ANNUAL REPORT 2002

Contents

The Year in Brief

		2002	2001
Turnover	€ million	**121.2**	150.9
Growth in turnover	%	**–19.7**	–13.2
Operating profit	€ million	**–11,7**	4.1
– as a percentage of turnover	%	**–9.7**	2.7
Profit before extraordinary items	€ million	**–12.0**	3.5
– as a percentage of turnover	%	**–9.9**	2.3
Return on investment	%	**–19.0**	6.8
Balance sheet, total	€ million	**72.0**	82.2
Equity ratio	%	**49.3**	60.9
Earning/share	€	**–5.8**	0.8
Equity/share	€	**17.3**	24.0
Dividend/share	€	**0.25*)**	1.2
Capital expenditure	€ million	**3.1**	7.0
Average personnel		**930**	1 040

*)Proposal of the Board of Directors

Promo task chair, design: Pekka Toivola.

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Martela Oyj will be held on Tuesday, 18 March, 2003, starting at 4.30 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 Friday, 7 March, 2003, and be made known to the Company's head office, Marja-Riitta Tunturi, tel. +358 (0)10 345 5301, fax +358 (0)10 345 5345, or sent to Martela Oyj, PL 44, FIN-00371 Helsinki, no later than Friday, 14 March, 2003. Shareholders whose shares have not been transferred to the Book Entry Securities System are also entitled to attend the Annual General Meeting, provided such shareholders have been registered in the Company's Share Register before 10 February, 1995.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0,25 per share be distributed for the year ended 31 December, 2002. Only shareholders registered in the shareholder register maintained at the Finnish Central Securities Depository Ltd on the record date for dividend distribution, Friday, 21 March, 2003, will be entitled to the dividend declared by the Company. Dividend payments will be made on Friday, 28 March, 2003.

Annual and Interim Reports

Martela's Annual and Interim Reports are available in English and Finnish. The Annual Report will be mailed to all shareholders and it can also be ordered through the Group's Internet pages (www.martela.fi and www.martela.com). Martela will publish three Interim Reports in 2003:

First quarter	28 April, 2003
Second quarter	12 August, 2003
Third quarter	28 October, 2003

Interim Reports and summaries of Annual Report are published in the Group's Internet pages. Annual and Interim Reports can be ordered from:
Martela Oyj / Marja-Riitta Tunturi, Takkatie 1, PL 44, FIN-00371 Helsinki. Telephone +358 (0)10 345 5301, fax +358 (0)10 345 5345, or email marja-riitta.tunturi@martela.fi

Exchange announcements will be published on the Martela Group's Internet pages.

Frendi chair and table, design: Leena Palsanen.

Martela in Brief

Martela is Finland's largest designer and provider of working environment solutions for offices. Its business concept is the fast delivery of high-quality and ergonomic interior solutions, which support its customers' businesses. Martela has been furnishing offices and public premises for 57 years.

Martela's individual customer service, its extensive range of high quality products, fast deliveries and an efficient sales network have strengthened its position as a market leader of office furnishing in Finland. The company has become increasingly well known in the rest of Europe and is currently ranked amongst the ten largest European office furniture manufacturers.

Martela Oyj, the parent company of the Group, is domiciled in Helsinki. The Group has subsidiaries in Sweden, Norway, the United Kingdom, Germany and Poland. P.O.Korhonen Oy, a manufacturer of furniture for public interiors, is also part of the Martela Group, and Martela also operates as the sales organisation for Arvo Piiroinen Oy's furniture in its main market areas.

The Group has production plants in Nummela, Kitee and Raisio in Finland, and in Bodafors in Sweden. The Kitee plant manufactures components for cabinets and pedestals as well as desktops. The logistics centre and furniture factory are located at Nummela and the Raisio plant manufactures furniture using the form-pressing technology. At the turn of the year Martela employed 856 people, of whom 621 worked in Finland.
The Group's turnover in 2002 was EUR 121 million.

Net screen, design: Pekka Toivola and Iiro Viljanen.

Managing Director's review

The world is changing – and so is Martela

As Finland's leading supplier of office furniture, Martela wants to be close to its customers and to be a pioneer in its field. To achieve this, we must be quick to see how our customers' needs change and ensure we react so that the results support their business operations in the optimum way. In our product design work we must be able to anticipate future needs and the challenges that will face office work in the longer term.

We have always succeeded in meeting these challenges, achieving a market share in Finland of almost 50%. We aim to continue this success in the future, even though 2002 was the worst year – globally – for the office furniture sector in almost a decade. The Martela Group's overall result for 2002 should therefore be seen in the light of the general economic uncertainty and cautiousness, which was particularly visible in the office furniture sector.

Solid financial position despite uncertain demand

Martela enjoyed a long period of success from 1995 to 2001. During that time it achieved an extremely good financing position, a high equity to assets ratio and a strong balance sheet. These serve as a flexible buffer in economically weaker years. Our aim is to keep our equity to assets ratio above 50% in future.

Economic growth and investments are based on confidence and optimism about the future. When uncertainty increases, companies start to think more and more carefully about essential investments. In difficult economic times office furniture purchases are often postponed, which quickly leads to reduced demand. In the reverse situation pent-up demand can result in sharply increasing demand for office furniture. In other words, we operate in a sector subject to sudden, sharp fluctuations.

According to our estimates, European demand for office furniture has decreased by more than 30% from the level of 2000. Given the current economic conditions in the increasingly globalised world, we cannot expect the overall demand for office furniture in Europe to grow in the near future. It seems to have become more difficult to predict the future, however, which means that the demand curve may start to rise faster than we anticipate.

Increasing competitiveness with new products

One of our special successes of 2002 was the launch of the new Aura office desk and table range. The Aura range exceeded our expectations, both in the way it was received in the markets and in the level of demand that it attracted. Despite the current economic situation, last year also included several large and successful projects.

2003 will be a very interesting year, as we will be introducing a record number of new products and ranges for all our markets. The new products mainly represent furniture for meeting and conference areas what we call Surroundigs, expanding and diversifying our product range in this growing field.

During the past year we have developed a wider-ranging total service concept for office furnishing. In addition to planning, deliveries, and maintenance, this also covers financing, relocation, and recycling – all tailored to meet the needs of our customers. This new broader service concept has shown a lot of promise and has been well received.

Focusing on core competences

During 2002 we prepared a strategic plan extending to 2005. The challenge we now face is to implement the plan. We will especially focus on improving profitability, sales operations and the competence of our personnel. We will support our sales operations by expanding our product range and strengthening our fast-delivery based logistics model in the different markets. Additionally, we will develop the Martela brand.

Our main focus areas are the markets in Finland, Scandinavia and Poland. In the UK and in Germany we are seeking to improve profitability by developing new forms of business collaboration, which will also mean changes in the ownership of our subsidiaries.

A significant change during 2003 will be the commencement of work to form the Kitee plant into a separate corporate unit. The aim is for the Kitee plant to be able to operate as a contract manufacturer for customers other than the Martela Group – if necessary with a broader ownership basis. This will make it less dependent on the cyclical office furniture manufacturing business. Forming the Kitee plant into a separate corporation fits well with Martela's strategy and its logistic operating model.

It will soon be a year since I took over as Managing Director of Martela Oyj. In the current economic conditions this has been a challenging year, requiring the ability to react quickly to market changes and focus on what is essential.

The only certainty in the future is that the world will keep on changing – and so will Martela. We aim to continue to offer our customers the best available solutions and office furniture to meet the challenges that the future brings.

I would like to express my thanks to our customers, personnel, partners and shareholders for the past year.

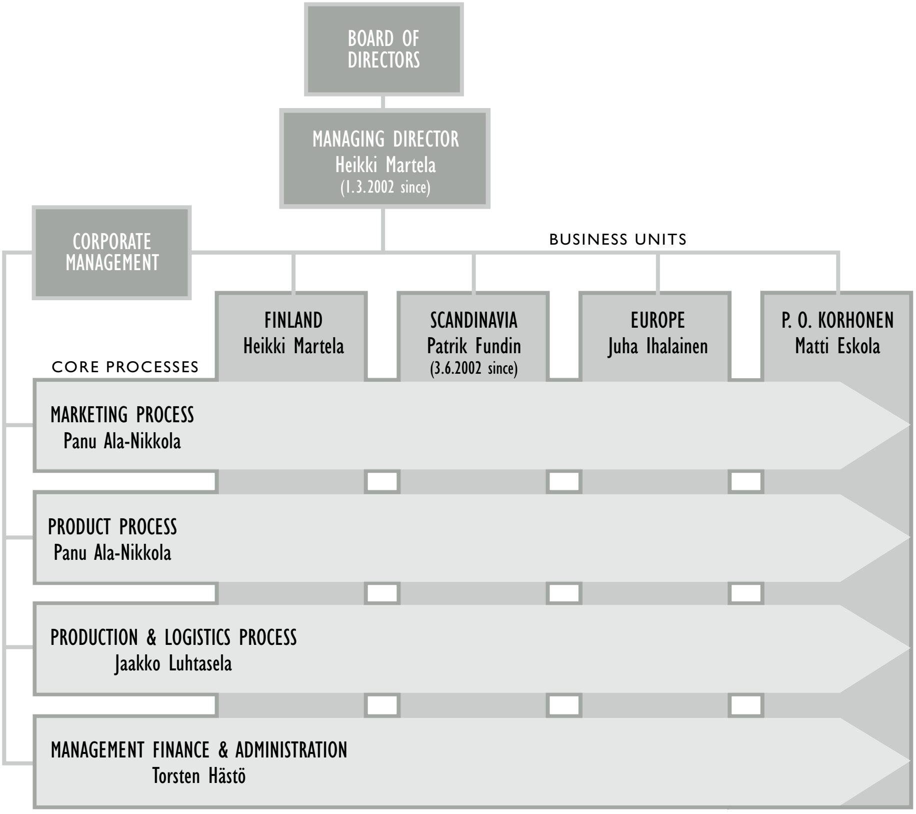
Martela Head Office, February 2003

Heikki Martela
Managing Director

We will especially focus on improving profitability, sales operations and the competence of our personnel. We aim to continue to offer our customers the best available solutions and office furniture to meet the challenges that the future brings.

Business Units

The Martela Group is divided into four business units according to operations and geographic locations. These are the Finnish, Scandinavian and European business units, and the Korhonen business unit.



Business unit operations are co-ordinated by processes which are under Group management. They are product, marketing, production and logistics, and support functions. Managers are appointed to manage each business unit and Group process.

Business Unit Finland

In practice, Martela Oyj represents the business unit Finland as 89 % of its turnover is derived from the Finnish market. The Finnish unit is Martela's biggest business unit and has a significant impact on the Group's overall turnover.

The business unit Finland accounts for 71 per cent of the Group's turnover. The unit's production plants are located at Nummela and Kitee. The unit's logistics centre, which manages production and deliveries, is located at Nummela.

The unit also exports products, mainly to Scandinavia and countries in Central and Eastern Europe. Exports accounted for 11 per cent of the business unit's turnover in 2002.

The total demand for office furniture in the unit's market area in Finland is expected to remain weak throughout 2003 and after that grow more moderately than it has in recent years.

Financial development

The economic uncertainty in Finland, which began in the latter half of 2001, continued to weaken the unit's sales throughout 2002. The business unit Finland managed, however, to maintain its strong market position even though domestic demand decreased by approximately 22 per cent in 2002 compared to the previous year. The unit still has about 45 per cent of the market share in Finland. Martela has a well-established Finnish clientele who appreciate comprehensive, high-quality office furnishing services. Research has shown that the Martela brand continues to be well-recognised and strong in Finland.

Finnish operations

Martela Oyj is the parent company of the Group. Its head office, which employs 127 people in the areas of sales, marketing, management and administration, is located in Helsinki. Martela has service points in 23 locations in Finland.

Martela Oyj and the business unit Finland includes production plants at Nummela and Kitee. The manufacture of office furniture is highly automated and is based on a wide range of subcontracts for the supply of components and their assembly by the Group. As production is driven by customer orders, the need for storing finished products is minimised.

The Kitee plant manufactures components for cabinets, pedestals and free-form table tops. The plant also assembles pedestals and manufactures cabinets. 112 people are employed at Kitee.

Martela's Finnish logistics centre is located in Nummela. The centre includes a surface treatment plant, a chair and furniture plant, a control centre, and a purchasing department. The Nummela plants, which employ 169 people, produce cabinets, tables and desks, screens and chairs. Product manufacturing and ordering processes are automated.

Nummela also houses the Group's product development and research centre. Product development aims to create innovative office furnishing solutions for the most demanding customer applications. The research centre examines and tests the durability and quality of the products.

Export operations

The recovery of the Russian market has increased Martela's Russian exports and growth is expected to continue. Other well-established export markets for Martela in Europe are the Baltic countries, the Netherlands and the countries of Eastern Central Europe – notably Hungary, the Czech Republic and Slovakia. Concerning more distant markets, Martela has increased its project export deliveries to the USA and Southeast Asia.

Sales are conducted through well-established long-term business partners in each country. Direct project export deliveries are also carried out when necessary.

Highlights of the year

In 2002, Martela continued to develop its strategic strengths. The core of the Group's service concept, efficient and flexible customer service and well-functioning logistics, was strengthened. Distribution channels were expanded and new outlets were established. Information systems were also developed to better meet the needs of customer service.

In 2002, Martela launched a new product range, the Aura range of desks. The Aura range was first introduced at the Stockholm Furniture Fair in February. In Finland, Martela arranged many launch events to introduce the new products combined with other issues closely related to office furniture such as ergonomics and lighting.

Martela continues as a partner of the Finnish National Theatre and has been engaged in many common events and communications efforts with the theatre. The extensive renovation work on the national theatre main building had a positive effect on the partnership and was finally completed in 2002.

In 2002, Martela took part in the EDUCA school furniture event, the Eco-efficiency Fair, the Interiore and the Secretaries and Assistants fairs.

Automation and production development investments were made at the Kitee and Nummela production plants. Investments were also made in information systems supporting customer service and logistics.

Outlook for the near future

No big changes are expected in the market in the near future. The unit's goal is to further develop its service concept to better meet changing customer needs. Product development faces challenges related to innovations in ergonomics and new products responding to customer needs. Electronic services will become increasingly important.

Business Unit Korhonen

P.O. Korhonen, located in Raisio, Finland, is a subsidiary of Martela Oyj. The company manufactures wooden furniture based on moulding technology. P.O. Korhonen Oy operates as a business unit of the Martela Group and markets and sells its products to children's day care centres, senior citizen's homes and service centres, and auditoriums. The company also manufactures some products of the Martela line, which are sold through Martela's distribution channels to offices, conference, training and teaching facilities, and auditoriums.

Besides Finland, the main market areas of P.O. Korhonen Oy are Scandinavia, Central Europe, and Japan. Exports outside Scandinavia occur mainly through local dealers.

Financial development

In 2002, P.O. Korhonen's growth continued, although slower than expected. The company's profitability weakened due to the increasingly tight competition and weakened production profitability. Turnover totalled EUR 9.0 million, an increase of approximately 7 per cent over the previous year.

The share of exports in invoicing for 2002 was 42.6 per cent. Exports increased over 31% from the previous year. Domestic invoicing, however, decreased by approximately 6%.

At the end of 2002, the company employed 74 people (77).

Highlights of the year

The company continued to develop its personnel and operations in 2002, with the aim of receiving an IIP certificate by the end of 2003.

The international IIP (Investors in People) standard guides business units to invest in developing competencies within the company and personnel. To qualify for the certificate, the companies aim to better channel their competencies in order to achieve their goals, and measure the effectiveness of their personnel investments. The IIP certificate is the only standard that is directed at personnel.

The company continued to invest in product development and will be introducing many new products in 2003.

P.O. Korhonen Oy took part in many industry fairs in Finland and abroad and also organised several exhibition events in Finland and in the company's export countries.

The company's investments amounted to EUR 158,000 and were concentrated mainly on new products.

Outlook for the near future

P.O. Korhonen aims to increase its business with new products, by using current marketing channels. Growth is being sought especially in exports and the market for auditorium furniture.

Other areas of focus in 2003 are qualifying for an IIP personnel certificate, and investments in product development.

Martela Oyj	2002	2001	change
Invoicing (MEUR)	87.1	111.5	–22 %
Average personnel	590	675	–13 %

P. O. Korhonen Oy	2002	2001	change
Invoicing (MEUR)	9.0	8.4	7 %
Average personnel	79	76	4 %

Scandinavia	2002	2001	change
Invoicing (MEUR)	29.5	32.3	−8.7 %
Average personnel	181	196	−7.7 %

Business Unit Scandinavia

The Group's business unit Scandinavian comprises Martela AB, Aski Inredningscenter AB and Martela AS, and is almost entirely focused on the Swedish, Norwegian and Danish markets. The logistics centre of the Scandinavian unit is situated in Bodafors, Sweden.

Scandinavia is Martela's second biggest market area and the company has established a strong presence there. 24 per cent of the Group's invoicing comes from the Scandinavian market.

Martela's position is especially strong in Sweden where it is the third largest supplier with a little over 10 per cent market share.

Sales in Sweden, Norway and Denmark are organised mainly through dealers.

Financial development

The year 2002 was weaker than the previous year for Martela in Scandinavia. The overall turnover and profit targets for 2002 were not achieved and the company's market position remained more or less the same. Invoicing in 2002 totalled EUR 29.5 million. Market demand decreased significantly due to weak overall economic development and uncertainty. Invoicing decreased particularly in the Swedish and Norwegian markets. Total demand also decreased slightly in Denmark.

Scandinavian operations

• SWEDEN

Martela AB is Martela Oyj's Swedish subsidiary and designs, markets and manufactures furniture for offices and public places. Its principal products are desks, pedestals, cabinets, screens, full height partitions and chairs for both working and meeting environments. The production plant is located at Bodafors, Sweden. Sales are handled through a dealer network covering the whole country. Martela AB employs 134 people (150).

The sales company, Aski Inredningscenter AB, operates in Southern Sweden and has offices in Malmö and Helsingborg. The company's product range comprises products related to the comprehensive furnishing of office interiors, in addition to products manufactured by the Group's other companies. The company employs 20 people (22).

Sebastian screen, design: Sebastian Lönnqvist.

The market situation in Sweden was uncertain, but stabilised during 2002. Invoiced sales totalled EUR 20.4 million in 2002, which represents a decrease of 8 per cent. Martela AB's turnover decreased by 11 per cent from the previous year, and Aski Inredningscenter AB's increased by 11 per cent.

• NORWAY

Martela AS, a marketing company located in Oslo, operates as a support organisation for the Norwegian sales network. Sales are handled through a dealer network that covers the whole country. The company employs 6 people (9).

Martela has achieved a stable position in the Norwegian market and is counted among the biggest suppliers of office furniture. Its market share is approximately 6 per cent.

The Norwegian market was in decline in 2002. The invoiced sales of the Group totalled EUR 7.2 million, a decrease of 11 per cent from the previous year.

• DENMARK

Martela does not have its own subsidiary in Denmark. Instead, sales are conducted via local importers and their sales network.

In Denmark, the demand for office furniture has decreased in recent years. Martela Group's Danish exports totalled EUR 1.9 million in 2002. Invoicing decreased by 8 per cent compared to the previous year.

Highlights of the year

During the review year, Martela introduced the new Aura range of desks. Aura has already proven to be a great success.

Operations at the Bodafors plant have been significantly altered to correspond with Martela's new logistics centre operating model. The key elements of the model are customer service, speed and reliability of deliveries, and capacity flexibility. This includes the possibility to create market-specific product lines with different variations of Group products. Another important aspect is being able to change the products according to customer needs.

Outlook for the near future

Only moderate development is expected for the Swedish and Norwegian markets in 2003, as many factors are still causing uncertainty.

By concentrating the operations at the Bodafors plant and opening a new customer service unit, the Scandinavian unit aims to improve its efficiency and customer service in the near future. Future focus areas also include further development of the sales and marketing organisations.

Business Unit Europe

The Martela Group's business unit Europe comprises Martela subsidiaries in Poland, Germany and the UK. In addition to sales, Martela's operations in Poland and the UK include working with local suppliers as well as office furniture assembly.

The business unit Europe contributed approximately 11 per cent to the Group's turnover in 2002.

Martela's strengths in Europe are its well-functioning sales network, good customer service and efficient logistics. The service concept has been developed and tested in Finland. Martela has a single uniform brand which is promoted in all markets. Martela is known in Europe for its Scandinavian, ergonomic and customer-orientated designs.

Financial development

2002 was a difficult year in Europe for the office furniture business. As economic growth came to a halt, the demand for office furniture weakened significantly. This is reflected in a decrease in Martela's European turnover.

European operations

• Poland

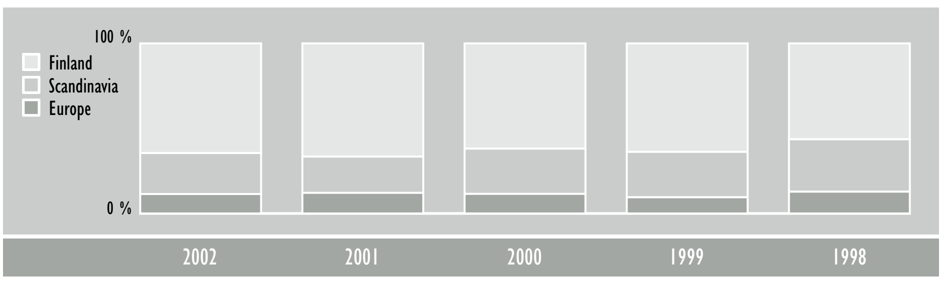
Martela Design Center Sp.z o.o. of Poland is a fully owned subsidiary of Martela. MDC's operations in Poland consist of the importing, assembly and sales of furniture and components. The company has offices in Warsaw, Gdansk, Wroclaw, Katowice and Poznan.

In 2002, Martela continued to develop its business operations in Poland in accordance with its strategy. The company strengthened its sales channels, continued to increase recognition of the Martela brand, and developed its network of local suppliers and assembly production. As economic growth has come to a halt in Poland, the demand for office furniture has also weakened temporarily, and this was reflected in Martela's decreased sales and weakened profit. In the long-term, the Polish market is likely to experience powerful growth and Martela has an excellent opportunity to benefit this.

Martela employed 51 people in Poland in 2002.

Group invoicing by region

	2002		2001		2000		1999		1998	
	meur	**%**	meur	%	meur	%	meur	%	meur	%
Finland	**79.0**	**64.5**	100.8	66.6	107.6	61.9	96.1	63.8	85.7	56.4
Scandinavia	**29.5**	**24.1**	32.3	21.3	46.3	26.6	40.3	26.7	46.7	30.8
Europe	**13.9**	**11.4**	18.2	12.1	19.9	11.5	14.3	9.5	19.4	12.8
Total	**122.4**	**100.0**	151.3	100.0	173.8	100.0	150.7	100.0	151.8	100.0



• GERMANY

Martela has a German sales company, Martela Gmbh, located in Nürtingen near Stuttgart. Products are sold directly to major customers, but also through dealers. The company employs 8 people.

Martela has not been able to maintain its position in the German market with demand decreasing. While the customer base has continued to expand, the lack of large scale projects is reflected in the decreased turnover.

• UK

Martela Plc has operated in the UK market for about twenty years. The company has relocated from Milton Keynes to London, and employs 16 people. Products are sold through the company's own sales organisation.

Martela Plc could not maintain its turnover in the extremely difficult market situation.

Outlook for the near future

European sales accounted for approximately 11 per cent of Martela's total turnover in 2002. The Group will seek future business growth in the European market with Poland expected to be the main growth area.

Europe	2002	2001	change
Invoicing (MEUR)	13.9	18.2	–23.6 %
Average personnel	80	93	–14.0 %

Form table and chairs, design: Jukka Setälä. Zampano task chair.

Marketing

The Group's marketing process supports all business units in designing concepts, producing and managing sales and marketing material, and in marketing communications, taking into consideration the core values of the Martela brand. The process is aimed at ensuring the uniformity of all communications material, and utilising the same ideas and marketing materials in different markets, as well as developing and maintaining sales tools.

Martela has a uniform one brand strategy which is being promoted in all markets. Other brands acquired through business acquisitions have been incorporated under the Martela brand and no separate product brands are used. P.O. Korhonen Oy is an exception and uses its own visual image when operating in a different product or target group than the parent company.

The strong Martela brand is a guarantee of high-quality products and services. The brand distinguishes Martela from its competitors, increases the effectiveness of marketing communication, and supports the Group's business. As information flows increase, the importance of a well-known brand and images associated with the brand also increase.

The main values associated with the Martela brand are Scandinavian design, customer orientation and support for the customer's business. The Scandinavian aspect includes ergonomics, design, new working trends and ways of acting. Customer orientation results in an understanding of needs, customer guidance, reliability and innovative solutions. Support for the customer's business is expressed in the promotion of well-being in the work environment, more effective space solutions, better motivation for personnel and a more streamlined corporate image.

The message Martela wants to communicate to its stakeholder groups is one of comprehensive customer service, fast and efficient deliveries, and a versatile, high-quality product range. Fast, professional service is ensured by efficient logistics, an extensive service network, and continuous staff training. Martela's own and dealer outlets are located close to customers, and Martela continuously monitors and develops the quality of its products and services through regular customer satisfaction surveys.

In 2002, Martela made a particular investment in launching its new Aura range of desks at fairs and various customer events. Other areas of focus were improving brochure layouts and production, and developing a design database for interior designers.

In 2003, Martela aims to support sales and improve its contacts with architects with its brand new product catalogue, material samples, and an expanded design database. The product range will see a particular expansion in the area of furniture for meeting environments. These and additional features for workstation furniture were introduced in the beginning of February at the Stockholm Furniture Fair, the biggest fair in the industry in Scandinavia. Martela will strengthen its marketing communications by defining its brand more precisely and by better focusing its messages.

Solo trolley, design: Iiro Viljanen.

Product process

From the beginning of 2002, product development, collection management and design have been operating as a single organisation – product process. The first year of activity has been successful and the goals set have, for the most part, been attained. The primary goal of product process is to further strengthen Martela's position as the Scandinavian leader in developing offices and working environments and creating ergonomic solutions.

Technical product development in the product process organisation is the responsibility of product development. It includes technical modelling, testing in the research laboratory and making prototypes. The collection is developed with a close eye on new market requirements and demand and with an emphasis on ingenuity and creative product design. Indeed, design is one of the most important areas in product development. The collection is based on ergonomic solutions that are durable, have simple designs and contribute to wellbeing in the workplace.

The product process organisation includes staff from many of Martela's main market areas. Most of the 25 staff members work in Finland and Sweden.

Highlights of the year

A major event in 2002 was the launch of the new Aura desk collection. Despite the difficult market situation, Aura's sales well exceeded expectations. Thanks to its flexibility and versatility, Aura proved capable of meeting the challenges of modern offices. Due to the positive response, development of the Aura product group will continue.

Several other products were also launched during 2002. These included the Boom table for meeting areas, designed by Martin Pärn, and the Roy chair by Eero Aarnio. Solo, a mobile personal storage unit designed by Iiro Viljanen, was launched to support the increasingly popular flexible workstations. Many other new products will be presented at trade fairs in 2003.

Co-operation with Arvo Piiroinen Oy intensified last year with Martela acting as the marketing channel in its main market areas for finished Piiroinen brand products.

During 2002, Martela's products gained international recognition and received several design awards. The Pan chair was awarded first prize at the Mobitex 2002 furniture fair in Brno, Czech Republic. Three products received awards at the American ADEX (Award for Design Excellence) competition; the Martin table and Frendi chair both received first prize, and the Promo chair received second prize.

The product process organisation has been developed to be better equipped for meeting market demand and requirements. The collection's marketing was enhanced as well as the ability to react to product impulses.

Outlook for the near future

Thanks to efficient market research and surveys, the product process organisation has a lot of work ahead of it in the near future. Several possibilities for developing the collection have been surveyed and the development work will be continued with abundant resources.

Product process will develop Martela Group's product range to meet the goals stated in the Group's strategy. In 2003 this means launching new products for lobby, conference, meeting and multipurpose facilities. The challenge is to respond quickly to researched market needs to ensure that the products will serve all the main markets extensively.

Quality and The Environment

Martela's aim is the long-term development of the Group's quality management and environmental management culture. The objective is to offer customers excellent customer service and durable, long lasting products that promote safety and high quality in working environments, and whose production harms the environment as little as possible.

Martela's quality management model utilises the ISO 9001:2000 standard, and the Group's environmental management model meets the ISO 14001 standard. The aim of the company's environmental management programs is to reduce the environmental load of Martela's products throughout their life cycle, and to increase the reuse and recycling of materials.

Highlights of the year

In 2002, Martela's operations were relocated to the new Martela House in Helsinki. The house is a forerunner in its field in terms of being ecological and energy efficient. The new Martela House has double facades made of glass and steel. A closed interspace functions as either a heating or cooling element, depending on the season. In 2002, the interspace solution has proven to be excellent in terms of energy economy. The results show clearly that energy consumption per heated cubic meter has been reduced.

During the report year, Det Norske Veritas conducted a preliminary evaluation of the facilities of Martela AB based on the ISO 9001:2000 standard, The aim is to get a certificate for Martela AB's system in the first quarter of 2003. At the end of 2002, a re-certification of the environmental management system was conducted at Martela Oyj.

Systematic work has continued in the chair and surface finishing factories operating at the Nummela logistics centre to reduce solvent emissions and make the factories more environmentally friendly. For the chair factory, this means using solvent-free glues and for the surface finishing factory using solvent-free finishing agents in product manufacturing.

Martela continues to develop its current furniture recycling model together with its partners.

In 2002, Martela continued the training of its drivers in order to reduce emissions caused by product transportation. The training objective was achieved, and when fuel consumption was measured after the training, the overall consumption had decreased by five per cent.

Martela has continued to be actively involved in different environmental co-operation projects that aim to improve environmental co-operation between different companies and institutions. During the year, Martela also took part in the Eco-Efficiency Fair, where the company was named as one of the pioneers of the office furniture business.

In the fall, the Martela plant in Kitee joined the "Sustainable development" network project in Northern Karelia.

Outlook for the near future

The biggest environmental management challenges for 2003 will continue to be the development of more energy-efficient production processes and minimising the environmental load of the processes.

Martela will act as a co-ordinator for the Länsi-Uusimaa environmental cluster project which aims to develop environmental co-operation between companies in the same region.

In quality management, the Group's biggest single objective is to get a certificate for Martela AB's quality management system within the first quarter of 2003.

Aura tables, design: Pekka Toivola and Iiro Viljanen.
Roy chairs, design: Eero Aarnio.

Personnel

For Martela's personnel, 2002 was a year of growth, development and adaptation. Due to weak demand, Martela had to adjust the number of its employees through dismissals and layoffs. Despite the restructuring, Martela invested in developing its remaining personnel, as competent employees are the vital key to Martela's future success.

Highlights of the year

At the end of December 2002, Martela Oyj had 547 employees, 234 of which worked as clerical personnel and 313 in other functions. During the year, a total of 77 people were made redundant based on financial and production reasons. In addition, staff members were laid off for a fixed period or until further notice. The layoffs and discharges affected all personnel groups and all functions.

Staff reductions are hard on both the employees who leave as well as for those who stay. Therefore the company tried to take a human approach to the planning and execution of the personnel reductions. Briefings on unemployment benefits and job seeking, as well as outplacement training were arranged for the employees who were leaving in order to help them find new jobs. In addition, they were able to benefit from the services of occupational health and HR experts. All staff members had the opportunity to take part in a brief change management training program, in which they were able to discuss the situation and their feelings, alternative options and resources.

The development of multi-skilled employees was a particular focus area in personnel training. The objective of the main training programs was to give the staff new and fresh ideas and skills to implement to their work. A significant number of Martela staff members from all Group sectors and offices took part in the training during 2002. The average of training days during the year was four per employee.

Large scale training programs included an interior design training course aimed at the sales personnel, and the training for a vocational degree in sales aimed at the installation and distribution staff. The Marlog training program for personnel members employed in production and logistics began in 2001, and was completed in the spring of 2002. Martela's Special Vocational Degree in Management program is aimed at developing managerial skills. The skills of new managers were developed through different training programs.

P.O. Korhonen Oy employed 74 people at the end of the year. The company continued to develop its personnel and operations in 2002, with the aim of receiving an IIP certificate by the end of 2003.

Employee job satisfaction is measured through annual surveys, with each department interpreting the results. The personnel surveys are important tools in identifying the areas where the wellbeing of management and personnel should be developed. The company promoted personnel wellbeing by supporting its staff's sport and culture related interests and other leisure time activities.

Scandinavian personnel totalled 160 persons and European personnel 75 persons at the end of the year. In both areas, personnel numbers were downsized by a total of 35 people in order to correspond with the weakened demand.

Outlook for the near future

The staff's job satisfaction and wellbeing are put to the test at a time when demand is weak and future demand is hard to predict. Managers play an important role in creating and maintaining job satisfaction and wellbeing among the personnel. This is why the development programs for 2003 will focus heavily on developing managerial skills and supporting the work of the management.

The focus will continue to be on multi-skilled personnel with the ability to co-operate, and the Group will organise many training programs related to these themes.

The company aims to promote personnel wellbeing by supporting the staff's sport and culture related interests and other leisure time activities.

As in previous years, the group will be measuring job satisfaction in the spring of 2003, and plan necessary development measures for each department based on the results.

Board of Directors' Report 2002

Market conditions remained weak during 2002. Invoicing fell by 19.1% to EUR 122.4 million. The overall result for the period was a loss of EUR 12.2 million, of which write-offs and restructuring related loss provisions represented EUR 2.1 million. The equity to assets ratio fell to 49.3% and the financing situation remained good. The number of personnel fell by 131 and will be further reduced in 2003. It is expected that the market will remain weak and that the overall result for 2003 will again be negative.

Market situation

Demand for office furniture started decreasing in 2001 and remained lower than expected throughout 2002. The economic decline and uncertainty about a return to growth have affected investments and the demand for office furniture. In a number of markets in Northern and Central Europe the decrease in overall demand has been significant, with demand down by 30% or more from the level of 2000. There are no signs of a recovery in economic growth in the near future, and overall demand is expected to remain weak throughout 2003.

Turnover

The Group's turnover fell significantly during the second half of 2001. In 2002, the decline in turnover levelled off. Turnover in 2002 was down by 19.7% from the previous year to EUR 121.2 million (150.9). There were no structural changes within the Group during the year, and invoicing declined in all the principal market areas. The decline has been

Quarterly turnover, EUR million

	1/01	**2/01**	**3/01**	**4/01**	**1/02**	**2/02**	**3/02**	**4/02**
Turnover	44.6	37.7	32.9	35.7	30.6	30.1	28.1	32.5

Invoicing in principal markets (EUR million)

	2002	2001	change
Finland	79.0	100.8	−21.7%
Scandinavia	29.5	32.3	−8.7%
Europe	11.9	16.0	−25.6%
Other areas	2.0	2.3	−13.0%
Group total	122.4	151.3	−19.1%

especially significant in the case of customers in the IT and telecommunications sectors.

The Finnish markets accounted for 64.5% (66.6) of the Group's invoicing. The Scandinavian markets accounted for 24.1% (21.4) of the Group's invoicing. Invoicing in other markets declined by a total of 23.8%, with the majority of this invoicing coming from Central, Eastern and Western Europe. Areas outside the Nordic countries amounted to 11.4% (12.1) of the Group's invoicing.

There was a significant decline in invoicing in the UK and German markets.

Results and profitability

The Group's overall result was a loss of EUR –12.2 million (+1.6). This was due to the significant decline in invoicing caused by weak market conditions and the reduction in margins. All the units in the Group produced losses. The Group's result is depressed by write-offs totalling EUR 1.7 million against property values and loss provisions totalling EUR 0.4 million relating to restructuring and adaptation measures.

Investments

Investments have been reduced from the level of previous years. Investments totalled EUR 3.1 million and depreciation and non-recurring write-offs totalled EUR 7.9 million. The majority of the investments involved production machinery and equipment and IT equipment. EUR 0.4 million was used to repurchase Martela shares.

Staff

The number of people employed in the Group began to decline in 2001, and in 2002 was further reduced by 131 to a total of 856 at the end of the year. The average number of staff in the Group was 930 (1040).

At Martela AB negotiations were started in January 2003 to reduce staff by 24, representing 18 salaried and 6 wage-earning employees.

New negotiations were also started in the parent company in January 2003 concerning the structural adjustment of the number of salaried employees to bring it into line with the continued weak level of demand and lack of profitability. It is estimated that the number of salaried staff needs to be reduced by 25. Wage-earning staff have continued to be laid-off.

Staff	31.12.02	31.12.01	change
Martela Oyj	547	640	–93
Martela AB	134	150	–16
Aski	20	22	–2
Martela AS	6	9	–3
Martela Plc	16	22	–6
Martela GmbH	8	11	–3
Martela Design Center	51	56	–5
P.O. Korhonen Oy	74	77	–3
Group total	856	987	–131

Staff numbers have been converted to full-time figures.

Boom table, design: Martin Pärn.
Roy chairs, design: Eero Aarnio.

Product development

From the beginning of 2002 the product development, product portfolio management and design functions were reorganised to form a product process serving the entire Group. Most of the 25 people in this process work in product development.

Expressed as a percentage of Group turnover, product development expenses increased to 2.6 % (1.5).

One of the highlights of the year was the launch of the Aura range of office tables. Martela also brought to market a number of furniture products designed for meeting areas, solutions supporting flexible workstations, as well as other new products to be shown at exhibitions during 2003.

Several new Martela products received international awards in Europe and the USA.

Quality and the environment

Martela Oyj revised its quality management system to meet the new ISO 9001:2002 standard. Additionally, auditing work was begun in year 2003 for the certification of Martela AB.

Financing

In spite of the large loss incurred in 2002, the Group has a strong balance sheet and a solid financing position. The equity to assets ratio decreased to 49.3% at the end of the year (60.9). The gearing ratio was 28.3% (11.8). Interest bearing liabilities increased by EUR 5.4 million from the beginning of the year to EUR 21.0 million at the end of the year.

Financial items amounted to EUR –0.3 million, including a total of EUR 0.5 million in exchange gains and losses. Liquid assets totalled EUR 10.9 million (9.5) at the end of the year. A property owned by the Group in Milton Keynes, UK, was sold in January 2003.

Annual General Meeting

The Annual General Meeting held on 19 March 2002 re-authorised the Board of Directors to decide, for the following year, on raising the share capital, issuing convertible bonds and acquiring and/or disposing of the company's shares in deviation from the pre-emptive subscription rights of shareholders.

The Annual General Meeting appointed Heikki Ala-Ilkka, Matti T. Martela, Heikki Martela, Pekka Martela, Jori Keckman and Jaakko Palsanen to the Board of Directors, and elected Hannu Kosonen as the staff representative and Matti Lindström as his deputy. The Board chose Pekka Martela as Chairman and Matti T. Martela as Deputy Chairman.

Own shares

The Board decided, at its meeting on 29 April 2002, to continue repurchasing the company's own shares as authorised by the Annual General Meeting. Martela can own a maximum of 103,890 of its own shares, equivalent to 5% of all shares. At the beginning of 2002, Martela owned 17,004 of its own shares which had been purchased at an average price of EUR 21.40. During the financial year 2002, a further 16,846 Martela shares were purchased at an average price of EUR 21.30.

On 31 December 2002, Martela held 33,850 of its own shares, equivalent to 1.6% of all shares and 0.4% of all votes.

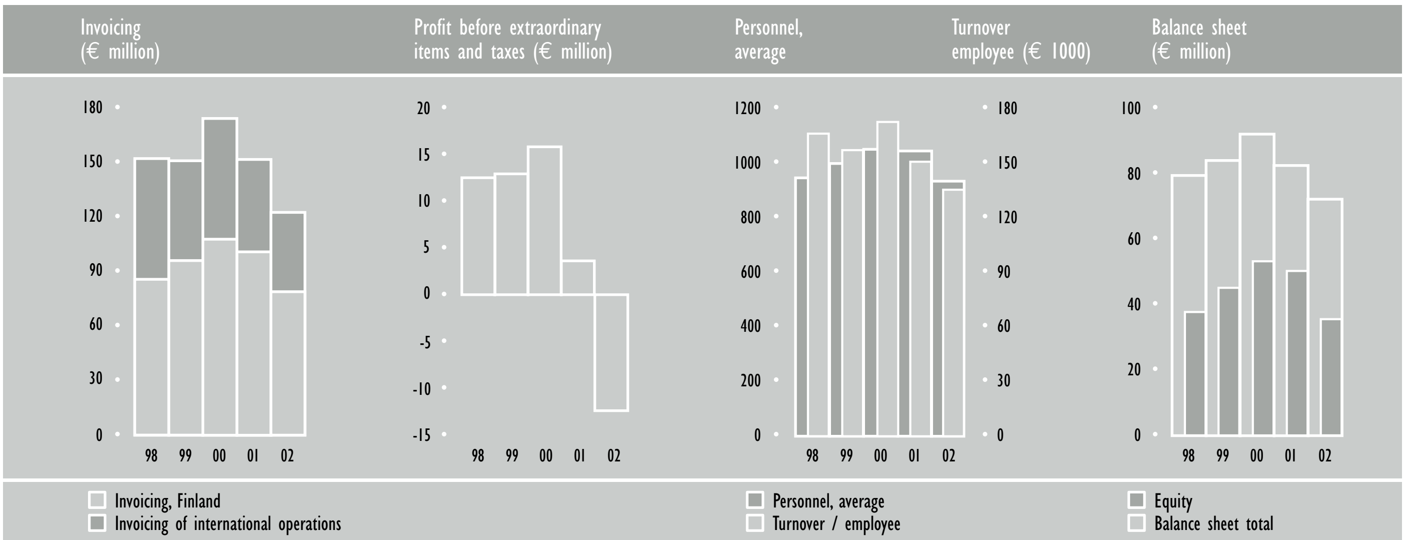
Organisation

Heikki Martela was appointed the new Managing Director of Martela Oyj as of 1 March 2002.

Patrik Fundin was appointed head of Martela's Scandinavian business unit and Managing Director of Martela AB as of 3 June 2002. Fundin also serves as Managing Director of Aski Inredningscenter AB and he is responsible for all the Group's operations in Sweden, Norway and Denmark.

Proposal to the Annual General Meeting

The Board of Directors will propose to the Annual General Meeting, to be held on 18 March 2003, that the authorisations granted to the Board at the 2002 Annual General Meeting to raise the share capital, issue convertible bonds and acquire and/or dispose of the company's shares, should be extended for a further year. The Board will also propose that a dividend of EUR 0.25 per share be distributed, totalling EUR 510,987.50.



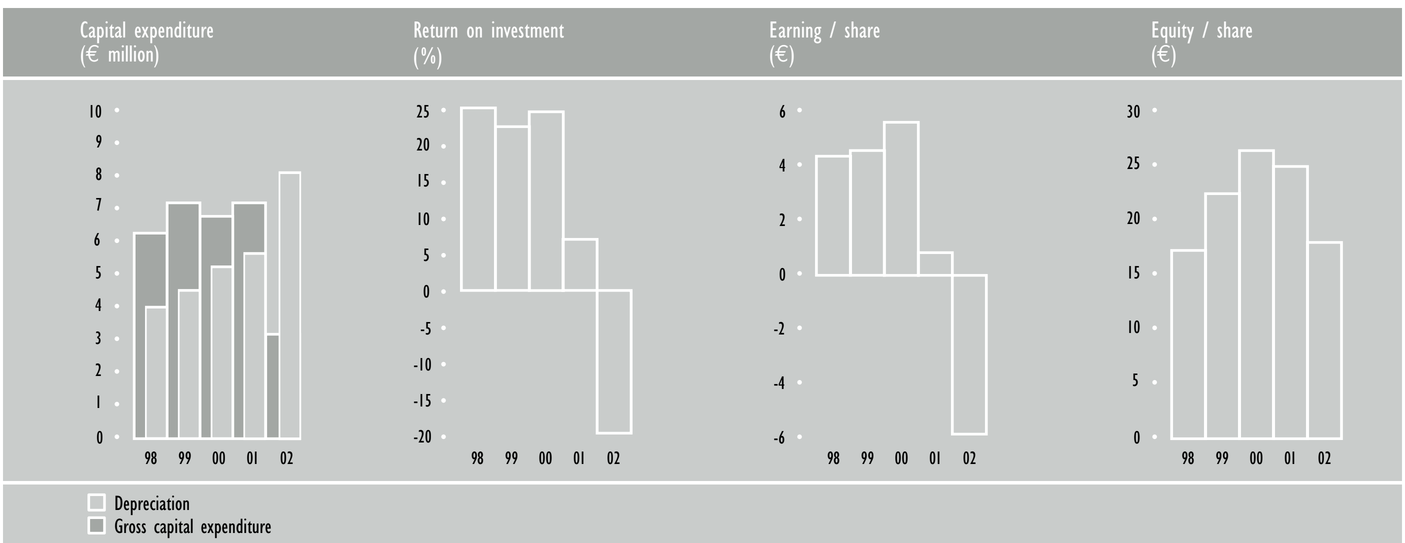
Outlook for the future and revitalisation measures

Economic growth has fallen to a low level, and uncertainty surrounding an upturn has further increased. External indicators do not suggest that there will be an improvement in demand for office furniture during 2003, and it is considered possible that overall demand could decrease further. In view of this, the Group's invoicing is expected to remain at a low level and may even decrease from the figure for 2002. The main objective is to achieve a positive overall result, but it is unlikely that this target will be realised in 2003. The adaptation and restructuring measures decided upon at the beginning of the year will result in non-recurring expenses that will depress profitability early in the year. Improvements in profitability will be primarily based on cost-cutting, personnel reductions and other adaptation measures.

In addition to continuously improving its customer-oriented sales and fast customer service, Martela prioritises the following in its operational development:

- A significant number of complementary products will be added to the range during 2003, with special emphasis on the growing needs of meeting and assembly areas.
- Last year saw completion of the development of a new expanded service concept in the Finnish market. This concept makes it possible for Martela to offer customers a broader overall furnishing service. With the necessary flexibility to meet the customer's needs, this service covers planning, deliveries, maintenance, modifications and relocation, as well as recycling and financing.
- In the UK and German markets, Martela is seeking to improve its profitability by developing new collaborative ways of doing business. This means partial or total divestment of our holdings in subsidiary companies. The Group will focus its resources more clearly on developing its operations in Finland, Scandinavia and Poland, where the operations are based on Martela's own logistics centre concept.
- Action to improve the operating conditions and profitability of the Kitee plant is based on reducing its dependence on the cyclical office furniture business and on the Martela Group. The aim is to develop the plant into a contract manufacturer that supplies components not only to Martela's logistics centres but also to external customers. To emphasise its independent position, the intention is to form the plant into a separate corporation during 2003, and a broadening of its ownership basis is also considered possible. This change fits well with Martela's logistic operating model, which involves focusing particularly on sales, customer-oriented and innovative product development, the assembly of modifiable products and excellent customer service.

Martela Oyj
Board of Directors



Income Statement

(1000 €)	Ref.	Group 1.1.–31.12.2002	1.1.–31.12.2001	Parent company 1.1.–31.12.2002	1.1.–31.12.2001
TURNOVER	1	121 165	150 876	85 935	111 076
Change in manufacturing inventories		–326	–436	8	–479
Production for own use		83	261	79	257
Other income from operations	2	334	487	127	217
Materials and services	3	–92 542	–105 400	–66 800	–75 952
Personnel expenses	4	–32 476	–36 240	–20 605	–23 776
Depraciation and reduction in value	5	–7 937	–5 467	–4 332	–3 924
OPERATING PROFIT		–11 699	4 081	–5 588	7 419
Financial income and expences	6	–315	–572	87	–1 106
PROFIT BEFORE APPROPRIATIONS AND TAXES		–12 014	3 509	–5 501	6 313
Appropriations	7	0	0	346	41
Income taxes	8	–137	–1 945	–250	–1 867
PROFIT FOR THE FINANCIAL YEAR		–12 150	1 564	–5 405	4 487

Statement of Source and Application of Funds

(1000 €)	Ref.	Group 1.1.–31.12.2002	1.1.–31.12.2001	Parent company 1.1.–31.12.2002	1.1.–31.12.2001
FUNDS GENERATED FROM OPERATIONS					
Cashflow from sales		125 502	154 609	89 022	111 568
Cashflow from other income from operations		316	415	174	403
Payments on operational costs		–123 511	–142 506	–86 233	–99 705
Cashflow from operations before financial items and taxes		2 308	12 518	2 963	12 266
Interests paid and other financial payments		–367	765	65	1 225
Taxes paid		249	–2 925	351	–3 064
Cashflow from operations before extraordinary items		2 191	10 358	3 380	10 427
Cashflow from extraordinary items (net)		0	0	0	0
Cashflow from operations (A)		2 191	10 358	3 380	10 427
CAPITAL EXPENDITURE					
Capital expenditure on intangible and tangible assets		–2 601	–6 696	–1 580	–4 614
Cashflow from assignments of intangible and tangible assets		34	514	29	505
Loans granted		0	0	–2 239	–408
Capital expenditure on other short term investments		0	0	0	–215
Cashflow from capital expenditure (B)		–2 567	–6 182	–3 792	–4 732
FINANCING					
Own shares		–358	–338	–358	–338
New short-term loans		0	0	45	47
Repayments on short-term loans		0	–16	0	0
New long-term loans		7 302	0	6 800	0
Repayments on long-term loans		–2 786	–2 419	–2 120	–1 804
Dividends		–2 472	–4 164	–2 472	–4 164
Cashflow from financing (C)		1 686	–6 937	1 895	–6 259
CHANGE IN LIQUID FUNDS (A+B+C) (+ increase, – decrease)		1 310	–2 761	1 483	–564
Liquid funds at the beginning of financial year 1)		9 587	12 349	9 096	9 660
Liquid funds at the end of financial year 1)		10 897	9 587	10 580	9 096

1. Liquid funds include cash, bank receivables and other shares and equities.

Balance Sheet

(1000 €)	Ref.	Group 31.12.2002	31.12.2001	Parent company 31.12.2002	31.12.2001
ASSETS					
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS	9				
Intangible assets					
Intangible rights		473	587	390	474
Goodwill		0	453	0	0
Other long-term expenditure		1 712	2 656	1 238	2 080
Advance payments		13	39	13	39
		2 198	3 735	1 641	2 593
Tangible assets					
Land and water areas		3 215	3 643	219	219
Buildings and constructions		10 977	10 938	5 953	5 158
Machinery and equipment		11 693	12 243	9 718	9 930
Other tangible assets		24	24	20	20
Advance payments and construction in progress		260	3 367	177	2 753
		26 169	30 215	16 087	18 080
Investments					
Shares in subsidiaries	16	0	0	7 010	7 010
Shares in associated companies	16	22	22	22	22
Own Shares	16	721	364	721	364
Other shares and participations	16	2 177	2 149	2 116	2 115
Loan receivables	9	0	0	4 592	3 003
		2 920	2 535	14 461	12 514
CURRENT ASSETS					
Inventories	10				
Materials and supplies		7 427	8 487	4 276	5 095
Work in progress		1 633	1 542	921	928
Completed products / goods		2 878	3 389	1 311	1 608
Prepaid expenses		22	46	0	0
		11 960	13 464	6 509	7 631
Receivables	11				
Trade receivables		16 290	20 649	14 909	18 974
Loan receivables		46	57	4 654	4 237
Accrued income and prepaid expenses		1 477	1 975	396	1 139
		17 813	22 681	19 959	24 350
Financial asset securities					
Short-term investments		9 099	5 152	9 099	5 152
		9 099	5 152	9 099	5 152
Cash and banks		1 797	4 435	1 481	3 944
		71 958	82 217	69 237	74 264

Balance Sheet

(1000 €)	Ref.	Group 31.12.2002	31.12.2001	Parent company 31.12.2002	31.12.2001
LIABILITIES					
SHAREHOLDERS' EQUITY	12				
Shareholders' equity					
Share capital		3 500	3 500	3 500	3 500
Share premium account		4 616	4 616	4 616	4 616
Own shares fund		721	363	721	363
Reserve fund		121	119	11	11
Retained earnings		38 628	39 880	37 218	35 563
Profit for the year		–12 150	1 564	–5 405	4 487
Total		35 436	50 040	40 661	48 540
APPROPRIATIONS	12			3 518	3 864
CREDITORS	14				
Deferred tax liability	13	1 173	1 286	0	0
Long-term					
Loans from credit institutions		9 129	6 713	6 135	3 561
Pension loans		3 664	4 365	3 532	4 238
Other long-term liabilities		338	0	338	0
		13 131	11 078	10 005	7 799
Current					
Interest-bearing					
Loans from credit institutions		6 304	3 553	5 609	2 889
Pension loans		706	706	706	706
Overdraft facilities		811	185	0	0
Other current liabilities		0	0	596	552
		7 822	4 444	6 911	4 147
Non-interest bearing					
Advances received		114	40	0	0
Trade payables		7 330	6 841	3 227	4 289
Accued liabilities and prepaid income		3 829	5 436	2 317	3 166
Other current liabilities		3 124	3 052	2 597	2 461
		14 396	15 369	8 141	9 916
Creditors, total		36 522	32 177	25 058	21 861
		71 958	82 217	69 237	74 264

Notes to the financial statements

Consolidated financial statements
The consolidated financial statements include Martela Oyj and its subsidiaries. Inter-company share ownership within the Group has been eliminated using the acquisition cost method. Intra-Group transactions, unrealized margins on intracompany deliveries, internal receivables and debts as well as the internal distribution of profit have been eliminated. The difference between the purchase price of shares in subsidiaries and their equity at the time of acquisition has been partly allocated to real estate, the remainder constituting goodwill. The buildings will be depreciated in the same way as the amortization of the goodwill.

Receivables and debts denominated in foreign currency
The parent company and its subsidiaries in Finland have translated receivables and debts denominated in foreign currency into Eur amounts at the Central Bank of Europe average exchange rate on the balance sheet date. Exchange rate differences have been entered in the income statement in net amounts. The assets and liabilities of subsidiaries abroad have been translated into Eur at the Central Bank of Europe average exchange rate on the balance sheet date. The income statements were translated at the average exchange rate for the year. The translation adjustments arising from the conversion of shareholders' equity have been booked to the Group's non-restricted equity.

Depreciation according to plan is calculated on the economic life of fixed assets on a straight-line basis from the original acquisition cost.

The depreciation periods are:

Buildings	30 years
Housing and other buildings	20 years
Factory machinery and equipment	4–8 years
Other fixtures	6 years
Vehicles	5 years
Product development and ADP software and hardware	3 years
Other long-term expenditure	5 and 10 years

In the calculation of the deferred tax liability shown in the balance sheet revaluations nor tax losses of the subsidiaries have been noted. Other deferred tax liabilties or receivables of consolidations are minor and they have not been noted.

The retirement plans for company employees have been arranged through pension insurance companies. The agreed retirement age of the Managing Director is 60 years.

(1000 €)	Group 31.12.2002	31.12.2001	Parent company 31.12.2002	31.12.2001
INCOME STATEMENT				
1. Turnover				
Breakdown of turnover by market area, % of turnover				
Finland	64.5	66.6	88.6	89.1
Sweden	16.7	14.6	0.9	0.6
Norway	5.9	5.4	2.4	2.5
Denmark	1.6	1.4	0.8	0.9
United Kingdom	1.6	3.0	0.6	0.9
Germany	1.1	1.3	0.6	0.7
Other Western Europe	1.4	1.0	0.9	0.7
Poland	3.6	3.4	1.6	1.3
Russia	1.1	0.9	1.5	1.0
The Baltic countries	0.4	0.6	0.6	0.8
Other Eastern Europe	0.5	0.2	0.7	0.5
Other exports	1.7	1.5	0.8	1.0
Total	100.0	100.0	100.0	100.0
2. Other income from operations				
Gains on sale of assets	34	72	24	63
Rental income	188	445	72	110
Other income from operations	112	−30	31	44
Total	334	487	127	217

Notes to the financial statements

(1000 €)	Group 31.12.2002	31.12.2001	Parent company 31.12.2002	31.12.2001
3. Materials and services				
Materials and supplies				
Purchases during the financial year	61 641	72 433	46 014	53 904
Change in inventories of materials and supplies	1 430	1 459	1 130	692
Total	63 071	73 892	47 144	54 596
External services	29 471	31 508	19 656	21 356
Materials and services, total	92 542	105 400	66 800	75 952
4. Personnel expenses and number of persons				
Salaries of boards of directors and managing directors	881	1 166	288	549
Other salaries	24 470	27 286	15 973	18 349
Pension expenses	3 785	4 055	2 907	3 170
Other salary-related expenses	3 339	3 732	1 437	1 708
Personnel expenses in the income statement	32 476	36 240	20 605	23 776
Fringe benefits	726	639	473	486
Total	33 201	36 878	21 078	24 262
Personnel				
Average personnel	930	1 040	590	675
Personnel at year-end	856	987	547	612
Average presonnel in Finland	669	751	590	675
Average presonnel in Sweden	172	186	0	0
Average presonnel in Norway	9	10	0	0
Average presonnel in Germany	11	11	0	0
Average presonnel in the United Kingdom	16	23	0	0
Average presonnel in Poland	53	59	0	0
Total	930	1 040	590	675
5. Depreciation				
Depreciation according to plan				
Intangible assets				
Goodwill	425	71	0	0
Other long-term expenditure	1 765	1 627	1 423	1 387
Tangible assets				
Buildings and constructions	1 314	621	340	315
Machinery and equipment	3 433	3 148	2 569	2 222
Decrease in value of land and water areas	1 000	0	0	0
Depreciation according to plan, total	7 937	5 467	4 332	3 924
6. Financial income and expenses				
Financial income and expenses				
Dividend income	11	13	10	12
Interest income on short-term investments	140	444	85	181
Interest income on short-term investments from Group companies	0	0	114	109
Gains on foreign exchange	566	7	566	114
Interest expenses	−873	−853	−583	−571
Losses on foreign exchange	−59	−95	−56	−92
Other financial expenses	−100	−88	−49	−859
Total	−315	−572	87	−1 106
Foreign exchange differences				
Realized	441	−50	38	−50
Unrealized	66	−38	67	−38
Total	507	−88	105	−88

Notes to the financial statements

(1000 €)	Group 31.12.2002	31.12.2001	Parent company 31.12.2002	31.12.2001
7. Appropriations				
Change in depreciation reserve (- increase, + decrease)				
Other long-term expenditure	0	0	0	0
Buildings and constructions	0	0	74	–40
Machinery and equipment	0	0	272	81
Total	0	0	346	41
8. Income taxes				
Income taxes from operation	137	1 963	250	1 867
Change in deferred tax liability	0	–18	0	0
Total	137	1 945	250	1 867
BALANCE SHEET				
9. Fixed assets and other long-term investments				
Intangible				
Acquisition cost 1.1.	716	313	595	283
Increases 1.1.–31.12.	59	410	55	320
Decreases 1.1.–31.12.	0	–7	0	–7
Accumulated depreciation 1.1.	–129	–3	–121	0
Depreciation 1.1.–31.12.	–173	–126	–139	–121
Book value 31.12.	473	587	390	474
Goodwill				
Acquisition cost 1.1.	552	580		
Increases 1.1.–31.12.	0	0		
Decreases 1.1.–31.12.	–28	–28		
Accumulated depreciation 1.1.	–99	–28		
Depreciation1.1.–31.12.	–425	–71		
Book value 31.12.	0	453		
Other long-term expenditure				
Acquisition cost 1.1.	11 186	10 509	8 729	8 276
Increases 1.1.–31.12.	701	502	441	453
Decreases 1.1.–31.12.	0	0	0	0
Foreign exchange differences 1.1.–31.12.	120	175	0	0
Accumulated depreciation 1.1.	–8 530	–6 903	–6 649	–5 383
Depreciation 1.1.–31.12.	–1 765	–1 627	–1 284	–1 266
Book value 31.12.	1 712	2 656	1 238	2 080
Advance payments				
Acquisition cost 1.1.	39	103	39	103
Increases 1.1.–31.12.	73	206	73	206
Decreases 1.1.–31.12.	–99	–269	–99	–269
Foreign exchange differences 1.1.–31.12.	0	0	0	0
Book value 31.12.	13	39	13	39
Intangible assets book value 31.12.	2 198	3 735	1 641	2 593
Tangible assets				
Land and water areas				
Acquisition cost 1.1.	3 643	3 650	219	219
Increases 1.1.–31.12.	611	0	0	0
Decreases1.1.–31.12.	–1 045	0	0	0
Foreign exchange differences 1.1.–31.12.	6	–7	0	0
Book value 31.12.	3 215	3 643	219	219

Notes to the financial statements

(1000 €)	Group 31.12.2002	31.12.2001	Parent company 31.12.2002	31.12.2001
Buildings and constructions				
Acquisition cost 1.1.	25 628	25 874	15 293	15 764
Increases 1.1.–31.12.	1 428	100	1 134	50
Decreases 1.1.–31.12.	–3	–287	0	–520
Foreign exchange differences 1.1.–31.12.	–72	–59	0	0
Accumulated depreciation 1.1.	–14 690	–14 069	–10 135	–9 820
Depreciation 1.1.–31.12.	–1 314	–621	–340	–315
Book value 31.12.	10 977	10 938	5 953	5 158
Machinery and equipment				
Acquisition cost 1.1.	49 170	46 054	38 344	36 434
Increases 1.1.–31.12.	2 943	3 501	2 362	2 601
Decreases 1.1.–31.12.	–50	–313	–5	–691
Foreign exchange differences 1.1.–31.12.	–11	–72	0	0
Accumulated depreciation 1.1.	–36 927	–33 779	–28 415	–26 193
Depreciation 1.1.–31.12.	–3 433	–3 148	–2 569	–2 222
Book value 31.12.	11 693	12 243	9 718	9 930
Manufacturing machinery and equipment, book value 31.12.	7 877	7 877	7 676	7 676
Other tangible assets				
Acquisition cost 1.1.	24	24	20	19
Increases 1.1.–31.12.	0	1	0	1
Decreases 1.1.–31.12.	0	0	0	0
Foreign exchange differences 1.1.–31.12.	0	0	0	0
Accumulated depreciation 1.1.	0	0	0	0
Depreciation 1.1.–31.12.	0	0	0	0
Book value 31.12.	24	24	20	20
Advance payments and construction in progress				
Acquisition cost 1.1.	3 366	929	2 752	929
Increases 1.1.–31.12.	1 850	4 410	1 368	3 796
Decreases 1.1.–31.12.	–4 877	–1 973	–3 943	–1 973
Foreign exchange differences 1.1.–31.12.	–79	0	0	0
Book value 31.12.	260	3 366	177	2 752
Tangible assets book value 31.12	26 169	30 215	16 087	18 080
Revaluations of fixed assets				
Buildings	3 145	3 145	2 186	2 186
Revaluations have been formed in Martela Oyj € 505 000 in 1977 and € 1 681 000 in 1988 and in P.O.Korhonen Oy € 959 000 in 1986.				
Shares, participations and loan receivables booked under long-term investments				
Group companies				
Shares			7 010	7 010
Capital Loan receivables			4 592	3 003
Total			11 602	10 013
Shares in associated companies	22	22	22	22

10. Inventories

Inventories are valued at the direct acquisition cost.

Notes to the financial statements

(1000 €)	Group 31.12.2002	31.12.2001	Parent company 31.12.2002	31.12.2001
11. Receivables				
Receivables from Group and associated companies				
Trade receivables from Group companies			4 257	5 444
Loan receivables from Group companies			4 608	4 181
Trade receivables				
Trade receivables falling due within 12 months	15 165	19 381	14 909	18 974
Trade receivables falling due after 12 months	1 125	1 268	0	0
Loan receivables				
Loan receivables fallin due within 12 months	46	57	3 075	4 191
Loan receivables falling due after 12 months	0	0	1 579	46
12. Shareholders' equity				
Share capital 1.1.	3 500	3 500	3 500	3 500
Increase in share capital	0	0	0	0
Share capital 31.12.	3 500	3 500	3 500	3 500
Share premium account 1.1.	4 616	4 616	4 616	4 616
Share premium account 31.12.	4 616	4 616	4 616	4 616
Own shares fund 1.1	363	25	363	25
Payment of own shares	358	338	358	338
Own shares fund 31.12	721	363	721	363
Reserve fund 1.1.	119	125	11	11
Transferred from retained earnings	0	0	0	0
Other change	2	-6	0	0
Reserve fund 31.12.	121	119	11	11
Retained earnings 1.1.	41 444	44 599	37 218	40 065
Foreign exchange differences and translation adjustments	14	–219	0	0
Payment of dividend	–2 472	–4 164	–2 472	–4 164
Payment of own shares	–358	–338	–358	–338
Increase in share capital	0	0	0	0
Retained earnings 31.12.	38 628	39 880	37 220	35 563
Profit for the year	–12 150	1 564	–5 405	4 487
Shareholders' equity	35 436	50 040	40 661	48 540
Appropriations 1.1.			3 864	3 905
Change in the income statement			–346	–41
Appropriations 31.12.			3 518	3 864
The appropriations of Martela Oyj are from accumulated depreciation difference.				
13. Deferred tax liability				
Accumulated depreciation difference	4 044	4 436		
29% of above	1 173	1 286		
Transferred to equity	2 871	3 150		
14. Creditors				
Debts falling due in five years or more				
Loans from financial institutions	986	1 603	336	673
Pension loans	838	1 539	706	1 413
Total	1 824	3 142	1 042	2 086

Notes to the financial statements

(1000 €)	Group 31.12.2002	31.12.2001	Parent company 31.12.2002	31.12.2001
Depts to Group and associated companies				
Trade payables to Group companies			526	524
Other short-term debts to Group companies			596	551
Accrued liabilities to Group companies			236	70
Current liabilities				
Non-interest bearing debts	14 396	15 369	8 141	9 916
Next year's repayments on long-term loans	7 010	4 259	6 315	3 595
Other interest-bearing debts	811	185	596	552
Total	22 218	19 813	15 052	14 062
Accrued liabilities and prepaid income				
Accrued liabilities, personnel expenses	1 970	3 033	1 787	2 795
Accrued liabilities, taxes	26	348	0	0
Other accrued liabilities and prepaid income	1 833	2 055	530	370
Total	3 829	5 436	2 317	3 165
15. Pledges granted and contingent liabilities				
Debts, mortgages given as securities				
Pension loans	4 370	5 071	4 238	4 944
Real estate mortgages	4 205	4 205	4 205	4 205
Corporate mortgages	224	220	0	0
Loans from financial institutions	15 434	10 275	11 744	6 458
Real estate mortgages	9 452	9 416	6 928	6 927
Corporate mortgages	6 028	6 145	2 859	3 027
Shares pledged	55	55	55	55
Securities total	19 964	20 041	14 047	14 214

Montgages to financial institutions include general securities of parent company's pension loans 4.4 (5.1) € million.

Other pledges				
Other pledges concerning rents	28	28	28	28
Securities granted for Group companies				
Real estate mortgages			1 160	1 160
Corporate mortgages			168	168
Securities for Group companies total			1 328	1 328
Guarantees for Group companies			3 682	3 795
On behalf of others				
Guarantees	80	113		
Leasing commitments				
Leasing commitments falling due within 12 months	911	797	639	614
Leasing commitments falling due after 12 months	697	766	492	611
Total	1 608	1 563	1 131	1 225
Repurchase sureties	308	298	305	296

Companies operate partly on rented offices based on long-term leasing contracts.

16. Shares and participations

Shares and participations 31.12 2002

Group companies

The Group's holding is 100%.The Group's share of voting rights is100%.

Notes to the financial statements

	Parent company's holding (%)	No of shares	Par value (e 1 000)	Book value (e 1 000)
Martela GmbH, Nürtingen, Germany	100	2	EUR 102.3	95
Martela AB, Bodafors, Sweden	100	50 000	SEK 5 000	550
Aski Inredningscenter AB, Malmö, Sweden	100	12 500	SEK 1 250	1 010
Martela AS, Oslo, Norway	100	200	NOK 200	24
Martela Plc, Milton Keynes, UK	100	500 000	GBP 500	0
Martela Holdings Ltd, Milton Keynes, UK	100	1 999 030	GBP 2029	1 762
Martela Plc, Milton Keynes, UK				
Ergonomic Workstations Ltd, UK				
Martela Properties Ltd, Milton Keynes, UK				
Kiinteistö Oy Oulun Kaarnatie 14, Oulu, Finland (real-estate company)	100	150	3	1 651
Kiinteistö Oy Ylähanka, Vantaa, Finland (real-estate company)	100	510	9	8
P. O. Korhonen Oy, Raisio, Finland	100	5 750	967	976
Martela Design Center Sp.z o.o., Warsaw, Poland	100	3 483 000	PLN 3 483	935
Total				**7 010**
Accociated companies				
Essa Office Systems AG, Switzerland	30	34	CHF 34	22
Rom for Design AS, Norge				
Total				**22**
Other shares and participations		33 850	57	721
Other shares and participations owned by the parent company				
As.Oy Kivipellonpolku (housing corporation)		287	1	21
As.Oy Kivipellonpiha (housing corporation)		2 590	1	30
As.Oy Rinnenummiharju I (housing corporation)		167	0	22
Elisa Communications Oyj		14 918	7	48
Technopolis Oulu Oyj		15 000	25	38
Nordea Ab		5 312	19	17
Kiinteistö Oy Turun Pitkämäki (real-estate company)		306	5	1 807
Other shares and participations				133
Total				**2 116**

Statistics on Martela Oyj Shares

Share capital

The paid-in share capital, which has been entered in the Trade Register, is € 3.500.000.
The Articles of Association stipulate that the maximum share capital is € 14 000 000 and the minimum share capital is € 3.500.000.
Martela Oyj's shares were transferred on the book-entry system on 10 February 1995.

Breakdown of share capital

	Number of shares	Total €	%	Number of votes	%
– Series K	302 400	509 250	15	6 048 000	77
– Series A	1 775 400	2 990 750	85	1 775 400	23
Total	**2 077 800**	**3 500 000**	**100**	**7 823 400**	**100**

Series A shares are quoted on the Helsinki Stock Exhange I list. In bookkeeping the counter value of one share is € 1.68.
Series K shares have 20 votes at the Annual General Meeting and Series A shares 1 vote. Both series have the same dividend rights.

Largest shareholders according to the Share Register as at 31 December 2002

	Series K, no	Series A, no	Total no	%	Votes no	%
ATK-Väline Oy	145 600	116 287	261 887	12.6	3 028 287	38.7
Ilmarinen Mutual Pension Insurance Company	0	146 200	146 200	7.0	146 200	1.9
Odin Norden	0	133 600	133 600	6.4	133 600	1.7
Palsanen Leena	34 243	65 574	99 817	4.8	750 434	9.6
Pohjola Indemnity Insurance Company	0	95 100	95 100	4.6	95 100	1.2
Sitra (the Finnish National Fund for Research and Development)	0	91 400	91 400	4.4	91 400	1.2
Martela Liisa decedent's estate	29 650	60 407	90 057	4.3	653 407	8.4
Martela Matti T.	29 128	43 991	73 119	3.5	626 551	8.0
Alfred Berg Finland equity fund		66 100	66 100	3.2	66 100	0.8
Alfred Berg Optimal equity fund		61 500	61 500	3.0	61 500	0.8
Other shareholders	63 779	895 241	959 020	46.2	2 170 821	27.7
Total	**302 400**	**1 775 400**	**2 077 800**	**100.0**	**7 823 400**	**100.0**

This list includes all the shareholders who own more than 5% of the shares or voting rights.
The members of the Board of Directors and the Managing Director own a total of 10.1% of the company's shares and 19.9% of the voting rights.

Breakdown of share ownership by number of shares held

Number of shares	Number of shareholders	%	Number of shares	%	Number of votes	%
1–500	503	78.8	65 906	3.2	88 136	1.1
501–1000	36	5.6	27 058	1.3	59 358	0.8
1001–5000	53	8.3	140 963	6.8	205 563	2.6
Over 5000	46	7.2	1 842 979	88.7	7 465 649	95.4
Total	**638**	**100.0**	**2 076 906**	**100.0**	**7 818 706**	**99.9**
Shares not converted into book-entries			894	0.0	4 694	0.1

Statistics on Martela Oyj Shares

Total	**2 077 800**	**100.0**	**7 823 400**	**100.0**

Breakdown of share ownership by sector as at 31 December 2002

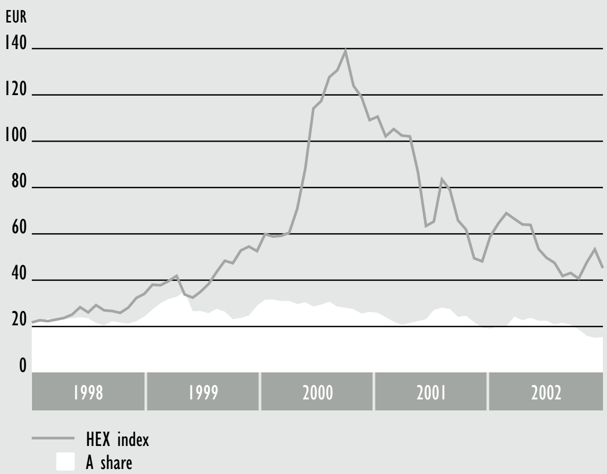
	Owners number	%	Shares number	%	Votes number	%
Private companies	48	7.5	419 135	20.2	3 185 535	40.7
Financial insitutions and insurance companies	12	1.9	432 384	20.8	432 384	5.5
Public sector entities	8	1.3	246 100	11.8	246 100	3.1
Non-profit entities	15	2.4	166 234	8.0	166 234	2.1
Households	552	86.7	620 553	29.9	3 595 953	46.0
Foreign investors	2	0.3	192 500	9.3	192 500	2.5
Nominee-registered shares	0	0.0	0	0.0	0	0.0
Total	**637**	**100.0**	**2 076 906**	**100.0**	**7 818 706**	**99.9**
Shares not converted into book-entries			894	0.0	4 694	0.1
Total	**637**	**100.0**	**2 077 800**	**100.0**	**7 823 400**	**100.0**

Share issue-adjusted indicators

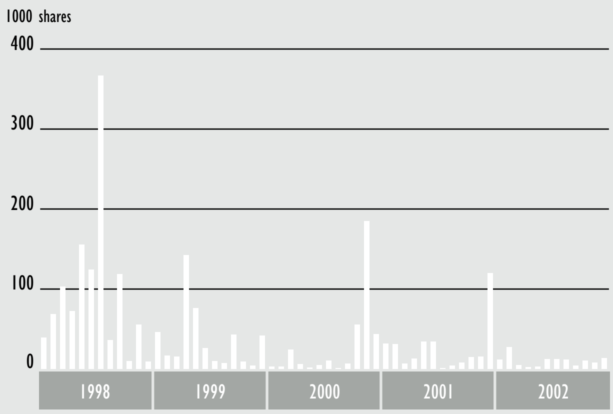
	2002	2001	2000	1999	1998
Earning / share, €	–5.8	0.8	5.4	4.4	4.2
Price / earnings multiple, P/E	–2.4	31.9	4.8	6.4	6.6
Share par value	1.7	1.7	1.7	1.7	1.7
Equity / share, €	17.3	24.0	25.4	21.6	18.1
Dividend / share, €	0.25*)	1.20	2.02	1.35	1.26
Dividend / earnings, %	–4.3	160.0	28.2	30.7	30.3
Effective dividend yield, %	1.8	5.0	5.8	4.8	4.6
Market value capitalization, € million **)	29.1	49.7	54.0	58.2	57.3
Share issue-adjusted number of shares (thousands)	2 077.8	2 077.8	2 077.8	2 077.8	2 077.8
Average issue-adjusted number of shares (thousands)	2 077.8	2 077.8	2 077.8	2 077.8	2 077.8
Series A share					
Lowest price, €	14.02	17.80	20.50	22.00	20.18
Highest price, €	26.00	29.75	31.80	33.00	39.52
Average price, €	20.36	22.29	22.18	27.35	29.20
Price at 31.12.	14.02	23.90	26.00	28.00	27.58
Turnover, €	2.4	7.0	7.6	11.9	33.8
Turnover, No. of shares, thousands	118.9	312.4	342.7	436.1	1157.9
Turnover as a percentage of shares outstanding, %	6.7	17.6	19.3	24.6	65.2

*) Proposal of the Board of Directors
**) The price of Series A shares has been used as the value of Series K shares.
The formulae for calculation of the indicators are given on page 37.

Series A share compared with the HEX index



Monthly trading value of series A shares



The Martela Group 1998–2002

FINANCIAL INDICATORS

		2002	2001	2000	1999	1998
Turnover	€ million	121.2	150.9	173.7	150.3	150.6
Change in turnover	%	–19.7	–13.2	15.6	–0.2	30.6
Exports and international operation	€ million	43.4	50.6	66.1	54.6	66.1
As a percentage of turnover	%	35.8	33.5	38.1	36.3	43.9
Export from Finland	€ million	13.7	15.4	18.2	14.6	18.5
Gross capital expenditure on fixed assets	€ million	3.1	7.0	6.6	7.0	6.1
As a percentage of turnover	%	2.6	4.6	3.8	4.7	4.1
Depreciation	€ million	7.9	5.5	5.1	4.4	3.9
Research and development expenses	€ million	3.1	2.2	1.9	1.6	1.5
As a percentage of turnover	%	2.6	1.5	1.1	1.1	1.0
Average personnel		930	1 040	1 046	994	942
Change in personnel	%	–10.6	–0.6	5.2	5.5	13.5
Personnel at year end		856	987	1 038	972	969
Of whom in Finland		621	689	738	695	696

PROFITABILITY

		2002	2001	2000	1999	1998
Operating profit	€ million	–11.7	4.1	15.7	13.1	13.2
As a percentage of turnover	%	–9.7	2.7	9.0	8.7	8.8
Profit before appropriations and taxes	€ million	–12.0	3.5	15.3	12.5	12.1
As a percentage of turnover	%	–9.9	2.3	8.8	8.3	8.0
Profit for the year *)	€ million	–12.2	1.6	11.1	9.1	8.6
As a percentage of turnover	%	–10.0	1.0	6.4	6.1	5.7
Turnover / employee	€ million	130.3	145.1	166.1	151.2	159.9
Return on equity	%	–27.9	3.1	22.8	22.1	25.1
Return on investment	%	–19.0	6.8	23.8	21.8	24.3

FINANCING AND FINANCIAL POSITION

		2002	2001	2000	1999	1998
Balance sheet total	€ million	72.0	82.2	91.7	83.7	79.2
Equity	€ million	35.4	50.0	52.9	44.9	37.6
Interest-bearing ne debt	€ million	10.1	5.9	5.8	9.1	12.4
As a percentage of turnover	%	8.3	3.9	3.4	6.0	8.1
Equity ratio	%	49.3	60.9	57.7	53.8	47.9
Cash flow from operations	%	28.3	11.8	11.1	20.2	32.9
Cash flow from operations	€ million	2.2	10.4	12.1	13.7	8.1
Dividend paid	€ million	2.5	4.2	2.8	2.6	1.7

*) Profit for the years 2002, 2001, 2000, 1999 and 1998 include changes in deferred tax liability.

Proposal of the Board of Directors for the distribution of profit

The consolidated distributable equity is EUR 23,607,626.81, after the deduction from the consolidated non-restricted equity of the item transferred from optional reserves and depreciation difference to shareholders' equity. The parent company's distributable equity is EUR 31,813,052.21, of which the loss for the financial year is EUR 5,404,531.42.

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

• distribution of a dividend of EUR 0.25 per share, totalling	EUR 510,987.50
• to be left in retained earnings	EUR 31,302,064.71

Helsinki, 24 February 2003

Pekka Martela Chairman of the Board	Matti T Martela	Heikki Martela Managing Director
Jaakko Palsanen	Heikki Ala-Ilkka	Jori Keckman
Hannu Kosonen		

The financial statements have been prepared in accordance with Finnish Generally Accepted Accounting Standards. We have today issued a report on the audit performed by us.

Helsinki, 25 February 2003

Reino Tikkanen
Authorized Public Accountant

Auditor's Report

To the Shareholders of Martela Oyj

I have audited the accounting records and the financial statements as well as the governance by the Board of Directors and the Managing Director of Martela Oyj for the period ended 31 December 2002. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of the Directors and the Managing Director. Based on my audit I express an opinion on these financial statements and the company ´s administration.

I have conducted my audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of my audit of the administration has been to examine that the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies Act.

In my opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statement in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial year audited by me. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies Act.

Helsinki, 25 February 2003
Reino Tikkanen
Authorized Public Accountant

Tangent table, design: Pekka Toivola.
Dot chair, design: Jukka Setälä.

Corporate Governance

Martela Oyj complies with the directives of the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers concerning the governance of publicly listed companies, as is recommended by the Helsinki Exchanges. The company also complies with the Guidelines for Insiders published by the above-mentioned organisations and approved by the Helsinki Exchanges.

Annual General Meeting and Board of Directors

The General Meeting is usually held only once a year and it is the company's supreme decision-making body. The Board of Directors, elected by the Annual General Meeting, is responsible for the management and proper arrangement of the operations of the company in compliance with the Companies Act and the Articles of Association. In accordance with the Articles of Association, the Board of Directors consists of no less than three and no more than nine members. There are no more than five deputy members. The Board of Directors elects from among its members a Chairman and Vice Chairman to serve until the end of the Annual General Meeting that follows their election. The Martela Oyj personnel are represented on the Board by one representative and one deputy, both of whom participate in the Board's meetings. The personnel elect their representative for a three-year period, and this choice must be confirmed annually by the Annual General Meeting.

Further information on the composition of the Board and the backgrounds of Board members can be found later in the Annual Report.

The Board determines the duties and areas of responsibility of members of the Board who are employed by the company.

The Board of Directors follows an agreed annual programme in which its meetings are generally focused on a particular theme, in addition to regular supervisory actions.

The Board met 11 times in 2002. On the agenda at these meetings were matters such as the annual and interim financial statements, the strategy and budget prepared by the company's management, key investments, and the action plans and operations of the business units and the Group processes.

The Board formed an internal panel to review earnings and, with Board approval, to determine the salaries and profit bonuses of the Managing Director, the Board members employed by the company and the members of the Group Management Team.

Board membership fees are not paid to those members employed by the company.

Managing Director

The Board appoints the Managing Director of Martela Oyj. 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. The retirement age for Martela Oyj's Managing Director has been set at 60 years.

Organisation

The Group is managed according to both its operational organisation and the legal Group structure. The Group is managed primarily through the operational structure. The Martela Group is divided into four business units according to the geographic locations of resources. These business units are Finland, Scandinavia and Europe, and the business unit Korhonen.

Savoy chair, design: Eero Aarnio.

In practice, Martela Oyj represents the business unit Finland, and 89% of its turnover is derived from the Finnish market. The unit's production plants are located at Nummela and Kitee. The unit's logistics centre, which manages production and deliveries, is located at Nummela.

The business unit Scandinavia comprises Martela AB, Aski Inredningscenter AB and Martela AS group companies, and is almost entirely focused on the Swedish, Norwegian and Danish markets. The unit's logistics centre is situated in Bodafors, Sweden.

Martela Group's business unit Europe comprises Martela subsidiaries in Poland, Germany and the UK. Martela's operations in Poland and the UK include working with local suppliers and furniture assembly.

P.O. Korhonen Oy, a company located in Raisio, Finland, operates as a separate business unit. The company sells products manufactured by the company or its subcontractors through Group sales channels as well as its own sales channels.

Business unit operations are co-ordinated by processes which are under Group management. They are product, marketing, production and logistics, and support functions. Managers are appointed to manage each business unit and Group process.

Group Management Team

The Board of Directors and the Managing Director appoint the members of the Group Management Team. The Managing Director of Martela Oyj acts as the Chairman of the Group Management Team. The other members are the profit responsible managers of the Finnish, Scandinavian and European business units, and the managers who are responsible for the Group's processes. The Group Management Team prepares and reviews strategies, budgets and investment proposals, and monitors the financial situation of the Group, business units, processes and subsidiaries. The Group Management Team also monitors the implementation of operational targets and plans. The Group Management Team meets once a month. Profit bonuses are paid to members of the Group Management Team based on the success of the Group and their own areas of responsibility. No compensation based on membership of the Board or a subsidiary is paid.

Auditors

The auditor of Martela Oyj is authorised public accountant, Oy KPMG Wideri Ab. The responsible auditor is Mr Reino Tikkanen, Authorised Public Accountant.

Formulae for the Calculation of Financial Indicators

$$\textbf{Earnings / share} = \frac{\text{Profit before extraordinary items} \pm \text{minority interest} - \text{taxes for the financial year}}{\text{Average share issue-adjusted nurmber of shares}}$$

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

$$\textbf{Equity / share, €} = \frac{\text{Equity}}{\text{Share issue-adjusted number of shares at year end}}$$

$$\textbf{Dividend / share, €} = \frac{\text{Dividends for the financial year}}{\text{Share issue-adjusted number of shares at year end}}$$

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

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

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

$$\textbf{Return on equity, \%} = \frac{\text{Profit before extraordinary items} - \text{taxes for the financial year}}{\text{Equity} + \text{minority interest (Average during the year)}} \times 100$$

$$\textbf{Return on investment, \%} = \frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial expenses}}{\text{Balance sheet total} - \text{non-interest bearing liabilities (Average during the year)}} \times 100$$

$$\textbf{Equity ratio, \%} = \frac{\text{Equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}} \times 100$$

$$\textbf{Gearing ratio, \%} = \frac{\text{Interest-bearing net debt}}{\text{Equity} + \text{minority interest}} \times 100$$

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

Martela Group's Board of Directors 2002

CHAIRMAN OF THE BOARD

Pekka Martela, born in 1950, M.Sc. (Econ)
Member of the Board of Martela Oyj since 1981, Vice Chairman of the Board 1994-2001, Chairman of the Board since 1 March 2002.
At Martela 1971-2001.
Managing Director: ATK-Väline Oy
Owns 24,753 series K shares and 22,120 series A shares of Martela Oyj.

VICE CHAIRMAN

Matti T. Martela, born in 1939, M.Sc. (Econ)
Member of the Board of Martela Oyj since 1965, Chairman of the Board 1986-2000.
At Martela 1961-1999. Managing Director of Martela Oyj 1976-1986.
Chairman of the Board: ATK-Väline Oy
Owns 29,128 series K shares and 58,291 series A shares of Martela Oyj.

BOARD MEMBERS

Heikki Ala-Ilkka, born in 1952, M.Sc. (Econ)
Member of the Board of Martela Oyj since 2002.
Finance Director: Onninen Oy
Chairman of the Board: A-Stock Oy
Member of the Board: Several subsidiaries of Onninen Group, Putkiliikkeiden Oy, The Finnish Medical Foundation
Deputy Member of the Board: Onninen AB
Member of the Supervisory Board: Several subsidiaries of Onninen Group
Owns 100 series A shares of Martela Oyj.

Jori Keckman, born in 1961, M.Sc. (Econ)
Member of the Board of Martela Oyj since 2000.
Divisional Director of Amica Companies
Managing Director: Amica Food AB
Member of the Board: Lundia Oy
Chairman of the Board: Amica Restaurants Ltd, Amica AB
Does not own any shares of Martela Oyj.

Hannu Kosonen, born in 1961, Organisation & Methods Officer
Deputy of Personnel Representative and Member of the Board of Martela Oyj 1999-2001.
Personnel Representative and Member of the Board of Martela Oyj since 2002. At Martela since 1980, Liaison Person since 1994.
Does not own any shares of Martela Oyj.

Heikki Martela, born in 1956, M.Sc. (Econ), MBA
Member of the Board of Martela Oyj since 1986, Managing Director of Martela Oyj since1 March 2002. At Martela since 1993; Managing Director of Martela AB and Aski Inredningscenter AB 1993-1999, responsible for Business Unit Scandinavia 1998-2000 and for the Group's product development 1998-2001.
Member of the Board: ATK-Väline Oy
Owns 16,178 series K shares and 24,479 series A shares of Martela Oyj.

Jaakko Palsanen, born in 1944, M.Sc. (Eng.)
Member of the Board of Martela Oyj since 1993, Vice Chairman since 2002.
Vice President, Business Development: UPM-Kymmene Corporation
Member of the Board: Oy Finnish Peroxides Ab
Owns 2,000 series K shares and 17,084 series A shares of Martela Oyj.

DEPUTY OF PERSONNEL REPRESENTATIVE

Matti Lindström, born in 1948, Assembler / Quality controller, Chief Shop Steward
Personnel representative and Member of the Board of Martela Oyj 1993-1996, Deputy of Personnel Representative and Member of the Board of Martela Oyj since 2002.
At Martela since 1966.
Does not own any shares of Martela Oyj.

SECRETARY OF THE BOARD

Torsten Hästö, see Management Team

Management Team of Martela Group 2002

Heikki Martela see Board of Directors
Areas of responsibility: Operational management of Martela Group.
Management of Business Unit Finland.
Managing Director of Martela Oyj.
Owns 16,178 series K shares and 24,479 series A shares of Martela Oyj.

Patrik Fundin, born in 1964, B.Sc. MBA, Director
Areas of responsibility: Management of Business Unit Scandinavia.
Managing Director of Martela AB and Aski Inredningscenter AB.
At Martela since 2002.
Does not own any shares of Martela Oyj.

Panu Ala-Nikkola, born in 1965, M. Sc. (Econ)
Marketing and Product Director.
Areas of responsibility: Marketing, product process and product development activities of the Group.
At Martela since 2001.
Does not own any shares of Martela Oyj.

Torsten Hästö, born in 1948, M. Sc. (Econ)
Administration Director.
Areas of responsibility: Finance and Administration, Personnel and IT Administration.
At Martela since 1993.
Owns 300 series A shares of Martela Oyj.

Juha Ihalainen, born in 1946, M.Sc. (Econ), Director
Areas of responsibility: Management of Business Unit Europe.
Managing Director of Martela Design Center, SP.z o.o. since 1 February 2001.
At Martela since 1981.
Does not own any shares of Martela Oyj.

Ilkka Koskimies, born in 1955, M.Sc. (Econ)
Marketing Director (Finland)
Areas of responsibility: Sales and Marketing in Finland
At Martela since 1990.
Does not own any shares of Martela Oyj.

Jaakko Luhtasela, born in 1954, M.Sc. (Eng.)
Production and Logistics Director.
Areas of responsibility: Production and logistics activities of the Group, Production and logistics of Martela Oyj.
At Martela since 1985.
Does not own any shares of Martela Oyj.

The Martela Group's Board of Directors (from the left):
Jori Keckman, Heikki Martela, Hannu Kosonen, Jaakko Palsanen, Heikki Ala-Ilkka, Matti T. Martela and Pekka Martela.

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Opteam workstation and Pronto task chair.

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