



# 2020

## Financial Statements

1 January – 31 December 2020

MARTELA CORPORATION'S FINANCIAL STATEMENTS 1 JANUARY – 31 DECEMBER

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

October–December 2020

- Revenue was EUR 21.9 million (29.9), representing a change of -26,5 %
- The result for the period was EUR -2.2 million (0.6)
- Operating profit per revenue was -10.0 % (1.9 %)
- The result for the period was EUR -2.1 million (0.5)
- Earnings per share amounted to EUR -0.51 (0.11)

January–December 2020

- Revenue was EUR 88.4 million (106.2), representing a change of -16,8 %
- Operating result was EUR -4.0 million (-2.0)
- Operating profit per revenue was -4.5 % (-1.9 %)
- The result for the period was EUR -4.8 million (-2.5)
- Earnings per share amounted to EUR -1.16 (-0.61)

Outlook

Outlook for 2021

The Martela Group anticipates that its revenue and operating result in 2021 will improve compared to the previous year. Traditionally Group's operating result accumulates during the second half of the year.

Key figures, EUR million

	2020	2019	Change	2020	2019	Change
	10-12	10-12	%	1-12	1-12	%
Revenue	21.9	29.9	-26.5 %	88.4	106.2	-16.8 %
Operating result	-2.2	0.6		-4.0	-2.0	
Operating result %	-10.0 %	1.9 %		-4.5 %	-1.9 %	
Result before taxes	-2.1	0.4		-4.8	-2.7	
Result for the period	-2.1	0.5		-4.8	-2.5	
Earnings/share, eur	-0.51	0.11		-1.16	-0.61	
Return on investment %	-29.7	8.4		-13.4	-6.4	
Return on equity %	-62.3	10.9		-35.7	-14.7	
Equity ratio %				22.7	28.8	-21.2 %
Gearing %				37.9	31.5	20.3 %

Artti Aurasmaa, CEO:

"Our revenue decreased by 26.5 % in the fourth quarter compared to same period last year. Revenue in the fourth quarter was EUR 21.9 million. Revenue was negatively impacted by the coronavirus pandemic through a prolonged decrease in demand. Revenue decreased in all countries and decrease was especially strong in Sweden and in Norway. Revenue for the period January – December decreased by 16.8 % compared to same period last year. Revenue for the period January – December was EUR 88.4 million.

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

Our operating result decreased in the fourth quarter and was EUR -2.2 million. Significant decrease of operating result in the fourth quarter compared to same period last year was impacted by EUR -0.9 million from writeoff of legacy IT systems and onetime expenses of EUR -0.4 million related to change of company CEO. We continued in the fourth quarter the cost savings actions started in spring 2020 in order to adjust our cost base to match the decreased revenue. Operating result for the period of January – December decreased by EUR 2.0 million compared to same period last year. Operating result for January – December was EUR -4.0 million (-2.0).

The coronavirus pandemic and the uncertainty caused by it have had a negative impact to the market situation. It is still difficult to evaluate how current circumstances will impact to our short- and midterm revenue and operating result development. We have initiated co-operation negotiations in order to adjust our operations to match the current market conditions.

We believe that working environments will permanently change in the future. The coronavirus pandemic is accelerating the process of changing the way we work. The office is just one of the many places where we work, and for some of us the amount of remote work we do will increase for good. This will increase the demand for multipurpose working spaces and the need to invest to remote working conditions. We will continue together with our customers to be a forerunner in creating user centric working environments, which will improve user experience, efficiency and innovation capabilities as well as lower the overall costs."

#### Market situation

The coronavirus pandemic has had a negative impact on the whole market environment of Martela, both in Scandinavia and in other countries. This has impacted especially the commercial sector. The negative impact has been smaller on the Finnish public sector compared to the commercial sector, but the competition has toughened and prices have decreased also in the public sector. At the moment it is challenging to say what the short- and midterm impacts to general market conditions will be and how long the uncertainty in the markets will continue.

Revenue and operating result

Revenue and result for October–December 2020

Revenue for October – December was EUR 21.9 million (29.9) and declined by 26.5 % from the previous year. Compared to the previous year, revenue decreased in Norway by 62.3 %, in Sweden by 59.7 % and in Other countries by 36.9 %. Revenue declined by 15.3 % in Finland.

The Group's operating result in October – December was EUR -2.2 million (0.6). decrease in operating result in the fourt quarter compared to same period last year was impacted by EUR -0.9 million from writeoff of legacy IT systems and onetime expenses of EUR -0.4 million related to change of company CEO.

The October–December result before taxes was EUR -2.1 million (0.4) and net result EUR -2.1 million (0.5).

Revenue and result for January–December 2020

Revenue for January – December was EUR 88.4 million (106.2) and decreased by 16.8 % from previous year. Compared to previous year, revenue decreased in Sweden by 14.0 % and Norway by 51.6 %. In Finland revenue declined by 13.0 % and in Other countries by 32.5 %.

The Group's operating result in January – December was EUR -4.0 million (-2.0). The January–December result before taxes was EUR -4.8 million (-2.7) and net result EUR -4.8 million (-2.5). decrease in operating result in the fourth quarter compared to same period last year was impacted by EUR -0.9 million from writeoff of legacy IT systems and onetime expenses of EUR -0.4 million related to change of company CEO.

Revenue by country, EUR million

	2020	2019	Change	2020	2019	Change
	10-12	10-12	%	1-12	1-12	%
Finland	18.4	21.7	-15.3 %	72.4	83.2	-13.0 %
Sweden	1.6	3.9	-59.7 %	9.2	10.7	-14.0 %
Norway	1.1	2.8	-62.3 %	3.8	7.8	-51.6 %
Other	0.9	1.4	-36.9 %	3.1	4.6	-32.5 %
Revenue total	21.9	29.9	-26.5%	88.4	106.2	-16.8 %

Income from the sale of goods	18.8	25.3	25.8 %	74.2	91.5	-18.9 %
Income from the sale of services	3.2	4.6	30.4 %	14.2	14.7	-3.6 %

Cumulative revenue includes EUR 597 thousand (196) income from sold furniture that based on the customer agreement is classified as rental income.

Martela started a cost efficiency improvement program in the second quarter in 2019 in order to improve its profitability. Purpose of the planned actions is to align company's cost base to meet current market conditions and to secure set profitability targets. Planned savings will start to materialize gradually from the beginning of 2020 and will have full impact by the first quarter of 2021. Cost efficiency program was fully implemented at end of December 2020.

## Financial position

The cash flow from operating activities in January–December was EUR 5.7 million (6.3). The reclassification of rental expenses to repayments of lease liabilities within cash flow from financing activities under IFRS 16 had a positive effect on operative cash flow of EUR 3.7 million.

At the end of the period, interest-bearing liabilities stood at EUR 15.4 million including EUR 6.0 million lease liabilities according to IFRS 16. At the end of comparison period the interest bearing liabilities stood at EUR 14.6 million including EUR 5.3 million lease liabilities according to IFRS 16. Net liabilities were EUR 4.3 million (5.0). At the end of the period, short-term limits of EUR 4.0 million (5.0) were in use and available limits stood at EUR 0.7 million (2.0).

The gearing ratio at the end of the period was 37.9 % (31.5) and the equity ratio was 22.7 % (28.8). The key ratios were negatively impacted by the lease liabilities according to IFRS 16 EUR 6.0 million (5.3). Financial income and expenses were EUR -0.8 million (-0.7).

Financing arrangements include covenant clauses in which the ratio between the Group's net liabilities and EBITDA and the Group's equity ratio are examined. The key figures calculated at the end of the review period didn't in all financial arrangements fulfill the covenant clauses. Financing arrangements where covenant clauses were not fulfilled equaled approximately 10 % of all financing arrangements. The balance sheet total stood at EUR 51.7 million (55.9) at the end of the period.

## Capital expenditure

The Group's gross capital expenditure for January–December was EUR 1.2 million (2.3).

## Personnel

The Group employed an average of 451 people (494), which represents a decrease of 43 persons or 8.7 %. The number of employees in the Group was 435 (464) at the end of the review period. Personnel costs in January–December totalled EUR 23.1 million (26.7).

Personnel on average	2020	2019	Change
by country	1-12	1-12	%
Finland	375	423	-11,3 %
Sweden	24	22	9,1 %
Norway	15	10	50,0 %
Other	37	39	-5,1 %
Total	451	494	-8,7 %

## Martela's offering

In line with its Lifecycle strategy Martela creates high-quality services for workplaces and learning environments along the full lifecycle. Our offering includes workplace and learning environment specification and planning, implementation and furnishing as well as continuous measurement and optimization.

To add to the traditional way of purchasing Martela has introduced two new service models, Workplace as a Service and Learning environment as a Service. The monthly service fees can include everything from one to all of the lifecycle phases.

During 2020 Martela has expanded the Pod product family by introducing the meeting space called PodBooth meeting. Martela also launched a new cabinet solution called Capa.

## OTHER MATTERS

### Changes in Management Team

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

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

### Changes in Group structure

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

### Shares

In January–December, a total of 1 786 397 (822 862) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 50.3 % (23.2) of the total number of series A shares.

The value of trading turnover was EUR 4.3 million (2.6), and the share price was EUR 3.09 (3.36) at the end of the period. During January–December the share price was EUR 3.58 at its highest and EUR 1.78 at its lowest. At the end of December, equity per share was EUR 2.71 (3.80).

### 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 reserve based on the decision by AGM on March 13, 2018.

### Share-based incentive programme

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

The target group for the 2017 – 2018 and 2019 – 2020 earning periods is the Group's Management Team. The potential reward of the programme from the earning period 2017 – 2018 was based on the Group's Earnings before Interest and Taxes (EBIT) and from the earning period 2019 – 2020 based on the Group's revenue and Earnings before Interest and Taxes (EBIT). No incentives will be paid for either period. The share-based incentive scheme has been outsourced to an external service provider.

## 2020 Annual General Meeting

Martela Corporation's Annual General Meeting was held on Thursday, March 12, 2020. The Meeting approved the Financial Statements, discharged the members of the Board of Directors and CEO from liability for the year of 2019 and adopted Remuneration Policy for the Company's governing bodies. The Board of Directors proposal that no dividend will be distributed was approved.

The Annual General Meeting confirmed that the Board of Directors will consist of seven members and Ms. Minna Andersson, Mr. Jan Mattsson, Mr. Eero Martela, Mr. Heikki Martela, Ms. Katarina Mellström and Ms. Anni Vepsäläinen be re-elected as members of the Board of Directors and Mr. Johan Mild elected as a new member of the Board of Directors.

Authorized Public Accountant Ernst & Young Oy was elected as the company's auditor.

The Annual General Meeting authorized the Board in accordance with the proposal of the Board of Directors to decide on the repurchase of own shares, issuance of own shares and/or to dispose of the own shares held by the Company.

The Board of Directors elected by Martela Corporation's Annual General Meeting had its organizational meeting after the Annual General Meeting and re-elected from among its members Heikki Martela as the Chairman and Katarina Mellström as the new Vice Chairman of the Board.

## Corporate responsibility and quality

Responsibility forms an integral part of Martela's strategy and operations. We support the responsibility of our customer companies by offering sustainable solutions for the workplace throughout its entire lifecycle and by ensuring the responsible recycling of any furniture that is no longer needed. The company's Martela Lifecycle -model covers the entire lifecycle of the workplace. The Group has a quality and environmental system certified by an independent certifier, and they guarantee that operations are continuously improved, client expectations met and environmental matters taken into consideration.

Further information on the responsibility of the Group's operations can be found in the annually published responsibility report. Martela's responsibility reporting includes extensive non-financial information (NFI) required by the new accounting legislation. It has been published since 2010. All reports are available on the Martela website.

## Administration

Martela Corporation is a Finnish limited liability company that is governed in its decision-making and management by Finnish legislation, especially the Finnish Limited Liability Companies Act, by other regulations concerning public listed companies, and by its Articles of Association. The company complies with the NASDAQ OMX Guidelines for Insiders and the Corporate Governance Code 2020 for Finnish listed companies published by the Securities Market Association. More information on Martela's governance can be found on the company's website.

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

Head of Innovation to Market –organization and management team member VP, Mikko Mäkelä, is heading for new challenges outside Martela and leaves the company at the end of January. Artti Aurasmaa, CEO, will take as interim position to lead the Innovation to Market business in addition to his duties as the CEO. The change has been announced in the stock exchange release on January 14, 2021.

Martela Plans to restructuring measures to improve operational efficiency and starts co-operation negotiations. This has been announced in the stock exchange releases on January 27, 2021.

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

#### SHORT-TERM RISKS

The principal risk regarding profit performance relates to the general economic uncertainty and the consequent effects on the overall demand in Martela's operating environment. The coronavirus pandemic and the uncertainty caused by it have had a negative impact on the market situation. Due to the project-based nature of the sector, forecasting short-term development is challenging in normal circumstances. This has been further emphasized by the general uncertainty caused by the pandemic.

#### Outlook

##### Outlook for 2021

The Martela Group anticipates that its revenue and operating result in 2020 will improve compared to the previous year. Traditionally Group's operating result accumulates during the second half of the year.

#### 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 2020.

#### ANNUAL GENERAL MEETING

The Annual General Meeting is planned to be held on Thursday 18 March 2021. The notice of the Annual General Meeting will be published in a separate release later.

## TABLES

### Accounting policies

Martela Corporation's consolidated financial statements have been prepared in compliance with the IAS 34 standard and the International Financial Reporting Standards (IFRS) valid on 31 December 2020. The figures in the release have been rounded and the total sum of individual figures may differ from the total presented in the release. The figures presented in this release have been audited. Same accounting principles have been applied in this report as in the financial statements 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME  
(EUR 1000)

	2020 10-12	2019 10-12	2020 1-12	2019 1-12
Revenue	21 934	29 862	88 385	106 207
Other operating income	157	113	540	356
Employee benefit expenses	-5 934	-6 377	-23 072	-26 651
Operating expenses	-15 946	-21 713	-63 326	-76 993
Depreciation and impairment	-2 402	-1 309	-6 523	-4 949
Operating profit/loss	-2 192	576	-3 996	-2 031
Financial income and expenses	97	-198	-818	-670
Profit/loss before taxes	-2 095	378	-4 813	-2 701
Taxes	-5	93	7	159
Profit/loss for the period	-2 099	471	-4 806	-2 541
Translation differences	-419	-2	-22	-98
Other change	0	9	0	-38
Actuarial gains and losses	28	-37	28	-37
Actuarial gains and losses, deferred taxes	4	6	4	6
Comprehensive income	-387	-24	10	-167
Total comprehensive income	-2 486	447	-4 796	-2 708
Basic earnings per share, eur	-0,51	0,11	-1,16	-0,61
Diluted earnings per share, eur	-0,51	0,11	-1,16	-0,61
Allocation of net profit for the period: To equity holders of the parent	-2 099	471	-4 806	-2 541
Allocation of total comprehensive income: To equity holders of the parent	-2 486	447	-4 796	-2 708

GROUP BALANCE SHEET (EUR 1000)	31.12.2020	31.12.2019
<b>ASSETS</b>		
Non-current assets		
Intangible assets	5 792	7 560
Tangible assets	10 387	9 582
Investments	7	52
Deferred tax assets	314	287
Total	16 499	17 481
Current assets		
Inventories	9 473	8 587
Receivables	14 562	20 179
Cash and cash equivalents	11 172	9 621
Total	35 207	38 387
Total assets	51 706	55 868
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	7 000	7 000
Share premium account	1 116	1 116
Other reserves	-9	-9
Translation differences	-1 059	-1 037
Retained earnings	3 283	8 053
Treasury shares	-128	-128
Share-based incentives	1 009	1 085
Total	11 212	16 080
Non-current liabilities		
Interest-bearing liabilities	6 277	5 924
Deferred tax liabilities	198	283
Other non-current liabilities	282	282
Pension obligations	492	472
Total	7 249	6 961
Current liabilities		
Interest-bearing	8 656	8 188
Non-interest bearing	24 589	24 639
Total	33 245	32 827
Total liabilities	40 494	39 788
Equity and liabilities, total	51 706	55 868

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)	2020 1-12	2019 1-12
Cash flows from operating activities		
Cash flows from sales	94 370	107 633
Cash flow from other operating income	392	325
Payments on operating costs	-88 199	-101 324
Net cash from operating activities before financial items and taxes	6 564	6 634
Interests paid	-545	-360
Interests received	18	5
Other financial items	-252	-208
Dividends received	8	0
Taxes paid	-74	203
Net cash from operating activities (A)	5 718	6 274
Cash flows from investing activities		
Capital expenditure on tangible and intangible assets	-1 219	-3 040
Proceeds from sale of tangible and intangible assets	59	5
Net cash used in investing activities (B)	-1 159	-3 034
Cash flows from financing activities		
Proceeds from short-term loans	5 000	0
Repayments of short-term loans	-9 333	-1 152
Repayments of lease liabilities	-3 027	-2 631
Proceeds from long-term loans	4 400	
Dividends paid and other profit distribution		-414
Net cash used in financial activities (C)	-2 960	-4 197
Change in cash and cash equivalents (A+B+C) (+ increase, - decrease)	1 599	-957
Cash and cash equivalents in the beginning of the period	9 621	10 594
Translation differences	-47	-16
Cash and cash equivalents at the end of period	11 172	9 621

STATEMENT OF CHANGES IN EQUITY

(EUR 1000)	Share capital	Share premium account	Other reserves	Translation diff	Retained earnings	Treasury shares	Equity total
Equity attributable to equity holders of the parent							
01.01.2019	7 000	1 116	-9	-939	11 751	-128	18 791
Correction of errors in previous periods					340		340
Profit/loss for the period					-2 541		-2 541
Other change					-38		-38
Items resulting from remeasurement of the net debt related to defined benefit plans					-31		-31
Translation diff.				-98			-98
Dividends					-414		-414
Share-based incentives					72		72
31.12.2019	7 000	1 116	-9	-1 037	9 138	-128	16 080
01.01.2020	7 000	1 116	-9	-1 037	9 138	-128	16 080
Correction of errors in previous periods							
Profit/loss for the period					-4 806		-4 806
Other change							
Items resulting from remeasurement of the net debt related to defined benefit plans					32		32
Translation diff.				-22			-22
Dividends							
Share-based incentives					-72		-72
31.12.2020	7 000	1 116	-9	-1 059	4 292	-128	11 212

CONTINGENT LIABILITIES	31.12.2020	31.12.2019
Mortgages and shares pledged	21 923	21 738
Other commitments	395	345
Rental commitments	6 995	5 501

DEVELOPMENT OF SHARE PRICE	2020 1-12	2019 1-12
Share price at the end of period, eur	3,09	3,36
Highest price, eur	3,58	3,56
Lowest price, eur	1,78	2,55
Average price, eur	2,42	3,11

KEY SHARE-RELATED FIGURES	2020 1-12	2019 1-12
Number of shares at the end of period, thousands	4 155,6	4155.6
Basic earnings/share, eur	-1,16	-0.61
Diluted earnings/share, eur	-1,16	-0.61
Price/Earnings, P/E	-2,66	-5.48
Equity/share, eur	2,71	3.80
Dividend/share, eur (2019 Board proposal)	0,0	0,0
Dividend/earnings per share %	0,0	0,0
Effective dividend yield %	0,0	0,0
Price of A-share at the end of period, eur	3,09	3.36
KEY FIGURES/RATIOS	2020 1-12	2019 1-12
Operating profit/loss, EUR thousand	-3 996	-2 031
-% in relation to revenue	-4,5	-1,9
Profit/loss before taxes, EUR thousand	-4 813	-2 701
-% in relation to revenue	-5,4	-2,5
Profit/loss for the period, EUR thousand	-4 806	-2 541
-% in relation to revenue	-5,4	-2,4
Basic earnings per share, eur	-1,16	-0,61
Diluted earnings per share, eur	-1,16	-0,61
Equity/share, eur	2,71	3,80
Equity ratio %	22,7	28,8
Return on equity %	-35,7	-14,7
Return on investment %	-13,4	-6,4
Interest-bearing net-debt, EUR million	4,3	5,0
Gearing %	37,9	31,5
Capital expenditure, EUR million	1,2	2,3
-% in relation to revenue	1,4	2,1
Personnel at the end of period	435	464
Personnel on average	451	494
Revenue/employee, EUR thousand	196,0	215

Formulas for Calculation of Key Figures

Earnings / share	=	$\frac{\text{Profit attributable to the equity holders of the parent}}{\text{Average share issue-adjusted number of shares}}$
Equity / share, EUR	=	$\frac{\text{Equity attributable to the equity holders of the parent}}{\text{Share issue-adjusted number of shares at year end}}$
Return on equity, %	=	$\frac{\text{Profit/loss for the financial year} \times 100}{\text{Equity (average during the year)}}$
Return on investment, %	=	$\frac{(\text{Pre-tax profit/loss} + \text{interest expenses} + \text{other financial expenses}) \times 100}{\text{Balance sheet total} - \text{Non-interest-bearing liabilities (average during year)}}$
Equity ratio, %	=	$\frac{\text{Equity} \times 100}{\text{Balance sheet total} - \text{advances received}}$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities-cash and cash equivalents and liquid asset securities} \times 100}{\text{Equity}}$
Personnel on average	=	Month-end average calculation of the number of personnel in active employment
Interest-bearing net debt	=	Interest-bearing debt - cash and other liquid financial assets

## BRIEFING

A briefing will not be held due to the prevailing pandemic situation, but additional information can be asked by telephone from CEO Artti Aurasmaa and CFO Kalle Lehtonen on Friday 5th of February, 2021 from 11.00 a.m. to 13.00 p.m. EET.

Martela Corporation  
Board of Directors

Artti Aurasmaa  
CEO

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Our strategic direction is defined by our mission "Better working" and our vision "People-centric workplaces". Martela supplies user-centric workplaces where the users and their wellbeing are what matter most. We focus on the Nordic countries because, based on our common open work culture and needs, the Nordic countries are leaders in hybrid workplaces.