

MARTELA OYJ STOCK EXCHANGE RELEASE 20.2.2008

MARTELA OYJ'S FINANCIAL STATEMENTS, 1 JANUARY - 31 DECEMBER, 2007

Revenue for January–December was EUR 128.4 million (119.7), an increase of 7.3 per cent. Growth was especially robust in the Swedish, Norwegian and Polish markets. The profit before taxes was EUR 7.6 million (3.7), including capital gains from the sale of assets totalling EUR 2.5 million (1.1). The equity-to-assets ratio was 46.7 per cent (42.4) and the gearing ratio was 16.0 per cent (53.0).

#### Accounting policies

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

#### Market situation

The demand for office furniture began to grow in 2006 and this trend has continued. In early 2007, the furniture sector in the Nordic countries experienced some restructuring involving private equity investors. 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 financial year or the comparison period.

#### Segment reporting

Martela has one primary segment, which is 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 grew to EUR 128.4 million (119.7), an increase of 7.3 per cent. Revenue for the fourth quarter grew to EUR 37.0 million (36.8), an increase of 0.4 per cent.

#### Invoicing by main market areas, January–December

	1-12 2007	Percentage	1-12 2006	Percentage	Change, %
Finland	85.8	66.7%	83.0	69.3%	3.4%
Scandinavia	26.4	20.5%	22.3	18.6%	18.3%
Other regions 1)	16.5	12.8%	14.5	12.1%	13.7%
Total	128.7	100.0%	119.8	100.0%	7.4%

1) The Polish market accounts for more than one half of the invoicing under 'Other regions'. The growth in Poland was 34 per cent.

## Quarterly invoicing by main market areas

	1/06	2/06	3/06	4/06	1/07	2/07	3/07	4/07
Finland	19.0	18.4	19.5	26.1	19.6	20.7	20.7	24.8
Scandinavia	5.1	4.6	6.2	6.4	6.5	5.9	6.8	7.2
Other regions	2.8	4.3	3.0	4.3	3.9	3.7	3.8	5.1
Total	26.9	27.3	28.8	36.8	30.0	30.3	31.3	37.1

## Group result

The Group result continued to grow according to plan in the final quarter and operating profit was EUR 2.6 million (2.8). The January-December profit before taxes increased to EUR 7.6 million (3.7). This includes EUR 2.5 million (1.1) in non-recurring income from the sale of property, of which EUR 1.0 million was recognised in the first quarter from ownership rearrangements at the Bodafors plant. The property ownership was outsourced and some 50 per cent of the factory's surface area was leased back on a long-term lease. The property at our Oulu facility was also divested in the second quarter, bringing EUR 0.9 million in capital gains. Operations in Oulu will continue under a long-term lease. The operating profit for January-December, excluding non-recurring items, was EUR 5.8 million (3.4), which was 4.5 per cent (2.8) of revenue.

## Result by quarter-year

	1/06	2/06	3/06	4/06	1/07	2/07	3/07	4/07
Revenue	26.9	27.2	28.8	36.8	29.9	30.4	31.2	37.0
Other income	0.2	0.6	0.1	0.5	1.7	1.3	0.0	0.0
Operating profit	-0.1	0.9	0.8	2.8	1.7	2.6	1.4	2.6
Operating profit, %	-0.2%	3.2%	2.9%	7.7%	5.6%	8.5%	4.7%	7.0%
Profit before taxes	-0.3	0.6	0.7	2.7	1.5	2.4	1.3	2.4

## Key figures

	2007	2006	2005	2004
Revenue	128.4	119.7	102.2	100.7
Change in revenue, %	7.3	17.1	1.5	-1.4
Operating profit excluding non-recurring items	5.8	3.4	1.1	-2.6
Operating profit excluding non-recurring items, %	4.5	2.8	1.1	-2.6
Return on investment, %	19.6	11.0	4.3	-2.2
Return on equity, %	19.8	11.4	-0.5	-8.1
Equity-to-assets ratio, %	46.7	42.4	40.8	39.3
Gearing ratio, %	16.0	53.0	62.8	56.4
Average staff	663	626	610	662
Revenue/person (EUR 1,000)	193.7	191.3	167.6	152.2

## Capital expenditure

The Group's gross capital expenditure for January-December was EUR 3.2 million (1.8). EUR 0.7 million of this was attributable to the ownership rearrangements at the Bodafors plant, as a result of which the long-term lease liability for the part leased back was recognised in the consolidated balance sheet in accordance with the IFRS. The remaining capital expenditure concerned production replacements and IT investments.

## Staff

The Group employed 663 (626) people on average, up by 5.9 per cent. At the end of 2007, the Group employed 655 people (632).

## Average staff by region

	1-12/07	1-12/06	Change, %
Finland	518	501	3.4%
Scandinavia	71	75	-5.3%
Poland	74	50	48.0%
Group total	663	626	5.9%

## Staff by quarter-year

	1/06	2/06	3/06	4/06	1/07	2/07	3/07	4/07
Average staff	611	632	636	632	629	660	664	661
Staff at end of period	600	660	629	632	628	689	644	655
Revenue/person, EUR 1,000	44.0	43.0	45.3	58.3	47.5	46.0	47.0	56.0

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

## Product development

Product development and collection management is the responsibility of two Group-level organisations: the 'Office' business unit, which is responsible for workstation furniture, and the 'Surroundings' business unit, which is responsible for furniture for lobbies and other public spaces.

During 2007, product development employed 22 people (21) and product development expenses accounted for 2.4 per cent (2.1) of revenue.

The Pinta workstation collection was launched at the Stockholm Furniture Fair in the first quarter of 2007. Pinta is based on a single, uniform range of tabletops, with base options to suit specific customer needs. At the Stockholm fair, Martela also introduced screen and storage solutions that improve acoustics.

In April, the Surroundings business unit introduced new furniture for surroundings at the Milan Furniture Fair in Italy. They included Stefan Lindfors' Menu chair and Samuli Naamanka's Sides chair.

## 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 its 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 pays particular attention to the recycling and potential re-use of discarded furniture by offering recycling services to its customers. Martela Oyj's environmental system certification will be valid until the end of 2008 and also covers Kidex Oy's operations. P.O. Korhonen Oy also has its own certified environmental system. Environmental management is discussed in the annual report.

## Finance

Cash flow from operating activities for January–December was EUR 9.9 million (0.9). Cash flow from investing activities was EUR 0.7 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 2.7 million from the beginning of the year, and totalled EUR 14.4 million (17.1) at year-end. Liquid assets amounted to EUR 9.7 million (3.9) at the end of the period. The equity-to-assets ratio rose to 46.7 per cent (42.4) and gearing improved correspondingly to 16.0 per cent (53.0).

## Cash flows by quarter-year

	1/06	2/06	3/06	4/06	1/07	2/07	3/07	4/07
Cash flow from operations	2.6	0.0	-2.1	0.4	2.6	2.3	-1.9	6.9
Cash flow from investing	-0.1	0.2	0.1	0.9	0.8	0.9	-0.4	-0.5
Cash flow from financing	-1.0	-1.0	1.2	-2.2	-2.5	-1.2	0.6	-1.8
Change in liquid assets	1.5	-0.7	-1.0	-0.9	1.0	2.0	-1.8	4.6
Liquid assets at start of period	5.0	6.5	5.7	4.8	3.9	4.9	6.9	5.1
Liquid assets at end of period	6.5	5.7	4.8	3.9	4.9	6.9	5.1	9.7

## Shares

During January–December, 1,159,509 (1,076,693) of the company's A shares were traded on the OMX Nordic Exchange in Helsinki, corresponding to 32.7 per cent (30.3) of all A shares. The value of trading was EUR 10.0 million (7.3). 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 8.35 at the end. 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 December, equity per share was EUR 7.2 (6.1).

## Treasury shares

Martela did not buy back any of its own shares in 2007. On 31 December 2007, Martela held 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.

## 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 meeting elected Heikki Ala-Ilkka, Tapio Hakakari, Heikki Martela, Pekka Martela, Jori Keckman and Jaakko Palsanen as members of the Board of Directors for the next term. Matti Lindström was elected 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 authorisation applies to the company's A shares and to a maximum of 5 per cent of the company's share capital or 207,780 A shares. The shares may be assigned as part of the salary and incentive system, as consideration when the company acquires property associated with its business operations and as consideration in any merger or acquisition, in a way and to the extent decided by the Board of Directors. Assignment of shares can also be carried out in public trading on the OMX Nordic Exchange Helsinki. The authorisation is valid for 12 months from the decision of the Annual General Meeting.

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 OMX Nordic Exchange Helsinki during the first quarter with a EUR 1.2 million loan granted by Martela.

## Post-balance sheet events

Non-business-related assets were sold in early 2008, which will improve the result of the first quarter by some EUR 0.6 million.

In the beginning of 2008, Martela made a decision to found a company in Russia. According to its plan, the company will import and market Martela products and promote the Martela brand in Russia. Sales to key customers will take place through the new company directly and to other customers through the Martela dealer network. Until now, Martela's sales in Russia have taken place from Finland through local dealers.

#### Short-term risks

The greatest risks to the profit development is related to the continuation of economic growth in general and the consequent trend in overall demand for office furniture. The price trend of materials and components purchased also affects the future outlook.

#### 2008 Annual General Meeting and the Board's profit distribution proposal

Martela Oyj's Annual General Meeting will be held on Tuesday, 1 April 2008. The Board of Directors will propose to the AGM that the Board be authorised to acquire and convey the company's own shares, and to amend the articles of association mainly to conform with the new Limited Liability Companies Act which came into force in 2006. Furthermore, the Board of Directors will propose that a dividend of EUR 0.50 per share be distributed for 2007. The parent company's distributable funds amount to EUR 31,665,067.06. Shareholders registered in the shareholder register maintained at the Finnish Central Securities Depository Ltd on the record date for dividend payment, Friday, 4 April 2008, will be entitled to the dividend as proposed by the Board. Dividend payments will be made on Friday, 11 April 2008. The notice of Annual General Meeting will be published in a separate stock exchange announcement.

#### Board members and auditors

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

#### Outlook for 2008

The Group's result for 2008 is expected to improve on 2007. The outlook is supported by the solid order books of early 2008 and the continuing growth of office construction.

## GROUP INCOME STATEMENT (EUR 1000)

	2007 1-12	2006 1-12	2007 10-12	2006 10-12
Revenue	128.445	119.727	36.992	36.845
Other operating income	3.023	1.429	0.068	0.568
Employee benefits expenses	-28.723	-27.562	-7.834	-8.373
Operating expenses	-91.236	-85.763	-25.819	-25.335
Depreciation and impairment	-3.231	-3.332	-0.825	-0.868
Operating profit/loss	8.278	4.499	2.582	2.837
% of turnover	6.4	3.8	7.0	7.7
Financial income and expenses	-0.726	-0.798	-0.181	-0.143
Profit/loss before taxes	7.552	3.701	2.401	2.694
% of turnover	5.9	3.1	6.5	7.3
Income tax	-2.165	-0.977	-0.714	-0.484
Profit/loss for the period	5.387	2.723	1.686	2.209
% of turnover	4.2	2.3	4.6	6.0
Basic earnings per share, eur	1.3	0.7	0.4	0.5
Diluted earnings per share, eur	1.3	0.7	0.4	0.5

## GROUP BALANCE SHEET (EUR 1000)

31.12.2007      31.12.2006

## ASSETS

Non-current assets		
Intangible assets	0.633	0.662
Tangible assets	14.151	15.784
Investments	0.053	0.062
Deferred tax assets	0.240	0.776
Pension receivables	0.035	0.018
Receivables	0.623	0.000
Investment properties	1.203	1.166
Total	16.938	18.468
Current assets		
Inventories	13.635	11.938
Receivables	23.536	24.792
Financial assets at fair value through profit and loss	2.004	1.943
Cash and cash equivalents	7.686	1.968
Total	46.861	40.641
Total assets	63.800	59.109



## 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	-0.129	-0.129
Retained earnings	22.060	17.542
Treasury shares	-0.721	-0.721
Share-based incentives	0.067	0.000
Total	29.510	24.925

## Non-current liabilities

Interest-bearing liabilities	10.453	12.844
Deferred tax liability	1.553	0.175
Total	12.006	13.019

## Current liabilities

Interest-bearing	3.969	4.271
Non-interest bearing	18.315	16.894
Total	22.284	21.165

Total liabilities	34.290	34.184
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Equity and liabilities, total	63.800	59.109
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## 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
01.01.2006	7.000	1.116	0.117	-0.108	15.432	-0.721	22.836
Translation diff.				-0.021			-0.021
Profit/loss for the period					2.723		2.723
Total recognized income and expense for the fin.year				-0.021	2.723		2.702
Dividends paid					-0.613		-0.613
31.12.2006	7.000	1.116	0.117	-0.129	17.542	-0.721	24.925
1.1.2007	7.000	1.116	0.117	-0.129	17.542	-0.721	24.925
Translation diff.				0.000			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 paid					-1.022		-1.022
31.12.2007	7.000	1.116	0.117	-0.129	22.127	-0.721	29.510

## CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2007	2006
	1-12	1-12
Cash flows from operating activities		
Cash flow from sales	130.834	114.537
Cash flow from other operating income	0.550	0.364
Payments on operating costs	-121.090	-113.292
Net cash from operating activities before financial items and taxes	10.294	1.609
Interest paid	-0.842	-0.691
Interest received	0.082	0.048
Other financial items	-0.021	-0.084
Dividends received	0.001	0.003
Taxes paid	0.381	-0.018
Net cash from operating activities (A)	9.895	0.867
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-2.256	-1.840
Proceeds from sale of tangible and intangible assets	2.028	2.992
Proceeds from sale of shares in subsidiaries	2.150	-
Loans granted	-1.193	-
Repayments of loans receivables	0.011	0.006
Net cash used in investing activities (B)	0.740	1.158
Cash flows from financing activities		
Proceeds from short-term loans	0.976	1.783
Repayments of short-term loans	-1.704	-1.546
Repayments of long-term loans	-3.108	-2.689
Dividends	-1.022	-0.613
Net cash used in financing activities (C)	-4.858	-3.065
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	5.778	-1.041
Cash and cash equivalents at the beginning of period	3.911	4.963
Translation differences	0.002	-0.010
Cash and cash equivalents at the end of period	9.691	3.911

## KEY FIGURES/RATIOS

	2007 1-12	2006 1-12
Revenue EUR million	128.4	119.7
Change in revenue, %	7.3	17.1
Exports and international operations, EUR million	42.8	36.7
In relation to revenue, %	33.3	30.7
Gross capital expenditure on fixed assets, EUR million	3.2	1.8
In relation to revenue, %	2.5	1.5
Research and development expenses, EUR million	3.1	2.5
In relation to revenue, %	2.4	2.1
Average personnel	663	626
Change in personnel, %	5.9	2.6
Personnel at year end	655	632
Turnover / employee, EUR thousand	193.7	191.3
Return on equity, %	19.8	11.4
Return on investment, %	19.6	11.0
Equity ratio, %	46.7	42.4
Interest-bearing net-debt, EUR million	4.7	13.2
Gearing ratio, %	16.0	53.0
Key share-related figures		
Number of shares, at the end of period (1000)	4155.6	4155.6
Basic earnings per share, EUR	1.3	0.7
Diluted earnings per share, EUR	1.3	0.7
Price/earnings ratio (PE)	6.3	9.8
Equity per share, EUR	7.2	6.1
Dividend/share, EUR	0.50*	0.25
Dividend/earnings, %	37.9	37.5
Effective dividend yield, %	6.0	3.8
Price of A-share 31.12. EUR	8.35	6.50

\*) Proposal of the Board of Directors

## The largest shareholders, 31.12.2007

	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	228 400	1.5
Mutual Fund Nordea Nordic Small Cap	220 343	1.4
Palsanen Leena	199 634	9.6
FIM Fenno Mutual Fund	193 900	1.2
Pohjola P & C Insurance company	170 000	1.1
Suomen Argentor Oy	162 700	1.0
Martela Heikki	158 356	7.3
Evli Alexander Management Oy	143 166	0.9
Martela Matti	115 238	7.8
Lindholm Tuija	93 546	5.8
Nordea pankki Suomi Oyj	89 523	0.6
Palsanen Jaakko	85 868	0.8
Martela Pekka	69 282	8.9
Other shareholders	1 091 970	9.4
Total	4 155 600	100.0

The number of registered Martela Oyj shares on 31.12.2007 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 8.4% of the shares and 17.2% of the votes.

## Segments

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

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

## CONTINGENT LIABILITIES

	31.12.2007	31.12.2006
Mortgages and shares pledged	15.673	20.739
Guarantees	-	0.115
Other commitments	0.317	0.323
Rental commitments	10.674	9.753

DEVELOPMENT OF SHARE PRICE	2007	2006
	1-12	1-12
Share price at the end of period, EUR	8.35	6.50
Highest price, EUR	10.35	8.16
Lowest price, EUR	6.39	5.99
Average price, EUR	8.64	6.82

Annual Reports in Finnish and English will be published during the week 12. The first Interim Report for the period January 1 - March 31, 2008 will be published on April 23, 2008.

Helsinki, February 20, 2008

Martela Oyj  
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CEO

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