MARTELA CORPORATION INTERIM REPORT 26.10.2011 at 8.30 a.m.

MARTELA CORPORATION'S INTERIM REPORT, 1 JANUARY - 30 SEPTEMBER 2011

Consolidated revenue up, operating result slightly better than previous year

Key figures:

EUR mill.	Q3 2011	Q3 2010	Jan-Sep 2011	Jan-Sep 2010	2010
- Revenue	33.8	26.1	91.7	74.4	108.4
- Change in revenue, %	29.7	0.9	23.4	4.6	13.7
- Operating result	2.4	2.0	0.7	0.4	1.3
- Operating result, %	7.0	7.5	0.8	0.5	1.2
- Earnings/share, EUR	0.45	0.30	0.02	-0.07	0.16
- Return on investment, %	26,3	20,2	2.1	1.5	3.7
- Return on equity, %	24,3	15,7	0.4	-1.3	2.0
- Equity-to-assets ratio, %			55.5	56.9	55.6
- Gearing, %			-4.9	-17.9	-14.1

The Martela Group expects to post year-on-year revenue growth for 2011, and an operating result at or above the previous year's level.

Market

The uncertainties affecting the global economy have not yet had a discernible impact on the demand for office furniture in the Nordic countries. The demand has in fact increased in Finland, Sweden and Poland this year. In Denmark, however, demand is still weak.

Statistics on office construction are available for the first half of 2011, and these show that in Finland 17 per cent less office space, in square metres, was built than in the first half of 2011. However, significantly more building permits (+41%) were granted and there were more new office building starts (+15%) in the first half of 2011 compared with the same period a year earlier.

Consolidated revenue and result

Consolidated revenue for the third quarter was EUR 33.8 million (26.1), an increase of 29.7 per cent on the previous year. Revenue for January-September rose to EUR 91.7 million (74.4), a growth of 23.4 per cent. The increase in revenue was attributable in part to the positive performance of the traditional sales channels in Finland and Sweden and also Poland, where the increase was particularly strong. Other factors boosting revenue included the Martela Outlet sales channel that was acquired and launched in June 2010, and the Danish importer acquired in November. Comparable revenue growth (without the acquisitions) was 23.8 per cent in the third quarter and 18.5 per cent in January-September.

The third-quarter operating result improved and was EUR 2.4 million (2.0). For January-September, the operating result was up slightly to EUR 0.7 million (0.4). The Group has invested strongly in the development and growth of its business by hiring new personnel and opening new sales points. This investment has focused particularly on strengthening the Group's service business and sales channels. Due to this expenditure, the improvement in the consolidated operating result did not match the improvement in revenue.

The result before taxes for January-September was EUR 0.2 million (0.1), and the result after taxes was EUR 0.1 million (-0.3).

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 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 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. In Poland, sales are organised through our own sales network, and in Hungary we have our own subsidiary and a sales centre. The company has altogether seven 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 by segment

EUR mill.	Finland	Sweden & Norway	Poland	Other segments	Total
1.1.2011-30.9.2011					
External revenue	62.2	14.6	8.9	6.0	91.7
Internal revenue	0.8	1.1	0.0	9.8	11.7
Total 2011	63.0	15.7	8.9	15.8	
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	
External revenue change %	25.7%	13.9%	43.3%	2,7%	23.4%

"Other segments" includes the revenues of Kidex Oy and Business Unit International. The Business Unit is responsible for the Group's other export markets. For 2010 and to the end of January 2011, the figures under "Other segments" include P.O. Korhonen's revenue, which, due to the change in the Group structure, will not be taken into account in the future.

Change in segments' external revenue and percentage of consolidated revenue

EUR mill.	Q3 2011	Q3 2010	change %	Jan-Sep 2011	Jan-Sep 2010	change %	Percentage	2010	Percentage
Finland	23.2	17.2	35,4%	62.2	49.5	25.7%	67.8%	71.8	66.2%
Sweden & Norway	4.4	4.0	10.0%	14.6	12.9	13.9%	16.0%	18.6	17.1%
Poland	4.0	2.9	39.5%	8.9	6.2	43.3%	9.7%	9.3	8.6%
Other segments	2,2	2,0	6,3%	6.0	5.8	2.7%	6.5%	8.7	8.1%
Total	33.8	26.1	29.7%	91.7	74.4	23.4%	100.0%	108.4	100.0%

Operating result by segment

EUR mill.	Q3 2011	Q3 2010	Jan-Sep 2011	Jan-Sep 2010	2010
Finland	2.3	1.2	4.0	2.0	5.0
Sweden & Norway	0.2	0.0	0.1	-0.4	0.0
Poland	-0.1	-0.1	-0.6	-1.0	-1.4
Other segments	-0.4	0.3	-2.1	0.1	-0.5
Others	0.3	0.5	-0.6	-0.3	-1.8
Total	2.4	2.0	0.7	0.4	1.3

"Other segments" includes the operating result of P.O. Korhonen, Kidex Oy and Business Unit International. For 2010 and to the end of January 2011, the figures under "Other segments" include P.O. Korhonen's revenue, which, due to the change in the Group structure, will not be taken into account in segment reporting in the future. 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 5.8 million (6.8) and net liabilities were EUR -1.4 million (-5.4). The gearing ratio at the end of the period was -4.9 per cent (-17.9), and the equity-to-assets ratio was 55.5 per cent (56.9). Net financial expenses were EUR 0.2 million (0.2).

The cash flow from operating activities in January-September was EUR 1.3 million (-1.6).

The balance sheet total at the end of the review period was EUR 53.4 million (53.5).

Capital expenditure

The Group's gross capital expenditure for January–September was EUR 2.5 million (3.1) and mainly concerned the ERP project and production replacements.

Personnel

The Group employed an average of 634 persons (594), a year-on-year increase of 6.7 per cent.

Average personnel by region

	Jan-Sep 2011	Jan-Sep 2010	2010
Finland	457	445	451
Scandinavia	75	54	54
Poland and Hungary	94	90	91
Russia	8	5	5
Group total	634	594	601

Product development, products and communications

Considerable steps were taken at the beginning of 2011 to renew the Martela collection, and this has since continued with a focus on desks, storage units and screens.

In August, Martela published its first corporate responsibility report in compliance with the GRI (Global Reporting Initiative) guidelines. The corporate policies adopted as a result of the responsibility project can be found together with Martela's Code of Conduct on the company's website. Responsibility plays an important role in the Group, and the GRI reporting indicators and measures taken on the basis of these indicators are monitored systematically in the company.

Martela will participate in the Helsinki World Design Capital project as one of the main partners of the celebration year. The theme of the WDC 2012 event is Open Helsinki, and the event will be a visible part of the cityscape.

Group structure

On 17 January 2011, Artek Oy Ab and Martela Corporation signed an agreement to establish a new company, and on 1 February 2011 this new joint enterprise acquired the business of Martela's subsidiary P.O. Korhonen. The joint enterprise will focus on the manufacture of products marketed and sold by Martela and Artek. Martela has a 51 per cent stake in the new company, and Artek's holding is 49 per cent. Under the shareholding agreement, Martela does not have control of the company as defined in IFRS 3 and IAS 27. The new company, P.O. Korhonen, will operate as a contract manufacturer specialising in the production of form-pressed wooden furniture. Of the new company's figures, Martela's consolidated income statement will only include its share of the joint enterprise's profit or loss on the basis of Martela's holding, and this is reported in the consolidated income statement under "share of result in associated undertakings".

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

Shares

During January-September, 561,003 (892,466), or 15.8 per cent (25.1), of the company's A shares were traded on NASDAQ OMX Helsinki.

The value of trading turnover was EUR 4.3 million (6.3), and the share price was EUR 7.77 at the beginning of the year and EUR 5.69 at the end of the period. During January-September the share price was EUR 8.56 at its highest and EUR 5.03 at its lowest. At the end of September, equity per share was EUR 7.20 (7.46).

Treasury shares

The company did not purchase any Martela shares in January-September. On 30 September 2011, 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 and management of the scheme have been outsourced to an external service provider. These shares have been entered under equity in the consolidated financial statements for 30 September 2011. On 30 September 2011, 38,647 shares under the incentive scheme were still undistributed.

2011 Annual General Meeting

Martela Corporation’s Annual General Meeting was held on Tuesday, 15 March 2011. The AGM approved the financial statements for 2010 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. The dividends were paid on 25 March 2011.

The number of members in the Board of Directors was confirmed as seven, and Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman, Heikki Martela, Pekka Martela, Pinja Metsäranta and Jaakko Palsanen were re-elected. 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 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 principal 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 2011

The Martela Group expects to post year-on-year revenue growth for 2011, and an operating result at or above the previous year’s level.

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 2010 financial statements.

All figures in the financial report has been rounded and consequently the sum of the individual figures can deviate from the sum figure. This interim report has not been audited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1 000)

	2011 1-9	2010 1-9	2011 7-9	2010 7-9	2010 1-12
Revenue	91 725	74 360	33 819	26 070	108 392
Other operating income	425	202	214	53	252
Employee benefits expenses	-22 190	-19 723	-6 763	-6 132	-27 886
Operating expenses	-67 366	-52 510	-24 279	-17 432	-76 781
Depreciation and impairment	-1 870	-1 969	-627	-599	-2 664
Operating profit/loss	724	360	2 364	1 960	1 313
Financial income and expenses	-242	-211	-97	-102	-229
Share of result in associated undertakings	-243	0	-18	0	0
Profit/loss before taxes	239	149	2 249	1 858	1 084
Income tax	-149	-448	-414	-645	-446
Profit/loss for the period	90	-299	1 835	1 213	638
Other comprehensive income:					
Translation differences	-271	239	-154	109	312
Total comprehensive income	-181	-60	1 681	1 322	950
Basic earnings per share, eur	0,02	-0,07	0,45	0,30	0,16
Diluted earnings per share, eur	0,02	-0,07	0,45	0,30	0,16
Allocation of net profit for the period:					
To equity holders of the parent	90	-299	1 835	1213	638
Allocation of total comprehensive income:					
To equity holders of the parent	-181	-60	1 681	1322	950

GROUP BALANCE SHEET (EUR 1 000)	30.9.2011	31.12.2010	30.9.2010
ASSETS			
Non-current assets			
Intangible assets	2 840	2 051	1 775
Tangible assets	11 956	12 721	12 068
Investments	167	260	10
Deferred tax assets	344	298	314
Pension receivables	250	250	197
Receivables	104	17	17
Investment properties	600	600	600
Total	16 261	16 197	14 981
Current assets			
Inventories	12 001	10 449	11 221
Receivables	17 890	19 793	15 115
Financial assets at fair value through profit and loss	0	1 107	1 104
Cash and cash equivalents	7 258	9 142	11 067
Total	37 149	40 492	38 507
Total assets	53 410	56 689	53 488
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	-368	-97	-170
Retained earnings	21 590	23 496	22 559
Treasury shares	-1 050	-1 212	-1 212
Share-based incentives	733	747	640
Total	29 138	31 167	30 050
Non-current liabilities			
Interest-bearing liabilities	1 895	3 197	2 457
Deferred tax liabilities	995	1 214	1 637
Other liabilities	175	240	240
Total	3 065	4 651	4 334
Current liabilities			
Interest-bearing	3 930	2 670	4 343
Non-interest bearing	17 277	18 201	14 761
Total	21 207	20 871	19 104
Total liabilities	24 271	25 522	23 438
Equity and liabilities, total	53 410	56 689	53 488

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
01.01.2010	7 000	1 116	117	-409	25 138	-1 200	31 762
Total comprehensive income				239	-299		-60
Dividends					-1 814		-1 814
Share-based incentives					174	-12	162
30.09.2010	7 000	1 116	117	-170	23 199	-1 212	30 050
01.01.2011	7 000	1 116	117	-97	24 243	-1 212	31 167
Total comprehensive income				-271	90		-181
Dividends					-1 834		-1 834
Share-based incentives					-176	162	-14
30.09.2011	7 000	1 116	117	-368	22 323	-1 050	29 138

CONSOLIDATED CASH FLOW STATEMENT (EUR 1 000)	2011 1-9	2010 1-9	2010 1-12
Cash flows from operating activities			
Cash flow from sales	94 156	73 569	103 207
Cash flow from other operating income	368	172	225
Payments on operating costs	-92 536	-74 722	-102 873
Net cash from operating activities before financial items and taxes	1 988	-981	559
Interest paid	-220	-221	-277
Interest received	24	29	47
Other financial items	-53	-31	-31
Taxes paid	-483	-429	-361
Net cash from operating activities (A)	**1 256**	**-1 633**	**-63**
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-2 087	-2 446	-4 354
Proceeds from sale of tangible and intangible assets	204	462	459
Capital expenditure on associated undertaking	-150	0	-250
Proceeds from sale of other investments	145	0	31
Net cash used in investing activities (B)	**-1 888**	**-1 984**	**-4 114**
Cash flows from financing activities			
Proceeds from short-term loans	3 000	0	0
Repayments of short-term loans	-1 881	-430	-506
Repayments of long-term loans	-1 582	-1 428	-2 297
Dividends paid and other profit distribution	-1 839	-1 813	-1 813
Net cash used in financial activities (C)	**-2 302**	**-3 671**	**-4 616**
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	**-2 934**	**-7 289**	**-8 793**
Cash and cash equivalents in the beginning of period	10 249	19 304	19 304
Translation differences	-57	156	-261
Cash and cash equivalents at the end of period	**7 258**	**12 171**	**10 249**

SEGMENT REPORTING (EUR 1 000)

Segment revenue	2011 1-9	2010 1-9	2011 7-9	2010 7-9	2010 1-12
Business Unit Finland					
external	62 220	49 480	23 245	17 191	71 780
internal	778	0	469	0	140
Business Unit Sweden and Norway					
external	14 640	12 859	4 405	4 004	18 584
internal	1 051	545	336	-103	1 001
Business Unit Poland					
external	8 900	6 212	4 017	2 880	9 289
internal	0	0	0	0	28
Other segments					
external	5 965	5 809	2 152	1 995	8 739
internal	9 836	11 307	2 906	3 942	15 477
Total external revenue	**91 725**	**74 360**	**33 819**	**26 070**	**108 392**

Segment operating profit/loss	2011 1-9	2010 1-9	2011 7-9	2010 7-9	2010 1-12
Business Unit Finland	3 996	2 021	2 335	1 250	5 024
Business Unit Sweden and Norway	83	-375	220	51	-34
Business Unit Poland	-597	-1 019	-66	-132	-1 371
Other segments	-2 135	113	-402	266	-495
Other	-624	-380	277	525	-1 811
Total operating profit/loss	**723**	**360**	**2 364**	**1 960**	**1 313**

Other segments include Kidex Oy and Business Unit International, which is responsible for export markets. Year 2010 and up till end January 2011 Other segments include P.O. Korhonen, which is no more included in the segment reporting in the future because of change in group structure. The item "Other" includes non-allocated Group functions and non-recurring sales gains and losses.

TANGIBLE ASSETS 1.1-30.9.2011	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	45	232	1 551	0	-545
Decreases	0	0	-301	0	0

TANGIBLE ASSETS 1.1-30.9.2010	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0	41	836	0	955
Decreases	0	-73	-110	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 from 2010 to the end of 2012.

KEY FIGURES/RATIOS	2011	2010	2010
	1-9	1-9	1-12
Operating profit/loss	724	360	1 313
- in relation to revenue	0,8	0,5	1,2
Profit/loss before taxes	239	149	1 084
- in relation to revenue	0,3	0,2	1,0
Profit/loss for the period	90	-299	638
- in relation to revenue	0,1	-0,4	0,6
Basic earnings per share, eur	0,02	-0,07	0,16
Diluted earnings per share, eur	0,02	-0,07	0,16
Equity/share, eur	7,20	7,46	7,74
Equity ratio	55,5	56,9	55,6
Return on equity *	0,4	-1,3	2,0
Return on investment *	2,1	1,5	3,7
Interest-bearing net-debt, eur million	-1,4	-5,4	-4,4
Gearing ratio	-4,9	-17,9	-14,1
Capital expenditure, eur million	2,5	3,1	4,7
- in relation to revenue	2,8	4,2	4,4
Personnel at the end of period	641	611	625
Average personnel	634	594	601
Revenue/employee, eur thousand	144,7	125,2	180,4

Key figures are calculated according to formulae as presented in Annual Report 2010.
* When calculating return on equity and return on investment the profit/loss for the period has been multiplied in interim reports.

CONTINGENT LIABILITIES	30.9.2011	31.12.2010	30.9.2010
Mortgages and shares pledged	14 794	14 899	14 836
Other commitments	233	385	385
RENTAL COMMITMENTS	7 164	8 086	7 168

DEVELOPMENT OF SHARE PRICE	2011	2010	2010
	1-9	1-9	1-12
Share price at the end of period, eur	5,69	6,59	7,77
Highest price, eur	8,56	8,60	8,60
Lowest price, eur	5,03	6,26	6,26
Average price, eur	7,61	7,16	7,57

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