

# 2017

## Interim Report

1 January – 31 March 2017

Inspiring  
spaces

**Martela**



## MARTELA CORPORATION INTERIM REPORT 1 JANUARY – 31 MARCH 2017

The January-March 2017 revenue and operating result declined from the comparison period. Despite the decline in revenue the change in profitability is into better direction and the completed savings programme effects.

Decline in revenue and operating result was due to the timing variations of projects, discontinuation of own sales operations in Poland and Russia and somewhat due to operating challenges related to the implementation of IT system reforms.

### January-March 2017

- Revenue EUR 24,8 million (27,8), change -10,8 %
- Operating result declined and was EUR -0,6 million (-0,1)
- Operating result per revenue was -2,5 % (-0,5 %)
- Result for the period declined and was EUR -0,6 million (-0,3)
- Earnings per share amounted to EUR -0,16 (-0,07)

### Outlook for 2017 (unchanged)

The Martela Group anticipates that its 2017 revenue and operating result will remain on the 2016 level. Due to normal seasonal variations, the Group's operating result accumulates mainly during the second half of the year.

### Key Figures, EUR million

	2017	2016	Change	2016
	1-3	1-3	%	1-12
Revenue	24,8	27,8	-10,8	129,1
Operating result	-0,6	-0,1	-329,8	6,2
Operating result %	-2,5	-0,5		4,8
Result before taxes	-0,7	-0,3		5,6
Result for the period	-0,6	-0,3	-112,8	3,3
Earnings/share, eur	-0,16	-0,07		0,81
Return on investment %	-6,7	-1,7		18,2
Return on equity %	-10,6	-5,5		13,9
Equity ratio %	48,4	42,8		45,3
Gearing %	-5,8	3,9		-18,9

### Matti Rantaniemi, CEO:

“The January-March 2017 revenue and operating result declined from the comparison period. Despite the decline in revenue the change in profitability is into better direction and the completed savings programme effects.

Decline in revenue and operating result was due to the timing variations of projects, discontinuation of own sales operations in Poland and Russia and somewhat due to operating challenges related to the implementation of IT system reforms.

Revenue for January - March was EUR 24,8 million and declined 10,8 % from the previous year (27,8). Operating result for January - March was EUR -0,6 million (-0,1). Cash flow from operating activities in January – March was EUR -0,8 million (3,9).

Revenue was close to the same level than in the comparison period in Finland, grew in Norway, declined in Sweden and in group Other countries. Revenue from the comprehensive Martela Lifecycle – model has developed well towards the strategic targets of the year 2018.

The year 2017 will largely be a continuation of 2016. We focus on improving profitability, implementing the Martela Lifecycle strategy, deployment and utilization of the New Business Platform (IT reforms), developing Martela’s offering as well as improving operations and improving job satisfaction among our employees

The New Business Platform is extensively implemented in the near months and it will provide us with an agile foundation for developing our business as a comprehensive service in accordance with the Martela Lifecycle strategy.”

## Market

No material changes took place in the market during the first quarter. The demand for Martela’s products and services is fundamentally affected by the general economic situation and by the extent to which companies and the public sector need to use their space more efficiently and make their workplaces more effective management tools.

## Revenue and operating result

### January – March 2017 revenue and operating result

Revenue for January - March was EUR 24,8 million and declined 10,8 % from the previous year (27,8). Compared to the comparison period revenue in Finland declined by 1.9 % and in Sweden by 39,4 %. In Norway revenue grew by 74,9 %. In Other countries revenue declined by 50,8 %.

We delivered several comprehensive Martela Lifecycle workplaces in Finland. Changes in revenue in Sweden and Norway were related to timing of projects. The discontinuation of Martela’s own sales operations in Poland and Russia has as expected decreased our revenue in those countries.

In the first quarter we continued to focus on the implementation and further development of Martela Lifecycle strategy. We added personnel into sales and trained personnel to new operating models aligned with the strategy.

Despite the decline in revenue the change in profitability is into better direction and the completed savings programme effects. The deployment of IT reforms caused expenses slightly more than anticipated.

Operating result for January – March was EUR -0,6 million (-0,1). Result before taxes for January – March was EUR -0,7 million (-0,3) and result for the period was EUR -0,6 million (-0,3), change -112,8 %.

### Revenue by country, EUR million

Revenue by country	2017 1-3	2016 1-3	Change %	2016 1-12
Finland	19,1	19,4	-1,9	95,2
Sweden	3,2	5,3	-39,4	20,4
Norway	1,4	0,8	74,9	3,7
Other countries	1,1	2,3	-50,8	9,8
Revenue total	24,8	27,8	-10,8	129,1

As reported earlier, as a result of harmonising and combining processes, the organisation, reporting and systems, the company reports consolidated figures as a single segment and in addition reports revenue by country as of 2017.

Revenue will be reported by the location of a customer into following countries: Finland, Sweden, Norway and Other countries.

### Financial position

The cash flow from operating activities in January–March was EUR -0,8 million (3.9). There were some delays in invoicing due to the implementation of the New Business Platform that results in slower sales cash inflow.

At the end of the period, interest-bearing liabilities stood at EUR 8.4 million (10.6) and net liabilities were EUR -1.3 million (0.8). The gearing ratio at the end of the period was -5.8 % (3.9) and the equity ratio was 48.4 % (42.8). Financial income and expenses were EUR 0.0 million (0.1).

Financing arrangements include covenant clauses in which the ratio between the Group's net liabilities and EBITDA and the Group's equity ratio are calculated. The key figures calculated at the end of the review period fulfilled the covenant clauses.

The balance sheet total stood at EUR 48.8 million (50.8) at the end of the period.

### Capital expenditure

The Group's gross capital expenditure for January–March came to EUR 1.2 million (0.2). The majority of the investments concerned the IT system development project (NBP).

### Personnel

The Group employed an average of 503 people (570), which represents a decrease of 67 persons or 11.8 %. The number of employees in the Group was 503 (559) at the end of the review period. Personnel costs in January – March totalled EUR 6.9 million (7.1).

Personnel on average	2 017	2 016	Change	2 016
	1-3	1-3		%
Finland	430	428	0,5	428
Sweden	30	40	-25,0	37
Norway	9	8	12,5	8
Other countries	34	94	-63,8	77
Total	503	570	-11,8	550

The change in personnel in Sweden is related to the closure of the Bodafors assembly and logistic unit and in group Other countries to the discontinuation of Martela's own sales operations in Poland and Russia. The personnel at sales was increased in all sales units in the period.

### Martela's offering

Instead of individual changes, Martela Lifecycle offers an approach that covers the entire lifecycle of a workplace. In the Martela Lifecycle model, the maintenance of premises and furniture is continuous and the workplace evolves with changing needs.

## **OTHER MATTERS**

### **Group structure**

There were no changes in Group structure during the review period. We expect the documents concerning the discontinuation of our Russian subsidiary to be approved by the authorities during the second quarter of 2017.

### **Shares**

In January–March, a total of 457,513 (736,042) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 12.9 % (20.6) of the total number of series A shares.

The value of trading turnover was EUR 5.8 million (3.6), and the share price was EUR 12.89 at the end of the period (5.04). During January–March, the highest quotation of the share was EUR 14.0 and the lowest EUR 11.35. At the end of March 2017, equity per share was EUR 5.60 (5.22).

### **Treasury shares**

Martela did not purchase any of its own shares in January–March. On 31 March 2017, Martela owned a total of 47,146 Martela A shares, purchased at an average price of EUR 10.65. Martela's holding of treasury shares amounted to 1.1 % of all shares and was 0.3 % of all votes.

As reported on 19<sup>th</sup> April 2017, after the review period when A-shares were transferred to recipients of share-based incentive scheme Martela owned a total of 12,036 Martela A shares and its holding of treasury shares amounted to 0.3 % of all shares and 0.1 % of all votes.

### **Share-based incentive programme**

In the effective share-based incentive programme there are two earning periods, which are 2017–2018 and 2019–2020. The Board of Directors will decide at the beginning of the earning period the earning criteria and the goals for each criterion of the programme.

The target group for the 2017–2018 periods is the Group's Management Team. The potential reward of the plan from the performance period 2017–2018 will be based on the Group's Earnings before Interest and Taxes (EBIT). Fees to be paid of the 2017–2018 earning period correspond to a maximum total of approximately 100,000 Martela Corporation series A shares and also include the cash portion. Management of the share-based incentive scheme has been outsourced to an external service provider.

At the end of review period a total of 59,201 shares have been distributed based on the earlier share-based incentive program 2014–2016. After the review period, as reported on 19<sup>th</sup> April 2017, related to the last earning period 35,110 shares were distributed. Based on the programme totally 94,311 shares have been distributed.

### **2017 Annual General Meeting**

Martela Corporation's Annual General Meeting was held on 14 March 2017. The AGM approved the financial statements for 2016 and discharged the members of the Board of Directors and the Managing Director from liability. The AGM decided, in accordance with the Board of Directors' proposal, to distribute a dividend of EUR 0.37 per share. The dividend was paid on 23 March 2017.

The number of members on the Board of Directors was confirmed as seven. Kirsi Komi, Eero Leskinen, Eero Martela, Heikki Martela, Yrjö Närhinen and Anni Vepsäläinen were re-elected to the Board, and Minna Andersson was elected as a new member.

KPMG Oy Ab, Authorised Public Accountants, was reappointed as the company's auditor.

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 new Board of Directors convened after the AGM and elected from its members Heikki Martela as Chairman and Eero Leskinen as Vice Chairman.

## 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 2015 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 REVIEW PERIOD

Following releases were published after the review period:

19<sup>th</sup> April, 2017 The Board of Directors of Martela corporation resolved to amend the key employee incentive plan  
19<sup>th</sup> April, 2017 Transfer of treasury shares  
20<sup>th</sup> April, 2017 Managers' transactions  
28<sup>th</sup> April, 2017 Changes in Group management team

No other significant events requiring reporting have taken place since the January–March 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. Due to the project-based nature of the sector, forecasting short-term developments is challenging.

The New Business Platform is extensively implemented in the near months. The situation temporarily requires some more resources than anticipated earlier as well as delays the accumulation of cash inflow from sales.

## OUTLOOK FOR 2017 (unchanged)

The Martela Group anticipates that its 2017 revenue and operating result will remain on the 2016 level. Due to normal seasonal variations, the Group's operating result accumulates mainly during the second half of the year

## TABLES

Accounting policies

This interim report has been prepared in accordance with the IAS 34 standard as approved by EU. The calculation methods of the interim report are the same as those applied in the 2016 financial statements.

The figures in this release have been rounded, and so the combined sum of individual figures may differ from the sums presented.

This report is unaudited.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1 000)**

	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>1-3</b>	<b>1-3</b>	<b>1-12</b>
<b>Revenue</b>	<b>24 785</b>	<b>27 800</b>	<b>129 127</b>
Other operating income	45	150	464
Employee benefits expenses	-6 886	-7 060	-29 671
Operating expenses	-17 945	-20 291	-90 854
Depreciation and impairment	-628	-746	-2 908
<b>Operating profit/loss</b>	<b>-630</b>	<b>-147</b>	<b>6 158</b>
Financial income and expenses	-30	-132	-540
<b>Profit/loss before taxes</b>	<b>-660</b>	<b>-279</b>	<b>5 618</b>
Income tax	20	-22	-2 302
<b>Profit/loss for the period</b>	<b>-640</b>	<b>-301</b>	<b>3 316</b>
<b>Other comprehensive income:</b>			
Translation differences	-30	13	161
Actuarial gains and losses			43
Actuarial gains and losses, deferred taxes			-41
			-35
<b>Total comprehensive income</b>	<b>-670</b>	<b>-288</b>	<b>3 444</b>
Basic earnings per share, eur	-0,16	-0,07	0,81
Diluted earnings per share, eur	-0,16	-0,07	0,81
Allocation of net profit for the period:			
To equity holders of the parent	-640	-301	3 316
Allocation of total comprehensive income:			
To equity holders of the parent	-670	-288	3 444

<b>GROUP BALANCE SHEET (EUR 1 000)</b>	<b>31.3.2017</b>	<b>31.3.2016</b>	<b>31.12.2016</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	7 117	4 618	6 321
Tangible assets	6 420	8 094	6 632
Investments	55	55	55
Deferred tax assets	147	373	144
Investment properties	600	600	600
<b>Total</b>	<b>14 340</b>	<b>13 740</b>	<b>13 752</b>
<b>Current assets</b>			
Inventories	8 170	10 270	7 709
Receivables	16 505	16 971	21 351
Cash and cash equivalents	9 785	9 799	13 425
<b>Total</b>	<b>34 459</b>	<b>37 040</b>	<b>42 485</b>
<b>Total assets</b>	<b>48 799</b>	<b>50 780</b>	<b>56 238</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	7 000	7 000	7 000
Share premium account	1 116	1 116	1 116
Other reserves	-9	-9	-9
Translation differences	-609	-727	-579
Retained earnings	14 960	13 748	17 135
Treasury shares	-502	-673	-502
Share-based incentives	1 043	904	1 013
<b>Total</b>	<b>22 999</b>	<b>21 359</b>	<b>25 174</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	6 305	8 346	6 283
Deferred tax liabilities	557	716	577
Other non-current liabilities	61	0	0
Pension obligations	521	574	371
<b>Total</b>	<b>7 443</b>	<b>9 636</b>	<b>7 231</b>
<b>Current liabilities</b>			
Interest-bearing	1 616	1 720	2 005
Non-interest bearing	16 740	18 063	21 827
<b>Total</b>	<b>18 357</b>	<b>19 783</b>	<b>23 832</b>
<b>Total liabilities</b>	<b>25 800</b>	<b>29 419</b>	<b>31 063</b>
<b>Equity and liabilities, total</b>	<b>48 799</b>	<b>50 780</b>	<b>56 238</b>



<b>CONSOLIDATED CASH FLOW STATEMENT (EUR 1 000)</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>1-3</b>	<b>1-3</b>	<b>1-12</b>
<b>Cash flows from operating activities</b>			
Cash flow from sales	27 196	33 544	129 898
Cash flow from other operating income	40	148	317
Payments on operating costs	-27 763	-29 649	-116 264
<b>Net cash from operating activities before financial items and taxes</b>	<b>-527</b>	<b>4 043</b>	<b>13 951</b>
Interest paid	-37	-54	-375
Interest received			4
Other financial items	29	-34	-193
Dividends received	0	3	18
Taxes paid	-267	-26	-1 743
<b>Net cash from operating activities (A)</b>	<b>-801</b>	<b>3 934</b>	<b>11 662</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on tangible and intangible assets	-1 212	-200	-2 580
Proceeds from sale of tangible and intangible assets	4	2	147
<b>Net cash used in investing activities (B)</b>	<b>-1 208</b>	<b>-198</b>	<b>-2 433</b>
<b>Cash flows from financing activities</b>			
Proceeds from short-term loans	53		
Repayments of short-term loans	-332	-782	-1 395
Proceeds from long-term loans			
Repayments of long-term loans	-89	-55	-1 221
Dividends paid and other profit distribution	-1 291	-859	-1 022
<b>Net cash used in financial activities (C)</b>	<b>-1 658</b>	<b>-1 696</b>	<b>-3 638</b>
<b>Change in cash and cash equivalents ( A+B+C) (+ increase, - decrease)</b>	<b>-3 668</b>	<b>2 040</b>	<b>5 591</b>
Cash and cash equivalents in the beginning of period	13 425	7 724	7 724
Translation differences	27	35	110
<b>Cash and cash equivalents at the end of period</b>	<b>9 785</b>	<b>9 799</b>	<b>13 425</b>

**STATEMENT OF CHANGES IN EQUITY (1000 EUR)**

Equity attributable to equity holders of the parent

	Share capital	Share Premium account	Other reserves	Transl. Diff.	Retained earnings	Treasury Shares	Total
01.01.2016	7 000	1 116	-9	-740	15 968	-673	22 662
Result of the period					-301		-301
Translation diff.				13			13
Dividends					-998		-998
Share-based incentives					-17		-17
31.03.2016	7 000	1 116	-9	-727	14 652	-673	21 359
01.01.2017	7 000	1 116	-9	-579	18 148	-502	25 174
Result of the period					-640		-640
Translation diff.				-30			-30
Dividends					-1 536		-1 536
Share-based incentives					30		30
31.03.2017	7 000	1 116	-9	-609	16 002	-502	22 999

**CONTINGENT LIABILITIES**

	31.3.2017	31.3.2016	31.12.2016
Mortgages and pledges	26 788	26 893	26 781
Other commitments	307	421	329
Rental commitments	7 442	7 965	7 929

**DEVELOPMENT OF SHARE PRICE**

	2017 1-3	2016 1-3	2016 1-12
Share price at the end of period, eur	12,89	5,04	12,84
Highest price, eur	14,00	5,88	13,50
Lowest price, eur	11,35	3,29	3,29
Average price, eur	12,59	4,85	6,80

<b>KEY FIGURES/RATIOS</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
	<b>1-3</b>	<b>1-3</b>	<b>1-12</b>
Operating profit/loss, meur	-0,6	-0,1	6,2
- in relation to revenue	-2,5	-0,5	4,8
Profit/loss before taxes, meur	-0,7	-0,3	5,6
- in relation to revenue	-2,7	-1,1	4,4
Profit/loss for the period, meur	-0,6	-0,3	3,3
- in relation to revenue	-2,6	-1,2	2,6
Basic earnings per share, eur	-0,16	-0,07	0,81
Diluted earnings per share, eur	-0,16	-0,07	0,81
Equity/share, eur	5,60	5,22	6,13
Equity ratio	48,4	42,8	45,3
Return on equity	-10,6	-5,5	13,9
Return on investment	-6,6	-1,7	18,2
Interest-bearing net-debt, eur million	-1,3	0,8	-4,8
Gearing ratio	-5,8	3,9	-18,9
Capital expenditure, eur million	1,2	0,2	2,9
- in relation to revenue	4,9	0,9	2,2
Personnel at the end of period	503	559	506
Average personnel	503	570	550
Revenue/employee, eur thousand	49,3	48,8	234,8

## 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 calculation of the number of personnel in active employment
Interest-bearing net debt	= Interest-bearing debt - cash and other liquid financial assets

Key figures are calculated according to formulas as presented in Annual Report 2016

\*) When calculating return % the profit/loss for the period has been multiplied in interim reports.

## INFORMATION EVENT

An event for analysts, portfolio managers and media will be held on Friday 28<sup>th</sup> April 2017 from 11:30 to 12:30 at Martela house in address Takkatie 1, Helsinki. The result will be presented by CEO Matti Rantaniemi.

Martela Corporation  
Board of Directors

Matti Rantaniemi  
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 will focus on the Nordic countries, as the Nordic countries are forerunner in hybrid working environments with common open work culture background and needs.