

2023

Half Year Report

1 January – 30 June 2023

Martela



MARTELA CORPORATION'S HALF YEAR REPORT 1 JANUARY – 30 JUNE

The January–June 2023 revenue and operating result decreased compared to previous year.

April–June 2023

- Revenue was EUR 19.4 million (27.3), representing a change of -28.9%
- Operating result was EUR -2.9 million (0.1)
- Operating profit per revenue was -15.2% (0.3%)
- The result for the period was EUR -3.0 million (-0.3)
- Earnings per share amounted to EUR -0.65 (-0.06)

January–June 2023

- Revenue was EUR 43.5 million (54.3), representing a change of -19.9%
- Operating result was EUR -4.8 million (0.2)
- Operating profit per revenue was -10.9% (0.3%)
- The result for the period was EUR -5.2 million (-0.3)
- Earnings per share amounted to EUR -1.13 (-0.07)

Outlook

Outlook for 2023

Martela anticipates its Revenue to decrease slightly compared to previous year and operating result to be negative.

Key figures, EUR million

	2023	2022	Change	2023	2022	Change	2022
	4-6	4-6	%	1-6	1-6	%	1-12
Revenue	19.4	27.3	-28.9%	43.5	54.3	-19.9%	106.7
Operating result	-2.9	0.1		-4.8	0.2		2.5
Operating result %	-15.2%	0.3%		-10.9%	0.3%		2.3%
Result before taxes	-3.0	-0.2		-5.1	-0.3		1.3
Result for the period	-3.0	-0.3		-5.2	-0.3		2.6
Earnings/share, EUR	-0.65	-0.06		-1.13	-0.07		0.57
Return on investment %	-43.1	2.1		-33.8	2.3		9.1
Return on equity %	-119.8	-9.5		-52.3	-5.5		20.8
Equity ratio %				16.6	21.2	-21.5%	24.7
Gearing %				179.6	84.0	113.8%	58.6

Ville Taipale, CEO:

"The high inflation and increased interest rates that started last year impacted negatively also in the second quarter this year. Impact from this was significant in Martela's operating environment. Our revenue decreased to EUR 19.4 million in the second quarter which was 28.9 % lower compared to the same period last year. Our Revenue January-June was EUR 43.5 million.

New orders in the second quarter decreased in all other market areas except in "Others" compared to the same period last year.

Our operating result decreased in the second quarter compared to the same period last year and was EUR -2.9 million. Operating result was negatively impacted mainly by decrease in revenue. Operating result January-June was EUR -4.8 million.

Second quarter of this year was challenging due to uncertainty in the operating environment. We have reacted to this challenging situation by announcing an invitation to co-operating negotiations. It is unclear how long this uncertainty in the market will continue and we need to be able to adjust our operating expenses to the current circumstances.

The way of work and working environments will be in constant change. The coronavirus pandemic has accelerated the process of changing the way we work. The office is just one of many places where we work, and for some the amount of remote work will increase for good. This will increase the demand for multipurpose working spaces and the need to invest in remote working conditions. We will continue, together with our customers, to be a forerunner in creating user-centric working environments, which will improve user experience, efficiency and innovation capabilities, as well as lower overall costs. We will meet our customers' needs for increased flexibility in workplace with our Workplace as a Service concept, which we have piloted and actively further developed during last winter. Interest towards our concept has been encouraging and we expect it to have a positive impact on our business."

Market situation

The war in Ukraine has brought uncertainty to the market and caused radical price increases in raw materials as well as restricted supply of materials. In addition, rapid increase in inflation and interest rates has also negatively impacted the market. It is too early to say which impacts these will have on the overall market in the mid-term.

Revenue and operating result

Revenue and result for April–June 2023

Revenue for January–June was EUR 19.4 million (27.3) and decreased by 28.9% from previous year. Revenue decreased in Finland by 27.2%, in Sweden by 69.4%, in Norway by 23.8%, and in Other countries by 13.0% compared to previous year.

The Group's operating result in April–June was EUR -2.9 million (0.1).

The April–June result before taxes was EUR -3.0 million (-0.2) and net result EUR -3.0 million (-0.3).

Revenue and result for January–June 2023

Revenue for January–June was EUR 43.5 million (54.3) and decreased by 19.9% from previous year. Revenue decreased in Finland by 8.9%, in Sweden it decreased by 32.9%, in Norway by 7.1%, and in Other countries by 57.6% compared to previous year.

The Group's operating result in January–June was EUR -4.8 million (0.2).

The January–June result before taxes was EUR -5.1 million (-0.3) and net result EUR -5.2 million (-0.3).

Revenue by country, EUR million

	2023	2022	Change	2023	2022		2022
	4-6	4-6	%	1-6	1-6	%	1-12
Finland	14.4	19.8	-27.2%	32.1	35.2	-8.9%	74.5
Sweden	0.7	2.4	-69.4%	3.9	5.9	-32.9%	11.2
Norway	1.4	1.9	-23.8%	3.4	3.7	-7.1%	7.6
Other	2.8	3.3	-13.0%	4.1	9.6	-57.6%	13.5
Revenue total	19.4	27.3	-28.9%	43.5	54.3	-19.9%	106.7
Income from the sale of goods	15.9	23.8	-33.2%	35.6	47.1	-24.4%	91.6
Income from the sale of services	3.5	3.5	-0.2%	7.9	7.2	9.3%	15.1

Cumulative revenue includes EUR 2,247 thousand (1,454) income from furniture which is based on customer agreements and is classified as rental income.

Financial position

The cash flow from operating activities in January–June was EUR -3.9 million (1.3).

At the end of the period, interest-bearing liabilities stood at EUR 18.2 million including EUR 16.7 million lease liabilities according to IFRS 16. At the end of the comparison period the interest-bearing liabilities stood at EUR 13.6 million including EUR 5.0 million lease liabilities according to IFRS 16.

Net liabilities were EUR 14.3 million (9.1). At the end of the period, short-term limits of EUR 0.0 million were in use (4.0).

The gearing ratio at the end of the period was 179.6% (84.0) and the equity ratio was 16.6% (21.2). Financial income and expenses were EUR -0.3 million (-0.5).

The balance sheet total stood at EUR 56.3 million (55.4) at the end of the period.

Capital expenditure

The Group's gross capital expenditure for January–June was EUR 1.2 million (0.2).

Personnel

The Group employed an average of 401 people (401), containing no change. The number of employees in the Group was 426 (431) at the end of the review period. Personnel costs in January–June totalled EUR 12.4 million (12.1).

Personnel on average	2023	2022	Change	2022
by country	1-6	1-6	%	1-12
Finland	327	328	-0.3%	328
Sweden	28	27	3.7%	27
Norway	15	12	25.0%	14
Other	34	34	0.0%	34
Total	404	401	0.7%	403

Martela's offering

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

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

OTHER MATTERS

Changes in the Management Team

In order to strengthen development of circularity, workplace as a service and digital sales channel company has appointed Mr. Kimmo Hakkala Vice President Sales and Marketing and member of management team. Hakkala started in his position on February 1, 2023, and report to the Martela CEO. The matter has been announced in stock exchange release on January 16, 2023.

Mr. Kalle Lehtonen, Martela's CFO and a member of the Group Management Team, has announced his resignation in order to pursue new opportunities outside the company. Mr. Lehtonen will leave his position on August 24, 2023 at the latest. The matter has been announced in stock exchange release on May 26, 2023.

Henri Berg (M.Sc Social Science and Economy) has been appointed to Martela Oyj CFO and member of the Management Team. He will report to Ville Taipale, CEO of Martela. Mr. Berg will start in his position latest by end of October 2023. The matter has been announced in stock exchange release on June 30, 2023.

Mrs. Suvi-Maarit Kario (M.Soc.Sc.) has been appointed Martela Corporations Vice President People and Sustainability and member of management team. In addition Kario will be responsible for Martela's internal communication. Kario will start in her position on August 7, 2023 and report to Martela CEO.

Shares

In January–June, a total of 469,918 (1,164,702) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 11.9% (29.8) of the total number of series A shares.

The value of trading turnover was EUR 1.1 million (3.1), and the share price was EUR 2.04 at the end of the period (2.81). During January–June the share price was EUR 2.72 at its highest and EUR 1.96 at its lowest. At the end of June, equity per share was EUR 1.75 (2.39).

Treasury shares

Martela did not purchase any of its own shares in January–June.

Based on the share issue authorisation granted by the Annual General Meeting held on 29 March 2023, the Board of Directors of Martela Corporation resolved on an issue of 53,881 new Class A shares to the company itself without consideration. The shares issued to the company have been used for reward payments under the company's incentive plans.

The total number of the company's shares after the share issue is 4 573 495 shares.

The new shares were registered with the Finnish Trade Register, after which the company, without delay, applied for the admission of the new shares to trading alongside the company's existing shares on the official list of Nasdaq Helsinki Ltd.

After this Martela owns a total of 1 425 Martela A shares and its holding of treasury shares amounted to 0.0% of all shares and 0.0% 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 reserve based on the decision by AGM on June 13, 2018.

Share-based Incentive Plan

In the effective Performance-based Share Plan 2021–2023, there are three earning periods, which are 2021, 2022 and 2023. The prerequisite for participating in the new plan was 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.

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 will decide the earning criteria and the goals for each criterion of the programme at the beginning of each earning 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.

Approximately 40 key employees, including the CEO and other Martela's Management Team members, belong to the target group of the share-based incentive 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.

During the performance period 2022, the rewards are based on the Group's Earnings before Interest and Taxes (EBIT).

As part of the implementation of the Performance-based Matching Share Plan 2021–2023, the Board of Directors has resolved to grant plan participants interest-bearing loans in the maximum total amount of EUR 686,000 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.

2023 Annual General Meeting

Martela Corporation's Annual General Meeting was held on Wednesday, June 29, 2023. The Meeting approved the Financial Statements, discharged the members of the Board of Directors and CEO's from liability for the year of 2022 and approved remuneration report for 2022. The Board of Directors proposal to distribute dividend of EUR 0.10 / share was approved.

The Annual General Meeting confirmed that the Board of Directors will consist of six members and Mr. Eero Martela, Ms. Hanna Mattila, Mr. Jan Mattsson, 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 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. Ernst & Young Oy has informed that Authorized Public Accountant Mr. Osmo Valovirta will act as the principal auditor.

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 own shares, issuance of own shares and/or to dispose of the own shares held by the Company.

The Board of Directors elected by Martela Corporation's Annual General Meeting had its organisational 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.

Corporate responsibility and quality

Corporate responsibility forms an integral part of Martela's strategy and operations. We support the responsibility of our customer companies by offering sustainable solutions for the workplace throughout its entire lifecycle and by taking care of unnecessary furniture needed in a sustainable way. The company's Martela Lifecycle model covers the entire lifecycle of a workplace. The Group has an occupational health and safety (ISO 45001) management system and a quality (ISO9001) and environmental (ISO14001) management system certified by an independent certifier, which guarantee that operations are continuously improved, client expectations met, and environmental matters taken into consideration.

Further information on the corporate responsibility of the Group's operations can be found in the annually published responsibility report. Martela's Sustainability reporting includes extensive non-financial information (NFI) required by the new accounting legislation. It has been published since 2011. All reports are available on the Martela website.

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. More information on Martela's governance can be found on the company's website.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Mrs. Suvi-Maarit Kario (M.Soc.Sc.) has been appointed Martela Corporations Vice President People and Sustainability and member of management team. In addition Kario will be responsible for Martela's internal communication. Kario will start in her position on August 7, 2023 and report to Martela CEO. The matter has been announced in stock exchange release on August 1, 2023.

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

SHORT-TERM RISKS

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

Outlook

Outlook for 2023

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

TABLES
Accounting policies

Martela Corporation's consolidated financial statements have been prepared in compliance with the IAS 34 standard and the International Financial Reporting Standards (IFRS) valid on December 31, 2022. The figures in the release have been rounded and the total sum of individual figures may differ from the total presented in the release. The figures presented in this release have not been audited. Same accounting principles have been applied in this report as in the financial statements 2022.

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
(EUR 1000)**

	2023	2022	2023	2022	2022
	4-6	4-6	1-6	1-6	1-12
Revenue	19,393	27,293	43,482	54,311	106,710
Other operating income	8	184	52	260	2,293
Employee benefit expenses	-6,208	-6,031	-12,405	-12,144	-23,557
Operating expenses	-14,586	-19,908	-32,643	-39,434	-77,164
Depreciation and impairment	-1,555	-1,459	-3,238	-2,805	-5,790
Operating profit/loss	-2,947	79	-4,754	188	2,491
Financial income and expenses	-31	-291	-319	-519	-1,142
Profit/loss before taxes	-2,978	-212	-5,072	-331	1,349
Taxes	13	-42	-106	37	1,205
Profit/loss for the period	-2,965	-254	-5,179	-294	2,554
Other comprehensive income:					
Translation differences	-326	171	-280	173	190
Actuarial gains and losses					103
Actuarial gains and losses, deferred taxes					-22
Other comprehensive income for the period	-326	171	-280	173	270
Total comprehensive income	-3,291	-83	-5,459	-121	2,824
Basic earnings per share, eur	-0.65	-0.06	-1.13	-0.07	0.57
Diluted earnings per share, eur	-0.65	-0.06	-1.13	-0.07	0.57
Allocation of net profit for the period:					
To equity holders of the parent	-2,965	-254	-5,179	-294	2,554
Allocation of total comprehensive income:					
To equity holders of the parent	-3,291	-83	-5,459	-121	2,824

GROUP BALANCE SHEET (EUR 1000)	30/6/2023	30/6/2022	31/12/2022
ASSETS			
Non-current assets			
Intangible assets	4,505	4,358	4,278
Tangible assets	13,314	11,070	13,312
Investments	7	7	7
Deferred tax assets	2,895	363	2,860
Non-current loan receivables	546	526	546
Total	21,267	16,323	21,003
Current assets			
Inventories	12,574	15,276	11,781
Receivables	18,611	19,355	18,248
Cash and cash equivalents	3,849	4,454	11,295
Total	35,033	39,085	41,324
Total assets	56,300	55,408	62,327
EQUITY AND LIABILITIES			
Equity			
Share capital	7,000	7,000	7,000
Share premium account	1,116	1,116	1,116
Reserve for invested unrestricted equity	995	972	995
Other reserves	-9	-9	-9
Translation differences	-935	-672	-655
Retained earnings	-1,574	2,289	4,056
Treasury shares	-4	-4	-4
Share-based incentives	1,394	37	1,351
Total	7,983	10,728	13,850
Non-current liabilities			
Interest-bearing liabilities	13,907	4,935	14,678
Other non-current liabilities	254	236	237
Pension obligations	115	235	115
Total	14,277	5,406	15,030
Current liabilities			
Interest-bearing	4,166	8,299	4,612
Non-interest bearing	29,874	30,975	28,835
Total	34,041	39,274	33,447
Total liabilities	48,317	44,680	48,477
Equity and liabilities, total	56,300	55,408	62,327

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)	2023 1-6	2022 1-6	2022 1-12
Cash flows from operating activities			
Cash flows from sales	44,758	59,540	113,434
Cash flow from other operating income	50	133	282
Payments on operating costs	-48,659	-57,691	-110,881
Net cash from operating activities before financial items and taxes	-3,850	1,982	2,835
Interests paid	-22	-351	-472
Interests received	15	7	23
Other financial items	-94	-156	4
Taxes paid	-154	-183	-319
Net cash from operating activities (A)	-4,550	1,299	2,072
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-1,151	-229	-902
Proceeds from sale of tangible and intangible assets		117	11,124
Net cash used in investing activities (B)	-1,151	-112	10,222
Cash flows from financing activities			
Proceeds from short-term loans		224	33
Repayments of short-term loans	-267	-500	-5,000
Repayments of lease liabilities	-1,600	-1,393	-2,728
Proceeds from long-term lease liabilities			4,000
Repayments of long-term loans			-1,900
Cash proceeds from issuing shares		10	10
Dividends paid and other profit distribution	452		
Net cash used in financial activities (C)	-2,319	-1,659	-5,586
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	-7,575	-472	6,708
Cash and cash equivalents in the beginning of the period	11,295	4,926	4,926
Translation differences	129		-339
Cash and cash equivalents at the end of period	3,849	4,454	11,295

STATEMENT OF CHANGES IN EQUITY

(EUR 1000) Equity attributable to equity holders of the parent	Share capital	Share premium account	Reserve for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Treasury shares	Equity total
01/01/2022	7,000	1,116	962	-9	-845	2 66,5	-128	10,761
Profit/loss for the period						-294		-294
Translation differences					173			173
Other comprehensive income					173			173
Other comprehensive income for the period					173	-294		-121
Share issue			10					10
Dividend								
Share-based incentives						-46	124	78
30/6/2022	7,000	1,116	972	-9	-675	2,325	-4	10,728
01/01/2023	7,000	1,116	995	-9	-655	5,406	-4	13,850
Profit/loss for the period						-5,179		-5,179
Translation differences					-280			-280
Other comprehensive income					-280			-280
Other comprehensive income for the period					-280	-5,179		-5,459
Share issue								
Dividend						-452		-452
Share-based incentives						44		44
30/6/2023	7,000	1,116	995	-9	-935	-181	-4	7,983

CONTINGENT LIABILITIES

	30/6/2023	30/6/2022	31/12/2022
Mortgages and shares pledged	9,732	24,924	9,888
Other commitments	900	511	892
Rental commitments	711	600	527

DEVELOPMENT OF SHARE PRICE

	2023 1-6	2022 1-6	2022 1-12
Share price at the end of period, eur	2.04	2.81	2.45
Highest price, eur	2.72	3.12	3.81
Lowest price, eur	1.96	2.12	2.12
Average price, eur	2.31	2.65	2.84

KEY FIGURES/RATIOS	2023 1-6	2022 1-6	2022 1-12
Operating profit/loss, EUR thousand	-4,754	188	2,491
-% in relation to revenue	-10.9	0.3	2.3
Profit/loss before taxes, EUR thousand	-5,072	-331	1,349
-% in relation to revenue	-11.7	-0.6	1.3
Profit/loss for the period, EUR thousand	-5,179	-294	2,554
-% in relation to revenue	-11.9	-0.5	2.4
Basic earnings per share, eur	-1.13	-0.07	0.57
Diluted earnings per share, eur	-1.13	-0.07	0.57
Equity/share, eur	1.75	2.39	3.07
Equity ratio %	16.6	21.2	24.7
Return on equity %	-52.3	-5.5	20.8
Return on investment %	-33.8	2.3	9.1
Interest-bearing net-debt, EUR million	14.3	9.0	8.1
Gearing %	179.6	84.0	58.6
Capital expenditure, EUR million	1.2	0.2	0.9
-% in relation to revenue	2.6	0.4	0.8
Personnel at the end of period	426	354	400
Personnel on average	401	401	403
Revenue/employee, EUR thousand	107.6	135.4	264.8

Formulas for Calculation of Key Figures

Earnings / share	=	$\frac{\text{Profit attributable to the equity holders of the parent}}{\text{Average share issue-adjusted number of shares}}$
Equity / share, EUR	=	$\frac{\text{Equity attributable to the equity holders of the parent}}{\text{Share issue-adjusted number of shares at year end}}$
Return on equity, %	=	$\frac{\text{Profit/loss for the financial year} \times 100}{\text{Equity (average during the year)}}$
Return on investment, %	=	$\frac{(\text{Pre-tax profit/loss} + \text{interest expenses} + \text{other financial expenses}) \times 100}{\text{Balance sheet total} - \text{Non-interest-bearing liabilities (average during year)}}$
Equity ratio, %	=	$\frac{\text{Equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities-cash and cash equivalents and liquid asset securities} \times 100}{\text{Equity}}$
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

BRIEFING

A briefing will not be held, but additional information can be asked by telephone from CEO Ville Taipale on Friday August 11, 2023 from 12 a.m. to 2 p.m. EET.

Martela Corporation
Board of Directors

Ville Taipale
CEO

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Our strategic direction is defined by our mission "Better working" and our vision "People-centric workplaces". Martela provides people centric workplaces where the users and their wellbeing are in the core. We focus on the Nordic countries, as the Nordic countries are forerunner in hybrid working environments with common open work culture background and needs.