

MARTELA CORPORATION

STOCK EXCHANGE RELEASE

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## MARTELA CORPORATION'S FINANCIAL STATEMENTS RELEASE, 1 JANUARY - 31 DECEMBER 2008

Consolidated revenue for January-December was EUR 141.2 million, an increase of 9.9 per cent on the previous year's figure (EUR 128.4 million). Operating profit was EUR 10.9 million (8.3), including EUR 0.7 million (2.5) in gains from the sale of assets. The equity ratio was 52.2 per cent (46.7) and gearing was -11.0 per cent (16.0).

## Key figures

EUR million	10-12 2008	10-12 2007	1-12 2008	1-12 2007
Net revenue	41.1	37.0	141.2	128.4
Change in revenue %	11.0	0.4	9.9	7.3
Operating profit excluding non-recurring items	3.8	2.6	10.2	5.8
Operating profit %	9.3	7.0	7.2	4.5
Return on investment, %			25.2	19.6
Return on equity, %			23.8	19.8
Equity to asset ratio, %			52.2	46.7
Gearing, %			-11.0	16.0
Earnings per share, eur			1.89	1.32
Earnings per share (diluted), eur			1.89	1.32
Average staff			681	663
Revenue/employee (EUR 1.000)			207.3	193.7

## Accounting policies

Martela Corporation's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS). The IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2008 have been applied in the preparation of the financial statements.

## Market situation

The demand for office furniture continued to be good during the year. There were fewer new starts in office construction in 2008 than in the previous year, and also fewer building permits were granted.

## Group structure

There were no changes in Group structure during 2008, and this was also the case in 2007.

## Segment reporting

Martela has a single primary segment, namely the furnishing of offices and public spaces. The revenue and result are as recorded in the consolidated financial statements. The Group's secondary reporting segment is its customers by geographical location.

## Revenue

Revenue for January-December rose to EUR 141.2 million (128.4), a year-on-year increase of 9.9 per cent. Significant contributors to this revenue growth were the various major projects carried out during the year. Revenue for the fourth quarter increased to EUR 41.1 million (37.0), up 11.0 per cent. Revenue growth was particularly strong in the Finnish market.

The revenue trend in Scandinavia was not according to plan in 2008, decreasing by 19.7 per cent on the previous year's figure.

## Invoicing by main market area

	10-12 2008	10-12 2007	1-12 2008	1-12 2007
EUR million				
Finland	32.2	24.8	104.1	85.8
Scandinavia	5.3	7.2	20.6	26.4
Poland and surrounding areas	2.8	3.8	12.3	11.1
Other areas	1.8	1.3	5.2	5.4
Total	42.1	37.1	142.2	128.7

## Change in invoicing and percentage of consolidated invoicing

	1-12 2008	1-12 2007	Change	Percentage
EUR million				
Finland	104.1	85.8	21.3	73.2
Scandinavia	20.6	26.4	-21.9	14.5
Poland and surrounding areas	12.3	11.1	10.4	8.6
Other areas	5.2	5.4	-1.0	3.7
Total	142.2	128.7	10.6	100.0 %

## Consolidated result

The consolidated result for the fourth quarter was according to plan, and the operating profit came to EUR 3.8 million (2.6).

The full-year result showed a good improvement, and operating profit totalled EUR 10.9 million (8.3). The result includes EUR 0.7 million (2.5) in non-recurring income from the sale of assets. The sales profit made in the first half of the year was from the sale of land in Poland. Operating profit excluding non-recurring items totalled EUR 10.2 million (5.8). Profit development has been positive in Finland and in Poland and its neighbouring areas in 2008. In Scandinavia, the decrease in revenue has adversely affected profit development.

Profit before taxes rose to EUR 10.2 million (7.6), and profit after taxes was EUR 7.5 million (5.4).

Operating profit excluding non-recurring items was 7.2 per cent of revenue (4.5).

#### Financial standing

The Group's financial standing strengthened further. Interest-bearing liabilities at the end of the financial year amounted to EUR 10.9 million (14.4) and net liabilities were EUR -3.7 million (4.7). The gearing ratio at the end of the year was -11.0 per cent (16.0), and the equity ratio was 52.2 per cent (46.7). Net financial expenses were EUR -0.7 million (-0.7).

The cash flow from operating activities in January-December was EUR 11.8 million (9.9).

During the year, the company decided to launch a project to reduce the amount of working capital, and we expect the project to produce results principally during 2009.

The end-of-year balance sheet total was EUR 64.9 million (63.8).

#### Capital expenditure

The Group's gross capital expenditure for January-December was EUR 2.9 million (3.2) and mainly concerned production replacements and IT investments. Of the capital expenditure for the comparison period in 2007, EUR 0.7 million was attributable to the ownership rearrangement at the Bodafors plant, as a result of which the long-term lease liability for the part leased back by Martela was activated in the consolidated balance sheet in accordance with the IFRS rules.

#### Personnel

The Group employed an average of 681 (663) persons, representing an increase of 2.7 per cent.

#### Average number of personnel by region

	1-12 2008	1-12 2007
Finland	520	518
Scandinavia	71	71
Poland	90	74
Group total	681	663

## Product development and collection

Product development and management of the collection are the responsibility of two Group-level organisations: the Office product line, which is responsible for workstation furniture, and the Surroundings product line, which is responsible for surroundings and other public-space furniture.

At the Stockholm Furniture Fair in February, Martela exhibited new products representing both product lines, as well as two fascinating new concepts. The exhibited pieces of workstation furniture were the James task chair designed by Iiro Viljanen and the Pinta ES, the newest member of the Pinta range, by Pekka Toivola and Iiro Viljanen. New surroundings furniture displayed for the first time comprised the Skybar chair designed by Geir Sætveit and the Movie sofa by Rane Vaskivuori. The concepts we exhibited at Stockholm were well received. In particular, the Mybox desk designed by Iiro Viljanen and the Pekka Toivola's Book shelf/space divider generated welcome discussion and considerable interest.

At the Milan Furniture Fair in April, Martela set up its own exhibition on the theme 'under THE Tree'. The name is from the space divider The Tree, designed by Professor Eero Aarnio.

## Shares

In January-December, a total of 787,491 (1,159,509) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 22.2 per cent (32.7) of the total number of series A shares. The higher trading figure in 2007 was due partly to the acquisition in the first quarter of shares by Evli Alexander Management Oy for the three-year share-based incentive system. A total of 143,166 shares were acquired for EUR 1.2 million.

The value of trading was EUR 6.5 million (10.0), and the share price was EUR 8.35 at the beginning and EUR 5.29 at the end of the year. During January-December the share price was EUR 10.05 at its highest and EUR 5.10 at its lowest. At the end of December, equity per share was EUR 8.47 (7.22).

On 23 May 2008, Nordea Investment Fund Company Finland Ltd announced that its holding in Martela Corporation fell to 0.57 per cent following a share transaction made on 22 May 2008.

## Treasury shares

Martela did not purchase any of its own shares for the treasury in 2008. On 31 December 2008, Martela owned a total of 67,700 of its own series 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 reward system and the management of that system have been outsourced to an external service provider, Evli Alexander Management Oy. The shares are the property of Evli Alexander Management Oy until they are transferred to Martela's key personnel under the incentive system. Notwithstanding this legal formality, the shares are presented in the 2008 financial statements under equity, as if Martela had acquired its own shares. In 2007, they were treated as loan receivables from Evli Alexander Management Oy. On 31 December 2008, 104,282 shares under the incentive system were still undistributed.

## 2008 Annual General Meeting

The Annual General Meeting, held on 1 April 2008, adopted the financial statements and discharged those responsible for the accounts from further liability. The AGM decided, in accordance with the Board of Directors' proposal, to distribute a dividend of EUR 0.50 per share, totalling EUR 2,043,950. 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, for authorising the Board to acquire and/or dispose of the company's own shares.

Furthermore, the AGM decided, in accordance with the Board of Directors' proposal, to amend the company's Articles of Association pursuant to the new Limited Liability Companies Act, which entered into force on 1 September 2006.

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

## Post-balance sheet events

Martela has begun codetermination talks in order to adjust the parent company's factory and office employee resources in line with the lower level of demand. The reductions would be implemented as temporary lay-offs and redundancies affecting the entire personnel. The number of redundancies is estimated to total about 30 people. The need for lay-offs and redundancies is due to the general economic uncertainty, which has increased significantly.

## Short-term risks

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

## 2009 Annual General Meeting and the Board's proposal for distribution of profit

Martela Corporation's AGM will be held on Tuesday, 17 March 2009. The Board of Directors will propose to the General Meeting that the Board be authorised to acquire Martela shares. The Board will also propose that a dividend of EUR 0.60 per share be distributed for 2008. The liquidity is good and, in the Board of Directors' view, the proposed distribution of dividend does not pose a risk to the Company's financial standing. The parent company's distributable equity at the end of the 2008 financial year amounts to EUR 37,969,142.88. Shareholders registered in the shareholder register maintained at the Finnish Central Securities Depository on the record date for dividend payment, Friday, 20 March 2009, will be entitled to the dividend as proposed by the Board. The Board will propose that the dividend be paid on Friday, 27 March 2009. The notice of the Annual General Meeting will be published in a separate stock exchange bulletin.

## Board composition and auditors

Shareholders representing a total of over 50 per cent of the company's votes have informed the company that they will be proposing the following current members to be elected to the Board: Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman, Heikki Martela, Pekka Martela and Jaakko Palsanen. The aforementioned

shareholders have also announced that they will propose that KPMG Oy, Authorised Public Accountants, be elected as the company's auditor until the end of the next AGM.

#### Outlook for 2009

The general economic uncertainty has increased significantly and will affect the company's performance in 2009. Revenue will be down on the previous year's figure, and operating profit will also be lower than in 2008. During 2009, the company will re-examine its cost structure and improve the efficiency of its operations.

## GROUP INCOME STATEMENT (EUR 1000)

	2008	2007	2008	2007
	1-12	1-12	10-12	10-12
Revenue	141.153	128.445	41.077	36.992
Other operating income	1.422	3.023	0.281	0.068
Employee benefits expenses	-31.452	-28.723	-8.382	-7.834
Operating expenses	-97.154	-91.236	-28.352	-25.819
Depreciation and impairment	-3.115	-3.231	-0.803	-0.825
Operating profit/loss	10.854	8.278	3.822	2.582
% of turnover	7.7	6.4	9.3	7.0
Financial income and expenses	-0.651	-0.726	-0.194	-0.181
Profit/loss before taxes	10.202	7.552	3.627	2.401
% of turnover	7.2	5.9	8.8	6.5
Income tax	-2.666	-2.165	-0.525	-0.714
Profit/loss for the period	7.537	5.387	3.102	1.686
% of turnover	5.3	4.2	7.6	4.6
Basic earnings per share, eur	1.89	1.32	0.78	0.41
Diluted earnings per share, eur	1.89	1.32	0.78	0.41

## GROUP BALANCE SHEET (EUR 1000)

31.12.2008 31.12.2007

## ASSETS

Non-current assets		
Intangible assets	0.724	0.633
Tangible assets	13.461	14.151
Investments	0.039	0.053
Deferred tax assets	0.304	0.240
Pension receivables	0.072	0.035
Receivables	0.000	0.623
Investment properties	0.600	1.203
Total	15.200	16.938
Current assets		
Inventories	10.825	13.635
Receivables	24.252	23.536
Financial assets at fair value through profit and loss	1.038	2.004
Cash and cash equivalents	13.581	7.686
Total	49.696	46.861
Total assets	64.896	63.800

## EQUITY AND LIABILITIES

Equity attributable to equity holders  
of the parent

Share capital	7.000	7.000
Share premium account	1.116	1.116
Other reserves	0.117	0.117
Translation differences	-0.486	-0.129
Retained earnings	27.335	22.060
Treasury shares	-1.610	-0.721
Share-based incentives	0.270	0.067
Total	33.742	29.510

Non-current liabilities

Interest-bearing liabilities	8.024	10.453
Deferred tax liability	1.403	1.553
Total	9.427	12.006

Current liabilities

Interest-bearing	2.869	3.969
Non-interest bearing	18.858	18.315
Total	21.727	22.284

Total liabilities 31.154 34.290

Equity and liabilities, total 64.896 63.800

## STATEMENT OF CHANGES IN EQUITY (EUR 1000)

	Share capital	Share premium account	Other reserves	Trans. diff.	Retained earnings and share- based inc.	Treasury shares	Total
01.01.2007	7.000	1.116	0.117	-0.129	17.542	-0.721	24.925
Translation diff.							0.000
Profit/loss for the period					5.387		5.387
Other change					0.220		0.220
Total recognized income and expense for the fin.year					5.607		5.607
Dividends					-1.022		-1.022
31.12.2007	7.000	1.116	0.117	-0.129	22.127	-0.721	29.510
1.1.2008	7.000	1.116	0.117	-0.129	22.127	-0.721	29.510
Translation diff.				-0.357			-0.357
Profit/loss for the period					7.537		7.537
Other change					-0.122	-0.889	-1.011
Total recognized income and expense for the fin.year				-0.357	7.415	-0.889	6.169
Dividends					-1.937		-1.937
31.12.2008	7.000	1.116	0.117	-0.486	27.605	-1.610	33.742



## CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2008	2007
	1-12	1-12
Cash flows from operating activities		
Cash flow from sales	138.477	130.834
Cash flow from other operating income	0.687	0.550
Payments on operating costs	-124.654	-121.090
Net cash from operating activities before financial items and taxes	14.510	10.294
Interest paid	-0.844	-0.842
Interest received	0.268	0.082
Other financial items	-0.060	-0.021
Dividends received	0.000	0.001
Taxes paid	-2.116	0.381
Net cash from operating activities (A)	11.758	9.895
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-2.206	-2.256
Proceeds from sale of tangible and intangible assets	1.489	2.028
Proceeds from sale of shares in subsidiaries	0.000	2.150
Loans granted	0.000	-1.193
Repayments of loans receivables	0.022	0.011
Net cash used in investing activities (B)	-0.694	0.740
Cash flows from financing activities		
Proceeds from short-term loans	0.129	0.976
Repayments of short-term loans	-0.795	-1.704
Repayments of long-term loans	-3.365	-3.108
Dividends	-1.972	-1.022
Net cash used in financing activities (C)	-6.003	-4.858
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	5.061	5.778
Cash and cash equivalents at the beginning of period		
	9.691	3.911
Translation differences	-0.132	0.002
Cash and cash equivalents at the end of period	14.620	9.691

## KEY FIGURES/RATIOS

	2008	2007
	1-12	1-12
Revenue EUR million	141.2	128.4
Change in revenue, %	9.9	7.3
Exports and international operations, EUR million	38.1	42.8
In relation to revenue, %	27.0	33.3
Gross capital expenditure on fixed assets, EUR million	2.9	3.2
In relation to revenue, %	2.1	2.5
Research and development expenses, EUR million	3.2	3.1
In relation to revenue, %	2.3	2.4
Average personnel	681	663
Change in personnel, %	2.7	5.9
Personnel at year end	670	655
Turnover / employee, EUR thousand	207.3	193.7
Return on equity, %	23.8	19.8
Return on investment, %	25.2	19.6
Equity ratio, %	52.2	46.7
Interest-bearing net-debt, EUR million	-3.7	4.7
Gearing ratio, %	-11.0	16.0
Key share-related figures		
Number of shares, at the end of period (1000)	4155.6	4155.6
Basic earnings per share, EUR	1.89	1.32
Diluted earnings per share, EUR	1.89	1.32
Price/earnings ratio (PE)	2.8	6.3
Equity per share, EUR	8.47	7.22
Dividend/share, EUR	0.60*	0.50
Dividend/earnings, %	31.7	37.9
Effective dividend yield, %	11.3	6.0
Price of A-share 31.12. EUR	5.29	8.35

\*) Proposal of the Board of Directors

## The largest shareholders, 31.12.2008

	No.of shares (A+K-series)	% of total votes
Marfort Oy	524 574	38.8
Ilmarinen Mutual Pension Insurance Company	335 400	2.1
OP Suomi Arvo	273 700	1.7
Odin Finland	218 400	1.4
Fondita Nordic Micro Cap Placeringsf	205 000	1.3
Palsanen Leena	199 634	9.6
FIM Fenno Mutual Fund	188 897	1.2
Martela Heikki	163 450	7.4
Pohjola P & C Insurance company	160 294	1.0
Martela Matti	115 238	7.8
Suomen Argentor Oy	112 735	0.7
Oy Autocarrera Ab	111 820	0.7
Evli Alexander Management Oy	104 282	0.7
Lindholm Tuija	86 954	5.8
Palsanen Jaakko	85 468	0.7
Martela Pekka	69 282	8.9
Other shareholders	1 200 472	10.1
Total	4 155 600	100.0

The number of registered Martela Oyj shares on 31.12.2008 was 4.155,600. The shares are divided into A and K shares. Each A share carries 1 vote and each K share 20 votes in a general shareholders' meeting. The company's board of directors and CEO together hold 8.6% of the shares and 17.2% of the votes.

## Segments

2008 (EUR 1,000)

Geographical segments	Finland	Scandinavia	Other areas	Elim.	Unalloc.	Total
Turnover	103.161	20.501	17.491			141.153
Segment assets	58.290	5.784	4.779	-6.215	2.258	64.896
Capital expenditure	2.506	0.161	0.258			2.925

2007 (EUR 1,000)

Geographical segments	Finland	Scandinavia	Other areas	Elim.	Unalloc.	Total
Turnover	85.503	26.551	16.391			128.445
Segment assets	52.337	8.197	6.791	-8.197	4.672	63.800
Capital expenditure	2.088	0.843	0.317			3.248

## CONTINGENT LIABILITIES

	31.12.2008	31.12.2007
Mortgages and shares pledged	14.566	18.851
Guarantees	-	-
Other commitments	0.332	0.317
Rental commitments	8.964	10.674
DEVELOPMENT OF SHARE PRICE	2008	2007
	1-12	1-12
Share price at the end of period, EUR	5.29	8.35
Highest price, EUR	10.05	10.35
Lowest price, EUR	5.10	6.39
Average price, EUR	8.30	6.64

Annual Report 2008 will be published on Martela's homepages during the week 10. The first Interim Report for the period January 1 - March 31, 2009 will be published on April 29, 2009.

Helsinki, 11 February 2009

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