Annual Report 2021

Martela

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Martela in brief

Martela is a Nordic leader specialising in user-centric working and learning environments. We offer our customers a single point of contact throughout the workplace lifecycle, from specifying needs to maintenance and optimisation of the workplace. Martela is a family company founded in 1945 and its shares are quoted on the OMX Nordic Exchange Helsinki. Our main market areas are Finland, Sweden and Norway, and our solutions are also sold globally through our network of dealers. Our production facilities are located in Finland and Poland. In 2021, the Martela Group's revenue was EUR 91.9 million and it employed an average of 419 employees.

Martela 2021

In 2021, Martela's revenue increased to EUR 91.9 (88.4) million. The profit performance was better than in the previous year, even though operations remained unprofitable: EUR -1.3 (-4.0) million.

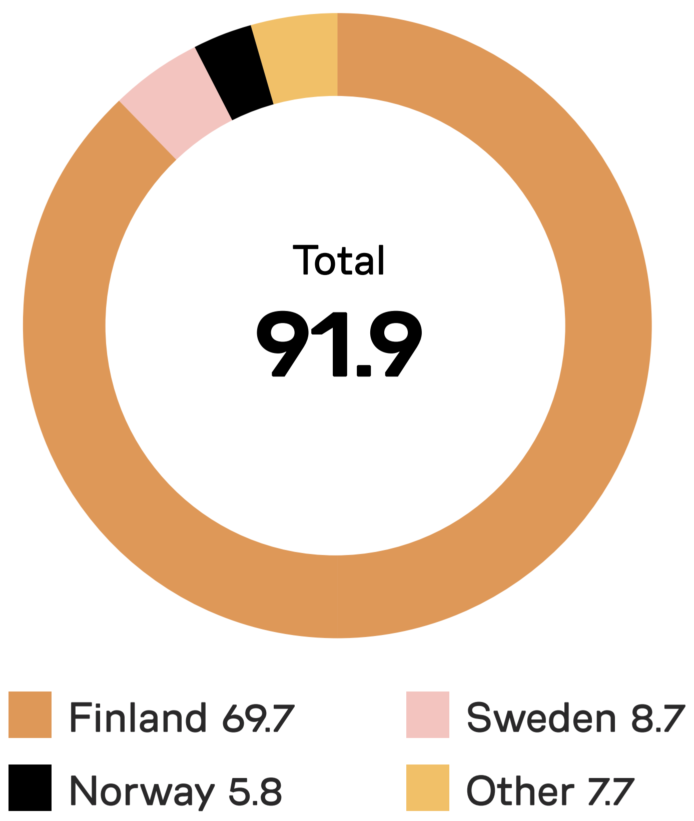
The changing situation with the pandemic made companies and organisations rapidly transfer to the hybrid work model that combines remote and office work. Work environments began to be seen as an important part of the strategy for well-being at work and productivity. The requirements for the attractiveness and ergonomics of offices were emphasised.

Requirements for the work environment changed also as a result of increasing environmental awareness. Workplace solutions require responsibility, recyclability and sustainability.

Our products and services are more topical than ever before. Martela's circular economy thinking and the Workplace as a Service model have been increasingly seen as a solution to meet new requirements. Lifecycle approach and circular economy principles have already been taken into account when creating the service model.

Despite the effects of the pandemic, our delivery reliability remained excellent throughout the year. In the customer surveys, we achieved the top rankings, which demonstrates success with our offering development and the reliability of our collaboration, for example. Responsible, flexible solutions for offices, educational institutions and home workstations are suitable for the needs of hybrid work and sustainable development. We are living in an interesting time of change and great opportunities.

Revenue by country (EUR million)



Personnel (average)

419

Revenue (EUR million)

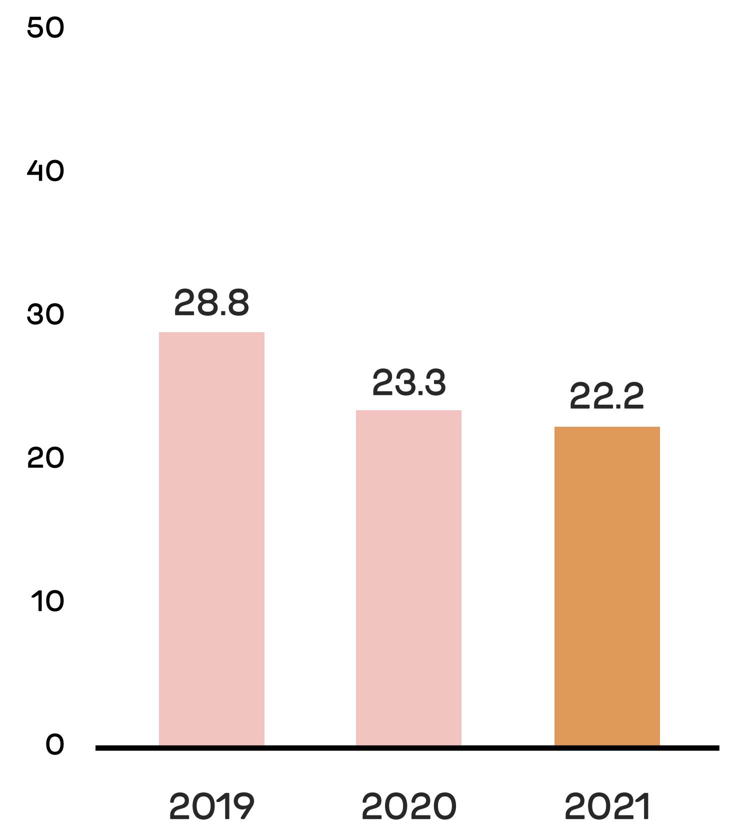
91.9

Operating profit (EUR million)

-1.3

The requirements for workspace solutions are accountability, recyclability and sustainability."

Equity ratio (%)



Highlights of 2021

Impacts of the circular economy

Martela is involved in a research programme launched by the Technical Research Centre of Finland (VTT), LUT University and Business Finland which aims to develop reliable and comparable world-class means to show the positive impact of circular economy solutions, that is, the carbon handprint. When a customer has access to comparable information, it is easier for them to make sustainable decisions.

We offer workplace services and products with which we aim to ensure, on behalf of our customers, that the requirements of circular economy are met in our workplace solutions.

Our portfolio is growing

In 2021, we launched 12 new products. One of them is PodBooth Duo, a soundproofed space for meetings and work for 1 to 2 people. The open PodBooth Meeting is a similar type of workspace for 1 to 6 people. The Noora series was supplemented with Meet & Work meeting module suitable for lobbies or meeting spaces for meetings of 2 to 6 people. Our portfolio can be viewed on our website, and from April 2022, at our new headquarters in Keilaniemi, Espoo.

All of our products are designed from the start to be recyclable, high quality and durable. We continuously update our portfolio according to changing needs of workplaces and learning environments.

Hybrid work model requires flexibility

The hybrid work model introduced the need to update offices, which will increase the use of our service model in workplaces. Organisations need attractive, multi-use, suitably sized and sustainable space solutions both for offices and remote workstations at employees' homes. Changes in the workplace must be implemented in a flexible manner as ways of working change.

Martela's Workplace as a Service model meets this need and also removes the problems related to ownership in a sustainable way. The lifecycle approach and the principles of the circular economy have already been considered when the service model was being designed.

Circular economy in our workspace choices

We live as we teach: in the new situation we are rethinking the need for space and its functionality. According to circular economy thinking, we will move to old, renovated premises that are interesting from the perspective of cultural history and that represent the architecture of different eras, reflecting both Martela's direction and its history as a sustainable design brand. In 2021, our offices in Turku, Oulu, Tampere, Kuopio and Stockholm moved to new addresses.

As of April 2022, Martela's headquarters will be located in Keilaniemi, Espoo, a lively and growing hub of major companies and educational institutions. Our full portfolio is on display for visitors in the attractive premises.

Hybrid work introduced the need to update offices

Transformation of working life offers new opportunities

I started in my new role at Martela in September 2021 at a very interesting time in terms of the transformation of working culture. Use of the hybrid model, which combines remote working and office working, increased considerably during the year. Companies are now thinking of how to make offices both attractive and cost-effective at the same time. Workplaces are now also considered an important aspect of a company's strategy in terms of occupational wellbeing and productivity.

Another growing trend is the need for companies and organisations to make their operations more sustainable. They want to have an impact on climate change. Sustainable acquisitions often make sense also financially when you consider the entire lifecycle of a product or workplace.

During the pandemic, many companies noticed the need to update their premises, but it has been difficult to forecast the future during these uncertain times. One answer to this challenge is Martela's Workplace as a Service model, as it changes according to needs. In 2021, the demand for our service model increased markedly. The model also meets the growing need for home workstations.

Circular economy model meets the requirements of sustainability

Our lifecycle approach, according to which products must be of high quality and recyclable, has received a positive response. The sales of used and refurbished products to companies and consumers through the Martela Outlet chain grew in 2021. Some customers already primarily want some of their products as recycled. As our pieces of furniture have, from the start, been designed to withstand time and wear, they can be used for a long time, and when they are no longer needed, they can be refurbished for new users. This is something that is increasingly important for our customers.

In 2021, we joined a programme run by the Technical Research Centre of Finland (VTT) and LUT University which is developing a world-class calculation model to enable the reliable and compa-

rable verification of carbon neutrality and positive environmental impacts of the circular economy model. Based on the comparable information we can help our customers reduce their own environmental impact.

The importance of sustainability and quality is also increasing in the public sector as is the need for comfortable and functioning workplaces and learning environments. Our operating model has been built to support the circular economy, from R&D and production to installation, removal services and recycling, all of which is valued by our customers.

Throughout the pandemic, we managed to keep our customer satisfaction at a very high level. In the TEP 2021 survey conducted by Taloustutkimus, we achieved the top ranking both for overall score and NPS. In the more detailed criteria, we received the best scores in 7 out of the 11 criteria, which to our delight demonstrates the success of our offering and the reliability of our collaboration, for example. I would like to extend my thanks to everyone at Martela for making this achievement possible!

Lifecycle approach is of interest in the Nordic countries

We are continuously renewing our portfolio. In 2021, we launched 12 new products, such as PodBooth Duo, a soundproof meeting and workspace for 1 to 2 people, the open PodBooth Meeting workspace for 6 people and the compact Noora Meet & Work series meeting modules for meetings of 2 to 6 people.

Our lifecycle approach is based on high-quality, durable and recyclable products. We will continue an active dialogue with our customers to develop our operations and products so that our customers can meet the sustainability and cost-effectiveness demands that are set for them.

Our Workplace as a Service model that supports hybrid work and our lifecycle approach are also attracting interest in the other Nordic countries, where we see plenty of potential.

> **"I believe that in the future our work will be increasingly more important to our customers."**

Our offering is more topical than ever before

I am proud of Martela's pioneering spirit and the fact that we achieved so much in the challenging environment in 2021. In terms of our revenue and result, we are clearly headed in a better direction. We managed to retain delivery reliability at a high level throughout the year. This would not have been possible without the best experts in the industry, or without close collaboration with our customers and partners.

I believe that in the future our work will be increasingly more important to our customers. At Martela, we are living in interesting times that offer excellent opportunities. We see clear potential for growth in developing working and learning environments and service models. Functional and durable solutions have an impact on people's wellbeing and productivity, so our work has an influence on society.

Our company has been developing working culture for decades, and we intend to be a strong player and pioneer in the future as well. In the transformation of workplaces that was accelerated by the COVID-19 pandemic, our products and services are more topical than ever before.

Ville Taipale
CEO

Changes in the operating environment

In 2021, the transition to a hybrid work model and increasing sustainability requirements were the strongest trends affecting Martela and its customers.

The COVID-19 pandemic has transformed working life and workplaces radically. Health security must be taken into account, and remote work has become an option alongside office work. Work that is independent of location is here to stay.

More and more working communities are transferring to a hybrid work model, so they are evaluating the need for premises more broadly in terms of costs. Increased awareness of climate change and the need to reduce the carbon footprint create pressure to take sustainability issues into consideration in energy consumption, for example. Increasing attention is also paid to product lifecycles and the functioning of the circular economy.

Although the role of offices is changing, they will retain their importance: encounters and physical presence are needed, especially for boosting development and innovation. Community spirit and collaboration are also key factors in maintaining occupational wellbeing. The importance of an attractive and functioning workplace is increasing.

Changes in the operating environment and sustainability requirements also affect learning environments. Hybrid learning, changes in curricula and the extension of compulsory education all change the way educational institutions and schools operate and their spatial needs.

As the requirements and ways of working change, companies and organisations are thinking about how and in what kind of environments their work is done. The role of the workplace in achieving a company's goals is now better understood. Many have identified the need to update their premises, which can be seen in the form of growing demand for cost-effective and more flexible office space solutions. The need for remote workstations that can easily be taken into use has also increased.

Offices to support the hybrid model

A balance between office work and remote work is being sought. The digital and physical workplace must both be capable of supporting work. Organisations, teams and individuals all have their own needs: users want good ergonomics and a pleasant environment. Premises for work that requires concentration are also needed – something that is not available for everyone working remotely. Teams need to communicate and premises for collaboration. An organisation aims at productivity, improved occupational wellbeing and to fulfil its sustainability criteria. A major issue is how to make offices attractive, sustainable and efficient, and suitable for the hybrid model.

In furniture purchases we are transitioning to a service model based on a monthly fee, which is already commonly used with IT equipment, where functioning and flexibility are more important than owning. Competitive tendering of chairs and tables does not take the entire lifecycle of products into account, whereas the service model utilises the circular economy approach. This change in purchasing behaviour calls for information on the available alternatives and their impact on sustainability.

Quality and wellbeing

Quality is becoming more important. The quality of furniture and premises have an impact on work satisfaction, work efficiency and occupational wellbeing. During the pandemic, short-term measures have often been taken, but companies and organisations must also look further ahead, with an emphasis on durable solutions and the lifecycle approach, and on flexibility at the same time. Major transformation projects at the workplace will be replaced with smaller changes, and the workplace will adapt to the needs of the business and the employees increasingly in real time.

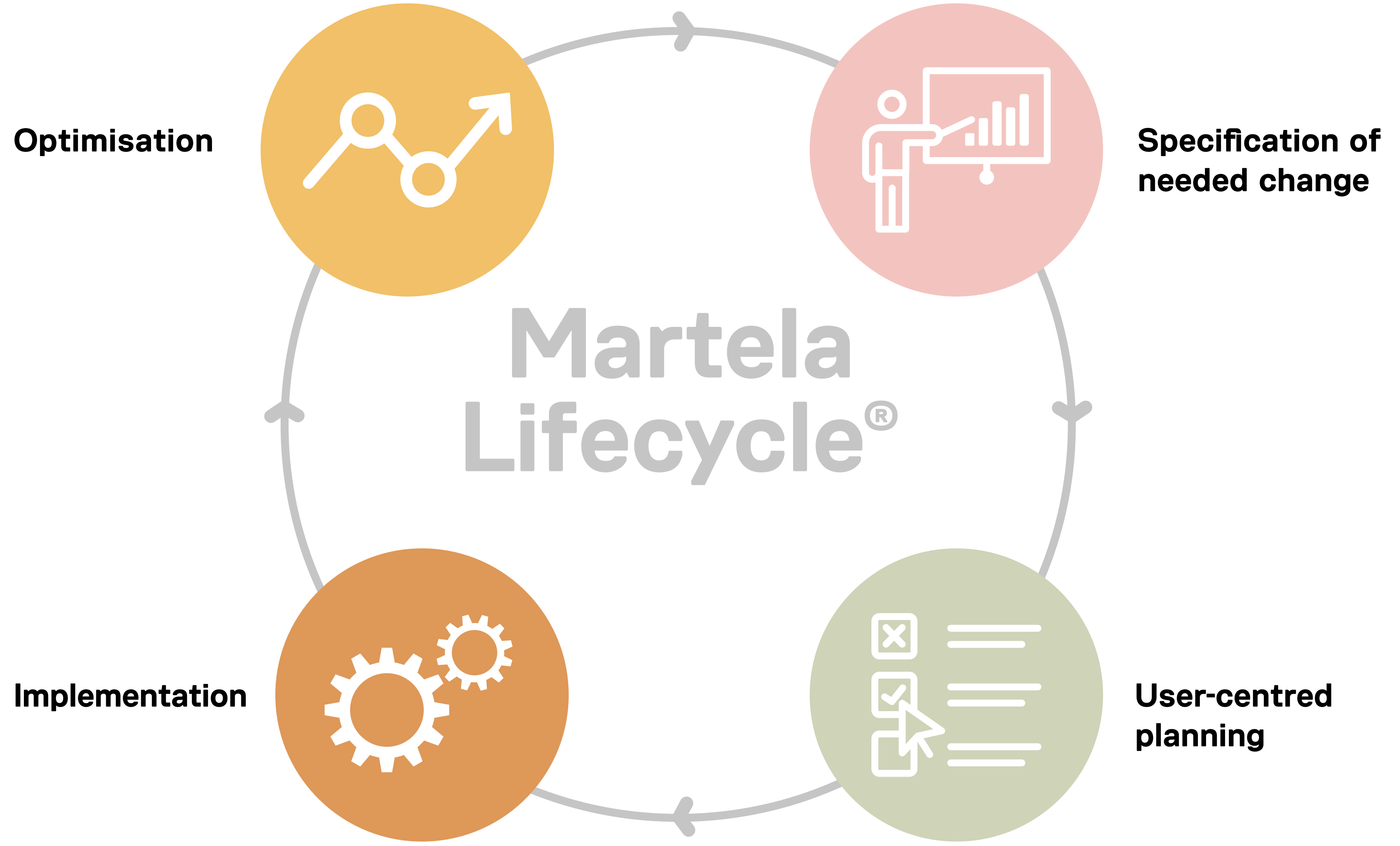
The service model adapts in change

WORKPLACE AS A SERVICE

As a result of the change in working life, people have the freedom to choose where and when to work. Thanks to the Workplace as a Service model, your employees will always have the best possible workplace at their disposal. The organisation gets a comprehensive solution for the entire lifecycle of the office, which constantly takes care of the premises, the furniture – and the people. An essential aspect of the service is the continuous optimisation of the workplace in accordance with the changing needs of users. The service model enables the organisation to only pay for what it genuinely needs, which means that the problems related to owning furniture do not exist. In addition to the company's office space, the service is also suitable for the development of employees' home offices, flexible co-working facilities and learning environments.

CIRCULAR ECONOMY MODEL AT THE CORE OF WORK ENVIRONMENT DEVELOPMENT

The Workplace as a Service model is based on lifecycle thinking, in which, instead of individual purchases of furniture, the aim is to ensure the flexibility and responsibility of the work environment from defining the needs to the optimisation of the space. At the heart of the lifecycle thinking is the Waste Nothing principle, which seeks to minimise the impact on the environment. Furniture that is no longer needed is sold responsibly through the Martela Outlet stores or online shop, and some of the furniture are refurbished and/or reupholstered before being sold. The furniture that has come to the end of its useful life will be used for energy production or secondary raw materials.



Value for organisation

- Working environment is always up-to-date and optimised
- Improved employee experience and wellbeing
- Increase in productivity and ability to innovate
- Renewal of operational ar management culture
- Cost-effective and responsible method of acquisition – Waste Nothing.

Board of Directors' Report and Financial Statements

Board of Directors' Report

Key figures

The Group's revenue for the financial year was EUR 91.9 million (88.4). The operating result for the year was EUR -1.3 million (-4.0). Operating result includes onetime expenses of EUR 1.0 million, which relates to layoffs resulting from cooperation negotiations concluded earlier this year and write-off of bad debt. Earnings per share were EUR -0.53 (-1.16). Cash flow from operating activities totalled EUR 3.4 (5.7) million. The equity-to-assets ratio was 22.2 per cent (23.3) and gearing was 74.8 per cent (36.5). The return on investment for the year was -4.7 per cent (-13.2).

Description of the business

Martela is one of the Nordic leaders in the workplace industry. Martela designs and implements best workplace and learning environments. Martela suppliers user-centric solutions into today's workplaces – mobile work and activity-based offices. Martela also offers the widest selection of services supporting changes in interior planning as well as supporting maintenance. Our total offering comprises of the change of the whole workplace from its specification and planning to implementation and maintenance.

Martela's offering and product development

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 2021 Martela brought to the markets 12 new products including soundproof meeting and workspace PodBooth Duo, open up to 6-person PodBooth Meeting and Noora Meet & Work series.

EUR -2.2 (-2.0) million has been entered in the Group profit and loss statement as research and development expenses.

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. Recent development in the overall market situation indicates increase in the demand at least in the short-term. At the moment it is challenging to say what are the midterm impacts to general market conditions.

Group structure

There was no changes in the group structure in 2021.

Revenue and operating result

The January-December 2021 revenue was EUR 91.9 million (88.4) an increase of 4.0% from previous year. Compared to the previous year, revenue declined in Sweden 5.5% and in Finland 3.6%. Revenue in Norway increased 54.6% and in Other countries 148.2%.

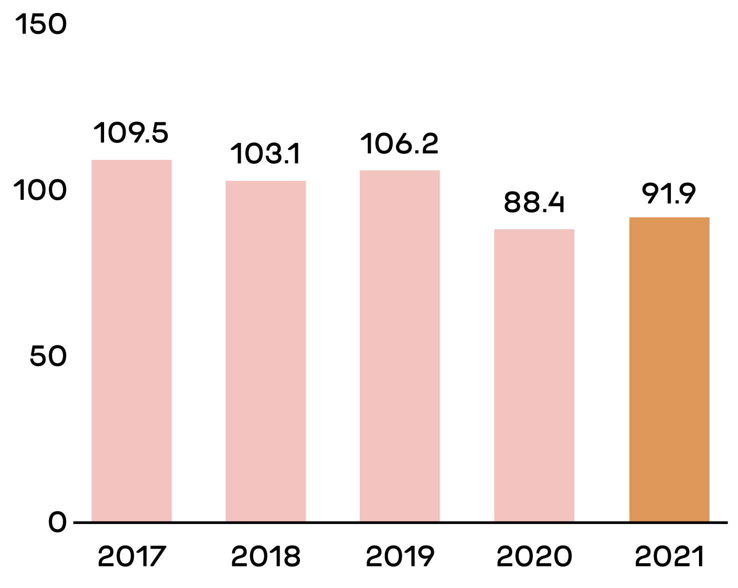
The Group's operating result for the January–December was EUR -1.3 million (-4.0). The January–December result before taxes was EUR -2.3 million (-4.8). The January–December result was EUR -2.4 million (-4.8).

Financial position

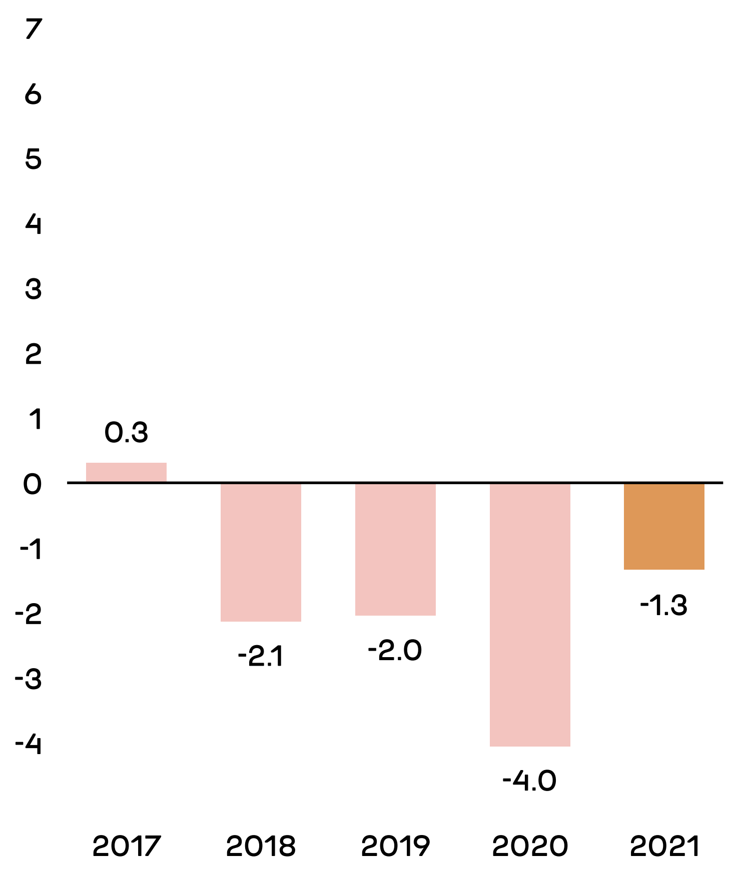
The cash flow from operating activities in January-December was EUR -3.4 million (5.7).

At the end of the period, interest-bearing liabilities stood at EUR 13.0 million including EUR 4.3 million lease liabilities according to IFRS 16. At the end of comparison period the interest-bearing liabilities

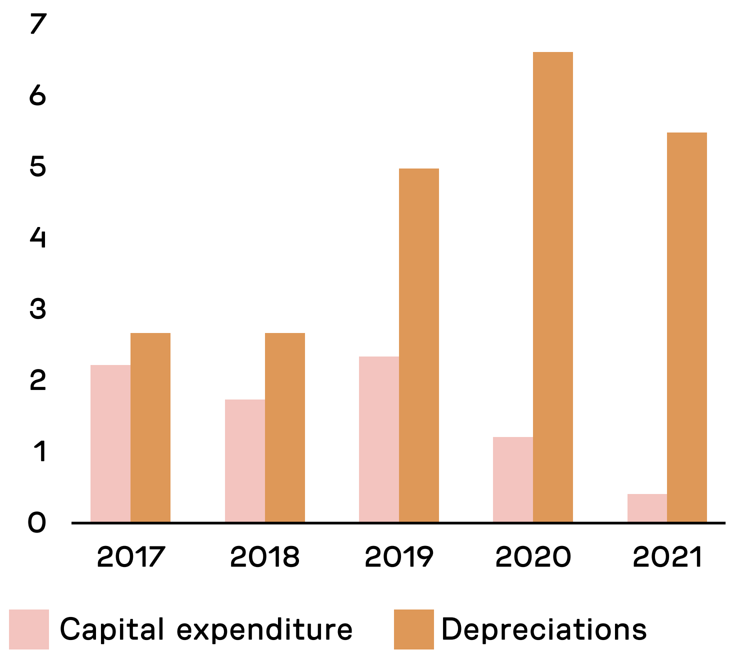
REVENUE (EUR MILLION)



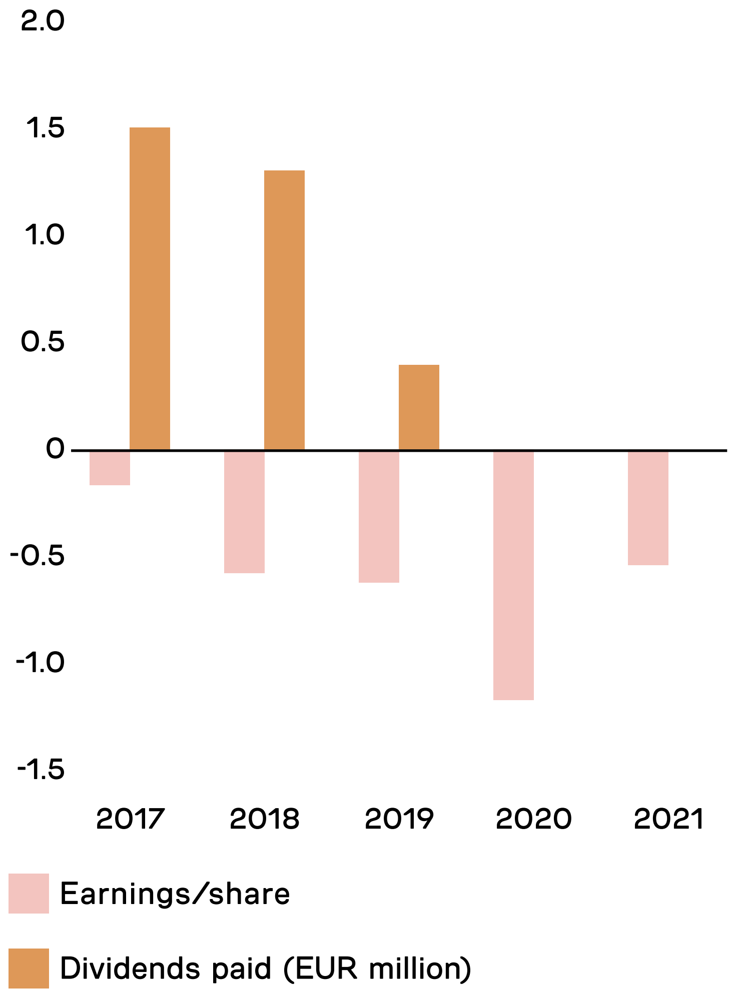
OPERATING PROFIT (EUR MILLION)



CAPITAL EXPENDITURE AND DEPRECIATIONS (EUR MILLION)



EARNINGS/SHARE AND DIVIDENDS



stood at EUR 15.4 million including EUR 6.0 million lease liabilities according to IFRS 16. Net liabilities were EUR 8.1 million (4.3). At the end of the period, short-term limits of EUR 4.0 million were in use (4.0).

The gearing ratio at the end of the period was 74.8% (36.5) and the equity ratio was 22.2% (23.3). The key ratios were negatively impacted by the lease liabilities according to IFRS 16 EUR 4.3 million (6.0). Financial income and expenses were EUR -1.0 million (-0.8).

Financing arrangements include a covenant clause in which the ratio between the Group's net liabilities and EBITDA is examined. The key figure calculated at the end of the review period did fulfil the covenant clause. However company didn't during the financial year fulfil the covenant clauses. Due to this company has on December 31, 2021, classified all loans as short-term loans. Discussion related to these with financiers are ongoing.

The balance sheet total stood at EUR 51.1 million (52.1) at the end of the period.

Capital expenditure

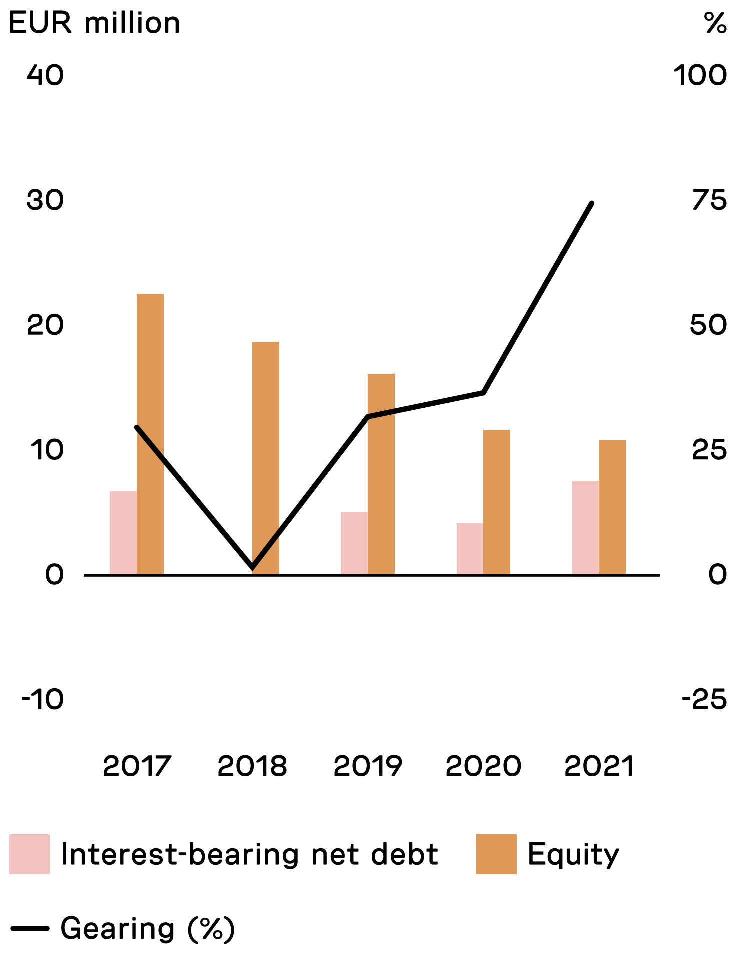
The Group's gross capital expenditure for January—December came to EUR 0.4 million (1.2).

The group management team

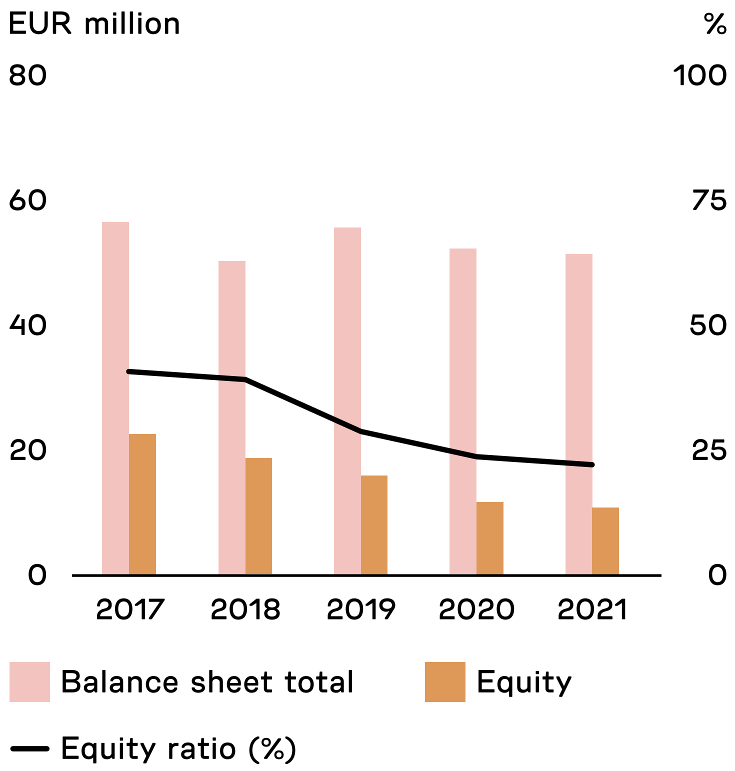
March 1st, 2021 Martela renewed its management team. New management team consists of the following functions and leadership team members, led by CEO Artti Aurasmaa, The Brand & Design business unit led by Kari Leino, responsible for brand and product portfolio management and marketing, Martela Design Studio business unit led by Eeva Terävä responsible for the planning and development of work and learning environment projects, Operations business unit led by Ville Taipale responsible for production and supply chain management. Sales unit led by Johan Westerlund responsible for global sales operations and customer service and Business Support unit led by Kalle Lehtonen responsible for finance, human resources and IT. Kalle Lehtonen will continue to lead the unit. Martela Group's Board of Directors has appointed Ville Taipale as the company's new CEO since November 5, 2021.

From this moment onwards Group Management Team has consisted of CEO Ville Taipale, CFO Kalle Lehtonen, VP Sales and Marketing Johan Westerlund, VP Brand & Design Kari Leino and VP Design Studio Eeva Terävä.

GEARING



EQUITY RATIO



Personnel

The Group employed an average of 419 people (451), which represents a decrease of 32 persons or 7.1%. Personnel on average employed in Finland was 346 (375), in Sweden 23 (24), in Norway 14 (15) and in group other countries 36 (37).

The number of employees in the Group was 400 (435) at the end of the review period. Personnel costs in January–December totalled EUR 22.7 million (23.1).

Non-financial information

MANAGEMENT OF CORPORATE RESPONSIBILITY

Responsibility forms an integral part of Martela's strategy and operations. The VP, Operations is responsible for the corporate responsibility as well as quality, environmental and occupational health and safety management system of the Group. Sustainability Steering Group supervises corporate responsibility with members from the Management Group and the Sustainability Manager as the secretary.

More detailed information on the Group's corporate responsibility principles, goals and achievements can be found in a separate Sustainability Report published annually. The 2021 Sustainability Report will be published after the annual report.

Since 2011, Martela's corporate responsibility has been guided by the Martela Corporate Code of Conduct approved by the Board of Directors. The principles contain references to international corporate responsibility commitments. The company has engaged itself in the UN Global Compact challenge, which aims at promoting human rights, rights in working life, environmental protection and the eradication of corruption and bribery.

As Martela operates in an international market, it also takes into account any international treaties, commitments and recommendations that concern its work. The most important ones are:

- The UN Universal Declaration of Human Rights
- OECD Guidelines for Multinational Enterprises
- The ILO Declaration on Fundamental Principles and Rights at Work and other ILO conventions related to its activities.

Since 2011, the practical activities of the company have been guided by the corporate responsibility policies approved by the Management Group concerning matters related to personnel, the environment and purchasing management. The principles and policies published on Martela's website www.martela.com/about-us/sustainability/corporate-responsibility are reviewed and, when necessary, updated annually under the coordination of the Sustainability Steering Group. The principles and policies cover social and employee matters and matters related to respecting human rights and eradication of corruption and bribery.

DESCRIPTION OF THE BUSINESS OPERATING MODEL

The Martela Lifecycle model takes into account the entire life cycle of the workplace. Martela supports the sustainability of its client companies by offering sustainable workplace solutions throughout their entire life cycle and by ensuring responsible recycling of any furniture that is no longer needed.

The Group units have had, since the 1990s, the ISO 9001 quality and ISO 14001 environmental management system certifications, granted by an independent party, as proof of continuous improvement of its operations, meeting customer expectations and taking environmental matters into account. During 2014, the systems were unified into a certified, multi-site quality and environmental system covering the entire Group's operations. During 2020, a multi-site occupational health and safety system certification in accordance with the ISO 45001 standard was also achieved.

In the manufacturing process, there is an emphasis on a strong supplier chain. Martela's own manufacturing is focused on final assembly and remanufacturing production at its logistics centre in Nummela, Finland, which also houses most of the company's R&D and purchasing. The assembly of upholstery components takes place at Martela's own plant in Poland. The manufacture of table top and storage components takes place mainly at Kidex Oy, Martela's subsidiary located in Kitee, Finland.

The Martela headquarters in Pitäjänmäki, Helsinki, houses sales and support functions in addition to the Group administration. Martela has several sales offices in Finland, Sweden and Norway. In other countries, the sale of Martela's products takes place mostly through a dealer network.

The purchasing of products and services from service providers accounts for more than 70% of Martela Group's turnover. A network of around hundred reliable suppliers delivers materials and components for Martela labelled products.

Almost a quarter of the Group's turnover goes on salaries and social security payments. Martela values local manufacturing and employment. As the share of its service business is growing, the company will keep creating more new jobs close to its markets. The distribution of financial value will be discussed in further detail in the forthcoming Sustainability Report.

ENVIRONMENTAL MATTERS

Martela's Environmental Policy, approved by the Group Management Team, aims to decrease the company's environmental impacts and promote recycling. The policy gives instructions on taking environmental matters into account in the development of its offering, through which the company will also have an indirect impact on the environmental effects of its customers.

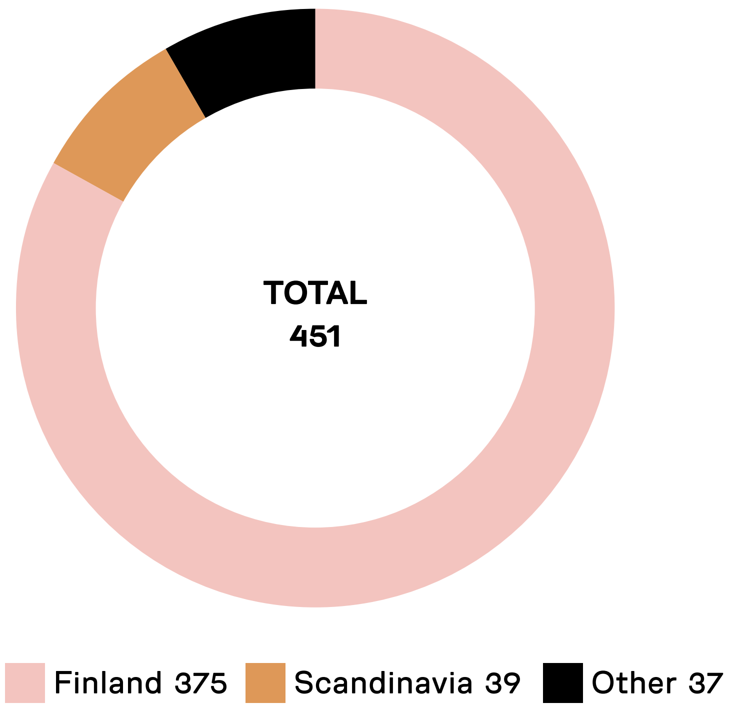
The essential environmental aspects in Martela's operations are presented in the materiality assessment found in the Sustainability Report. Martela has the best opportunities to influence the reduction of greenhouse gas emissions and energy use in its market area through its customers' premises. Martela is constantly working to help its customers create facilities that support knowledge work and improve space efficiency.

Martela's most significant climate impact arises from the use of materials related to products and services offered to customers. Martela's greenhouse gas emissions totalled 12 million kilos in 2020, representing a decrease of about 14% from the previous year. Of these emissions, 88% were related to the use of materials purchased for products delivered to customers (scope 3), 4% arose from the indirect use of energy (scope 2) and 6% were related to the delivery of finished products to customers (scope 1).

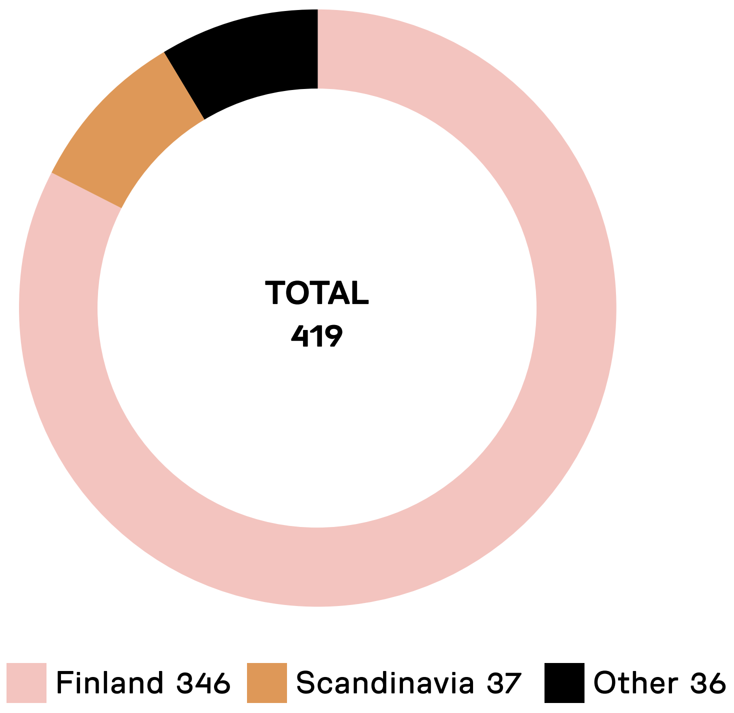
The total amount of indirect energy used for heating, lighting and ventilation in Martela's premises was 30,100 GJ in 2020. Of the total amount of energy used, 87% was from renewable energy sources, 12% was from fossil sources and 1% was nuclear power. The amount of indirect greenhouse gas emissions under Martela's scope 2 has decreased by 86% in ten years as indirect energy consumption has fallen by 37%. The largest reduction in greenhouse gas emissions has been achieved by purchasing emission-free electricity. In 2020, the amount of material used for production decreased by 7% on the previous year, reaching around 9.0 million kilograms. Nearly 60% of the materials used were wood-based and nearly a quarter were metal-based. In 2020, the production waste generated by the entire group amounted to 1.5 million kilos, of which 99.5% was recovered. Only 0.5% was hazardous waste resulting mainly from the maintenance of equipment and buildings.

The durability, recyclability and recycling of furniture are at the heart of Martela's operations. Martela's furniture has been designed to be refurbished and restored, and their materials can be recycled or used to produce energy. As part of its comprehensive service, Martela also offers a furniture recycling service to its customer companies. In 2020, the amount of used furniture received from customers decreased a little from the previous year, to 3.0 million kilos. When designing new facility solutions for customers, their old furniture can either be included in the new design or recycled responsibly through Martela. Used furniture in good condition is cleaned and refurbished at the Nummela remanufacturing facility and then made available to corporate and private customers through the Martela Outlet online service and shops. In 2020, around 20,000 pieces of used furniture found new homes through the Martela Outlet chain.

PERSONNEL BY AREAS, ON AVERAGE 2020



PERSONNEL BY AREAS, ON AVERAGE 2021



There are no significant environmental risks in Martela's own operations, but global changes in, for example, energy sources, pricing, availability of materials and changes in the way of working may affect Martela's operations in the future.

Environmental goals, their realisation and more detailed environmental metrics are published annually in the Sustainability Report.

SOCIAL MATTERS AND HUMAN RESOURCES

The People Policy includes the principles of responsible human resources management, clarifies and unifies the management of human resources and promotes maintenance and development of the corporate and employer image.

According to the materiality assessment in the Sustainability Report, improvement of occupational wellbeing is the most important social and human resources area in Martela's operations. The Martela Lifecycle model is utilized for improving occupational wellbeing of knowledge workers, which is about half of Martela's personnel. Occupational wellbeing included in the Sustainability Programme is monitored with the help of People Spirit employee satisfaction survey, for example.

The corona pandemic continued to have a large-scale impact on work. In work wellbeing and leadership, the focus was in working safely and leading people in hybrid work. Special attention was paid to working safely in local work and in the customer interface. The impact of the pandemic on sick leave level remain low due the proper adherence of the instructions to restrict corona exposures and infections. In leadership, attention was paid to maintaining a sense of belonging and interaction. The best practices working at the office and remotely were wrapped to guidelines to support the balanced hybrid work model in terms of flexibility, information flow and collaboration.

People Spirit result, measuring the employee satisfaction, stated that the actions taken were the right ones. Compared to the previous survey result, employee satisfaction increased inter alia in the areas measuring empowerment, work prerequisites, leadership and operative culture.

The company's Sustainability Report contains a comprehensive description of the social and human resource issues.

RESPECTING HUMAN RIGHTS

Matters related to respecting human rights are discussed in, for example, the company's People Policy and Sustainability Policy for Supply Chain. The main principle is to offer equal opportunities to all of employees and to treat each employee equally. In the requirements for the suppliers, the focus is on observing national legislation and ILO conventions, depending on which of them is found more demanding from the viewpoint of employee rights. No breaches of respecting human rights have been observed in Martela's operations or supply chain.

Martela's products are manufactured on the basis of customer orders, which means that the supply chains are short and that the acquisitions mainly take place from the neighbouring areas and from elsewhere in Europe. In Europe, where there is a long tradition of follow-up of working conditions and legislation, the risks related to respecting human rights are smaller. The social risks of Martela's suppliers have been thoroughly investigated and are always reviewed when selecting new suppliers and in conjunction with supplier audits.

Analysis of sustainability aspects is an important part of continuous interaction with suppliers. In Martela's sustainability policy for the supply chain that was updated in 2018, the importance of social responsibility in the suppliers' own supply chains is also emphasised. The policy is communicated with each purchase order. Additionally, the key suppliers have been sent a sustainability survey through which Martela has received a commitment from suppliers of materials, components and products to compliance with the requirements of the sustainability policy for the supply chain. In addition, Möbelfakta-labelled products and their supply chains are accompanied with special documentation of sustainability aspects. Martela annually assesses the risks of social responsibility in its supply chain through country-specific sustainability indicators and, on the basis of these, plans the necessary measures for verifying social responsibility on a supplier-by-supplier basis. During 2021 Martela was an object of third-party supply chain social responsibility audit commissioned by a public tender customer. Audit was a welcomed opportunity to demonstrate Martela's management of supply chain in practice.

The 2021 sustainability training was implemented in the autumn and was attended by 74% of the personnel. The training was used to study the employees' commitment to Martela's Code of Conduct and awareness of the procedures when noticing behaviour against its principles. Study showed 97.8% commitment to the principles while still only 57.7% remembered that absolute ban on corruption and bribery and 67.7% remembered that absolute ban on any inappropriate behaviour in work community had been discussed in team meetings. However, 87.2% is aware of procedures when noticing actions against them. In order to initiate an investigation, the majority of respondents would prefer confidential discussion with a staff representative (36%), replying to the Martela whistleblowing channel found on Martela home page (21.5%) or send an email to whistleblowing@martela.com (21.2%). No communication on grievance was received during 2021 through any available channel.

PREVENTION OF CORRUPTION AND BRIBERY

Matters related to prevention of corruption and bribery are discussed in, for example, the Corporate Code of Conduct and Sustainability Policy for Supply Chain. Martela does not accept bribery in any form in its business in any of its market areas. Giving or receiving bribes is not permitted under any circumstances.

All transactions are recorded through the financial management/bookkeeping of each subsidiary. Martela's and all its subsidiaries bookkeeping and transactions are subject to an annual statutory audit. The bookkeeping is transparent to the CFO of the Group.

Share

Martela has two share series, A and K, with each K share entitling its holder to 20 votes at a General Meeting and each A share entitling its holder to one vote. Private holders of K shares have shareholder agreement that restricts the sale of K shares to any party outside the existing holders of K shares. There is a total of 604,800 K shares and a total of 3,903,240 A series, together 4,508,040 shares.

In January–December, a total of 2,490,864 (1,786,397) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 63.8% (50.3) of the total number of series A shares. The value of trading turnover was EUR 6.7 million (4.3), and the share price was EUR 2.29 at the end of the period (3.09). During January–December the share price was EUR 3.44 at its highest and EUR 2.18 at its lowest. At the end of December, equity per share was EUR 2.39 (2.81).

During 2021 Martela has received two notifications in accordance with the Finnish Securities Market Act Chapter 9, Section 5.

On 23 November 2021, Martela Corporation has received an announcement from Isku Yhtymä Oy, according to which the total number of Martela Corporation shares owned by Isku Yhtymä Oy has increased above 5% of the shares in Martela plc, as a result of share transactions concluded on November 22, 2021.

On 23 November 2021, Martela Corporation has received an announcement from Ilmarinen Mutual Pension Fund, according to which the total number of Martela Corporation's shares owned by Ilmarinen Mutual Pension Fund fell below level of 5% of the shares in Martela plc, as a result of share transactions concluded on 22 November 2021.

More information on the Martela Corporation shares and shareholders can be found under note 27 of the Notes to the financial statements.

TREASURY SHARES

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

BOARD AND MANAGEMENT SHAREHOLDINGS OF MARTELA OYJ

Members of the Board, CEO and Management Team hold at December 31, 2021 total of 130,334 Martela Oyj A shares and 49,200 K shares, which represents 4.0% of the total amount of shares and 9.0% of the voting rights.

SHARE-BASED INCENTIVE PROGRAMME

Board of directors decided on March 18, 2021 on new share-based incentive plan directed to key employees of the company. Purpose of the plan is to unite shareholders and key employees objectives on long-term basis as well as to commit key employees to execute company's strategy. Plan's objective is to offer to key employees competitive model to earn company's shares.

The new Performance-based Matching Share Plan 2021–2023 consists of three performance periods, covering the financial years of 2021, 2022 and 2023, respectively. 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. In general, no reward is paid if the participant's employment or director contract terminates before the reward payment. The reward to be paid on the basis of the plan will be capped if the limits set by the Board of Directors for the share price are reached. 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 on directed share issue to persons participating to the plan. Decision on the share issue is based on the authorization given by annual general meeting on March 18, 2021. Total number of shares subscribed shares was 305,700 A shares with a subscription price of EUR 2.73 per share.

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 686,000 euros 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 loans will be repaid in full on 31 December 2025, at the latest.

No shares has been distributed based on the programme.

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.

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. Authorization is valid until the closing of the next meeting, however, no longer than until 30 June 2022.

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 new Vice Chairman of the Board.

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. Company has published its Corporate Governance report as a separate document in company's website. More information on Martela's governance can be found on the company's website.

Martela Responsibility Report includes extensively the non-financial information (NFI) required by the accounting law reforms. The Responsibility Report of 2021 will be published after the Annual Report.

Risks and uncertainties

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. In accordance with Martela's risk management model, the risks are classified and guarded against in different ways.

Company regularly evaluates and monitors the financing need of its operations in order to secure sufficient liquid funds to run the operations and to facilitate loan repayments. Sudden changes in the market environment or changes in the finance market can however cause that company's liquid funds will not be sufficient to finance the operations.

Production of Martela's products is based on orders placed by customers, supply chain is short and purchases are mainly from neighbouring area and from other parts of Europe. Extensive warehousing is not needed. The product assembly is automated and based on component subcontracting and on assembly carried out by Martela.

Risks of damage are covered with appropriate insurance, and this provides comprehensive coverage for property, business interruption, supplier interruption loss and loss liability risks. The services of an external partner are used in insurance as well as in legal matters. Finance risks are discussed in note 21 of the Notes to the financial statements.

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 been emphasized by the general uncertainty caused by the pandemic.

Events after the end of the financial year

Martela has given preliminary information on 2021 revenue and operating result on January 13th, 2022. Based on unaudited preliminary financial statements 2021 the revenue improved slightly and operating result improved compared to the previous year. Revenue was approximately EUR 92 million (88.4) and operating result was approximately EUR -1.5 million (-4.0). Previous outlook for 2021: The Martela Group anticipates that its revenue and operating result in 2021 will improve compared to the previous year.

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

Outlook for 2022

Martela anticipates its revenue to grow over 10% in 2022 compared to previous year and operating result to be positive.

Proposal of the board of directors for distribution of profit

The Board of Directors will propose to the AGM that no dividend will be distributed for 2021.

Annual general meeting

Martela Corporation's AGM is planned to be in March 2022. The notice of the Annual General Meeting will be published in a separate release.

Consolidated comprehensive income statement

(EUR 1,000)	Note	1.1.–31.12.2021	1.1.–31.12.2020
Revenue	1	**91,889**	**88,385**
Other operating income	2	637	540
Changes of inventories of finished goodsand work in progress		3,839	1,689
Raw material and consumables used		-58,459	-54,606
Production for own use		328	90
Employee benefits expenses	3	-22,684	-23,072
Other operating expenses	4	-11,431	-10,498
Depreciation and impairment	5	-5,428	-6,523
Operating profit (-loss)		**-1,309**	**-3,996**
Financial income	7	100	123
Financial expenses	7	-1,114	-940
Profit (-loss) before taxes		**-2,323**	**-4,813**
Income taxes	8	-61	7
Profit (-loss) for the financial year		**-2,385**	**-4,806**
Other comprehensive income:			
Items that will not later be recognised through profit or loss			
Items resulting from remeasurement of the net debt related to defined benefit plans		267	28
Taxes from items that will not later be recognised through profit or loss		-43	4
Items that may later be recognised through profit or loss			
Other changes			
Translation differences		214	-22
Other comprehensive income for the period		**438**	**10**
Total comprehensive income		**-1,946**	**-4,796**
Allocation of profit (-loss) for the financial year			
Equity holders of the parent		-2,385	-4,806
Allocation of total comprehensive income			
Equity holders of the parent		-1,946	-4,796
Earnings per share of the profit attributable to the equity holders of the parent			
Basic earnings/share, EUR	9	-0.53	-1.16
Diluted earnings/share, EUR	9	-0.53	-1.16

Consolidated balance sheet

(EUR 1,000)	Note	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Intangible assets	10	4,588	5,792
Tangible assets	11	8,965	10,814
Available-for-sale financial assets		7	7
Non-current loan receivables	12	535	
Deferred tax assets	13	204	314
Non-current assets, total		**14,299**	**16,926**
Current assets			
Inventories	14	12,119	9,473
Trade receivables and other receivables	12, 15	19,712	14,562
Cash and cash equivalents		4,926	11,172
Current assets, total		**36,756**	**35,207**
ASSETS, TOTAL		**51,055**	**52,133**

(EUR 1,000)	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Equity attributable to holders of the parent	16		
Share capital		7,000	7,000
Share premium account		1,116	1,116
Reserve for invested unrestricted equity		962	
Other reserves		-9	-9
Treasury shares*		-128	-128
Translation differences		-846	-1,060
Retained earnings		2,665	4,719
Equity, total		**10,761**	**11,639**
Non-current liabilities			
Deferred tax liabilities	13	0	198
Pension obligations	19	235	492
Financial liabilities	12, 18	1,791	6,277
Provisions	20	236	282
Non-current liabilities, total		**2,263**	**7,249**
Current liabilities			
Financial liabilities	12, 18	10,952	8,656
Advances received	21	2,625	2,281
Trade payables	12, 21	13,099	8,885
Accrued liabilities and prepaid income	12, 21	8,402	8,289
Other current liabilities	12, 21	2,894	5,063
Provisions	20	59	70
Non-interest-bearing current liabilities, total		**38,032**	**33,245**
LIABILITIES, TOTAL		**40,294**	**40,494**
EQUITY AND LIABILITIES, TOTAL		**51,055**	**52,133**

*The treasury shares acquired for and assigned to share-based incentive scheme are shown in accounting terms as treasury shares. See note 16.

Consolidated cash flow statement

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
Cash flows from operating activities		
Cash flow from sales	84,749	94,370
Cash flow from other operating income	595	393
Payments on operating costs	-88,030	-88,199
Net cash from operating activities before financial items and taxes	-2,686	6,564
Interest paid	-425	-545
Interest received	20	18
Other financial items	-353	-252
Dividends received		8
Taxes paid	45	-74
Net cash from operating activities (A)	**-3,399**	**5,718**
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-357	-1,219
Proceeds from sale of tangible and intangible assets	40	59
Net cash used in investing activities (B)	**-317**	**-1,159**
Cash flows form financing activities		
Proceeds from short-term loans	1,591	5,000
Repayments of short-term loans	-2,000	-9,333
Repayments of lease liabilities	-2,543	-3,027
Proceeds of long-term loans		4,400
Cash proceeds from issuing shares	421	
Net cash used in financing activities (C)	**-2,530**	**-2,960**
Change in cash and cash equivalents (A+B+C), increase +, decrease -	**-6,246**	**1,599**
Cash and cash equivalents at the beginning of year	**11,172**	**9,621**
Translation differences	0	-47
Cash and cash equivalents at the end of year	**4,926**	**11,172**

Statement of changes in equity

Equity attributable to equity holders of the parent (EUR 1,000)	Share capital	Share premium account	Reserve for invested unrestricted equity	Other reserves	Treasury shares	Translation diff.	Retained earnings	Equity total
Equity 1.1.2020	7,000	**1,116**		**-9**	**-128**	**-1,038**	**9,138**	**16,080**
Correction of errors in previous periods							427	427
Other comprehensive income								
Profit (-loss) for the financial year							-4,806	-4,806
Other items of comprehensive income adjusted by tax effects								
Translation differences						-22		-22
Items resulting from remeasurement of the net debt related to defined benefit plans (incl. Deferred taxes)							32	32
Other change								
Other comprehensive income for the period						**-22**	**32**	**10**
Total comprehensive income						**-22**	**-4,774**	**-4,796**
Share issue								
Share-based incentives							-72	-72
Equity 31.12.2020	**7,000**	**1,116**		**-9**	**-128**	**-1,060**	**4,719**	**11,639**
Equity 1.1.2021	**7,000**	**1,116**		**-9**	**-128**	**-1,060**	**4,719**	**11,639**
Correction of errors in previous periods								
Profit (-loss) for the financial year							-2,385	-2,385
Other items of comprehensive income adjusted by tax effects								
Translation differences						214		214
Items resulting from remeasurement of the net debt related to defined benefit plans (incl. Deferred taxes)							225	225
Other change								0
Other comprehensive income for the period						**214**	**225**	**438**
Total comprehensive income						**214**	**-2,160**	**-1,946**
Share issue			962					962
Share-based incentives							106	106
Equity 31.12.2021	**7,000**	**1,116**	**962**	**-9**	**-128**	**-846**	**2,665**	**10,761**

More information in notes 16 Equity and 17 Share-based payments. A retrospective adjustment of EUR 972 thousand depreciation on goodwill allocated to buildings has been made to equity. Moreover has a retrospective correction of EUR -599 thousand on buildings been made to equity.

Accounting principles for the consolidated financial statements

Martela Group

Martela Corporation supplies ergonomic and innovative furniture solutions and provides interior planning services.

The Group's parent company is Martela Oyj, a Finnish public limited company domiciled in Helsinki, street address Takkatie 1, FI-00370 Helsinki. The company's A shares are listed on Nasdaq Helsinki.

Copies of the Group's financial statements are available at Takkatie 1, FI-00370 Helsinki, and on the Internet at Martela's home pages www.martela.com.

These financial statements were authorized for issue by the Board of Directors of Martela Oyj on February 10, 2022. The Finnish Limited Liability Companies Act permits the shareholders to approve or reject the financial statements in the general meeting that is held after publishing the financial statements. As well, the general meeting has a possibility to amend the financial statements.

BASIS OF PREPARATION

Martela's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as on December 31, 2021. As referred to in the Finnish Accounting Act and in ordinances issued pursuant to the provisions of this Act, the International Financial Reporting Standards refer to the standards and their interpretations adopted in accordance with the procedure laid down in Regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also conform with additional requirements of the Finnish accounting and company legislation.

The consolidated financial statements are presented in thousands of euros and have been prepared on the historical cost basis except as disclosed in the accounting policies. All presented figures have been rounded, which is why the sum of individual figures might deviate from the presented sum. The key financial indicators have been calculated using exact figures. Martela's consolidated financial statements cover the full calendar year, and this represents the financial period for the parent company and the Group companies.

USE OF ESTIMATES

The preparation of the financial statements in conformity with IFRS requires Group management to make certain estimates and to use judgement when applying accounting policies. The section "Accounting policies requiring management's judgement and key sources of estimation uncertainty" refers to the judgements made by management and those financial statement items on which judgements have a significant effect.

Principles of consolidation

The consolidated financial statements include the parent company, Martela Oyj, and all the subsidiaries in which the parent company controls, directly or indirectly, more than 50 per cent of the voting power of the shares, or otherwise has control. Martela is considered to be in control of a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are included in the consolidated financial statements by using the acquisition method. The intra-group transactions, unrealised margins on intra-group deliveries, intra-group receivables and liabilities and profit distribution are eliminated.

Items denominated in foreign currency

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction – in practice, for transactions taking place within any given month, a rate is used that approximates the rate of the transaction date. At the end of the reporting period, the monetary assets and liabilities are translated into functional currencies at the exchange rate at the end of the reporting period. Exchange rate gains and losses related to business operations are treated as adjustments to the purchases and sales. Exchange rate gains and losses in financing are treated as adjustments to financial income and expenses.

The statements of comprehensive income and cash flows of foreign subsidiaries for the period are translated into euros at the average rates for the financial year, and the balance sheets at the average rates of the European Central Bank at the end of the reporting period. The translation of the profit or loss and comprehensive income for the period at different exchange rates in the statement of comprehensive income and in the balance sheet causes a translation difference which is recognised in other comprehensive income. The exchange rate differences arising from the elimination of the cost of the foreign subsidiaries and the exchange rate differences arising from the translation of post-acquisition equity are also recognised in other comprehensive income. Similar treatment is applied to intra-group non-current loans which in substance are equity and form a part of the net investment in the operation in question. When a subsidiary is disposed of, all or in part, the accumulated translation differences are reclassified to profit and loss as part of the gain or loss on disposal.

Government grants

Grants received from the states or other similar sources are recognised and presented as other operating income when they meet the recognition criteria. Grants related to the acquisition of tangible and intangible assets are recognised as deductions from the carrying amount of the assets in question. Grants are recognised as income over the useful life of a depreciable / amortisable asset by way of a reduced depreciation / amortisation charge. The public grants received during the financial year 2021 consist of grants granted by Business Finland and by State Treasury to Group companies.

Revenue recognition principles

Furniture is mainly delivered as installed at customer. The control of the furniture is transferred to the customer when the deliverables form the contract are fulfilled, i.e. the furniture is delivered and installed at customer and the customer has approved the delivery. The significant risks and rewards of ownership of the furniture is also transferred to the buyer through the approval of the delivery. Revenue from sold goods is recognised as the control of the goods is transferred to the buyer according to the agreement. The normal warranty for standard Martela produced products in normal use is five years and for other standard products two years.

Consultative services consist of workshops and interviews for specification of the demands placed on the work environment and interior planning services. The deliverable is fulfilled and the control is transferred to the customer as the product of the service is delivered to the customer. Revenue from consultative services is recognised as the deliverable is fulfilled.

In removals services the value of the service is received by the customer as Martela provides the service. In such cases the revenue is recognised over time. The removal services provided by Martela are mainly short in duration. In case a removal services project lasts for several months is the revenue recognised based on either invoicing of the achieved project milestones or based on actual work hours registered for the project.

The transaction prices for the sold goods and services are defined for each deliverable on the sales orders and no variable considerations are in use. Martela does not have capitalized costs for obtaining or of fulfilling customer contracts. Sales receivables are typically due latest within two months from invoicing. The customer contracts do not include significant financing components provided by Martela.

Revenue consists of income from customer contracts according to IFRS 15 and income from customer contracts that are classified as leases based on the contract contents, and are treated in accordance to IFRS 16.

Leases in which substantially all the risks and rewards incidental to ownership of an asset remain with the lessor are classified as operative lease contracts and recognised as revenue in the statement of comprehensive income on a straight-line basis over the lease term. In finance leases, the risks and benefits of ownership have been substantially transferred to the lessee. The gain on the sale of the contract is recognised in the same way as for the sale of an asset.

Employee benefits

PENSION LIABILITIES

The Group has arranged defined contribution plans and defined benefit plans for retirement. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Contributions made to defined contribution plans are recognised in profit or loss as an expense as incurred.

The obligations of defined benefit plans are calculated separately for each plan. The projected unit credit method is used in the calculation. Pension costs are recognised as an expense over the service period of personnel on the basis of calculations performed by qualified actuaries. In calculating the present value of a pension obligation, the market yield of corporate high-grade bonds or the interest rate of government bonds are used as the discount rate. Their maturity corresponds to a significant extent with the maturity of the computed pension liability.

Pension expenses (service cost in the period) and the net interest for the net debt related to the defined benefit pension plan are recognised through profit or loss. Pension expenses are included in employee benefit expenses. Items resulting from the remeasurement of the net debt (or net asset) related to the defined benefit plan are recorded in items of other comprehensive income in the financial period during which they emerge. These include actuarial gains and losses and returns on assets included in the plan, among other items. Past service costs are recognised in expenses through profit or loss on the earlier of the following dates: the date when the plan is amended or reduced, or the date when the entity recognises the reorganisation expenses related to this or the benefits related to the termination of the employment relationship.

SHARE-BASED PAYMENTS

In the Group's share-based incentive system, with vesting periods 2021, 2022 and 2023, payments are made in a combination of shares and cash. Share rewards are measured at fair value at the grant date and recognised as expenses over the vesting period. The vesting conditions are taken into account in the number of shares which are expected to vest by the end of the validity period. Measurements are adjusted at the end of each reporting period and the settlement is recognised under equity. The expense determined at the time of granting the share-based incentives is based on the Group's estimate of the number of shares which are expected to vest by the end of the vesting period. The assumed vesting takes account of the maximum incentive, the assumed achievement of non-market-based earnings targets and the reduction of persons participating the plan. The Group updates the estimate of the final number of shares at the end of each reporting period. Their impact on profit or loss is presented in the statement of comprehensive income under employment benefits expenses.

OPERATING PROFIT (LOSS)

Operating profit is the Group's profit from operations before financial items and income taxes. Exchange rate differences arisen in the translation of trade receivables and payables denominated in foreign currencies are included in operating profit.

INCOME TAXES

The taxes recognised in the consolidated statement of comprehensive income include current tax based on the taxable income of the Group companies for the financial year, taxes for previous years and the change in deferred taxes. For transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised outside profit or loss (either in other comprehensive income or directly in equity), any related tax effects are also recognised either in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are recognised on temporary differences between the tax bases and IFRS carrying values of assets and liabilities in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which it can be used. Deferred tax liabilities are recognised to the full extent in the balance sheet. Deferred taxes are measured by using the tax rates enacted or substantively enacted by the end of the reporting period.

Intangible assets

GOODWILL

Goodwill resulting from business combinations represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired.

Goodwill is tested annually or more frequently if there are indications that the value might be impaired. Testing is performed at least at the end of each financial year. For this purpose goodwill is allocated to cash generating units. An impairment loss is recognised whenever the carrying amount of cash-generating unit exceeds the recoverable amount. Impairment losses are recognised in the comprehensive income statement. An impairment loss in respect of goodwill is never reversed.

RESEARCH AND DEVELOPMENT

Research and development is active and continuous in the Group and if individual development projects are of such a scope in relation to operations and if the capitalization criteria are fulfilled these projects are capitalized. Research expenditure is recognised as an expense when incurred. R&D-related equipment is capitalised in machinery and equipment. There has been no development costs that met the capitalization criteria during the financial year.

OTHER INTANGIBLE ASSETS

An intangible asset is initially capitalized in the balance sheet at cost if the cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Other intangible assets include software licences, IT-programmes, patents and other corresponding rights. Patents, licences and other rights are measured at historical cost, less amortisation and any impairment.

The useful lives of intangible assets are as follows:

Licences	3 – 5 years
IT-programmes	3 – 10 years
Customer ship	4 years
Brands	6 years
Patents and other corresponding rights	10 years

Amortisation is recognised using the straight-line method.

Tangible assets

Land, buildings, machinery and equipment constitute the majority of tangible assets. They are measured in the balance sheet at historical cost, less accumulated depreciation and any impairment.

When a part of an item of property, plant and equipment (accounted for as a separate asset) is renewed, the expenditure related to the new item is capitalised and the possibly remaining balance sheet value removed from the balance sheet. Other expenditure arising later is capitalised only when future economic benefits will flow to the Group. Other expenditure for repairs or maintenance is expensed when it is incurred. Those borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. A tangible asset once classified as held for sale is not depreciated. Land is not depreciated. The estimated depreciation periods are as follows:

Buildings	15–30 years
Machinery and equipment	3–8 years

The residual values and useful lives of tangible assets are reviewed at least at each financial year-end and, if necessary, are adjusted to reflect changes in the expected future economic benefits.

Gains and losses from the sale or disposal of tangible assets are recognised in profit and loss and presented under other operating income or other operating expenses.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

The carrying amounts of assets are assessed at the end of each reporting period to observe whether there are any indications that an asset may be impaired. If such indications exist, the recoverable amount of the asset will be estimated at the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised if the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount of it. Impairment losses are recognised in the statement of comprehensive income.

If there are indications that impairment losses no longer exist or that they have diminished, the recoverable amount is estimated. An impairment loss previously recognised in the statement of comprehensive income is reversed if the estimates used in measuring the recoverable income have changed. However, an impairment loss cannot be reversed to an extent more than what the carrying amount of the asset or cash-generating unit would be without recognition of an impairment loss.

Leases

Martela's lease contracts consist mainly of office spaces, cars and IT-equipment. The lease contracts of cars and IT-equipment are time limited whereas the contracts for office spaces are open ended as well as time limited. The lease contracts do not include variable lease payments and Martela does not have any sale and leaseback transactions.

Lease agreements, for which the lease period is beyond 12 months, are according to IFRS 16 recognised on the balance sheet as a right-of-use assets and lease liabilities. The right-of-use assets decreased with the accumulated depreciations are recognised as tangible assets. The right-of-use assets are depreciated over the lease period or an estimated period if longer. Estimated rental periods, are used for lease agreements of indefinite duration. The estimated rental periods are 2 years for rented offices and sales facilities and 1 year for warehouses. Martela applies the exemptions to IFRS 16 and does not apply IFRS 16 to short-term leases for which the lease term ends within 12 months and leases of low-value assets, which are not offices or warehouses in use by Martela.

Short term lease contracts and leases of low-value assets are disclosed as other rental agreements from which the payments are recognised as equal instalments over the rental period in the consolidated statement of comprehensive income.

The lease liabilities have been discounted at the borrowing rate. The weighted average discount rate is 3.0%

Martela has one lease agreement concerning a real estate in which Martela acts as a lessor. This contract is disclosed as operative rental agreements and the rental income is recognised as equal instalments over the rental period in the consolidated statement of comprehensive income.

Company also operates as lessor of furniture. Accounting principles of these are described under revenue recognition principles.

Inventories

Inventories are measured at the lower of cost and net realisable value. The value of inventories is determined by using weighted average purchase prices and it includes all direct expenditure incurred by acquiring the inventories and also a part of the production overhead costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory value includes adjustments caused by obsolescence.

Financial assets

Group's financial assets are classified into the following groups: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised costs. The classification depends on the purpose of acquiring the financial assets, and they are classified at the time of initial acquisition. All purchases and sales of financial assets are recognised and derecognised on the trade date. The Group derecognizes financial assets when it has lost its right to receive the cash flows or when it has transferred substantially all the risks and rewards to an external party.

Financial assets measured at amortised costs include assets that are held in a business model whose object is achieved by holding the assets and collecting contractual cash flows until the due date. The cash flow from the assets consists of solely payments of principal and interest on the principal amount outstanding. They are originally recognised at fair value and subsequently measured at amortised cost. The group recognises a deduction in the financial assets recognised at amortised cost based on expected credit losses. These assets are included in either current or non-current financial assets (they are included in the latter if they mature over 12 months later). The category includes loan, trade and other receivables that are not derivatives.

Cash and cash equivalents comprise cash in hand, in banks and in demand bank deposits, as well as other current, very liquid investments. Items qualifying as cash and cash equivalents have original maturities of three months or less from the date of acquisition.

IMPAIRMENT OF FINANCIAL ASSETS

At the end of each reporting period, the Group assesses whether objective evidence exists of the impairment of an individual financial asset or a group of financial assets. Impairment will be recognised through profit or loss.

A simplified model according to IFRS 9 is used in assessing the expected credit losses on trade receivables: credit losses are recognised to an amount that represents the expected credit losses for the full lifetime. The expected credit losses are assessed based on historical information on credit losses and on the information on the future financial circumstances available on the review date.

FINANCIAL LIABILITIES

The Group classifies its financial liabilities as financial liabilities measured at amortised cost (mainly includes borrowings from financial institutions, IFRS 16 lease liabilities and trade payables) .

Financial liabilities are initially recognised at fair value and are subsequently measured either at amortised cost or at fair value, based on the classification made. Financial liabilities are included in current and non-current liabilities and they can be interest-bearing or non-interest-bearing. Bank overdrafts are included in current interest-bearing liabilities. Financial liabilities are regarded as current, unless the Group has an absolute right to postpone the repayment of the debt until a minimum of 12 months after the end of the reporting period. Financial liabilities (in full or in part) are not eliminated from the balance sheet until the debt has ceased to exist – in other words, when the obligation specified in the agreement has been fulfilled or rescinded or ceases to be valid.

Share capital

Outstanding ordinary shares are shown as share capital. The share capital consists of K and A series shares. The shares of both series have identical dividend rights but K series shares confer 20 votes and A series shares 1 vote at general meetings of shareholders.

Expenses related to the issuance and acquisition of own equity instruments are presented as deductions from equity. If Martela Oyj buys back its own equity instruments, their cost is deducted from equity.

DIVIDENDS

Dividends proposed by the Board of Directors are not recorded in the financial statements but the related liability is only recognised when approved by a general meeting of shareholders.

Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that on outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. The amount recognised as a provision is equal to the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Accounting policies requiring management's judgement and key sources of estimation uncertainty

In preparing the financial statements it is necessary to make forward-looking estimates and assumptions which may not, in fact, turn out to be true. In addition, it is necessary to use judgement in applying accounting policies to the financial statements. The foremost estimates concern the utilisation of deferred tax assets against future taxable income and the assumptions used in the impairment testing. Other estimates requiring management's judgement mainly concerns the amount of non-marketable inventories, impairment of trade receivables, the amount of guarantee provisions and the definition of the lease period in lease contracts of indefinite duration under IFRS 16. Estimates and assumptions are based on management's current best knowledge at the end of the reporting period, reflecting historical experience and other reasonable assumptions.

Impairment testing

The carrying amounts of non-current assets are assessed at the end of each reporting period to observe whether there are any indications that the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount of it.

If such indications exist, the recoverable amount of the asset will be estimated at the higher of its fair value less costs to sell and its value in use. Value in use is calculated based on discounted forecast cash flows. An impairment loss is recognised if the balance sheet value of an asset or a cash-generating unit exceeds the recoverable amount of it. Impairment losses are recognised in the statement of comprehensive income.

If there are indications that impairment losses no longer exist or that they have diminished, the recoverable amount is estimated. An impairment loss previously recognised in the statement of comprehensive income is reversed if the estimates used in measuring the recoverable income have changed. However, an impairment loss cannot be reversed to an extent more than what the carrying amount of the asset or cash-generating unit would be without recognition of an impairment loss.

Goodwill is tested for impairment annually regardless of whether there is any indication of impairment. An impairment loss in respect of goodwill is never reversed. (Note 10)

The recoverable amounts of cash generating units have been determined using calculations based on value in use. In the calculations, forecast cash flows are based on financial plans approved by management, covering a period of five years. The central assumptions concern development of growth and profitability. The cash flows beyond the five-year period are estimated based on 1.5% growth.

Deferred tax receivables

The prerequisites for recognition of deferred tax receivables are assessed at the end of each reporting period. Assumptions made by the managers of the Group companies on taxable income in future financial periods have been taken into account when evaluating the amount of deferred tax assets. Various internal and external factors can have a positive or negative effect on deferred tax assets. These include restructuring in the Group, amendments to tax laws (such as changes to tax rates or a change to the period of utilisation of confirmed deductible tax losses) and changes to the interpretations of tax regulations. Deferred tax assets recognised in an earlier reporting period are recognised in expenses in the consolidated statement of comprehensive income if the unit in question is not expected to accumulate sufficient taxable income to be able to utilise the temporary differences, such as confirmed tax losses, on which the deferred tax assets are based.

Deferred tax assets are not recorded for taxation losses in subsidiaries.

New and amended IFRS-standards and interpretations effective from 2022 onwards

In 2022 and thereafter, the Group will adopt the following new and revised standards and interpretations issued by the IASB. The amendments are not expected to have a material impact on the company's reporting.

EFFECTIVE FROM 1 JANUARY 2022

Annual improvements 2018—2020 to IFRS standards: IFRS 9 Financial instruments: the amendment clarifies that in assessing whether a change in a financial liability results in a modification in an existing debt instrument or the recognition of a new debt instrument, the entity should calculate the discounted present value of the remaining cash flows associated with the financial liability before and after the modification, including fees paid and received between the lender and the borrower.

Amendments to IAS 16 Property, Plant and Equipment: The amendments clarifies how proceeds are recognised from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. According to the clarification, such proceeds should recognised as income instead of deducting the cost of an item of property, plant and equipment

Amendments to IAS 37: The amendments clarifies that the costs that relate directly to an onerous contract include incremental costs such as labour and material and an allocation of costs directly related to contract activities such as depreciation of property, plant and equipment used.

EFFECTIVE FROM 1 JANUARY 2023 AND LATER

Amendments to IAS 1 Presentation of financial statements: The amendment clarify how liabilities should be classified as current or non-current when the company has the right to defer payment at least 12 months. In accordance with the amendment a liability that falls due within 12 months of the reporting date is presented as non-current if the entity has the right to continue the liability for at least 12 months after the reporting date. In this case, the liability is presented as non-current at the reporting date, regardless of the probability or the intention of management to repay the liability within the next 12 months.

Amendments to IAS 12 Income Taxes: Deferred taxes on transactions for which companies recognise both an asset and a liability. Amendment specifies how company account for deferred tax on transactions such as leases.

Amendments to IAS 1 Presentation of financial statements: The amendment clarifies when the change in accounting policy is material and how entities apply the concept of materiality in making decisions about accounting policy disclosures.

1. Segment reporting

As a result of harmonising and combining processes, the organisation, reporting and systems, as of 2017 the company reports consolidated figures as a single segment and in addition reports revenue by country. Revenue will be reported by the location of a customer in following countries: Finland, Sweden, Norway and Other countries.

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
Revenue by area		
Finland	**69,717**	**72,350**
Sweden	8,667	9,172
Norway	5,827	3,770
Other areas	7,678	3,093
Total	**91,889**	**88,385**
Income from the sale of goods	78,452	74,209
Income from the sale of services	13,437	14,176
Total	**91,889**	**88,385**

Revenue includes EUR 669 thousand (579) income from sold furniture that based on the customer agreement is classified as rental income.

(EUR 1,000)	31.12.2021	31.12.2020
Assets and liabilities from contracts with customers		
Trade receivables	17,597	12,656
Accrued income based on customer contracts	1,082	646
Prepayments based on customer contracts	2,625	2,281

Assets Information about geographical regions Non-current assets	Intangible assets 31.12.2021	Tangible assets 31.12.2021
Finland	4,588	8,744
Sweden	0	113
Other regions	0	108
Total	**4,588**	**8,965**

Non-current assets	Intangible assets 31.12.2020	Tangible assets 31.12.2020
Finland	5,788	10,153
Sweden	0	101
Other regions	4	132
Total	**5,792**	**10,387**

2. Other operating income

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
Gains on sale of tangible assets	25	62
Rental income	243	257
Public subsidies	253	16
Other income from operations	115	205
Total	**637**	**540**

3. Employee benefits expenses

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
Salaries and wages	-18,560	-18,936
Pension expenses, defined contribution plans	-2,536	-2,933
Pension expenses, defined benefit plans	-184	-221
Part paid as share-based incentives	-106	72
Other salary-related expenses	-1,298	-1,053
Personnel expenses in the income statement	-22,684	-23,072
Other fringe benefits	-380	-371
Total	**-23,064**	**-23,442**

A total of EUR 671 thousand for 2021 and EUR 729 thousand from 2020 were recognised in the result from the incentives and salary-related expenses associated with the incentive scheme. Salaries and fees and share-based payments are presented in more detail under note 24 Related-party transactions.

More information about share-based incentive programme is in note 17.

Personnel	2021	2020
Personnel on average, workers	216	227
Personnel on average, officials	203	223
Personnel on average, total	**419**	**451**
Personnel at year-end	**400**	**435**
Personnel on average in Finland	346	375
Personnel on average in Sweden	23	24
Personnel on average in Norway	14	15
Personnel on average in Poland	36	37
Total	**419**	**451**

4. Other operating expenses

Other operating expenses are reported by type of expense.

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
Freight	-1,019	-527
Travel	-275	-448
Administration	-2,003	-1,582
IT	-2,645	-2,833
Marketing	-812	-1,198
Vehicles	-270	-214
Real estate	-1,220	-1,065
Other	-3,187	-2,631
Total	**-11,431**	**-10,498**
Auditors' fees	**1.1.–31.12.2021**	**1.1-31.12.2020**
Auditing	-125	-73
Other services	-12	-7
Total	**-137**	**-80**

Auditors' fees are included in administration expenses.

5. Depreciation and impairment

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
Depreciation		
Intangible assets	-1056	-2196
Tangible assets		
Buildings and structures	-462	-484
Machinery and equipment	-729	-695
Depreciation, total	**-2,248**	**-3,375**
Depreciation of right-of-use assets according to IFRS 16		
Buildings and structures	-2,216	-2,171
Machinery and equipment	-964	-977
Depreciation, total	**-3,180**	**-3,148**

6. Research and development expenses

The income statement includes research and development expenses of EUR -2,159 thousand (EUR -1,971 thousand).

7. Financial income and expenses

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
Financial income		
Interest income on loans and other receivables	20	18
Foreign exchange gain on loans and other receivables	37	95
Other financial income	43	10
Total	**100**	**123**
Financial expenses		
Interest expenses from financial liabilities measured at amortised cost	-326	-403
Foreign exchange losses on loans and other receivables	-340	-224
Interest expenses of lease liabilities according to IFRS 16	-143	-162
Other financial expenses	-306	-152
Total	**-1,114**	**-940**
Financial income and expenses, total	**-1,014**	**-818**
Total exchange rate differences affecting profit and loss are as follows:		
Exchange rate differences, sales (included in revenue)	-26	-33
Exchange rate differences, purchases (included in adj. of purchases)	-36	-72
Exchange rate differences, financial items	-303	-128
Exchange rate differences, total	**-365**	**-234**

8. Income taxes

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
Income taxes, financial year	-162	-25
Taxes for previous years	-46	-77
Change in deferred tax liabilities and assets	147	110
Total	**-61**	**7**

Reconciliation between the income statement's tax expense and the income tax expense calculated using the Martela Group's domestic corporation tax rate 20.0%.

(EUR 1,000)	1.1.–31.12.2020	1.1.–31.12.2019
Profit before taxes	-2,324	-4,813
Taxes calculated using the domestic corporation tax rate	-465	-963
Deferred taxes	-147	
Different tax rates of subsidiaries abroad	-39	-46
Taxes for previous years	-46	-77
Recognition of unused tax losses not booked earlier	-100	-116
Tax-exempt income	-12	0
Non-deductible expenses	164	44
Unbooked deferred tax assets on losses in taxation	799	1,908
Other items	-92	-758
Income taxes for the year in the p/l (+ = expense, - = profit)	**61**	**-7**

9. Earnings per share

The basic earnings per share is calculated dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding during the year.

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
Profit attributable to equity holders of the parent	-2,385	-4,806
Weighted average number of shares (1,000)	4,495	4,143
Basic earnings per share (EUR/share)	**-0.53**	**-1.16**

The company has no diluting instruments December 31, 2021 or December 31, 2020.
For more information on weighted average number of shares see note 16.

10. Intangible assets

(EUR 1,000)	1.1.–31.12.2021 Intangible assets	Goodwill	Work in progress	Total	1.1.–31.12.2020 Intangible assets	Goodwill	Work in progress	Total
Acquisition cost 1.1.	15,360	883	317	16,560	13,267	883	2,038	16,188
Increases			217	217	2,092		936	3,028
Decreases			-375	-375	0		-2,656	-2,656
Acquisition cost 31.12.	15,360	883	159	16,402	15,360	883	317	16,560
Accumulated depreciation 1.1.	-10,769	0	0	-10,769	-8,582	0	0	-8,582
Accumulated depreciation, decreases	0			0	0			0
Depreciation for the year 1.1.-31.12.	-1,045			-1,045	-1,299			-1,299
Impairment				0	-888			-888
Exchange rate differences								
Accumulated depreciation 31.12.	-11,814	0	0	-11,814	-10,769	0	0	-10,769
Carrying amount 1.1.	4,591	883	317	5,792	4,685	883	2,038	7,605
Carrying amount 31.12.	**3,546**	**883**	**159**	**4,588**	**4,591**	**883**	**317**	**5,792**

Goodwill

The Group's Goodwill EUR 883 thousand (EUR 883 thousand) relates to the Grundell acquisition Martela made December 31, 2011. The expected future cash flows will be generated through more extensive service solutions encompassing also products and the already implemented profit improving actions. The revenue growth is also supported by the renewed strategy of Martela that increases the emphasis on service within the Group.

Impairment testing

Goodwill is tested annually or more frequently if there are indications that the amount might be impaired. In assessing whether goodwill has been impaired, the carrying value of the cash generating unit has been compared to the recoverable amount of the cash carrying unit. The recoverable amount of the goodwill is determined based on the value in use calculations. The value in use is calculated based on the discounted forecast cash flows. The cash flow forecasts rely on the plans approved by the management concerning profitability and the growth rate of revenue. The plans cover a five-year period taking into account the recent development of the business.

In impairment testing the average growth is estimated to be 1.5% and EBIT 3.0%. The use of testing model requires making estimates and assumptions concerning market growth and general interest rate level. The used post-tax discount rate is 7.4% (9.4%) which equals the weighted average cost of capital.

The cash flows after the five-year period have been forecasted by estimating the future growth rate of revenue to be 1.5%. Based on the impairment test there is no need to recognise an impairment loss.

Sensitivity analysis of impairment testing

The carrying value of the cash generating unit is EUR 4.3 million higher than the book value according to the performed impairment test. The rise in discount rate by 18%-units or the actual operating profit (EBIT) level on the terminal year to be 3%-units lower than estimated would cause that the recoverable amount of the cash generating units would be the same as the book value.

11. Tangible assets

1.1.2021 – 31.12.2021 (EUR 1,000)	Land areas	Buildings	Buildings IFRS 16	Machinery and equipment	Machinery and equipment IFRS 16	Machinery and equipment IFRS 16 WAAS*	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	83	23,953	9,537	33,123	2,637	1,670	34	153	71,191
Increases		93	841	533	316	1,381			3,165
Decreases			-1,280	-11	-140	-631		-76	-2,137
Exchange rate differences						1			1
Acquisition cost 31.12.	**83**	**24,046**	**9,099**	**33,645**	**2,814**	**2,421**	**34**	**77**	**72,220**
Accumulated depreciation 1.1.	0	-22,217	-5,203	-31,499	-1,054	-403	0	0	-60,377
Accumulated depreciation, decreases	0		1,207	1	101	212	0	0	1,522
Depreciation for the year 1.1.-31.12.	0	-468	-2,216	-726	-611	-366	0	0	-4,389
Exchange rate differences		15		-27			0	0	-12
Accumulated depreciation 31.12.	**0**	**-22,670**	**-6,212**	**-32,251**	**-1,564**	**-558**	**0**	**0**	**-63,255**
Carrying amount 1.1.	83	1,736	4,334	1,624	1,583	1,266	34	153	10,814
Carrying amount 31.12.	**83**	**1,376**	**2,887**	**1,395**	**1,250**	**1,863**	**34**	**77**	**8,965**

*WAAS, Workplace as a Service-business area assets, that are classified as operative leasing contracts according to IFRS 16 and in which company according to the standard operates as lessor.

1.1.2020 – 31.12.2020 (EUR 1,000)	Land areas	Buildings	Buildings IFRS 16	Machinery and equipment	Machinery and equipment IFRS 16	Machinery and equipment IFRS 16 WAAS*	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	83	23,903	7,500	32,415	5,614	914	34	119	70,582
Increases		50	2,194	741	1,606	768		34	5,392
Decreases			-157	-33	-4,582	-12			-4,784
Exchange rate differences					-2				-2
Acquisition cost 31.12.	**83**	**23,953**	**9,537**	**33,123**	**2,637**	**1,670**	**34**	**152**	**71,189**
Accumulated depreciation 1.1.	0	-21,730	-3,162	-30,817	-4,776	-90	0	0	-60,575
Accumulated depreciation, decreases	0		130	21	4,383	2	0	0	4,536
Depreciation for the year 1.1.-31.12.	0	-487	-2,171	-703	-662	-315	0	0	-4,338
Exchange rate differences							0	0	0
Accumulated depreciation 31.12.	**0**	**-22,217**	**-5,203**	**-31,499**	**-1,054**	**-403**	**0**	**0**	**-60,377**
Carrying amount 1.1.	83	2,173	4,337	1,598	839	824	34	119	10,007
Carrying amount 31.12.	**83**	**1,736**	**4,334**	**1,624**	**1,582**	**1,266**	**34**	**152**	**10,813**

*WAAS, Workplace as a Service-business area assets, that are classified as operative leasing contracts according to IFRS 16 and in which company according to the standard operates as lessor.

12. Book values of financial assets and liabilities by group

(EUR 1,000)	Financial assets measured at amortised costs	Financial liabilities measured at amortised cost	Book values of balance sheet items	Fair value	Hierarchy level	Note
2021 BALANCE SHEET ITEMS						
Non-current financial assets						
Other financial assets			7	7	2	
Loan receivables	535		535	535	2	
Current financial assets						
Trade and other receivables	17,597		17,597	17,597	2	15
Book value by group	18,132		18,139	18,139		
Non-current financial liabilities						
Interest-bearing liabilities		1,791	1,791	1,791	2	18
Current financial liabilities						
Interest-bearing liabilities		10,952	10,952	10,952	2	18
Trade payables and other liabilities		16,146	16,146	16,146	2	21
Book value by group		**28,890**	**28,890**	**28,890**		

(EUR 1,000)	Financial assets measured at amortised costs	Financial liabilities measured at amortised cost	Book values of balance sheet items	Fair value	Hierarchy level	Note
2020 BALANCE SHEET ITEMS						
Non-current financial assets						
Other financial assets			7	7	2	
Current financial assets						
Trade and other receivables	12,656		12,656	12,656	2	15
Book value by group	12,656		12,663	12,663		
Non-current financial liabilities						
Interest-bearing liabilities		6,277	6,277	6,277	2	18
Current financial liabilities						
Interest-bearing liabilities		8,656	8,656	8,656	2	18
Trade payables and other liabilities		14,118	14,118	14,118	2	21
Book value by group		**29,052**	**29,052**	**29,052**		

Other financial assets include investments in unlisted equities. They have been measured at acquisition cost as fair value cannot be assessed reliably.

The book values of trade receivables and receivables other than those based on derivatives are estimated to essentially correspond to their fair values due to the short maturity of the receivables.

The book values of debts are estimated to correspond to their fair values. Interest rate level has no material effect.

The book values of trade and other non-interest-bearing liabilities are also estimated to correspond to their fair values. Discounting has no material effect.

Fair values of each financial asset and liability group are presented in more detail under the note indicated in the table above.

Assets and liabilities recognised at fair value in the financial statements are categorised into three levels in the fair value hierarchy based on the inputs used in the valuation technique to determine their fair value. The three levels are:

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly e.g. discounted cash flows or valuation models.

Level 3. Inputs for the asset or liability that are not based on observable market data and the fair value determination is widely based on management's judgement and the use of that in commonly approved valuation models.

13. Deferred tax assets and liabilities

Changes in deferred taxes during 2021 (EUR 1,000)	1.1.2021	Recognised in the income statement	Recognised in the other comprehensive income	Exchange rate differences	31.12.2021
Deferred tax assets					
Pension obligations	68	0	-43	0	26
Other temporary differences	245	85	0	-16	315
Total	**314**	**85**	**-43**	**-16**	**340**
Deferred tax liabilities					
On buildings measured at the fair value of the transition date	198	-66	0	0	132
Other temporary differences	0	4	0	0	4
Total	**198**	**-62**	**0**	**0**	**137**
Deferred tax assets and liabilities, total	**115**	**147**	**-43**	**-16**	**204**

Changes in deferred taxes during 2020 (EUR 1,000)	1.1.2020	Recognised in the income statement	Recognised in the other comprehensive income	Exchange rate differences	31.12.2020
Deferred tax assets					
Pension obligations	64	0	4	0	68
Other temporary differences	153	23	0	70	245
Total	**217**	**23**	**4**	**70**	**314**
Deferred tax liabilities					
On buildings measured at the fair value of the transition date	264	-66	0	0	198
Other temporary differences	19	-20	0	0	0
Total	**283**	**-86**	**0**	**0**	**198**
Deferred tax assets and liabilities, total	**-67**	**108**	**4**	**70**	**115**

Deferred tax assets have not been recognised on unused tax losses that probably cannot be utilised in the future against taxable income. The amount of such losses is EUR 27.1 million (24.6 in 2020) including current year results.

Of these losses EUR 5.1 million expires from 2028 and the remaining part, according to current knowledge, have no expiration date. The losses originate mainly from foreign subsidiaries.

14. Inventories

(EUR 1,000)	31.12.2021	31.12.2020
Raw materials and consumables	9,309	7,757
Work in progress	1,247	1,063
Finished goods	1,563	654
Total	**12,119**	**9,473**

The value of inventories has been written down by -282 thousand (-229 thousand 2020) due to obsolescence.

In the valuation of inventories the fair value of an item as well as its usage in current product portfolio offered is monitored. Should the current product portfolio no longer carry the product to which the item is used the item is written down. If the product is still on sale but there has been decision to finish its selling, it will be written down to equal half of its value.

15. Current trade receivables and other receivables

(EUR 1,000)	31.12.2021	31.12.2020
Trade receivables	**17,597**	**12,656**
Accrued income and prepaid expenses of		
Personnel expenses	107	150
Advances	2,007	1,755
Accrued income and prepaid expenses total	**2,114**	**1,905**
Total	**19,712**	**14,562**

The age distribution of Group trade receivables on the balance sheet date 31 December is presented in the following table:

Age distribution of trade receivables (TEUR)	2021	Incl. credit loss provision	2020	Incl. credit loss provision
Undue	13,220	51	10,318	55
0-6 months overdue	3,804	58	2,064	33
6-12 months overdue	510	424	144	12
12-24 months overdue	44	43	22	12
Over 24 months overdue	20	74	107	638
Total	**17,597**	**650**	**12,656**	**751**

A provision is made to the trade receivables according to following, unless it is highly likely to receive payment for the receivable: undue receivables 0.5%, 0-6 months overdue 2%, 6-12 months overdue 10%, 12-24 months overdue 50% and over 24 months overdue 100%. The credit loss provision also includes 65% of the total receivables of a financier of Martela that went bankrupt, in total EUR 411 thousand. The sales invoices are interest-free and the most general payment term is 7 days.

The maximum trade receivable credit risk amount on the balance sheet date 31 December by country or region:

Region (TEUR)	2021	2020
Finland	11,600	9,883
Scandinavia	3,348	1,627
Other European countries	2,566	806
Other regions	84	340
Total	**17,597**	**12,656**

Credit risks from trade receivables are not concentrated.

In 2021 credit losses of EUR -508 thousand (EUR -79 thousand) has been recognised as expenses and are presented in other operating expenses.

16. Equity

Share capital
The paid share capital entered in the Trade register is EUR 7,000,000. According to the Articles of Association the maximum share capital is EUR 14,000,000 and the minimum capital EUR 3,500,000. the counter value of a share is 1.55 (1.68). The K shares carry 20 votes at the annual general meeting and the A shares 1 vote each. Both share series have the same dividend rights.

Changes in share capital (EUR 1,000)	Number of shares: A shares	Number of shares: K shares	Share capital	Share premium account	Reserve for invested unrestricted equity	Treasury shares	Total
1.1.2020	3,537,718	604,800	7,000	1,116		-128	7,988
Share issue							
31.12.2020	3,537,718	604,800	7,000	1,116		-128	7,988
Shares of directed share issue	352,440				962		962
Share issue							
31.12.2021	3,890,158	604,800	7,000	1,116	962	-128	8,950

Martela Oyj owns 13,082 A shares purchased at an average price of 10.65. The number of treasury shares is equivalent to 0.29% of all shares and 0.08% of all votes.

Acquisition of shares for the share-based incentive scheme and the management of the scheme have been outsourced to an external service provider.

Translation differences in equity comprises translation differences of financial statements of foreign subsidiaries when translated into euros and of investments in foreign units. Other reserves consists of reserve funds.

The share premium account is a fund established in accordance with the previous Finnish Companies Act. According to the present Liability Companies Act (effective from September 1, 2006) it is included in restricted shareholders' equity and can no longer be accumulated. The share premium account can be reduced in accordance with the regulations on the reduction of share capital, and it can be used as a fund increase to increase share capital. The acquisition cost of treasury shares is deducted from shareholders' equity (including the related transaction costs).

The parent company's distributable equity was 18,360 thousand on December 31, 2021.

17. Share-based payments

Share-based incentive plan for the group's key employees 2021, 2022 and 2023
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. Approximately 40 persons, including the CEO and other Martela's Management Team members, belong to the target group of the plan. 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. During the performance period 2021, the rewards are based on the Group's Earnings before Interest and Taxes (EBIT). The potential rewards based on the plan will be paid after the end of each 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. The cash proportions of the rewards are intended for covering taxes and tax-related expenses arising from the rewards to the participants.

Program			Share-based incentive programme 2021–2023
Type			Share
Instrument	**Earning period 2021**	**Earning period 2022**	**Earning period 2023**
Issuing date	6 May 2021	6 May 2021	6 May 2021
Maximum amount, pcs	718,000	718,000	718,000
Dividend adjustment	No	No	No
Grant date	18.3.2021	18.3.2021	18.3.2021
Beginning of earning period	1.1.2021	1.1.2022	1.1.2023
End of earning period	31.12.2021	31.12.2022	31.12.2023
End of restriction period	31.5.2022	31.5.2023	31.5.2024
Vesting conditions	Share ownership, employment until the end of vesting date, EBIT		
Maximum contractual life, yrs	1.4	1.4	1.4
Remaining contractual life, yrs	0.4	1.4	1.4
Number of persons at the end of reporting year	35	35	35
Payment method	Cash & Equity	Cash & Equity	Cash & Equity

Changes during the period 2021	Earning period 2021	Earning period 2022	Earning period 2023
1.1.2021			
Outstanding at the beginning of the reporting period, pcs			
Changes during the period			
Granted	203,808	203,804	203,788
Forfeited	50,794	50,794	50,794
Shares given			
Outstanding at the end of the period	153,014	153,010	152,994

Effects from the share-based incentive programme on the financial year 2021 (EUR 1,000)	
Expenses for the financial year, share-based payment	
Expenses for the financial year, share-based payments, equity settled	106,239
Liabilities arising from share-based payments on 31.12.2021	106,239

IFRS 2 requires an entity to measure the award at its fair value and recognised over the vesting period. The award is recognised in equity in its full extent. The fair value of the share-based scheme when granted was the value of a company's share.

Share-based incentive programme 2017–2018 and 2019–2020

No incentives have been paid for any of the earning periods of the earlier share-based incentive programme.

Program	Share-based incentive programme 2017–2018 and 2019–2020	
Type		**Share**
Instrument	**Earning period 2017–2018**	**Earning period 2019–2020**
Issuing date	15.12.2016	15.12.2016
Maximum amount, pcs	80,000	100,000
Dividend adjustment	No	No
Grant date	7.4.2017	13.12.2018
Beginning of earning period	1.1.2017	1.1.2019
End of earning period	31.12.2018	31.12.2020
End of restriction period	15.4.2019	30.4.2021
Vesting conditions	EBIT	Revenue and EBIT
Maximum contractual life, yrs	3.3	3.3
Remaining contractual life, yrs	0.0	0.0
Number of persons at the end of reporting year	0	5
Payment method	Cash & Equity	Cash & Equity

Changes during the period 2020	Earning period 2017–2018	Earning period 2019–2020	Total
1.1.2020			
Outstanding at the beginning of the reporting period, pcs		91,000	91,000
Changes during the period			
Granted			
Forfeited			91,000
Shares given			
Outstanding at the end of the period		91,000	0

18. Financial liabilities

(EUR 1,000)	31.12.2021	31.12.2020
Non-current		
Loans from financial institutions	0	2,900
Lease liabilities, IFRS 16	1,791	3,377
Total	**1,791**	**6,277**
Current	31.12.2021	31.12.2020
Loans from financial institutions	8,491	6,000
Lease liabilities, IFRS 16	2,461	2,656
Total	**10,952**	**8,656**

The Group's bank loans have either variable or fixed interest rates. The Group's average interest rate is 4.0% (4.2%). The current portions of debt are presented more in detail under note 22 Management of financial risks.

A covenant linked to net debt to EBITDA-ratio is attached to the Group's bank loans. The net debt to EBITDA-ratio can be at maximum 3.7 according to the contract. When calculating these figures, the net debt is the net debt of the review date, and the EBITDA is the sum of the four preceding quarter EBITDA. If Martela breaches this covenant, the loans will fall due immediately unless Martela manages to recover the ratio during the following quarter or the lender gives a waiver. The total value of the loan submitted to this covenant was EUR 6.9 million on December 31, 2021 and Martela met the contract at the end of the reporting period. (Calculated figure: net debt/EBITDA 2.0) Martela didn't fulfil the covenant in the end of the second and third quarter, as a result of which the loan is classified as current in the balance sheet.

Mortgages and guarantees given by credit institutions and, to a minor degree, pledged shares in housing corporations owned by the company are used as collateral for bank and pension loans.

More information in note 23 Pledges granted and contingent liabilities.

Lease liabilities are payable as follows:	31.12.2021 Lease liabilities, IFRS 16	31.12.2020 Finance lease liabilities, IFRS 16
Lease liabilities - total amount of minimum lease payments		
No later than one year	2,543	2,782
Later than one year and no later than five years	1,898	3,439
Later than five years		
Total	**4,440**	**6,221**
Lease liabilities - present value of minimum lease payments		
No later than one year	2,461	2,656
Later than one year and no later than five years	1,792	3,339
Later than five years		41
Total	**4,254**	**6,036**
Unearned finance expense	**187**	**184**

The average interest of financial leases was 3.1% in 2021 and 3.7% in 2020. Company has signed new premises lease contract on May 24, 2021 which estimated starting date is April 1, 2022. Contract is valid at least until March 31, 2029, and the monthly rent is EUR 30,754.

Amounts recognised in profit or loss (EUR 1,000)	31.12.2021	31.12.2020
Interest on lease liabilities	132	-236
Expenses related to short-term leases	-1,052	-830

			Non-cash changes			
Changes in net debt 2021	**1.1.2021**	**Cash flows**	**Transfer between groups**	**IFRS 16 increase**	**IFRS 16 repayments**	**31.12.2021**
Long-term liabilities total	6,277	0	-2,900	764	-2,351	1,790
Short-term liabilities total	8,656	-409	2,900	2,765	-2,960	10,952
Total liabilities from the financing activities	**14,933**	**-409**	**0**	**3,528**	**-5,310**	**12,742**

			Non-cash changes			
Changes in net debt 2020	**1.1.2020**	**Cash flows**	**Transfer between groups**	**IFRS 16 increase**	**IFRS 16 repayments**	**31.12.2020**
Long-term liabilities total	5,797	4,400	-4,459	2,851	-2,311	6,277
Short-term liabilities total	8,315	-4,333	4,459	3,169	-2,953	8,656
Total liabilities from the financing activities	**14,112**	**67**	**0**	**6,020**	**-5,265**	**14,933**

19. Pension obligations

Martela's defined benefit plans concern its operations in Finland. The arrangements are made through insurance companies. The plans are partly funded.

On the balance sheet, the commitment to those insured is presented as a pension liability, and the part of this liability that falls under the responsibility of insurance company is presented as an asset. As the funds belong to the insurance companies, they cannot be itemised in Martela's consolidated financial statements.

In insurance arrangements, the amount of funds is calculated using the same discount rate used for the determination of pension liabilities. This means that a change in discount rate does not pose a significant risk. In addition, an increase in life expectancy does not pose a significant risk for Martela, as insurance companies will bear most of the impact of this.

The pensions are fixed to 2017 salary levels and accounted for accordingly.

Changes in defined benefit liability	Present value of the defined benefit liability		Fair value of the funds included in the plan		Net debt of the defined benefit liability	
(EUR 1,000)	2021	2020	2021	2020	2021	2020
1.1.	**3,513**	**3,059**	**-3,172**	**-2,737**	**342**	**322**
Recognised in profit or loss						
Service cost in the period	158	148			158	148
Past service cost	0	0	0	0		
Interest expense or income	23	34	-21	-31	2	3
Settlements	-719	0	719	0		
	-538	**181**	**698**	**-31**	**160**	**150**
Recognised in other comprehensive income						
Items resulting from remeasurement:						
Gains (-) or losses (+) resulting from changes in demographical assumptions	0	0			0	0
Actuarial gain (-) and losses (+) resulting from changes in financial assumptions	-123	279			-123	279
Experience based profits (-) or losses (+)	-255	-6			-255	-6
Return on the funds included in the plan, excluding items in interest expenses or income (+/-)			111	-301	111	-301
	-378	**273**	**111**	**-301**	**-266**	**-27**
Other items						
Employer's payments (+)	0	0	-107	-102	-107	-102
31.12.	**2,597**	**3,513**	**-2,469**	**-3,172**	**128**	**342**

The Group anticipates that it will pay a total of EUR 79 thousand to defined benefit pension plans in the financial period of 2022.

Sensitivity analysis

The following table illustrates the effects of changes in the most significant actuarial assumptions on the funds related to the defined benefit pension liability and plans.

	Defined benefit liability	Fair value of the funds included in the plan
Effect of a change in the assumption employed	**The assumption is growing**	**The assumption is growing**
Discount rate (0.5% change)	-8,2%	-7.6%
Increase in salaries (0.5% change)	N/A	N/A
Morality rate (a change of 5% points)	-1,3%	-1.2%

The weighted average of the duration of the plans is 17.2 years.

20. Provisions

(EUR 1,000)	31.12.2021	31.12.2020
Long-term provisions	236	282
Short-term provisions	59	70
Total	**295**	**352**

Provisions 1.1.2021		**352**
Net change in provisions		-57
Provisions 31.1.2021		295

The normal warranty for standard Martela produced products is five years. The warranty provision has been calculated as an estimate of the 5-year warranties for Martela products and the sale of Martela products.

21. Current liabilities

(EUR 1,000)	31.12.2021	31.12.2020
Financial liabilities	10,952	8,656
Advances received	2,625	2,281
Trade payables	13,099	8,885
Total	**26,677**	**19,822**
Accrued liabilities and prepaid income of		
Personnel expenses	4,611	5,432
Interests	153	170
Royalties	256	155
Residual expenses	3,380	2,530
Other	2	2
Total	**8,402**	**8,289**
Other current liabilities	2,894	5,063
Other	**2,894**	**5,063**
Provisions*	59	70
Current liabilities	**38,032**	**33,245**

*For more information see note 20.

22. Management of financial risks

Financial risks are unexpected exceptions relating to exchange rates, liquidity, customer liquidity, investments and interest rates. The objective of financial risk management is to ensure that the company has sufficient financing on a cost-efficient basis and to reduce the adverse effects of financial market fluctuations on the Group's result and net assets. The general principles of risk management are approved by Board of Directors and the practical implementation of financial risk management is on the responsibility of the parent company's financial administration.

Market risks
Market risks comprise the following three risks: Currency risk, interest rate risk and price risk. The associated fluctuations in exchange rates, market interest rates and market prices may lead to changes in the fair value of financial instruments and in the future cash flows and hence they impact the result and balance sheet of the Group.

Currency risks
The Group has operations in Finland, Sweden, Norway and Poland and it is therefore exposed to currency that arise in intra-group transactions, exports and imports, the financing of foreign subsidiaries and equity that is denominated in foreign currencies. Translation risks result from incoming cash flows denominated in foreign currencies. Translation risk arise when the value of the capital invested in the parent company's foreign subsidiaries, annual profits and loans change as a result of exchange rate fluctuations.

Transaction risks
Martela's major trading currencies are EUR, SEK, NOK and PLN. The SEK, NOK and PLN currency positions are reviewed mainly on a half-yearly basis. The Group's policy is to hedge the net positions remaining after reconciliation if seen necessary. The Group has not hedged against transaction risks during the financial periods of 2020 and 2021.

The following table presents currency risks per instrument and currency.

Transaction risks per instrument and currency 31.12.2021 (EUR 1,000)

	EUR	SEK	NOK
Trade receivables	0	3,323	1,590
Trade payables	74	430	55
Total	**74**	**3,753**	**1,645**

Transaction risks per instrument and currency 31.12.2020 (EUR 1,000)

	EUR	SEK	NOK
Trade receivables	0	1,144	1,333
Trade payables	3	0	69
Total	**3**	**1,144**	**1,402**

The impact of other currencies is minor.

Analysis of sensitivity to transaction risk

The following table presents the average impact of 10 per cent change in exchange rates on 31 December on the company's financial result before taxes and capital for 2021 (2020). The estimates are based on the assumption that no other variables change.

Analysis of sensitivity to transaction risk (EUR 1,000)	Impact on result
31.12.2021	
EUR	+/- 7
SEK	+/- 375
NOK	+/- 165

Analysis of sensitivity to transaction risk (EUR 1,000)	Impact on result
31.12.2020	
EUR	**+/- 0**
SEK	**+/- 144**
NOK	**+/- 140**

Interest rate risks

The Group's interest rate risks relate mainly to the Group's loan portfolio. The duration of loans varies between 1–5 years. The Group can raise either fixed-interest or variable-interest loans and can use interest rate swaps.

The following table presents the distribution of the Group's financial instruments into fixed interest rate and variable interest rate on the balance sheet date.

Financial instruments (EUR 1,000)	31.12.2021	31.12.2020
Fixed rate		
Financial liabilities	4,253	6,033
Variable rate		
Financial liabilities	8,491	8,900
Total	**12,744**	**14,933**

Analysis of sensitivity to interest rate risks

Impact of 1% increase in interest rate on financial result before taxes and capital on the balance sheet date 31 December. Decrease in interest rate would have an opposite impact of equal size.

Analysis of sensitivity to interest rate risks (EUR 1,000)	Impact on result
31.12.2021	
Financial liabilities	
Variable rate financial instruments	-85

Analysis of sensitivity to interest rate risks (EUR 1,000)	Impact on result
31.12.2020	
Financial liabilities	
Variable rate financial instruments	-89

Price risk

Available-for-sale shares included in financial assets are not deemed subject to resale price risk.

Credit risk

Credit risk arises from the possibility that a counterparty will not meet its contractual payment obligations. Hence the seriousness of the risk is determined on the basis of the counterparty's creditworthiness. The objective of credit risk management is to minimise the losses that would arise should the counterparty not meet its obligations.

The turnover and maturity structure of Group's companies trade receivables are reported monthly and are monitored by the parent company's financial management.

The principles of credit risk management are confirmed by Martela's Board of Directors. Risk management is based on the authorisations given to the organisation.

Credit risks related to the company's trade and other receivables are minimised by using short terms of payment, effective collection measures and accounting for the counterparty's creditworthiness. Supply agreements are used when the customer company is unknown and the available credit information is insufficient. In this context a supply agreement is an agreement which secures and receivables arising from an order by withholding the right of ownership with Martela Oyj until the customer has paid the sale price in full.

Supply agreements are only used in sales in Finland. A customer may also be required to make prepayment before sold products are delivered if it is considered necessary in light of the potential credit risk associated with the customer. Counterparties may also be granted to credit limits. The creditworthiness of customers is monitored regularly on the basis of payment history and credit rating.

Collateral may be required from certain customers based on their creditworthiness and in the case of exports, for example, Martela may use confirmed irrevocable Letters of Credit.

The book value of financial assets corresponds to the maximum amount of the credit risk.

The maximum financial asset credit risk amount on the balance sheet date 31 December is presented in the following table:

Maximum financial asset credit risk (EUR 1,000)	2021	2020
Financial assets measured at fair value through profit or loss	7	7
Non-current loan receivables	535	
Trade receivables and other receivables	19,712	14,562
Cash and cash equivalents	**4,926**	**11,172**
Total	**25,180**	**25,741**

See note 15 for additional information on trade receivables and the related credit loss provisions.

Liquidity risks

The Group strives to assess and monitor the amount of funding required by business operations so that there are sufficient liquid assets for operating expenses and repayment of maturing loans. In addition, the Group continually maintains sufficient liquidity by means of effective cash management solutions such as cash reserves and overdrafts. The refinancing risk is managed by balancing the maturity schedules of loans and bank overdrafts according to forecast cash flows and by using several banks in financial operations. A covenant is linked to the bank's loans in by the group. For more information on the bank loans and the covenants see note 18. Sudden changes on financial markets or in the operational environment of Martela may affect negatively on the liquidity of the Group and its ability to meet its payment obligations.

Cash and cash equivalent at the year-end 2021 were EUR 4,926 thousand and unused credit limits EUR 218 thousand.

Contractual cash flows mature as follows (EUR 1,000):	2022	2023	2024	2025	2026	Later	Total	Balance sheet value
Bank loans	6,900						6,900	6,900
Finance leases	2,461	1,056	534	162	41	0	4,254	4,254
Trade payables	13,099	0	0	0	0	0	13,099	13,099
Loan interest and guarantee fees	266	38				0	304	
Total	**22,727**	**1,094**	**534**	**162**	**41**	**0**	**24,557**	

Cash and cash equivalent at the year-end 2020 were EUR 11,172 thousand and unused credit limits EUR 883 thousand.

Contractual cash flows mature as follows (EUR 1,000):	2021	2022	2023	2024	2025	Later	Total	Balance sheet value
Bank loans	6,000	1,000	1,900				8,900	8,900
Financial leases	2,449	2,346	739	333	150	41	6,059	6,059
Trade payables	8,885	0	0	0	0	0	8,885	8,885
Loan interest and guarantee fees	324	106	38		0	0	468	
Total	**17,658**	**3,452**	**2,677**	**333**	**150**	**41**	**24,312**	

Management of capital structure

It is the Group's objective to ensure an effective capital structure that will secure its operating capacity in the capital markets in all circumstances irrespective of volatility. The Group's Board of Directors assess the capital structure on a regular basis, The Group uses the equity ratio to monitor its capital structure.

The equity ratio formula is presented in the following table:

Equity ratio	31.12.2021	31.12.2020
Shareholders' equity	10,760	11,639
Balance sheet total - advance payments	48,566	49,852
Equity to assets ratio %	**22.2**	**23.3**

23. Pledges granted and contingent liabilities

(EUR 1,000)	31.12.2021	31.12.2020
Debts secured by mortgages		
Bank and pension loans	6,900	8,900
Property mortgages	7,565	7,565
Corporate mortgages	13,286	14,358
Total mortgages	**20,851**	**21,923**
Other pledges		
Guarantees as security for rents	527	379

24. Related party transactions

Martela Group's related party transactions comprise the CEO, members of the Board and the Group's management team, as well as their family members. Martela Group's related parties also include a shareholder who holds at least 20% of the company's total number of votes. Members of the Board hold a total of 1.3% of the shares and 6.4% of the votes. Persons in the management own a total of 132,564 Martela Corporation shares as at December 31, 2021. As part of the implementation of the Performance-based Matching Share Plan 2021-2023, described in note 17, Board of Directors has resolved to grant plan participants interest-bearing loans to finance the acquisition of the company's shares. Maximum amount of the loan is 70 per cent of the participant´s investment in shares. Loan is to be repaid the latest by December 31, 2025 and interest is 12-month Euribor, however not below 0%. Management has been granted loan in total EUR 222,774.83, of which EUR 69,999.93 has been granted to CEO and other management EUR 152,774.90.

Group structure	Domicile	Holding (%) 31.12.2021	Of votes (%) 31.12.2021	Sales company	Production company
Parent company					
Martela Oyj	Finland			x	x
Subsidiaries					
Kidex Oy	Finland	100	100	x	x
Grundell Muuttopalvelut	Finland	100	100	x	
Martela AB, Nässjö	Sweden	100	100	x	
Aski Avvecklingsbolag AB, Malmö	Sweden	100	100		
Martela AS, Oslo	Norway	100	100	x	
Martela Sp.z o.o., Varsova	Poland	100	100	x	x
Tehokaluste Oy	Finland	100	100	x	

Management employee benefits

The Group has determined key persons in management to be:

- Members of the Board of Directors
- CEO
- Group's Management Team

The table below presents the employee benefits received by key persons in management. Employee benefits are presented with the accrual method. Voluntary pension plans, which include both defined contribution plans and defined benefit plans, are recognised as post-employment benefits.

(EUR 1,000)	2021	2020
Management employee benefits		
Salaries and other short-term employee benefits	-1,182	-1,211
Total	**-1,182**	**-1,211**
Salaries and fees	**2021**	**2020**
Board members	-158	-173
CEO*	-292	-392
Management team members (excl. CEO)	-732	-646
Total	**-1,182**	**-1,211**

*Upon the dismissal of Martela's President and CEO, a total of EUR 66 thousand was paid in 2020, including social security costs.

Fees paid to Board members:	2021	2020
Andersson Minna	-21.6	-20.4
Leskinen Eero*		-5.5
Martela Eero	-22	-22
Martela Heikki*	-10.6	-42.4
Mattson Jan	-22	-22
Mellström Katarina	-22	-22
Mild Johan**	-37.3	-16.5
Vepsäläinen Anni	-22	-22
Total	**-157.5**	**-172.8**

*Member of Board until Q1 2021.
*Member of Board from Q2 2020 until Q1 2021, Chairman of Board from Q2 2021.

Fees based on board membership are not paid to members employed by the company.

Salaries, fees and pension commitment to CEO	2021	2020
Salaries and fees	-235	-320
Statutory earnings-related pension payment (TyEL) on salaries	-57	-71

Salaries include also share-based incentives.

The period of notice is 6 months with respect to both the present CEO and the company, and in the event of dismissal by the company, the CEO is entitled, besides of the notice period, to a lump-sum compensation equalling hies salary for 6 months.

CEO and the Group management team has long term share-based incentive programme, in which is possible to receive Martela A shares when the set targets are met.

More information in note 17 Share-based payments.

25. Key financial indicators for the Group

Martela Group 2017-2021		2021	2020	2019	2018	2017
Revenue	MEUR	91.9	88.4	106.2	103.1	109.5
Change in revenue	%	4.0	-16.8	3.0	-5.9	-15.2
Export and operations outside Finland	MEUR	22.1	16.3	23.1	17.0	22.3
In relation to revenue	%	24.1	18.5	21.7	16.5	20.4
Exports from Finland	MEUR	21.9	16.1	22.7	16.3	18.4
Gross capital expenditure	MEUR	0.4	1.2	2.3	1.7	2.2
In relation to revenue	%	0.4	1.4	2.1	1.6	2.1
Depreciation	MEUR	5.4	6.5	4.9	2.6	2.6
Research and development	MEUR	2.2	2.0	2.2	1.9	2.0
In relation to revenue	%	2.3	2.2	2.1	1.8	1.8
Personnel on average		419	451	494	510	508
Change in personnel	%	-7.1	-8.7	-3.1	0.4	-7.3
Personnel at the end of year		400	435	464	501	507
of which in Finland		326	362	385	425	435
Profitability						
Operating profit	MEUR	-1.3	-4.0	-2.0	-2.1	0.3
In relation to revenue	%	-1.4	-4.5	-1.9	-2.0	0.2
Profit before taxes	MEUR	-2.3	-4.8	-2.7	-2.5	0.0
In relation to revenue	%	-2.5	-5.4	-2.5	-2.4	0.0
Profit for the year*	MEUR	-2.4	-4.8	-2.5	-2.4	-0.6
In relation to revenue	%	-2.6	-5.4	-2.4	-2.3	-0.6
Revenue / employee	TEUR	219	196	215	202	216
Return on equity	%	-21.3	-34.7	-14.7	-11.4	-2.7
Return on investment	%	-4.7	-13.2	-6.4	-4.9	1.6
Finance and financial position						
Balance sheet total	MEUR	51.1	52.1	55.9	50.0	56.4
Equity	MEUR	10.8	11.6	16.1	18.8	22.6
Interest-bearing net liabilities	MEUR	8.1	4.3	5.0	0.1	6.6
In relation to revenue	%	8.8	4.9	4.7	0.1	6.0
Equity ratio	%	22.2	23.3	28.8	39.2	40.8
Gearing	%	74.8	36.5	31.5	0.7	28.9
Net cash flow from operations	MEUR	-3.4	5.7	6.3	7.4	-7.6
Dividends paid	MEUR	0.0	0.0	0.4	1.3	1.5

*Change in deferred tax liability included in profit for the year

26. Key share-related figures

		2021	2020	2019	2018	2017
Earnings per share	EUR	-0.53	-1.16	-0.61	-0.57	-0.15
Earnings per share (diluted)	EUR	-0.53	-1.16	-0.61	-0.57	-0.15
Share par value	EUR	1.55	1.68	1.68	1.68	1.68
Dividend*	EUR	0.0*	0.0	0.0	0.1	0.32
Dividend/earnings per share	%	0.0	0	0.0	-17.5	-208.4
Effective dividend yield	%	0.00	0	0.00	3.38	4.30
Equity per share	EUR	2.39	2.81	3.80	4.54	5.47
Price of A share 31.12.	EUR	2.29	3.09	3.36	2.96	7.47
Share issue-adjusted number of shares	tpcs	4,508.04	4,155.60	4,155.60	4,155.60	4,155.60
Average share-issue adjusted number of shares	tpcs	4,508.04	4,155.60	4,155.60	4,155.60	4,155.60
Price/earnings ratio		-4.32	-2.66	-5.48	-5.18	-48.64
Market value of shares**	MEUR	10.29	12.80	13.92	12.26	30.95

*Proposal by the Board of Directors
**Price of A shares used as value of K shares

Formulas to key figures

Earnings / share	=	Profit attributable to equity holders of the parent / Average share issue-adjusted number of shares
Price /earnings multiple (P/E)	=	Share issue-adjusted share price at year-end / Earnings / share
Equity / share, EUR	=	Equity attributable to the equity holders of the parent / Share issue-adjusted number of shares at year-end
Dividend / share, EUR	=	Dividend for the financial year / Share issue-adjusted number of shares at year-end
Dividend / earnings, %	=	Dividend / share x 100 / Earnings / share
Effective dividend yield, %	=	Share issue-adjusted dividend / share x 100 / Share issue-adjusted share price at the year-end
Market value of shares, EUR	=	Total number of shares at year-end x share price on the balance sheet date
Return on equity, %	=	Profit/loss for the financial year x 100 / Equity (average during the year)
Return on investment, %	=	(Pre-tax profit/loss + interest expenses + other financial items) x 100 / Balance sheet total - Non-interest-bearing liabilities (average during the year)
Equity ratio, %	=	Equity x 100 / Balance sheet total - advances received
Gearing, %	=	Interest-bearing liabilities - Cash, cash equivalents and liquid asset securities x 100 / Equity
Personnel on average	=	Month-end average number of personnel in active employment
Interest-bearing net debt	=	Interest-bearing debt - cash and other liquid financial assets

27. Shares and shareholders

Share capital

The number of registered Martela Oyj shares on December 31, 2021 was 4,508,040. The shares are divided into A and K shares. Each A share carries 1 vote and each K share 20 votes in annual general shareholders' meeting.

Both share series have the same dividend rights. The company's maximum share capital is EUR 14,000,000 and the minimum is EUR 3,500,000.

Martela Oyj's shares were entered in the book-entry register on February 10, 1995. The counter-book value of each share is EUR 1.55 (1.68).

The A shares are quoted on the Small Cap list of Nasdaq Helsinki.

Distribution of shares 31.12.2021	Number, pcs	Total EUR	% of Share Capital	Votes	% of votes
K shares	604,800	939,122	13	12,096,000	76
A shares	3,903,240	6,060,878	87	3,903,240	24
Total	**4,508,040**	**7,000,000**	**100**	**15,999,240**	**100**

The largest shareholders by number of shares 31.12.2021	K series shares	A series shares	Total number of shares	%	Number of votes	% of total votes
Marfort Oy	292,000	232,574	524,574	11.6	6,072,574	**38.0**
Isku-yhtymä	0	335,400	335,400	7.4	335,400	**2.1**
Martela Heikki Juhani	52,122	130,942	183,064	4.1	1,173,382	7.3
Palsanen Leena Maire Sinikka	4,486	131,148	135,634	3.0	220,868	1.4
Palsanen Jaakko Antero	1,600	132,140	133,740	3.0	164,140	1.0
Aurasmaa Artti Eljas Henrikki	0	120,000	120,000	2.7	120,000	0.8
Kelhu Markku Juhani	0	120,000	120,000	2.7	120,000	0.8
Selfo AB	0	92,400	92,400	2.0	92,400	0.6
Meissa-Capital Oy	0	86,487	86,487	1.9	86,487	0.5
Sijoitusrahasto Nordea Nordic Small Cap	0	76,286	76,286	1.7	76,286	0.5
Lindholm Tuija Elli Annikki	43,122	28,221	71,343	1.6	890,661	5.6
Martela Pekka Kalevi	69,274	8	69,282	1.5	1,385,488	8.7
Katila Sami Juhani	0	55,000	55,000	1.2	55,000	0.3
Väätäjä Kaj Tapani	0	52,541	52,541	1.2	52,541	0.3
Andersson Minna Sinikka	49,200	0	49,200	1.1	984,000	6.2
Martela Mari Kaarina	20,219	9,596	29,815	0.7	413,976	2.6
Martela Ille Ilari	13,218	8,368	21,586	0.5	272,728	1.7
Martela Jarmo Matti Tapani	8,919	0	8,919	0.2	178,380	1.1
Other shareholders	50,640	2,292,129	2,342,769	52.0	3,304,929	20.7
Total	**604,800**	**3,903,240**	**4,508,040**	**100**	**15,999,240**	**100**

The list includes all shareholders holding over 1% of the shares or votes. The Board of Directors hold 1.3% of shares and 6.4% of votes.

Martela Oyj owns 13,082 pcs A shares. 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. The number of treasury shares is equivalent to 0.29% of all shares and 0.08% of all votes.

The Annual General Meeting has in 2021 re-authorised the Board of Directors to decide, for the following year, on share issue, on acquiring and/or disposing of the company's shares in deviation from the pre-emptive rights of shareholders.

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 authorisation is for a maximum 600,000 of the company's A series shares.

Breakdown of share ownership by number of shares held 31.12.2021 Shares, pcs	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of votes
1-500	2,455	77.4	336,864	7.5	352,064	2.2
501-1,000	308	9.7	242,284	5.4	246,084	1.5
1,001-5,000	305	9.6	730,452	16.2	970,612	6.1
Over 5,000	105	3.3	3,181,521	70.6	14,092,100	88.1
Total	**3,173**	**100.0**	**4,491,121**	**99.6**	**15,660,860**	**97.9**
of which nominee-registered	7		71,297	1.6	71,297	0.4
In the waiting list and collective account	4		16,919	0.4	338,380	2.1
Total			**4,508,040**	**100.0**	**15,999,240**	**100.0**

Breakdown of shareholding by sector 31.12.2021	Number of shareholders	% of total shareholders	Number of shares	%	Number of votes	% of votes
Private companies	119	3.8	1,418,438	31.5	6,966,438	43.5
Financial and insurance institutions	10	0.3	115,948	2.6	168,831	1.1
Non-profit entities	5	0.2	3,161	0.1	3,161	0.0
Households	3,027	95.4	2,870,577	63.7	8,492,316	53.1
Foreign investors	12	0.4	11,700	0.3	30,114	0.2
Total	**3,173**	**100.0**	**4,419,824**	**98.0**	**15,660,860**	**97.9**
of which nominee-registered	7		71,297	1.6	71,297	
In the waiting list and collective account	4		16,919	0.4	338,380	2.1
Total			**4,508,040**	**100.0**	**15,999,240**	**100.0**

Parent Company Income Statement

(EUR 1,000)	Note	1.1.–31.12.2021	1.1.–31.12.2020
Revenue	1	**89,392**	**85,342**
Change in inventories of finished goods and work in progress	3	740	521
Production for own use		328	90
Other operating income	2	1,254	1,203
Materials and services	3	-66,795	-64,006
Personnel expenses	4	-12,680	-13,329
Other operating expenses	5	-9,843	-9,376
Depreciation and impairment	6	-2,473	-3,520
Operating profit (-loss)		**-78**	**-3,076**
Financial income and expenses	7	-1,233	-3,483
Profit (-loss) before appropriations and taxes		**-1,311**	**-6,559**
Group contributions	8	360	500
Depreciation difference and Group contributions		360	500
Income taxes	9	0	0
Profit (-loss) for the financial year		**-951**	**-6,059**

Parent Company Balance Sheet

(EUR 1,000)	Note	31.12.2021	31.12.2020
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	1,363	1,781
Intangible rights		5,520	6,440
Goodwill		2,224	2,847
Other long-term expenditure		159	**317**
Advance payments		**9,266**	**11,386**
Tangible assets	11	80	80
Land and water areas		1,864	1,866
Buildings and structures		1,107	920
Machinery and equipment		23	23
Other tangible assets		**3,073**	**2,889**
Investments	12	7,405	7,489
Share is subsidiaries		4,395	4,973
Receivables from subsidiaries		7	7
Other shares and participations		**11,808**	**12,469**
CURRENT ASSETS			
Inventories		8,006	6,484
Materials and supplies		1,097	988
Work in progress		2,111	1,040
Finished goods		16	10
Advances paid to suppliers		**11,230**	**8,522**
Non-current receivables	13	19,931	13,567
Trade receivables		895	3,220
Loan receivables		1,831	1,636
Accrued income and prepaid expenses		**22,658**	**18,424**
		4,700	**10,393**
Cash and cash equivalents		**62,735**	**64,083**

(EUR 1,000)	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Shareholders' equity	14	7,000	7,000
Share capital		1,116	1,116
Share premium account		11	11
Reserve fund		962	
Invested unrestricted equity fund		18,350	24,409
Retained earnings		-952	-6,059
Profit for the year		**26,487**	**26,477**
Total			
Compulsory reservations		236	352
Other compulsory reservations			
LIABILITIES			
Non-current	15	0	2,900
Loans from financial institutions		107	150
Accrued liabilities and prepaid income		**107**	**3,050**
Current	**16**	8,491	6,000
Loans from financial institutions		**8,491**	**6,000**
		405	461
Advances received		18,190	13,908
Trade payables		5,550	9,037
Accrued liabilities and prepaid income		3,269	4,798
Other current liabilities		**27,414**	**28,203**
		36,012	**37,254**
Liabilities, total		**62,735**	**64,083**

Parent Company's Cash Flow Statement

(EUR 1,000)	1.1.–31.12.2021	1.1.–31.12.2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash flows from sales	81,986	85,287
Cash flow from other operating income	1,254	1,210
Payments on operating costs	-87,670	-83,558
Net cash from operating activities before financial items and taxes	**-4,430**	**2,939**
Interests paid and other financial payments	-623	-402
Dividends received	0	0
Taxes paid	0	0
Net cash from operating activities (A)	**-5,053**	**2,537**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on tangible and intangible assets	-209	-1,011
Proceeds from sale of tangible and intangible assets	0	0
Loans granted	-443	-123
Repayments of loan receivables	0	0
Net cash used in investing activities (B)	**-652**	**-1,134**
CASH FLOWS FROM FINANCING ACTIVITIES		
Paid share issue		
Proceeds from current loans	421	5,000
Repayments of current loans	1,591	-9,329
Proceeds from non-current loans	-2,000	4,400
Net cash used in financing activities (C)	**12**	**71**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) (+ increase, - decrease)	**-5,692**	**1,474**
Cash and cash equivalent at the beginning of financial year*	**10,393**	**8,918**
Cash and cash equivalent at the end of financial year*	**4,700**	**10,393**

*Includes cash and bank receivables

Accounting Policies for the Parent Company Financial Statements

Martela Oyj's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). Items in the financial statements have been recognised at cost. No assets have been recorded to appreciated values, unless separately mentioned.

Items denominated in foreign currency:

Transactions denominated in foreign currencies are recognised at the rate of exchange on the date of their occurrence. Receivables and liabilities in the balance sheet are translated at the average rate on the balance sheet date. Exchange rate differences arising from trade receivables are recognised in revenue and those of trade payables in adjustment items for purchases. Exchange rate differences arising from balance sheet financial items, such as loans, are recognised in exchange rate differences of finance. Shareholders loans denominated in foreign currency to subsidiaries are considered as investments. Currency exchange rate differences are hence not recognised in parent company financial statements. Exchange rate differences related to shareholder loans are recognised in the Consolidated financial statements.

Intangible assets:

Intangible assets are reported in the balance sheet at cost and depreciated according to the plan (by straight line method). Intangible assets are depreciated according to their estimated useful life in 3-10 years. Goodwill is depreciated by straight-line method in 10 years.

Tangible assets:

Buildings, machinery, equipment and other tangible assets are reported in the balance sheet at cost. No depreciation is recognised on revaluations of buildings or on land areas. Otherwise, depreciation is calculated on a straight-line basis according to the estimated useful life. The change in accumulated depreciation difference is presented as a separate item in the parent company's profit and loss statement and the accumulated depreciation difference as a separate item in the balance sheet.

Depreciation periods for tangible assets:

Buildings and structures	20-30 years
Machinery and equipment	4-8 years
Other tangible assets	3-5 years

Impairment testing of long-term assets

Goodwill and investments in subsidiaries are tested for impairment annually regardless if there are any indications that the amount might be impaired. The recoverable cash amount from the subsidiaries is based on value in use calculations in the testing. The forecasted cash flows are based on 5-year financial plans approved by management. The central assumptions of the plans comprise of subsidiary growth- and profitability assumptions. The cash flows beyond the five-year period is estimated based on 1.5% growth.

Inventories:

Inventories are recognised at weighted average purchase prices. The value of inventories is reduced with respect to nonmarketable items. The cost of goods includes also a share of the overhead costs of production.

Income tax:

The company income taxes are recognised on accrual basis and are calculated according to local tax legislation with adjustments from previous financial years. In the financial statements the company does not recognise deferred tax receivables or deferred tax liabilities.

Revenue and recognition policies:
Revenue is recognised on accrual basis. Direct taxes, discounts and exchange rate differences are deducted from sales income in calculating revenue.

Research and development:
Research and development expenses are recognised normally in profit or loss in the year they arise. Research and development-related equipment is capitalised in machinery and equipment.

Other operating income and expenses:
Proceeds from sale of assets, public subsidies and other income (e.g. rent income) are recognised in "Other operating income". Losses from disposal of assets and other costs are recognised in "Other operating expenses".

Operating leases:
All leasing payments are reported as rent expenses.

Share-based payments:
In the effective share-based incentive programme there are three earning periods, which are 2021, 2022 and 2023, and payment are made as a combination of shares and cash.

Treasury shares:
The treasury shares held by the parent company are reported as a deduction from equity.

Other compulsory reservations
The normal warranty for standard Martela produced products is five years. The warranty provision (EUR 236 thousand) has been calculated as an estimate of the five-year warranties for Martela products and the sale of Martela products.

1. Breakdown of revenue by market area, % of revenue

	2021	2020
Finland	76	81
Scandinavia	16	16
Other	8	3
Total	**100**	**100**

2. Other operating income

(EUR 1,000)	2021	2020
Rental income	238	251
Government grants	30	70
Other operating income	118	40
Other operating income, Group	867	842
Total	**1,254**	**1,203**

3. Materials and services

(EUR 1,000)	2021	2020
Purchasing during the financial year	-52,772	-49,153
Change in inventories of materials and suppliers	1,521	1,043
External services	-14,805	-15,375
Materials and supplies, total	**-66,056**	**-63,486**

4. Personnel expenses and number of personnel

(EUR 1,000)	2021	2020
Salaries, CEO	-236	-320
Pension expenses	-57	-71
Salaries of Board and directors	-158	-173
Salaries of Board and directors and managing director, total	**-451**	**-564**
Other salaries	-10,236	-10,565
Pension expenses	-1,546	-1,921
Other salary-related expenses	-447	-279
Personnel expenses in the income statement	**-12,680**	**-13,329**
Fringe benefits	-184	-211
Total	**-12,864**	**-13,540**
Personnel		
Personnel on average, workers	54	58
Personnel on average, officials	152	170
Personnel on average, total	**206**	**227**
Personnel at the year-end	**189**	**227**

Salaries of Board and directors are not income subject to pension.

5. Other operating expenses

(EUR 1,000)	2021	2020
Auditor's fees		
Auditing	-90	-73
Other services	-8	-2
Auditor's fees, total	**-98**	**-75**

6. Depreciation and write-down

(EUR 1,000)	2021	2020
Depreciation according to plan		
Intangible assets	-2,035	-3,173
Tangible assets		
Buildings and structures	-12	-29
Machinery and equipment	-427	-318
Depreciation according to plan, total	**-2,473**	**-3,520**
Impairments	0	0
Depreciations and impairments, total	**-2,473**	**-3,520**

7. Financial income and expenses

(EUR 1,000)	2021	2020
Financial income and expenses		
Interest income from short-term investments	18	26
Interest income from short-term investments from Group companies	38	52
Foreign exchange gains	3	0
Interest expenses	-425	-478
Losses on foreign exchange	-230	-19
Other financial expenses	-110	-60
Impairment	-527	-3,005
Total	**-1,233**	**-3,483**

Impairments include a write-down of subordinated loan to Martela AS, EUR 443 thousand, based on impairment tests, and EUR 84 thousand write-down of shares in subsidiary Aski AB.

8. Depreciations and Group contributions

(EUR 1,000)	2021	2020
Appropriations		
Group contributions, received	360	500
Group contributions, given - /received +	360	500
Group contributions total	**360**	**500**
Appropriations, total	**360**	**500**

9. Income Taxes

(EUR 1,000)	2021	2020
Income taxes from operations	0	0
Taxes from previous years	0	0
Total	**0**	**0**

Deferred tax liabilities and assets have not been included into income statement nor balance sheet.
In total, unrecognised deferred taxes in the balance sheet due to confirmed losses, amount to a total of EUR 1,017 thousand.

10. Intangible assets

1.1.2021 — 31.12.2021	Intangible rights	Goodwill	Other long-term expenses	Work in progress	Intangible assets total
Acquisition cost 1.1.	5,404	9,200	12,466	317	27,387
Increases	0	0	68	217	285
Decreases	0	0	0	-375	-375
Acquisition cost 31.12.	**5,404**	**9,200**	**12,535**	**158**	**27,297**
Accumulated depreciation 1.1.	-3,625	-2,760	-9,618	0	-16,004
Depreciation for the year 1.1.-31.12.	-419	-920	-692	0	-2,030
Accumulated depreciation 31.12.	**-4,043**	**-3,680**	**-10,309**	**0**	**-18,033**
Carrying amount 1.1.	1,781	6,440	2,847	317	11,384
Carrying amount 31.12.	**1,362**	**5,520**	**2,224**	**158**	**9,266**

1.1.2020 — 31.12.2020	Intangible rights	Goodwill	Other long-term expenses	Work in progress	Intangible assets total
Acquisition cost 1.1.	3,312	9,200	12,416	2,038	26,966
Increases	2,092	0	50	936	3,079
Decreases	0	0	0	-2,656	-2,656
Acquisition cost 31.12.	**5,404**	**9,200**	**12,466**	**318**	**27,388**
Accumulated depreciation 1.1.	-3,128	-1,840	-7,868	0	-12,837
Depreciation for the year 1.1.-31.12.	-497	-920	-1,750	0	-3,167
Accumulated depreciation 31.12.	**-3,625**	**-2,760**	**-9,618**	**0**	**-16,004**
Carrying amount 1.1.	185	7,360	4,547	2,038	14,130
Carrying amount 31.12.	**1,781**	**6,440**	**2,847**	**317**	**11,386**

11. Tangible assets

1.1.2021 – 31.12.2021	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	80	10,623	12,812	23	0	23,538
Increases	0	9	623	0	0	632
Acquisition cost 31.12.	**80**	**10,632**	**13,435**	**23**	**0**	**24,170**
Accumulated depreciation 1.1.	0	-8,757	-11,891	0	0	-20,648
Accumulated depreciation on decreases	0	0	-5	0	0	-5
Depreciation for the year 1.1.-31.12.	0	-12	-431	0	0	-443
Accumulated depreciation 31.12.	**0**	**-8,769**	**-12,328**	**0**	**0**	**-21,096**
Carrying amount 1.1.	80	1,866	921	23	0	2,890
Carrying amount 31.12.	**80**	**1,864**	**1,107**	**23**	**0**	**3,073**

1.1.2020 – 31.12.2020	Land areas	Buildings	Machinery and equipment	Other tangible assets	Work in progress	Total
Acquisition cost 1.1.	80	10,623	12,445	23	0	23,171
Increases	0	0	367	0	0	367
Acquisition cost 31.12.	**0**	**0**		**0**	**0**	**0**
Acquisition cost 31.12.	80	10,623	12,812	23	0	23,538
Accumulated depreciation 1.1.	0	-8,728	-11,567	0	0	-20,295
Depreciation for the year 1.1.-31.12.	0	-29	-324	0	0	-353
Accumulated depreciation 31.12.	**0**	**-8,757**	**-11,891**	**0**	**0**	**-20,648**
Carrying amount 1.1.	80	1,895	878	23	0	2,876
Carrying amount 31.12.	**80**	**1,866**	**920**	**23**	**0**	**2,889**

Revaluations included in buildings 2021 total EUR 1,850 thousand (1,850). Carrying amount of production machinery and equipment in 2021 was EUR 53 thousand (55 in 2020).

12. Investments

1.1.2021 – 31.12.2021	Subsidiary shares	Shares in associated undertakings	Other shares and participations	Shareholder loan receivables	Total
Balance sheet value at beginning of year	7,489	0	7	4,973	12,470
Increases	0	0	0	0	0
Decreases / Impairment	-84	0	0	-577	-661
Balance sheet value at end of year	**7,405**	**0**	**7**	**4,396**	**11,808**

1.1.2020 – 31.12.2020	Subsidiary shares	Shares in associated undertakings	Other shares and participations	Shareholder loan receivables	Total
Balance sheet value at beginning of year	7,498	0	7	5,425	12,929
Increases	0	0	0	2,552	2,552
Decreases / Impairment	-9	0	0	-3,004	-3,013
Balance sheet value at end of year	**7,489**	**0**	**7**	**4,973**	**12,470**

Subsidiary shares		Parent company's holding, %	Of total votes, %	Number of shares	Par value (1,000)	Book value (EUR 1,000)
Kidex Oy	Finland	100	100	200	EUR 2,208	2,208
Muuttopalvelu Grundell Oy	Finland	100	100	100	EUR 8	4,440
Kiinteistö Oy Ylähanka	Finland	100	100	510	EUR 0	0
Martela AB, Nässjö	Sweden	100	100	50,000	SEK 5	550
Aski avvecklingsbolag AB, Malmö	Sweden	100	100	12,500	SEK 1,250	48
Martela AS, Oslo	Norway	100	100	200	NOK 200	24
Martela Sp.z o.o., Varsova	Poland	100	100	3,483	PLN 3,483	135
Tehokaluste Oy	Finland	100	100	1	EUR 0	0
Total						**7,405**
Other shares and participations						**7**

Kiinteistö Oy Ylähanka merged with its parent company Martela Oyj on February 6, 2020.

13. Receivables

(EUR 1,000)	2021	2020
Current receivables		
Receivables from Group companies		
Trade receivables	2,908	1,875
Loan receivables	360	3,220
Accrued income and prepaid expenses		0
Receivables from others	17,023	
Trade receivables	535	11,692
Accrued income and prepaid expenses	1,831	1,636
Current receivables, total	**22,658**	**18,424**

Accrued income and prepaid expenses, main items;	2021	2020
Related to personnel expenses	107	150
Related to payments in advance	366	400
Other accrued income or prepaid expenses	222	38
Periodization of revenue	1,136	1,047
Accrued income and prepaid expenses total	**1,831**	**1,636**

14. Changes in shareholders' equity

Distribution of shares 31.12.2021	Number of shares	Total EUR	% of share capital	Votes	% of Votes
K shares (20 votes/share)	604,800	1,018,500	15	12,096,000	76
A shares (1 vote/share)	3,903,240	5,981,500	85	3,903,240	24
Total	**4,508,040**	**7,000,000**	**100**	**15,999,240**	**100**
Treasury shares	13,082				
Number of shares outstanding	**4,494,958**				

Shareholders' equity	2021	2020
Restricted equity		
Share capital 1.1.and 31.12.	7,000	7,000
Share premium account 1.1. and 31.12.	**1,116**	**1,116**
Unrestricted equity		
Reserve fund 1.1. and 31.12.	**11**	**11**
Invested unrestricted equity fund 1.1.	**0**	**0**
Share issue	**962**	**0**
Invested unrestricted equity fund 31.12.	962	0
Retained earnings 1.1.	18,349	24,409
Profit (-loss) for the year	-951	-6,059
Retained earnings 31.12.	**17,398**	**18,349**
Shareholders' equity total	**26,487**	**26,477**

The distributable equity of the parent company is EUR 18,360 thousand in 2021.

Treasury shares held by Martela Oyj are reported as a deduction from retained earnings. Martela Oyj owns 13,082 A shares (13,082). 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.

Market value of treasury shares on 31.12.2021 was EUR 2.29 per share (3.09), a total of EUR 30.0 thousand (40.4 thousand in 2020)

Company has executed right issue (March 18, 2021) in which 352,440 pcs new A shares has been subscribed. Issue price of new shares, in total EUR 962 thousand, has been booked in invested unrestricted equity fund.

15. Non-current liabilities

(EUR 1,000)	2021	2020
Loans from financial institutions	0	2,900
Accrued expenses	107	150
Total	**107**	**3,050**

Changes and repayments of non-current liabilities	2021	2020
Loans from financial institutions		
Loans 1.1.	2,900	3,086
Additions	0	1,400
Repayments	0	-1,586
Transfer to current	-2,900	
Loans 31.12.	**0**	**2,900**
Accrued liabilities		
Related to the personnel expenses	107	150

Repayments	2022	2023	2024	2025
Loans from financial institutions	0	0	0	0
Total	**0**	**0**	**0**	**0**

16. Current liabilities

(EUR 1,000)	2021	2020
Current liabilities		
Liabilities to Group companies		
Trade payables to Group companies	7,435	6,812
Accrued liabilities to Group companies	1,046	5,106
Total	**8,481**	**11,918**
Other current liabilities		
Loans from financial institutions	8,491	6,000
Advances received	405	461
Trade payables	10,755	7,096
Other current liabilities	3,269	4,798
Accrued liabilities	4,504	3,931
Total	**27,424**	**22,285**
Current liabilities, total	**35,905**	**34,203**

Current liabilities are specified in notes because items are combined in Balance sheet.

Essential items of accrued liabilities	2021	2020
Personnel expenses	1,870	2,303
Interest and financing accruals	153	170
Royalties	224	127
Residual expenses	2,257	1,331
Accrued liabilities, total	**4,504**	**3,931**

17. Pledges granted and contingent liabilities

(EUR 1,000)	2021	2020
Debts secured by mortgages		
Bank loans	**6,900**	**8,900**
Factoring loan	1,591	
Property mortgages	7,565	7,565
Corporate mortgages	10,359	11,368
Shares pledged	**17,924**	**18,933**
Other pledges		
Guarantees as security for rents	527	395
Guarantees given on behalf of Group companies	1,566	1,598
Total	**2,093**	**1,992**
Other liabilities		
Residual value liabilities related to the service business	779	813
Total	**779**	**813**
Leasing commitments		
Falling due within 12 months	742	796
Falling due after 12 months	813	1,098
Total	**1,556**	**1,894**
Rent commitments	**1,859**	**3,013**

Company has signed new premises lease contract on May 24, 2021 which estimated starting date is April 1, 2022. Contract is valid at least until March 31, 2029, and the monthly rent is EUR 30,754.

Auditor's report

(Translation of the Finnish original)

To the Annual General Meeting of Martela Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Martela Oyj (business identity code 0114891-2) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the **Auditor's Responsibilities for the Audit of Financial Statements** section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 4. to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the **Auditor's responsibilities for the audit of the financial statements** section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
REVENUE RECOGNITION **We refer to the Group's accounting policies and note 1** The Group's revenue includes mainly sale of furniture and, to a lesser extent, sale of services and leasing of furniture. In furniture deliveries the Group fulfills its contractual performance obligations at a point in time and the revenue is recognized when control is transferred to a customer. Revenue recognition is considered as a key audit matter because revenues are a key performance measure which could create an incentive for revenue to be recognized prematurely. Revenue recognition was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of revenue recognition included among others: · We assessed the appropriateness of the group's accounting policies over revenue recognition compared to IFRS standards. · We assessed the group's processes and controls over timing of revenue recognition. · We tested the correct timing of revenue recognition by using analytical procedures and transaction level testing. Our procedures included data analytics, obtaining external confirmations and transaction level testing before and after the balance sheet date as well as inspection of credit notes prepared after the balance sheet date. · We considered the appropriateness of the group's disclosures in respect of revenues.
VALUATION OF SUBSIDIARY SHARES AND RECEIVABLE AND GOODWILL IN PARENT COMPANY'S BALANCE SHEET **We refer to parent company's accounting policies and notes 7, 10 and 12** As of balance sheet date December 31, 2021 the subsidiary shares and receivable amounted to 11,8 M€ and goodwill to 5,5 M€. Together these compose 28 % of parent company's total assets and 65 % of parent company's equity. The management of the parent company prepares annually impairment calculation for balance sheet value of the investments and goodwill based on their value in use. These calculations include significant management judgements, like forecasted revenue growth, EBITDA and discount rate used in discounting cash flows. Based on the calculation an impairment loss of approximately 0,5 M€ was recognized on the loan receivable of Martela AS. This matter was also determined to be a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	Our audit procedures to address the risk of material misstatement in respect of valuation of subsidiary shares and receivable and goodwill included among others: · We assessed the basis and appropriateness of the forecasts used in the impairment calculations, like revenue growth, EBITDA and discount rate. · We tested the mathematical accuracy of the calculations. · We involved our valuation specialists to assist us in evaluating the methodologies and assumptions in relation to market and industry information.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

INFORMATION ON OUR AUDIT ENGAGEMENT

We were first appointed as auditors by the Annual General Meeting on March 12, 2020, and our appointment represents a total period of uninterrupted engagement of two years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 10.2.2022

Ernst & Young Oy
Authorized Public Accountant Firm

Osmo Valovirta, Authorized Public Accountant

Corporate governance statement 2021

Governance

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 Finnish Corporate Governance Code 2020 published by the Securities Market Association. Corporate Governance code is available at https://cgfinland.fi/en/corporate-governance-code/. Martela complies with all of the Code's guidelines.

Organisation

The Group is managed according to both its operational organisation and legal Group organisation. The Group's management is based primarily on an operational matrix organisation.

In 2021 The Group was organised in units as:

- Sales, which is responsible for customer relationships, sales, workplace services.
- Operations, which is responsible for after-sales activities, including sourcing, production, removal services, product development, quality assurance, the research laboratory, planning of material flows and logistics as well as environmental management. The plants have been concentrated at three locations: Nummela (final product assembly) and Kitee (manufacturing of melamine and laminate composites), both in Finland, and Warsaw (upholstery components), Poland.
- The Brand and Design, which is responsible for brand and product portfolio management and marketing.
- Design Studio, which is responsible for the planning and development of work and learning environment projects.
- Business support , which is responsible for the Group's financial planning and reporting, HR, investor relations as well as IT and legal matters.

Annual general meeting

The General Meeting is the company's supreme decision-making body. The Annual General Meeting must be held within six months of the end of the financial year. The financial statements, Board of Directors' report and the auditor's report are presented at the Annual General Meeting. The Meeting decides on the approval of the financial statements, use of the profit shown on the balance sheet, discharging the members of the Board of Directors and the CEO from liability, the fees of the Board members and auditors and the number of members on the Board. The General Meeting also elects the Directors of the Board and the auditor. Other matters on the agenda of the General Meeting are mentioned in the notice of meeting.

Shares

Martela has two share series ('K shares' and 'A shares'), with each K share entitling its holder to 20 votes at a General Meeting and each A share entitling its holder to one vote. The redeeming of K shares is referred to in the Articles of Association. Private owners of K shares have a valid shareholder agreement that restricts the sale of these shares to other than existing holders of K shares. The company's total share capital on 31 December 2021 was EUR 7 million.

Board of directors

The Board of Directors, elected by the Annual General Meeting each year, is responsible for the management and proper arrangement of the operations of the company in compliance with the Limited Liability Companies Act and the Articles of Association.

Preparations concerning the composition of the Board of Directors are carried out by the principal shareholders, who propose Board candidates to the Annual General Meeting based on their preparatory work. In accordance with the Articles of Association, the Board of Directors consists of no less than five and no more than nine members. There may be no more than two deputy members. The Board of Directors elects from among its members a Chairman and Vice Chairman to serve until the end of the next Annual General Meeting.

According to the principles of the Board diversity, the members of the Board of Directors must have sufficient and complementary experience and expertise in Martela's most important business sectors and markets. The Board must have both sexes and a diverse age distribution. Board members should have sufficiently diverse professional and educational background, strategy development and implementation skills, economic expertise, experience in managing companies at various stages of development, innovation, decision-making and questioning skills, and sufficient time for working in the board. The achievement and development of diversity in reaching the goals is assessed in the Board Self-Evaluation Discussion.

The Board has confirmed a Charter defining the duties of the Board, meeting practices, the matters to be dealt with at meetings, the targets set by the Board for its operations, a self-evaluation of these operations, and the Board's committees.

In addition to the duties mentioned in the Limited Liability Companies Act and the Articles of Association, the Board of Directors is responsible for:

- deciding on the Group strategy
- deciding on the Group structure
- approving financial statements, interim financial statements and interim reports
- approving the Group's operating plans, budgets, major investments and donations
- deciding on business expansion and reduction, acquisitions and divestments
- deciding on the Risk management policy and principles of the internal control
- deciding on dividend policy and make a proposal to the Annual General Meeting on the amount of dividend to be paid
- deciding on the Treasury policy
- approving and dismissing the CEO and to decide on his salary
- authorising the Remuneration Committee to decide on the appointments and remuneration of the members of the Group Management Team and the general principles of the Group's performance bonus scheme
- deciding on Management's share-based incentive schemes
- regularly approving and revising corporate governance principles and internal policies
- annually approving the company's internal control and risk management principles and addressing the most significant risks and uncertainties associated with the company's operations
- appointing board committees and deciding on their reporting
- accepting stock exchange releases related to the Board's decisions
- confirming the principles of the Board diversity
- the other statutory provisions of the Limited Liability Companies Act, the Corporate Governance Code or elsewhere.

The Board of Directors consisted of following members:

- Johan Mild, chairman of the Board, born 1974, M.Sc. Accounting, CEO of Remeo Oy. Does not own any company shares.
- Minna Andersson, born 1973, MEng., Head of Sales and Marketing Canter Oy, owns 49,200 Martela Oyj K shares
- Eero Martela, born 1984, M.Sc. Tech., GM Finland Columbia Road Oy, owns 6,710 Martela Oyj A shares ja 400 K shares
- Jan Mattsson, born 1966, M.Sc., Architecture, CEO and partner Tengbom Ab, owns 6,759 Martela Oyj A shares
- Katariina Mellström, born 1962, M. Sc.,Economy, owner of IMM Consulting Ab, Does not own any company shares
- Anni Vepsäläinen, born 1963, M.Sc. Tech., CEO of Suomen Messut Osuuskunta, owns 2,000 Martela Oyj A shares.

The Board convened nine times during the financial year. The average attendance of the Board members was 97 per cent.

The Board reviews its own activities annually, either by self-assessment or assessment made by an external consultant. In both cases a summary of the evaluations is jointly discussed at a Board meeting.

The Board has evaluated the independence of its members and determined that Minna Andersson, Eero Martela, Jan Mattsson, Katarina Mellström, Johan Mild and Anni Vepsäläinen are independent of the company. Of the company's largest shareholders Jan Mattsson, Katarina Mellström, Johan Mild and Anni Vepsäläinen are independent members of the Board.

The Board has formed from among its members a Human Resource and Rewarding Committee and an Audit Committee, which both have written Charters.

According to the Charter, the key duties of the Human Resource and Rewarding Committee include:

- deciding, with authorisation from the Board, on the remuneration issues and annual performance bonuses of the CEO and the Group Management Team as well as general principles for the Group's performance bonus scheme for the entire personnel
- preparing for the Board the structure, criteria and target levels of the long-term incentive plans for key personnel

- processing the appointments of the CEO and Group Management Team members, deputy arrangements and successor issues.

The Compensation Committee also handles remuneration statements in connection with the financial statements

The Board's Human Resource and Rewarding Committee comprises Johan Mild, Jan Mattsson and Katarina Mellström.

The Committee convened two times during the financial year. The average attendance of the Committee members was 100 per cent.

According to the Charter, the key duties of the Audit Committee include:

- monitoring the financial reporting and interim report processes,
- supervising the financial reporting process,
- monitoring the company's financial condition,
- monitoring the adequacy and effectiveness of the company's internal control and risk management systems,
- processing the description of the internal control and risk management systems related to the financial reporting process included in the Corporate Governance Statement,
- monitoring the statutory audit of the financial statements and the consolidated financial statements,
- observing, together with the auditors and the management of the company, the findings of the auditing carried out and the possible difficulties in carrying out the audit,
- assessing the independence of the auditor or the audit firm, and in particular the provision of ancillary services to the company,
- evaluating the fees charged on auditing and ancillary services and their criteria,
- preparing a proposal for a decision on the election of the auditor,
- assessing the compliance process with laws and regulations and respect for ethical principles in the organisation,
- conducting reports on the company's most significant legal and regulatory procedures.

The Board's Audit Committee comprises Minna Andersson, Eero Martela and Anni Vepsäläinen.

The Committee convened four times during the financial year. The average attendance of the Committee members was 100 per cent.

The secretary of the Board of Directors is a lawyer from the same company from where other legal services is provided to the Group. The Chairman of the Board is in direct contact with the CFO as necessary and regularly with the Company's auditor.

CEO

The Board appoints Martela Corporation's CEO and decides on the terms and conditions of his service relationship, which are defined in a written CEO's service contract. The CEO is responsible for the operational management and supervision of the parent company and the Group according to the guidelines set by the Board. Company CEO is Ville Taipale, born 1971, M.Sc. Tech., owns 36,630 Martela Oyj A shares.

Group management team

The Board of Directors and the CEO appoints the members of the Group Management Team. The CEO of Martela Corporation acts as the Chairman of the Group Management Team. The directors responsible for the units and processes are also represented in the Group Management Team. The Group Management Team drafts and reviews strategies, budgets and investment proposals and monitors the financial situation of the Group and its business areas and processes and the attainment of operational targets and plans. The Group Management Team meets once a month.

Group Management Team consisted of following members led by Group CEO:

- Kalle Lehtonen responsible for Business Support -unit (owns 41,630 Martela Oyj A shares)
- Johan Westerlund responsible for Sales -unit (owns 20,000 Martela Oyj A shares)
- Kari Leino responsible for Brand & Design -unit (owns 5,000 Martela Oyj A shares)
- Eeva Terävä responsible for Design Studio -unit (owns 18,315 Martela Oyj A shares).

Financial reporting in the group

Martela Corporation's Board of Directors is provided with monthly reports on the financial performance and forecasts of the Group. The reports and forecasts are also presented by the CEO at Board meetings, where they are reviewed.

The Group Management Team meets about once a month to evaluate the financial performance, outlook and risks of the Group.

Auditing

The auditing of Group companies is carried out in accordance with the valid laws in each country and each company's Articles of Association. The principally responsible auditor of the parent company co-ordinates the auditing of the Group's subsidiaries together with the Group's CEO and CFO. The auditors of Martela Corporation and the Group are the authorised public accountants Ernst & Young, with Osmo Valovirta, Authorised Public Accountant, as the principally responsible auditor. All the auditors of the Group's companies are in the Ernst & Young chain.

Internal control

The reliability of financial reporting is one of the principal objectives of Martela Corporation's internal control.

The CEO is responsible for the operational management and supervision of the Group according to the guidelines set by the Board.

Martela's strategy is updated, and its targets defined on an annual basis. Strategic planning forms the basis of all planning at Martela and is carried out on a rolling basis for the forthcoming period of 2–3 years. Target setting is an internal control prerequisite because the targets of the companies, business areas, functions and supervisors are derived from Group-level targets. For each business area, specific financial and non-financial targets are set in accordance with the business plan, and their attainment is monitored regularly through comprehensive reporting to executive management, for example.

The CFO has overall responsibility for financial reporting in the Group. Reporting to executive management is carried out separately and independently of business operations.

Controllers and financial managers (controller function) are responsible for Group, company and other financial reporting. At Martela, financial reporting is carried out in compliance with guidelines, laws and regulations in a consistent manner throughout the Group. The reliability of financial reporting depends on the appropriateness and reliability of financial and reporting processes and on the control measures taken to ensure these. In 2021, the internal control focused on sales, quote to cash processes and management of inventories.

The CFO is responsible for the maintenance and development of reporting processes and defining and implementing control measures. Control measures include guidelines, matching, management reviews and reporting on deviations. The CFO monitors compliance with defined processes and controls. He also monitors the reliability of financial reporting.

The Board of Directors approves Martela's strategy and annual operating plans. It also approves the principles and rules of risk management, and monitors on a regular basis the effectiveness and sufficiency of the internal control and risk management. Furthermore, the Board is responsible for the internal control of the financial reporting process.

Auditors and other external controllers assess the control measures in terms of the reliability of financial reporting.

Risk management and internal audit

Martela's Board of Directors has confirmed the principles of risk management. The purpose of risk management is to identify, monitor and manage risks that could pose a threat to business and to the achievement of business objectives. Group management has supreme operational responsibility for risk management policy.

In the Group, risks are analysed and decisions are made to manage these risks as a part of the regular monitoring carried out by the Board and the management teams as described above. Risks are also evaluated when planning and making decisions on significant projects and investments. Risk management is integrated with the strategy process as a separate stage of analysis. There is no separate risk management organisation, but the associated responsibilities are assigned in line with the rest of the business operations and organisation. The company's Board of Directors has included an annual review of risk management in its schedule of work.

Taking into consideration the nature and scope of Martela's business, the company has not considered it appropriate to form a separate internal audit function. The internal control is carried out in the form of controls in business processes, and the company will either make its own or, if necessary, conduct separate internal audit reports with external experts.

Risks

In accordance with Martela's risk management model, risks are classified and prepared for in different ways. The manufacture of Martela's products is largely based on the company performing the final assembly and using subcontractors for components. Production control is based on orders placed by customers, which means that there is no need for any large-scale warehousing. Risks of damage are covered by appropriate insurance policies, and these provide comprehensive coverage for property, business interruption, supplier interruption loss and loss liability risks. Martela uses the services of an external insurance broker to manage insurance matters. The services of an external partner are also used in legal matters. The responsibility perspectives regarding the supply chain are discussed as part of the annual responsibility report. Finance risks are discussed in the notes to the financial statements.

Management remuneration, benefits and incentive plans

Information on the effect of management remuneration and the share-based incentive plan on the result for the year can be found in the notes of the financial statements and on the company's website.

Principles regarding related party transactions

Martela Oyj follows the recommendations of the Corporate Governance Code 2020 issued by the Securities Market Association. The Company's related party transactions policy is adopted by the board of directors that also has the monitoring and supervision responsibility regarding related party transactions.

The up-to-datedness of the related party list is monitored at least on an annual basis. The chief financial officer of the Company is responsible for determining the related parties of the Company and maintaining the related party list.

Insider administration

Martela complies with the Guidelines for Insiders issued by Nasdaq Helsinki Ltd. In addition, Martela's Board of Directors has confirmed specific insider guidelines for the company to complement Nasdaq Helsinki Ltd's Guidelines for Insiders.

The company has defined as permanent insiders persons who work at Martela Group and who have access to all inside information concerning Martela due to their position or task. The information in the permanent insider list is not public. In addition to the permanent insider list, non-public project-specific insider lists shall be established, if necessary, as defined in Nasdaq Helsinki Ltd's Guidelines for Insiders. Permanent insiders are not entered into the project-specific insider lists.

The persons discharging managerial responsibilities, other permanent insiders and persons participating in preparing of financial reports of the company must not trade in Martela's financial instruments prior to the publication of an interim report and financial statement release of the company. The length of the closed period is 30 days at Martela.

Martela discloses inside information that directly concerns Martela or its financial instrument as soon as possible, unless the conditions for delay of disclosure of inside information are met. Martela has defined an internal process in order to evaluate and disclose the inside information and to monitor and evaluate the duration and the conditions for the delay. Martela continuously monitors the situation to ensure that the conditions for the delay are met and the company has the ability to publicly disclose the information immediately in the case of a data leakage.

In accordance with MAR, Martela has an obligation to disclose transactions with Martela's financial instruments conducted by persons discharging managerial responsibilities at the company and persons closely associated with them

The obligation to disclose transactions applies to the following persons discharging managerial responsibilities at Martela:

- Members of Martela's Board of Directors and CEO, and
- Members of Martela Group's Management Team.

Transactions between companies in the Martela Group conducted by persons discharging managerial responsibilities at Martela and persons closely associated with them are monitored. In 2021 there were no material related party transactions.

Board of Directors

Johan Mild

CHAIRMAN OF THE BOARD

Born in 1974, M.Sc. (Accounting)
Member of the Board since 2020,
Chairman of the Board since 2021.

Other key duties:
CEO, Remeo Oy
Member of the Board,
Finnish Environmental Industries (YTP)

Minna Andersson

BOARD MEMBER

Born in 1973, M.Eng., MKT (Marketing Degree)
Member of the Board since 2017.
Marketing and Responsibility Director of
Martela Oyj, 2011–2017

Other key duties:
Head of Sales and Marketing, Canter Oy
Member of the Board, Canter Oy and Marfort Oy

Owns 49,200 Martela Oyj K shares.

Eero Martela

BOARD MEMBER

Born in 1984, M.Sc. (Tech.)
Member of the Board since 2015

Other key duties:
General Manager, Finland, Columbia Road Oy

Owns 6,710 Martela Oyj A shares and 400 K shares.

Jan Mattsson

BOARD MEMBER

Born in 1966, M.Sc. (Architecture), KHT Royal Institute of Technology
Member of the Board since 2019.

Other key duties:
CEO and partner, Tengbomgruppen AB
Chairman of the Board, Tengbom Oy
Chairman of the Board, MAF Arkitektkontor AB

Owns 6,759 Martela Oyj A shares.

Anni Vepsäläinen

BOARD MEMBER

Born in 1963, M.Sc. (Tech.)
Member of the Board since 2016.

Other key duties:
Member of the Board, Cinia Oy
Managing Director, Finnish Fair Corporation
Chairman of the Board, Helsinki Region Chamber of Commerce
Member of the Board, Finnish Chamber of Commerce

Owns 2,000 Martela Oyj A shares.

Katarina Mellström

BOARD MEMBER

Born in 1962, M.Sc. (Econ.)
Member of the Board since 2018.

Other key duties:
Owner, IMM Consulting AB
Chairman of the board, Sizes
Member of the Board, Vectura AB

Management team

Ville Taipale

CHIEF EXECUTIVE OFFICER (CEO)

Born: 1971
Education: M.Sc. (Tech.)
Joined the company and has been a member of the management team since 2018, the CEO since 2021.

Other key duties:
Patria Land Systems Oy, Vice President, Sourcing and Logistics, 2015–2018
Componenta Oyj, Vice President, Sourcing and Procurement, 2010–2015
Fiskars Oyj, Director, Sourcing Unit, 2007–2010
Nokia Oyj, Supply chain management and development positions, 1998– 2007
VTT, Researcher, 1997–1998

Owns 36,630 Martela Oyj A shares.

Kalle Lehtonen

CHIEF FINANCIAL OFFICER (CFO)

Born: 1974
Education: M.Sc. (Econ.)
Area of responsibility: Group Finance, Investor Relations, Legal Affairs, HR and IT.
CFO and member of the management team since 2018.

Other key duties:
Tantalus Rare Earths AG, CFO, 2013–2018
Ruukki Group Oyj, CFO, 2012–2013
Ruukki Group Oyj, Wood Processing Division, CFO, 2009–2012
Aldata Solution Oyj, Group Controller, 2003–2008
ABB Oy, managerial positions in financial administration, 1998–2003

Owns 41,630 Martela Oyj A shares.

Kari Leino

VP, BRAND & DESIGN

Born: 1965
Education: IDBMpro
Area of responsibility: Group Marketing and Product Design.
Joined the company in 1987, and member of the management team since 2021.

Other key duties:
Martela Oyj, Product & Design Director, 2016–2021
Martela Oyj, Offering Manager, 2002–2016
P.O. Korhonen Oy, Sales & Marketing, 1997–2002
Martela Oyj, Sales, 1987–1997

Owns 5,000 Martela Oyj A shares.

Eeva Terävä

VP, DESIGN STUDIO

Born: 1983
Education: M.Sc. (Regional Science) & Bachelor of Culture and Arts (Interior Architecture)
Area of responsibility: Design and development services of work and learning environments.
Joined the company in 2016, member of the management team since 2021.

Other key duties:
Martela Oyj, Head of Workplace development, 2018–2021
Martela Oyj, Workplace Specialist, 2016–2018
Ramboll Management Consulting Oy, different roles in research and development projects, and project management, 2009–2016

Owns 18,315 Martela Oyj A shares.

Johan Westerlund

VP, SALES

Born: 1975
Education: M.Sc. (Econ.)
Area of responsibility: Group Customers, Sales in Finland, Sweden, Norway and International Dealer Network.
Joined the company and member of management team since 2017.

Other key duties:
Ricchetti Group S.p.a, Managing Director Nordics, 2015-2017
Pukkila Oy, CEO, 2012–2015
Newtop Oy, CFO, 2010–2012
BearingPoint Oy, Management consultant, 2003–2010
Kraft Foods, Economy and Business Controller positions, 2000–2003

Owns 20,000 Martela Oyj A shares.

Information for shareholders

Annual General Meeting

The Annual General Meeting of Martela Oyj will be held on Thursday 17 March 2022 at 3 p.m. at Töölönlahdenkatu 2, 00100 Helsinki.

The Board of Directors of the Company has resolved on the exceptional procedure for the General Meeting based on the temporary legislative act to limit the spread of the COVID-19 pandemic (375/2021), which entered into force on 8 May 2021. The Company has resolved to take actions enabled by the act in order to hold the General Meeting in a predictable manner, taking into account the health and safety of the Company's shareholders, personnel and other stakeholders.

Shareholders of the Company and their representatives may participate in the General Meeting and exercise shareholder rights only through electronic remote access (real time video connection) or trough advance voting as well as by way of presenting written counterproposals and questions. It is not possible for shareholders or their representatives to participate at the General Meeting venue in person. Instructions for shareholders are presented in this notice under section C. (Instructions for the participants in the General Meeting) and on the Company's website www.martela.com/about-us/about-martela/investors.

The names of shareholders wishing to attend the meeting should be entered in the share-holder register at Euroclear Finland Ltd no later than March 7, 2022 and the shareholder should register by email to agm@innovatics.fi, by post to Innovatics Oy, Yhtiökokous / Martela Oyj, Ratamestarinkatu 13 A, 00520 Helsinki, or on the internet site of the Corporation www.martela.com/about-us/about-martela/investors no later than March 11, 2022 at 4 p.m.

Payment of dividends

The Board of Directors proposes to the Annual General Meeting that no dividend would be paid for the financial year 1 January 2020–31 December 2021.

Publication of financial information

Martela Corporation's financial information in 2022 will be published as follows:

- January–March (Q1) Financial Review on Friday May 6, 2022
- January–June (H1) Half-Year Report on Friday August 12, 2022
- January–September (Q3) Financial Review on Friday November 4, 2022

Financial reports are available in Finnish and English on the company's website (www.martela.com/fi and www. martela.com). Annual reports are available on the company's website in pdf format. After published, stock exchange releases are available on the company's website, where you can find all stock exchange releases in chronological order.

Martela

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