

MARTELA CORPORATION INTERIM REPORT 20 OCTOBER 2010, 08.30 a.m.

MARTELA CORPORATION INTERIM REPORT, 1 JANUARY - 30 SEPTEMBER 2010

Consolidated revenue for January-September amounted to EUR 74.4 million (71.1), which was a year-on-year increase of 4.6 per cent. Revenue for the third quarter increased to EUR 26.1 million (25.8), which was a year-on-year increase of 0.9 per cent. Operating profit for January-September was EUR 0.4 million (0.4), and for the third quarter EUR 2.0 million (1.2). The cash flow from operating activities in January-September came to EUR -1.6 million (9.5). The equity ratio was 56.9 per cent (58.1) and gearing was -17.9 per cent (-31.5).

On 29 September 2010, Martela Corporation acquired the business operations of Martela A/S, its long-term partner and importer of its products in Denmark. The deal reinforces Martela Corporation's role and position as a supplier of comprehensive services on the Danish market. The revenue of Martela A/S's business to be acquired was approximately EUR 4.0 million in 2009. The business will be handed over to Martela on 1 November 2010. The operations of Pa-Ri Materia Oy, acquired by Martela Corporation in June, were transferred to Martela on 1 August 2010, and in August 2010, Martela Corporation founded a subsidiary in Hungary.

Key figures

	7-9 2010	7-9 2009	1-9 2010	1-9 2009	1-12 2009
EUR million					
Net revenue	26.1	25.8	74.4	71.1	95.3
Change in revenue %	0.9	-15.8	4.6	-28.9	-32.5
Operating profit excluding non-recurring items	2.0	1.2	0.4	0.4	0.8
Operating profit %	7.5	4.6	0.5	0.6	0.8
Return on investment, %			1.5	1.9	2.3
Return on equity, %			-1.3	0.0	0.4
Equity to asset ratio, %			56.9	58.1	57.4
Gearing, %			-17.9	-31.5	-33.9
Earnings per share, eur			-0.07	0.00	0.03
Earnings per share (diluted), eur			-0.07	0.00	0.03
Average staff			594	639	636
Revenue/employee (EUR 1.000)			125.2	111.3	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

Fewer office buildings were completed in Finland this year (January-June) than last year (-14%). In the same period, more building permits were issued (+53%) than the previous year and new office building starts were also markedly up on 2009 (+155%).

Group structure

In August 2010, Martela Corporation established a subsidiary in Hungary. No other changes have taken place in the group structure.

Segment reporting

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

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

Business Unit Finland is responsible for sales, marketing, service production and manufacturing in Finland. Martela has an extensive sales and service network covering the whole of Finland, with a total of 27 sales centres. The Business Unit has a logistics centre in Nummela.

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

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

Revenue

Net revenue for January-September was EUR 74.4 million (71.1), which was an increase of 4.6 per cent on the previous year. The revenue of Business Unit Sweden and Norway was up by 5.9 per cent, while that of Business Unit Poland was down by 24.1 per cent, calculated in local currencies. The overall effect of exchange rate movements on consolidated revenue was approximately +3 percentage points. Third-quarter revenue rose to EUR 26.1 million (25.8), an increase of 0.9 per cent.

Revenue by segment

EUR mil.

	Business unit Finland	Business unit Sweden & Norway	Business unit Poland	Other segments	Total
1.1.2010-30.9.2010					
External Revenue	49.5	12.9	6.2	5.8	74.4
Internal Revenue	0.0	0.5	0.0	11.3	11.8
Total 2010	49.5	13.4	6.2	17.1	
1.1.2009-30.9.2009					
External Revenue	47.5	11.1	7.4	5.1	71.1
Internal Revenue	0.0	0.3	0.1	12.6	13.0
Total 2009	47.5	11.4	7.5	17.7	
External revenue change %	4.2	15.6	-16.4	14.4	4.6

Other Segments includes P.O. 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	1-9 2010	1-9 2009	Change%	Percentage	1-12 2009	Percentage
Business unit Finland	49.5	47.5	4.2	66.5 %	63.9	67.0 %
Business unit Sweden & Norway	12.9	11.1	15.6	17.3 %	15.8	16.6 %
Business unit Poland	6.2	7.4	-16.4	8.4 %	9.5	9.9 %
Other segments	5.8	5.1	14.4	7.8 %	6.2	6.5 %
Total	74.4	71.1	4.6	100.0 %	95.3	100.0 %

Consolidated result

Cumulative operating profit excluding non-recurring items (2009 and 2010) was EUR 0.4 million (0.4). Profit for the third quarter was EUR 2.0 million (1.2).

Profit before taxes was EUR 0.1 million (0.1), and profit after taxes was EUR -0.3 million (0.0).

Operating profit excluding non-recurring items was 0.5 per cent of revenue (0.6).

Operating profit by segment

	1-9 2010	1-9 2009	1-12 2009
EUR million			
Business Unit Finland	2.0	2.8	3.9
Business Unit Sweden & Norway	-0.4	-0.9	-1.0
Business Unit Poland	-1.0	-0.3	-0.7
Other Segments	0.1	0.0	-1.0
Other	-0,3	-1.2	-0.4
Total	0.4	0.4	0.8

Other segments includes P.O. 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. Interest-bearing liabilities at the end of the period amounted to EUR 6.8 million (9.5) and net liabilities were EUR -5.4 million (-9.9). The gearing ratio at the end of the year was -17.9 per cent (-31.5), and the equity ratio was 56.9 per cent (58.1). Net financial expenses were EUR -0.2 million (-0.3).

The cash flow from operating activities in January-September was EUR -1.6 million (9.5).

The balance sheet total at the end of September was EUR 53.5 million (54.6).

Capital expenditure

The Group's gross capital expenditure for January-September was EUR 3.1 million (1.7) and mainly concerned production replacements and IT investments.

Personnel

The Group employed an average of 594 (639) persons, a decrease of 7.0 per cent.

Average personnel by region

	1-9 2010	1-9 2009	1-12 2009
Finland	445	486	479
Scandinavia	54	62	62
Poland	90	90	94
Russia	5	1	1
Group total	594	639	636

Product development and the Martela 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, and Product Development and Marketing is responsible for the development of innovative products and the Group's marketing communications.

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

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

Shares

During January-September, 892,466 (624,743) of the company's A shares were traded on NASDAQ OMX Helsinki Ltd, corresponding to 25.1 per cent (17.6) of all A shares.

The value of trading turnover was EUR 6.3 million (4.3), and the share price was EUR 7.13 at the beginning of the year and EUR 6.59 at the end of the third quarter. During January-September the share price was EUR 8.60 at its highest and EUR 6.26 at its lowest. At the end of September, equity per share was EUR 7.46 (7.82).

Treasury shares

The company did not purchase any of its own shares in January-September. On 30 September 2010, Martela owned a total of 67,700 Martela A shares, purchased at an average price of EUR 10.65. Martela's holding of treasury shares corresponds to 1.6 per cent of all shares and 0.4 per cent of all votes.

Acquisition of shares for the share-based incentive scheme and the management of the scheme have been outsourced to an external service provider, Evli Alexander Management Oy. These shares were entered under equity in the consolidated financial statements for 2009. On 30 September 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 AGM approved the financial statements for 2009 and discharged the members of the Board of Directors and the Managing Director from liability. The AGM decided, in accordance with the Board of Directors' proposal, to distribute a dividend of EUR 0.45 per share.

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

The AGM also approved the Board of Directors' proposals, detailed in the meeting notice, to authorise the Board to acquire and/or dispose of Martela shares. The 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.

Short-term risks

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

More information on risks is given in the company's annual report.

Outlook for 2010

The period of low demand that started in the beginning of 2009 has continued in 2010. This will have an effect on the company's revenue and operating profit in 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1000)

	2010 1-9	2009 1-9	2010 7-9	2009 7-9	2009 1-12
Revenue	74.360	71.108	26.070	25.825	95.349
Other operating income	0.202	0.620	0.053	0.232	0.746
Employee benefits expenses	-19.723	-19.733	-6.132	-5.819	-25.988
Operating expenses	-52.510	-49.277	-17.432	-18.245	-66.206
Depreciation and impairment	-1.969	-2.290	-0.599	-0.805	-3.109
Operating profit/loss	0.360	0.428	1.960	1.188	0.793
Financial income and expenses	-0.211	-0.280	-0.102	-0.092	-0.365
Profit/loss before taxes	0.149	0.148	1.858	1.096	0.427
Income tax	-0.448	-0.140	-0.645	-0.304	-0.291
Profit/loss for the period	-0.299	0.008	1.213	0.792	0.137
Other comprehensive income					
Translation differences	0.239	0.020	0.109	0.102	0.077
Total comprehensive income	-0.060	0.028	1.322	0.894	0.214
Basic earnings per share, eur	-0.07	0.00	0.30	0.20	0.03
Diluted earnings per share, eur	-0.07	0.00	0.30	0.20	0.03
Allocation of net profit for the period:					
To equity holders of the parent	-0.299	0.008	1.213	0.792	0.137
Allocation of total comprehensive income					
To equity holders of the parent	-0.060	0.028	1.322	0.894	0.214

GROUP BALANCE SHEET (EUR 1000)

ASSETS

	30.9.2010	31.12.2009	30.09.2009
Non-current assets			
Intangible assets	1.775	0.716	0.766
Tangible assets	12.068	11.862	12.173
Investments	0.010	0.038	0.039
Deferred tax assets	0.314	0.262	0.301
Loan receivables	0.017	0.000	0.000
Pension receivables	0.197	0.197	0.072
Investment properties	0.600	0.600	0.600
Total	14.981	13.675	13.951
Current assets			
Inventories	11.221	9.408	8.950
Receivables	15.115	13.210	12.320
Financial assets at fair value through profit and loss	1.104	1.094	1.089
Cash and cash equivalents	11.067	18.211	18.323
Total	38.507	41.923	40.682
Total assets	53.488	55.598	54.633

EQUITY AND LIABILITIES

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	-0.170	-0.409	-0.466
Retained earnings	22.559	24.672	24.543
Treasury shares	-1.212	-1.200	-1.200
Share-based incentives	0.640	0.466	0.420
Total	30.050	31.762	31.530
Non-current liabilities			
Interest-bearing liabilities	2.457	3.518	6.548
Other liabilities	0.240	0.000	0.000
Deferred tax liability	1.637	1.305	1.286
Total	4.334	4.823	7.834
Current liabilities			
Interest-bearing	4.343	5.008	2.916
Non-interest bearing	14.761	14.006	12.353
Total	19.104	19.014	15.269
Total liabilities	23.438	23.837	23.103
Equity and liabilities, total	53.488	55.598	54.633

STATEMENT OF CHANGES IN EQUITY (EUR 1000)

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
Tot.compr.income				0.020	0.008		0.028
Dividends					-2.390		-2.390
Share-based inc.					-0.260	0.410	0.150
30.09.2009	7.000	1.116	0.117	-0.466	24.963	-1.200	31.530
1.1.2010	7.000	1.116	0.117	-0.409	25.138	-1.200	31.762
Tot.compr. income				0.239	-0.299		-0.060
Dividends					-1.814		-1.814
Share-based inc.					0.174	-0.012	0.162
30.09.2010	7.000	1.116	0.117	-0.170	23.199	-1.212	30.050

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2010	2009	2009
	1-9	1-9	1-12
Cash flows from operating activities			
Cash flow from sales	73.569	81.905	104.678
Cash flow from other operating income	0.172	0.363	0.489
Payments on operating costs	-74.722	-71.131	-92.273
Net cash from operating activities before financial items and taxes	-0.981	11.137	12.894
Interest paid	-0.221	-0.385	-0.516
Interest received	0.029	0.156	0.166
Other financial items	-0.031	0.016	-0.002
Taxes paid	-0.429	-1.438	-1.780
Net cash from operating activities (A)	-1.633	9.486	10.762
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-2.446	-1.537	-1.663
Proceeds from sale of tangible and intangible assets	0.462	1.268	1.004
Net cash used in investing activities (B)	-1.984	-0.269	-0.659
Cash flows from financing activities			
Proceeds from short-term loans	0.000	0.008	0.008
Repayments of short-term loans	-0.430	-0.611	-0.781
Repayments of long-term loans	-1.428	-1.427	-2.273
Dividends paid and other profit distribution	-1.813	-2.390	-2.390
Net cash used in financial activities (C)	-3.671	-4.421	-5.436
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	-7.289	4.796	4.667
Cash and cash equivalents at the beginning of period	19.304	14.620	14.620
Translation differences	0.156	-0.004	0.017
Cash and cash equivalents at the end of period	12.171	19.412	19.304

SEGMENT REPORTING (EUR 1 000)

Segment revenue	2010 1-9	2009 1-9	2010 7-9	2009 7-9	2009 1-12
Business unit Finland					
external	49.480	47.479	17.191	16.624	63.898
internal	0.000	0.000	0.000	0.000	0.000
Business unit Sweden and Norway					
external	12.859	11.122	4.004	3.296	15.834
internal	0.545	0.321	-0.103	0.178	0.457
Business Unit Poland					
external	6.212	7.431	2.880	3.300	9.465
internal	0.000	0.044	0.000	0.024	0.015
Other segments					
external	5.809	5.076	1.995	2.605	6.151
internal	11.307	12.601	3.942	4.482	16.464
Total external revenue	74.360	71.108	26.070	25.825	95.348
Segment operating profit/loss	2010 1-9	2009 1-9	2010 7-9	2009 7-9	2009 1-12
Business Unit Finland	2.021	2.816	1.250	0.839	3.854
Business Unit Sweden and Norway	-0.375	-0.932	0.051	-0.207	-0.966
Business Unit Poland	-1.019	-0.300	-0.132	-0.029	-0.668
Other segments	0.113	0.053	0.266	0.301	-0.985
Other	-0.380	-1.209	0.525	0.284	-0.442
Total operating profit/loss	0.360	0.428	1.960	1.188	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 1.1-30.9.2010

	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0.000	0.041	0.836	0.000	0.955
Decreases	0.000	-0.073	-0.110	0.000	0.000

TANGIBLE ASSETS 1.1-30.9.2009

	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0.000	0.102	1.154	0.067	0.096
Decreases	-0.023	-0.706	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 1-9	2009 1-9	2009 1-12
Operating profit/loss	0.360	0.428	0.793
- in relation to revenue	0.5	0.6	0.8
Profit/loss before taxes	0.149	0.148	0.427
- in relation to revenue	0.2	0.2	0.4
Profit/loss for the period	-0.299	0.008	0.137
- in relation to revenue	-0.4	0.0	0.1
Basic earnings per share, eur	-0.07	0.00	0.03
Diluted earnings per share, eur	-0.07	0.00	0.03
Equity/share, eur	7.46	7.82	7.88
Equity ratio	56.9	58.1	57.4
Return on equity *	-1.3	0.0	0.4
Return on investment *	1.5	1.9	2.3
Interest-bearing net-debt, eur million	-5.4	-9.9	-10.8
Gearing ratio	-17.9	-31.5	-33.9
Capital expenditure, eur million	3.1	1.7	2.2
- in relation to revenue, %	4.2	2.4	2.3
Personnel at the end of period	611	620	606
Average personnel	594	639	636
Revenue/employee, eur thousand	125.2	111.3	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	30.9.2010	31.12.2009	30.9.2009
Mortgages and shares pledged	14.836	14.480	14.487
Other commitments	0.385	0.256	0.299
RENTAL COMMITMENTS	7.168	7.971	7.015
DEVELOPMENT OF SHARE PRICE	2010	2009	2009
	1-9	1-9	1-12
Share price at the end of period, EUR	6.59	7.41	7.13
Highest price, EUR	8.60	8.00	8.00
Lowest price, EUR	6.26	5.21	5.21
Average price, EUR	7.16	6.91	6.98

This interim report has not been audited

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