

2022

Half Year Report

1 January – 30 June 2022

Martela



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

The January–June 2022 revenue increased and operating result improved compared to previous year.

April–June 2022

- Revenue was EUR 27.3 million (18.6), representing a change of 46.6%
- Operating result was EUR 0.1 million (-2.0)
- Operating profit per revenue was 0.3% (-10.6%)
- The result for the period was EUR -0.3 million (-2.1)
- Earnings per share amounted to EUR -0.06 (-0.46)

January–June 2022

- Revenue was EUR 54.3 million (38.5), representing a change of 41.1%
- Comparable operating result was EUR 0.2 million (-3.5)
- Operating result was EUR 0.2 million (-4.0)
- Operating profit per revenue was 0.3% (-10.3%)
- The result for the period was EUR -0.3 million (-4.4)
- Earnings per share amounted to EUR -0.07 (-0.98)

Outlook

Outlook for 2022

Martela anticipates its Revenue to grow over 10 % compared to previous year and operating result to be positive.

Key figures, EUR million

	2022	2021	Change	2022	2021	Change	2021
	4-6	4-6	%	1-6	1-6	%	1-12
Revenue	27.3	18.6	46.6 %	54.3	38.5	41.1 %	91.9
Operating result	0.1	-2.0		0.2	-4.0		-1.3
Operating result %	0.3 %	-10.6 %		0.3 %	-10.3 %		-1.4 %
Result Before taxes	-0.2	-2.1		-0.3	-4.5		-2.3
Result for the period	-0.3	-2.1		-0.3	-4.4		-2.4
Earnings/share, EUR	-0.06	-0.46		-0.07	-0.98		-0.53
Return on investment %	2.1	-31.2		2.3	-31.9		-4.7
Return on equity %	-9.5	-83.0		-5.5	-88.3		-21.3
Equity ratio %				21.2	20.4	4.0 %	22.2
Gearing %				84.0	81.6	3.0 %	74.8

Ville Taipale, CEO:

"Second quarter this year was still defined by war in Ukraine, which caused general uncertainty in the market. Despite of this we were able to increase our revenue by 46.6 % in the second quarter compared to same period last year. Revenue for the second quarter was EUR 27.3 million and for the period January – June EUR 54.3 million.

Development where our new orders increased compared to same period last time continued in all main markets also in the second quarter of this year.

Our operating result improved significantly also in the second quarter compared to the same period last year and was EUR 0.1 million. Operating result was positively impacted by increased revenue, actions done in terms of improvements in the cost structure, as well as determined work to manage material price increases and maintaining sales prices.

I am pleased that we again achieved a positive operating result, which was the fourth consecutive quarter after a long period of loss making years. Operating result clearly is still not on satisfactory level, but it gives us possibility in the future to focus even more on creating profitable growth.

War in Ukraine and uncertainty caused by it has negatively impacted the overall market situation as well as raw material prices and supply. Increases in inflation and interests rates will also have impact to the market situation. It is difficult at this point to evaluate what impacts these will have in the mid-term to development of our revenue and result performance.

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

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

Revenue and operating result

Revenue and result for January–June 2022

Revenue for April–June was EUR 27.3 million (18.6) and increased 46.6% compared to previous year. Revenue improved in Finland by 43.4%, in Sweden by 15.3%, in Norway by 37.8% and in Other countries by 132.9 % compared to previous year.

The Group's operating result in April–June was EUR 0.1 million (-2.0).

The April–June result before taxes was EUR -0.2 million (-2.1) and net result EUR -0.3 million (-2.1).

Revenue and result for January–June 2022

Revenue for January–June was EUR 54.3 million (38.5) and increased by 41.1% from previous year. Revenue increased in Finland by 20.5%, in Sweden by 59.0%, in Norway by 17.9% and in Other countries by 285.9% compared to previous year.

The Group's comparable operating result in January–June was EUR 0.2 million (-3.5) and operating result was EUR 0.2 million(-4.0).

The January–June result before taxes was EUR -0.3 million (-4.5) and net result EUR -0.3 million (-4.4).

Revenue by country, EUR million

	2022	2021	Change	2022	2021	Change	2021
	4-6	4-6	%	1-6	1-6	%	1-12
Finland	19.8	13.8	43.4%	35.2	29.2	20.5%	69.7
Sweden	2.4	2.1	15.3%	5.9	3.7	59.0%	8.7
Norway	1.9	1.4	37.8%	3.7	3.1	17.9%	5.8
Other	3.3	1.4	132.9%	9.6	2.5	285.9%	7.7
Revenue total	27.3	18.6	46.6%	54.3	38.5	41.1%	91.9
Income from the sale of goods	23.8	15.9	49.6%	47.1	32.7	44.1%	78.5
Income from the sale of services	3.5	2.7	29.0%	7.2	5.8	23.9%	13.4

Cumulative revenue includes EUR 553 thousand (378) 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 1.3 million (-2.6).

At the end of the period, interest-bearing liabilities stood at EUR 13.6 million including EUR 5.0 million lease liabilities according to IFRS 16. At the end of comparison period the interest-bearing liabilities stood at EUR 12.8 million. Net liabilities were EUR 9.1 million (6.8). At the end of the period, short-term limits of EUR 4.0 million were in use (4.0) and available limits stood at 0.3.

The gearing ratio at the end of the period was 84.0% (81.6) and the equity ratio was 21.2% (20.4). Financial income and expenses were EUR -0.5 million (-0.5).

Financing arrangements include a covenant clause in which the ratio between the Group's net liabilities and EBITDA is examined. The key figures calculated at the end of the review period fulfilled the covenant clause.

The balance sheet total stood at EUR 55.4 million (43.6) at the end of the period.

Capital expenditure

The Group's gross capital expenditure for January–June was EUR 0.2 million (0.1).

Personnel

The Group employed an average of 401 people (423), which represents a decrease of 22 persons or 5.2%. The number of employees in the Group was 431 (433) at the end of the review period. Personnel costs in January–June totalled EUR 12.1 million (12.4).

Personnel on average	2022	2021	Change	2021
by country	1-6	1-6	%	1-12
Finland	328	353	-7.1%	346
Sweden	27	21	28.6%	23
Norway	12	13	-7.7%	14
Other	34	36	-5.6%	36
Total	401	423	-5.2%	419

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

Kalle Sulkanen is appointed Martela's Vice President, Operations and member of the Management Team. He will report to Ville Taipale, CEO of Martela. Sulkanen has started in his position on May 1, 2022. This has been announced in stock exchange release on March 1, 2022.

Shares

In January–June, a total of 1,164,702 (1,075,163) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 29.8% (27.5) of the total number of series A shares.

The value of trading turnover was EUR 3.1 million (3.1), and the share price was EUR 2.81 at the end of the period (3.03). During January–June the share price was EUR 3.12 at its highest and EUR 2.12 at its lowest. At the end of June, equity per share was EUR 2.39 (1.86).

Martela Corporation received an announcement from Isku-Yhtymä Oy, on March 10, 2022, in accordance with the Finnish Securities Market Act Chapter 9, Section 5. According to the announcement, the total number of Martela Corporation shares owned by Isku-Yhtymä Oy has increased above 10 % of the share capital in Martela plc, as a result of share transactions concluded on March 10, 2022.

Treasury shares

Martela did not purchase any of its own shares in January–June. 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. This has been announced in stock exchange release on May 24, 2022.

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 March 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 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.

The Board of Directors has decided on 23 June 2022 on a directed share issue as a part of the company's Performance-based Matching Share Plan 2021—2023. A total of 11 574 new series A shares in the company has, in deviation from the shareholders' pre-emptive right, been subscribed in the share issue for subscription to the new member of the Group Management Team in order to fulfil the Share Acquisition Prerequisite of the Performance-based Matching Share Plan 2021—2023.

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 of EUR 23 333,12 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 new shares will produce a right to dividends and other shareholder rights, after the entry of the new shares into the Trade Register, as they are also applied for public listing on Nasdaq Helsinki Ltd.

The matter has been informed about in stock exchange release on June 27, 2022.

2022 Annual General Meeting

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

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

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

The Annual General Meeting authorized the Board 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

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 life cycle and by sustainably taking care 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 occupational health and safety (ISO 45001) management system and a quality (ISO9001) and environmental (ISO14001) management 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 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

Martela Oyj has signed a sale and leaseback agreement with EPISO 6 Luxembourg Holding S.à r.l. regarding the Nummela production and logistic center. Martela will remain a tenant in the property with a long-term lease agreement.

The matter has been informed about in stock exchange release on July 5, 2022.

No other significant events requiring reporting have taken place since the January–June 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. War in Ukraine and the uncertainty caused by it have had a negative impact on the market situation as well as to supply and prices of raw materials. In addition rapid increase in inflation and interest rates will also have impact to the market situation. Due to the project-based nature of the sector, forecasting short-term development is challenging in normal circumstances. This has been further emphasized by the general uncertainty caused by the war in Ukraine and in the financial markets.

Outlook

Outlook for 2022

Martela anticipates its Revenue to grow over 10 % compared to previous year 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 June 30, 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 2021.

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

	2022	2021	2022	2021	2021
	4-6	4-6	1-6	1-6	1-12
Revenue	27,293	18,616	54,311	38,498	91,889
Other operating income	184	177	260	448	637
Employee benefit expenses	-6,031	-5,833	-12,144	-12,442	-22,684
Operating expenses	-19,908	-13,610	-39,434	-27,803	-65,724
Depreciation and impairment	-1,459	-1,317	-2,805	-2,676	-5,428
Operating profit/loss	79	-1,966	188	-3,975	-1,309
Financial income and expenses	-291	-133	-519	-495	-1,014
Profit/loss before taxes	-212	-2,099	-331	-4,470	-2,324
Taxes	-42	23	37	55	-61
Profit/loss for the period	-254	-2,076	-294	-4,415	-2,385
Other comprehensive income:					
Translation differences	171	46	173	147	214
Actuarial gains and losses					267
Actuarial gains and losses, deferred taxes					-43
Other comprehensive income for the period	171	46	173	147	438
Total comprehensive income	-83	-2,030	-121	-4,268	-1,946
Basic earnings per share, eur	-0.06	-0.46	-0.07	-0.98	-0.53
Diluted earnings per share, eur	-0.06	-0.46	-0.07	-0.98	-0.53
Allocation of net profit for the period:					
To equity holders of the parent	-254	-2,076	-294	-4,415	-2,385
Allocation of total comprehensive income:					
To equity holders of the parent	-83	-2,030	-121	-4,268	-1,946

GROUP BALANCE SHEET (EUR 1000)	30/06/2022	30/06/2021	31/12/2021
ASSETS			
Non-current assets			
Intangible assets	4,358	5,103	4,588
Tangible assets	11,070	9,824	8,965
Investments	7	7	7
Deferred tax assets	363	407	203
Non-current loan receivables	526	541	535
Total	16,323	15,882	14,298
Current assets			
Inventories	15,276	9,979	12,119
Receivables	19,355	11,741	19,712
Cash and cash equivalents	4,454	5,980	4,926
Total	39,085	27,701	36,756
Total assets	55,408	43,583	51,054
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	972	962	962
Other reserves	-9	-9	-9
Translation differences	-672	-912	-845
Retained earnings	2,289	303	1,550
Treasury shares	-4	-128	-128
Share-based incentives	37	37	1,115
Total	10,728	8,370	10,761
Non-current liabilities			
Interest-bearing liabilities	4,935	5,372	1,791
Deferred tax liabilities	0	167	0
Other non-current liabilities	236	282	236
Pension obligations	235	492	235
Total	5,406	6,313	2,262
Current liabilities			
Interest-bearing	8,299	6,947	10,952
Non-interest bearing	30,975	21,953	27,079
Total	39,274	28,900	38,032
Total liabilities	44,680	35,213	40,294
Equity and liabilities, total	55,408	43,583	51,054

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)	2022 1-6	2021 1-6	2021 1-12
Cash flows from operating activities			
Cash flows from sales	59,540	39,659	84,749
Cash flow from other operating income	133	440	595
Payments on operating costs	-57,691	-42,166	-88,030
Net cash from operating activities before financial items and taxes	1,982	-2,067	-2,686
Interests paid	-351	-279	-425
Interests received	7	12	20
Other financial items	-156	-280	-353
Taxes paid	-183	29	45
Net cash from operating activities (A)	1,299	-2,586	-3,399
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-229	-103	-357
Proceeds from sale of tangible and intangible assets	117		40
Net cash used in investing activities (B)	-112	-103	-317
Cash flows from financing activities			
Proceeds from short-term loans	224		1,591
Repayments of short-term loans	-500	-1,500	-2,000
Repayments of lease liabilities	-1,393	-1,425	-2,543
Cash proceeds from issuing shares	10	421	421
Net cash used in financial activities (C)	-1,659	-2,504	-2,530
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	-472	-5,192	-6,246
Cash and cash equivalents in the beginning of the period	4,926	11,172	11,172
Translation differences			
Cash and cash equivalents at the end of period	4,454	5,980	4,926

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
01/01/2021	7,000	1,116		-9	-1,059	4,719	-128	11,639
Profit/loss for the period						-4,415		-4,415
Translation differences					147			147
Other comprehensive income					147			147
Other comprehensive income for the period					147	-4,415		-4,268
Share issue			962					962
Share-based incentives						37		37
30/06/2021	7,000	1,116	962	-9	-912	341	-128	8,370
01/01/2022	7,000	1,116	962	-9	-845	2,665	-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
Share-based incentives						-46	124	78
30/06/2022	7,000	1,116	972	-9	-672	2,325	-4	10,728

CONTINGENT LIABILITIES

	30/06/2022	30/06/2021	31/12/2021
Mortgages and shares pledged	24,924	21,900	20,851
Other commitments	511	527	527
Rental commitments	7,190	6,000	5,518

DEVELOPMENT OF SHARE PRICE

	2022 1-6	2021 1-6	2021 1-12
Share price at the end of period, eur	2.81	3.03	2.29
Highest price, eur	3.12	3.28	3.44
Lowest price, eur	2.12	2.52	2.18
Average price, eur	2.65	2.89	2.68

KEY FIGURES/RATIOS	2022	2021	2021
	1-6	1-6	1-12
Operating profit/loss, EUR thousand	188	-3,975	-1,309
-% in relation to revenue	0.3	-10.3	-1.4
Profit/loss before taxes, EUR thousand	-331	-4,470	-2,324
-% in relation to revenue	-0.6	-11.6	-2.5
Profit/loss for the period, EUR thousand	-294	-4,415	-2,385
-% in relation to revenue	-0.5	-11.5	-2.6
Basic earnings per share, eur	-0.07	-0.98	-0.53
Diluted earnings per share, eur	-0.07	-0.98	-0.53
Equity/share, eur	2.39	1.86	2.39
Equity ratio %	21.2	20.4	22.2
Return on equity %	-5.5	-88.3	-21.3
Return on investment %	2.3	-31.9	-4.7
Interest-bearing net-debt, EUR million	9.0	6.8	8.1
Gearing %	84.0	81.6	74.8
Capital expenditure, EUR million	0.2	0.1	0.4
-% in relation to revenue	0.4	0.3	0.4
Personnel at the end of period	354	433	400
Personnel on average	401	423	419
Revenue/employee, EUR thousand	135.4	91.0	219.3

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 CEO Ville Taipale and CFO Kalle Lehtonen on Friday 12th August, 2022 from 12 a.m. to 2 p.m. EET.

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Board of Directors

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