behalf of associated undertakings	**547**	**537**
Leasing commitments		
falling due within 12 months	901	926
falling due after 12 months	609	915
Total	**1 510**	**1 841**
Repurchase sureties	**0**	**0**
Other commitments		
Rent commitments	**8 894**	**10 416**

Calculation 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 Board of Directors proposes to the general meeting that no dividend be paid from the financial year 1 January 2013 – 31 December 2013 and that the parent company's losses from the financial year, EUR 2,229,503.74, shall be covered from the non-restricted equity fund.

Helsinki, 3 February 2014
The Board of Directors' Report and the Financial Statements are signed by:

Heikki Ala-Ilkka
Chairman of the Board

Pekka Martela
Vice Chariman

Heikki Martela
Managing Director

Jaakko Palsanen

Kirsi Komi

Pinja Metsäranta

Yrjö Närhinen

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

Helsinki, 3 February 2014
KPMG Oy Ab
Ari Eskelinen
Authorised Public Accountant

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

Auditor's report

TO THE ANNUAL GENERAL MEETING OF MARTELA OYJ

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Martela Oyj for the year ended 31 December 2013. 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 2014
KPMG OY AB
Ari Eskelinen
Authorized Public Accountant