

MARTELA CORPORATION STOCK EXCHANGE RELEASE 22.10.2008 at 09.00 a.m.

MARTELA CORPORATION'S INTERIM REPORT, 1 JANUARY - 30 SEPTEMBER, 2008

Net revenue for January-September was EUR 100.1 million (91.5), an increase of 9.4 per cent. Operating profit was EUR 7.0 million (5.7), including gains from the sale of assets totalling EUR 0.7 million (2.6). The equity-to-assets ratio was 53.1 per cent (46.0) and gearing was 0.5 per cent (38.9).

It is expected that net revenue for the entire year 2008 will exceed last year's level and that operating profit excluding non-recurring items will be better than last year.

Key figures

EUR million	7-9 2008	7-9 2007	1-9 2008	1-9 2007	1-12 2007
Net revenue	30.7	31.2	100.1	91.5	128.4
Change in revenue %	-1.8	8.4	9.4	10.3	7.3
Operating profit excluding non-recurring items	1.9	1.6	6.3	3.1	5.8
Operating profit %	6.2	5.0	6.3	3.4	4.5
Return on investment, %			21.9	18.0	19.6
Return on equity, %			19.1	18.7	19.8
Equity to asset ratio, %			53.1	46.0	46.7
Gearing, %			0.5	38.9	16.0
Average staff			684	654	663
Revenue/employee (EUR 1.000)			146.3	139.8	193.7

Accounting policies

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, as approved by the EU.

Market

The demand for office furniture has been good during the first three quarters of 2008. New office construction has slowed down from 2007 and fewer building permits have been granted than last year, too.

Group structure

There were no changes in Group structure during the review period or the comparison period.

Segment reporting

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

## Net revenue

Net revenue for January-September grew to EUR 100.1 million (91.5), an increase of 9.4 per cent. Large projects carried out during the first quarter contributed to this growth. Net revenue for the third quarter increased to EUR 30.7 million (31.2), showing a decrease of 1.8 per cent. Growth was particularly strong in Finland, and in Poland and its neighbouring areas.

Financial performance in Scandinavia has not been according to plan this year, with net revenue decreasing 20.1 per cent.

## Invoicing by main market areas

EUR million	7-9 2008	7-9 2007	1-9 2008	1-9 2007	1-12 2007
Finland	22.4	20.7	71.9	61.0	85.8
Scandinavia	4.5	6.8	15.3	19.2	26.4
Poland and surrounding areas	2.9	2.4	9.5	7.3	11.1
Other areas	1.0	1.4	3.4	4.1	5.4
Total	30.8	31.3	100.1	91.6	128.7

## Change in invoicing and percentage of consolidated invoicing

EUR million	1-9 2008	1-9 2007	Change	Percentage	1-12 2007	Percentage
Finland	71.9	61.0	17.8	71.8 %	85.8	66.7 %
Scandinavia	15.3	19.2	-20.1	15.3 %	26.4	20.5 %
Poland and surrounding areas	9.5	7.3	29.7	9.5 %	11.1	8.6 %
Other areas	3.4	4.1	-16.1	3.4 %	5.4	4.2 %
Total	100.1	91.6	9.3	100.0 %	128.7	100.0 %

## Consolidated result

The consolidated result for the third quarter was according to plan and the operating profit was EUR 1.9 million (1.5).

The result for the January-September period shows clear improvement and the operating profit was EUR 7.0 million (5.7). This includes EUR 0.7 million (2.6) in non-recurring income from the sale of assets. The sales gain recognised in early 2008 relates to the sale of land in Poland. The operating profit excluding non-recurring items was EUR 6.3 million (3.1). Profit development has been positive in Finland, and in Poland and its neighbouring areas in 2008. In Scandinavia, a decrease in net revenue has negatively affected the area's profit development.

Profit before taxes rose to EUR 6.6 million (5.2), and profit after taxes was EUR 4.4 million (3.7).

The operating profit excluding non-recurring items was 6.3 per cent of net revenue (3.4%).

## Financial position

The Group's financial position has still strengthened. At the end of the review period, net interest-bearing liabilities were EUR 11.8 million (15.9), and net debt was EUR 0.1 million (10.8). At the beginning of 2008, net debt was EUR 4.7 million. At the end of the review period, gearing was 0.5 per cent (38.9) and the equity-to-assets ratio was 53.1 per cent (46.0%). Net financial expenses were EUR -0.5 million (-0.5).

The net cash generated by operating activities in January-September was EUR 7.3 million (3.0).

During the period under review, the company decided to launch a project to reduce working capital. We expect the project to produce results mainly in 2009.

The end-of-period balance sheet total was EUR 60.8 million (60.6).

## Capital expenditure

The Group's gross capital expenditure totalled EUR 2.3 million (2.3) in January-September. The capital expenditure 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.

## Staff

In January-September, the Group employed an average of 684 (654) persons, representing growth of 4.6 per cent. At the end of September, the Group employed 673 (644) persons.

## Average staff by region

### Average staff by region

	1-9 2008	1-9 2007	1-12 2007
Finland	522	520	518
Scandinavia	72	67	71
Poland	90	67	74
Group total	684	654	663

## Product development and collection

Product development and collection management 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 new 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 featured the Skybar chair designed by Geir Sætveit and the Movie sofa by Rane Vaskivuori. The concepts presented by Martela in Stockholm were favourably received; both the Mybox desk by Iiro Viljanen and the Book shelf/space divider by Pekka Toivola aroused discussion and interest, as had been hoped for.

At the Milan Furniture Fair in April, Martela set up its own exhibition with the theme 'under THE tree'. The exhibition was named after The Tree space divider, designed by Professor Eero Aarnio.

#### Shares

During January-September, 625,159 (1,080,853) of the company's A shares were traded on NASDAQ OMX Helsinki, corresponding to 17.6 per cent (30.4) of all A shares. The higher trading figure of the comparison period in 2007 was due partly to the acquisition of shares by Evli Alexander Management Oy for the three-year share-based incentive system. At that time, 143,166 shares were acquired for EUR 1.2 million.

The value of trading was EUR 5.5 million (9.3), and the share price was EUR 8.35 at the beginning of the year and EUR 7.52 at the end of the period. During January-September the share price was EUR 10.05 at its highest and EUR 7.32 at its lowest. At the end of September, equity per share was EUR 7.87 (6.80).

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

#### Treasury shares

The company did not purchase any of its own shares in January-September. On 30 September 2008, 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.

#### 2008 Annual General Meeting

The Annual General Meeting was held on 1 April 2008. The meeting approved the financial statements and discharged the responsible parties from liability for the 2007 financial year. 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, to authorise 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 Companies' Act, which entered into force on 1 September, 2006.

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 growth and the consequent overall demand for office furniture. The price trends of purchased materials and components also affect the short-term outlook.

The 2007 annual report presents the risks related to Martela's business operations in more detail.

#### Outlook for 2008

The overall outlook for 2008 is still favourable, thanks to, among other things, the positive trend in sales and profit. The operating profit excluding non-recurring items is expected to be better in 2008 than in 2007.

## GROUP INCOME STATEMENT (EUR 1000)

	2008 1-9	2007 1-9	2008 7-9	2007 7-9	2007 1-12
Revenue	100.076	91.453	30.657	31.213	128.445
Other operating income	1.141	2.955	0.160	-0.006	3.023
Employee benefits expenses	-23.070	-20.889	-6.822	-6.332	-28.723
Operating expenses	-68.802	-65.417	-21.188	-22.578	-91.236
Depreciation and impairment	-2.312	-2.406	-0.856	-0.842	-3.231
Operating profit/loss	7.032	5.696	1.951	1.455	8.278
Financial income and expenses	-0.457	-0.544	-0.195	-0.224	-0.726
Profit/loss before taxes	6.575	5.152	1.757	1.231	7.552
Income tax	-2.141	-1.451	-0.808	-0.541	-2.165
Profit/loss for the period	4.435	3.701	0.948	0.690	5.387
Basic earnings per share, eur	1.08	0.91	0.23	0.17	1.32
Diluted earnings per share, eur	1.08	0.91	0.23	0.17	1.32

## GROUP BALANCE SHEET (EUR 1000)

30.9.2008

31.12.2007

30.09.2007

## ASSETS

## Non-current assets

Intangible assets	0.718	0.633	0.748
Tangible assets	13.841	14.151	13.936
Investments	0.039	0.053	0.054
Deferred tax assets	0.245	0.240	0.247
Pension receivables	0.035	0.035	0.018
Receivables	0.630	0.623	0.000
Investment properties	0.600	1.203	1.174
Total	16.108	16.938	16.177

## Current assets

Inventories	13.505	13.635	13.654
Receivables	19.537	23.536	25.650
Financial assets at fair value through profit and loss	2.031	2.004	1.987
Cash and cash equivalents	9.588	7.686	3.137
Total	44.661	46.861	44.428

Total assets	60.770	63.800	60.605
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## 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	-0.093	-0.129	-0.136
Retained earnings	24.552	22.060	20.376
Treasury shares	-0.721	-0.721	-0.721
Share-based incentives	0.210	0.067	0.050
Total	32.181	29.510	27.802

	30.9.2008	31.12.2007	30.09.2007
Non-current liabilities			
Interest-bearing liabilities	8.989	10.453	11.215
Deferred tax liability	1.477	1.553	1.070
Total	10.466	12.006	12.285
Current liabilities			
Interest-bearing	2.777	3.969	4.711
Non-interest bearing	15.346	18.315	15.807
Total	18.123	22.284	20.518
Total liabilities	28.589	34.290	32.803
Equity and liabilities, total	60.770	63.800	60.605

## 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
01.01.2007	7.000	1.116	0.117	-0.129	17.542	-0.721	24.925
Translation diff.				-0.007			-0.007
Other change					0.205		0.205
Profit/loss for the period					3.701		3.701
Total rec. income and expense				-0.007	3.906		3.899
Dividends					-1.022		-1.022
30.09.2007	7.000	1.116	0.117	-0.136	20.426	-0.721	27.802
1.1.2008	7.000	1.116	0.117	-0.129	22.127	-0.721	29.510
Translation diff.				0.036			0.036
Other change					0.244		0.244
Profit/loss for the period					4.435		4.435
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

## CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2008	2007	2007
	1-9	1-9	1-12
Cash flows from operating activities			
Cash flow from sales	102.768	91.484	130.833
Cash flow from other operating income	0.392	0.331	0.550
Payments on operating costs	-93.953	-88.166	-121.090
Net cash from operating activities before financial items and taxes	9.207	3.649	10.294
Interest paid	-0.544	-0.564	-0.842
Interest received	0.175	0.033	0.082
Other financial items	-0.048	-0.022	-0.021
Dividends received	-	0.001	0.001
Taxes paid	-1.500	-0.070	0.382
Net cash from operating activities (A)	7.289	3.027	9.895
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-1.928	-1.623	-2.256
Proceeds from sale of tangible and intangible assets	1.602	4.068	2.028
Proceeds from sale of shares in subsidiaries	-	-	2.150
Loans granted	-	-1.193	-1.193
Repayments of loans receivables	0.022	0.011	0.011
Net cash used in investing activities (B)	-0.303	1.263	0.740
Cash flows from financing activities			
Proceeds from short-term loans	-	0.965	0.976
Repayments of short-term loans	-0.627	-0.424	-1.704
Repayments of long-term loans	-2.506	-2.599	-3.108
Dividends paid and other profit distribution	-1.972	-1.022	-1.022
Net cash used in financial activities (C)	-5.105	-3.080	-4.858
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	1.881	1.210	5.778
Cash and cash equivalents at the beginning of period	9.691	3.911	3.911
Translation differences	0.048	0.003	0.002
Cash and cash equivalents at the end of period	11.619	5.125	9.691



## SEGMENT REPORTING

One primary segment has been defined for Martela, namely the furnishing of offices and public places. The revenue and result are as recorded in the consolidated financial statements. The Group's secondary reporting segment has been defined according to the geographical location of customers.

## 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

## TANGIBLE ASSETS 1.1-30.9.2007

	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0.000	1.009	0.797	0.059	0.130
Decreases	-0.616	-0.991	-0.027	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

	2008 1-9	2007 1-9	2007 1-12
Operating profit/loss	7.032	5.696	8.278
- in relation to revenue	7.0	6.2	6.4
Profit/loss before taxes	6.575	5.152	7.552
- in relation to revenue	6.6	5.6	5.9
Profit/loss for the period	4.435	3.701	5.387
- in relation to revenue	4.4	4.0	4.2
Basic earnings per share, eur	1.08	0.91	1.32
Diluted earnings per share, eur	1.08	0.91	1.32
Equity/share, eur	7.87	6.80	7.22
Equity ratio	53.1	46.0	46.7
Return on equity *	19.1	18.7	19.8
Return on investment *	21.9	18.0	19.6
Interest-bearing net-debt, eur million	0.1	10.8	4.7
Gearing ratio	0.5	38.9	16.0
Capital expenditure, eur million	2.3	2.3	3.2
- in relation to revenue, %	2.3	2.5	2.5
Personnel at the end of period	673	644	655
Average personnel	684	654	663
Revenue/employee, eur thousand	146.3	139.8	193.7

Key figures are calculated according to formulae as presented in Annual Report 2007.

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

## CONTINGENT LIABILITIES

	30.9.2008	31.12.2007	30.9.2007
Mortgages and shares pledged	17.055	18.851	18.929
Guarantees	0.000	0.000	0.100
Other commitments	0.267	0.317	0.314
RENTAL COMMITMENTS	9.399	10.674	11.016
DEVELOPMENT OF SHARE PRICE	2008	2007	2007
	1-9	1-9	1-12
Share price at the end of period, EUR	7.52	9.31	8.35
Highest price, EUR	10.05	10.35	10.35
Lowest price, EUR	7.32	6.39	6.39
Average price, EUR	8.85	8.62	8.64

This interim report has not been audited

Helsinki, 21 October 2008

Martela Corporation  
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