

2021

# Interim report

1 January – 31 March 2021

**Martela**



MARTELA CORPORATION'S INTERIM REPORT 1 JANUARY – 31 MARCH

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

January–March 2021

- Revenue was EUR 19.9 million (21.7), representing a change of -8.2 %
- Comparable operating result was EUR -1.4 million (-2.8)
- Operating result was EUR -2.0 million (-2.8)
- Operating profit per revenue was -10.1 % (-13.1%)
- The result for the period was EUR -2.3 million (-3.5 )
- Earnings per share amounted to EUR -0.56 (-0.84)

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.

Key figures, EUR million

	2021	2020	Change	2020
	1-3	1-3	%	1-12
Revenue	19.9	21.7	-8.2 %	88.4
Operating result	-2.0	-2.8		-4.0
Operating result %	-10.1 %	-13.1 %		-4.5 %
Result before taxes	-2.4	-3.5		-4.8
Result for the period	-2.3	-3.5		-4.8
Earnings/share, euro	-0.56	-0.84		-1.16
Return on investment %	-7.9	-37.4		-13.4
Return on equity %	-23.2	-24.1		-35.7
Equity ratio %	21.0	29.5	-28.9 %	22.7
Gearing %	56.7	64.3	-11.8 %	37.9

Artti Aurasmaa, CEO:

"First quarter this year was defined by still continuing corona pandemic and related strong remote work recommendation as well as general uncertainty in the market. Our revenue decreased by 8.2 % in the first quarter compared to same period last year. Revenue in the first quarter was EUR 19.9 million.

As expected also the new orders continued to decrease in the first quarter. Orders decreased especially in the commercial sector. Like in decrease of revenue, uncertainty in the market caused by the pandemic also impacted the volume of new orders. The timetable of the recovery in the demand will be strongly dependent on the progress of the pandemic and how that will affect decisions of our customers on returning to offices.

Our operating result improved in the first quarter compared to the same period last year and was EUR -2.0 million. Operating result includes onetime expenses of EUR 0.6 million, which relates to layoffs resulting from cooperation negotiations concluded earlier this. Our comparable operating result was EUR -1.4 million which is a significant improvement to same period last year where our operating result was EUR -2.8 million. Improvement was related to cost efficiency, temporary layoffs cause by the Pandemic as well as decrease in our fixed expenses.

We have renewed our organisation structure and announced in February a new Management Team, which will further improve our position as a leading sustainable workplace specialists. We have also today announced result of share issue published in March. In the share issue almost 40 key employees subscribed in total 352 440 shares from the offered amount of 432 260 shares. I am extremely pleased with the result of the share issue, which demonstrates during these extreme times a strong commitment of our key employees to the company and to our position as a leading workplace specialists. Committed and professional employees are the most important asset which will enable us to rise from last years loss making cycle back to profitable operations and strengthen our position in workplace development area driven by the circular economy.

The coronavirus pandemic and the uncertainty caused by it is still impacting negatively to the market situation. We are not expecting the market conditions to improve during the first six months of this year. It is still difficult to estimate how the current conditions will impact our midterm revenue and operating result development. However I believe that turn for the better is closer and we are ready to meet the increase in demand driven by the positive market development. Despite the Pandemic we have maintained excellent delivery accuracy and customer satisfaction level and this gives us good foothold to spring for new growth when Pandemic and remote work recommendations finally end.

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 to 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 an positive impact to our business in the second half of this year."

#### 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 will be and how long the uncertainty in the markets will continue.

## Revenue and operating result

### Revenue and result for January–March 2021

Revenue for January–March was EUR 19.9 million (21.7) and declined by 8.2 % from previous year. Revenue in Norway increased by 204.2 % and in Other countries by 40.7 % compared to previous year. In Finland revenue declined by 14.3 % and in Sweden by 29.1 %.

The Group's comparable operating result in January–March was EUR -1.4 million (-2.8 ) and operating result was EUR -2.0 million(-2.8).

The January–March result before taxes was EUR -2.4 million (-3.5) and net result EUR -2.3 million (-3.5).

### Revenue by country, EUR million

	2021	2020	Change	2020
	1-3	1-3	%	1-12
Finland	15.4	18.0	-14.3 %	72.4
Sweden	1.6	2.3	-29.1 %	9.2
Norway	1.7	0.6	204.2 %	3.8
Other	1.1	0.8	40.7 %	3.1
Revenue total	19.9	21.7	-8.2 %	88.4

Income from the sale of goods	16.8	18.0	-6.6 %	74.2
Income from the sale of services	3.1	3.7	-15.7 %	14.2

Cumulative revenue includes EUR 207 thousand (113) 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–March was EUR -0.5 million (-0.7).

At the end of the period, interest-bearing liabilities stood at EUR 14.5 million including EUR 5.6 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 5.1 million (8.4). At the end of the period, short-term limits of EUR 5.2 million were in use (4.0) and available limits stood at EUR 0.9 million.

The gearing ratio at the end of the period was 56.7 % (64.3) and the equity ratio was 21.0 % (29.5). Financial income and expenses were EUR -0.4 million (-0.7).

Financing arrangements include covenant clauses in which the ratio between the Group's net liabilities and EBITDA and the Group's equity ratio are examined. The key figures calculated at the end of the review period did not fulfil the covenant-clauses concerning one of the contracts. The amount of the broken covenant loan is EUR 1 million and will be repaid in accordance with the original payment schedule in April 2021. The balance sheet total stood at EUR 45.1 million (46.9) at the end of the period.

## Capital expenditure

The Group's gross capital expenditure for January–March was EUR 0.0 million (0.9).

## Personnel

The Group employed an average of 431 people (452), which represents a decrease of 21 persons or 4.6 %. The number of employees in the Group was 432 (451) at the end of the review period. Personnel costs in January–March totalled EUR 6.6 million (6.7).

Personnel on average	2021	2020	Change	2020
by country	1-3	1-3	%	1-12
Finland	358	377	-5.0 %	375
Sweden	22	21	4.8 %	24
Norway	15	15	0.0 %	15
Other	36	39	-7.7 %	37
Total	431	452	-4.6 %	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

#### Shares

In January–March, a total of 717,141 (369,699) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 20.2 % (10.4) of the total number of series A shares.

The value of trading turnover was EUR 2.0 million (1.0), and the share price was EUR 2.70 at the end of the period (1.92). During January–March the share price was EUR 3.20 at its highest and EUR 2.52 at its lowest. At the end of March, equity per share was EUR 2.17 (3.17).

#### Treasury shares

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

No 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. 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 caused by the pandemic.

## 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 March 31, 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 1-3	2020 1-3	2020 1-12
Revenue	19,881	21,652	88,385
Other operating income	272	131	540
Employee benefit expenses	-6,609	-6,704	-23,072
Operating expenses	-14,193	-16,646	-63,326
Depreciation and impairment	-1,359	-1,273	-6,523
Operating profit/loss	-2,009	-2,841	-3,996
Financial income and expenses	-362	-674	-817
Profit/loss before taxes	-2,371	-3,515	-4,813
Taxes	32	37	7
Profit/loss for the period	-2,339	-3,478	-4,806
Translation differences	101	767	-22
Other change	0	-67	0
Actuarial gains and losses	0	0	28
Actuarial gains and losses, deferred taxes	0	0	4
Other comprehensive income for the period	101	700	10
Total comprehensive income	-2,239	-2,778	-4,796
Basic earnings per share, eur	-0.56	-0.84	-1.16
Diluted earnings per share, eur	-0.56	-0.84	-1.16
Allocation of net profit for the period: To equity holders of the parent	-2,339	-3,478	-4,806
Allocation of total comprehensive income: To equity holders of the parent	-2,239	-2,778	-4,796

GROUP BALANCE SHEET (EUR 1000)	31/03/2021	31/03/2020	31/12/2020
<b>ASSETS</b>			
Non-current assets			
Intangible assets	5,632	7,835	5,792
Tangible assets	9,966	10,754	10,387
Investments	7	7	7
Deferred tax assets	373	313	314
Total	15,979	18,909	16,499
Current assets			
Inventories	8,823	8,607	9,473
Receivables	10,865	12,172	14,562
Cash and cash equivalents	9,440	7,200	11,172
Total	29,128	27,979	35,207
Total assets	45,106	46,889	51,706
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	7,000	7,000	7,000
Share premium account	1,116	1,116	1,116
Other reserves	-9	-9	-9
Translation differences	-958	-270	-1,059
Retained earnings	872	4,329	3,283
Treasury shares	-128	-129	-128
Share-based incentives	1,081	1,081	1,009
Total	8,973	13,118	11,212
Non-current liabilities			
Interest-bearing liabilities	5,937	3,240	6,277
Deferred tax liabilities	182	267	198
Other non-current liabilities	282	282	282
Pension obligations	492	472	492
Total	6,893	4,261	7,249
Current liabilities			
Interest-bearing	8,103	11,928	8,656
Non-interest bearing	21,137	17,583	24,589
Total	29,240	29,510	33,245
Total liabilities	36,133	33,771	40,494
Equity and liabilities, total	45,106	46,889	51,706

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)	2021 1-3	2020 1-3	2020 1-12
Cash flows from operating activities			
Cash flows from sales	22,655	26,950	94,370
Cash flow from other operating income	266	90	392
Payments on operating costs	-22,881	-27,289	-88,199
Net cash from operating activities before financial items and taxes	39	-249	6,564
Interests paid	-300	-289	-545
Interests received	8	10	18
Other financial items	-225	-202	-252
Dividends received	0	1	8
Taxes paid	11	-14	-74
Net cash from operating activities (A)	-466	-743	5,718
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-49	-776	-1,219
Proceeds from sale of tangible and intangible assets		0	59
Net cash used in investing activities (B)	-49	-776	-1,159
Cash flows from financing activities			
Proceeds from short-term loans		4,500	5,000
Repayments of short-term loans	-500	-8,933	-9,333
Repayments of lease liabilities	-723	-682	-3,027
Proceeds from long-term loans		4,400	4,400
Net cash used in financial activities (C)	-1,223	-716	-2,960
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	-1,738	-2,235	1,599
Cash and cash equivalents in the beginning of the period	11,172	9,621	9,621
Translation differences	6	-186	-47
Cash and cash equivalents at the end of period	9,440	7,200	11,172

STATEMENT OF CHANGES IN EQUITY

(EUR 1000)	Share capital	Share premium account	Other reserves	Translation diff	Retained earnings	Treasury shares	Equity total
Equity attributable to equity holders of the parent							
1.1.2020	7,000	1,116	-9	-1,037	9,138	-128	16,080
Profit/loss for the period					-3,478		-3,478
Other change					-248		-248
Translation diff.				767			767
Share-based incentives					-3		-3
31.3.2020	7,000	1,116	-9	-270	5,409	-128	13,118
01.01.2021	7,000	1,116	-9	-1,059	4,292	-128	11,212
Profit/loss for the period					-2,339		-2,339
Other change					0		0
Translation diff.				101			101
Share-based incentives							
31.3.2021	7,000	1,116	-9	-958	1,953	-128	8,973

CONTINGENT LIABILITIES

	31/03/2021	31/03/2020	31/12/2020
Mortgages and shares pledged	21,863	21,981	21,923
Other commitments	395	378	395
Rental commitments	6,525	6,451	6,995

DEVELOPMENT OF SHARE PRICE

	2021	2020	2021
	1-3	1-3	1-12
Share price at the end of period, eur	2.70	1.92	3.09
Highest price, eur	3.20	3.58	3.58
Lowest price, eur	2.52	1.78	1.78
Average price, eur	2.81	2.84	2.42

KEY FIGURES/RATIOS	2021 1-3	2020 1-3	2020 1-12
Operating profit/loss, EUR thousand	-2,009	-2,841	-3,996
-% in relation to revenue	-10.1	-13.1	-4.5
Profit/loss before taxes, EUR thousand	-2,371	-3,515	-4,813
-% in relation to revenue	-11.9	-16.2	-5.4
Profit/loss for the period, EUR thousand	-2,339	-3,478	-4,806
-% in relation to revenue	-11.8	-16.1	-5.4
Basic earnings per share, eur	-0.56	-0.84	-1.16
Diluted earnings per share, eur	-0.56	-0.84	-1.16
Equity/share, eur	2.17	3.17	2.71
Equity ratio %	21.0	29.5	22.7
Return on equity %	-23.2	-24.1	-35.7
Return on investment %	-7.9	-37.4	-13.4
Interest-bearing net-debt, EUR million	5.1	8.4	4.3
Gearing %	56.7	64.3	37.9
Capital expenditure, EUR million	0.0	0.9	1.2
-% in relation to revenue	0.2	3.9	1.4
Personnel at the end of period	432	451	435
Personnel on average	431	452	451
Revenue/employee, EUR thousand	46.1	47.9	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 due to the prevailing pandemic situation, but additional information can be asked by telephone from Artti Aurasmaa and Kalle Lehtonen on Friday 7<sup>th</sup> of May 2021 from 11 a.m. to 1 p.m. EET.

Martela Corporation  
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.