MARTELA OYJ'S FINANCIAL STATEMENTS FOR 1 JANUARY - 31 DECEMBER, 2006

The market situation improved and the revenue for 2006 increased by 17.1 per cent to EUR 119.7 million (102.2). The profit before taxes rose, thanks to a strong final quarter, to EUR 3.7 million (1.0). Other operating income of EUR 1.4 million (1.0) also contributed to the improved result. The financial situation remained good and the equity-to-assets ratio rose to 42.4 per cent (40.8). It is estimated that this growth will continue in 2007 and that the result will improve.

Market situation

The demand for office furniture started to increase for the first time for years. The market situation improved in all of the Group's main market areas.

Group structure

No changes took place in the Group structure in 2006. As this was the case also in 2005, the Group structure and financial statements figures are comparable.

Segment reporting

Martela has one primary segment, namely the furnishing of offices and public spaces. The revenue and result are as reported in the consolidated financial statements. The Group's secondary segment consists of customers according to geographic location.

Revenue

Revenue for 2006 rose to EUR 119.7 million (102.2), an increase of 17.1 per cent. Revenue increased in all of the Group's main market areas. The growth is primarily due to the improved market situation, more efficient sales and successful product launches.

Invoicing by main market areas, January-December

	2006	Percentage	2005	Percentage	Change, %
Finland	83.0	69.3%	71.0	69.2%	+16.9%
Scandinavia	22.3	18.6%	19.5	19.0%	+14.3%
Other regions *)	14.5	12.1%	12.1	11.8%	+19.1%
Total	119.8	100.0%	102.7	100.0%	+16.7%

*) includes the invoicing of Profit Centre Poland, which in 2006 was EUR 8.5 million (6,2) and growth 37 %. The invoicing of the Polish unit also includes its export to Central Eastern Europe.

Quarterly invoicing by main market areas

	1/05	2/05	3/05	4/05	1/06	2/06	3/06	4/06
Finland	16.3	17.0	17.0	20.6	19.0	18.4	19.5	26.1
Scandinavia	4.5	4.3	5.5	5.3	5.1	4.6	6.2	6.4
Other areas	3.2	2.9	2.5	3.5	2.8	4.3	3.0	4.3
Total	24.0	24.2	25.0	29.5	26.9	27.3	28.8	36.8

As in the previous years, revenue for the final quarter was the highest. Growth was particularly strong on the Finnish market.

Group result

The profit before taxes of the final quarter rose to EUR 2.7 million (1.2), thanks to a substantial increase in revenue.

The profit before taxes for 2006 was EUR 3.7 million (1.0). The key factors behind the improved result were the strong growth in revenue, and proceeds from the sale of assets. Proceeds from the sale of real estate and shares totalled EUR 1.0 million (0.3). The comparability of the 2006 and 2005 figures is also affected by the fact that the 2005 result was improved by a reversal, in the final quarter of 2005, of a EUR 0.7 million impairment made in the 2004 opening IFRS balance sheet. The increase in financial items resulted from a decrease in financial income and foreign exchange gains.

The majority of the year's profit was made in the final quarter.

Improved results were recorded in all of the Group's units.

The taxes in the income statement derive mainly from a decrease in deferred tax assets recognised earlier. They are not cash-based.

Result by quarter-year

	1/05	2/05	3/05	4/05	1/06	2/06	3/06	4/06
Revenue	23.9	24.1	25.0	29.3	26.9	27.2	28.8	36.8
Other income	0.3	0.1	0.1	0.5	0.2	0.6	0.1	0.5
Operating profit	-0.2	-0.9	1.3	1.4	-0.1	0.9	0.8	2.8
Operating profit, %	-1.0%	-3.7%	5.1%	4.6%	-0.2%	3.2%	2.9%	7.7%
Profit before taxes	-0.4	-0.9	+1.1	+1.2	-0.3	+0.6	+0.7	+2.7

Key figures

	2006	2005	2004
Revenue	119.7	102.2	100.7
Change in revenue, %	17.1	1.5	-1.4
Operating profit	4.5	1.5	-1.6
Operating profit, %	3.8	1.5	-1.5
Return on investment, %	11.0	4.3	-2.2
Return on equity, %	11.4	-0.5	-8.1
Equity to assets ratio, %	42.4	40.8	39.3
Gearing, %	53.0	62.8	56.4
Average staff	626	610	662
Revenue/employee	191.3	167.6	152.2

Capital expenditure

The Group’s gross capital expenditure totalled EUR 1.8 million (1.6). Capital expenditure mainly concerned production line automation at the Nummela and Kitee plants, other production equipment replacements and IT expenditure.

A contract was signed in December 2006 on the sale and partial leasing back of the Martela AB's Bodafors plant in Sweden. The property's sales price was EUR 1.7 million and the right of possession was to be transferred at the turn of March/April 2007. Martela AB has leased about 40 per cent of the plant's area for its own use on a 10-year lease. Proceeds of EUR 0.8 million will be realised on the property sale at the turn of March/April 2007.

Organisation

The Group's operational organisation was renewed on 1 April, 2006. The main objective was to increase the focus on surroundings furniture collections and collections for other public premises, and on their competitiveness. Martela's target is to become a major international player in this area, as well as in workstation furniture. To reach this target, it was decided to divide the Group's product and product development resources into two business units responsible for the collection and for product development respectively. The "Office" business unit is responsible for workstation furniture, while "Surroundings" is responsible for furniture for lobbies and other public premises.

At the same time, the Nummela logistics centre, which mainly serves the Finnish market, was integrated in the operational organisation for Finland. The logistics centres in Bodafors, Sweden and Warsaw, Poland were already part of their respective local organisations.

The logistics centres' operating concept and technology development and Group acquisitions were reorganised into a Group production and logistics process, which is also responsible for the Kidex Oy and P.O.Korhonen Oy production companies.

Staff

The Group employed 626 (610) people on average, up by 2.6 per cent. There were 632 (604) employees at work at the end of 2006.

Staff	2006	2005	2004
Average staff	626	610	662
- change, %	+2.6	-7.9	-13.7
Staff at end of review period	632	604	613
Revenue/employee (EUR 1,000)	191.3	167.6	152.2
- change, %	+14.1	+10.1	+14.3
Pay and bonuses during the financial year	21.9	19.4	19.9

Average staff by region	2006	2005	2004
Finland	501	489	514
Scandinavia	75	70	98
Poland	50	51	50
Group total	626	610	662

Staff by quarter-year

	1/05	2/05	3/05	4/05	1/06	2/06	3/06	4/06
Average staff	611	627	613	593	611	632	636	632
Staff at end of review period	610	641	600	604	600	660	629	632
Revenue/employee (EUR 1,000)	39.1	38.4	40.8	49.5	44.0	43.0	45.3	58.3

Product development

Product development and collection management is the responsibility of two Group organisations: the "Office" business unit takes care of workstation furniture, while "Surroundings" takes care of furniture for lobbies and other public premises.

During 2006, product development employed 21 (20) people and product development expenses accounted for 2.1 (2.0) per cent of the revenue.

During the year, the product range was renewed and supplemented with task chairs and other workstation furniture, furniture for schools and other teaching facilities, and auditorium furniture.

At the beginning of the year, loudspeakers and air purifiers that can be integrated in the workstation were launched at the Stockholm Furniture Fair. In response to the positive feedback, they were developed into saleable products and presented in the autumn at numerous work wellbeing events. Lobby furniture by several designers was presented last autumn at the Design Partners Exhibition in Helsinki.

The development of the Pinta desk collection into a saleable product family was a significant achievement. This extensive range of desks enables more individual, efficient and modifiable workstation solutions which can also be adapted to changing needs in the future. The range was launched at the Stockholm Furniture Fair in February 2007.

The Environment

The aim of Martela's environmental management policy is to provide customers with durable, long lasting products that promote safety and high quality in the working environment, and whose production harms the natural environment as little as possible.

Martela Oyj applies the ISO 14001:2004 standard in environmental management. The aim of the environmental management programs is to reduce the environmental load of Martela's products throughout their life cycles, and to increase the reuse and recycling of materials. Martela has paid particular attention to the recycling and potential re-use of discarded furniture by offering recycling services to customers. Martela Oyj's environmental system certification will be valid until the end of 2008 and also includes Kidex Oy's operations. P.O. Korhonen Oy also has its own certified environmental system.

Finance

The net cash from operating activities of EUR 0.9 million (1.0) was affected by a working capital increase of EUR 7.8 million accumulated from the beginning of the year. The change in working capital was mainly due to an increase in trade receivables as revenue rose sharply at the end of the year. The net cash from investing activities was positive at EUR +1.2 million (-1.1) as a result of the disposal of fixed assets.

Net interest-bearing debt decreased by EUR 2.2 million to EUR 17.1 million (19.3) at the end of the year. Liquid assets at the end of the year amounted to EUR 3.9 million (5.0). The key figures related to solvency improved. The equity-to-assets ratio was 42.4 (40.8) per cent and gearing was 53.0 (62.8) per cent.

Shares

During the financial year, 1,076,693 (966,453) of the company’s A shares were traded on the Helsinki Stock Exchange, corresponding to 30.3 (27.2) per cent of the entire stock. The value of trading turnover was EUR 7.3 million (6.8). The value of a share was EUR 7.26 at the beginning of the year and EUR 6.50 at the end of the year. During the financial year the share price was EUR 8.16 at its highest and EUR 5.99 at its lowest. At the end of 2006, equity per share was EUR 6.1.

2006 Annual General Meeting

The Annual General Meeting held on 21 March 2006 decided to distribute a dividend of EUR 0.15 per share. The AGM elected Heikki Ala-Ilkka, Tapio Hakakari, Heikki Martela, Pekka Martela, Jori Keckman and Jaakko Palsanen to the Board of Directors for the next term. Matti Lindström was elected as the staff representative and Raimo Santala as his deputy. The Board chose 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 AGM renewed the authorisation of the Board to decide for the following year on raising the share capital, issuing convertible bonds and acquiring and/or disposing of the company’s shares in deviation from the pre-emptive rights of shareholders.

Treasury shares

Martela did not purchase any of its own shares for the Treasury in 2006. On 31 December, 2006, 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 0.4 per cent of all votes.

Outlook for the future

Demand for office furniture increased in 2006. The consolidated revenue increased, by Martela's estimate, at a faster rate than the market, and the profit was much improved. Demand will probably continue to rise in 2007, but not as sharply as in 2006. As a result of the revenue increase and cost structure efficiency measures, the Group's result is expected to be a further improvement on that of 2006.

In 2006, the consolidated revenue increased towards the end of the year, as is usual. This is expected to happen also in 2007, and the result of the first quarter of 2007 is expected to fall clearly below that of the final quarter of 2006.

The areas of focus for operational development will be:

- further sales development and introduction of new operating concepts
- expansion and strengthening of sales channels
- increasing the efficiency of the order-delivery chain by utilising more comprehensive Group IT solutions
- The "Office" business unit will present new key products and services, which are expected to increase competitiveness in the basic business of workstation furniture and in the equipping of workstations
- In accordance with its strategy, the "Surroundings" business unit will increase sales in all its sectors, with the aim of turning Martela into a significant supplier of furniture for lobbies and other public premises
- Kidex Oy, which is a component contract manufacturer, will strive to become profitable by further increasing volumes to customers outside the Group. Their proportion has been increasing.

Risks

It is estimated that the greatest risks to the improvement of profit performance relate to the continuation of general economic growth and the consequent overall demand for office furniture.

Another risk is posed by the above-mentioned challenging development projects and the timetables and implementation of objectives. Any delays would affect growth, competitiveness and development of the cost structure.

2007 Annual General Meeting and the Board's proposal for distribution of profit

Martela Oyj’s AGM will be held on Tuesday, 20 March, 2007. The Board of Directors proposes that the AGM decides to authorize the Board of Directors to decide on acquisition and disposal of own shares as in the previous years. The Board of Directors will further propose that a dividend of EUR 0.25 per share be distributed for 2006. Shareholders register in the shareholder register maintained at the Finnish Central Securities Depository Ltd on the record date for dividend payment, Friday, 23 March, 2007, will be entitled to the dividend declared by the Company. Dividend payments will be made on Friday, 30 March, 2007. A separate Stock Announcement will be published.

Board members and auditors

Shareholders representing a total of over 50 per cent of the company's votes have informed the company of their intention to propose that the following members be re-elected to the Board: Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman, Heikki Martela, Pekka Martela and Jaakko Palsanen. They will also propose that Matti Lindström be elected as staff representative, with Raimo Santala as deputy. The above shareholders have also announced that they will propose that Reino Tikkanen, Authorised Public Accountant, be elected as the company's auditor, with KPMG Oy, Authorised Public Accountants, as deputy, until the end of the following AGM.

Events after the end of the financial year

Non-business-related assets were sold in early 2007, and this will improve the result of the first quarter by EUR 0.5 million. Moreover, proceeds of EUR 0.8 million from the sale of the Bodafors plant in Sweden will be realised at the turn of March/April.

Martela's Board of Directors decided on 14 February, 2007 on a share-based incentive scheme for key personnel for 2007-2009. The key personnel will be eligible to receive Martela's A shares if the targets set for specified earnings periods are achieved. These periods are the calendar years 2007, 2008 and 2009. Any incentives paid on the basis of the above scheme will be paid in both shares and cash at the end of each earnings period. The maximum incentive for the whole scheme is 153,000 Martela Oyj A shares and the amount of cash needed to cover taxes and similar charges, which amounts to approximately the value of the shares to be paid. The achievement of the targets set for an earnings period determines the percentage of the maximum bonus to be paid to a key person.
The company is planning to outsource the administration of this incentive plan to Alexander Management Oy which will, for this purpose, acquire the Company’s A-shares from the Helsinki Stock Exchange to be used for hedging and implementation of the incentive plan.

GROUP INCOME STATEMENT (EUR 1000)

	2006 1-12	2005 1-12	2006 10-12	2005 10-12
Revenue	119.727	102.246	36.845	29.337
Other operating income	1.429	0.987	0.568	0.487
Employee benefits expenses	-27.562	-24.617	-8.373	-6.742
Operating expenses	-85.763	-74.344	-25.335	-21.562
Depreciation and impairment	-3.332	-2.756	-0.868	-0.157
Operating profit/loss	4.499	1.516	2.837	1.363
% of turnover	3.8	1.5	7.7	4.7
Financial income and expenses	-0.798	-0.544	-0.143	-0.195
Profit/loss before taxes	3.701	0.972	2.694	1.168
% of turnover	3.1	1.0	7.3	4.0
Income tax	-0.977	-1.085	-0.484	-1.203
Profit/loss for the period	2.723	-0.112	2.209	-0.034
% of turnover	2.3	-0.1	6.0	-0.1
Basic earnings per share, eur	0.7	0.0	0.5	0.0
Diluted earnings per share, eur	0.7	0.0	0.5	0.0

GROUP BALANCE SHEET (EUR 1000)

ASSETS	31.12.2006	31.12.2005
Non-current assets		
Intangible assets	0.662	0.517
Tangible assets	15.784	18.991
Investments	0.062	0.078
Deferred tax assets	0.776	1.819
Pension obligations	0.018	0.000
Investment properties	1.166	1.161
Total	18.468	22.566
Current assets		
Inventories	11.938	10.057
Receivables	24.792	18.512
Financial assets at fair value through profit and loss	1.943	2.875
Cash and cash equivalents	1.968	2.088
Total	40.641	33.532
Total assets	59.109	56.098

EQUITY AND LIABILITIES

Equity attributable to equity holders of the parent	31.12.2006	31.12.2005
Share capital	7.000	7.000
Share premium account	1.116	1.116
Other reserves	0.121	0.117
Translation differences	-0.133	-0.108
Retained earnings	17.542	15.432
Treasury shares	-0.721	-0.721
Total	24.925	22.836

Non-current liabilities		
Interest-bearing liabilities	12.844	15.605
Deferred tax liability	0.175	0.297
Other non-current liabilities	-	-
Pension obligations	0.000	0.001
Total	13.019	15.902
Current liabilities		
Interest-bearing	4.271	3.707
Non-interest bearing	16.894	13.653
Total	21.165	17.360
Total liabilities	34.184	33.262
Equity and liabilities, total	59.109	56.098

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
01.01.2005	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
1.1.2006	7.000	1.116	0.117	-0.108	15.432	-0.721	22.836
Dividends paid					-0.613		-0.613
Translation diff.			0.004	-0.025			-0.021
Profit/loss for the period					2.723		2.723
31.12.2006	7.000	1.116	0.121	-0.133	17.542	-0.721	24.925

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2006 1-12	2005 1-12
Cash flows from operating activities		
Cash flow from sales	114.537	100.325
Cash flow from other operating income	0.364	0.635
Payments on operating costs	-113.292	-99.364
Net cash from operating activities before financial items and taxes	1.609	1.596
Interest paid	-0.691	-0.734
Interest received	0.048	0.043
Other financial items	-0.084	0.123
Dividends received	0.003	0.002
Taxes paid	-0.018	-0.076
Net cash from operating activities (A)	0.867	0.954

Cash flows from investing activities	2006 1-12	2005 1-12
Capital expenditure on tangible and intangible assets	-1.840	-1.664
Proceeds from sale of tangible and intangible assets	2.992	0.580
Loans granted	-	-
Repayments of loans receivables	0.006	-
Net cash used in investing activities (B)	1.158	-1.084
Cash flows from financing activities		
Proceeds from short-term loans	1.783	-
Repayments of short-term loans	-1.546	-1.443
Proceeds from long-term loans	-	0.170
Repayments of long-term loans	-2.689	-0.818
Dividends	-0.613	-0.613
Net cash used in financing activities (C)	-3.065	-2.704
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	-1.041	-2.834
Cash and cash equivalents at the beginning of period	4.963	7.812
Translation differences	-0.010	-0.015
Cash and cash equivalents at the end of period	3.911	4.963

KEY FIGURES/RATIOS	2006 1-12	2005 1-12
Revenue EUR million	119.7	102.2
Change in revenue, %	17.1	1.5
Exports and international operations, EUR million	36.7	31.6
In relation to revenue, %	30.7	30.9
Gross capital expenditure on fixed assets, EUR million	1.8	1.6
In relation to revenue, %	1.5	1.6
Research and development expenses, EUR million	2.5	2.0
In relation to revenue, %	2.1	2.0
Average personnel	626	610
Change in personnel, %	2.6	-7.9
Personnel at year end	632	604
Turnover / employee, EUR thousand	191.3	167.6
Return on equity, %	11.4	-0.5
Return on investment, %	11.0	4.3
Equity ratio, %	42.4	40.8
Interest-bearing net-debt, EUR million	13.2	14.3
Gearing ratio, %	53.0	62.8

Key share-related figures

Number of shares, at the end of period (1000)	4155.6	4155.6
Basic earnings per share, EUR	0.7	0.0
Diluted earnings per share, EUR	0.7	0.0
Price/earnings ratio (PE)	9.8	-265.2
Equity per share, EUR	6.1	5.6
Dividend/share, EUR	0.25*	0.15
Dividend/earnings, EUR	37.5	-547.9
Effective dividend yield, %	3.8	2.1
Price of A-share 31.12. EUR	6.50	7.26

*) Proposal of the Board of Directors

The largest shareholders, 31.12.2006

	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 Förvaltnings AS	228 400	1.5
Mutual Fund Nordea Nordic Small Cap	200 247	1.3
Palsanen Leena	199 634	9.6
FIM Fenno Mutual Fund	193 900	1.2
OP-Suomi arvo-Mutual Fund	178 700	1.1
Pohjola P & C Insurance company	170 000	1.1
Martela Heikki	158 356	7.3
Suomen Argentor Oy	154 600	1.0
Martela Matti	115 238	7.8
Lindholm Tuija	112 546	6.0
Mutual Fund Aktia Capital	106 500	0.7
Palsanen Jaakko	85 868	0.8
Ålandsbanken Nordic Value	77 500	0.5
Martela Pekka	75 667	8.9
Other shareholders	1 238 470	10.3
Total	4 155 600	100.0

The number of registered Martela Oyj shares on 31.12.2006 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 8.5% of the shares and 17.2% of the votes.

Segments

2006 (EUR 1,000)

Geographical segments	Finland	Scandinavia	Other areas	Elim.	Unalloc.	Total
Turnover	82.920	22.364	14.414	0.029		119.727
Segment assets	49.215	10.003	4.377	-8.684	4.198	59.109
Capital expenditure	1.598	0.078	0.148			1.824

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

CONTINGENT LIABILITIES

	31.12.2006	31.12.2005
Mortgages and shares pledged	20.739	20.560
Guarantees	0.115	0.113
Other commitments	0.323	0.315
Rental commitments	9.753	11.621

DEVELOPMENT OF SHARE PRICE	2006 1-12	2005 1-12
Share price at the end of period, EUR	6.50	7.26
Highest price, EUR	8.16	8.99
Lowest price, EUR	5.99	6.08
Average price, EUR	6.82	7.01

Annual Reports in Finnish and English will be published during the week 10. The first Interim Report for the period January 1 – March 31, 2007 will be published on April 24, 2007.

Helsinki, February 14, 2007

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