annual report 2005

beltton-group plc

annual report 2005

Partners for Better Business

BELTTON

Beltton-Yhtiöt Oyj

Veronica, 28, contract customer sales representative

Hustle and bustle! Veronica Holopainen worked as an interior decorator at Harrod's in London and as the superior of H&M shop assistants in Oxford Circus while working towards her University degree in London. After returning to Finland Veronica first worked as a shop manager trainee at Seppälä in Helsinki before running into Beltton. Veronica appreciates internal entrepreneurship and has noticed that the company rewards ambition and activity.

contents

beltton in brief

Beltton-Group Plc is an expert sales and marketing organisation in the world of office supplies. The company is a market leader in Finland and a strong player in Sweden, Norway and Estonia.

Beltton serves companies of various sizes in all fields through its direct sales organisations and contract customer concept. The company offers a versatile assortment consisting of speciality products and items for daily office use. The range includes office supplies, computer accessories, corporate promotional products and ergonomic products.

Beltton grows by duplicating its operating models in all market areas and by being on the lookout for new models primarily in Finland. Acquisitions are another essential part of Beltton's growth strategy. Suitable targets are actively sought for in current countries of operation, as well as in the Baltic states. Beltton's long-term goal is to become market leader in the Nordic countries.

Petri, 38
sales manager

Higher and higher, says paratrooper Kautonen. Progress is the lodestar of this long-time Beltton employee. Fifteen years ago the young commercial graduate left his father's real estate management company to become a sales representative at Beltton. Petri 's hobbies include skiing, marathons and canoeing – all of them further proof of the determination and goal-oriented nature of this sales manager.

year 2005

february

To support its direct sales in Sweden, Beltton launched a telemarketing concept, which is an efficient channel for new customer acquisition. The concept gave good results in Sweden in 2005. An organisation of three employees acquired dozens of new customers over the year.

august

The Group enhanced its recruiting processes and employed BBA Juha Sinisalo as its HR manager.

september

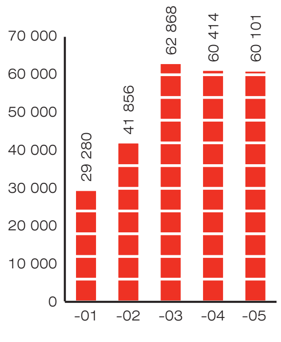
Beltton's subsidiary Wulff pursued its action programme aiming to improve performance. Juha Broman took up position as Wulff's Managing Director with the goal to strengthen Wulff's sales organisation and enhance sales support services through staff reductions.

december

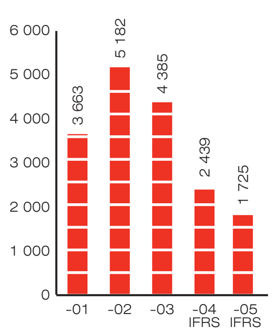
Beltton duplicated the telemarketing concept launched in Sweden in early 2005 in neighbouring Finland. Operations got off to a good start and the first results are promising.

KB-tuote Oy, in charge of the Group's promotional products, met the goals set for it by acquiring 25 new contract customers. The new customers will continue to increase the net sales of KB-tuote in 2006.

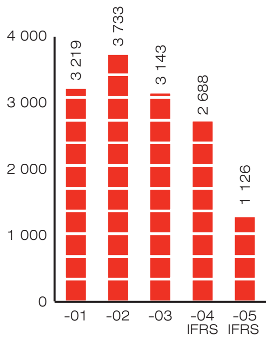
net sales
1 000 €



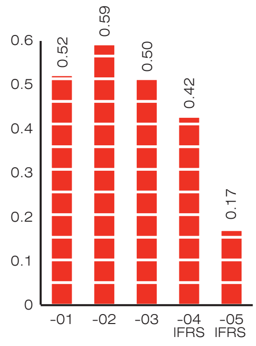
operating profit
1 000 €



profit for the financial period
1 000 €



earnings per share €



number one despite the challenges

a challenging and hectic year

Beltton once again sets out into the new year as market leader in the field. The year 2005 was not easy for Beltton. The company did not achieve its target growth of 5–10 per cent due to very stiff price competition in the office supplies market and scarcity of sales personnel. Beltton's net sales dropped by 0.5 per cent over the previous year, amounting to EUR 60.1 million, while operating profit fell by 29.3 per cent to EUR 1.73 million. Operating profit accounted for 2.9 per cent of net sales. Net earnings per share in 2005 amounted to EUR 0.17.

New sales representatives fuel the organic growth of a sales organisation like Beltton. The more sales representatives Beltton has, the more effectively it can launch new product groups. With this in mind, we increased our emphasis on recruiting and hired Juha Sinisalo as HR Manager in August. Under Juha's lead we enhanced cooperation with our important partners: labour administration and schools and colleges in the field. In the autumn Beltton and the employment authorities set up a joint training project, Beltton Sales Institute, which focuses on training personnel interested in the sales profession. Beltton will employ all participants that pass the course. The first students will graduate in spring 2006.

In February we introduced a telemarketing concept in Beltton Svenska AB in Sweden to support direct sales operations. Since sales and information acquisition by phone proved to be a good way to acquire new customers, we duplicated the telemarketing model and introduced it in Finland at the end of the year. Based on first impressions we believe that telemarketing has good prospects in Finland as well.

streamlining continued at wulff, kb-tuote achieved its objective

After the acquisition of Wulff in 2002 we have been forced to make changes to the management of our biggest subsidiary three times. In September 2005 responsibility for Wulff was given to Juha Broman, who has worked in the office supplies market for several decades and was previously employed by Wulff for over ten years. I believe he will succeed in getting Wulff on a new growth track.

The streamlining measures initiated at Wulff in 2004 were continued in 2005. To achieve better profitability the company increased its emphasis on sales resources. In the future sales representatives will assume increasing responsibility for customer relations. Wulff also enhanced sales support services. The first codetermination talks in Beltton's history were psychologically difficult but necessary in order to improve Wulff's results and organise its operations more efficiently. Initiated in November, the talks led to Wulff's staff being reduced by seven in December.

KB-tuote Oy, Finland's oldest company specialising in business and advertising gifts, celebrated its fiftieth anniversary in April 2005, marking a fine milestone for the company. The year was particularly good for KB-tuote as it achieved its objective of acquiring 25 new contract customers. The new customers will continue to increase the net sales of KB-tuote in 2006.

Beltton continues to look for new products and ideas to duplicate its direct sales concept in new product groups. A good example of duplication is Looks Workidea, the department of Looks Finland Oy, which focuses on work outfits and business clothing. In operation since 2004, Workidea boosted its market position in 2005 and it is expected to show positive results in 2006.

new organisation structure to clarify operations

Beltton simplified its organisation structure in 2005 and introduced a new organisation model at the beginning of 2006. Operations are now divided into four areas according to the operating concept and area: office supplies represented by Wulff, business and advertising gifts represented by KB-tuote, direct sales operations formed by eight direct sales companies, and operations in Sweden and Norway. Our aim is to provide more detailed reports on the events and developments in these four areas as of beginning of 2006. We aim to develop investor communications and open up business.

The Group's Executive Committee is formed by the managing directors in charge of the four operating areas, the Group's Director of Finance, Director of Investor Relations and the Group's Managing Director. The changes will help us to enhance our strategic work.

interesting changes on the market

The Nordic office supplies markets increased at the same annual rate of 2–3 per cent seen in previous years. Since the market for office supplies is still new in Estonia, growth in the country exceeds that of the Nordic countries. The Estonian market grew by 10 per cent in 2005.

Several interesting changes in ownership took place in the market over the year. The two biggest office supplies

companies in Norway, Tybring-Gjedde and Andvord, merged in the summer to form a major company in the field. Andvord is familiar to Beltton as both companies are members of InterACTION, a joint purchasing organisation.

In late 2005 Beltton faced new competition in Finland as Lyreco from France acquired a controlling interest in the Finnish Brandex Oy. From Beltton's point of view, Brandex is a relatively small player in Finland with net sales of EUR 6 million in 2004. The Finnish market entry of Lyreco, an international conglomerate, did not come as a surprise because the company has been operating for quite some time in other Nordic countries. The business acquisition has minor impact on Beltton's operations at the moment. It will be interesting to follow development in this respect.

year 2006: moderate growth and preparedness for acquisitions

To boost Beltton's growth, the company's Board of Directors actively looked for new acquisitions in 2005 and conducted detailed investigations of many companies. However, negotiations have not lead to deals in the last three years. Since deals can be financed with company shares we are in continued preparedness to carry out even big arrangements.

Interesting business opportunities are to be found in both the Nordic and Baltic countries. Entrepreneurship is valued in the Baltic countries, and the region has several profitable sales companies with skilled management. In addition to these criteria, we expect the target of acquisition to have net sales over EUR 5 million and show growth potential. The target company is active in the business-to-business sector, has a good reputation and a leading market position. We, and our shareholders, want the acquisition to increase Beltton's earnings per share.

Beltton aims to grow faster than the markets, and plans to support this goal through acquisitions. I believe that the impact of streamlining measures will begin to show in the Group's results in late 2006, giving us an opportunity to improve our results over the previous year. I also have strong confidence in Beltton achieving its long-term objective: market leadership in the Nordic countries.

I am proud that Beltton can offer highly developed services to its customers and even prouder of Beltton providing personal service to all of its customers. Our ability to maintain market leadership despite stiff competition is an achievement that Beltton's personnel, customers and cooperation partners appreciate. I wish to thank all of your for your contribution and look eagerly forward to 2006!

Helsinki, February 2006

Heikki Vienola

CEO

more field work – fewer newspaper ads

Recruiting presents a big challenge to sales companies in general and an even bigger one for growing companies. How to find skilled and enthusiastic employees? How to ensure employee satisfaction and the drive to develop in one's profession? And how to promote interest in the sales profession?

Satu, 34
regional sales manager

Former ambulance driver, no kidding. One of seven children, Satu Paalimäki first went into health care and later into sales. Her interest shows and skills accumulate: Satu sells Looks clothes and accessories in Jyväskylä and Mikkeli at a brisk pace. She is also excellent proof of the right attitude being the main attribute in learning and mastering a job.

Future Beltton employees develop in various fields and duties, which makes it imperative that the company has various ways to reach them. Beltton continued to search for new innovative approaches in 2005, one of them being closer cooperation with labour authorities, schools and colleges. The company has introduced its operating model to contacts in labour administration and educational institutes to ensure that potential employees get as realistic and up-to-date information as possible about work at Beltton.

In 2005 Beltton's recruiting team visited schools and colleges talking about work and opportunities in the field of sales in order to attract fresh Bachelors of Business Administration and graduates with a vocational qualification in business and administration. Beltton signed a cooperation agreement with Helia (Helsinki Business Polytechnic) which enables the company to contribute its views to the content of studies. Beltton also got a seat on Helia's advisory board, which consists of experts from companies in different fields and aims to develop the education offered by Helia. Beltton also participates in research on sales work launched by Helia in 2005.

Beltton and the employment authorities have set up a joint training project, the Beltton Sales Institute, which focuses on training personnel interested in the sales profession. The project will be implemented as jointly acquired training, which means that the theoretical content will be offered by an independent education company, while Beltton will provide internship posts. After internship, Beltton will employ all students who have passed the course. Planning started in spring 2005 and the first students will graduate in spring 2006. The project aims to provide students with good skills in practical sales work, which is why the focus of studies is on internship. The Sales Institute is Finland's first jointly acquired training project in the field of sales.

Beltton's recruiting team goes to job applicants. As in previous years, the company's recruiting tour

personnel as a success factor and investments in recruiting

success factors	accomplished goals in 2005	goals in 2006	proceedings in 2006
Internal entrepreneurship and a pay system rewarding the prosperous. Comprehensive initiation and continuous training. The advancing benefits of a large company for the employees.	Increasing general knowledge of the company as an employer in the sales industry. Renewing the recruitment processes. More efficient and vaster initiation training.	Increasing the amount of sales negotiators by 25%. Active recruitment. Recruitment cooperation with other companies in the industry.	Setting ground for the recruiters among 18-35 year olds. Good visibility for the target group. Putting the collaboration forum within the sales industry in motion.

encompassed the whole country from Helsinki to Lapland, and several recruiting events were arranged in Finland's biggest towns over the year.

Beltton's emphasis on its personnel also involved strengthening the company's HR Administration. Beltton was on the lookout for a person with solid experience in sales recruiting and found Juha Sinisalo, BBA, who took up position as Beltton's first HR Manager in August. He will focus on increasing the number of sales representatives by introducing new and more effective recruiting methods.

In addition to Beltton, sales professionals are sought by companies in the trade sector and companies in other sectors that need sales representatives. Beltton will continue to develop the attractiveness of the sales field in 2006 by cooperating with other companies in recruiting. The companies' common goal is to improve the image of the field and encourage those interested to change careers. Beltton will plan and arrange several recruiting events in 2006.

internal entrepreneurship the key to success

Internal entrepreneurship, dealmaking skills and personal sales work: These are the success factors found in the everyday work of Beltton employees. Beltton has managed to maintain market leadership thanks to its professional staff. All sales work is based on internal entrepreneurship. Dealmaking skills mean knowing how to provide the best possible service profitably and with a customer-oriented approach. Personal sales work calls for situational intelligence, courage and good social skills.

Beltton's results-oriented culture encourages and motivates employees to aim at good performance. Exceeding one's goals results in concrete rewards, and the results are also made public to colleagues. The company's employees appreciate each other's sales achievements. Beltton uses commissions to guide its personnel towards profitable operations. Different types of bonuses, sales competitions and personal reward systems are also powerful motivators. These motivating methods are used systematically to support sales. The results-based compensation approach has been expanded to cover other employees as well. The employees at the Vantaa logistics centre, for example, receive a bonus for flawless work.

Work at Beltton is challenging, rewarding and full of responsibility. Sales representatives enjoy the freedom of entrepreneurs but also get the benefits of salaried employees and access to comprehensive sales support services. Beltton's success is the result of individual achievements seen every day. The success of an employee always means success to the company as well. Beltton's employees are strongly committed to their work. The company develops its activities based on annual personnel surveys.

beltton values

customer orientation

Customer orientation ensures business continuity. Beltton serves its customers in the best possible way, with personal attention at all times.

internal entrepreneurship

Internal entrepreneurship means commitment to work and a sense of responsibility. Achieving common goals motivates and rewards employees carrying out independent work.

performance

Performance refers to a business that grows profitably and offers individuals the chance to succeed.

beltton trains its star performers

A market leader in its field, Beltton is known as a sales university. Previous education or work experience are not necessary requirements since Beltton offers its staff continuous and long-term training. Most of the employees start their career at Beltton at a young age. The youthful and dynamic Beltton is considered to be a good employer that employees are in no hurry to leave.

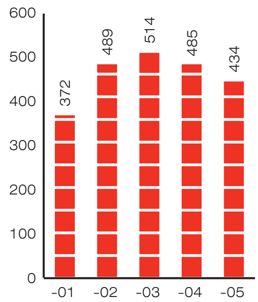
Beltton has tailored its own training programmes for direct sales representatives and for sales management. Its employees also have the opportunity to get basic commercial training alongside their work. Studies towards a vocational qualification in business and administration last two to three years.

The Beltton Group's direct sales companies enhanced their cooperation in 2005 to support big recruiting investments. The new sales representatives of direct sales organisations take part in a joint, more extensive induction programme. Training that offers all new representatives the same content at the same time provides good tools for a challenging career. Induction emphasises sales- and customer-oriented thinking because the goal of employees is to operate profitably and have a positive influence on sales.

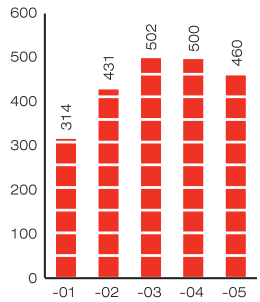
versatile and personal training

In 2005 the Group's employees took part in an average of six days of training. Induction for new sales representatives included 8–12 days of training during their first four months in the company. Every sales representative has his or her own superior, who supports and trains the representative. Cooperation is close during the first four months: customer visits are handled jointly and the employee gets immediate feedback on work. Cooperation between employees enables the company to effectively transfer valuable tacit knowledge.

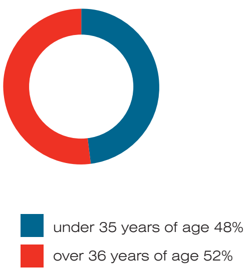
employees at year-end



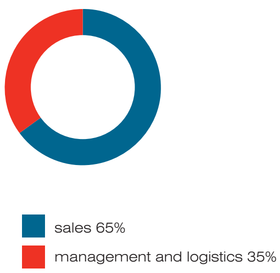
average number of employees



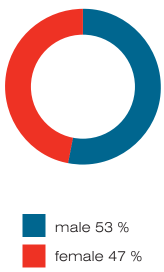
personnel age distribution in 2005



personnel: sales/management/ logistics percentage in 2005



personnel gender distribution in 2005



markets for office supplies

The office product market encompasses the production and sales of office supplies, computer accessories, corporate promotional products and ergonomic products. Beltton sells office products in Finland, Sweden, Norway and Estonia. According to Beltton's estimates, the markets for office supplies at the end of 2005 amounted to EUR 420 million in Finland, EUR 700 million in Sweden, EUR 400 million in Norway and EUR 26 million in Estonia.

The Swedish and Norwegian markets are similar to Finland in terms of customer numbers, purchasing behaviour and product demand. The demand for computer accessories and office supplies in Estonia is influenced by the clearly smaller market and the standard of living. Beltton only engages in the sales of corporate promotional products in Estonia.

Office products are purchased by companies of various sizes in all sectors. There is always a demand for staple products, such as folders, pens and dividers, which is why economic fluctuations have hardly any effect on the markets. The sales of business and promotional gifts show seasonal variation, achieving their highest levels in the second and fourth quarter owing to the purchase of Christmas and summer gifts.

Mikko, 27
sales representative

Mikko Korhonen bumped into CEO Vienola in a bar in Nilsiä, asked for a job and got one. Mikko entered the company after military service. Before starting at Beltton this farm boy and forest worker has gained work experience as a ski lift assistant, farm replacement, garden shop sales assistant, bartender and PR host. Very productive and active, he is. And one of Beltton's best sales representatives.

beltton the finnish market leader

Beltton is the market leader in Finland, commanding approximately 15 per cent of the markets. The company's market share in Sweden is approximately one per cent, making it the twelfth largest player in terms of net sales. In Norway Beltton's share of the markets is minor, while in Estonia the company is the second largest in the area of business and advertising gifts. The market for office supplies is fragmented in the Nordic and Baltic countries, mainly due to the easy market entry in office products.

Beltton's competitors in all market sectors consist of unlisted small and medium-sized companies. It has approximately ten significant competitors in Finland. The sector is populated by many small companies, which come and go in copious numbers every year. Wulff Oy Ab's contract customer concept faces competition from Lindell Oy, Tamore Oy and Paperipalvelu. The main rival of KB-tuote Oy, focusing on corporate promotional products, is Mastermark Oy from Turku. Market shares in direct sales are keenly contested, among others, by Canncolor Group and Oy Rahmqvist Ab.

Market competition in Sweden comes from the likes of TG Skrivab, Procurator and Lyreco. The biggest players in Norway include Andvord Tybring-Gjedde ASA and S-Gruppen. In Estonian corporate promotional product sales KB Eesti Oü comes in second after market leader Roi As.

market events in 2005

The merger of the top two Norwegian office supply companies in summer 2005 marked a significant change in the Nordic market. Tybring-Gjedde and Andvord now form Andvord Tybring-Gjedde ASA with a headcount of 870. The company has been listed on the Oslo stock exchange since 1985.

The first major international office supply company entered Finland in late 2005 when French Lyreco acquired a controlling interest in Brandex Oy, a Finnish online store for computer accessories. The 2004 net sales of Brandex amounted to EUR 6 million, while Lyreco, operating in 24 countries, posted net sales of EUR 1.6 billion in 2004.

gradual change in the nordic markets

According to Beltton's estimates, the market for office supplies will continue to grow steadily, at a rate of one to four per cent, in 2006. Growth will come from an increase in the number of companies and from the continuous increase in the share of office work of work in general. IT keeps increasing its share of office work as tasks are being carried out and administered using increasingly versatile software. The continuously increasing number of IT equipment calls for accessories, cleansing and maintenance.

The fragmented office supply markets are characterised, to an increasing amount, by companies merging and becoming bigger players. Companies offering increasingly comprehensive services can strengthen their position as customers continue to outsource and centralise their services. As a market leader, Beltton benefits from this development.

Beltton looks to be one of the main players in the Nordic market and believes it can achieve its long-term target: that of becoming the Nordic market leader. Acquisitions can help it to achieve the target faster.

customer-oriented service models mark success

Beltton serves its customers in office supply purchases, selling its products via two complementary services models. The direct sales concept aims to serve both small and medium-sized companies. The contract customer concept is Beltton's way to facilitate the regular purchases of its customers. Beltton has developed its concepts to serve customers as comprehensively as possible and to promote customer satisfaction and continued customer relationships. The company is active in new customer acquisitions: it considers each new company as a potential customer.

Beltton-Group Plc is the parent company of independent subsidiaries. It divides its operations into two concepts. Wulff Oy Ab and KB-tuote Oy operate according to the contract customer concept. Wulff Oy Ab sells office supplies and KB-tuote Oy sells business and promotional gifts. Beltton's direct sales companies are Active Office Oy, Beltton Oy, Everyman Oy, Looks Finland Oy, Naxor Finland Oy, Suomen Rader Oy, Vinstock Oy, Visual Globe Oy and Beltton Svenska AB in Sweden and Beltton Norge A/S in Norway.

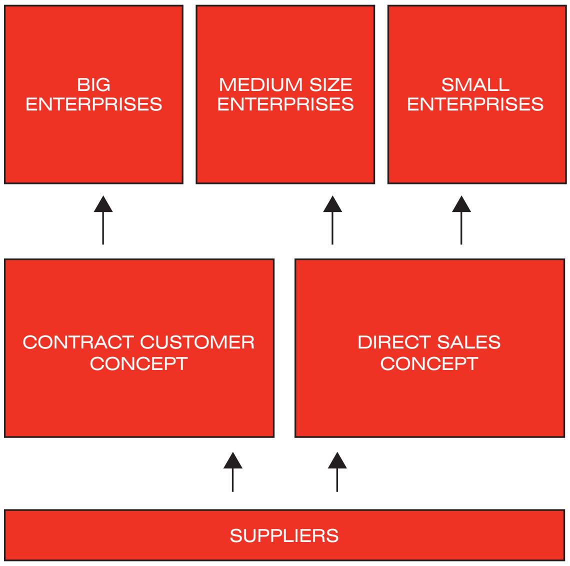
Beltton follows two brand strategies. It uses the Beltton-Group Plc brand to target investors and for recruiting purposes. Customers have learned to identify Beltton's subsidiaries as independent brands. Company-specific brands help customers differentiate between operating concepts and product groups.

direct sales concept offers local service

The direct sales concept offers speciality products to small and medium-sized companies through personal contacts in the companies' own locations. Sales representatives work at the customer's site, making two to twelve customer visits a day. Since the products are usually ordered by the user, purchase decisions are made quickly. The operating model has proved to be efficient, with big sales volumes achieved for individual products. Beltton has 19 nationwide sales organisations in Finland, nine in Sweden and one both in Norway and Estonia. An average purchase of office supplies amounts to some EUR 350.

contract customer concept serves major accounts

A typical contract customer is a large enterprise with over 500 white-collar employees. Seven of Finland's ten biggest companies are Beltton's customers. The customer signs a contract with Beltton to outsource its office or promotional product purchases. Contract



Beltton sells all of its products through personal contacts, based on the concept selected for individual customers. Sales profitability is based on direct supplier relations. Beltton is an efficient distribution channel for office products.

customers can monitor their purchase expenses in nearly real time and even include the entire logistics process in the service concept. KB-tuote stores products customised for individual companies and handles their distribution, if required. The cost-effective service model is based on a highly automated ordering system: customers have at their disposal an online service for ordering customised products.

efficiency from support services

Efficient administration and logistics support Beltton's extensive sales operations. Good and functioning logistics form an important part of Beltton's business, especially in the case of contract customers. The core of Beltton's logistics activities is the logistics centre in Vantaa, which dispatches hundreds of deliveries every day. Nearly all orders are delivered to customers within 24 hours of the order being registered in the system. Electronic orders account for 70 per cent of the dispatch volume. The introduction of bonuses to motivate the logistics staff has brought the delivery accuracy percentage close to 100.

direct contacts to product suppliers

Direct sales companies upgrade their product ranges with novelties three to four times a year. It is important to be constantly on the lookout for product suppliers in order to develop and increase the product range with innovative products. Beltton does not have its own production or product development but its sales representatives convey information from the customer interface to product suppliers, who use customer feedback as an important part of ongoing product development. Beltton expects its suppliers to provide quality products and reliable delivery schedules. Most of Beltton's suppliers meet the requirements of the ISO 9001 quality certificate.

Wulff Oy Ab is a member of interACTION, a pan-European alliance of office product wholesalers. There are a total of 13 interACTION companies, all of them leading players in their home country. The members of InterACTION meet regularly to coordinate joint purchases and share knowledge and skills in sales, marketing and logistics. InterACTION companies exchange information, for example, about products that sell best in different countries. Beltton benefits directly from the market and product information it receives. The joint purchasing organisation has an overall volume of EUR 1.4 billion and its own international brand called Q-Connect. KB-tuote Oy is a member of WAGE, a corresponding international organisation for promotional products.

Beltton sees networking as an important part of modern business. It cooperates with Office Depot, the world's biggest office supplies company. Cooperation with Office Depot enables Beltton to serve its customers better and more extensively than ever before both in Finland and abroad. Office Depot is listed on the New York Stock Exchange and operates in 23 countries.

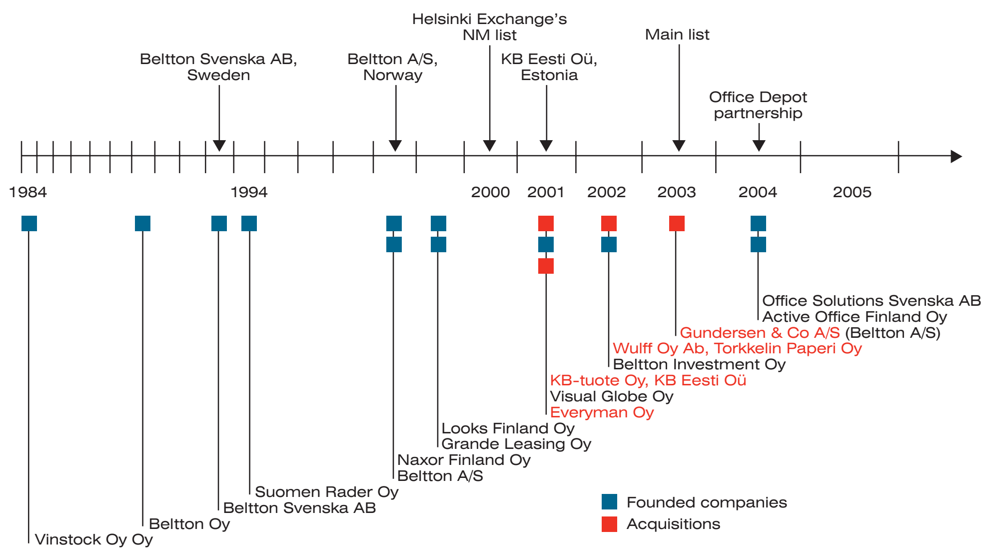
aiming at profitable growth

Beltton aims to boost its market leadership ongoing in Finland. Beltton is actively looking for acquisitions to strengthen its organic growth. Being Finland's only listed company in the field Beltton has good opportunities to carry out large ownership arrangements. Growth is supported by new product groups and operating methods that also support the development of Beltton's business.

In 2005 Beltton adopted telemarketing to expand its operations. Telemarketing supports direct sales in particular and is an excellent channel for attracting new customers. Successfully introduced in Sweden, the operating model was duplicated in Finland in December 2005. It will be further developed in 2006.

With profitable growth as its goal, Beltton's subsidiary Wulff pursued its action programme aiming to improve performance. Juha Broman took up position as Wulff's Managing Director in September with the goal to strengthen the company's sales organisation. As a result of the codetermination talks in November, the administrative staff was reduced by seven. Working hour arrangements affecting two employees, as well as reorganised sales support services have further enhanced cost-effectiveness.

In two decades, Beltton has developed into the Finnish market leader in its field. The company's objective in the long term is to reach market leadership in the Nordic countries.



versatile assortment of office supplies

Beltton's product range consists of office supplies, computer accessories, ergonomic products and corporate promotional products. The versatile range also encompasses basic products and speciality office supplies. Beltton's objective is to identify new product groups and markets now and in the future. The work outfit product family for service sectors launched in 2004 is a good example of product range expansion.

Plastic pockets, dividers, folders, memo pads, colour cartridges, pens and pencils and IT cleaning products are items in daily use in any office.

High-quality speciality products give added value to our customers' work. Examples of Beltton's products include accessories for meetings, training and negotiations, as well as cleaning and maintenance products for individual devices. Ergonomic mice and wrist and hand supports made in Finland promote wellbeing at work, while top-quality promotional products and corporate textiles boost the image of corporations.

Veijo, 46
managing director

Siberian conditions took the native from Sievi back to Sweden. Former physio-therapist Veijo Ågerfalk sold forest machines in freezing conditions before noticing that selling cleaning sheets pro-vided a good, and even com-fortable, livelihood. Finnish determination has helped Veijo to set up and develop Beltton Svenska into a compa-ny of 100 employees, as well as conquer the highest moun-tain in the Nordic countries.

special products and personal service

Beltton's products generate added value to companies and facilitate daily work. Sales representatives visit customers so they can easily order the products they need and get acquainted with novelties. Beltton's customers know that the products will be suitable for their needs because all items can be tested before placing an order.

Direct sales representatives collect customer feedback, as well as information about the customers' wishes and operating methods, during their daily visits. This real-time information is used to develop the product range and operations so that Beltton can offer its customers modern and up-to-date products and novelties. Efficient sales organisations enable product innovations to be launched simultaneously all over the country.

automated purchases for major accounts

Beltton's contract customer concept enables companies to focus on their core competence. Contract customers get their office supplies and computer accessories easily and cost-effectively from Wulff Oy Ab. The basic product range is jointly determined with the customer and placed in a MiniBar rack, containing 150–400 products, on the customer's premises. Each product in the MiniBar has its own bar code, which enables products to be ordered quickly using a bar code reader. Real-time information on consumption is available through the eWulff service. The electronic ordering system serves customers 24 hours a day, and the WulffApu phone service provides personal assistance if required. To date, over one thousand MiniBars have found their way into Finnish companies.

KB-tuote Oy's corporate business gift service caters for companies that wish to boost their corporate image. The sales representative helps the customer to design a high-quality, seasonally updated product range in line with the customer's brand. The range can include company textiles as well as gift items. KB-tuote has its own designer in charge of product design. If required, KB-tuote can stock the products and distribute them on the customer's behalf. Customers can get acquainted with the KB-tuote product range at any of the ten sales exhibitions offered around Finland.

review of the board of directors 2005

turnover

The turnover of Beltton-Group Plc fell slightly short of the previous year. The Group's turnover dropped by 0.5 per cent to EUR 60.1 million (2004: EUR 60.4 million). Viewed by product group, the Group's sales in computer accessories decreased while the sales of business and advertising gifts increased. The sales of office supplies and ergonomic products remained unchanged.

operating environment

According to Beltton's estimates the market for office supplies increased by a few per cent in 2005. An exception to this, in terms of Beltton's countries of operations, was Estonia where markets showed an increase of ten per cent. The merger of Norway's two biggest office supplies companies, Tybring-Gjedde and Andvord, changed the operating environment in the Nordic countries. On the other hand, the Finnish markets saw a new international competitor when the French company Lyreco purchased part of Brandex Oy, a Finnish online store for computer accessories. The turnover of Brandex in 2004 amounted to EUR 6 million and that of Lyreco to EUR 1.6 billion.

business

In 2005 Wulff Oy Ab pursued its action programme aiming to improve performance. Juha Broman took up position as Wulff's Managing Director in September. Codetermination talks were carried out in Wulff's support services in November. KB-Tuote Oy acquired 25 new contract customers in promotional products, which will increase the company's turnover for 2006 by an estimated 10 per cent. To enhance the recruitment of sales personnel the Group employed Juha Sinisalo as HR manager in August.

profit developement

The Group's operating profit decreased by 29.3 per cent to EUR 1.73 million (EUR 2.44 million), representing 2.9 per cent of turnover (4.0%). The Group's profit for the financial period decreased by 58.1 per cent over the previous year, amounting to EUR 1.13 million (EUR 2.69 million).

The Group's profit before extraordinary items decreased by 43.5 per cent to EUR 1.55 million (EUR 2.75 million). Return on investment (ROI) amounted to 6.5 per cent (10.6%) and return on equity (ROE) to 10.4 per cent (15.1%). Earnings per share decreased to EUR 0.17 compared to EUR 0.42 the previous year. Equity per share amounted to EUR 2.58, nearly corresponding to the previous year's EUR 2.57.

The fourth-quarter result improved thanks to good sales in business and advertising gifts and reduced personnel expenses.

The closing value of the company's share on 31 December 2005 was EUR 4.40 (EUR 5.71). A total of 11.2 per cent (10.5%) of Beltton's shares were traded in 2005.

financing and investments

The consolidated balance sheet total at the end of the financial period was EUR 38.1 million (EUR 35.7 million). The company's equity ratio fell short of the target of

key figures per quarter 2004-2005 1 000 €

	Q4/05	Q3/05	Q2/05	Q1/05	Q4/04	Q3/04	Q2/04	Q1/04
turnover	17 087	12 763	15 400	14 851	17 257	12 562	15 770	14 825
operating profit before taxes (EBITDA)	1 226	239	780	705	956	345	789	1424
operating profit	921	-71	484	398	707	71	514	1146
% of turnover	5,4 %	-0,6 %	3,1 %	2,7 %	4,1 %	0,6 %	3,3 %	7,7 %
profit before extraordinary items, provision and taxes	884	23	319	233	677	-83	852	1302
% of turnover	5.2 %	0.2 %	2.1 %	1.6 %	3.9 %	-0.7 %	5.4 %	8.8 %
net profit for the period	853	-114	198	41	692	266	1 233	952
% of turnover	5.0 %	-0.9 %	1.3 %	0.3 %	4.1 %	2.1 %	7.2 %	5.9 %
number of personnel at the end of period	434	460	474	485	485	476	475	492

50 per cent to 46.7 (49.2%). The Group's liquid assets at the end of the period amounted to EUR 4.47 million (EUR 3.26 million). Net gearing was 46.3 per cent (37.7%).

The investments in fixed assets entered in the balance sheet amounted to EUR 0.96 million (EUR 1.08 million), or 1.6 per cent (1.8%) of net sales, and mainly targeted machinery and equipment.

stock options and changes in share capital

The share capital was raised once during the financial period. As a result of the option-based share subscription made on 31 December 2004 the Group's share capital was raised on 28 January 2005. A total of 5,000 Beltton-Group Plc shares with a nominal value of EUR 0.40 were subscribed on the basis of the company's 2002 stock option plan on 31 December 2004. The share subscription price was EUR 5.00. As a result of the subscription the Group's share capital was increased by EUR 2,000. The increase was entered in the Trade Register on 28 January 2005.

The subscription period for the 2002 option scheme ended on 31 October 2005. Stock options from the 2002 option scheme approved by the Annual General Meeting on 3 April 2002 entitled to the subscription of 200,000 new shares with a nominal value of EUR 0.40. By 31 October 2005 the number of new share subscriptions totalled 20,000. The share subscription price was EUR 5.00

Beltton-Group Plc has no option schemes currently in force.

personnel

Beltton-Group had 434 (485) employees at the end of 2005 and an average of 460 (500) over the review period. A total of 68 (94) employees worked in Sweden, Norway and Estonia. Beltton continues to look for more employees, especially for its direct sales operations. The company is prepared for recruiting at all times and is able to train dozens of new sales representatives simultaneously.

authorisations

The Annual General Meeting authorised the Board of Directors to issue one or more convertible bonds, offer stock options and/or increase share capital through one or more new issues. Share capital can be increased by a maximum of 1,300,000 shares, corresponding to EUR 520,000.

The Board of Directors is also authorised to use the company's distributable profits to repurchase a maximum of 300,000 company shares with a nominal value of EUR 0.40. This is less than five per cent of the company's share capital and all votes.

The Board of Directors did not use its authorisations in the financial period 2005. The authorisations are in effect until 6 April 2006.

board of directors' dividend proposal

Earnings per share were EUR 0.17 (EUR 0.42). The Board of Directors plans to propose at the Annual General Meeting on 5 April 2006 that a dividend of EUR 0.10 (EUR 0.16) per share be distributed for 2005, corresponding to 59 per cent of the per-share profit for the financial period.

outlook for 2006

Beltton expects the market for office supplies to show moderate growth and remain challenging in 2006. The Group aims to grow faster than the markets. It is also prepared to carry out its growth strategy through acquisitions.

Beltton estimates the early part of 2006 to continue to be difficult but expects streamlining measures to show in the company's results in the latter part of the year. Company management believes that the Group has good prospects of improving its results over the previous year.

Vantaa, 7 February 2006

Beltton-Group Plc

Board of Directors

consolidated income statement

	Reference	1 Jan.–31 Dec. 2005	1 000 €	1 Jan.–31 Dec. 2004	1 000 €
TURNOVER	1		**60 101**		**60 414**
Other operating income	2		271		303
Cost of goods sold					
Materials, supplies and goods					
Purchases during the period		31 378		30 789	
Increase (-) or decrease (+) in inventories		-989		-346	
External services		1 418	-31 807	1 115	-31 558
Personnel expenses	3				
Salaries, wages and compensations		12 166		11 828	
Pension costs		2 281		2 096	
Other pay-related personnel expenses		569	-15 016	511	-14 435
Depreciation and loss of value					
Depreciation according to plan	4		-1 219		-1 077
Other operating expenses	5		-10 606		-11 208
OPERATING PROFIT			**1 724**		**2 439**
Financial income and expenses	6,7				
Dividend income		0		2 955	
Other interest and financial income		246		673	
Interest and other financial expenses		-417	-171	-3 318	310
PROFIT BEFORE EXTRAORDINARY ITEMS			**1 554**		**2 749**
Extraordinary items			0		0
PROFIT BEFORE TAXES			**1 554**		**2 749**
Income taxes	10				
Taxes for the financial period		-451		-922	
Deferred taxes		164	-287	989	67
Minority interests			-142		-129
NET PROFIT FOR THE FINANCIAL YEAR			**1 126**		**2 688**

consolidated balance sheet

	Reference	31 Dec. 2005 1 000 €	31 Dec. 2004 1 000 €
ASSETS			
FIXED ASSETS			
Intangible assets	11	332	308
Consolidation goodwill	11	4 542	4 542
Tangible assets	12	5 127	5 635
Investments held for sale	14	265	235
Other shares and holdings	14	149	162
TOTAL FIXED ASSETS		**10 416**	**10 882**
CURRENT ASSETS			
Inventories	15	10 507	9 518
Sales and other receivables	16	11 398	10 851
Deferred tax assets	17	1 330	1 171
Financial assets recognised at fair value in the income statement	18	89	606
Cash and bank receivables	19	4 381	2 653
TOTAL CURRENT ASSETS		**27 705**	**24 799**
TOTAL ASSETS		**38 121**	**35 681**
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	20		
Share capital	20	2 603	2 601
Share issue			2
Share premium fund		7 662	7 662
Retained earnings		5 386	3 738
Net profit for the financial year		1 126	2 688
TOTAL SHAREHOLDERS' EQUITY		**16 777**	**16 691**
Minority interests		1 021	879
LIABILITIES			
Long-term liabilities			
Interest-bearing	21	8 173	8 674
Short-term liabilities			
Interest-bearing	21	4 473	1 547
Accounts payable and other liabilities	22	7 676	7 889
TOTAL LIABILITIES		**20 322**	**18 110**
TOTAL EQUITY AND LIABILITIES		**38 121**	**35 681**

consolidated cash flow statement

	2005 1 000 €	2004 1 000 €
Cash flow from operations		
Payments received from sales	59 526	59 433
Payments received from other operating income	251	220
Amounts paid for operating expenses	-57 767	-56 330
Cash flow from business operations before financial items and taxes	2 011	3 324
Interests and other operations-related financial costs paid	-325	-335
Interests received from operations	79	96
Direct taxes paid	-49	-147
Cash flow from operations	**1 716**	**2 938**
Cash flow from investment activities		
Investments in tangible and intangible assets	-957	-1 076
Sale of tangible and intangible assets	56	85
Acquisition of shares in subsidiaries	0	0
Sale of shares in subsidiaries	0	0
Sale of other investments	518	0
Cash flow from investment activities	**-383**	**-991**
Cash flow from financing activities		
Share issue	0	261
Paid dividends	-1 041	-5 181
Received dividends	57	2 098
Short-term investments	0	-38
Loss from the sale of short-term investments	0	-2 569
Loan withdrawals	1 715	0
Loan repayments	-336	-1 336
Cash flow from financing activities	**395**	**-6 765**
Change in liquid assets	**1 728**	**-4 818**
Liquid assets on January 1	**2 653**	**7 471**
Liquid assets on December 31	**4 381**	**2 653**

statement of changes in shareholder's equity

1 000 €	Share capital	Share premium fund	Share issue fund	Retained earnings	Total	Minority interest	Total
SHAREHOLDER'S EQUITY 31. Dec. 2003	**2 533**	**7 400**	**47**	**9 121**	**19 101**	**750**	**19 851**
Impact of the adoption of IFRS				-178			
ADJUSTED SHAREHOLDER'S EQUITY 1. Jan. 2004	**2 533**	**7 400**	**47**	**8 943**	**18 923**	**750**	**19 673**
Investments available for sale: Valuation gains or losses recognised under shareholder's equity				-34			
Taxes related to items recognised under shareholder's equity				9			
Translation differences				1			
Reversal of goodwill amortisation				560			
Net profit for the financial year				2 128			
Total income and expenses recorded for the period							
Dividends				-5 181			
Share issue	68						
Exercised share-based options		263					
SHAREHOLDER'S EQUITY 31. Dec. 2004	**2 601**	**7 662**	**2**	**6 426**	**16 691**	**879**	**17 570**
Impact of the adoption of IAS 32 and 39							
ADJUSTED SHAREHOLDER'S EQUITY 1. Jan. 2004	**2 601**	**7 662**	**2**	**6 426**	**16 691**	**879**	**17 570**
Investments available for sale: Valuation gains or losses recognised under shareholder's equity				-4			
Taxes related to items recognised under shareholder's equity				7			
Net profit for the financial year				1 126			
Translation differences				-2			
Total income and expenses recorded for the period							
Dividends				-1 041			
Share issue	2						
Translation differences							
SHAREHOLDER'S EQUITY 31. Dec. 2005	**2 603**	**7 662**	**0**	**6 512**	**16 777**	**1 021**	**17 798**

parent company income statement

	Reference	1 Jan.–31 Dec. 2005	€	1 Jan.–31 Dec. 2004	€
TURNOVER	1		**371 338.27**		**362 294.50**
Other operating income	2		258 032.00		275 877.62
Cost of goods sold					
Materials, supplies and goods					
Purchases during the period		246.73		2 638.00	
Increase (-) or decrease (+) in inventories		0.00	-246.73	0.00	-2 638.00
Personnel expenses	3				
Salaries, wages and compensations		264 556.03		281 048.22	
Pension costs		40 539.72		53 493.99	
Other pay-related personnel expenses		18 349.04	-323 444.79	21 380.89	-355 923.10
Depreciation and loss of value					
Depreciation according to plan	4		-178 297.95		-169 080.71
Other operating expenses	5		-353 495.72		-497 718.39
OPERATING PROFIT			**-226 114.92**		**-387 188.08**
Financial income and expenses	6,7				
Dividend income		53 250.00		3 139 922.54	
Other interest and financial income		165 127.47		550 791.57	
Interest and other financial expenses		-374 588.02	-156 210.55	-3 164 645.14	526 068.97
PROFIT BEFORE EXTRAORDINARY ITEMS			**-382 325.47**		**138 880.89**
Extraordinary income and costs					
Group contributions	8		1 366 000.00		1 109 000.00
PROFIT BEFORE APPROPRIATIONS AND TAXES			**983 674.53**		**1 247 880.89**
Appropriations					
Change in depreciation difference	9		116 950.19		4 459.81
PROFIT BEFORE TAX			**1 100 624.72**		**1 252 340.70**
Income taxes	10		-129 874.79		-326 642.64
NET PROFIT FOR THE FINANCIAL PERIOD			**970 749.93**		**925 698.06**

parent company balance sheet

	Reference		31 Dec. 2005 €		31 Dec. 2004 €
ASSETS					
FIXED ASSETS					
Intangible assets	11				
Other long-term expenditure			51 125.48		79 132.81
Tangible assets	12				
Land areas			1 040 000.00		1 040 000.00
Buildings			2 100 800.00		2 225 600.00
Machinery and equipment			172 954.45		68 469.19
Investments					
Shares in Group companies	13		5 469 666.30		5 378 606.05
TOTAL FIXED ASSETS			**8 834 546.23**		**8 791 808.05**
CURRENT ASSETS					
Inventories					
Materials and supplies			0.00		0.00
Non-current receivables					
Non-current receivables from Group companies			10 534 571.97		10 687 571.97
Current receivables					
Trade receivables		0.00		0.00	
Receivables from Group companies		8 149 248.93		6 339 154.93	
Other receivables		0.00		25 000.00	
Prepaid expenses and accrued income		1 878 328.03	10 027 576.96	1 795 043.96	8 159 198.89
Securities included in current assets			75 920.00		593 337.78
Cash at bank and in hand			2 069.40		236.78
TOTAL CURRENT ASSETS			**20 640 138.33**		**19 440 345.42**
TOTAL ASSETS			**29 474 684.56**		**28 232 153.47**
EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital	20		2 603 051.20		2 601 051.20
Share issue			0.00		2 000.00
Share premium fund			7 889 591.50		7 889 211.50
Retained earnings			4 401 137.80		4 516 660.22
Net profit for the financial year			**970 749.93**		**925 698.06**
TOTAL SHAREHOLDER'S EQUITY			**15 864 530.43**		**15 934 620.98**
ACCUMULATED APPROPRIATIONS					
Depreciation difference			0.00		116 950.19
LIABILITIES					
Non-current liabilities					
Loans from credit institutions	21	7 000 000.00		8 504 564.61	
Other non-current liabilities		0.00	7 000 000.00	0.00	8 504 564.61
Current liabilities					
Trade payables		0.00		48 720.64	
Amounts owed to Group companies		2 123 705.06		1 903 523.68	
Other liabilities		4 399 539.07		1 499 838.06	
Accrued liabilities and deferred income		86 910.00	6 610 154.13	223 935.31	3 676 017.69
TOTAL LIABILITIES			**13 610 154.13**		**12 180 582.30**
TOTAL EQUITY AND LIABILITIES			**29 474 684.56**		**28 232 153.47**

parent company cash flow statement

	2005 1 000 €	2004 1 000 €
Cash flow from operations		
Payments received from sales	164	362
Payments received from other operating income	128	275
Amounts paid for operating expenses	-861	-573
Cash flow from business operations before financial items and taxes	-569	64
Interests and other operations-related financial costs paid	-364	-324
Interests received from operations	155	471
Dividends received from operations	53	2 229
Direct taxes paid	0	0
Cash flow from operations	**-725**	**2 440**
Cash flow from investment activities		
Investments in tangible and intangible assests	-129	-5
Sale of tangible and intangible assets	0	0
Other investments	0	0
Loans granted	0	0
Cash flow from investment activities	**-129**	**-5**
Cash flow from financing activities		
Gain from share	0	261
Short-term investments	518	-28
Withdrawals of short-term loans	1 715	0
Withdrawals of long-term loans	0	0
Repayments of long-term loans	-336	-1 336
Paid dividends and other distribution of profits	-1 041	-5 181
Cash flow from financial activities	**856**	**-6 284**
Change in liquid assets	**2**	**-3 849**
Liquid assets on January 1	**0**	**3 849**
Liquid assets on December 31	**2**	**0**

key figures

1 000 €	2005 IFRS	2004 IFRS	2003	2002	2001
Turnover	60 101	60 414	62 868	41 856	29 280
Growth of turnover, %	-0.5 %	-3.9 %	50.2 %	43.0 %	32.0 %
Operating profit before taxes (EBITDA)	2 944	3 516	5 980	6 007	4 398
% of turnover	4.9 %	5.8 %	9.5 %	14.4 %	15.0 %
Operating profit	1 725	2 439	4 385	5 182	3 663
% of turnover	2.9 %	4.0 %	7.0 %	12.4 %	12.5 %
Profit before extraordinary items, provisions and taxes	1 554	2 749	4 658	5 487	4 857
% of turnover	2.6 %	4.6 %	7.4 %	13.1 %	16.6 %
Net profit for the financial year	1 126	2 688	3 143	3 733	3 219
% of turnover	1.9 %	4.4 %	5.0 %	8.9 %	11.0 %
Cash flow from operations	1 716	2 938	6 207	3 987	1 889
Equity ratio, %	46.7 %	49.2 %	51.3 %	47.9 %	67.6 %
Return on equity, (ROE)	10.4 %	15.1 %	17.5 %	22.9 %	23.3 %
Return on investment, (ROI)	6.5 %	10.6 %	16.6 %	23.1 %	30.7 %
Gearing	46.3 %	37.7 %	15.9 %	36.6 %	-16.5 %
Gross investments in fixed assets	957	1 076	979	3 527	754
% of turnover	1.6 %	1.8 %	1.6 %	8.4 %	2.6 %
Average number of personnel during the period	460	500	502	431	314
Number of personnel at the end of period	434	485	514	489	372
Earnings per share, EUR	0.17	0.42	0.50	0.59	0.52
P/E ratio of the shares	25.89	13.60	16.00	9.92	10.00
Equity per share, EUR	2.58	2.57	2.96	2.76	2.44
P/BV ratio	1.71	2.27	2.70	2.12	2.13
Dividend per share, EUR	0.10	0.16	0.40	0.34	0.26
Payout ratio, %	58.8 %	48.5 %	80.0 %	57.6 %	50.0 %
Effective dividend yield, %	2.3 %	2.8 %	5.0 %	5.8 %	5.0 %
Operating profit before taxes (EBITDA)/per share EUR	0.45	0.55	0.95	0.97	0.71
Cash flow from operations/per share EUR	0.26	0.45	0.98	0.64	0.30
Average number of shares	6 505 128	6 456 857	6 307 250	6 189 233	6 189 233
Shares at the end of the financial year	6 507 628	6 502 628	6 331 628	6 304 628	6 304 628

calculation policies of key figures

Equity ratio, % $= \dfrac{\text{Shareholders' equity + minority interest x 100}}{\text{Balance sheet total - advances received}}$

Return on equity, % (ROE) $= \dfrac{\text{Profit before extraordinary items - taxes x 100}}{\text{Shareholders' equity + minority interest (average)}}$

Return on investment, % (ROI) $= \dfrac{\text{Profit before extraordinary items + interest x 100}}{\text{Balance sheet total - interest-free liabilities (average)}}$

Gearing $= \dfrac{\text{Interest-bearing liabilities - liquid assets}}{\text{Shareholders' equity + minority interest}}$

Earnings per share, EUR $= \dfrac{\text{Profit before extraordinary items +/- minority interest in the net profit - taxes x 100}}{\text{Share issue adjusted number of shares (average)}}$

Equity per share, EUR $= \dfrac{\text{Shareholders' equity}}{\text{Share issue adjusted number of shares on balance sheet date}}$

Dividend per share $= \dfrac{\text{Dividend paid for the financial period}}{\text{Share issue adjusted number of shares on balance sheet date}}$

P/BV ratio $= \dfrac{\text{Share issue adjusted share price on 31 December.}}{\text{Equity per share, EUR}}$

Effective dividend yield, % $= \dfrac{\text{Dividend per share x 100}}{\text{Share issue adjusted share price on 31 December.}}$

Payout ratio, % $= \dfrac{\text{Dividend per share x 100}}{\text{Earnings per share}}$

P/E ratio of the shares $= \dfrac{\text{Share issue adjusted share price on 31 December}}{\text{Earnings per share}}$

accounting principles

accounting principles

These are Beltton-Group Plc's first financial statements drawn up in compliance with the International Financial Standards (IFRS). They are based on the IAS and IFRS standards in force on 31 December 2005.

Beltton-Group Plc transferred from Finnish Accounting Standards (FAS) to the IFRS at the beginning of 2005. Comparison data for 2004 also comply with the IFRS. Preparing the financial statements in compliance with the IFRS requires Group management to make certain estimates and consider various criteria to use. The Group will not provide separate segment information because, based on the principles of IAS 14, it considers the company to form only one segment both geographically and business-wise.

The consolidated financial statements have been prepared on the basis of original acquisition costs except for investments available for sale, financial assets recognised at fair value and derivative contracts valued at fair value.

accounting principles for consolidated financial statements

subsidiaries

The consolidated financial statements include parent company Beltton-Group Plc and all of its subsidiaries. Intra-Group holdings have been eliminated using the cost of acquisition method. Acquired subsidiaries are combined as of the date the Group gains control in them. All intra-Group business transactions, internal receivables and liabilities, internal margins for inventories and tangible assets, as well as internal profit distribution have been eliminated. Minority interest has been separated from shareholder's equity and result and is presented as a separate item.

foreign currency items

The consolidated financial statements are presented in euros, which is the parent company's operating and presentation currency. Foreign currency items have been recognised at the exchange rate of the transaction date. Foreign currency balance sheet items are recognised using the exchange rate of the closing day. Exchange rate differences related to net sales and purchases have been recorded in the income statement as adjustments to the corresponding items.

The balance sheets and income statements of foreign subsidiaries have been converted into euros using the exchange rate valid on the closing day. In the consolidated financial statements the exchange rate differences from foreign subsidiaries' shareholder's equity have been recognised under the translation differences for the Group's shareholder's equity.

tangible assets

The book value of tangible assets used in the balance sheet equals the cost of acquisition less accumulated depreciation and impairment. Planned depreciation has been calculated from the original cost of acquisition and economic useful life on a straight-line basis. The estimated economic useful lives are as follows:

Machinery and equipment	3-5 years
Buildings and structures	20 years

The residual value of assets and their economic useful life is reassessed in all financial statements and, if needed, adjusted to reflect the changes that have taken place in expected future economic benefit. Amortisation of a tangible asset is discontinued on the date on which the asset is classified as available for sale in compliance with IFRS 5.

intangible assets

consolidated goodwill

Consolidated goodwill corresponds to the share of acquisition cost that exceeds the fair value at the time of acquisition of net assets in a company acquired after 1 January 2004. The goodwill of business combinations carried out before this date corresponds to the book value complying with the accounting standards previously in use, which has been used as the default cost of acquisition. The classification and accounting treatment of these acquisitions have not been adjusted for the opening IFRS balance sheet.

No planned depreciation is recorded for goodwill. Instead, goodwill is tested annually for possible impairment. Consolidated goodwill is recognised at the original cost of acquisition less impairment.

research and development expenses

Computer software is activated as other intangible assets. The economic useful life of these assets is 5 years. The Group does not have intangible assets with an unlimited economic useful life.

inventories

Inventories have been presented according to the FIFO principle at the cost of acquisition or probable net realisation value lower than the acquisition cost.

impairment

On each closing day the Group carries out tests for signs of impairment of assets. If such signs are detected, the company estimates the asset's recoverable amount, which equals its fair value less expenses from disposal or, if higher, its replacement cost. Replacement cost means the estimated discounted net cash flows from the asset or cash-generating unit. The recoverable amount of financial assets is generally considered to equal the fair value of assets.

An impairment loss is recognised immediately in the income statement when the book value of an asset exceeds its replacement value or fair value. Impairment loss on goodwill may not be reversed under any circumstance.

When adopting the IFRS on 1 January 2004 Beltton-Group carried out an impairment test on goodwill in accordance with IAS 36 as required by the transition standard. In compliance with the standard, the Group assessed the book value of goodwill for possible impairment of the replacement value. Testing did not result in a need to recognise impairment on 1 January 2004. Updated tests have been carried out for both the comparison year 2004 and the closing day 31 December 2005.

employment benefits

The Group's pension arrangements and other employment benefits have been reviewed during the preparations for IFRS reporting. The employment benefits of both Finnish and foreign Group companies were found to be mostly contribution-based and thus to comply with the regulations of IAS 19.

income taxes

The tax expense in the income statement consists of taxes based on the taxable income for the period and of deferred taxes. Deferred taxes arise from all temporary differences between the book value and taxable value. In Beltton-Group Plc temporary differences arise from the tax impact of the Group's structural arrangements and the recognition of shares at fair value. Deferred taxes are measured at the tax rate that has been enacted at the time of calculation.

principle for income recognition

Net sales equal the invoice value of products less indirect taxes and discounts related to sales. Income recognition is carried out on accrual basis at the time of product disposal.

investments available for sale

Beltton-Group's non-current assets available for sale include investments available for sale presented under non-current assets, which are recognised at book value or, if lower, their fair value, which equals the market price on the closing day. Changes in fair value will be entered under shareholder's equity until the investment is sold or otherwise transferred, at which time changes in fair value will be entered under profit or loss. Beltton-Group Plc has entered all non-current investments held for sale at fair value.

financial assets and liabilities

All of the Group's derivative contracts that do not meet the criteria for hedge accounting will first be entered at acquisition cost and later at fair value on the income statement. Realised and unrealised differences arising from changes in fair value will be entered in the income statement for the period in which they arise. The Group's other financial assets are cash or other highly liquid investments.

The Group's interest-bearing financial liabilities have been recognised at fair value and do not include transaction expenses. Financial liabilities are included in both current and non-current liabilities.

NOTES TO THE FINANCIAL STATEMENTS	Group 2005 1000 €	Group 2004 1000 €	Parent Company 2005 1000 €	Parent Company 2004 1000 €

1. TURNOVER

Beltton-Group forms a single segment both in terms of business and geographic operations, which is why it only declares the net sales distribution information required by the Accounting Decree.

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
By field of business				
Computer accessories	15 306	15 802	0	0
Office supplies	22 929	23 489	0	0
Corporate promotional products	15 239	14 581	0	0
Ergonomic products	5 878	5 965	0	0
Rental income [1]	749	577	0	0
Administrative services	0	0	371	362
Total	60 101	60 414	371	362

[1] Rental income consists of Grande Leasing Oy's income from car leasing

	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Market areas				
Finland	52 672	53 166	371	362
Sweden	6 126	5 863	0	0
Norway	86	306	0	0
Estonia	1 217	1 079	0	0
Total	60 101	60 414	371	362
2. OTHER OPERATING INCOME				
Rental income	31	28	253	240
Capital gains on fixed assets	56	34	0	0
Freight expenses charged from other parties	148	200	0	0
Other	36	41	5	35
Total	271	303	258	275
3. AN AVERAGE OF EMPLOYEES OVER THE REVIEW PERIOD	460	500	6	6
4. DEPRECIATION AND IMPAIRMENT				
Depreciation by asset group				
Intangible assets	96	62	28	27
Tangible assets				
Machinery and equipment	979	871	26	5
Buildings and structures	144	144	125	137
Total	1 219	1 077	178	169
5. OTHER OPERATING INCOME				
Rental expenses	1 246	1 320	15	15
Marketing	788	1 010	89	162
Travel expenses	3 436	3 970	12	20
Other	5 136	4 908	237	300
Total	10 606	11 208	353	497
6. FINANCIAL INCOME				
Interest income	82	96	1	33
Dividend income	0	2 955	53	3 140
Change in the fair value of assets recognised at fair value in the income statement	10	79	10	79
Other financial income	154	499	154	439
Total	246	3 629	218	3 691
7. FINANCIAL EXPENSES				
Interest expenses	301	325	290	317
Changes in the value of derivatives (no hedging purpose)	9	107	0	0
Sales losses from assets held for sale	0	2 765	0	2 765
Other financial expenses	107	121	84	83
Total	417	3 318	374	3 165
8. EXTRAORDINARY INCOME AND EXPENSES				
Group contribution			1 366	1 109
9. APPROPRIATIONS				
Difference between planned depreciation and depreciation carried out in taxation			-117	-4
10. INCOME TAXES				
Difference between planned depreciation	450	922	130	326
Taxes on previous financial years	1	0		
Change in deferred tax liability	-164	-989		
Total	287	-67	130	326

NOTES TO THE FINANCIAL STATEMENTS	Group 2005 1000 €	Group 2004 1000 €	Parent Company 2005 1000 €	Parent Company 2004 1000 €
11. INTANGIBLE ASSETS				
Other intangible assets				
Acquisition cost 1.1.	466	439	157	123
Increase 1.1.-31.12.	119	139	0	34
Decrease 1.1.-31.12	0	112	0	0
Acquisition cost 31.12.	585	466	157	157
Accumulated depreciation according to the plan 1.1.	158	96	78	52
Depreciation according to the plan 1.1.-31.12.	96	62	28	26
Book value 31.12.	**332**	**308**	**51**	**79**
Consolidated goodwill				
Acquisition cost 1.1.	5 366	5 314		
Acquisition of shares in subsidiary.1.1.-31.12.	0	52		
Acquisition cost 31.12.	5 366	5 366		
Accumulated depreciation according to the plan and write-downs 1.1.	824	824		
Depreciation 1.1.-31.12.	0	0		
Book value 31.12.	**4 542**	**4 542**		

Beltton-Group has two cash-generating units subject to goodwill: Wulff Oy Ab and its subsidiary Torkkelin Paperi Oy, as well as Everyman Oy. The book value of Wulff Oy Ab's and its subsidiary's goodwill is EUR 4,490,000 while that of Everyman Oy is EUR 52,000. In conjunction with the transition to IFRS on 1 January 2004, the group prepared three-year profit budgets for goodwill, which are used to determine the recoverable amount, which in turn is based on useful life. Replacement value calculations are based on three-year profit budgets and transition period plans. These were used to draw up a ten-year cash flow forecast based on a moderate growth rate of two per cent. The rate is typical of the field and both of the tested units. The forecast is clearly based on earlier growth development. In terms of profitability and capital turnover, the forecast is based on development improving at a moderate rate.The replacement value has been calculated by discounting the ten-year cash-flow forecast to current day using a discount rate of six per cent. The forecast is based on a period of ten years, which is considered a reasonable period in view of the steady and moderate growth in the field. The impairment test has been updated on the closing dates for 2004 and 2005.

12. TANGIBLE ASSETS				
Land areas				
Acquisition cost 1.1.	398	358	1 040	0
Increase 1.1.-31.12.	0	40	0	1 040
Acquisition cost 31.12.	398	398	1 040	1 040
Change in value 1.1.	0	0	0	0
Recorded change in value 1.1.-31.12.	0	0	0	0
Book value 31.12.	**398**	**398**	**1 040**	**1 040**
Buildings and structures				
Acquisition cost 1.1.	2 921	2 921	2 496	2 496
Increase 1.1.-31.12.	0	0	0	0
Decrease 1.1.-31.12	0	0	0	0
Acquisition cost 31.12.	2 921	2 921	2 496	2 496
Accumulated depreciation according to the plan 1.1.	371	227	271	146
Depreciation according to the plan 1.1.-31.12.	144	144	125	125
Book value 31.12.	**2 406**	**2 550**	**2 100**	**2 225**
Machinery, equipment and other tangible assets				
Acquisition cost 1.1.	6 423	5 347	92	45
Increase 1.1.-31.12.	838	1 076	130	47
Decrease 1.1.-31.12.	-223	0	0	0
Acquisition cost 31.12.	7 038	6 423	222	92
Accumulated depreciation according to the plan 1.1.	3 736	2 865	24	6
Depreciation according to the plan 1.1.-31.12.	979	871	26	18
Book value 31.12.	**2 323**	**2 687**	**172**	**68**
Total	**5 127**	**5 635**	**3 312**	**3 333**
13. SHARES AND SHAREHOLDERS				
Shares in subsidiaries				
Acquisition cost 1.1.			5 378	5 278
Increase 1.1-31.12.			91	100
Decrease 1.1-31.12.			0	0
Book value 31.12.			**5 469**	**5 378**
14. OTHER FINANCIAL ASSETS				
Available-for-sale investments				
Book value 1.1.	235	269		
Change in fair value	30	-34		
Book value 31.12.	**265**	**235**		

NOTES TO THE FINANCIAL STATEMENTS	Group 2005 1000 €	Group 2004 1000 €	Parent Company 2005 1000 €	Parent Company 2004 1000 €
Other shares and holdings				
Book value 1.1.	162	171		
Increase 1.1.-31.12.	0	0		
Decrease	13	9		
Book value 31.12.	**149**	**162**		
15. INVENTORIES				
Materials and supplies	10 371	9 444		
Production in progress	19	10		
Advance payments to inventories	117	64		
Total	**10 507**	**9 518**		
16. ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES				
Accounts receivable	7 255	6 630		
Prepaid expenses and accrued income	2 812	3 240		
Loans receivable	92	671		
Other receivables	1 239	310		
Total	**11 398**	**10 851**		

Substantial items included in prepaid expenses and accrued income consist of corporate tax credits, which totalled EUR 1,695,000 (2004: total of EUR 1,795,000). The Group recognised a total of EUR 110,000 (2004: EUR 138,000) in credit losses from sales receivables. No significant credit risk concentrations are related to sales receivables.

17. DEFERRED TAX ASSETS AND LIABILITIES				
Deferred tax assets				
Tax impact of corporate arrangements	1 325	1 218		
Appraisal of other investments at fair value	0	254		
Assets available for sale	66	82		
Deferred tax liability				
Accumulated depreciation	-61	-383		
Total	**1 330**	**1 171**		
18. FINANCIAL ASSETS RECOGNISED AT FAIR VALUE IN THE INCOME STATEMENT				
Listed shares	89	606	76	593
19. CASH ON HAND AND IN BANK				
Rahat ja pankkisaamiset	4 381	2 653	2	0

20. NOTES TO THE EQUITY

Statement of changes in the number of shares	Number of Shares	Share Capital	Premium Fund	Total
1.1.2004	6 332	2 533	7 400	9 933
Share issue		68		
Usage of stock options	171		263	263
31.12.2004	6 503	2 601	7 662	10 263
Share issue		2		
Usage of stock options	5			
31.12.2005	6 508	2 603	7 662	10 265

The maximum number of shares is 20 million (unchanged from 2004). Their nominal value is EUR 0.40 per share, and the Group's maximum share capital is EUR 8 million. All of the issued shares have been paid in full.

Dividends
The Board of Directors has proposed a dividend of EUR 0.10 per share after the closing day

Statement of distributable profits on 31.12.				
Profit for previous financial years	5 386	3 738	4 401	4 516
Net profit for the financial year	1 126	2 688	971	926
Share of accumulated depreciation difference	-172	-1 091		
Distributable profits 31.12.	6 340	5 335	5 372	5 442
21. INTEREST-BEARING LIABILITIES				
Non-current				
Euro-denominated loans from financial institutions	8 173	8 674	7 000	8 505
Current				
Euro-denominated loans from financial institutions	4 473	1 547	4 343	1 459
Maturity of non-current liabilities	v. 2007	v. 2008	v. 2009	v. 2010
Variable-rate bank loans	2 083	2 030	2 030	2 030

NOTES TO THE FINANCIAL STATEMENTS	Group 2005 1000 €	Group 2004 1000 €	Parent Company 2005 1000 €	Parent Company 2004 1000 €

22. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable	3 365	3 203
Deferred payables	2 963	3 391
Other liabilities	1 348	1 295
Total	7 676	7 889

Substantial items included in deferred payables consist of personnel expenses and interest periods for liabilities.

Management of financial risks

In addition to Finland, Beltton-Group engages in business operations in Sweden, Norway and Estonia. The company's business does not entail significant financial risks. The Group uses the euro for nearly all of its invoicing, and no significant foreign exchange risks are related to its imports. The Group's operations do not involve any considerable interest rate risk. Group loans are denominated in euro and of a variable rate. The company's investment policy determines the levels for possible risks related to investments. Credit rating limits have been determined for business operations. Beltton-Group has only minor credit risks. Owing to this, the Group does not actively hedge against risks but monitors their level according to agreed procedures and internal audits.

23. PLEDGED ASSETS AND OTHER CONTINGENT LIABILITIES

Mortgage on company assets (bearer papers)				
Pledged	3 850	3 850	0	0
Unpledged	600	600	0	0
Leasing liabilities	63	236	0	0
Guarantees				
Absolute guarantees on behalf of subsidiaries	200	200	200	200
Absolute guarantees on behalf of others	52	52	0	0

The following shares/assets, with the book value indicated below, have been lodged as security for the parent company's loans:

Martela Oyj	521	521	0	0
KB-Tuote Oy	683	683	683	683
Wulff Oy Ab	2 339	2 339	0	0
Torkkelin Paperi Oy	835	835	0	0
Wulff facilities	2 101	2 226	2 226	2 350
Wulff Oy Ab's land area	358	358	1 040	0

Deposits totalling EUR 128,000 have been lodged as security for the Group's rental agreements, import duties and share transactions.

24. INSIDER EVENTS

The Group's parent company and subsidiaries are related in the following way:

Beltton-Group Plc	Group Ownership and voting right %	Parent company Ownership and voting right %
Beltton Oy	100	100
Beltton Svenska AB	75	25
Grande Leasing Oy	100	0
Looks Finland Oy	75	75
Rader Norge AS		
Suomen Rader Oy	100	67
Vinstock Oy	100	63
Naxor Finland Oy	100	100
Everyman Oy	70	70
Office Solutions Oy	70	70
Officeman Oy	70	70
KB-tuote Oy	100	100
Key Business Eesti Oü	70	0
Visual Globe Oy	100	100
Wulff Oy Ab (former Beltton Investment Oy)	100	100
Torkkelin Paperi Oy	100	0
Manland Oy (former Oy Wulff Ab) until 23.12.2005	100	0
Active Office Finland Oy	100	100
Office Solutions Svenska AB	75	25

The dissolution of Wulff Oy Ab's subsidiary Manland Oy was completed and entered in the Trade Register on 23 December 2005.

NOTES TO THE FINANCIAL STATEMENTS	Group 2005 1000 €	Group 2004 1000 €	Parent Company 2005 1000 €	Parent Company 2004 1000 €

The following business transactions were carried out with insiders:

A) Employment benefits of management

Salaries and remuneration paid to management				
Managing directors	582	501	46	42
Board members	36	24	36	24
Total	618	525	82	66

Apart from a normal monthly salary and fringe benefits, the managing directors of subsidiaries have no other benefits. The contracts for managing directors define the customary mutual period of notice. No separate benefits are linked to the notice of termination or offered after the termination of employment.

B) Loans to insiders

Loans granted to managing directors of subsidiaries	27	0
Loans granted to other insiders	4	0

All loans are amortised with a one-off payment and mature in December 2006. The interest rate on loans is 8 per cent.

25. TRANSITION TO IFRS FINANCIAL STATEMENTS

Beltton-Group Plc transferred from Finnish Accounting Standards (FAS) to reporting complying with the international financial reporting standards (IFRS) at the beginning of 2005. The following comparison figures and statements of changes describe accounting differences between the opening balance on 1 January 2004 and the comparison data for all of 2004.

Statement of changes in equity 1 January and 31 December 2004

	Ref	31.12.2003 FAS	Impact of the adoption of IFRS	1.1.2004 IFRS	31.12.2004 FAS	Impact of the adoption of IFRS	31.12.2004 IFRS
NON-CURRENT ASSETS							
Intangible assets		343		343	308		308
Consolidated goodwill	1	4 490		4 490	3 982	560	4 542
Tangible assets		5 482		5 482	5 635		5 635
Available-for-sale investments	2	520	-251	269	520	-285	235
Investments		171		171	162		162
CURRENT ASSETS, TOTAL		**11 006**		**10 755**	**10 607**	**275**	**10 882**
CURRENT ASSETS							
Inventories		8 850		8 850	9 518		9 518
Accounts receivable		6 565		6 565	6 630		6 630
Other receivables		4 094		4 094	4 221		4 221
Deferred tax assets	3	0	73	73	1 089	82	1 171
Cash on hand and in bank		8 182		8 182	3 259		3 259
CURRENT ASSETS, TOTAL		**27 691**		**27 764**	**24 717**	**82**	**24 799**
ASSETS, TOTAL		**38 697**		**38 519**	**35 324**	**357**	**35 681**
EQUITY AND LIABILITIES		**31.12.2003**	**Impact of the adoption of IFRS**	**1.1.2004 IFRS**	**31.12.2004**	**Impact of the adoption of IFRS**	**31.12.2004**
SHAREHOLDERS' EQUITY							
Share capital		2 533		2 533	2 601		2 601
Share issue		47		47	2		2
Share premium fund		7 400		7 400	7 662		7 662
Retained earnings	2,3	5 978	-178	5 800	3 941	-203	3 738
Profit/loss for the period	1	3 143		3 143	2 128	560	2 688
EQUITY, TOTAL		**19 101**		**18 923**	**16 334**		**16 691**
Minority interest		750		750	879		879
LIABILITIES							
Non-current liabilities		11 424		11 424	8 674		8 674
Current liabilities		7 422		7 422	9 436		9 436
LIABILITIES, TOTAL		**18 846**		**18 846**	**18 110**		**18 110**
EQUITY AND LIABILITIES, TOTAL		**38 697**		**38 519**	**35 324**	**357**	**35 681**

Statement of changes in profit 1.1.-31.12.2004

	Ref			
NET SALES		60 414		60 414
Other operating income		303		303
Material and services		31 558		31 558
Personnel expenses		14 435		14 435
Depreciation and amortisation		1 077		1 077
Goodwill amortisation	1	560	-560	0
Other operating expenses		11 208		11 208
OPERATING PROFIT		1 879		2 439
Financial income and expenses		310		310
PROFIT BEFORE TAXES AND APPROPRIATIONS		2 189		2 749
Income taxes		-67		-67
Minority interest		129		129
PROFIT/LOSS FOR THE PERIOD		**2 128**		**2 688**

References and notes to the statement of changes in shareholder's equity 1.1 and 31.12.2004 and to the statement of changes in profit 31.12.2004

1. Goodwill
The new practices prohibit goodwill amortisation. It is replaced with a regularly performed impairment test as set forth in IAS 36. Owing to this, the goodwill amortisation of EUR 560,000 affecting the figures for the comparison period 2004 was reversed into consolidated goodwill.

2. Available-for-sale investments
In Beltton-Group, non-current assets available for sale, as defined in IFRS 5, include investments available for sale (publicly quoted shares) presented under non-current assets. In conjunction with the adoption of the IFRS, publicly quoted shares are measured at fair value, which equals the market price on the closing day. Changes in fair value will be entered under shareholder's equity until the investment is sold or otherwise transferred, at which time changes in fair value will be entered in the income statement. Beltton-Group Plc has entered all non-current investments held for sale at fair value. The impact of these measures has been taken into consideration in the figures for 2004.

3. Deferred taxes
According to IFRS, deferred taxes for all taxable temporary differences shall be recognised between the book value and taxable value. The figures for 2004 take into consideration the deferred taxes arising from the measurement of shares at fair value. Deferred taxes are measured at the tax rate that has been enacted at the time of calculation.

shares and shareholders

shares and share capital

The minimum share capital of Beltton-Group Plc is EUR 2,000,000 and the maximum share capital EUR 8,000,000 within which limits the share capital may be increased or decreased without amending the Articles of Association.

The Group's registered share capital at the end of 2005 amounted to EUR 2,603,051.20, divided into 6,507,628 shares with a nominal value of EUR 0.40. The share capital was raised once during the financial period. On 31 December 2004, a total of 5,000 Beltton-Group Plc shares with a nominal value of EUR 0.40 were subscribed on the basis of the company's 2002 stock option plan. The share subscription price was EUR 5.00. As a result of the option-based share subscription on 31 December 2004, the share capital was increased by EUR 2,000 on 28 January 2005.

Beltton has one share series. Its trading code on OMX is BTN1V.

The share taxation value confirmed in the 2005 tax is EUR 3.05.

shareholders and ownership

The Beltton-Group Plc's shares are registered in the book-entry securities system maintained by the Finnish Central Securities Depository.

Beltton had a total of 647 shareholders at the end of 2005. Of Beltton's 6,507,628 shares 6,500,128 or 99.86% of shares and voting rights, were direct shareholdings, while the number of nominee-registered shares amounted to 7,500 representing 0.12%. Beltton's ten largest shareholders held 84% of shares and voting rights. Foreign share ownership amounted to 0.53%. The Beltton-Group Plc does not hold its own shares.

No changes in holdings that would have merited a notice of change took place in 2005.

On 31.12.2005, a total of 4,038,800 shares were held by Beltton's Board members and the company's Managing Director, associations in which they exercise authority or individuals under their guardianship. This represents 62,1% of shares and voting rights.

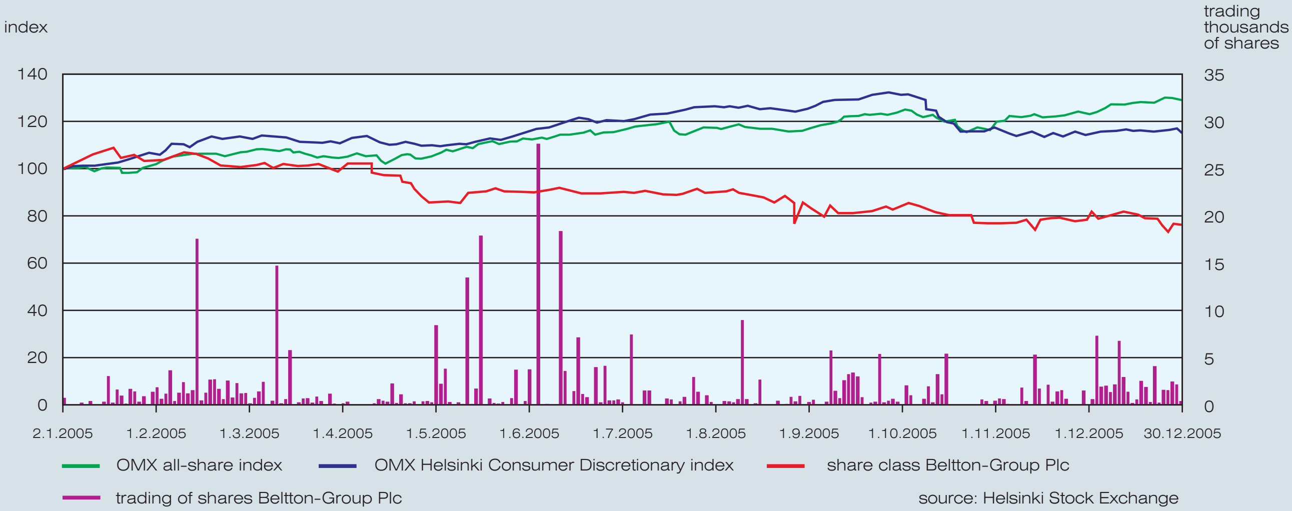
share quotation

Beltton's stock exchange history started in October 2000 when the company's share was first listed on the Helsinki Exchange's NM list. Beltton transferred its shares to the main list on 22 April 2003. The share is quoted in the Consumer Discretionary sector. The company's trading code is BTN1V and its lotsize 100 shares. The share series' ISIN code used for international settlement of securities is FI0009008452.

share trading and price development

In 2005 the trading volume of Beltton's share amounted to 729,800 shares (682,595 shares), or 11.2% (10.5%) of shares outstanding, which corresponds to EUR 3,631,461. The highest share price in 2005 was EUR 5.83 (2004: EUR 8.07), the lowest EUR 4.23 (2004: EUR 5.56). The closing share price on 31.12.2005 was EUR 4.40 (2004: EUR 5) Compared to the situation on 31 December 2005, share prices showed a change of 23 per cent. The market value of the share capital at the end of the financial period was EUR 28,503,411.

OMX indexes and share type index 3 Jan. 2005 – 31 Dec. 2005



stock option plan

The subscription period for the 2002 option scheme ended on 31 October 2005. Stock options from the 2002 option scheme approved by the Annual General Meeting on 3 April 2002 entitled to the subscription of 200,000 new shares with a nominal value of EUR 0.40. By 31 October 2005 a total of 20,000 shares had been subscribed in deviation from the shareholders' pre-emptive subscription rights. The share subscription price was EUR 5.00. Share capital was increased by a total of EUR 8,000 on the basis of the 2002 option scheme.Beltton-Group Plc has no option schemes currently in force.

insider guidelines

Beltton has adopted insider regulations based on the 1st of July updated guidelines on the application of the Securities Market Act in listed companies. The insider register of Beltton-Group Plc is maintained in the Finnish Central Securities Depository's SIRE system. The company updates its insider information on a regular basis once every quarter on its web site www.beltton.fi.

owner group	shareholders		% of shares	
	number	%	number	%
companies	61	9.4	335 622	5.2
financial and insurance institutions	10	1.5	658 500	10.1
public entitities	2	0.3	800 000	12.3
private persons	547	84.5	4 664 606	71.7
non-profit organisations	2	0.3	6 700	0.1
foreign shareholders	25	3.9	34 700	0.5
total	647	100.0	6 507 628	100.0
number of nominee registered shareholders	2		7 500	

number of shares	shareholders		% of shares	
	number	%	number	%
1–500	390	60.3	100 290	1.5
501–1000	120	18.5	102 210	1.6
1001–10000	113	17.5	389 472	6.0
10001–100000	16	2.5	494 856	7.6
100001–	8	1.2	5 420 800	83.3
total	647	100.0	6 507 628	100.0
number of nominee registered shareholders	2		7 500	

principal shareholders on 31 december 2005	number of shares	% of shares
	number	%
Vienola Heikki	2 568 055	39.46
Pikkarainen Ari	1 381 745	21.23
Keskinäinen Työeläkevakuutusyhtiö Varma	450 000	6.91
Keskinäinen Eläkevakuutusyhtiö Tapiola	350 000	5.38
Keskinäinen Vakuutusyhtiö Tapiola	283 900	4.36
eQ Pikkujättiläiset/eQ Rahastoyhtiö Oy	160 000	2.46
Pohjola Finland Kasvu Sijoitusrahasto	116 400	1.79
Sijoitusrahasto Nordea Nordic Small Cap	110 700	1.70
Keskinäinen Henkivakuutusyhtiö Tapiola	100 000	1.54
Hietala Pekka	84 100	1.29
Sundholm Göran	50 000	0.77
Jaakkola Juhani	46 056	0.71
Yritysten Henkivakuutus Oy Tapiola	27 200	0.42
Cardia Invest Oy	24 000	0.37
Brade Oy	22 000	0.34
Fieandt von Johan	20 000	0.31
Ågerfalk Veijo	20 000	0.31
Duell Office Oy	18 700	0.29
Keskinäinen Kiinteistö Oy Vanha Talvitie 12	16 800	0.26
Laakkonen Mikko Kalervo	15 000	0.23
total	5 864 656	90.12
others	642 972	9.88
total	6 507 628	100.00

board of directors' proposal for the distribution of profits

The consolidated balance sheet as at 31 December 2005 showed distributable funds in the amount of EUR 6.3 million. The parent company's balance sheet as at 31 December 2005 showed distributable funds of EUR 5.4 million. According to the parent company's balance sheet, the following amounts are at the disposal of the Annual General Meeting:

retained earnings	EUR	4 401 137,80
net profit for the financial year	EUR	970 749,93
total	EUR	5 371 887,73

The Board of Directors proposes to the Annual General Meeting that a dividend on EUR 0.10 per share, or a total of EUR 0.65 million, be paid for the year 2005, and that the remaining EUR 4.75 million be retained in non-restricted shareholders' equity. Further, the Board of Directors proposes that the dividend be paid on 19 April 2006.

Vantaa, 16 March 2006

Ari Lahti
Chairman of the Board

Heikki Vienola
CEO

Ari Pikkarainen

Sakari Ropponen

Jyrki Paulin

auditors' report

to the shareholders of Beltton-Group Plc
We have audited the accounting, the financial statements, the report of the Board of Directors and the corporate governance of Beltton-Group Plc for the period 1 January to 31 December 2005. The CEO and Board of Directors have prepared the consolidated financial statements complying with the International Financial Reporting Standards (IFRS) approved in the EU, as well as the report of the Board of Directors and the parent company's financial statements, complying with the Finnish accounting standards, which include the parent company's balance sheet, income statement, statement of source and application of funds and notes to the financial statements. Based on our audit we express an opinion on the consolidated financial statements and the parent company's financial statements, report of the Board of Directors and corporate governance.

In our opinion the financial statements have been prepared according to generally accepted accounting principles. The audit includes examining the preparation principles, contents and disclosures of accounting, the financial statements and the report of the Board of Directors to a sufficient extent in order to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free of material misstatement. The audit on corporate governance ensures that the members of the parent company's Board of Directors and the CEO have legally complied with the rules of the Companies' Act.

consolidated financial statements
The consolidated financial statements, drawn up in compliance with the International Financial Reporting Standards (IFRS) approved in the EU, give a true and fair view, as defined in the said Standards and the Accounting Act, of the Group's financial performance and financial position.

parent company's financial statements, report of the Board of Directors and corporate governance
The parent company's financial statements have been prepared according to the Accounting Act and other rules and regulations governing the preparation of financial statements and the financial statements give a true and fair view, as defined in the Accounting Act, of the parent company's financial performance and financial position.

The report of the Board of Directors has been prepared according to the Accounting Act and other rules and regulations governing the preparation of such reports. The report of the Board of Directors complies with the financial statements and gives a true and fair view, as defined in the Accounting Act, of the Group's and the parent company's financial performance and financial position.

Group's and parent company's financial statements can be adopted, and the members of the parent company's Board of Directors and the CEO can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

Espoo 17.3.2006

Nexia Tilintarkastus Oy

Authorised Public Accountants

Juha Lindholm
Approved Accountant

Jukka Havaste
Authorised Public Accountant

corporate governance

corporate governance principles

Beltton-Group Plc's corporate governance is based on the Companies Act, Securities Market Act and authority regulations related to the corporate governance of public limited companies, as well as the Articles of Association. Beltton adopted the Corporate Governance guidelines recommended by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation for Finnish Industry and Employers on 1 July 2004. Beltton complies with all aspects of the recommendation.

general meeting

Beltton's highest decision-making powers are exercised by shareholders at the company's general meeting held at least once a year. The Annual General Meeting (AGM) is held annually on the date determined by the Board of Directors by the end of June. The AGM decides on the number of members on the Board of Directors and appoints Board members for one year at a time. The powers of the General Meeting also include making amendments to the Articles of Association, adopting the financial statements, deciding on the amount of dividend and electing auditors.

board of directors

The Annual General Meeting elects three to six members for the Board of Directors and at most the corresponding number of deputy members. The Board's term ends at the termination of the first Annual General Meeting following the election. The Board of Directors consists of the company's major shareholders, most of whom are employed by the company, and outside experts with versatile experience of and familiarity with business and industry. The Board carries out annual assessments of its operations and operating methods on the basis of a self-evaluation form.

As specified in the Board's charter, in addition to the issues specified in legislation and the Articles of Association Beltton's Board of Directors:

- approves the company's long-term goals and strategy
- approves the company's action plan, budget and financial plan and supervises their implementation
- handles and adopts interim reports and the financial statements
- decides on individual big and strategically significant investments, such as company acquisitions and acquisitions and disposals of business operations
- appoints the CEO and decides on his/her salaries and wages
- approves risk management and reporting procedures
- draws up the dividend policy
- sets up committees, if needed, to enhance Board work.

In 2005 Beltton's Board of Directors consisted of five members, three of whom are independent of the company in compliance with the Corporate Governance recommendation. The independent members are Ari Lahti, Jyrki Paulin and Sakari Ropponen. Two of the members, Beltton's CEO Heikki Vienola and Vice President Ari Pikkarainen, work in the company.

Beltton's Board of Directors convened 12 times in 2005. The average meeting attendance was 95 per cent. No need for committee work arose over the year.

board of directors' benefits and remuneration

The remuneration paid to Board members is determined by the Annual General Meeting. As decided by the Annual General Meeting held on 6 April 2005 Board members and the Chairman received a monthly reward for Board work amounting to EUR 1,000. Similar to earlier practice, the CEO and Vice President did not receive compensation for Board membership or meetings in 2005.

ceo

Beltton-Group's CEO supervises the company's operative management in compliance with the instructions and guidelines provided by the Board of Directors. The CEO's benefits include statutory pension. The period of notice is three months, as determined in the employment contract. No separate compensation for the period of notice is included in the contract.

Heikki Vienola, M.Sc. (Econ.), has acted as CEO of Beltton-Group since 1999. The CEO's salary in 2005 amounted to EUR 46,255.

organisation and remuneration of group management

The Group's CEO and the seven Managing Directors of its subsidiaries form Beltton-Group's management organisation. The Managing Directors of subsidiaries are in charge of operative business. Significant decisions, such as big investments, are subjected to approval by the Group's CEO. Each subsidiary has its own financial administration, while Group-wide financial administration is handled by the Director of Finance. The Group's communications and investor relations are managed by the Director of Investor Relations.

In 2005 Group management received EUR 606,966 in salaries and wages and EUR 24,529 in fringe benefits. These amounts do not include the CEO's salary. No bonuses were paid in the review period. The Group's Vice President did not receive separate remuneration for the post of Vice President.

auditors

Beltton has two auditors, both of whom have acted as the company's auditors since 1999. The auditors include Nexia Tilintarkastus Oy, Authorised Public Accountants, with Jukka Havaste, Authorised Public Accountant, as the auditor with principal responsibility, and Juha Lindholm, HTM-Accountant. The auditors do not own Beltton-Group Plc's shares.

The auditing fees paid to Beltton's auditors in 2005 amounted to EUR 45,687 (EUR 43,570 in 2004). They were also paid EUR 1,403 (EUR 5,730) for services unrelated to auditing.

risk management and internal auditing

Risk management in the Group aims to identify threats that may prevent the Group from reaching its business objectives. These include aggressive competitors, threats related to the staff and its availability, as well as factors related to the company's reputation. The Board of Directors is in charge of the risk management policy, and its implementation is regularly monitored by internal auditing.

Beltton-Group Plc carries out an annual risk survey to categorise major risks on a scale of 1 to 5 depending on their significance and probability. Participants in the survey include Group management and the Managing Directors of all subsidiaries. Risks are divided into strategic and operative risks, market risks and technical risks. These are monitored by people specially appointed to the task. Every six months, the Board of Directors inspects the implementation of measures taken to minimise risks.

Beltton's 18 subsidiaries operate on their own cash flows. If required, subsidiaries can receive additional financing in the form of a group loan. The Group has tens of thousands of customers. The impact that its biggest customer has on net sales is less than three per cent. Subsidiaries analyse their own customer losses and are responsible for independently exercising active credit control. In proportion to net sales, credit losses are minor, amounting to less than one per cent. The Group's Director of Finance monitors the financial administration of subsidiaries and is responsible, for example, for monitoring currency and interest rate risks. Beltton is not involved in speculative currency or interest rate trading. The Group's subsidiaries handle IT risk management independently.

The goal of Beltton-Group Plc's internal auditing is to ensure that the Group's internal processes and operating methods are efficient and correct. Internal auditing is carried out on the basis of an annually prepared audit plan, which the Board of Directors approves at the beginning of the year. The Group's internal auditor draws up the plan, presents it to the Board of Directors and reports on the implementation of the measures. The internal auditor reports directly to the Board of Directors.

main procedures in insider administration

Beltton-Group Plc follows the Helsinki Stock Exchange's updated insider guidelines, which took effect on 1 January 2006. They are based on the guidelines on the application of the Securities Market Act in listed companies issued by the Financial Supervision Authority. The insider register of Beltton-Group Plc is maintained in the Finnish Central Securities Depository's SIRE system. The company updates the insider information on its Web site on a regular basis four times a year. Real-time information concerning the securities owned by insiders will be available on the company's Web site by 1 July 2006.

Permanent insiders are not allowed to trade in securities issued by Beltton-Group Plc in the 14 days preceding the publication of financial statement bulletins and interim reports (closed window). In addition to permanent insiders, Beltton also maintains a register on company-specific insiders.

group management

Heikki Vienola

Jussi Heino

Ari Pikkarainen

Veijo Ågerfalk

Juhani Jaakkola

group management on 31 december 2005

Heikki Vienola, b. 1960, M. Sc. (Econ.)

- Board Member of Beltton since 1999
- CEO of Beltton-Group Plc since 1999
- Founder of Vinstock Oy at Beltton's service since 1984
- Chairman of the Board of Arena Center Oy since 1994
- holdings at the end of 2005:
  - 2,568,055 Beltton shares, i.e. 39.5 per cent of shares and votes

Ari Pikkarainen, b. 1958, High School Graduate

- Member of the Board since 1999
- Deputy Managing Director of Beltton-Group Plc, and the Managing Director of Active Office Oy, Suomen Rader Oy, Naxor Finland Oy and Visual Globe Oy
- Sales Manager of Akro Oy 1990 – 1994
- Sales Manager of Oy Eric Rahmqvist Ab 1984 –1989
- holdings at the end of 2005:
  - 1,381,745 Beltton shares, i.e. 21.2 per cent of shares and votes

Veijo Ågerfalk, b. 1959

- Managing Director of Beltton Norge AS since 2002
- Managing Director of Beltton Svenska AB since 1998
- Country Manager of Beltton Svenska Ab 1993 – 1998
- Managing Director and partner of Liftpoole Ab 1990 – 1993
- holdings at the end of 2005:
  - 20,000 Beltton shares, i.e. 0.31 per cent of shares and votes

Jussi Heino, b. 1967, High School Graduate

- Managing Director of Looks Finland Oy since 1999
- Sales Representative of Cap&Cap Oy 1995 – 1999
- holdings at the end of 2005:
  - 1,800 Beltton shares, i.e. 0.03 per cent of shares and votes

Juhani Jaakkola, b. 1949, High School Graduate

- Managing Director of Everyman Oy, Officeman Oy and Office Solutions Oy since 1992
- founder of Akro Mats Matting 1989
- founder of Sun-Flex Oy 1987
- holdings at the end of 2005:
  - 46,056 Beltton shares, i.e. 0.71 per cent of shares and votes

Tommi Kortelainen

Liinu Lehto-Seljavaara

Petri Räsänen

Juha Broman

Jarkko Vehviläinen

Tommi Kortelainen, b. 1967, M. Sc. (Econ.)
- Managing Director of KB-tuote Oy since 2001
- Sales Director of KB-tuote Oy 1999 – 2001
- Project Manager of KB-tuote Oy 1995 – 1999
- Kansallisosakepankki 1989 – 1995
- holdings at the end of 2005:
  - 6,000 Beltton shares, i.e. 0.09 per cent of shares and votes

Juha Broman, b. 1955
- Managing Director of Wulff Oy Ab since 12 September 2005
- Marketing Director of Oy Lindell Ab 2002-2005
- Commercial Director of Wulff Oy Ab 1998-2002 and Sales Director 1990-1997
- holds no shares of Beltton-Group Plc

Jarkko Vehviläinen, b. 1965, High School and Commercial College Graduate
- Managing Director of Beltton Oy and Vinstock Oy since 2004
- Deputy Managing Director of Beltton Oy and Vinstock Oy 2003 – 2004
- Sales Manager of Beltton Oy and Vinstock Oy 2002 – 2003
- holdings at the end of 2005:
  - 2,000 Beltton shares, i.e. 0,03 per cent of shares and votes

Liinu Lehto-Seljavaara, b. 1969, M. Sc. (Econ.)
- Investor Relations Director of Beltton-Group Plc since 2004
- Secretary of the Board of Director's since 2000
- Investor Relations Manager of Beltton-Group Plc 2000 – 2004
- Liaison Manager of Beltton Svenska AB 1998 – 1999
- at Beltton's service since 1996
- holdings at the end of 2005:
  - 2,800 Beltton shares, i.e. 0.04 per cent of shares and votes

Petri Räsänen, b. 1965, M. Sc. (Econ.)
- Director of Finance of Beltton-Group Plc since 2005
- Internal Auditor of Beltton-Group Plc 2004
- Finance Director of KB-tuote Oy since 2000
- Finance Director and Executive Director of Cronvall Oy 1993 – 2000
- Deputy Finance Director of Cron-Trading Oy 1991 – 1993
- holdings at the end of 2005:
  - 1,000 Beltton shares, i.e. 0.02 per cent of shares and votes

board of directors

Ari Lahti

Heikki Vienola

Ari Pikkarainen

Jyrki Paulin

Sakari Ropponen

board of directors on 31 december 2005

Ari Lahti, b. 1963, Licentiate in Political Science
- Chairman of the Board of Beltton since 2000
- Managing Director and Board Member of Icecapital Securities Ltd
- Board Member of Oy Veikkaus Ab
- Managing Director of Mandatum Private Bank in 1998 – 1999
- holdings at the end of 2005:
  - 10,000 Beltton shares, i.e. 0.15 per cent of shares and votes

Jyrki Paulin, b. 1953, M.Sc. (Econ.)
- Board Member of Beltton since 2000
- partner in Eera Finland Oy since 2001. Member of the Board 2001 – 2003, Chairman of the Board since 2003
- founding partner and Managing Director (1986 – 1995) of A & L Management Oy, Chairman of the Board 1995 – 2001 and since 2003
- Consultant Director and partner of Mercuri International Oy 1980 – 1986
- holdings at the end of 2005:
  - 9,000 Beltton shares, i.e. 0.14 per cent of shares and votes

Ari Pikkarainen, b. 1958, High School Graduate
- Board Member of Beltton since 1999
- Deputy Managing Director of Beltton-Group Plc, and the Managing Director of Active Office Oy, Suomen Rader Oy, Naxor Finland Oy and Visual Globe Oy
- Sales Manager of Akro Oy 1990 – 1994
- Sales Manager of Oy Eric Rahmqvist Ab 1984 – 1989
- holdings at the end of 2005:
  - 1,381,745 Beltton shares, i.e. 21.2 per cent of shares and votes

Sakari Ropponen,b. 1957, M.Sc. (Econ.)
- Board Member of Beltton since 2000
- Consultant and Managing Director of Linedrive Oy
- Sales and Marketing Consultant of Mercuri International Oy 1985 – 1994
- holdings at the end of 2005:
  - 9,000 Beltton shares, i.e. 0.14 per cent of shares and votes

Heikki Vienola, b. 1960, M. Sc. (Econ.)
- Board Member of Beltton since 1999
- CEO of Beltton-Group Plc since 1999
- Founder of Vinstock Oy at Beltton's service since 1984
- Chairman of the Board of Arena Center Oy since 1994
- holdings at the end of 2005:
  - 2,568,055 Beltton shares, i.e. 39.5 per cent of shares and votes

information to shareholders

annual general meeting

The Annual General Meeting of Beltton-Group Plc will be arranged on Wednesday, 5 April 2006 starting at 3:00 pm at the following address: Scandic Continental Hotel, Mannerheimintie 46, Helsinki.

A shareholder who no later than 24 March 2006 has been registered as a shareholder in the shareholder list of the company, maintained by the Finnish Central Securities Depository APK, and who has registered for the Annual General Meeting no later than on Friday, 31 March 2006. The registration to the Annual General Meeting can be made

– by e-mail to the address: liinu.lehto-seljavaara@beltton.fi
– by fax to the number +358 9 523 393, or
– with a letter sent to the address:
  Beltton-Group Plc,
  Annual General Meeting,
  Manttaalitie 12, 01530 Vantaa, Finland

dividend for 2005

The Board of Directors of Beltton-Group Plc proposes to the Annual General Meeting that a dividend of EUR 0.10 per share be paid for the financial year 2005. The dividend decided upon by the Annual General Meeting will be paid to shareholders who have been registered in the shareholder list, maintained by the Finnish Central Securities Depository APK, on 10 April 2006, the record day of dividend. The Board of Directors proposes to the Annual General Meeting that the dividend be paid on 19 April 2006.

financial reporting

During 2006, Beltton-Group Plc will publish financial reports as follows:

Financial statements report for 2005	8 Feb. 2006
Interim report for January—March	10 May 2006
Interim report for January—June	10 Aug. 2006
Interim report for January—September	8 Nov. 2006

Beltton-Group Plc will publish the reports in Finnish and English as stock exchange releases and on the company’s web site at **www.beltton.fi**. The annual report will be published in print in Finnish and English. The annual report can also be viewed as a pdf file on the company’s Internet site or ordered from **info@beltton.fi.**

contact person for investor relations

For issues related to investor relations, please contact Liinu Lehto-Seljavaara, IR Director at Beltton-Group Plc.
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mobile phone+358 40 537 3964.

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jumping cat studio, photos: studio polaroiskis tuomas marttila, printing: libris oy

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