

MARTELA CORPORATION
Business ID 0114891-2

FINANCIAL STATEMENTS

AND

BOARD OF DIRECTORS' REPORT

12/31/2023

MARTELA FINANCIAL STATEMENTS 2023

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BOARD OF DIRECTORS' REPORT

KEY FIGURES

The Group's revenue for the financial year was EUR 94,4 million (106,7). The operating result for the year was EUR -2.4 million (2,5). Operating result of the comparison period includes nonrecurring gain EUR 1.5 million from the sale and leaseback agreement regarding Nummela production and logistic centre, taking into account the cost of sales. Earnings per share were EUR -0.77 (0.57). Cash flow from operating activities totalled EUR 0.3 (2.1) million. The equity-to-assets ratio was 20.0 per cent (24.7) and gearing was 137.2 per cent (58.6). The return on investment for the year was -7.5 per cent (9.1).

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.

Martela's service model related to furnishings and changes in premises responds to the constantly growing need for flexibility. Increasingly, instead of large one-off investments, space changes are under more process-like development. In this change, Martela has highlighted the circular economy model, flexible Workplace as a Service and development of digital sales channels, as strategic focus areas.

The biggest product launch of the year was the versatile Ella chair family, launched in the spring. Ella was designed by Antti Kotilainen and is, among others, a natural complement to the popular Sola chair family. Due to its timeless design and material options, Ella is suitable for offices, cafés and other public spaces. Ella chairs are made of carefully selected materials with a long service life. The recycling and reuse of materials has been taken into account in the manufacturing process from the very beginning. Ella has aroused admiration among users, influencers and suppliers and is becoming a modern classic in Martela's selection. In addition to Ella, the height-adjustable Jojo table designed by Iiro Viljanen was launched on the market, which increases ergonomics, especially in learning environments, and the Sola product family grew with the hefty Sola Grande armchair.

EUR -1.6 (-1.6) million has been entered in the Group profit and loss statement as reasearch and development expenses.

MARKET SITUATION

Economic development in the Nordic countries was modest in 2023, which was also reflected as cautioness in Martela's customers' purchasing decisions. Market conditions are expected to remain uncertain in 2024 due to inflation and interest rate developments, and the resulting caution. On the other hand, the upward pressure on prices caused by the war in Ukraine and challenges in the availability of raw materials have eased.

However, market uncertainty and simultaneous changes in the way of working is likely to create demand for Martela's change services. Premises will be modified to meet the needs of multi-location hybrid work and investments will be made in their attractiveness.

GROUP STRUCTURE

There was no changes in the group structure in 2023.

REVENUE AND OPERATING RESULT

The January–December 2023 revenue was EUR 94.4 million (106.7), a decrease of -11.5% from previous year. Compared to the previous year, revenues decreased by area as follows; in Sweden -14.3 % in Finland -9.6 % in Norway -7.7 % and in Other countries -21.9 %.

The Group's operating result for the January–December was EUR -2.4 million (2.5). The January–December result before taxes was EUR -3.3 million (1.3).

FINANCIAL POSITION

The cash flow from operating activities in January–December was EUR 0.3 million (2.1).

At the end of the period, interest-bearing liabilities stood at EUR 18.2 million including EUR 16.8 million lease liabilities according to IFRS 16. At the end of comparison period the interest bearing liabilities stood at EUR 19.4 million including EUR 17.6 million lease liabilities according to IFRS 16. Net liabilities were EUR 13.1 million (8.1). At the end of the period, short-term limits of EUR 0.0 million were in use (0.0). Short-term cash limits of EUR 0.3 million (0,3) would have been available for utilization.

In 2022 the 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 137.2 % (58.6%) and the equity ratio was 20.0% (24.7%). Financial income and expenses were EUR -0,9 million (-1.1).

The balance sheet total stood at EUR 55.7 million (62.3) at the end of the period.

CAPITAL EXPENDITURE

The Group's gross capital expenditure for January–December came to EUR 2.3 million (0.9).

CHANGES IN THE GROUP MANAGEMENT TEAM

VP Sales and Marketing and member of the Management Team Johan Westerlund resigned and left his position at the end of January 2023. Kimmo Hakkala was appointed VP Sales and Marketing and member of the Management Team. Hakkala started in his position on 1.2.2023. Suvi-Maarit Kario was appointed Martela Corporation's VP Human Resources and Sustainability and a member of the Management Team. Kario started in her position on 7.8.2023. Kalle Lehtonen, CFO and member of the Management Team, resigned and left his position on 24.8.2023. Henri Berg was appointed CFO and member of the Management Team. Berg started in his position on 2.10.2023. From this moment onwards Group Management Team has consisted of CEO Ville Taipale, CFO Henri Berg, VP Sales and Marketing Kimmo Hakkala, VP Operations Kalle Sulkanen, VP Human Resources and Sustainability, VP Brand & Design Kari Leino and VP Design Studio Eeva Terävä.

PERSONNEL

The Group employed an average of 403 people (403), being at the same level as last year. Personnel on average employed in Finland was 326 (328), in Sweden 29 (27), in Norway 15 (14) and in group other countries 33 (34).

The number of employees in the Group was 386 (400) at the end of the review period. Personnel costs in January–December totalled EUR 23 million (23.6).

NON FINANCIAL INFORMATION

Management of corporate responsibility

Responsibility forms an integral part of Martela's strategy and operations. The VP, Human Resources and Sustainability 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 Team 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 2023 GRI indicators connected sustainability reporting 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.

Around 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. Therefore, Martela's most important environmental goal is to offer its customers the Martela Lifecycle model, which supports customers' space efficiency.

Sustainability reporting focuses on the direct and indirect impacts of its own operations, because Martela does not have the means to measure the effects of improved space efficiency and reduced energy use among its customers.

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 decreased from previous year and totalled 8.3 million kilos. Of these emissions, 75% were related to the use of materials purchased for products delivered to customers (scope 3), 4%

arose from the indirect use of energy (scope 2) and 9% were related to the delivery of finished products to customers (scope 1). The energy intensity per turnover within the scope of Martela's calculation was less than 300 GJ/million €.

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. 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 2022, around 23,700 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. From supply chain view point, during 2023 the cooperation between the functions and the related processes were crystallized to enhance the order-delivery efficiency.

Hybrid work under expert professions is still in transition phase in organizations. So too in Martela. The rules of hybrid work has been 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 encouraged to work in different places in accordance with the nature of work. The new premises at Martela's head office meet the needs of hybrid work and support working together, a sense of community and work that requires concentration.

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 2023, personnel's well-being, functional capacity and coping at work were further enhanced 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 updated at the end of 2023, the definitions of social responsibility were further specified. The policy is communicated with each purchase order. Additionally, for the most important suppliers, compliance is checked on a risk-based basis. 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 recent years Martela has regularly participated in the EcoVadis evaluation. In 2022, Martela was awarded the EcoVadis Gold rating. The results of the next assessment will be completed in February-March 2024. 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 2023 sustainability training was implemented in the autumn and was attended by 83% 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 and almost 90% of respondents were aware of procedures when noticing actions against the principles. No communication on grievance was received during 2023 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 a 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 3,968,695 A series, together 4,573,495 shares.

In January–December, a total of 1,122,349 (2,286,583) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 28.3% (58.4) of the total number of series A shares. The value of trading turnover was EUR 2.1 million (6.5), and the share price was EUR 1.28 at the end of the period (2.45). During January–December the share price was EUR 2.72 at its highest and EUR 1.22 at its lowest. At the end of December, equity per share was EUR 2.09 (3.07).

During 2023, Martela did not receive any notifications pursuant to Chapter 9, Section 5 of the Finnish Securities Markets Act.

During 2022 Martela has received one notification in accordance with the Finnish Securities Market Act Chapter 9, Section 5. On March 10, 2022, Martela 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 2023.

Based on the share issue authorization granted by the Annual General Meeting on 29.3.2023, the Board of Directors of Martela Corporation has decided to issue 53,881 new series A shares to the company itself without consideration. The shares issued by the company have been used to pay rewards according to the company's Performance-based Matching Share Plan 2021-2023, announced on March 23, 2021, for 32 key individuals, based on the earning period of 2022.

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, 2023, 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 31.12.2023 total of 91 049 Martela Oyj A -shares and 1 073 K -shares, which represents 2.2% of the total amount of shares and 0.8% 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, were belonging 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 periods 2021 and 2022 and 2023, the rewards were 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 have resolved on March 18, 2021 a 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 was 305 700 A -shares with a subscription price of EUR 2.73 per share. On June 23 2022 the Board of Directors resolved new directed share issue to a new member of the group management team, where total number of shares subscribed 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 2023 total number of shares distributed based on the rewards of the programme was 53 881 and in year 2022 the number of the distributed shares were 11 657.

2023 ANNUAL GENERAL MEETING

Martela Corporation's Annual General Meeting was held on Wednesday, March 29, 2023. The Meeting approved the Financial Statements, discharged the members of the Board of Directors and CEO from liability for the year of 2023 and approved remuneration report for 2023. The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to distribute a dividend of EUR 0.10 per share.

The Annual General Meeting confirmed that the Board of Directors will consist of six members and Mr. Jan Mattsson, Mr. Eero Martela, Ms Hanna Mattila, Ms. Katarina Mellström, Mr. Johan Mild and Ms. Anni Vepsäläinen be re-elected as members of the Board of Directors. The Annual General Meeting resolved a monthly compensation of EUR 3,700

be paid for the Chairman of the Board and EUR 1,850 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 Board of Directors proposal that the Company's articles of association are amended so that the domicile of the Company is changed to Espoo and that an addition is made to the articles of association concerning possible remote participation in the general meeting as an alternative or without convening a physical meeting were approved.

The Annual General Meeting authorized the Board in accordance with the proposal of the Board of Directors to decide on the repurchase of a maximum of 450,000 Company's own A shares in one or several occasions. 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. Own shares may be repurchased when necessary as a part of the Company's salary and incentive scheme, for use in conjunction with corporate acquisitions and other business arrangements, if the Board deems this is in the interest of the shareholders in light of the company's share indicators, or if the Board deems it is an economical way of using liquid assets, or for some other similar purpose. The share repurchase authorization includes the right to repurchase shares otherwise than in proportion of the shareholdings. The authorization cancels any previous unused authorizations to repurchase the Company's own shares. This share repurchase authorization will be valid until the closing of the next Annual General Meeting, however, no longer than until 30 June 2024.

The General Meeting authorized the Board of Directors to decide upon the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Companies Act in one or several tranches, either against payment or without payment. The aggregate number of shares to be issued, including the shares to be received based on special rights, cannot exceed 450 000 of the Company's A-series shares. The Board of the Directors may resolve to issue new shares or to transfer own shares possibly held by the company. The maximum amount of the authorization corresponds to approximately 10 per cent of all shares in the Company. The Board of Directors is authorized to decide on all other matters related to the issuance of shares and special rights entitling to shares, including the right to deviate from the pre-emptive right of shareholders to subscribe for shares to be issued. The authorization is proposed to be used for the purposes of paying purchase prices of corporate acquisitions, share issues and issues of option rights and other special rights entitling to shares. This authorization remains valid until the closing of the next Annual General Meeting, however, no longer than until 30 June 2024.

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. The Responsibility Report of 2023 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 regularly evaluates and monitors the financing need of its operations in order to secure sufficient liquid funds to run the operations and to facilitate other liabilities, like long-term rental agreements related payments. Sudden negative changes in the demand of company's products and services or changes in the overall market environment can however cause that company's 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 22 of the notes to the financial statements.

Short-term risks

The principal risk regarding profit performance and liquidity development relates to the general economic uncertainty and the consequent effects on the overall demand in Martela's operating environment. The market situation continues to be negatively affected by uncertainty about the development of inflation and interest rates. Due to the project-based nature of the sector, forecasting short-term development is challenging in normal circumstances. This challenge is further accentuated by the increased economic uncertainty.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

On January 3, 2024, the company announced plans to streamline and reorganize its operations to mitigate the adverse effects of the market situation and adjust its cost structure to the prevailing circumstances. The reorganisation also aims to improve the service experience of Martela's customers. The planned organisational changes and other cost-saving measures are estimated to result in annual cost savings of approximately EUR 2 million. The majority of these are expected to be realized by 2024 and the full savings targets would be achieved by 2025. At the same time, the company announced that it will continue to invest in strategic key areas such as workplace services, digitalization, circular economy and internationalization

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

OUTLOOK FOR 2024

Martela anticipates its revenue to increase in full-year 2024 compared to previous year and operating result to be positive.

PROPOSAL OF THE BOARD OF DIRECTORS FOR DISTRIBUTION OF PROFIT

The Board of Directors proposes to the Annual General Meeting that no dividend will be distributed for 2023.

ANNUAL GENERAL MEETING

Martela Corporation's AGM is planned to be held on Friday 5 April 2024. 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 2023	1 Jan–31 Dec 2022
Revenue	1	94 389	106 710
Other operating income	2	149	2 293
Changes of inventories of finished goods and work in progress		1 420	3 516
Raw material and consumables used		-56 219	-69 548
Production for own use		513	2506
Employee benefits expenses	3	-22 995	-23 557
Other operating expenses	4	-12 865	-13 639
Depreciation and impairment	5	-6 773	-5 790
Operating profit (-loss)		-2 380	2 491
Financial income	7	645	126
Financial expenses	7	-1 557	-1 268
Profit (-loss) before taxes		-3 292	1 349
Income taxes	8	-222	1205
Profit (-loss) for the financial year		-3 514	2 554
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		45	103
Taxes from items that will not later be recognised through profit or loss		0	-22
Items that may later be recognised through profit or loss			
Translation differences		-415	190
Other comprehensive income for the period		-370	270
Total comprehensive income		-3 883	2 824
Allocation of profit (-loss) for the financial year			
Equity holders of the parent		-3 514	2 554
Allocation of total comprehensive income			
Equity holders of the parent		-3 883	2 824
Earnings per share of the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	-0,77	0,57
Diluted earnings/share, EUR	9	-0,77	0,57

Consolidated balance sheet
(EUR 1 000)

	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	10	4 334	4 278
Tangible assets	11	14 408	13 312
Non-current financial assets	12	539	553
Deferred tax assets	13	3 003	2 860
Non-current assets, total		22 283	21 003
Current assets			
Inventories	14	9 235	11 781
Trade receivables and other receivables	12, 15	19 115	18 248
Cash and cash equivalents		5 053	11 295
Current assets, total		33 403	41 324
ASSETS, TOTAL		55 686	62 327

(EUR 1 000)	Note	31 Dec 2023	31 Dec 2022
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	995
Other reserves		-9	-9
Treasury shares*		-4	-4
Translation differences		-1 071	-655
Retained earnings		1 530	5 406
Equity, total		9 557	13 850
Non-current liabilities			
Pension obligations	19	105	115
Financial liabilities	12, 18	13 812	14 686
Provisions	20	269	229
Non-current liabilities, total		14 187	15 030
Current liabilities			
Financial liabilities	12, 18	4 287	4 612
Advances received	21	7 850	6 278
Trade payables	12, 21	9 440	9 569
Accrued liabilities and prepaid income	12, 21	6 789	7 893
Income tax payable		0	1 213
Other current liabilities	12, 21	3 507	3 824
Provisions	20	67	57
Non-interest-bearing current liabilities, total		31 941	33 447
LIABILITIES, TOTAL		46 128	48 477
EQUITY AND LIABILITIES, TOTAL		55 686	62 327

* 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 2023	1 Jan–31 Dec 2022
Cash flows from operating activities			
Cash flow from sales		94 980	113 434
Cash flow from other operating income		144	282
Payments on operating costs		-93 128	-110 881
Net cash from operating activities before financial items and taxes		1 996	2 835
Interest paid		-784	-472
Interest received		29	23
Other financial items		-244	4
Taxes paid		-677	-319
Net cash from operating activities (A)		320	2 072
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets		-2 332	-902
Proceeds from sale of tangible and intangible assets		0	11 124
Net cash used in investing activities (B)		-2 332	10 222
Cash flows from financing activities			
Proceeds from short-term loans		0	33
Repayments of short-term loans	18	-417	-5 000
Repayments of lease liabilities		-3 457	-2 728
Proceeds from long-term lease liabilities		0	4 000
Repayment of long-term loans	18	0	-1 900
Cash proceeds from issuing shares		0	10
Dividends paid		-452	0
Net cash used in financing activities (C)		-4 326	-5 586
Change in cash and cash equivalents (A+B+C), increase +, decrease -		-6 338	6 708
Cash and cash equivalents at the beginning of year		11 295	4 926
Translation differences		96	-339
Cash and cash equivalents at the end of year		5 053	11 295

Statement of changes in equity

(EUR 1 000)

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 2022	7 000	1 116	962	-9	-128	-846	2 665	10 761
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	-656	5 406	13 849
Equity 1 Jan 2023	7 000	1 116	995	-9	-4	-656	5 406	13 849
Profit (-loss) for the financial year							-3 514	-3 514
Other items of comprehensive income adjusted by tax effects								
Translation differences						-415		-415
Items resulting from remeasurement of the net debt related to defined benefit plans (incl. Deferred taxes)							45	45
Other comprehensive income for the period						-415	45	-370
Total comprehensive income						-415	-3 469	-3 884
Share issue			33					0
Share-based incentives							44	44
Dividends paid							-452	-452
Equity 31 Dec 2023	7 000	1 116	995	-9	-4	-1 071	1 530	9 558

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 Espoo, 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 13, 2024. 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, 2023. 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.

Revenue recognition principles

Furniture is mainly delivered as installed at customer. The control of the furniture is transferred to the customer when the deliverables from 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 comparison 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.

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 an 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 has adopted the following new and revised standards and interpretations issued by the IASB:

Amendments to the standard 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. The changes did not have a significant impact on the consolidated financial statements.

Amendments to the standard IAS 8, Accounting principles, changes and errors in accounting estimates: Definition of accounting estimates. The change clarifies the definition and application of the accounting estimate. The changes did not have a significant impact on the consolidated financial statements.

Amendments to IAS 12 Income Taxes – Pillar 2: The model rules regarding Pillar 2 will enter into force in Finland on January 1, 2024 with the new legislation on corporate minimum tax, which will bring into force the Council directive on ensuring a global minimum tax level for multinational corporations and large domestic corporations (Pillar 2). Martela Oyj is not covered by the legislation.

New IFRS standards, amendments to standards and IFRIC interpretations that have not yet been implemented

Amendments to the standard IAS 1, Classification of liabilities into current and non-current. The standard change clarifies how debts should be classified as short-term or long-term when the company has the right to postpone the payment of the debt for at least 12 months.

Amendments to the IFRS16 standard Leases: lease liabilities in sales and leasebacks. The change requires the seller-lessee to subsequently value the lease liabilities arising from the sublease in a way that does not record any part of the profit or loss related to the seller-lessee's right of use. The new requirements do not prevent the seller-lessee from recording a profit or loss in the income statement related to the partial or complete termination of the lease agreement.

Amendments to the IAS 7 standard Cash flow statement and to the IFRS 7 standard Financial instruments: Delivery financing arrangements. The aim of the change is to provide additional information on the use of supplier financing arrangements, which will allow investors to assess the effects on the company's debts, cash flows and liquidity risk. The change gives instructions to identify a situation in which the currency cannot be considered as freely exchangeable and instructs in these situations to take this into account in the exchange rate used in reporting and to provide additional information on the matter.

The new IFRS standards, changes to standards and IFRIC interpretations listed above that come into effect on or after 1 January 2024 are not estimated to have a material impact on the group.

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 2023	1 Jan–31 Dec 2022
Finland	67 313	74 501
Sweden	9 561	11 155
Norway	6 992	7 575
Other areas	10 523	13 479
Total	94 389	106 710

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Income from the sale of goods	77 653	91 615
Income from the sale of services	16 736	15 095
Total	94 389	106 710

Revenue includes EUR 4 287 thousand (2 228) income from furniture which is based on customer agreements and is classified as rental income. Comparison year figure has been corrected. Previously released figure was EUR 1 327 thousand.

(EUR 1 000)

Assets and liabilities from contracts with customers	31 Dec 2023	31 Dec 2022
Trade receivables	16 218	15 810
Accrued income based on customer contracts	281	933
Prepayments based on customer contracts	7 850	6 278

Assets

Information about geographical regions

Non-current assets (EUR 1000)	Intangible assets	Tangible assets
	31 Dec 2023	31 Dec 2023
Finland	4 334	14 093
Sweden	0	106
Other regions	0	208
Total	4 334	14 408

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

2. Other operating income

(EUR 1 000)	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Gains on sale of tangible assets	0	69
Gain on the sale and leaseback agreement	0	1 930
Rental income	58	239
Public subsidies	6	13
Other income from operations	85	43
Total	149	2 293

3. Employee benefits expenses

(EUR 1 000)	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Salaries and wages	-18 505	-18 933
Pension expenses, defined contribution plans	-2 876	-2 949
Pension expenses, defined benefit plans	-70	-105
Expenses of matching share plan	-275	-297
Other salary-related expenses	-1 270	-1 273
Personnel expenses in the income statement	-22 995	-23 557
Other fringe benefits	-499	-381
Total	-23 494	-23 938

A total of EUR 769 thousand for 2023 and EUR 1 142 thousand from 2022 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	2023	2022
Personnel on average, workers	194	200
Personnel on average, officials	209	203
Personnel on average, total	403	403
Personnel at year-end	386	400
Personnel on average in Finland	326	328
Personnel on average in Sweden	29	27
Personnel on average in Norway	15	14
Personnel on average in Poland	33	34
Total	403	403

4. Other operating expenses

Other operating expenses are reported by type of expense.

(EUR 1000)	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Freight	-1 237	-1 465
Travel	-611	-561
Administration	-2 041	-2 582
IT	-3 217	-2 768
Marketing	-640	-862
Electricity and heating	-330	-311
Unrealised loss of electricity derivatives	-52	-78
Other real estate	-1 089	-1 053
Royalties	-646	-850
Other	-3 002	-3 107
Total	-12 865	-13 639
Auditors' fees	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Auditing	-173	-129
Other services	-18	-15
Total	-191	-144

Auditors' fees are included in administration expenses.

5. Depreciation and impairment

(EUR 1 000)	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Depreciation		
Intangible assets	-1 267	-1 005
Tangible assets		
Buildings and structures	-170	-324
Machinery and equipment	-1 273	-936
Depreciation, total	-2 710	-2 265
Depreciation of right-of-use assets according to IFRS 16		
Buildings and structures	-2 628	-2 157
Machinery and equipment	-1 435	-1 369
Depreciation, total	-4 063	-3 526

6. Research and development expenses

The income statement includes research and development expenses of EUR -1,573 thousand (EUR -1,625 thousand 2022).

7. Financial income and expenses

(EUR 1 000)	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Financial income		
Interest income on loans and other receivables	29	23
Foreign exchange gain on loans and other receivables	615	103
Other financial income	1	0
Total	645	126
Financial expenses		
Interest expenses from financial liabilities measured at amortised cost	-25	-166
Foreign exchange losses on loans and other receivables	-533	-327
Interest expenses of lease liabilities according to IFRS 16	-694	-387
Other financial expenses	-304	-389
Total	-1 557	-1 268
Financial income and expenses, total	-912	-1 142
Total exchange rate differences affecting profit and loss are as follows:		
Exchange rate differences, sales (included in revenue)	-39	-347
Exchange rate differences, purchases (included in adj. of purchases)	-81	23
Exchange rate differences, financial items	81	-224
Exchange rate differences, total	-38	-548

8. Income taxes

(EUR 1 000)	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Income taxes, financial year	-175	-1 385
Taxes for previous years	-86	-116
Change in deferred tax liabilities and assets	39	2 705
Total	-222	1 205

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	-3 292	1 349
Taxes calculated using the domestic corporation tax rate	-658	270
Deferred taxes	-39	-2 705
Different tax rates of subsidiaries abroad	-17	-36
Taxes for previous years	86	116
Recognition of unused tax losses not booked earlier	0	1 089
Tax-exempt income	6	3
Non-deductible expenses	58	-504
Unbooked deferred tax assets on losses in taxation	838	356
Other items	-51	207
Income taxes for the year in the p/l (+ = expense, - = profit)	222	-1 205

Income taxes in the comparison year in income statement are positive, due to use of confirmed losses, for which deferred tax assets have not been recognised 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 2023	1 Jan–31 Dec 2022
Profit attributable to equity holders of the parent	-3 514	2 554
Weighted average number of shares (1,000)	4 572	4 518
Basic earnings per share (EUR/share)	-0,77	0,57

The company has no diluting instruments December 31, 2023 or December 31, 2022.

For more information on weighted average number of shares see note 16.

10. Intangible assets

(EUR 1 000)	1 Jan–31 Dec 2023				1 Jan–31 Dec 2022			
	Intangible assets	Goodwill	Work in progress	Total	Intangible assets	Goodwill	Work in progress	Total
Acquisition cost 1 Jan	15 479	883	724	17 086	15 360	883	159	16 402
Increases	926		2 166	3 092	227		2 424	2 652
Decreases			-1 769	-1 769	-108		-1 860	-1 968
Acquisition cost 31 Dec	16 405	883	1 121	18 409	15 479	883	724	17 086
Accumulated depreciation 1 Jan	-12 808	0	0	-12 808	-11 814	0	0	-11 814
Depreciation for the year	-1267			-1 267	-994			-994
Exchange rate differences								
Accumulated depreciation 31 dec	-14 075	0	0	-14 075	-12 808	0	0	-12 808
Carrying amount 1 Jan	2 671	883	724	4 278	3 546	883	159	4 588
Carrying amount 31 Dec	2 330	883	1 121	4 334	2 671	883	724	4 278

Goodwill

The Group's Goodwill EUR 883 thousand (EUR 883 thousand 2022) 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 Muuttopalvelu Grundell Oy 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 9.9%. 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 10.0% (9.6%) 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 13.1 million higher than the book value according to the performed impairment test. No predictable changes in any assumptions, have any significant impact on the result of the goodwill testing.

11. Tangible assets

(EUR 1 000)

1 Jan–31 Dec 2023	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	4	23 616	12 407	34 075	2 691	7 839	23	1	80 656
Increases		13	1 272	586	1 536	3 918			7 325
Decreases	0	-9		0	-102	-1373		-1	-1 486
Exchange rate differences			-43						-43
Acquisition cost 31 Dec	4	23 620	13 636	34 661	4 124	10 383	23	0	86 452
Accumulated depreciation 1 Jan	0	-23 003	-8 214	-32 865	-1 853	-1 407	0	0	-67 343
Accumulated depreciation, decreases	0			0	93	672	0	0	765
Depreciation for the year	0	-170	-1 795	-359	-834	-2 348	0	0	-5 506
Exchange rate differences			48		-8		0	0	40
Accumulated depreciation 31 Dec	0	-23 173	-9 961	-33 224	-2 601	-3 083	0	0	-72 044
Carrying amount 1 Jan	4	614	4 193	1 210	838	6 430	23	0	13 312
Carrying amount 31 Dec	4	448	3 676	1 437	1 523	7 298	23	0	14 408

*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 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	3 565	475	162	6 070			10 375
Decreases	-80	-533	-257	-45	-285	-653	-11	-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.

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
2023 balance sheet items							
Non-current financial assets							
Loan receivables	532			532	532	2	
Current financial assets							
Trade and other receivables	16 218			16 218	16 218	2	15
Book value by group	16 750			16 750	16 750		
Non-current financial liabilities							
Interest-bearing liabilities		13 776		13 776	13 776	2	18
Derivatives designated as hedging instruments			36	36	36	1	
Current financial liabilities							
Interest-bearing liabilities		4 272		4 272	4 272	2	18
Derivatives designated as hedging instruments			15	15	15	1	
Trade payables and other liabilities		12 947		12 947	12 947	2	21
Book value by group		30 995	52	31 046	31 046		
2022 balance sheet items							
Non-current financial assets							
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			16 356	16 356		
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		

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 2023	1 Jan 2023	Recognised in the income statement	Recognised in the other comprehensive income	Recognised in the retained earnings	31 Dec 2023
Deferred tax assets					
Right of use asset	2 454	0			2 454
Pension obligations	3	0	-12		-9
Other temporary differences	425	212	0	116	753
Total	2 882	212	-12	116	3 198
Deferred tax liabilities					
Right of use asset	7	184			191
On buildings measured at the fair value of the transition date	16	-12	0	0	4
Total	23	172	0	0	195
Deferred tax assets and liabilities, total	2 859	40	-12	116	3 003

(EUR 1 000)

Changes in deferred taxes during 2022	1 Jan 2022	Recognised in the income statement	Recognised in the other comprehensive income	Recognised in the retained earnings	31 Dec 2022
Deferred tax assets					
Right of use asset	28	2 426			2 454
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

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 22.1 million (21.8 in 2022) 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 2023	31 Dec 2022
Raw materials and consumables	7 777	10 060
Work in progress	399	1 281
Finished goods	1 059	440
Total	9 235	11 781

The value of inventories has been written down by -381 thousand (-430 thousand 2022) 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 2023	31 Dec 2022
Trade receivables	16 218	15 810
Accrued income and prepaid expenses of		
Personnel expenses	91	99
Uninvoiced revenue	445	1 115
Prepaid expenses	1 869	927
Tax receivables	491	297
Accrued income and prepaid expenses total	2 897	2 438
Total	19 115	18 248

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 (EUR 1 000)	Incl. credit loss		Incl. credit loss	
	2023 provision		2022 provision	
Undue	12 279	74	12 608	101
0-6 months overdue	3 723	97	2 877	17
6-12 months overdue	128	299	142	2
12-24 months overdue	74	50	89	5
Over 24 months overdue	14	64	94	5
Total	16 218	584	15 810	129

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%.

At the end of the financial year, there were a total of EUR 584 thousand in provisions for bad debts, of which the group's EUR 290 thousands is related to the bankruptcy of a Norwegian customer.

The sales invoices are interest-free and the most general payment term is 14 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 (EUR 1 000)	2023	2022
Finland	9 704	9 827
Scandinavia	5 188	4 689
Other European countries	1 256	1 241
Other regions	70	53
Total	16 218	15 810

Credit risks from trade receivables are not concentrated.

In 2023 credit losses of EUR -535 thousand (EUR -192 thousand 2022) 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 1.53 (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		Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Total
	A shares	K shares					
1 Jan 2022	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	3 913 389	604 800	7 000	1 116	995	-4	9 108
Shares of directed share issue	53 881						
31 Dec 2023	3 967 270	604 800	7 000	1 116	995	-4	9 108

Martela Oyj owns 1,425 (1,425) A-shares purchased at an average price of 10.65. The number of treasury shares is equivalent to 0.03% (0.03) of all shares and 0.01% (0.01) 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.

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.

Company has decided on a paid directed share issue March 29, 2023, in which 53,881 of series A shares have been subscribed without consideration.

The shares issued to the company have been used to pay incentives according to the company's incentive plan.

Acquisition of shares for the share-based incentive scheme and the management of the scheme have been outsourced to an external service provider.

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 16,372 thousand on December 31, 2023.

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 and 2023, 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	36	35	30	
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	154 486	157 046
Changes during the period			
Granted		0	0
Forfeited		46 742	45 410
Shares given	23 305	107 744	
Lost during the period	129 709		
Outstanding at the end of the period	0	0	111 636

Effects from the share based incentive programme on the financial year 2022 (EUR 1 000)	2023	2022
Expenses for the financial year, share-based payments, equity settled	43 612	231 460

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, EUR 2.85 per share (6.5.2021) and EUR 2.71 per share (23.6.2022).

18. Financial liabilities

(EUR 1 000)	31 Dec 2023	31 Dec 2022
Non-current		
Derivatives designated as hedging instruments	36	8
Lease liabilities	13 776	14 678
Total	13 812	14 686
Current	31 Dec 2023	31 Dec 2022
Loans from financial institutions	1 207	1 624
Derivatives designated as hedging instruments	15	70
Lease liabilities	3 065	2 918
Total	4 287	4 612

Current loans consist of factoring loan in 2023.

More information in note 23 Pledges granted and contingent liabilities.

More information on Derivatives designated as hedging instruments is given in note 12 and 22.

	31 Dec 2023	31 Dec 2022
Lease liabilities are payable as follows:	Lease liabilities	Lease liabilities
Lease liabilities - total amount of minimum lease payments		
No later than one year	3 672	3 756
Later than one year and no later than five years	8 777	8 771
Later than five years	7 246	9 637
Total	19 695	22 165
Lease liabilities - present value of minimum lease payments		
No later than one year	3 065	2 896
Later than one year and no later than five years	7 159	6 882
Later than five years	6 617	7 818
Total	16 841	17 596
Unearned finance expense	2 854	4 569

Amounts recognised in profit or loss (EUR 1 000)	31 Dec 2023	31 Dec 2022
Interest on lease liabilities	-694	-387
Expenses related to short-term leases	-985	-1 063

Changes in net debt 2023	1 Jan 2023	Cash flows	Non-cash changes				31 Dec 2023
			Fair value of Derivatives designated as hedging instruments	Transfer between groups	Lease liabilities increase	Lease liabilities decrease	
Long-term liabilities total	14 685	0	28	-2 485	1 584	0	13 812
Short-term liabilities total	4 612	-417	-54	2 644	1 063	-3 561	4 287
Total liabilities from the financing activities	19 297	-417	-26	159	2 647	-3 561	18 099

Changes in net debt 2022	1 Jan 2022	Cash flows	Non-cash changes				31 Dec 2022
			Fair value of Derivatives designated as hedging instruments	Transfer between groups	Lease liabilities increase	Lease liabilities decrease	
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

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	
	2023	2022	2023	2022	2023	2022
1 Jan	1 380	2 597	-1 364	-2 469	16	128
Recognised in profit or loss						
Service cost in the period	40	79			40	79
Past service cost	0	0	0	0		
Interest expense or income	51	26	-52	-25	-1	1
Settlements	-357	-613	357	613		
	-266	-508	305	588	39	80
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	-8	-717			-8	-717
Experience based profits (-) or losses (+)	-15	8			-15	8
Return on the funds included in the plan, excluding items in interest expenses or income (+/-)			53	607	53	607
	-23	-709	53	607	30	-102
Other items						
Employer's payments (+)	0	0	-71	-89	-71	-89
Benefits paid	-10	0	10	0	0	0
	-10	0	-61	-89	-71	-89
31 Dec	1 071	1 380	-1 067	-1 364	13	16

The Group anticipates that it will pay a total of EUR 30 thousand to defined benefit pension plans in the financial period of 2024.

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
	The assumption is growing	The assumption is growing
Effect of a change in the assumption employed		
Discount rate (0.5% change)	-6,5 %	6,0 %
Increase in salaries (0.5% change)	N/A	N/A
Mortality rate (a change of 5% points)	-0,9 %	-0,8 %

The weighted average of the duration of the plans is 14.2 years.

20. Provisions

(EUR 1 000)	31 Dec 2023	31 Dec 2022
Long-term provisions	269	229
Short-term provisions	67	57
Total	337	286
Provisions 1 Jan	286	295
Net change in provisions	50	-9
Provisions 31 Jan	337	286

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 2023	31 Dec 2022
Financial liabilities	4 287	4 612
Advances received	7 850	6 278
Trade payables	9 440	9 569
Total	21 577	20 459
Accrued liabilities and prepaid income of		
Personnel expenses	4 243	4 431
Interests	0	0
Royalties	214	205
Residual expenses	2 331	4 465
Tax liability based on taxable income for the period	0	1 213
Other	1	6
Total	6 789	9 106
Other current liabilities	3 507	3 824
Other	3 507	3 824
Provisions*	6	57
Current liabilities	31 941	33 447

*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 and 2023 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 2023 and 2022.

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The following table presents currency risks per instrument and currency.

Transaction risks per instrument and currency 31 Dec 2023 (EUR 1 000)

	EUR	SEK	NOK
Trade receivables	0	2 236	1702
Trade payables	0	642	40
Total	0	2 878	1 742

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

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 2023 (2022). 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 2023	
EUR	+/- 0
SEK	+/- 288
NOK	+/- 174
Analysis of sensitivity to transaction risk (EUR 1 000)	
31 Dec 2022	
EUR	+/- 0
SEK	+/- 261
NOK	+/- 249

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 2023	31 Dec 2022
Fixed rate		
Lease liabilities	16 841	17 596
Financial liabilities incl derivatives	1 258	1 702
Total	18 099	19 297

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)	2023	2022
Financial assets measured at fair value through profit or loss	7	7
Non-current loan receivables	532	546
Trade receivables and other receivables	19 115	18 248
Cash and cash equivalents	5 053	11 295
Total	24 707	30 096

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

Liquidity risks

The group aims to constantly evaluate and monitor the amount of financing required by the business, so that the group has enough liquid assets to finance operations, including long-term commitments - such as leases - to fulfill obligations. In addition, the group aims to continuously maintain sufficient liquid assets with the help of effective cash management solutions, such as cash reserve and working capital optimization. The refinancing risk is managed in part by using several leasing and rental contract partners in financing operations. Sudden changes in the financial market or in Martela's operating environment may negatively affect the group's liquidity and how the company is able to meet its payment obligations. In addition, the profitability of the group's business and the cash flow of the business affect the development of the group's liquidity

Cash and cash equivalent at the year-end 2023 were EUR 5,053 thousand.

Contractual cash flows mature as follows (EUR 1 000):	2024	2025	2026	2027	2028	Later	Total	Balance sheet value
Lease liabilities	3 672	2 698	2 171	2 009	1 900	7 246	19 695	16 841
Trade payables	9 440						9 440	9 440
Total	13 112	2 698	2 171	2 009	1 900	7 246	29 135	

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
Lease liabilities	3 756	2 889	2 135	1 896	1 852	9 637	22 165	17 596
Trade payables	9 569						9 569	9 569
Total	13 325	2 889	2 135	1 896	1 852	9 637	31 734	

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 2023	31 Dec 2022
Shareholders' equity	9 558	13 850
Balance sheet total - advance payments	47 836	56 049
Equity to assets ratio %	20,0	24,7

23. Pledges granted and contingent liabilities

(EUR 1 000)	31 Dec 2023	31 Dec 2022
Debts secured by mortgages		
Corporate mortgages	9 895	9 888
Total mortgages	9 895	9 888
Other pledges		
Guarantees as security for rents	854	892
Commitments		
Rental commitments	589	527

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 9,783 shares (18,009) and hold a total of 0.2% (0,4%) of the shares and 0.2% (0,4%) of the votes. Persons in the management own a total of 91,049 (132,564) Martela Corporation shares as at December 31, 2023.

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 137,888.02 (256,107.95), of which EUR 69,999.93 (69,999.93) has been granted to CEO and other management EUR 67,888.09 (186,108.02).

Group structure	Domicile	Holding (%) 31 Dec 2022	Of votes (%) 31 Dec 2022	Sales company	Production company
Parent company					
Martela Oyj	Finland			x	x
Subsidiaries					
Kidex Oy	Finland	100	100	x	x
Muuttopalvelu Grundell Oy	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.

(EUR 1 000)	2023	2022
Management employee benefits		
Salaries and other short-term employee benefits	-1 184	-1 140
Share-based benefits	-121	-36
Total	-1 305	-1 176
Salaries and fees		
Board members	-162	-152
CEO	-314	-288
Management team members (excl. CEO)	-829	-736
Total	-1 305	-1 176

Fees paid to Board members:	2023	2022
Andersson Minna*	0,0	-5,5
Martela Eero	-23,4	-22
Mattson Jan	-23,4	-22
Mellström Katarina	-23,4	-22
Mild Johan	-45,1	-42,4
Vepsäläinen Anni	-23,4	-22
Mattila Hanna**	-23,4	-16,5
Total	-161,9	-152,4

*Member of Board until Q1 2022.

**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	2023	2022
Salaries and fees	-314	-288
Statutory earnings-related pension payment (TyEL) on salaries	-65	-49

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 2019-2023		2023	2022	2021	2020	2019
Revenue	MEUR	94,4	106,7	91,9	88,4	106,2
Change in revenue	%	-11,5	16,1	4,0	-16,8	3,0
Export and operations outside Finland	MEUR	27,1	34,5	22,1	16,3	23,1
In relation to revenue	%	28,8	32,3	24,1	18,5	21,7
Exports from Finland	MEUR	27,7	34,2	21,9	16,1	22,7
Gross capital expenditure	MEUR	2,3	0,9	0,4	1,2	2,3
In relation to revenue	%	2,4	0,8	0,4	1,4	2,1
Depreciation	MEUR	6,8	5,8	5,4	6,5	4,9
Research and development *)	MEUR	1,6	1,6	1,6	1,4	1,6
In relation to revenue *)	%	1,7	1,5	1,7	1,6	1,5
Personnel on average		403	403	419	451	494
Change in personnel	%	0,0	-3,9	-7,1	-8,7	-3,1
Personnel at the end of year		386	400	400	435	464
of which in Finland		312	324	326	362	385

Profitability

Operating profit	MEUR	-2,4	2,5	-1,3	-4,0	-2,0
In relation to revenue	%	-2,5	2,3	-1,4	-4,5	-1,9
Profit before taxes	MEUR	-3,3	1,3	-2,3	-4,8	-2,7
In relation to revenue	%	-3,5	1,3	-2,5	-5,4	-2,5
Profit for the year *	MEUR	-3,5	2,6	-2,4	-4,8	-2,5
In relation to revenue	%	-3,7	2,4	-2,6	-5,4	-2,4
Revenue / employee	TEUR	234	265	219	196	215
Return on equity	%	-31,3	20,8	-21,3	-34,7	-14,7
Return on investment	%	-7,5	9,1	-4,7	-13,2	-6,4

Finance and financial position

Balance sheet total	MEUR	55,7	62,3	51,1	52,1	55,9
Equity	MEUR	9,6	13,9	10,8	11,6	16,1
Interest-bearing net liabilities	MEUR	13,1	8,1	8,1	4,3	5,0
In relation to revenue	%	13,9	7,5	8,8	4,9	4,7
Equity ratio	%	20,0	24,7	22,2	23,3	28,8
Gearing	%	137,2	58,6	74,8	36,5	31,5
Net cash flow from operations	MEUR	0,3	1,9	-3,4	5,7	6,3
Dividends paid	MEUR	0,5	0,0	0,0	0,0	0,4

*) The figures for the comparison years 2019-2022 have been adjusted in relation to the previously published due to reclassification

26. Key share-related figures

		2023	2022	2021	2020	2019
Earnings per share	EUR	-0,77	0,57	-0,53	-1,16	-0,61
Earnings per share (diluted)	EUR	-0,77	0,57	-0,53	-1,16	-0,61
Share par value	EUR	1,53	1,55	1,55	1,68	1,68
Dividend	EUR	0,00*)	0,10	0,0	0,0	0
Dividend/earnings per share	%	0,0	17,7	0	0,0	0,0
Effective dividend yield	%	0,00	0,04	0	0,00	0,00
Equity per share	EUR	2,09	3,07	2,39	2,81	3,80
Price of A share 31 Dec	EUR	1,28	2,45	2,29	3,09	3,36
Share issue-adjusted number of shares	tpcs	4 573,50	4 519,61	4 508,04	4 155,60	4 155,60
Average share-issue adjusted number of shares	tpcs	4 573,50	4 519,61	4 508,04	4 155,60	4 155,60
Price/earnings ratio		-1,67	4,34	-4,32	-2,66	-5,48
Market value of shares **)	MEUR	5,85	11,07	10,29	12,80	13,92

*) Proposal by the Board of Directors for year 2023

***) Price of A shares used as value of K shares

Formulas to key figures

Earnings / share	=	$\frac{\text{Profit attributable to equity holders of the parent}}{\text{Average share issue-adjusted number of shares}}$
Price /earnings multiple (P)	=	$\frac{\text{Share issue-adjusted share price at year-end}}{\text{Earnings / share}}$
Equity / share, EUR	=	$\frac{\text{Equity attributable to the equity holders of the parent}}{\text{Share issue-adjusted number of shares at year-end}}$
Dividend / share, EUR	=	$\frac{\text{Dividend for the financial year}}{\text{Share issue-adjusted number of shares at year-end}}$
Dividend / earnings, %	=	$\frac{\text{Dividend / share} \times 100}{\text{Earnings / share}}$
Effective dividend yield, %	=	$\frac{\text{Share issue-adjusted dividend / share} \times 100}{\text{Share issue-adjusted share price at the year-end}}$
Market value of shares, EL	=	Total number of shares at year end x share price on the balance sheet date
Return on equity, %	=	$\frac{\text{Profit/loss for the financial year} \times 100}{\text{Equity (average during the year)}}$
Return on investment, %	=	$\frac{(\text{Pre-tax profit/loss} + \text{interest expenses} + \text{other financial items}) \times 100}{\text{Balance sheet total} - \text{Non-interest-bearing liabilities (average during the year)}}$
Equity ratio, %	=	$\frac{\text{Equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities} - \text{cash, cash equivalents and liquid asset securities} \times 100}{\text{Equity}}$
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, 2023 was 4,573,495. 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 1.53 (1.55). The A shares are quoted on the Small Cap list of Nasdaq Helsinki.

Distribution of shares 31 Dec 2023	Number, pcs	Total EUR	% of Share Capital	Votes	% of votes
K shares	604 800	925 682	13	12 096 000	75
A shares	3 968 695	6 074 318	87	3 968 695	25
Total	4 573 495	7 000 000	100	16 064 695	100

The largest shareholders by number of shares 31 Dec 2023	K series shares	A series shares	Total number of shares	%	Number of votes	% of total votes
Marfort Oy	292 000	232 574	524 574	11,5	6 072 574	37,8
Isku-Yhtymä Oy	0	452 900	452 900	9,9	452 900	2,8
Kelhu Markku Juhani	0	200 000	200 000	4,4	200 000	1,2
Martela Heikki Juhani	52 122	130 942	183 064	4,0	1 173 382	7,3
Palsanen Leena Maire Sinikka	6 785	131 148	137 933	3,0	266 848	1,7
Palsanen Jaakko Antero	1 600	132 140	133 740	2,9	164 140	1,0
Aurasmaa Artti Eljas Henriikki	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
Nordea Nordic Small Cap Fund	0	76 286	76 286	1,7	76 286	0,5
Lindholm Tuija Elli Annikki	43 122	28 221	71 343	1,6	890 661	5,5
Lehtonen Kari Heikki Juhani	0	70 000	70 000	1,5	70 000	0,4
Martela Pekka Kalevi	69 274	8	69 282	1,5	1 385 488	8,6
Väätäjä Kaj Tapani	0	66 654	66 654	1,5	66 654	0,4
Tuuli Markku Juhani	0	54 349	54 349	1,2	54 349	0,3
Andersson Minna Sinikka	49 200	0	49 200	1,1	984 000	6,1
Taipale Ville Juhani	0	47 934	47 934	1,0	47 934	0,3
Lehtonen Kalle Petteri	0	46 032	46 032	1,0	46 032	0,3
Martela Mari Kaarina	20 219	9 596	29 815	0,7	413 976	2,6
Martela Ille Ilari	13 218	8 368	21 586	0,5	272 728	1,7
Muut osakkeenomistajat	57 260	1 989 073	2 046 333	44,7	3 134 273	19,5
Total	604 800	3 968 695	457 395	100	16 064 695	100

The list includes all shareholders holding over 1% of the shares or votes.

The Board of Directors hold 0.2% of shares and 0.2% 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 2023 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 2023

Shares, pcs	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of Votes
1-500	2 373	79,1	294 236	6,4	301 836	1,9
501-1,000	269	9,0	216 205	4,7	220 005	1,4
1,001-5,000	254	8,5	610 892	13,4	843 452	5,3
Over 5,000	104	3,5	3 440 962	75,2	14 475 402	90,1
Total	3 000	100,0	4 562 295	99,8	15 840 695	98,6
of which nominee-registered	9		71 253	1,6	71 253	0,4
In the waiting list and collective account	6		11 200	0,2	224 000	1,4
Total			4 573 495	100,0	16 064 695	100,0

Breakdown of shareholding by sector 31 Dec 2023

	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of Votes
Private companies	97	3,2	1 417 829	31,0	6 965 829	43,4
Financial and insurance institutions	11	0,4	112 987	2,5	158 855	1,0
Non-profit entities	5	0,2	3 161	0,1	3 161	0,0
Households	2 875	95,8	2 946 703	64,4	8 677 103	54,0
Foreign investors	12	0,4	10 362	0,2	35 747	0,2
Total	3 000	100,0	4 491 042	98,2	15 840 695	98,6
of which nominee-registered	9		71 253	1,6	71 253	0,4
In the waiting list and collective account	6		11 200	0,2	224 000	1,4
Total			4 573 495	100,0	16 064 695	100,0

Parent Company Income Statement

(EUR 1 000)	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Revenue	1	93 038	107 311
Change in inventories of finished goods and work in progress	3	289	-1 525
Production for own use		425	2 382
Other operating income	2	761	14 078
Materials and services	3	-71 696	-82 878
Personnel expenses	4	-12 956	-12 944
Other operating expenses	5	-11 889	-11 974
Depreciation and impairment	6	-2 534	-6 640
Operating profit (-loss)		-4 563	7 809
Financial income and expenses	7	-2 931	-595
Profit (-loss) before appropriations and taxes		-7 494	7 214
Group contributions	8	2 000	-3 135
Depreciation difference and Group contributions		2 000	-3 135
Income taxes	9	25	-179
Profit (-loss) for the financial year		-5 470	3 900

Parent Company Balance Sheet

(EUR 1 000)	Note	31 Dec 2023	31 Dec 2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10		
Intangible rights		1 254	925
Goodwill		520	650
Other long-term expenditure		902	1 597
Advance payments		1 121	724
		3 798	3 896
Tangible assets	11		
Buildings and structures		12	0
Machinery and equipment		3 011	2 868
Other tangible assets		23	23
		3 046	2 892
Investments	12		
Share in subsidiaries		9 324	10 907
Receivables from subsidiaries		3 760	3 895
Other shares and participations		7	7
		13 091	14 809
CURRENT ASSETS			
Inventories			
Materials and supplies		6 338	8 459
Work in progress		237	923
Finished goods		1 735	760
Advances paid to suppliers		146	35
		8 455	10 177
Non-current receivables	13		
Loan receivables		532	546
Current receivables	13		
Trade receivables		17 416	17 880
Loan receivables		2 000	0
Prepaid expenses		406	1 013
Accrued income		2 329	2 071
		22 152	20 964
Cash and cash equivalents		4 771	10 787
		55 845	64 071

Parent Company Balance Sheet

(EUR 1 000)	Note	31 Dec 2023	31 Dec 2022
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	995
Retained earnings		20 847	17 398
Profit for the year		-5 470	3 900
Total		24 500	30 421
Compulsory reservations			
Other compulsory reservations		269	229
LIABILITIES			
Non-current	15		
Accrued liabilities and prepaid income		128	108
		128	108
Current	16		
Loans from financial institutions		1 207	1 624
		1 207	1 624
Advances received		289	369
Trade payables		18 070	17 834
Accrued liabilities and prepaid income		7 874	10 039
Other current liabilities		3 508	3 448
		30 947	31 689
Liabilities, total		31 076	33 420
		55 845	64 071

Parent Company's Cash Flow Statement

(EUR 1 000)	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from sales	97 236	108 725
Cash flow from other operating income	711	1 158
Payments on operating costs	-100 445	-107 988
Net cash from operating activities before financial items and taxes	-2 498	1 895
Interests paid and other financial payments	-74	-408
Interests received	31	44
Other financial incomes and expenses	-151	-247
Taxes paid	-157	0
Cash flow due to extraordinary items (net)	-351	-611
Net cash from operating activities (A)	-2 849	1 284
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-2 166	-422
Proceeds from sale of tangible and intangible assets	0	15 117
Investments on subsidiary shares	0	-3 002
Loans granted to subsidiaries	-132	0
Net Cash used in investing activities (B)	-2 298	11 693
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of current loans	-417	-6 900
Paid share issue	0	10
Dividends paid	-452	0
Net cash used in financing activities (C)	-869	-6 890
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) (+ increase, - decrease)	-6 016	6 087
Cash and cash equivalent at the beginning of financial year*	-10 787	4 700
Cash and cash equivalent at the end of financial year*	4 771	10 787

*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.

The amount of the unrecorded deferred tax asset arising from the loss to be confirmed for the financial year is EUR 496 thousand.

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 337 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

	2023	2022
Finland	71	69
Scandinavia	18	19
Other	11	12
Total	100	100

2. Other operating income

(EUR 1 000)	2023	2022
Rental income	50	233
Other operating income	77	360
Sale profit of Nummela property	0	12 870
Other operating income, Group	634	615
Total	761	14 078

3. Materials and services

(EUR 1 000)	2023	2022
Purchasing during the financial year	-52 534	-67 384
Change in inventories of materials and suppliers	-2 121	453
External services	-16 752	-17 473
Materials and supplies, total	-71 408	-84 404

4. Personnel expenses and number of personnel

(EUR 1 000)	2023	2022
Salaries, CEO	-314	-288
Pension expenses	-65	-49
Salaries of Board and directors	-162	-152
Salaries of Board and directors and managing director, total	-541	-489
Other salaries	-10 277	-10 295
Pension expenses	-1 756	-1 791
Other salary-related expenses	-383	-369
Personnel expenses in the income statement	-12 956	-12 944
Fringe benefits	-253	-184
Total	-13 209	-13 128
Personnel		
Personnel on average, workers	49	49
Personnel on average, officials	148	146
Personnel on average, total	197	196
Personnel at the year end	192	194

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

5. Other operating expenses

(1 000 eur)	2023	2022
Auditor's fees		
Auditing	-173	-113
Other services	-18	-14
Auditor's fees, total	-191	-127

6. Depreciation and write-down

(EUR 1 000)	2023	2022
Depreciation according to plan		
Intangible assets	-1 412	-5 893
Tangible assets		
Buildings and structures	-1	-2
Machinery and equipment	-1 121	-744
Depreciation according to plan, total	-2 534	-6 640
Depreciations and impairments, total	-2 534	-6 640

7. Financial income and expenses

(EUR 1 000)	2023	2022
Financial income and expenses		
Interest income from short-term investments	29	21
Interest income from short-term investments from Group companies	3	23
Foreign exchange gains	549	22
Interest expenses	-131	-351
Losses on foreign exchange	-448	-166
Other financial expenses	-147	-145
Impairment	-2 785	0
Total	-2 931	-595

Based on the goodwill testing write-down of Martela AB's shares EUR 2,785 thousand.

8. Depreciations and Group contributions

(EUR 1 000)	2023	2022
Appropriations		
Group contributions, received	2 000	0
Group contributions, given - /received +	0	-3 135
Group contributions total	2 000	-3 135
Appropriations, total	2 000	-3 135

9. Income Taxes

(EUR 1 000)	2023	2022
Income taxes from operations	0	-179
Taxes from previous years	25	0
Total	25	-179

10. Intangible assets

(EUR 1 000)

1 Jan–31 Dec 2023	Intangible rights	Goodwill	Other long-term expenses	Work in progress	Intangible assets total
Acquisition cost 1 Jan	5 425	9 200	12 471	724	27 820
Increases	914	0	0	2 166	3 080
Decreases	0	0	0	-1 769	-1 769
Acquisition cost 31 Dec	6 338	9 200	12 471	1 121	29 131
Accumulated depreciation 1 Jan	-4 501	-8 550	-10 872	0	-23 924
Depreciation for the year 1 Jan 31 Dec	-585	-130	-695	0	-1 409
Accumulated depreciation 31 Dec	-5 086	-8 680	-11 567	0	-25 333
Carrying amount 1 Jan	925	650	1 597	724	3 898
Carrying amount 31 Dec	1 254	520	902	1 121	3 798

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. Tangible assets

(EUR 1 000)

1 Jan–31 Dec 2023	Land areas	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan	0	8 770	15 943	23	24 737
Increases	0	13	1 267	0	1 280
Decreases	0	0	0	0	0
Acquisition cost 31 Dec	0	8 784	17 210	23	26 016
Accumulated depreciation 1 Jan	0	-8 770	-13 074	0	-21 845
Depreciation for the year 1 Jan–31 Dec	0	-1	-1 124	0	-1 125
Accumulated depreciation 31 Dec	0	-8 771	-14 198	0	-22 970
Carrying amount 1 Jan	0	0	2 869	23	2 892
Carrying amount 31 Dec	0	12	3 011	23	3 046

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
Acquisition cost 31 Dec	0	8 770	15 943	23	24 737
Accumulated depreciation 1 Jan	0	-8 769	-12 328	0	-21 096
Accumulated depreciation on decreases	0	0	0	0	0
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

Carrying amount of production machinery and equipment in 2023 was EUR 28 thousand (58 in 2022).

Nummela property has been sold 3 August 2022.

12. Investments

(EUR 1 000)

1 Jan–31 Dec 2023	Subsidiary shares	Other shares and participations	Shareholder loan receivables	Total
Balance sheet value at beginning of year	10 907	7	3 895	14 809
Increases	1 202	0	0	1 202
Decreases / Impairment	-2 785	0	-135	-2 920
Balance sheet value at end of year	9 324	7	3 760	13 091

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

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	426
Aski avvecklingsbolag AB, Malmö	Sweden	100	100	12 500	SEK 1,250	48
Martela AS, Oslo	Norway	100	100	200	NOK 200	2 066
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						9 324

Other shares and participations 7

Shareholder loan receivable Martela AB EUR 3,760 thousand.
 Write down Martela AB shares EUR 2,785 thousand.

13. Receivables

(EUR 1 000)	2023	2022
Non-current receivables		
Loan receivables	532	546
Current receivables		
Receivables from Group companies		
Trade receivables	1 756	2 665
Loan receivables	2 000	0
Prepaid expenses	406	1 013
Receivables from others		
Trade receivables	15 660	15 215
Accrued income and prepaid expenses	2 329	2 071
Current receivables, total	22 152	20 964

Accrued income and prepaid expenses, main items	2023	2022
Related to personnel expenses	92	99
Related to payments in advance	1 422	613
Other accrued income or prepaid expenses	446	280
Periodization of revenue	369	1 079
Accrued income and prepaid expenses total	2 329	2 071

Related party loan	2023	2022
Loan 1 Jan	256	223
Increases	0	33
Decreases	-118	0
Loan 31 Dec	138	256

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 138 thousand (256 thousand in 2022), of which the CEO loan EUR 70 thousand and others EUR 68 thousand (153 thousand in 2022).

14. Changes in shareholders' equity

Distribution of shares 31 Dec 2023	Number of shares	Total EUR	% of share capital	Votes	% of Votes
K-shares (20 votes/share)	604 800	925 682	13	12 096 000	75
A-shares (1 vote/share)	3 968 695	6 074 318	87	3 968 695	25
Total	4 573 495	7 000 000	100	16 064 695	100
Treasury shares	1 425				
Number of shares outstanding	4 572 070				
Shareholders' equity	2023			2022	
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	995			962	
Share issue	0			33	
Invested unrestricted equity fund 31 Dec	995			995	
Retained earnings 1 Jan	21 298			17 398	
Profit (-loss) for the year	-5 470			3 900	
Dividends paid	-452			0	
Retained earnings 31 Dec	15 377			21 298	
Shareholders' equity total	24 500			30 421	

The distributable equity of the parent company is EUR 16,372 thousand in 2023.

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 (1,425 in 2022). 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, 2023 was EUR 1.28 per share (2.45), a total of EUR 1.8 thousand (3.5 thousand in 2022)

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.

Company has decided on a paid directed share issue (March 29, 2023) in which 53,881 of series A shares have been subscribed without consideration.

The shares issued to the company have been used to pay incentives according to the company's incentive plan.

15. Non-current liabilities

(EUR 1 000)	2023	2022
Accrued expenses	128	108
Total	128	108
Accrued liabilities		
Related to the personnel expenses	92	100

The company has purchased electricity derivatives, of which long-term liabilities 2023 amount to EUR 36,5 thousand (EUR 8 thousand) and short-term liabilities amount to EUR 15 thousand (EUR 69,5 thousand).

16. Current liabilities

(EUR 1 000)	2023	2022
Current liabilities		
Liabilities to Group companies		
Trade payables to Group companies	11 028	10 219
Accrued liabilities to Group companies	1 768	1 622
Other current liabilities Group companies	3 283	3 635
Total	16 079	15 476
Other current liabilities		
Loans from financial institutions	1 207	1 624
Advances received	289	369
Trade payables	7 042	7 614
Other current liabilities	3 508	3 448
Accrued liabilities	2 824	4 782
Total	14 869	17 837
Current liabilities, total	30 947	33 313

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

Essential items of accrued liabilities	2023	2022
Personnel expenses	1 819	1 871
Royalties	175	176
Taxes from accounting period	0	182
Residual expenses	829	2 553
Accrued liabilities, total	2 824	4 782

17. Pledges granted and contingent liabilities

(EUR 1 000)	2023	2022
Debts secured by mortgages		
Factoring loan	1 207	1 624
Corporate mortgages	7 191	7 191
Shares pledged	7 191	7 191
Other pledges		
Guarantees as security for rents	854	892
Total	854	892
Other liabilities		
Residual value liabilities related to the service business	2 715	1 809
Total	2 715	1 809
Leasing commitments		
Falling due within 12 months	764	692
Falling due after 12 months	1 085	642
Total	1 849	1 334
Rent commitments	16 970	17 927

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 37,823.

Company has signed Nummela property sale and leaseback contract on August 3, 2022. Contract is valid until April 31, 2033, and the monthly rent is EUR 124,082.

MARTELA FINANCIAL STATEMENTS 2023

Proposal of the Board of Directors for distribution of profit

Distributable funds of the parent company are EUR 16 372 762,75 of which loss of the period is EUR 5 469 587,76

The Board of Directors proposes to the AGM that, distributable funds are used as follows:

- no dividend will be paid
- left in equity capital EUR 16 372 762,75

Helsinki 13.2.2024

Signatures on Board of Directors Report and Financial Statements

Johan Mild
Chairman of Board of Directors

Katarina Mellström
Vice-Chair of the Board of Directors

Ville Taipale
CEO

Eero Martela

Jan Mattsson

Anni Vepsäläinen

Hanna Mattila

Auditor's note

Audit opinion of conducted statutory audit has been issued today

Helsinki 13.2.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Osmo Valovirta
Authorized Public Accountant

MARTELA FINANCIAL STATEMENTS 2023

List of accounting records, types of vouchers and storage methods 1.1.-31.12.2023

Monthly journal and general ledger		electronic form Microsoft D365
Account ledger lists		electronic form D365
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 D365
	25*,35*/1000*	electronic form Microsoft D365 as paper documents
Purchase invoices	PPP	electronic form Mediusflow
Payroll accounting with vouchers	GPA	electronic form
Memo vouchers	JE	electronic form
VAT calculations	TX	electronic form
Fixed assets	FAD	electronic form
Accounting notes	LT	electronic form

Microsoft D365 has been used in the accounting.

In cash management has Opus Capita been used and in purchase invoices Mediusflow.

Microsoft D365 and Opus Capita has been used in electronic archiving.