

## MARTELA OYJ'S INTERIM REPORT, 1 JANUARY - 31 MARCH, 2007

Revenue totalled EUR 29.9 million (26.9), an increase of 11.2 per cent. Growth was strong in markets outside Finland. The result climbed to EUR 1.5 million (-0.3), which includes EUR 1.6 million in gains from property sales. The equity-to-assets ratio increased to 44.7 per cent (41.0). Growth is expected to continue in 2007, and the result for the entire year is estimated to be an improvement on last year.

## Accounting policies

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

## Market

The market situation continued to be favourable in all the main market areas.

## Group structure

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

## 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.

## Revenue

Revenue in the first quarter increased to EUR 29.9 million (26.9), representing growth of 11.2 per cent. Growth was strong in markets outside Finland.

## Invoicing by main market areas, January-March

	1-3/07	%	1-3/06	%	Change %
Finland	19.6	65.3 %	19.0	70.6 %	+ 3.0 %
Scandinavia	6.5	21.8 %	5.1	18.9 %	+28.1 %
Other regions	3.9	12.9 %	2.8	10.5 %	+36.3 %
Total	30.0	100.0 %	27.0	100.0 %	+11.1 %

The Polish unit's invoicing increased by 34.4 per cent and totalled EUR 2.2 million (1.6).

## Quarterly invoicing by main market areas

	1/05	2/05	3/05	4/05	1/06	2/06	3/06	4/06	1/07
Finland	16.3	17.0	17.0	20.6	19.0	18.4	19.5	26.1	19.6
Scandinavia	4.5	4.3	5.5	5.3	5.1	4.6	6.2	6.4	6.5
Other regions	3.2	2.9	2.5	3.5	2.8	4.3	3.0	4.3	3.9
Total	24.0	24.2	25.0	29.5	26.9	27.3	28.8	36.8	30.0

As expected and in line with previous years, invoicing for the first quarter of 2007 was at a clearly lower level than that for the preceding quarter.

## Group's consolidated result

Overall profit performance was as anticipated. The consolidated result before taxes was positive at EUR 1.5 million (-0.3). The result was improved by non-recurring gains from property sales, totalling EUR 1.6 million. The review period's operating profit excluding gains from property sales was EUR 0.1 million (-0.3).

## Result by quarter-year

	1/05	2/05	3/05	4/05	1/06	2/06	3/06	4/06	1/07
Revenue	23.9	24.1	25.0	29.3	26.9	27.2	28.8	36.8	29.9
Other income	0.3	0.1	0.1	0.5	0.2	0.6	0.1	0.5	1.7
Operating profit	-0.2	-0.9	1.3	1.4	-0.1	0.9	0.8	2.8	1.7
Operating profit, %	-1.0%	-3.7%	5.1%	4.6%	-0.2%	3.2%	2.9%	7.7%	5.6%
Result before taxes	-0.4	-0.9	1.1	1.2	-0.3	0.6	0.7	2.7	1.5

## Capital expenditure

The Group's gross capital expenditure totalled EUR 1.3 million (0.4). EUR 0.7 million of the review period's capital expenditure is due to the partial leasing back of the divested Bodafors plant property and the resulting lease liabilities activated in the balance sheet. The remaining capital expenditure mainly concerned production replacements and IT equipment.

## Staff

At the end of the review period, the Group employed 628 people, which is almost at the level of the year's beginning. During the first quarter, the Group employed 629 people (611) on average.

Average staff by region	1/07	1/06	Change %
Finland	501	486	+ 3.1
Scandinavia	64	72	- 11.1
Poland	64	53	+ 20.8
Group total	629	611	+ 2.9

## Staff by quarter-year

	1/05	2/05	3/05	4/05	1/06	2/06	3/06	4/06	1/07
Average staff	611	627	613	593	611	632	636	632	629
Staff at end of period	610	641	600	604	600	660	629	632	628
Revenue/person (EUR 1,000)	39.1	38.4	40.8	49.5	44.0	43.0	45.3	58.3	47.5

## Share-based incentive programme

Martela's Board of Directors decided on 14 February 2007 on a share-based bonus programme for key personnel for 2007-2009. The number of A shares that can be earned through the system depends on the reaching 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, which amounts to approximately the value of the shares to be paid. The company has outsourced management of the bonus system to Alexander Management Oy, which acquired all the necessary shares from the Helsinki Stock Exchange during the first quarter with a EUR 1.2 million loan granted by Martela.

## Product development

During the first quarter, the new Pinta desk product family was launched. It was introduced publicly for the first time at the Stockholm Furniture Fair in February. The product family has a uniform desktop selection and allows the base to be selected purposefully according to customer needs. In the same connection, the possibilities to affect acoustics through different furniture solutions were demonstrated and new chairs were presented.

The Surroundings business unit presented its furniture solutions for public premises and lobbies for the first time at the Milan Furniture Fair in April. Among the products presented were the Menu chair designed by Stefan Lindfors, and the Sides chair designed by Samuli Naamanka.

## Finance

The net cash generated by operating activities was EUR 2.6 (2.6) million. The cash flow from investing activities was positive at EUR 0.8 million as a result of gains from property sales. EUR 1.2 million in loans were granted to Alexander Management Oy to finance the acquisition of shares for the share-based bonus programme. Interest-bearing liabilities decreased by EUR 0.8 million and totalled EUR 16.4 million (19.0) at the end of the review period. Liquid assets amounted to EUR 4.9 million (6.5) at the end of the review period. The equity-to-assets ratio improved to 44.7 per cent (41.0), and gearing improved correspondingly to 45.5 per cent (57.0).

## Shares

During the review period, 670,567 (206,225) of the company's A shares were traded on the Helsinki Stock Exchange, corresponding to 18.9 per cent (5.8) of the entire stock. The value of the trading turnover was EUR 5.5 million (1.5). The value of a share was EUR 6.50 at the beginning of the year and EUR 9.0 million at the end of the period. During the review period the share price was EUR 9.56 at its highest and EUR 6.39 at its lowest. At the end of the first quarter, equity per share was EUR 6.2.

## Own shares

Martela did not purchase any of its own shares in the first quarter of 2007. On 31 March 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 its own 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 Meeting adopted the Financial Statements and discharged those responsible for the accounts from further liability. The Annual General Meeting decided, in accordance with the Board of Directors' proposal, to distribute a dividend of EUR 0.25 per share. The Meeting appointed Heikki Ala-Ilkka, Tapio Hakakari, Jori Keckman, Heikki Martela, Pekka Martela 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. Reino Tikkanen, Authorized Public Accountant, was elected as the auditor of the company, with KPMG Oy Ab as the deputy auditor.

The Annual General Meeting also approved the Board of Directors' proposals mentioned in the Meeting notice to authorise the Board to acquire and/or dispose of the company's own shares.

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

## Outlook for 2007

As a whole, the first quarter of 2007 progressed as expected. Revenue is expected to continue growing, although not as steeply as in 2006. Revenue will probably increase towards the end of the year, as in previous years. The result is also expected to improve towards the end of the year, and the result for the entire year is expected to be better than that of last year.

## GROUP INCOME STATEMENT (EUR 1000)

	2007 1-3	2006 1-3	2006 1-12
Revenue	29.867	26.868	119.727
Other operating income	1.681	0.216	1.429
Employee benefits expenses	-6.968	-6.481	-27.562
Operating expenses	-22.134	-19.838	-85.763
Depreciation and impairment	-0.776	-0.815	-3.332
Operating profit/loss	1.670	-0.050	4.499
In relation to revenue, %	5.6	-0.2	3.8
Financial income and expenses	-0.166	-0.243	-0.798
Profit/loss before taxes	1.504	-0.293	3.701
In relation to revenue, %	5.0	-1.1	3.1
Income tax	-0.206	-0.036	-0.977
Profit/loss for the period	1.298	-0.329	2.723
In relation to revenue, %	4.4	-1.2	2.3
Basic earnings per share, eur	0.3	-0.1	0.7
Diluted earnings per share, eur	0.3	-0.1	0.7
GROUP BALANCE SHEET (EUR 1000)	31.3.2007	31.3.2006	31.12.2006
ASSETS			
Non-current assets			
Intangible assets	0.744	0.555	0.662
Tangible assets	15.414	18.456	15.784
Investments	0.054	0.072	0.062
Deferred tax assets	0.550	1.748	0.776
Pension obligations	0.018	0.000	0.018
Investment properties	1.160	1.150	1.166
Total	17.940	21.981	18.468
Current assets			
Inventories	12.680	10.374	11.938
Receivables	21.167	14.884	24.792
Financial assets at fair value through profit and loss	1.961	2.891	1.943
Cash and cash equivalents	2.909	3.596	1.968
Total	38.717	31.746	40.641
Total assets	56.656	53.727	59.109
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	0.118	0.117	0.121
Translation differences	-0.193	-0.129	-0.133
Retained earnings	17.935	14.490	17.542
Treasury shares	-0.721	-0.721	-0.721
Total	25.255	21.873	24.925

Non-current liabilities			
Interest-bearing liabilities	12.452	15.251	12.844
Deferred tax liability	0.149	0.261	0.175
Other non-current liabilities	0.000	0.000	0.000
Pension obligations	0.000	0.001	0.000
Total	12.601	15.513	13.019
Current liabilities			
Interest-bearing	3.904	3.708	4.271
Non-interest bearing	14.896	12.632	16.894
Total	18.800	16.340	21.165
Total liabilities	31.401	31.854	34.184
Equity and liabilities, total	56.656	53.727	59.109

## 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.				-0.021			-0.021
Profit/loss for the period					-0.329		-0.329
Total rec. income and expense				-0.021	-0.329		-0.350
Dividends paid					-0.613		-0.613
31.03.2006	7.000	1.116	0.117	-0.129	14.490	-0.721	21.873
1.1.2007	7.000	1.116	0.121	-0.133	17.542	-0.721	24.925
Translation diff.			-0.003	-0.060			-0.063
Profit/loss for the period					1.298		1.298
Other change					0.117		0.117
Tot rec. income and expense			-0.003	-0.060	1.415		1.352
Dividends paid					-1.022		-1.022
31.03.2007	7.000	1.116	0.118	-0.193	17.935	-0.721	25.255

## CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)

	2007 1-3	2006 1-3	2006 1-12
Cash flows from operating activities			
Cash flow from sales	33.969	30.427	114.537
Cash flow from other operating income	0.086	0.122	0.364
Payments on operating costs	-31.282	-27.779	-113.292
Net cash from operating activities before financial items and taxes	2.773	2.770	1.609
Interest paid	-0.157	-0.148	-0.691
Interest received	0.011	0.008	0.048

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Other financial items	0.005	-0.042	-0.084
Dividends received	0.000	0.000	0.003
Taxes paid	-0.006	-0.001	-0.018
Net cash from operating activities (A)	2.626	2.588	0.867
Cash flows from investing activities	2007 1-3	2006 1-3	2006 1-12
Capital expenditure on tangible and intangible assets	-0.297	-0.191	-1.840
Proceeds from sale of tangible and intangible assets	2.307	0.108	2.992
Loans granted	-1.203	0.000	0.000
Repayments of loans receivables	0.000	0.000	0.006
Net cash used in investing activities (B)	0.808	-0.083	1.158
Cash flows from financing activities			
Proceed from short-term loans	0.000	0.000	1.783
Repayments of short-term loans	-0.268	-0.194	-1.546
Proceed from long-term loans	0.000	0.000	0.000
Repayments of long-term loans	-1.255	-0.213	-2.689
Dividends paid and other profit distribution	-0.939	-0.566	-0.613
Net cash used in financial activities (C)	-2.462	-0.973	-3.065
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	0.972	1.532	-1.041
Cash and cash equivalents at the beginning of period	3.911	4.963	4.963
Translation differences	-0.013	-0.007	-0.010
Cash and cash equivalents at the end of period	4.870	6.487	3.911

## Tangible assets 1.1-31.3 2007

	Land areas	Buildings	Machinery & equipment	Other tangibles	Work in progress
Acquisitions	0.000	0.669	0.282	0.001	0.167
Decreases	-0.591	-2.943	-0.033	-0.000	-0.000

## KEY FIGURES/RATIOS

	2007 1-3	2006 1-3	2006 1-12
Basic earnings per share, eur	0.3	-0.1	0.7
Diluted earnings per share, eur	0.3	-0.1	0.7
Equity/share, eur	6.2	5.4	6.1
Equity ratio	44.7	41.0	42.4
Return on equity	20.7	-5.9	11.4
Return on investment	16.3	-0.2	11.0
Interest-bearing net-debt, eur million	11.5	12.5	13.2
Gearing ratio	45.5	57.0	53.0

Capital expenditure, eur million	1.3	0.4	1.8
- in relation to revenue, %	4.2	1.3	1.5
Personnel at the end of period	628	600	632
Average personnel	629	611	626
Revenue/employee, eur thousand	47.5	44.0	191.3

## CONTINGENT LIABILITIES

	31.3.2007	31.3.2006	31.12.2006
Mortgages and shares pledged	19.418	20.529	20.739
Guarantees	0.103	0.111	0.115
Other commitments	0.318	0.304	0.323
Rental commitments	9.615	11.178	9.753

## DEVELOPMENT OF SHARE PRICE

	2007	2006	2006
	1-3	1-3	1-12
Share price at the end of period, EUR	9.00	7.45	6.50
Highest price, EUR	9.56	8.16	8.16
Lowest price, EUR	6.39	7.20	5.99
Average price, EUR	8.25	7.47	6.82

This interim report has not been audited

Helsinki, April 24, 2007

Martela Oyj  
Board of Directors  
Heikki Martela  
CEO

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

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