MARTELA CORPORATION INTERIM REPORT 26 April 2013, 8.30 a.m.

MARTELA CORPORATION INTERIM REPORT, 1 January - 31 March 2013

First quarter revenue at same level as Q1/2012, operating result down

Key figures:

EUR mill.	Q1 2013	Q1 2012	Full year 2012
- Revenue	31.9	32.0	142.7
- Change in revenue, %	-0.5	16.9	9.2
- Operating result	-1.4	-0.9	-0.9
- Operating result, %	-4.5	-2.8	-0.6
- Earnings/share, EUR	-0.42	-0.27	-0.51
- Return on investment, %	-15.0	-9.3	-2.7
- Return on equity, %	-26.5	-14.9	-7.1
- Equity ratio, %	44.5	48.4	42.6
- Gearing, %	24.0	16.5	28.6

The Martela Group anticipates that its full-year revenue in 2013 will be at about the 2012 level, and that its operating result will show a year-on-year improvement.

Market

In the first quarter the demand for office furniture remained more or less at the level of the second half of 2012. Demand was steady in Finland but was significantly lower than in the peak years. In other market areas, demand showed some mildly positive development in Poland even it didn't yet realize in revenue. In addition especially Sweden experienced a high number of project enquiries.

Statistics on office construction for 2012 have become available, and according to these, 47 per cent more office space in terms of square metres was built in Finland in 2012 than in the previous year. At the same time, however, fewer building permits (-5%) were granted than a year earlier, and there were also 3 per cent fewer new office building starts. It is important to note, however, that starts were significantly up in the final quarter of 2012 (+67%) compared with the same period in 2011. In terms of floor area, the level is still nevertheless rather low.

Consolidated revenue and result

Consolidated revenue for January–March was EUR 31.9 million (32.0). In Finland, net sales remained at the previous year's level. There were no significant large customer projects in the first quarter in Finland, and the revenue was largely from a steady flow of small and medium-sized deliveries. Revenue declined in Poland, and in Sweden it began to grow. In the other markets, the transfer of the Danish business at the end of 2012 from the Martela subsidiary to a dealer slightly reduced (2.0%) consolidated revenue for the period. While revenue is still rather small in Russia, it grew markedly on the previous year.

The operating result for the first quarter was EUR -1.4 million (-0.9). The Group's fixed costs declined somewhat on the previous year due to adjustment measures taken already in 2012, including the discontinuation of the subsidiary in Denmark. At the same time, the sales margin of the Group's products was slightly lower than a year earlier, due to a different product mix. In addition, the cost effect of the personnel reductions and lay-offs agreed in the codetermination negotiations concluded in January 2013 was not yet apparent in the first quarter. The savings in costs, coming to an estimated EUR 0.7 million, will materialise later in the year.

The result before taxes was EUR -1.6 million (-1.1), and the result after taxes was EUR -1.7 million (-1.1).

Segment reporting

The business segments are based on the Group's operating structure and internal financial reporting.

Sales between segments are reported as part of the segments' revenue. The segment results presented are their operating results, 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. The revenue and operating result are as recorded in the consolidated financial statements.

Business Unit Finland is responsible for sales and marketing, service production and product manufacturing in Finland. Martela has an extensive sales and service network covering the whole of Finland, with a total of 28 sales centres. The Business Unit's logistics centre is in Nummela.

Business Unit Sweden & Norway's sales are handled through 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. The sales company in Oslo acts as a supporting organisation for Norway's dealer network.

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. There are a total of 7 sales centres in Poland. Business Unit Poland is based in Warsaw, where it has its logistics centre and administration.

'Other segments' includes the business activities of Kidex Oy and Business Unit International. Business Unit International's main market areas are Russia, Denmark and Estonia. Exports are also made to the Netherlands, Germany and Japan. In addition, the unit is responsible for managing the Group's key international accounts. In Russia, sales are organised by the unit's own subsidiaries, and in other markets through local authorised importers.

Revenue by segment

EUR mill.	Finland	Sweden & Norway	Poland	Other segments	Total
1 Jan 2013-31 Mar 2013					
External revenue	21.7	6.0	2.5	1.6	31.9
Internal revenue	0.0	0.3	0.0	2.6	2.9
Total 2013	21.7	6.4	2.5	4.2	
1 Jan 2012–31 Mar 2012					
External revenue	21.7	4.9	2.8	2.6	32.0
Internal revenue	0.0	0.5	0.0	3.2	3.7
Total 2012	21.7	5.3	2.8	5.8	
External revenue change, %	-0.2%	24.2%	-10.5%	-37.8%	-0.5%

Change in segments' external revenue and percentage of consolidated revenue

EUR mill.	Q1 2013	Q1 2012	Change, %	Proportion	Full year 2012	Proportion
Finland	21.7	21.7	-0.2%	68.1%	98.1	68.7%
Sweden & Norway	6.0	4.9	24.2%	19.0%	20.1	14.1%
Poland	2.5	2.8	-10.5%	7.8%	12.7	8.9%
Other segments	1.6	2.6	-37.8%	5.1%	11.9	8.3%
Total	31.9	32.0	-0.5%	100.0%	142.7	100.0%

Operating result by segment

EUR mill.	Q1 2013	Q1 2012	Full year 2012
Finland	0.0	0.2	3.9
Sweden & Norway	-0.4	-0.2	-0.7
Poland	-0.3	-0.4	-1.2
Other segments	-0.6	-0.9	-3.0
Others	-0.2	0.4	0.2
Total	-1.4	-0.9	-0.9

'Other segments' includes Kidex Oy and Business Unit International. Business Unit International is responsible for the Group's other export markets. The figures for 2012 include the Group's subsidiary in Denmark, the operations of which terminated on 31 December 2012. The item 'Others' includes non-allocated Group functions and non-recurring sales gains and losses.

Financial position

The Group's financial position is stable. Interest-bearing liabilities at the end of the period amounted to EUR 12.7 million (10.8) and net liabilities were EUR 5.9 million (4.6). The gearing ratio at the end of the period was 24.0 per cent (16.5), and the equity ratio was 44.5 per cent (48.4). Net financial expenses were EUR 0.1 million (0.1).

The cash flow from operating activities in January–March was EUR 3.4 million (-2.9). The cash flow improved due to the decreased working capital.

The balance sheet total at the end of the period was EUR 55.8 million (58.4).

Capital expenditure

The Group's gross capital expenditure for January–March was EUR 0.9 million (0.8), and this was mainly on the ERP project and production replacements.

Personnel

The Group employed an average of 757 (795) persons, a year-on-year decrease of 4.8 per cent. The personnel number decreased in all main markets as a result of adjustment measures.

Average personnel by region

	Q1 2013	Q1 2012	Full year 2012
Finland	606	615	637
Scandinavia	62	76	76
Poland	78	93	81
Russia	11	11	12
Group total	757	795	806

Products and Communications

The development of new products continued actively in the first quarter. The New Way of Working (NWOW) trend intensified. This is all about a fundamental change of working from traditional office work to a more mobile mode. Work is no longer dependent on time and place in the way it used to be. This major change in the way we work is also reflected in the Martela collection: furniture must facilitate the work and inspire the employee in this new approach and in new locations. The PodSeat, PodSofa, Hush, PodMeeting and the Face screen are good examples of new products that support the NWOW trend.

Martela took part in the annual furniture fair in Stockholm with the very current Silence theme. The Silence concept is a solution developed by Martela for the acoustic challenges of contemporary work and offices. It divides an office into three zones according to their use: Public, Semi-public and Private. Based on customer feedback and new and exciting customer contacts the fair was a success for Martela.

As a part of the redesign of the Martela website, new country-specific pages were launched and the work to sharpen up Martela's digital marketing was continued by launching a new photo gallery and a 3D symbol library that is very important to designers. We also completed our stunning new catalogue at the start of the year. The cover shows Karim Rashid's KOOP lobby chair.

The third corporate responsibility report based on the GRI protocol will be completed in May. Corporate responsibility has already become an established part of management, operating plans and measures. In the first quarter Martela also launched the Citizen Day project. Employees can get involved by working, on the company's' time, at care homes, for example.

Group structure

There were no changes in Group structure during the first quarter.

Shares

During January–March, 163,627 (106,982) of the company's A shares were traded on NASDAQ OMX Helsinki, corresponding to 4.6 per cent (3.0) of all A shares.

The value of trading turnover was EUR 0.8 million (0.7), and the share price was EUR 5.02 at the beginning of the year and EUR 4.50 at the end of the quarter. During January–March the share price was EUR 5.50 at its highest and EUR 4.34 at its lowest. At the end of March, equity per share was EUR 6.10 (6.91).

Treasury shares

The company did not purchase any Martela shares in January–March. On 31 March 2013, 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.

Share acquisition for the share-based incentive scheme has been outsourced to an external service provider. These shares have been entered under equity in the consolidated financial statements for 31 March 2013. On 31 March 2013, 38,647 shares under the incentive scheme were still undistributed.

2013 Annual General Meeting

Martela Corporation's Annual General Meeting was held on 14 March 2013. The AGM approved the financial statements for 2012 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 0.20 per share. The dividends were paid on 26 March 2013.

The number of members on the Board of Directors was confirmed as seven. Heikki Ala-Ilkka, Heikki Martela, Pekka Martela, Pinja Metsäranta, Yrjö Närhinen and Jaakko Palsanen were re-elected to the Board, and Kirsi Komi was elected as a new member. KPMG Oy Ab, Authorised Public Accountants, was appointed again 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 new Board of Directors convened after the Annual General Meeting and elected from its members Heikki Ala-Ilkka as Chairman and Pekka Martela as Vice Chairman.

Events after the end of the review period

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

Short-term risks

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

Outlook for 2013

The Martela Group anticipates that its revenue in 2013 will be at about the 2012 level, and that its operating result will show a year-on-year improvement.

TABLES

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 2012 financial statements.

The figures in this release have been rounded, and so the combined sum of individual figures may differ from the sums presented. This report is unaudited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1 000)

	2013 1-3	2012 1-3	2012 1-12
Revenue	**31 855**	**32 000**	**142 686**
Other operating income	32	213	409
Employee benefits expenses	-9 773	-9 629	-38 617
Operating expenses	-22 723	-22 641	-101 969
Depreciation and impairment	-820	-835	-3 421
Operating profit/loss	**-1 429**	**-892**	**-912**
Financial income and expenses	-130	-122	-633
Share of result in associated undertakings	-88	-93	-300
Profit/loss before taxes	**-1 647**	**-1 107**	**-1 845**
Income tax	-67	15	-203
Profit/loss for the period	**-1 714**	**-1 092**	**-2 048**
Other comprehensive income:			
Translation differences	70	105	230
Total comprehensive income	**-1 644**	**-987**	**-1 818**
Basic earnings per share, eur	-0,42	-0,27	-0,51
Diluted earnings per share, eur	-0,42	-0,27	-0,51
Allocation of net profit for the period:			
To equity holders of the parent	-1 714	-1 092	-2 048
Allocation of total comprehensive income:			
To equity holders of the parent	-1 644	-987	-1 818

GROUP BALANCE SHEET (EUR 1 000)	31.3.2013	31.12.2012	31.3.2012
ASSETS			
Non-current assets			
Intangible assets	6 377	6 031	4 957
Tangible assets	12 559	12 881	13 439
Investments	55	97	55
Deferred tax assets	181	185	331
Pension receivables	55	55	155
Receivables	9	10	53
Investment properties	600	600	600
Total	**19 836**	**19 859**	**19 590**
Current assets			
Inventories	13 334	13 142	14 626
Receivables	15 865	23 751	18 050
Financial assets at fair value through profit and loss	0	0	0
Cash and cash equivalents	6 740	7 589	6 166
Total	**35 939**	**44 483**	**38 842**
Total assets	**55 775**	**64 342**	**58 432**
EQUITY AND LIABILITIES			
Equity			
Share capital	7 000	7 000	7 000
Share premium account	1 116	1 116	1 116
Other reserves	117	117	117
Translation differences	64	-6	-131
Retained earnings	16 737	19 179	20 135
Treasury shares	-1 050	-1 050	-1 050
Share-based incentives	710	710	786
Total	**24 694**	**27 066**	**27 973**
Non-current liabilities			
Interest-bearing liabilities	9 292	9 331	7 298
Deferred tax liabilities	1 221	1 269	1 308
Other liabilities	0	151	175
Total	**10 513**	**10 751**	**8 781**
Current liabilities			
Interest-bearing	3 376	6 010	3 484
Non-interest bearing	17 192	20 515	18 194
Total	**20 568**	**26 525**	**21 678**
Total liabilities	**31 081**	**37 276**	**30 459**
Equity and liabilities, total	**55 775**	**64 342**	**58 432**

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	Treasury shares	Total
01.01.2012	7 000	1 116	117	-236	23 809	-1 050	30 756
Total comprehensive income				105	-1 092		-987
Dividends					-1 822		-1 822
Share-based incentives					26		26
31.03.2012	7 000	1 116	117	-131	20 921	-1 050	27 973
01.01.2013	7 000	1 116	117	-6	19 889	-1 050	27 066
Total comprehensive income				70	-1 714		-1 644
Dividends					-728		-728
Share-based incentives					0		0
31.03.2013	7 000	1 116	117	64	17 447	-1 050	24 694

CONSOLIDATED CASH FLOW STATEMENT (EUR 1 000)	2013 1-3	2012 1-3	2012 1-12
Cash flows from operating activities			
Cash flow from sales	39 180	37 835	143 990
Cash flow from other operating income	28	205	394
Payments on operating costs	-35 564	-40 793	-143 434
Net cash from operating activities before financial items and taxes	**3 645**	**-2 753**	**950**
Interest paid	-103	-51	-514
Interest received	7	13	33
Other financial items	-43	-6	-126
Dividends received	0	0	1
Taxes paid	-150	-90	-345
Net cash from operating activities (A)	**3 357**	**-2 887**	**-2**
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-795	-973	-3 504
Proceeds from sale of tangible and intangible assets	4	8	15
Capital expenditure on subsidiaries	0	0	-2 975
Capital expenditure on other investments	0	0	-200
Proceeds from sale of other investments	0	0	0
Net cash used in investing activities (B)	**-791**	**-965**	**-6 664**
Cash flows from financing activities			
Proceeds from short-term loans	1 500	0	10 876
Repayments of short-term loans	-3 492	-95	-7 762
Proceeds from long-term loans	0	0	4 000
Repayments of long-term loans	-682	-300	-3 103
Dividends paid and other profit distribution	-728	-1 627	-1 822
Net cash used in financial activities (C)	**-3 402**	**-2 022**	**2 189**
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	**-836**	**-5 874**	**-4 477**
Cash and cash equivalents in the beginning of period	7 589	11 947	11 947
Translation differences	-13	94	120
Cash and cash equivalents at the end of period	**6 740**	**6 166**	**7 589**

SEGMENT REPORTING (EUR 1 000)

Segment revenue	2013 1-3	2012 1-3	2012 1-12
Business Unit Finland			
external	21 696	21 747	98 054
internal	0	0	2
Business Unit Sweden and Norway			
external	6 048	4 868	20 095
internal	336	477	2 222
Business Unit Poland			
external	2 492	2 784	12 673
internal	0	0	1
Other segments			
external	1 619	2 601	11 865
internal	2 612	3 239	13 170
Total external revenue	**31 855**	**32 000**	**142 686**

Segment operating profit/loss	2013 1-3	2012 1-3	2012 1-12
Business Unit Finland	0	198	3 871
Business Unit Sweden and Norway	-373	-234	-720
Business Unit Poland	-283	-421	-1 224
Other segments	-602	-872	-3 044
Other	-171	437	205
Total operating profit/loss	**-1 429**	**-892**	**-912**

Other segments include 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 1.1-31.3.2013	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0	9	1 007	0	-637
Decreases	0	0	-59	0	0

TANGIBLE ASSETS 1.1-31.3.2012	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0	48	283	0	71
Decreases	0	0	0	0	0

RELATED PARTY AND SHARE-BASED INCENTIVE PROGRAMME

The CEO and the group's management are included in a long-term share-based incentive scheme, extending to the end of 2013.

KEY FIGURES/RATIOS	2013 1-3	2012 1-3	2012 1-12
Operating profit/loss	-1 429	-892	-912
- in relation to revenue	-4,5	-2,8	-0,6
Profit/loss before taxes	-1 647	-1 107	-1 845
- in relation to revenue	-5,2	-3,5	-1,3
Profit/loss for the period	-1 714	-1 092	-2 048
- in relation to revenue	-5,4	-3,4	-1,4
Basic earnings per share, eur	-0,42	-0,27	-0,51
Diluted earnings per share, eur	-0,42	-0,27	-0,51
Equity/share, eur	6,10	6,91	6,68
Equity ratio	44,5	48,4	42,6
Return on equity *	-26,5	-14,9	-7,1
Return on investment *	-15,0	-9,3	-2,7
Interest-bearing net-debt, eur million	5,9	4,6	7,8
Gearing ratio	24,0	16,5	28,6
Capital expenditure, eur million	0,9	0,8	4,0
- in relation to revenue	2,7	2,6	2,8
Personnel at the end of period	758	795	801
Average personnel	757	795	806
Revenue/employee, eur thousand	42,1	40,3	177,0

Key figures are calculated according to formulae as presented in Annual Report 2012
* When calculating return on equity and return on investment the profit/loss for the period has been multiplied in interim reports.

CONTINGENT LIABILITIES	31.3.2013	31.12.2012	31.3.2012
Mortgages and shares pledged	21 689	21 594	20 145
Other commitments	865	873	2 365
Rental commitments	14 051	15 083	15 812

DEVELOPMENT OF SHARE PRICE	2013 1-3	2012 1-3	2012 1-12
Share price at the end of period, eur	4,50	6,80	5,02
Highest price, eur	5,50	7,50	7,50
Lowest price, eur	4,34	5,84	5,00
Average price, eur	4,99	6,88	5,92

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