



*Financial Statements
Bulletin*

2022

Honkarakenne Oyj's Financial Statements Bulletin 1 Jan.–31 Dec. 2022

Net sales grew, profit before taxes at last year's level

Honkarakenne Group's net sales for the financial period were EUR 73.7 million (2021: EUR 69.7 million). Net sales grew by EUR 4.0 million and were 6% up on the previous year. Operating profit increased by 13% and was EUR 4.2 million (3.7). Profit before taxes was at the previous year's level and was EUR 3.6 million (3.6).

The order book decreased by 45% and was EUR 29.0 million (52.4). The Group's equity and financial position are very strong.

July - December 2022

- Honkarakenne Group's net sales for July-December fell by 8% from the previous year to EUR 37.0 million (H2 2021: 40.1)
- Operating profit decreased by 3% and was EUR 1.9 million (2.0)
- Profit before taxes was EUR 1.9 million (1.9)
- Earnings per share was EUR 0.25 (0.31)

January - December 2022

- Honkarakenne Group's net sales for January-December grew by 6% to EUR 73.7 million (2021: 69.7)
- Operating profit decreased by 13% and was EUR 4.2 million (3.7)
- Profit before taxes remained at the level of the comparison year due to increased financial expenses and was EUR 3.6 million (3.6)
- Earnings per share was EUR 0.47 (0.56)
- Net financial liabilities totalled EUR -9.8 million (-8.7)
- The equity ratio was 67% (61)

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.25 per share be paid for the financial year that ended on 31 December 2022 (2021: repayment of capital EUR 0.25).

The value of the Group's order book at the end of December was EUR 29.0 million (52.4). The order book decreased by 45% from the previous year. The order book at the time of the report no longer includes orders to Russia. Order book refers to orders with a delivery date within the next 24 months. Some orders may have a financing or building permit condition.

Outlook for 2023

According to Honkarakenne's view, the Group's net sales will fall from the previous year in 2023 and remain at EUR 50–56 million. The Group's operating profit will decrease and remain at EUR 1.6–2.4 million.

Group's key figures	7-12/2022	7-12/2021	1-12/2022	1-12/2021
Net sales, EUR million	37.0	40.1	73.7	69.7
Operating profit/loss, EUR million	1.9	2.0	4.2	3.7
Profit/loss before taxes, EUR million	1.9	1.9	3.6	3.6
Average number of employees	191	180	190	178
Average number of employees in person-years	185	172	183	170
Earnings per share, EUR	0.25	0.31	0.47	0.56
Equity ratio, %			67	61
Return on equity, %			16	21
Equity per share, EUR			3.10	2.88
Gearing ratio, %			-54	-51

Honkarakenne Oyj's CEO Marko Saarelainen commented on the financial statements bulletin as follows:

"Honkarakenne had excellent preconditions for 2022, but significant changes in the operational environment in the spring led to operational adjustments. Net sales growth was lower than planned, while the result remained at the previous year's level.

In March, Honkarakenne suspended sales to Russia after Russia commenced military aggression against Ukraine and only part of the orders in the production and delivery process were delivered to Russia before the EU's customs sanctions came into force.

Honkarakenne Group's net sales for the financial period were EUR 73.7 million (EUR 69.7 million). Net sales grew by EUR 4.0 million and were 6% up on the previous year.

The operational adjustment measures and the success of strategic development projects carried out during the year, as well as the cost fluctuations on the raw materials and energy markets, led to a 13% increase in operating profit from the previous year. Operating profit was EUR 4.2 million (3.7) and profit before taxes was at last year's level at EUR 3.6 million.

At the Housing Fair in Naantali Honkarakenne exhibited an energy-efficient and modern log house called Honka Haiku that attracted a lot of interest. The Naantali Housing Fair was a success, and we are very pleased with the overall performance of the exhibition house. Honka Haiku has been well received not only in Finland but also in export countries, especially in Asia.

In project construction, impressive public building solutions were carried out during the review period. A sauna restaurant called Sataman Viilu was completed in the harbour in Jyväskylä in June where Honkarakenne designed, delivered and implemented all log structures. In the autumn, Finland's largest log day-care centre was opened in Vantaa, built from Honkarakenne's logs with implementation by Honka's long-term cooperation partner Hoivarakentajat. The overall implementation responds to low-carbon construction, mitigates climate change, and creates a healthy and sustainable urban environment. In addition, Finland's first LEED Gold certified log day-care centre was opened in Espoo in the autumn, the construction of which was started in early 2022 by Hoivarakentajat. Honkarakenne was the wood construction contractor and carried out the planning, production, delivery and contracting of the wood structures of the site. The LEED certificate issued by the U.S. Green Building Council requires that the property is designed and built in accordance with strict environmental objectives.

Adapting to changed and sometimes challenging situations has been and continues to be demanding for our personnel. The adjustment measures caused by suspension of sales to Russia have been completed and investments in new and developing export markets have progressed well. At the beginning of 2023 the business was reorganized in a project under the

“Customer experience for profitable growth” transformation programme. The measures taken in strategic development projects and new investments will be reflected in both domestic and export markets with a delay.

There are many uncertainties connected with the financial development of the Group's operating environment and the competitive situation. Uncertainty about the materialization of demand volume in the coming year is brought by Russia's prolonged war of aggression and the high inflation levels it causes, the energy crisis, access to finance and its rising costs, and the general uncertainty among consumers about their future.

To counterbalance for many uncertainties, we strongly believe in the opportunities offered by the green transition in our company. Log as a building material enables environmentally friendly, responsible and low-carbon construction and energy-efficient and healthy housing that also promotes wellbeing. We will continue our strategic development projects, which aim, for example, at increasing export net sales. Solid timber construction has a positive future globally. Next to holiday home, care facility, day-care centre and school construction its interest and demand has also grown in larger residential and regional development sites."

Net Sales

The Group's net sales in the second half of 2022 decreased by 8%, to EUR 37.0 million (40.1). July-December net sales grew by 28% for Finland and declined by 52% for exports. The decline in export net sales was mainly caused by Honkarakenne suspending sales to Russia in March after the country commenced military aggression against Ukraine in February.

The good net sales growth in the first half of the year resulted in an increase in net sales of 6% for the whole financial year to EUR 73.7 million (69.7). Compared with the corresponding period of 2021, Finland accounted for 24% of net sales growth and the share of exports fell by 26%. Only part of the projects in the order book in early 2022 were delivered to Russia before EU's customs sanctions entered into force. Total exports excluding Russia grew by 33% from the previous year.

Honkarakenne presents its net sales data divided in two parts: Finland and exports. Below we present the net sales based on this division for the full year 2022 and the second half of 2021 with the comparison year.

Geographical distribution of net sales:

Net sales development

Net sales distribution, %	1-12/2022	1-12/2021				
Finland	74%	63%				
Exports	26%	37%				
Total	100%	100%				

Net sales, EUR million	7-12/2022	7-12/2021	Change	1-12/2022	1-12/2021	Change
Finland	28.4	22.2	28%	54.8	44.1	24%
Exports	8.6	17.9	-52%	18.9	25.6	-26%
Total	37.0	40.1	-8%	73.7	69.7	6%

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 below the historically high EUR 52.4 million level of the comparison period and amounted to EUR 29.0 million. However, this is 5% higher than before the COVID pandemic at the end of 2019. The order book at the end of the review period no longer includes orders to Russia.

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

The operating profit for July-December stood at EUR 1.9 million (2.0) and the profit before taxes was EUR 1.9 million (1.9).

The operational adjustment measures and the strategic development projects carried out during the financial year, as well as cost fluctuations on the raw materials and energy markets, resulted in a 13% growth in operating profit from the previous year. Operating profit was EUR 4.2 million (3.7) and profit before taxes was at last year's level at EUR 3.6 million (3.6).

Compared to the comparison year, costs increased due to costs related to production and supply chains, as well as staff re-sourcing. In the early part of the year, Russian military operations in Ukraine led to availability challenges in raw materials, which in turn increased the cost of, e.g., wood and glass raw materials to a very high level. Late in the year, the price of wood raw materials moderated toward the level of previous years. Costs of subcontracting, energy and fuels remain high. Full-year profitability was weakened by the decline in export operations and the Group's financial expenses, which increased from the previous year, due to value changes in currencies and other cash assets.

Financing and Investment

At the end of 2022, Honkarakenne's financial position was very strong and the Group's equity ratio was 67% (61). Gearing was negative at -54% (-51). The Group's net financial liabilities amounted to EUR -9.8 million (-8.7), so the Group's liquid assets significantly exceeded its financial liabilities. The Group's liquid assets including other financial assets were EUR 12.6 million (11.9). The Group's EUR 3.0 million (3.0) overdraft facility has not been used in the review year or the comparison year.

The Group's gross investments in 2022 amounted to EUR 1.0 million (1.3), excluding right-of-use assets in accordance with the IFRS 16 standard and investment grants received. No investment grants were received during the reporting period. The company received EUR 0.8 million for production investments from the European Regional Development Fund's (ERDF) Sustainable growth and jobs 2014 - 2020 - Finland's structural fund programme in the comparison period.

The investments during the review period mainly focus on the expansion of the log line factory building at the Karstula factory and the renovation of the factory site, to clarify access between different production and warehouse buildings. Demolition of buildings and land reclamation work in the site will reduce parcel transport, improve visibility and, especially, the industrial safety of the site. Toward the end of the year, the investment in a new laminated timber plane was launched in the production line modernization programme. The line will be taken into use in early 2024.

In the ERP system investment, the calculation module for sales offers was adopted.

Products and Market Areas

Honka's collection is updated based on international trends and a market-specific customer understanding. In last year's collection Honka Haiku, that was very well received was presented at the Housing Fair in Naantali in the summer. Honkarakenne's new detached house models combine the best of single family homes and holiday housing. The solutions include all comforts, space, large picture windows and a peaceful spot for your remote workstation. Honka's holiday home collection has been complemented with both fully equipped year-round holiday homes and smaller cottages. All new houses have their own visual trend that combines Scandinavian architecture with international influences. The range is architecturally attractive and offers functional uses of space.

Honkarakenne launched the Honka Healthy House™ concept in Finland at the end of the year. A healthy house does not compromise on quality or wellbeing. It is made from healthy materials, good indoor air quality, damp proofing and a relaxing atmosphere. These affect people's physical and mental health. According to research, consumers that live in log houses focus on health, ecology and naturalness.

Honka's operations are certified with the ISO 9001 quality standard and the ISO 14001 environmental standard.

In Finland, net sales developed well for the whole year thanks to the high order book during the period and were 24% higher than in the previous year. Net sales growth came from growth in holiday home and project constructions.

Sales growth in holiday home construction continued as very strong until early summer as in the previous year. Since summer, the sales of holiday home construction slowed down and full-year sales were below the previous year's level. The sales of detached houses did not develop as expected and was below the level of the comparison year.

Demand for domestic consumer business fell significantly during the autumn. A slight recovery in demand can be seen in holiday home construction. Consumers' wavering confidence in their economy, high inflation and rising interest rates have a negative impact on the decision to start building holiday homes and especially detached houses.

There is a lot of demand for domestic project construction, especially in housing construction and regional development, resort construction, as well as care facility and day-care centre construction. Some of the projects are starting, but uncertainty about economic development, accelerating inflation and rising interest rates reduce or postpone construction start decisions.

During the review period, log-structure day-care centres were completed in Vantaa, Espoo and Ii, a care facility in Ylivieska and a school in Kuopio in cooperation with Hoivarakentajat. In addition, an impressive sauna restaurant called Sataman Viilu was completed in the harbour in Jyväskylä where Honkarakenne designed, delivered and implemented all log structures.

Honkarakenne exhibited the Honka Haiku house at the Housing Fair in Naantali. The house at the Housing Fair was very well received. It is a modern Japanese-inspired single-storey log home that uses M1-certified low-emission materials, innovative solar power system and smart technical solutions.

In exports, good net sales development did not realize after Honka suspended sales to Russia. Only part of the projects that were in order or delivery stages were delivered to Russia before EU's customs sanctions entered into force at the beginning of July. In the second half of the year, the 35% net sales growth in the first half of the year turned to a 52% drop compared to the corresponding periods of the previous year. Export net sales for the whole year fell by 26% and totalled EUR 18.9 million. The drop in net sales was entirely caused by the withdrawal from the Russian market. Exports excluding Russia grew by 33% from the previous year.

During the review period, the Asian market, and especially export project markets, grew positively in terms of net sales. Overall, the demand in export regions is active, with the exception of Europe, and at year end the export order book excluding Russia, was almost on level with the previous year. In Europe, Russia's military aggression still causes uncertainty as inflation and energy costs are high. Chinese exports are at a standstill and future measures are being prepared.

The availability problems in the raw material markets in early 2022 were to some extent reflected in export supply and caused longer delivery times. Furthermore, Russia's military aggression has made export transports difficult and increased their costs.

Strategy 2022–2024

In December 2021, the Board of Directors decided on the company's new strategy. 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. These are monitored by the Board of Directors and the Executive Group and the steering group operating under its control. During the review year, the company reacted to the changed market situation by accelerating the implementation of development and transformation projects aimed at increasing sales and improving profitability. For example, the business was reorganized in early 2023 through the "Customer experience for profitable growth" transformation programme with the aim to ensure a higher quality customer experience and more profitable business.

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. The 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 main 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.

During the preparation of Honkarakenne's ethical principles, the personnel was involved in the preparation both in the working group and through a questionnaire directed at the entire personnel. The ethical principles adopted in June were published and implemented to the personnel and Honka's cooperation partners during the rest of the year. As part of Honka's sustainability programme, the company started using environmentally friendly electricity generated by hydro power, wind power and bioenergy in June. The electricity used by the company in all sites is 100% produced with renewable energy with guarantee of origin and CO₂ emissions of 0 g/kWh.

The Honka Brand

The new Honka brand was introduced in early 2022 and it has been highly visible during the review period. The core of the Honka brand is the close relationship with nature and Finnish happiness. Honka's yellow is the colour of hope and joy. Honka helps every customer realize the dreams that are important to them and Honka has the honour to convey the vitality of the northern forests.

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.

Research and Development

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 the Ministry of the Environment's Wood Building Programme, which has granted funding for the project. 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's R&D costs for the financial year were EUR 0.4 million (0.5), representing 0.5% (0.7) of net sales.

The Group has not capitalised development costs during the financial period.

Personnel

The Group's average number of personnel, measured in person-years, totalled 183 persons (170) during the year. The increase from the comparison period was 13 persons. The Group employed an average of 190 (178) people in 2022.

At the end of the year, the Group employed 191 (186) people. Personnel increased mainly in production-related activities, construction services and temporary staff positions. In connection with the reorganisation we hired a sales director for the domestic consumer business at the end of the year.

During the financial year, the company arranged two change negotiations with personnel representatives due to the company's uncertain production and financial situation. It was agreed in both negotiations that the employer has the right to impose a maximum of 90 days of temporary layoffs and working time arrangements for the entire personnel. Layoffs were carried out in all staff groups from April to the end of the financial year.

The change negotiations launched in November started because of the weakening market outlook in the industry, tight competitive situation and low order book. The layoff authorization decided in the negotiations is valid until the end of the financial year 2023.

Toward the end of the review year, as in the previous year, an occupational well-being survey was conducted, with an excellent response rate of 83% and an eNPS of 39.9. Based on the results "Innostunut ja hyvinvoiva henkilöstö" (Motivated and healthy personnel) goals selected by the teams that support well-being at work are developed annually. The occupational well-being survey is carried out annually and the development of results is monitored.

In December, a staff day for the entire staff was arranged in Peurunka. During the event it was decided that a personnel fund related to the remuneration of personnel will be established, which will apply to all Honka personnel in Finland.

Involving all personnel in various development projects implemented the previous autumn continued through personnel surveys. Content topics and answers were collected for the transformation programmes of strategic projects. Honkarakenne's ethical principles were compiled together based on small working group work and a survey for the entire personnel.

Executive Group

During the financial year, there were changes to the marketing, product and export managers of the Executive Group. The company strengthened its Executive Group on 9 June 2022 and appointed Eino Hekali as Vice President, Product and Maarit Taskinen as Vice President, Operations Export and as members of the Executive Group. Sanna Huovinen, Vice President, Marketing, left the Executive Group as she started working for another employer on 30 September 2022.

At the end of 2022, Honkarakenne's Executive Group 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 company's Tuusula office on 13 April 2022. The General Meeting adopted the financial statements, approved the remuneration report, and granted discharge from liability for 2021 to the members of the Board of Directors and the CEO. The Annual General Meeting decided that no dividends be paid for the financial year ending on 31 December 2021. The Annual General Meeting also decided that a repayment of capital of EUR 0.25 per share be distributed from the invested unrestricted equity fund. The repayment of capital was paid to shareholders in April.

Arto Halonen, Timo Kohtamäki, Maria Ristola, Kari Saarelainen and Kyösti Saarimäki were re-elected to the Board of Directors. At the Board's organising meeting, Kyösti Saarimäki 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 13 April 2022 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 2023.

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 did not change and was 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 Helsinki Ltd's Small Cap list with the ticker HONBS. The highest price of the listed class B share was EUR 7.72, and the lowest price was EUR 3.72. The closing price at the balance sheet date was EUR 4.34. The market capitalisation of the stock at the end of the financial year was EUR 25.5 million. The traded class B shares was EUR 7.7 million and the trading volume was 1.5 million shares.

Honkarakenne has not acquired its own shares during the review period. In June, Honkarakenne transferred 10,000 class B shares to the CEO as part of the 2021 performance bonus. At the end of the report period, the Group held 329,385 of its own Series B shares with a total purchase price of EUR 1,221,417.02. Own shares account for 5.30% of all company sharer and 2.76% of all votes. The purchase cost of won shares has been deducted from shareholders' equity in the consolidated financial statements.

Flagging Notifications

No flagging notifications were received during the financial year 2022.

Corporate Governance

In 2022, Honkarakenne Oyj complied with the 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.com.

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 are further increased by the acceleration of inflation and the rise in interest rates that started during the financial period. In addition, the availability of energy, some raw materials and construction materials, as well as machine components, may become more difficult due to mutual sanctions by Russia and Western countries and will continue to increase costs.

The uncertainty of the military aggression initiated by Russia and all its effects on business are difficult to assess. The attack on Ukraine, related sanctions and countersanctions resulted in Honkarakenne suspending sales to Russia and stopping delivery of orders in the order and delivery stages to the company's long-term importer. Replacing the lost order book 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 uncertainty caused by the COVID pandemic has decreased but has not completely disappeared from all of the company's export markets.

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.

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.

The Financial Statement Bulletin has not been audited and the figures are unaudited.

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

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 term 'adjusted' is used here. 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.

This report has been prepared in accordance with IAS 34. The report should be read together with the 2021 financial statements. The accounting policies used in preparing the financial statements 2022 are the same as in the financial statements for 2021, with the exception of standards and interpretations that have come into force on 1 January 2022 or thereafter. The new standards or interpretations effective as of 1 January 2022 did not have a material impact on the figures presented for the review period.

Events After the Reporting Period

No significant events.

The Board of Director's Proposal on The Distribution of Retained Earnings

The parent company's equity according to the balance sheet 31 December 2022 is EUR 18,724,631.98, of which distributable assets amount to EUR 8,306,695.98. The parent company's profit for the financial year 1 Jan.–31 Dec. 2022 is EUR 3,642,449.83.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.25 per share be paid for the financial year that ended on 31 December 2022. No dividend will be paid on shares held by the parent company and the remaining retained earnings will be retained in equity.

Outlook for 2023

According to Honkarakenne's view, the Group's net sales will fall from the previous year in 2023 and remain at EUR 50–56 million. The Group's operating profit will decrease and remain at EUR 1.6–2.4 million.

Basis For the Outlook

The company's outlook of the 2023 development is based on the existing order book, the expectation of challenges in the operating environment and on market development.

General Meeting

The Annual General Meeting of Honkarakenne Oyj will be held in Karstula on Thursday, 20 April 2023 at 2:00 pm EET.

HONKARAKENNE OYJ

Board of Directors

Next half-year report:

The half-year report for 2023 will be published on 25 August 2023.

For more information:

Marko Saarelainen, President and CEO, tel. +358 (0)40 542 0254, marko.saarelainen@honka.com or
Maarit Jylhä, CFO tel. +358 (0)40 594 4099, maarit.jylha@honka.com

Consolidated Comprehensive Income Statement

Unaudited EUR million	7-12/2022	7-12/2021	1-12/2022	1-12/2021
Net sales	37.0	40.1	73.7	69.7
Other operating income	0.3	0.3	0.5	0.5
Change in inventory of finished goods and work in progress	-2.6	0.1	0.1	2.0
Use of materials and goods	-24.7	-29.8	-52.8	-51.3
Employee benefit expenses	-4.9	-5.1	-10.6	-10.1
Depreciation and impairment	-1.1	-1.2	-2.1	-2.3
Other operating expenses	-2.1	-2.3	-4.6	-4.8
Operating profit/loss	1.9	2.0	4.2	3.7
Financial income	0.0	0.0	0.1	0.0
Financial expenses	-0.1	0.0	-0.7	-0.3
Share of associated companies' profit or loss	0.0	0.0	0.1	0.1
Profit/ loss before taxes	1.9	1.9	3.6	3.6
Income taxes	-0.4	-0.1	-0.8	-0.3
Profit/loss for the period	1.4	1.8	2.8	3.3
Other items of comprehensive income that may be reclassified subsequently to profit or loss:				
Translation differences related to foreign subsidiaries	0.0	0.0	0.0	0.0
Total comprehensive income for the period	1.4	1.8	2.7	3.3
Allocated to				
Shareholders of the parent company	1.4	1.8	2.8	3.3
Non-controlling interests	-	-	-	-
	1.4	1.8	2.8	3.3
Allocated to				
Shareholders of the parent company	1.5	1.8	2.7	3.3
Non-controlling interests	-	-	-	-
	1.5	1.8	2.7	3.3
Earnings per share calculated on the profit attributable to shareholders of the parent company:				
undiluted earnings per share (EUR)	0.25	0.31	0.47	0.56
diluted earnings per share (EUR)	0.25	0.31	0.47	0.56

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

Unaudited EUR million	31 Dec. 2022	31 Dec. 2021
Assets		
Non-current assets		
Property, plant and equipment	11.4	12.2
Goodwill	0.1	0.1
Other intangible assets	0.5	0.5
Shares in associated companies	0.5	0.4
Receivables	0.2	0.1
Deferred tax assets	1.0	1.5
	13.6	14.8
Current assets		
Inventories	6.5	6.5
Trade and other receivables	3.8	5.1
Tax receivables	-	0.3
Other financial assets	6.8	5.0
Cash and cash equivalents	5.8	6.9
	22.9	23.9
Total assets	36.6	38.6
Shareholders' equity and liabilities		
Equity attributable to owners of the parent company		
Share capital	9.9	9.9
Share premium fund	0.5	0.5
Reserve for invested unrestricted equity	4.8	6.3
Treasury shares	-1.2	-1.3
Translation differences	0.0	0.1
Retained earnings	4.2	1.4
	18.2	16.9
Share of non-controlling interests	-	-
Total equity	18.2	16.9
Non-current liabilities		
Deferred tax liability	0.1	0.2
Provisions	0.4	0.5
Financial liabilities	2.1	2.6
	2.5	3.2
Current liabilities		
Accounts payable and other liabilities	14.7	17.7
Current tax liabilities	0.4	0.1
Provisions	0.1	0.1
Short-term financial liabilities	0.7	0.7
	15.8	18.5
Total liabilities	18.4	21.7
Total equity and liabilities	36.6	38.6

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	7,331	111	-1,309	-1,927	14,623	-	14,623
Profit/loss for the period	-	-	-	-	-	3,303	3,303	-	3,303
Translation difference	-	-	-	-21	-	-	-21	-	-21
Repayment of capital	-	-	-1,055	-	-	-	-1,055	-	-1,055
Impact of share-based bonuses	-	-	-	-	45	5	50	-	50
Total equity, 31 Dec. 2022	9,898	520	6,275	89	-1,265	1,381	16,899	-	16,899

	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	-	-	-	-	-	2,772	2,772	-	2,772
Translation difference	-	-	-	-72	-	25	-46	-	-46
Repayment of capital	-	-	-1,471	-	-	-	-1,471	-	-1,471
Impact of share-based bonuses	-	-	-	-	43	14	58	-	58
Total equity, 31 Dec. 2022	9,898	520	4,805	17	-1,221	4,193	18,211	-	18,211

- 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 Jan. – 31 Dec. 2022	1 Jan. – 31 Dec. 2021
From operations	4.6	7.2
From investments, net	-1.1	-0.4
From financial activities, total	-2.2	-1.8
Loan repayments	-0.4	-0.4
Repayments of lease liabilities	-0.4	-0.4
Repayment of capital	-1.5	-1.1
Change in liquid assets	1.3	5.0
Impact of exchange rate fluctuations on cash assets	-0.2	-0.1
Impact of stock exchange price changes on cash assets	-0.3	-
Liquid assets at beginning of period	11.9	7.0
Liquid assets at end of period**)	12.6	11.9
**) Cash and cash equivalents	5.8	6.9
**) Other financial assets	6.8	5.0

Notes To the Report

Accounting Policies

This Financial Statement Bulletin has been prepared in accordance with IAS 34. should be read together with the 2021 financial statements. The accounting policies used in preparing the financial statements are the same as in the financial statements for 2021, with the exception of standards and interpretations that have come into force on 1 January 2022 or thereafter. The impact of the new standards and interpretations is described later in the section “New standards and interpretations”.

The Financial Statement 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 2022 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. Therefore, instead of the previous term ‘without non-recurring items’, the term ‘adjusted’ is used. 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.

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 0.7 million (0.3) and purchases from related parties to EUR 0.4 million (0.5). Financial statements 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 in 2022 or 2021.

Group's Tangible Assets

Unaudited EUR million	31 Dec. 2022	31 Dec. 2021
Acquisition cost, 1 Jan.	51.5	51.0
Increases	1.3	0.6
Decreases	-0.2	-0.1
Acquisition cost, 31 Dec.	52.6	51.5
Accumulated depreciation, 1 Jan.	-39.3	-37.3
Accumulated depreciation of decreases	0.0	0.0
Depreciation for the financial period	-1.9	-2.0
Accumulated write-downs at the end of the financial year	-41.2	-39.3
Book value, 1 Jan.	12.2	13.7
Book value, 31 Dec.	11.4	12.2

Treasury Shares

Honkarakenne has not acquired its own shares during the review period. In June, Honkarakenne transferred 10,000 class B shares to the CEO as part of the 2021 performance bonus. At the end of the report period, the Group held 329,385 of its own Series B shares with a total purchase price of EUR 1,221,417.02. Own shares account for 5.30% of all company sharer and 2.76% of all votes. The purchase cost of own shares has been deducted from shareholders' equity in the consolidated financial statements.

Group's Contingent Liabilities

Unaudited EUR million	31 Dec. 2022	31 Dec. 2021
Own liabilities		
Mortgages	6.0	6.0
Other guarantees	3.0	7.8
Off-balance sheet lease liabilities	0.1	0.1

Group's Key Figures

Unaudited		1-12/2022	1-12/2021
Net sales	EUR million	73.7	69.7
Operating profit	EUR million	4.2	3.7
	% of net sales	5.7	5.3
Profit before taxes	EUR million	3.6	3.6
	% of net sales	4.9	5.2
Profit for the period	EUR million	2.8	3.3
Earnings/share	EUR	0.47	0.56
ROE	%	15.8	21.0
ROI	%	17.1	18.5
Equity ratio	%	66.6	60.7
Equity / share	EUR	3.10	2.88
Net financial liabilities	EUR million	-9.8	-8.7
Net gearing	%	-53.8	-51.3
Gross investments	EUR million	1.0	1.3
	% of net sales	1.4	1.9
Order backlog	EUR million	29.0	52.4
Average number of employees	White-collar	125	112
	Blue-collar	65	66
	Total	190	178
Average number of personnel in person-years	White-collar	121	109
	Blue-collar	62	62
	Total	183	170
Adjusted number of shares (1,000)	At end of period	5,887	5,877
	Average during period	5,880	5,872

Gross investments are presented excluding right-of-use assets and investment grants received in accordance with the IFRS 16 standard. There were no investment grants in 2022. In the comparison year they totalled EUR 0.8 million.

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, %	$\frac{\text{Interest-bearing financial liabilities - cash assets}}{\text{Total equity}} \times 100$