

MARTELA CORPORATION

STOCK EXCHANGE RELEASE

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## MARTELA CORPORATION'S INTERIM REPORT, 1 JANUARY - 31 MARCH 2010

Consolidated revenue for January-March was EUR 22.6 million (24.0), a decrease of 6.1 per cent on the corresponding period in 2009. Operating profit for the same period was EUR -1.1 million (-0.1). The cash flow from operating activities in January-March was EUR 0.0 million (7.7). The equity ratio was 57.2 per cent (54.7) and the gearing ratio was -30.1 per cent (-27.9).

## Key figures

	1-3 2009	1-3 2008	1-12 2008
EUR million			
Net revenue	22.6	24.0	95.3
Change in revenue %	-6.1	-33.4	-32.5
Operating profit excluding non-recurring items	-1.1	-0.1	0.8
Operating profit %	-4.8	-0.3	0.8
Return on investment, %	-10.7	0.2	2.3
Return on equity, %	-12.9	-2.7	0.4
Equity to asset ratio, %	57.2	54.7	57.4
Gearing, %	-30.1	-27.9	-33.9
Earnings per share, eur	-0.24	-0.06	0.03
Earnings per share (diluted), eur	-0.24	-0.06	0.03
Average staff	590	649	636
Revenue/employee (EUR 1.000)	38.2	37.0	149.9

## Accounting policies

This interim report has been prepared in accordance with IFRS recognition and measurement principles, but not all the IAS 34 requirements have been complied with. The interim report should be read in conjunction with the 2009 financial statements.

## Market

The demand for office furniture decreased in comparison with the figure for the same period in 2009. There were fewer new starts in office construction in 2009 than in the previous year, and fewer building permits were granted.

## Group structure

There were no changes in Group structure during the review period or during the same period the previous year.

## Segment reporting

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

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

Business Unit Finland is responsible for sales and marketing, service production and manufacturing in Finland. Martela has an extensive sales and service network covering the whole of Finland, with a total of 24 service locations. The Business Unit's logistics centre is in Nummela.

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

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

#### Revenue

Consolidated revenue for January-March was EUR 22.6 million (24.0), a decrease of 6.1 per cent on the previous year. The revenue of Business Unit Sweden and Norway was down by 14.2 per cent, while that of Business Unit Poland was down by 14.4 per cent, calculated using local currencies. The overall effect of exchange rate movements on consolidated revenue was approximately +2 percentage points.

#### Revenue by segment

EUR million

	Business unit Finland	Business unit Sweden & Norway	Business unit Poland	Other segments	Total
1.1.2010-31.3.2010					
External Revenue	15.1	4.0	1.6	1.9	22.6
Internal Revenue	0.0	0.3	0.0	3.6	3.9
Total 2010	15.1	4.3	1.6	5.5	
1.1.2009-31.3.2009					
External Revenue	17.1	4.3	1.6	1.0	24.0
Internal Revenue	0.0	0.0	0.0	4.2	4.2
Total 2009	17.1	4.3	1.6	5.2	
External revenue change %	-11.9	-7.3	-3.0	101.6	-6.1

Other Segments includes PO Korhonen Oy, Kidex Oy and Business Unit International, which is responsible for export markets.

#### Change in external revenue and percentage of consolidated revenue

EUR million	1-3	1-3	Change%	Percentage	1-12	Percentage
	2010	2009			2009	
Business unit Finland	15.1	17.1	-11.9	66.9 %	63.9	67.0%
Business unit Sweden & Norway	4.0	4.3	-7.3	17.8 %	15.8	16.6 %
Business unit Poland	1.6	1.6	-3.0	6.9 %	9.5	9.9 %
Other segments	1.9	1.0	101.6	8.4 %	6.2	6.5 %
Total	22.6	24.0	-6.1	100.0 %	95.3	100.0 %

#### Consolidated result

Operating profit for the first quarter was EUR -1.1 million (-0.1). The year-on-year decrease in operating profit was mainly due to the fall in revenue.

Profit before taxes was EUR -1.1 million (-0.2), and profit after taxes was EUR -1.0 million (-0.2).

Operating profit excluding non-recurring items was -4.8 per cent of revenue (-0.3).

#### Operating profit by segment

EUR million	1-3	1-3	1-12
	2010	2009	2009
Business Unit Finland	0.2	1.6	3.9
Business Unit Sweden & Norway	-0.3	-0.2	-1.0
Business Unit Poland	-0.4	-0.3	-0.7
Other Segments	-0.2	-0.2	-1.0
Other	-0.4	-1.0	-0.4
Total	-1.1	-0.1	0.8

Other Segments includes PO Korhonen Oy, Kidex Oy and Business Unit International, which is responsible for export markets. The item 'Others' includes non-allocated Group functions and non-recurring sales gains and losses.

#### Financial position

The Group's financial position is strong. At the end of the review period, interest-bearing liabilities were EUR 8.1 million (10.4), and net liabilities were EUR -8.7 million (-8.7). The gearing ratio was -30.1 per cent (-27.9) and the equity ratio was 57.2 per cent (54.7). Net financing costs amounted to EUR 0.0 million (-0.1).

The cash flow from operating activities in January-March was EUR 0.0 million (7.7).

The balance sheet total at the end of the review period was EUR 51.2 million (56.9).

#### Capital expenditure

The Group's gross capital expenditure in January-March totalled EUR 0.6 million (0.4). The capital expenditure mainly concerned production replacements and IT investments.

#### Personnel

The Group employed an average of 590 (649) persons, a year-on-year decrease of 9.1 per cent.

#### Average personnel by region

	1-3 2010	1-3 2009	1-12 2009
Finland	441	492	479
Scandinavia	56	64	62
Poland	90	93	94
Russia	3	0	1
Group total	590	649	636

#### Product development and Martela's collection

Product development and the management of Martela's collection are the responsibility of two Group-level organisations. Brand & Product Portfolio is responsible for management of the collection and brand. Product Development and Marketing is responsible for the development of innovative products and the Group's marketing communications.

Early 2010 has seen the launch of some interesting new products. A larger James+ chair was added to the James task chair range. The versatile adjustments possible with this task chair, which is the work of Iiro Viljanen, are designed to enhance the wellbeing of the chair's users. The MyBox desk and the Book space divider/shelf, previously presented as concepts, are now in production. These new products share the characteristics of versatility and new and innovative thinking. MyBox's desk screen, designed by Iiro Viljanen, can be locked, so the items on the desk can be stored safely and the desk cleared for a meeting, for example. Designed by Pekka Toivola, Book combines the characteristics of a space divider and a storage unit in a new way. The overall look and scope can be easily varied by combining the elements in various ways.

In Finland, the service product range was expanded at the beginning of the year with an innovative addition. Martela raised its total service for office premises to a new level, presenting a new solution for managing office property. The method, which uses radio frequency identification (RFID), is a unique way of managing office property. The product has been very well received by our customers.

#### Shares

During January-March, 287,682 (229,046) of the company's A shares were traded on the NASDAQ OMX Helsinki Ltd exchange, corresponding to 8.1 per cent (6.5) of all A shares.

The value of trading turnover was EUR 2.2 million (1.4), and the share price was EUR 7.13 at the beginning of the year and EUR 7.45 at the end of the first quarter. During January-March the share price was EUR 8.60 at its highest and EUR 7.05 at its lowest. At the end of March, equity per share was EUR 7.22 (7.79).

#### Treasury shares

The company did not purchase any Martela shares in January-March. On 31 March 2010, Martela owned a total of 67,700 Martela A shares, purchased at an average price of EUR 10.65. Martela's holding of treasury shares amounts to 1.6 per cent of all shares and 0.4 per cent of all votes.

Acquisition of shares for the share-based incentive scheme and the management of the scheme have been outsourced to an external service provider, Evli Alexander Management Oy. These shares have been entered under equity in the consolidated financial statements for 2009. On 31 March 2010, 57,625 shares under the incentive scheme were still undistributed.

#### 2010 Annual General Meeting

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

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

The AGM also approved the Board of Directors' proposals, detailed in the meeting notice, to authorise the Board to acquire and/or dispose of Martela shares. The AGM decided, in accordance with the Board of Directors' proposal, to amend the company's Articles of Association (with respect to delivery of the meeting notice).

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

#### Post-balance sheet events

No significant reportable events have taken place since the January-March period and operations have continued according to plan.

#### Short-term risks

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

#### Outlook for 2010

Low demand will have an effect on the company's revenue and operating profit in 2010. The company will continue to review its cost structure and to improve its operating efficiency.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1 000)

	2010 1-3	2009 1-3	2009 1-12
Revenue	22.563	24.019	95.349
Other operating income	0.072	0.131	0.746
Employee benefits expenses	-6.424	-7.148	-25.988
Operating expenses	-16.603	-16.304	-66.206
Depreciation and impairment	-0.686	-0.758	-3.109
Operating profit/loss	-1.078	-0.060	0.793
Financial income and expenses	-0.040	-0.110	-0.365
Profit/loss before taxes	-1.118	-0.171	0.427
Income tax	0.133	-0.051	-0.291
Profit/loss for the period	-0.985	-0.221	0.137
Other comprehensive income			
Translation differences	0.134	-0.154	0.077
Total comprehensive income	-0.851	-0.375	0.214
Basic earnings per share, eur	-0.24	-0.06	0.03
Diluted earnings per share, eur	-0.24	-0.06	0.03
Allocation of net profit for the period:			
To equity holders of the parent	-0.985	-0.221	0.137
Allocation of total comprehensive income:			
To equity holders of the parent	-0.851	-0.375	0.214
GROUP BALANCE SHEET (EUR 1 000)	31.03.2010	31.12.2009	31.03.2009
ASSETS			
Non-current assets			
Intangible assets	0.930	0.716	0.728
Tangible assets	11.660	11.862	13.044
Investments	0.038	0.038	0.039
Deferred tax assets	0.313	0.262	0.315
Pension receivables	0.197	0.197	0.072
Investment properties	0.600	0.600	0.600
Total	13.738	13.675	14.798
Current assets			
Inventories	8.853	9.408	10.017
Receivables	11.798	13.210	13.000
Financial assets at fair value through profit and loss	1.098	1.094	1.054
Cash and cash equivalents	15.739	18.211	18.053
Total	37.488	41.923	42.125
Total assets	51.227	55.598	56.923

## EQUITY AND LIABILITIES

	31.03.2010	31.12.2009	31.03.2009
Equity			
Share capital	7.000	7.000	7.000
Share premium account	1.116	1.116	1.116
Other reserves	0.117	0.117	0.117
Translation differences	-0.275	-0.409	-0.640
Retained earnings	21.859	24.672	24.661
Treasury shares	-1.212	-1.200	-1.610
Share-based incentives	0.512	0.466	0.371
Total	29.117	31.762	31.015
Non-current liabilities			
Interest-bearing liabilities	2.979	3.518	7.689
Deferred tax liability	1.216	1.305	1.367
Total	4.195	4.823	9.057
Current liabilities			
Interest-bearing	5.109	5.008	2.754
Non-interest bearing	12.806	14.006	14.098
Total	17.915	19.014	16.852
Total liabilities	22.110	23.837	25.908
Equity and liabilities, total	51.227	55.598	56.923

## STATEMENT OF CHANGES IN EQUITY (EUR 1 000)

Equity attributable to equity holders of the parent

	Share capital	Share premium account	Other reserves	Trans. diff.	Retained earnings and share-based inc.	Treasury shares	Total
01.01.2009	7.000	1.116	0.117	-0.486	27.605	-1.610	33.742
Total compr. income				-0.154	-0.221		-0.375
Dividends					-2.453		-2.453
Share-based inc.					0.101		0.101
31.03.2009	7.000	1.116	0.117	-0.640	25.032	-1.610	31.015
1.1.2010	7.000	1.116	0.117	-0.409	25.138	-1.200	31.762
Other change						-0.012	-0.012
Total compr. income				0.134	-0.985		-0.851
Dividends					-1.828		-1.828
Share-based inc.					0.046		0.046
31.03.2010	7.000	1.116	0.117	-0.275	22.371	-1.212	29.117

## CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2010	2009	2009
	1-3	1-3	1-12
Cash flows from operating activities			
Cash flow from sales	24.340	33.890	104.678
Cash flow from other operating income	0.072	0.131	0.489
Payments on operating costs	-24.080	-25.712	-92.273
Net cash from operating activities before financial items and taxes	0.332	8.309	12.894
Interest paid	-0.063	-0.133	-0.516
Interest received	0.013	0.088	0.166
Other financial items	0.010	0.009	-0.002
Taxes paid	-0.263	-0.585	-1.780
Net cash from operating activities (A)	0.028	7.688	10.762
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-0.563	-0.360	-1.663
Proceeds from sale of tangible and intangible assets	0.000	0.000	1.004
Net cash used in investing activities (B)	-0.563	-0.360	-0.659
Cash flows from financing activities			
Proceeds from short-term loans	0.000	0.006	0.008
Repayments of short-term loans	-0.156	-0.270	-0.781
Repayments of long-term loans	-0.291	-0.291	-2.273
Dividends paid and other profit distribution	-1.650	-2.248	-2.390
Net cash used in financial activities (C)	-2.098	-2.803	-5.436
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	-2.633	4.524	4.667
Cash and cash equivalents at the beginning of period	19.304	14.620	14.620
Translation differences	0.166	-0.037	0.017
Cash and cash equivalents at the end of period	16.837	19.107	19.304



## SEGMENT REPORTING (EUR 1 000)

Segment revenue	2010 1-3	2009 1-3	2009 1-12
Business Unit Finland			
external	15.092	17.129	63.898
internal	0.000	0.000	0.000
Business Unit Sweden and Norway			
external	4.026	4.342	15.834
internal	0.299	0.044	0.457
Business Unit Poland			
external	1.567	1.616	9.465
internal	0.000	0.007	0.015
Other segments			
external	1.878	0.931	6.151
internal	3.606	4.239	16.464
Total external revenue	22.563	24.019	95.348

Segment operating profit/loss	2010 1-3	2009 1-3	2009 1-12
Business Unit Finland	0.185	1.635	3.854
Business Unit Sweden and Norway	-0.301	-0.211	-0.966
Business Unit Poland	-0.411	-0.280	-0.668
Other segments	-0.237	-0.164	-0.985
Other	-0.315	-1.040	-0.442
Total operating profit/loss	-1.078	-0.060	0.793

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

## TANGIBLE ASSETS 1.1-31.3.2010

	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0.000	0.000	0.223	0.000	0.065
Decreases	0.000	0.000	0.000	0.000	0.000

## TANGIBLE ASSETS 1.1-31.3.2009

	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0.000	0.010	0.207	0.017	0.082
Decreases	0.000	0.000	0.000	0.000	0.000

## RELATED PARTY AND SHARE-BASED INCENTIVE PROGRAMME

The CEO and the group's management and some key-persons are included in a long-term incentive scheme, extending from 2010 to the end of 2012.

## KEY FIGURES/RATIOS

	2010	2009	2009
	1-3	1-3	1-12
Operating profit/loss	-1.078	-0.060	0.793
- in relation to revenue	-4.8	-0.3	0.8
Profit/loss before taxes	-1.118	-0.171	0.427
- in relation to revenue	-5.0	-0.7	0.4
Profit/loss for the period	-0.985	-0.221	0.137
- in relation to revenue	-4.4	-0.9	0.1
Basic earnings per share, eur	-0.24	-0.06	0.03
Diluted earnings per share, eur	-0.24	-0.06	0.03
Equity/share, eur	7.22	7.79	7.88
Equity ratio	57.2	54.7	57.4
Return on equity *	-12.9	-2.7	0.4
Return on investment *	-10.7	0.2	2.3
Interest-bearing net-debt, eur million	-8.7	-8.7	-10.8
Gearing ratio	-30.1	-27.9	-33.9
Capital expenditure, eur million	0.6	0.4	2.2
- in relation to revenue, %	2.5	1.6	2.3
Personnel at the end of period	583	643	606
Average personnel	590	649	636
Revenue/employee, eur thousand	38.2	37.0	149.9

Key figures are calculated according to formulae as presented in Annual Report 2009.

\* When calculating return on equity and return on investment the profit/loss for the period has been multiplied in interim reports.

## CONTINGENT LIABILITIES

	31.03.2010	31.12.2009	31.03.2009
Mortgages and shares pledged	14.643	14.480	14.548
Guarantees	0.000	0.000	0.000
Other commitments	0.261	0.256	0.324
RENTAL COMMITMENTS	7.838	7.971	8.246
DEVELOPMENT OF SHARE PRICE	2010	2009	2009
	1-3	1-3	1-12
Share price at the end of period, EUR	7.45	5.73	7.13
Highest price, EUR	8.60	6.82	8.00
Lowest price, EUR	7.05	5.21	5.21
Average price, EUR	7.73	6.24	6.98

This interim report has not been audited

Martela Corporation  
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## Additional information

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