2024

Interim Report

1 January – 31 March 2024

Martela

MARTELA CORPORATION'S INTERIM REPORT 1 JANUARY – 31 MARCH

The January–March 2024 revenue and operating result decreased compared to corresponding period in the previous year.

January–March 2024

- Revenue was EUR 20.2 million (24.1), representing a change of -16.0%
- Operating result was EUR -2.2 million (-1.8)
- Operating profit per revenue was -11.0% (-7.5%)
- The result for the period was EUR -2.7 million (-2.2)
- Earnings per share amounted to EUR -0.60 (-0.49)

Outlook

Outlook for 2024

Martela anticipates its revenue to increase in full-year 2024 compared to previous year and operating result to be positive.

Key figures, EUR million

	2024	2023	Change	2023
	1-3	1-3	%	1-12
Revenue	20.2	24.1	-16.0 %	94.4
Operating result	-2.2	-1.8	22.7 %	-2.4
Operating result %	-11.0 %	-7.5 %		-2.5 %
Result before taxes	-2.5	-2.1		-3.3
Result for the period	-2.7	-2.2	23.4 %	-3.5
Earnings/share, EUR	-0.60	-0.49	21.9 %	-0.77
Return on investment %	-31.9	-24.1		-7.5
Return on equity %	-32.8	-17.3		-31.3
Equity ratio %	17.0	24.9	-31.7 %	20.0
Gearing %	203.4	82.1	147.7 %	137.2

Ville Taipale, CEO:

“As in the previous year, market uncertainty and weak economic development continued in the first quarter of this year, especially in Finland and the other Nordic countries. The uncertainty of the economic situation continued to be reflected as caution in the purchasing decisions of Martela's customers. In addition, operations in Finland were hampered by strikes that took place in the spring during the review period. Structural changes implemented in Finland, Sweden and Norway during the review period temporarily weakened operational efficiency. Mainly due to reasons mentioned above, our revenue decreased to EUR 20.2 million in the first quarter which was 16.0 % lower compared to the same period last year.

The Group's new orders decreased some 8 % in the first quarter compared to the corresponding period in the previous year. In the first quarter, orders increased in Finland and decreased in Sweden, in Norway and in the group “Others”.

Our operating result decreased in the first quarter compared to the same period last year and was EUR -2.2 (-1.8) million. Despite the strikes, productivity and operational efficiency improved compared to the comparison period, but their impact could not fully compensate for the significant decrease in revenue. The measures announced during the review period concerning streamlining and reorganisation of operations have been completed, but their efficiency improvement effects will mainly only materialise from the second quarter onwards. The implementation of the reorganisation resulted in additional costs during the review period. Naturally the reorganisation also aims to improve the service experience of Martela's customers.

Major changes are underway in the ways of working and thus in working environments, which are expected to increase demand for Martela's products and services as a whole. The pandemic accelerated and permanently changed the meaning of the office. Companies are looking for more attractive and diverse working environments, while more and more attention is paid to home office furnishings and ergonomics.

We will continue to lead the way, in collaboration with our customers, in creating the best and more flexible work environments that improve employee experience, efficiency, innovation and lower total cost of ownership.

We respond to our customers' increased demand for flexibility with our "Workplace as a Service concept”, which we have continued to develop actively. Interest in the service model has been encouraging and we expect the service model to have a positive impact on the development of our business. In addition, our ongoing digital development project will enable us to bring even more diverse sales channels to our offering in the future.

The entire personnel is committed to the determined implementation of the strategy, which provides a good foundation for the future.”

Market situation

Economic development in the Nordic countries was modest in the first quarter of 2024, which was also reflected in the prudent purchasing decisions of Martela's customers. The market situation is expected to remain challenging also towards the end of 2024, but to improve slightly towards the end of the year. Uncertainty about the development of interest rates and the timing of a possible downward trend in interest rates increases uncertainty.

However, market uncertainty and simultaneous changes in the way of working is likely to create demand for Martela's change services. Premises will be modified to meet the needs of multi-location hybrid work and investments will be made in their attractiveness.

Revenue and operating result

Revenue and result for January–March 2024

Revenue for January–March was EUR 20.2 million (24.1) and decreased by -16.0 % from previous year. Compared to previous year revenue decreased in Finland by 14.1 %, in Norway by 50.0 % and in Sweden by 42,9 %. In Other countries revenue increased by 83,1 % compared to previous year.

The Group's operating result in January–March was EUR -2.2 million (-1.8).

The January–March result before taxes was EUR -2.5 million (-2.1) and net result EUR -2.7 million (-2.2).

Revenue by country, EUR million

	2024	2023	Change	2023
	1-3	1-3	%	1-12
Finland	15.2	17.7	-14.1 %	67.3
Sweden	1.8	3.2	-42.9 %	9.6
Norway	1.0	2.0	-50.0 %	7.0
Other	2.2	1.2	83.1 %	10.5
Revenue total	20.2	24.1	-16.0 %	94.4

Income from the sale of goods	15.0	19.7	-24.3 %	77.7
Income from the sale of services	5.2	4.4	23.3 %	16.7

Cumulative revenue includes EUR 1 077 thousand (985) income from furniture which is based on customer agreements and is classified as rental income.

Financial position

The cash flow from operating activities in January–March was EUR -0.1 million (-0.7).

At the end of the period, interest-bearing liabilities stood at EUR 17.9 million including EUR 17.1 million lease liabilities according to IFRS 16. At the end of the comparison period the interest-bearing liabilities stood at EUR 17.2 million including EUR 17.1 million lease liabilities according to IFRS 16.

Net liabilities were EUR 14.5 million (9.7). At the end of the period, short-term limits of EUR 0.0 million were in use (0.0).

The gearing ratio at the end of the period was 203.4% (82.1) and the equity ratio was 17.0% (24.9). Financial income and expenses were EUR -0.3 million (-0.3).

The balance sheet total stood at EUR 49.8 million (55.5) at the end of the period.

Capital expenditure

The Group's gross capital expenditure for January–March was EUR 0.1 million (0.6).

Personnel

The Group employed an average of 380 people (398), containing no change. The number of employees in the Group was 381 (398) at the end of the review period. Personnel costs in January–March totalled EUR 6.2 million (6.2).

Personnel on average	2024	2023	Change	2023
by country	1-3	1-3	%	1-12
Finland	304	321	-5.3 %	326
Sweden	28	28	0.0 %	29
Norway	15	15	0.0 %	15
Other	33	34	-2.9 %	33
Total	380	398	-4.5 %	403

Martela's offering

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

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

OTHER MATTERS

Shares

In January–March, a total of 401,210 (248,945) of the company's series A shares were traded on the NASDAQ OMX Helsinki exchange, corresponding to 10.1% (6.4) of the total number of series A shares.

The value of trading turnover was EUR 0.5 million (0.6), and the share price was EUR 1.30 at the end of the period (2.35). During January–March the share price was EUR 1.59 at its highest and EUR 1.25 at its lowest. At the end of March, equity per share was EUR 1.56 (2.61).

Treasury shares

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

Martela owns a total of 1 425 Martela A shares and its holding of treasury shares amounted to 0.0% of all shares and 0.0% of all votes. Out of the shares 379 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 Plans

The old share-based incentive plan

In the effective Performance-based Share Plan 2021–2023, there were three earning periods, which were financial years 2021, 2022 and 2023. The prerequisite for participating in the new plan was that a participant acquires the company's series A shares up to the number determined by the Board of Directors. Approximately 40 key employees, including the CEO and other Martela's Management Team members, were belonging to the target group of the share-based incentive plan. In the plan, the target group was 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 decided the earning criteria and the goals for each criterion of the plan at the beginning of each earning period. 53,881 additional shares based on the program were paid as rewards in 2023 and 11,657 in 2022. In 2024, no reward will be paid on the basis of the plan, because the goals of the earning period 2023 were not achieved.

The new share-based incentive plan

On March 13, 2024, Martela Oyj's Board of Directors decided on a new share-based incentive plan for the group's key employees. The new system largely follows the principles of the old system.

Participating in the new plan requires that the participant acquire new or transfer already acquired company A shares up to the amount decided by the Board of Directors. In order to implement the plan, the Board of Directors decided on April 29, 2024, on a share issue of 65,717 company A shares aimed at the target group of the plan. In addition to this, the employees who participated in the old plan have transferred 172,644 of the company's A shares from their investments in the old plan to the new plan.

In the system, it is possible for the target group to earn Martela Oyj's A shares based on performance and personal investment in Martela Oyj's A shares. The board decides the earning criteria of the plan and the goals set for each earning criterion at the beginning of the earning period.

The rewards paid based on the plan are estimated to correspond to a maximum of 715,000 Martela Oyj's A shares, including the portion paid in cash.

37 people, including the CEO and other members of Martela's management team, were part of the plan's target group when the plan started.

The new performance-based additional share plan 2024—2026 has three earning periods, the fiscal years 2024, 2025 and 2026. In the earning period 2024, the rewards are based on the group's operating profit (EBIT).

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.

As part of the implementation of the performance-based share plan, the Board of Directors has decided to grant interest-bearing loans of a maximum of approximately EUR 60,000 to persons participating in the program to finance the acquisition of the company's shares. With the loans in question, the participants finance the acquisition of 65,717 of the company's A shares in the above-mentioned share issue. The maximum amount of the loans in question is 70 percent of the participant's share investment. In addition to this, for persons who participated in the old plan and have transferred to the new plan, the Bord of Directors has decided to extend the maturity of the loans granted in 2021 by two years until the end of 2027.

2024 Annual General Meeting

Martela Corporation's Annual General Meeting was held on Friday, April 5, 2024. The Meeting approved the Financial Statements, discharged the members of the Board of Directors and CEO's from liability for the year of 2023 and approved remuneration report and new remuneration policy. The Board of Directors proposal that no dividends would be paid was approved.

The Annual General Meeting confirmed that the Board of Directors will consist of six members and Mr. Eero Martela, Ms. Hanna Mattila, Mr. Jan Mattsson, Mr. Johan Mild and Ms. Anni Vepsäläinen be re-elected as members of the Board of Directors and a new member Mr. Jacob Kragh was elected to replace Ms. Katarina Mellström. The Annual General Meeting resolved a monthly compensation of EUR 3,700 be paid for the Chairman of the Board and EUR 1,850 for the Board Members, and an additional compensation of EUR 1,600 per year to the Board members belonging to a committee.

Authorized Public Accountant Ernst & Young Oy was elected as the company's auditor. The remuneration of the auditor will be paid according to the invoice that has been accepted by the Audit Committee of the company. Ernst & Young Oy has informed that Authorized Public Accountant Mr. Osmo Valovirta will act as the principal auditor.

The Annual General Meeting authorized the oard 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 organisational meeting after the Annual General Meeting and elected from among its members Johan Mild as the Chairman and Anni Vepsäläinen as the Vice Chairman of the Board.

Corporate responsibility and quality

Corporate 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 taking care of unnecessary furniture needed in a sustainable way. The company's

Martela Lifecycle model covers the entire lifecycle of a workplace. The Group has an occupational health and safety (ISO 45001) management system and a quality (ISO9001) and environmental (ISO14001) management system certified by an independent certifier, which guarantee that operations are continuously improved, client expectations met, and environmental matters taken into consideration.

Further information on the corporate responsibility of the Group's operations can be found in the annually published responsibility report. Martela's Sustainability reporting includes extensive non-financial information (NFI) required by the new accounting legislation. It has been published since 2011. All reports are available on the Martela website.

Administration

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 29 April 2024, based on the share issue authorisation granted by the Annual General Meeting held on 5 April 2024, the Board of Directors of Martela Corporation resolved on an issue of 65,717 new Class A shares. The share issue is directed to the participants of the company's new share-based long-term incentive plan. The total number of the company's Class A shares after the coming share issue shall be 4,034,412 shares. The matter has been announced in stock exchange release on April 29, 2024.

No other significant events requiring reporting have taken place and operations have continued as planned after the January–March period.

SHORT-TERM RISKS

The principal risk regarding profit performance and liquidity development is related to the general economic uncertainty and weak development in the main market ares and the consequent effects on the overall demand in Martela's operating environment. The market situation continues to be negatively affected by uncertainty about the economic development. Due to the project-based nature of the sector, forecasting short-term development is challenging in normal circumstances. This challenge is further accentuated by the increased economic uncertainty.

Outlook

Outlook for 2024

Martela anticipates its revenue to increase in full-year 2024 compared to previous year and operating result to be positive.

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 December 31, 2023. The figures in the release have been rounded and the total sum of individual figures may differ from the total presented in the release. The figures presented in this release have not been audited. Same accounting principles have been applied in this report as in the financial statements 2023.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1000)

	2024 1-3	2023 1-3	2023 1-12
Revenue	20,220	24,089	94,389
Other operating income	18	43	149
Employee benefit expenses	-6,217	-6,198	-22,995
Operating expenses	-14,461	-18,057	-67,150
Depreciation and impairment	-1,776	-1,684	-6,773
Operating profit/loss	-2,216	-1,807	-2,380
Financial income and expenses	-305	-288	-912
Profit/loss before taxes	-2,521	-2,095	-3,292
Taxes	-211	-119	-222
Profit/loss for the period	-2,732	-2,214	-3,514
Other comprehensive income:			
Translation differences	291	46	-415
Actuarial gains and losses	0	0	45
Actuarial gains and losses, deferred taxes	0	0	0
Other comprehensive income for the period	291	46	-370
Total comprehensive income	-2,441	-2,168	-3,884
Basic earnings per share, eur	-0.60	-0.49	-0.77
Diluted earnings per share, eur	-0.60	-0.49	-0.77
Allocation of net profit for the period:			
To equity holders of the parent	-2,732	-2,214	-3,514
Allocation of total comprehensive income:			
To equity holders of the parent	-2,441	-2,168	-3,884

GROUP BALANCE SHEET (EUR 1000)	31/3/2024	31/3/2023	31/12/2023
ASSETS			
Non-current assets			
Intangible assets	4,120	4,310	4,334
Tangible assets	14,592	13,286	14,408
Investments	7	7	7
Deferred tax assets	2,763	2,798	3,003
Non-current loan receivables	532	546	532
Total	22,014	20,948	22,283
Current assets			
Inventories	10,209	10,107	9,235
Receivables	14,081	16,899	19,115
Cash and cash equivalents	3,463	7,512	5,053
Total	27,753	34,519	33,403
Total assets	49,767	55,467	55,686
EQUITY AND LIABILITIES			
Equity			
Share capital	7,000	7,000	7,000
Share premium account	1,116	1,116	1,116
Reserve for invested unrestricted equity	995	995	995
Other reserves	-9	-9	-9
Translation differences	-779	-609	-1,071
Retained earnings	-1,202	1,841	1,530
Treasury shares	-4	-4	-4
Share-based incentives	0	1,479	0
Total	7,118	11,810	9,558
Non-current liabilities			
Interest-bearing liabilities	13,990	14,249	13,776
Other non-current liabilities	313	263	306
Pension obligations	105	115	105
Total	14,409	14,628	14,187
Current liabilities			
Interest-bearing	3,843	2,840	4,287
Non-interest bearing	24,398	26,189	27,654
Total	28,240	29,029	31,941
Total liabilities	42,649	43,657	46,128
Equity and liabilities, total	49,767	55,467	55,686

CONSOLIDATED CASH FLOW STATEMENT (EUR 1000)	2024 1-3	2023 1-3 *)	2023 1-12 *)
Cash flow from operating activities			
Profit/loss before taxes	-2,521	-2,095	-3,292
Depreciation and impairment	1,776	1,684	6,773
Unrealized exchange rate gains and losses	133	-16	-141
Financial income and expenses	305	288	912
Other adjustments and income and expense non-cash	-10	-709	-3,072
Cash flow before change in working capital	-317	-847	1,181
Change in working capital			
Non-interest-bearing receivables, increase (-) / decrease (+)	5,034	1,433	-786
Inventories, increase (-) / decrease (+)	-974	1,674	2,546
Non-interest-bearing liabilities, increase (+) / decrease (-)	-3,257	-2,646	-1,181
Cash flow before financial items and taxes	487	-387	1,760
Interest and other financial items paid	-26	-13	-99
Interest and other financial items received	8	8	29
Interest on lease liabilities	-172	-175	-694
Income tax paid	-342	-81	-677
Net cash from operating activities (A)	-46	-647	320
Cash flows from investing activities			
Capital expenditure on tangible and intangible assets	-81	-616	-2,332
Cash flow from investing activities (B)	-81	-616	-2,332
Cash flow from financing activities			
Repayments of short-term loans	-501	-1,624	-417
Repayments of lease liabilities	-893	-815	-3,457
Dividends paid and other profit distribution	0	0	-452
Cash flow from financing activities (C)	-1,395	-2,439	-4,326
Change in cash and cash equivalents (A+B+C)	-1,522	-3,702	-6,338
Cash and cash equivalents in the Beginning of the period	5,053	11,295	11,295
Translation differences	-68	-81	96
Cash and cash equivalents at the end of period	3,463	7,512	5,053

*) The presentation method has been changed to previously published, the figures for the comparison period are unaudited.

STATEMENT OF CHANGES IN EQUITY

(EUR 1000) Equity attributable to equity holders of the parent	Share capital	Share premium account	Reserve for invested unrestricted equity	Other reserves	Translation differences	Retained earnings	Treasury shares	Equity total
01/01/2023	7,000	1,116	995	-9	-655	5,406	-4	13,850
Profit/loss for the period						-2,214		-2,214
Translation differences					46			46
Other comprehensive income								46
Other comprehensive income for the period					46	-2,214		-2,168
Share-based incentives						128		128
31/3/2023	7,000	1,116	995	-9	-609	3,320	-4	11,810
01/01/2024	7,000	1,116	995	-9	-1,070	1,530	-4	9,558
Profit/loss for the period						-2,732		-2,732
Translation differences					291			291
Other comprehensive income								291
Other comprehensive income for the period					291	-2,732		-2,441
Share-based incentives								
31/3/2024	7,000	1,116	995	-9	-779	-1,202	-4	7,118

CONTINGENT LIABILITIES	31/3/2024	31/3/2023	31/12/2023
Mortgages and shares pledged	9,895	9,850	9,895
Other commitments	888	892	854
Rental commitments	478	710	589

DEVELOPMENT OF SHARE PRICE	2024 1-3	2023 1-3	2023 1-12
Share price at the end of period, eur	1.30	2.35	1.28
Highest price, eur	1.59	2.72	2.72
Lowest price, eur	1.25	2.25	1.22
Average price, eur	1.35	2.47	1.83

KEY FIGURES/RATIOS	2024 1-3	2023 1-3	2023 1-12
Operating profit/loss, EUR thousand	-2,216	-1,807	-2,380
-% in relation to revenue	-11,0	-7,5	-2,5
Profit/loss before taxes, EUR thousand	-2,521	-2,095	-3,292
-% in relation to revenue	-12,5	-8,7	-3,5
Profit/loss for the period, EUR thousand	-2,732	-2,214	-3,514
-% in relation to revenue	-13,5	-9,2	-3,7
Basic earnings per share, eur	-0,60	-0,49	-0,77
Diluted earnings per share, eur	-0,60	-0,49	-0,77
Equity/share, eur	1,56	2,61	2,09
Equity ratio %	17,0	24,9	20,0
Return on equity %	-32,8	-17,3	-31,3
Return on investment %	-31,9	-24,1	-7,5
Interest-bearing net-debt, EUR million	14,5	9,7	13,1
Gearing %	203,4	82,1	137,2
Capital expenditure, EUR million	0,1	0,6	2,3
-% in relation to revenue	0,4	2,6	2,4
Personnel at the end of period	381	398	386
Personnel on average	380	398	403
Revenue/employee, EUR thousand	53,2	60,5	234,2

Formulas for Calculation of Key Figures

Earnings / share	=	Profit attributable to the equity holders of the parent Average share issue-adjusted number of shares
Equity / share, EUR	=	Equity attributable to the equity holders of the parent Share issue-adjusted number of shares at year end
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 expenses) x 100 Balance sheet total - Non-interest-bearing liabilities (average during year)
Equity ratio, %	=	Equity x 100 Balance sheet total - advances received
Gearing, %	=	Interest-bearing liabilities-cash and 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

BRIEFING

A briefing will not be held, but additional information can be asked by telephone from CEO Ville Taipale and CFO Henri Berg on Tuesday May 14, 2024 from 12 a.m. to 2 p.m. EET.

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Martela is a Nordic leader specialising in user-centric working and learning environments. We create the best places to work and offer our customers the Martela Lifecycle solutions which combine furniture and related services into a seamless whole.