MARTELA OYJ INTERIM REPORT, 1 JANUARY-30 SEPTEMBER 2007

Net revenue for January-September was EUR 91.5 million (82.9), an increase of 10.3 per cent. Growth was especially robust in the Swedish, Norwegian and Polish markets. Profit before taxes was EUR 5.2 million (1.0), including a total of EUR 2.6 million (0.5) in non-recurring income. The equity-to-assets ratio was 46.0 per cent (41.0) and gearing was 38.9 per cent (63.5).

It is expected that net revenue for 2007 will exceed last year's level and that the operating profit before non-recurring items will be better than last year.

Accounting policies

The Interim Report has been prepared in compliance with IFRS recognition and measurement principles. The same accounting policies have been applied as in the 2006 financial statements.

Market

The demand for office furniture began to grow in 2006 and this trend has continued in 2007. No significant changes are expected in the market during the rest of the year. In the Nordic countries the sector has experienced a number of mergers and acquisitions involving venture capital investors in recent years. These changes are not expected to have a material effect on Martela's competitive position in the short term, at least.

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. The 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 91.5 million (82.9), an increase of 10.3 per cent. Net revenue for the third quarter increased to EUR 31.2 million (28.8), an increase of 8.3 per cent.

Invoicing by main market areas, January-September

	1-9 2007	%	1-9 2006	%	Change %
Finland	61.0	66.6 %	57.0	68.6 %	7.1 %
Scandinavia	19.2	21.0 %	15.9	19.2 %	20.8 %
Other regions 1)	11.4	12.4 %	10.1	12.2 %	-12.9 %
Total	91.6	100.0 %	83.0	100.0 %	10.4 %

1) The Polish market accounts for more than one half of the invoicing under "Other regions". The growth in Poland was 50 per cent.

Quarterly invoicing by main market areas

	4/05	1/06	2/06	3/06	4/06	1/07	2/07	3/07
Finland	20.6	19.0	18.4	19.5	26.1	19.6	20.7	20.7
Scandinavia	5.3	5.1	4.6	6.2	6.4	6.5	5.9	6.8
Other regions	3.5	2.8	4,3	3.0	4.3	3.9	3.7	3.8
Total	29.5	26.9	27.3	28.8	36.8	30.0	30.3	31.3

Consolidated result

The consolidated result continued to improve according to plan in the third quarter. The January-September profit before taxes increased to EUR 5.2 million (1.0). This includes EUR 2.6 million (0.5) in non-recurring income from the sale of property. Of this, EUR 1.6 million was recognised in the first quarter and was mostly from the sale of the Bodafors plant. Ownership of the Bodafors plant was divested and roughly 50 per cent of its surface area was leased back on a long-term lease. The property at our Oulu facilities was also divested in the second quarter. Operations in Oulu will continue under a long-term lease. The operating profit for January-September excluding non-recurring items was EUR 3.1 million (1.1), which was 3.4 per cent (1.3) of net revenue.

Result by quarter-year

	4/05	1/06	2/06	3/06	4/06	1/07	2/07	3/07
Revenue	29.3	26.9	27.2	28.8	36.8	29.9	30.4	31.2
Other income	0.5	0.2	0.6	0.1	0.5	1.7	1.3	0.0
Operating profit	1.4	-0.1	0.9	0.8	2.8	1.7	2.6	1.4
Operating profit %	4.6 %	-0.2 %	3.2 %	2.9 %	7.7 %	5.6 %	8.5 %	4.7 %
Profit before taxes	1.2	-0.3	0.6	0.7	2.7	1.5	2.4	1.3

Capital expenditure

The Group's gross capital expenditure for January-September was EUR 2.3 million (1.2). Of this, EUR 0.7 million was attributable to the sale of the Bodafors plant, as a result of which the long-term lease liability for the part leased back has been activated in the consolidated balance sheet in accordance with the IFRS. The remaining capital expenditure concerned production replacements and IT investments.

Staff

At the end of the review period, the Group employed 644 (629) persons. In January-September, the Group employed an average of 654 (622) persons, representing growth of 5.1 per cent.

Average staff by region

	1-9/07	1-9/06	Change %
Finland	520	499	4.2 %
Scandinavia	67	71	-5.6 %
Poland	67	52	28.8 %
Group total	654	622	5.1 %

Staff by quarter-year

	4/05	1/06	2/06	3/06	4/06	1/07	2/07	3/07
Average staff	593	611	632	636	632	629	660	664
Staff at end of period	604	600	660	629	632	628	689	644
Revenue/person, EUR 1,000	49.5	44.0	43.0	45.3	58.3	47.5	46.0	47.0

Temporary labour employed in the summer months by the Finnish units raises the figures for the second and third quarters.

Product development

Several new products were launched during the review period. The launch of the new Pinta family of work desks took place in February at the Stockholm Furniture Fair. With the introduction of the new products, Martela's current range of desks is mostly identical on all markets. At the Stockholm Furniture Fair we also presented ways to influence acoustics with furnishings and materials and introduced new chairs. In April, we took part in the Milan Furniture Fair for the first time, with furnishing solutions for surroundings. We introduced, for example, Stefan Lindfors' Menu chair and Samuli Naamanka's Sides chair.

Finance

The net cash generated by operating activities in January-September was EUR 3.0 million (0.4). The cash flow from investing activities was EUR 1.3 million positive as a result of the sale of property. EUR 1.2 million in loans were granted to Alexander Management Oy to finance the acquisition of shares for a three-year share-based incentive system. Interest-bearing liabilities decreased by EUR 1.2 million from the beginning of the year, and totalled EUR 15.9 million (19.2) at the end of the review period. Liquid assets amounted to EUR 5.1 million (4.8) at the end of the period. The equity-to-assets ratio rose to 46.0 per cent (41.0) and gearing improved correspondingly to 38.9 per cent (63.5).

Cash flows by quarter-year

	4/05	1/06	2/06	3/06	4/06	1/07	2/07	3/07
Cash flows from operations	2.2	2.6	0.0	-2.1	0.4	2.6	2.3	-1.9
Cash flows from investing	-0.2	-0.1	0.2	0.1	0.9	0.8	0.9	-0.4
Cash flows from financing	-1.3	-1.0	-1.0	1.2	-2.2	-2.5	-1.2	0.6
Change in liquid assets	0.6	1.5	-0.7	-1.0	-0.9	1.0	2.0	-1.8
Liquid assets at start of period	4.4	5.0	6.5	5.7	4.8	3.9	4.9	6.9
Liquid assets at end of period	5.0	6.5	5.7	4.8	3.9	4.9	6.9	5.1

Shares

During January-September, 1,080,853 (549,675) of the company's A shares were traded on the OMX Nordic Exchange in Helsinki, corresponding to 30.4 per cent (15.5) of all A shares. The value of trading was EUR 9.3 million (3.8). The increase was partly caused by the acquisition of shares in the first quarter by Alexander Management Oy for the three-year share-based incentive system. A total of 143,166 shares were acquired for EUR 1.2 million in cash. The value of a share was EUR 6.50 at the beginning of the year and EUR 9.31 at the end of the period. During the review period the share price was EUR 10.35 at its highest and EUR 6.39 at its lowest. At the end of September, equity per share was EUR 6.8 (5.6).

Treasury shares

The company did not purchase any of its own shares in January-September. On 30 September, 2007, Martela owned 67,700 of its own A shares, which had been 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 corresponds to 0.4 per cent of all votes.

2007 Annual General Meeting

The Annual General Meeting of Martela Oyj was held on Tuesday, 20 March, 2007. The AGM 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 0.25 per share. The AGM appointed Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman, Heikki Martela, Pekka Martela and Jaakko Palsanen to the Board of Directors, and elected Matti Lindström as the staff representative and Raimo Santala as his deputy. Reino Tikkanen, Authorised Public Accountant, was elected as the auditor of the company, with KPMG Oy Ab as the deputy 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.

The new Board of Directors convened after the Annual General Meeting and elected Heikki Ala-Ilkka as Chairman and Pekka Martela as Deputy Chairman.

Share-based incentive system

On 14 February 2007, Martela's Board of Directors decided on a share-based incentive system for key personnel for 2007–2009. The number of A shares that can be earned through the system depends on the attainment of targets. The maximum bonus for the whole system is 153,000 Martela Oyj A shares and cash to the amount needed to cover taxes and similar charges, estimated to approximate the value of the shares to be paid. The company has outsourced management of the incentive system to Alexander Management Oy, which acquired all the necessary shares from the OMX Nordic Exchange in Helsinki during the first quarter with a EUR 1.2 million loan granted by Martela.

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 risk

The greatest risk to the profit development is related to the continuation of economic growth and the consequent overall demand for office furniture. The price trend of materials and components also affects short-term risks. The 2006 annual report presents the risks related to Martela's business operations in more detail.

Outlook for 2007

The overall outlook for 2007 is still favourable and both net revenue and operating profit are expected to develop according to the targets and preliminary estimates. It is expected that the operating profit for the year before non-recurring items will be better than last year.

No significant non-recurring items from property or other rearrangements as occurred in the first half-year, are anticipated in the rest of 2007.

GROUP INCOME STATEMENT (EUR 1000)

	2007 1-9	2006 1-9	2007 7-9	2006 7-9	2006 1-12
Revenue	91.453	82.882	31.213	28.808	119.727
Other operating income	2.955	0.861	-0.006	0.077	1.429
Employee benefits expenses	-20.889	-19.189	-6.332	-5.875	-27.562
Operating expenses	-65.417	-60.428	-22.578	-21.351	-85.763
Depreciation and impairment	-2.406	-2.464	-0.842	-0.819	-3.332
Operating profit/loss	5.696	1.662	1.455	0.840	4.499
Financial income and expenses	-0.544	-0.655	-0.224	-0.168	-0.798
Profit/loss before taxes	5.152	1.007	1.231	0.671	3.701
Income tax	-1.451	-0.493	-0.541	-0.162	-0.977
Profit/loss for the period	3.701	0.514	0.690	0.510	2.723
Basic earnings per share, eur	0.9	0.1	0.2	0.1	0.7
Diluted earnings per share, eur	0.9	0.1	0.2	0.1	0.7

GROUP BALANCE SHEET (EUR 1000)	30.9.2007	31.12.2006	30.09.2006
ASSETS			
Non-current assets			
Intangible assets	0.748	0.662	0.657
Tangible assets	13.936	15.784	17.017
Investments	0.054	0.062	0.065
Deferred tax assets	0.247	0.776	1.264
Pension obligations	0.018	0.018	-
Investment properties	1.174	1.166	1.146
Total	16.177	18.468	20.149
Current assets			
Inventories	13.654	11.938	11.450
Receivables	25.650	24.792	19.128
Financial assets at fair value through profit and loss	1.987	1.943	1.927
Cash and cash equivalents	3.137	1.968	2.866
Total	44.428	40.641	35.371
Total assets	60.605	59.109	55.520
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	0.119	0.121	0.119
Translation differences	-0.138	-0.133	-0.132
Retained earnings	20.426	17.542	15.333
Treasury shares	-0.721	-0.721	-0.721
Total	27.802	24.925	22.715

	30.9.2007	31.12.2006	30.09.2006
Non-current liabilities			
Interest-bearing liabilities	11.215	12.844	13.994
Deferred tax liability	1.070	0.175	0.213
Other non-current liabilities	-	-	-
Pension obligations	-	-	0.001
Total	12.285	13.019	14.208
Current liabilities			
Interest-bearing	4.711	4.271	5.232
Non-interest bearing	15.807	16.894	13.364
Total	20.518	21.165	18.596
Total liabilities	32.803	34.184	32.804
Equity and liabilities, total	60.605	59.109	55.520

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	Treasury shares	Total
01.01.2006	7.000	1.116	0.117	-0.108	15.432	-0.721	22.836
Translation diff.			0.002	-0.024			-0.022
Profit/loss for the period					0.514		0.514
Total rec. income and expense			0.002	-0.024	0.514		0.492
Dividends paid					-0.613		-0.613
30.09.2006	7.000	1.116	0.119	-0.132	15.333	-0.721	22.715
1.1.2007	7.000	1.116	0.121	-0.133	17.542	-0.721	24.925
Translation diff.			-0.002	-0.005			-0.007
Profit/loss for the period					3.701		3.701
Other change					0.205		0.205
Total rec. income and expense			-0.002	-0.005	3.906		3.899
Dividends paid					-1.022		-1.022
30.09.2007	7.000	1.116	0.119	-0.138	20.426	-0.721	27.802

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2007 1-9	2006 1-9	2006 1-12
Cash flows from operating activities			
Cash flow from sales	91.484	82.072	114.537
Cash flow from other operating income	0.331	0.261	0.364
Payments on operating costs	-88.166	-81.348	-113.292
Net cash from operating activities before financial items and taxes	3.649	0.985	1.609
Interest paid	-0.564	-0.470	-0.691
Interest received	0.033	0.029	0.048
Other financial items	-0.022	-0.077	-0.084
Dividends received	0.001	0.002	0.003
Taxes paid	-0.070	-0.022	-0.018
Net cash from operating activities (A)	3.027	0.447	0.867
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-1.623	-0.482	-1.840
Proceeds from sale of tangible and intangible assets	4.068	0.705	2.992
Loans granted	-1.193	-	-
Repayments of loans receivables	0.011	-	0.006
Net cash used in investing activities (B)	1.263	0.223	1.158
Cash flows from financing activities			
Proceeds from short-term loans	0.965	1.791	1.783
Repayments of short-term loans	-0.424	-0.335	-1.546
Proceed from long-term loans	-	-	-
Repayments of long-term loans	-2.599	-1.673	-2.689
Dividends paid and other profit distribution	-1.022	-0.613	-0.613
Net cash used in financial activities (C)	-3.080	-0.830	-3.065
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	1.210	-0.160	-1.041
Cash and cash equivalents at the beginning of period	3.911	4.963	4.963
Translation differences	0.003	-0.010	-0.010
Cash and cash equivalents at the end of period	5.125	4.793	3.911

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

	2007 1-9	2006 1-12	2006 1-9
Acquisitions	1.995	2.210	0.837
Decreases	-1.634	-2.374	-0.461

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. This incentive scheme is based on the group’s combined profit performance for the period 2007-2009. The company has outsourced management of the bonus system to Alexander Management Oy, which acquired all the necessary shares from the OMX Nordic Exchange in Helsinki during the first quarter with a EUR 1.2 million loan granted by Martela. In January-September 2007, the estimated amount of the bonus, EUR 123 thousand, has been booked in costs.

KEY FIGURES/RATIOS

	2007 1-9	2006 1-9	2006 1-12
Operating profit/loss	5.696	1.662	4.499
- in relation to revenue	6.2	2.0	3.8
Profit/loss before taxes	5.152	1.007	3.701
- in relation to revenue	5.6	1.2	3.1
Profit/loss for the period	3.701	0.514	2.723
- in relation to revenue	4.0	0.6	2.3
Basic earnings per share, eur	0.9	0.1	0.7
Diluted earnings per share, eur	0.9	0.1	0.7
Equity/share, eur	6.8	5.6	6.1
Equity ratio	46.0	41.0	42.4
Return on equity *	18.7	3.0	11.4
Return on investment *	18.0	5.5	11.0
Interest-bearing net-debt, eur million	10.8	14.4	13.2
Gearing ratio	38.9	63.5	53.0
Capital expenditure, eur million	2.3	1.2	1.8
- in relation to revenue, %	2.5	1.4	1.5
Personnel at the end of period	644	629	632
Average personnel	654	622	626
Revenue/employee, eur thousand	139.8	133.3	191.3

Key figures are calculated according to formulae as presented in Annual Report 2006.

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

CONTINGENT LIABILITIES

	30.9.2007	31.12.2006	30.9.2006
Mortgages and shares pledged	15.673	20.739	20.609
Guarantees	0.100	0.115	0.114
Other commitments	0.314	0.323	0.286
RENTAL COMMITMENTS	11.016	9.753	9.937

DEVELOPMENT OF SHARE PRICE	2007 1-9	2006 1-9	2006 1-12
Share price at the end of period, EUR	9.31	7.00	6.50
Highest price, EUR	10.35	8.16	8.16
Lowest price, EUR	6.39	5.99	5.99
Average price, EUR	8.62	6.97	6.82

This interim report has not been audited

Helsinki, October 22, 2007

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