MARTELA CORPORATION
Business ID 0114891-2

FINANCIAL STATEMENTS

AND

BORD OF DIRECTORS’ REPORT

12/31/2022

MARTELA FINANCIAL STATEMENTS 2022

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BOARD OF DIRECTORS' REPORT

KEY FIGURES

The Group's revenue for the financial year was EUR 106.7 million (91.9). The operating result for the year was EUR 2.5 million (-1.3). Operating result includes nonrecurring gain EUR 1.5 million from the sale and leaseback agreement regarding Nummela production and logistic centre, taking into account cost of sales. Earnings per share were EUR 0.57 (-0.53). Cash flow from operating activities totalled EUR 2.1 (3.4) million. The equity-to-assets ratio was 24.7 per cent (22.2) and gearing was 58.6 per cent (74.8). The return on investment for the year was 9.1 per cent (-4.7).

DESCRIPTION OF THE BUSINESS

Martela is one of the Nordic leaders in the workplace industry. Martela designs and implements best workplace and learning environments. Martela supplies user-centric solutions into today's workplaces – mobile work and activity based offices. Martela also offers the widest selection of services supporting changes in interior planning as well as supporting maintenance. Our total offering comprises of the change of the whole workplace from its specification and planning to implementation and maintenance.

MARTELA'S OFFERING AND PRODUCT DEVELOPMENT

In line with its Lifecycle strategy Martela creates high-quality services for workplaces and learning environments along the full lifecycle. Our offering includes workplace and learning environment specification and planning, implementation and furnishing as well as continuous measurement and optimization.

To add to the traditional way of purchasing Martela has introduced new service model, Workplace as a Service. The monthly service fees can include everything from one to all of the lifecycle phases.

During 2022 Martela brought to the markets 15 new products including for example Sono telephone booth suitable for hybrid working, for short-term work a combination of a seat and table top was added to Noora-series, the Oona product family was expanded with benches, the range of easily adjustable tables was increased with the Bobby and Trailer, and the Combo series was completed with features suitable for the school environment.

EUR -2.5 (-2.2) million has been entered in the Group profit and loss statement as reasearch and development expenses.

MARKET SITUATION

Gradual removal of restrictions caused by corona pandemic has impacted positively to Martela's market environment. Simultaneously war in Ukraine has brought uncertainty to the market and caused radical price increases in the raw materials as well as restricted the supply of materials. In addition rapid increase in inflation and interest rates will also have impact to the market situation. It is too early to say what impacts these will have in the mid-term to overall market situation.

GROUP STRUCTURE

There was no changes in the group structure in 2022.

REVENUE AND OPERATING RESULT

The January–December 2022 revenue was EUR 106.7 million (91.9), an increase of 16.1 % from previous year. Compared to the previous year, revenue increased in Sweden 28.7%, in Finland 6.9%, in Norway 30.0% and in Other countries 75.6%.

The Group's operating result for the January-December was EUR 2.5 million (-1.3). The January–December result before taxes was EUR 1.3 million (-2.3). The January–December result was EUR 2.6 million (-2.4).

FINANCIAL POSITION

The cash flow from operating activities in January–December was EUR 2.1 million (-3.4).

At the end of the period, interest-bearing liabilities stood at EUR 19.4 million including EUR 17.6 million lease liabilities according to IFRS 16. At the end of comparison period the interest bearing liabilities stood at EUR 13.0 million including EUR 4.3 million lease liabilities according to IFRS 16. Net liabilities were EUR 8.1 million (8.1). At the end of the period, short-term limits of EUR 0.0 million were in use (4.0). Impact of the sale and leaseback agreement, regarding Nummela production and logistic center, on lease liabilities according to IFRS 16 was, at the moment of registration, EUR 13.0 million. Selling price of the asset was EUR 15 million.

The gearing ratio at the end of the period was 58.6% (74.8) and the equity ratio was 24.7% (22.2). The key ratios were negatively impacted by the lease liabilities according to IFRS 16 EUR 17.6 million (4.3). Financial income and expenses were EUR -1.1 million (-1.0).

The balance sheet total stood at EUR 62.3 million (51.1) at the end of the period.

CAPITAL EXPENDITURE

The Group's gross capital expenditure for January–December came to EUR 0.9 million (0.4).

THE GROUP MANAGEMENT TEAM

In March 1, 2022 Mr. Kalle Sulkanen was appointe as VP Operations and member of the management team. He started in his postion on May 1, 2022. From this moment onwards Group Management Team has consisted of CEO Ville Taipale, CFO Kalle Lehtonen, VP Sales and Marketing Johan Westerlund, VP Operations Kalle Sulkanen, VP Brand & Design Kari Leino and VP Design Studio Eeva Terävä.

PERSONNEL

The Group employed an average of 403 people (419), which represents a decrease of 16 persons or 3.8%. Personnel on average employed in Finland was 328 (346), in Sweden 27 (23), in Norway 14 (14) and in group other countries 34 (36).

The number of employees in the Group was 400 (400) at the end of the review period. Personnel costs in January–December totalled EUR 23.6 million (22.7).

NON FINANCIAL INFORMATION

Management of corporate responsibility

Responsibility forms an integral part of Martela's strategy and operations. The VP, Operations is responsible for the corporate responsibility as well as quality, environmental and occupational health and safety management system of the Group. Sustainability Steering Group supervises corporate responsibility with members from the Management Group and the Sustainability Director as the secretary.

More detailed information on the Group's corporate responsibility principles, goals and achievements can be found in a separate Sustainability Report published annually. The 2022 Sustainability Report will be published after the annual report.

Already since 2011, Martela's corporate responsibility has been guided by the Martela Corporate Code of Conduct approved and annually reviewed by the Board of Directors. The principles contain references to international corporate responsibility commitments. The company has engaged itself in the UN Global Compact challenge, which aims at promoting human rights, rights in working life, environmental protection and the eradication of corruption and bribery.

As Martela operates in an international market, it also takes into account any international treaties, commitments and recommendations that concern its work. The most important ones are:

- The UN Universal Declaration of Human Rights
- OECD Guidelines for Multinational Enterprises
- The ILO Declaration on Fundamental Principles and Rights at Work and other ILO conventions related to its activities

Since 2011, the practical activities of the company have been guided by the corporate responsibility policies approved by the Management Group concerning matters related to personnel, the environment and supply chain management. The principles and policies published on Martela's website www.martela.com/about-us/sustainability/corporate-responsibility are reviewed and, when necessary, updated annually under the coordination of the Sustainability Steering Group. The principles and policies cover social and employee matters and matters related to respecting human rights and eradication of corruption and bribery.

Description of the business operating model

The Martela Lifecycle model takes into account the entire life cycle of the workplace. Martela supports the sustainability of its client companies by offering workplace solutions based on circular economy principles.

The Group units have the ISO 9001 quality, ISO 14001 environmental and ISO 45001 occupational health and safety management system certifications, granted by an independent party, to ensure continuous improvement, meeting customer expectations and that environmental and work safety aspects are controlled.

In the manufacturing process, there is an emphasis on a strong supplier chain. Martela's own manufacturing is focused on final assembly and remanufacturing production at its logistics centre in Nummela, Finland, which also houses most of the company's R&D and purchasing. The assembly of upholstery components takes place at Martela's own plant in Poland. The manufacture of table top and storage components takes place mainly at Kidex Oy, Martela's subsidiary located in Kitee, Finland.

The Martela headquarters in Otaniemi, Espoo, houses sales and support functions in addition to the Group administration. Martela has several sales offices in Finland, Sweden and Norway. In other countries, the sale of Martela's products takes place mostly through a dealer network.

The purchasing of products and services from service providers accounts for more than 70% of Martela Group's turnover. A network of around hundred reliable suppliers delivers materials and components for Martela labelled products.

Almost a quarter of the Group's turnover goes on salaries and social security payments. Martela values local manufacturing and employment. As the share of its service business is growing, the company will keep creating more new jobs close to its markets. The distribution of financial value will be discussed in further detail in the forthcoming Sustainability Report.

Environmental matters

Martela's Environmental Policy, approved by the Group Management Team, aims to decrease the company's environmental impacts and promote recycling. The policy gives instructions on taking environmental matters into account in the development of its offering, through which the company will also have an indirect impact on the environmental effects of its customers.

The essential environmental aspects in Martela's operations are presented in the materiality assessment found in the Sustainability Report. Martela has the best opportunities to influence the reduction of greenhouse gas emissions and energy use in its market area through its customers' premises. Martela is constantly working to help its customers create facilities that support knowledge work and improve space efficiency.

Martela's most significant climate impact arises from the use of materials related to products and services offered to customers. Martela's greenhouse gas emissions totalled 10.6 million kilos in 2021 being at the same level as the previous year. Of these emissions, 80% were related to the use of materials purchased for products delivered to customers (scope 3), 5% arose from the indirect use of energy (scope 2) and 8% were related to the delivery of finished products to customers (scope 1).

The total amount of indirect energy used for heating, lighting and ventilation in Martela's premises was 33,200 GJ in 2021. Of the total amount of energy used, 88% was from renewable energy sources, 10% was from fossil sources and 2% was nuclear power. The amount of indirect greenhouse gas emissions under Martela's scope 2 has decreased by 84% in ten years as indirect energy consumption has fallen by 30%. The largest reduction in greenhouse gas emissions has been achieved by purchasing emission-free electricity. In 2021, the amount of material used for production decreased by 10% on the previous year, reaching around 8.2 million kilograms. Nearly 50% of the materials used were wood-based and about 22% were metal-based. In 2021, the production waste generated by the entire group amounted to 1.7 million kilos, of which 99.7% was recovered. Only 0.3% was hazardous waste resulting mainly from the maintenance of equipment and buildings.

The durability, recyclability and recycling of furniture are at the heart of Martela's operations. Martela's furniture has been designed to be refurbished and restored, and their materials can be recycled or used to produce energy. As part of its comprehensive service, Martela also offers a furniture recycling service to its customer companies. The amount of used furniture received from customers decreased a little from the previous year, to 2.6 million kilos. When designing new facility solutions for customers, their old furniture can either be included in the new design or recycled responsibly through Martela. Used furniture in good condition is cleaned and refurbished at the Nummela remanufacturing facility and then made available to corporate and private customers through the Martela Outlet online service and shops. In 2021, around 22,000 pieces of used furniture found new homes through the Martela Outlet chain.

There are no significant environmental risks in Martela's own operations, but global changes in, for example, energy sources, pricing, availability of materials and changes in the way of working may affect Martela's operations in the future.

Environmental goals, their realisation and more detailed environmental metrics are published annually in the Sustainability Report.

Personnel ja social matters

Martela’s vision is to create the best places to work. This goal is enabled by competent and committed personnel who feel good. Martela's people management principles are based on company values and responsible management and leadership practices.

The key objectives of personnel competence development is to develop customer excellence and experience in every touch point and to improve operational performance. During 2022, the sales capabilities and customer relationship management were systematically developed in accordance with Martela’s Lifecycle model. From supply chain view point, the cooperation between the functions and the related processes were crystallized to enhance the order-delivery efficiency.

Hybrid work is still in transition phase in organizations. So too in Martela. The game rules of hybrid work were specified to better support different ways of working, taking into account both individual and teamwork needs. The principle of the flexible working is to provide the balance between in-office and remote work and employees are encourages to work in different places in accordance with the nature of work. The office premises were also revamped to better meet the needs of hybrid work and to support collaboration, communication and encounters and work requiring concentration by dividing the office space into zones that support different working needs. The most recent example is Martela's new head office.

A safe working environment and working conditions are of primary importance for the well-being of the personnel. The basis of a safe work environment is adequate familiarization with work tasks, up-to-date instructions and the necessary safety training. Martela’s personnel will have safety training relevant to their work, enabling them to perform their work in a professional and safe manner. Working safely is important in all kind of work but its importance is emphasized especially in production, removal and installation services. Employees are encouraged to actively report all safety near misses and incidents as they provide valuable information to improve occupational safety. During 2022, personnel’s well-being, functional capacity and coping at work were enhanced by expanding occupational health care services and by piloting mental well-being support services for everyday challenges.

The job satisfaction of the personnel and the effectiveness of the actions chosen to improve the same are measured with annual People Spirit survey. The survey measures, among other things, job motivation, commitment, leadership and operative culture, and employer image. Despite the prevailing uncertainty and challenging environment, the personnel’s job satisfaction and engagement improved compared to the previous survey result. Clear strengths are the meaningfulness of one's own work, received feedback and pride over Martela's products and services. The management and operating culture as well as the employer image have also developed positively. Although the personnel's possibility to participate in developing processes and availability of information have improved since the previous survey, there is room for improvement compared to the benchmark norm. Overall, the results show that the measures to strengthen job satisfaction as well as leadership and operative culture are on the right path.

Martela’s Sustainability Report contains a comprehensive description of the social and people related matters.

Respecting human rights

Matters related to respecting human rights are discussed in, for example, the company’s People Policy and Sustainability Policy for Supply Chain. The main principle is to offer equal opportunities to all of employees and to treat each employee fairly. In the requirements for the suppliers, the focus is on observing national legislation and ILO conventions, depending on which of them is found more demanding from the viewpoint of employee rights. No breaches of respecting human rights have been observed in Martela’s operations or supply chain.

Martela’s products are manufactured on the basis of customer orders, which means that the supply chains are short and that the acquisitions mainly take place from the neighbouring areas and from elsewhere in Europe. In Europe, where there is a long tradition of follow-up of working conditions and labour legislation, the risks related to respecting human rights are smaller. The social risks of Martela's suppliers have been thoroughly investigated and are always reviewed when selecting new suppliers and in conjunction with supplier evaluation.

Analysis of sustainability aspects is an important part of continuous interaction with suppliers. In Martela's sustainability policy for the supply chain that was updated in 2018, the importance of social responsibility in the suppliers' own supply chains is also emphasised. The policy is communicated with each purchase order. Additionally, the key suppliers have been sent a sustainability survey through which Martela has received a commitment from suppliers of materials, components and products to compliance with the requirements of the sustainability policy for the supply chain. In addition, Möbelfakta-labelled products and their supply chains are accompanied with special documentation of sustainability aspects. Martela annually assesses the risks of social responsibility in its supply chain through country-specific sustainability indicators and, on the basis of these, plans the necessary measures for verifying social responsibility on a supplier-by-supplier basis.

In 2022, Martela was awarded the EcoVadis Gold rating. Our score was higher than or equal to the score of 96 per cent of all companies rated by EcoVadis worldwide. Martela received the Gold rating for the second year in a row. EcoVadis is the world's largest sustainability rating agency. Its assessment includes 21 sustainability criteria grouped into four themes: environment, labour and human rights, ethics and sustainable procurement. The rating criteria are based on international sustainability standards, such as the ten principles of the UN Global Compact, the International Labour Organisation (ILO) Conventions, the Global Reporting Initiative (GRI) standards and the ISO 26000 standard.

The 2022 sustainability training was implemented in the autumn and was attended by 86% of the personnel. The training was used to study the employees commitment to Martela's Code of Conduct and awareness of the procedures when noticing behaviour against its principles. Study showed 99% commitment to the principles while 98% evaluated to be clear what absolute ban on corruption and bribery and absolute ban on any inappropriate behaviour in work community means. Almost 80% of respondents were aware of procedures when noticing actions against the principles. No communication on grievance was received during 2022 through any available Martela whistleblowing channel.

Prevention of corruption and bribery

Matters related to prevention of corruption and bribery are discussed in, for example, the Corporate Code of Conduct and Sustainability Policy for Supply Chain. Martela does not accept bribery in any form in its business in any of its market areas. Giving or receiving bribes is not permitted under any circumstances.

All transactions are recorded through the financial management/bookkeeping of each subsidiary. Martela's and all its subsidiaries bookkeeping and transactions are subject to an annual statutory audit. The bookkeeping is transparent to the CFO of the Group.

SHARE

Martela has two share series, A and K, with each K share entitling its holder to 20 votes at a General Meeting and each A share entitling its holder to one vote. Private holders of K shares have shareholder agreement that restricts the sale of K shares to any party outside the existing holders of K shares. There is a total of 604,800 K shares and a total of 3,914,814 A series, together 4,519,614 shares.

In January–December, a total of 2,286,583 (2,490,864) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 58.4% (63.8) of the total number of series A shares.
The value of trading turnover was EUR 6.5 million (6.7), and the share price was EUR 2.45 at the end of the period (2.29). During January–December the share price was EUR 3.81 at its highest and EUR 2.12 at its lowest. At the end of December, equity per share was EUR 3.07 (2.39).

During 2022 Martela has received one notification in accordance with the Finnish Securities Market Act Chapter 9, Section 5.

On March 10, 2022, Martela Corporation has received an announcement from Isku Yhtymä Oy, according to which the total number of Martela Corporation shares owned by Isku Yhtymä Oy has increased above 10% of the shares in Martela plc, as a result of share transactions concluded on March 10, 2022.

More information on the Martela Corporation shares and shareholders can be found under note 27 of the Notes to the financial statements.

Treasury shares

Martela did not purchase any of its own shares in January–December. A total of 11,657 of Martela shares held by the company have been conveyed on May, 23 2022, without consideration to the 34 key individuals participating in the Performance-based Matching Share Plan 2021—2023, announced on March 23, 2021. Conveyance of the shares relates to the earning period 2021. On December 31, 2022, Martela owns a total of 1,425 Martela A shares and its holding of treasury shares amounted to 0.03% of all shares and 0.01% of all votes. Out of the shares, 379 were purchased at an average price of EUR 10.65 and 1 046 were transferred from Martela Corporation's joint account to the treasury shares.

Board and Management shareholdings of Martela Oyj

Members of the Board, CEO and Management Team hold at 31.12.2022 total of 149 720 Martela Oyj A -shares and 2 540 K -shares, which represents 3.4% of the total amount of shares and 1.3% of the voting rights.

Share-based incentive programme

Board of directors decided on March 18, 2021 on new share based incentive plan directed to key employees of the company. Purpose of the plan is to unite shareholders and key employees objectives on long-term basis as well as to commit key employees to execute company's strategy. Plan's objective is to offer to key employees competitive model to earn company's shares.

The new Performance-based Matching Share Plan 2021–2023 consists of three performance periods, covering the financial years of 2021, 2022 and 2023, respectively. The rewards to be paid based on the plan will amount to an approximate maximum total of 718,000 Martela Corporation series A shares including also the proportion to be paid in cash. Approximately 40 persons, including the CEO and other Martela's Management Team members, belong to the target group of the plan. The rewards will be paid partly in Martela Corporation series A shares and partly in cash. The cash proportions of the rewards are intended for covering taxes and tax-related expenses arising from the rewards to the participants. In general, no reward is paid if the participant's employment or director contract terminates before the reward payment. The reward to be paid on the basis of the plan will be capped if the limits set by the Board of Directors for the share price are reached. During the performance period 2021, the rewards are based on the Group's Earnings before Interest and Taxes (EBIT).

As part of the implementation of the Performance-based Matching Share Plan 2021—2023, the Board of Directors has resolved on directed share issue to persons participating to the plan. Decision on the share issue is based on the authorization given by annual general meeting on March 18,2021. Total number of shares subscribed shares was 305 700 A -shares with a subscription price of EUR 2.73 per share. Board of directors resolved new directed share issue where otal number of shares subscribed shares was 11 574 A -shares with a subscription price of EUR 2.88 per share. Decision on the share issue was based on the authorization given by annual general meeting on March 17,2022.

As part of the implementation of the Performance-based Matching Share Plan 2021—2023, the Board of Directors has resolved to grant plan participants interest-bearing loans in the maximum total amount of 686, 000 euros to finance the acquisition of the company's shares. The maximum amount of the loan is 70 per cent of the participant´s investment in shares. The loans will be repaid in full on 31 December 2025, at the latest.

In 2022 total number of shares distributed based on the programme was 11,657.

2022 Annual General Meeting

Martela Corporation's Annual General Meeting was held on Thursday, March 17, 2022. The Meeting approved the Financial Statements, discharged the members of the Board of Directors and CEO from liability for the year of 2021 and approved remuneration report for 2021. The Board of Directors proposal that no dividend will be distributed was approved.

The Annual General Meeting confirmed that the Board of Directors will consist of six members and Mr. Jan Mattsson, Mr. Eero Martela, Ms. Katarina Mellström, Mr. Johan Mild and Ms. Anni Vepsäläinen be re-elected as members of the Board of Directors and Ms. Hanna Mattila will be elected as a new member of the Board. The Annual General Meeting resolved a monthly compensation of EUR 3,400 be paid for the Chairman of the Board and EUR 1,700 for the Board Members, and an additional compensation of EUR 1,600 per year to the Board members belonging to a committee.

Authorized Public Accountant Ernst & Young Oy was re-elected as the company's auditor. The remuneration of the auditor will be paid according to the invoice that has been accepted by the Audit Committee of the company.

The Annual General Meeting authorized the Board of Directors may resolve on the repurchase of a maximum of 450,000 Company’s own A shares with funds from the Company’s unrestricted equity. Own shares will be repurchased in public trading maintained by Nasdaq Helsinki Ltd at the market price of the shares as per the time of repurchase or otherwise at a price formed on the market. In addition Annual General meeting authorized Bioard of Directors to resolve to issue a maximum of 450,000 new A shares and/or to dispose of the Company's own A shares held by the Company either in one or several installments either against payment or without payment. Both authorizations equal approximately 10 % of companys share capital and 2.8 % of the voting rights. Authorization are valid until the closing of the next meeting, however, no longer than until 30 June 2023.

The Board of Directors elected by Martela Corporation's Annual General Meeting had its organizational meeting after the Annual General Meeting and elected from among its members Johan Mild as the Chairman and Katarina Mellström as the Vice Chairman of the Board.

Administration

Martela Corporation is a Finnish limited liability company that is governed in its decision-making and management by Finnish legislation, especially the Finnish Limited Liability Companies Act, by other regulations concerning public listed companies, and by its Articles of Association. The company complies with the NASDAQ OMX Guidelines for Insiders and the Corporate Governance Code 2020 for Finnish listed companies published by the Securities Market Association. Company has published its Corporate Governance report as a separate document in company’s website. More information on Martela’s governance can be found on the company’s website.

Martela Responsibility Report includes extensively the non-financial information (NFI) required by the accounting law reforms. The Responsibility Report of 2021 will be published after the Annual Report.

RISKS AND UNCERTAINTIES

The principal risk regarding profit performance relates to the general economic uncertainty and the consequent effects on the overall demand in Martela’s operating environment. Due to the project-based nature of the sector, forecasting short-term developments is challenging. In accordance with Martela’s risk management model, the risks are classified and guarded against in different ways.

Company regulary evaluates and monitors the finanicng need of its operations in order to secure sufficient liquid funds to run the operations and to facilitate loan repayments.Sudden changes in the market environment or changes in the finance market can however cause that companys liquid funds will not be sufficient to finance the operations.

Production of Martela’s products is based on orders placed by customers, supply chain is short and purchases are mainly from neighbouring area and from other parts of Europe. Extensive warehousing is not needed. The product assembly is automated and based on component subcontracting and on assembly carried out by Martela.

Risks of damage are covered with appropriate insurance and this provides comprehensive coverage for property, business interruption, supplier interruption loss and loss liability risks. The services of an external partner are used in insurance as well as in legal matters.

Finance risks are discussed in note 21 of the notes to the financial statements.

Short-term risks

The principal risk regarding profit performance relates to the general economic uncertainty and the consequent effects on the overall demand in Martela’s operating environment. War in Ukraine and the uncertainty caused by it have had a negative impact on the market situation as well as to supply and prices of raw materials. In addition rapid increase in inflation and interest rates will also have impact to the market situation. Due to the project-based nature of the sector, forecasting short-term development is challenging in normal circumstances. This has been further been emphasized by the general uncertainty caused by the war in Ukraine and in the finacial markets.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On January 16 company announced that it has appointed Mr. Kimmo Hakkala as new VP Sales and Marketing and member of the Management Team effective on February 1, 2023. Current VP Sales Johan Westerlund will leave the company at end of January 2023.

No other significant events requiring reporting have taken place since the January–December period.

OUTLOOK FOR 2023

Martela anticipates its revenue to stay on same level than in 2022 and operating result to be positive.

PROPOSAL OF THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The Board of Directors proposes to the AGM that a dividend of EUR 0.10 per share will be distributed for 2022.

ANNUAL GENERAL MEETING

Martela Corporation's AGM is planned to be in March 2023. The notice of the Annual General Meeting will be published in a separate release.

Consolidated comprehensive income statement

(EUR 1000)

	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Revenue	**1**	**106 710**	**91 889**
Other operating income	2	2 293	637
Changes of inventories of finished goodsand work in progress		3 516	3 839
Raw material and consumables used		-69 548	-58 459
Production for own use		2506	328
Employee benefits expenses	3	-23 557	-22 684
Other operating expenses	4	-13 639	-11 431
Depreciation and impairment	5	-5 790	-5 428
Operating profit (-loss)		**2 491**	**-1 309**
Financial income	7	126	100
Financial expenses	7	-1 268	-1 114
Profit (-loss) before taxes		**1 349**	**-2 323**
Income taxes	8	1205	-61
Profit (-loss) for the financial year		**2 554**	**-2 385**
Other comprehensive income:			
Items that will not later be recognised through profit or loss			
Items resulting from remeasurement of the net debt related to defined benefit plans		103	267
Taxes from items that will not later be recognised through profit or loss		-22	-43
Items that may later be recognised through profit or loss			
Translation differences		190	214
Other comprehensive income for the period		**270**	**438**
Total comprehensive income		**2 824**	**-1 946**
Allocation of profit (-loss) for the financial year			
Equity holders of the parent		2 554	-2 385
Allocation of total comprehensive income			
Equity holders of the parent		2 824	-1 946
Earnings per share of the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	0,57	-0,53
Diluted earnings/share, EUR	9	0,57	-0,53

Consolidated balance sheet

(EUR 1 000)

	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	10	4 278	4 588
Tangible assets	11	13 312	8 965
Non-current financial assets	12	553	542
Deferred tax assets	13	2 860	204
Non-current assets, total		**21 003**	**14 299**
Current assets			
Inventories	14	11 781	12 119
Trade receivables and other receivables	12, 15	18 248	19 712
Cash and cash equivalents		11 295	4 926
Current assets, total		**41 324**	**36 756**
Assets, total		**62 327**	**51 055**

(1 000 eur)	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent	16		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Reserve for invested unrestricted equity		995	962
Other reserves		-9	-9
Treasury shares*		-4	-128
Translation differences		-655	-846
Retained earnings		5 406	2 665
Equity, total		**13 850**	**10 760**
Non-current liabilities			
Pension obligations	19	115	235
Financial liabilities	12, 18	14 686	1 791
Provisions	20	229	236
Non-current liabilities, total		**15 030**	**2 263**
Current liabilities			
Financial liabilities	12, 18	4 612	10 952
Advances received	21	6278	2625
Trade payables	12, 21	9 569	13 099
Accrued liabilities and prepaid income	12, 21	7 893	8 402
Income tax payable		1 213	0
Other current liabilities	12, 21	3 824	2 894
Provisions	20	57	59
Non-interest-bearing current liabilities, total		**33 447**	**38 032**
Liabilities, total		**48 477**	**40 294**
Equity and liabilities, total		**62 327**	**51 055**

* The treasury shares acquired for and assigned to share-based incentive scheme are shown in accounting terms as treasury shares.
See notes 16.

Consolidated cash flow statement

(EUR 1 000)	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Cash flows from operating activities			
Cash flow from sales		113 434	84 749
Cash flow from other operating income		282	595
Payments on operating costs		-110 881	-88 030
Net cash from operating activities before financial items and taxes		2 835	-2 686
Interest paid		-472	-425
Interest received		23	20
Other financial items		4	-353
Dividends received		0	
Taxes paid		-319	45
Net cash from operating activities (A)		**2 072**	**-3 399**
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets		-902	-357
Proceeds from sale of tangible and intangible assets		11 124	40
Net cash used in investing activities (B)		**10 222**	**-317**
Cash flows form financing activities			
Proceeds from short-term loans		33	1 591
Repayments of short-term loans	18	-5 000	-2 000
Repayments of lease liabilities		-2 728	-2 543
Proceeds from long-term lease liabilies		4 000	
Repayment of long-term loans	18	-1 900	
Cash proceeds from issuing shares		10	421
Net cash used in financing activities (C)		**-5 586**	**-2 530**
Change in cash and cash equivalents (A+B+C), increase +, decrease -		6 708	-6 246
Cash and cash equivalents at the beginning of year		**4 926**	**11 172**
Translation differences		-339	
Cash and cash equivalents at the end of year		**11 295**	**4 926**

Statement of changes in equity

(1 000 eur)

Equity attributable to equity holders of the parent	Share capital	Share premium account	Reserve for invested unrestricted equity	Other reserves	Treasury shares	Translation diff.	Retained earnings	Equity total
Equity 1 Jan 2021	**7 000**	**1 116**		**-9**	**-128**	**-1 060**	**4 719**	**11 639**
Other comprehensive income								
Profit (-loss) for the financial year							-2 385	-2 385
Other items of comprehensive income adjusted by tax effects								
Translation differences						214		214
Items resulting from remeasurement of the net debt related to defined benefit plans (incl. Deferred taxes)							225	225
Other comprehensive income for the period						**214**	**225**	**438**
Total comprehensive income						**214**	**-2 160**	**-1 946**
Share issue			962					962
Share-based incentives							106	106
Equity 31 Dec 2021	**7 000**	**1 116**	**962**	**-9**	**-128**	**-846**	**2 665**	**10 761**
Equity 1 Jan 2022	**7 000**	**1 116**	**962**	**-9**	**-128**	**-846**	**2 665**	**10 761**
Other comprehensive income								
Profit (-loss) for the financial year							2 554	2 554
Other items of comprehensive income adjusted by tax effects								
Translation differences						190		190
Items resulting from remeasurement of the net debt related to defined benefit plans (incl. Deferred taxes)							80	80
Other comprehensive income for the period						**190**	**80**	**270**
Total comprehensive income						**190**	**2 634**	**2 824**
Share issue			33					33
Share-based incentives					124		107	231
Equity 31 Dec 2022	**7 000**	**1 116**	**995**	**-9**	**-4**	**-655**	**5 406**	**13 850**

More information in Notes 16 Equity and 17 share-based payments.

Accounting principles for the consolidated financial statements

Martela Group

Martela Corporation supplies ergonomic and innovative furniture solutions and provides interior planning services.
The Group's parent company is Martela Oyj, a Finnish public limited company domiciled in Helsinki, street address Miestentie 1, 02150 Espoo. The company's A shares are listed on Nasdaq Helsinki. The Group's financial statements are available online at Martela's home pages www.martela.com.
These financial statements were authorized for issue by the Board of Directors of Martela Oyj on February 9, 2023. The Finnish Limited Liability Companies Act permits the shareholders to approve or reject the financial statements in the general meeting that is held after publishing the financial statements. As well, the general meeting has a possibility to amend the financial statements.

Basis of preparation

Martela's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as on December 31, 2022. As referred to in the Finnish Accounting Act and in ordinances issued pursuant to the provisions of this Act, the International Financial Reporting Standards refer to the standards and their interpretations adopted in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also conform with additional requirements of the Finnish accounting and company legislation.
The consolidated financial statements are presented in thousands of euros and have been prepared on the historical cost basis except as disclosed in the accounting policies. All presented figures have been rounded, which is why the sum of individual figures might deviate from the presented sum. The key financial indicators have been calculated using exact figures. Martela's consolidated financial statements cover the full calendar year, and this represents the financial period for the parent company and the Group companies.

Use of estimates

The preparation of the financial statements in conformity with IFRS requires Group management to make certain estimates and to use judgement when applying accounting policies. The section "Accounting policies requiring management's judgement and key sources of estimation uncertainty" refers to the judgements made by management and those financial statement items on which judgements have a significant effect.

Principles of consolidation

The consolidated financial statements include the parent company, Martela Oyj, and all the subsidiaries in which the parent company controls, directly or indirectly, more than 50 per cent of the voting power of the shares, or otherwise has control. Martela is considered to be in control of a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.
Subsidiaries are included in the consolidated financial statements by using the acquisition method.
The intra-group transactions, unrealised margins on intra-group deliveries, intra-group receivables and liabilities and profit distribution are eliminated.

Items denominated in foreign currency

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction – in practice, for transactions taking place within any given month, a rate is used that approximates the rate of the transaction date. At the end of the reporting period, the monetary assets and liabilities are translated into functional currencies at the exchange rate at the end of the reporting period. Exchange rate gains and losses related to business operations are treated as adjustments to the purchases and sales. Exchange rate gains and losses in financing are treated as adjustments to financial income and expenses.
The statements of comprehensive income and cash flows of foreign subsidiaries for the period are translated into euros at the average rates for the financial year, and the balance sheets at the average rates of the European Central Bank at the end of the reporting period. The translation of the

profit or loss and comprehensive income for the period at different exchange rates in the statement of comprehensive income and in the balance sheet causes a translation difference which is recognised in other comprehensive income. The exchange rate differences arising from the elimination of the cost of the foreign subsidiaries and the exchange rate differences arising from the translation of post-acquisition equity are also recognised in other comprehensive income. Similar treatment is applied to intra-group non-current loans which in substance are equity and form a part of the net investment in the operation in question. When a subsidiary is disposed of, all or in part, the accumulated translation differences are reclassified to profit and loss as part of the gain or loss on disposal.

Government grants

Grants received from the states or other similar sources are recognised and presented as other operating income when they meet the recognition criteria. Grants related to the acquisition of tangible and intangible assets are recognised as deductions from the carrying amount of the assets in question. Grants are recognised as income over the useful life of a depreciable / amortisable asset by way of a reduced depreciation / amortisation charge. The public grants received during the financial year 2021 consist of grants granted by Business Finland and by State Treasury to Group companies.

Revenue recognition principles

Furniture is mainly delivered as installed at customer. The control of the furniture is transferred to the customer when the deliverables form the contract are fulfilled, i.e. the furniture is delivered and installed at customer and the customer has approved the delivery. The significant risks and rewards of ownership of the furniture is also transferred to the buyer through the approval of the delivery. Revenue from sold goods is recognised as the control of the goods is transferred to the buyer according to the agreement. The normal warranty for standard Martela produced products in normal use is five years and for other standard products two years.

Consultative services consist of workshops and interviews for specification of the demands placed on the work environment and interior planning services. The deliverable is fulfilled and the control is transferred to the customer as the product of the service is delivered to the customer. Revenue from consultative services is recognised as the deliverable is fulfilled.

In removals services the value of the service is received by the customer as Martela provides the service. In such cases the revenue is recognised over time. The removal services provided by Martela are mainly short in duration. In case a removal services project lasts for several months is the revenue recognised based on either invoicing of the achieved project milestones or based on actual work hours registered for the project.

The transaction prices for the sold goods and services are defined for each deliverable on the sales orders and no variable considerations are in use. Martela does not have capitalized costs for obtaining or of fulfilling customer contracts. Sales receivables are typically due latest within two months from invoicing. The customer contracts do not include significant financing components provided by Martela.

Revenue consists of income from customer contracts according to IFRS 15 and income from customer contracts that are classified as leases based on the contract contents, and are treated in accordance to IFRS 16.

Leases in which substantially all the risks and rewards incidental to ownership of an asset remain with the lessor are classified as operative lease contracts and recognised as revenue in the statement of comprehensive income on a straight-line basis over the lease term.

Employee benefits

Pension liabilities

The Group has arranged defined contribution plans and defined benefit plans for retirement. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a

separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Contributions made to defined contribution plans are recognised in profit or loss as an expense as incurred.
The obligations of defined benefit plans are calculated separately for each plan. The projected unit credit method is used in the calculation. Pension costs are recognised as an expense over the service period of personnel based on calculations performed by qualified actuaries. In calculating the present value of a pension obligation, the market yield of corporate high-grade bonds or the interest rate of government bonds are used as the discount rate. Their maturity corresponds to a significant extent with the maturity of the computed pension liability.
Pension expenses (service cost in the period) and the net interest for the net debt related to the defined benefit pension plan are recognised through profit or loss. Pension expenses are included in employee benefit expenses. Items resulting from the remeasurement of the net debt (or net asset) related to the defined benefit plan are recorded in items of other comprehensive income in the financial period during which they emerge. These include actuarial gains and losses and returns on assets included in the plan, among other items. Past service costs are recognised in expenses through profit or loss on the earlier of the following dates: the date when the plan is amended or reduced, or the date when the entity recognises the reorganisation expenses related to this or the benefits related to the termination of the employment relationship.

Share-based payments

In the Group’s share-based incentive system, with vesting periods 2021, 2022 and 2023, payments are made in a combination of shares and cash. Share rewards are measured at fair value at the grant date and recognised as expenses over the vesting period. The vesting conditions are taken into account in the number of shares which are expected to vest by the end of the validity period. Measurements are adjusted at the end of each reporting period and the settlement is recognised under equity. The expense determined at the time of granting the share-based incentives is based on the Group’s estimate of the number of shares which are expected to vest by the end of the vesting period. The assumed vesting takes account of the maximum incentive, the assumed achievement of non-market-based earnings targets and the reduction of persons participating the plan. The Group updates the estimate of the final number of shares at the end of each reporting period. Their impact on profit or loss is presented in the statement of comprehensive income under employment benefits expenses.

Operating profit (loss)

Operating profit is the Group’s profit from operations before financial items and income taxes. Exchange rate differences arisen in the translation of trade receivables and payables denominated in foreign currencies are included in operating profit.

Income taxes

The taxes recognised in the consolidated statement of comprehensive income include current tax based on the taxable income of the Group companies for the financial year, taxes for previous years and the change in deferred taxes. For transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised outside profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised either in other comprehensive income or directly in equity, respectively.
Deferred tax assets and liabilities are recognised on temporary differences between the tax bases and IFRS carrying values of assets and liabilities in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which it can be used. Deferred tax liabilities are recognised to the full extent in the balance sheet. Deferred taxes are measured by using the tax rates enacted or substantively enacted by the end of the reporting period.

Intangible assets

Goodwill

Goodwill resulting from business combinations represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired.
Goodwill is tested annually or more frequently if there are indications that the value might be impaired. Testing is performed at least at the end of each financial year. For this purpose goodwill is allocated to cash generating units. An impairment loss is recognised whenever the carrying amount of cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the comprehensive income statement. An impairment loss in respect of goodwill is never reversed.

Research and development

Research and development is active and continuous in the Group and if individual development projects are of such a scope in relation to operations and if the capitalization criteria are fulfilled these projects are capitalized. Research expenditure is recognised as an expense when incurred. R&D-related equipment is capitalised in machinery and equipment. There has been no development costs that met the capitalization criteria during the financial year.

Other intangible assets

An intangible asset is initially capitalized in the balance sheet at cost if the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Other intangible assets include software licences, IT-programmes, patents and other corresponding rights. Patents, licences and other rights are measured at historical cost, less amortisation and any impairment.

The useful lives of intangible assets are as follows:

Licences	3 – 5 years
IT-programmes	3 – 10 years
Customer ship	4 years
Brands	6 years
Patents and other corresponding rights	10 years

Amortisation is recognised using the straight-line method.

Tangible assets

Land, buildings, machinery and equipment constitute the majority of tangible assets. They are measured in the balance sheet at historical cost, less accumulated depreciation and any impairment. When a part of an item of property, plant and equipment (accounted for as a separate asset) is renewed, the expenditure related to the new item is capitalised and the possibly remaining balance sheet value removed from the balance sheet. Other expenditure arising later is capitalised only when future economic benefits will flow to the Group. Other expenditure for repairs or maintenance is expensed when it is incurred. Those borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. A tangible asset once classified as held for sale is not depreciated. Land is not depreciated. The estimated depreciation periods are as follows:

Buildings	15 - 30 years
Machinery and equipment	3 - 8 years

The residual values and useful lives of tangible assets are reviewed at least at each financial year-end and, if necessary, are adjusted to reflect changes in the expected future economic benefits. Gains and losses from the sale or disposal of tangible assets are recognised in profit and loss and presented under other operating income or other operating expenses.

Impairment of tangible and intangible assets

The carrying amounts of assets are assessed at the end of each reporting period to observe whether there are any indications that an asset may be impaired. If such indications exist, the recoverable

amount of the asset will be estimated at the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised if the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount of it. Impairment losses are recognised in the statement of comprehensive income.
If there are indications that impairment losses no longer exist or that they have diminished, the recoverable amount is estimated. An impairment loss previously recognised in the statement of comprehensive income is reversed if the estimates used in measuring the recoverable income have changed. However, an impairment loss cannot be reversed to an extent more than what the carrying amount of the asset or cash-generating unit would be without recognition of an impairment loss.

Leases

Martela’s lease contracts consist mainly of office spaces, cars and IT-equipment. The lease contracts of cars and IT-equipment are time limited whereas the contracts for office spaces are open ended as well as time limited. The lease contracts do not include variable lease payments.

Lease agreements, for which the lease period is beyond 12 months, are according to IFRS 16 recognised on the balance sheet as a right-of-use assets and lease liabilities. The right-of-use assets decreased with the accumulated depreciations are recognised as tangible assets. The right-of-use assets are depreciated over the lease period or an estimated period if longer. Estimated rental periods, are used for lease agreements of indefinite duration. The estimated rental periods are 2 years for rented offices and sales facilities and 1 year for warehouses. Martela applies the exemptions to IFRS 16 and does not apply IFRS 16 to short-term leases for which the lease term ends within 12 months and leases of low-value assets, which are not offices or warehouses in use by Martela. The payments for these are recognised as equal instalments over the rental period in the consolidated statement of comprehensive income.

The lease liabilities have been discounted at the borrowing rate.

Company also operates as lessor of furniture. Accounting principles of these are described under revenue recognition principles.

Martela Oyj has, during the financial year, signed an sale and leaseback agreement regarding the Nummela production and logistic centre. A sales and leaseback transaction is an operation, in which the Group sells an asset, and simultaneously enters into a lease agreement with the buyer-lessor regarding the right to use the building. If the buyer-lessor has gained control over the asset subject to the agreement and the transfer is classified as an IFRS 15 sale, The Group recognises the fixed asset item arising from the lease to the amount, which is the relative share of the asset's previous book value related to the rights of use retained by it.
The profit is limited to the share of the total profit that is related to the rights transferred to the buyer-lessor.

Martela has one lease agreement concerning a real estate in which Martela acts as a lessor. It is stated, in the above mentioned sale and leaseback agreement, that this contract is terminated the 28th of February 2023. This contract is disclosed as operative rental agreements and the rental income is recognised as equal instalments over the rental period in the consolidated statement of comprehensive income.

Inventories

Inventories are measured at the lower of cost and net realisable value. The value of inventories is determined by using weighted average purchase prices and it includes all direct expenditure incurred by acquiring the inventories and also a part of the production overhead costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.
Inventory value includes adjustments caused by obsolescence.

Financial assets

Group’s financial assets are classified into the following groups: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised costs. The classification depends on the purpose of acquiring the financial assets, and they are classified at the time of initial acquisition. All purchases and sales of financial assets are recognised and derecognised on the trade date. The Group derecognises financial assets when it has lost its right to receive the cash flows or when it has transferred substantially all the risks and rewards to an external party.

Financial assets measured at amortised costs include assets that are held in a business model whose object is achieved by holding the assets and collecting contractual cash flows until the due date. The cash flow from the assets consists of solely payments of principal and interest on the principal amount outstanding. They are originally recognised at fair value and subsequently measured at amortised cost. The group recognises a deduction in the financial assets recognised at amortised cost based on expected credit losses. These assets are included in either current or non-current financial assets (they are included in the latter if they mature over 12 months later). The category includes loan, trade and other receivables that are not derivatives.

Cash and cash equivalents comprise cash in hand, in banks and in demand bank deposits, as well as other current, very liquid investments. Items qualifying as cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether objective evidence exists of the impairment of an individual financial asset or a group of financial assets. Impairment will be recognised through profit or loss.

A simplified model according to IFRS 9 is used in assessing the expected credit losses on trade receivables: credit losses are recognised to an amount that represents the expected credit losses for the full lifetime. The expected credit losses are assessed based on historical information on credit losses and on the information on the future financial circumstances available on the review date.

Financial liabilities

The Group classifies its financial liabilities as financial liabilities measured at amortised cost (mainly includes borrowings from financial institutions, IFRS 16 lease liabilities and trade payables) . Financial liabilities are initially recognised at fair value and are subsequently measured either at amortised cost or at fair value, based on the classification made. Financial liabilities are included in current and non-current liabilities and they can be interest-bearing or non-interest-bearing. Bank overdrafts are included in current interest-bearing liabilities. Financial liabilities are regarded as current, unless the Group has an absolute right to postpone the repayment of the debt until a minimum of 12 months after the end of the reporting period. Financial liabilities (in full or in part) are not eliminated from the balance sheet until the debt has ceased to exist – in other words, when the obligation specified in the agreement has been fulfilled or rescinded or ceases to be valid.

The Group uses derivative financial instruments, to hedge its electricity price risk. The Group doesn’t apply hedge accounting, but derivatives are recognized at fair value through the statement of profit or loss at each balance sheet date according to the closing rate of the period. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The change in fair value is recognised in income statement in raw material and consumables used.

Share capital
Outstanding ordinary shares are shown as share capital. The share capital consists of K and A series shares. The shares of both series have identical dividend rights but K series shares confer 20 votes and A series shares 1 vote at general meetings of shareholders.
Expenses related to the issuance and acquisition of own equity instruments are presented as deductions from equity. If Martela Oyj buys back its own equity instruments, their cost is deducted from equity.

Dividends
Dividends proposed by the Board of Directors are not recorded in the financial statements but the related liability is only recognised when approved by a general meeting of shareholders.

Provisions
A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that on outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. The amount recognised as a provision is equal to the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Accounting policies requiring management’s judgement and key sources of estimation uncertainty
In preparing the financial statements it is necessary to make forward-looking estimates and assumptions which may not, in fact, turn out to be true. In addition, it is necessary to use judgement in applying accounting policies to the financial statements. The foremost estimates concern the utilisation of deferred tax assets against future taxable income and the assumptions used in the impairment testing. Other estimates requiring management’s judgement mainly concerns the amount of non-marketable inventories, impairment of trade receivables, the amount of guarantee provisions and the definition of the lease period in lease contracts of indefinite duration under IFRS 16.
Estimates and assumptions are based on management’s current best knowledge at the end of the reporting period, reflecting historical experience and other reasonable assumptions.

Impairment testing
The carrying amounts of non-current assets are assessed at the end of each reporting period to observe whether there are any indications that the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount of it.
If such indications exist, the recoverable amount of the asset will be estimated at the higher of its fair value less costs to sell and its value in use. Value in use is calculated based on discounted forecast cash flows. An impairment loss is recognised if the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount of it. Impairment losses are recognised in the statement of comprehensive income.
If there are indications that impairment losses no longer exist or that they have diminished, the recoverable amount is estimated. An impairment loss previously recognised in the statement of comprehensive income is reversed if the estimates used in measuring the recoverable income have changed. However, an impairment loss cannot be reversed to an extent more than what the carrying amount of the asset or cash-generating unit would be without recognition of an impairment loss.
Goodwill is tested for impairment annually regardless of whether there is any indication of impairment.

An impairment loss in respect of goodwill is never reversed. (Note 10)
The recoverable amounts of cash generating units have been determined using calculations based on value in use. In the calculations, forecast cash flows are based on financial plans approved by management, covering a period of five years. The central assumptions concern development of growth and profitability. The cash flows beyond the five-year period are estimated based on 1,5% growth.

Deferred tax receivables
The prerequisites for recognition of deferred tax receivables are assessed at the end of each reporting period. Assumptions made by the managers of the Group companies on taxable income in

future financial periods have been taken into account when evaluating the amount of deferred tax assets. Various internal and external factors can have a positive or negative effect on deferred tax assets. These include restructuring in the Group, amendments to tax laws (such as changes to tax rates or a change to the period of utilisation of confirmed deductible tax losses) and changes to the interpretations of tax regulations. Deferred tax assets recognised in an earlier reporting period are recognised in expenses in the consolidated statement of comprehensive income if the unit in question is not expected to accumulate sufficient taxable income to be able to utilise the temporary differences, such as confirmed tax losses, on which the deferred tax assets are based.
Deferred tax assets are not recorded for taxation losses in subsidiaries.

Financial Statement prepared in ESEF Format

Financial Statements in Annual Report are prepared in ESEF format, in which it is marked up with XBRL tags according to ESEF taxonomy. The machine readable material is not audited.

New and amended IFRS-standards and interpretations effective from 2023 onwards

In 2023 and thereafter, the Group will adopt the following new and revised standards and interpretations issued by the IASB. The amendments are not expected to have a material impact on the company's reporting.

Effective from January 1, 2023 and later

Amendments to IAS 1 Presentation of financial statements: The amendment clarify how liabilities should be classified as current or non-current when the company has the right to defer payment at least 12 months. In accordance with the amendment a liability that falls due within 12 months of the reporting date is presented as non-current if the entity has the right to continue the liability for at least 12 months after the reporting date. In this case, the liability is presented as non-current at the reporting date, regardless of the probability or the intention of management to repay the liability within the next 12 months.

Amendments to IAS 12 Income Taxes: Deferred taxes on transactions for which companies recognise both an asset and a liability. Amendment specifies how company account for deferred tax on transactions such as leases.

Amendments to IAS 1 Presentation of financial statements: The amendment clarifies when the change in accounting policy is material and how entities apply the concept of materiality in making decisions about accounting policy disclosures.

1. Segment reporting

As a result of harmonising and combining processes, the organisation, reporting and systems, as of 2017 the company reports consolidated figures as a single segment and in addition reports revenue by country. Revenue will be reported by the location of a customer in following countries: Finland, Sweden, Norway and Other countries.

Revenue

(EUR 1 000)

Revenue by area	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Finland	74 501	69 717
Sweden	11 155	8 667
Norway	7 575	5 827
Other areas	13 479	7 678
Total	**106 710**	**91 889**

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Income from the sale of goods	91 615	78 452
Income from the sale of services	15 095	13 437
Total	**106 710**	**91 889**

Revenue includes EUR 1 327 thousand (669) income from sold furniture that based on the customer agreement is classified as rental income.

(1 000 eur)

Assets and liabilities from contracts with customers	31 Dec 2022	31 Dec 2021
Trade receivables	15 810	17 597
Accrued income based on customer contracts	933	1 082
Prepayments based on customer contracts	6 278	2 625

Assets

Information about geographical regions

Non-current assets	Intangible assets 31 Dec 2022	Tangible assets 31 Dec 2022
Finland	4 278	13 025
Sweden	0	150
Other regions	0	138
Total	**4 278**	**13 312**

Non-current assets	Intangible assets 31 Dec 2021	Tangible assets 31 Dec 2021
Finland	4 588	8 744
Sweden	0	112,7
Other regions	0	108
Total	**4 588**	**8 965**

2. Other operating income

(EUR 1 000)	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Gains on sale of tangible assets	69	25
Gain on the sale and leaseback agreement	1 930	
Rental income	239	243
Public subsidies	13	253
Other income from operations	43	115
Total	**2 293**	**637**

3. Employee benefits expenses

(EUR 1 000)	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Salaries and wages	-18 933	-18 560
Pension expenses, defined contribution plans	-2 949	-2 536
Pension expenses, defined benefit plans	-105	-184
Expenses of matching share plan	-297	-106
Other salary-related expenses	-1 273	-1 298
Personnel expenses in the income statement	-23 557	-22 684
Other fringe benefits	-381	-380
Total	**-23 938**	**-23 064**

A total of EUR 1 142 thousand for 2022 and EUR 671 thousand from 2021 were recognised in the result from the incentives and salary-related expenses associated with the incentive scheme. Salaries and fees and share-based payments are presented in more detail under note 24 Related-party transactions.

More information about share-based incentive programme is in note 17.

Personnel	2022	2021
Personnel on average, workers	200	216
Personnel on average, officials	203	203
Personnel on average, total	**403**	**419**
Personnel at year-end	**400**	**400**
Personnel on average in Finland	328	346
Personnel on average in Sweden	27	23
Personnel on average in Norway	14	14
Personnel on average in Poland	34	36
Total	**403**	**419**

4. Other operating expenses

Other operating expenses are reported by type of expense.

(1 000 eur)	**1 Jan–31 Dec 2022**	**1 Jan–31 Dec 2021**
Freight	-1 465	-1 019
Travel	-561	-275
Administration	-2 582	-2 003
IT	-2 768	-2 645
Marketing	-862	-812
Electricity and heating	-311	-383
Unrealised loss of electricity derivatives	-78	
Other real estate	-1 053	-837
Royalties	-850	-610
Other	-3 107	-2 847
Total	**-13 639**	**-11 431**

Auditors' fees	**1 Jan–31 Dec 2022**	**1 Jan–31 Dec 2021**
Auditing	-129	-125
Other services	-15	-12
Total	**-144**	**-137**

Auditors' fees are included in administration expenses.

5. Depreciation and impairment

(EUR 1 000)	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Depreciation		
Intangible assets	-1 005	-1 056
Tangible assets		
Buildings and structures	-324	-462
Machinery and equipment	-936	-729
Depreciation, total	**-2 265**	**-2 248**

Depreciation of right-of-use assets according to IFRS 16		
Buildings and structures	-2 157	-2 216
Machinery and equipment	-1 369	-964
Depreciation, total	**-3 526**	**-3 180**

6. Research and development expenses

The income statement includes research and development expenses of EUR -2,477 thousand (EUR -2,159 thousand).

7. Financial income and expenses

(EUR 1 000)	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Financial income		
Interest income on loans and other receivables	23	20
Foreign exchange gain on loans and other receivables	103	37
Other financial income	0	43
Total	**126**	**100**
Financial expenses		
Interest expenses from financial liabilities measured at amortised cost	-166	-326
Foreign exchange losses on loans and other receivables	-327	-340
Interest expenses of lease liabilities according to IFRS 16	-387	-143
Other financial expenses	-389	-306
Total	**-1 268**	**-1 114**
Financial income and expenses, total	**-1 142**	**-1 014**
Total exchange rate differences affecting profit and loss are as follows:		
Exchange rate differences, sales (included in revenue)	-347	-26
Exchange rate differences, purchases (included in adj. of purchases)	23	-36
Exchange rate differences, financial items	-224	-303
Exchange rate differences, total	**-548**	**-365**

8. Income taxes

(EUR 1 000)	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Income taxes, financial year	-1 385	-162
Taxes for previous years	-116	-46
Change in deferred tax liabilities and assets	2 705	147
Total	**1 205**	**-61**

Reconciliation between the income statement's tax expense and the income tax expense calculated using the Martela Group's domestic corporation tax rate 20.0%.

Profit before taxes	1 349	-2 324
Taxes calculated using the domestic corporation tax rate	270	-465
Deferred taxes	-2 705	-147
Different tax rates of subsidiaries abroad	-36	-39
Taxes for previous years	116	-46
Recognition of unused tax losses not booked earlier	1 089	100
Tax-exempt income	3	12
Non-deductible expenses	-504	-164
Unbooked deferred tax assets on losses in taxation	356	799
Other items	207	10
Income taxes for the year in the p/l (+ = expense, - = profit)	**-1 205**	**61**

Income taxes in income statement are positive, due to use of confirmed losses, for which deferred tax assets have not been recognised in previous periods, as well as a realised sale and leaseback transaction that took place during the period, for which deferred tax receivable has been recognised.

9. Earnings per share

The basic earnings per share is calculated dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year.

(EUR 1 000)	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Profit attributable to equity holders of the parent	2 554	-2 385
Weighted average number of shares (1,000)	4 518	4 495
Basic earnings per share (EUR/share)	**0,57**	**-0,53**

The company has no diluting instruments December 31, 2022 or December 31, 2021.
For more information on weighted average number of shares see note 16.

10. Intangible assets

(EUR 1 000)	1 Jan–31 Dec 2022				1 Jan–31 Dec 2021			
	Intangible assets	Goodwill	Work in progress	Total	Intangible assets	Goodwill	Work in progress	Total
Acquisition cost 1 Jan	15 360	883	159	16 402	15 360	883	317	16 560
Increases	227		2 424	2 652			217	217
Decreases	-108		-1 860	-1 968			-375	-375
Acquisition cost 31 Dec	15 479	883	724	17 301	15 360	883	159	16 402
Accumulated depreciation 1 Jan	-11 814	0	0	-11 814	-10 769	0	0	-10 769
Depreciation for the year	-994			-994	-1045			-1 045
Exchange rate differences								
Accumulated depreciation 31 dec	-12 808	0	0	-12 808	-11 814	0	0	-11 814
Carrying amount 1 Jan	3 546	883	159	4 588	4 591	883	317	5 792
Carrying amount 31 Dec	**2 671**	**883**	**724**	**4 278**	**3 546**	**883**	**159**	**4 588**

Goodwill

The Group’s Goodwill EUR 883 thousand (EUR 883 thousand) relates to the Grundell acquisition Martela made December 31, 2011. The expected future cash flows will be generated through more extensive service solutions encompassing also products and the already implemented profit improving actions. The revenue growth is also supported by the renewed strategy of Martela that increases the emphasis on service within the Group.

Impairment testing

Goodwill is tested annually or more frequently if there are indications that the amount might be impaired. In assessing whether goodwill has been impaired, the carrying value of the cash generating unit has been compared to the recoverable amount of the cash carrying unit. The recoverable amount of the goodwill is determined based on the value in use calculations. The value in use is calculated based on the discounted forecast cash flows. The cash flow forecasts rely on the plans approved by the management concerning profitability and the growth rate of revenue. The plans cover a five-year period taking into account the recent development of the business.

In impairment testing the average growth is estimated to be 1.5% and EBIT 9.7%. The use of testing model requires making estimates and assumptions concerning market growth and general interest rate level. The used post-tax discount rate is 9.6% (7.4%) which equals the weighted average cost of capital.

The cash flows after the five-year period have been forecasted by estimating the future growth rate of revenue to be 1.5%. Based on the impairment test there is no need to recognise an impairment loss.

Sensitivity analysis of impairment testing

The carrying value of the cash generating unit is EUR 15.9 million higher than the book value according to the performed impairment test. No predictible changes in any assumpions, have any significant impact on the result of the goodwill testing.

11. Tangible assets

(EUR 1 000)

1 Jan–31 Dec 2022	Land areas	Buildings	Buildings IFRS 16	Machinery and equipment	Machinery and equipment IFRS 16	Machinery and equipment IFRS 16 WAAS*	Other tangible assets	Work in progress	Total
Acquisition cost 1 jan	83	24 046	9 099	33 645	2 814	2 421	35	77	72 220
Increases		103	3565	475	162	6070			10 375
Decreases	-80	-533	-257	-45	-285	-653	-11,174	-76	-1 940
Exchange rate differences									0
Acquisition cost 31 Dec	**4**	**23 616**	**12 407**	**34 075**	**2 691**	**7 839**	**24**	**1**	**80 656**
Accumulated depreciation 1 Jan	0	-22 670	-6 212	-32 251	-1 563	-558	0	0	-63 253
Accumulated depreciation, decreases	0		176	24	261	236	0	0	698
Depreciation for the year	0	-332	-2 178	-639	-550	-1 086	0	0	-4 787
Exchange rate differences							0	0	0
Accumulated depreciation 31 Dec	**0**	**-23 003**	**-8 214**	**-32 865**	**-1 853**	**-1 407**	**0**	**0**	**-67 343**
Carrying amount 1 Jan	83	1 376	2 887	1 395	1 250	1 863	35	77	8 967
Carrying amount 31 Dec	**4**	**614**	**4 193**	**1 210**	**838**	**6 430**	**23**	**0**	**13 312**

*WAAS, Workplace as a Service-business area assets, that are classified as operative leasing contracts according to IFRS 16 and in which company according to the standard operates as lessor.

1 Jan–31 Dec 2021	Land areas	Buildings	Buildings IFRS 16	Machinery and equipment	Machinery and equipment IFRS 16	Machinery and equipment IFRS 16 WAAS*	Other tangible assets	Work in progress	Total
Acquisition cost 1 Jan	83	23 953	9 537	33 123	2 637	1 670	34	153	71 191
Increases		93	841	533	316	1381			3 165
Decreases			-1280	-11	-140	-631		-76	-2 137
Exchange rate differences						1			1
Acquisition cost 31 Dec	**83**	**24 046**	**9 099**	**33 645**	**2 814**	**2 421**	**34**	**77**	**72 220**
Accumulated depreciation 1 Jan	0	-22 217	-5 203	-31 499	-1 054	-403	0	0	-60 377
Accumulated depreciation, decreases	0		1207	1	101	212	0	0	1 522
Depreciation for the year	0	-468	-2 216	-726	-611	-366	0	0	-4 389
Exchange rate differences		15,413		-27			0	0	-12
Accumulated depreciation 31 Dec	**0**	**-22 670**	**-6 212**	**-32 251**	**-1 564**	**-558**	**0**	**0**	**-63 255**
Carrying amount 1 Jan	83	1 736	4 334	1 624	1 583	1 266	34	153	10 814
Carrying amount 31 Dec	**83**	**1 376**	**2 887**	**1 395**	**1 250**	**1 863**	**34**	**77**	**8 965**

*WAAS, Workplace as a Service-business area assets, that are classified as operative leasing contracts according to IFRS 16 and in which company according to the standard operates as lessor.

12. Book values of financial assets and liabilities by group

(EUR 1 000)	Financial assets measured at amortised costs	Financial liabilities measured at amortised cost	Financial assets measured at fair value through profit or loss	Book values of balance sheet items	Fair value	Hierarchy level	Note
2022 balance sheet items							
Non-current financial assets							
Other financial assets				7	7	2	
Loan receivables	546			546	546	2	
Current financial assets							
Trade and other receivables	15 810			15 810	15 810	2	15
Book value by group	**16 356**			**16 363**	**16 363**		
Non-current financial liabilities							
Interest-bearing liabilities		14 678		14 678	14 678	2	18
Derivatives designated as hedging instruments			8	8	8	1	18
Current financial liabilities							
Interest-bearing liabilities		4 542		4 542	4 542	2	18
Derivatives designated as hedging instruments			70	70	70	1	18
Trade payables and other liabilities		13 393		13 393	13 393	2	21
Book value by group		**32 613**	**78**	**32 691**	**32 691**		

(EUR 1 000)	Financial assets measured at amortised costs	Financial liabilities measured at amortised cost	Financial assets measured at fair value through profit or loss	Book values of balance sheet items	Fair value	Hierarchy level	Note
2021 balance sheet items							
Non-current financial assets							
Other financial assets				7	7	2	
Loan receivables	535			535	535	2	
Current financial assets							
Trade and other receivables	17 597			17 597	17 597	2	15
Book value by group	**18 132**			**18 139**	**18 139**		
Non-current financial liabilities							
Interest-bearing liabilities		1 791		1 791	1 791	2	18
Current financial liabilities							
Interest-bearing liabilities		10 952		10 952	10 952	2	18
Trade payables and other liabilities		16 146		16 146	16 146	2	21
Book value by group		**28 890**		**28 890**	**28 890**		

Derivatives designated as hedging instruments have been bought in order to manage the risk concerning the electricity price.

Other financial assets include investments in unlisted equities. They have been measured at acquisition cost as fair value cannot be assessed reliably. The book values of trade receivables and receivables other than those based on derivatives are estimated to essentially correspond to their fair values due to the short maturity of the receivables.

The book values of debts are estimated to correspond to their fair values. Interest rate level has no material effect. The book values of trade and other non-interest-bearing liabilities are also estimated to correspond to their fair values. Discounting has no material effect.
Fair values of each financial asset and liability group are presented in more detail under the note indicated in the table above.

Assets and liabilities recognised at fair value in the financial statements are categorised into three levels in the fair value hierarchy based on the inputs used in the valuation technique to determine their fair value. The three levels are:
Level 1. Quoted prices(unadjusted) in active markets for identical assets or liabilities.
Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly e.g. discounted cash flows or valuation models.
Level 3. Inputs for the asset or liability that are not based on observable market data and the fair value determination is widely based on management’s judgement and the use of that in commonly approved valuation models.

13. Deferred tax assets and liabilities

(EUR 1 000)

Changes in deferred taxes during 2022	1 Jan 2022	Recognised in the income statement	Recognised in the other comprehensive income	Exchange rate differences	31 Dec 2022
Deferred tax assets					
Right of use asset	28	2426			2454
Pension obligations	26	0	-22	0	3
Other temporary differences	287	165	0	-27	425
Total	**340**	**2 591**	**-22**	**-27**	**2 883**
Deferred tax liabilities					
Right of use asset	5	2			7
On buildings measured at the fair value of the transition date	132	-116	0	0	16
Total	**137**	**-116**	**0**	**0**	**23**
Deferred tax assets and liabilities, total	**204**	**2 707**	**-22**	**-27**	**2 860**

(EUR 1 000)

Changes in deferred taxes during 2021	1 Jan 2021	Recognised in the income statement	Recognised in the other comprehensive income	Exchange rate differences	31 Dec 2021
Deferred tax assets					
Right of use asset	24	4			28
Pension obligations	68	0	-43	0	26
Other temporary differences	221	82	0	-16	287
Total	**314**	**85**	**-43**	**-16**	**340**
Deferred tax liabilities					
Right of use asset	0	4	0	0	5
On buildings measured at the fair value of the transition date	198	-66	0	0	132
Total	**198**	**-62**	**0**	**0**	**137**
Deferred tax assets and liabilities, total	**115**	**147**	**-43**	**-16**	**204**

Deferred tax assets have not been recognised on unused tax losses that probably cannot be utilised in the future against taxable income. The amount of such losses is EUR 21.8 million (27.1 in 2021) including current year results.
According to current knowledge these losses have no expiration date. The losses mainly originate from foreign subsidiaries.

14. Inventories

(EUR 1 000)	31 Dec 2022	31 Dec 2021
Raw materials and consumables	10 060	9 309
Work in progress	1 281	1 247
Finished goods	440	1 563
Total	**11 781**	**12 119**

The value of inventories has been written down by -430 thousand (-282 thousand 2021) due to obsolescence.

In the valuation of inventories the fair value of an item as well as its usage in current product portfolio offered is monitored. Should the current product portfolio no longer carry the product to which the item is used the item is written down. If the product is still on sale but there has been decision to finish its selling, it will be written down to equal half of its value.

15. Current trade receivables and other receivables

(EUR 1 000)	31 Dec 2022	31 Dec 2021
Trade receivables	**15 810**	**17 597**
Accrued income and prepaid expenses of		
Personnel expenses	99	107
Uninvoiced revenue	2 123	2 007
Prepaid expenses	215	
Accrued income and prepaid expenses total	**2 438**	**2 114**
Total	**18 248**	**19 712**

The age distribution of Group trade receivables on the balance sheet date 31 December is presented in the following table:

Age distribution of trade receivables (TEUR)	2022	Incl. credit loss provision	2021	Incl. credit loss provision
Undue	12 608	101	13 220	51
0-6 months overdue	2 877	17	3 804	58
6-12 months overdue	142	2	510	424
12-24 months overdue	89	5	44	43
Over 24 months overdue	94	5	20	74
Total	**15 810**	**129**	**17 597**	**650**

A provision is made to the trade receivables according to following, unless it is highly likely to receive payment for the receivable: undue receivables 0.5%, 0-6 months overdue 2%, 6-12 months overdue 10%, 12-24 months overdue 50% and over 24 months overdue 100%.

The credit loss provision in the year of comparison also includes 65% of the total receivables of a financier of Martela that went bankrupt, in total EUR 411 thousand.
The sales invoices are interest-free and the most general payment term is 7 days, while the payment term in the biggest invoices is 30 days.

The maximum trade receivable credit risk amount on the balance sheet date 31 December by country or region:

Region (TEUR)	2022	2021
Finland	9 827	11 600
Scandinavia	4 689	3 348
Other European countries	1 241	2 566
Other regions	53	84
Total	**15 810**	**17 597**

Credit risks from trade receivables are not concentrated.

In 2022 credit losses of EUR -192 thousand (EUR -508 thousand) has been recognised as expenses and are presented in other operating expenses.

16. Equity

Share capital

The paid share capital entered in the Trade register is EUR 7,000,000. The counter value of a share is 1.55 (1.55). The K shares carry 20 votes at the annual general meeting and the A-shares 1 vote each. Both share series have the same dividend rights.

(EUR 1 000)

Changes in share capital	Number of shares		Share capital	Share premium account	Reserve for invested unrestricted	Treasury shares	Total
	A shares	K shares			equity		
1 Jan 2021	**3 537 718**	**604 800**	**7 000**	**1 116**		**-128**	**7 988**
Shares of directed share issue	352 440						962
Shares given*							0
Shares returned							
Share issue							
31 Dec 2021	**3 890 158**	**604 800**	**7 000**	**1 116**	**962**	**-128**	**8 950**
Shares of directed share issue	11 574				33	124	157
31 Dec 2022	**3 901 732**	**604 800**	**7 000**	**1 116**	**995**	**-4**	**9 108**

Martela Oyj owns 1,425 (13,082) A-shares purchased at an average price of 10.65. The number of treasury shares is equivalent to 0.03% (0.29) of all shares and 0.01% (0.08) of all votes.
A total of 11,657 of Martela shares held by the company have been conveyed without consideration to the 34 key individuals participating in the Performance-based Matching Share Plan 2021—2023, announced on March 23, 2021.
Acquisition of shares for the share-based incentive scheme and the management of the scheme have been outsourced to an external service provider.

The subscription price of the directed share issue has been registered in reserve for invested unrestricted equity.
Company has decided on a paid directed share issue March 17, 2022, in which 11,574 of series A shares have been subscribed.
The share subscription price TEUR 33, has been credited to the company's reserve for invested unrestricted equity.

Translation differences in equity comprises translation differences of financial statements of foreign subsidiaries when translated into euros and of investments in foreign units. Other reserves consists of reserve funds.

The share premium account is a fund established in accordance with the previous Finnish Companies Act. According to the present Liability Companies Act (effective from September 1, 2006) it is included in restricted shareholders' equity and can no longer be accumulated. The share premium account can be reduced in accordance with the regulations on the reduction of share capital, and it can be used as a fund increase to increase share capital. The acquisition cost of treasury shares is deducted from shareholders' equity (including the related transaction costs).

The parent company's distributable equity was 22,294 thousand on December 31, 2022.

17. Share-based payments

Share-based incentive plan for the group’s key employees 2021, 2022 and 2023

The prerequisite for participating in the plan is that a participant acquires the company´s series A shares up to the number determined by the Board of Directors. In order to implement the plan, the Board of Directors decided on a share issue against payment directed to the target group. Approximately 40 persons, including the CEO and other Martela’s Management Team members, belong to the target group of the plan. The Performance-based Matching Share Plan 2021–2023 consists of three performance periods, covering the financial years of 2021, 2022 and 2023, respectively.

In the plan, the target group is given an opportunity to earn Martela Corporation series A shares based on performance and on their personal investment in Martela Corporation series A shares.

The Board of Directors decides on the plan’s performance criteria and targets to be set for each criterion at the beginning of a performance period. During the performance period 2022, the rewards are based on the Group’s Earnings before Interest and Taxes (EBIT). The potential rewards based on the plan will be paid after the end of each performance period.

The rewards to be paid based on the plan will amount to an approximate maximum total of 718,000 Martela Corporation series A shares including also the proportion to be paid in cash. The cash proportions of the rewards are intended for covering taxes and tax-related expenses arising from the rewards to the participants.

Program	**Share-based incentive programme 2021–2023**		
Type		**Share**	
Instrument	**Earning period 2021**	**Earning period 2022**	**Earning period 2023**
Issuing date	6.5.2021	6.5.2021	6.5.2021
Maximum amount, pcs	718 000	718 000	718 000
Dividend adjustment	No	No	No
Grant date	18.3.2021	18.3.2021	18.3.2021
Beginning of earning period	1.1.2021	1.1.2022	1.1.2023
End of earning period	31.12.2021	31.12.2022	31.12.2023
End of restriction period	31.5.2022	31.5.2023	31.5.2024
Vesting conditions	Share ownership, employment until the end of vesting date, EBIT	Share ownership, employment until the end of vesting date, EBIT	
Maximum contractual life, yrs	1.4	1.4	1.4
Remaining contractual life, yrs	0.0	0.4	1.4
Number of persons at the end of reporting year	0	34	34
Payment method	Cash & Equity	Cash & Equity	Cash & Equity

Changes during the period 2021	**Earning period 2021**	**Earning period 2022**	**Earning period 2023**
1 Jan 2021			
Outstanding at the beginning of the reporting period, pcs	153 014	153 010	152 994
Changes during the period			
Granted		5 144	7 716
Forfeited		3 668	3 664
Shares given	23 305		
Lost during the period	129 709		
Outstanding at the end of the period	0	154 486	157 046

Effects from the share based incentive programme on the financial year 2022 (EUR 1 000)	**2022**	**2021**
Expenses for the financial year, share-based payments, equity settled	231 460	106 239

IFRS 2 requires an entity to measure the award at its fair value and recognised over the vesting period. The award is recognised in equity in its full extent. The fair value of the share-based scheme when granted was the value of a company's share.

18. Financial liabilities

(EUR 1 000)	31 Dec 2022	31 Dec 2021
Non-current		
Derivatives designated as hedging instruments	8	0
Lease liabilities, IFRS 16	14 678	1 791
Total	14 686	1 791

Current	31 Dec 2022	31 Dec 2021
Loans from financial institutions	1 624	8 491
Derivatives designated as hedging instruments	70	0
Lease liabilities, IFRS 16	2 918	2 461
Total	4 612	10 952

In the comparison year, the Group's bank loans have either variable or fixed interest rates and the Group's average interest rate was 4.0% . The current portions of this debt are presented more in detail under note 22 Management of financial risks.

A covenant linked to net debt to EBITDA-ratio was attached to the Group's bank loans in the comparison period. These bank loans have been repaid during the financial year .
Current loans consist mainly of factoring loan in 2022.

Mortgages and guarantees given by credit institutions and, to a minor degree, pledged shares in housing corporations owned by the company were used as collateral for bank loans in the comparison year.

More information in note 23 Pledges granted and contingent liabilities.
More inforamation on Derivatives designated as hedging instruments is given in note 12 and 22.

	31 Dec 2022	31 Dec 2021
Lease liabilities are payable as follows:	Lease liabilities, IFRS 16	Finance lease liabilities, IFRS 16
Lease liabilities - total amount of minimum lease payments		
No later than one year	3 756	2 543
Later than one year and no later than five years	8 771	1 898
Later than five years	9637	
Total	**22 165**	**4 440**
Lease liabilities - present value of minimum lease payments		
No later than one year	2 896	2 461
Later than one year and no later than five years	6 882	1 792
Later than five years	7 818	
Total	**17 596**	**4 254**
Unearned finance expense	**4 569**	**187**

Amounts recognised in profit or loss (EUR 1 000)	31.12.2022	31.12.2021
Interest on lease liabilities	387	132
Expenses related to short-term leases	-1 063	-1 052

Changes in net debt 2022	1 Jan 2022	Cash flows	Non-cash changes Fair value of Derivatives designated as hedging instruments	Transfer between groups	IFRS 16 increase	IFRS 16 repayments	31 Dec 2022
Long-term liabilities total	1 790	-1 900	8	1 900	12 886		14 685
Short-term liabilities total	10 952	-4 967	70	-1 900	3 467	-3 011	4 612
Total liabilities from the financing activities	**12 743**	**-6 867**	**78**	**0**	**16 354**	**-3 011**	**19 297**

Changes in net debt 2021	1 Jan 2021	Cash flows	Non-cash changes Fair value of Derivatives designated as hedging instruments	Transfer between groups	IFRS 16 increase	IFRS 16 repayments	31 Dec 2021
Long-term liabilities total	6 277	0		-2 900	764	-2 351	1 790
Short-term liabilities total	8 656	-409		2 900	2 765	-2 960	10 952
Kokonaisvelat rahoitustoiminnoista	**14 933**	**-409**		**0**	**3 528**	**-5 310**	**12 742**

19. Pension obligations

Martela's defined benefit plans concern its operations in Finland. The arrangements are made through insurance companies. The plans are partly funded.

On the balance sheet, the commitment to those insured is presented as a pension liability, and the part of this liability that falls under the responsibility of insurance company is presented as an asset. As the funds belong to the insurance companies, they cannot be itemised in Martela's consolidated financial statements.

In insurance arrangements, the amount of funds is calculated using the same discount rate used for the determination of pension liabilities. This means that a change in discount rate does not pose a significant risk. In addition, an increase in life expectancy does not pose a significant risk for Martela, as insurance companies will bear most of the impact of this.

The pensions are fixed to 2017 salary levels and accounted for accordingly.

Changes in defined benefit liability	**Present value of the defined benefit liability**		**Fair value of the funds included in the plan**		**Net debt of the defined benefit liability**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
1 Jan	**2 597**	**3 513**	**-2 469**	**-3 172**	**128**	**342**
Recognised in profit or loss						
Service cost in the period	79	158			79	158
Past service cost	0	0	0	0		
Interest expense or income	26	23	-25	-21	1	2
Settlements	-613	-719	613	719		
	-508	**-538**	**588**	**698**	**80**	**160**
Recognised in other comprehensive income						
Items resulting from remeasurement:						
Gains (-) or losses (+) resulting from changes in demographical assumptions	0	0			0	0
Actuarial gain (-) and losses (+) resulting from changes in financial assumptions	-717	-123			-717	-123
Experience based profits (-) or losses (+)	8	-255			8	-255
Return on the funds included in the plan, excluding items in interest expenses or income (+/-)			607	111	607	111
	-709	**-378**	**607**	**111**	**-102**	**-266**
Other items						
Employer's payments (+)	0	0	-89	-107	-89	-107
	0	**0**	**-89**	**-107**	**-89**	**-107**
31 Dec	**1 380**	**2 597**	**-1 364**	**-2 469**	**16**	**128**

The Group anticipates that it will pay a total of EUR 40 thousand to defined benefit pension plans in the financial period of 2023.

Sensitivity analysis

The following table illustrates the effects of changes in the most significant actuarial assumptions on the funds related to the defined benefit pension liability and plans.

	Defined benefit liability	**Fair value of the funds included in the plan**
Effect of a change in the assumption employed	The assumption is growing	The assumption is growing
Discount rate (0.5% change)	-6.7%	-6.2%
Increase in salaries (0.5% change)	N/A	N/A
Morality rate (a change of 5% points)	-0.9%	-0.8%

The weighted average of the duration of the plans is 14.6 years.

20. Provisions

(EUR 1 000)	31 Dec 2022	31 Dec 2021
Long-term provisions	229	236
Short-term provisions	57	59
Total	**286**	**295**
Provisions 1 Jan	295	352
Net change in provisions	-9	-57
Provisions 31 Jan	286	295

The normal warranty for standard Martela produced products is five years. The warranty provision has been calculated as an estimate of the 5-year warranties for Martela products and the sale of Martela products.

21. Current liabilities

(EUR 1 000)	31 Dec 2022	31 Dec 2021
Financial liabilities	4 612	10 952
Advances received	6 278	2 625
Trade payables	9 569	13 099
Total	**20 459**	**26 677**
Accrued liabilities and prepaid income of		
Personnel expenses	4 431	4 611
Interests	0	153
Royalties	205	256
Residual expenses	4 465	3 380
Other	6	2
Total	**9 106**	**8 402**
Other current liabilities	3 824	2 894
Other	**3 824**	**2 894**
Provisions*	57	59
Current liabilities	**33 447**	**38 032**

*For more information see note 20.

22. Management of financial risks

Financial risks are unexpected exceptions relating to exchange rates, liquidity, customer liquidity, investments and interest rates. The objective of financial risk management is to ensure that the company has sufficient financing on a cost-efficient basis and to reduce the adverse effects of financial market fluctuations on the Group's result and net assets. The general principles of risk management are approved by Board of Directors and the practical implementation of financial risk management is on the responsibility of the parent company's financial administration.

Market risks

Market risks comprise the following three risks: Currency risk, interest rate risk and price risk. The associated fluctuations in exchange rates, market interest rates and market prices may lead to changes in the fair value of financial instruments and in the future cash flows and hence they impact the result and balance sheet of the Group.

The increased volatility in electricity price 2022 has led to the decision to enter into contracts for electricity derivatives.

Currency risks

The Group has operations in Finland, Sweden, Norway and Poland and it is therefore exposed to currency that arise in intra-group transactions, exports and imports, the financing of foreign subsidiaries and equity that is denominated in foreign currencies. Translation risks result from incoming cash flows denominated in foreign currencies. Translation risk arise when the value of the capital invested in the parent company's foreign subsidiaries, annual profits and loans change as a result of exchange rate fluctuations.

Transaction risks

Martela’s major trading currencies are EUR, SEK, NOK and PLN. The SEK, NOK and PLN currency positions are reviewed mainly on a half-yearly basis. The Group’s policy is to hedge the net positions remaining after reconciliation if seen necessary. The Group has not hedged against transaction risks during the financial periods of 2021 and 2022.

The following table presents currency risks per instrument and currency.

Transaction risks per instrument and currency 31 Dec 2022 (EUR 1 000)

	EUR	SEK	NOK
Trade receivables	0	2 398	2437
Trade payables	0	216	57
Total	**0**	**2 613**	**2 494**

Transaction risks per instrument and currency 31 Dec 2021 (EUR 1 000)

	EUR	SEK	NOK
Trade receivables	0	3 323	1590
Trade payables	74	430	55
Total	**74**	**3 753**	**1 645**

The impact of other currencies is minor.

Analysis of sensitivity to transaction risk

The following table presents the average impact of 10 per cent change in exchange rates on 31 December on the company’s financial result before taxes and capital for 2022 (2021). The estimates are based on the assumption that no other variables change.

Analysis of sensitivity to transaction risk (EUR 1 000)	Impact on result
31 Dec 2022	
EUR	+/- 0
SEK	+/- 261
NOK	+/- 249

Analysis of sensitivity to transaction risk (EUR 1 000)	Impact on result
31 Dec 2021	
EUR	+/- 7
SEK	+/- 375
NOK	+/- 165

Interest rate risks

The following table presents the distribution of the Group’s financial instruments into fixed interest rate and variable interest rate on the balance sheet date.

Financial instruments (EUR 1000)	31 Dec 2022	31 Dec 2021
Fixed rate		
Lease liabilities, IFRS 16	17 596	4 253
Financial liabilities incl derivatives	1 702	1 591
Variable rate		
Financial liabilities		6 900
Total	**19 297**	**12 744**

Price risk
Available-for-sale shares included in financial assets are not deemed subject to resale price risk.

Credit risk
Credit risk arises from the possibility that a counterparty will not meet its contractual payment obligations. Hence the seriousness of the risk is determined on the basis of the counterparty's creditworthiness. The objective of credit risk management is to minimise the losses that would arise should the counterparty not meet its obligations.

The turnover and maturity structure of Group's companies trade receivables are reported monthly and are monitored by the parent company's financial management.

The principles of credit risk management are confirmed by Martela's Board of Directors. Risk management is based on the authorisations given to the organisation.

Credit risks related to the company's trade and other receivables are minimised by using short terms of payment, effective collection measures and accounting for the counterparty's creditworthiness. Supply agreements are used when the customer company is unknown and the available credit information is insufficient. In this context a supply agreement is an agreement which secures and receivables arising from an order by withholding the right of ownership with Martela Oyj until the customer has paid the sale price in full.

Supply agreements are only used in sales in Finland. A customer may also be required to make prepayment before sold products are delivered if it is considered necessary in light of the potential credit risk associated with the customer. Counterparties may also be granted to credit limits. The creditworthiness of customers is monitored regularly on the basis of payment history and credit rating.

Collateral may be required from certain customers based on their creditworthiness and in the case of exports, for example, Martela may use confirmed irrevocable Letters of Credit.
The book value of financial assets corresponds to the maximum amount of the credit risk.

The maximum financial asset credit risk amount on the balance sheet date 31 December is presented in the following table:

Maximum financial asset credit risk (EUR 1 000)	2022	2021
Financial assets measured at fair value through profit or loss	7	7
Non-current loan receivables	546	535
Trade receivables and other receivables	18 248	19 712
Cash and cash equivalents	11 295	4 926
Total	**30 096**	**25 180**

See note 15 for additional information on trade receivables and the related credit loss provisions.

Liquidity risks

The Group strives to assess and monitor the amount of funding required by business operations so that there are sufficient liquid assets for operating expenses and repayment of maturing loans. In addition, the Group continually maintains sufficient liquidity by means of effective cash management solutions such as cash reserves and overdrafts. The refinancing risk is managed by balancing the maturity schedules of loans and bank overdrafts according to forecast cash flows and by using several banks in financial operations. Sudden changes on financial markets or in the operational environment of Martela may affect negatively on the liquidity of the Group and its ability to meet its payment obligations.

Cash and cash equivalent at the year-end 2022 were EUR 11 295 thousand.

Contractual cash flows mature as follows (EUR 1 000):	2023	2024	2025	2026	2027	Later	Total	Balance sheet value
Bank loans								
IFRS 16 liabilities	2 896	2 308	1 633	1 468	1 472	7 818	17 596	17 596
Trade payables	9 569						9 569	9 569
Loan interest and guarantee fees								
Total	**12 466**	**2 308**	**1 633**	**1 468**	**1 472**	**7 818**	**27 165**	

Cash and cash equivalent at the year-end 2021 were EUR 4 926 thousand and unused credit limits EUR 218 thousand.

Contractual cash flows mature as follows (EUR 1 000):	2022	2023	2024	2025	2026	Later	Total	Balance sheet value
Bank loans	6 900						6 900	6 900
IFRS 16 liabilities	2 461	1 056	534	162	41	0	4 254	4 254
Trade payables	13 099	0	0	0	0	0	13 099	13 099
Loan interest and guarantee fees	266	38				0	304	
Total	**22 727**	**1 094**	**534**	**162**	**41**	**0**	**24 557**	

Management of capital structure

It is the Group's objective to ensure an effective capital structure that will secure its operating capacity in the capital markets in all circumstances irrespective of volatility. The Group's Board of Directors assess the capital structure on a regular basis, The Group uses the equity ratio to monitor its capital structure.

The equity ratio formula is presented in the following table:

Equity ratio	31 Dec 2022	31 Dec 2021
Shareholders' equity	13 850	10 760
Balance sheet total - advance payments	56 049	48 566
Equity to assets ratio %	**24,7**	**22,2**

23. Pledges granted and contingent liabilities

(EUR 1 000)	31 Dec 2022	31 Dec 2021
Debts secured by mortgages		
Bank and pension loans	0	6 900
Property mortgages	0	7 565
Corporate mortgages	9 888	13 286
Total mortgages	**9 888**	**20 851**
Other pledges		
Guarantees as security for rents	892	527
Commitments		
Rental commitments	527	677

24. Related party transactions

Martela Group's related party transactions comprise the CEO, members of the Board and the Group's management team, as well as their family members. Martela Group's related parties also include a shareholder who holds at least 20% of the company's total number of votes.

Members of the Board own a total of 18,009 shares and hold a total of 0.4% of the shares and 0.4% of the votes.

Persons in the management own a total of 134,251 (132,564) Martela Corporation shares as at December 31, 2022.

As part of the implementation of the Performance-based Matching Share Plan 2021-2023, described in note 17, Board of Directors has resolved to grant plan participants interest-bearing loans to finance the acquisition of the company's shares. Maximum amount of the loan is 70 per cent of the participant´s investment in shares. Loan is to be repaid the latest by December 31, 2025 and interest is 12-month Euribor, however not below 0%. Management has been granted loan in total EUR 256,107.95 (222,774.83), of which EUR 69,999.93 has been granted to CEO and other management EUR 186,108.02 (152,774.90).

Group structure	Domicile	Holding (%) 31 Dec 2021	Of votes (%) 31 Dec 2021	Sales company	Production company
Parent company					
Martela Oyj	Finland			x	x
Subsidiaries					
Kidex Oy	Finland	100	100	x	x
Grundell Muuttopalvelut	Finland	100	100	x	
Martela AB, Nässjö	Sweden	100	100	x	
Aski Avvecklingsbolag AB, Malmö	Sweden	100	100		
Martela AS, Oslo	Norway	100	100	x	
Martela Sp.z o.o., Varsova	Poland	100	100	x	x
Tehokaluste Oy	Finland	100	100	x	

Management employee benefits

The Group has determined key persons in management to be:
Members of the Board of Directors
CEO
Group's Management Team

The table below presents the employee benefits received by key persons in management. Employee benefits are presented with the accrual method. Voluntary pension plans, which include both defined contribution plans and defined benefit plans, are recognised as post-employment benefits.

(EUR 1 000)	2022	2021
Management employee benefits		
Salaries and other short-term employee benefits	-1 209	-1 182
Share-based benefits	-36	0
Total	**-1 245**	**-1 182**
Salaries and fees	**2022**	**2021**
Board members	-152	-157,5
CEO	-357	-292,27
Management team members (excl. CEO)	-736	-732,23
	-1 245	**-1 182**

Fees paid to Board members:	2022	2021
Andersson Minna*	-5,5	-21,6
Martela Eero	-22	-22
Martela Heikki**		-10,6
Mattson Jan	-22	-22
Mellström Katarina	-22	-22
Mild Johan***	-42,4	-37,3
Vepsäläinen Anni	-22	-22
Mattila Hanna****	-16,5	
Total	**-152,4**	**-157,5**

*Member of Board until Q1 2022.
**Member of Board until Q1 2021.
**Member of Board until Q1 2021, Chairman of Board from Q2 2021
****Member of Board from Q2 2022
Fees based on board membership are not paid to members employed by the company.

Salaries, fees and pension commitment to CEO	2022	2021
Salaries and fees	-288	-235
Statutory earnings-related pension payment (TyEL) on salaries	-49	-57

Salaries include also share-based incentives.

The period of notice is 6 months with respect to both the present CEO and the company, and in the event of dismissal by the company, the company, the CEO is entitled, besides of the notice period, to a lump-sum compensation equalling his salary for 6 months.
CEO and the Group management team has long term share-based incentive programme, in which is possible to receive Martela A shares when the set targets are met.

More information in note 17 Share-based payments.

25. Key financial indicators for the Group

Martela Group 2018-2022		2022	2021	2020	2019	2018
Revenue	MEUR	106,7	91,9	88,4	106,2	103,1
Change in revenue	%	16,1	4,0	-16,8	3,0	-5,9
Export and operations outside Finland	MEUR	34,5	22,1	16,3	23,1	17,0
In relation to revenue	%	32,3	24,1	18,5	21,7	16,5
Exports from Finland	MEUR	34,2	21,9	16,1	22,7	16,3
Gross capital expenditure	MEUR	0,9	0,4	1,2	2,3	1,7
In relation to revenue	%	0,8	0,4	1,4	2,1	1,6
Depreciation	MEUR	5,8	5,4	6,5	4,9	2,6
Research and development	MEUR	2,5	2,2	2,0	2,2	1,9
In relation to revenue	%	2,3	2,3	2,2	2,1	1,8
Personnel on average		403	419	451	494	510
Change in personnel	%	-3,9	-7,1	-8,7	-3,1	0,4
Personnel at the end of year		400	400	435	464	501
of which in Finland		324	326	362	385	425
Profitability						
Operating profit	MEUR	2,5	-1,3	-4,0	-2,0	-2,1
In relation to revenue	%	2,3	-1,4	-4,5	-1,9	-2,0
Profit before taxes	MEUR	1,3	-2,3	-4,8	-2,7	-2,5
In relation to revenue	%	1,3	-2,5	-5,4	-2,5	-2,4
Profit for the year *	MEUR	2,6	-2,4	-4,8	-2,5	-2,4
In relation to revenue	%	2,4	-2,6	-5,4	-2,4	-2,3
Revenue / employee	TEUR	265	219	196	215	202
Return on equity	%	20,8	-21,3	-34,7	-14,7	-11,4
Return on investment	%	9,1	-4,7	-13,2	-6,4	-4,9
Finance and financial position						
Balance sheet total	MEUR	62,3	51,1	52,1	55,9	50,0
Equity	MEUR	13,9	10,8	11,6	16,1	18,8
Interest-bearing net liabilities	MEUR	8,1	8,1	4,3	5,0	0,1
In relation to revenue	%	7,5	8,8	4,9	4,7	0,1
Equity ratio	%	24,7	22,2	23,3	28,8	39,2
Gearing	%	58,6	74,8	36,5	31,5	0,65
Net cash flow from operations	MEUR	1,9	-3,4	5,7	6,3	7,4
Dividends paid	MEUR	0,0	0,0	0,0	0,4	1,3

*Change in deferred tax liability included in profit for the year

26. Key share-related figures

		2022	2021	2020	2019	2018
Earnings per share	EUR	0,57	-0,53	-1,16	-0,61	-0,57
Earnings per share (diluted)	EUR	0,57	-0,53	-1,16	-0,61	-0,57
Share par value	EUR	1,55	1,55	1,68	1,68	1,68
Dividend*	EUR	0,10 *)	0.0	0,0	0	0,10
Dividend/earnings per share	%	17,7	0	0,0	0,0	-17,5
Effective dividend yield	%	0,04	0	0,00	0,00	3,38
Equity per share	EUR	3,07	2,39	2,81	3,80	4,54
Price of A share 31 Dec	EUR	2,45	2,29	3,09	3,36	2,96
Share issue-adjusted number of shares	tpcs	4 519,61	4 508,04	4 155,60	4 155,60	4 155,60
Average share-issue adjusted number of shares	tpcs	4 519,61	4 508,04	4 155,60	4 155,60	4 155,60
Price/earnings ratio		4,34	-4,32	-2,66	-5,48	-5,18
Market value of shares **	MEUR	11,07	10,29	12,80	13,92	12,26

*Proposal by the Board of Directors
**Price of A shares used as value of K shares

Formulas to key figures

Earnings / share	=	Profit attributable to equity holders of the parent Average share issue-adjusted number of shares
Price /earnings multiple (P/	=	Share issue-adjusted share price at year-end Earnings / share
Equity / share, EUR	=	Equity attributable to the equity holders of the parent Share issue-adjusted number of shares at year-end
Dividend / share, EUR	=	Dividend for the financial year Share issue-adjusted number of shares at year-end
Dividend / earnings, %	=	Dividend / share x 100 Earnings / share
Effective dividend yield, %	=	Share issue-adjusted dividend / share x 100 Share issue-adjusted share price at the year-end
Market value of shares, EU	=	Total number of shares at year end x share price on the balance sheet date
Return on equity, %	=	Profit/loss for the financial year x 100 Equity (average during the year)
Return on investment, %	=	(Pre-tax profit/loss + interest expenses + other financial items) x 100 Balance sheet total - Non-interest-bearing liabilities (average during the year)
Equity ratio, %	=	Equity x 100 Balance sheet total - advances received
Gearing, %	=	Interest-bearing liabilities - cash, cash equivalents and liquid asset securities x 100 Equity
Personnel on average	=	Month-end average number of personnel in active employment
Interest-bearing net debt	=	Interest-bearing debt - cash and other liquid financial assets

27. Shares and shareholders

Share capital

The number of registered Martela Oyj shares on December 31, 2022 was 4,519,614. The shares are divided into A and K shares.
Each A share carries 1 vote and each K share 20 votes in annual general shareholders' meeting.
Both share series have the same dividend rights.

Martela Oyj's shares were entered in the book-entry register on February 10, 1995. The counter-book value of each share is EUR 1.55 (1.55).
The A shares are quoted on the Small Cap list of Nasdaq Helsinki.

Distribution of shares 31 Dec 2022	Number, pcs	Total EUR	% of Share Capital	Votes	% of votes
K shares	604 800	936 717	13	12 096 000	76
A shares	3 914 814	6 063 283	87	3 903 240	24
Total	**4 519 614**	**7 000 000**	**100**	**15 999 240**	**100**

The largest shareholders by number of shares 31 Dec 2022	K series shares	A series shares	Total number of shares	%	Number of votes	% of total votes
Marfort Oy	292 000	232 574	524 574	11,6	6 072 574	37,9
Isku yhtymä	0	452 900	452 900	10,0	452 900	2,8
Martela Heikki Juhani	52 122	130 942	183 064	4,1	1 173 382	7,3
Kelhu Markku Juhani	0	145 000	145 000	3,2	145 000	0,9
Palsanen Leena Maire Sinikka	6 785	131 148	137 933	3,1	266 848	1,7
Palsanen Jaakko Antero	1 600	132 140	133 740	3,0	164 140	1,0
Aurasmaa Artti Eljas Henrikki	0	114 223	114 223	2,5	114 223	0,7
Seflo Ab	0	91 760	91 760	2,0	91 760	0,6
Meissa-Capital Oy	0	86 487	86 487	1,9	86 487	0,5
Sr Nordea Nordic Small Cap	0	76 286	76 286	1,7	76 286	0,5
Väätäjä Kaj Tapani	0	74 011	74 011	1,6	74 011	0,5
Lindholm Tuija Elli Annikki	43 122	28 221	71 343	1,6	890 661	5,6
Martela Pekka Kalevi	69 274	8	69 282	1,5	1 385 488	8,7
Andersson Minna Sinikka	49 200	0	49 200	1,1	984 000	6,1
Other shareholders	90 697	2 219 114	2 309 811	51,1	4 033 054	25,2
Total	**604 800**	**3 914 814**	**4 519 614**	**100**	**16 010 814**	**100**

The list includes all shareholders holding over 1% of the shares or votes.
The Board of Directors hold 0.4% of shares and 0.4% of votes.

Martela Oyj owns 1,425 pcs A shares. Out of the shares 379 were purchased at an average price of EUR 10.65 and 1,046 were transferred from Martela Corporation’s joint account to the treasury shares reserve based on the decision by AGM on March 13, 2018. The number of treasury shares is equivalent to 0.03% of all shares and 0.01% of all votes.

The Annual General Meeting has in 2022 re-authorised the Board of Directors to decide, for the following year, on share issue, on acquiring and/or disposing of the company's shares in deviation from the pre-emptive rights of shareholders.

The AGM approved the Board of Directors' proposals, detailed in the meeting notice, to authorise the Board to acquire and/or dispose of Martela shares. The authorisation is for a maximum 450,000 of the company's A series shares.

Breakdown of share ownership by number of shares held 31 Dec 2022

Shares, pcs	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of Votes
1-500	2 428	78,3	311 594	6,9	326 794	2,0
501-1,000	291	9,4	233 025	5,2	236 825	1,5
1,001-5,000	273	8,8	626 160	13,9	859 100	5,4
Over 5,000	110	3,5	3 337 435	73,8	14 360 095	89,7
Total	3 102	100,0	4 508 214	99,7	15 782 814	98,6
of which nominee-registered	8		66 857	1,5	66 857	0,4
In the waiting list and collective account	4		11 400	0,3	228 000	1,4
Total			**4 519 614**	**100,0**	**16 010 814**	**100,0**

Breakdown of shareholding by sector 31 Dec 2022

	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of Votes
Private companies	106	3,4	1 427 163	31,6	6 975 163	43,6
Financial and insurance institutions	11	0,4	119 887	2,7	157 800	1,0
Non-profit entities	5	0,2	3 161	0,1	3 161	0,0
Households	2 969	95,7	2 880 765	63,7	8 607 365	53,8
Foreign investors	11	0,4	10 381	0,2	39 325	0,2
Total	3 102	100,0	4 441 357	98,3	15 782 814	98,6
of which nominee-registered	8		66 857	1,5	66 857	
In the waiting list and collective account	4		11 400	0,3	228 000	1,4
Total			**4 519 614**	**100,0**	**16 010 814**	**100,0**

Parent Company Income Statement

(EUR 1 000)	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Revenue	1	**107 311**	**89 392**
Change in inventories of finished goods and work in progress	3	-1 525	740
Production for own use		2 382	328
Other operating income	2	14 078	1 254
Materials and services	3	-82 878	-66 795
Personnel expenses	4	-12 944	-12 680
Other operating expenses	5	-11 974	-9 843
Depreciation and impairment	6	-6 640	-2 473
Operating profit (-loss)		**7 809**	**-78**
Financial income and expenses	7	-595	-1 233
Profit (-loss) before appropriations and taxes		**7 214**	**-1 311**
Group contributions	8	-3 135	360
Depreciation difference and Group contributions		**-3 135**	**360**
Income taxes	9	-179	0
Profit (-loss) for the financial year		**3 900**	**-951**

Parent Company Balance Sheet

(EUR 1 000)	Note	31 Dec 2022	31 Dec 2021
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10		
Intangible rights		925	1 363
Goodwill		650	5 520
Other long-term expenditure		1 597	2 224
Advance payments		724	159
		3 896	**9 266**
Tangible assets	11		
Land and water areas		0	80
Buildings and structures		0	1 864
Machinery and equipment		2 868	1 107
Other tangible assets		23	23
		2 892	**3 073**
Investments	12		
Share is subsidiaries		10 907	7 405
Receivables from subsidiaries		3 895	4 395
Other shares and participations		7	7
		14 809	**11 808**
CURRENT ASSETS			
Inventories			
Materials and supplies		8 459	8 006
Work in progress		923	1 097
Finished goods		760	2 111
Advances paid to suppliers		35	16
		10 177	**11 230**
Non-current receivables	13		
Loan receivables		**546**	**535**
Current receivables	13		
Trade receivables		17 880	19 931
Loan receivables		0	360
Prepaid expenses		1 013	0
Accrued income		2 071	1 831
		20 964	**22 123**
Cash and cash equivalents		**10 787**	**4 700**
		64 071	**62 735**

Parent Company Balance Sheet

(EUR 1 000)	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Shareholders' equity	14		
Share capital		7 000	7 000
Share premium account		1 116	1 116
Reserve fund		11	11
Invested unrestricted equity fund		995	962
Retained earnings		17 398	18 350
Profit for the year		3 900	-952
Total		**30 421**	**26 487**
Compulsory reservations			
Other compulsory reservations		**229**	**236**
LIABILITIES			
Non-current	15		
Accrued liabilities and prepaid income		108	107
		108	**107**
Current	16		
Loans from financial institutions		1 624	8 491
		1 624	**8 491**
Advances received		369	405
Trade payables		17 834	18 190
Accrued liabilities and prepaid income		10 039	5 550
Other current liabilities		3 448	3 269
		31 689	**27 414**
Liabilities, total		**33 420**	**36 012**
		64 071	**62 735**

Parent Company's Cash Flow Statement

(EUR 1 000)	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from sales	108 725	81 986
Cash flow from other operating income	1 158	1 254
Payments on operating costs	-107 988	-87 670
Net cash from operating activities before financial items and taxes	**1 895**	**-4 430**
Interests paid and other financial payments	-611	-623
Net cash from operating activities (A)	**1 284**	**-5 053**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-422	-209
Proceeds from sale of tangible and intangible assets	15 117	0
Investments on subsidiary shares	-3 002	0
Loans granted	0	-443
Net Cash used in investing activities (B)	**11 693**	**-652**
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid share issue	10	421
Proceeds from current loans	0	1 591
Repayments of current loans	-6 900	-2 000
Net cash used in financing activities (C)	**-6 890**	**12**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) (+ increase, - decrease)	**6 087**	**-5 692**
Cash and cash equivalent at the beginning of financial year*	**4 700**	**10 393**
Cash and cash equivalent at the end of financial year*	**10 787**	**4 700**

*Includes cash and bank receivables

Accounting Policies for the Parent Company Financial Statements

MARTELA OYJ'S FINANCIAL STATEMENTS have been prepared in accordance with Finnish Accounting Standards (FAS). Items in the financial statements have been recognised at cost. No assets have been recorded to appreciated values, unless separately mentioned.

Items denominated in foreign currency:
Transactions denominated in foreign currencies are recognised at the rate of exchange on the date of their occurrence. Receivables and liabilities in the balance sheet are translated at the average rate on the balance sheet date. Exchange rate differences arising from trade receivables are recognised in revenue and those of trade payables in adjustment items for purchases. Exchange rate differences arising from balance sheet financial items, such as loans, are recognised in exchange rate differences of finance.
Shareholders loans denominated in foreign currency to subsidiaries are considered as investments. Currency exchange rate differences are hence not recognised in parent company financial statements. Exchange rate differences related to shareholder loans are recognised in the Consolidated financial statements.

Intangible assets:
Intangible assets are reported in the balance sheet at cost and depreciated according to the plan (by straight line method). Intangible assets are depreciated according to their estimated useful life in 3–10 years.
Goodwill is depreciated by straight-line method in 10 years. Martela AB goodwill depreciation time has been changed from ten to five years based on the impairment test and the goodwill is fully depreciated.

Tangible assets:
Buildings, machinery, equipment and other tangible assets are reported in the balance sheet at cost. No depreciation is recognised on revaluations of buildings or on land areas. Otherwise, depreciation is calculated on a straight line basis according to the estimated useful life. The change in accumulated depreciation difference is presented as a separate item in the parent company's profit and loss statement and the accumulated depreciation difference as a separate item in the balance sheet.

Depreciation periods for tangible assets:

Buildings and structures	20-30 years
Machinery and equipment	4-8 years
Other tangible assets	3-5 years

Impairment testing of long-term assets
Goodwill and investments in subsidiaries are tested for impairment annually regardless if there are any indications that the amount might be impaired. The recoverable cash amount from the subsidiaries is based on value in use calculations in the testing. The forecasted cash flows are based on 5-year financial plans approved by management. The central assumptions of the plans comprise of subsidiary growth- and profitability assumptions.
The cash flows beyond the five-year period is estimated based on 1,5 % growth.

Inventories:
Inventories are recognised at weighted average purchase prices. The value of inventories is reduced with respect to nonmarketable items. The cost of goods includes also a share of the overhead costs of production.

Income tax:
The company income taxes are recognised on accrual basis and are calculated according to local tax legislation with adjustments from previous financial years. In the financial statements the company does not recognise deferred tax receivables or deferred tax liabilities.

Revenue and recognition policies:
Revenue is recognised on accrual basis. Direct taxes, discounts and exchange rate differences are deducted from sales income in calculating revenue.

Research and development:
Research and development expenses are recognised normally in profit or loss in the year they arise. Research and development-related equipment is capitalised in machinery and equipment.

Other operating income and expenses:
Proceeds from sale of assets, public subsidies and other income (e.g. rent income) are recognised in ”Other operating income”. Losses from disposal of assets and other costs are recognised in ”Other operating expenses”.

Operating leases:
All leasing payments are reported as rent expenses.

Share-based payments:
In the effective share-based incentive programme there are three earning periods, which are 2021, 2022 and 2023, and payment are made as a combination of shares and cash.

Treasury shares:
The treasury shares held by the parent company are reported as a deduction from equity.

Other compulsory reservations
The normal warranty for standard Martela produced products is five years. The warranty provision (EUR 286 thousand) has been calculated as an estimate of the five-year warranties for Martela products and the sale of Martela products.

1. Breakdown of revenue by market area, % of revenue

	2022	2021
Finland	69	76
Scandinavia	19	16
Other	12	8
Total	**100**	**100**

2. Other operating income

(EUR 1 000)	2022	2021
Rental income	233	238
Government grants	0	30
Other operating income	360	118
Sale profit of Nummela property	12 870	0
Other operating income, Group	615	867
Total	**14 078**	**1 254**

3. Materials and services

(EUR 1 000)	2022	2021
Purchasing during the financial year	-67 384	-52 772
Change in inventories of materials and suppliers	453	1 521
External services	-17 473	-14 805
Materials and supplies, total	**-84 404**	**-66 056**

4. Personnel expenses and number of personnel

(EUR 1 000)	2022	2021
Salaries, CEO	-288	-236
Pension expenses	-49	-57
Salaries of Board and directors	-152	-158
Salaries of Board and directors and managing director, total	**-489**	**-451**
Other salaries	-10 295	-10 236
Pension expenses	-1 791	-1 546
Other salary-related expenses	-369	-447
Personnel expenses in the income statement	**-12 944**	**-12 680**
Fringe benefits	-184	-184
Total	**-13 128**	**-12 864**
Personnel		
Personnel on average, workers	49	54
Personnel on average, officials	146	152
Personnel on average, total	**196**	**206**
Personnel at the year end	**194**	**189**

Salaries of Board and directors are not income subject to pension.

5. Other operating expenses

(1 000 eur)	2022	2021
Auditor's fees		
Auditing	-113	-90
Other services	-14	-8
Auditor's fees, total	**-127**	**-98**

6. Depreciation and write-down

(EUR 1 000)	2022	2021
Depreciation according to plan		
Intangible assets	-5 893	-2 035
Tangible assets		
Buildings and structures	-2	-12
Machinery and equipment	-744	-427
Depreciation according to plan, total	**-6 640**	**-2 473**
Depreciations and impairments, total	**-6 640**	**-2 473**

7. Financial income and expenses

(EUR 1 000)	2022	2021
Financial income and expenses		
Interest income from short-term investments	21	18
Interest income from short-term investments from Group companies	23	38
Foreign exchange gains	22	3
Interest expenses	-351	-425
Losses on foreign exchange	-166	-230
Other financial expenses	-145	-110
Impairment	0	-527
Total	**-595**	**-1 233**

8. Depreciations and Group contributions

(EUR 1 000)	2022	2021
Appropriations		
Group contributions, received	0	360
Group contributions, given - /received +	-3 135	**0**
Group contributions total	**-3 135**	**360**
Appropriations, total	**-3 135**	**360**

9. Income Taxes

(EUR 1 000)	2022	2021
Income taxes from operations	-179	0
Taxes from previous years	0	0
Total	**-179**	**0**

10. Intangible assets

(EUR 1 000)

1 Jan–31 Dec 2022	Intangible rights	Goodwill	Other long-term expenses	Work in progress	Intangible assets total
Acquisition cost 1 Jan	5 404	9 200	12 535	158	27 297
Increases	128	0	104	2 633	2 865
Decreases	-108	0	-167	-2 068	-2 343
Acquisition cost 31 Dec	**5 425**	**9 200**	**12 471**	**724**	**27 820**
Accumulated depreciation 1 Jan	-4 043	-3 680	-10 309	0	-18 033
Depreciation for the year 1 Jan 31 Dec	-458	-4 870	-564	0	-5 891
Accumulated depreciation 31 Dec	**-4 501**	**-8 550**	**-10 872**	**0**	**-23 924**
Carrying amount 1 Jan	1 362	5 520	2 224	158	9 266
Carrying amount 31 Dec	**925**	**650**	**1 597**	**724**	**3 896**
					-11 386

1 Jan–31 Dec 2021	Intangible rights	Goodwill	Other long-term expenses	Work in progress	Intangible assets total
Acquisition cost 1 Jan	5 404	9 200	12 466	317	27 387
Increases	0	0	68	217	285
Decreases	0	0	0	-375	-375
Acquisition cost 31 Dec	**5 404**	**9 200**	**12 535**	**158**	**27 297**
Accumulated depreciation 1 Jan	-3 625	-2 760	-9 618	0	-16 004
Depreciation for the year 1 Jan–31 Dec	-419	-920	-692	0	-2 030
Accumulated depreciation 31 Dec	**-4 043**	**-3 680**	**-10 309**	**0**	**-18 033**
Carrying amount 1 Jan	1 781	6 440	2 847	317	11 384
Carrying amount 31 Dec	**1 362**	**5 520**	**2 224**	**158**	**9 266**

Martela AB goodwill depreciation time has been changed from ten to five years based on the impairment test and the goodwill is fully depreciated.

11. Tangible assets

(EUR 1 000)

1 Jan–31 Dec 2022	**Land areas**	**Buildings**	**Machinery and equipment**	**Other tangible assets**	**Total**
Acquisition cost 1 Jan	80	10 632	13 435	23	24 170
Increases	0	0	2 508	0	2 508
Decreases	-80	-1 862	0	0	-1 941
Acquisition cost 31 Dec	**0**	**8 770**	**15 943**	**23**	**24 737**
Accumulated depreciation 1 Jan	0	-8 769	-12 328	0	-21 096
Depreciation for the year 1 Jan–31 Dec	0	-2	-746	0	-748
Accumulated depreciation 31 Dec	**0**	**-8 770**	**-13 074**	**0**	**-21 845**
Carrying amount 1 Jan	80	1 864	1 107	23	3 074
Carrying amount 31 Dec	**0**	**0**	**2 869**	**23**	**2 892**
					-2 889

1 Jan–31 Dec 2021	**Land areas**	**Buildings**	**Machinery and equipment**	**Other tangible assets**	**Total**
Acquisition cost 1 Jan	80	10 623	12 812	23	23 538
Increases	0	9	623	0	632
Acquisition cost 31 Dec	**80**	**10 632**	**13 435**	**23**	**24 170**
Accumulated depreciation 1 Jan	0	-8 757	-11 891	0	-20 648
Accumulated depreciation on decreases	0	0	-5	0	-5
Depreciation for the year 1 Jan–31 Dec	0	-12	-431	0	-443
Accumulated depreciation 31 Dec	**0**	**-8 769**	**-12 328**	**0**	**-21 096**
Carrying amount 1 Jan	80	1 866	921	23	2 890
Carrying amount 31 Dec	**80**	**1 864**	**1 107**	**23**	**3 073**

Revaluations included in buildings 2022 total EUR 0 housand (1 850 in 2021).
Carrying amount of production machinery and equipment in 2022 was EUR 58 thousand (53 in 2021).

Nummela property has been sold 3 August 2022.

12. Investments

(EUR 1 000)

1 Jan–31 Dec 2022	**Subsidiary shares**	**Other shares and participations**	**Shareholder loan receivables**	**Total**
Balance sheet value at beginning of year	7 405	7	4 396	11 808
Increases	3 501	0	500	4 001
Decreases / Impairment	0	0	-1 001	-1 001
Balance sheet value at end of year	**10 907**	**7**	**3 895**	**14 809**

1 Jan–31 Dec 2021	**Subsidiary shares**	**Other shares and participations**	**Shareholder loan receivables**	**Total**
Balance sheet value at beginning of year	7 489	7	4 973	12 470
Increases	0	0	0	0
Decreases / Impairment	-84	0	-577	-661
Balance sheet value at end of year	**7 405**	**7**	**4 396**	**11 808**

Subsidiary shares		**Parent holding, %**	**Of total votes, %**	**Number of shares**	**Par value (1,000)**	**Book value (EUR 1,000)**
Kidex Oy	Finland	100	100	200	EUR 2,208	2 208
Muuttopalvelu Grundell Oy	Finland	100	100	100	EUR 8	4 440
Martela AB, Nässjö	Sweden	100	100	50 000	SEK 5,000	2 141
Aski avvecklingsbolag AB, Malmö	Sweden	100	100	12 500	SEK 1,250	48
Martela AS, Oslo	Norway	100	100	200	NOK 200	1 934
Martela Sp.z o.o., Varsova	Poland	100	100	3 483	PLN 3,483	135
Tehokaluste Oy	Finland	100	100	1	EUR 0	0
Total						**10 907**

Other shares and participations	**7**

Shareholder loan receivable Martela AB EUR 3 760 thousand.
Shareholder loan receivable Martela SP EUR 135 thousand. Interest rate is 3%. Loan will be paid 31.12.2023.

13. Receivables

(EUR 1 000)	2022	2021
Non-current receivables		
Loan receivables	546	535
Current receivables		
Receivables from Group companies		
Trade receivables	2 665	2 908
Loan receivables	0	360
Prepaid expenses	1 013	0
Receivables from others		
Trade receivables	15 215	17 023
Accrued income and prepaid expenses	2 071	1 831
Current receivables, total	**20 964**	**22 123**

Accrued income and prepaid expenses, main items	2022	2021
Related to personnel expenses	99	107
Related to payments in advance	613	366
Other accrued income or prepaid expenses	280	222
Periodization of revenue	1 079	1 136
Accrued income and prepaid expenses total	**2 071**	**1 831**

Related party loan	2022	2021
Loan 1 Jan	223	0
Increases	33	223
Loan 31 Dec	**256**	**223**

The Board of Directors has decided to grant an interest-bearing loan to finance the acquisition of the company's shares. The maximum amount of the loan is 70 per cent of the investment in shares. The loan will be repaid in full on 31 December 2025, at the latest. The interest rate is 12 months euribor but not below 0%.

The loan granted to the board of directors is EUR 256 thousand (223 thousand in 2021), of which the CEO loan EUR 70 thousand and others EUR 186 thousand (153 thousand in 2021).

14. Changes in shareholders' equity

Distribution of shares 31 Dec 2022	Number of shares	Total EUR	% of share capital	Votes	% of Votes
K-shares (20 votes/share)	604 800	1 018 500	15	12 096 000	76
A-shares (1 vote/share)	3 914 814	5 981 500	85	3 914 814	24
Total	**4 519 614**	**7 000 000**	**100**	**16 010 814**	**100**
Treasury shares	1 425				
Number of shares outstanding	**4 518 189**				

Shareholders' equity	**2022**	**2021**
Restricted equity		
Share capital 1 Jan and 31 Dec	**7 000**	**7 000**
Share premium account 1 Jan and 31 Dec	**1 116**	**1 116**
Unrestricted equity		
Reserve fund 1 Jan and 31 Dec	**11**	**11**
Invested unrestricted equity fund 1 Jan	**962**	**0**
Share issue	33	962
Invested unrestricted equity fund 31 Dec	**995**	**962**
Retained earnings 1 Jan	**17 398**	**18 349**
Profit (-loss) for the year	3 900	-951
Retained earnings 31 Dec	**21 298**	**17 398**
Shareholders' equity total	**30 421**	**26 487**

The distributable equity of the parent company is EUR 22,293 thousand in 2022.

A total of 11,657 of Martela shares held by the company have been conveyed without consideration to the 34 key individuals participating in the Performance-based Matching Share Plan 2021—2023, announced on March 23, 2021. Conveyance of the shares relates to the earning period 2021. Following the directed share issue on March 23, 2022, the number of treasury shares stands at 1,425 shares

Treasury shares held by Martela Oyj are reported as a deduction from retained earnings. Martela Oyj owns 1,425 A shares (13,082 in 2021). Out of the shares 379 were purchased at an average price of EUR 10.65 and 1,046 were transferred from Martela Corporation's joint account to the treasury shares reserve based on the decision by AGM on March 13, 2018.

Market value of treasury shares on December 31, 2022 was EUR 2.45 per share (2.29), a total of EUR 3.5 thousand (30.0 thousand in 2021)

Company has executed right issue (March 18, 2021) in which 352,440 pcs new A shares has been subscribed. Issue price of new shares, in total EUR 962 thousand, has been booked in invested unrestricted equity fund.

Company has executed right issue (March 17, 2022) in which 11,574 pcs new A shares has been subscribed. Issue price of new shares, in total EUR 33 thousand, has been booked in invested unrestricted equity fund.

15. Non-current liabilities

(EUR 1 000)	2022	2021
Accrued expenses	108	107
Total	**108**	**107**
Accrued liabilities		
Related to the personnel expenses	100	107

The company has purchased electricity derivatives in 2022, of which long-term liabilities amount to EUR 8 thousand and short-term liabilities amount to EUR 69,5 thousand.

16. Current liabilities

(EUR 1 000)	2022	2021
Current liabilities		
Liabilities to Group companies		
Trade payables to Group companies	10 219	7 435
Accrued liabilities to Group companies	1 622	1 046
Other current liabilities Group companies	3 635	0
Total	**15 476**	**8 481**
Other current liabilities		
Loans from financial institutions	1 624	8 491
Advances received	369	405
Trade payables	7 614	10 755
Other current liabilities	3 448	3 269
Accrued liabilities	4 782	4 504
Total	**17 837**	**27 424**
Current liabilities, total	**33 313**	**35 905**

Current liabilities are specified in notes because items are combined in Balance sheet.

Essential items of accrued liabilities	**2022**	**2021**
Personnel expenses	1 871	1 870
Interest and financing accruals	0	153
Royalties	176	224
Taxes from accounting period	182	0
Residual expenses	2 553	2 257
Accrued liabilities, total	**4 782**	**4 504**

17. Pledges granted and contingent liabilities

(EUR 1 000)	**2022**	**2021**
Debts secured by mortgages		
Bank loans	0	6 900
Factoring loan	1 624	**1 591**
Property mortgages	0	7 565
Corporate mortgages	7 191	10 359
Shares pledged	**7 191**	**17 924**
Other pledges		
Guarantees as security for rents	892	527
Guarantees given on behalf of Group companies	0	1 566
Total	**892**	**2 093**
Other liabilities		
Residual value liabilities related to the service business	1 809	779
Total	**1 809**	**779**
Leasing commitments		
Falling due within 12 months	692	742
Falling due after 12 months	642	813
Total	**1 334**	**1 556**
Rent commitments	**17 927**	**1 859**

Company has signed new premises lease contract on May 24, 2021 which estimated starting date is April 1, 2022.
Contract is valid at least until March 31, 2029, and the monthly rent is EUR 30,754.

Company has signed Nummela property sale and leaseback contract on August 3, 2022.
Contract is valid untill April 31, 2033, and the monthly rent is EUR 121,500.

MARTELA FINANCIAL STATEMENTS 2022

Proposal of the Board of Directors for distribution of profit

Distributable funds of the parent company are EUR 22 294 193,87, of which gain of the period is EUR 3 900 356,40
The Board of Directors proposes to the AGM that, distributable funds are used as follows:

- a dividend of eur 0.10 for every share outstanding will be distributed
- left in equity capital EUR 21 842 374,97

Helsinki 9.2.2023

Signatures on Bord of Directors Report and Financial Statements

Johan Mild	Katarina Mellström	Ville Taipale
Chairman of Bord of Directors	Vice-Chair of the Board of Directors	CEO
Eero Martela	Jan Mattsson	Anni Vepsäläinen
Hanna Mattila		

Auditor's note
Audit opinion of conducted statuory audit has been isued today

Helsinki 9.2.2023

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working world

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AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Martela Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Martela Oyj (business identity code 0114891-2) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4. to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Revenue Recognition *We refer to the Group's accounting policies and note 1* The Group's revenue includes mainly sale of furniture and, to a lesser extent, sale of services and leasing of furniture. In furniture deliveries the Group fulfills its contractual performance obligations at a point in time and the revenue is recognized when control is transferred to a customer. Revenue recognition is considered as a key audit matter because revenues are a key performance measure which could create an incentive for revenue to be recognized prematurely. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of revenue recognition included among others: • We assessed the appropriateness of the group's accounting policies over revenue recognition compared to IFRS standards. • We assessed the group's processes and controls over timing of revenue recognition. • We tested the correct timing of revenue recognition by using analytical procedures and transaction level testing. Our procedures included data analytics, obtaining external confirmations and transaction level testing before and after the balance sheet date as well as inspection of credit notes prepared after the balance sheet date. • We considered the appropriateness of the group's disclosures in respect of revenues.
Valuation of subsidiary shares and receivable and goodwill in parent company's balance sheet *We refer to parent company's accounting policies and notes 6, 10 and 12* As of balance sheet date December 31, 2022 the subsidiary shares and receivable amounted to 14,8 M€ and goodwill to 0,7 M€. Together these compose 24 % of parent company's total assets and 51 % of parent company's equity. The management of the parent company prepares annually impairment calculation for balance sheet value of the investments and goodwill based on their value in use. These calculations include significant management judgements, like forecasted revenue growth, EBITDA and discount rate used in discounting cash flows. Based on the calculation the goodwill of 4,7 M€ related to the Swedish business included in the opening balance sheet was expensed in the financial statements 2022. This matter was also determined to be a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of valuation of subsidiary shares and receivable and goodwill included among others: • We assessed the basis and appropriateness of the forecasts used in the impairment calculations, like revenue growth, EBITDA and discount rate. • We tested the mathematical accuracy of the calculations. • We involved our valuation specialists to assist us in evaluating the methodologies and assumptions in relation to market and industry information.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company’s or the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on March 12, 2020, and our appointment represents a total period of uninterrupted engagement of three years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 9.2.2023

Ernst & Young Oy
Authorized Public Accountant Firm

Osmo Valovirta, Authorized Public Accountant

MARTELA FINANCIAL STATEMENTS 2022

List of accounting records, types of vouchers and storage methods 1.1.-31.12.2022

Monthly journal and general ledger		electronic form Microsoft AX
Account ledger lists		electronic form AX
Bank vouchers	B0/BA	bank statements Opus Capita
Bank vouchers	B0/BA	bank statements Nomentia
		cash-vouchers as paper documents
Sales invoices	45*,55*/1000*	electronic form Microsoft AX
	25*,35*/1000*	electronic form Microsoft AX
		as paper documents
Purchase invoices	PPP	electronic form Max Invoice Workflow
Payroll accounting with vouchers	GPA	as paper documents
Memo vouchers	GPM/JE/JES	as paper documents
VAT calculations	TX	as paper documents
Fixed assets	FA	as paper documents
Accounting notes	LT	electronic form

Microsoft AX has been used in the accounting.
In cash management has Opus Capita been used and in purchase invoices Invoice Workflow.
Microsoft AX and Opus Capita has been used in electronic archiving.