
MARTELA
ANNUAL REPORT 2008

Martela in brief

Martela designs and supplies interior solutions for working environments and public spaces. Martela's objective is to offer its customers and partners the best service in the business and high-quality, ergonomic and innovative products. Fast deliveries and an efficient delivery network help Martela to attain its objective.

Martela is the largest company in its sector in Finland and one of the three largest in the Nordic countries. Martela also offers a wider range of services that support the maintenance and modification of interior solutions than anyone else. In Finland, Martela offers a comprehensive service that can cover the entire process of change from initial inventory and design to removal and maintenance.

Martela is a family company founded more than 60 years ago and its shares are quoted on the NASDAQ OMX Helsinki Ltd. The company has production facilities in Finland, Sweden and Poland. Our main markets include the regions around the Baltic Sea and Norway, the Netherlands, Ukraine, Hungary and Japan. In 2008, Martela Group's turnover was EUR 141,2 million and it employed an average of 681 employees.

EXCEED
Design Pekka Toivola & Iiro Viljanen
SOFTX
Design Julia Läufer & Marcus Keichel

The year in Brief

		2008	2007
Revenue	Meur	141,2	128,4
Growth in revenue	%	9,9	7,3
Operating profit	Meur	10,9	8,3
- as a percentage of revenue	%	7,7	6,4
Pre-tax profit	Meur	10,2	7,6
- as a percentage of revenue	%	7,2	5,9
Return on investment		25,2	19,6
Balance sheet, total	Meur	64,9	63,8
Equity ratio	%	52,2	46,7
Earning/share	eur	1,89	1,32
Equity/share	eur	8,47	7,22
Dividend/share	eur	0,60*	0,50
Capital expenditure	Meur	2,9	3,2
Average personnel		681	663

* Proposal of the Board of Directors

CLASH
Design Samuli Naamanka

Managing Director's Review

We have highlighted the following as our strategic targets: profitable growth across all market areas, improving the quality of everything we do, and evolving into a strong international design brand. During the year under review, we took focused steps towards these targets.

Profitable growth

In 2008, Martela's sales and profitability progressed in accordance with the company strategy. Our revenue increased by 9.9 per cent (7.3), and our operating profit excluding non-recurring items was 7.2 per cent (4.5).We were particularly successful in Finland and Eastern Europe. We increased our productivity, and we achieved this without increasing our total staff numbers substantially. The costs of subcontracted work rose significantly during the year, but we managed to compensate for this by way of productivity improvements and moderate price increases.

Along with our normal business in Finland, we carried out customer projects that were larger than any we had done before. During the year, there were a large number of new construction projects in Finland and Martela was chosen as the furniture partner for these projects. In many of these projects, our customers opted for a complete Martela solution, in which Martela takes care of not only the furniture deliveries but also the removal, recycling and other services required when customers make changes in their office environment.

The market situation was more challenging in Scandinavia. In 2007 we achieved 18 per cent growth, but demand started to decline during spring 2008. In terms of operations, the development in Scandinavian was favourable. We boosted our sales efficiency, customer service and logistics operations, and co-operation with architects.

In Poland and eastern parts of Central Europe, profitability improved and growth continued. Profitability measures included increasing the proportion of local subcontracting.

Early in the year we decided to establish a foothold in the Russian market, and our work to achieve this advanced as planned. The general market situation is also affecting our Russian operations, but we plan to continue with our developments in the market area in spite of this.

Continuous development in quality

Martela is known for its high-quality collection and products, but it also wants to be known by its customers as a high-quality partner and solutions provider. This requires continuous work to achieve quality throughout the organisation. To ensure common quality targets, Martela launched a quality criteria definition project in 2008, in which component-level quality criteria was defined and documented and corresponding inspection methods were created. Quality indicators and their targets were further specified, claim-making procedures were activated and there was closer co-operation in subcontracting.

Our high-quality operations involve taking our environmental responsibilities seriously. We aim to offer our customers environmentally sustainable products, services and working environments.

Developing an international design brand

Our collection is now stronger than it has ever been, and this boosts our

"Olli Mannermaa's Kilta conference chair is a veritable classic. The chair has been part of Martela's collection since 1955, and it was awarded with a gold medal at the Finnish general fair in the year it was launched. I have plenty of childhood memories of Kilta. Whenever I visited my father's workplace as a child I would spend my time spinning around on Kilta chairs. Today, Kilta chairs are in regular use in Martela's Management Team's meeting room. The Kilta chair combines classic design that has stood the test of time with excellent comfort."

Heikki Martela
Managing Director

competitiveness as a business premises furniture design brand. During the year we launched products from top designers at international fairs in Stockholm, Milan and Moscow. The products received positive feedback from designers and the trade press. For example, The Tree, Eero Aarnio's space divider, achieved good media visibility in the international press after its launch at the Milan fair.

Strongly positioned for 2009

We were successful in all our strategic target areas during the past year. Our operations become more efficient, the quality of our services improved, and we made a good start towards achieving the status of an international design brand.

The difficult economic climate will be a cause for concern in 2009, but it may also provide opportunities. The Martela Group is in a good position to tackle the more challenging market situation. Our collection is stronger than ever, and we have also been focusing on fields that, although new to us in the strict sense, are close to traditional forms of office furnishing, such as schools, elderly care facilities, auditoriums and the hotel and restaurant business.

Another reassuring fact is that our finances are stable. Our balance sheet is strong, our gearing is negative and our equity ratio exceeds 50 per cent. With such stable financial indicators, we are extremely well prepared for the current market situation.

I would like to thank all our customers and partners for their continued trust and excellent co-operation. I would also like to thank our shareholders for their confidence in us, and our personnel for their excellent team spirit, for creating a pleasant working environment and for their determined work in pursuit of our strategic targets. We are well prepared for the years to come!

Martela Head Office, February 2009

Heikki Martela
Managing Director

Market leader's growth comes from complete solutions

The objective of Martela's sales is to offer customers functional, high-quality, complete solutions for working environments and public spaces. Martela wants to maintain its position as the market leader in its field, also in terms of customer satisfaction and cost efficiency.

Martela is the market leader in its focus areas, which are complete solutions, made up of a combination of services and furniture, for offices, elderly care facilities and schools and their surroundings. In line with its targets Martela is on a growth path, also when it comes to surroundings solutions for the hotel and restaurant business.

The Business Unit employed an average of 295 people (299).

"Martela's complete solutions are effective and high-quality solutions for customers' working environment needs. A pleasant working environment has a significant impact on work productivity. Office furniture is only one of the solutions for the working environment. When Martela's services are combined with furniture solutions, the customer will be provided with the best possible working environment, even in the future."

Panu Ala-Nikkola
Director, Business Unit Finland

Finland-wide operations

Martela has an extensive sales and service network which covers the whole of Finland. There are a total of 24 service locations in Finland, 9 of which are Martela's while the rest are entrepreneur-driven Martela centres.

Customer solutions are implemented by sales and customer services and the Nummela logistics centre in accordance with the defined quality process. The production of customer solutions has been integrated between sales and customer service and the Nummela logistics centre. Needs are determined with the customer, and then defined and communicated to the logistics centre, which manages service production and product assembly, and the logistics of ready products that supplement the complete solution.

Product assembly has been automated, and is based on the sourcing of components, on assembly carried out by Martela and deliveries that meet quality criteria. Production control is based on customer orders, which means that there is no need for any wide-scale warehousing. The production of services is based on the company's core competence developed over six decades and the management of the dealer network.

Development targeted to quality and productivity

In 2008, development focused mainly on improving quality and productivity. Investments were made in production machinery and technology to produce customer solutions, for example. Substantial training investments were made in service production, sales and the customer service organisation, and the management of these functions was developed to better serve the various sectors.

Martela provides complete solutions for change

Martela's office furniture collection is one of the most extensive and high quality collections in the business. The production of services for office environments also meets the highest quality requirements and complies with the ISO 9001 quality standard. This makes up Martela's complete solution that supports any changes that customers need to make in their working environment.

Martela's complete solutions have been developed further by way of organic growth and by developing the management and administration of the dealer network. We are able to offer customers high-quality and extensive complete solutions to prevent changes in the working environment from negatively affecting operating efficiency. Other focus areas in the development of complete solutions are quality and ease of procurement.

Martela’s complete solutions cover office design, survey and inventory of the existing office, recycling that meets environmental norms, removal services, maintenance services and the Martela rental service, which enables flexible furniture replacements to cater for changing customer needs.

Geographical segment Finland (meur)	2008	2007	Change %
Revenue	103,2	85,5	20,7
Segments assets	58,3	52,3	
Investments	2,5	2,1	
Average personnel (person)	520	518	0,4

Kidex Oy in 2008

Kidex Oy's business idea is to be a contract manufacturer of board-based furniture components such as cabinet and pedestal components and tabletops.

The subsidiary's customers include Martela Group companies and also furniture manufacturers, especially producers of kitchen and shop furniture, which are not part of the Martela Group. Sales to customers outside the Group amounted 18 per cent (24) of the total sales figure in 2008.

During the year under review, the company increased the added value of its veneered products by investing in a veneering and surface-finishing line. These functions were transferred from Martela's Nummela plant to Kidex in spring 2008. The management of fluctuation in production capacity demand was also improved. This was another significant development project and it consisted of adopting a flexi-time system and introducing the use of hired labour.

It is the company's objective to be an active contract manufacturer for all Martela Group companies and to grow with them and also through the customer segments outside the Group.

In 2008, the company employed an average of 87 people (84).

P.O. Korhonen Oy in 2008

P.O. Korhonen Oy is Martela's contract manufacturer for specific chairs. The company is a flexible manufacturer of chair applications and of new form-pressed wooden chairs in the initial stage of their life-cycle. It is also responsible for carrying out and developing the auditorium business.

Its customers are Martela Group companies and external customers, most of which are in the auditorium segment.

The company invested in improving quality and efficiency by acquiring a CNC machining centre, for example. Substantial investments were also made in improving the upholstering and pressed veneer skills of the staff.

In 2008, the company employed an average of 58 people (57).

Scandinavian operations via dealer network

Business Unit Sweden and Norway constitutes Martela's second largest market area. Sales in Sweden and Norway are handled through approximately 70 dealers. In addition, Martela has its own sales and showroom facilities at three locations; Stockholm, Bodafors in Sweden and Oslo in Norway. The Business Unit's logistics centre and order handling are also located in Bodafors. In Norway, the marketing company located in Oslo operates as a support organisation for the Norwegian sales network. Sales to the Danish market are handled via the local importer, the responsibility for this operation lies within Martela's Business Unit International, based in Helsinki.

The Business Unit employed an average of 71 people (71).

Special attention to quality and awareness

During 2008, the focus was on further developing operations and on improving efficiency in production and logistics. The quality of deliveries was assessed on a weekly basis and the targets set for 2008 were achieved. The success of the dealer network operation is assessed through regular interviews with dealers. The aim is to ensure that through the dealer network the quality of deliveries meets the criteria set by the company, and in 2008 considerable improvements were made.

Efforts were made to strengthen the company's market position throughout the market area, and to boost awareness of the Martela brand. Resources were also devoted to widening the cooperation with architects, for instance through systematic and regular contacts.

Geographical segment Skandinavia (meur)	2008	2007	Change %
Revenue	20,5	26,6	-22,8
Segments assets	5,8	8,2	
Investments	0,2	0,8	
Average personnel (person)	71	71	0,0

"Martela's White Concept creates a harmonious and modern office environment. It was developed on the basis of customer needs, and both the dealer network and architectural firms have been delighted with it. I think it creates a restful atmosphere, which is why we use it in our own office environment. "

Anders Olsson
Director, Business Unit Sweden and Norway

Significant position in Polish market

Martela has achieved a significant position in the Polish market. Sales are via the sales network maintained by Martela's Business Unit Poland. The sales centers are located in Warsaw, Wrocław, Katowice, Gdańsk, Poznań, Kraków and Łódź. The principal export destinations from Poland are Ukraine, Hungary, the Czech Republic and Slovakia, in each of which sales are handled by established dealers. Business Unit Poland is based in Warsaw, where it has its logistics and administration and also two thirds of its personnel.

The Business Unit employed an average of 90 people (74).

The Warsaw logistics centre deals not only with logistics management but also production control for the region and product assembly. Efforts have been made to increase the amount of local assembly work and subcontracting during the financial year. This will allow an improvement in cost-efficiency and service provision in the region.

Efficiency and sales growth targeted

During the financial year, the focus has been on improving the operating efficiency within the organisation. This has been sought through measures such as establishing more effective processes for sales and customer service. Improving the efficiency of operations will enable sales to grow faster than the growth in the organisation itself.

Efforts to enhance sales processes were continued. More efficient use was made of the system for customer relationship management, allowing improved administration and management of customer accounts.

Cooperation with architects was also extended, with meetings being set up with almost a thousand architects in the region, at which Martela's latest products and complete solution concept were presented.

Geographical segment Poland and other areas (meur)	2008	2007	Change %
Revenue	17,5	16,4	6,7
Segments assets	4,8	6,8	
Investments	0,3	0,3	
Average personnel (person)	90	74	21,6

"The Pinta desk is my favourite product because of its versatility. With the selection of different legs available for the desk, it's easy to introduce a bit of variation to the look of the office. The desk is designed by Pekka Toivola and Iiro Viljanen, and it's electrically adjustable, allowing users to work in a way that keeps them active and enhances their wellbeing. It gives you an ergonomically designed workstation, and the easy adjustment means it is always at the correct height, whatever you are doing. We use the Pinta desk in our office, as the office also functions as a showroom for our customers, and we want to display as many different options as possible for ergonomic and comfortable workstation use."

Piotr Fic
Director, Business Unit Poland

International operations

The International Business Unit's main export markets are Russia, Estonia and other Baltic countries, the Netherlands, Germany and Japan. The Business Unit is also responsible for sales to Denmark.

On all markets sales are organised through authorised local importers who sell products and services to end-customers. The importer network is made up of more than 15 dealers in over 15 countries.

The International Business Unit had an average of 12 (12) employees in 2008. The Unit is also responsible for managing the Group's international key customer relationships and administration of the associated contracts.

Creating international growth

During 2008, operations were focused mainly on Russia, Estonia and Denmark. In these areas we concentrated in particular on the management of the operations of importer organisations, the integration of these operations into Martela's sales, marketing and delivery chain and the development of logistics. Cooperation and interaction with architects was also increased.

Companies were set up in Russia during the year. These companies will be responsible for the import of the Martela collection and the required customs declarations and logistics, for creating the Martela brand and for sales, both direct and those made through the network of dealers, in the market area. The first contracts for this network of dealers have already been drawn up.

On our other markets we concentrated on supporting existing dealers. We have sought growth through more effective management of the network and keeping close contacts with the dealers, among other things. We have used the Surroundings collection to find new export markets.

The Business Unit has also focused on supporting international key accounts. New logistics solutions have been developed to serve key accounts even more efficiently.

"The U-Turn sofa has a fantastic and welcoming design. It's like it actually invites you over to sit down. The sofa looks friendly and it never turns anyone away. Even though there is space for many on the sofa, it is slim and elegant and provides those seated with their own personal space. The sofa is also very comfortable. Another reason why it is my favourite product is because it looks good in many different places, such as offices, hotel lobby areas and cafes."

Veli-Matti Savo
Director, Business Unit International

Office - workstation furniture

The Product Line Office is responsible for the development, marketing, maintenance and collection management of the Group's workstation furniture. Workstation furniture comprises desks and chairs, storage furniture, space dividers and special solutions for workstations, such as the Zephyr workstation which purifies the air and Acu workstation loudspeaker for open plan offices.

The aim of the Product Line is to develop workstation furniture to meet the new challenges in the workstation environment which are, among other things, to increase productivity in workstations and offices. Product development for workstation furniture is primarily focused on ergonomics, quality and compatibility, and product design.

The share of open plan offices is increasing in interior design solutions, both in new office projects and when companies move. For this reason, our product design focuses on space dividers and their acoustic features, task chairs and electrically adjustable and multi-use desks.

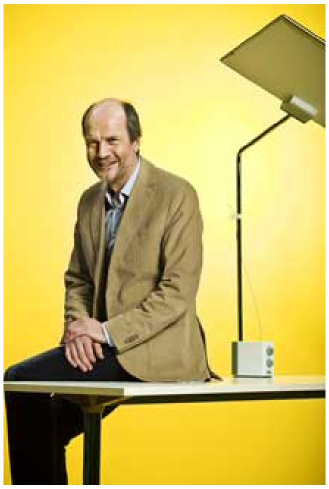
Significant launches

The most significant launches during 2008 were the launch of the James task chair, the updated Pinta workstation series which is now more versatile and easier to adjust, and the conversion of the Acu workstation loudspeaker from a concept product to a tested industrial product.

The Acu workstation loudspeaker was well received on the market and its marketing for more demanding open plan office solutions will continue during 2009. Other significant product launches were the MyBox desk and the Book shelf concept which were presented at the beginning of the year at the International Stockholm Furniture Fair.

The aim is the further development of the Group's core products, principally through Martela's own design. Innovation and quality forms the basis of product design for workstation furniture, and this ensures the long life of the products and their compatibility with the lifecycle approach and ecological development.

During the period under review investments were made into product development in the Product Line, and also into tools for sales and calculation of tenders, and the compatibility of production information systems. Product development for new products to be launched in 2009 was also a focus. The adaptability of office premises, the transition to open plan offices and the mobility of personnel set new challenges for functional and durable workstation solutions. Martela is preparing to meet these challenges with new product development projects.



"The Acu loudspeaker is a product solution of the future that meets the challenges set by open plan offices and the globalising business environment. The product is a Martela innovation and we have discovered how to industrially develop the loudspeaker and incorporate it into workstation solutions. The product is our own design. The loudspeaker enables users to adjust the background noise level in an open plan office, reduce the amount of distracting noise at the workstation and make the working environment more pleasant. Together with experts we have also developed other practical solutions such as a hands free solution for the telephone, or a way to hold video conferences at the workstation without disturbing anyone else. I have the product installed at my own workstation and there is no end to the ideas for how to extend the products area of use."

Ilkka Koskimies
Director, Product Line Office

Surroundings – furniture for public spaces

The Product Line Surroundings is responsible for the surroundings collection and its development, marketing and maintenance. The collection includes furniture for lobbies, brainstorming rooms, conference rooms and auditoriums schools, hotels, restaurants and elderly care facilities.

The Product Line develops the collections for surroundings and social spaces so that they meet the needs of customers and the changing working methods of the future.

Nordic countries are forerunners in the use of office premises compared with the rest of Europe. The trend is for personal workstations to get smaller and other public and social spaces to get larger. Spaces that are in common use will be focused on more and more. This will set new challenges for office design. Martela has been developing the surroundings collection to better meet the changing needs of workspace and the new ways of working.

Significant launches

In 2008 the major product launches in the surroundings collection were Eero Aarnio's The Tree space divider, Geir Sætveit's Skybar chair for lobbies, Rane Vaskivuori's Movie sofa and Samuli Naamanka's Clash lobby chair.

The new products were all successfully launched at international fairs. A particularly successful launch was the 'Under The Tree' fair concept in Milan. Martela received considerable international publicity with Eero Aarnio's The Tree space divider. The product development and cooperation with Eero Aarnio and other top designers will continue.

The aim is to continue focusing on the management and development of the international collection. The starting point in the development of new products is that they must make the working environment more pleasant and add a human touch to office spaces. The collection must meet the needs of different customer segments in various office premises and the sub-areas of work satisfaction and ergonomics.

"The Tree is a versatile office space divider. It creates a pleasant and positive atmosphere. It is my favourite Martela product because of its first-class design and also because I have followed its journey from polystyrene model to internationally successful product. The Tree is environmentally friendly and recyclable. The Tree takes up a relatively small amount of room but has a positive impact on the open space.

Petteri Kolinen
Director, Product Line Surroundings

Marketing highlights in 2008

THE TREE
Design Eero Aarnio

International fairs

The stand at the International Stockholm Furniture Fair in February was built around the theme of Iiro Viljanen's Mybox concept. The Book shelf / space divider / bench designed by Pekka Toivola was also presented as another interesting concept. Customer reactions to both concepts were gauged, and the varied and multipurpose characteristics of each product received plenty of positive feedback. Geir Sætveit's Skybar chair and the Rane Vaskivuori's Movie chair were introduced as new products in the Surroundings product line.

Martela's theme at the popular Milan Furniture Fair was 'Under the Tree'. The name was taken from the space divider, The Tree, designed by Professor Eero Aarnio. Martela also presented a number of other interesting new products, such as a lobby chair in the Clash range. A veritable classic was also presented – namely the Kilta chair designed by Olli Mannermaa – which has featured in Martela's collection since 1955.

A large number of Martela's latest products were presented at the Mebel Fair in Moscow in November. Pekka Toivola's Big cabinet was presented for the first time, as was the screen in the Spot product range, designed in cooperation by Pekka Toivola and Iiro Viljanen. Both of these new products will be included in the Martela collection as of the beginning of 2009.

Active marketing for designers

Martela carried out active marketing in all its domestic markets when it arranged various occasions, events and exhibitions for designers.

The new products introduced at the Stockholm and Milan fairs were presented at an event for designers that was held in Finland in the spring. The Casual Martela exhibition presenting new ideas for laid back solutions for the working environment was held at Martela House during Helsinki Design Week. In the exhibition, organised by students from the University of Art and Design Helsinki, visitors had the opportunity to take a coffee break in a canvas canoe and test out a chair with a structure based on honeycomb.

In Sweden White Concept launch events were arranged in cooperation with dealers. In Poland almost 1,000 designers participated in our events with the themes, timeless industrial design, flexible and practical interior design and the Martela overall design concept. In Estonia the Martela Design Event was organised in conjunction with the Tallinn Design Night and in Denmark designer events were held with the theme of acoustics.

Brand updated

A project to update the Martela brand and visual character was launched in 2008.The aim of this project is to strengthen and unify the brand image. The results of the project will be seen during 2009.

Durable and environmentally friendly quality

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 the safety and high quality of work environments, and whose production harms the environment as little as possible.

Martela makes use of the ISO 9001:2000 standard for operations and the ISO 14001:2004 standard for environmental management. The aim of the company’s environmental management programmes is to reduce the environmental load of Martela’s products throughout their life cycle, and to increase the re-use and recycling of materials. Martela has paid particular attention to the recycling and potential re-use of discarded furniture by offering recycling services to customers.

Det Norske Veritas conducts regular audits in different units on behalf of customers to ensure Martela Corporation's compliance with the ISO 9001 and ISO 14001 standards in quality and environmental management. A more thorough re-assessment of the operational system, carried out every three years, was carried out in 2008. In conjunction with the re-assessment, Kidex Oy’s operational system was removed from the operational system common with Martela Corporation and made into a separate system. The regular annual assessment was carried out at P.O. Korhonen Oy. The regular assessment was carried out in two phases as usual at Martela Ab. The certification of Martela Ab’s operating system meets the needs of the ISO 9001 standard.

In 2009 the aim of quality management is to construct an operational system at the Martela subsidiary in Poland and to incorporate ISO 14001 standard requirements into the operational system at Martela Ab. The environmental management objective is to harmonise the environmental indicators and monitoring procedures used at the various units.

PINTA ES
Design Pekka Toivola & Iiro Viljanen
SPOT
Design Pekka Toivola & Iiro Viljanen
JAMES
Design Iiro Viljanen

Personnel

Martela Group's Human Resources uses strategies, procedures and practices associated with personnel to ensure that there is the right number of motivated, committed, healthy and skilled personnel to meet the company's targets. Human Resources provide services to the entire personnel. Human Resources management is carried out together with supervisors responsible for day-to-day management.

Personnel have a significant role at the Martela Group. Motivated, committed and skilled people are the key to our success. The most important sub-area of the 2008 personnel strategy was developing Martela into the best workplace for the top professionals in the field. Another aim was to increase the motivation of service professionals and their commitment to the Group, and to boost the productivity, quality and meaningfulness of work.

"The Fly Me lobby chair is a very interesting product. It is a beautiful and exceptional design, and it is interesting to look at from every angle. The chair is very inviting – you just want to test it out! The chair is ideal for stylish homes and it also creates a positive and energized atmosphere in lobbies and waiting rooms. Fly Me uplifts my thoughts and raises my feet off the ground. It takes me out of the everyday!"

Sirpa Ontronen
Human Resources Director

Development projects in Finland

Good performance and quality are based on good managerial skills and competent employees. The employee training that was launched in 2007 was continued during the year under review. A pilot advanced training course for employees was organised to develop employee skills, and employee skills were also dealt with in production and sales training. We continued to focus on the work of supervisors and the assessment of this work. Around ten managers took part in the special vocational management programme (JET). A course on challenging management situations was also arranged for supervisors. The first participants of a business management training course started in the autumn, and the aim is to send members of Martela's management to participate in this course every year. A dozen or so employees, mainly from service production, took part in the vocational programme for communications and logistics (ViLoPa). The training programme was concluded during 2008.

A flexible working hour system was taken into use at the Nummela logistics centre during 2008 to ensure productivity and efficiency. The system balances out the workload in situations where there is too much or too little work, and allows flexibility in the allocation of working hours for both employees and the employer.

At Kidex our aim has been to improve productivity and to allocate resources appropriately in order to ensure profitability. A flexible working hour system and the use of hired labour were introduced to support this.

The partial transfer of auditorium chair production to P.O. Korhonen's plant and the manufacturing of new products has meant that employees currently require increasing skills and competence, which is why vocational training was a focus area at the company in 2008. The development of productivity was a key project, as was the development of employee interaction and Continuous Improvement (CI) activities.

Development projects at international units

The production improvement project progressed in Sweden and Norway and work carried out by self-guided teams was developed. Sales management and the development of work satisfaction and supervisor skills were also focused on. A new model for incentive schemes for production employees was created during the year under review. The model will be taken into use during 2009.

Business in Poland has grown significantly during recent years and so has the number of personnel. Therefore improving the efficiency and modelling of

HR processes were focused on in particular during 2008. The performance-based programme was continued in Poland. An extensive training programme that was based on the sales handbook was carried out in sales teams.

Corporate governance

COMBO
Design Iiro Viljanen

Martela Corporation is a Finnish limited liability company that is governed in its decision-making and management by Finnish legislation, especially the Finnish Limited Liability Companies Act, by other regulations concerning public listed companies, and by its Articles of Association. The company complies with the Guidelines for Insiders of NASDAQ OMX Helsinki and the Corporate Governance Recommendation for Listed Companies issued by NASDAQ OMX Helsinki, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers, which came into force on 1 July 2004.

Organisation

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

- Finland
- Sweden and Norway
- Poland and its neighbouring areas
- Other export markets

In Finland and Poland, sales are carried out primarily through regional direct sales organisations. In Finland, direct sales are supported by entrepreneur-driven Martela Centres which promote Martela products and services exclusively. These centres are closely integrated with Martela's operations.

In Sweden and Norway, sales are organised through a dealer network. Local importers are primarily used in the other export markets.

The market-area-specific organisations are co-ordinated by Group-level processes. They are:

- Office Business Unit: workstation product development and collection management
- Surroundings Business Unit: product development and collection management for surroundings, schools, auditoriums and other public premises
- Production and logistics: production management principles, technology, Group procurement, quality and the environment, P.O. Korhonen Oy and Kidex Oy manufacturing plants in Raisio and Kitee
- Personnel: personnel development, personnel satisfaction surveys, recruitment support
- Financial administration and IT: Group financial planning and reporting, Group IT solutions

Manufacturing takes place on an order-driven basis. Management of the supply chain and product assembly have been concentrated in the company's logistics centres in Finland, Sweden and Poland. These logistics centres are part of the operational organisations of their respective areas. The logistics centres rely on an extensive network of subcontractors when carrying out their acquisitions. The components and products needed by the centres are also produced at Group plants in Kitee and Raisio.

Kidex Oy is a contract manufacturer of wood-based components and roughly a fifth of its production goes to customers outside the Group. P.O. Korhonen manufactures form-pressed wooden furniture for public spaces and auditorium furniture.

Annual General Meeting

The General Meeting is the company's supreme decision-making body. The Annual General Meeting must be held within six months of the end of the financial year. Martela has two share series ('K shares' and 'A shares'), with each K share entitling its holder to 20 votes at a General Meeting and each A share entitling its holder to one vote.

Board of Directors

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 Limited Liability Companies Act and the Articles of Association. In accordance with the Articles of Association, the Board of Directors consists of no less than five and no more than nine members. There may be no more than two deputy members. The Board of Directors elects from among its members a Chairman and Vice Chairman to serve until the end of the Annual General Meeting that follows their election. More information on the composition of the Board and the background information of Board members can be found under Corporate Governance/Board of Directors. The Board has adopted a Charter which defines the duties of the Board, its meeting practice, the matters to be dealt with at meetings, the Board's goals for its activities, a self-evaluation of these activities, and the Board's committees.

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

- Group strategies and the strategies of its business units and processes
- Group structure
- financial statements, interim financial statements and interim reports
- Group action plans, budgets and investments
- Business expansions or reductions, acquisitions and divestments
- Risk management policy and principles of internal control
- finance
- appointment and discharge of the Managing Director
- composition of the Group Management Team
- the management's bonus and incentive plans
- approval and regular review of corporate governance
- appointment of committees and their reporting

The Board convened ten times in the financial year. The average attendance of Board members was 92 per cent.

The Board reviews its own activities annually. The members of the Board submit their evaluations of the Board's activities during the preceding year to the Chairman of the Board and a summary of the evaluations is discussed at a Board meeting.

The Board has evaluated the independence of its members and determined that Heikki Ala-Ilkka, Tapio Hakakari and Jori Keckman are independent of the company. In this respect the Board diverges from section 17 of the Corporate Governance Recommendation, under which the majority of Board members must be independent of the company. Of the company's largest shareholders, Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman are independent members of the Board.

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

- deciding the salaries and bonuses of the Managing Director and the Group Management Team's members
- drafting the criteria of the key-personnel incentive plan for the Board
- drafting the general principles of the bonus and incentive plans for the Group's entire staff for the Board

In 2008, the Board's Compensation Committee comprised Heikki Ala-Ilkka, Jaakko Palsanen and Tapio Hakakari. The Committee met five times in 2008.

Managing Director

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

Group Management Team

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

Financial reporting in the Group

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

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

Auditing

The auditing of Group companies is carried out in accordance with the valid laws in each country and each company's articles of association. The principally responsible auditor of the parent company co-ordinates the auditing of the Group's subsidiaries together with the Group's Managing Director and Finance Director. The auditors of Martela Corporation and the Group are the authorised public accountants KPMG, with Mr Reino Tikkanen, Authorised Public Accountant, as the principally responsible auditor. All the auditors of the Group's companies are in the KPMG chain. In 2008, a total of EUR 117,000 (103,000) was paid for the Group's auditing, while EUR 20,000 (41,000) was paid for other services.

Internal control and risk management

Internal control is the responsibility of the Board of Directors and the executive management. The objective of internal control is to ensure the efficiency and profitability of operations, the reliability of information, compliance with regulations and operating principles, and the application of appropriate internal control procedures. The Board of Directors and the executive management carry out this control by means of the reporting system described above and by conducting regular inspections. The forming of a separate internal audit function has not been deemed appropriate. The audit plans of the company's auditors take into account the fact that the company has no internal audit, and extend the audit to include the functioning of the internal control system.

Martela's Board of Directors has confirmed the principles of risk management. The purpose of risk management is to identify, monitor and manage risks that could pose a threat to business and to the achievement of business objectives. Risk management is an integral part of normal business and management.

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

Management compensation, benefits and incentive plans

The fees paid to the Chairman and to the members of the Board in 2008 totalled EUR 29,000 and EUR 57,000 thousand, respectively. However, no fees are paid to Board members employed by the company.

The total salaries and other benefits paid to Martela Corporation's Managing Director in 2008 were EUR 296,000 (224,000). In addition, EUR 52,000 (20,000) was paid as bonuses and share-based incentives. The Managing Director is entitled to retire on a full pension at the age of 60. The period of notice of termination of contract is six months for both the Managing Director and the company. If the company gives notice of termination of contract, the Managing Director is entitled to one-off compensation equivalent to 18 months' salary.

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

The Managing Director, Group management and certain key persons participate in a long-term share-based incentive plan. The plan offers

Martela's A shares when the targets set for the specified earnings period are attained. The earnings periods are the calendar years 2007, 2008 and 2009. Any reward paid on the basis of the share reward system will be paid after the end of a period as a combination of shares and cash. The maximum bonus for the whole system is 153,000 Martela Corporation A shares and an amount of cash that will cover taxes and similar charges, estimated at approximately the value of the shares to be paid. The attainment of the targets set for an earnings period determines the percentage of the maximum bonus to be paid to a key person. In 2008, key persons received 38,884 Martela Corporation A shares (earning period 2007). See the notes to the financial statements for information on the share-based incentive plan's effect on the result for the year.

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

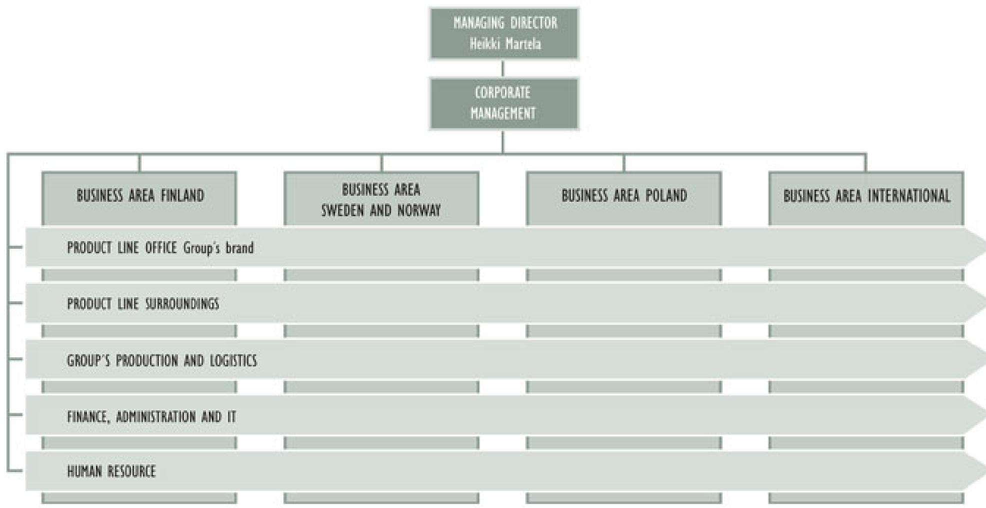
Insider administration

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

The following are considered as insiders subject to disclosure requirements: the members of the Board of Directors, the Managing Director, the auditor, and the members of the Group's management team. Company-specific permanent insiders are people working in supervisory or expert duties in the Group, who require regular access to information regarding the financial situation and outlook of the Group and its business units in order to carry out their duties. Project-specific insider registers can be drawn up if necessary.

Martela Corporation has joined the SIRE system maintained by Finnish Central Securities Depository Ltd and up-to-date information on the holdings of the insiders subject to the disclosure requirement is available on the Martela website.

Organisation of Martela Group



Martela Group's Board of Directors

CHAIRMAN OF THE BOARD
Heikki Ala-Ilkka, born in 1952, M.Sc. (Econ)
Chairman of the Board of Martela Oyj since 2003, Member of the Board since2002.
Chief Financial Officer of Onninen Oy since 1996.
Other key duties: Board member of Design Combus Oy.
Owns 12 000 Martela Oyj A shares

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

Tapio Hakakari, born in 1953, LL.M.
Member of the Board of Martela Oyj since 2003.
Other key duties: Member of the Boards of Cargotec Corporation, Etteplan Oy, Havator Oy and Suomen Autoteollisuus Oy, and Chairman of the Boards of Esperi Care Oy and Enfo Oyj.
Owns 25,200 Martela Oyj A shares.

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

Heikki Martela, born in 1956, M.Sc. (Econ), MBA
Member of the Board of Martela Oyj since 1986.
Managing Director of Martela Oyj since 2002.
Other key duties: Member of the Board of Marfort Oy
Owns 111 328 Martela Oyj A shares and 52 122 Martela Oyj K shares.

Jaakko Palsanen, born in 1944, M.Sc. (Eng.)
Member of the Board of Martela Oyj since 1993.
Other key duties: Member of the Board of Coloured Wood Products Oy
Owns 83,868 Martela Oyj A shares and 1 600 Martela Oyj K shares.

SECRETARY OF THE BOARD
Danielsson Mats, information can be found under Management Team of Martela Group.

Management Team of Martela Group

Martela Heikki, born in 1956, M.Sc. (Econ), MBA
Managing Director
Area of responsibility: Managing Director of Martela Oyj
At Martela since 1993.
Member of the Board of Martela Oyj since 1986, Chairman of the Board 2000-2002, Managing Director of Martela Oyj since 2002.
Working experience: Oy Crawford Door Ab, Sales Director, 1987-1993.
Other key duties: Member of the Board of Marfort Oy
Owns 111 328 Martela Oyj A shares and 52 122 Martela Oyj K shares.

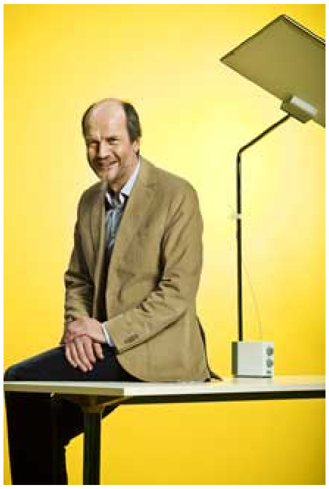
Ala-Nikkola Panu, born in 1965, M. Sc. (Econ)
Director, Business Unit Finland
Area of resposibility: Sales, production and logistics in Finland.
At Martela since 2001.
Working experience: Huhtamäki Oyj, positions in sales, marketing and general management 1990-2001.
Other key duties: Board member of Aina Group Oyj
Owns 6 796 Martela Oyj A shares.

Danielsson Mats, born in 1969, M. Sc (Econ)
Finance Director (CFO)
Area of responsibility: Group financial administration and IT
At Martela since 2007.
Working experience: Axfood Ab (Stockholm),
Group Business Controller 2001-2007.
Owns 2 000 Martela Oyj A shares.

Fic Piotr, born in 1968, M.Sc (Pharm)
Director, Business Unit Poland
Area of resposibility: Sales, production and logistics in Poland and its neighbouring areas.
At Martela since 2005.
Woring experience: Polpharma, Business Unit Head OTC, 2004-2005.
Owns 2 547 Martela Oyj A shares.

Kolinen Petteri, born in 1963, M. A. (Design Leadership)
Design Director, Brand & Product Portfolio
Area of responsibility: Group Product Portfolio and the Martela Brand.
At Martela since 2007.
Working experience: Nokia Design, Design Manager 1993–1998,
Senior Design Manager 1998–2007.
Owns no Martela Oyj shares.

Koskimies Ilkka, born in 1955, M.Sc. (Econ)
Director, Product Development and Marketing
Area of responsibility: Product Development and Marketing.
At Martela since 1990 (excluding year 1999).
Working experience: Suomen 3M Oy, Health Care Products, Marketing Manager 1983-1989.
Aarne Laaksonen Oy, Commercial Director, 1999.
Owns 2 547 Martela Oyj A shares.



Luhtasela Jaakko, born in 1954, M.Sc. (Eng.)
Production and Logistics Director.
Area of responsibility: Group production, logistics and purchasing
At Martela since 1985.
Working experience: Oy Wärtsilä Ab, Nuutajärvi Glassworks, Development Manager 1981-1985.
Owns 2 547 Martela Oyj A shares.

Olsson Anders, born in 1965, B. SC. (Eng.)
Director, Business Unit Sweden and Norway
Area of resposibility: Sales, production and logistics in Sweden and Norway
At Martela since 2007.
Working experience: IBS Sweden,
Sales and Marketing Director, 2005-2007.
Owns no Martela Oyj shares.

Ontronen Sirpa, born in 1961, M.Sc. (Psych.)
HR Director
Area of responsibility: Group HR matters
At Martela since 2002.
Working experience: Sonera Oyj, HR Manager, 2000-2002.
Owns 2 747 Martela Oyj A shares.

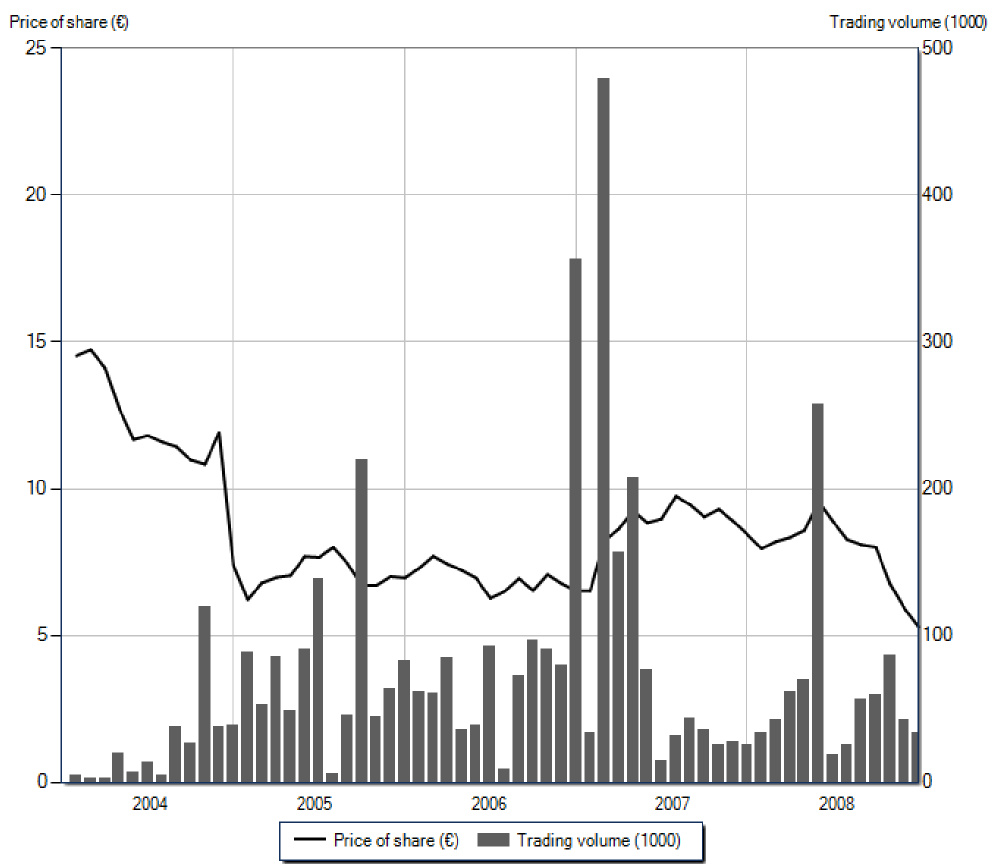
Savo Veli-Matti, born in 1964, B.Sc.(Eng.)
Director, Business Unit International
Area of responsibility: Sales to other European countries, Russia, Japan and other markets.
At Martela since 2002.
Working experience: Paroc Oy Ab, different managerial positions in international trade in Europe and Asia, 1988-1997 and 1999-2002.
Other key duties: Board member of AR-Linja Oy.
Owns 2 547 Martela Oyj A shares.

Share

In January-December, a total of 787,491 (1,159,509) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 22.2 per cent (32.7) of the total number of series A shares. The higher trading figure in 2007 was due partly to the acquisition in the first quarter of shares by Evli Alexander Management Oy for the three-year share-based incentive system. A total of 143,166 shares were acquired for EUR 1.2 million.

The value of trading was EUR 6.5 million (10.0), and the share price was EUR 8.35 at the beginning and EUR 5.29 at the end of the year. During January-December the share price was EUR 10.05 at its highest and EUR 5.10 at its lowest. At the end of December, equity per share was EUR 8.47 (7.22).

On 23 May 2008, Nordea Investment Fund Company Finland Ltd announced that its holding in Martela Corporation fell to 0.57 per cent following a share transaction made on 22 May 2008.



Contact information

GROUP COMPANIES

FINLAND **Martela Oyj, head office** Takkatie 1 PL 44 FI-00371 Helsinki tel.int. + 358 (0) 10 345 50 fax int. +358 (0) 10 345 5744 www.martela.fi	SWEDEN **Martela AB** Brogatan Box 7 SE-571 06 Bodafors tel.int. +46 (0) 380 37 19 00 fax int. +46 (0) 380 37 08 32 www.martela.se
P.O.Korhonen Oy Tuotekatu 13, FI-21200 Raisio tel.int. +358 (0) 10 345 7100 fax int. +358 (0) 10 345 7150 www.po-korhonen.fi	NORWAY **Martela AS** Drammensveien 120 N-0277 Oslo tel.int +47 23 28 38 50 fax int. +47 23 28 38 51 www.martela.no
Kidex Oy Savikontie 25 FI-82500 Kitee tel.int. +358 (0) 10 345 7211 fax int. +358 (0) 10 345 7244 www.kidex.fi	POLAND **Martela Sp. z o.o.** Ul.Redutowa 25 PL-01-106 Warsaw tel.int. +48 (22) 837 09 95 fax int. +48 (22) 836 76 23 www.martela.pl

Information for shareholders

MENU
Design Stefan Lindfors

Annual General Meeting

The Annual General Meeting of Martela Oyj will be held on Tuesday, 17 March 2009, starting at 3 p.m. at Takkatie 1, 00370 Helsinki. The names of shareholders wishing to attend the meeting should be entered in the shareholder register at the Finnish Central Securities Depository Ltd no later than 6 March 2009, and the shareholders should register with Johanna Suhonen at the Company's head office, tel. +358 (0)10 345 5301, johanna.suhonen@martela.fi, or by post to Martela Oyj, PL 44, FI-00371 Helsinki, no later than 4.30 p.m. on 12 March 2009.

Payment of dividends

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share is to be distributed for the year ended 31 December 2008. Only shareholders registered in the shareholder register maintained at the Finnish Central Securities Depository Ltd on the record date for dividend payment, 20 March 2009, will be entitled to the dividend proposed by the Board. Dividend payments will be made on 27 March 2009.

Publication of financial information

Martela will publish three interim reports in 2009:

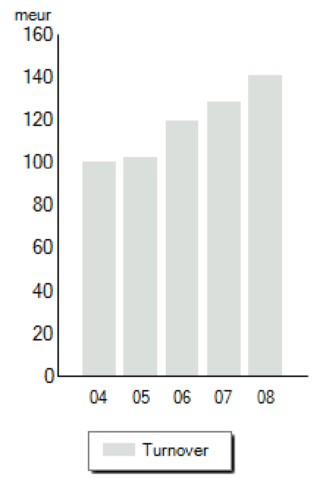
January–March	(Q1) on 29 April 2009
January-June	(Q2) on 5 August 2009
January-September	(Q3) on 21 October 2009

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

Stock exchange releases will be published on the Martela Group's website immediately following publication. All stock exchange releases published during a financial year are available on the website in chronological order.

Board of Directors´ Report

Consolidated revenue for January-December was EUR 141.2 million, an increase of 9.9 per cent on the previous year's figure (EUR 128.4 million). Operating profit was EUR 10.9 million (8.3), including EUR 0.7 million (2.5) in gains from the sale of assets. The equity ratio was 52.2 per cent (46.7) and gearing was -11.0 per cent (16.0).



Market situation

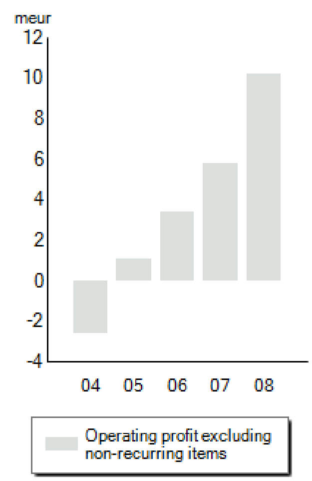
The demand for office furniture continued to be good during the year. There were fewer new starts in office construction in 2008 than in the previous year, and also fewer building permits were granted.

Group structure

There were no changes in Group structure during 2008, and this was also the case in 2007.

Segment reporting

Martela has a single primary segment, namely the furnishing of offices and public spaces. The revenue and result are as recorded in the consolidated financial statements. The Group's secondary reporting segment is its customers by geographical location.



Revenue

Revenue for January-December rose to EUR 141.2 million (128.4), a year-on-year increase of 9.9 per cent. Significant contributors to this revenue growth were the various major projects carried out during the year. Revenue growth was particularly strong in the Finnish market.

The revenue trend in Scandinavia was not according to plan in 2008, decreasing by 19.7 per cent on the previous year's figure.

Consolidated result

The full-year result showed a good improvement, and operating profit totalled EUR 10.9 million (8.3). The result includes EUR 0.7 million (2.5) in non-recurring income from the sale of assets. The sales profit made in the first half of the year was from the sale of land in Poland. Operating profit excluding non-recurring items totalled EUR 10.2 million (5.8). Profit development has been positive in Finland and in Poland and its neighbouring areas in 2008. In Scandinavia, the decrease in revenue has adversely affected profit development.

Profit before taxes rose to EUR 10.2 million (7.6), and profit after taxes was EUR 7.5 million (5.4).

Operating profit excluding non-recurring items was 7.2 per cent of revenue (4.5).

Financial standing

The Group's financial standing strengthened further. Interest-bearing liabilities at the end of the financial year amounted to EUR 10.9 million (14.4) and net liabilities were EUR -3.7 million (4.7). The gearing ratio at the end of the year was -11.0 per cent (16.0), and the equity ratio was 52.2 per cent (46.7). Net financial expenses were EUR -0.7 million (-0.7).

The cash flow from operating activities in January-December was EUR 11.8 million (9.9).

During the year, the company decided to launch a project to reduce the amount of working capital, and we expect the project to produce results principally during 2009.

The end-of-year balance sheet total was EUR 64.9 million (63.8).

Capital expenditure

The Group's gross capital expenditure for January-December was EUR 2.9 million (3.2) and mainly concerned production replacements and IT investments. Of the capital expenditure for the comparison period in 2007, EUR 0.7 million was attributable to the ownership rearrangement at the Bodafors plant, as a result of which the long-term lease liability for the part leased back by Martela was activated in the consolidated balance sheet in accordance with the IFRS rules.

Personnel

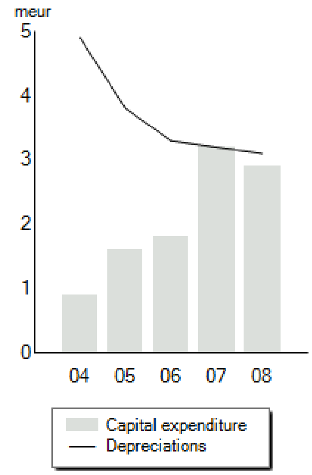
The Group employed an average of 681 (663) persons, representing an increase of 2.7 per cent.

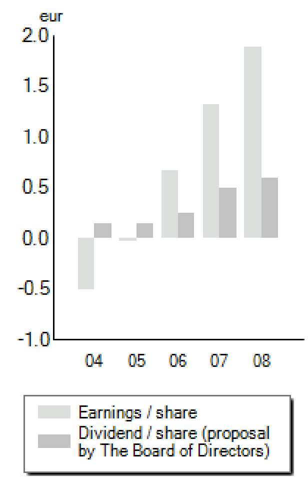
Product development and collection

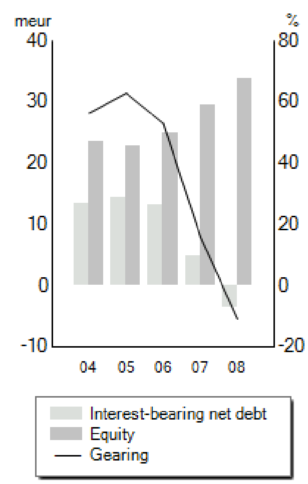
Product development and management of the collection are the responsibility of two Group-level organisations: the Office product line, which is responsible for workstation furniture, and the Surroundings product line, which is responsible for surroundings and other public-space furniture.

Product development expenses accounted for 2.3 (2.4) per cent of revenue.

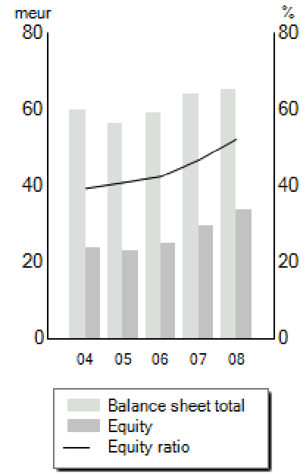
At the Stockholm Furniture Fair in February, Martela exhibited new products representing both product lines, as well as two fascinating new concepts. The exhibited pieces of workstation furniture were the James task chair designed by Iiro Viljanen and the Pinta ES, the newest member of the Pinta range, by Pekka Toivola and Iiro Viljanen. New surroundings furniture displayed for the first time comprised the Skybar chair designed by Geir Sætveit and the Movie sofa by Rane Vaskivuori. The concepts we exhibited at Stockholm were well received. In particular, the Mybox desk designed by Iiro Viljanen and the Pekka Toivola's Book shelf/space divider generated welcome discussion and considerable interest.







At the Milan Furniture Fair in April, Martela set up its own exhibition on the theme ‘under THE Tree’. The name is from the space divider The Tree, designed by Professor Eero Aarnio.



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 the safety and high quality of work environments, and whose production harms the environment as little as possible.
Martela makes use of the ISO 9001:2000 standard for operations and the ISO 14001:2004 standard for environmental management. The aim of the company’s environmental management programmes is to reduce the environmental load of Martela’s products throughout their life cycle, and to increase the re-use and recycling of materials. Martela has paid particular attention to the recycling and potential re-use of discarded furniture by offering recycling services to customers.

Share

In January-December, a total of 787,491 (1,159,509) of the company’s series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 22.2 per cent (32.7) of the total number of series A shares. The higher trading figure in 2007 was due partly to the acquisition in the first quarter of shares by Evli Alexander Management Oy for the three-year share-based incentive system. A total of 143,166 shares were acquired for EUR 1.2 million.
The value of trading was EUR 6.5 million (10.0), and the share price was EUR 8.35 at the beginning and EUR 5.29 at the end of the year. During January-December the share price was EUR 10.05 at its highest and EUR 5.10 at its lowest. At the end of December, equity per share was EUR 8.47 (7.22).

On 23 May 2008, Nordea Investment Fund Company Finland Ltd announced that its holding in Martela Corporation fell to 0.57 per cent following a share transaction made on 22 May 2008.

Shareholder agreements

Private owners of K shares have a valid shareholder agreement that restricts the sale of the series' shares to other than existing holders of K shares.

Treasury shares

Martela did not purchase any of its own shares for the treasury in 2008. On 31 December 2008, Martela owned a total of 67,700 of its own series A shares, purchased at an average price of EUR 10.65. Martela’s holding of treasury shares amounts to 1.6 per cent of all shares and 0.4 per cent of all votes.

Acquisition of shares for the share reward system and the management of that system have been outsourced to an external service provider, Evli Alexander Management Oy. The shares are the property of Evli Alexander Management Oy until they are transferred to Martela’s key personnel under the incentive system. Notwithstanding this legal formality, the shares are presented in the 2008 financial statements under equity, as if Martela had acquired its own shares. In 2007, they were treated as loan receivables from Evli Alexander Management Oy. On 31 December 2008, 104,282 shares under the incentive system were still undistributed.

2008 Annual General Meeting

The Annual General Meeting, held on 1 April 2008, adopted the financial statements and discharged those responsible for the accounts from further liability. The AGM decided, in accordance with the Board of Directors' proposal, to distribute a dividend of EUR 0.50 per share, totalling EUR 2,043,950. Heikki Ala-Ilkka, Tapio Hakakari, Heikki Martela, Pekka Martela, Jori Keckman and Jaakko Palsanen were elected as members of the Board of Directors for the next term. KPMG Oy Ab, Authorised Public Accountants, was elected as the company’s auditor.

The AGM also approved the Board of Directors’ proposals, detailed in the meeting notice, for authorising the Board to acquire and/or dispose of the company’s own shares.

Furthermore, the AGM decided, in accordance with the Board of Directors’ proposal, to amend the company’s Articles of Association pursuant to the new Limited Liability Companies Act, which entered into force on 1 September 2006.

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

Post-balance sheet events

Martela has begun codetermination talks in order to adjust the parent company's factory and office employee resources in line with the lower level of demand. The reductions would be implemented as temporary lay-offs and redundancies affecting the entire personnel. The number of redundancies is estimated to total about 30 people. The need for lay-offs and redundancies is due to the general economic uncertainty, which has increased significantly.

Short-term risks

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

Outlook for 2009

The general economic uncertainty has increased significantly and will affect the company's performance in 2009. Revenue will be down on the previous year's figure, and operating profit will also be lower than in 2008. During 2009, the company will re-examine its cost structure and improve the efficiency of its operations.

Helsinki, 11 February 2009

Martela Oyj
Board of Directors

Change in invoicing and percentage of consolidated invoicing

meur	1-12 2008	1-12 2007	Change	Percentage	1-12 2007	Percentage
Finland	104,1	85,8	21,3 %	73,2 %	85,8	66,7 %
Scandinavia	20,6	26,4	-21,9 %	14,5 %	26,4	20,5 %
Poland and surrounding areas	12,3	11,1	10,4 %	8,6 %	11,1	8,6 %
Other areas	5,2	5,4	-1,0 %	3,7 %	5,4	4,2 %
Total	142,2	128,7	10,6 %	100,0 %	128,7	100,0 %

Average staff by region

	1-12/08	1-12/07	Change
Finland	520	518	2
Scandinavia	71	71	0
Poland	90	74	16
Group total	681	663	18

Consolidated Income Statement

(EUR 1,000)	Note	1.1.-31.12.2008	1.1.-31.12.2007
Revenue	1	141 153	128 445
Other operating income	2	1 422	3 023
Changes in inventories of finished goods and work in progress		-952	466
Raw material and consumables used		-65 657	-63 136
Production for own use		80	42
Employee benefits expenses	3	-31 452	-28 723
Depreciation and impairment	4	-3 115	-3 231
Other operating expenses	5	-30 626	-28 608
Operating profit(-loss)		10 854	8 278
Financial income	7	319	165
Financial expenses	7	-970	-891
Profit (-loss) before taxes		10 202	7 552
Income taxes	8	-2 665	-2 165
Profit (-loss) for the financial year		7 537	5 387
Attributable to:			
Equity holders of the parent		7 537	5 387
Minority interest		0	0
Earnings per share for the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	1,89	1,32
Diluted earnings/share, EUR	9	1,89	1,32

Consolidated Cash Flow Statement

(EUR 1,000)	1.1.-31.12.2008	1.1.-31.12.2007
Cash flows from operating activities		
Cash flow from sales	138 477	130 833
Cash flow from other operating income	687	550
Payments on operating costs	-124 654	-121 090
Net cash from operating activities before financial items and taxes	14 510	10 294
Interest paid	-844	-842
Interest received	268	82
Other financial items	-60	-21
Dividends received	0	1
Taxes paid	-2 116	382
Net cash from operating activities (A)	11 758	9 895
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-2 205	-2 256
Proceeds from sale of shares in subsidiaries	0	2 150
Proceeds from sale of tangible and intangible assets	1 489	2 028
Loans granted	0	-1 193
Repayments on loan receivables	22	11
Net cash used in investing activities (B)	-694	740
Cash flows from financing activities		
Proceeds from short-term loans	129	976
Repayments of short-term loans	-795	-1 704
Repayments of long-term loans	-3 365	-3 108
Dividends paid and other profit distribution	-1 972	-1 022
Net cash used in financing activities (C)	-6 003	-4 858
Change in cash and cash equivalents	5 061	5 778
Cash and cash equivalents at beginning of year 1)	9 691	3 911
Translation differences	-132	2
Cash and cash equivalents at end of year 1)	14 620	9 691

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

Consolidated balance sheet

(EUR 1,000)	Note	31.12.2008	31.12.2007
ASSETS			
Non-current assets			
Intangible assets	10	724	633
Tangible assets	11	13 461	14 151
Investments in associates	12	22	22
Available-for-sale financial assets	14,15	17	31
Investment properties	13	600	1 203
Receivables	14,16	0	623
Pension receivables	26	72	35
Deferred tax assets	17	304	240
Non-current assets, total		15 200	16 938
Current assets			
Inventories	18	10 825	13 635
Trade receivables	14,19	23 651	21 443
Loan receivables	14,19	0	25
Accrued income and prepaid expenses	14,19	596	2 064
Current tax receivable		5	4
Financial assets at fair value through profit and loss	14,20	1 038	2 004
Cash and cash equivalents	21	13 581	7 686
Current assets, total		49 696	46 861
Assets, total		64 895	63 800
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent	23		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Other reserves		117	117
Treasury shares*		-1 610	-721
Translation differences		-486	-129
Retained earnings		27 605	22 127
Equity, total		33 742	29 510
Non-current liabilities			
Deferred tax liabilities	17	1 403	1 553
Interest-bearing liabilities	14,25	8 024	10 453
Non-current liabilities, total		9 427	12 006
Current liabilities			
Interest-bearing			
Current portion of interest-bearing borrowings	14,25	2 740	3 831
Bank overdrafts	14,25	129	137
Interest-bearing current liabilities, total		2 869	3 969
Non-interest-bearing			
Advances received	14,27	246	545
Trade payables	14,27	6 997	7 718
Accrued liabilities and prepaid income	14,27	5 197	5 516
Current tax payable		1 319	556
Other current liabilities	14,27	5 099	3 980
Non-interest-bearing current liabilities, total		18 858	18 315
Liabilities, total		31 154	34 290
Equity and liabilities, total		64 895	63 800

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

Statement of changes in equity

(EUR 1,000)

Equity attributable to equity holders of the parent

	Share capital	Share premium account	Other reserves	Treasury shares	Translation diff.	Retained earnings	Equity, total
Equity 1.1.2007	7 000	1 116	117	-721	-129	17 542	24 925
Translation differences							0
Other change						153	153
Taxes on items recognised in equity or transferred from equity							0
Net income recognised directly in equity	0	0	0	0	0	153	153
Profit for the financial year						5 387	5 387
Total recognised income and expense for the financial year	0	0	0	0	0	5 540	5 540
Dividends						-1 022	-1 022
Share-based incentives	0	0				67	67
	0	0	0	0	0	4 585	4 585
Equity 31.12.2007	7 000	1 116	117	-721	-129	22 127	29 510
Cash flow hedging							0
Translation differences	0	0	0	0	-357	0	-357
Other change				-889		-325	-1 214
Taxes on items recognised in equity or transferred from equity							0
Net income recognised directly in equity	0	0	0	-889	-357	-325	-1 571
Profit for the financial year						7 537	7 537
Total recognised income and expense for the financial year	0	0	0	-889	-357	7 212	5 966
Dividends						-1 937	-1 937
Share-based incentives						203	203
	0	0	0	-889	-357	5 478	4 232
Equity 31.12.2008	7 000	1 116	117	-1 610	-486	27 605	33 742

Martela Group

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

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

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

Basis of preparation

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

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

Martela has applied the following new and amended standards and interpretations as from 1 January 2008:

- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*. The interpretation provides additional guidance for the accounting treatment of share-based payments in separate financial statements. IFRIC 11 has not had any impact on the consolidated financial statements. It has been endorsed for use in the EU.
- IFRIC 12 *Service Concession Arrangements*. Martela has no such agreements with the public sector caught by IFRIC 12, therefore the interpretation has no impact on the Group's financial statements. IFRIC 12 is still subject to endorsement by the EU.
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The interpretation deals with post-employment defined benefit plans and other long-term employee benefits (defined benefit plans) under IAS 19, provided that such a plan includes a minimum funding requirement. IFRIC 14 also clarifies the recognition criteria for assets related to the said plans. The interpretation has not had any material effect on the consolidated financial statements. IFRIC 14 has been endorsed for use in the EU.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets* (effective for on or after 1 July 2008). The amendments issued in October 2008 resulting from the international finance crisis allow an entity to reclassify certain financial assets in specific situations. During the financial year 2008 or at the balance sheet date Martela Group has not had such financial assets falling in the scope of these amendments for which Group would consider reclassification be necessary. Therefore the amendments have no impact on the Group's 2008 financial statements or on the future consolidated financial statements. The amendments have been endorsed for use in the EU.

Use of estimates

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

Principles of consolidation

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

Associates are companies in which the Group has significant influence. Significant influence occurs when Group controls more than 20 % of a company's voting power or when Group otherwise has significant influence but no control.

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

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

Items denominated in foreign currency

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

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

Government grants

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

Intangible assets

Research and development

Although research and development is active and continuous in the Group, individual development projects are of such a scope in relation to operations that the capitalisation criteria are not fulfilled. Research and development expenditure is recognised as an expense as incurred.

R&D-related equipment is capitalised in machinery and equipment.

Other intangible assets

Other intangible assets include software licences, patents and other corresponding rights. Patents, licences and other rights are measured at historical cost, less amortisation and any impairment.

The useful lives of intangible assets are as follows:

Licences	3 – 5	years
Patents and other corresponding rights	10	years

Tangible assets

Land, buildings, machinery and equipment constitute the majority of tangible assets. They are measured in the balance sheet at historical cost or deemed cost, less accumulated depreciation and any impairment. Under an exemption permitted by IFRS 1, buildings were remeasured at their fair values at the date of transition to IFRS, and those values were used as their deemed cost at that date.

When a part of an item of property, plant and equipment (accounted for as a separate asset) is renewed, the expenditure related to the new item is capitalised. Other expenditure arising later is capitalised only when future economic benefits will flow to the Group. Other expenditure for repairs or maintenance is recognised through income statement when it is incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. The estimated depreciation periods are as follows:

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

The residual values and useful lives of assets are reviewed in each financial statements and, if necessary, are adjusted to reflect changes in the expected future economic benefits.

Gains and losses from the sale or disposal of tangible assets are recognised in the income statement.

Investment properties

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

Impairment

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

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

Leases

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

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

Inventories

Inventories are measured at the lower of cost and net realisable value. The value of inventories is determined by the FIFO method and it includes all direct expenditure incurred by acquiring the inventories and also a part of the variable and fixed overhead costs of manufacture.

Employee benefits

Pension liabilities

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

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

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

Share-based payments

The Group has a single share-based incentive system in which payments are made in a combination of shares and cash. Share rewards are measured at fair value at the grant date and recognised as expenses over the vesting period. The vesting conditions are taken into account in the number of shares which are expected to vest by the end of the validity period. Measurements are adjusted at each date of reporting. The determination of the fair value of the reward takes place in two parts under IFRS 2: a part settled as shares and a part settled as cash. The part settled as shares is recognised under equity and the cash share under liabilities. The expense determined at the time of granting the share-based incentives is based on the Group’s estimate of the number of shares which are expected to vest by the end of the vesting period. The assumed vesting takes account of the maximum incentive, the assumed achievement of non-market based earnings targets and the reduction of persons. The Group updates the estimate of the final number of shares at each balance sheet date. Their impact on financial result is presented in the income statement under employment benefits expenses.

Provisions

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

Income taxes

The taxes recognised in the consolidated income statement include current tax, taxes for previous years and the change in deferred taxes.

Deferred tax assets and liabilities are recognised on temporary differences between the tax values and IFRS carrying values of assets and liabilities.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which it can be used.

The main temporary differences arise in Martela Oyj’s unused tax losses and in the measurement of buildings at fair value in accordance with the exemption permitted by the IFRS 1 transition standard.

Deferred taxes are calculated by using the tax rates enacted by the balance sheet date.

Revenue recognition principles

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

Revenue from the services rendered is recognised when the service has been performed.

Operating profit

Operating profit is the Group’s profit from operations before financial items and income taxes. Exchange rate differences in the measurement of trade receivables and payables are recognised as part of operating profit.

Financial assets

Group's financial assets are classified into the following groups: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose of acquiring the financial assets, and they are classified at the time of initial acquisition. All purchases and sales of financial assets are recognised on the date when the transaction was made.

Derivatives and investments in mutual fund units are classified as financial assets at fair value through profit or loss. Investments in mutual fund units are measured at fair value on the basis of published price quotations in an active market, and changes in the fair value are recognised in the income statement in the year in which they arise. Derivatives that do not meet the terms of IAS 39 hedge accounting are classified as being held for trading purposes. The fair values of derivatives are based on share market prices on the balance sheet date and changes in the fair values are recognized in the income statement for the period in which they arise.

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

Available-for-sale financial assets include various unlisted shares that are measured at cost in the financial statements, because their fair value cannot be reliably determined and the cost is deemed to be the best estimate of fair value. They are included in non-current assets.

Cash and cash equivalents comprise cash in hand, in banks and in demand bank deposits, as well as other current, very liquid investments.

Impairment of financial assets

On the balance sheet date, the Group assesses whether objective evidence exists of the impairment of an individual financial asset or a group of financial assets. Impairment will be recognised through the income statement.

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

Financial liabilities

Financial liabilities are initially recognised at fair value on the basis of the consideration received *and are subsequently measured at amortised cost*. Financial liabilities are included in current and non-current liabilities and they can be interest-bearing or non-interest-bearing. Bank overdrafts are included in current interest-bearing liabilities. *In addition to financial liabilities, this category includes trade payables and other liabilities. The basis for their measurement is the amortised cost.* Borrowing costs are recognised as an expense in the period in which they are incurred.

Share capital

Outstanding ordinary shares are shown as share capital. The share capital consists of K and A series shares. The shares of both series have identical dividend rights but K series shares confer 10 votes and A series shares 1 vote at general meetings of shareholders.
Expenses related to the issuance and acquisition of own equity instruments are presented as deductions from equity. If Martela Oyj buys back its own equity instruments, their cost is deducted from equity.

Dividends

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

Accounting policies requiring management's judgement and key sources of estimation uncertainty

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

New and amended standards and interpretations

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

Martela will adopt the following pronouncements in 2009:

- IAS 23 *Borrowing Costs* (revised 2007) (effective for financial periods beginning on or after 1 January 2009). The revised IAS 23 requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset in the cost of that asset. Martela has recognised borrowing costs as an expense in the period in which they were incurred following the previously allowed alternative treatment under IAS 23. Martela does not expect the adoption of the revised standard to have any material impact on the consolidated financial statements. The revised standard has been endorsed for use in the EU.

- IFRIC 13 *Customer Loyalty Programmes* (effective for financial periods beginning on or after 1 July 2008). IFRIC 13 will have no impact on the consolidated financial statements as Group has no such customer loyalty programmes caught by this interpretation. The interpretation has been endorsed for use in the EU.
- IFRS 8 *Operating Segments* (effective for financial periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 *Segment Reporting*. The adoption of IFRS 8 mainly affects the way segment information is presented in the notes to the consolidated financial statements. The standard has been endorsed for use in the EU.
- IAS 1 *Presentation of Financial Statements* (revised 2007) (effective for financial periods beginning on or after 1 January 2009). The revised standard mainly changes the presentation format of financial statements. Management does not consider the amendments to be significant for Martela. The revised standard has been endorsed for use in the EU.
- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* (effective for financial periods beginning on or after 1 January 2009). The amendment requires all non-vesting conditions be taken into account when determining the fair value of the equity instruments granted. The amendment also clarifies the accounting treatment of cancellations. It is not expected to have any significant impact on the consolidated financial statements. The amendment has been endorsed for use in the EU.
- Amendment to IAS 1 *Presentation of Financial Statements* and IAS 32 *Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for financial periods beginning on or after 1 January 2009). The amendments deal with certain puttable equity instruments and their classification as equity in specific situations. The adoption of the amended standards will have no effect on the consolidated financial statements since Martela has not used such instruments. The amendments have been endorsed for use in the EU.
- *Improvements to IFRSs (Annual Improvements 2007)* (mainly effective for financial periods beginning on or after 1 January 2009). The amendments deal with 34 standards. Under this procedure minor and non-urgent amendments are grouped together and carried out through a single document annually. Martela does not anticipate the amendments to have a significant effect on the consolidated financial statements. The amended standards have been endorsed for use in the EU.
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective for financial periods beginning on or after 1 January 2009). These amendments are not relevant for Martela as they only deal with first-time adopters of IFRSs. The amended standards have been endorsed for use in the EU.
- IFRIC 15 *Agreements for Construction of Real Estates* (effective for financial periods beginning on or after 1 January 2009). The interpretation clarifies whether IAS 18 *Revenue,* or IAS 11 *Construction Contracts*, should be applied when recognizing revenue from construction of real estates and when related revenue and expenses are to be recorded. Management does not expect the interpretation to have any impact on the Group's financial statements. IFRIC 15 is still subject to endorsement by the EU.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (effective for financial periods beginning on or after 1 October 2008). The interpretation provides guidance to the accounting treatment of the hedge of a net investment in a foreign operation. The Group does not expect IFRIC 16 to have a significant impact on the consolidated financial statements. The interpretation is still subject to endorsement by the EU.

Martela will adopt the following pronouncements in 2010:

- IFRS 3 *Business Combinations* (revised 2008) (effective for financial periods beginning on or after 1 July 2009). Significant amendments have been made to the standard. The amendments impact, among other things, the amount of goodwill to be recognised on business combinations and sales results of businesses. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest (previously called minority) in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs, such as experts' fees, will be expensed instead of capitalization in the cost of the business combination. Contingent consideration will be measured at fair value and subsequently re-measured through the income statement. Under the transitional provisions of the standard those business combinations where control is transferred prior to 1 July 2009 are not adjusted to comply with the new rules. The Group is assessing the impacts on the consolidated financial statements. The revised standard has not yet been endorsed by the EU.
- IAS 27 *Consolidated and Separate Financial Statements* (amended 2008) (effective for financial periods beginning on or after 1 July 2009). The amendments affect the accounting treatment of acquisitions and sales achieved in stages. If the parent company retains control, impacts from changes in ownership in a subsidiary are recognized directly in Group's equity. Such transactions carried out with non-controlling interest (minority) no longer result in goodwill or gains and losses to be recorded in the income statement. When control is lost, any remaining interest is measured at fair value through the income statement. A similar accounting treatment is also applied to investments in associates and interests in joint ventures. In future losses of a subsidiary may be allocated to non-controlling interest (minority) also when they exceed the value of the minority shareholders' investment. Martela is assessing the impacts on the Group's financial statements. The amended standard is still subject to endorsement by the EU.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement (Eligible Hedged Items)* (effective for financial periods beginning on or after 1 July 2009). The amendments relate to hedge accounting and deal with designation of a one-sided risk in a hedged item and designation of inflation in a financial hedged item. Martela does not expect the amendments to have significant impact on the consolidated financial statements. The amended standard is still subject to endorsement by the EU.
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (effective for financial periods beginning on or after 1 July 2009). The interpretation provides guidance how an entity should account for non-cash dividend distributed to owners. Management does not expect the interpretation to have a significant effect on the Group's financial statements. IFRIC 17 is still subject to endorsement by the EU.

1. Segment reporting

The group's business segment, i.e. the furnishing of offices and public spaces, is the primary reporting format. The group's geographical segments are the secondary reporting format. Revenue from the geographical segments is reported according to the location of customers, and assets are reported according to their location. The segments' assets include intangible and tangible assets, inventories and receivables excluding tax-related items and financial assets at fair value through profit and loss. Capital expenditure comprises increases in tangible fixed assets and intangible assets that are in use for more than one year.

The geographical segment is shown for three areas: Finland, Scandinavia, Other areas.

2008 (EUR 1,000)

Geographical segments	Finland	Scandinavia	Other areas	Elim.	Unallocated	Total
Revenue	103 161	20 501	17 491	0	0	141 153
Segment assets	58 290	5 784	4 779	-6 216	2 259	64 896
Capital expenditure	2 506	161	258	0	0	2 925

2007 (EUR 1,000)

Geographical segments	Finland	Scandinavia	Other areas	Elim.	Unallocated	Total
Revenue	85 503	26 551	16 391			128 445
Segment assets	52 337	8 197	6 791	-8 197	4 672	63 800
Capital expenditure	2 088	843	317	0	0	3 248

2. Other operating income

(EUR 1,000)	1.1.-31.12.2008	1.1.-31.12.2007
Gains on sale of tangible assets	736	2 473
Rental income	267	190
Public subsidies	51	139
Other income from operations	368	221
Total	1 422	3 023

In June 2007, the parent company Martela Oyj sold the entire stock of its subsidiary Kiinteistöyhtiö Oy Oulu Kaarnatie 14, a property company that is not part of its core business. The sale price was EUR 2,150 thousand and the Group recorded total gains of EUR 879 thousand from the sale. Martela has leased the property for its own use on a long-term lease, which has been classified as an operative lease.

In 2007, the subsidiary Martela Ab sold the plant facilities in Bodafors and leased a part of them back on a long-term basis. This lease is classified as a finance lease agreement. These sales generated gains of EUR 980 thousand, which were entered as consolidated capital gains.

3. Employee benefits expenses

	1.1.-31.12.2008	1.1.-31.12.2007
Salaries and wages	24 723	22 617
Pension expenses, defined contribution plans	3 589	3 642
Pension expenses, defined benefit plans	355	147
Part paid as shares	203	67
Part paid as cash	230	89
Other salary-related expenses	2 352	2 160
Personnel expenses in the income statement	31 452	28 723
Other fringe benefits	808	481
Total	32 260	29 203

A total of EUR 1069 thousand for 2008 and EUR 419 thousand for 2007 were recognised in the result from incentives and salary-related expenses associated with the incentive scheme. Salaries and fees and share-based payments made to management are presented in more detail under note 31 Related-party transactions.

	2 008	2 007
Personnel		
Average personnel, workers	340	341
Average personnel, officials	341	322
Personnel at year end	670	655
Average personnel in Finland	520	518
Average personnel in Sweden	67	67
Average personnel in Norway	4	4
Average personnel in Poland	90	74
Total	681	663

4. Depreciation and impairment

(EUR 1,000)	1.1.-31.12.2008	1.1.-31.12.2007
Depreciation		
Intangible assets	364	295
Tangible assets		
Buildings and structures	746	791
Machinery and equipment	1 519	1 812
Finance-leased machinery and buildings	486	334
Depreciation, total	3 115	3 231

5. Other operating expenses

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

Other operating expenses also include auditor's fees for auditing, EUR 117 thousand (EUR 103 thousand in 2007), for tax services EUR 12 thousand (EUR 4 thousand 2007) and for other services, EUR 8 thousand (EUR 37 thousand in 2007).

6. Research and development expenses

The income statement recognised research and development expenses of EUR 3,203,000 in 2008 (EUR 3,098,000 in 2007).

7. Financial income and expenses

(EUR 1,000)	1.1.-31.12.2008	1.1.-31.12.2007
Financial income		
Dividend income on other financial assets	0	1
Interest income on loans and othe receivables	304	82
Foreign exchange gain on loans and other receivables	0	21
Other financial income	0	0
Change in value of assets at fair value through profit and loss	15	61
Total	319	165
Financial expenses		
Interest expenses on interest-bearing loans	-817	-813
Foreign exchange losses on loans and other receivables	-81	-5
Changes in the value of interest rate derivatives - no hedge accounting	-29	15
Other financial expenses	-43	-87
Total	-970	-891
Financial income and expenses, total	-651	-726
Total exchange rate differences affecting profit or loss are as follows:		
Exchange rate differences, sales	-975	-98
Exchange rate differences, purchases	561	-21
Exchange rate difference, financial items	-81	16
Exchange rate differences, total	-495	-103

8. Income taxes

(EUR 1,000)	1.1.-31.12.2008	1.1.-31.12.2007
Current taxes	3 156	650
Taxes for previous years	-277	-399
Change in deferred tax liabilities and assets	-214	1 914
Total	2 665	2 165

Reconciliation between the income statement's tax expense and the income tax expense calculated using the Martela Group's domestic corporation tax rate 26% for 2008 (26% for 2007).

Profit before taxes	10 202	7 552
Taxes calculated using the domestic corporation tax rate	2 653	1 964
Taxes for previous years	-254	-305
Effect of tax rates in foreign jurisdictions	0	0
Tax-exempt income	0	-8
Non-deductible expenses	447	535
Unbooked deferred tax assets on losses in taxation	-181	-21
Income taxes for the year in the income statement	2 665	2 165

9. Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year.

(EUR 1,000)	1.1.-31.12.2008	1.1.-31.12.2007
Profit attributable to equity holders of the parent	7 537	5 387
Weighted average number of shares (1,000)	3 984	4 088
Basic earnings per share (EUR/share)	1,89	1,32

The company has no diluting instruments.

10. Intangible assets

(EUR 1,000)			1.1.2008 - 31.12.2008			1.1.2007 - 31.12.2007
	Intangible assets	Work in progress	Total	Intangible assets	Work in progress	Total
Acquisition cost 1.1.	2 283	60	2 343	1 927	182	2 109
Increases	477	33	510	400	99	499
Decreases	-35	-48	-83	-12	-221	-233
Regroupings	0	0	0	0	0	0
Exchange rate differences	-74	0	-74	-32	0	-32
Acquisition cost 31.12.	2 651	45	2 696	2 283	60	2 343
Accumulated depreciation 1.1.	-1 710	0	-1 710	-1 447	0	-1 447
Accumulated depreciation, decreases	28	0	28	0	0	0
Depreciation for the year 1.1.-31.12.	-364	0	-364	-295	0	-295
Exchange rate differences	74	0	74	31	0	31
Accumulated depreciation 31.12.	-1 972	0	-1 972	-1 710	0	-1 710
Carrying amount 1.1.	573	60	633	480	182	662
Carrying amount 31.12.	679	45	724	573	60	633

11. Tangible assets

(EUR 1,000)

1.1.2008 - 31.12.2008	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	93	28 350	43 233	370	609	72 655
Increases	0	157	2 540	17	966	3 680
Decreases	0	-513	-1 768	-12	-1 218	-3 511
Regroupings	0	0	0	0	0	0
Exchange rate differences	6	-182	-758	-47	-18	-999
Acquisition cost 31.12.	99	27 812	43 247	328	339	71 825
Accumulated depreciation 1.1.	0	-19 254	-39 152	-100	0	-58 505
Accumulated depreciation, decreases	0	505	1 569	9	0	2 083
Depreciation for the year 1.1.-31.12.	0	-810	-1 889	-51	0	-2 750
Exchange rate differences	0	14	772	22	0	808
Accumulated depreciation 31.12.	0	-19 545	-38 700	-120	0	-58 364
Carrying amount 1.1.	93	9 096	4 082	270	609	14 150
Carrying amount 31.12.	99	8 267	4 548	208	339	13 461

1.1.2007 - 31.12.2007	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	692	32 239	42 087	215	410	75 643
Increases	0	1 057	1 559	157	962	3 735
Decreases	-604	-4 817	-230	-16	-765	-6 431
Regroupings	26	0	0	0	0	26
Exchange rate differences	-22	-130	-183	14	1	-319
Acquisition cost 31.12.	93	28 350	43 233	370	609	72 655
Accumulated depreciation 1.1.	0	-22 325	-37 456	-78	0	-59 859
Accumulated depreciation, decreases	0	3 840	185	16	0	4 041
Depreciation for the year 1.1.-31.12.	0	-844	-2 066	-30	0	-2 940
Exchange rate differences	0	75	186	-8	0	253
Accumulated depreciation 31.12.	0	-19 254	-39 152	-100	0	-58 505
Carrying amount 1.1.	692	9 914	4 631	137	410	15 784
Carrying amount 31.12.	93	9 096	4 082	270	609	14 150

	31.12.2008	31.12.2007
Carrying amount of productions machinery and equipment	2 798	2 833

Tangible assets, finance leases
Tangible assets include assets acquired through finance leases as follows:

	1.1.2008 - 31.12.2008			1.1.2007 - 31.12.2007		
	Machinery and equipment	Buildings	Total	Machinery and equipment	Buildings	Total
Acquisition cost 1.1.	1 300	662	1 962	790	0	790
Increases	535	0	535	512	662	1 174
Decreases	0		0	-2	0	-2
Exchange rate differences	0	-87	-87	0	0	0
Acquisition cost 31.12.	1 835	575	2 410	1 300	662	1 962
Accumulated depreciation 1.1.	-791	-51	-842	-522	0	-522
Accumulated depreciation, decreases	0	0	0	0	0	0
Depreciation for the year 1.1.-31.12.	-416	-65	-481	-269	-51	-320
Exchange rate differences	0	8	8	0	0	0
Accumulated depreciation 31.12.	-1 207	-108	-1 315	-791	-51	-842
Carrying amount 1.1.	509	612	1 121	269	0	268
Carrying amount 31.12.	628	468	1 096	509	612	1 121

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

12. Investments in associates

	Parent company holding %	Number of shares	Nominal value of share (CHF 1,000)	Book value of share (EUR 1,000)
Essa Office Systems AG, Switzerland	30	34	34	22

13. Investment properties

The land belonging to Kiinteistö Oy Ylähanka has been classified as investment property. The fair value of the land belonging to Kiinteistö Oy Ylähanka was EUR 600,000 at the end of financial year 2008 (EUR 600,000 in 2007). The land in Poland that had been classified as investment property was sold 2008, A gain of EUR 634,7 thousand was recorded in profit and loss. The fair value of the land in Poland was EUR 603,000 at the end of financial year 2007. The fair values have been appraised by a third-party valuer.

14. Book values of financial assets and liabilities by group

(EUR 1,000)	Financial assets recognised at fair value through profit and loss	Loans and other receivables	Available-for-sale financial assets	Financial liabilities recognised at amortised acquisition cost	Book values of balance sheet items	Fair value	Note
2008 balance sheet items							
Non-current financial assets							
Non-current non-interest bearing receivables		0			0	0	16
Other financial assets			17		17	17	15
Current financial assets							
Trade and other receivables		24 228			24 228	24 228	19
Currency forward contracts	24				24	24	22
Fund units	1 038				1 038	1 038	20
Book value by group	1 062	24 228	17		25 307	25 307	
Non-current financial liabilities							
Interest-bearing liabilities				8 024	8 024	8 024	25
Current financial liabilities							
Interest-bearing liabilities				2 869	2 869	2 869	25
Interest rate swaps	29			0	29	29	22
Trade payables and other liabilities				18 539	18 539	18 539	27
Book value by group	29			29 432	29 461	29 461	
2007 balance sheet items							
Non-current financial assets							
Non-current non-interest bearing receivables		623			623	623	16
Other financial assets			31		31	31	15
Current financial assets							
Trade and other receivables		23 488			23 488	23 488	19
Interest rate swaps	48				48	48	22
Fund units	2 004				2 004	2 004	20
Book value by group	2 052	24 111	31		26 194	26 194	
Non-current financial liabilities							
Interest-bearing liabilities				10 453	10 453	10 453	25
Current financial liabilities							
Interest-bearing liabilities				3 969	3 969	3 969	25
Currency forward contracts	96				96	96	22

Trade payables and other liabilities		18 219	18 219	18 219	27
Book value by group	96	32 641	32 737	32 737	

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

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

15. Other financial assets

(EUR 1,000)

Available-for-sale financial assets	31.12.2008	31.12.2007
Balance sheet value at beginning of year	31	40
Decreases	-14	-9
Balance sheet value at end of year	17	31

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

16. Non-current non-interest bearing liabilities

(EUR 1,000)	31.12.2008	31.12.2007
Loan receivables	0	623

The loan receivable concerns the existing management of the incentive scheme which has been outsourced to Alexander Management Oy. EUR 1,200 thousand loan has been granted to Alexander Management Oy, which it used to acquire Martela Oyj A shares to protect and implement the incentive scheme. (See notes 24) The shares are the property of an external party until transferred to Martela's key personnel under the incentive scheme. Notwithstanding this legal formality, the shares will be treated in the consolidated financial statements for 2008 onwards as if the company had acquired Martela shares.

17. Deferred tax assets and liabilities

(EUR 1,000)

Changes in deferred taxes during 2008	1.1.2008	Recognised in income statement	Recognised in equity	Exchange rate differences	31.12.2008
Deferred tax assets					
Tax losses carried forward	319	100	0	5	424
Other temporary differences	-5	5	0	0	0
Total	314	105	0	5	424
Deferred tax liabilities					
On buildings measured at fair value on the transition date	1 448	-93	0	0	1 355
Cumulative depreciation difference	42	6	0	0	48
Pension obligations	9	10	0	0	19
Other temporary differences	128	-27	0	0	101
Total	1 627	-104	0	0	1 523
Deferred tax assets and liabilities, total	-1 313	209	0	5	-1 099
Due to set-off, divided in the balance sheet as follows:					
Deferred tax assets	240				304
Deferred tax liabilities	1 553				1 403
Deferred tax assets and liabilities, total	-1 313				-1 099

Changes in deferred taxes during 2007	1.1.2007	Recognised in income statement	Recognised in equity	Exchange rate differences	31.12.2007
Deferred tax assets					
Tax losses carried forward	2 239	-1 920	0	0	319
Other temporary differences	0	-5	0	0	-5
Total	2 239	-1 925	0	0	314
Deferred tax liabilities					
On buildings measured at fair value on the transition date	1 540	-92	0	0	1 448
Cumulative depreciation difference	92	-50	0	0	42
Pension obligations	5	4	0	0	9
Other temporary differences	0	128	0	0	128
Total	1 637	-10	0	0	1 627
Deferred tax assets and liabilities, total	602	-1 915	0	0	-1 313
Due to set-off, divided in the balance sheet as follows:					
Deferred tax assets	776				240
Deferred tax liabilities	174				1 553
Deferred tax assets and liabilities, total	602				-1 313

Deferred tax assets have not been recognised on unused tax losses that probably cannot be utilised in the future against taxable income. These losses including 2008 results total about MEUR 9. These losses have no expiry date according to knowledge that is available today.

18. Inventories

(EUR 1,000)	31.12.2008	31.12.2007
Raw materials and consumables	7 614	8 703
Work in progress	1 214	1 708
Finished goods	1 997	3 189
Advances	0	35
	10 825	13 635

The value of inventories has been written down by EUR 2 126 thousand
(EUR 1 104 thousand in 2007).

19. Current trade receivables and other receivables

(EUR 1,000)	31.12.2008	31.12.2007
Trade receivables	23 651	21 443
Loan receivables	1	25
Accrued income and prepaid expenses		
Personnel expenses	194	822
Royalties	0	0
Interest income	35	0
Derivatives	24	48
Other financial assets	7	484
Advances	172	361
Other	163	350
Accrued income and prepaid expenses, total	595	2 064
Current tax receivable	5	4
Total	24 252	23 536

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

20. Financial assets at fair value through profit or loss

(EUR 1,000)	31.12.2008	31.12.2007
Fund units	1 038	2 004

21. Cash and cash equivalents

(EUR 1,000)	31.12.2008	31.12.2007
Cash in hand and at bank	3 081	4 686
Deposits	10 500	3 000
	13 581	7 686

22. Derivative contracts

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

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

(EUR 1,000)

Nominal values of derivative contracts	2008 validity			2007 validity		
	< 1 year	1-6 years	Total	< 1 year	1-6 years	Total
Interest rate swap agreements	0	2 258	2 258	0	3 375	3 375
Currency forward contracts	2 299	0	2 299	4 268	0	4 268

Fair values	2008 validity			2007 validity		
	< 1 year	1-6 years	Total	< 1 year	1-6 years	Total
Interest rate swap agreements	0	-29	-29	0	48	48
Currency forward contracts	24	0	24	-96	0	-96
	24	-29	-5	-96	48	-48

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

23. Equity

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

Changes in share capital	Number of shares	Share capital	Share premium account	Treasury shares	Treasury shares Sharebased incentive-system	Total
01.01.2007	4 087 900	7 000	1 116	-721		7 395
Share issue	0	0	0	0		0
31.12.2007	4 087 900	7 000	1 116	-721		7 395
Acq.of shares for share-based inc.system*	-143 166				-1 200	-1 200
Shares given	38 884				311	311
Share issue	0	0	0	0		0
31.12.2008	3 983 618	7 000	1 116	-721	-889	6 506

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

*Acquisition of shares for the share-based incentive scheme and the management of the scheme have been outsourced to an external service provider, Evli Alexander Management Oy until transferred to Martela's key personnel under the incentive scheme. Notwithstanding this legal formality, the shares will be treated in the consolidated financial statements for 2008 onwards under equity, as if the company had acquired its own shares. In 2007, they were treated as a loan receivable from Evli Alexander Management Oy. On 31 December 2008, 104,282 shares under the incentive scheme were still undistributed.

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

The parent company's distributable equity was EUR 37,969,142.88 on 31.12.2008.

24. Share-based payments

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

The earnings periods are the calendar years 2007, 2008 and 2009. Any incentive paid on the basis of the share incentive scheme will be paid after the end of a period as a combination of shares and cash. The maximum total incentive for the whole system is 153,000 in shares and cash to the amount needed to cover taxes and similar charges when the shares are granted, but not more than the value of the shares to be paid at the time of payment.

For the 2007 period, a combination equivalent to a maximum of 96,717 shares in shares and cash was granted as follows: 45,800 shares and cash equivalent to the value of 50,917 shares. The amount of the incentive paid for the 2007 period is tied to the consolidated operating profit (EUR; weight 70%) and the consolidated turnover (weight 30%). A total of 84,9% of the maximum amount was paid, and on 16 April 2008, a total of 38,884 shares were transferred to key personnel, in addition to which the company paid the taxes and similar charges relating to shares.

For the 2008 earning period, a combination of shares and cash together corresponding to a maximum of 106,064 shares was given as follows:
49,850 shares and cash corresponding to the value of 56,214 shares. The amount of the incentive paid for the 2008 period is tied to the consolidated operating profit (EUR; weight 70%) and the consolidated turnover (weight 30%).

No reward is paid to a person whose employment relationship ends before the payment of the incentive. In addition, the person must own the earned shares for at least two years after the end of the earnings period (vesting period).

The basic information on the share incentives and a summary for the 2008 financial year are given in the following table:

The basic information on the share incentives:

31.12.2008	Earnings period 2007	Earnings period 2008
Date of granting	14.2.2007	30.1.2008
Type of incentive	share incentive	share incentive
Maximum number of shares	45 800	49 850
Cash amount corresponding to the maximum no. of shares *	50 917	56 214
Earnings period begins, date	1.1.2007	1.1.2008
Earnings period ends, date	31.12.2007	31.12.2008
Release of shares, date	1.1.2010	1.1.2011
Terms of right to incentive	Achievement of non-market based earnings terms (operating profit 70% and turnover 30%) during a one-year earnings followed by a two-year employment requirement	Achievement of non-market based earnings terms (operating profit 70% and turnover 30%) during a one-year earnings followed by a two-year employment requirement
Remaining vesting period, years (shares)	2	2
Remaining vesting period, years	1,0	2,0
Persons, 31.12.2008	22	22

* In addition to shares, the company is obligated to pay taxes on share incentives.

Events of the 2008 financial year	Earnings period 2007	Earnings period 2008	Total
Gross amounts ** 1.1.2008			
Share incentives granted	96 717	0	96 717
Share incentives paid	0	0	0

Share incentives returned	0	0	0
Share incentives expired (incl. those returned)	0	0	0

Changes during the financial year

Share incentives granted	0	106 064	106 064
Share incentives returned	0	0	0
Share incentives paid	82 113	0	82 113
Share incentives expired (incl. those returned)	14 604	0	14 604

Gross amounts ** 31.12.2008

Share incentives granted	96 717	106 064	202 781
Share incentives paid	82 113	0	82 113
Share incentives returned	0	0	0
Share incentives expired (incl. those returned)	14 604	0	14 604

** The amounts include part in cash granted by share- based incentive scheme (in shares).

Events of the 2007 financial year	Earnings period 2007	Total
Gross amounts ** 1.1.2007		
Share incentives granted	0	0
Share incentives returned	0	0
Changes during the financial year		
Share incentives granted	96 717	96 717
Share incentives returned	0	0
Share incentives paid	0	0
Share incentives expired (incl. those returned)	0	0
Gross amounts ** 31.12.2007		
Share incentives granted	96 717	96 717
Share incentives paid	0	0
Share incentives returned	0	0
Share incentives expired (incl. those returned)	0	0

**The amounts include part in cash granted by share- based incentive scheme (in shares).

Determining fair value

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

The fair value of the share-based payment at the time of granting the reward is the price of Martela's share, less anticipated dividends for the earnings period. Correspondingly, the fair value of the part settled as cash is reviewed on each reporting date to the end of the earning period and hence the fair value of the debt varies in accordance with the price of Martela's share.At the end of the financial year, the equity liability arising from the share-based incentive scheme amounted to EUR 202 887 (2007: EUR 67 254), while the cash liability entered under debt was EUR 229 548 (2007: EUR 89,004). The total cost effect of the share-based incentive scheme for the financial year was EUR 432 435 (2007: EUR 156 258).

Main parameters of the fair value of share incentives valid during the 2008 financial year:

Determining fair value of the share reward	Earnings period 2007	Earnings period 2008
Number of shares granted as share incentive	45 800	49 850
Number of shares granted as share -based cash payment	50 917	56 214
Share price at the time of granting	6,86 €	7,81 €
Fair value of share price at the time of granting***	6,61 €	6,81 €
Share price on 31.12.2008 or on transfer date (part paid as cash)	8,11 €	5,29 €
Estimated rate at which the criteria will be met	84,9 %	95,6 %
Estimated rate of share incentive returning before payment	0,0 %	0,0 %
Estimated rate of share incentive returning after payment	0,0 %	0,0 %
Fair value of share incentive at the time of granting, EUR	512 087	722 295
Fair value of share incentive on 31.12.2008, EUR	607 606	608 828
Impact on the results of the financial year, EUR	240 534	191 901

*** Share price at the time of granting, less anticipated dividends for the earnings period: EUR 0,25 in 2007 and EUR 1,00 in 2008

25. Interest-bearing liabilities

(EUR 1,000)	31.12.2008	31.12.2007
Non-current		
Bank loans	7 347	9 621
Pension loans	0	0
Finance leases	677	833
Total	8 024	10 453
Current		
Bank loans	2 278	3 379
Pension loans	0	147
Bank overdrafts used	129	137
Finance leases	461	306
Total	2 869	3 969

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

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

(EUR 1,000)

Finance lease liabilities are payable as follows:	31.12.2008	31.12.2007
Finance leases - total amount of minimum lease payments		
Not later than one year	576	419
Later than one year and not later than five years	819	931
Later than five years	470	709
	1 865	2 059
Finance leases - present value of minimum lease payments		
Not later than one year	461	305
Later than one year and not later than five years	457	508
Later than five years	220	325
	1 138	1 138
Mainly connected with the long-term leasing contract of the real-estate	727	921

The average interest of financial leases was 4,97% in 2008 and 5,12% in 2007.

Terms of loans from credit institutions
The Group's bank loans have either variable or fixed interest rates.The Group's average interest rate is 4,51% (4,67% in 2007). The current portions of debt are presented in more detail under Note 28 Management of financial risks.

26. Pension obligations

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

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

(EUR 1,000)

The amounts recognized in the balance sheet were determined as follows:	1.1.2008 - 31.12.2008	1.1.2007 - 31.12.2007
Present value of unfunded obligations	0	0
Present value of funded obligations	1 185	1 033
Fair value of plan assets	-983	-776
Deficit / Excess	202	257
Unrecognised actuarial gains (+) and losses (-)	-274	-292
Unrecognised past service costs	0	0
Pension liability in balance sheet	-72	-35

The amounts recognized in the income statement were determined as follows:		
Current service cost	138	133
Interest cost	61	52
Expected return on plan assets recognized during the year	-46	-40
Actuarial gains (-) and losses (+)	25	9
Past service cost	0	0
Losses/profits on curtailment	-27	0
Total	151	154
The actual return on plan assets (EUR 1,000)	39	-154

Changes to present value of obligations:		
Present value of funded obligations 1.1	1 033	954
Current service cost	137	133
Interest cost	61	52
Actuarial gains (-) and losses (+)	1	-106
Losses/profits on curtailment	-47	0
Paid benefits	0	0
Present value of funded obligations 31.12	1 185	1 033

Changes to fair values of the assets in the plan are as follows:		
Fair values of plan assets 1.1.	776	759
Expected return on plan assets	45	40
Actuarial gains (-) and losses (+)	-6	-194
Contributions made by the employer to the plan	188	171
Losses/profits on curtailment	-20	0
Fair values of plan assets 31.12.	983	776

Actuarial assumptions used were as follows:		
Discount rate (%)	6,25%	5,25%
Expected return on plan assets (%)	6,25%	5,25%
Future salary increases (%)	3,30%	3,30%
Rate of pension increase (%)	1,75%	1,75%
Rate of inflation increase (%)	2,00%	2,00%

Present and fair values of obligations	31.12.2008	31.12.2007	31.12.2006	31.12.2005
Present value of obligations	1185	1033	954	705

Fair value of plan assets	-983	-776	-759	-622
Deficit/excess	202	257	195	83
Experience adjustments to plan assets	120	-170	-42	-99
Experience adjustments to plan liabilities	196	81	-138	57

The Group anticipates it will contribute EUR 229 thousand to the plan in 2009.
An itemisation of plan assets is not available.

27. Non-interest-bearing current liabilities

(EUR 1,000)	31.12.2008	31.12.2007
Advances received	246	545
Trade payables	6 997	7 718
Accrued liabilities and prepaid income		
Personnel expenses	3 657	3 307
Derivatives	29	96
Interests	96	123
Other financial expenses	0	0
Royalties	147	110
Residual expenses	459	1 528
Other	809	352
Total	5 197	5 516
Tax payables	1 319	556
Other current liabilities	5 099	3 980
	18 858	18 315

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

28. Management of financial risks

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

Market risks

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

Currency risks

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

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

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

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

The following table presents currency risks per instrument and currency.

Currency risks per instrument and currency 31.12.2008 (EUR thousand)

	EUR	SEK	PLN	NOK
Trade receivables	888	3 277	1 728	854
Trade payables	-735	-743	-1	-1
Currency forward contracts		-2 299		
Total	153	235	1 727	853

Currency risks per instrument and currency 31.12.2007 (EUR thousand)

	EUR	SEK	PLN	NOK
Trade receivables	923	4 324	3 543	1 229
Trade payables	-773	-615	-21	0
Currency forward contracts			1 002	3 267
Total	150	3 709	4 524	4 496

Other currencies have minor impact.

Analysis of sensitivity to currency risk

The following table presents the average impact of a 10 per cent change in exchange rates on 31 December on the company's financial results and capital for 2008 (2007). The estimates are based on the assumption that no other variables change.

Analysis of sensitivity to currency risk (EUR 1,000)	Impact on shareholder' equity	Impact on results
31.12.2008		
EUR	0	+/- 15
SEK	0	+/- 23
PLN	0	+/- 173
NOK	0	+/- 85

Analysis of sensitivity to currency risk (EUR 1,000)	Impact on shareholder' equity	Impact on results
31.12.2007		
EUR	0	+/- 15
SEK	0	+/- 371
PLN	0	+/- 452
NOK	0	+/- 450

Interest rate risks

The Group's interest rate risks relate to the Group's loan portfolio and to changes in the value of the cash reserve due to interest rate variations. Approximately half of the loan portfolio is at a fixed interest rate, while the other half is at variable rates. The duration of loans varies from 6 months for half of the loans to 3-6 years for the rest. The Group can raise either fixed-interest or variable-interest loans and can use interest rate swaps. Excess cash assets are invested in both short- and long-term fixed income funds.

On the balance sheet date the Group had open euro-denominated interest rate swap agreements totalling EUR 2,258 thousand at nominal value on the basis of which the Group receives an average of 3.68% in fixed interest and pays the 6-month Euribor interest on average. The interest rate swaps were from variable interest rate loans to fixed rate loans.

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

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

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

Financial instruments (EUR 1,000)	31.12.2008	31.12.2007
Fixed rate		
Financial liabilities, incl. derivatives	4 841	6 532
Variable rate		
Financial liabilities	6 052	7 891
Total	10 893	14 423

Analysis of sensitivity to interest rate risks

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

Analysis of sensitivity to interest rate risks (EUR 1,000)	Impact on shareholders' equity	Impact on results
31.12.2008		
Financial liabilities		
Variable rate financial instruments	0	-83
Derivatives		
Interest rate swaps	0	+23

Analysis of sensitivity to interest rate risks (EUR 1,000)	Impact on shareholders' equity	Impact on results
31.12.2007		
Financial liabilities		
Variable rate financial instruments	0	-111
Derivatives		
Interest rate swaps	0	+33

Price risk

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

Credit risks

Credit risks arise from the possibility that a counterparty will not meet its contractual payment obligation. Hence the

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

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

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

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

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

Maximum financial asset credit risk (EUR 1,000)	**2008**	**2007**
Available-for-sale financial assets	17	31
Financial assets recognised at fair value through profit and loss	1 062	2 052
Loans and other receivables	24 228	24 111
Cash and cash equivalents	13 581	7 686
Total	38 888	33 880

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

Age distribution of trade receivables (EUR 1,000)	**2008**	**2007**
Unmatured	20 616	16 643
Matured 1-30 days	2 058	2 664
Matured 31-60 days	399	745
Matured over 60 days	578	1 391
Total	23 651	21 443

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

Distribution of trade receivables by country or region (EUR 1,000)	**2008**	**2007**
Finland	17 666	13 404
Scandinavia	2 541	3 932
European countries	3 125	4 042
Other regions	319	65
Total	28	21 443

Credit risks from trade receivables are not concentrated.

Liquidity risks

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

Cash and cash equivalents at the end of the financial year totalled EUR 14,619 thousand, and unused bank overdrafts totalled EUR 918 thousand.

Loans and payments mature as follows:

Loans and payments mature as follows: (EUR 1,000)	2009	2010	2011	2012	2013	later	Total
Bank loans	2 273	4 507	1 316	1 016	508	0	9 620
Pension loans	0	0	0	0	0	0	0
Financial leases	461	284	54	57	60	220	1 136
Trade payables	6 997	0	0	0	0	0	6 997
Bank overdrafts	129	0	0	0	0	0	129
Loan interest and quarantee fees	431	326	134	70	13	0	974
Total	10 291	5 117	1 504	1 143	581	220	18 856

Management of capital structure

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

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

Equity ratio (EUR 1,000)	**31.12.2008**	**31.12.2007**
Shareholders' equity	33 742	29 510
Balance sheet total - advance payments	64 650	63 255
Equity to assets ratio, %	52,2	46,7

29. Operating leases

(EUR 1,000)	31.12.2008	31.12.2007
Minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	2 620	2 545
Later than one year and not later than five years	5 466	6 859
Later than five years	877	1 270
	8 963	10 674

The group has leased many of the premises it uses. The lengths of operating leases are from 1 to 10 years, and normally they include the option to extend the lease after the initial expiry date. The income statement for 2008 includes rents paid on the basis of operating leases totalling EUR 3,206 thousand (EUR 3,077 thousand in 2007).

30. Pledges granted and contingent liabilities

(EUR 1,000)	31.12.2008	31.12.2007
Debts secured by mortgages		
Bank loans	9 621	12 894
Property mortgages	8 101	11 801
Corporate mortgages	6 460	7 046
Shares pledged	4	4
Total mortgages	14 565	18 851
Other pledges		
Guarantees as security for rents	182	167
Collateral granted on behalf of others		
Guarantees	0	0
Repurchase sureties	150	150

31. Related party transactions

Group's parent and subsidiary relationships are as follows:

	Domicile	Holding (%) 31.12.2008	Voting power (%) 31.12.2008
Parent company			
Martela Oyj	Finland		
Subsidiaries			
Kidex Oy	Finland	100	100
P.O. Korhonen Oy	Finland	100	100
Kiinteistö Oy Ylähanka	Finland	100	100
Martela AB, Bodafors	Sweden	100	100
Aski Inredningscenter AB, Malmö	Sweden	100	100
Martela AS, Oslo	Norway	100	100
Martela Sp.z o.o., Warsaw	Poland	100	100
000 Martela, Moscow	Russia	100	100
000 Martela SP, St. Petersburg	Russia	100	100

Martela Group's related party comprise the CEO, members of the board and the group's management team. Members of the company's board and the CEO hold a total of 8.4 % of the share capital and 17,2 % of the votes.

Management employee benefits (EUR 1,000)	2008	2007
Salaries and other short-term employee benefits	1 515	1 231
Benefits following end of employment	63	55
Share-based benefits	294	85
	1 872	1 371

Salaries and other short-term employee benefits	2008	2007
Board members	85	72
CEO	347	244
Management team members(excl. salary of CEO)	1 377	1 000

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

The CEO is entitled, if he wishes, to retire with a full pension after reaching the age of 60. Retirement benefits are included in pension expenses, defined benefit plans, presented in note 4. The period of notice is 6 months with respect to both the CEO and the company, and in the event of a dismissal by the company, the CEO is entitled to a lump-sum compensation equalling his salary for 18 months.

The CEO and the group's management and some key persons are included in a long-term incentive scheme, extending from 2007 to the end of 2009. This incentive scheme is based on the group's combined profit performance for the period 2007–2009. The incentive paid under this scheme will be paid as a combination of shares and cash. A total of EUR 432 thousand has been recognised for 2008 from incentives and related expenses associated with the scheme (EUR 157 thousand in 2007).

32. Five-year comparisons

MARTELA GROUP 2004-2008

KEY FINANCIAL INDICATORS FOR THE GROUP

		IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004
Revenue	EUR million	141,2	128,4	119,7	102,2	100,7	100,7
Change in revenue	%	9,9	7,3	17,1	1,5	-1,4	-1,4
Export and operations outside Finland	EUR million	38,1	42,8	36,7	31,6	31,0	31,0
In relation to revenue	%	27,0	33,3	30,7	30,9	30,8	30,8
Exports from Finland	EUR million	14,4	16,2	16,2	13,8	13,2	13,2
Gross capital expenditure	EUR million	2,9	3,2	1,8	1,6	0,9	0,9
In relation to revenue	%	2,1	2,5	1,5	1,6	0,9	0,9
Depreciation	EUR million	3,1	3,2	3,3	3,8	4,6	4,9
Research and development expenses	EUR million	3,2	3,1	2,5	2,0	2,7	2,7
In relation to revenue	%	2,3	2,4	2,1	2,0	2,7	2,7
Average personnel		681	663	626	610	662	662
Change in personnel	%	2,7	5,9	2,6	-7,9	-13,7	-13,7
Personnel at end of year		670	655	632	604	613	613
Of which in Finland		512	515	508	478	488	488
PROFITABILITY							
Operating profit	EUR million	10,9	8,3	4,5	1,5	-1,6	-2,2
In relation to revenue	%	7,7	6,4	3,8	1,5	-1,5	-2,2
Profit before appropriations and taxes	EUR million	10,2	7,6	3,7	1,0	-2,1	-3,0
In relation to revenue	%	7,2	5,9	3,1	1,0	-2,0	-3,0
Profit for the year *)	EUR million	7,5	5,4	2,7	-0,1	-2,0	-2,7
In relation to revenue	%	5,3	4,2	2,3	-0,1	-2,0	-2,7
Revenue/employee	EUR thousand	207,3	193,7	191,3	167,6	152,2	152,2
Return on equity (ROE)	%	23,8	19,8	11,4	-0,5	-8,1	-13,3
Return on investment (ROI)	%	25,2	19,6	11,0	4,3	-2,2	-4,7
FINANCE AND FINANCIAL POSITION							
Balance sheet total	EUR million	64,9	63,8	59,1	56,1	59,9	55,2
Equity	EUR million	33,7	29,5	24,9	22,8	23,5	19,1
Interest-bearing net liabilities	EUR million	-3,7	4,7	13,2	14,3	13,3	13,1
In relation to revenue	%	-2,6	3,7	11,0	14,0	13,2	13,0
Equity ratio	%	52,2	46,7	42,4	40,8	39,3	33,8
Gearing	%	-11,0	16,0	53,0	62,8	56,4	71,1
Net cash flow from operations	EUR million	11,8	9,9	0,9	1,0	2,5	2,5
Dividends paid	EUR million	2,0	1,0	0,6	0,6	0,5	0,5

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

33. Key share-related figures

			IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004
Earnings per share	EUR		1,89	1,32	0,67	-0,03	-0,50	-0,70
Earnings per share (diluted)	EUR		1,89	1,32	0,67	-0,03	-0,50	-0,70
Share par value	EUR		1,7	1,7	1,7	1,7	1,7	1,7
Dividend	EUR	*)	0,60	0,50	0,25	0,15	0,15	0,15
Dividend/earnings per share	%		31,7	37,9	37,3	-500,0	-30,4	-23,1
Effective dividend yield	%		11,3	6,0	3,8	2,1	2,4	2,4
Equity per share	EUR		8,47	7,22	6,10	5,59	5,80	4,50
Price of A share 31.12.	EUR		5,29	8,35	6,50	7,26	6,35	6,35
Share issue-adjusted number of shares	thousands		4155,6	4155,6	4155,6	4155,6	4155,6	4155,6
Average share issue-adjusted number of shares	thousands		4155,6	4155,6	4155,6	4155,6	4155,6	4155,6
Price/earnings ratio (P/E)			2,8	6,3	9,8	-265,2	-12,8	-9,8
Market value of shares **)	MEUR		21,1	34,1	26,6	29,7	26,0	26,0

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

34. Shares and shareholders

Share capital

The number of registered Martela Oyj shares on 31.12.2008 was 4,155,600. The shares are divided into A and K shares. Each A share carries 1 vote and each K share 20 votes in a general shareholders' meeting. Both share series have the same dividend rights. The company's maximum share capital is EUR 14,000,000 and the minimum is EUR 3,500,000.

Martela Oyj's shares were entered in the book-entry register on 10.2.1995. The counter-book value of each share is EUR 1.68. The A shares are quoted on the Small Cap list of the OMX Nordic Exchange in Helsinki. A trading lot is 100 shares. Martela Oyj has made a Liquidity Providing (LP) market-making agreement with Nordea Bank Finland plc

Distribution of shares 31.12.2008

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

The largest shareholders by number of shares 31.12.2008

	K series shares	A series shares	Number of shares	%	Number of votes	% of total votes
Marfort Oy	292 000	232 574	524 574	12,6	6 072 574	38,8
Ilmarinen Mutual Pension Insurance Company	0	335 400	335 400	8,1	335 400	2,1
OP-Suomi Arvo	0	273 700	273 700	6,6	273 700	1,7
Odin Finland	0	218 400	218 400	5,3	218 400	1,4
Fondita Nordic Micro Cap Placeringsfond	0	205 000	205 000	4,9	205 000	1,3
Palsanen Leena	68 486	131 148	199 634	4,8	1 500 868	9,6
FIM Fenno Mutual Fund	0	188 897	188 897	4,5	188 897	1,2
Martela Heikki	52 122	111 328	163 450	3,9	1 153 768	7,4
Pohjola P C Insurance Company	0	160 294	160 294	3,9	160 294	1,0
Martela Matti T	58 256	56 982	115 238	2,8	1 222 102	7,8
Suomen Argentor Oy	0	112 735	112 735	2,7	112 735	0,7
Oy Autocarrera Ab	0	111820	111820	2,7	111820	0,7
Evli Alexander Management Oy	0	104 282	104 282	2,5	104 282	0,7
Lindholm Tuija	43 122	43 832	86 954	2,1	906 272	5,8
Palsanen Jaakko	1 600	83 868	85 468	2,1	115 868	0,7
Martela Pekka	69 274	8	69 282	1,7	1 385 488	8,9
Other shareholders	19 940	1 180 532	1 200 472	28,9	1 579 332	10,1
Total	604 800	3 550 800	4 155 600	100,0	15 646 800	100,0

The list includes all shareholders holding over 5% of the shares and votes.
The company's board of directors and CEO together hold 8.6% of the shares and 17.2% of the votes.

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

The Annual General Meeting has in 2008 re-authorized the Board of Directors to decide, for the following year, on raising the share capital, issuing convertible bonds and acquiring and/or disposing of the company's shares in deviation from the pre-emptive rights of shareholders.

Breakdown of share ownership by number of shares held, 31.12.2008

Number of shares	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of total votes
1-500	763	69,4	131 150	3,2	141 790	1,0
501-1000	137	12,5	109 154	2,6	158 174	1,0

1001-5000	134	12,2	294 539	7,1	435 139	2,8
yli 5000	65	5,9	3 619 709	87,1	14 910 649	95,3
Total	1099	100,0	4 154 552	100,0	15 645 752	100,0
of which nominee-registered	7		74 675			
In the waiting list and collective account			1 048	0,0	1 048	0,0
Total			4 155 600	100,0	15 646 800	100,0

Breakdown of shareholding by sector, 31.12.2008

	Number of shareholders	%	Number of shares	%	Number of votes	%
Private companies	73	6,6	1 056 883	25,4	6 605 783	42,2
Financial and insurance institutions	11	1,0	683 901	16,5	746 880	4,8
Public corporations	1	0,1	335 400	8,1	335 400	2,1
Non-profit entities	9	0,8	196 064	4,7	196 064	1,3
Households	993	90,4	1 518 659	36,5	7 461 859	47,7
Foreign investors	12	1,1	288 970	7,0	299 766	1,9
Total	1 099	100,0	4 079 877	98,2	15 645 752	100,0
of which nominee-registered	7		74 675	1,8		
In the waiting list and collective account			1 048	0,0	1 048	0,0
Total			4 155 600	100,0	15 646 800	100,0

Parent Company Income Statement

(EUR 1,000)	Note	1.1.-31.12.2008	1.1.-31.12.2007
Revenue	1	113 106	96 225
Changes in inventories of finished goods and work in progress		-541	200
Production for own use		67	39
Other operating income	2	331	898
Materials and services	3	-64 303	-56 596
Personnel expenses	4	-19 460	-17 979
Depreciation and impairment	5	-1 341	-1 410
Other operating expenses		-15 756	-14 196
Operating profit (-loss)		12 103	7 182
Financial income and expenses	6	-314	-458
Profit (-loss) before extraordinary items		11 789	6 724
Extraordinary expenses		-650	0
Extraordinary income	7	0	774
Profit (-loss) before appropriations and taxes		11 139	7 498
Income taxes	8	-2 588	-144
Profit (-loss) for the financial year		8 551	7 355

Parent Company Balance Sheet

(EUR 1,000)	Note	31.12.2008	31.12.2007
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Intangible rights		527	479
Other long-term expenditure		394	409
Advance payments		44	60
		965	948
Tangible assets	10		
Land and water areas		84	84
Buildings and structures		2 719	2 815
Machinery and equipment		1 619	1 872
Other tangible assets		20	20
Advance payments and purchases in progress		325	272
		4 767	5 063
Investments	11		
Shares in subsidiaries		5 018	4 833
Shares in associates		22	22
Other shares and participations		94	102
Loan receivables		12 919	12 919
		18 053	17 875
CURRENT ASSETS			
Inventories			
Materials and supplies		5 058	5 243
Work in progress		472	860
Finished goods		949	1 712
		6 479	7 815
Non-current receivables	12		
Loan receivables		400	623
Current receivables	12		
Trade receivables		23 453	21 186
Loan receivables		3 538	3 451
Accrued income and prepaid expenses		330	1 131
		27 321	25 768
Financial assets at fair value through profit or loss	13	1 038	2 004
Cash and cash equivalents		11 947	5 118
		70 971	65 214
LIABILITIES			
SHAREHOLDERS' EQUITY			
Shareholders' equity	14		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Reserve fund		11	11
Retained earnings		29 418	24 310
Profit for the year		8 551	7 355
Total		46 096	39 792
LIABILITIES			
Non-current	15		
Loans from financial institutions		7 347	9 621
Current	16		
Interest-bearing			
Loans from financial institutions		2 273	3 273

Non-interest-bearing		
Advances received	30	30
Trade payables	6 090	5 798
Accrued liabilities and prepaid income	5 587	3 906
Other current liabilities	3 548	2 796
	15 255	12 529
Liabilities, total	24 875	25 423
	70 971	65 215

Parent Company's Cash Flow Statement

(EUR 1,000)	1.1.-31.12.2008	1.1.-31.12.2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flow from sales	111 610	96 928
Cash flow from other operating income	289	224
Payments on operating costs	-98 080	-89 990
Net cash from operating activities before financial items and taxes	13 819	7 162
Interests paid and other financial payments	-315	-550
Taxes paid	-1 833	406
Net cash from operating activities before extraordinary items	11 671	7 018
Net cash from operating activities (A)	11 671	7 018
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-1 106	-1 173
Proceeds from sale of shares in subsidiaries	0	2 150
Proceeds from sale of tangible and intangible assets	249	717
Investment in shares in subsidiaries	-51	0
Loans granted	-164	-1 605
Repayments of loan receivables	494	339
Net cash used in investing activities (B)	-578	427
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	-1 000	0
Repayments of long-term loans	-2 273	-2 273
Dividends and other profit distribution	-1 972	-1 022
Net cash used in financing activities (C)	-5 245	-3 295
CHANGE IN LIQUID FUNDS (A+B+C) (+ increase, - decrease)	5 848	4 150
Liquid funds at beginning of financial year 1)	7 122	2 911
Changes in fair value, investments	15	62
Liquid funds at end of financial year 1)	12 985	7 122

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

Accounting Policies for Parent Company Financial Statements

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

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

Intangible assets:
Intangible assets are depreciated according to their estimated useful life in either 5 or 10 years.

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

Depreciation periods for tangible assets:

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

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

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

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

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

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

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

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

Other operating income and expenses:

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

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

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

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

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

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

	2008	2007
Finland	89	86
Scandinavia	5	7
Other	6	7
Total	100	100

2. Other operating income

(EUR 1,000)	2008	2007
Gains on sale of fixed assets	43	646
Rental income	266	159
Public subsidies	22	59
Other operating income	0	34
Total	331	898

3. Materials and services

(EUR 1,000)	2008	2 007
Purchases during the financial year	59 306	54 114
Change in inventories of materials and supplies	795	-941
External services	4 202	3 423
Materials and supplies, total	64 303	56 596
Auditor's fees		
Auditing	61	59
Tax services	8	0
Other services	6	28
Auditor's fees, total	75	87

4. Personnel expenses and number of personnel

(EUR 1,000)	2008	2 007
Salaries, CEO	337	233
Salaries of boards of directors	85	72
Salaries of boards of directors and managing director, total	422	305
Other salaries	15 096	14 108
Pension expenses	2 965	2 620
Other salary-related expenses	977	945
Personnel expenses in the income statement	19 460	17 979
Fringe benefits	659	408
Total	20 119	18 386
Personnel		
Average personnel, workers	169	176
Average personnel, officials	206	201
Personnel at year end	373	399

5. Depreciation and write-down

(EUR 1,000)	2008	2007
Depreciation according to plan		
Intangible assets	491	412
Tangible assets		
Buildings and structures	96	104
Machinery and equipment	754	895
Depreciation according to plan, total	1 341	1 410

6. Financial income and expenses

(EUR 1,000)	2008	2007
Financial income and expenses		
Dividend income	0	0
Interest income on short-term investments	260	51
Interest income on short-term investments from Group companies	148	137
Foreign exchange gains	0	21
Interest expenses	-618	-675
Losses on foreign exchange	-75	-2
Other financial expenses	-44	-51
Change in value of assets recognised at fair value through profit or loss	15	62
Total	-314	-458

7. Extraordinary items

(EUR 1,000)	2008	2007
Extraordinary expenses		
Group contribution	650	0
Extraordinary income		
Item on mutual receivables and liabilities between Martela Oyj and real-estate company connected with the sale of real-estate company Oulu	0	774

8. Income taxes

(EUR 1,000)	2008	2007
Income taxes from operations	2 849	549
Taxes from previous years	-261	-406
Total	2 588	143

Deferred tax liabilities and assets have not been included in the income statement or balance sheet. Deferred tax assets due to matching differences and losses total EUR 0 thousand (EUR 15 thousand 2007).

9. Intangible assets

(EUR 1,000)

1.1.2008 - 31.12.2008	Intangible rights	Other long-term expenses	Work in progress	Intangible assets, total
Acquisition cost 1.1.	485	5 016	60	5 562
Re-groupings	825	-825		
Increases	402	137	33	572
Decreases	-8	-513	-48	-569
Acquisition cost 31.12.	1 704	3 815	45	5 565
Accumulated depreciation 1.1.	-310	-4 304	0	-4 614
Re-groupings	-522	522		
Accumulated depreciation, decreases	0	505	0	505
Depreciation for the year 1.1.-31.12.	-345	-146	0	-491
Accumulated depreciation 31.12.	-1 177	-3 423	0	-4 600
Carrying amount 1.1.	175	713	60	948
Carrying amount 31.12.	527	393	45	965

1.1.2007 - 31.12.2007	Intangible rights	Other long-term expenses	Work in progress	Intangible assets, total
Acquisition cost 1.1.	436	4 457	182	5 074
Increases	62	631	99	791
Decreases	-12	-71	-221	-304
Acquisition cost 31.12.	485	5 016	60	5 561
Accumulated depreciation 1.1.	-287	-3 965	0	-4 252
Accumulated depreciation, decreases	0	50	0	50
Depreciation for the year 1.1.-31.12.	-24	-388	0	-412
Accumulated depreciation 31.12.	-310	-4 304	0	-4 614
Carrying amount 1.1.	149	492	182	823
Carrying amount 31.12.	175	713	60	948

10. Tangible assets

(EUR 1,000)

1.1.2008 - 31.12.2008	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	84	11 036	24 504	20	272	35 915
Increases	0	0	627	0	395	1 022
Decreases	0	0	-1 392	0	-342	-1 734
Acquisition cost 31.12.	84	11 036	23 739	20	325	35 203
Accumulated depreciation 1.1.	0	-8 221	-22 632	0	0	-30 853
Accumulated depreciation, decreases	0	0	1 201	0	0	1 201
Depreciation for the year 1.1.-31.12.	0	-96	-689	0	0	-785
Accumulated depreciation 31.12.	0	-8 317	-22 120	0	0	-30 437
Carrying amount 1.1.	84	2 815	1 872	20	272	5 063
Carrying amount 31.12.	84	2 719	1 619	20	325	4 767

1.1.2007 - 31.12.2007	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	163	11 687	23 828	20	383	36 081
Increases	0	68	725	0	478	1 271
Decreases	-79	-719	-49	0	-589	-1 437
Acquisition cost 31.12.	84	11 036	24 504	20	272	35 915
Accumulated depreciation 1.1.	0	-8 714	-21 762	0	0	-30 476
Accumulated depreciation, decreases	0	597	25	0	0	622
Depreciation for the year 1.1.-31.12.	0	-104	-895	0	0	-999
Accumulated depreciation 31.12.	0	-8 221	-22 632	0	0	-30 853
Carrying amount 1.1.	163	2 973	2 067	20	383	5 606
Carrying amount 31.12.	84	2 815	1 872	20	272	5 063

Revaluations included in buildings total EUR 1,850 thousand in 2008 (EUR 1,850 thousand in 2007). Carrying amount of production machinery and equipment in 2008 total EUR 1,155 thousand (EUR 1,547 thousand in 2007).

11. Investments

(EUR 1,000)

1.1.2008 - 31.12.2008	Subsidiary shares	Associate shares	Other shares and participations	Loan receivables	Total
Balance sheet value at beginning of year	4 833	22	102	12 919	17 876
Increases	186	0	0	0	186
Decreases	0	0	-8	0	-8
Balance sheet value at end of year	5 019	22	94	12 919	18 053

1.1.2007 - 31.12.2007	Subsidiary shares	Associate shares	Other shares and participations	Loan receivables	Total
Balance sheet value at beginning of year	6 484	22	111	12 889	19 506
Increases	0	0	0	30	30
Decreases	-1 651	0	-9	0	-1 660
Balance sheet value at end of year	4 833	22	102	12 919	17 875

Subsidiary shares:		Parent company's holding %	Voting power %	No. of shares	Par value	Book value EUR 1,000
Kidex Oy	Finland	100	100	200	2.208 teur	2 208
P.O. Korhonen Oy	Finland	100	100	50 000	967 teur	976
Kiinteistö Oy Ylähanka	Finland	100	100	12 500	9 teur	8
Martela AB. Bodafors	Sweden	100	100	150	5.000 tsek	550
Aski Inredningscenter Ab, Malmö	Sweden	100	100	510	1.250 tsek	132
Martela AS, Oslo	Norway	100	100	5 720	200 tnok	24
Martela SP.z.o.o; Warsaw	Poland	100	100	3 483	3.483 tpln	935
000 Martela, Moscow	Russia	100	100		3.700 trub	90
000 Martela SP, St. Petersburg	Russia	100	100		3.700 trub	96
Total						5 019
Associated companies:						
Essa Office Systems AG, Switzerland		30	30	34	34 tchf	22
Other shares and participations:						
As. Oy Kivipellonpolku				287	1 teur	21
As. Oy Kivipellonpiha				2 590	1 teur	30
Other shares and participations						43
Total						94

12. Receivables

(EUR 1,000)	2008	2007
Non-current receivables		
Loan receivables	400	623
Current receivables		
Receivables from companies in same group		
Trade receivables	5 045	7 724
Loan receivables	3 538	3 428
Accrued income and prepaid expenses	0	13
Other receivables		
Trade receivables	18 409	13 463
Loan receivables	0	22
Accrued income and prepaid expenses	330	1 119
Current receivables, total	27 322	25 768

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

13. Financial assets at fair value through profit or loss

(EUR 1,000)	2008	2007
Fund units	1 038	2 004

14. Changes in shareholders' equity

Distribution of shares 31.12.2008	Number	Total EUR	% of share capital	Votes	Procent of votes
K shares (20 votes/share)	604 800	1 018 500	15	12 096 000	77
A shares (1 vote/share)	3 550 800	5 981 500	85	3 550 800	23
Total	4 155 600	7 000 000	100	15 646 800	100
Treasury shares	67 700				
No. of shares	4 087 900				

Shareholders' equity (EUR 1,000)	**2 008**	**2 007**
Share capital 1.1.and 31.12.	7 000	7 000
Share premium account 1.1 and 31.12.	1 116	1 116
Reserve fund 1.1 and 31.12.	11	11
Retained earnings 1.1.	31 665	25 332
Dividends	-1 936	-1 022
Profit for the year	8 551	7 355
Shares assigned on the basis of the share-based incentive scheme in 2008*	-311	0
Retained earnings 31.12.	37 969	31 665
Shareholders' equity, total	46 096	39 792

The distributable equity of the parent company is EUR 37,969 thousand in 2008 (EUR 31,665 thousand 2007).

Treasury shares held by Martela Oyj are reported as a deduction from retained earnings. Martela Oyj owns 67,700 A shares and they were purchased at an average price of EUR 10.65. Market value of treasury shares on 31.12.2008: EUR 5,29 /share;(8,35 EUR 2007), total EUR 358 thousand (EUR 565 thousand 2007).

* The treatment of shares acquired for the share-based incentive scheme has been changed in the 2008 IFRS consolidated financial statements. In 2007, the acquisition cost of shares was treated as a receivable from Evli Alexander Management Oy, to which management of the incentive scheme has been outsorced. For 2008, the acquisition cost has been treated in the IFRS consolidated financial statements as an item comparable to treasury shares. In the parent company balance sheet, the loan issued for the acquisition of shares has been treated as a loan receivable, and for the assigned shares, the acquisition cost has been recognised as a reduction in receivables and removed from equity.

15. Non-current liabilities

(EUR 1,000)	2008	2007
Loans from financial institutions	7 347	9 621

Changes and repayments of non-current liabilities

	2 008	2 007
	Loans from financial institutions	Loans from financial institutions
Non-current liabilities 1.1	9 621	11 894
Repayments	-2 273	-2 273
Non-current liabilities 31.12	7 347	9 621

Repayments	2009	2010	2011	2012	2 013	2014-
Loans from financial institutions	2 273	4 507	1 316	1 016	508	0

16. Current liabilities

(EUR 1,000)	2008	2007
Current liabilities		
Liabilities to group companies		
Trade payables	1 579	1 245
Other current liabilities	784	0
Total	2 363	1 245
Other current liabilities		
Loans from financial institutions	2 273	3 273
Advances received	30	30
Trade payables	4 512	4 553
Other current liabilities	3 548	2 796
Accrued liabilities	4 802	3 906
Other current liabilities, total	15 165	14 557
Current liabilities, total	17 528	15 802

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

	2008	2007
Essential items of accrued liabilities		
Personnel expenses	2 691	2 483
Interest and financing accruals	96	123
Royalties	115	92
Residual expenses	566	602
Taxes	1 304	549
Other accrued liabilities	30	57
Accrued liabilities, total	4 802	3 905

17. Pledges granted and contingent liabilities

(EUR 1,000)	2008	2007
Debts secured by mortgages		
Bank loans	9 620	12 894
Property mortgages	7 848	11 548
Corporate mortgages	3 700	3 869
Shares pledged	4	4
Total mortgages	11 553	15 421
Other pledges		
Guarantees as security for rents	112	97
Guarantees given on behalf of companies in the same group	1 559	2 284
Leasing commitments		
falling due within 12 months	827	619
falling due after 12 months	1 158	1 077
Total	1 985	1 696
Repurchase sureties	150	150
Other commitments		
Rent commitments	8 120	8 727

Calculation to Key Figures

Earnings / share	=	$\frac{\text{Profit attributable to the equity holders of the parent}}{\text{Average share issue-adjusted number of shares}}$
Price / earnings multiple (P/E)	=	$\frac{\text{Share issue-adjusted share price at year end}}{\text{Earnings / share}}$
Equity / share, EUR	=	$\frac{\text{Equity attributable to the equity holders of the parent}}{\text{Share issue-adjusted number of shares at year end}}$
Dividend / share, EUR	=	$\frac{\text{Dividend for the financial year}}{\text{Share issue-adjusted number of shares at year end}}$
Dividend / earnings, %	=	$\frac{\text{Dividend / share}}{\text{Earnings / share}} \times 100$
Effective dividend yield, %	=	$\frac{\text{Share issue-adjusted dividend / share}}{\text{Share issue-adjusted share price at year end}} \times 100$
Market value of shares outstanding, EUR	=	Total number of shares at year end X share price on the balance sheet date
Return on equity, %	=	$\frac{\text{Profit/loss for the financial year}}{\text{Equity (average during the year)}} \times 100$
Return on investment, %	=	$\frac{\text{(Pre-tax profit/loss + interest expenses + other financial expenses)}}{\text{Balance sheet total - Non-interest-bearing liabilities (average during year)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total - advances received}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities-cash and cash equivalents and liquid asset securities}}{\text{Equity}} \times 100$
Average personnel	=	Month-end average calculation of the number of personnel in active employment
Interest-bearing net debt	=	Interest-bearing debt - cash and other liquid financial assets

Board of Directors’ proposal for the distribution of profit

The parent company’s distributable funds are EUR 37,969,142.88, of which the profit for the financial year is EUR 8,551,568.31.

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

- distribution of a dividend of EUR 0.60 per share, totalling	EUR 2,452,740,00
- to be left in shareholders’ equity	EUR 35,516,402,88

Helsinki, 11 February 2009

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

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

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

Helsinki, 12 February 2009

KPMG Oy Ab

Reino Tikkanen
Authorised Public Accountant

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

Auditor’s report

To the Annual General Meeting of Martela Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Martela Oyj for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

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

Auditor’s responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company’s financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

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

Opinion on the company’s financial statements and the report of the Board of Directors

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

Helsinki 12 February 2009

KPMG Oy Ab

Reino Tikkanen
Authorized public accountant