

2020

Martela

Interim Report

1 January – 30 September 2020



MARTELA CORPORATION'S INTERIM REPORT 1 JANUARY – 30 SEPTEMBER

The January–September 2020 revenue decreased and operating result improved compared to previous year.

July–September 2020

- Revenue was EUR 24.2 million (25.9), representing a change of -6.9 %
- Operating result was EUR 1.0 million (1.0)
- Operating profit per revenue was 4.3 % (4.0 %)
- The result for the period was EUR 0.7 million (0.9)
- Earnings per share amounted to EUR 0.16 (0.22)

January–September 2020

- Revenue was EUR 66.5 million (76.3), representing a change of 13.0 %
- Operating result was EUR -1.8 million (-2.6)
- Operating profit per revenue was -2.7 % (-3.4 %)
- The result for the period improved and was EUR -2.7 million (-3.0)
- Earnings per share amounted to EUR -0.65 (-0.73)

Outlook

Outlook for 2020

Martela Group anticipates that its 2020 revenue will decrease clearly, and operating result will decrease compared to the previous year.

Key figures, EUR million

	2020	2019	Change	2020	2019	Change	2019
	7-9	7-9	%	1-9	1-9	%	1-12
Revenue	24.2	25.9	-6.9 %	66.5	76.3	-13.0 %	106.2
Operating result	1.0	1.0	-0.2 %	-1.8	-2.6		-2.0
Operating result %	4.3 %	4.0 %		-2.7 %	-3.4 %		-1.9 %
Result before taxes	0.7	0.9	-17.2 %	-2.7	-3.1		-2.7
Result for the period	0.7	0.9	-26.1 %	-2.7	-3.0		-2.5
Earnings/share,eur	0.16	0.22	-25.5 %	-0.65	-0.73		-0.61
Return on investment %	14.3	13.7	4.6 %	-11.6	-11.2		-6.4
Return on equity %	18.8	21.6	-12.9 %	-37.5	-23.5		-14.7
Equity ratio %				26.3	30.3	-13.0 %	30.6
Gearing %				30.0	54.6	-45.0 %	31.5

Artti Aurasmaa, CEO:

"Our revenue decreased by 6.9 % in the third quarter compared to same period last year. Revenue in the third quarter was EUR 24.2 million. Revenue was negatively impacted by the coronavirus pandemic through a decreased demand especially in the Other countries. Similar decline was not seen in the Finnish market, where our revenue remained almost the same level compared to same period last year. Revenue for the period January – September decreased by 13.0 % compared to same period last year. Revenue for the period January - September was EUR 66.5 million. Our delivery accuracy has remained on an excellent level and share of services sales continued to grow.

New orders continued to decrease also in the third quarter. Orders decreased in all other areas except in the Finnish public sector, where orders increased compared to the same period last year. We expect the demand to stay at a lower level in the near future and it will have a negative impact to our fourth quarter and full year revenue. Recovery of the demand will be strongly dependent on the progress of the pandemic and how that will affect decisions of our customers on returning to the working environment.

Despite the lower revenue in the third quarter our operating result remained on the same level compared to the same period last year. Operating result in the third quarter was EUR 1.0 million This was a result of rapid cost savings actions during the pandemic. These actions decreased our fixed costs. Operating result for the period of January – September improved by EUR 0.8 million compared to same period last year. Operating result for January – September was EUR -1.8 million (-2.6).

The coronavirus pandemic and the uncertainty caused by it have had a negative impact on the market situation. It is still difficult to evaluate how current circumstances will impact to our short- and midterm revenue and operating result. We will continue our cost saving initiatives in order to minimize the negative impacts of the pandemic.

We believe that working environments will permanently change in the future. The coronavirus pandemic is accelerating the process of changing the way we work. The office is just one of the many places where we work, and for some of us the amount of remote work we do 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."

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 smaller on the Finnish Public sector compared to the commercial sector, but the competition has toughened and prices have decreased also in the Public sector. At the moment it is challenging to say what the short- and 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 July–September 2020

Revenue for July–September was EUR 24.2 million (25.9) and declined by 6.9 % from the previous year. Compared to the previous year, revenue declined in Sweden by 6.4 %, in Norway by 15.9 %, in Finland by 2.0 % and in Other countries by 68.9 %.

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

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

Revenue and result for January–September 2020

Revenue for January–September was EUR 66.5 million (76.3) and declined by 13.0 % from previous year. Compared to previous year, revenue increased in Sweden by 12.4 %. In Finland revenue declined by 12.2 %, in Norway by 47.1 % and in Other countries by 27.1 %.

The Group's operating result was EUR -1.8 million (-2.6).

The January–September result before taxes was EUR -2.7 million (-3.1) and net result EUR -2.7 million (-3.0).

Revenue by country, EUR million

	2020	2019	Change	2020	2019	Change	2019
	7-9	7-9	%	1-9	1-9	%	1-12
Finland	20.6	21.0	-2.0 %	53.9	61.4	-12.2 %	83.2
Sweden	2.2	2.3	-6.4 %	7.6	6.8	12.4 %	10.7
Norway	0.9	1.0	-15.9 %	2.7	5.1	-47.1 %	7.8
Other	0.5	1.5	-68.9 %	2.2	3.0	-27.1 %	4.6
Revenue total	24.2	25.9	-6.9 %	66.5	76.3	-13.0 %	106.2

Income from the sale of goods	20.6	22.4	-8.0 %	55.4	65.7	-16.2 %	91.5
Income from the sale of services	3.5	3.5	0.2 %	11.0	9.6	8.1 %	14.7

Cumulative revenue includes EUR 408 thousand (127) income from sold furniture that based on the customer agreement is classified as rental income.

Martela started a cost efficiency improvement program in the second quarter of 2019 in order to improve its profitability. Target for the cost efficiency program was to reach EUR 4 million annual savings. Purpose of the planned actions was to align company's cost base to meet current market conditions and to secure set profitability targets. Planned savings will materialize gradually from the beginning of 2020 and will have full impact by the first quarter of 2021. Already implemented actions of this program will lead to savings of approx. EUR 3.7 million per annum.

Financial position

The cash flow from operating activities in January–September was EUR 5.4 million (1.3).

At the end of the period, interest-bearing liabilities stood at EUR 15.6 million including EUR 6.3 million lease liabilities according to IFRS 16. At the end of comparison period the interest bearing liabilities stood at EUR 15.9 million. Net liabilities were EUR 4.0 million (8.3). At the end of the period, short-term limits of EUR 4.0 million were in use (5.0) and available limits stood at EUR 0.7 million.

The gearing ratio at the end of the period was 30.0 % (54.6) and the equity ratio was 26.3 % (30.3). Financial income and expenses were EUR -0.9 million (-0.5).

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 fulfilled the EBITDA covenant. The balance sheet total stood at EUR 52.2 million (52.0) at the end of the period.

Capital expenditure

The Group's gross capital expenditure for January– September was EUR 1.1 million (1.9).

Personnel

The Group employed an average of 455 people (496), which represents a decrease of 41 persons or 8.3 %. The number of employees in the Group was 439 (468) at the end of the review period. Personnel costs in January–September totalled EUR 17.1 million (20.3).

Personnel on average	2020	2019	Change	2019
by country	1-9	1-9	%	1-12
Finland	379	425	-10,8 %	423
Sweden	24	21	14,3 %	22
Norway	14	10	40,0 %	10
Other	38	40	-5,0 %	39
Total	455	496	-8,3 %	494

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.

During 2020 Martela has expanded the Pod product family by introducing the meeting space called PodBooth meeting. In addition to this, Martela launched a new cabinet solution called Capa on the Stockholm furniture fair.

OTHER MATTERS

Changes in Group structure

Kiinteistöyhtiö Ylähanka Oy, a subsidiary of Martela Oyj, was merged into the parent company during the first quarter of 2020.

Changes in Management Team

Martela's director of Human Resources, Ms. Kristiina Hoppu has been appointed as member of Martela Group's Management Team as of August 1, 2020. The change has been announced in the stock exchange releases on July 28, 2020

Shares

In January–September, a total 1 137 487 (494 680) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 32.0 % (13.9) of the total number of series A shares.

The value of trading turnover was EUR 2.7 million (1.5), and the share price was EUR 2.10 at the end of the period (2.81). During January–September the share price was EUR 3.58 at its highest and EUR 1.78 at its lowest. At the end of September, equity per share was EUR 3.18 (3.69).

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.

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

The target group for the 2017–2018 and 2019–2020 earning periods is the Group's Management Team. The potential reward of the programme from the earning period 2017–2018 was based on the Group's Earnings before Interest and Taxes (EBIT) and from the earning period 2019–2020 based on the Group's revenue and Earnings before Interest and Taxes (EBIT). No incentives will be paid for the earning period 2017–2018. The potential reward for the earning period 2019–2020 will be paid in one transaction as shares and a cash portion in year 2021. The cash portion is aimed to cover taxes and other costs related to the reward. The shares paid as reward may not be transferred during an approximate one-year restriction period established for the shares. For shares earned from the performance period 2019–2020, the restriction period will end on 30 April 2022. Management of the share-based incentive scheme has been outsourced to an external service provider.

2020 Annual General Meeting

Martela Corporation's Annual General Meeting was held on Thursday, March 12, 2020. The Meeting approved the Financial Statements, discharged the members of the Board of Directors and CEO from liability for the year of 2019 and adopted Remuneration Policy for the Company's governing bodies. 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 seven members and Ms. Minna Andersson, Mr. Jan Mattsson, Mr. Eero Martela, Mr. Heikki Martela, Ms. Katarina Mellström and Ms. Anni Vepsäläinen be re-elected as members of the Board of Directors and Mr. Johan Mild elected as a new member of the Board of Directors.

Authorized Public Accountant Ernst & Young Oy was 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 re-elected from among its members Heikki Martela as the Chairman and Katarina Mellström as the new 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 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 REPORTING PERIOD

Martela Plc's Board of Directors has appointed Mr. Artti Aurasmaa as a new CEO effective 19 October, 2020. Aurasmaa has solid experience in building service business growth in various industries. The change has been announced in the stock exchange releases on October 13, 2020.

No other significant took place since the January–September period.

SHORT-TERM RISKS

The principal risk regarding profit performance relates to the general economic uncertainty and the consequent effects on the overall demand in Martela's operating environment. 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 2020

Martela Group anticipates that its 2020 revenue will decrease clearly and operating result will decrease compared to the previous 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 30 September 2020. 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 2019

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

	2020 7-9	2019 7-9	2020 1-9	2019 1-9	2019 1-12
Revenue	24,152	25,946	66,451	76,345	106,207
Other operating income	131	71	383	243	356
Employee benefit expenses	-4,937	-6,010	-17,138	-20,274	-26,651
Operating expenses	-16,797	-17,753	-47,379	-55,280	-76,993
Depreciation and impairment	-1,516	-1,219	-4,121	-3,641	-4,949
Operating profit/loss	1,033	1,036	-1,804	-2,607	-2,031
Financial income and expenses	-284	-130	-915	-472	-670
Profit/loss before taxes	749	905	-2,719	-3,079	-2,701
Taxes	-70	13	12	66	159
Profit/loss for the period	679	918	-2,707	-3,013	-2,541
Translation differences	-370	36	397	-96	-98
Other change			0	0	-38
Actuarial gains and losses	0	0	0	0	-37
Actuarial gains and losses, deferred taxes	0	0	0		6
Total comprehensive income	309	954	-2,310	-3,109	-2,708
Basic earnings per share, eur	0.16	0.22	-0.65	-0.73	-0.61
Diluted earnings per share,eur	0.16	0.22	-0.65	-0.73	-0.61
Allocation of net profit for the period: To equity holders of the parent	679	918	-2,707	-3,013	-2,541
Allocation of total comprehensive income: To equity holders of the parent	309	954	-2,310	-3,109	-2,708

GROUP BALANCE SHEET (EUR 1000)	30.9.2020	30.9.2019	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	7,321	7,030	7,560
Tangible assets	10,347	9,807	9,582
Investments	7	53	52
Deferred tax assets	245	197	217
Total	17,921	17,087	17,410
Current assets			
Inventories	8,665	9,656	7,966
Receivables	14,133	17,677	20,179
Cash and cash equivalents	11,687	7,542	9,621
Total	34,485	34,876	37,766
Total assets	52,406	51,962	55,176
EQUITY AND LIABILITIES			
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	-639	-1,035	-1,037
Retained earnings	4,819	7,264	7,713
Treasury shares	-128	-128	-128
Share-based incentives	1,009	1,061	1,085
Total	13,167	15,269	15,740
Non-current liabilities			
Interest-bearing liabilities	6,656	6,497	5,924
Deferred tax liabilities	234	333	283
Pension obligations	472	442	472
Total	7,362	7,272	6,679
Current liabilities			
Interest-bearing	8,511	8,940	8,188
Non-interest bearing	23,365	20,481	24,569
Total	31,876	29,421	32,757
Total liabilities	39,239	36,693	39,436
Equity and liabilities, total	52,406	51,962	55,176

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1000)	2020	2019	2019
	1-9	1-9	1-12
Cash flows from operating activities			
Cash flows from sales	74,646	78,739	107,633
Cash flow from other operating income	285	238	325
Payments on operating costs	-68,448	-77,400	-101,324
Net cash from operating activities before financial items and taxes	6,483	1,577	6,634
Interests paid	-486	-268	-360
Interests received	14	4	5
Other financial items	-474	-174	-208
Dividends received	1	0	0
Taxes paid	-101	138	203
Net cash from operating activities (A)	5,436	1,277	6,274
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-1,051	-1,751	-3,040
Proceeds from sale of tangible and intangible assets	46	5	5
Net cash used in investing activities (B)	-1,005	-1,745	-3,034
Cash flows from financing activities			
Proceeds from short-term loans	5,000	442	0
Repayments of short-term loans	-9,333	-666	-1,152
Repayments of lease liabilities	-2,300	-1,899	-2,631
Proceeds from long-term loans	4,400	0	0
Dividends paid and other profit distribution		-414	-414
Net cash used in financial activities (C)	-2,234	-2,537	-4,197
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	2,197	-3,005	-957
Cash and cash equivalents in the beginning of the period	9,621	10,594	10,594
Translation differences	-131	-47	-16
Cash and cash equivalents at the end of period	11,687	7,542	9,621

STATEMENT OF CHANGES IN EQUITY

(EUR 1000)	Share capital	Share premium account	Other reserves	Translation diff	Retained earnings	Tresury shares	Equity total
Equity attributable to equity holders of the parent							
01.01.2019	7,000	1,116	-9	-939	11,751	-128	18,791
Profit/loss for the period					-3,013		-3,013
Other change					-47		-47
translation diff.				-96			-96
Dividends					-355		-355
Whitholding taxes from dividends					-59		-59
Share-based incentives					48		48
30.9.2019	7,000	1,116	-9	-1,035	8,325	-128	15,269
01.01.2020	7,000	1,116	-9	-1,037	8,798	-128	15,740
Profit/loss for the period					-2,707		-2,707
Other change					-192		-192
translation diff.				398			398
Dividends							
Whitholding taxes from dividends							
Share-based incentives					-72		-72
30.9.2020	7,000	1,116	-9	-639	5827	-128	13,167

CONTINGENT LIABILITIES

	30.9.2020	30.9.2019	31.12.2019
Mortgages and shares pledged	21,771	21,738	21,738
Other commitments	379	345	345
Rental commitments	7,256	6,946	5,501

DEVELOPMENT OF SHARE PRICE

	2020	2019	2019
	1-9	1-9	1-12
Share price at the end of period, eur	2.10	2.81	3.36
Highest price, eur	3.58	3.35	3.56
Lowest price, eur	1.78	2.55	2.55
Average price, eur	2.37	3.03	3.11

KEY FIGURES/RATIOS	2020	2019	2019
	1-9	1-9	1-12
Operating profit/loss, EUR thousand	-1,804	-2,607	-2,031
-% in relation to revenue	-2.7	-3.4	-1.9
Profit/loss before taxes, EUR thousand	-2,719	-3,079	-2,701
-% in relation to revenue	-4.1	-4.0	-2.5
Profit/loss for the period, EUR thousand	-2,707	-3,013	-2,541
-% in relation to revenue	-4.1	-3.9	-2.4
Basic earnings per share, eur	-0.65	-0.73	-0.61
Diluted earnings per share, eur	-0.65	-0.73	-0.61
Equity/share, eur	3.18	3.69	3.80
Equity ratio %	26.3	30.3	30.6
Return on equity %	-37.5	-23.5	-14.7
Return on investment %	-11.6	-11.2	-6.4
Interest-bearing net-debt, EUR million	4.0	8.3	5.0
Gearing %	30.0	54.6	31.5
Capital expenditure, EUR million	1.1	1.9	2.3
-% in relation to revenue	1.6	2.5	2.1
Personnel at the end of period	439	468	464
Personnel on average	455	496	494
Revenue/employee, EUR thousand	146.0	153.9	215.0

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 CFO Kalle Lehtonen on Friday 6th of November, 2020 from 11.00 a.m. to 13.00 p.m. EET.

Martela Corporation
Board of Directors

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CEO

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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.