

MARTELA CORPORATION

STOCK EXCHANGE RELEASE

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MARTELA CORPORATION'S INTERIM REPORT, 1 JANUARY - 30 SEPTEMBER 2009

Consolidated revenue for January-September was EUR 71.1 million (100.1), a decrease of 28.9 per cent. Operating profit for the same period was EUR 0.4 million (7.0). Revenue for the third quarter was down by 15.8 per cent, and operating profit amounted to EUR 1.2 million (1.9). The cash flow from operating activities in January-September was EUR 9.5 million (7.3). The equity ratio was 58.1 per cent (53.1) and the gearing ratio was -31.5 per cent (0.5).

Key figures

EUR million	7-9 2009	7-9 2008	1-9 2009	1-9 2008	1-12 2008
Net revenue	25.8	30.7	71.1	100.1	141.2
Change in revenue %	-15.8	-1.8	-28.9	9.4	9.9
Operating profit excluding non-recurring items	1.2	1.9	0.4	6.3	10.2
Operating profit %	4.6	6.2	0.6	6.3	7.2
Return on investment, %			1.9	21.9	25.2
Return on equity, %			0.0	19.1	23.8
Equity to asset ratio, %			58.1	53.1	52.2
Gearing, %			-31.5	0.5	-11.0
Earnings per share, eur			0.00	1.08	1.89
Earnings per share (diluted), eur			0.00	1.08	1.89
Average staff			639	684	681
Revenue/employee (EUR 1.000)			111.3	146.3	207.3

Accounting policies

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, as approved by the EU. As from 1 January 2009, Martela Group has applied the following new and amended standards: IFRS 8, Operating Segments and IAS 1, Presentation of Financial Statements. In other respects, the accounting policies are the same as those applied in the 2008 financial statements.

Market

The demand for office furniture decreased significantly in comparison with the figure for the same period in 2008. During the year new office construction has been slower than in the previous year and fewer building permits has been granted, too.

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 new 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. There are 23 service locations in Finland, nine of which are Martela's and the rest are entrepreneur-run Martela Centres. The Business Unit's logistics centre is located 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-September was EUR 71.1 million (100.1), a decrease of 28.9 per cent. The year-on-year drop in Business Unit Finland's revenue was partly due to there being exceptionally large projects carried out in Finland in the first quarter of the comparison period. The revenue of Business Unit Sweden and Norway was down by 7.6 per cent, while that of Business Unit Poland was up by 0.3 per cent, calculated using local currencies. The overall effect of exchange rate movements on consolidated revenue was approximately 4 percentage points.

Revenue for the third quarter decreased to EUR 25.8 million (30.7), a drop of 15.8 per cent.

Revenue by segment
EUR million

	Business unit Finland	Business unit Sweden & Norway	Business unit Poland	Other segments	Total
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	
1.1.2008-30.9.2008					
External Revenue	69.9	13.8	9.5	6.9	100.1
Internal Revenue	0.0	0.3	0.0	15.4	15.7
Total 2008	69.9	14.1	9.5	22.3	
External revenue change %	-32.1	-19.6	-21.7	-26.1	-28.9

Other segments include 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	1-9 2009	1-9 2008	Change%	Percentage	1-12 2008	Percentage
Business unit Finland	47.5	69.9	-32.1	66.8 %	101.4	71.9
Business unit Sweden & Norway	11.1	13.8	-19.6	15.6 %	18.7	13.2
Business unit Poland	7.4	9.5	-21.7	10.4 %	12.7	9.0
Other segments	5.1	6.9	-26.1	7.2%	8.4	5.9
Total	71.1	100.1	-28.9	100.0 %	141.2	100.0 %

Consolidated result

The consolidated result for the third quarter was EUR 1.2 million (1.9). The year-on-year decrease in operating profit was mainly due to the fall in revenue.

Operating profit for January-September was EUR 0.4 million (7.0). In May 2009, PO Korhonen sold its factory property in Raisio. This transaction did not have a material effect on the consolidated result. The result for 2008 included EUR 0.7 million in non-recurring income from the sale of assets.

Profit before taxes was EUR 0.1 million (6.6), and profit after taxes was EUR 0.0 million (4.4).

Operating profit excluding non-recurring items was 0.6 per cent of revenue (6.3).

Operating profit by segment

	1-9 2009	1-9 2008	1-12 2008
EUR million			
Business Unit Finland	2.8	9.4	14.5
Business Unit Sweden & Norway	-0.9	-1.1	-1.6
Business Unit Poland	-0.3	-0.3	-0.6
Other Segments	0.0	0.0	-0.4
Other	-1.2	-1.0	-1.1
Total	0.4	7.0	10.8

Other segments include 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 remains strong. At the end of the third quarter, interest-bearing liabilities were EUR 9.5 million (11.8), and net liabilities were EUR -9.9 million (0.1). At the end of the review period, the gearing ratio was -31.5 per cent (0.5) and the equity ratio was 58.1 per cent (53.1). Net financing costs amounted to EUR -0.3 million (-0.5).

The cash flow from operating activities in January-September was EUR 9.5 million (7.3).

The balance sheet total at the end of the review period was EUR 54.6 million (60.8).

Capital expenditure

The Group's gross capital expenditure in January-September totalled EUR 1.7 million (2.3). The capital expenditure mainly concerned production replacements and IT investments.

Personnel

The Group employed an average of 639 (684) persons, a year-on-year decrease of 6.6 per cent.

Average personnel by region

	1-9 2009	1-9 2008	1-12 2008
Finland	486	522	520
Scandinavia	62	72	71
Poland	90	90	90
Russia	1	0	0
Group total	639	684	681

In March, Martela concluded its codetermination negotiations with personnel in the parent company, Martela Corporation. The outcome of the negotiations was that 15 people were given notice of termination, and layoffs affecting the entire workforce have been agreed, estimated to correspond to a work input of 30 person work years.

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 collection and brand management, while Product Development and Marketing is responsible for the development of innovative products and the Group's marketing communications.

At the Stockholm Furniture Fair in February, Martela's theme was 'The Light of Snow'. Martela exhibited a number of new products at its snow-white stand. The Spot series by Pekka Toivola and Iiro Viljanen was complemented with easily movable screens, side tables and workstation desks. The Big cabinet by Pekka Toivola also serves as a space divider. The Pinta ES, a pure and simple design, is the newest addition to the range of electrically adjustable desks.

New products were also introduced in the surroundings furniture ranges: the Form conference chair by Jukka Setälä, and the SoftX lobby furniture series by Julia Läufer and Marcus Keichel. As a concept product we exhibited the Tree W space divider, designed by Professor Eero Aarnio.

At the Milan Furniture Fair in April, Martela set up its own exhibition under the theme 'Black Swan'. The name came from the Swan XL floor lamp, another Eero Aarnio design. Another new product introduced at Milan was Diagonal, the brainchild of Stockholm-based design office o4i; it is an innovative piece of furniture for public indoor spaces, providing flexible seating for groups of people or for private conversations.

Shares

During January-September, 624,743 (625,159) of the company's A shares were traded on NASDAQ OMX Helsinki Ltd, corresponding to 17.6 per cent (17.6) of all A shares.

The value of trading was EUR 4.3 million (5.5), and the share price was EUR 5.29 at the beginning of the year and EUR 7.41 at the end of the third quarter. During January-September the share price was EUR 8.00 at its highest and EUR 5.21 at its lowest. At the end of September, equity per share was EUR 7.82 (7.87).

On 5 March 2009, ODIN Forvaltning AS announced that the holdings of funds managed by ODIN in Martela Corporation fell to 2.85 per cent following a share transaction made on 5 March 2009.

Treasury shares

The company did not purchase any Martela shares in January-September. On 30 September 2009, Martela owned a total of 67,700 of 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 treated in the consolidated financial

statements for 2008 and 2009 under equity. On 30 September 2009, 56,227 shares under the incentive scheme were still undistributed.

2009 Annual General Meeting

The Annual General Meeting was held on 17 March 2009. The meeting approved the financial statements and discharged the responsible parties from liability for the 2008 financial year. The AGM decided, in accordance with the Board of Directors' proposal, to distribute a dividend of EUR 0.60 per share, totalling EUR 2,452,740. Heikki Ala-Ilkka, Tapio Hakakari, Heikki Martela, Pekka Martela, Jori Keckman and Jaakko Palsanen were elected as members of the Board of Directors for the next term. KPMG Oy Ab, Authorised Public Accountants, was elected as the company's auditor.

The AGM also approved the Board of Directors' proposals, detailed in the meeting notice, 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 Heikki Ala-Ilkka as Chairman and Pekka Martela as Vice Chairman.

Post-balance sheet events

No significant events requiring reporting have taken place since the January-September 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 2009

The general economic uncertainty will have an effect on the company's performance in 2009. Revenue will decrease from the previous year, and operating profit will also be lower than in 2008. The company is continuously examining its cost structure for improvements and is continuing to increase the efficiency of its operations.

GROUP INCOME STATEMENT (EUR 1000)

	2009 1-9	2008 1-9	2009 7-9	2008 7-9	2008 1-12
Revenue	71.108	100.076	25.825	30.657	141.153
Other operating income	0.620	1.141	0.232	0.160	1.422
Employee benefits expenses	-19.733	-23.070	-5.819	-6.822	-31.452
Operating expenses	-49.277	-68.802	-18.245	-21.188	-97.154
Depreciation and impairment	-2.290	-2.312	-0.805	-0.856	-3.115
Operating profit/loss	0.428	7.032	1.188	1.951	10.854
Financial income and expenses	-0.280	-0.457	-0.092	-0.195	-0.651
Profit/loss before taxes	0.148	6.575	1.096	1.757	10.202
Income tax	-0.140	-2.141	-0.304	-0.808	-2.666
Profit/loss for the period	0.008	4.435	0.792	0.948	7.537
Other comprehensive income					
Translation differences	0.020	0.036	0.102	-0.008	-0.357
Total comprehensive income	0.028	4.471	0.894	0.940	7.180
Basic earnings per share, eur	0.00	1.08	0.20	0.23	1.89
Diluted earnings per share, eur	0.00	1.08	0.20	0.23	1.89
Allocation of net profit for the period:					
To equity holders of the parent	0.008	4.435	0.792	0.948	7.537
Allocation of total comprehensive income:					
To equity holders of the parent	0.028	4.471	0.894	0.940	7.180

GROUP BALANCE SHEET (EUR 1000)

ASSETS

	30.9.2009	31.12.2008	30.09.2008
Non-current assets			
Intangible assets	0.766	0.724	0.718
Tangible assets	12.173	13.461	13.841
Investments	0.039	0.039	0.039
Deferred tax assets	0.301	0.304	0.245
Pension receivables	0.072	0.072	0.035
Receivables	0.000	0.000	0.630
Investment properties	0.600	0.600	0.600
Total	13.951	15.200	16.108
Current assets			
Inventories	8.950	10.825	13.505
Receivables	12.320	24.252	19.537
Financial assets at fair value through profit and loss	1.089	1.038	2.031
Cash and cash equivalents	18.323	13.581	9.588
Total	40.682	49.696	44.661
Total assets	54.633	64.896	60.770

EQUITY AND LIABILITIES

Equity attributable to shareholders
of the parent

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	-0.466	-0.486	-0.093
Retained earnings	24.543	27.335	24.552
Treasury shares	-1.200	-1.610	-0.721
Share-based incentives	0.420	0.270	0.210
Total	31.530	33.742	32.181

Non-current liabilities

Interest-bearing liabilities	6.548	8.024	8.989
Deferred tax liability	1.286	1.403	1.477
Total	7.834	9.427	10.466

Current liabilities

Interest-bearing	2.916	2.869	2.777
Non-interest bearing	12.353	18.858	15.346
Total	15.269	21.727	18.123

Total liabilities	23.103	31.154	28.589
Equity and liabilities, total	54.633	64.896	60.770

STATEMENT OF CHANGES IN EQUITY (EUR 1000)

Equity attributable to equity holders of the parent

	Share capital	Share premium account	Other reserves	Transl. diff.	Retained earnings and share- based inc.	Treasury shares	Total
01.01.2008	7.000	1.116	0.117	-0.129	22.127	-0.721	29.510
Translation diff.							0.000
Other change					0.244		0.244
Profit/loss for the period, compr.				0.036	4.435		4.471
Total rec. income and expense				0.036	4.679		4.715
Dividends					-2.044		-2.044
30.09.2008	7.000	1.116	0.117	-0.093	24.762	-0.721	32.181
1.1.2009	7.000	1.116	0.117	-0.486	27.605	-1.610	33.742
Translation diff.							0.000
Other change					-0.260	0.410	0.150
Profit/loss for the period, compr.				0.020	0.008		0.028
Total rec. income and expense				0.020	-0.252	0.410	0.178
Dividends					-2.390		-2.390
30.09.2009	7.000	1.116	0.117	-0.466	24.963	-1.200	31.530

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2009	2008	2008
	1-9	1-9	1-12
Cash flows from operating activities			
Cash flow from sales	81.905	102.768	138.477
Cash flow from other operating income	0.363	0.392	0.687
Payments on operating costs	-71.131	-93.953	-124.654
Net cash from operating activities before financial items and taxes	11.137	9.207	14.510
Interest paid	-0.385	-0.544	-0.844
Interest received	0.156	0.175	0.268
Other financial items	0.016	-0.048	-0.060
Taxes paid	-1.438	-1.500	-2.116
Net cash from operating activities (A)	9.486	7.289	11.758
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-1.537	-1.928	-2.206
Proceeds from sale of tangible and intangible assets	1.268	1.602	1.489
Repayments of loans receivables	0.000	0.022	0.022
Net cash used in investing activities (B)	-0.269	-0.303	-0.694
Cash flows from financing activities			
Proceeds from short-term loans	0.008	-	0.129
Repayments of short-term loans	-0.611	-0.627	-0.795
Repayments of long-term loans	-1.427	-2.506	-3.365
Dividends paid and other profit distribution	-2.390	-1.972	-1.972
Net cash used in financial activities (C)	-4.421	-5.105	-6.003
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	4.796	1.881	5.061
Cash and cash equivalents at the beginning of period	14.620	9.691	9.691
Translation differences	-0.004	0.048	-0.132
Cash and cash equivalents at the end of period	19.412	11.619	14.620

SEGMENT REPORTING (EUR 1 000)

Segment revenue	2009 1-9	2008 1-9	2009 7-9	2008 7-9	2008 1-12
Business Unit Finland					
external	47.479	69.885	16.624	21.701	101.430
internal	0.000	0.000	0.000	0.000	0.000
Business Unit Sweden and Norway					
external	11.122	13.836	3.296	3.736	18.689
internal	0.321	0.252	0.178	0.145	0.301
Business Unit Poland					
external	7.431	9.491	3.300	2.939	12.722
internal	0.044	0.033	0.024	0.015	0.049
Other segments					
external	5.076	6.864	2.605	2.281	8.312
internal	12.601	15.410	4.482	5.057	21.379
Total external revenue	71.108	100.076	25.825	30.657	141.153
Segment operating profit/loss	2009 1-9	2008 1-9	2009 7-9	2008 7-9	2008 1-12
Business Unit Finland	2.816	9.384	0.839	2.864	14.517
Business Unit Sweden and Norway	-0.932	-1.132	-0.207	-0.126	-1.599
Business Unit Poland	-0.300	-0.246	-0.029	-0.013	-0.549
Other segments	0.053	0.050	0.301	0.118	-0.421
Other	-1.209	-1.024	0.284	-0.892	-1.094
Total operating profit/loss	0.428	7.032	1.188	1.951	10.854

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

TANGIBLE ASSETS 1.1-30.9.2008

	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0.000	0.028	2.003	0.021	-0.132
Decreases	0.000	-0.008	-0.127	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 2007 to the end of 2009.

KEY FIGURES/RATIOS

	2009	2008	2008
	1-9	1-9	1-12
Operating profit/loss	0.428	7.032	10.854
- in relation to revenue	0.6	7.0	7.7
Profit/loss before taxes	0.148	6.575	10.202
- in relation to revenue	0.2	6.6	7.2
Profit/loss for the period	0.008	4.435	7.537
- in relation to revenue	0.0	4.4	5.3
Basic earnings per share, eur	0.00	1.08	1.89
Diluted earnings per share, eur	0.00	1.08	1.89
Equity/share, eur	7.82	7.87	8.47
Equity ratio	58.1	53.1	52.2
Return on equity *	0.0	19.1	23.8
Return on investment *	1.9	21.9	25.2
Interest-bearing net-debt, eur million	-9.9	0.1	-3.7
Gearing ratio	-31.5	0.5	-11.0
Capital expenditure, eur million	1.7	2.3	2.9
- in relation to revenue, %	2.4	2.3	2.1
Personnel at the end of period	620	673	670
Average personnel	639	684	681
Revenue/employee, eur thousand	111.3	146.3	207.3

Key figures are calculated according to formulae as presented in Annual Report 2008.

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

CONTINGENT LIABILITIES

	30.9.2009	31.12.2008	30.9.2008
Mortgages and shares pledged	14.487	14.566	17.055
Guarantees	0.000	0.000	0.000
Other commitments	0.299	0.332	0.267

RENTAL COMMITMENTS

	7.015	8.964	9.399
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DEVELOPMENT OF SHARE PRICE

	2009	2008	2008
	1-9	1-9	1-12
Share price at the end of period, EUR	7.41	7.52	5.29
Highest price, EUR	8.00	10.05	10.05
Lowest price, EUR	5.21	7.32	5.10
Average price, EUR	6.91	8.85	8.30

This interim report has not been audited.

Helsinki, 21 October 2009

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