

2021

Interim Report

1 January – 30 September 2021

Martela



MARTELA CORPORATION'S INTERIM REPORT 1 JANUARY – 30 SEPTEMBER

The January–September 2021 revenue and operating result decreased compared to previous year.

July–September 2021

- Revenue was EUR 23.8 million (24.2), representing a change of -1.3 %
- Operating result was EUR 1.2. million (1.0)
- Operating profit per revenue was 5.2% (4.3%)
- The profit for the period was EUR 0.9 million (0.7)
- Earnings per share amounted to EUR 0.19 (0.16)

January–September 2021

- Revenue was EUR 62.3 million (66.5), representing a change of -6.2%
- Comparable operating result was EUR -2.3 million (-1.8)
- Operating result was EUR -2.7 million (-1.8)
- Operating result per revenue was -4.4% (-2.7%)
- The result for the period was EUR -3.5 million (-2.7)
- Earnings per share amounted to EUR -0.79 (-0.65)

Outlook**Outlook for 2021**

The Martela Group anticipates that its revenue and operating result in 2021 will improve compared to the previous year. Due to current situation, visibility is even more challenging than normally and company is actively monitoring the situation.

Key figures, EUR million

	2021	2020	Change	2021	2020	Change	2020
	7-9	7-9	%	1-9	1-9	%	1-12
Revenue	23.8	24.2	-1.3 %	62.3	66.5	-6.2 %	88.4
Operating result	1.2	1.0	19.1 %	-2.7	-1.8		-4.0
Operating result %	5.2 %	4.3 %		-4.4 %	-2.7 %		-4.5 %
Result before taxes	0.9	0.7	25.8 %	-3.5	-2.7		-4.8
Result for the period	0.9	0.7	29.0 %	-3.5	-2.7		-4.8
Earnings/share, eur	0.19	0.16		-0.79	-0.65		-1.16
Return on investment %	20.1	13.9	44.5 %	-14.2	-7.5		-13.4
Return on equity %	34.7	18.4	88.5 %	-46.7	-24.3		-35.7
Equity ratio %				20.3	26.6	-23.7 %	22.7
Gearing %				92.1	29.3	214.6 %	37.9

Ville Taipale, CEO:

"Continuing corona pandemic in the third quarter of this year and related strong remote work recommendation as well as general uncertainty in the market impacted our revenue negatively. Our revenue decreased by 1.3 % in the third quarter compared to same period last year. Revenue in the third quarter was EUR 23.8 million. January – September revenue decreased by 6.2% compared to same period last year and was EUR 62.3 million.

New orders continued to increase also in the third quarter which indicates that work communities have started to prepare for post covid era and returning to the offices. How fast demand will recover to normal level will be strongly dependent on the progress of the pandemic, restrictions related to remote working and how these will affect decisions of our customers on returning to offices.

Our operating result increased in the third quarter compared to the same period last year and was EUR 1.2 million (1.0). Improvement in operating result was driven by slightly improved sales prices as well as improvements in production. Operating result for January – September was EUR -2.7 (-1.8) million. Operating result includes onetime expenses of EUR 0.6 million, which relates to layoffs resulting from cooperation negotiations concluded earlier this year.

Recent development in decrease of restrictions related to the pandemic have positively impacted to the overall market situation. If there are no sudden changes in the development of the pandemic which would stricken the restrictions, we believe that positive trend in the market situation will continue also in the last quarter of the year. Unfortunately it is still impossible to say what kind of impacts current material supply and logistic challenges will have to fourth quarter deliveries.

We believe that working environments will permanently change in the future. The coronavirus pandemic has accelerated the process of changing the way we work. The office is just one of the many places where we work from, and for some of us 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 the overall costs. We will meet our customers needs for increased flexibility in workplace with our WaaS concept, which we have piloted and actively developed further during the last winter. Interest towards our concept has been encouraging and we expect it to have a positive impact on our business."

Market situation

The coronavirus pandemic has had a negative impact on the whole market environment of Martela, both in Scandinavia and in other countries. This has impacted especially the commercial sector. The negative impact has been slightly smaller on the public sector. At the moment it is challenging to say what the midterm impacts to general market conditions.

Revenue and operating result

Revenue and result for July–September 2021

Revenue for July–September was EUR 23.8 million (24.2) and declined by 1.3 % from previous year. Revenue declined in Sweden by 37.7 % and Finland by 6.0 %, but increased in Norway by 74.3% and Other countries by 231.7% compared to previous year.

The Group's operating result in July–September was EUR 1.2 million (1.0).

The July–September result before taxes was EUR 0.9 million (0.7) and net result EUR 0.9 million (0.7).

Revenue and result for January–September 2021

Revenue for January–September was EUR 62.3 million (66.5) and declined by 6.2 % from previous year. Revenue in Sweden declined by 33.4 % and in Finland by 9.9%, but increased in Norway by 62.2% and in Other countries by 97.1% compared to previous year.

The Group's comparable operating result in January–September was EUR -2.3 million (-1.8) and operating result was EUR -2.7 million(-1.8).

The January–September result before taxes was EUR -3.5 million (-2.7) and net result EUR -3.5 million (-2.7).

Revenue by country, EUR million

	2021	2020	Change	2021	2020	Change	2020
	7-9	7-9	%	1-9	1-9	%	1-12
Finland	19.4	20.6	-6.0 %	48.6	53.9	-9.9 %	72.4
Sweden	1.4	2.2	-37.7 %	5.1	7.6	-33.4 %	9.2
Norway	1.5	0.9	74.3 %	4.6	2.7	62.2 %	3.8
Other	1.6	0.5	231.7 %	4.1	2.2	97.1 %	3.1
Revenue total	23.8	24.2	-1.3 %	62.3	66.5	-6.2 %	88.4
Income from the sale of goods	20.8	20.6	0.8 %	53.5	55.4	-3.6 %	74.2
Income from the sale of services	3.0	3.5	-13.4 %	8.9	11.0	-19.3 %	14.2

Cumulative revenue for January–June includes EUR 536 thousand (408) income from sold furniture that based on the customer agreement is classified as rental income.

Financial position

The cash flow from operating activities in January–June was EUR -3.0 million (6.4).

At the end of the period, interest-bearing liabilities stood at EUR 13.4 million including EUR 4.6 million lease liabilities according to IFRS 16. At the end of comparison period the interest-bearing liabilities stood at EUR 15.6 million. Net liabilities were EUR 8.3 million (4.0). At the end of the period, short-term limits of EUR 4.2 million were in use (4.0) and available limits stood at EUR 0.3 million.

The gearing ratio at the end of the period was 92.1 % (29.3) and the equity ratio was 20.3 % (26.6). Financial income and expenses were EUR -0.8 million (-0.9).

Financing arrangements include a covenant clause in which the ratio between the Group's net liabilities and EBITDA is examined. The key figure calculated at the end of the review period did not fulfil the covenant-clause. Negotiation on this matter has been initiated with the financial institution. The balance sheet total stood at EUR 46.6 million (53.1) at the end of the period.

Financial position was negatively impacted by a bankruptcy of a partner that was utilized in financing the workplace as a service model.

Capital expenditure

The Group's gross capital expenditure for January–September was EUR 0.1 million (1.1).

Personnel

The Group employed an average of 416 people (455), which represents a decrease of 39 persons or 8.6 %. The number of employees in the Group was 401 (439) at the end of the review period. Personnel costs in January–September totalled EUR 17.3 million (17.1).

Personnel on average	2021	2020	Change	2020
by country	1-9	1-9	%	1-12
Finland	347	379	-8.4 %	375
Sweden	20	24	-16.7 %	24
Norway	13	14	-7.1 %	15
Other	36	38	-5.3 %	37
Total	416	455	-8.6 %	451

Martela's offering

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

To add to the traditional way of purchasing Martela has introduced 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 Management Team

Head of Innovation to Market –organization and management team member VP, Mikko Mäkelä, has left the company at the end of January. The change has been announced in the stock exchange releases on January 14, 2021.

Martela has restructured its leadership team to reflect the ongoing market change and accelerate the implementation of the strategy in selected core business areas.

The new Leadership Team that has taken effect on March 1, 2021, consists of the following functions and leadership team members, led by CEO Artti Aurasmaa:

- The Brand & Design business unit is responsible for brand and product portfolio management and marketing. Kari Leino has been appointed to lead the unit.

- Martela Design Studio business unit is responsible for the planning and development of work and learning environment projects. Eeva Terävä has been appointed to lead the unit.
- Operations business unit is responsible for production and supply chain management. Ville Taipale will continue to lead the unit.
- Sales unit is responsible for global sales operations and customer service. Johan Westerlund will continue to lead the unit.
- Business Support unit is responsible for finance, human resources and IT. Kalle Lehtonen will continue to lead the unit.

The change has been announced in the stock exchange releases on February 25, 2021.

On August 4, 2021 company announced that The CEO of Martela Corporation, Artti Aurasmaa, has decided to step down from his role to take a new position in another organization. The Board of Directors at Martela will immediately launch the search for a new CEO.

On September 16, Board of Directors has appointed Mr. Ville Taipale, VP Operations as an interim CEO of Martela Oyj. Process of recruiting a new CEO for the company is progressing as planned. Company's former CEO Artti Aurasmaa will continue as an advisor for the company for the time being. The change has been announced in stock exchange release on September 17, 2021.

Shares

In January–September, a total of 1,651,674 (1,137,487) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 42.3 % (32.3) of the total number of series A shares.

The value of trading turnover was EUR 4.7 million (2.7), and the share price was EUR 2.31 at the end of the period (2.10). During January–September the share price was EUR 3.44 at its highest and EUR 2.30 at its lowest. At the end of September, equity per share was EUR 2.00 (3.26).

Treasury shares

Martela did not purchase any of its own shares in January–September. Martela owns a total of 13 082 Martela A shares and its holding of treasury shares amounted to 0.3% of all shares and 0.1% of all votes. Out of the shares 12 036 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.

New Share-based Incentive Plan

The Board of Directors of Martela Corporation has decided to establish a new share-based incentive plan for the group's key employees.

The prerequisite for participating in the new 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.

The new 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.

The rewards to be paid based on the plan will amount to an approximate maximum total of 718,000 Martela Corporation series A shares including also the proportion to be paid in cash.

Approximately 40 persons, including the CEO and other Martela's Management Team members, belong to the target group of the plan.

The rewards will be paid partly in Martela Corporation series A shares and partly in cash. The cash proportions of the rewards are intended for covering taxes and tax-related expenses arising from the rewards to the participants.

During the performance period 2021, the rewards are based on the Group's Earnings before Interest and Taxes (EBIT).

As part of the implementation of the Performance-based Matching Share Plan 2021—2023, the Board of Directors has resolved 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.

2021 Annual General Meeting

Martela Corporation's Annual General Meeting was held on Thursday, March 18, 2021. The Meeting approved the Financial Statements, discharged the members of the Board of Directors and CEO from liability for the year of 2020 and approved remuneration report for 2020. The Board of Directors proposal that no dividend will be distributed was approved.

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

Authorized Public Accountant Ernst & Young Oy was re-elected as the company's auditor.

The 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 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.

Corporate responsibility and quality

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 life cycle and by ensuring the responsible recycling of any furniture that is no longer needed. The company's Martela Lifecycle -model covers the entire lifecycle of the workplace. The Group has a quality and environmental

system certified by an independent certifier, and they guarantee that operations are continuously improved, client expectations met and environmental matters taken into consideration.

Further information on the responsibility of the Group's operations can be found in the annually published responsibility report. Martela's responsibility reporting includes extensive non-financial information (NFI) required by the new accounting legislation. It has been published since 2010. 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

On November 4, Board of Directors has appointed Mr. Ville Taipale, VP Operations as an CEO of Martela Oyj. The change has been announced in stock exchange release on November 5, 2021.

No other significant events requiring reporting have taken place since the January–September period, and operations have continued according to plan.

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. The coronavirus pandemic and the uncertainty caused by it have had a negative impact on the market situation. Due to the project-based nature of the sector, forecasting short-term development is challenging in normal circumstances. This has been further emphasized by the general uncertainty in material supply and in logistics caused by the pandemic. Risk on how revenue will develop in the near future will have an impact on company's liquidity and ability to cover its liabilities.

Outlook

Outlook for 2021

The Martela Group anticipates that its revenue and operating result in 2021 will improve compared to the previous year. Traditionally Group's operating result accumulates during the second half of the year.

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 September 30, 2021. 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 2020.

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

	2021 7-9	2020 7-9	2021 1-9	2020 1-9	2020 1-12
Revenue	23,842	24,152	62,340	66,451	88,385
Other operating income	72	131	521	383	540
Employee benefit expenses	-4,840	-4,937	-17,282	-17,138	-23,072
Operating expenses	-16,513	-16,797	-44,316	-47,379	-63,326
Depreciation and impairment	-1,330	-1,516	-4,006	-4,121	-6,523
Operating profit/loss	1,231	1,033	-2,744	-1,804	-3,996
Financial income and expenses	-289	-284	-785	-915	-817
Profit/loss before taxes	942	749	-3,528	-2,719	-4,813
Taxes	-67	-70	-12	12	7
Profit/loss for the period	875	679	-3,540	-2,707	-4,806
Translation differences	63	-370	210	397	-22
Actuarial gains and losses	0	0	0	0	28
Actuarial gains and losses, deferred taxes	0	0	0	0	4
Other comprehensive income for the period	63	-370	210	397	10
Total comprehensive income	939	309	-3,330	-2,310	-4,796
Basic earnings per share, eur	0.19	0.16	-0.79	-0.65	-1.16
Diluted earnings per share, eur	0.19	0.16	-0.79	-0.65	-1.16
Allocation of net profit for the period: To equity holders of the parent	875	679	-3,540	-2,707	-4,806
Allocation of total comprehensive income: To equity holders of the parent	939	309	-3,330	-2,310	-4,796

GROUP BALANCE SHEET (EUR 1000)	30/09/2021	30/09/2020	31/12/2020
ASSETS			
Non-current assets			
Intangible assets	4,871	7,321	5,792
Tangible assets	8,715	10,347	10,387
Investments	7	7	7
Deferred tax assets	375	316	314
Non-current loan receivables	535		
Total	14,503	17,991	16,499
Current assets			
Inventories	11,239	9,286	9,473
Receivables	15,486	14,133	14,562
Cash and cash equivalents	5,143	11,687	11,172
Total	31,868	35,106	35,207
Total assets	46,370	53,097	51,706
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	962		
Other reserves	-9	-9	-9
Translation differences	-849	-639	-1,059
Retained earnings	752	5,158	3,283
Treasury shares	-128	-128	-128
Share-based incentives	130	1,009	1,009
Total	8,974	13,507	11,212
Non-current liabilities			
Interest-bearing liabilities	2,157	6,656	6,277
Deferred tax liabilities	151	234	198
Other non-current liabilities	282	282	282
Pension obligations	492	472	492
Total	3,082	7,644	7,249
Current liabilities			
Interest-bearing	10,756	8,511	8,656
Non-interest bearing	23,558	23,436	24,589
Total	34,314	31,947	33,245
Total liabilities	37,396	39,591	40,494
Equity and liabilities, total	46,370	53,097	51,706

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)	2021 1-9	2020 1-9	2020 1-12
Cash flows from operating activities			
Cash flows from sales	59,504	74,646	94,370
Cash flow from other operating income	509	285	392
Payments on operating costs	-63,015	-68,448	-88,199
Net cash from operating activities before financial items and taxes	-3,002	6,483	6,564
Interests paid	-381	-486	-545
Interests received	17	14	18
Other financial items	-116	-474	-252
Dividends received	0	1	8
Taxes paid	-39	-101	-74
Net cash from operating activities (A)	-3,520	5,436	5,718
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-148	-1,051	-1,219
Proceeds from sale of tangible and intangible assets		46	59
Net cash used in investing activities (B)	-148	-1,005	-1,159
Cash flows from financing activities			
Proceeds from short-term loans	1,351	5,000	5,000
Repayments of short-term loans	-2,000	-9,333	-9,333
Repayments of lease liabilities	-2,134	-2,300	-3,027
Proceeds from long-term loans		4,400	4,400
Cash proceeds from issuing shares	421		
Net cash used in financial activities (C)	-2,361	-2,234	-2,960
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	-6,029	2,197	1,599
Cash and cash equivalents in the beginning of the period	11,172	9,621	9,621
Translation differences		-131	-47
Cash and cash equivalents at the end of period	5,143	11,687	11,172

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
1.1.2020	7,000	1,116		-9	-1,037	9,138	-128	16,080
Profit/loss for the period						-2,707		-2,707
Translation diff.					398			398
Other comprehensive income for the period					398	-2,707		-2,309
Other change						-192		-192
Share-based incentives						-72		-72
30.9.2020	7,000	1,116		-9	-639	6,167	-128	13,507
01.01.2021	7,000	1,116		-9	-1,059	4,292	-128	11,212
Profit/loss for the period						-3,540		-3,540
Other change								
Translation diff.					210			210
Other comprehensive income for the period					210	-3,540		-3,330
Share issue			962					962
Share-based incentives						130		130
30.9.2021	7,000	1,116	962	-9	-849	882	-128	8,974

CONTINGENT LIABILITIES

	30/09/2021	30/09/2020	31/12/2020
Mortgages and shares pledged	21,883	21,771	21,923
Other commitments	527	379	395
Rental commitments	5,964	7,256	6,995

DEVELOPMENT OF SHARE PRICE

	2021 1-9	2020 1-9	2020 1-12
Share price at the end of period, eur	2.31	2.10	3.09
Highest price, eur	3.44	3.58	3.58
Lowest price, eur	2.30	1.78	1.78
Average price, eur	2.87	2.37	2.42

KEY FIGURES/RATIOS	2021 1-9	2020 1-9	2020 1-12
Operating profit/loss, EUR thousand	-2,744	-1,804	-3,996
-% in relation to revenue	-4.4	-2.7	-4.5
Profit/loss before taxes, EUR thousand	-3,528	-2,719	-4,813
-% in relation to revenue	-5.7	-4.1	-5.4
Profit/loss for the period, EUR thousand	-3,540	-2,707	-4,806
-% in relation to revenue	-5.7	-4.1	-5.4
Basic earnings per share, eur	-0.79	-0.65	-1.16
Diluted earnings per share, eur	-0.79	-0.65	-1.16
Equity/share, eur	2.00	3.26	2.71
Equity ratio %	20.3	26.6	22.7
Return on equity %	-46.7	-24.3	-35.7
Return on investment %	-14.2	-7.5	-13.4
Interest-bearing net-debt, EUR million	8.3	4.0	4.3
Gearing %	92.1	29.3	37.9
Capital expenditure, EUR million	0.1	1.1	1.2
-% in relation to revenue	0.2	1.6	1.4
Personnel at the end of period	401	439	435
Personnel on average	416	455	451
Revenue/employee, EUR thousand	149.9	146.0	196.0

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 calculation of the 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 Ville Taipale and Kalle Lehtonen on Friday 5th of November 2021 from 12 a.m. to 2 p.m. EET.

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Board of Directors

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Our strategic direction is defined by our mission "Better working" and our vision "People-centric workplaces". Martela supplies user-centric workplaces where the users and their wellbeing are what matter most. We focus on the Nordic countries because, based on our common open work culture and needs, the Nordic countries are leaders in hybrid workplaces.