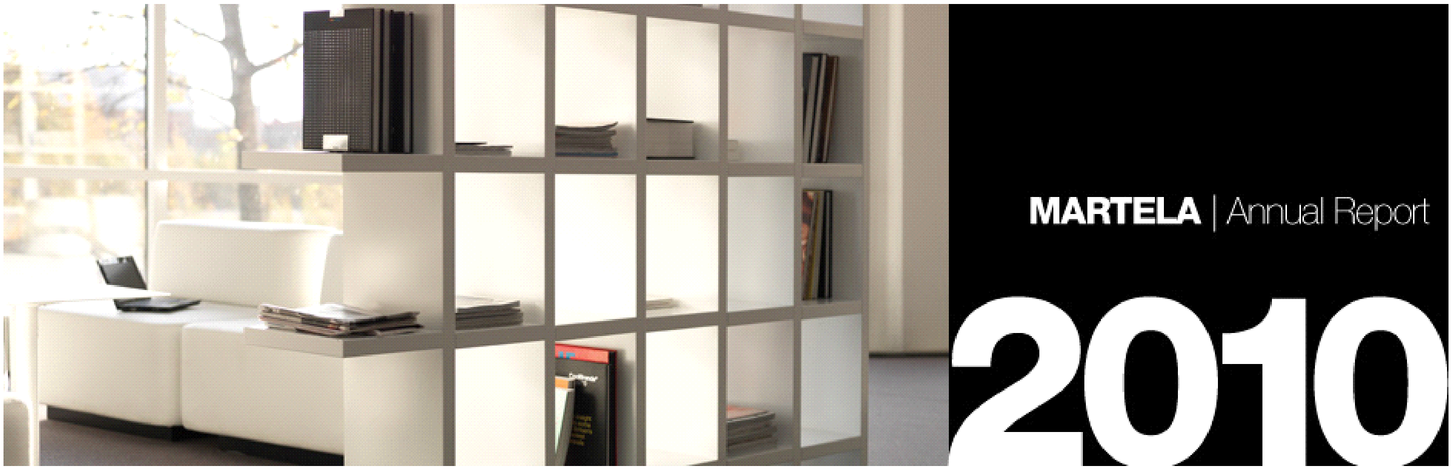
MARTELA ANNUAL REPORT 2010



MARTELA IN BRIEF

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

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

Martela is a family company founded more than 60 years ago and its shares are quoted on NASDAQ OMX Helsinki Ltd. The company has production facilities in Finland, Sweden and Poland. Its main market area is the Baltic region. In 2010, the Martela Group's revenue was EUR 108.4 million and the Group had an average of 601 employees.

SWANXL
DESIGN **EERO AARNIO**

CUBE
DESIGN **MIKKO HALONEN**

MINI KILTA
DESIGN **OLLI MANNERMAA**

KEY FIGURES

		2010	2009
Revenue	Meur	108.4	95.3
Growth in revenue	%	13.7	-32.5
Operating profit	Meur	1.3	0.8
- as a percentage of revenue	%	1.2	0.8
Pre-tax profit	Meur	1.1	0.4
- as a percentage of revenue	%	1.0	0.4
Return on investment		3.7	2.3
Balance sheet, total	Meur	56.7	55.6
Equity ratio	%	55.6	57.4
Earnings/share	eur	0.16	0.03
Equity/share	eur	7.74	7.88
Dividend/share	eur	0,45*	0.45
Capital expenditure	Meur	4.7	2.2
Average personnel		601	636

* Proposal of the Board of Directors

BOOK
DESIGN **PEKKA TOIVOLA**

MANAGING DIRECTOR'S REVIEW

2010 was the second consecutive year of low demand in our sector. Martela nevertheless managed fairly well and its operations remained profitable. The company's solvency is still excellent. The strong balance sheet enabled us to develop our business and focus on growth. Thanks to the new subsidiaries established during the year, Martela now has business premises in seven countries: Finland, Sweden, Norway, Denmark, Russia, Poland and Hungary.

In Denmark, we acquired the importer that we had long been working with. The new subsidiary moved to the design district of Copenhagen, to an impressive showroom that profiles Martela more effectively, allowing it to better serve the needs of big and medium-sized companies as well as designers. Martela can now offer customers throughout Scandinavia the same high-quality service and extensive collection.

"THE NEW OPENINGS AND DEVELOPMENT PROJECTS FORM A SOLID FOUNDATION FOR FUTURE GROWTH."

HEIKKI MARTELA,
MANAGING DIRECTOR

Besides Denmark, we also established a subsidiary in Hungary which operates as part of Business Unit Poland. We remain confident that the Polish market will grow, even though 2010 turned out to be a surprisingly challenging year in the region. Despite the challenges, Martela retained a strong position in Poland.

In Russia, the St. Petersburg subsidiary started its full operation during the year. In spring 2011, a Martela showroom will also open in Moscow. The Baltic region is Martela's home markets, and we expect this region to offer opportunities for growth in the future.

NEW BUSINESS

The first signs of recovery in office construction are evident, but the impact of this on Martela will be delayed. Therefore we invested in new ways of operating in 2010.

We established the Martela Outlet chain in Finland, primarily to serve the needs of small businesses and private individuals. We also acquired the recycling business of our partner, Martela Poistomyynti, together with its two stores, which were given a clear concept and distinct image. Martela Outlet had four stores at the end of the year, and a fifth was opened in Oulu in January 2011. Martela Outlet sells reasonably priced, recycled Martela furniture which has been refurbished to an as-new standard. This efficient reuse of furniture also offers businesses a responsible and economically sound way of recycling any furniture they have that is surplus to requirements.

During the year, we also continued to develop our hotel furnishing business. Started two years ago, this business has shown promise and has now been set clear growth objectives. Our aim is to provide comprehensive solutions for hotel furnishing on a turnkey basis. In the future, we will increase awareness of the Martela brand in this target market.

INSPIRING, COMPEREHENSIVE SOLUTIONS

Multifunctional and versatile products and services have proved to be Martela's strengths. Instead of standard furniture, there is a growing trend among customers for flexible solutions to accommodate different needs. One of Martela's competitive advantages is its wide selection of colours, materials and sizes that can be tailored to individual customer needs.

Besides innovative furniture, we are also focusing more on comprehensive solutions for the various modification needs of customers. We provide interior solutions with a full range of services, including office fixed asset management, removals and furniture recycling. We create working environments that are not only efficient, ergonomic and aesthetic, but also inspire people working in them. To this end, we introduced in 2010 a new Martela corporate image and the Inspiring Spaces theme. The idea is to meet the customer's needs in a comprehensive way, from project management to the smallest detail.

REWARDING DEVELOPMENT PROJECTS

We have been developing our sales processes and sales management for several years now. Our success in this received recognition during the year, when Martela took first place in the closely contested Best Finnish Sales Organisation competition. Our aim is to employ the same sales concept throughout all of our home markets.

We are continuously developing our activities with regard to environmental and social responsibility. Our customers also demand a high level of social responsibility in the different aspects of our business. We want to meet these demands in the fullest possible way. Martela has taken a leading role in the furniture recycling business in Finland. Our products also received new quality and environmental certificates in Sweden during the year. A social responsibility project was launched in spring 2010 to define the principles of responsible operations for the entire Martela Group. Our first social responsibility report, to be published in 2011, will present these principles at length.

We also started an extensive project to upgrade our information systems, and this will continue in both 2011 and 2012. The new enterprise resource planning systems will increase the Group's efficiency and responsiveness, and the flexibility of its services.

In February 2011, we took part in the international Stockholm Furniture Fair, where considerable interest was shown in our know-how and new products. During the current year, Martela will also be visible as one of the main partners of World Design Capital Helsinki 2012.

A key objective for 2011 is to further strengthen our position in all our home markets. The steps we have already taken in the shape of new openings and development projects form a solid foundation for future growth.

May I express our heartfelt thanks to Martela's customers, partners and shareholders for a year of continued trust and excellent cooperation. Thanks also to all our personnel for their magnificent contribution. Inspired by a very active year, we can now look to the future with confidence.

Takkatie, Helsinki, February 2011

Heikki Martela
Managing Director

STRATEGY

Mission – Better Interiors

Vision – Leading Finnish Interior

Brand Strategy – Inspiring Spaces®

Martela creates inspiring spaces to selected segments in target markets through direct customer and specifier relationships. We support our offer with a strong Martela Brand, with fast and reliable deliveries and an inspiring and result-oriented corporate culture.

SOFTX
DESIGN **JULIA LÄUFER & MARCUS KEICHEL**

BUSINESS UNIT FINLAND

In Finland, Martela offers the widest range of after-sales support and modification services for interior solutions in the entire sector. In addition to offices, Martela provides furniture and service solutions for learning environments, elderly care facilities, auditoriums and hotels.

Martela has an extensive sales and service network covering the whole of Finland, with a total of 28 sales offices. It is the largest company in its sector in Finland.

Martela uses its expertise in the modification of spaces and its extensive product and service portfolio to meet the modification needs of customers on a comprehensive basis. Martela's services include office design, survey and inventory of existing offices, recycling of old furniture, removal services and furniture rental.

Martela's service production is based on more than 60 years' experience and on the operation of own organization as well as an effective partner network. Solutions tailored for customers are implemented by sales and customer services and the Nummela logistics centre in accordance with the defined quality process. The manufacture of Martela's products is based customer order steered final assembly and wide subcontracting of component production. Thus no stocking of final products is needed.

In 2010, Martela achieved growth in a number of segments, including hotels. Martela continued to build for the future, despite the fairly low demand in the main customer group, corporate and public sector office premises. Martela began to adjust its organisation to better correspond with the company's customer segments.

Martela was ranked Best Sales Organisation in Finland out of dozens of Finnish B-to-B companies. The award was a recognition of the success Martela has had in its persistent efforts to develop the company's sales work.

In 2010, the new service product, 'KOHi', that relies on RFID technology, enhanced the operations of many customers. The service, developed particularly for office inventory management, facilitates and streamlines change processes for customers with large office premises in multiple locations. Electronic inventory data that is quick to update facilitates the commencement and management of change and enables efficient utilisation of fixed assets such as furniture.

During the year, Martela introduced its new brand appearance to its stakeholders and customers at various events. Martela also carried out successful collaboration with the Didrichsen Art

CUBE
DESIGN **MIKKO HALONEN**

"EVEN THOUGH THE DEMAND SITUATION WAS DIFFICULT, A GOOD BUSINESS RESULT WAS ACHIEVED THROUGH DEVELOPMENTS AND SAFEGUARDING PRODUCTIVITY."

PANU ALA-NIKKOLA,
DIRECTOR, BUSINESS UNIT FINLAND

Museum to mark the centenary of the birth of architect Viljo Revell.

MARTELA OUTLET – EFFICIENCY THROUGH THE USED FURNITURE BUSINESS

In the summer, Martela began to establish the Martela Outlet chain by acquiring the used furniture business of its partner in the recycling sector. New outlets were opened in Turku and Riihimäki in 2010, and another one in Oulu in January 2011. The Tampere and Helsinki Outlets previously opened by the partner were refurbished according to the new Martela Outlet concept.

The Martela Outlet chain enabled efficient recycling of used furniture. The chain serves SMEs and consumers by offering high-quality used Martela furniture which has been inspected to ensure the condition is good. Implementation of the chain's expansion plans is well underway.

In 2010, Martela focused on its established operations and on newer areas. Even though the demand situation was difficult, a good business result was achieved through developments and safeguarding productivity.

Business Unit Finland (meur)	2010	2009	Change %
Revenue	71.8	63.9	12.3
Operating profit	5.0	3.9	
Investments	1.5	0.4	
Average personnel	258	265	-2.6

BUSINESS UNIT SWEDEN AND NORWAY

Sweden and Norway form Martela's second largest market area. The focus of the Business Unit's operations is in meeting customer needs for office, public interior and auditorium furniture.

Sales in Sweden and Norway are handled through about 70 dealers. In addition, Martela has its own sales and showroom facilities at three locations: Stockholm and Bodafors in Sweden and Oslo in Norway. The Business Unit's logistics centre and order handling are also located in Bodafors. In Norway, the marketing company located in Oslo operates as a support organisation for the Norwegian sales network.

In 2010 the Business Unit's operating processes were further developed, and production and logistics efficiency improved. Preparations were also made for introduction of the new ERP system.

Attention was given to strengthening our market position throughout the region. We enhanced awareness of the Martela brand by launching the new brand concept, Inspiring Spaces. We also added to the expertise and number of our sales personnel, and the Business Unit's income from sales grew during the year. We introduced a new eNews service, which improves the regular contact with our key customers, dealers and architects.

In Sweden and Norway, Martela's main product collection was granted use of the Nordic Swan label, which is a highly valued eco-label. Martela was also granted ISO 14001 quality certification. These certifications send customers a clear message about the high quality and environmental friendliness of Martela's products and services.

Business Unit Sweden and Norway (meur)	2010	2009	Change %
Revenue	18.6	15.8	17.4
Operating profit	0.0	-1.0	
Investments	0.2	0.2	
Average personnel	53	62	-14.5

COMBO
DESIGN IIRO VILJANEN

"IN SWEDEN AND NORWAY, MARTELA'S MAIN PRODUCT COLLECTION WAS GRANTED USE OF THE NORDIC SWAN LABEL, WHICH IS A HIGHLY VALUED ECO-LABEL. MARTELA WAS ALSO GRANTED ISO 14001 QUALITY CERTIFICATION."

ANDERS OLSSON, DIRECTOR, BUSINESS UNIT SWEDEN AND NORWAY

BUSINESS UNIT POLAND

Martela has achieved a significant position in the Polish market. The focus of operations is on providing furniture for offices, learning environments and auditoriums.

Martela has its own nationwide sales network in Poland. Martela's seven sales offices are located in Poland's largest cities. In Hungary, we registered a new Martela subsidiary and established a direct sales channel by opening our first showroom and hiring staff.

The Business Unit's principal export countries are Ukraine, the Czech Republic and Slovakia, and in each of these countries sales are handled by dealers. The Business Unit's headquarters are located in Warsaw. The Warsaw logistics centre is responsible for production control for the region, product assembly and logistics management.

DIAGONAL
DESIGN **o4i**

"THE FOCUS WAS ON SALES EFFICIENCY AND ON REINFORCING KEY CUSTOMER RELATIONSHIPS."

PIOTR FIC,
DIRECTOR, BUSINESS UNIT POLAND

In 2010 Martela concentrated on securing its position in the competitive Polish market and within the generally challenging economic climate. The focus was on sales efficiency and on reinforcing key customer relationships. Considerable attention was given to boosting public sector sales, utilising the system of EU financial support and offering new services to customers, such as a furniture leasing service. We strengthened our import collection sales, and the results achieved were positive. Despite the tough competition, the auditorium segment performed better than at any time since its 2007 launch.

We also intensified our cooperation with architects. As in previous years, we organised a number of Conscious Interior designer events, and these were held in seven major cities in Poland. The events drew a record audience, with altogether about 1,000 architects attending. Encouraged by the popularity of these events we will continue to organise similar occasions in the future, too.

In Ukraine, we signed one of the year's biggest contracts. There were signs that the Ukrainian market is picking up, which improves the outlook for the future.

Business Unit Poland (meur)	2010	2009	Change %
Revenue	9.3	9.5	-1.9
Operating profit	-1.4	-0.7	
Investments	0.1	0.2	
Average personnel	91	94	-3.2

BUSINESS UNIT INTERNATIONAL

The main market areas of Martela's Business Unit International are Russia, Denmark and Estonia, and the Business Unit also exports products to the Netherlands, Germany and Japan. In addition, the unit is responsible for managing the Group's key international customer relationships.

In St Petersburg, Russia and in Denmark, sales are carried out by Martela subsidiaries that are part of the Business Unit, and by local authorised dealers in the other markets.

Revenue generated by Business Unit International is mainly composed of the sales of furniture for offices, meeting spaces and auditoriums.

In its first year of operation, the subsidiary in St Petersburg focused on developing logistics for the import of Martela's collection, commencing direct sales and building the Martela brand. Sales in St Petersburg and in the market area of northwest Russia, take place directly and through a network of dealers.

The subsidiary in Moscow recruited its first employees at the end of 2010, and operations will commence in 2011.

In Denmark, Martela acquired the long-standing Danish importer of Martela products which became a fully-owned subsidiary of Martela Corporation and part of Business Unit International from the beginning of November. The Danish subsidiary's first near-term goal is to re-position Martela on the Danish market. The Danish subsidiary has operations in Copenhagen and Århus. In December the operations in Copenhagen moved into a new Martela Inspiring Spaces showroom.

DYNAMIC PARTNERSHIPS

In Estonia, Martela focused on the importer's recource planning and the development of the sales, marketing and supply chain. In other export markets, Business Unit International concentrated on supporting its partners. Cooperation was enhanced through more efficient network management and improved communications. Collaboration with architects was intensified particularly in Russia, Denmark and Estonia.

During the year, Business Unit International took Martela's key international customer relationships further by standardising its customer services in different countries and designing products for customer-specific needs. The Business Unit more clearly outlined sales responsibilities to key international customers and provided increased sales resources to serve customers even better in the future.

MOVIE
DESIGN **RANE VASKIVUORI**

"MARTELA ACQUIRED THE LONG-STANDING DANISH IMPORTER OF MARTELA PRODUCTS WHICH BECAME A FULLY-OWNED SUBSIDIARY OF MARTELA CORPORATION."

VELI-MATTI SAVO,
DIRECTOR, BUSINESS UNIT INTERNATIONAL

PRODUCT DEVELOPMENT AND MARKETING

Martela's Product Development and Marketing unit is responsible for product development processes and projects as well as marketing communications. The unit's objective is to create innovative products and manage marketing communications and actions in a way that achieves the strategic objectives.

Martela took part in two Aalto University research projects, namely the ProWork project studying the future of knowledge work, and the ToTi project, which explores office environments and productivity using laboratory and case studies. The three-year project is coordinated by the Finnish Institute of Occupational Health.

SUPPORT FOR SALES

During 2010, Martela's marketing created opportunities for synergy in Group-level marketing by developing internal communications and operating models. The unit focused especially on marketing that supports sales work, such as presentation materials, references and project sales materials. New support material for sales includes a comprehensive catalogue for 2011 that presents our entire collection as part of the Inspiring Spaces concepts. Online newsletters provided up-to-date news about new products, fairs and ergonomic matters.

Another focal area in marketing was fostering relationships with architects and designers. We organised designer events with different themes in all key markets, with interior design journalists also being invited to the events. We also organised events for ergonomics experts and a seminar in Helsinki in November where experts discussed the impact of musculoskeletal problems on ability to work and the impact this can have on a company's business.

We also maintained media relations by actively announcing new products and providing information concerning topical matters at Martela. On our website, we updated the information package on environmental issues.

MARTELA'S NEW PRODUCTS FOR THE 2011 MARKET

FORM 0.5 – a stackable, interlocking all-purpose chair

The Form is a small yet well-balanced chair with clear features that works well by itself or as part of a larger group. Designed by Jukka Setälä, the chair is suitable for a variety of purposes thanks to its design, comfort, price and Martela's quality standards.

PLUS+ – a modern, high-quality furniture range

JAMESH
DESIGN **IIRO VILJANEN**

"THE JAMES PRODUCT FAMILY HAS A NEW ARRIVAL: JAMESH, THE MESH-BACK OFFICE CHAIR."

ILKKA KOSKIMIES,
DIRECTOR, PRODUCT DEVELOPMENT AND MARKETING

The new Plus+ range is a major new product launch from Martela aimed at the needs of elderly care and the nursing sector. So far the range includes armchairs, a rocking chair and sofas. It will later be extended with tables and chairs. The carefully considered design of the Plus+ range meets the strict needs of the care sector. The modern design language also makes the range suitable for other public interiors. The Plus+ range was designed by Jukka Setälä.

TRAILER – a movable side table and a vibrant splash of colour

The clearly minimalistic aluminium and steel structured Trailer side table is easy to use next to a sofa or armchair and also suitable as a light bedside table. Use if for your laptop or for making notes, or simply for resting your cup of coffee. The design and position of the leg allow the table top to be used conveniently while sitting. The Trailer was designed by Rane Vaskivuori.

ECO INEZ – the chair that daringly uses natural fibre

The nonwoven fabrics industry in Finland produces approximately 1,000 tonnes of waste each year that is burnt to produce energy. Clean and free of additives, however, natural fibre can be recycled three to five times. The natural fibre composite in Martela's Eco Inez chair is 97% recycled material that is light, easy to dye and further recyclable. The stackable, interlocking, all-purpose Eco Inez was designed by Iiro Viljanen.

JAMESH – an office chair with a mesh back

Martela's mesh-back chair combines lightness and elegance with comfort and features that meet the strictest ergonomic requirements. The designer of the JamesH, Iiro Viljanen, paid particular attention to the durability and usability of the mesh material as well as the design of the backrest. The JamesH can also be used in meeting rooms and other group spaces.

BRAND & PRODUCT PORTFOLIO

Martela's Brand & Product Portfolio unit's first sphere of responsibility is to define and develop the Martela brand. A strong, inspiring brand is an essential component of Martela's strategy for the future. The unit's other sphere of responsibility is Martela's extensive product portfolio, which is kept competitive and up to date.

INSPIRING SPACES

We achieved a major goal during the summer, when Martela's brand renewal was completed and we could start introducing it to the personnel. The renewal sharpened Martela's visual identity, modernised its values and updated the brand promise. Training in the use of the renewed brand was started among our own personnel, and the new visual identity was already strongly to the fore during 2010.

The new slogan, Inspiring Spaces, encapsulates Martela's principle of creating inspiring overall design solutions for its customers. The Inspiring Spaces philosophy also includes brand concepts that bring additional dynamics to different spaces and offer inspiring solutions.

STRONG AND COMPREHENSIVE COLLECTION

The other main area of responsibility is Martela's product portfolio, which is constantly updated in order to meet customer needs and offer new and sometimes surprising solutions. A strong product portfolio ensures Martela's competitiveness and facilitates progress towards its strategic objectives.

Whenever Martela's product portfolio is redesigned the views of customers are considered carefully. The Brand & Product Portfolio unit is closely in touch with customer needs and strives to identify trends in office environments and emerging needs at an early stage. Martela's collection offers a comprehensive range of classics as well as new innovations that improve the customer's everyday life and operating capabilities.

In 2010 we continued to press ahead strongly with new developments, despite the general economic conditions. We introduced several inspiring new products, including Iiro Viljanen's James+ addition to Martela's task chair range and Professor Eero Aarnio's Swan XL lamp. Martela also began work with New York based Karim Rashid, one of the world's best known designers. Our collaboration produced the KOOP chair concept.

"THE BRAND RENEWAL SHARPENED MARTELA'S VISUAL IDENTITY, MODERNISED ITS VALUES AND UPDATED THE BRAND PROMISE."

PETTERI KOLINEN,
DIRECTOR, BRAND AND PRODUCT PORTFOLIO

KIDEX OY

Kidex Oy is a contract manufacturer of board-based furniture components such as cabinet and pedestal components and tabletops.

The subsidiary's customers include not only Martela Group companies but also furniture manufacturers that are not part of the Martela Group, especially makers of kitchen and shop furniture. Sales to customers outside the Group amounted to 27 per cent of the total sales figure in 2010 (2009: 23%).

During the year, Kidex continued efforts to improve the competitiveness of its storage unit components in particular by investing in a new edging strip line. The company also carried out adjustment measures that were necessary in view of the market situation.

Kidex Oy's objective is to be an active contract manufacturer for all the companies in the Martela Group. Its goal is to grow with the other Martela Group companies and also within its customer segments outside the Group.

In 2010, the company employed an average of 70 (80) people.

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

P.O. KORHONEN OY

P.O. Korhonen Oy is Martela's contract manufacturer for a number of the chair designs in the Martela range. The company produces chair applications on a flexible basis and is involved in manufacturing new form-pressed wooden chairs. The company was also responsible for the Group's auditorium business, which was transferred to Business Unit Finland at the beginning of 2011. Consequently, P.O. Korhonen will focus on the contract manufacture of wooden chairs.

P.O. Korhonen's main customers are companies belonging to the Martela Group. It also serves customers outside the Group and has gained a number of new contract manufacturing customers in order to secure growth in volume.

In 2010 we improved our manufacturing strengths by increasing the added value and flexibility of our form-pressed component manufacture through expanding our pressing capacity. The company also carried out adjustment measures that were necessary in view of the market situation.

In 2010, the company employed an average of 50 (59) people.

KURU
DESIGN **ANTTI KOTILAINEN**

CORPORATE RESPONSIBILITY

Martela Corporation Board of Directors and Management Team are committed to developing the company in a responsible manner and with a long-term view, and to meeting the expectations of its owners, customers, personnel and other stakeholders. Responsibility is part of our business strategy and allows us to compete more effectively. Our efforts to develop the management principles, operating models and performance indicators that guide our corporate responsibility also provide us with many new opportunities to improve our financial performance.

The project launched in spring 2010 will redefine the Group's environmental policy, personnel principles, principles of responsible sourcing and, ultimately, the principles of responsible operations for the entire Martela Group. The project's goal is to publish Martela's first social responsibility report, on our 2010 performance. This will be published in accordance with the principles of the Global Reporting Initiative (GRI). We believe the new reporting practice will help us meet and exceed our current customer and stakeholder expectations.

PINTA

DESIGN **PEKKA TOIVOLA & IIRO VILJANEN**

PERSONNEL

Martela's success is based on its motivated, committed and competent personnel.

The average number of personnel in 2010 decreased by 35 from the previous year. However the number of personnel in the Group started to increase in the second half of 2010 due to the acquisitions made during that period. Towards the end of the year, the number of temporary employees and agency personnel in production also increased, as did recruitments for permanent personnel.

We carried out the adjustment measures planned in 2009, which consisted mainly of layoffs. Despite these layoffs, the acquisitions, investment in new segments and various development projects during the year ensured there was a positive mood. According to the supervisor survey conducted in the autumn, management skills are of a fairly high standard at Martela, and the general atmosphere has remained good in spite of the adjustment measures.

Martela invested a great deal in management skills during the year. We organised a Group supervisor training event in early June. Management skills were also supported through the JET programme leading to the Special Qualification in Management, and through management training and the supervisor survey, which is conducted every two years. The management coaching programme also continued in 2010.

During the year, we organised quality, brand and product training for the personnel. In production, investment was made in continuous improvement and in quality and safety training. The Nummela plant introduced a new table production line. For several years now we have focused on developing our sales work. In 2010, we concentrated on sales process coaching and started to put the new segment organisation into effect. Our well-focused development work was acknowledged during the year, when Martela was selected as the Best Finnish Sales Organisation in a top-level competition.

THE TREE
DESIGN **EERO AARNIO**

"MARTELA'S SUCCESS IS BASED ON ITS MOTIVATED, COMMITTED AND COMPETENT PERSONNEL."

SIRPA ONTRONEN,
HUMAN RESOURCES DIRECTOR

QUALITY

In Martela's business, quality means meeting the requirements and expectations of customers. Martela believes it is important to fulfil the customer promise and to exceed it where possible. The company's success with its customers is measured with various indicators, of which the main ones are customer satisfaction and quality of service provided.

The quality of service provided indicator measures both the reliability of deliveries and Martela's success in terms of quality. The indicator underwent a major revamp in 2010. While its basic idea was retained, its monitoring was made more detailed, helping Martela to better tackle different challenges relating to, for example, specific products or production locations and consequently determine any necessary corrective and preventive measures. The quality of service provided is measured continuously, and the results are compared against target levels every month. The results of Martela's customer satisfaction surveys have been at a good level for a long time and the trend is rising.

TRAILER
DESIGN **RANE VASKIVUORI**

FOCUSING ON CUSTOMER-ORIENTED AND RESPONSIBLE OPERATION

Martela's certified quality system and environmental management system form a basis for continuous development of the company's operation. In 2010, Martela revamped its brand and updated its strategy, now under the name "Inspiring Spaces". In the same vein, the company also revised its operating policy. The revised policy more clearly stresses that the company's operating philosophy and approach should be customer-oriented and calls for commitment to continuous improvement and responsible operation. The role of management reviews in setting development trends and securing sufficient resources for development efforts will be further emphasised in the future.

During the year, the quality organisation also renewed. Quality control was moved closer to the operating activities as part of Business Unit Finland. By doing this Martela ensured that the results of development work can be focused to provide added value to the customers. Other considerable steps forward in 2010 included making the supplier audit process more operation-oriented and introducing a production review procedure in new product projects.

The top management's commitment to the development work is vital. The quality project started in 2009 was completed at the end of 2010. The most significant achievements of the project were its quality training and process development. The quality training covered the entire organisation and addressed the quality requirements for veneers, form-pressed parts, metal and plastic components and upholstery, the quality of product testing, assembly and installation and the traceability of products by using concrete examples.

In the coming years, the company's main quality-related challenge is to renew the production control system and expanding the management systems to also cover the new business areas, such as the Martela Outlet chain.

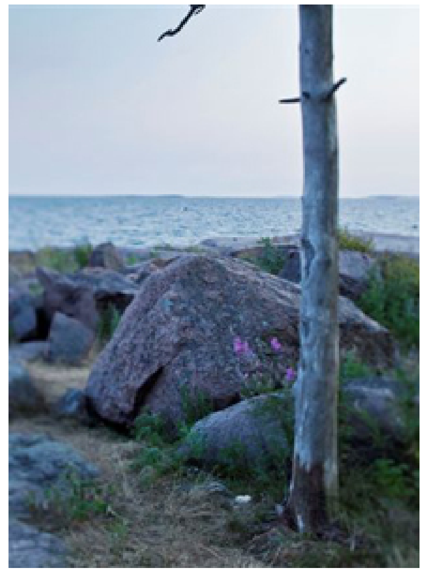
Quality and environmental certificates of Martela Group companies:

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

ENVIRONMENT

Martela applies common group-level operating models to the environmental systems of all its logistics units. The Martela Group's logistics unit in Sweden, Martela AB, was awarded the ISO 14001 environmental certificate in March 2010. Only Martela Sp. z o.o. in Warsaw remains to gain certification. Martela is committed to promoting environmental protection and complying with applicable environmental legislation in all its operations.

In early 2010 Martela AB was granted use of the Swan ecolabel certificate on the Swedish and Norwegian markets for its selected key products. The certification covers the key product families Pinta I, 2, E, and ES desks, Spot side tables and the Cupio, Combo and BIG storage units.



CORPORATE GOVERNANCE STATEMENT 2010

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

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

ORGANISATION

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

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

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

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

Business Unit Poland is responsible for the sales and distribution of Martela products in Poland and Eastern Central Europe. Sales in Poland are organized via the sales network maintained by the Business Unit, and as of August 2010 a Martela subsidiary and sales centre have established in Hungary. The company has altogether 7 sales centres in Poland. The Business Unit's principal export countries are Ukraine, the Czech Republic and Slovakia, in each of which sales are handled by established dealers. Business Unit Poland is based in Warsaw, where it has its logistics centre and administration.

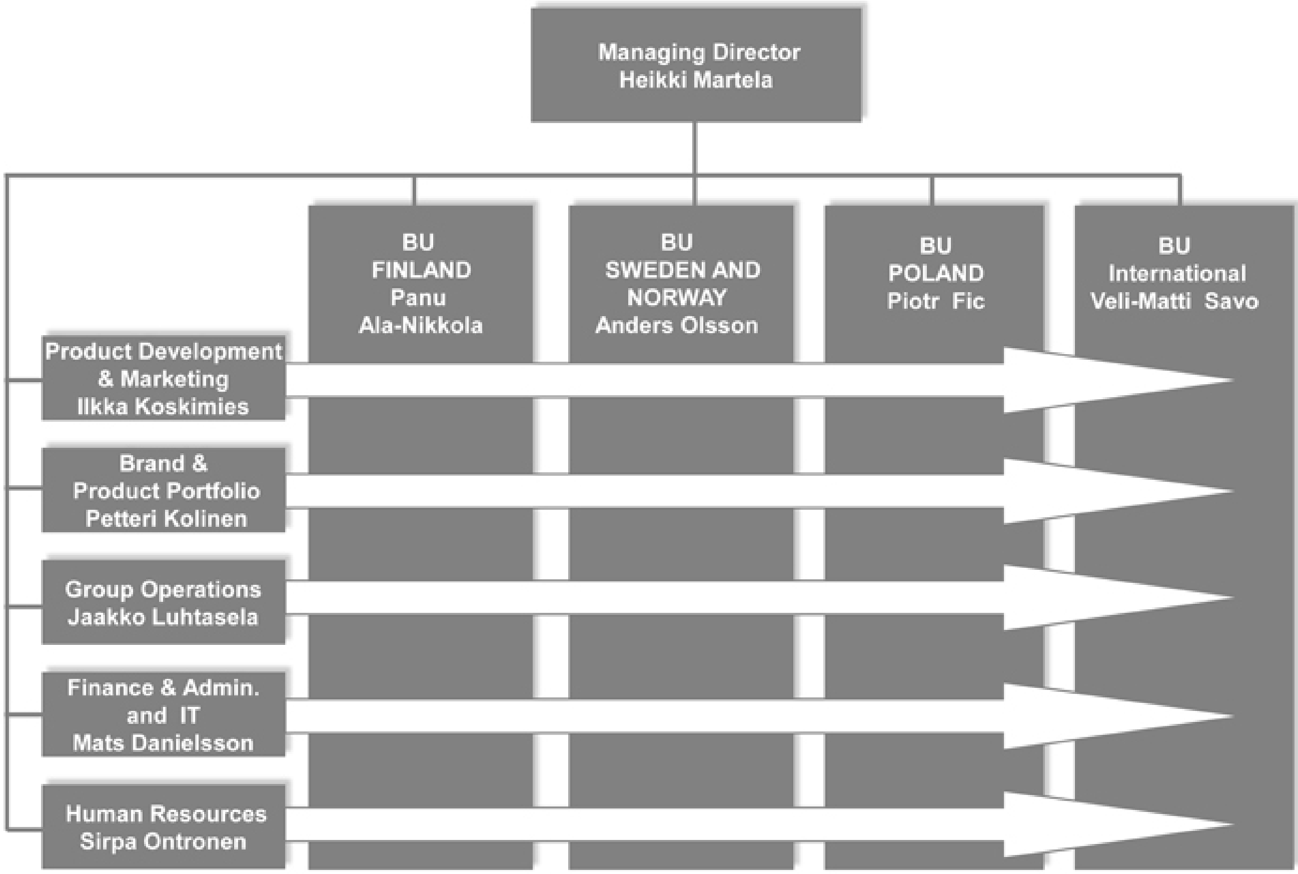
The main market areas of Business Unit International are Russia, Denmark and Estonia, and it also exports products to the Netherlands, Germany and Japan. In addition, the unit is responsible for managing the Group's key international customer relationships. In St Petersburg, Russia, and in Denmark sales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

The Business Units share Group-level processes:

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

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

The components and products needed by the centres are also produced at Group plants in Kitee and Raisio. Kidex Oy is a contract manufacturer of wood-based components, and roughly 27 per cent of its production goes to customers outside the Group. P.O. Korhonen Oy manufactures form-pressed wooden furniture for public premises and auditorium furniture.



Finance & Administration and IT
* Mats Danielsson worked in Martela until 31st October 2010
* Markku Pirskanen started to work in Martela on 28th February 2011

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 2010 was EUR 7 million.

In January-December 2010, a total of 1,182,411 (811,183) of the company’s A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 33.3 per cent (22.8) of the total number of A shares.

The value of trading was EUR 8.4 million (5.7); the share price was EUR 7.13 at the beginning of the year and EUR 7.77 at the end of the year. During January-December the share price was EUR 8.60 at its highest and EUR 6.26 at its lowest. At the end of December, equity per share was EUR 7.74 (7.88).

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. The members of the Board submit their evaluations of the preceding year's Board activities to the Chairman of the Board and a summary of the evaluations is discussed at a Board meeting.
In 2011, the Board review will be made using an external consultant.

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

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

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

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

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

MARTELA GROUP'S BOARD OF DIRECTORS

In picture from left to right

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

CHAIRMAN OF THE BOARD

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

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

VARAPUHEENJOHTAJA

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 and EcoRing Oy
Owns 8 Martela A shares and 69 274 Martela Oyj K shares.

Hakari Tapio born in 1953, LL.M

Member of the Board of Martela Oyj since 2003.
Other key duties: Member of the Boards of Etteplan Oyj, Hollming Oy, BMH Technology Oy, Vice Chairman of the Board of Cargotec Oyj and Chairman of the Boards of Esperi Care Oy.
Owns 25 200 Martela Oyj A shares

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

Martela Heikki born in 1956, M. Sc. (Econ), MBA
Member of the Board of Martela Oyj since1986. Managing Director of Martela Oyj since 2002.
Other key duties: Member of the Board of Marfort Oy.
Owns 117 112 Martela Oyj A shares and 52 122 Martela Oyj K shares.

Metsäranta Pinja born in 1975, M.A.
Member of the Board since 2010
Researcher, University of Helsinki since 2010
Owns 1000 Martela Oyj A shares

Palsanen Jaakko born in 1944, M.Sc. (Eng.)
Member of the Board of Martela Oyj since 1993.
Other key duties: Member of the Board of Coloured Wood Products Oy.
Owns 92 181 Martela Oyj A shares and 1 600 Martela Oyj K shares

MANAGING DIRECTOR

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

GROUP MANAGEMENT TEAM

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

MANAGEMENT TEAM OF MARTELA GROUP

Martela Heikki, born in 1956, M.Sc. (Econ), MBA
Managing Director
Area of responsibility: Managing Director of Martela Oyj
At Martela since 1993.
Member of the Board of Martela Oyj since 1986, Chairman of the Board 2000-2002, Managing Director of Martela Oyj since 1 March 2002.
Working experience: Martela-Morgan 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 117 112 Martela Oyj A shares and 52 122 Martela Oyj K shares

Fic Piotr, born in 1968, M.Sc (Pharm)
Director, Business Unit Poland
Area of resposibility: Sales, production and logistics in Poland and its neighbouring areas.
At Martela since 2005.
Working experience: Polpharma, Business Unit Head OTC, 2004-2005.
Owns 2 892 Martela Oyj A shares.

Ontronen Sirpa, born in 1961, M.Sc. (Psych.)
HR Director
Area of responsibility: Group HR matters
At Martela since 2002.
Working experience: Sonera Oyj, HR Manager, 2000-2002.
Owns 5 639 Martela Oyj A shares.

Danielsson Mats, born in 1969, M. Sc (Econ)
Finance Director (CFO), until 31.10.2010
Area of responsibility: Group financial administration and IT
At Martela since 2007.
Working experience: Axfood Ab (Stockholm), Group Business Controller 2001-2007.
Other key duties: Member of the Board of Antti Ahlströmin Perilliset Oy.
Owns 2 000 Martela Oyj A shares.

Olsson Anders, born in 1965, B. SC. (Eng.)
Director, Business Unit Sweden and Norway
Area of resposibility: Sales, production and logistics in Sweden and Norway
At Martela since 2007.
Working experience: IBS Sverige AB, Business Unit Director, Sales and Marketing Director, 2005-2007.
Owns 2 892 Martela Oyj A shares.

Ala-Nikkola Panu, born in 1965, M. Sc. (Econ)

Director, Business Unit Finland Area of resposibility: Sales, production and logistics in Finland. At Martela since 2001. Working experience: Huhtamäki Oyj, sales, marketing and general management positions in Europe and Asia, both in business area and group responsibilities, 1990-2001. Other key duties: Board member of Aina Group Oyj O wns 10 652 Martela Oyj A shares.	
Luhtasela Jaakko, born in 1954, M.Sc. (Eng.) Production and Logistics Director. Area of responsibility: Group production, logistics and purchasing At Martela since 1985. Working experience: Oy Wärtsilä Ab, Nuutajärvi Glassworks, Development Manager 1981-1985. Owns 5 439 Martela Oyj A shares. **Kolinen Petteri**, born in 1963, M. A. (Design Leadership) Design Director, Brand & Product Portfolio Area of responsibility: Group Product Portfolio and the Martela Brand. At Martela since 2007. Working experience: Nokia Design, Design Manager 1993–1998, Senior Design Manager 1998–2007. Owns 2 892 Martela Oyj A shares.	
Savo Veli-Matti, born in 1964, B.Sc.(Eng.) Director, Business Unit International Area of responsibility: Sales to other European countries, Russia, Japan and other markets. At Martela since 2002. Working experience: Paroc Oy Ab, different managerial positions in international trade in Europe and Asia, 1988-1997 and 1999-2002. Owns 5 439 Martela Oyj A shares. **Koskimies Ilkka**, born in 1955, M.Sc. (Econ) Director, Product Development and Marketing Area of responsibility: Product Development and Marketing. At Martela since 1990 (excluding year 1999). Working experience: Suomen 3M Oy, Health Care Products, Marketing Manager 1983-1989. Aarne Laaksonen Oy, Commercial Director, 1999. Owns 5 439 Martela Oyj A shares.	

FINANCIAL REPORTING IN THE GROUP

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

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

AUDITING

The auditing of Group companies is carried out in accordance with the valid laws in each country and each company's articles of association. The principally responsible auditor of the parent company co-ordinates the auditing of the Group's subsidiaries together with the Group's Managing Director and Finance Director. The auditors of Martela Corporation and the Group are the authorised public accountants KPMG, with Reino Tikkanen, Authorised Public Accountant, as the principally responsible auditor. All the auditors of the Group's companies are in the KPMG chain. In 2010, a total of EUR 109,000 (112,000) was paid in fees for the Group's auditing, while EUR 11,000 (39,000) 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 2010, a key area of focus in internal control was the Group's ERP system.

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

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

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

RISK MANAGEMENT AND INTERNAL AUDIT

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

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

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

RISKS

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

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

MANAGEMENT REMUNERATION, BENEFITS AND INCENTIVE PLANS

The fees paid to the Chairman and to the members of the Board in 2010 totalled EUR 30,000 and EUR 71,000, 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 2010 were EUR 194,000 (170,000). In addition, the Managing Director received EUR 84,000 (54,000) as bonuses and share-based incentives. The Managing Director is entitled to retire on a full pension at the age of 60. The period of notice of termination of contract is six months for both the Managing Director and the company. If the company gives notice of termination of contract, the Managing Director is entitled to one-off compensation equivalent to 18 months' salary.

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

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

The Managing Director and Group management participate in a long-term share-based incentive plan. The plan offers Martela Corporation A shares when the targets set for the specified earnings period are attained. These periods are the calendar years 2010, 2011 and 2012.

Any incentives paid on the basis of the above scheme will be paid as a combination of shares and cash at the end of each earnings period. The maximum bonus for the entire scheme is 80,000 Martela Corporation A shares and an amount of cash that will cover taxes and similar charges, estimated at approximately the value of the shares to be paid. The extent to which the targets set for an earnings period are attained will determine how great a proportion of the maximum bonus will be paid to a key person. In 2009, key persons were given 48,055 Martela Corporation A series shares based on the 2008 earning period. No bonuses were paid on the 2009 earnings period. See the notes to the financial statements for information on the share-based incentive plan’s effect on the result for the year.

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

INSIDER ADMINISTRATION

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

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

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

CONTACT INFORMATION

GROUP COMPANIES

FINLAND **MARTELA OYJ, Head office** Takkatie 1 PL 44 FI-00371 Helsinki tel. +358 (0)10 345 50 fax. +358 (0)10 345 5744 www.martela.fi	**P.O.KORHONEN OY** Tuotekatu 13, FI-21200 Raisio tel. +358 (0)10 345 7100 fax. +358 (0)10 345 7150 www.po-korhonen.fi	**KIDEX OY** Savikontie 25 FI-82500 Kitee tel. +358 (0)10 345 7211 fax. +358 (0)10 345 7244 www.kidex.fi
SWEDEN **MARTELA AB** Brogatan Box 7 SE-571 06 Bodafors tel. +46 (0) 380 37 19 00 fax. +46 (0) 380 37 08 32 www.martela.se	**NORWAY** **MARTELA AS** Drammensveien 120 N-0277 Oslo tel. +47 23 28 38 50 fax +47 23 28 38 51 www.martela.no	**DENMARK** **MARTELA A/S** Pakhus 54, Frihavnen Klubiensvej 3,1 DK 2100 København Ø tel. +45 7020 4830 fax. +45 3860 4827 www.martela.dk
POLAND **Martela Sp. z o.o.** Ul.Redutowa 25 PL-01-106 Warsaw tel. +48 (22) 837 09 95 fax +48 (22) 836 76 23 www.martela.pl	**HUNGARY** **Irodabútor Martela Kft.** Róbert Károly krt. 59 HUN-1134 Budapest tel. +361 784 04 84 fax. +361 784 04 85 www.martela.co.hu	**RUSSIA** **LLC MARTELA SP** V.O., Malyj pr., 22, lit A 199004, St. Petersburg Russia tel. +7 812 600 05 18 fax. +7 812 600 05 18 www.martela.ru **LLC MARTELA** **Moscow**

INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting of Martela Oyj will be held on Tuesday, 15 March 2011, 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 2011, and the shareholders should register with Johanna Suhonen at the Company's head office, tel. +358 (0)10 345 5301, johanna.suhonen@martela.fi, or by post to Martela Oyj, PL 44, FI-00371 Helsinki, no later than 4 p.m. on 10 March 2011.

PAYMENT OF DIVIDENDS

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.45 per share is to be distributed for the year ended 31 December 2010. Only shareholders registered in the shareholder register maintained at the Finnish Central Securities Depository Ltd on the record date for dividend payment, 18 March 2011, will be entitled to the dividend proposed by the Board. Dividend payments will be made on 25 March 2011.

PUBLICATION OF FINANCIAL INFORMATION

Martela will publish three interim reports in 2011:

January–March	(Q1) on 27 April 2011
January-June	(Q2) on 4 August 2011
January-September	(Q3) on 26 October 2011

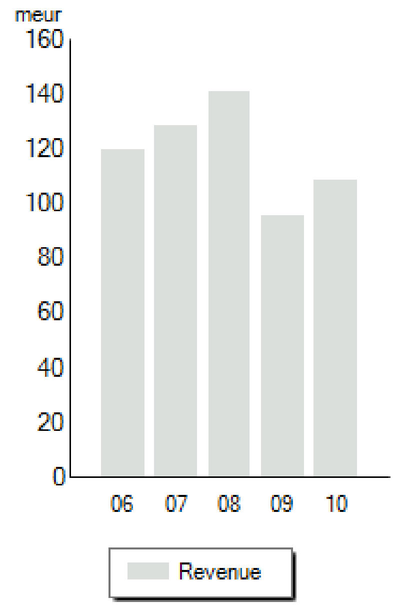
Martela's Annual and Interim Reports are available in Finnish and English on the Group's websites.

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.

DIAGONAL
Design **o4i**

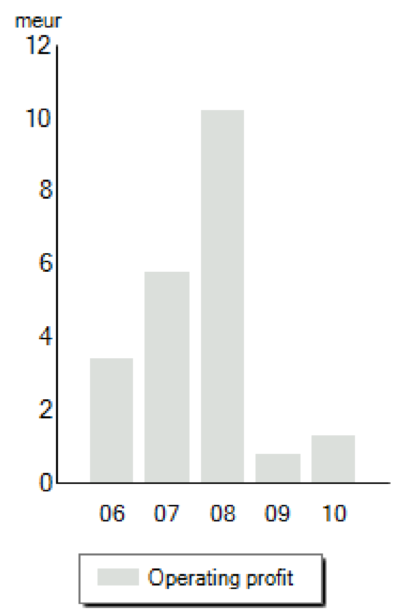
BOARD OF DIRECTORS' REPORT

Consolidated revenue in January-December was EUR 108.4 million (2009: 95.3), an increase of 13.7 per cent on the previous year. Operating profit for the corresponding period was EUR 1.3 million (0.8). The cash flow from operating activities in January-December came to EUR -0.1 million (10.8). The equity ratio was 55.6 per cent (57.4) and the gearing ratio was -14.1 per cent (-33.9).



CORPORATE RESTRUCTURING DURING 2010

On 29 September 2010, Martela Corporation acquired the business operations of Martela A/S, its long-term partner and importer of its products in Denmark. The deal reinforces Martela Corporation's role and position as a supplier of comprehensive services on the Danish market. The business was handed over to Martela on 1 November 2010. In the deal, assets of DKK 1.9 million were transferred to Martela A/S, Martela Corporation's subsidiary. No goodwill arose in connection with the deal. The revenue of the acquired business was DKK 5.5 million in 2010.



The operations of Pa-Ri Materia Oy, acquired by Martela Corporation in June, were transferred to Martela on 1 August 2010. Since the founding of Martela Poistomyynti, Martela has worked closely with Pa-Ri Materia to improve the recycling of used furniture. Through the deal, Pa-Ri Materia's stocks worth EUR 1.0 million and equipment worth EUR 0.2 million were transferred to Martela Corporation. Goodwill based on synergies of EUR 0.3 million were also entered in connection with the deal. This is included in the conditional purchase price.

In August 2010, Martela Corporation established a subsidiary in Hungary.

MARKET

There were no significant changes in demand for office furniture in our key markets during 2010.

The first signs of recovery in office construction are evident, but the impact of this on Martela will be delayed. Measured in terms of floor space fewer office buildings were completed in Finland in 2010 compared with the previous year (-10%). In the same period, more building permits were issued (+20%) than the previous year and new office building starts were also markedly up on 2009 (+66%).

GROUP STRUCTURE

In August 2010, Martela Corporation established a subsidiary in Hungary.

In the summer, Martela Corporation acquired a non-operating Danish company which acquired the operations and name of Martela A/S, Martela's former Danish import company in September 2010.

No other changes have taken place in the group structure.

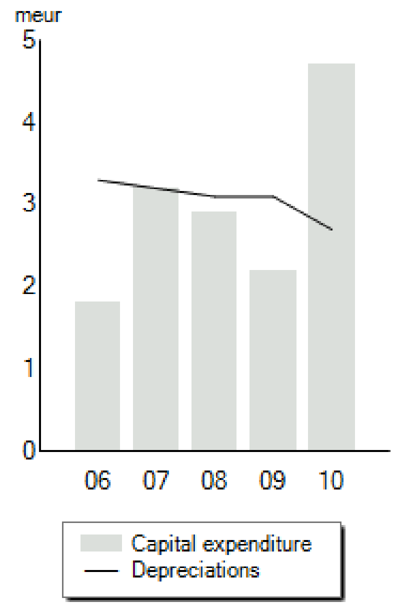
SEGMENT REPORTING

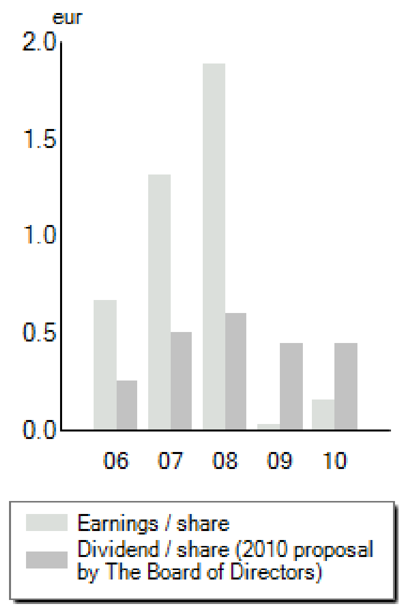
The segments presented in the financial statements comply with the company's segment division. The comparison period figures have also been rendered in the same way. The business segments are based on the Group's internal organisational structure and internal financial reporting.

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

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

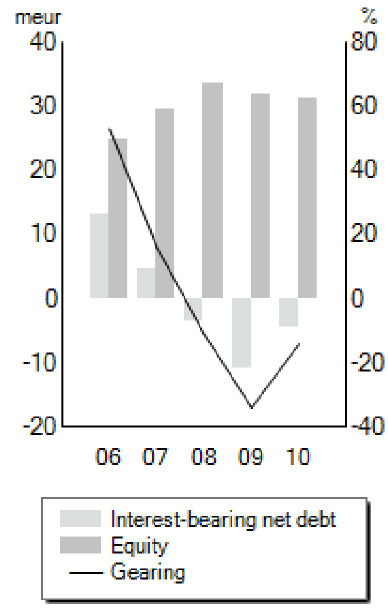
Business Unit Sweden and Norway is responsible for sales in Sweden and Norway, handled through about 70 dealers. In addition, the Business Unit has its own sales and showroom facilities at three locations: Stockholm and Bodafors in Sweden

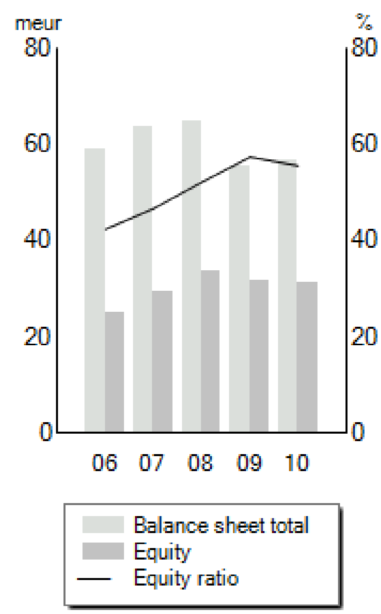




and Oslo in Norway. The Business Unit's logistics centre and order handling are also located in Bodafors.

Business Unit Poland is responsible for the sales and distribution of Martela products in Poland and eastern Central Europe. Sales in Poland are organized via the sales network maintained by the Business Unit, and as of August 2010 a Martela subsidiary and sales centre have operated in Hungary. The company has altogether 7 sales centres in Poland. The Business Unit's principal export countries are Ukraine, the Czech Republic and Slovakia, in each of which sales are handled by established dealers. Business Unit Poland is based in Warsaw, where it has its logistics centre and administration.





REVENUE

Consolidated revenue in January-December was EUR 108.4 million (95.3), an increase of 13.7 per cent on the previous year. The revenue of Business Unit Sweden and Norway was up by 8.0 per cent, while that of Business Unit Poland was down by -9.0 per cent, calculated in local currencies. The overall effect of exchange rate movements on consolidated revenue was approximately +2.8 percentage points.

CONSOLIDATED RESULT

Cumulative operating profit was EUR 1.3 million (0.8). The result does not include non-recurring items.

Profit before taxes was EUR 1.1 million (0.4), and profit after taxes was EUR 0.6 million (0.1).

Operating profit excluding non-recurring items was 1.2 per cent of revenue (0.8).

FINANCIAL POSITION

The Group's financial position is strong. Interest-bearing liabilities at the end of the period amounted to EUR 5.9 million (8.5) and net liabilities were EUR -4.4 million (-10.8). The gearing ratio at the end of the year was -14.1 per cent (-33.9), and the equity ratio was 55.6 per cent (57.4). Net financial expenses were EUR -0.2 million (-0.4).

The cash flow from operating activities in January-December was EUR -0.1 million (10.8).

The balance sheet total at the end of the period was EUR 56.7 million (55.6).

CAPITAL EXPENDITURE

The Group's gross capital expenditure for January-December was EUR 4.7 million (2.2). In addition to production replacement investments, Martela invested in a new enterprise resource planning system during the period.

PERSONNEL

The Group employed an average of 601 (636) persons, a decrease of 5.5 per cent. Salaries and fees were EUR 21.8 million (20.4) in 2010. Expenses from employee benefits are presented in more detail under Notes 3 in the financial statements.

PRODUCTS AND COMMUNICATIONS

At the beginning of 2011, Martela combined its design, product development, marketing, corporate responsibility and brand organisations and product management into a single Products & Communication (PCO) unit. Petteri Kolinen, Martela's Design Director, has been appointed to head the new unit.

The aim is to harmonise processes from management of product collections to product development, and from brand management to marketing.

During the first half of 2010 some interesting new products were launched. A larger James+ chair was added to the James task chair range. The versatile range of adjustments of this task chair, designed by Iiro Viljanen, enhances the wellbeing of its user. The MyBox desk and the Book space divider/shelf, previously presented as concepts, are now in production. These new products share the characteristics of versatility and new and innovative thinking. The MyBox desk, designed by Iiro Viljanen, has a lid that can be closed to protect the work items on the desk, with the lid's upper surface at the same time serving as a fresh desk top that can be used for a meeting, for example. Designed by Pekka Toivola, Book combines the characteristics of a space divider and a storage unit in a new way. The overall look and scope can be easily varied by combining the elements in various ways.

In Finland, the service product range was expanded at the beginning of the year with an innovative addition to the services available for office premises. This consisted of a new system for keeping track of office furniture for inventory and other purposes. The system is based on radio frequency identification (RFID) and is a unique way of managing office property. The new system has been very well received by our customers.

During 2010 the Martela Outlet chain was established in Finland to serve the needs of small businesses and private individuals. Recycling operations were acquired from Martela's partner, Martela Poistomyynti, and its two stores, which were given a clear concept and distinct image. Martela Outlet had four stores and the fifth one was opened in Oulu in January 2011. Martela Outlet sells recycled Martela furniture which has been refurbished; the furniture is reasonably-priced and good as new. The more efficient reuse of furniture items also benefits businesses undergoing change who need a responsible solution that makes financial sense when recycling old furniture.

ACCOUNTABILITY

According to our environmental policy, we supply products that are durable, guarantee a high-quality working environment and have the lowest possible environmental impact during their life cycle. We develop our manufacturing processes to reduce energy consumption and minimise emissions and risks to the environment. Our products are mainly recyclable and we continuously increase the share of recycled material in our production. We also reduce environmental impact by providing furniture rental, maintenance and recycling services.

We manage our environmental work with an ISO 14001 certified environmental management system and we report our results annually. We promote environmental awareness among our staff, and our material and component suppliers. We require responsible management of environmental matters from all our suppliers.

SHARES

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

In January-December, a total of 1,182,411 (811,183) of the company's series A shares were traded on NASDAQ OMX Helsinki Ltd, corresponding to 33.3 per cent (22.8) of the total number of series A shares.

The value of trading was EUR 8.4 million (5.7); the share price was EUR 7.13 at the beginning of the year and EUR 7.77 at the end of the year. During January-December the share price was EUR 8.60 at its highest and EUR 6.26 at its lowest. At the end of December, equity per share was EUR 7.74 (7.88).

TREASURY SHARES

Martela did not purchase any of its own shares for the treasury in 2010. On 31 December 2010, 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 corresponds to 1.6 per cent of all shares and 0.4 per cent 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. These shares were entered under equity in the consolidated financial statements for 2010. On 31 December 2010, 60,517 (57,625) shares under the previous share-based incentive scheme for 2007-2009 were still undistributed. These shares will be included in the new share-based incentive scheme for 2010-2012.

2010 ANNUAL GENERAL MEETING

The Annual General Meeting of Martela Corporation was held on 16 March 2010. The AGM approved the financial statements for 2009 and discharged the members of the Board of Directors and the Managing Director from liability. The AGM decided, in accordance with the Board of Directors' proposal, to distribute a dividend of EUR 0.45 per share.

Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman, Heikki Martela, Pekka Martela, Jaakko Palsanen and new member Pinja Metsäranta were elected as members of the Board of Directors. KPMG Oy Ab, Authorised Public Accountants, was elected as the company's auditor.

The AGM also approved the Board of Directors' proposals, detailed in the meeting notice, to authorise the Board to acquire and/or dispose of Martela shares. The authorization is for a maximum of 415.560 own A series shares acquired for the company. The authorization will be valid to the end of the 2011 Annual General Meeting.

The AGM decided, in accordance with the Board of Directors' proposal, to amend the company's Articles of Association (with respect to delivery of the meeting notice).

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

Martela as Vice Chairman.

CORPORATE GOVERNANCE

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

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

For further information on Martela's corporate governance see the Corporate Governance section of the annual report.

RISKS

It is estimated that the greatest risks to the improvement of profit performance relate to the continuation of general economic growth and the consequent overall demand for office furniture. In accordance with Martela's risk management model, risks are classified and minimized 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 note 28 to the financial statements.

SHORT-TERM RISKS

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

More information on risks is given in the Corporate Governance section of the company's annual report, under Corporate Governance Statement 2010.

PROPOSAL OF THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The Board proposes that a dividend of EUR 0.45 per share be distributed for 2010. The company's liquidity is good and it is the Board's opinion that the proposed distribution of profit will not endanger the company's solvency. The notice of Annual General Meeting will be published in a separate stock exchange release.

OUTLOOK FOR 2011

We anticipate that the revenue of the Martela Group will increase in 2011 and that profit will improve.

Growth will come mainly from new businesses, the most significant of which are the Danish subsidiary Martela A/S and Martela Corporation's Outlet chain.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

Artek Oy Ab and Martela Corporation signed an agreement on 17 January to establish a new company. On 1 February 2011, the new joint venture acquired the business of P.O. Korhonen, a Martela subsidiary. The established joint venture will concentrate on manufacturing products marketed and sold by Martela and Artek. Martela will own 51%, and Artek 49%, of the new company. On the basis of the shareholder agreement, Martela does not have control of the business, as referred to in IFRS 3 and IAS 27.

The new company, P.O. Korhonen, will operate as a contract manufacturer, focusing on the manufacture of wooden furniture using form-pressing technology. The joint venture invested approximately EUR 500,000 in production technology during the first half of the year. With the aid of a new surface treatment line it will be possible to develop efficient and environmentally friendly surface treatment methods. The company’s revenue for 2011 is estimated at EUR 4-5 million.

REVENUE BY SEGMENT

(meur)	Business Unit Finland	Business Unit Sweden and Norway	Business Unit Poland	Other segments	Total
1.1.2010-31.12.2010					
External Revenue	71.8	18.6	9.3	8.7	108.4
Internal Revenue	0.1	1.0	0.0	15.5	16.6
Total 2010	71.9	19.6	9.3	24.2	
1.1.2009-31.12.2009					
External Revenue	63.9	15.8	9.5	6.2	95.3
Internal Revenue	0.0	0.5	0.0	16.5	17.0
Total 2009	63.9	16.3	9.5	22.7	
External revenue change %	12.3 %	17.4 %	-1.9 %	42.1 %	13.7 %

AVERAGE STAFF BY REGION

	1-12 / 2010	1-12 / 2009
Finland	451	479
Scandinavia	54	62
Poland and Hungary	91	94
Russia	5	1
Group total	601	636

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR 1,000)	Note	1.1.-31.12.2010	1.1.-31.12.2009
Revenue	1	108 392	95 349
Other operating income	2	252	746
Changes in inventories of finished goods and work in progress		27	-95
Raw material and consumables used		-55 814	-47 072
Production for own use		75	100
Employee benefits expenses	3	-27 886	-25 988
Depreciation and impairment	4	-2 664	-3 109
Other operating expenses	5	-21 069	-19 139
Operating profit (-loss)		1 313	793
Financial income	7	133	196
Financial expenses	7	-362	-561
Profit (-loss) before taxes		1 084	427
Income taxes	8	-446	-291
Profit (-loss) for the financial year		638	137
Other comprehensive income			
Translation differences		312	77
Total comprehensive income		950	214
Allocation of profit (loss) for the financial year:			
Equity holders of the parent		638	137
Allocation of total comprehensive income:			
Equity holders of the parent		950	214
Earnings per share for the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	0,16	0,03
Diluted earnings/share, EUR	9	0,16	0,03

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1.1.-31.12.2010	1.1.-31.12.2009
Cash flows from operating activities		
Cash flow from sales	103 207	104 678
Cash flow from other operating income	225	489
Payments on operating costs	-102 873	-92 273
Net cash from operating activities before financial items and taxes	559	12 894
Interest paid	-277	-516
Interest received	47	166
Other financial items	-31	-2
Dividends received	0	0
Taxes paid	-361	-1 780
Net cash from operating activities (A)	-63	10 762
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-4 354	-1 663
Proceeds from sale of tangible and intangible assets	459	1 004
Capital expenditure on other investments	-250	0
Proceeds from sale of other investments	31	0
Repayments on loan receivables	0	0
Net cash used in investing activities (B)	-4 114	-659
Cash flows from financing activities		
Proceeds from short-term loans	0	8
Repayments of short-term loans	-506	-781
Repayments of long-term loans	-2 297	-2 273
Dividends paid and other profit distribution	-1 813	-2 390
Net cash used in financing activities (C)	-4 616	-5 436
Change in cash and cash equivalents	-8 793	4 667
Cash and cash equivalents at beginning of year 1)	19 304	14 620
Translation differences	-261	17
Cash and cash equivalents at end of year 1)	10 249	19 304

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

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	Note	31.12.2010	31.12.2009
ASSETS			
Non-current assets			
Intangible assets	10	2 051	716
Tangible assets	11	12 721	11 862
Investments in associates and associated undertakings	12	250	22
Available-for-sale financial assets	14,15	10	16
Investment properties	13	600	600
Receivables	14,16	17	0
Pension receivables	26	250	197
Deferred tax assets	17	298	262
Non-current assets, total		16 197	13 675
Current assets			
Inventories	18	10 449	9 408
Trade receivables	14,19	19 329	12 419
Loan receivables	14,19	74	95
Accrued income and prepaid expenses	14,19	390	697
Current tax receivable		0	0
Financial assets at fair value through profit and loss	14,20	1 107	1 094
Cash and cash equivalents	21	9 142	18 211
Current assets, total		40 492	41 924
Assets, total		56 689	55 598
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	23		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Other reserves		117	117
Treasury shares*		-1 212	-1 200
Translation differences		-97	-409
Retained earnings		24 243	25 138
Equity, total		31 167	31 762
Non-current liabilities			
Deferred tax liabilities	17	1 214	1 305
Other non-current liabilities		240	0
Interest-bearing liabilities	14,25	3 198	3 518
Non-current liabilities, total		4 652	4 823
Current liabilities			
Interest-bearing			
Current portion of interest-bearing borrowings	14,25	2 670	5 008
Bank overdrafts	14,25	0	0
Interest-bearing current liabilities, total		2 670	5 008
Non-interest-bearing			

Advances received	14,27	636	267
Trade payables	14,27	7 308	5 842
Accrued liabilities and prepaid income	14,27	5 745	5 061
Current tax payable		199	13
Other current liabilities	14,27	4 312	2 823
Non-interest-bearing current liabilities, total		18 201	14 006
Liabilities, total		25 523	23 837
Equity and liabilities, total		56 689	55 598

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

STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)

Equity attributable to equity holders of the parent

	Share capital	Share premium account	Other reserves	Treasury shares	Translation diff.	Retained earnings	Equity, total
Equity 1.1.2009	7 000	1 116	117	-1 610	-486	27 605	33 742
Cash flow hedging							0
Other change				410		-410	0
Taxes on items recognised in equity or transferred from equity							0
Total comprehensive income					77	137	214
Dividends						-2 390	-2 390
Share-based incentives						196	196
	0	0	0	410	77	-2 467	-1 980
Equity 31.12.2009	7 000	1 116	117	-1 200	-409	25 138	31 762
Cash flow hedging							0
Other change				-12		0	-12
Taxes on items recognised in equity or transferred from equity							0
Total comprehensive income					312	638	950
Dividends						-1 814	-1 814
Share-based incentives						281	281
	0	0	0	-12	312	-895	-595
Equity 31.12.2010	7 000	1 116	117	-1 212	-97	24 243	31 167

MARTELA GROUP

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

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

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

These financial statements were authorized for issue by the Board of Directors of Martela Oyj on 8 February 2011. The Finnish Limited Liability Companies Act permits the shareholders of a possibility to approve or reject the financial statements in the general meeting that is held after publishing the financial statements. As well, the general meeting has a possibility to amend the financial statements.

BASIS OF PREPARATION

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

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

Martela has applied the following new and amended standards and interpretations as from 1 January 2010:

- Revised IFRS 3 Business Combinations (effective for financial year beginning on or after 1 July 2009). The revised standard includes significant changes for the Group's point of view. According to the revised standard, business combinations are still accounted for using the acquisition method, although the standard has been significantly revised compared to the prior IFRS 3. For example, the consideration transferred in a business acquisition is measured at fair value at the acquisition date, and some contingent considerations classified as liabilities are subsequently measured at fair value and recognised in other comprehensive income. After each acquisition, the Group chooses whether to measure the share of non-controlling interests at fair value or based on a proportional value of the net assets of the acquired company. All costs related to the acquisition are expensed as incurred. Consequently, the amendments affect the amount of goodwill recognised on an acquisition, as well as the gains on disposal of businesses. The amendments also have an impact on items recognised in profit or loss on both the acquisition period and on reporting periods during which contingent consideration is transferred or further acquisitions are executed. According to the transitional provisions of the standard, business combinations are not adjusted if the acquisition date is earlier that the effective date of the revised standard.
- Amended IAS 27 Consolidated and Separate Financial Statements (effective for financial year beginning on or after 1 July 2009). According to the amended standard, if the parent company retains control, impacts of changes in the ownership interest in a subsidiary are recognised directly within Group's equity. If control of a subsidiary is lost, any investment retained is measured at its fair value through profit and loss. Similar accounting policy is applied also to associated companies (IAS 28) and joint ventures (IAS 31). As a result of the amendments, losses of a subsidiary may be allocated to non-controlling interests even if the losses exceed the invested amount of non-controlling interests.
- Improvements to IFRS (April 2009, mainly effective for financial year beginning on or after 1 January 2010). Annual improvements procedure gathers all minor and less urgent amendments into one collection that is implemented once a year. The annual amendments concern 12 standards and the effects of the amendments vary between different standards.

The adoption of the following new and amended standards had no impact on Martela's 2010 consolidated financial statements:

- Amendment to IAS 39 Financial instruments: Recognition and measurement – Designation of items as hedged items (effective for financial year beginning on or after 1 July 2009).
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for financial year beginning on or after 1 July 2009).
- IFRIC 18 Transfers of assets from customers (effective for financial year beginning on or after 1 July 2009).

- Amendment to IFRS 2 Share-based Payment – Intra-group cash-settled share-based payment transaction (effective for financial year beginning on or after 1 January 2010)

USE OF ESTIMATES

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

PRINCIPLES OF CONSOLIDATION

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

Under an exemption permitted by IFRS 1, business combinations occurred before the IFRS adoption date (1 January 2004) were not restated to comply with the IFRSs. In accordance with the previous Finnish practice, the difference between the cost of a business combination and Group’s share of equity of the acquiree on the acquisition date was allocated to buildings. The difference allocated to buildings is depreciated in line with the planned depreciation of the related buildings.

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 weighted 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 an asset by way of a reduced depreciations.

REVENUE RECOGNITION PRINCIPLES

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

EMPLOYEE BENEFITS

Pension liabilities

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

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

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

Share-based payments

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

OPERATING PROFIT

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

INCOME TAXES

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

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

INTANGIBLE ASSETS

Research and development

Although research and development is active and continuous in the Group, individual development projects are of such a scope in relation to operations that the capitalisation criteria are not fulfilled. Thus this expenditure is recognised as an expense as incurred. R&D-related equipment is capitalised in machinery and equipment.

Other intangible assets

An intangible asset is initially capitalized in the balance sheet at cost if the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Other intangible assets include software licences, 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
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. Under an exemption permitted by IFRS 1, buildings were remeasured at their fair values at the date of transition to IFRS, and those values were used as their deemed cost at that date.

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

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

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

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

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

Investment properties

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

Impairment of tangible and intangible assets

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

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

LEASES

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

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

INVENTORIES

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

FINANCIAL ASSETS

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

Derivatives and investments in mutual fund units are classified as financial assets at fair value through profit or loss. Investments in mutual fund units are measured at fair value on the basis of published price quotations in an active market, and changes in the fair value are recognised in profit or loss in the year in which they arise. Derivatives that do not meet the terms of hedge accounting are classified as being held for trading purposes. The fair values of derivatives are based on share market prices at the end of the reporting period and the changes in the fair values are recognized in profit or loss for the period in which they arise. Martela Group has not applied hedge accounting in the financial years 2010 or 2009.

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

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

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

Impairment of financial assets

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

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

Financial liabilities

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

SHARE CAPITAL

Outstanding ordinary shares are shown as share capital. The share capital consists of K and A series shares. The shares of both series have identical dividend rights but K series shares confer 20 votes and A series shares 1 vote at general meetings of shareholders.

Expenses related to the issuance and acquisition of own equity instruments are presented as deductions from equity. If Martela Oyj buys back its own equity instruments, their cost is deducted from equity.

Dividends

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

PROVISIONS

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

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

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

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The IASB has issued the following new and amended standards and interpretations that Martela has not yet adopted. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- IFRS 9 Financial Instruments (effective for financial years beginning on or after 1 January 2013). IFRS 9 is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard deals with measurement categories for financial assets. The guidance in IAS 39 on impairment of financial assets and on hedge accounting continues to apply. The Group has not yet assessed the impacts of the new standard. IFRS 9 is still subject to endorsement by the EU.

Martela does not expect the adoption of the following standards, interpretations and their amendments to have a significant effect on the Group's consolidated financial statements.

- Amendment to IAS 32 Financial Instruments: Presentation - Classification of Rights Issues (effective on financial years beginning on or after 1 February 2010). The amendment relates to the accounting treatment (classification) of rights issues of shares, options or warrants in a currency other than the issuer's functional currency.
- Revised IAS 24 Related Party Disclosures (effective for financial years beginning on or after 1 January 2011). The changes simplify the related party disclosure requirements for government-related entities and clarify the definition of a related party.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction –Prepayments of a Minimum Funding Requirement (effective for financial years beginning on or after 1 January 2011). The amendment results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense, when there is a minimum funding requirement (MFR).
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010). The interpretation provides guidance on accounting for debt for equity swaps, e.g. when equity instruments are issued to a creditor to extinguish all or a part of a financial liability. IFRIC 19 applies retrospectively.

- Improvements to IFRS (May 2010, mainly effective for financial year beginning on or after 1 July 2010). Annual improvements procedure gathers all minor and less urgent amendments into one collection that is implemented once a year. The effects of the amendments vary between different standards but the amendments will not have any major effects on the consolidated financial statements. The amendments have not yet been endorsed by the European Union.
- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for financial year beginning on or after 1 July 2011). The amendments require disclosures that enable the users of financial statements to understand the relationship between transferred financial assets that are not entirely derecognised and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets. The amendment is not expected to have any major impact on the Group's disclosure. The amendment has not yet been endorsed by the European Union.
- Amendments to IAS 12 - Defered Tax: Recovery of Underlying Asset (effective for financial year beginning on or after 1 January 2012). The amendment adds an exception to the standard, according to which the recognition of deferred taxes relating to investment properties measured at fair value in accordance with IAS 40 Investment Property depends on whether the entity expects to recover the carrying amount of the assets in full through sale. The amendment will not affect the consolidated financial statements. The amendment has not yet been endorsed by the European Union.

1. SEGMENT REPORTING

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

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

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

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

Business Unit Poland is responsible for the sales and ditribution of Martela products in Poland and eastern Central Europe. Sales in Poland are organized via the sales network maintained by the Business Unit, and as of August 2010 a Martela subsidiary and sales centre have operated in Hungary. The company has altogether 7 sales centres in Poland. The Business Unit's principal export countries are Ukraine, the Czech Republic and Slovakia, in each of which sales are handled by established dealers. Business Unit Poland is based in Warsaw, where it has its logistics centre and administration.

(1 000 eur)

Segment revenue	1.1.-31.12.2010	1.1.-31.12.2009
Business Unit Finland		
external	71 780	63 898
internal	140	0
Business Unit Sweden and Norway		
external	18 584	15 834
internal	1 001	457
Business Unit Poland		
external	9 289	9 465
internal	28	15
Other segments		
external	8 739	6 151
internal	15 478	16 464
Total external revenue	108 392	95 348

Segment operating profit/loss	1.1.-31.12.2010	1.1.-31.12.2009
Business Unit Finland	5 024	3 854
Business Unit Sweden and Norway	-34	-966
Business Unit Poland	-1 371	-668
Other segments	-495	-985
Other	-1 811	-442

Total operating profit/loss	1 313	793

Other segments include P.O. Korhonen Oy, Kidex Oy and Business Unit International, which is responsible for export markets. The item "other" includes non-allocated Group functions and non-recurring sales gains and losses.

2. OTHER OPERATING INCOME

(EUR 1,000)	1.1.-31.12.2010	1.1.-31.12.2009
Gains on sale of tangible assets	27	257
Rental income	99	322
Public subsidies	35	56
Other income from operations	91	111
Total	252	746

3. EMPLOYEE BENEFITS EXPENSES

	1.1.-31.12.2010	1.1.-31.12.2009
Salaries and wages	-21 838	-20 370
Pension expenses, defined contribution plans	-3 364	-3 071
Pension expenses, defined benefit plans	-290	-253
Part paid as shares	-281	-196
Part paid as cash	-313	-255
Other salary-related expenses	-1 800	-1 843
Personnel expenses in the income statement	-27 886	-25 988
Other fringe benefits	-490	-750
Total	-28 376	-26 738

A total of EUR - 1 460 thousand for 2010 and EUR -607 thousand for 2009 were recognised in the result from incentives and salary-related expenses associated with the incentive scheme. Salaries and fees and share-based payments made to management are presented in more detail under note 31 Related-party transactions.

	2 010	2 009
Personnel		
Average personnel, workers	262	298
Average personnel, officials	339	338
Personnel at year end	625	606
Average personnel in Finland	451	479
Average personnel in Sweden	50	59
Average personnel in Norway	3	3
Average personnel in Denmark	1	0
Average personnel in Poland	89	94
Average personnel in Hungary	2	0
Average personnel in Russia	5	1
Total	601	636

4. DEPRECIATION AND IMPAIRMENT

(EUR 1,000)	1.1.-31.12.2010	1.1.-31.12.2009
Depreciation		
Intangible assets	-392	-358
Tangible assets		
Buildings and structures	-670	-685
Machinery and equipment	-1 049	-1 351
Finance-leased machinery and buildings	-553	-715
Depreciation, total	-2 664	-3 109

5. OTHER OPERATING EXPENSES

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

Other operating expenses also include auditor's fees for auditing, EUR -109 thousand (EUR -112 thousand in 2009), for tax services EUR -5 thousand (EUR -7 thousand 2009) and for other services, EUR -6 thousand (EUR -32 thousand in 2009).

6. RESEARCH AND DEVELOPMENT EXPENSES

The income statement recognised research and development expenses of EUR -1 836 thousand in 2010 (EUR -2,560 thousand in 2009).

7. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	1.1.-31.12.2010	1.1.-31.12.2009
Financial income		
Dividend income on other financial assets	0	0
Interest income on loans and othe receivables	46	131
Foreign exchange gain on loans and other receivables	40	9
Other financial income	32	0
Change in value of assets at fair value through profit and loss	14	55
Total	133	196
Financial expenses		
Interest expenses on interest-bearing loans	-272	-484
Foreign exchange losses on loans and other receivables	-24	-7
Changes in the value of interest rate derivatives - no hedge accounting	0	0
Other financial expenses	-66	-70
Total	-362	-561
Financial income and expenses, total	-229	-365
Total exchange rate differences affecting profit or loss are as follows:		
Exchange rate differences, sales	235	-189
Exchange rate differences, purchases	36	1 335
Exchange rate difference, financial items	16	2
Exchange rate differences, total	287	1 148

8. INCOME TAXES

(EUR 1,000)	1.1.-31.12.2010	1.1.-31.12.2009
Current taxes	-453	-323
Taxes for previous years	-120	-25
Change in deferred tax liabilities and assets	127	57
Total	-446	-291

Reconciliation between the income statement's tax expense and the income tax expense calculated using the Martela Group's domestic corporation tax rate 26% for 2010 (26% for 2009).

Profit before taxes	1 084	427
Taxes calculated using the domestic corporation tax rate	282	111
Different tax rates of subsidiaries abroad	-11	0
Taxes for previous years	120	25
Effect of tax rates in foreign jurisdictions	-199	0
Tax-exempt income	0	-4
Non-deductible expenses	45	65
Unbooked deferred tax assets on losses in taxation	209	94
Income taxes for the year in the income statement	446	291

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.-31.12.2010	1.1.-31.12.2009
Profit attributable to equity holders of the parent	638	137
Weighted average number of shares (1,000)	4 027	4 030
Basic earnings per share (EUR/share)	0.16	0.03

The company has no diluting instruments.

10. INTANGIBLE ASSETS

(EUR 1,000)			1.1.2010 - 31.12.2010			1.1.2009 - 31.12.2009
	Intangible assets	Work in progress	Total	Intangible assets	Work in progress	Total
Acquisition cost 1.1.	2 935	109	3 044	2 651	45	2 696
Increases	584	1 397	1 981	285	113	398
Decreases	0	-255	-255	-81	-49	-130
Exchange rate differences	72	0	72	80	0	80
Acquisition cost 31.12.	3 591	1 251	4 842	2 935	109	3 044
Accumulated depreciation 1.1.	-2 328	0	-2 328	-1 972	0	-1 972
Accumulated depreciation, decreases	0	0	0	80	0	80
Depreciation for the year 1.1.-31.12.	-392	0	-392	-358	0	-358
Exchange rate differences	-71	0	-71	-78	0	-78
Accumulated depreciation 31.12.	-2 791	0	-2 791	-2 328	0	-2 328
Carrying amount 1.1.	607	109	716	679	45	724
Carrying amount 31.12.	800	1 251	2 051	607	109	716

11. TANGIBLE ASSETS

(EUR 1,000)

1.1.2010 - 31.12.2010	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	74	24 194	29 682	24	403	54 377
Increases	0	94	2 302	0	2 091	4 487
Decreases	0	-73	-198	0	-1 500	-1 771
Re-groupings	0	0	0	0	0	0
Exchange rate differences	-6	189	765	0	0	948
Acquisition cost 31.12.	68	24 404	32 551	24	994	58 041
Accumulated depreciation 1.1.	0	-17 086	-25 429	0	0	-42 515
Accumulated depreciation, decreases	0	0	170	0	0	170
Depreciation for the year 1.1.-31.12.	0	-736	-1 539	0	0	-2 275
Re-groupings	0	0	0	0	0	0
Exchange rate differences	0	-27	-674	0	0	-701
Accumulated depreciation 31.12.	0	-17 849	-27 472	0	0	-45 321
Carrying amount 1.1.	74	7 108	4 254	24	403	11 862
Carrying amount 31.12.	68	6 555	5 079	24	994	12 721

1.1.2009 - 31.12.2009	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	99	27 812	43 247	328	339	71 825
Increases	0	127	1 628	0	458	2 213
Decreases	-23	-4 535	-15 629	0	-395	-20 582
Re-groupings	0	159	148	-307	0	0
Exchange rate differences	-2	631	288	3	1	921
Acquisition cost 31.12.	74	24 194	29 682	24	403	54 377
Accumulated depreciation 1.1.	0	-19 545	-38 700	-120	0	-58 365
Accumulated depreciation, decreases	0	3 829	15 613	0	0	19 442
Depreciation for the year 1.1.-31.12.	0	-743	-2 008	0	0	-2 751
Re-groupings	0	-44	-76	120	0	0

Exchange rate differences	0	-583	-258	0	0	-841
Accumulated depreciation 31.12.	0	-17 086	-25 429	0	0	-42 515
Carrying amount 1.1.	99	8 267	4 548	208	339	13 461
Carrying amount 31.12.	74	7 108	4 254	24	403	11 862

	31.12.2010	31.12.2009
Carrying amount of productions machinery and equipment	3 374	1 177

Tangible assets, finance leases

Tangible assets include assets acquired through finance leases as follows:

			1.1.2010 - 31.12.2010			1.1.2009 - 31.12.2009
	Machinery and equipment	Buildings	Total	Machinery and equipment	Buildings	Total
Acquisition cost 1.1.	2 455	610	3 065	1 835	575	2 410
Increases	146	0	146	620	0	620
Decreases	-1	0	0	0	0	0
Exchange rate differences	0	88	88	0	35	35
Acquisition cost 31.12.	2 600	698	3 298	2 455	610	3 065
Accumulated depreciation 1.1.	-1 863	-166	-2 029	-1 207	-108	-1 315
Accumulated depreciation, decreases	0	0	0	0	0	0
Depreciation for the year 1.1.-31.12.	-487	-66	-553	-656	-59	-715
Exchange rate differences	0	-26	-26	0	1	1
Accumulated depreciation 31.12.	-2 350	-258	-2 608	-1 863	-166	-2 029
Carrying amount 1.1.	592	444	1 036	628	468	1 096
Carrying amount 31.12.	250	440	690	592	444	1 036

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

12. INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND ASSOCIATES

	Parent company holding %	Number of shares	Nominal value of share (EUR 1,000)	Book value of share (EUR 1,000)
Fiota Oy	51	510	1	250

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

13. INVESTMENT PROPERTIES

The land belonging to Kiinteistö Oy Ylähanka has been classified as investment property. The fair value of the land belonging to Kiinteistö Oy Ylähanka was EUR 600,000 at the end of financial year 2010 (EUR 600,000 in 2009). The fair values have not been appraised by a third-party valuer.

14. BOOK VALUES OF FINANCIAL ASSETS AND LIABILITIES

(EUR 1,000)	Financial assets recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised acquisition cost	Book values of balance sheet items	Fair value	Note
2010 balance sheet items							
Non-current financial assets							
Non-current non-interest bearing receivables		17			17	17	16
Other financial assets			10		10	10	15
Current financial assets							
Trade and other receivables		19 793			19 793	19 793	19
Currency forward contracts					0	0	22
Fund units	1 107				1 107	1 107	20
Book value by group	1 107	19 810	10		20 927	20 927	
Non-current financial liabilities							
Interest-bearing liabilities				3 198	3 198	3 198	25
Other liabilities				240	240	240	
Current financial liabilities							
Interest-bearing liabilities				2 670	2 670	2 670	25
Interest rate swaps					0	0	22
Currency forward contracts					0	0	22
Trade payables and other liabilities				18 201	18 201	18 201	27
Book value by group	0			24 309	24 309	24 309	
2009 balance sheet items							
Non-current financial assets							
Non-current non-interest bearing receivables							16
Other financial assets			16		16	16	15
Current financial assets							

Trade and other receivables		13 134			13 134	13 134	19
Currency forward contracts	77				77	77	22
Fund units	1 094				1 094	1 094	20
Book value by group	1 171	13 134	16		14 321	14 321	
Non-current financial liabilities							
Interest-bearing liabilities				3 518	3 518	3 518	25
Current financial liabilities							
Interest-bearing liabilities				5 008	5 008	5 008	25
Interest rate swaps	22				22	22	22
Currency forward contracts	141				141	141	
Trade payables and other liabilities				13 843	13 843	13 843	27
Book value by group	163			22 369	22 532	22 532	

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

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

15. OTHER FINANCIAL ASSETS

(EUR 1,000)

Available-for-sale financial assets	31.12.2010	31.12.2009
Balance sheet value at beginning of year	16	17
Decreases	-6	-1
Balance sheet value at end of year	10	16

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

16. NON-CURRENT NON-INTEREST BEARING LIABILITIES

(EUR 1,000)	31.12.2010	31.12.2009
Loan receivables	17	0

17. DEFERRED TAX ASSETS AND LIABILITIES

(EUR 1,000)

Changes in deferred taxes during 2010	1.1.2010	Recognised in income statement	Recognised in equity	Exchange rate differences	31.12.2010
Deferred tax assets					
Tax losses carried forward	288	73	0	0	361
Other temporary differences	0	0	0	0	0
Total	288	73	0	0	361
Deferred tax liabilities					
On buildings measured at fair value on the transition date	1 201	-86	0	0	1 115
Cumulative depreciation difference	0	0	0	0	0
Pension obligations	51	14	0	0	65
Other temporary differences	79	18	0	0	97
Total	1 331	-54	0	0	1 277
Deferred tax assets and liabilities, total	-1 043	127	0	0	-916
Due to set-off, divided in the balance sheet as follows:					
Deferred tax assets	262				298
Deferred tax liabilities	1 305				1 214
Deferred tax assets and liabilities, total	-1 043				-916

Changes in deferred taxes during 2009	1.1.2009	Recognised in income statement	Recognised in equity	Exchange rate differences	31.12.2009
Deferred tax assets					
Tax losses carried forward	424	-136	0	0	288
Other temporary differences	0	0	0	0	0
Total	424	-136	0	0	288
Deferred tax liabilities					
On buildings measured at fair value on the transition date	1 355	-154	0	0	1 201
Cumulative depreciation difference	48	-48	0	0	0
Pension obligations	19	32	0	0	51
Other temporary differences	101	-22	0	0	79
Total	1 523	-192	0	0	1 331
Deferred tax assets and liabilities, total	-1 099	56	0	0	-1 043

Due to set-off, divided in the balance sheet as follows:		
Deferred tax assets	304	262
Deferred tax liabilities	1 403	1 305
Deferred tax assets and liabilities, total	-1 099	-1 043

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 2010 results total about MEUR 10,3. These losses have no expiry date according to knowledge that is available today.

18. INVENTORIES

(EUR 1,000)	31.12.2010	31.12.2009
Raw materials and consumables	7 981	6 905
Work in progress	1 047	894
Finished goods	1 398	1 604
Advances	22	4
	10 449	9 408

The value of inventories has been written down by EUR -1,652 thousand (EUR - 1,522 thousand in 2009).

19. CURRENT TRADE RECEIVABLES AND OTHER RECEIVABLES

(EUR 1,000)	31.12.2010	31.12.2009
Trade receivables	19 329	12 419
Loan receivables	74	95
Accrued income and prepaid expenses		
Personnel expenses	148	267
Royalties	19	50
Interest income	0	0
Derivatives	0	77
Other financial assets	-23	36
Advances	112	71
Other	134	196
Accrued income and prepaid expenses, total	390	697
Current tax receivable	0	0
Total	19 793	13 211

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	31.12.2010	31.12.2009
Fund units	1 107	1 094

21. CASH AND CASH EQUIVALENTS

(EUR 1,000)	31.12.2010	31.12.2009
Cash in hand and at bank	8 842	11 211
Deposits	300	7 000
	9 142	18 211

22. DERIVATIVE CONTRACTS

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

The Group has partly hedged the currency net position remaining after the reconciliation of forecast revenues and expenses by using currency forward contracts maturing within 3-12 months.

(EUR 1,000)

Nominal values of derivative contracts	2010 validity			2009 validity		
	< 1 year	1-6 years	Total	< 1 year	1-6 years	Total
Interest rate swap agreements	0	0	0	1 141	0	1 141
Currency forward contracts	0	0	0	2 536	0	2 536

Fair values	2010 validity			2009 validity		
	< 1 year	1-6 years	Total	< 1 year	1-6 years	Total
Interest rate swap agreements	0	0	0	-22	0	-22
Currency forward contracts	0	0	0	-64	0	-64
	0	0	0	-86	0	-86

The fair values of derivatives are included in current accrued income and prepaid expenses. (See notes 14)

23. EQUITY

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

Changes in share capital	Number of shares	Share capital	Share premium account	Treasury shares	Treasury shares Sharebased incentive-system	Total
01.01.2009	3 983 618	7 000	1 116	-721	-889	6 506
Acq.of shares for share-based inc.system*	0				0	0
Shares given	48 055				411	411
Shares returned	-1 398					0
Share issue	0	0	0	0		0
31.12.2009	4 030 275	7 000	1 116	-721	-478	6 917
Acq.of shares for share-based inc.system*	0				0	0
Shares given	0				0	0
Shares returned	-2 892				-12	-12
Share issue	0	0	0	0		0
31.12.2010	4 027 383	7 000	1 116	-721	-490	6 905

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 2009 onwards under equity, as if the company had acquired its own shares. On 31 December 2010, 60,517 shares under the incentive scheme were still undistributed.

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

The parent company's distributable equity was EUR 35,634,971.89 on 31.12.2010.

24. SHARE-BASED PAYMENTS

On 14 February 2007, the Martela Board of Directors decided to implement a share-based incentive scheme as a part of the company's incentive and commitment programme for key personnel. The system offers key personnel an opportunity to receive Martela shares for three separate earnings period if they achieve the targets set for them for a specified period. The Board decides on the criteria and associated targets and the maximum reward for each person annually for each earnings period. The attainment of targets for a specific period determines what percentage of the maximum incentive is paid to key personnel. The earnings periods were the calendar years 2007, 2008 and 2009.

For the 2008 earning period, a combination of shares and cash together corresponding to a maximum of 106,064 shares was given as follows: 49,850 shares and cash corresponding to the value of 56,214 shares. The amount of the incentive paid for the 2008 period is tied to the consolidated operating profit (EUR; weight 70%) and the consolidated turnover (weight 30%). A total of 96,4% of the maximun amount was paid, and on 20 April 2009, a total of 48,055 shares were transferred to key personnel, in addition to which the company paid the taxes and similar charges relating to shares.

For the 2009 earning period, a combination of shares and cash together corresponding to a maximum of 106,064 shares was given as follows: 49,850 shares and cash corresponding to the value of 56,214 shares. The amount of the incentive paid for the 2009 period is tied to the consolidated turnover. Targets were not achieved and no share incentives were paid.

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

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

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

Basic data

	Earning period 2010	Earning period 2010-2012
Grant date	February 9, 2010	February 9, 2010
Form of the reward	Equity and cash	Equity and cash
Target group	Key personnel	Key personnel
Maximum number of shares	24 000	80 000
Cash in terms of number of shares*	27 064	90 213
Beginning of earning period	January 1, 2010	January 1, 2010
End of earning period	December 31, 2010	December 31, 2012
End of restriction period	January 1, 2013	January 1, 2013
Vesting conditions	EBIT	EBIT

	Service until the end of the restriction period	Service until the end of the restriction period
Required share ownership term in years	2.0	0
Remaining vesting period 31 December 2010	2.0	2.0
Number of persons, 31 December 2010	9	9

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

Events of the 2010 financial year	Earning period 2010			Earning period 2010-2012		
Gross number of shares **	1.1.2010	Changes	31.12.2010	1.1.2010	Changes	31.12.2010
Granted (share + cash)	0	51 064	51 064	0	170 213	170 213
Forfeited	0	4 532	4 532	0	15 106	15 106
Settled	0	0	0	0	0	0
Expired	0	0	0	0	0	0

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

Determining fair value

Share incentives are measured at fair value when they are granted and recognised as expenses in the income statement for the period when they arise. The terms of the right are taken into account in the number of share to which a right is expected to arise at the end of the vesting period. The estimate is adjusted on each reporting date if needed. Since the share reward is paid as a combination of shares and cash, the determining of the fair value of the reward is divided to two parts in accordance with the IFRS 2 standard: a part is settled as shares and a part settled as cash. The part settled as shares is recorded under shareholders' equity and the part settled as cash under debt.

The fair value of the share-based payment at the time of granting the reward is the price of Martela's share, less anticipated dividends for the earnings period. Correspondingly, the fair value of the part settled as cash is reviewed on each reporting date to the end of the earning period and hence the fair value of the debt varies in accordance with the price of Martela's share. At the end of the financial year, the equity liability arising from the share-based incentive scheme amounted to EUR 281 227 (2009: EUR 195 823), while the cash liability entered under debt was EUR 313 357 (2009: EUR 255 091). The total cost effect of the share-based incentive scheme for the financial year was EUR 594 584 (2009: EUR 450 915), of which the cost effect of earnings period 2008 was EUR 88 217.

Main parameters of the fair value of share incentives valid during the 2010 financial year:

Inputs to fair value measurement	Earning period 2010	Earning period 2010-2012
Granted shares during the period (equity and cash)	51 064	170 213
Share price at the grant date	7,34€	7,34€
Expected dividends	0,45€	1,35€
Fair value of the share at the grant date ***	6,89€	5,99€
Share price 31 December 2010	7,77€	7,77€
Expexted forfeitures before settlement	8.9 %	8.9 %
Expected forfeitures after settlement	0.0 %	0.0 %
Expected fulfillment of earning criteria	100.0 %	50.0 %
Fair value of the expected reward at the grant date	351 830€	1 019 574€
Fair value of the expected reward 31 December 2010	342 289€	537 678€
Expense recognised for the period	250 755€	152 819€

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

25. INTEREST-BEARING LIABILITIES

(EUR 1,000)	31.12.2010	31.12.2009
Non-current		
Bank loans	2 629	2 864
Pension loans	0	0
Finance leases	569	654
Total	3 198	3 518
Current		
Bank loans	2 421	4 483
Pension loans	0	0
Bank overdrafts used	0	0
Finance leases	249	524
Total	2 670	5 008

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

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

(EUR 1,000)

	31.12.2010	31.12.2009
Finance lease liabilities are payable as follows:		
Finance leases - total amount of minimum lease payments		
Not later than one year	415	624
Later than one year and not later than five years	661	849
Later than five years	220	358
	1 296	1 831
Finance leases - present value of minimum lease payments		
Not later than one year	249	525
Later than one year and not later than five years	460	486
Later than five years	109	167
	818	1 178
Mainly connected with the long-term leasing contract of the real-estate	478	653

The average interest of financial leases was 4,5% in 2010 and 4,64% in 2009.

Terms of loans from credit institutions

The Group's bank loans have either variable or fixed interest rates.The Group's average interest rate is 2,91% (3,66% in 2009). The current portions of debt are presented in more detail under Note 28 Management of financial risks.

26. PENSION OBLIGATIONS

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

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

(EUR 1,000)

The amounts recognized in the balance sheet were determined as follows:	1.1.2010 - 31.12.2010	1.1.2009 - 31.12.2009
Present value of unfunded obligations	0	0
Present value of funded obligations	2 345	1 493
Fair value of plan assets	-1 681	-1 182
Deficit / Excess	664	311
Unrecognised actuarial gains (+) and losses (-)	-914	-508
Unrecognised past service costs	0	0
Pension liability in balance sheet	-250	-197

The amounts recognized in the income statement were determined as follows:		
Current service cost	167	118
Interest cost	83	81
Expected return on plan assets recognized during the year	-65	-68
Actuarial gains (-) and losses (+)	42	19
Past service cost	0	0
Losses/profits on curtailment	0	0
Total	227	150
The actual return on plan assets (EUR 1,000)	219	-76

Changes to present value of obligations:		
Present value of funded obligations 1.1	1 493	1 185
Current service cost	167	118
Interest cost	83	81
Actuarial gains (-) and losses (+)	602	109
Losses/profits on curtailment	0	0
Paid benefits	0	0
Present value of funded obligations 31.12	2 345	1 493

Changes to fair values of the assets in the plan are as follows:

Fair values of plan assets 1.1.	1 182	983
Expected return on plan assets	65	68
Actuarial gains (-) and losses (+)	154	-144
Contributions made by the employer to the plan	280	275
Losses/profits on curtailment	0	0
Fair values of plan assets 31.12.	1 681	1 182

Actuarial assumptions used were as follows:

Discount rate (%)	4.0%	5.0%
Expected return on plan assets (%)	4.0%	5.0%
Future salary increases (%)	3.3%	3.3%
Rate of pension increase (%)	1.75%	1.75%
Rate of inflation increase (%)	2.0%	2.0%

Present and fair values of obligations	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Present value of obligations	2345	1493	1185	1033	954
Fair value of plan assets	-1681	-1182	-983	-776	-759
Deficit/excess	664	311	202	257	195
Experience adjustments to plan assets	-71	-319	120	-170	-42
Experience adjustments to plan liabilities	200	-198	196	81	-138

The Group anticipates it will contribute EUR 286 thousand to the plan in 2011.
An itemisation of plan assets is not available.

27. NON-INTEREST-BEARING CURRENT LIABILITIES

(EUR 1,000)	31.12.2010	31.12.2009
Advances received	636	267
Trade payables	7 308	5 842
Accrued liabilities and prepaid income		
Personnel expenses	3 916	3 221
Derivatives	0	163
Interests	28	69
Other financial expenses	0	0
Royalties	208	243
Residual expenses	1 150	1 112
Other	443	253
Total	5 745	5 061
Tax payables	199	13
Other current liabilities	4 312	2 823
	18 201	14 006

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

28. MANAGEMENT OF FINANCIAL RISKS

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

Market risks

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

Currency risks

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

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

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

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

The following table presents currency risks per instrument and currency.

Currency risks per instrument and currency 31.12.2010 (EUR thousand)

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

Currency risks per instrument and currency 31.12.2009 (EUR thousand)

	EUR	SEK	PLN	NOK

Trade receivables	184	2 343	1 630	804
Trade payables	-384	-421	-7	-1
Currency forward contracts		0		2 390
Total	-200	1 922	1 623	3 193

Other currencies have minor impact.

Analysis of sensitivity to currency risk

The following table presents the average impact of a 10 per cent change in exchange rates on 31 December on the company's financial results and capital for 2010 (2009). The estimates are based on the assumption that no other variables change.

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

Analysis of sensitivity to currency risk (EUR 1,000) 31.12.2009	**Impact on shareholder' equity**	**Impact on results**
EUR	0	+/- 20
SEK	0	+/- 193
PLN	0	+/- 162
NOK	0	+/- 319

Interest rate risks

The Group's interest rate risks relate to the Group's loan portfolio and to changes in the value of the cash reserve due to interest rate variations. Approximately half of the loan portfolio is at a fixed interest rate, while the other half is at variable rates. The duration of loans varies from 6 months for half of the loans to 2-3 years for the rest. 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)	**31.12.2010**	**31.12.2009**
Fixed rate		
Financial liabilities, incl. derivatives	817	1 200
Variable rate		
Financial liabilities	5 051	7 348
Total	5 868	8 548

Analysis of sensitivity to interest rate risks

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

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

Analysis of sensitivity to interest rate risks (EUR 1,000)	**Impact on shareholders' equity**	**Impact on results**
31.12.2009		
Financial liabilities		
Variable rate financial instruments	0	-85
Derivatives		
Interest rate swaps	0	+12

Price risk

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

Credit risks

Credit risks arise from the possibility that a counterparty will not meet its contractual payment obligation. Hence the seriousness of the risk is determined on the basis of the counterparty's creditworthiness. The objective of credit risk management is to minimise the losses that would arise should the counterparty not meet its obligations. The Group's policy determines the investment policy and the credit rating requirements of customers and counterparties in investment transactions and derivative contracts. The turnover and maturity structure of Group companies' trade receivables are reported monthly and are monitored by the parent company's financial management.

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

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

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

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

Maximum financial asset credit risk (EUR 1,000)	**2010**	**2009**
Available-for-sale financial assets	10	16
Financial assets recognised at fair value through profit and loss	1 107	1 171

Loans and other receivables	19 793	13 065
Cash and cash equivalents	9 142	18 211
Total	30 052	32 463

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

Age distribution of trade receivables (EUR 1,000)	**2010**	**2009**
Unmatured	15 861	11 008
Matured 1-30 days	2 881	993
Matured 31-60 days	183	217
Matured over 60 days	404	201
Total	19 329	12 419

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)	**2010**	**2009**
Finland	13 048	8 269
Scandinavia	3 574	2 652
European countries	2 551	1 427
Other regions	156	71
Total	19 329	12 419

Credit risks from trade receivables are not concentrated.

Liquidity risks

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

Cash and cash equivalents at the end of the financial year totalled EUR 10,249 thousand, and unused bank overdrafts totalled EUR 1.925 thousand.

Loans and payments mature as follows:

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

	2011	2012	2013	2014	2015	later	Total
Bank loans	2 421	2 121	508	0	0	0	5 050
Pension loans	0	0	0	0	0	0	0
Financial leases	249	187	95	95	82	110	818
Trade payables	7 308	0	0	0	0	0	7 308
Bank overdrafts	0	0	0	0	0	0	0
Loan interest and quarantee fees	119	62	9	0	0	0	190
Total	10 097	2 370	612	95	82	110	13 366
Guarantees given*	176	176	176	176	176	218	1 098
Derivatives	0						0
Total	10 273	2 546	788	271	258	328	14 464

* 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)	**31.12.2010**	**31.12.2009**
Shareholders' equity	31 167	31 762
Balance sheet total - advance payments	56 053	55 331
Equity to assets ratio, %	55.6	57.4

(EUR 1,000)

31.12.2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at fair value throuh profit and loss	0	0	0	0
Derivative financial assets	0	0	0	0
Total	0	0	0	0
Derivative financial liabilities	0	0	0	0
Total	0	0	0	0

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

29. OPERATING LEASES

(EUR 1,000)	31.12.2010	31.12.2009
Minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	4 511	2 966
Later than one year and not later than five years	3 575	5 005
Later than five years	0	0
	8 086	7 971

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 2010 includes rents paid on the basis of operating leases totalling EUR -3 862 thousand (EUR -3,367 thousand in 2009).

30. PLEDGES GRANTED AND CONTINGENT LIABILITIES

(EUR 1,000)	31.12.2010	31.12.2009
Debts secured by mortgages		
Bank loans	5 050	7 347
Property mortgages	7 849	7 849
Corporate mortgages	7 046	6 627
Shares pledged	4	4
Total mortgages	14 899	14 480
Other pledges		
Guarantees as security for rents	235	106
Collateral granted on behalf of others		
Guarantees	0	0
Repurchase sureties	150	150

31. RELATED PARTY TRANSACTIONS

Group's parent and subsidiary relationships are as follows:

	Domicile	Holding (%) 31.12.2010	Voting power (%) 31.12.2010
Parent company			
Martela Oyj	Finland		
Subsidiaries			
Kidex Oy	Finland	100	100
P.O. Korhonen Oy	Finland	100	100
Kiinteistö Oy Ylähanka	Finland	100	100
Martela AB, Bodafors	Sweden	100	100
Aski Avvecklingsbolag AB, Malmö	Sweden	100	100
Martela AS, Oslo	Norway	100	100
Martela Sp.z o.o., Warsaw	Poland	100	100
000 Martela, Moscow	Russia	100	100
000 Martela SP, St. Petersburg	Russia	100	100
Martela A/S, Copenhagen	Denmark	100	100
Irodabutor Martela kft., Budapest	Hungary	100	100

Martela Group's related party comprise the CEO, members of the board and the group's management team. Members of the company's board and the CEO hold a total of 8.9 % of the share capital and 17,3 % of the votes.

Management employee benefits (EUR 1,000)	2010	2009
Salaries and other short-term employee benefits	1 294	1 168
Benefits following end of employment	87	58
Share-based benefits	446	308
	1 827	1 534

Salaries and other short-term employee benefits	2010	2009
Board members	101	90
CEO	278	224
Management team members(excl. salary of CEO)	1 361	1 162

Fees paid to Board members:

Heikki Ala-Ilkka	30	30
Pekka Martela	15	15
Jaakko Palsanen	15	15
Jori Keckman	15	15
Tapio hakakari	15	15
Pinja Metsäranta	11	0
	101	90

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

The CEO is entitled, if he wishes, to retire with a full pension after reaching the age of 60. Retirement benefits are included in pension expenses, defined benefit plans, presented in note 4. The period of notice is

6 months with respect to both the CEO and the company, and in the event of a dismissal by the company, the CEO is entitled to a lump-sum compensation equalling his salary for 18 months.

The CEO and the group's management and some key persons have been included in a long-term incentive scheme, extending from 2007 to the end of 2009. This incentive scheme was based on the group's combined profit performance for the period 2007–2009. The incentive was paid under this scheme as a combination of shares and cash. No incentives were paid for the earnings period 2009. A total of EUR 191 thousand has been recognised for 2010 from incentives and related expenses associated with the scheme (EUR 451 thousand in 2009).

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

32. FIVE-YEAR COMPARISONS

MARTELA GROUP 2006-2010

KEY FINANCIAL INDICATORS FOR THE GROUP

		IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006
Revenue	EUR million	108.4	95.3	141.2	128.4	119.7
Change in revenue	%	13.7	-32.5	9.9	7.3	17.1
Export and operations outside Finland	EUR million	32.7	29.2	38.1	42.8	36.7
In relation to revenue	%	30.2	30.6	27.0	33.3	30.7
Exports from Finland	EUR million	9.6	11.1	14.4	16.2	16.2
Gross capital expenditure	EUR million	4.7	2.2	2.9	3.2	1.8
In relation to revenue	%	4.4	2.3	2.1	2.5	1.5
Depreciation	EUR million	2.7	3.1	3.1	3.2	3.3
Research and development expenses	EUR million	2.2	2.6	3.2	3.1	2.5
In relation to revenue	%	2.0	2.7	2.3	2.4	2.1
Average personnel		601	636	681	663	626
Change in personnel	%	-5.5	-6.6	2.7	5.9	2.6
Personnel at end of year		625	606	670	655	632
Of which in Finland		457	453	512	515	508
PROFITABILITY						
Operating profit	EUR million	1.3	0.8	10.9	8.3	4.5
In relation to revenue	%	1.2	0.8	7.7	6.4	3.8
Profit before appropriations and taxes	EUR million	1.1	0.4	10.2	7.6	3.7
In relation to revenue	%	1.0	0.4	7.2	5.9	3.1
Profit for the year *)	EUR million	0.6	0.1	7.5	5.4	2.7
In relation to revenue	%	0.6	0.1	5.3	4.2	2.3
Revenue/employee	EUR thousand	180.4	149.9	207.3	193.7	191.3
Return on equity (ROE)	%	2.0	0.4	23.8	19.8	11.4
Return on investment (ROI)	%	3.7	2.3	25.2	19.6	11.0
FINANCE AND FINANCIAL POSITION						
Balance sheet total	EUR million	56.7	55.6	64.9	63.8	59.1
Equity	EUR million	31.2	31.8	33.7	29.5	24.9
Interest-bearing net liabilities	EUR million	-4.4	-10.8	-3.7	4.7	13.2
In relation to revenue	%	-4.0	-11.3	-2.6	3.7	11.0
Equity ratio	%	55.6	57.4	52.2	46.7	42.4
Gearing	%	-14.1	-33.9	-11.0	16.0	53.0
Net cash flow from operations	EUR million	-0.1	10.8	11.8	9.9	0.9
Dividends paid	EUR million	1.8	2.4	2.0	1.0	0.6

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

33. KEY SHARE-RELATED FIGURES

			IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006
Earnings per share	EUR		0.16	0.03	1.89	1.32	0.67
Earnings per share (diluted)	EUR		0.16	0.03	1.89	1.32	0.67
Share par value	EUR		1.7	1.7	1.7	1.7	1.7
Dividend	EUR	*)	0.45	0.45	0.6	0.5	0.25
Dividend/earnings per share	%		281.3	1 500.0	31.7	37.9	37.3
Effective dividend yield	%		5.8	6.3	11.3	6.0	3.8
Equity per share	EUR		7.74	7.88	8.47	7.22	6.1
Price of A share 31.12.	EUR		7.77	7.13	5.29	8.35	6.5
Share issue-adjusted number of shares	thousands		4155.6	4155.6	4155.6	4155.6	4155.6
Average share issue-adjusted number of shares	thousands		4155.6	4155.6	4155.6	4155.6	4155.6
Price/earnings ratio (P/E)			48.6	237.7	2.8	6.3	9.8
Market value of shares **)	MEUR		31.3	28.1	21.1	34.1	26.6

*) 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 31.12.2010 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 31.12.2010

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

The largest shareholders by number of shares 31.12.2010

	K series shares	A series shares	Number of shares	%	Number of votes	% of total votes
Marfort Oy	292 000	232 574	524 574	12.6	6 072 574	38.8
Ilmarinen Mutual Pension Insurance Company	0	335 400	335 400	8.1	335 400	2.1
OP-Suomi Arvo	0	285 000	285 000	6.9	285 000	1.8
Fondita Nordic Micro Cap Sijoitusrahasto	0	205 000	205 000	4.9	205 000	1.3
Nordea Pankki Suomi Oyj	0	179 081	179 081	4.3	179 081	1.1
Palsanen Leena	44 486	131 148	175 634	4.2	1 020 868	6.5
Martela Heikki	52 122	117 112	169 234	4.1	1 159 552	7.4
Pohjola Vakuutus Oy	0	160 294	160 294	3.9	160 294	1.0
Oy Autocarrera Ab	0	116 000	116 000	2.8	116 000	0.7
Martela Matti T	58 256	56 982	115 238	2.8	1 222 102	7.8
Palsanen Jaakko	1 600	92 181	93 781	2.3	124 181	0.8
Lindholm Tuija	43 122	34 332	77 454	1.9	896 772	5.7
Martela Pekka	69 274	8	69 282	1.7	1 385 488	8.9
Martela Oyj	0	67 700	67 700	1.6	67 700	0.4
Evli Alexander Management Oy	0	60 517	60 517	1.5	60 517	0.4
Apteekkien Eläkekassa B-osasto	0	55 000	55 000	1.3	55 000	0.4
Other shareholders	43 940	1 422 471	1 466 411	35.3	2 301 271	14.7
Total	604 800	3 550 800	4 155 600	100.0	15 646 800	100.0

The list includes all shareholders holding over 5% of the shares and votes.
The company's board of directors and CEO together hold 8.9% of the shares and 17.3% of the votes.

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

The Annual General Meeting has in 2010 re-authorized the Board of Directors to decide, for the following year, on raising the share capital, issuing convertible bonds and acquiring and/or disposing of the company's shares in deviation from the pre-emptive rights of shareholders.

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

Breakdown of share ownership by number of shares held, 31.12.2010

Number of shares	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of total votes
1-500	1 503	74.2	275 014	6.6	285 654	1.8
501-1000	272	13.4	217 476	5.2	228 496	1.5
1001-5000	181	8.9	399 168	9.6	813 368	5.2
Over 5000	69	3.4	3 262 896	78.5	14 318 236	91.5
Total	2 025	100.0	4 154 554	100.0	15 645 754	100.0
of which nominee-registered	6		207 255		207 255	
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, 31.12.2010

	Number of shareholders	%	Number of shares	%	Number of votes	%
Private companies	105	5.2	925 212	22.3	6 473 212	41.4
Financial and insurance institutions	14	0.7	962 173	23.2	962 173	6.1
Public corporations	2	0.1	390 400	9.4	390 400	2.5
Non-profit entities	10	0.5	8 117	0.2	8 117	0.1
Households	1 884	93.0	1 852 543	44.6	7 795 743	49.8
Foreign investors	10	0.5	16 109	0.4	16 109	0.1
Total	2 025	100.0	4 154 554	100.0	15 645 754	100.0
of which nominee-registered	6		207 255	5.0	207 255	
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.-31.12.2010	1.1.-31.12.2009
Revenue	1	80 213	72 354
Changes in inventories of finished goods and work in progress		16	-104
Production for own use		75	100
Other operating income	2	154	486
Materials and services	3	-44 829	-39 800
Personnel expenses	4	-17 655	-16 106
Depreciation and impairment	5	-1 107	-1 161
Other operating expenses		-14 581	-13 996
Operating profit (-loss)		2 286	1 773
Financial income and expenses	6	-12	-132
Profit (-loss) before extraordinary items		2 274	1 641
Extraordinary expenses	7	-400	-400
Profit (-loss) before appropriations and taxes		1 874	1 241
Income taxes	8	-554	-292
Profit (-loss) for the financial year		1 320	948

PARENT COMPANY BALANCE SHEET

(EUR 1,000)	Note	31.12.2010	31.12.2009
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		660	468
Other long-term expenditure		218	292
Advance payments		1 251	109
		2 129	869
Tangible assets	10		
Land and water areas		84	84
Buildings and structures		2 566	2 647
Machinery and equipment		2 463	1 450
Other tangible assets		20	20
Advance payments and purchases in progress		152	256
		5 285	4 457
Investments	11		
Shares in subsidiaries		5 206	5 012
Shares in associates		0	22
Shares in associated undertakings		250	0
Other shares and participations		14	93
Loan receivables		14 284	13 531
		19 754	18 658
CURRENT ASSETS			
Inventories			
Materials and supplies		4 726	4 484
Work in progress		461	316
Finished goods		739	892
		5 926	5 692
Non-current receivables	12		
Loan receivables		390	478
Current receivables	12		
Trade receivables		16 931	12 634
Loan receivables		2 843	2 003
Accrued income and prepaid expenses		299	470
		20 073	15 107
Financial assets at fair value through profit or loss	13	1 107	1 093
Cash and cash equivalents		6 849	15 162
		61 515	61 518
LIABILITIES			
SHAREHOLDERS' EQUITY			
Shareholders' equity	14		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Reserve fund		11	11

Retained earnings		34 315	35 168
Profit for the year		1 320	948
Total		43 762	44 243

LIABILITIES

Non-current	15		
Loans from financial institutions		2 629	2 864
Accrued liabilities and prepaid income		240	0
Current	16		
Interest-bearing			
Loans from financial institutions		2 421	4 483
Non-interest-bearing			
Advances received		346	132
Trade payables		5 394	4 926
Accrued liabilities and prepaid income		3 734	3 044
Other current liabilities		2 989	1 825
		12 463	9 927
Liabilities, total		17 753	17 274
		61 515	61 518

PARENT COMPANY'S CASH FLOW STATEMENT

(EUR 1,000)	1.1.-31.12.2010	1.1.-31.12.2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flow from sales	75 675	80 260
Cash flow from other operating income	140	369
Payments on operating costs	-75 630	-70 025
Net cash from operating activities before financial items and taxes	185	10 604
Interests paid and other financial payments	-103	-181
Taxes paid	-302	-1 665
Net cash from operating activities before extraordinary items	-220	8 758
Net cash from operating activities (A)	-220	8 758
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-2 635	-847
Proceeds from sale of tangible and intangible assets	116	146
Investment in shares in subsidiaries	-132	-134
Investment in associated undertakings	-250	0
Proceeds from other investmets	54	0
Loans granted	-1 250	-745
Repayments of loan receivables	116	700
Net cash used in investing activities (B)	-3 981	-880
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term loans	-2 298	-2 273
Dividends and other profit distribution	-1 813	-2 390
Net cash used in financing activities (C)	-4 111	-4 663
CHANGE IN LIQUID FUNDS (A+B+C) (+ increase, - decrease)	-8 312	3 215
Liquid funds at beginning of financial year 1)	16 255	12 985
Changes in fair value, investments	14	55
Liquid funds at end of financial year 1)	7 957	16 255

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 either 5 or 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 companies are recognised at cost and permanent impairments are deducted.

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

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

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

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

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

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

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

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

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

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

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

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

	2010	2009
Finland	90	88
Scandinavia	5	6
Other	5	6
Total	100	100

2. OTHER OPERATING INCOME

(EUR 1,000)	2010	2009
Gains on sale of fixed assets	14	118
Rental income	88	321
Public subsidies	20	47
Other operating income	32	0
Total	154	486

3. MATERIALS AND SERVICES

(EUR 1,000)	2010	2009
Purchases during the financial year	42 052	36 654
Change in inventories of materials and supplies	-217	682
External services	2 994	2 464
Materials and supplies, total	44 829	39 800
Auditor's fees		
Auditing	45	56
Tax services	5	0
Other services	3	31
Auditor's fees, total	53	87

4. PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

(EUR 1,000)	2010	2009
Salaries, CEO	182	195
Salaries of boards of directors	101	90
Salaries of boards of directors and managing director, total	283	285
Other salaries	13 850	12 597
Pension expenses	2 749	2 499
Other salary-related expenses	773	725
Personnel expenses in the income statement	17 655	16 106
Fringe benefits	410	666
Total	18 065	16 772

Personnel		
Average personnel, workers	128	139
Average personnel, officials	203	201
Personnel at year end	346	317

5. DEPRECIATION AND WRITE-DOWN

(EUR 1,000)	2010	2009
Depreciation according to plan		
Intangible assets	533	485
Tangible assets		
Buildings and structures	92	95
Machinery and equipment	482	581
Depreciation according to plan, total	1 107	1 161

6. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	2010	2009
Financial income and expenses		
Interest income on short-term investments	35	116
Interest income on short-term investments from Group companies	83	89
Foreign exchange gains	17	8
Other financial income	32	0
Interest expenses	-149	-351
Losses on foreign exchange	-4	-2
Other financial expenses	-40	-47
Change in value of assets recognised at fair value through profit or loss	14	55
Total	-12	-132

7. EXTRAORDINARY ITEMS

(EUR 1,000)	2010	2009
Extraordinary expenses		
Group contribution	400	400

8. INCOME TAXES

(EUR 1,000)	2010	2009
Income taxes from operations	435	269
Taxes from previous years	119	23
Total	554	292

Deferred tax liabilities and assets have not been included in the income statement or balance sheet. Deferred tax assets due to matching differences and losses total EUR 0 thousand 2010 (EUR 0 thousand 2009).

9. INTANGIBLE ASSETS

(EUR 1,000)

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

1.1.2009 - 31.12.2009	Intangible rights	Other long-term expenses	Work in progress	Intangible assets, total
Acquisition cost 1.1.	1 704	3 815	45	5 564
Increases	275	50	113	438
Decreases	-81	-1 851	-49	-1 981
Acquisition cost 31.12.	1 898	2 014	109	4 020
Accumulated depreciation 1.1.	-1 177	-3 423	0	-4 600
Re-groupings	0	0	0	0
Accumulated depreciation, decreases	81	1 851	0	1 932
Depreciation for the year 1.1.-31.12.	-334	-150	0	-484
Accumulated depreciation 31.12.	-1 430	-1 722	0	-3 152
Carrying amount 1.1.	527	392	45	964
Carrying amount 31.12.	468	292	109	869

10. TANGIBLE ASSETS

(EUR 1,000)

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

1.1.2009 - 31.12.2009	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	84	11 036	23 739	20	325	35 204
Increases	0	43	420	0	280	743
Decreases	0	-532	-15 493	0	-349	-16 374
Acquisition cost 31.12.	84	10 547	8 666	20	256	19 573
Accumulated depreciation 1.1.	0	-8 317	-22 120	0	0	-30 437
Accumulated depreciation, decreases	0	512	15 484	0	0	15 996
Depreciation for the year 1.1.-31.12.	0	-95	-581	0	0	-676
Accumulated depreciation 31.12.	0	-7 900	-7 217	0	0	-15 117
Carrying amount 1.1.	84	2 719	1 620	20	325	4 768
Carrying amount 31.12.	84	2 647	1 450	20	256	4 457

Revaluations included in buildings total EUR 1.850 thousand in 2010 (EUR 1.850 thousand in 2009).
Carrying amount of production machinery and equipment in 2010 total EUR 1.910 thousand (EUR 1.005 thousand in 2009).

11. INVESTMENTS

(EUR 1,000)

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

1.1.2009 - 31.12.2009	Subsidiary shares	Associated shares	Other shares and participations	Loan receivables	Total
Balance sheet value at beginning of year	5 019	22	94	12 919	18 054
Increases	0	0	0	612	612
Decreases	-7	0	-1	0	-8
Balance sheet value at end of year	5 012	22	93	13 531	18 657

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
P.O. Korhonen Oy	Finland	100	100	5 750	967 teur	976
Kiinteistö Oy Ylähanka	Finland	100	100	510	9 teur	8
Martela AB. Bodafors	Sweden	100	100	50 000	5.000 tsek	550
Aski avvecklingsbolag Ab, Malmö	Sweden	100	100	12 500	1.250 tsek	132
Martela AS, Oslo	Norway	100	100	200	200 tnok	24
Martela SP.z.o.o; Warsaw	Poland	100	100	3 483	3.483 tpln	935
000 Martela, Moscow	Russia	100	100		3.700 trub	90
000 Martela SP, St. Petersburg	Russia	100	100		3.700 trub	90
Irodabutor Martela Kft	Hungary	100	100		36.000 thuf	126
Martela A/S	Denmark	100	100		500 tdkk	67
Total						5 206
Associated undertakings:						
Fiota Oy	Finland	51	51	510	1	250
Other shares and participations:						14

12. RECEIVABLES

(EUR 1,000)	2010	2009
Non-current receivables		
Loan receivables	390	478
Current receivables		
Receivables from companies in same group		
Trade receivables	3 672	3 940
Loan receivables	2 743	2 004
Accrued income and prepaid expenses	0	13
Other receivables		
Trade receivables	13 259	8 694
Loan receivables	100	0
Accrued income and prepaid expenses	299	456
Current receivables, total	20 073	15 107

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(EUR 1,000)	2010	2009
Fund units	1 107	1 093

14. CHANGES IN SHAREHOLDERS' EQUITY

Distribution of shares 31.12.2010	Number	Total EUR	% of share capital	Votes	Procent of votes
K shares (20 votes/share)	604 800	1 018 500	15	12 096 000	77
A shares (1 vote/share)	3 550 800	5 981 500	85	3 550 800	23
Total	4 155 600	7 000 000	100	15 646 800	100
Treasury shares	67 700				
No. of shares	4 087 900				

Shareholders' equity (EUR 1,000)	**2 010**	**2 009**
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.	36 116	37 969
Dividends	-1 813	-2 390
Profit for the year	1 320	948
Shares assigned on the basis of the share-based incentive scheme*	0	-411
Returned shares	12	
Retained earnings 31.12.	35 635	36 116
Shareholders' equity, total	43 762	44 243

The distributable equity of the parent company is EUR 35.635 thousand in 2010 (EUR 36.116 thousand 2009).

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 31.12.2010: EUR 7,77/share;(7,13 EUR 2009), total EUR 526 thousand (EUR 483 thousand 2009).

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

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

15. NON-CURRENT LIABILITIES

(EUR 1,000)	2010	2009
Loans from financial institutions	2 629	2 864
Accrued expenses	240	0
	2 869	2 864

Changes and repayments of non-current liabilities

	2 010 Loans from financial institutions	2 009 Loans from financial institutions
Non-current liabilities 1.1	5 050	7 348
Repayments	-2 420	-4 483
Non-current liabilities 31.12	2 629	2 865

Repayments	2011	2012	2 013	2 014	2 015	2016-
Loans from financial institutions	2 420	2 121	508	0	0	0

16. CURRENT LIABILITIES

(EUR 1,000)	2010	2009
Current liabilities		
Liabilities to group companies		
Trade payables	1 080	1 062
Other current liabilities	63	0
Total	1 143	1 062
Other current liabilities		
Loans from financial institutions	2 420	4 483
Advances received	346	132
Trade payables	4 314	3 864
Other current liabilities	2 989	1 825
Accrued liabilities	3 672	3 044
Other current liabilities, total	13 741	13 348
Current liabilities, total	14 884	14 410

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

	2010	2009
Essential items of accrued liabilities		
Personnel expenses	2 744	1 973
Interest and financing accruals	28	69
Royalties	196	232
Residual expenses	349	555
Taxes	186	0
Other accrued liabilities	169	216
Accrued liabilities, total	3 672	3 044

17. PLEDGES GRANTED AND CONTINGENT LIABILITIES

(EUR 1,000)	2010	2009
Debts secured by mortgages		
Bank loans	5 050	7 348
Property mortgages	7 848	7 848
Corporate mortgages	3 700	3 700
Shares pledged	4	4
Total mortgages	11 553	11 553
Other pledges		
Guarantees as security for rents	165	38
Guarantees given on behalf of companies in the same group	1 542	1 501
Leasing commitments		
falling due within 12 months	835	872
falling due after 12 months	762	737
Total	1 597	1 609
Repurchase sureties	150	150
Other commitments		
Rent commitments	5 917	7 117

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 parent company's distributable funds are EUR 35.634.971,89 of which the profit for the financial year is EUR 1.320.004,26.

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

- distribution of a dividend of EUR 0.45 per share, totalling	EUR 1,839,555,00
- to be left in shareholders' equity	EUR 33.795.416,89

Helsinki, 8 February 2011

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

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

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

Helsinki, 9 February 2011

KPMG Oy Ab

Reino Tikkanen
Authorised Public Accountant

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

AUDITOR’S REPORT

To the Annual General Meeting of Martela Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Martela Oyj for the year ended 31 December, 2010. 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 and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or 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, 9 February 2011

KPMG OY AB

REINO TIKKANEN
Authorized Public Accountant