

## MARTELA OYJ ACCOUNT STATEMENT 1 JANUARY - 31 DECEMBER 2005

Martela Group's pre-tax profit became positive at EUR 1.0 million (-2.0). The improved result is due to a more efficient cost structure and a reversal of a EUR 0.7 million impairment realised earlier. Revenue totalled EUR 102.2 million (100.7). The financing situation remained good and the equity-to-assets ratio improved to 40.8 per cent (39.3). The market situation is expected to remain stable, revenue to increase slightly, and the profit level to improve.

## Accounting policies

Since the beginning of 2005, Martela Oyj has published its consolidated annual accounts and 2004 comparison figures in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared in compliance with IFRS recognition and measurement principles. A separate stock exchange release was issued on 17 March 2005 on the transition to IFRS. The new IFRS principles applied by Martela were also included in the release.

## Market

The market remained stable in Finland and the other Nordic countries. In Poland, the demand for office furniture continued to rise.

## Group structure

No changes have taken place in the Group structure during 2005. The comparability of the financial statements figures to the previous year is affected by the structural changes carried out in Sweden in August 2004, when Martela AB's partition wall business and the operations of Aski Inredningscenter AB, a sales company, were sold.

## Revenue

Consolidated revenue totalled EUR 102.2 million (100.7), representing an increase of 1.5 per cent. The revenue increase, adjusted for structural changes, is approx. 3 per cent.

## Segment reporting

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

## Invoicing by main market areas

	2005	%	2004	%	Change %
Finland	71.0	69.2	70.7	69.5	0.5
Scandinavia	19.5	19.0	19.4	19.1	0.6
Other regions	12.1	11.8	11.6	11.4	4.7
Total	102.7	100.0	101.7	100.0	1.0

Scandinavian invoicing growth, adjusted for structural changes, is approx. 11 per cent.

Quarterly invoicing by main market areas

	1/2004	2/2004	3/2004	4/2004	1/2005	2/2005	3/2005	4/2005
Finland	15.4	16.5	17.3	21.5	16.3	17.0	17.0	20.6
Scandinavia	5.4	4.9	4.1	5.0	4.5	4.3	5.5	5.3
Other regions	2.6	2.5	3.0	3.4	3.2	2.9	2.5	3.5
Total	23.4	23.9	24.4	29.9	24.0	24.2	25.0	29.5

Group result

The improving profit trend continued and the Group's pre-tax result became positive at EUR 1.0 million (-2.0). The result improvement is due to the measures undertaken in recent years and in 2005 to improve the cost structure.

The result for 2005 is also boosted by the capital gains arising from the disposal of assets, totalling EUR 0.3 million (1.1), and the reversal of a EUR 0.7 million impairment recognised in the 2004 IFRS balance sheet. A EUR 1 million impairment of Martela AB's assets, the carrying amount of which was estimated to exceed the recoverable amount, had been recognised in the 2004 IFRS balance sheet. On the basis of developments in 2005, the efficiency improvement measures, and the judgements of the company's executive management, the previously recognised impairment was reversed.

The result for 2004 also includes items that affect the comparability of the results. Structural changes, corrections in the measurement of assets and change in the Finnish Employee Pensions Act (TEL) affected the 2004 result by a total of EUR -0.5 million.

The taxes for 2005 include a EUR 1,079,000 change in deferred taxes. The change in deferred taxes is due mainly to the utilisation of the parent company's losses confirmed in taxation, and adjustments to deferred tax assets recognised previously to the extent that impairments are not accepted in statutory taxation.

Result by quarter-year

	1/2004	2/2004	3/2004	4/2004	1/2005	2/2005	3/2005	4/2005
Result before taxes	- 1.9	- 1.7	+ 0.5	+ 1.1	- 0.4	- 0.9	+ 1.1	+1.2

The result for the last quarter on 2005 is 0,5 milj EUR without the above mentioned reversal of the 0,7 million impairment. The comparable result for the last quarter of 2004 is 0,2 million EUR without the above mentioned non-recurring items.

Results continued to improve in all of the Group's units.

## Capital expenditure

The Group's gross capital expenditure totalled EUR 1.6 million (0.9). Investments primarily involved production replacement investments, information technology, and machinery and equipment for the logistics centre of the new company in Poland. The new logistics centre in Poland was launched in February 2005, and operates in leased premises.

## Staff

The Group employed 610 (662) people on average, down by 8% on the previous year. There were 604 (613) employees at the end of the year.

Staff	2005	2004	Change %
Average staff	610	662	- 8.0
Staff at end of year	604	613	- 1.5
Revenue/person (EUR 1,000)	167.6	152.2	+ 10.1

## Staff by quarter-year

	1/2004	2/2004	3/2004	4/2004	1/2005	2/2005	3/2005	4/2005
Average staff	696	688	648	612	611	627	613	593
Staff at end of year	688	694	622	613	610	641	600	604
Revenue/person (EUR 1,000)	33.2	34.4	37.5	48.5	39.1	38.4	40.8	49.5

## Average staff by region 2005 2004 Change %

Finland	489	514	- 4.9
Scandinavia	70	98	- 28.6
Poland	55	50	+ 10.0
Group total	610	662	- 7.9

Due to the retirement of Juha Ihalainen, Managing Director of Martela Sp. z o.o in April 2006, Piotr Fic was appointed as the new Managing Director of the company as of 1 January, 2006. Joakim Brobäck was appointed Managing Director of Martela AB. He took up the post on 1 February, 2006.

## Product development

Product development employed 20 (22) people during the year. Product development expenses accounted for 2.0 percent (2.7) of revenue. In the beginning of the year a new, electrically adjustable desk range called Opteam S was launched. It combines a high level of ergonomics, easy adjustments and the possibility of increasing physical movement at the workspace in a natural way. Several new models were also launched for lobbies and conference areas.

## Finance

Cash flow from operations was EUR 1.0 (2.5) million. Working capital increased by EUR 2.0 million from the beginning of the year. The majority of the growth was due to an increase in trade receivables in December and a decrease in non-interest-bearing short-term debt. Cash flow from investments was EUR -1.1

million (-0.3). Interest-bearing debt decreased by EUR 1.8 million and totalled EUR 19.3 million (21.1) at the end of the year. Liquid assets at the end of the year amounted to EUR 5.0 million (7.8). The equity-to-assets ratio was 40.8 per cent (39.3) and gearing was 62.8 per cent (56.4).

#### Shares

During the financial year, 966,453 of the company's A shares were traded on the Helsinki Stock Exchange (590,996), corresponding to 27.2 per cent of the entire stock (16.6). The value of trading turnover was EUR 6.8 million (3.4). The value of a share was EUR 6.35 at the beginning of the year and EUR 7.26 at the end of the year. During the financial year the share price was EUR 8.99 at its highest and EUR 6.08 at its lowest. At the end of 2005, equity per share was EUR 5.6.

#### Annual General Meeting

The Annual General Meeting held on 16 March 2005 decided to distribute a dividend of EUR 0.15 per share. The Meeting appointed Heikki Ala-Ilkka, Tapio Hakakari, Heikki Martela, Pekka Martela, Jori Keckman and Jaakko Palsanen to the Board of Directors for the next term, and elected Matti Lindström as the staff representative and Raimo Santala as his deputy. The Board elected Heikki Ala-Ilkka as Chairman and Pekka Martela as Deputy Chairman. Reino Tikkanen, Authorised Public Accountant, was elected as the auditor of the company, with KPMG Oy Ab as the deputy auditor.

The Annual General Meeting decided to grant the Board of Directors an authorisation for the following year to decide on increasing the share capital, issuing convertible bonds, and acquiring and/or disposing of the company's own shares in deviation from the pre-emptive rights of shareholders.

#### Own shares

Martela did not purchase any of its own shares in 2005. On 31 December, 2005, 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 its own shares amounts to 1.6 per cent of all shares and 0.4 per cent of all votes.

#### Insider rules

The insider rules were supplemented in December 2005 in accordance with the instructions issued by the Board of Directors of the Helsinki Stock Exchange.

#### Martela 60 years

5 October, 2005 marked the 60<sup>th</sup> anniversary of the company's founding. The company's original name, Tehokaluste Oy, was later changed to Martela Oyj. Martela has since grown to become the Finnish market leader in office furniture and one of the largest European companies in the field. Today, the company has production facilities in Finland, Sweden and Poland. All through its existence, Martela has been committed to promoting ergonomics in the workplace and an extension of this is the MOVE project, commenced during the anniversary year, the content of which has been created in co-operation with ergonomics professionals. The project aims to increase physical movement at the workspace in a natural way during the day and to facilitate discussion about the significance of such movement and workspace solutions supporting it.

## Outlook for 2006

No material changes are expected in the demand for office furniture in 2006. Measures to improve the cost structure will continue in all of the Group's units.

In Finland, growth will be sought through increasing service sales, through furniture sales to schools and retirement homes, and by further increasing the manufacture of components to Kidex's outside customers.

In Scandinavia, emphasis has been on improving the order/delivery chain and delivery reliability. This, combined with launching of new products supports continued growth.

In Poland and the other markets, the objective will be to strengthen and increase the number of distribution channels. In Poland the new logistics centre taken into use in 2005 gives further possibilities.

Should the economic growth on the main markets unexpectedly start to weaken this can have a decreasing effect on the office furniture demand. This we estimate to constitute the biggest risk and insecurity.

New, more competitive products to be launched rise new opportunities. This was verified by the success of Martela's new products on the Stockholm Furniture Fair in the beginning of February 2006.

Martela Group's revenue is expected to increase slightly in 2006, and the improving profit trend is expected to continue. Cash flows are expected to be positive, and the equity-to-assets ratio is expected to improve.

Invoicing in 2006 is likely to develop according to the seasonal fluctuation patterns of previous years. Therefore, the profit level for the first half of the year is expected to decrease from that achieved in the latter half of 2005, but is expected to improve towards the end of the year.

## Annual General Meeting

The Annual General Meeting will be held on Tuesday, March 21st, at 15 p.m. at Martela house, Takkatie 1, Helsinki. The Board of Directors proposes that the Annual General Meeting decides to authorise the Board of Directors to take convertible loans, to grant option rights and to decide on new issues of shares as in the previous years. A separate Stock Announcement will be published.

## Members of the Board and Auditor

Shareholders representing a majority of the voting power have announced their intention to suggest as members of the board the following present board members: Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman, Heikki Martela, Pekka Martela and Jaakko Palsanen. Further as Personnel Representative Matti Lindström and as deputy Raimo Santala. The above shareholders have also announced, that they will suggest as auditor the Authorized Public Accountant Reino Tikkanen with the firm of Authorized Public Accountants, Oy KPMG AB as a reserve till the end of the next Annual Meeting.

## Board of Directors' dividend proposal

The Board of Directors proposes to the Annual General meeting that a dividend of EUR 0.15 per share, totalling EUR 613,185, be distributed. Only shareholders registered in the shareholders maintained at the Finnish Central Securities Depository Ltd on the record date for dividend distribution, on Friday March 24,

2006 will be entitled to the dividend declared by the Company. Dividend payments will be made on Friday March 31, 2006.

GROUP INCOME STATEMENT (EUR 1000)

	2005 1-12	2004 1-12
Revenue	102.246	100.747
Other operating income	0.987	1.652
Employee benefits expenses	-24.617	-25.196
Operating expenses	-74.344	-74.153
Depreciation and impairment	-2.756	-4.603
Operating profit/loss	1.516	-1.553
% of turnover	1.5	-1.5
Financial income and expenses	-0.544	-0.503
Profit/loss before taxes	0.972	-2.056
% of turnover	1.0	-2.0
Income tax	-1.085	0.036
Profit/loss for the period	-0.112	-2.020
% of turnover	-0.1	-2.0
Basic earnings per share, eur	0.0	-0.5
Diluted earnings per share, eur	0.0	-0.5

GROUP BALANCE SHEET (EUR 1000)

31.12.2005      31.12.2004

ASSETS

Non-current assets		
Intangible assets	0.517	0.480
Tangible assets	18.991	20.846
Investments	0.078	0.113
Deferred tax assets	1.819	3.035
Investment properties	1.161	0.600
Total	22.566	25.074
Current assets		
Inventories	10.057	9.956
Receivables	18.512	17.063
Liquid asset securities	2.875	3.667
Cash and cash equivalents	2.088	4.145
Total	33.532	34.831
Total assets	56.098	59.905

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	0.122

Translation differences	-0.108	-0.165
Retained earnings	15.432	16.157
Treasury shares	-0.721	-0.721
Total	22.836	23.509
Non-current liabilities		
Interest-bearing liabilities	15.605	13.407
Deferred tax liability	0.297	0.434
Other non-current liabilities	-	-
Pension obligations	0.001	0.066
Total	15.902	13.907
Current liabilities		
Interest-bearing	3.707	7.669
Non-interest bearing	13.653	14.821
Total	17.360	22.490
Total liabilities	33.262	36.397
Equity and liabilities, total	56.098	59.905

#### 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
01.01.2004	3.500	4.616	0.122		18.688	-0.721	26.205
Dividends paid					-0.511		-0.511
Translation diff.				-0.165			-0.165
Share issue	3.500	-3.500					0.000
Profit/loss for the period					-2.020		-2.020
31.12.2004	7.000	1.116	0.122	-0.165	16.157	-0.721	23.509
1.1.2005	7.000	1.116	0.122	-0.165	16.157	-0.721	23.509
Dividends paid					-0.613		-0.613
Translation diff.			-0.005	0.057			0.052
Profit/loss for the period					-0.112		-0.112
31.12.2005	7.000	1.116	0.117	-0.108	15.432	-0.721	22.836

#### CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2005 1-12	2004 1-12
Cash flows from operating activities		
Cash flow from sales	100.325	101.567
Cash flow from other operating income	0.635	1.267
Payments on operating costs	-99.364	-100.079
Net cash from operating activities before financial items and taxes	1.596	2.755
Interest paid	-0.734	-0.720
Interest received	0.043	0.279
Other financial items	0.123	0.254

Dividends received	0.002	0.056
Taxes paid	-0.076	-0.137
Net cash from operating activities (A)	0.954	2.487
Cash flows from investing activities	2005	2004
	1-12	1-12
Capital expenditure on tangible and intangible assets	-1.664	-0.928
Proceeds from sale of tangible and intangible assets	0.580	0.715
Loans granted	-	-0.142
Repayments of loans receivables	-	0.007
Net cash used in investing activities (B)	-1.084	-0.348
Cash flows from financing activities		
Repayments of short-term loans	-1.443	-0.108
Proceeds from long-term loans	0.170	2.001
Repayments of long-term loans	-0.818	-3.143
Dividends	-0.613	-0.511
Net cash used in financing activities (C)	-2.704	-1.761
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	-2.834	0.378
Cash and cash equivalents at the beginning of period	7.812	7.421
Translation differences	-0.015	0.013
Cash and cash equivalents at the end of period	4.963	7.812
KEY FIGURES/RATIOS		
	2005	2004
	1-12	1-12
Revenue EUR million	102.2	100.7
Change in revenue, %	1.5	-1.4
Exports and international operations, EUR million	31.6	31.0
In relation to revenue, %	30.9	30.8
Gross capital expenditure on fixed assets, EUR million	1.6	0.9
In relation to revenue, %	1.6	0.9
Research and development expenses, EUR million	2.0	2.7
In relation to revenue, %	2.0	2.7
Average personnel	610	662
Change in personnel, %	-7.9	-13.7
Personnel at year end	604	613
Turnover / employee, EUR thousand	167.6	152.2
Return on equity, %	-0.5	-8.1
Return on investment, %	4.3	-2.2



Equity ratio, %	40.8	39.3
Interest-bearing net-debt, EUR million	14.3	13.3
Gearing ratio, %	62.8	56.4
Key share-related figures		
Number of shares, at the end of period (1000)	4155.6	4155.6
Basic earnings per share, EUR	0.0	-0.5
Diluted earnings per share, EUR	0.0	-0.5
Price/earnings ratio (PE)	-265.2	-12.8
Equity per share, EUR	5.6	5.8
Dividend/share, EUR	0.15*	0.15
Dividend/earnings, EUR	-547.9	-30.4
Effective dividend yield, %	2.1	2.4
Price of A-share 31.12. EUR	7.26	6.35

\*) Proposal of the Board of Directors

The largest shareholders, 31.12.2005

	No.of shares (A+K-series)	% of total votes
Marfort Oy	524 574	38.8
Ilmarinen Mutual Pension Insurance Company	335 400	2.1
Odin Förvaltning AS	228 400	1.5
Palsanen Leena	199 634	9.6
Pohjola P&C Insurance Company	180 000	1.2
Martela Heikki	158 356	7.3
FIM Fenno Mutual Fond	150 500	1.0
Pohjola Finland Value Mutual Fond	134 600	0.9
Mutual Fond Mandatum Finland	123 700	0.8
Lindholm Tuija	121 746	6.0
Suomen Argentor Oy	121 500	0.8
Martela Matti	120 238	7.8
Mutual Fond Alfred Berg Finland	119 500	0.8
Placeringsfonden Aktia Capital	106 500	0.7
Martela Pekka	94 167	9.0
Other shareholders	1 436 785	11.8
Total	4 155 600	100.0

The number of registered Martela Oyj shares on 31.12.2005 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 8.2% of the shares and 17.2% of the votes.

Segments

2005 (EUR 1,000)

Geographical segments	Finland	Scandinavia	Other areas	Elim.	Unalloc.	Total
Turnover	70.680	19.450	12.115			102.246
Segment assets	42.895	7.191	4.286	-3.538	5.264	56.098
Capital expenditure	1.290	0.113	0.207			1.610

2004 (EUR 1,000)

Geographical segments	Finland	Scandinavia	Other areas	Elim.	Unalloc.	Total
-----------------------	---------	-------------	-------------	-------	----------	-------

Turnover	69.778	19.401	11.568			100.747
Segment assets	42.127	7.578	3.775	-2.112	8.537	59.905
Capital expenditure	0.599	0.196	0.155			0.950

#### CONTINGENT LIABILITIES

	31.12.2005	31.12.2004
Mortgages and shares pledged	20.560	20.769
Guarantees	0.113	0.131
Other commitments	1.169	1.296
Rental commitments	10.767	12.061

#### DEVELOPMENT OF SHARE PRICE

	2005	2004
	1-12	1-12
Share price at the end of period, EUR	7.26	6.35
Highest price, EUR	8.99	7.50
Lowest price, EUR	6.08	5.00
Average price, EUR	7.01	5.82

#### RECONCILIATION OF PROFIT FOR 2004 (EUR 1000)

	2004
	1-12
Profit/loss for the period (FAS)	-2.671
Effect of transition to IFRS:	
Change in inventories, share of fixed general production costs	-0.494
Pension obligations	0.891
Finance leases	0.111
Depreciations	0.278
Foreign exchange differences	0.174
Change in fair values (shares, funds)	-0.147
Taxes	-0.269
Impairments	0.107
Total IFRS adjustments	0.651
Profit/loss for the period (IFRS)	-2.020

#### IFRS/FAS Q1-Q4/2004 COMPARISON INFORMATION

Group income statement (EUR 1000)	IFRS Q1-Q4	FAS Q1-Q4	Change
Revenue	100.747	100.747	-
Operating profit/loss	-1.553	-2.218	0.665
% of revenue	-1.5%	-2.2%	
Financial income and expenses	-0.503	-0.758	0.255
Profit/loss before taxes	-2.056	-2.976	0.920
% of revenue	-2.0%	-3.0%	
Taxes	0.036	0.305	-0.269
Profit/loss of the period	-2.020	-2.671	0.651
% of revenue	-2.0%	-2.7%	
Basic earnings per share (eur)	-0.5	-0.7	
Diluted earnings per share(eur)	-0.5	-0.7	

IFRS/FAS Q4/2004 COMPARISON INFORMATION

Group income statement (EUR 1000)	IFRS Q4	FAS Q4	Change
Revenue	29.654	29.654	-
Operating profit/loss	1.076	0.283	0.793
% of revenue	3.6%	0.9%	
Financial income and expenses	-0.019	-0.146	0.127
Profit/loss before taxes	1.056	0.137	0.919
% of revenue	3.6%	0.5%	
Taxes	0.153	0.198	-0.045
Profit/loss of the period	1.210	0.335	0.875
% of revenue	4.1%	1.1%	
Basic earnings per share (eur)	0.3	0.1	
Diluted earnings per share(eur)	0.3	0.1	

RECONCILIATION OF EQUITY (EUR 1000)

	1.1.2004	31.12.2004
Shareholders' equity (FAS)	22.458	19.110
Effect of transition to IFRS:		
Treasury shares	-0.721	-0.721
Pension obligations	-0.957	-0.066
Change in inventories	0.494	-
Loan exchange rate differences	-0.226	-0.052
Fair values, shares and funds	0.147	-
Revaluation reversals	-2.809	-2.809
Valuations to fair values	6.993	6.993
Impairments	-2.354	-2.247
Deferred tax receivables	3.248	2.980
Other IFRS changes	-0.068	0.321
Total IFRS adjustments	3.747	4.399
Shareholders' equity (IFRS)	26.205	23.509

IFRS/FAS 31.12.2004 COMPARISON INFORMATION

GROUP BALANCE SHEET (EUR 1000)

ASSETS	IFRS 31.12.04	FAS 31.12.04	Change
Non-current assets			
Intangible assets	0.480	1.001	-0.521
Tangible assets	20.846	16.653	4.193
Investments	0.113	2.653	-2.540
Deferred tax assets	3.035	-	3.035
Investment property	0.600	-	0.600
Total	25.074	20.307	4.767

Current assets			
Inventories	9.956	9.956	-
Receivables	17.063	17.118	-0.055
Liquid asset securities	3.667	3.667	-
Cash and cash equivalents	4.145	4.145	-
Total	34.831	34.886	-0.055
 Total assets	 59.905	 55.193	 4.712
SHAREHOLDERS' EQUITY AND LIABILITIES	IFRS	FAS	Change
	31.12.04	31.12.04	
 Shareholders equity	 23.509	 19.110	 4.399
 Non-current liabilities			
Interest-bearing liabilities	13.407	13.273	0.134
Deferred tax liability	0.434	0.378	0.056
Other non-current liabilities	0.000	0.000	-
Pension obligations	0.066	-	0.066
Total	13.906	13.651	0.255
 Current liabilities			
Interest-bearing	7.669	7.608	0.061
Non-interest bearing	14.821	14.824	-0.003
Total	22.490	22.432	0.058
 Total liabilities	 36.397	 36.083	 0.313
 Total shareholders' equity and liabilities	 59.905	 55.193	 4.712

Annual Reports in Finnish and English will be published during the week 10. The first Interim Report for the period January 1 - March 31, 2006 will be published on April 25, 2006.

Helsinki, February 15, 2006

Martela Oyj  
Board of Directors  
Heikki Martela  
CEO

For more information, please contact  
Heikki Martela, CEO, tel. +358 50 502 4711

Distribution  
Helsinki Exchanges  
Main news media  
[www.martela.com](http://www.martela.com)