The year of *wood living*

2024

Board of Director's Report and Financial Statemets

Index

Board of Directors' *Report* 1 Jan–31 Dec 2024

Honkarakenne Group's revenue (net sales) amounted to EUR 36.7 million (2023: EUR 46.3 million and in 2022: EUR 73.7 million). The Group's operating profit amounted to EUR -2.4 (-0.1; 4.2) million, profit before taxes to EUR -2.6 (-0.3; 3.6) million and earnings per share to EUR -0.37 (-0.04; 0.47).

The Board of Directors proposes to the Annual General Meeting that no dividend or repayment of capital be paid for the financial year that ended on 31 December 2024 (2023: 0.09 per share).

Business Review

Compared to the previous year, the group's operating environment remained challenging despite the budding recovery. The Group's net sales for the financial year fell 21 per cent short of the previous year and amounted to EUR 36.7 (46.3) million. Compared with the corresponding period of the previous year, turnover in Finland decreased by 18 per cent and in exports by 27 percent.

The decline in export turnover for the whole year was mainly due to the weaker turnover accumulation in the European export regions. In terms of turnover, growth compared to the previous year came especially from Japan and the countries of Central Asia.

The Group's order book grew 18 percent short of the previous year's level and was EUR 22.2 million (18.8).

Revenue distribution	Jan–Dec/2024	Jan–Dec/2023
Finland	71 %	69 %
Exports	29 %	31 %
Total	**100 %**	**100 %**

Revenue, EUR million	Jan–Dec/2023	Jan–Dec/2023	% Change
Finland	26.2	31.8	-18 %
Exports	10.5	14.5	-27 %
Total	**36.7**	**46.3**	**-21 %**

Finland also includes billet sales and the sale of process by-products for recycling.

Exports include all other countries except Finland.

In Finland, net sales were 18% lower than in the previous year and amounted to EUR 26.2 million (EUR 31.8 million). The decline in net sales is a result of the weak order intake in the previous year, postponements of construction starts and the prolonged downturn in the domestic market. Project construction sales were lower in the financial year than in the previous year. New orders received grew reasonably well, and most of the new contracts for regional and care facility construction progressed to deliveries and handovers of construction sites during the late spring, summer, and autumn. Some of the planned construction starts were shifted to 2025 deliveries due to the weaker order situation.

In response to the prevailing domestic market situation and existing demand, Honkarakenne launched the Rock & Star range, which includes holiday villas and cabins, saunas and outbuildings. The range enables affordable leisure building with efficient and functional square meter usage. The Rock & Star range was very well received by its customer base and the first orders proceeded to production and deliveries from autumn onwards.

In terms of net sales, only the Western Finland region reached a higher net sales level than the previous year in the consumer business, while other regions remained at a lower level due to the weak order backlog from the previous year and insufficient order intake at the beginning of the year.

For the whole year, demand in the consumer business grew favourably compared to the previous year, and it materialised well in the Southern Finland region. Demand is expected to pick up from this and develop moderately for the better during 2025. If the positive turnaround slows down and consumer uncertainty increases again, it could negatively impact construction start decisions of leisure home but especially detached house builders and could delay their future construction decisions.

In exports, net sales were 27% lower than in the corresponding period of the previous year at EUR 10.5 million (14.5). The decline in net sales is the result of weak order intake in the previous year and, in particular, the prolonged and challenging market situation in Europe.

The recovery in demand during the financial year was very uneven across the various export regions. Demand grew best in the Japanese market. At the beginning of the year, a new strategy 2024–2026 was launched for Japanese personnel and representatives. During the review period, a country manager, marketing manager, and sales support person were recruited to the subsidiary, an in-depth customer segment study was conducted, investments were made in the development of a new range, and project business sales were promoted.

Demand and initiatives for projects of all sizes are higher than last year, but decision times are still long. For the full year, demand did not yet lead to higher received orders than in the previous year.

The largest individual project deliveries in exports were directed to leisure centers in the Asian region. In Uzbekistan, for example, the opening of Santa Claus Village was celebrated together with our local partner. The most significant deliveries in the consumer business were made to Japan.

During the financial year, demand and sales for project exports to Asia continued to develop positively in the export regions. Unlike the pickup in demand in Asia, demand in Europe remained subdued. Demand continues to be affected by the challenging market conditions of the operating environment, customers' access to financing and the general uncertainty surrounding the economic situation.

In addition, exports focused on the development of a new international range, the acquisition of new customers in export regions, customer meetings, and support for regional importer and representative activities. A new Honkarakenne sales office was opened in Stockholm and the Chinese representative office was closed.

Financial Position, Result, and Key Figures

The Group's operating result for the financial year was EUR -2.4 million (-0.1) and profit before taxes was EUR -2.6 (0.3) million. Adjusted operating result was EUR -2.3 million (0.3) and adjusted result before taxes was EUR -2.6 million (0.2).

The non-recurring adjustment items for the year under review include expenses related to the closing of the Chinese representative office, EUR 0.1 million. In the comparative year, non-recurring expenses amounted to EUR 0.5 million as a result of change negotiations that ended in layoffs

The negative profit development was influenced by a significantly lower turnover accumulation than in the comparison period. During the review period, personnel costs have been adjusted through layoffs.

Group's key figures	Jan-Dec/2024	Jan-Dec/2023	Jan-Dec/2022
Revenue (net sales), EUR million	36.7	46.3	73.7
Operating profit/loss, EUR million	-2.4	-0.1	4.2
Adjusted operating profit/loss, EUR million	-2.3	0.3	4.2
Profit before taxes, EUR million	-2.6	-0.3	3.6
Adjusted profit before taxes, EUR million	-2.6	0.2	3.6
Average number of employees	157	183	190
Average number of employees in person-years	153	174	183
Undiluted earnings per share, EUR	-0.37	-0.04	0.47
Diluted earnings per share, EUR	-0.37	-0.04	0.47
Equity ratio, %	59.7	64.3	66.6
Return on equity, %	-14.3	-1.4	15.8
Equity per share, EUR	2.32	2.79	3.10
Gearing ratio, %	-3.5	-18.2	-53.8

Honkarakenne reports in accordance with the European Securities and Markets Authority's (ESMA) recommendation on alternative key figures (sometimes also called alternative performance measures). An alternative key figure is a financial key figure other than a financial key figure specified or designated in IFRS. The term 'adjusted' is therefore used instead of the previous term 'excluding non-recurring items'. The company classifies significant transactions regarded as affecting the comparison between reporting periods as adjustment items. These include, but are not limited to, significant restructuring costs, significant impairment losses or reversals, significant gains, and losses on disposals of assets, or other significant income or expenses that differ from ordinary activities.

The Group's key figures and their calculation formulas are presented in Note 33.

Order Book

The Group's order book was 18% higher than last year and amounted to EUR 22.2 million (18.8). Order book refers to orders with a delivery date within the next 24 months. Some orders may have a financing or building permit condition.

Financing and Liquidity

At the end of 2024, Honkarakenne's financial position was good. The Group's equity ratio was 59.7% (64.3). Gearing was negative at -3.5% (-18.2). The Group's net financial liabilities amounted to EUR -0.5 million (-3.0), so the Group's liquid assets exceeded its financial liabilities. The Group's liquid assets including other financial assets were EUR 5.0 million (6.4).

At the end of September, the parent company made a financing arrangement and raised an investment loan of EUR 1.7 million related to the non-settling log production line and prematurely paid the last loan installments of the loan raised in 2019. The Group also has a EUR 3.0 million (3.0) overdraft facility, which was not in use at the time of closing the accounts.

Investments

The Group's gross investments in 2024 amounted to EUR 1.4 million (1.8), excluding right-of-use assets in accordance with the IFRS 16 standard and investment grants received.

Investments during the review year relate to the completion of the commissioning of the replacement investment in the gluer and laminated timber plane at the Karstula mill and the replacement investment in the non-settling log production line, which is in the installation phase and will be commissioned in early 2025. An investment subsidy decision of EUR 0.6 million was received from the Central Finland ELY Center and in the spring, an advance payment of EUR 0.2 million was received. In addition to these investments, the Group has a systems investment underway for the Customer 360 project. The systems project will be completed in its entirety in early spring 2025, when the project monitoring system will also be introduced.

Research and Development

During the financial year, the development of product solutions for large and public buildings and the completion of the Honka MultiStorey™ log house manual continued. The manual provides instructions and a concept on how to build a safe, low-carbon log apartment building. The solutions can be applied not only to residential buildings but also other types of buildings, such as offices, schools and hotels.

Furthermore, product solutions and the product range were further developed and optimized for the needs of cost-effective models. During the review period, the Honka Säästö solution, which, for example, saves energy and housing costs for recreational building was presented.

The aim of the project and program is to increase the use of wood in construction to promote climate targets. Wood is a renewable raw material and wood construction is part of sustainable use of forests.

The Group's R&D costs for the financial year were EUR 0.5 million (0.6), representing 1.5% (1.3) of net sales.

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

Major Operational Risks

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

The economic uncertainty in the Group’s operating environment is negatively reflected in business and consumer confidence. Economic risks continue to be driven by consumer confidence and employment concerns, inflation, interest rates and availability of financing.

The uncertainty of the military aggression initiated by Russia and all its effects on business are difficult to assess. Replacing the order book lost in the Russian and Ukrainian market area with other export markets may be prolonged or uncertain in the current global market situation. If the war is further prolonged or escalates, or if the instability in the Middle East spreads to a wider war, this could have a material adverse effect on the Group's business, financial position and results of operations.

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.

Environment

Eco-friendliness, longevity and energy efficiency are the strengths of log house construction. As a building material, renewable wood is an ecologically sustainable choice. As wood grows, it binds carbon dioxide, which is stored in the walls of a solid wood house for centuries. At the same time, as the new forest grows, it binds more carbon dioxide, which slows down climate change. For responsible consumers, choosing wood as a material for a house is an obvious way to take future generations into account.

Honkarakenne takes account of the environment by carefully utilising the wood raw material, saving energy, recycling waste and using recyclabes. In its operating policy, Honkarakenne is committed to sustainable forestry through the traceability of wood (PEFC), and wood is not purchased from areas covered by conservation programmes.

The new stricter energy regulations also require new log products, which have been and will continue to be developed at Honka. In many ways, the factory's operations aim for the best environmental outcome. Investments in research and development make it possible to introduce new environmentally friendly production technologies. ETA approval and thus the right to CE marking are part of ensuring the high-quality and environmentally friendly operation of Honkarakenne.

Environmental aspects are implemented at Honkarakenne as efficient production operations. Careful utilisation of raw materials, energy saving, utilisation of by-products and recycling of waste for recovery are part of responsible environmental activities. Honkarakenne uses low-quality sawn timber from production in its packaging, and wooden recyclable packaging materials are stamped in accordance with the EU standard. Some of the cut-off, secondquality and waste timber is used chipped for energy production. Honkarakenne's cutter chips are delivered for further utilisation as bedding for agricultural needs, and the surplus log chips generated in production are processed into chip wool.

Honkarakenne sorts and pre-processes packaging plastic films and plastic-based binding materials. Recycled materials are delivered for further processing. Other waste is sorted at the factories by variety and delivered for recycling or post-storage. Waste transport agreements have been concluded with regional waste management companies.

The associated company Puulaakson Energia Oy produces all the thermal energy required in the Karstula factory. It also supplies thermal energy to the heating network of the municipality of Karstula. The power plant uses the by-products from the Karstula factory, such as bark, sawdust and dry chips, as fuel. Honkarakenne's holding in the company is 25.9%.

Strategy 2022–2024 and Sustainability

The aim of the strategy, which will be in force until the end of 2024, was to strengthen Honkarakenne Oyj's position as Finland's largest exporter of wooden buildings. With the new export-driven strategy, the Group is seeking to increase its net sales in the strategy period with a focus on profitability. The profitability objectives are based on process efficiency, while enhancing the customer and employee experience.

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

- 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

In order to implement the strategy development projects supporting the progress of the strategy were ongoing in the group. During the concluded strategy period, investments were allocated to sales growth and profitability improvement projects due to the changed market situation. The 'Customer experience for profitable growth' transformation program has enabled a higher quality customer experience and more profitable business, especially in the Finnish consumer business. Projects concerning the renewal of partners and distribution channels are ongoing in various export focus markets. Additional personnel resources were implemented in Japan at the end of the year. Some of the development projects were postponed to the next strategy period.

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

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. Our choices are guided by human and natural vitality. Honkarakenne's sustainability programme, 'We are build-ing 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.

As part of Honkarakenne's sustainability program, the parent company uses 100% guaranteed electricity produced with a renewable energy source with carbon dioxide emissions of 0 g/kWh in all its own locations.

Honkarakenne also promotes sustainability through its various product solutions. In conjunction with the Rock & Star range, which was launched during the period, the Honka Säästö solution for safely shutting off both water and heat in living spaces was introduced. The solution allows the living areas of the cabin to be unheated during the winter season without the risk of freezing water pipes or damaging appliances. Logs as a breathable structure enable sustainable construction and, with the Honka Säästö solution, also electricity savings.

The Honka Brand

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.

Personnel

At the end of financial year the Group's number of personnel was 157 (169; 191) and the Group's average number of personnel was 157 (183; 190). Measured in person-years the number totalled 153 persons (174; 183) during the year.

At the end of the financial year, the parent company had 148 (163; 186) employees, and the annual average was 152 (177; 179) employees.

Of Honkarakenne Oyj's personnel 77% (78; 80) worked at the Karstula factory and 23% (22; 20) at other locations. Clerical employees and management accounted for 66% (65; 63) of the parent company's personnel. Women accounted for 23% (22; 23) of the parent company's personnel. At the end of the year, part-time employees accounted for 2% (3; 2) of all employees. Temporary employees accounted for 1% (1; 4).

Expenses arising from the Group's employee benefits totalled EUR 7.6 million in the financial year 2024. In the previous year, they were EUR 8.1 million and in 2022 they were EUR 10.6 million.

Due to low demand and low production and delivery volumes, the parent company has had to lay off its personnel as one of its adjustment measures.In addition, the company decided to close its representative office in China, which led to the dismissal of one local employee. In the comparison period, change negotiations led to the dismissal of 22 people in addition to layoffs. Costs caused by these measures were allocated to the result in the amount of EUR 0.1 million (0.5).

In March, the Board of Directors of the parent company approved the launch of the Equity Incentive Plan 2024-2026. The purpose of the plan is to align key employees with the company's objectives and to incentivise the creation of shareholder value. The Performance-Based Share Plan 2024-2026 has a three-year vesting period and the metrics for the period are net sales and operating profit margin. Five people participate in the 2024-2026 incentive program, and the rewards correspond to a maximum of 75,000 shares in total. There were no expenses related to the incentive scheme during the financial year.

An important basis for Honga's operations is enthusiastic and well-being personnel who find their work meaningful. The development of occupational safety is one of our key focus areas, and our goal is to reduce the number of occupational accidents to zero. The key indicators of occupational safety, i.e. the frequency of accidents and the number of occupational accidents, as well as the number of safety findings and sickness absences, are monitored regularly. During the financial year, there was one more work accident leading to absence than in the previous year, totaling 4 (3).

Personnel well-being and job satisfaction are monitored, for example, through an annual well-being survey. As in the previous year, the occupational well-being survey was conducted at the end of the year, and the number of responses received again reached an excellent level with the response rate being 90% (90). For 2024, the company-level development goal of the experience of receiving sufficient feedback from superiors developed in a positive direction. eNPS decreased from the previous survey and was 11.0 (28.0).

The company utilises a management system with ISO 9001 and ISO 14001 certifications.

Board of Directors and Senior Management

In 2024, the members of Honkarakenne Oyj's Board of Directors were: Arto Halonen, Timo Kohtamäki, Maria Ristola, Kari Saarelainen and Antti Tiitola. At the Board's organizing meeting, Timo Kohtamäki was elected as the Chairman of the Board and Maria Ristola as Vice Chairman of the Board. 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 Osmo Valovirta APA, as chief auditor.

During the financial year Honkarakenne's Executive Group consisted of: Marko Saarelainen, President & CEO; Juha-Matti Hanhikoski (until 31 December 2024), Vice President, Production; Eino Hekali, Vice President, Product; Maarit Jylhä, CFO; Petri Perttula, Business Vice President, Operations Finland; and Maarit Taskinen (until 31 December), Vice President, Operations Export.

Group Structure

The parent company of Honkarakenne Group is Honkarakenne Oyj, which is domiciled in Karstula. The company's production facility and headquarters are located in Karstula (Finland), and the company has a customer service centre and exhibition area in Tuusula (Finland) and sales offices across Finland. Company also had representative office in Beijing, China which was closed at the end of 2024.

Unigue Villa, Upper Bear Creek, USA

Honkarakenne Group's operating companies include the parent company Honkarakenne Oyj (Finland), the subsidiaries Honka Japan Inc. (Japan) and Honka Blockhaus GmbH (Germany), and the associated company Puulaakson Energia Oy (25.9%). In addition, the consolidated financial statements include the subsidiaries Honkarakenne SARL (France), Alajärven Hirsitalot Oy and Honka-Kodit Oy. Honka Management Oy has been merged with the parent company at 30.11.2023.

Management Incentive Schemes

In March, the Board of Directors of the parent company approved the launch of the Equity Incentive Plan 2024-2026. The purpose of the plan is to align key employees with the company's objectives and to incentivise the creation of shareholder value. The Performance-Based Share Plan 2024–2026 has a three-year vesting period and the metrics for the period are net sales and operating profit margin. Five people participate in the 2024–2026 incentive program, and the rewards correspond to a maximum of 75,000 shares in total. There were no expenses related to the incentive scheme during the financial year.

The pension scheme is a defined contribution plan.

Shares and Shareholders

The company has two series of shares, Series A and Series B, with different dividend and voting rights. From the distributable profit, EUR 0.20 will first be paid for Series B shares. Then EUR 0.20 will also be paid for Series A shares, after which the remaining profit will be distributed equally among all shares. A Series B share carries one (1) vote, and a Series A share carries twenty (20) votes.

Shares and votes:

	Shares	Votes
Series A	300,096	6,001,920
Series B	5,911,323	5,911,323
Total	**6,211,419**	**11,913,243**

Honkarakenne's share capital is EUR 9,897,936.00. The shares have no nominal value.

Treasury Shares

Honkarakenne did not acquire any of its own shares during the financial year. At the end of the financial year, the Group held 321,052 of its own Series B shares with an acquisition price of EUR 1,186,556.34. Treasury shares account for 5.17% of all the company's shares and 2.69% of all votes. The acquisition cost has been deducted from shareholders' equity in the consolidated financial statements.

Trading in Shares

Honkarakenne's Series B shares are listed on Nasdaq Helsinki Oy's Small Cap list under the trading symbol HONBS. At the balance sheet date, the share price was EUR 2.32. The highest price for the year was EUR 3.50 and the lowest EUR 2.18. At the end of the financial year, market capitalisation was at EUR 13.7 million (the value of Series B shares has been used for unlisted Series A shares). The trading value of B shares was EUR 1.5 million, and the related trading volume was 0.5 million shares.

Key Figures per Share

		2024	2023	2022
Earnings per share	EUR	-0.37	-0.04	0.47
Dividend per share *)	EUR	0.0	0.0	0.25
Dividend payout ratio	%	-	-	53.0
Repayment of equity payout ratio	%	-	222.1	-
Effective dividend yield	%	0,0	0.0	5.8
Equity per share	EUR	2.32	2.79	3.10
P/E ratio		-6.3	-79.5	9.2
SHARE PRICE DEVELOPMENT				
Highest share price of the year	EUR	3.50	4.98	7.72
Lowest share price of the year	EUR	2.18	2.85	3.72
Share price at balance sheet date	EUR	2.32	3.22	4.34
Market capitalisation **)	EUR million	13.7	19.0	25.5
Share turnover	trading value, EUR million	1.5	2.9	7.7
	trading volume, (1,000 pcs)	523	758	1,483
	% of total shares	8.9	12.9	25.2
ADJUSTED NUMBER OF SHARES				
	at the end of the financial year, (1,000 pcs)	**5,890**	**5,890**	**5,887**
	average during the period, (1,000 pcs)	**5,890**	**5,888**	**5,880**

*) The Board of Directors' proposal for the 2024 financial year.

**) The price of a B-share has been used as the value of an A-share.

Shareholders

At the end of the financial year, the company had a total of 5,005 shareholders, of which 8 were nominee-registered. The holdings of several investors can be managed through one nominee-registered shareholder

The company's major shareholders on 31 December 2024 by number of shares

Name		Series A	Series B	Total
1	AKR-Invest Oy		1,054,036	1,054,036
2	Saarelainen Oy	136,275	509,190	645,465
3	Saarelainen Marko Tapani	25,470	353,000	378,470
4	Honkarakenne Oyj		321,052	321,052
5	Nordea Nordic Small Cap Fund		251,457	251,457
6	Keskinäinen Työeläkevakuutusyhtiö Varma		222,812	222,812
7	Ristola Arimo Kalervo	20,000	124,165	144,165
8	Nordea Henkivakuutus Suomi Oy		81,000	81,000
9	Etola Markus Eeriki		80,000	80,000
10	Ruuska Pirjo Helena	5,950	71,817	77,767
11	Syrjänen Eva Annika Elisabeth		70,000	70,000
12	Valkila Erkka Ilpo Eerik		62,200	62,200
13	Skandinaviska Enskilda Banken Ab (Publ) Helsingin Sivukonttori (Nominee registered)		61,558	61,558
14	Saarelainen Erja Anneli	4,480	56,742	61,222
15	Pim Partners Ab		58,000	58,000
16	Ruponen Sonja Helena		54,500	54,500
17	Yli-Krekola Antti Veikko		53,277	53,277
18	Localbitcoins Holding Oy		52,631	52,631
19	Savolainen Paul-Petteri		44,939	44,939
20	Saarelainen Mauri Olavi	10,456	28,377	38,833
21	Karhulahti Veikko Kalevi		37,485	37,485
22	Saarelainen Hanna Miira Maria	6,971	28,029	35,000
23	Saarelainen Paula Sinikka	11,703	23,205	34,908
24	Ristola Kirsti Irma Tuulikki	10,000	23,383	33,383
25	Saarelainen Sirkka Liisa		31,900	31,900
26	Salmelin Simo Markku Juhani		30,806	30,806
27	Privatum Oy		29,000	29,000
28	Nieminen Jorma		25,000	25,000
29	Osuusasunnot Oy		25,000	25,000
30	Saarelainen Merja Anita		23,948	23,948

Distribution of share capital by size category on 31 December 2024

	Shareholders	Number of shares	% of all shares	Votes	% of all shares
Total foreign	14	5,902	0.10	45,448	0.38
Total nominee-registered (foreign)	4	28,146	0.45	28,146	0.24
Total nominee-registered (Finland)	4	65,461	1.05	65,461	0.55
Total	**22**	**99,509**	**1.60**	**139,055**	**1.17**
Number of shares issued		**6,211,419**	**100.0**	**11,913,243**	**100.0**

Distribution of share capital by size category on 31 December 2024

	Number of shareholders	% of all shareholders	Number of shares	% of all shares
1–100	2,658	53.1	101,702	1.6
101–500	1,526	30.5	384,383	6.2
501 –1,000	1,000	8.5	326,489	5.3
1,001 –5,000	5,000	6.3	680,496	11.0
5,001 –10,000	10,000	0.7	274,943	4.4
10,001 –50,000	50,000	0.6	710,353	11.4
50,001 –100.000	100,000	0.2	712,155	11.5
100,001 –	500,000	0.1	1,317,956	21.2
Over 500,001		0.0	1,699,501	27.4
Total		**100.0**	**6,207,978**	**99.9**
Of which nominee-registered	8	0.2	93,607	1.5
Waiting list	0		0	0
Joint account			3,441	0.01
Number of shares issued			**6,211,419**	**100.0**

Distribution of share capital by size category on 31 December 2024

	Number of shareholders	% of all shareholders	Number of shares	% of all shares
Companies	132	2.6	2,385,248	38.4
Financial and insurance institutions	8	0.2	413,749	6.7
Public entities	1	0.0	222,812	3.6
Households	4,843	96.8	3,124,650	50.3
Non-profit organisations	7	0.1	27,471	0.4

	Number of shareholders	% of all shareholders	Number of shares	% of all shares
Foreign ownership	14	0.3	34,048	0.5
Grand total	**5,005**	**100.0**	**6,207,978**	**99.9**
Of which nominee-registered	8	0.2	93,607	1.5
Waiting list	0		0	0.0
Joint account			3,441	0.1
Number of shares issued		**100.0**	**6,211,419**	**100.0**

Shareholding of the Board of Directors and the President & CEO on 31 December 2024

	Series A	Series B	Total	% of all shares	Votes	% of votes
Board's shareholding	5,950	21,758	27,708	0.45	140,758	1.18
President & CEO's shareholding	25,470	353,000	378,470	6.09	862,400	7.24
Total	**31,420**	**374,758**	**406,178**	**6.54**	**1,003,158**	**8.42**

The information provided on shareholders is based on the company's shareholder list maintained by Euroclear Finland Oy. Each nominee-registered shareholder has been entered in the share register as a single shareholder. The holdings of several investors can be managed through one nominee-registered shareholder.

Flagging Notifications

During the financial year 2024, no flagging notifications have been received.

Management Transactions

Honkarakenne's management transactions concerning the company's securities during the review period have been published as stock exchange releases and are available on Honkarakenne's website.

Board Authorisations

On 18 April 2024, the Annual General Meeting decided, that the company's Board of Directors is authorised to repurchase a maximum of 400,000 of the company's own B-shares with the company's unrestricted equity.

The Board of Directors also has the authorisation to decide on a share issue, either against payment or free of charge, and the issue of special rights, entitling to shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act, in one or more tranches.

Pursuant to the authorisation, the Board of Directors may issue new shares and/or dispose of a maximum of 1,500,000 of the old Series B shares held by the company, including those shares that may be issued under special rights.

Both authorisations will remain in force until the next Annual General Meeting but expire on 30 June 2025 at the latest.

Redemption Clause

If a Series A share is transferred to a shareholder other than the company's shareholder on basis other than inheritance, testament or matrimonial right, the Board must be notified of the transfer in writing. Within 30 days of receiving notification of the transfer, the Board of Directors has the right to redeem the Series A shares for the company at carrying amount according to the previous financial statements using the reserve fund or other assets exceeding the share capital. If the Series A shares are not redeemed for the company, the Board of Directors must immediately inform the shareholders holding the company's Series A shares of these matters. Holders of Series A shares have the right of redemption at the above-mentioned price within 30 days of the above-mentioned notice. If more than one shareholder wishes to exercise that right, the redeemable Series A shares are to be distributed among them based on their holding of Series A shares in the company or, if that is not possible, by drawing lots. The company's Series B shares are not subject to the right of redemption but are freely transferable.

Shareholders' Agreement

Saarelainen Oy and certain private Honkarakenne Oyj shareholders within the Saarelainen family signed an amended shareholders' agreement on 17 February 2009. The parties to the agreement have agreed that the private shareholders will make an effort to exercise their voting rights unanimously at the company's General Meetings. If they are unable to reach consensus, the private shareholders will vote in favour of the position supported by Saarelainen Oy. According to the agreement, when electing representatives of the Saarelainen family to Honkarakenne Oyj's Board of Directors, the private shareholders must reach a unanimous decision. If a consensus cannot be reached, Saarelainen Oy's General Meeting will decide which family members are to be elected based on the majority of votes cast at the meeting.

According to the shareholders' agreement, the private shareholders undertake, with certain exceptions, not to sell or transfer their A-shares in Honkarakenne Oyj to any entity other than a private shareholder that has signed the agreement or Saarelainen Oy without first offering the shares they intend to sell or transfer to Saarelainen Oy, or a buyer appointed by Saarelainen Oy with a right of first refusal.

In addition to Saarelainen Oy, the agreement covers the following shareholders: Saarelainen Sinikka, Saarelainen Erja, Saarelainen Mauri, Ruuska Pirjo, Saarelainen Anita, Saarelainen Kari, Saarelainen Paula, Ruponen Helena, Saarelainen Jukka, Saarelainen Sari and Saarelainen Jari. The parties to the agreement, including their underage children, have a combined holding of 178,275 A-shares and 779,729 B-shares. The holding of all shares is 15.42%, and the share of all votes is 36.44%.

Related Party Transactions

The Group's related parties consist of subsidiaries and associated companies; the company's management and the companies in which they exercise influence, as well as the persons covered by the Saarelainen shareholders' agreement, and the 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 is based on market-based pricing.

During the financial year, ordinary transactions were made with related parties as follows: goods and services were sold to related parties for EUR 0.2 (0.2) million, and goods and services were purchased from related parties for EUR 0.3 (0.4) million. The financial statements include EUR 0.0 (0.0) million in liabilities to related parties and EUR 0.0 (0.0) million in receivables from related parties. At the balance sheet date, the parent company has receivables from subsidiaries of EUR 1.7 (1.8) million, and debts to subsidiaries of EUR 0.1 (0.1) million. No credit losses have been recognised on receivables from related parties in 2024 or 2023.

Corporate Governance

In 2024, Honkarakenne Oyj complied with the Finnish Limited Liability Companies Act and the Securities Market Association's Corporate Governance Code 2025 for Finnish listed companies. The Corporate Governance Statement for the financial period 1 Jan–31 Dec 2024 is provided separate from this Board of Directors' Report.

Outlook for 2025

According to Honkarakenne's view, the Group's net sales in 2025 will be on the level of the previous year and amount to EUR 38–45 million. The Group's operating profit will be between EUR -2.6 and +0.0 million.

Basis for the Outlook

The company's outlook of the 2025 development is based on the existing order book, the expectation of challenges in the operating environment and on market development. Uncertainty about the development of the economic situation in Finland, interest rates and availability of financing may negatively affect demand from consumer and professional builders and their decision-making concerning construction, thus creating uncertainty in the starts of new construction projects. The company believes that the export market areas defined in the strategy have potential and support profitable growth.

Events after the financial year

The Executive group and its areas of responsibility was changed at 1.1.2025 to support the updated strategy for 2025–2028. In addition of the CEO Marko Saarelainen in the executive group will continue Eino Hekali, Vice President Product, Maarit Jylhä, CFO, Petri Perttula with new role as Vice President Operations Global B2B. As a new member of the executive group Juhani Saukko has been appointed as a Vice President Operations Finland B2C.

In its meeting on 7 January 2025, the Board of Directors approved the updated strategy for 2025-2028, which was finalized at the end of the financial year.

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

The parent company's equity according to the balance sheet 31 December 2024 is EUR 13,865,257.54 of which distributable as-sets amount to EUR 3,447,301,54. The parent company's loss for the financial year 1 Jan.–31 Dec. 2024 is EUR -1,717,326.12.

The Board of Directors proposes to the Annual General Meeting that no dividend will be paid or repayment of capital from the invested unrestricted equity fund will be distributed for the financial year that ended on 31 December 2024.

2025 Annual General Meeting

The Annual General Meeting of Honkarakenne Oyj will be held on Friday, 11 April 2025 at 2:00 pm EET.

Tuusula, 11 February 2025

BOARD OF DIRECTORS

This report contains forward-looking statements that are based on the assumptions currently known to the company's management and the management's current decisions and plans. Although the management believes that the forward-looking assumptions are reasonable, there is no guarantee that they will prove to be correct.

Consolidated Statement of *Comprehensive Income* (IFRS)

EUR 1,000	Note	Jan-Dec/2024	Jan-Dec/2023
Revenue (net sales)	1, 2	36,713	46,289
Other operating income	3	545	552
Change in inventories of finished goods and work in progress		-684	1,198
Materials and services		-23,509	-30,719
Employee benefits expenses	4	-7,635	-8,083
Depreciation	6	-2,255	-2,220
Other operating expenses	7	-5,549	-4,762
Operating profit/loss		**-2,375**	**-142**
Financial income	8	116	89
Financial expenses	8	-325	-250
Share of profit of associated companies		-65	17
Profit/loss before taxes		**-2,649**	**-286**
Income taxes	9	489	47
Net profit/loss for the financial year		**-2,160**	**-239**
Other comprehensive income that may be subsequently transferred to profit or loss:			
Translation differences related to foreign subsidiaries		-92	-63
The effect of corporate restructuring			16
Comprehensive income for the financial year in total		**-2.252**	**-285**
DISTRIBUTION OF THE RESULT FOR THE FINANCIAL YEAR			
To the owners of the parent company		-2,160	-239
To non-controlling interests		-	-
		-2,160	-239
DISTRIBUTION OF COMPREHENSIVE INCOME			
To the owners of the parent company		-2,252	-285
To non-controlling interests		-	-
		-2,252	**-285**
Earnings per share calculated from the profit/loss attributable to owners of the parent company:	10		
basic earnings per share (EUR)		-0,37	-0,04
diluted earnings per share (EUR)		-0,37	-0,04

The company has two series of shares, Series A and Series B, which have different rights to dividends. From the distributable profit, EUR 0.20 will first be paid for Series B shares. Then EUR 0.20 will also be paid for Series A shares, after which the remaining profit will be distributed equally among all shares.

Consolidated Statement of *Financial Position* (IFRS)

Assets

EUR 1,000	Notes	31.12.2024	31.12.2023
NON-CURRENT ASSETS			
Property, plant and equipment	11	11,692	12,208
Goodwill	12	72	72
Other intangible assets	12	672	527
Investments in associated companies	13	426	490
Receivables	15, 25	184	266
Deferred tax assets	16	1,493	1,067
Total non-current assets		**14,539**	**14,632**
CURRENT ASSETS			
Inventories	17	4,551	5,276
Trade and other receivables	18	2,515	3,760
Income tax assets	18	-	31
Other financial assets	14	-	1,028
Cash and cash equivalents	19	4,970	5,323
Total current assets		**12,036**	**15,417**
TOTAL ASSETS		**26,575**	**30,048**

Equity and liabilities

EUR 1,000	Notes	31.12.2024	31.12.2023
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	20	9,898	9,898
Share premium account	20	520	520
Invested unrestricted equity fund	20	4,162	4,692
Own shares	20	-1,187	-1,187
Translation differences	20	-138	-46
Retained earnings		413	2,573
		13,669	**16,451**
Non-controlling interests		-	-
TOTAL EQUITY		**13,669**	**16,451**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	4	45
Provisions	22	252	277
Financial liabilities	21, 25	3,672	2,541
Total non-currrent liabilities		**3,928**	**2,863**
CURRENT LIABILITIES			
Trade and other liabilities	23	8,156	9,915
Current tax liabilities	23	1	-5
Provisions	22	-	10
Current financial liabilities	21, 25	820	812
Total current liabilities		**8,978**	**10,732**
Total liabilities		**12,906**	**13,595**
TOTAL EQUITY AND LIABILITIES		**26,575**	**30,048**

Consolidated Statement of *Cash Flows* (IFRS)

EUR 1,000	Notes	Jan-Dec/2024	Jan-Dec/2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the financial year		-2,160	-239
Adjustments			
Transactions not involving a payment transaction	28	2,115	1,996
Financial income and expenses	8	208	160
Gains on disposal of non-current assets		-28	-8
Losses on disposal of non-current assets			10
Taxes	9	-489	-47
Changes in working capital			
Change in trade and other receivables		1,224	81
Change in inventories		725	1,229
Change in trade and other liabilities		-1,914	-4,905
Other working capital adjustments		39	-12
Interest paid		-169	-130
Other financial expenses		-24	-96
Interest received		62	48
Dividends received from operations		14	1
Other financial income		41	11
Taxes paid		-	-419
Net cash flow from operating activities		**-355**	**-2,319**

EUR 1,000	Notes	Jan-Dec/2024	Jan-Dec/2023
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment		-797	-1,461
Grants received for tangible assets		195	0
Investments in intangible assets		-423	-162
Sale of property, plant and equipment		28	8
Net cash flow from investing activities		**-998**	**-1,614**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loan withdrawals	21	1,700	-
Repayments of long-term loans	21	-600	-400
Payments of lease liabilities	21	-483	-450
Payment of dividend		-	-1,473
Repayment of capital		-530	-
Net cash flow from financing activities		**87**	**-2,323**
Change in cash and cash equivalents		-1,265	-6,255
Impact of exchange rate changes on cash and cash equivalents		-116	-386
Impact of stock exchange rate changes on cash and cash equivalents		-	361
Change in cash and cash equivalents at the end of financial year		-1,381	-6,280
Cash and cash equivalents at the end of the financial year	14, 19	4,970	6,350
Cash and cash equivalents at the beginning of the financial year	14, 19	6,350	12,631
Change in cash and cash equivalents at the end of financial year		**-1,381**	**6,280**

Statement of Changes in Consolidated Equity (IFRS)

	Equity attributable to owners of the parent								
EUR 1,000	Share Capital	Share Premium Account	Invested Unrestricted Equity Fund	Treasury Shares	Translation Differences	Retained Earnings	Total	Non-Controlling Interests	Total Equity
Equity on 1 January 2023	9,898	520	4,805	1,221	17	4,193	18,211	-	18,211
COMPREHENSIVE INCOME									
Income for the financial year	0	0	0	0	0	-239	-239	-	-239
Other comprehensive income items									
Translation difference	0	0	0	0	-63	-2	-65	-	-65
Impact of mergers and acquisitions			-113			129	16		16
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR TOTAL	0	0	-113	0	-63	-112	-288	-	-288
Transactions with the owners									
Repayment of dividend	0	0	0	0	0	-1,473	-1,473	-	-1,473
Effect of share-based remuneration	**0**	**0**	**0**	**35**	**0**	**-35**	**-1,473**	-	-1,473
Transactions with the owners in total	**0**	**0**	**0**	**35**	**0**	**-1,507**	**-1,473**	**-**	**-1,473**
Equity on 31 December 2023	**9,898**	**520**	**4,692**	**-1,187**	**-46**	**2,573**	**16,451**	**-**	**16,451**
Equity on 1 January 2024	**9,898**	**520**	**4,692**	**-1,187**	**-46**	**2,573**	**16,451**	**-**	**16,451**
COMPREHENSIVE INCOME									
Income for the financial year	0	0	0	0	0	-2,160	-2,160	-	-2,160
Translation difference	0	0	0	0	-92	0	-92	-	-92
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR TOTAL	0	0	0	0	-92	-2,160	-2,252	-	-2,252
Transactions with the owners									
Repayment of capital	-	-	-530	-	-	-	-530	-	-530
Effect of share-based remuneration	-	-	-	-	-	-	-	-	-
Transactions with the owners in total	**-**	**-**	**-**	**-**	**-**	**-**	**-530**	**-**	**-530**
Equity on 31 December 2024	**9,898**	**520**	**4,162**	**-1,187**	**-138**	**413**	**13,669**	**0**	**13,669**

Accounting Principles for Consolidated Financial Statements (IFRS)

Basic Information About the Group

Honkarakenne Group (Honkarakenne) manufactures and sells log and solid-wood house packages as well as related design and construction services. The Group's parent company is Honkarakenne Oyj. The parent company is domiciled in Karstula, and its registered address is Hongantie 41, FI-43500 Karstula, Finland. Honkarakenne Oyj is a public limited company, and Honkarakenne Oyj's Series B shares are listed on Nasdaq Helsinki Oy's Small Cap list under the trading symbol HONBS.

A copy of the consolidated financial statements is available at www.honka.com or Honkarakenne Oyj's head office at the address above. At its meeting on 11 February 2025, Honkarakenne Oyj's Board of Directors approved the consolidated financial statements for issue. According to the Finnish Limited Liability Companies Act, shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after the issue.

Basis of Preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as well as the AS/IFRS standards and SIC and IFRIC interpretations in force on 31 December 2024. International Financial Reporting Standards refer to the standards and interpretations adopted for application in the EU in accordance with the procedure laid down in the Finnish Accounting Act and the regulations issued on the basis thereof in EU Regulation (EC) No. 1606/2002. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and community legislation supplementing the IFRS. The notes form an integral part of the financial statements.

The auditor has certified or audited the 2024 ESEF financial statements prepared in accordance with the European Commission's technical regulatory standard to be published in accordance with Chapter 7, Section 5 of the Securities Markets Act.

When preparing the consolidated financial statements, management has had to make forward-looking estimates and assumptions as well as judgements in the application of the accounting principles. These estimates and decisions may affect the amounts of assets, liabilities, income, and expenses recognised during the reporting period and the contingent items presented. Although the management believes that the forward-looking estimates and assumptions are reasonable, there is no guarantee they will prove to be correct. It is possible that the actual results differ from the estimates used in the financial statements.

Consolidated Financial Statements

Group Companies

The consolidated financial statements include the parent company Honkarakenne Oyj and all the subsidiaries over which the parent company has control. A parent company has control over a company if it has, directly or indirectly, over 50 per cent of the voting rights or if it otherwise has the power to govern the company's operating activities or financial policies. The subsidiaries are fully included in the consolidated financial statements from the date on which the Group gains control. They will stop being included when the control ceases. Expenses directly related to the acquisition are recognised as an expense as incurred.

Honka Management Oy has been merged to the parent company at 30.11.2023. The merger has not have an impact to Groups financial result.

Business combinations are accounted for using the acquisition method. The consideration to be paid for the acquisition of the subsidiary includes transferred assets, the liabilities incurred by the previous owners and the equity interests issued by the Group. These have been measured at their fair values. Expenses directly attributable to business combinations are recognised in profit or loss, and they are not included in the consideration transferred. The consideration transferred includes the fair value of the asset or liability arising from the contingent consideration arrangement. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a merger are measured at their fair values at the acquisition date. The non-controlling interest in the acquiree is recognised on an acquisition-specific basis at either fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets included in the statement of financial position.

A possible contingent consideration is recognised at the fair value of the acquisition date. Subsequent changes in the fair value of a contingent consideration that is an asset or liability are recognised in profit or loss. If the contingent consideration is classified as equity, its carrying amount does not change and, when the consideration is subsequently paid, the related entries are made under equity.

Intra-group transactions, unrealised internal margins, internal receivables and liabilities and internal dividends have been eliminated from the consolidated financial statements. The distribution of profit for the financial year to the parent company's owners and the non-controlling interests is presented in the statement of comprehensive income. In the statement of financial position, non-controlling interests are included in the Group's total equity.

Associated Companies

Associated companies are companies in which the Group has significant influence, but no full or shared control. Typically, it is considered significant influence when the Group has 20 per cent or more of the company's voting rights but no control over it.

In the consolidated financial statements, associated companies are included using the equity method. In the equity method, the share of the associated companies' result that is equivalent to the Group's holding is included in the consolidated statement of comprehensive income. If the Group's share of the associated company's losses exceeds the carrying amount of the investment, the investment is entered in the statement of financial position at zero value and the excess losses are not taken into account unless the Group is committed to fulfilling the associated companies' obligations.

Segment Reporting

Honkarakenne has two geographical operating segments, which have been combined into one reportable segment. Geographically, the sales are divided as follows: Finland and exports. Internal management reporting complies with the IFRS reporting, due to which separate reconciliations are not presented.

Estimates

The preparation of consolidated financial statements in accordance with IFRS requires the Group's management to make estimates and assumptions as well as choices regarding the application of the Group's accounting principles. Even though these estimates are based on the management's best knowledge at the time, the actual results may differ from the estimates.

The most significant estimates are related to:

- customer contracts,
- estimation of income tax amounts,
- valuation of trade receivables and recognition of uncertain trade receivables,
- the useful lives of intangible and tangible non-current assets,
- the recoverable amount of intangible and tangible non-current assets,
- assessment of the probability and amount of provisions,
- presentation of contingent assets and liabilities.

Foreign Currency Items

Figures concerning the financial performance and position of Group companies are presented in the currency of each unit's primary operating environment (functional currency). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Foreign currency transactions are recognised in the functional currency at the exchange rate valid on the transaction date. Foreign currency monetary items have been translated into euros at the exchange rates valid on the balance sheet date. Gains and losses from foreign currency transactions and the translation of monetary items are recognised in the statement of comprehensive income. Foreign exchange gains and losses are presented under financial income and expenses in the statement of comprehensive income.

The statements of comprehensive income for Group companies that do not use the euro as their functional currency have been translated into euros using the average exchange rate for the financial year, while their statements of financial position have been translated using the exchange rate on the balance sheet date. Translating the result for the financial year at different exchange rates in the statement of comprehensive income and statement of financial position creates a translation difference recognised in equity, the change in which is presented in other comprehensive income items.

Translation differences from the elimination of the acquisition cost of subsidiaries that do not use the euro as their functional currency and the translation of equity items accrued after acquisition are recognised in the other comprehensive income items under translation differences. When such a subsidiary is sold, the accumulated translation difference is recognised in the statement of comprehensive income as part of the gain or loss on sale.

Revenue (net sales) from Customer Contracts

Revenue

Revenue (net sales) includes the sales income from customer contracts related to the Group's primary business activities less indirect taxes and discounts granted. The transaction price expected from the customer is estimated at the beginning of the goods or services for sale.

Goods and Services for Sale

The Group sells and manufactures log and solid-wood house packages as well as related design and construction services. In addition to house packages and construction services, the Group sells log billets and process by-products. The sales income related to Honkarakenne's primary business activities is presented as revenue. The income from the sale of other goods and services is presented under other operating income.

Honka Oula, Kellokoski, Finland

The time of recognition of sales income is based on the transfer of control of goods or a service to the customer. The customer is considered to have gained control when the customer is able to control the use of the goods or service and obtain related benefit. Honkarakenne has sales income that is recognised both at a specific date and over time.

Income from Goods for Sale

Sales income from house packages, log billets, and by-products is recognised when control over the goods is transferred to the customer. As a rule, income from the sale of house packages, log billets, and by-products is recognised at a specific date. However, if several deliveries are made at different times, the income is recognised according to delivery when control over each delivery item is transferred to the customer.

Income from Services for Sale

Income from the sale of services is recognised either at a specific date or over time, depending on the service, the related terms of contract and the duration of the service. Sales income is recognised at a specific date in the case of customer contracts which include short-term services and in which control is transferred to the customer at a given time. Sales income is recognised over time in the case of customer contracts under which the asset is under the customer's control while Honkarakenne is creating or improving it. Such customer contracts may include both materials and services, or just services.

Honkarakenne recognises the income from the sale of customer contracts to be recognised over time by determining the degree of fulfilment of each contract. The Group considers that the degree of fulfilment describes the fulfilment of the entire performance obligation, i.e., the transfer of control over the performance under the contract. The Group uses an input-based method to determine the degree of fulfilment. In the method, the costs incurred are compared with estimated total costs (cost-based input method, percentage-of-completion method).

If it is not, for some reason, possible to determine the degree of fulfilment and the expenses are expected to be covered, sales income is only recognised to the extent to which expenses have incurred. If it is probable that the total cost of completing the item will exceed the transaction price obtained for the project, the predicted loss is recognised as an expense under provisions. If, at the time of reporting, the amount invoiced for the contract is lower than the sales income recognised on the basis of the project's degree of fulfilment, the difference is presented as a contractual adjustment item under trade and other receivables in the statement of financial position. If, at the time of reporting, the amount invoiced for the contract is higher than the sales income recognised on the basis of the project's degree of fulfilment, the difference is presented as a contractual liability under current liabilities in the Advances received section of the statement of financial position.

A breakdown of revenue and additional information on sales income recognised on the basis of customer contracts is presented in Note 2.

Other Operating Income

Other operating income includes gains on the sale of non-current assets and income not related to the primary business activities, such as lease income and government grants received as compensation for expenses incurred. Government grants received as compensation for expenses incurred are recognised as income in the same period as the expenses are recognised.

Employee Benefits

Pensions

The Group's pension plans are mainly defined contribution plans. Payments made into defined contribution pension plans are recognised in the statement of comprehensive income during the financial year to which they apply. After this, the Group will no longer have any other obligations or payments for the year in question.

Share-Based Payments

In the group's share-based incentive system, where the earning period is calender years 2024-2026, payments are made in com-bination of shares and cash.

The recording of the expense related to the share bonus system is based on the group management's estimate of the realized number of shares, to which the right is assumed to arise at the end of the date of birth of the right. The estimated number of earned shares is updated until the end of the vesting period based on the fulfillment of the earning criteria and the number of earned performance bonuses. The group updates the assumption of the final number of shares on each end of the reporting period.

At the time of closing the accounts in 2024, the program did not create an expense item in the group's result.

Termination Benefits

A termination benefit is an expense for which the company does not receive compensation in the form of work performed. Termination benefits are recognised as expenses when the Group has made a decision to terminate the employee's employment. Any benefits that the Group has offered to promote voluntary redundancies are also recognised as expenses. Other liabilities related to termination benefits that are likely to arise under various regulations have been estimated at the balance sheet date and recognised as expenses and liabilities.

Research and Development Expenditure

Research expenses are recognised as expenses in the statement of comprehensive income in the year in which they are incurred. Expenses related to the development of new products and processes have not been capitalised, as the future income from them will only be secured when the products enter the market.

Leases

Lease Liability

On the start date of the lease, Honkarakenne values the lease liability at the present value of the rents that remain unpaid on that date. Lease payments included in the value of a lease liability consist of payments made during the lease for the right-to-use the underlying asset that have not been made by the start date of the lease. The payments include fixed lease payments less any lease incentives receivable and variable lease payments that depend on an index or a rate and which are initially measured using the index or rate on the start date of the lease. Leases may also involve sanctions for terminating the lease. Honkarakenne will take account of the payment arising from the termination of the lease as part of the lease payments if it has taken the exercise of the termination option into account in the lease period. VAT is not included in the amount of the lease liability.

Lease payments are discounted at the interest rate implicit in the lease if that rate is readily determinable. If the interest rate implicit in the lease is not readily determinable, the incremental borrowing rate may be used instead. According to the standard, the incremental borrowing rate is defined as the interest rate that a lessee would pay to borrow, for a similar period and with similar security, the funds required for obtaining an asset whose value equals the acquisition cost of the right-of-use asset in a similar economic environment.

At the time of the adoption of the standard, the interest rate implicit in Honkarakenne's current leases was not readily determinable, so future minimum rents were discounted using the estimated incremental borrowing rate. The company assesses the incremental borrowing rate once a year in connection with the preparation of the financial statements and applies it until the next financial statements.

Right-of-use Asset

Honkarakenne recognises the right-of-use asset arising from the lease on the start date of the lease, i.e., on the date on which the lessor makes the underlying asset available to Honkarakenne. Honkarakenne measures the right-of-use asset at the acquisition cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. The initial acquisition cost of the asset includes the initial amount of lease liability recognised and lease payments made by the start date less any incentives received, and initial direct costs incurred for the lease. In the acquisition costs, Honkarakenne also takes account of any costs related to the restoration of the underlying asset.

Low-value Assets and Short-term Leases

Honkarakenne does not recognise leases including low-value assets according to IFRS 16 in the statement of financial position. Instead, Honkarakenne recognises these leases on a time proportion basis as lease expenses in the statement of comprehensive income.

Honkarakenne does not recognise leases of less than 12 months, i.e., short-term leases according to IFRS 16, in the statement of financial position. Honkarakenne recognises these leases on a time proportion basis as lease expenses in the statement of comprehensive income. When determining whether the lease meets the criteria for a short-term lease, Honkarakenne assesses the length of the contract in the same way as with other contracts, i.e., taking into account possible extension and termination options and whether their exercise is reasonably certain. If the lease includes a purchase option, Honkarakenne does not consider it to be a short-term lease.

Significant Assumptions

According to IFRS 16, the lessee must determine the lease period as a period during which the lease cannot be terminated, also taking account of any extension or termination options if their exercise has been assessed as reasonably certain. Honkarakenne has assessed the consideration of further options as part of the lease period on a lease-by-lease basis.

Honkarakenne has lease contracts valid until further notice, particularly for business premises. In the case of premises for which the lease is valid until further notice, the length of the lease period is based on an estimate on the length of the lease period provided by Honkarakenne's management. The estimate takes account of, for example, significant improvements made to the leased property during the lease period, expenses related to the termination of the lease and the importance of the asset to Honkarakenne's operations, taking into account the property's specificity, location and availability of suitable alternatives. Management will reassess the length of the lease period in the future to ensure that the lease period reflects the conditions at the time of the review.

Operating Profit

Operating profit consists of the revenue and other operating income, plus or minus any change in inventories of finished goods and work in progress, plus production for own use and minus materials and services, employee benefit expenses, depreciation and impairment and other operating expenses.

Interest

Interest expenses are recognised as expenses in the statement of comprehensive income.

Income Taxes and Deferred Taxes

The following are recognised as income taxes in the Group's statement of comprehensive income: accrual-based taxes calculated on the basis of the Group companies' taxable profit for the financial year, tax adjustments for previous financial years and the change in deferred tax liabilities and assets. The tax effect related to items recognised directly in equity is recognised in equity accordingly. The tax based on taxable income for the financial year is calculated on the taxable income in accordance with the tax rate of each country.

Deferred tax is calculated on temporary differences between the carrying amount and taxable value using either the tax rate valid at the balance sheet date or a known, fixed tax rate that will enter into force later. Deferred tax liabilities are not recognised in the case of an initially recognised asset or liability that does not arise from a business combination and whose recognition does not affect the financial result or taxable income at the time of the transaction. Deferred tax assets are only recognised to the extent that it is probable that there will be future taxable income, against which the temporary difference can be utilised. The probability is assessed using estimated taxable income based on Honkarakenne's business plans and budgets. The conditions for recognising a deferred tax asset are assessed at the end of each reporting period.

The most significant timing differences arise from unused tax losses, the difference between the useful life of property, plant and equipment and tax depreciation, the recognition policy for construction-related projects, provisions and leases accounted for in accordance with IFRS16. Tax-deductible losses have been taken into account as tax assets to the extent that the company is likely to be able to utilise them in the coming years. Deferred tax liabilities are only recognised for the undistributed profits of subsidiaries if the tax payment can be considered to be realised in the foreseeable future.

Government Grants

Government grants related to the acquisition of tangible or intangible assets are recognised as deductions from the carrying amount of tangible assets, and grants are recognised as minor depreciations over the useful life of the asset.

Government grants received as compensation for costs incurred are recognised as other operating income or as a deduction in the period during which the costs are recognised as expenses.

Tangible Assets

The Group's tangible assets largely consist of land, buildings, machinery and equipment. In the statement of financial position, they are measured at the original acquisition cost less accumulated depreciation and any impairment losses. The acquisition cost of the assets manufactured by the Group includes materials as well as direct labour costs and other direct costs due to the completion of the asset for its intended use. If a tangible asset consists of several parts with different useful lives, the parts are treated as separate assets. Regular maintenance and repair costs are expensed when they incur. Significant improvement or additional investments are recognised as part of the asset's acquisition cost and depreciated over the remaining useful life of the main asset if it is probable that future economic benefits associated with the investment will flow to the Group.

Tangible assets are depreciated on a straight-line basis over their estimated useful lives, from the time they are available for use. Land is not depreciated.

The estimated useful lives of property, plant and equipment:

- Buildings and structures 10–30 years,
- Machinery and equipment 3–12 years,
- Other tangible assets 3–10 years.

Gains and losses on decommissioning and disposal of tangible assets are recognised in the statement of comprehensive in-come through profit and loss. Capital gains or losses are measured as the difference between the sales price and residual value. Gains on the decommissioning and disposal of tangible assets are included in other operating income. If the sales price of the product does not cover the remaining residual value of the asset, the residual value is adjusted through impairment.

Intangible Assets

Goodwill

Goodwill is the total amount by which the consideration transferred, the non-controlling interest and the previously owned holdings exceed the fair value of the acquired subsidiary's identifiable net assets at the acquisition date. Goodwill is tested annually for impairment. For this purpose, goodwill is allocated to cash-generating units. Goodwill is measured at initial acquisition cost less any impairment losses. Impairment losses are recognised as an expense in the statement of comprehensive income. The carrying amount of goodwill allocated to the divested company or business is treated as capital gain or loss.

Other Intangible Assets

An intangible asset is initially recognised in the statement of financial position at acquisition cost when the acquisition cost can be determined reliably, and it is expected that the intangible asset will generate economic benefits for the Group. The acquisition cost of an intangible asset comprises its purchase price and all costs directly attributable to bringing the asset to its working condition for its intended use. Intangible assets with a known or estimated limited useful life are depreciated on a straight-line basis over their useful lives as an expense in the statement of comprehensive income. Depreciation begins when the asset is ready for use. No expenses are recognised for intangible assets with an indefinite useful life, instead they are tested for impairment annually or when necessary. The Group does not currently have any intangible assets with an indefinite useful life.

Acquired IT systems and licences are capitalised at acquisition cost and the cost of software deployment. The acquisition cost is depreciated on a straight-line basis over the estimated useful lives of the information systems and licences.

The estimated useful lives of intangible assets:

- IT systems and software 3–5 years,
- Other intangible rights 5–10 years.

Subsequent expenditure on intangible assets is only capitalised when it increases the Group's future economic benefit from the said assets beyond the initially estimated level of performance. Otherwise, the expense is recognised as an expense in the statement of comprehensive income when it incurs.

Impairment of Tangible and Intangible Assets

At each balance sheet date, Honkarakenne Group assesses whether there is any indication of the impartment of an asset. If there is such indication, the asset's recoverable amount is estimated. The recoverable amount is assessed annually for the following assets, regardless of whether there is any indication of impairment: goodwill, intangible assets with an indefinite useful life and intangible assets in progress. The need for impairment is examined at the level of cash-generating units. The recoverable amount is the asset's fair value less the costs of disposal or a higher value in use.

In determining the value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect the time value of money and the specific risks associated with the asset. If it is not possible to calculate recoverable future cash flows for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. An impairment loss is immediately recognised in the statement of comprehensive income and is first allocated to goodwill allocated to the cash-generating unit and then to other assets on a straight-line basis. Impairment losses on assets other than goodwill are reversed if there has been a change in circumstances and evaluation criteria and the recoverable amount of the asset has increased since the impairment loss was recognised. However, impairment losses are not reversed beyond the carrying amount the asset would have if no impairment loss had been recognised. The calculation of recoverable amounts requires the use of estimates.

Inventories

Inventories are valued at the lower of acquisition cost or net realisable value. The net realisable value is the estimated sales price in the ordinary course of business, less the estimated costs of completion and the estimated necessary sales expenses. The value of materials and supplies is mainly determined using the calculation of the moving average price and the FIFO method (first in, first out). The moving average price includes all direct costs of the acquisition.

In addition to the acquisition cost of materials and direct labour costs and other direct costs, the acquisition cost of manufactured inventories includes variable production overheads and general expenses. The carrying amount of inventory plots is reduced if they are expected to be sold at less than their acquisition cost. The net realisable value of inventory plots is based on their market price. Inventories are written down for obsolete items.

Financial Assets and Financial Liabilities

Financial Assets

Financial assets are recorded in the accounts on the settlement date. Upon initial recognition, the Group categorises the financial assets as follows: financial assets valued at amortised cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income. The categorisation depends on the business model used to manage the financial assets and the contractual terms governing cash flows. Financial assets are derecognised from the statement of financial position when the right to contractual cash flows has expired, and any material risks and benefits related to the asset have been transferred outside the Group.

In the Group, financial assets at fair value through profit or loss include all derivative contracts that do not qualify for hedge accounting. Such derivative contracts include the Group's currency, interest and commodity derivatives. Derivatives are recognised at fair value based on quoted market prices and generally accepted valuation models. Changes in fair value are recognised in accordance with the purpose of the derivative, either under financial items or other operating income and expenses. Honkarakenne has not applied hedge accounting and has not made a decision to start hedge accounting in accordance with IFRS 9. In 2024, the Group has not had any valid derivative contracts.

At the balance sheet date, the Group had EUR 0.0 (1.0) million of financial assets at fair value through profit or loss.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income are non-derivative financial assets that are held for the collection of contractual cash flows and sale of financial assets and whose cash flows are comprised solely of capital and interest payments. This could include the Group's short-term financial market investments. Changes in fair value are recognised in other comprehensive income, except for impairment losses and interest income and exchange differences recognised using the effective interest method, which are recognised as financial items through profit or loss.

This category also includes the Group's equity investments in shares and shareholdings to the extent that these investments have not been placed in another category on the basis of the business model.

Financial Assets Valued at Amortised Cost

Financial assets valued at amortised cost are non-derivative financial assets that are held for the collection of contractual cash flows and whose cash flows are comprised solely of capital and interest payments. This category also includes trade receivables and other receivables in the consolidated statement of financial position. The financial assets in this category are initially recognised at fair value plus transaction costs and valued at their amortised acquisition cost using the effective interest method. Profit or loss on a financial asset valued at amortised cost is recognised through profit or loss when the asset is derecognised from or impaired in the statement of financial position.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, bank account balances and liquid financial market investments with an original maturity of three months or less. Cash and cash equivalents include financial assets valued at amortised cost.

Impairment of Financial Assets

The impairment model for financial assets is based on expected credit losses, which take account of the customer's credit risk. The simplified procedure for expected credit losses is applied to trade receivables and assets based on customer contracts in accordance with IFRS 15, and receivables are classified according to their maturity date and the estimated impairment is assessed by category.

In addition, at each balance sheet date, the Group assesses whether there is objective evidence of a financial asset item or group of financial assets becoming impaired. If there is substantiated evidence of impairment, the recoverable amount of the financial asset, which is the fair value of the item, is estimated and an impairment loss is recognised to the extent that the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the statement of comprehensive income. Significant financial difficulties of the debtor, probability of bankruptcy and default or delay in payment for more than 90 days are evidence of a financial asset's possible impairment.

Financial Liabilities

Financial liabilities are initially recognised at fair value on the settlement dates less transaction costs. Later, all financial liabilities, except derivative instruments, are valued at amortised acquisition cost using the effective interest method.

In the Group, financial liabilities at fair value through profit or loss include all derivative contracts that do not qualify for hedge accounting. Honkarakenne has not applied hedge accounting and has not made a decision to start hedge accounting in accordance with IFRS 9. In 2024, the Group has not had any valid derivative contracts. During the accounting period, the company has taken out a financial loan of 1.7 million euros, the reference interest rate of which is a fixed 2.57% with the interest rate pipe connected to the reference interest rate of the debt agreed for the loan period. The loan interest margin is 1.5 percentage points, so the total interest is a fixed 4.07%. The separate treatment of the interest swap has no relevant impact on the financial statements and the calculated fair value of the contract is insignificant.

The Group has both long-term and short-term financial liabilities, which may be interest-bearing or non-interest-bearing. Financial liabilities are derecognised from the statement of financial position when the related obligations have ceased.

Treasury Shares

If the Group's parent company or its subsidiaries acquire shares in the parent company, the Group's equity is deducted by the amount of the consideration paid plus transaction costs. If the purchased treasury shares are resold or reissued, the consideration received is recognised in equity.

Provisions

Provisions are recognised when the Group has a current legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be measured reliably. Provisions may be related to guarantees, onerous contracts, litigation, environmental and tax risks or restructuring.

Warranty provisions are recognised when a product under warranty is sold. The amount of the warranty provision is based on empirical information on actual warranty expenses. A provision is recognised for an onerous contract when the expenses necessary to meet the obligations exceed the benefits to be received from the contract. A dispute provision is recognised for disputes and legal proceedings when the company's management estimates that the transfer of financial resources from the company is probable, and the amount of the obligation can be estimated reliably. A restructuring provision is recognised when a detailed and appropriate plan has been prepared for restructuring and the relevant parties have been informed of the arrangement, thus giving sufficient reason to expect the restructuring to take place. The recognised provision is the best estimate of costs required for the fulfilment of the existing obligation on the balance sheet date.

A contingent liability is a potential obligation that arises from past events and whose existence will only be confirmed by the occurrence of an uncertain event beyond the Group's control. Contingent liabilities also include existing obligations that are unlikely to require the fulfilment of payment obligations or the amount of which cannot be reliably determined. No provisions are recognised for contingent liabilities. They are presented in the Notes to the Financial Statements.

Contingent assets arise from unplanned or other unforeseen events that may result in an economic benefit to the Group. Contingent assets are not recognised in the financial statements. Instead, they are presented in the Notes to the Financial Statements.

Dividends

The dividend proposed by the Board of Directors of the Group's parent company is included in retained earnings in the consolidated statement of financial position and the dividend is recognised for the financial year during which the Annual General Meeting decides on the distribution of dividends.

Earnings per Share

Earnings per share are calculated by dividing the profit for the financial year attributable to the parent company's shareholders with the weighted average of outstanding shares. Treasury shares are deducted from the issued shares. Diluted earnings per share are calculated from earnings per share plus the effect of potential ordinary shares on earnings for the financial year and the weighted average number of shares.

Discontinued Operations

Discontinued Operations

A discontinued operation is a part of a Group that has been disposed of or classified as held for sale and that meets one of the following conditions:

1. It is a significant separate business unit or a unit representing a geographical area.
2. It is part of a single coordinated plan to dispose of a separate key business area or geographical operating segment.
3. It is a subsidiary acquired solely for the purpose of reselling it.

The result of discontinued operations is presented as a separate item in the consolidated statement of comprehensive income. Assets from discontinued operations and the related items recognised in other comprehensive income, as well as liabilities included in the disposal group, are presented in the statement of financial position separately from other items.

The Group does not currently have any items classified as discontinued operations.

Application of New and Amended IFRS Standards and IFRIC Interpretations

As of 1 January 2024, the Honkarakenne Group has applied the following new standards and amendments to standards:

- Amendments to IFRS 16 Leasing contracts: The amendment clarifies the requirements for determing lease liabilities in sales and leaseback situations. According to the Group's estimate, the change will not have a significant impact on the consolidated financial statements.

IFRS standards, interpretations and amendments coming into force at a later date

- In 2025 and thereafter, the Group will adopt the following new and revised standards and interpretations issued by the IASB. The changes are not expected to have a significant impact on the Group's reporting.

Applicable for financial years beginning on or after 1 January 2025:

- Amendments to IAS 21: Lack of exchangeability: The standard contains instructions for determining when a currency is convertible and how to determine the exchange rate when the currency is not convertible

Applicable for financial years beginning on or after 1 January 2027:

- Amendments to IFRS 18, if the standard is accepted for use in the EU. Presentation and disclosure of financial statements.


Honka Lux, Rymättylä, Finland

Notes to consolidated financial statement (IFRS)

1. Segments

Honkarakenne Group has two geographical operating segments, which have been combined into one reportable segment in accordance with IFRS 8.12. The Group monitors sales and operations in two different market areas: Finland and Exports. Honkarakenne has combined the sales areas into one reportable segment, as the economic characteristics and products sold are similar in all market areas. The President & CEO acts as the Group's chief operating decisionmaker.

Internal management reporting complies with the IFRS accounting principles, due to which separate reconciliations are not presented. The internal management reporting is used for monitoring the development of operations on the basis of business areas that are based on geographical markets. Internal management reporting serves goal setting and budget monitoring and is thus a management tool and not an actual external financial indicator.

Geographically, the Group's sales are divided as follows: Finland and exports.

Finland also includes billet sales and the sale of process by-products for recycling.

Exports include all other countries except Finland.

Revenue is presented according to the location of the customer and assets according to the location of assets.

Geographical breakdown

Distribution of revenue	2024	2023
Finland	71%	69%
Export	29%	31%
Total	**100%**	**100%**

Revenue (EUR 1,000)	2024	2023	Change
Finland	26,197	31,759	-18%
Export	10,522	14,530	-28%
Total	**36,719**	**46,289**	**-21%**

Non-current assets (EUR 1,000)	2024	2023
Finland	13,046	13,190
Export	392	375
Total	**13,438**	**13,564**

2. Revenue from contracts with customers

Jan–Dec/2024

Date of revenue (net sales) recognition (EUR 1,000)	Finland	Exports	Total
Specific date	26,016	10,522	36,538
Over time	181	0	181
Total	**26,197**	**10,522**	**36,719**

Jan–Dec/2023

Date of revenue (net sales) recognition (EUR 1,000)	Finland	Exports	Total
Specific date	30,872	14,530	45,402
Over time	887	0	887
Total	**31,759**	**14,530**	**46,289**

Assets and liabilities based on contract

The payments of most items recognised over time are tied to specific stages of physical levels of completion. Income receivables of an item recognised over time is recognised if the item's invoicing is less than the revenue (net sales) recorded on the basis of the item's progress. Income receivables are recognised as trade receivables as the target is making progress and reaches an agreed physical level of completion that triggers invoicing. Similarly, received prepayments are recognised if the invoicing of an item recognised over time exceeds the revenue (net sales) recorded on the basis of the item's progress.

Received prepayments are recognised as revenue (net sales) as the item's rate of completion increases and latest when the item is completed. The completion time of the items depends on their extent. When prepayments are received and the item is progressing, the ratio of fulfilled payment obligations and received prepayments changes.

Assets based on customer contracts

EUR 1,000	2024	2023
Total of items to be recognised over time but not yet transferred	181	887
Trade receivables		
Trade receivables	1,602	2,265
Receivables from customer contracts where the fulfillment rate exceeds the prepayments received	-	8
Total trade receivables	**1,602**	**2,273**
Total	**1,783**	**3,160**

Liabilities based on customer contracts

EUR 1,000	2024	2023
Advance payments received in excess of contract performance		
Advance payments received	3,615	4,405
Advance payments received for items recognised as income over time (gross)	56	33
Total advance payments received in excess of contract performance	**3,671**	**4,439**
Total	**3,671**	**4,439**

Sales income recognised on the basis of liabilities related to customer contracts

EUR 1,000	2024	2023
Recognised sales income based on liabilities included in contracts at the beginning of the period	56	33

Transaction price allocated to remaining payment obligations in customer contracts

EUR 1,000	Within one year	Within two years
	100%	0%
Total amount of transaction price allocated to long-term customer-project contracts that have been entirely and partly unfulfilled	59	0

The table shows the sold order volume and its recognition in subsequent years.

3. Other operating income

EUR 1,000	2024	2023
Rental income	42	42
Capital gains on property, plant and equipment	28	8
Compensation from representatives	-	155
Received remuneration for work	-	10
Grants received	123	76
Other operating income	351	260
Total	**544**	**551**

4. Employee benefit expenses

EUR 1,000	2024	2023
Wages and salaries	6,332	6,543
Share awards	-	16
Pension contributions, defined contribution plans	1,128	1,256
Other personnel expenses	175	268
Total	**7,635**	**8,083**

Average number of employees in the Group in person-years	2024	2023
White-collar employees	103	114
Blue-collar employees	51	60
Total	**154**	**174**

Average number of employees in the Group	2024	2023
White-collar employees	105	118
Blue-collar employees	52	65
Total	**157**	**183**

5. Research and development expenditure

Research and development expenses totalled TEUR 533 in 2024 (TEUR 602 in 2023).

6. Depreciation and impairment

EUR 1,000	2024	2023
INTANGIBLE ASSETS		
Intangible rights	242	237
Total	**242**	**237**
PROPERTY, PLANT AND EQUIPMENT		
Buildings and structures	371	382
Buildings and structures, right of use	481	455
Machinery and equipment	1,109	1,090
Machinery and equipment, right of use	18	23
Other tangible assets	35	33
Total	**2,013**	**1,983**
Total depreciation and impairment	**2,255**	**2,220**

7. Other operating expenses

EUR 1,000	2024	2023
Voluntary personnel expenses	330	436
Lease payments	249	156
Credit losses *)	-40	-85
Sales and marketing expenses	1,597	1,490
Expert services	771	490
Premises costs	329	416
IT expenses	961	803
Insurance	112	116
Other operating expenses	1,239	930
Total	**5,549**	**4,752**

Auditrs fees EUR 1,000	2024	2023
Tax advice	76	65
Other services	23	29
Total	**94**	**93**

8. Financial income and expenses

Financial income EUR 1,000	2024	2023
Other interest and financial income	76	98
Exchange rate gains	40	28
Total	**116**	**126**

Financial expences EUR 1,000	2024	2023
Interest expenses on financial loans recognised at amortised cost	-85	-65
Change in value of financial instruments at fair value through profit or loss	-2	361
Other financial expenses	-5	-9
Exchange rate losses	-156	-465
FINANCIAL EXPENSES, RIGHT-OF-USE ASSETS		
Interest expenses	-78	-72
Total	**-325**	**-250**
Total financial income and expenses	**-209**	**-124**

All interest expenses are recognised as expenses in the statement of comprehensive income.

9. Income taxes

EUR 1,000	2024	2023
Tax based on taxable income for the financial year	-1	-11
Taxes in previous financial years	1	-3
Deferred taxes:	-	-1
Origination and reversal of temporary differences	490	62
Total	**489**	**47**

Reconciliation of effective tax rate

EUR 1,000	2024	2023
Profit before taxes	-2,649	-286
Deferred tax at the parent company's tax rate	530	57
Effect of different tax rates in foreign subsidiaries	-35	-38
Tax-free income	40	60
Non-deductible expenses	-1	-2
Change in deferred tax assets	-46	-45
Share of results in associated companies, tax effect	-13	3
Taxes for previous financial years	-1	-3
Other items	16	16
Taxes in the statement of comprehensive income	**490**	**47**
Effective tax rate %	18,5	16,6

10. Earnings per share

Undiluted earnings per share is calculated by dividing the profit for the financial year attributable to the parent company's shareholders with the weighted average of outstanding shares.

EUR 1,000	2024	2023
Net profit/loss for the financial year	-2,160	-239
Minority interest	-	0
Profit/loss for the financial year attributable to the parent company's owners	-2,160	-239
Average number of shares (1,000 pcs)	5,890	5,888
Diluted average number of shares (1,000 pcs)	5,890	5,888
Undiluted earnings per share (EPS), EUR	-0.37	-0.04
Diluted earnings per share (EPS), EUR	-0.37	-0.04

The company has two series of shares, Series A and Series B, which have different rights to dividends. From the distributable profit, EUR 0.20 will first be paid for Series B shares. Then EUR 0.20 will also be paid for Series A shares, after which the remaining profit will be distributed equally among all shares.

Honka Oula, Kellokoski, Finland

11. Tangible assets

Tangible assets 2024

EUR 1,000	Land and water	Buildings and structures	Buildings and structures, right of use	Machinery and equipment	Machinery and equipment, right of use	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition cost 1 Jan	908	16,778	4,279	29,262	132	2,928	1,071	**55,358**
Translation differences (+/-)	-0	-6	-	-17	-	38	-	**15**
Increase	-	-	1,105	110	50	-	895	**2,160**
Reclassifications	-	-	-	950	-	-	-950	**-**
Decrease	-	-	623	-61	-	-	104	**-684**
Acquisition cost 31 Dec	**907**	**-16,772**	**4,762**	**30,243**	**182**	**2,966**	**1,016**	**56,848**
Accumulated depreciation 1 Jan	-	-13,876	1,795	-24,679	-124	-2,675	-	**-43,150**
Translation differences (+/-)	-	-	-	1	-	-38	-	**-37**
Accumulated depreciation on deductions and transfers	-	-	-	40	-	-	-	**40**
Depreciation for the financial year	-	-371	-481	-1,109	-18	-30	-	**-2,009**
Accumulated depreciation 31 Dec	-	-14,247	-2,276	-25,747	-142	2,744	-	**-45,155**
Carrying amount 31 Dec	**908**	**2,525**	**2,486**	**-4,495**	**40**	**222**	**1,016**	**11,692**

The recoverable amount is determined at fair value less the cost of selling, and it is based on the management's estimate.

Tangible assets 2023

EUR 1,000	Land and water	Buildings and structures	Buildings and structures, right of use	Machinery and equipment	Machinery and equipment, right of use	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition cost 1 Jan	908	16,673	2,884	28,767	127	2,819	440	**52,618**
Translation differences (+/-)	-0	-4	-	-13	-	-	-	**-18**
Increase	-	121	1,395	510	6	109	735	**2,876**
Reclassifications	-	-	-	-	-	-	-	**-**
Decrease	-	-12	-	-2	-	-	104	**-118**
Acquisition cost 31 Dec	**908**	**16,778**	**4,279**	**29,262**	**132**	**2,928**	**1,071**	**55,358**
Accumulated depreciation 1 Jan	-	-13,498	-1,340	-23,594	-101	-2,642	-	**-41,176**
Translation differences (+/-)	-	1	-	5	-	-	-	**5**
Accumulated depreciation on deductions and transfers	-	3	-	1	-	-	-	**4**
Depreciation for the financial year	-	-382	-455	-1,090	-23	-33	-	**-1,983**
Accumulated depreciation 31 Dec	-	-13,876	-1,795	-24,679	-124	-2,675	-	**-43,150**
Carrying amount 31 Dec	**908**	**2,901**	**2,484**	**4,583**	**8**	**253**	**1,071**	**12,208**

The recoverable amount is determined at fair value less the cost of selling, and it is based on the management's estimate.

Leases in the statement of comprehensive income

EUR 1,000	2024	2023
Depreciation of leased assets	-498	-478
Interest expense on leases	-78	-72
Expenses related to short-term and low-value leases	-250	-156
Total in the statement of comprehensive income	**-826**	**-706**

12. Goodwill and intangible assets

Goodwill and intangible assets 2024

EUR 1,000	Goodwill	Immaterial rights	Other intangible assets	Total
Acquisition cost 1 Jan	72	6,174	2,240	**8,485**
Translation differences (+/-)	-	-	-3	**-3**
Increase	-	19	359	**377**
Decrease	-	-	-	**-**
Transfers between items	-	-	-	**-**
Acquisition cost 31 Dec	**72**	**6,193**	**2,595**	**8,860**
Accumulated depreciation 1 Jan	-	-5,792	-2,094	**-7,887**
Translation differences (+/-)	-	-	3	**3**
Accumulated depreciation on deductions	-	-	-	**-**
Depreciation for the financial year	-	-238	-4	**-242**
Accumulated depreciation 31 Dec		-6,030	-2,095	**-8,125**
Carrying amount 31 Dec	**72**	**162**	**500**	**734**

Goodwill and intangible assets 2023

EUR 1,000	Goodwill	Immaterial rights	Other intangible assets	Total
Acquisition cost 1 Jan	72	6,004	2,101	**8,177**
Translation differences (+/-)	-	-	-4	**-4**
Increase	-	170	142	**312**
Decrease	-	-	-	**-**
Transfers between items	-	-	-	**-**
Acquisition cost 31 Dec	**72**	**6,174**	**2,240**	**8,485**
Accumulated depreciation 1 Jan	-	-5,558	-2,094	**-7,652**
Translation differences (+/-)	-	-	4	**4**
Accumulated depreciation on deductions	-	-	-	**-**
Depreciation for the financial year	-	-234	-3	**-237**
Accumulated depreciation 31 Dec		-5,792	-2,094	**-7,886**
Carrying amount 31 Dec	**72**	**382**	**145**	**599**

In accordance with IAS 36, consolidated goodwill is not amortised. Instead, it is tested annually for impairment. Goodwill is allocated to the 10% share in Honka Blockhaus GmbH acquired by Honkarakenne Oyj in 2003. No impairment losses have been recognised on goodwill in 2006–2024.

Goodwill impairment testing

EUR 1,000	2024	2023
Honka Blockhaus	72	72

The calculated cash flow forecasts are based on strategies prepared and approved by management that cover a period of five years. The discount rate used in the testing is 6.8% (6.8% in 2023), and its sensitivity in relation to the calculations has been tested with different ranges. The calculation of discounted cash flows requires forecasts and assumptions concerning factors such as market growth, prices and volume development.

	Honka Blockhaus	Honka Blockhaus
Projection parameters used	**2024**	**2023**
Discount rate (pre-tax WACC)	6.8%	6.8%
Terminal growth	2%	2%
Fixed operating expenses, average annual growth	2%	2%

13. Associated companies

Investments in associated companies

EUR 1,000	2024	2023
At the beginning of the financial year	490	474
Share of result for the financial year	-65	17
Decrease	-	-
At the end of the financial year	**426**	**490**

Associated companies

EUR 1,000	2024	2023
PUULAAKSON ENERGIA OY, KARSTULA		
Holding, %	25.9	25.9
Assets	2,203	2,449
Liabilities	705	639
Revenue (net sales)	1,418	1,417
Profit/loss	-249	64

14. Other financial assets

EUR 1,000	2024	2023
Other securities: financial securities	-	1,028
Total	**-**	**1,028**

Other financial assets have been valued at fair value through profit and loss. Other financial assets include listed funds, due to which the presented valuation is classified as a value in accordance with fair value hierarchy level 1.

Classification of financial assets and liabilities by measurement category is presented in Note 25.

15. Non-current receivables

Non-current receivables 2024

EUR 1,000	Non-current loan receivables	Other non-current receivables	Total
Acquisition cost 1 Jan	266	-	266
Translation differences (+/-)	-61	-	-61
Increase	60	-	60
Decrease	-	-	-
Acquisition cost 31 Dec	**265**	**-**	**265**
Accumulated impairment 1 Jan	-81	-	-81
Cumulative impairment losses	-	-	-
Impairment during the financial year	-	-	-
Accumulated impairment 31 Dec	-81	-	-81
Carrying amount 31 Dec	**184**	**-**	**184**

Non-current receivables 2023

EUR 1,000	Non-current loan receivables	Other non-current receivables	Total
Acquisition cost 1 Jan	232	30	262
Translation differences (+/-)	-15	-	-15
Increase	137	-	137
Decrease	-6	-30	-36
Acquisition cost 31 Dec	**347**	**-**	**347**
Accumulated impairment 1 Jan	-81	-	-81
Cumulative impairment losses	-	-	-
Impairment during the financial year	-	-	-
Accumulated impairment 31 Dec	-81	-	-81
Carrying amount 31 Dec	**266**	**-**	**266**

The carrying amount corresponds to the management's view of the fair value, and it is the maximum amount of credit risk excluding the fair value of guarantees.

Classification of financial assets and liabilities by measurement category is presented in Note 25.

16. Deferred tax assets and liabilities

Breakdown of deferred tax assets 2024

EUR 1,000	1.1.2024	Recognised in profit or loss	Exchange rate differences	31.12.2024
Tax losses carried forward	84	706	-	790
Leasing contracts	510	8	-	518
Netting of deferred taxes	-510	-8	-	-818
Temporary differences	982	-275	-4	703
Total	**1,067**	**431**	**-4**	**1,493**

Breakdown of deferred tax assets 2023

EUR 1,000	1.1.2023	Recognised in profit or loss	Exchange rate differences	31.12.2023
Tax losses carried forward	113	-29	-	84
Leasing contracts	710	-200	-	510
Netting of deferred taxes	-710	200	-	-510
Temporary differences	903	82	-3	982
Total	**1,016**	**53**	**-3**	**1,067**

Temporary differences mainly consist of the parent company's unused depreciation and the tax receivables from the elimination of the internal margin on inventories. In connection with the preparation of the financial statements, the management has carefully viewed the valuation of tax receivables recognised for losses. The recognised tax assets are based on the management's view of future development.

If result does not develop as expected, it is possible that the tax assets will not be utilised in time and will have to be written down.

The risks are described in more detail in Notes 26 and 29.

Tax receivables recognised for losses carried forward and losses that need to be carried forward expire EUR 1,000	2024	2023
In 2033	-	195
No expiry date	69	84
Total	**69**	**279**

Deferred tax assets are allocated to (EUR 1,000)	2024	2023
Parent	1,384	935
German subsidiary	69	84
Japanese subsidiary	40	48
Total	**1,493**	**1,067**

Key items for which no deferred tax assets have been recognised

EUR 1,000	1.1.2024	31.12.2024
Land write-downs (parent company)	637	637
Total	**637**	**637**

Breakdown of deferred tax liabilities 2024

EUR 1,000	1.1.2024	Recognised in profit or loss	31.12.2024
Right-of-use assets	510	8	518
Netting of deferrex taxes	-510	-8	-518
Temporary differences	45	-41	4
Total	**45**	**-41**	**4**

Breakdown of deferred tax liabilities 2023

EUR 1,000	1.1.2023	Recognised in profit or loss	31.12.2023
Right-of-use assets	314	196	510
Netting of deferrex taxes	-314	-196	-510
Temporary differences	53	-8	45
Total	**53**	**-8**	**45**

No deferred tax liabilities have been recognised on the undistributed profits of subsidiaries, because the investment is permanent.

17. Inventories

EUR 1,000	2024	2023
Work in progress	2,739	3,119
Finished products	739	938
Other inventories	1,072	1,218
Total	**4,550**	**5,275**

Expenses of EUR 139 thousand (EUR 233 thousand in 2023) were recognised during the reporting period, reducing the carrying amount of inventories to their net realisable value.

Other inventories mainly consist of plots.

18. Trade and other current receivables

EUR 1,000	2024	2023
LOAN AND OTHER RECEIVABLES		
Trade receivables	1,350	1,971
Receivables from associated companies	5	48
Loan receivables	48	34
Other receivables	272	639
ACCRUED INCOME		
Accrued income	840	1,067
Tax receivables based on the taxable profit for the financial year	-	-
Total	**2,515**	**3,760**

The impairment model for financial assets is based on expected credit losses, which take account of the customer's credit risk. The simplified procedure for expected credit losses is applied to trade receivables, and trade receivables are classified according to their maturity date and the estimated impairment is assessed by category.

In addition, at each date of the statement of financial position, the Group assesses whether there is objective evidence of a trade receivable or group of financial assets becoming impaired. If there is substantiated evidence of impairment, the recoverable amount of the financial asset, which is the fair value of the item, is estimated and an impairment loss is recognised to the extent that the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the income statement. Significant financial difficulties of the debtor, probability of bankruptcy and default or delay in payment for more than 90 days may be considered evidence of a financial asset's possible impairment.

For determining the expected credit losses, trade receivables have been categorised on the basis of their maturity.

EUR 1,000	Expected credit losses, on average
Not due	0%
Overdue by less than 30 days	0%
Overdue by 31–60 days	0%
Overdue by 61–90 days	0%
Overdue by 91–120 days	10%
Overdue by 121–180 days	20%
Overdue by 181–365 days	50%
Overdue by over 366 days	50%
Gross carrying amount on 31 Dec 2024	1,531
Expected credit loss	-117
Carrying amount, net, on 31 Dec 2024	1,414

The carrying amount corresponds to the management's view of the fair value and maximum amount of credit risk.

Age distribution of trade receivables

EUR 1,000	2024	Impairment recognised	Net 2024	2023	Impairment recognised	Net 2023
Not due	777	-	777	718	-	718
Overdue by less than 30 days	284	-	284	970	-	970
Overdue by 31–60 days	28	-	28	36	-	36
Overdue by 61–90 days	178	-	178	75	-	75
Overdue by 91–120 days	11	-1	10	16	-2	14
Overdue by 121–180 days	35	-7	28	6	-1	5
Overdue by 181–365 days	61	-31	31	48	-24	24
Overdue by over 366 days	156	-78	78	254	-127	127
Total	**1,531**	**-117**	**1,414**	**2,122**	**-154**	**1,968**

Impairment losses on trade receivables have been recognised in Finland and Germany.

Classification of financial assets and liabilities by measurement category is presented in Note 25.

19. Cash

EUR 1,000	2024	2023
Cash and bank account	4,970	5,323
Total	**4,970**	**5,323**

Classification of financial assets and liabilities by measurement category is presented in Note 25.

The risks are described in more detail in Notes 26 and 29.

20. Equity

1,000 pcs	Number of Class A shares	Number of Class B shares	Total number of shares
31.12.2022	300	5,911	6,211
31.12.2023	300	5,911	6,211
31.12.2024	300	5,911	6,211

Honkarakenne Oyj's shares are divided into Class A and Class B shares, with Class A shares numbering at less than 300,000 and no more than 1,200,000, and Class B shares no less than 2,700,000 and no more than 10,800,000.

Each Class A share carries 20 votes and Class B share one vote in a General Meeting.

From the distributable profit, EUR 0.20 will first be paid for Class B shares. Then EUR 0.20 will also be paid for Class A shares, after which the remaining profit will be distributed equally among all shares.

The shares have no nominal value. All shares that have been issued have been paid in full.

On 31 December 2024, the parent company held 351,052 Class B shares (329,385 on 31 December 2023).

On 31 December 2024, the Group held 321,052 Class B shares (329,385 on 31 December 2023).

Share premium account

Payments received for share subscriptions during the validity of the old Limited Liability Companies Act (Act no. 734 of 29 September 1978) and during 2003 or later have been recognised in the share capital and share premium account in accordance with the terms and conditions of the arrangement, less transaction expenses.

Invested unrestricted equity fund

The invested unrestricted equity fund includes other equity-type investments and the share subscription price to the extent that it is not included in the share capital according to an explicit decision.

Translation differences

The translation difference fund includes translation differences arising from the translation of the financial statements of foreign units.

Management's share-based incentive plan

On March 28, 2024, Honkarakenne Oyj's Board of Directors approved the launch of the new Equity Incentive Plan 2024-2026 for the Group's key personnel. The purpose of the plan is to align key employees with the company's objectives and to incentivize the creation of shareholder value.

The equity incentive plan consists of earning periods, the length of which, the target parameters that may be set, the amount of the award and the validity of the conditions are determined by the Board of Directors for each plan separately.

The first earning period of the program is three years long, 2024-2026, and the measures are net sales and operating profit margin. The Board of Directors determines the earning criteria of the plan and the targets set for each earning criterion at the beginning of the earning period. The potential rewards under the plan are paid at the end of the performance period. The rewards paid under the plan are estimated to be equivalent to a maximum of 75,000 class B shares in Honkarakenne Oyj, including the portion paid in cash.

In the plan, it is possible for the target group to earn Honkarakenne Oyj class B shares based on performance and personal investment in Honkarakenne Oyj class B shares. 5 persons belonging to the management participate in the Equity Incentive Plan 2024-2026 at the time of closing the accounts. The potential rewards are paid half in Honkarakenne Oyj class B shares and half in cash.

The shares subject to the bonus are generally paid with Honkarakenne Oyj's own class B shares. The final value of the reward to be paid in shares is determined according to the average price of the shares recorded in the participant's equity account on the day of registration.

The aim is for the cash component to cover taxes and tax-like charges at the time of payment. As a rule, rewards are not paid if the participant's employment relationship or management contract ends during the restriction period.

In order to participate in an incentive plan and be entitled to the potential reward based on the earning period, the participant must make an initial investment in class B shares of Honkarakenne Oyj. The initial investment must be made only once and must be in the participant's possession at the time of payment of the potential rewards for the earning period. There were no expenses related to the Equity Incentive Plan during the financial year.

Share-based payments

Under the Group's equity intensive plan, where the earning period is the calendar years 2024-2026, potential payments are made in a combination of shares and cash. The expense recognized in connection with the equity intensive plan is based on management's estimate of the number of shares that will vest at the end of the vesting period. The estimated number of shares earned is updated until the end of the vesting period based on the fulfillment of the performance criteria and the number of performance rewards earned. The Group updates the assumption of the final number of shares at each reporting date.

At the time of closing the accounts in 2024, the program did not create an expense item in the Group's results.

Scheme	Equity Incentive Plan 2024-2026
Type	Share
Instrument	Earning period 2024–2026
Maximum amount, pcs	75,000
Dividend adjustment	No
Grant date	March 28, 2024
Beginning of earning period	January 1,2024
End of earning period	December 31,2026
End of restriction period	May 31,2027
Vesting conditions	Net sales, operating profit margin, share ownership and employment relationship until the shares are released
Maximum contractual life, yrs	3.4
Remaining contractual life, yrs	2.4
Number of persons at the end of reporting year	5
Payment method	Cash and shares

In accordance with IFRS 2, the share-based incentive scheme is valued at the time of the financial statements and is recorded as an expense over the vesting period.

In accordance with the 2022 Incentive Plan, 8,333 Honkarakenne Oyj class B shares were transferred to the CEO in 2023. For these shares, EUR 34.8 thousand was recognized in the financial statements for 2023.


Honka Vilja

21. Financial liabilities

EUR 1,000	2024	2023
NON-CURRENT		
MFI loans	1,500	400
Lease liabilities	2,172	2,141
Total	**3,672**	**2,541**
CURRENT		
MFI loans	400	400
Lease liabilities	420	412
Total	**820**	**812**

Non-current MFI loans does not include overdrafts.

Reconciliation of financial liabilities EUR 1,000	Current liabilities	Non-current liabilities	Financial lease liabilities	Total
31.12.2022	**400**	**800**	**1,625**	**2,825**
Withdrawals / additions to loans	-	-	1,430	1,430
Loan repayments	-400	-400	-502	-1,302
Other non-fee changes	400	-	-	400
31.12.2023	**400**	**400**	**2,553**	**3,353**
Withdrawals / additions to loans	-	1,700	1,155	2,855
Loan repayments	-400	-600	-493	-1,493
Other non-fee changes	400	-	-623	-223
31.12.2024	**400**	**1,500**	**2,592**	**4,492**

The carrying amount corresponds to the management's view of the fair value.

The following table presents the contractual maturity analysis. The figures are undiscounted and include both interest payments and principal repayments.

Maturity breakdown of financial liabilities on 31 December 2024

EUR 1,000	Balance sheet value	Cash flow *)	2025	2026	2027	2028	2029	2030+
MFI loans	1,900	2,087	473	358	541	715	-	-
Lease liabilities	2,592	2,816	478	398	312	294	231	1,103
Trade and other liabilities	4,486	4,486	4,486	-	-	-	-	-
Total	**8,978**	**9,389**	**5,437**	**756**	**853**	**1,009**	**231**	**1,103**

*) Contractual cash flows from contracts that are settled on a gross basis.

Maturity breakdown of financial liabilities on 31 December 2023

EUR 1,000	Balance sheet value	Cash flow *)	2024	2025	2026	2027	2028	2029+
MFI loans	800	849	437	412	-	-	-	-
Lease liabilities	2,553	3,070	502	458	350	220	220	1,319
Trade and other liabilities	5,471	5,471	5,471	-	-	-	-	-
Total	**8,824**	**9,390**	**6,410**	**870**	**350**	**220**	**220**	**1,319**

*) Contractual cash flows from contracts that are settled on a gross basis.

The Group had no valid derivate contracts on 31 December 2024 or 31 December 2023. During the accounting period, the company has taken out a financial loan of 1.7 million euros, the reference interest rate of which is a fixed 2.57% with the interest rate pipe connected to the reference interest rate of the debt agreed for the loan period. The loan interest margin is 1.5 percentage points, so the total interest is a fixed 4.07%.

The sensitivity analysis contains the financial liabilities included in the statement of financial position on 31 December 2024. One percentage point has been assumed as the change in interest rates. The interest rate position is assumed to be interest-bearing financial liabilities and receivables as well as interest rate swaps at the balance sheet date, with all agreements remaining valid unchanged throughout the year.

Sensitivity analysis

MEUR	2024	2023
	Income statement	Income statement
Interest rate change +/- 1%	+/- 45	+/- 34

Interest expense ranges for interest-bearing liabilities on 31 December 2023

Interest rate on financial loans 4.07–5.33% (2023: 5.63–6.669%).
The Group's financial loans have variable and fixed rates. The average interest rate for financial loans is 4.203% (2023: 6.1495%).
Lease liabilities have been discounted using an interest rate of 2.46–4.36% (2023: 2.085–4.36%).

22. Provisions

EUR 1,000	Warranty provision	Provisions due to disputes	Restructuring provision	Other provisions	Total
31.12.2022	377	50	-	-	427
Additions to provisions	-	-	-	-	60
Deductions for provisions	-99	-40	-	-	-139
31.12.2023	**278**	**10**	**-**	**-**	**288**
Additions to provisions	-	-	-	-	-
Deductions for provisions	-26	-10	-	-	-36
31.12.2024	**252**	**-**	**-**	**-**	**252**

Warranty provision

The Group provides a warranty for its products. Any defects discovered in the products during the warranty period will be repaired at the Group's expense, or the customer is given a new, corresponding product. The warranty provision is based on earlier years' experience of defective products.

23. Accounts payable and other liabilities

EUR 1,000	2024	2023
CURRENT LIABILITIES		
Accounts payable	1,598	2,179
Other liabilities	364	376
Advances received from customers	3,671	4,439
Other accruals	2,522	2,922
Total	**8,155**	**9,915**

The carrying amount of liabilities corresponds to their fair value. The payment terms of the trade liabilities are in line with standard payment terms for companies.

The main items in accruals consist of accrued employee-related expenses and interest expenses.

The Group did not have any valid currency derivates 31 December 2024 or 31 December 2023 but at 31 December 2024 one loan has had a valid interest agreement

EUR 1,000	2024	2023
Tax liabilities based on taxable income for the financial year	-	-5

24. Assets and liabilities in foreign currencies

The Group's functional currency is the euro. Major foreign currency assets and liabilities are in Japanese yen.

The Group's yen-denominated receivables and liabilities translated into euro

EUR 1,000	2024	2023
NON-CURRENT ASSETS		
Loans and other receivables	325	360
CURRENT ASSETS		
Other financial assets	4,014	5,176
Trade and other receivables	168	275
CURRENT LIABILITIES		
Non-interest-bearing liabilities	1,546	1,076
NET FOREIGN CURRENCY RECEIVABLES AND LIABILITIES	**2,961**	**4,735**
NET CURRENCY RISK	**2,961**	**4,735**

The table below shows the strengthening or weakening of the euro against the Japanese yen when all other factors remain unchanged. The percentage change is assumed to be +/- 10%. The sensitivity analysis is based on yen-denominated assets and liabilities at the end of the reporting period, factoring in forward exchange contracts but not other forecast items. Net investments in foreign subsidiaries have not been included in the sensitivity analysis. The change would have been mainly due to exchange rate variations in yen-denominated receivables and liabilities.

EUR 1,000		2024		2023
Change percentage	+10%	-10%	+10%	-10%
Impact on the result after taxes	215	-263	344	-421

The calculation and estimation of likely changes are based on assumptions about regular market and business conditions.

The financial risks have been defined, explained in Note 26 about the management of financial risks

Honka Factory, Karstula, Finland

Honka Lauha, Porvoo, Finland

25. The classification of financial assets and liabilities by measurement category

31.12.2024

MEASUREMENT CATEGORY (IFRS 9) EUR 1,000"	Financial assets valued at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities valued at amortised cost	Balance sheet value	Fair value	Note
NON-CURRENT FINANCIAL ASSETS						
Non-current receivables	184	-	-	184	184	15
CURRENT FINANCIAL ASSETS						
Trade and other receivables	2,574	-	-	2,574	2,574	18
Other financial assets	-	-	-	-	-	14
Cash and cash equivalents	4,969	-	-	4,969	4,969	19
Total financial assets by measurement category	**7,727**	**-**	**-**	**7,727**	**7,727**	
NON-CURRENT FINANCIAL LIABILITIES						
Interest-bearing liabilities	-	-	3,672	3,672	3,675	21
CURRENT FINANCIAL LIABILITIES						
Interest-bearing liabilities	-	-	812	812	812	21
Accounts payable and other liabilities	-	-	4,486	4,486	4,486	23
Total financial liabilities by measurement category	**-**	**-**	**8,979**	**8,979**	**8,979**	

31.12.2023

MEASUREMENT CATEGORY (IFRS 9) EUR 1,000	Financial assets valued at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities valued at amortised cost	Balance sheet value	Fair value	Note
NON-CURRENT FINANCIAL ASSETS						
Non-current receivables	266	-	-	266	266	15
CURRENT FINANCIAL ASSETS						
Trade and other receivables	3,760	-	-	3,760	3,760	18
Other financial assets	-	1,028	-	1,028	1,028	14
Cash and cash equivalents	5,323	-	-	5,323	5,323	19
Total financial assets by measurement category	**9,349**	**1,028**	**-**	**10,377**	**10,377**	
NON-CURRENT FINANCIAL LIABILITIES						
Interest-bearing liabilities	-	-	2,541	2,541	2,541	21
CURRENT FINANCIAL LIABILITIES						
Interest-bearing liabilities	-	-	812	812	812	21
Accounts payable and other liabilities	-	-	5,471	5,471	5,471	23
Total financial liabilities by measurement category	**-**	**-**	**8,824**	**8,824**	**8,824**	

26. Financial Risks and Their Management

In its business operations, the Group is exposed to various financial risks. The aim of risk management is to minimise the ad-verse effects of financial market changes on the Group's result. The main financial risks include currency risk, interest rate risk, credit risk, liquidity risk and covenant risk. The Group's financing is centralised in the parent company. The parent company's finance department is responsible for managing the financial risks in accordance with the operating principles approved by the Board.

Currency Risks

Exchange rate fluctuations may adversely affect the Group's business performance. Honkarakenne operates internationally and is thus exposed to transaction risks arising from different currency positions and risks that arise when investments made in subsidiaries in different currencies are translated into the parent company's functional currency.

The Group hedges against currency risks by mainly using the euro as the transaction currency in both sales and purchases. The Group's most significant foreign currency is the Japanese yen. In 2024, yen-denominated revenue accounted for 7% of the Group's revenue. The parent company can hedge 0–60% of its estimated yen-denominated revenue for the financial year.

There were no open forward exchange contracts in the financial statements on 31 December 2024. Honkarakenne does not apply hedge accounting to the forward exchange contracts it uses and has not made a decision to start hedge accounting.

Although Honkarakenne uses financial instruments to manage its currency risks, future exchange rates may adversely affect the Group's business, financial position, business performance and future outlook.

The Group's yen-denominated receivables and liabilities and the sensitivity analysis are presented in Note 24 to the financial statements on 31 December 2024.

Interest Rate Risk

Interest rate fluctuations may adversely affect Honkarakenne's business performance.

Honkarakenne Group's income and operating cash flows are largely independent of market rate fluctuations. The Group is exposed to fair value interest rate risk, which is mainly related to the loan portfolio. The Group can take out loans with either fixed or variable interest rates and use interest rate swaps to hedge against the effects of interest rate changes. The interest rate risk to the Group's loans is also affected by the interest margin charged by financial institutions, calculated in addition to the reference rate.

A significant rise in interest rates could have a negative impact on private consumption. In addition, an increase in interest rates may have a significantly adverse effect on the price of financing and the Group's current financial expenses. Honkarakenne closely monitors interest rate developments and actively seeks to manage its interest rate risk. Although the Group is taking active measures to manage such potential developments, failure to manage these risks could have a significantly adverse effect on Honkarakenne's business, financial position, business performance, future outlook and share prices.

The Group's financial institution loans have variable interest rate, of which the loan agreement of 1.7 million with the reference interest rate is a fixed 2.57% with the interest rate pipe connected to the reference interest rate of the debt agreed for the loan period. The loan margin is 1.5 percentage points, so the total interest is a fixed 4.07%.

At 2024 the Group had no valid derivate contracts.

Interest rates and the effect of their fluctuations are described in Note 21.

Credit Risk

The age distribution of trade receivables is presented in Note 18 to the financial statements on 31 December 2024.

Credit loss risk is managed through prepayments, bank guarantees and export letters of credit. Sales regions are responsible for the credit risk related to trade receivables. In the event of a possible payment default, the Group will make an effort to negotiate a payment programme or use a collection agency to obtain the payment. The maximum amount of credit risk to the Group's trade receivables corresponds to the carrying amount of trade receivables on 31 December 2024. Although the Group is taking active measures to manage the credit risk, failure to manage these risks could have an adverse effect on Honkarakenne's business and financial position.

The impairment model for financial assets in accordance with IFRS 9 Financial Instruments is based on expected credit losses, which take into account the customer's credit risk. The simplified procedure for expected credit losses is applied to trade receivables, and trade receivables are classified according to their maturity date and the estimated impairment is assessed by category.

In addition, at each end of reporting period, the Group assesses whether there is objective evidence of a trade receivable or group of financial assets becoming impaired. If there is substantiated evidence of impairment, the recoverable amount of the financial asset, which is the fair value of the item, is estimated and an impairment loss is recognised to the extent that the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the statement of comprehensive income. Significant financial difficulties of the debtor, probability of bankruptcy and default or delay in payment for more than 90 days may be considered evidence of a financial asset's possible impairment.

Derivative contracts are only concluded with banks with good credit rating. The maximum amount of credit risk to the Group's financial assets other than trade receivables corresponds to the carrying amount of these other financial assets in the statement of financial position.

At the end of reporting period on 31 December 2024, the Group did not have any valid derivative contracts, nor a year earlier.

Liquidity Risk

In order for Honkarakenne to be able to implement its strategy, the Group needs a positive cash flow. The increase in cash flow must be based on growth in the sales of existing products and Honkarakenne's success in launching new, productive products and distribution channels. If Honkarakenne is unable to generate sufficient cash flows to support these operations or to obtain sufficient funding on acceptable terms of contract, this can have a significantly adverse effect on Honkarakenne's business, financial position, business performance and future outlook.

For short-term working capital needs, Honkarakenne has a bank account limit of EUR 3.0 million. At the end of reporting period on 31 December 2024, the limit was not in use, nor was it a year ago. The Bank have the right to terminate bank account limits with a short notice period if Honkarakenne's solvency deteriorates substantially or if there is some other business-related reason for it.

The Group strives to continuously assess and monitor the amount of financing required for business operations so that the Group has sufficient liquid funds to finance operations and repay maturing loans. The aim is to guarantee the availability and flexibility of financing not only by means of liquid assets but also overdraft limits and using several financial institutions to obtain financing.

The maturity table for financial liabilities is presented in Note 21. The figures are undiscounted and include both interest pay-ments and principal repayments.

Price Risk of Shares Owned by the Group

The Group has no significant investments in listed shares, so the market price fluctuations of these shares do not pose a material price risk.

27. Contingent liabilities

Mortgages and guarantees on own behalf EUR 1,000	2024	2023
Real estate mortgages	6,000	6,000
Business mortgages	2,186	-
Guarantees on own behalf	3,055	2,062
Total	**11,241**	**8,062**

Business and real estate mortgages have been provided as collateral for MFI loans. This loan matures in 2025.

Guarantees on own behalf are for advance payments and construction contracting.

Liabilities secured by mortgages or other security

EUR 1,000	2024	2023
MFI loans	1,900	800
Total	**1,900**	**800**

Other leases

EUR 1,000	2024	2023
Off-balance-sheet lease liabilities maturing within less than 12 months	89	90
Off-balance-sheet lease liabilities maturing within 1–5 years	75	60
Total	**164**	**150**

Other operating leases concern copiers, printers and vehicles.

Financial instruments

The Group did not have any valid currency derivatives 31 December 2024 or 31 December 2023 but at 31 December 2024 one loan has had a valid interest rate swap agreement.

28. Adjustments to cash flows from operating activities

Transactions not involving a payment transaction (EUR 1,000)	2024	2023
Depreciation	2,255	2,220
Change in provisions	-26	-135
Share of profit of associated companies	-65	-17
Share-based payments	-	16
Total	**2,165**	**2,085**

29. Key Strategic and Operational Risks and Their Management

The Group's risks can be divided into strategic, operational, damage and financial risks. Risk assessment has factored in the probability of occurrence and impact.

Strategic Risks

Strategic risks are related to the nature of the business and concern, for example, changes in the Group's operating environment and market situation; raw material availability; changes in legislation; the business in general; the reputation of the company, brands, and raw material; and large investments.

Risk Related to the Operating Environment and Changes in the Market Situation

Global cyclical fluctuations affect consumer behaviour and purchasing power in all market areas where the Group operates. Any reduction of demand from the current level may also affect the Group's sales and profitability. The situation will be responded by better management of goods flows, adjusting the number of personnel in various positions, taking more intensive marketing measures, closing down unprofitable outlets, changing pricing and generally improving efficiency. Although the Group is taking active measures to manage costs, failure to manage these risks could have a significantly adverse effect on Group's business, financial position, business performance, future outlook and share prices.

The uncertainty of the military aggression initiated by Russia and all its effects on business are difficult to assess. Replacing the order book lost in the Russian and Ukrainian market area with other export markets may be prolonged or uncertain in the current global market situation. If the war is further prolonged or escalates, or if the instability in the Middle East spreads to a wider war, this could have a material adverse effect on the Group's business, financial position and results of operations.

The economic uncertainty in the Group's operating environment is negatively reflected in business and consumer confidence. The short-term economic risks are further risks are increased by fluctuations in inflation as well as the availability of loan financing and the future interest rates of the most common loans. In addition, the price of energy, some raw materials and construction costs cause economic uncertainty.

An economic downturn may also affect the value of plots, shares and properties held by the parent company. The parent company requests an external party to estimate the value of its properties every 3 to 7 years.

Risk Related to Raw Material Acquisition

In terms of raw material acquisition, the goal with critical raw materials and subcontracted products is to use multiple suppliers to ensure uninterrupted operations and minimise the additional costs of raw materials and product components caused by distruptions. Honkarakenne also increases the availability of wood by using the raw material as fully as possible and taking account of its specific requirements in product development. Honkarakenne strives to manage competitive risks related to raw materials by means of continuous product development, a strong overall concept, with an efficient but responsible purchasing operation, and brand.

Risk of Regulatory Changes

The majority of wood houses manufactured by Honkarakenne are sold to Finland, Asia and Europe. Should any new regulations, unexpected taxes, customs duties, fees concerning income from the local market and export restrictions, or other restrictions be imposed by states within these markets, the effects could be negative on the Group's business or financial position.

Construction regulations and standards, particularly concerning energy consumption and fire safety, may affect business profitability.

Regulatory risks are prepared against in the long term by ensuring that Honkarakenne's products conform with local regulations in cooperation with partner network. Honkarakenne will acquire the necessary approvals for its products in all target countries. In particular, the development is keeping a close eye on the changes in energy regulations and responding to those.

Risk Related to Governance Model and Reporting Principles

Strategic risks are consiered to include the sustainability of the Group's governance model and reporting principles. Honkarakenne Group adheres to the Corporate Governance recommendation for companies listed on Nasdaq Helsinki. The Group believes that governance in line with the Corporate Governance recommendation, with clearly defined personal responsibilities, rights, obligations and reporting principles, the key elements and principles of which are also expressed publicly, will maintain trust in the Honkarakenne Group and its management.

Risk Related to Concentration of Ownershi

Saarelainen Oy and certain private Honkarakenne Oyj shareholders within the Saarelainen family signed an amended shareholders' agreement on 17 February 2009. Parties committed to the shareholders' agreement hold 15.42% (15.63%) of all Group's parent company's shares, commanding 36.44% (37.24%) of all votes. Together, Saarelainen Oy and private shareholders of the Saarelainen family control a significant percentage of the parent company's voting rights. Concentration of ownership may in certain situations reduce the influence of other shareholders in the parent company.

Operational Risks

Operational risks include both financial and operational risks. Financial risks concern goodwill, intangible rights, deferred tax assets, ability to pay dividends and taxation. Risks related to operational activities are related to products, distribution channels, personnel, operations, and processes.

Risks Related to Goodwill, Deferred Tax Assets, and Intangible Rights

According to the statement of financial position on 31 December 2024, the Group had EUR 1.5 (1.1) million in deferred tax assets, EUR 0.1 (0.1) million in goodwill and EUR 0.7 (0.5) million in other intangible assets. Changes in the market situation may also result in risks relating to impairment of deferred tax assets, goodwill, and intangible rights. Goodwill and other intangible assets with indefinite useful lives are not amortised on a straight-line basis but are tested annually for impairment. For this purpose, goodwill is allocated to units that create cash flows or, in the case of associated companies, goodwill is included in the acquisition cost of the associated company.

The cash flow forecasts used for goodwill impairment testing and the evaluation of deferred tax assets are based on the financial forecasts of Group's management. It is possible that the assumptions related to cash flow forecasts will not be realised, as a result of which the ensuing goodwill and deferred tax asset impairments may have an adverse effect on the Group's business performance and financial position.

Deferred tax assets in the consolidated balance sheet as of 31.12.2024 include an item of EUR 0.7 (0.2) million related to unused losses to be confirmed or confirmed for tax purposes. Deferred tax assets recognised on the basis of losses confirmed in taxation include an item of EUR 0.1 (0.1) million that has no maturity date.

In the Group's view, deferred tax assets recorded in the statement of financial position can be utilised using the future estimated taxable income for the following years based on Honkarakenne's business plans.

If the result does not develop as expected, it is possible that the tax assets will not be utilised in time and will have to be written down. This may have an adverse effect on the Group's business, business performance or financial position.

Tax Risks

Should future tax inspections reveal any deviations resulting in tax adjustment and possible increases and fines, it could have an adverse effect on the Group's performance and financial position.

The Group operates in several market areas and is subject to many countries' tax regulations.

Product Liability Risks

Product liability risks are reduced by developing products that are as safe as possible. Product liability risk is hedged at Group level with insurance.

Operational Risks and Process Risks

Honkarakenne's operational risks are related to consequences of human activities, the company's internal processes or external events. Operational risks related to factory operations are minimised with systematic development, for example. The launch of new manufacturing techniques and production lines involves cost and capacity risks. Efforts are made to protect against them through careful planning work and staff training. Dependence on key suppliers may increase the Group's material costs, the costs of machinery and their spare parts, or affect production. Operational disruptions may also be related to changes in distribution channels and logistics systems. Contractual risks are part of operational risks.

The Group's business is based on functional and reliable information systems. Risks related to these are managed by having duplicated critical information systems, by careful selection of partners and by standardising workstation models and software and information security procedures. In accordance with the nature of the Group's business, trade receivables and inventories are significant items in the state-ment of financial position. Credit loss risk related to trade receivables is managed through the Group's prepayment policies, guarantees and letter of credit terms.

The Group's expertise concerns business processes that include marketing, sales, design, product development, production and logistics, and necessary support functions, such as information management, finance, human resources and communications. Significant, unplanned reduction of competence or weakened ability of the personnel to renew themselves is a risk. The Group constantly strives to increase the core and other significant competencies of its staff by providing opportunities for on-the-job learning and training, and by recruiting skilled new staff if necessary.

Damage Risks

At Group level, non-life and business interruption insurance for fixed assets is managed centrally with the aim of comprehensive insurance coverage for financial losses caused by the realisation of any risks of machine breakdowns, fires, etc. In addition, all critical production lines have an automatic sprinkler system in case of fire. Damage risks also include occupational health and safety risks, environmental risks, and accident risks. As part of its overall risk management, the Group reviews its insurance coverage regularly. Although insurance is taken to cover any risks that are financially or otherwise sensible to cover by that means, the realisation of damage risks may nevertheless result in personal injury, property damage or business interruption.

Arttysur Lux Village, Spain

30. Capital Management

Honkarakenne's capital consists of equity and debt. The aim of capital management is to support business by ensuring operating conditions and increasing shareholder value. The company's capital structure goal is to keep the equity ratio above 35 per cent, taking account of the economic operating environment. The company's distribution of capital to shareholders consists of dividends, repayment of capital and repurchase of treasury shares.

Capital structure and key figures

MEUR	2024	2023
Net financial liabilities	-0.5	-3.0
Total equity	13.7	16.5
Total net liabilities and equity	**13.2**	**13.5**
Equity ratio (%)	59.7	64.9
Gearing (%)	-3.5	-18.2

31. Related-party transactions

The Group's related-parties consist of subsidiaries and associated companies; the company's management and the companies in which they exercise influence, as well as the persons covered by the Saarelainen shareholders' agreement and the 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 Group's parent company and subsidiary relationships are as follows:

Company	Domestic	Holding and share of voting rights (%)
Honkarakenne Oyj (parent company)	Finland	
Honka Blockhaus GmbH	Germany	100
Honka Japan Inc.	Japan	100
Honkarakenne SARL	France	100
Alajärven Hirsitalot Oy	Finland	100
Honka-Kodit Oy	Finland	100

Associated companies

Company	Domicile	Holding (%)
Puulaakson Energia Oy	Karstula, Finland	25.9

Transactions with related-parties and related-party receivables and liabilities

2024 EUR 1,000	Sales	Purchases	Receivables	Liabilities
Associated companies	188	318	4	-
Key management personnel	-	-	-	-
Related-parties of key management personnel	-	-	-	-
Other related-parties	10	30	0	-
Total	**198**	**348**	**5**	**-**

2023 EUR 1,000	Sales	Purchases	Receivables	Liabilities
Associated companies	191	294	24	-
Key management personnel	4	-	-	-
Related-parties of key management personnel	-	-	-	-
Other related-parties	32	72	1	-
Total	**227**	**366**	**25**	**0**

The pricing of goods and services in transactions with associated companies is based on market-based pricing.

No credit losses were recognised on receivables from related-parties in 2024 or 2023.

32. Key management remuneration

EUR 1,000	2024	2023
Salaries and other short-term employee benefits	946	929
Benefits paid upon termination	-	-
Post-employment benefits	194	250
Share-based benefits	-	39
Total	**1,140**	**1,218**

Post-employment benefits include the cost of both statutory and voluntary pension schemes. The pension schemes are defined contribution plans.

Specification of post-employment benefits

EUR 1,000	2024	2023
STATUTORY PENSIONS		
President & CEO	44	51
Other members of the Group's Executive Group	88	84
Total statutory pensions	**132**	**135**
SUPPLEMENTARY PENSION SCHEME		
President & CEO	20	42
Other members of the Group's Executive Group	42	73
Total supplementery pension scheme	**62**	**115**
Total post-employment benefits	**194**	**250**

Management salaries and fees

EUR 1,000	2024	2023
President & CEO	262	301
Other members of the Group's Executive Group	520	500
Members of the Board of Directors	138	140
Total	**920**	**941**
SALARIES AND REMUNERATION OF BOARD MEMBERS		
Kohtamäki Timo, Chairman since 20 April 2023	42	36
Saarimäki Kyösti, Chariman until 16 April 2023		14
Saarelainen Kari	24	24
Ristola Maria	24	24
Halonen Arto	24	24
Antti Tiitola, member since 20 April 2023	24	18
Total	**138**	**140**

Management pension commitments and severance pay

No specific agreement has been made regarding the retirement age of Honkarakenne's President & CEO. The basic pension is based on a defined contribution plan, in addition to which the President & CEO, like all Executive Group members, shall have a defined contribution arrangement, the expenses of which are specified under the section describing benefits after the termination of the employment relationship.

Honkarakenne Oyj's President & CEO's period of notice is 6 months, in addition to which he or she will receive compensation equivalent to 6 months' salary if the termination occurs on the company's initiative.

33. Group's key indicators and their calculation

Honkarakenne reports in accordance with the European Securities and Markets Authority's (ESMA) recommendation on alternative key figures (sometimes also called alternative performance measures). An alternative key figure is a financial key figure other than a financial key figure specified or designated in IFRS. Following the recommendation, the term 'adjusted' is used instead of the previous term 'excluding non-recurring items'. The company classifies significant transactions regarded as affecting the comparison between reporting periods as adjustment items. These include, but are not limited to, significant restructuring costs, significant impairment losses or reversals of fixed assets, significant gains and losses on disposals of assets, or other significant income or expenses that differ from ordinary activities.

In Honkarakenne's view, the alternative key figures provide significant additional information concerning Honkarakenne to management, investors, securities market analysts and other parties on Honkarakenne's result, financial standing and cash flows, and are often used by analysts, investors and other parties. Return on equity, equity ratio, net financial liabilities and gearing are presented as supplementary key figures, as they are, in the company's view, useful indicators of Honkarakenne's ability to obtain financing and pay off its debts. In addition, gross investments and research and development expenses provide additional information on the needs related to cash flows from Honkarakenne's operating activities. The calculation formulas for the key figures are presented after the key figures.

Economic indicators		2024	2023	2022	2021	2020
Revenue (net sales)	MEUR	36.7	46.29	73.7	69.7	52.9
Operating profit	MEUR	-2.38	-0.14	4.17	3.70	3.07
	% of revenue (net sales)	-6.5	-0.3	5.7	5.3	5.8
Adjusted operating profit	MEUR	-2.38	0.32	4.17	3.70	3.40
	% of revenue (net sales)	-6.5	0.7	5.7	5.3	6.4
Profit before taxes	MEUR	-2.7	-0.3	3.6	3.6	2.9
	% of revenue (net sales)	7.2	-0.7	4.9	5.2	5.5
Adjusted profit before taxes	MEUR	-2.65	0.17	3.59	3.60	3.24
	% of revenue (net sales)	-7.2	0.4	4.9	5.2	6.1
Return on equity	%	-14.3	1.4	15.8	21.0	20.7
Return on investment	%	-9.7	0.1	17.1	18.5	17.4
Equity ratio	%	59.7	64.3	66.6	60.7	56.2
Net financial liabilities	MEUR	-0.5	-3.0	-9.8	-8.7	-3.3
Gearing ratio	%	-1.3	-18.2	-53.8	-51.3	-22.8
Gross investment *)	MEUR	1.4	1.8	1.0	1.3	4.1
	% of revenue (net sales)	3.8	3.9	1.4	1.9	7.7
Research and development expenditure	MEUR	0.5	0.6	0.4	0.5	0.2
	% of revenue (net sales)	1.5	1.3	0.5	0.7	0.4
Order volume	MEUR	22.2	18.8	29.0	52.4	39.8
Staff on average		157	183	190	178	168

Economic indicators		2024	2023	2022	2021	2020
KEY FIGURES PER SHARE						
Earnings per share	euro	-0.37	-0.04	0.47	0.56	0.48
Dividend per share **)	euro	0,00	0.00	0.25	0,00	0.00
Dividend/result, %	%	-	-	53.0	-	-
Repayment of equity payout ratio		0.0	222.0	-	44.4	37.5
Effective dividend yield	%	0.0	0.0	5.8	-	-
Equity per share	euro	2.23	2.79	3.10	2.88	2.49
P/E ratio		-6.3	-79.5	9.2	13.0	8.9
SHARE PRICE DEVELOPMENT						
Highest share price of the year	euro	3.5	4.98	7.72	8.48	4.43
Lowest share price of the year	euro	2.18	2.85	3.72	4.11	2.32
Share price at the date of the statement of financial position	euro	2.32	3.22	4.34	7.32	4.28
Market value of capital stock ***)	MEUR	13.7	19.0	25.5	43.0	25.1
Share exchange	value of trading (MEUR)	1.5	2.9	7.7	25.1	10.5
	trading volume (1,000)	523	758	1,483	3,792	2,918
	percentage of total shares	8.9	12.9	25.2	64.6	49.8
ADJUSTED NUMBER OF SHARES **)**						
	at the close of the period (1,000)	5,890	5,890	5,887	5,877	5,862
	average for the period (1,000)	5,890	5,888	5,880	5,872	5,856

*) Gross investments are presented without right-of-use assets in accordance with IFRS 16 and investment grants received. In 2024 there were investment grant of 0.2 million euros, in 2023 there were no investment grants.

**) Board’s proposal

***) The price of a B-share has been used as the value of an A-share

****) The company's own shares have been deducted

Calculation of key-indicators

Return on equity,%

$$\frac{\text{Profit/loss for the period}}{\text{Total equity, average}} \times 100$$

Return on capital employed,%

$$\frac{\text{Profit/loss before taxes}}{\text{Equity + financial liabilities, average}} \times 100$$

Equity ratio,%

$$\frac{\text{Total equity}}{\text{Statement of financial position total – advances received}} \times 100$$

Net financial liabilities

Interest-bearing financial liabilities – cash and cash equivalents

Gearing,%

$$\frac{\text{Interest-bearing financial liabilities – cash and cash equivalents}}{\text{Total equity}} \times 100$$

Earnings/share (EPS)

$$\frac{\text{Profit for the period attributable to equity holders of the parent}}{\text{Average number of outstanding shares}}$$

Dividend payout ratio,%

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend yield,%

$$\frac{\text{Dividend per share}}{\text{Quotation on the balance sheet date}} \times 100$$

Equity/share

$$\frac{\text{Equity attributable to owners of the parent company}}{\text{Number of shares outstanding at the close of period}}$$

Price-earnings (P/E) ratio

$$\frac{\text{Share price at the balance sheet date}}{\text{Earnings per share}}$$

Parent company's *income statement* (FAS)

EUR 1,000	Jan-Dec/2024	Jan-Dec/2023
REVENUE (NET SALES)	36,301	46,126
Increase (+) or decrease (-) in inventories of finished goods and work in progress	-1,228	-1,754
Other operating income	422	423
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-17,264	-21,972
External services	-6,405	-8,851
Personnel expenses	-7,417	-7,934
DEPRECIATION AND IMPAIRMENT		
Depreciation and amortization according to plan	-1,722	-1,710
Other operating expenses	4,788	-4,303
Operating profit/loss	**-2,100**	**24**
FINANCIAL INCOME AND EXPENSES		
Income from group undertakings	-	-
Income from participating interests	13	13
Other interest income and other financial income	88	88
Interest and other financial expenses	-245	-539
Profit/loss before appropriations and taxes	**-2,244**	**-414**
INCOME TAXES		
Income taxes paid	-	-4
Change in deferred tax assets	527	195
Net profit/loss for the financial year	**-1,717**	**-223**

Parent company's *balace sheet* (FAS)

Assets EUR 1,000	31.12.2024	31.12.2023
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	667	524
Total intangible assets	**667**	**524**
TANGIBLE ASSETS		
Land and water	928	928
Buildings and structures	2,877	3,240
Machinery and equipment	4,418	4,484
Other tangible assets	220	253
Advance payments and acquisitions in progress	1,016	1,071
Total tangible assets	**9,458**	**9,975**
INVESTMENTS		
Holdings in Group companies	318	318
Investments in associates	387	387
Other receivables from Group companies	600	980
Total Investments	**1,304**	**1,684**
Total non-current assets	**11,429**	**12,184**
CURRENT ASSETS		
Inventories		
Work in progress	2,559	2,881
Finished products/goods	967	1,873
Other inventories	816	816
Total inventories	**4,342**	**5,570**

Assets EUR 1,000	31.12.2024	31.12.2023
RECEIVABLES		
Non-current receivables		
Loan receivables	46	-
Deferred tax assets	722	195
Total non-current receivables	**768**	**195**
Current receivables		
Trade receivables	1,144	1,851
Receivables from Group companies	1,124	559
Receivables from associated companies	6	48
Other receivables	253	624
Accrued income	792	1,1031
Total current receivables	**3,319**	**4,114**
Other financial assets	0	1,000
Cash and bank	4,014	4,122
Total current assets	**12,443**	**15,001**
TOTAL ASSETS	**23,872**	**27,185**

Equity and Liabilities EUR 1,000	31.12.2024	31.12.2023
SHAREHOLDERS' EQUITY		
Share capital	9,898	9,898
Share premium account	520	520
Invested unrestricted equity fund	4,162	4,692
Retained earnings	1,002	1,226
Profit/loss for the period	**-1,717**	**-223**
Total shareholders' equity	**13,865**	**16,113**
Obligatory provisions		
Other obligatory provisions	232	261
LIABILITIES		
Non-current liabilities		
Loans from financial institutions	1,500	400
Total non-current liabilities	**1,500**	**400**
Current liabilities		
Loans from financial institutions	400	400
Advances received	3,298	4,614
Trade payables	1,589	2,160
Amounts owed to Group companies	244	57
Other payables	255	280
Accrued liabilities	2,488	2,900
Total current liabilities	**8,275**	**10,411**
Total liabilities	**9,775**	**10,811**
TOTAL EQUITY AND LIABILITIES	**23,872**	**27,185**

Parent company's *financial statement of cash flows* (FAS)

EUR 1,000	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES		
Income for the financial year	-1,717	-223
Adjustments		
Depreciation and impairment	1,722	1,710
Other non-fee income and expenses	-29	-132
Financial income and expenses	144	439
Other adjustments	-593	-225
Cash flow before change in working capital	-474	1,568
Change in working capital		
Change in current trade receivables	409	193
Change in inventories	1,228	1,754
Change in current liabilities	-2,330	-5,638
Cash flow from operating activities before financial items and taxes	-1,166	-2,123
Interest paid and payments on other operating expenses	-117	-154
Dividends received from operations	13	0
Interest received from operations	30	101
Taxes paid	-	-314
Cash flow from operating activities	**-1,240**	**-2,489**

EUR 1,000	2024	2023
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1,128	-1,484
Investments grants received	195	-
Disposal of tangible and intangible assets	28	8
Repayment of loans granted	380	30
Cash flow from investing activities	**-525**	**-1,445**
CASH FLOW FROM FINANCING ACTIVITIES		
Loan withdrawals	1,700	-
Repayment of long-term loans	-600	-400
Repayment of dividend	-	-1,544
Repayment of capital (-)	-530	-
Cash flow from financing activities	**570**	**-1,944**
Change in cash and cash equivalents	**-1,196**	**-5,879**
Impact of exchange rate changes on cash and cash equivalents	88	-361
Impact of merger	-	230
Change in cash and cash equivalents	**-1,108**	**-6,009**
Cash and cash equivalents at the end of the financial year	4,014	5,122
Cash and cash equivalents at the beginning of the financial year	5,122	11,131
Change in cash and cash equivalents	**-1,108**	**-6,009**

Accounting *Principles* of the Parent Company (FAS)

Accounting priciples

Fixed assets

Fixed assets have been capitalised at direct acquisition cost. Buildings and structures include revaluations made in accordance with the previously valid Accounting Act, and the grounds for these revaluations are assessed annually. The company requests valuation books for properties from an external partner in every 3-5 years.

Planned depreciation has been calculated on a straight-line basis using the useful economic life estimated based on the acquisition cost of fixed assets. In the category 'Machinery and equipment', the useful life of new factory production lines is 8 years.

Planned depreciation periods:

Intangible rights	5–10 years
Buildings and structures	10–30 years
Machinery and equipment	3–12 years
Other tangible assets	3–10 years.

Inventories

The value of items included in inventories has been determined with the FIFO method at moving average price or at the probable replacement or disposal price, whichever is lower.

Revenue

Sales income from primary business activities less discounts granted and VAT are recognised in the revenue. Sales income is recognised based on deliveries.

Pension arrangements

The employees' statutory pension cover has been taken care of via pension insurance companies.

Items denominated in foreign currencies

Foreign-currency receivables and liabilities have been translated into euros using the exchange rate valid at the balance sheet date.

Notes to the Parent Company's Financial Statements (FAS)

1. Notes to the income statement

1.1. Revenue (net sales) by market area

EUR 1,000	2024	2023
Finland	26,197	31,759
Exports	10,104	14,367
Total	**36,301**	**46,126**

1.2. Other operating income

EUR 1,000	2024	2023
Rental income	42	42
Funds received	123	77
Other operating income	257	305
Total	**422**	**423**

1.3. Notes on personnel and management

Personnel expenses EUR 1,000	2024	2023
Wages and salaries	6,138	6,385
Pension costs	1,128	1,320
Social costs	151	229
Total	**7,417**	**7,934**
AVERAGE NUMBER OF PERSONNEL		
White-collar employees	100	112
Blue-collar employees	52	65
Total	**152**	**177**
AVERAGE NUMBER OF PERSONNEL IN PERSON-YEARS		
White-collar employees	97	109
Blue-collar employees	51	60
Total	**148**	**169**

Management salaries and fees EUR 1,000	2024	2023
President & CEO and Board members	**400**	**441**
President & CEO's salaries and remuneration	262	301
SALARIES AND REMUNERATION OF BOARD MEMBERS		
Saarimäki Kyösti, Chairman of the Board until 20 April 2023	-	14
Kohtamäki Timo, Chairman of the Board since 20 April 2023	42	36
Saarelainen Kari	24	24
Ristola Maria	24	24
Halonen Arto	24	24
Antti Tiitola member since April 20 2023	24	18
Total	**138**	**140**

1.4. Transactions with related parties

EUR 1,000	2024	2023
Purchases from related parties	348	366
Sales to related parties	198	225
Receivables from related parties	5	25
Liabilities to related parties	-	-

The company's related parties consist of subsidiaries and associated companies; the company's management and any companies in which they exercise 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.

Related-party transactions are ordinary market-based transactions.

1.5. Depreciation and impairment

Depreciation and amortisation according to plan EUR 1,000	2024	2023
Intangible rights	238	234
Buildings and structures	363	376
Machinery and equipment	1,085	1,067
Other tangible assets	35	33
Total depreciation	**1,722**	**1,710**

1.6. Auditor's fees

EUR 1,000	2024	2023
Audit fees	69	65
Other fees	23	4
Total	**92**	**69**

1.7. Financial income and expenses

EUR 1,000	2024	2023
Dividends from Group companies	-	-
Dividends from others	0	0
Dividends from associates	13	13
Interest income	88	82
Interest expenses	-85	-65
Other financial expenses	-5	-9
Exchange rate gains/losses	-156	-460
Total	**-144**	**-439**

1.8. Income taxes

EUR 1,000	2024	2023
Taxes paid	-	-4
Change in deferred tax assets	527	195
Total	**527**	**191**

2. Notes to the balance sheet

2.1. Intangible assets

Intangible assets 2024

EUR 1,000	Intangible rights	Other long-term expenditure	Intangible assets total
Acquisition cost 1 Jan	6,173	2,091	8,263
Increase	19	-	19
Decrease	-	-	-
Transfers between items	-	-	-
Acquisition cost 31 Dec	**6,191**	**2,091**	**8,282**
Accumulated depreciation 1 Jan	-5,791	-2,091	7,882
Accumulated depreciation on deductions	-	-	-
Depreciation for the financial year	-238	-	-238
Impairments	-	-	-
Accumulated depreciation 31 Dec	**6,029**	**-2,091**	**-8,120**
Carrying amount 31 Dec	**162**	**-**	**162**

Intangible assets 2023

EUR 1,000	Intangible rights	Other long-term expenditure	Intangible assets total
Acquisition cost 1 Jan	6,003	2,091	8,094
Increase	170	-	170
Decrease	-	-	-
Transfers between items	-	-	-
Acquisition cost 31 Dec	**6,173**	**2,091**	**8,263**
Accumulated depreciation 1 Jan	-5,557	-2,091	-7,647
Accumulated depreciation on deductions	-	-	-
Depreciation for the financial year	-234	-	-234
Impairments	-	-	-
Accumulated depreciation 31 Dec	**-5,791**	**-2,091**	**-7,882**
Carrying amount 31 Dec	**382**	**-**	**382**

2.2. Tangible assets

Tangible assets 2024

EUR 1,000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Tangible assets total
Acquisition cost 1 Jan	904	16,640	28,815	2,966	1,071	50,396
Increase	-	-	91	-	895	986
Decrease	-	-	-60	-	-	-60
Transfers between items	-	-	950	-	-950	-
Acquisition cost 31 Dec	**904**	**16,640**	**29,796**	**2,928**	**1,016**	**51,332**
Accumulated depreciation 1 Jan	-	-13,870	-24,331	-2,713	-	-40,914
Accumulated depreciation on deductions	-	-	38	-	-	38
Depreciation for the financial year	-	-363	-1,085	-35	-	-1,483
Impairments	-	-	-	-	-	-
Accumulated depreciation 31 Dec	**-**	**-14,233**	**-25,378**	**-2,710**	**-**	**-42,360**
Revaluations	24	470	-	-	-	494
Carrying amount 31 Dec	**928**	**2,877**	**4,418**	**217**	**1,016**	**9,456**

Tangible assets 2023

EUR 1,000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Tangible assets total
Acquisition cost 1 Jan	904	16,632	28,402	2,857	440	49,236
Increase	-	8	412	109	631	1,160
Decrease	-	-	-	-	-	-
Transfers between items	-	-	-	-		-
Acquisition cost 31 Dec	**904**	**16,640**	**28,815**	**2,966**	**1,071**	**50,396**
Accumulated depreciation 1 Jan	-	-13,494	-23,264	-2,681	-	-39,438
Accumulated depreciation on deductions	-	-	-	-	-	-
Depreciation for the financial year	-	-376	-1,067	-33	-	-1,476
Impairments	-	-	-	-	-	-
Accumulated depreciation 31 Dec	**-**	**-13,870**	**24,331**	**-2,713**	**-**	**-40,914**
Revaluations	24	470	-	-	-	494
Carrying amount 31 Dec	**928**	**3,240**	**4,484**	**253**	**1,071**	**9,975**

2.3. Investments

Investments 31.12.2024

EUR 1,000	Holdings in Group companies	Investments in associated companies	Other receivables from Group companies	Total investments
Acquisition cost 1 Jan	318	387	980	1,721
Increase	-	-	-	-
Decrease	-	-	-380	-380
Impairment reversals	-	-	-	-
Acquisition cost 31 Dec	**318**	**387**	**600**	**1,304**
Carrying amount 31 Dec	**318**	**387**	**600**	**1,304**

On 31 December 2024, the parent company had a long-term capital loan receivable of EUR 600 thousand from the German subsidiary, which has been valued at acquisition cost.

Management expects the German subsidiary to grow over the coming years. The German subsidiary's balance sheet figures have been valued on the basis of future cash flows as per its business plan.

Investments 31.12.2023

EUR 1,000	Holdings in Group companies	Investments in associated companies	Other receivables from Group companies	Total investments
Acquisition cost 1 Jan	354	387	980	1,721
Increase	-	-	-	-
Decrease	-36	-	-	-36
Impairment reversals	-	-	-	-
Acquisition cost 31 Dec	**318**	**387**	**980**	**1,684**
Carrying amount 31 Dec	**318**	**387**	**980**	**1,684**

On 31 December 2023, the parent company had a long-term capital loan receivable of EUR 980 thousand from the German subsidiary, which has been valued at acquisition cost.

Management expects the German subsidiary to grow over the coming years. The German subsidiary's balance sheet figures have been valued on the basis of future cash flows as per its business plan.

Honka Management Oy has been merged to the parent company at 30.11.2023.

2.4. Shares in subsidiaries and associated companies owned by the parent company

Group companies	Parent company's and Group's holding and voting rights
Honka Blockhaus GmbH, Germany	100%
Honka Japan Inc., Japan	100%
Honkarakenne SARL, France	100%
Alajärven Hirsitalot Oy, Alajärvi, Finland	100%
Honka-Kodit Oy, Tuusula, Finland	100%

Associated companies	Parent company's and Group's holding and voting rights
Puulaakson Energia Oy, Karstula, Finland	25.9%

2.5. Inventories

Other inventories comprise EUR 84 (84) thousand in timeshares and EUR 733 (733) thousand in land areas. Other inventories have been valued at either their acquisition cost or fair market value, whichever is lower.

2.6. Receivables

2.6.1. Deferred tax assets and liabilities

Key items for which no deferred tax assets have been recognised

EUR 1,000	2024	2023
Land area write-offs in 2010-2017	637	637
Deferred tax asset from shelf removal	627	669
Total	**1,263**	**1,305**

2.6.2. Current receivables from Group companies

EUR 1,000	2024	2023
Trade receivables	1,110	559
Other receivables	15	13
Total	**1,124**	**572**

2.6.3. Accrued income

EUR 1,000	2024	2023
Accrued sales commissions	661	767
Other accrued income	131	264
Total	**792**	**1,031**

2.6.4. Other financial assets

EUR 1,000	2024	2023
Other securities: financial securities	-	1,000
Total	**-**	**1,000**

2.7. Equity

EUR 1,000	2024	2023
Share capital 1 Jan	9,898	9,898
Share capital 31 Dec	9,989	9,989
Share premium account 1 Jan	520	520
Share premium account 31 Dec	520	520
Total restricted equity	**10,418**	**10,418**
Invested unrestricted equity fund 1 Jan	4,692	4,692
Repayment of capital	-530	-
Invested unrestricted equity fund 31 Dec	**4,162**	**4,692**
Profit/loss from previous financial years 1 Jan	1,002	3,642
Repayment of dividend	-	-1,544
Shares transferred in the merger	-	-844
Profit/loss for the financial year	-1,717	-233
Profits/loss 31 Dec	**-715**	**-1,002**
Unrestricted equity	**3,447**	**5,695**
Total equity	**13,865**	**16,113**

Calculation on distributable equity 31 Dec

EUR 1,000	2024	2023
Profit from previous financial years	1,002	1,226
Profit/loss for the financial year	-1,717	-233
Invested unrestricted equity fund	4,162	4,692
Total	**3,447**	**5,695**

Calculation on distributable equity 31 Dec

EUR 1,000	2024	2023
Profit from previous financial years	1,002	1,226
Profit/loss for the financial year	-1,717	-223
Total	**-715**	**1,002**

The parent company's shares are divided into the following share classes:

	Votes	Shares
Total A-shares (20 votes/share)	6,001,920	300,096
Total B-shares (1 vote/share)	5,911,323	5,911,323
Total A- and B-shares	**11,913,243**	**6,211,419**

2.8. Obligatory provisions

EUR 1,000	2024	2023
Warranty provision	232	251
Provisions due to disputes	-	10
Total	**232**	**261**

Warranty provisions

The company gives a warranty on its products. During the warranty period, any product defects are repaired at the company's expense or the customer is provided with an equivalent new product. Warranty provisions are based on the number of defective products in earlier years.

Provisions arising from disputes

The company had no significant ongoing disputes at 31 Dec 2024.

2.9. Liabilities

2.9.1. Current liabilities

Liabilities to Group companies EUR 1,000	2024	2023
Other liabilities	57	57
Accruals	-	-
Total	**57**	**57**

2.9.2. Accruals

Material items in accrued liabilities EUR 1,000	2024	2023
Salaries and compensation, including personnel expenses	1,567	1,503
Sales commissions	-	248
Accrued purchase invoices	124	136
Accrued after-costs	661	725
Other accrued expenses	135	288
Total	**2,487**	**2,900**

3. Collateral provided

Debts and liabilities secured with real estate mortgages, business mortgages and pledged shares

EUR 1,000	2024	2023
Loans from financial institutions	1,900	800
Total	**1,900**	**800**

Collateral provided for the above

EUR 1,000	2024	2023
Real estate mortgages	6,000	6,000
Business mortgage	2,186	-
Total	**6,000**	**6,000**

Guarantees given

EUR 1,000	2024	2023
On own behalf	3,055	2,062
Total	**3,055**	**2,062**

Amounts payable for lease contracts

EUR 1,000	2024	2023
Payable in the next financial year	145	116
Payable later	124	95
Total	**269**	**211**

Signatures for the Financial Statements and Board of Director's Report

Translation from Finnish original

Dividend proposal

The Board of Directors proposes to the Annual General Meeting that no dividend or repayment of capital be paid for the financial year that ended on 31 December 2024 (2023: 0.09 per share).

Signatures for the Financial Statements and Board of Director's Report

Tuusula 11th February 2025

Timo Kohtamäki
Chairman of the Board

Antti Tiitola
Member of the Board

Kari Saarelainen
Member of the Board

Arto Halonen
Member of the Board

Maria Ristola
Member of the Board

Marko Saarelainen
President & CEO

The Auditors' Note

A report on the audit performed has been issued today.

Helsinki 11th February 2025

Ernst & Young Oy Authorized Public Accountant Firm

Osmo Valovirta
Authorized Public Accountant

AUDITOR'S REPORT

(Translation of the Finnish original)

To the Annual General Meeting of Honkarakenne Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Honkarakenne Oyj (business identity code 0131529-0) for the year ended 31 December, 2024. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7 to the consolidated financial statements.

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

Key Audit Matters

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition *We refer to the Group´s accounting policies concerning revenue recognition and note 2.* The Group manufactures and sells log house packages, provides log house construction services and sells log billets and by-products arisen during the manufacturing process. Revenue from sales of products and services is recognized when the control associated with the goods or services have been transferred to the buyer either over time or at a point in time. As revenue is a Key Performance Indicator in the Group, there could exist an incentive to recognize revenue before control has been transferred. Revenue recognition is a significant risk of material misstatement referred to in EU regulation No 537/2014, point (c) of Article 10 (2) due to risk of timely revenue recognition.	We addressed the risk of material misstatement relating to revenue recognition by performing e.g. the following audit procedures: • We assessed group's accounting policies over revenue recognition and compared policies with applicable accounting standards. • We tested revenue recognized by tracing the information to customer agreements and to payment documents. • We tested the appropriateness of the recognition period by tracing the information to consignment notes and/or to acceptance documents concentrating on the cutoff of transactions on both sides of the balance sheet date and • We assessed the appropriateness of the disclosures in respect of revenues.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on April 13, 2018, and our appointment represents a total period of uninterrupted engagement of seven years.

Other information

The Board of Diretors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

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

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

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

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

Helsinki, February 11, 2025

Ernst & Young Oy

Authorized Public Accountant Firm

Osmo Valovirta

Authorized Public Accountant

Koivukylän Daycare, Vantaa, Finland


HONKA
Wood living.