



# Honkarakenne Group Half-Year Report

**H1 2023**

*Honkarakenne Oyj Half-year report 1 Jan.–30 Jun. 2023*

## Net sales and operating profit declined – order book at pre-pandemic level

Net sales for the first half of 2023 declined by 37% to EUR 23.0 million (H1 2022: 36.7). Operating profit excluding items affecting comparability deteriorated by EUR -1.9 million to EUR 0.3 million (EUR 2.2 million). The result for the review period was negative. At the end of the review period, the order book stood at EUR 28.0 million.

## January-June 2023

- Honkarakenne Group's net sales in January–June amounted to EUR 23.0 million (H1 2022: 36.7). Net sales declined by 37% from the corresponding period of the previous year.
- Operating profit was slightly negative and amounted to EUR -0.0 million (2.2). Adjusted operating profit was EUR 0.3 million (2.2). The adjusted operating profit includes costs of EUR 0.4 recorded as a result of change negotiations.
- Profit before taxes was EUR -0.4 million (1.7) and adjusted profit before taxes was EUR -0.1 million (1.7). The profit for the review period is weakened by the unfavourable exchange rate development of the Japanese yen recorded in financial expenses.
- Earnings per share was EUR -0.07 (0.23).
- The Group's financial position is strong, with an equity ratio of 59.3% (55.7%) and net financial liabilities of EUR -6.8 million (-14.5).

Honkarakenne's guidance for 2023 remains unchanged from the guidance updated in the beginning of June. According to Honkarakenne's view, the Group's net sales in 2023 will fall from the previous year and amount to EUR 47-52 million. The Group's operating profit will decrease and remain between EUR -0.5 and +0.8 million.

The Group's order book totalled EUR 28.0 million (51.3). The order book for the review period remained at the levels of the comparison periods of 2019 and 2020.

Figures in brackets refer to the corresponding period one year earlier, unless otherwise stated.

**Group's key figures**

	<b>1.1.-30.6.2023</b>	<b>1.1.-30.6.2022</b>	<b>1.1.-31.12.2022</b>
Net sales, EUR million	23.0	36.7	73.7
Operating profit/loss, EUR million	-0.0	2.2	4.2
Adjusted operating profit/loss, EUR million	0.3	2.2	4.2
Profit/loss before taxes, EUR million	-0.4	1.7	3.6
Adjusted profit/loss before taxes, EUR million	-0.1	1.7	3.6
Average number of employees	189	188	190
Average number of employees in person-years	184	182	183
Earnings per share, EUR	-0.07	0.23	0.47
Equity ratio, %	59.3	55.7	66.6
Return on equity, %	-2.5	7.9	15.8
Equity per share, EUR	2.76	2.85	3.10
Gearing ratio, %	-41.5	-86.8	-53.8

Honkarakenne Oyj's CEO Marko Saarelainen commented on the half-year report as follows:

The first half of the year was challenging due to the market environment. The Group's net sales and operating profit fell significantly compared to the same period last year and sales were very weak in the early part of the year. The commercial pick-up started partly in late spring and order intake was at the level of the years before the pandemic in 2019 and 2020.

Production volumes at the Karstula plant decreased significantly, which led to an increase in unit prices in terms of production costs. The decrease in raw material purchase prices was not sufficient to cover the cost of the fall in production volumes.

The Group continued the redundancy and adjustment measures started in the previous year. In addition, new change negotiations were launched in the parent company in May and concluded in June before the end of the review period. The decisions taken after the end of the negotiations resulted in 22 redundancies in the office and production staff in Finland.

Alongside the adjustment measures, the focus continued to be on promoting and implementing development projects in line with the strategy. The company implemented a business reorganisation based on the Customer experience for profitable growth transformation programme, resulting in improved customer satisfaction and profitability from new projects, especially for the business in Finland.

As an investment in the Japanese export market, a new office and showroom for the Japanese subsidiary was opened in Tokyo in June. In addition, the subsidiary's organisation was strengthened with architectural expertise and the business focused on B2B sales.

At the Karstula plant, improvements were made to the area's logistical solutions, which contribute to occupational safety and operational efficiency in the area. In addition, replacement investments in production machinery were started for the glue applicator and planer machine. At the end of the review period, the Group decided to launch the "Customer 360 project", in connection with which a new customer management and project tracking system will be introduced next year.

This year marked the 20th anniversary of the development of Honka's non-settling Fusion log. During these years, the properties of non-settling Fusion logs and various solid log building solutions have been systematically researched and developed. As a result of this work, a solid log terraced house concept suitable for founding contractors was launched in early winter. The product is particularly in demand among housing developers who are investing in environmentally friendly, responsible, low-carbon, and energy-efficient construction solutions.

The current outlook for a more favourable development of sales is still very uncertain. With housing production in Finland at a virtual standstill, a rapid market recovery is uncertain.

The project portfolio in the Finnish project business is stronger than in the consumer business and demand has been growing favourably. There are also positive project openings in the export business, but for example the main markets of the subsidiaries have remained very depressed.

In addition to the Finnish market, Honkarakenne will continue to focus on increasing exports in its selected export regions. Additional reinforcements are sought in the export market through importers and partners. The Group is engaged in several export-driven development projects to strengthen profitability and process efficiency, while improving customer and employee experience."

## Net Sales

Honkarakenne Group's net sales for the first half of 2023 decreased by 37% to EUR 23.0 million (36.7).

Honkarakenne presents its net sales data divided in two geographical segments: Finland and Exports. Below we present net sales based on this division for the first half of 2023 and the second half of 2022 with the comparison year.

### Net sales development

Net sales distribution, %	1-6/2023	1-6/2022	1-12/2022
Finland	65%	72%	74%
Exports	35%	28%	26%
Total	100%	100%	100%

Net sales, MEUR	1-6/2023	1-6/2022	Change	7-12/2022	1-12/2022
Finland	14.9	26.4	-44%	28.4	54.8
Exports	8.1	10.3	-22%	8.6	18.9
Total	23.0	36.7	-37%	37.0	73.7

Finland also includes billet sales and the sale of process by-products for recycling. Exports include all other countries except Finland.

## Order Book

The Group's order book was 45% lower than in the comparison year and amounted to EUR 28.0 million (51.3). It was at a similar level at the end of June in 2019 and 2020. The order book decreased by 3.5% from EUR 29.0 million at the end of December last year.

Order book refers to orders with a delivery date within the next 24 months. Some orders may have a financing or building permit condition.

## Trends in Profit and Profitability

Adjusted operating profit for the review period was EUR 0.3 million (2.2). The operating profit stood at EUR -0.0 million (2.2) and profit before taxes at EUR -0.4 million (1.7). Adjustments for the period include costs of EUR 0.4 million for decisions taken following the change negotiations that ended in June. The costs of downsizing and reorganisation arise from redundancy pay and other costs related to staff and change protection services.

The development of the operating profit was negatively affected by significantly lower net sales than in the previous year and higher unit costs due to reduced production volumes, which could not be fully offset by lower raw material costs. Due to the promotion of ongoing strategic projects, it was not possible to fully adjust staff costs in all areas. The early part of the year saw the reorganisation of the business and the promotion, implementation, and documentation of projects to increase sales and profitability. These investments will have a positive impact on customer satisfaction and improved profitability for projects.

The operating profit for the comparison period includes the last deliveries of projects in the order and delivery phase to the Russian importer before the EU export sanctions entered into force. After customs sanctions came into force, Honkarakenne suspended all deliveries to Russia. Sales were discontinued right away at the beginning of March.

## Financing and Investment

At the end of the review period, Honkarakenne's financial position was good and the Group's equity ratio was 59.3% (55.7%). Net gearing ratio was -41.5% (-86.8%). The Group's net financial liabilities amounted to EUR -6.8 million (-14.5), so the Group's liquid assets exceeded its financial liabilities. The Group's liquid assets totalled EUR 10.5 million (17.6). The Group also has a EUR 3.0 million (3.0) overdraft facility, which has not been used in the review period or the comparison period.

The Group's gross investments amounted to EUR 0.6 million (0.2), excluding right-of-use assets in accordance with the IFRS 16 standard. Investments during the review period are mainly related to the replacement of the log line and gluer at the Karstula mill and the further development of the ERP system project.

## Products and Market Areas

**In Finland**, net sales were 44% lower than in the same period last year at EUR 14.9 million (26.4). Sales remained at pre-pandemic levels. Persistently high inflation and rising interest rates, together with general economic uncertainty, have significantly dampened the housing market. On the consumer business side, demand for detached houses was significantly weaker than for holiday homes.

The early part of the year was very quiet in terms of project construction sales. Net sales increased from May onwards, after which the net sales reached a level higher than in the comparison period. Care facility project deliveries were carried out, e.g., to Haukiputaa, Järvenpää, Vaasa and Aura. In recent years, the project construction business has delivered nearly 100 school, day-care and nursing home solutions across Finland. In care facility construction, demand and the project portfolio have developed favourably in the early part of the year.

In January, Honkarakenne and its founding contractor partners won the contract to build a new block of log apartment buildings and a new area of terraced houses in Järvenpää's Anni-täti residential area. The new terraced house concept launched by Honga has led to a significant increase in interest and demand among housing developers. Overall, the project construction portfolio has developed well. The business outlook for the rest of the year and the coming year is better than the general housing market situation. There is still uncertainty in the market as to when projects will start, and delays may occur if general market recovery is prolonged. This naturally affects the timing of the expected net sales accumulation.

**In exports**, net sales were 22% lower than in the corresponding period of the previous year at EUR 8.1 million (10.3). Net sales for the comparison period included the last project deliveries to Russia that were in the order and production process. Similar to demand in Finland, demand for exports was weak in the early part of the year. Net sales were largely made up of larger sales in the export project business, with a few larger resort area reception buildings delivered. In addition to these, Honka Haiku, a model house for holiday homes to be sold in another area, was delivered.

In the export project business, final-stage commercial negotiations for the delivery of a new holiday resort area were underway with a new client. After the end of the review period, a supply agreement was signed for the rest of the year and the early part of next year.

In June, the opening of the new office and showroom of the subsidiary Honka Japan was held in Tokyo, with customer meetings and sales and training days for dealers.

## Strategy 2022–2024

The aim of the strategy, which will be in force until the end of 2024, is to strengthen Honkarakenne Oyj's position as Finland's largest exporter of wooden buildings. With the export-driven strategy, the company seeks to increase net sales with a

focus on profitability during the strategy period. The profitability objectives are based on process efficiency, while significantly enhancing the customer and employee experience.

Honkarakenne Group's vision is to become the leader in environmentally friendly and healthy housing in our chosen market areas. The Group's mission is to improve the quality of people's lives and housing.

Honkarakenne's strategic objectives for the 2022–2024 period are:

- Increasing exports by focusing on and allocating resources to selected markets
- Increased profitability through further enhancing the customer and employee experience
- A responsible leader focused on health and the future.

To implement the strategy, the company has several ongoing preparatory and development projects in various stages in its key operations to support the progress of the strategy. Due to the changed market situation, investments have been focused on increasing sales and projects that improve profitability. At the beginning of the year, the Customer experience for profitable growth transformation programme was implemented to reorganise the business to ensure a better customer experience and a more profitable business. In addition, a process of strategic work to develop and clarify activities in the different export focus markets, market intelligence updates, and identification and search processes for partners and importers are ongoing.

Honkarakenne states that it does not consider long-term targets as market guidance for any particular year of the strategy period.

## Sustainability

Sustainability is a key part of Honkarakenne's strategy. Honkarakenne Group is continuously developing its production, services and selection to enable healthier, more ecological and better-quality living. Group focuses on building the future and choices are guided by human and natural vitality. Honkarakenne's sustainability programme, 'We are building the future', is based on the changes we have identified in our operating environment, our ethical principles, recognised expectations of our staff and other stakeholders, and understanding the customer in our markets. Responsible purchasing and eco-friendly production are at the core of our business, and we are constantly developing the health and safety of our houses.

As part of Honkarakenne's sustainability programme, the parent company uses 100% electricity produced with renewable energy and certified with a guarantee of origin with carbon dioxide emissions of 0 g/kWh at all its own sites.

## Seasonal Nature of Our Business

Honkarakenne operates in a business that is seasonal by nature. Especially in Finland, construction mostly takes place during summer, so there are more deliveries in summer and autumn than during the winter. Considering the existing market and demand conditions, the company aims to even out this seasonality especially with export activities. During the review period, the company's market situation was challenging in all its areas.

## Research and Development

The Group's R&D costs in January-June were EUR 0.3 million (0.2), which was 1.2% (0.4 %) of net sales. Research and development activities focused on product solutions for export markets and continued to focus on log structures suitable for larger public buildings in particular. Honkarakenne's log product project for public and large buildings is part of a wood

construction programme partly funded by the Ministry of the Environment. The aim of the project and programme is to increase the use of wood in construction to promote climate targets. Wood construction is part of sustainable use of forests. The Group has not capitalised development costs during the review period.

## Personnel

The Group's average number of personnel, measured in person-years, totalled 184 persons (182) during the first half of the year. The increase from the comparison period was 2 people. The Group's average number of personnel, measured by employment relationships, was 189 (188) during the first half of the year.

In February, the Board of Directors of the Group's parent company decided, in accordance with the rules of the personnel fund established in December, to reward all personnel by a separate decision based on the results for the financial year 2022. The bonuses were paid to the persons covered by the staff fund after the Annual General Meeting in April.

In the change negotiations that ended in late 2022, it was agreed that the employer will be entitled to a maximum of 90 days of temporary layoffs and working time arrangements for all staff during 2023. Temporary layoffs were implemented during the review period.

Low demand and a prolonged period of weak market prospects led to the initiation of new change negotiations in May 2023. The change negotiations ended in June and as a result, the parent company decided to dismiss 9 employees and 13 clerical employees at the end of the review period. In addition, the parent company is authorised to lay off its staff during 2023 and 2024 if the economic or production situation so requires.

As a result of the decisions and measures taken, personnel expenses and other expenses totalling EUR 0.4 million were recorded in the result for the period. According to the Group's definition, reorganisation costs are adjustment items that do not affect the Group's adjusted result.

## Executive Group

During the review period Honkarakenne's Executive Board consisted of Marko Saarelainen, CEO; Juha-Matti Hanhikoski, Vice President, Production; Eino Hekali, Vice President, Product; Maarit Jylhä, CFO; Petri Perttula Business Vice President, Operations Finland; and Maarit Taskinen, Vice President, Operations Export.

## Honkarakenne Oyj's Annual General Meeting, Board of Directors and Auditors

Honkarakenne Oyj's Annual General Meeting was held at the Honkarakenne's Karstula factory on 20 April 2023. The Annual General Meeting decided that dividends of EUR 0.25 per share will be paid for the financial year ending on 31 December 2022 and the remaining retained earnings will be retained in equity. The dividends was paid to shareholders at the beginning of May.

Arto Halonen, Timo Kohtamäki, Maria Ristola and Kari Saarelainen were re-elected as Board members, with Antti Tiitola as a new member. At the Board's organising meeting, Timo Kohtamäki was selected as the Chairman of the Board of Directors. At the same meeting, the Board of Directors decided that it would not establish committees.

Ernst & Young Oy, member of the Finnish Institute of Authorised Public Accountants, was re-appointed as auditor of the company, with Elina Laitinen, APA, as chief auditor.

## Authorisations of the Board of Directors

The Annual General Meeting decided on 20 April 2023 that the Board of Directors is authorised to decide on the purchase of no more than 400,000 of the company's own B shares using funds from the company's unrestricted shareholders' equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on rights issue or bonus issue and on the granting of special rights entitling to shares in one or more instalments under the terms and conditions in Chapter 10, section 1 of the Companies Act. Under the authorisation, the Board of Directors may issue a maximum of 1,500,000 new shares and/or transfer old B shares held by the company inclusive of any shares that may be issued. These two authorisations remain in force until the next Annual General Meeting, however expiring at the latest on 30 June 2024.

## Shares, Share Capital and Own Shares

During the review period, Honkarakenne Oyj's shares numbered 6,211,419, of which 300,096 were class A shares and 5,911,323 class B shares. The company's share capital has not changed, remaining at EUR 9,897,936.00. Each class B share entitles to one (1) vote and a class A share to twenty (20) votes, bringing to total number of votes conferred by the shares during the review period to 11,913,243.

Honkarakenne's class B shares are listed on NASDAQ OMX Helsinki Oy's Small Cap list with the ticker HONBS. The highest price of the listed class B share was EUR 4.98, lowest EUR 3.70, and the closing price at the end of the review period was EUR 3.80. The market capitalisation of the stock at the end of the financial year was EUR 22.4 million. The trading value of class B shares was EUR 1.6 million and the trading volume 0.4 million shares.

In April, Honkarakenne transferred 8,333 class B shares to the CEO as part of the 2022 performance bonus. At the end of the report period, the Group held 321,052 of its own Series B shares with a total purchase price of EUR 1,186,556.34. Own shares account for 5.17% of all company shares and 2.69% of all votes. The purchase cost of own shares has been deducted from shareholders' equity in the consolidated financial statements.

Honkarakenne has not acquired its own shares during the review period.

## Flagging Notifications

No flagging notifications were received during the reporting period.

## Corporate Governance

In 2023, Honkarakenne Oyj complies Finnish Corporate Governance Code for listed companies issued by the Securities Market Association in 2020. For more information about corporate governance, go to [www.honka.fi](http://www.honka.fi).

## Short-term Risks and Uncertainties

The main risks and uncertainties of Honkarakenne relate to negative changes in the operating environment of the company and its customers, increased costs of raw materials and components, their availability and the functioning of the overall supply chains. If demand falls sharply in the operating environment and costs remain high, it may have significant effects on the company's earnings development.

The economic uncertainty in the Group's operating environment is negatively reflected in business and consumer confidence. The short-term economic risks continue to be increased by high inflation and the continued rise in interest rates during the financial period.

The uncertainty of the military aggression initiated by Russia and all its effects on business are difficult to assess.

Replacing the lost order book in the Russian market area with other export markets may be prolonged or uncertain in the current global market situation. If the war is prolonged or expands it can have a considerable negative effect on the Group's business, financial position and operating profit.

The valuation of items in the balance sheet is based on the management's current estimates. Any changes to these estimates may affect the company's financial performance.

## Events After the Reporting Period

The merger plan of Honkarakenne Oyj's subsidiary Honka Management Oy with the parent company has been registered with the Trade Register of the Finnish Patent and Registration Office at the end of July 2023. The reasons for the merger are to reorganise the group structure, reduce unnecessary administration, improve operational efficiency, and save costs.

As of the end of July, the parent company has signed a contract for the delivery of the resort project in the framework of its export business, with the first holiday homes to be delivered in the last quarter of the year and the next planned deliveries to take place from spring-winter 2024 onwards. The order book for the review period does not include the delivery of the resort project in question.

## Reporting

This report contains statements that relate to the future, and these statements are based on hypotheses that the company's management hold currently, and on the decisions and plans that are currently in place. Although the management believes that the hypotheses relating to the future are well-founded, there is no guarantee that the said hypotheses will prove to be correct.

This half-year report has been prepared in accordance with IAS 34. The half-year report should be read together with the 2022 financial statements. The accounting policies used in preparing the half-year report are the same as in the financial statements for 2022, with the exception of standards and interpretations that have come into force on 1 January 2023 or thereafter. The new standards or interpretations effective as of 1 January 2023 did not have a material impact on the figures presented for the review period.

The half-year report has not been audited and the figures are unaudited.

Figures in brackets refer to the corresponding period one year earlier, unless otherwise stated.

## Outlook for 2023 (published on 1 June 2023)

Honkarakenne's guidance for 2023 remains unchanged from the guidance updated in the beginning of June. According to Honkarakenne's view, the Group's net sales in 2023 will fall from the previous year and amount to EUR 47-52 million. The Group's operating profit will decrease and remain between EUR -0.5 and +0.8 million.

### Basis For the Outlook

The company's view of 2023 development is based on the existing order book, orders received during spring and summer, a view of continuing challenges in the operating environment, and weak market recovery. The company's order intake for the rest of the year from the home market and especially export countries has accumulated significantly slower than in previous years.

HONKARAKENNE OYJ

Board of Directors

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## Consolidated Comprehensive Income Statement

Unaudited EUR million	1-6/2023	1-6/2022	1-12/2022
Net sales	23.0	36.7	73.7
Other operating income	0.2	0.3	0.5
Change in inventory of finished goods and work in progress	-0.6	2.7	0.1
Use of materials and goods	-14.2	-28.2	-52.8
Employee benefit expences	-5.0	-5.7	-10.6
Depreciation and impairment	-1.1	-1.0	-2.1
Other operating expences	-2.4	-2.5	-4.6
Operating profit/loss	-0.0	2.2	4.2
Financial income	0.1	0.1	0.1
Financial expences	-0.4	-0.7	-0.7
Share of associated companies' profit or loss	0.0	0.1	0.1
Profit/loss before taxes	-0.4	1.7	3.6
Income taxes	+0.0	-0.4	-0.8
Profit/loss for the period	-0.4	1.3	2.8
Other items of comprehensive income that may be re-classified subsequently to profit or loss:			
Translation differences related to foreign subsidiaries	-0.0	-0.1	-0.0
Total comprehensive income for the period	-0.5	1.3	2.7
Allocated to			
Shareholders of the parent company	-0.4	1.3	2.8
Non-controlling interests	-	-	-
	-0.4	1.3	2.8
Allocated to			
Shareholders of the parent company	-0.5	1.3	2.7
Non-controlling interest	-	-	-
	-0.5	1.3	2.7
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
undiluted earnings per share (EUR)	-0.07	0.23	0.47
diluted earnings per share (EUR)	-0.07	0.23	0.47

The company has two share series: A shares and B shares, which have different rights to dividend. Profit distribution of EUR 0.20 per share will be first paid for B shares, then EUR 0.20 per share for A shares, followed by equal distribution of remaining profit between all shares.

*Consolidated Statement Of Financial Position*

EUR million	30 Jun. 2023	30 Jun. 2022	31 Dec. 2022
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12.2	11.5	11.4
Goodwill	0.1	0.1	0.1
Other intangible assets	0.4	0.5	0.5
Shares in associated companies	0.5	0.5	0.5
Receivables	0.1	0.1	0.2
Deferred tax assets	1.0	1.2	1.0
	14.4	13.8	13.6
<b>Current assets</b>			
Inventories	5.9	9.1	6.5
Trade and other receivables	4.2	6.0	3.8
Tax receivables	0.0	0.3	-
Other financial assets	4.8	7.8	6.8
Cash and equivalents	5.8	9.8	5.8
	20.7	33.1	22.9
<b>Total assets</b>	<b>35.1</b>	<b>46.9</b>	<b>36.6</b>
<b>Shareholders' equity and liabilities</b>			
<b>Equity attributable to owners of the parent company</b>			
Share capital	9.9	9.9	9.9
Share premium fund	0.5	0.5	0.5
Reserve for invested unrestricted equity	4.8	4.8	4.8
Treasury shares	-1.2	-1.2	-1.2
Translation differences	-0.1	0.0	0.0
Retained earnings	2.3	2.7	4.2
	16.3	16.8	18.2
Share of non-controlling interests	-	-	-
<b>Total equity</b>	<b>16.3</b>	<b>16.8</b>	<b>18.2</b>
<b>Non-current liabilities</b>			
Deferred tax liability	0.1	0.1	0.1
Provisions	0.3	0.6	0.4
Financial liabilities	2.9	2.3	2.1
	3.3	3.0	2.5
<b>Current liabilities</b>			
Accounts payable and other liabilities	14.3	26.3	14.7
Current tax liabilities	0.0	0.1	0.4
Provisions	0.3	0.1	0.1
Short-term financial liabilities	0.8	0.7	0.7
	15.5	27.2	15.9
<b>Total liabilities</b>	<b>18.8</b>	<b>30.2</b>	<b>18.4</b>
<b>Total equity and liabilities</b>	<b>35.1</b>	<b>46.9</b>	<b>36.6</b>

## Consolidated Statement of Changes in Equity

Abridged  
Unaudited

EUR 1,000	Shareholder's equity							g)	Total equity
	a)	b)	c)	d)	e)	f)	Total		
Total equity, 1 Jan. 2022	9,898	520	6,275	89	-1,265	-1,381	16,899	-	16,899
Profit/loss for the period	-	-	-	-	-	1,326	1,326	-	1,326
Translation difference	-	-	-	-84	-	27	-56	-	-56
Repayment of capital	-	-	-1,471	-	-	-	-1,471	-	-1,471
Impact of share-based bonuses	-	-	-	-	43	14	58	-	58
Total equity, 31 Jun. 2022	9,898	520	4,805	6	-1,221	2,748	16,755	-	16,755

	Shareholder's equity							g)	Total equity
	a)	b)	c)	d)	e)	f)	Total		
Total equity, 1 Jan. 2023	9,898	520	4,805	17	-1,221	4,193	18,211	-	18,211
Profit/loss for the period	-	-	-	-	-	-428	-428	-	-428
Translation difference	-	-	-	-41	-	-	-41	-	-41
Repayment of capital	-	-	-	-	-	-1,473	-1,473	-	-1,473
Impact of share-based bonuses	-	-	-	-	35	-19	16	-	16
Total equity, 30 Jun. 2023	9,898	520	4,805	-24	-1,187	2,273	16,286	-	16,286

- a) Share capital
- b) Share premium fund
- c) Reserve for invested unrestricted equity
- d) Translation differences
- e) Own shares
- f) Retained earnings
- g) Non-controlling interests

## Consolidated Cash Flow Statement

Abridged  
Unaudited

EUR million	1-6/2023	1-6/2022	1-12/2022
From operations	0.6	8.5	4.6
From investments, net	-0.6	-0.3	-1.1
From financial activities, total	-1.9	-1.8	-2.2
Loan repayments	-0.2	-0.2	-0.4
Repayment of lease capital	-0.2	-0.2	-0.4
Dividends paid	-1.5	-	-
Repayment of capital	-	-1.5	-1.5
Change in liquid assets	1.9	6.3	1.3
Impact of exchange rate fluctuations on cash assets	-0.3	-0.3	-0.2
Impact of stock exchange price changes on cash assets	+0.1	-0.4	-0.3
<b>Liquid assets at beginning of period</b>	<b>12.6</b>	<b>11.9</b>	<b>11.9</b>
<b>Liquid assets at the end of period**)</b>	<b>10.5</b>	<b>17.6</b>	<b>12.6</b>
***) Cash and cash equivalents	5.8	9.8	5.8
***) Other financial assets	4.8	7.8	6.8

## *Notes To the Report*

### Accounting Policies

This half-year report bulletin has been prepared in accordance with IAS 34. The half-year report bulletin should be read together with the 2022 financial statements. The accounting policies used in preparing the financial statements are the same as in the financial statements for 2022, with the exception of standards and interpretations that have come into force on 1 January 2023 or thereafter. The impact of the new standards and interpretations is described later in the section “New standards and interpretations”.

The half-year report bulletin has not been audited and the figures are unaudited.

The figures presented in the bulletin are rounded, so the sum of individual figures may differ from the amount shown.

Figures in brackets refer to the corresponding period one year earlier, unless otherwise stated.

### New Standards and Interpretations

The new standards or interpretations effective as of 1 January 2023 did not have a material impact on the figures presented for the review period.

### Alternative Performance Measures

Honkarakenne complies with the Guidelines on Alternative Performance Measures (APM) issued by the European Securities and Markets Authority (ESMA). An APM is a financial measure of performance other than a financial measure defined or specified in IFRS. The company classifies significant business transactions that are considered to affect comparisons between different reporting periods as adjustment items. Such transactions include significant reorganisation expenses, significant impairment losses or reversals thereof, significant capital gains and losses on assets, and other significant non-customary income or expenses.

In Honkarakenne’s view, Alternative Performance Measures provide significant additional information to management, investors, securities analysts and other parties on Honkarakenne’s operational result, financial position and cash flows, and are frequently used by analysts, investors and other parties. Return on equity, equity ratio, net financial liabilities and gearing are presented as supplementary key figures, as in the company’s view they are useful indicators for assessing Honkarakenne’s ability to acquire financing and pay its debts. In addition, gross investments and R&D expenditure provide additional information on needs related to Honkarakenne’s operational cash flow.

### Segments

Honkarakenne has two geographical operating segments that are combined into one segment for reporting purposes. Geographically, sales are divided as follows: Finland and Exports. As management’s internal reporting complies with IFRS reporting, separate reconciliations are not presented.

## Group's Tangible Assets

Unaudited			
EUR million	30.6.2023	30.6.2022	31.12.2022
Acquisition cost, 1 Jan.	52.6	51.5	51.5
Increases	1.9	0.2	1.3
Decreases	-0.1	0.0	-0.2
Acquisition cost, 31 Dec.	54.4	51.7	52.6
Accumulated depreciation, 1 Jan.	-41.2	-39.3	-39.3
Accumulated depreciation of decreases	0.0	0.0	0.0
Depreciation for the financial period	-1.0	-1.0	-1.9
Accumulated write-downs at the end of the financial year	-42.2	-40.2	-41.2
Book value, 1 Jan.	11.4	12.2	12.2
Book value, 31 Dec.	12.3	11.5	11.4

### GROUP'S CONTINGENT LIABILITIES

Unaudited			
EUR million	30.6.2023	30.6.2022	31.12.2022
Own liabilities			
Mortgages	6.0	6.0	6.0
Other guarantees	4.3	9.6	3.0
Off-balance sheet lease liabilities	0.1	0.1	0.1

## Other notes to the report

### Related party transactions

The Group's related parties consist of subsidiaries and associated companies; the company's management and any companies in which they exert influence; and those involved in the Saarelainen shareholder agreement and any companies controlled by them. The management personnel considered to be related parties comprise the Board of Directors, President & CEO, and the company's Executive Group. The pricing of goods and services in transactions with related parties conforms to market-based pricing.

During the financial year, ordinary business transactions with related parties were made as follows: sales of goods and services to related parties amounted to EUR 0.1 million (0.2) and purchases from related parties to EUR 0.2 million (0.2). Half-year report of the Group include EUR 0.0 million (0.1) liabilities to related parties and EUR 0.0 million (0.0) receivables from related parties. No bad debts were recognised from related parties.

## Group's Key Figures

Unaudited		1.1.-30.6.2023	1.1.-30.6.2022	1-12/2022
Net sales	EUR million	23.0	36.7	73.7
Operating profit	EUR million	-0.0	2.2	4.2
	% of net sales	-0,2	6,1	5,7
Adjusted operating profit	EUR million	0.3	2.2	4.2
	% of net sales	1.4	6.1	5.7
Profit before taxes	EUR million	-0.4	1.7	3.6
	% of net sales	-1.9	4.6	4.9
Adjusted profit before taxes	EUR million	-0.1	1.7	3.6
Profit for the period	EUR million	-0.4	1.3	2.8
Earnings/share	EUR	-0.07	0.23	0.47
ROE	%	-2.5	7.9	15.8
ROI	%	0.1	9.9	17.1
Equity ratio	%	59.3	55.7	66.6
Equity / share	EUR	2.76	2.85	3.10
Net financial liabilities	EUR million	-6.8	-14.5	-9.8
Net gearing	%	-41.5	-86.8	-53.8
Gross investments	EUR million	0.6	0.2	1.0
	% of net sales	2.7	0.5	1.4
Order backlog	EUR million	28.0	51.3	29.0
Average number of employees	White-collar	122	123	125
	Blue-collar	66	65	65
	Total	189	188	190
Average number of personnel in person-years	White-collar	120	121	121
	Blue-collar	64	61	62
	Total	184	182	183
Adjusted number of shares (1,000)	At end of period	5 890	5 882	5 887
	Average during period	5 886	5 877	5 880

Own shares held by the Group are excluded from the number of shares.

## Formulas for Key Indicator Calculation

Earnings/share:	$\frac{\text{Profit / loss for the period attributable to owners of parent}}{\text{Average number of outstanding shares}}$
Return on equity %:	$\frac{\text{Profit/loss for the period under review}}{\text{Total equity, average}} \times 100$
Equity/share:	$\frac{\text{Shareholder's equity}}{\text{Number of outstanding shares at the end of the period}}$
Equity ratio, %:	$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$
Net financial liabilities:	Interest-bearing financial liabilities - cash assets
Gearing, %	$\frac{\text{Interest-bearing financial liabilities - cash assets}}{\text{Total equity}} \times 100$