Honkarakenne Group’s Financial Statements Bulletin 2023

Honkarakenne Oyj's Financial Statements Bulletin 1 Jan.–31 Dec. 2023

Net sales and operating profit decreased, adjusted profit positive

Honkarakenne Group's net sales for the financial period were EUR 46.3 million (2022: 73.7), which is 37% lower than in the previous year. The adjusted operating profit was EUR 0.3 million (4.2) and adjust-ed profit before taxes was EUR 0.2 million (3.6). The financial statements include non-recurring adjust-ment items of EUR 0.5 million (0.0), formed as a result of the change negotiations decided in June.

At the end of the financial year, the order book was EUR 18.8 million (29.0), which is 35% lower than in the previous year. The Group's financial position remained at a good level and the equity ratio is excel-lent.

July - December 2023

- Honkarakenne Group's net sales in July-December amounted to EUR 23.3 million (H2 2022: 37.0), which is 37% lower than in the previous year
- Adjusted operating profit decreased and was EUR 0.1 million (1.9)
- Adjusted profit before taxes was EUR 0.3 million (1.9)
- Earnings per share was EUR 0.04 (0.25)

January - December 2023

- Honkarakenne Group's net sales in January-December amounted to EUR 46.3 million (2022: 73.7), which is 37% lower than in the previous year
- The operating profit was EUR -0.1 million negative (4.2) and profit before taxes was EUR -0.3 million negative (3.6)
- The adjusted operating profit was EUR 0.3 million (4.2), which is 92% lower than in the previous year
- Adjusted profit before taxes was EUR 0.2 million (3.6) and decreased by 95% compared to the corresponding period in the previous year
- Earnings per share was EUR -0.04 (0.47)
- Net financial liabilities totalled EUR -3.0 million (-9.8)
- The equity ratio was 64.3% (66.6)

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year that ended on 31 December 2023 (2022: EUR 0.25). The Annual General Meeting also proposes that a repayment of capital of EUR 0.09 per share be distributed from the invested unrestricted equity fund.

The value of the Group's order book at the end of December was EUR 18.8 million (29.0). The order book decreased by 35% from the previous year. Order book refers to orders with a delivery date within the next 24 months. Some orders may have a financing or building permit condition.

Outlook for 2024

According to Honkarakenne's view, the Group's net sales in 2024 will be at the level of the previous year and amount to EUR 43-50 million. The Group's operating profit will be between EUR +/-0.0 and +0.5 million.

Group's key figures	7–12/2023	7–12/2022	1–12/2023	1–12/2022
Net sales, EUR million	23.3	37.0	46.3	73.7
Operating profit/loss, EUR million	-0.0	1.9	-0.1	4.2
Adjusted operating profit, EUR million	0.1	1.9	0.3	4.2
Profit/loss before taxes, EUR million	0.2	1.9	-0.3	3.6
Adjusted operating profit before taxes, EUR million	0.3	1.9	0.2	3.6
Average number of employees	176	191	183	190
Average number of employees in person-years	163	185	174	183
Earnings per share, EUR	0.04	0.25	-0.04	0.47
Equity ratio, %			64.3	66.6
Return on equity, %			-1.4	15.8
Equity per share, EUR			2.79	3.10
Gearing ratio, %			-18.2	-53.8

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

"The Group's net sales and operating profit for the financial year decreased clearly from the corresponding period in the previous year. Despite the historically challenging market situation and operating environment, Honkarakenne generated a positive result. The business cycles in the company's market areas were highly exceptional. The commercial recovery in late spring was more subdued than expected, especially in the Finnish consumer business. In addition, 2023 was the first year in almost 25 years for Honkarakenne when no net sales were recoded from the Russian business. We succeeded in our efficiency measures and their timing satisfactorily to say the least in the challenging year 2023, otherwise the result would have been significantly different.

The capacity utilization rate of the Karstula plant remained at a low level. The lay-offs and adjustment measures initiated in the previous year continued in production and among salaried employees through-out the financial year. Despite these measures and the decrease in raw material prices, the production cost per unit increased. Lower production volumes did not sufficiently cover all fixed cost items generated by production.

The delay in the market recovery led to further adjustments in late spring, when Honka initiated new change negotiations. The negotiations concluded in June resulted in redundancies of 22 people and an authorization to lay off all personnel.

Despite the adjustment measures, we continued our strategic development projects. We carried out a business reorganization based on the Customer Experience for Profitable Growth transformation program. As a result, we can see improved customer satisfaction and profitability especially in the domestic consumer business.

Exports concentrated on the development of the sales and resale network of the focus markets and the acquisition of new customers. The Customer 360 project, which was launched in the autumn, is proceeding as planned and a new customer management and project tracking system will be introduced during spring 2024. In addition, a new strategy was created for the Japanese business operations for 2024-2026, which was implemented at year-end to the subsidiary's personnel and sales reps. Since the start of the COVID pandemic, operations at the Chinese agency have been almost at a standstill and the outlook has not brightened since China opened up to the outside world. Plans to reorganize the Chinese agency are being completed and decisions on the future of Chinese exports will be made during spring.

The Karstula production plant improved the logistics solutions of the area and implemented replacement investments in production machinery for the gluer and the laminated timber plane. In addition, a decision was made to launch a new production investment in the production line for non-settling logs. This year marks the 20th anniversary of the non-settling log developed by Honka. During these years, we have systematically researched and developed the properties of non-settling logs and various solid wood building concepts. During the past year, a solid wood-based terraced house concept was launched and later in the autumn the Honka MultiStorey™ concept was announced with which a safe and low-carbon multistorey building can be built out of logs.

With housing production in Finland at a virtual standstill, the outlook into a rapid market recovery is un-certain. The portfolio of the domestic project business is stronger than in the consumer business and demand is also growing favourably. There are very positive new market openings in exports, and more favourable development can be seen in the subsidiaries' main markets after the low sentiment. 'For decades, Honkarakenne has been the export driver of the Finnish housing industry. After the closing of the Russian market, we have invested in new market openings and the first successes have been achieved. From here it is good to continue implementing the top project of our strategy 'Focus on exports, new strong support for international growth'.

In a challenging economic situation, the Group's strong balance sheet and financial position provide us with an excellent opportunity to further develop our operations and face the recovering markets in the coming months. Customers, representatives, partners, and personnel can count on Honka's strong market position, reliability and security of supply.'

Net Sales

Compared to the previous year, the Group's operating environment remained challenging throughout the financial year.

The Group's net sales in the second half of 2023 decreased by 37%, to EUR 23.3 million (37.0). July-December net sales decreased by 41% for Finland and by 25% for exports. The decrease in Finland's net sales was almost completely due to the decrease in deliveries in the consumer business. In exports, Germany's net sales were positively higher than in the previous year, while other export project countries remained at a lower level than before.

The net sales level for the remainder of the year was almost identical to the net sales accrued in the first half of the year. The Group's net sales for the financial year were 37% below the previous year and amounted to EUR 46.3 million (73.7). Compared with the corresponding period of 2022, Finland ac-counted for 42% of the net sales drop and exports for 23%. The decrease in export net sales was mainly due to lower net sales in the Japanese market and the fact that sales previously made in Russia could not yet be replaced with net sales from new export regions. H1 net sales in the comparison period included the last project deliveries to Russia that were in the order and production process. Exports excluding Russia were almost at the level of the previous year.

Honkarakenne presents its set sales data divided in two parts: Finland and exports. Below we present the net sales based on this division for the full year 2023 and the second half of 2022 with the comparison year.

Geographical distribution of net sales:

NET SALES DEVELOPMENT

Net sales distribution, %	1–12/2023	1–12/2022
Finland	69 %	74 %
Exports	31 %	26 %
Total	100 %	100 %

Net sales, MEUR	7–12/2023	7–12/2022	Change	1–12/2023	1–12/2022	Change
Finland	16.9	28.4	-41 %	31.8	54.8	-42 %
Exports	6.4	8.6	-25 %	14.5	18.9	-23 %
Total	23.3	37.0	-37 %	46.3	73.7	-37 %

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

Order Book

The Group's order book was 35% lower than last year and amounted to EUR 18.8 million (29.0). Order book refers to orders with a delivery date within the next 24 months. Some orders may have a financing or building permit condition.

Trends in Profit and Profitability

Operating profit for July-December was close to zero, totalling EUR -0.0 million (1.9) and profit before taxes was positive after revaluations of financial items amounting to EUR +0.2 million (1.9).

The Group's operating profit for the financial period stood at EUR -0.1 million (4.2) and the profit before taxes was EUR -0.3 million (3.6). The adjusted operating profit was EUR +0.3 million (4.2) and adjusted profit before taxes was EUR +0.2 million (3.6).

Non-recurring adjustment items include expense items allocated to the accounting period as a result of the change negotiations, amounting to EUR 0.5 million, which incurred from severance pay and other expenses related to redundancies.

Financial items include EUR -0.5 million (-0.3) from valuation of Japanese yen and EUR +0.4 million (-0.3) in repayment of the value of financial assets.

Production profitability deteriorated as production volumes decreased. Unit-priced costs increased and could not be covered in full by the drop in the raw material purchase price.

To ensure the result for the financial year, the lay-offs and adjustment measures started in the previous financial period continued at the beginning of the year. In addition, change negotiations resulting in redundancies were carried out in the parent company. The negotiations concluded in June resulted in redundancies of 22 people. In addition, a temporary lay-off authorization was sought in the negotiations, which would allow personnel lay-offs as a short- or long-term adjustment measure if necessary.

Alongside the adjustment measures, the focus continued to be on promoting and implementing development projects in line with the strategy, which have improved project profitability and customer experience. On export focus markets, we invested in developing the sales and resale network and new customer acquisition.

Financing and Investment

At the end of 2023, Honkarakenne's financial position was good. The Group's equity ratio was 64.3% (66.6). Gearing was negative at -18.2% (-53.8). The Group's net financial liabilities amounted to EUR -3.0 million (-9.8), so the Group's liquid assets exceeded its financial liabilities. The Group's liquid assets including other financial assets were EUR 6.4 million (12.6). The Group's EUR 3.0 million (3.0) overdraft facility was not in use at the time of the financial statements.

The Group's gross investments in 2023 amounted to EUR 1.8 million (1.0), excluding right-of-use assets in accordance with the IFRS 16 standard and investment grants received.

The investments during the financial year focus mainly on replacement investments in the log line, gluer and laminated timber plane at the Karstula plant. Installation of the laminated timber plane began at the end of the year and implementation of the line was completed in early 2024. An export offer calculation module was introduced in the ERP system. The Customer 360 project was launched in the autumn, in connection with which a new customer management and project tracking system will be introduced during spring 2024.

Products and Market Areas

Honka's collection is updated and developed based on market-specific customer understanding. In terms of the collection, the review year focused on the quality and sustainability of housing in the longer term. The collection inspires to look at housing through more sustainable eyes, the impact that choices will have on health and the environment for years to come.

The log houses in Honka's new, convertible collection are flexible and grow with life. For example, the basic model of the modern, lean-to roofed Silmu house can be expanded in three ways. The convertible models are designed to enable a wide variety of variations to live different lives without the need to build or buy a house when life situations change and to give up a healthy, natural and sustainable log house.

During the financial year, the launch of the Honka Healthy House™ concept, introduced at the end of the previous year, continued in the domestic business.

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

In Finland, net sales decreased by 42% as the construction and housing markets weakened significantly during the financial year 2023. The decrease was sharp throughout the year, both due to high cost and interest rate levels and the recession. Net sales amounted to EUR 31.8 million (54.8). Compared to previous years, the profitability of the consumer business increased, project lead times shortened and customer satisfaction improved.

Compared to the previous financial year, net sales decreased more in the consumer business than in the project business. In terms of sales, the second half of the year was better than the first in project construction. In recent years, nearly 100 school, day care and nursing home solutions have been delivered across Finland. In 2023, deliveries were made, for example, to Järvenpää, Vaasa, Vantaa, Lappeenranta, Nokia, Salo and Joensuu. The demand for and interest in healthy log care facilities has developed favourably.

At the beginning of the year, Honkarakenne and its founding contractor partners won the contract to build a new block of log apartment buildings and terraced houses in Järvenpää's new Anni-täti residential area. Due to a complaint, the town plan for the area has not yet been legally confirmed.

In the beginning of the year, Honka launched a new terraced house concept for founding contracting and in the autumn for the Honka MultiStorey™ concept development project. Honka MultiStorey™ offers a multistorey building instructions and a concept on how to make a safe, low-carbon log block of flats. The solution can be applied not only to residential blocks of flats but also to other types of buildings, such as offices, schools and hotels. Honka MultiStorey™ enables a combination of logs and concrete in multistorey construction.

Development of domestic demand is expected to increase from the previous year. There is still uncertainty in the market and if the recession is prolonged, it may negatively affect the decision to start building new leisure and especially detached houses.

Demand for exports was slow in the early part of the year and picked up slightly before the turn of the year. The order book decreased by 23% from the previous financial period and was EUR 14.5 million (18.9). The difference is mainly due to the net sales from the last deliveries to Russia during the comparison year and the weaker net sales accumulation in Japan. The largest single export deliveries consisted of project business deliveries to new leisure centres located in Asian region. These site deliveries included, for example, a hotel building with a recreational area reception building and individual holiday hous-es.

In exports we focused on collection development, acquiring new customers, customer meetings and participation in trade fairs and export events. Regional importer and agent activities were clarified and strengthened through new importers and local partners. After the end of the year, a new Honka sales office was opened in Stockholm.

The Japanese organization was strengthened with in-house architectural expertise, it invested in B2B sales and opened a new office and showroom in Tokyo. The subsidiary completed a comprehensive strategy work based on which the business will be developed further in the coming years.

The demand and net sales of project exports in the Asian region developed positively. A recovery can also be seen in other export regions, such as Germany. There is also uncertainty as to whether the demand will be reflected in new orders and deliveries and with what timing. Interest rates, inflation and construction costs have remained at relatively high levels in different export countries. The Group’s exports to China are at a complete standstill and measures for its own agency are being assessed.

Freight deliveries, which toward the end of the year were directed to Asian regions had to be moved to longer routes away from the Suez Canal due to the instability of the region. This is to some extent reflected in longer delivery times and rising freight costs in exports. The spill-over effect may negatively impact new orders or shift deliveries forward.

Strategy 2022-2024

The aim of the strategy, which will be in force until the end of 2024, is to strengthen Honkarakenne Oyj’s position as Finland’s largest exporter of wooden buildings. With the 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 Group's vision is to become the leader in environmentally friendly and healthy housing in our chosen market areas. The Group’s mission is to improve the quality of people’s lives and housing.

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

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

To implement the strategy, the Group's key functions are undergoing various assessment and development projects that support the progress of the strategy. Due to the changed market situation, investments have been focused on increasing sales and projects that improve profitability. At the beginning of the year, the Customer Experience for Profitable Growth transformation program was implemented to reorganize the business to ensure a better customer experience and a more profitable business. In addition, market studies and projects concerning the renewal of partners and distribution channels are ongoing in the various export focus markets.

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

Sustainability

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

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.

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.

Seasonal Nature of Our Business

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

Research and Development

During the financial period, we focused especially on developing product solutions for export markets and continued to focus on log structures suitable for larger public buildings in particular. Honkarakenne's log product project for public and large buildings was part of the Ministry of the Environment's Wood Building Programme, which had also granted funding for the project. Utilizing the solutions developed in the project, Honkarakenne developed and launched a multistorey construction concept in the autumn, with which Honka introduces the multistorey construction opportunities of logs to its builders more widely. Honka MultiStorey™ provides instructions and a concept on how to build a safe, low-carbon log block of flats. The solutions can be applied not only to residential blocks of flats but also to other types of buildings, such as offices, schools and hotels.

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 0.6 million (0.4), representing 1.3% (0.5) of net sales.

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

Personnel

The Group’s average number of personnel, measured in person-years, totalled 174 persons (183) during the year. The number decreased by 9 persons from the comparison period. The Group employed an average of 183 (190) people in 2023.

In its February meeting, the Board of Directors of the Group’s parent company decided to reward all employees under the rules of the personnel fund established in December based on the good performance achieved in the financial year 2022. These bonuses were paid to the persons covered by the staff fund after the Annual General Meeting in April.

Due to low demand and weak market outlook, the parent company had to undergo change negotiations aimed at adjusting its personnel, which ended in June and eventually resulted in the termination of employment of 9 production employees and 13 salaried employees. In the same negotiations, the parent company sought authorization to lay off personnel for a short or longer period during the financial years 2023 and 2024, if the financial or production situation so requires.

As a result of the measures taken, personnel costs and other expences caused by redundancies totalling EUR 0.5 million were recognized in the parent company’s result.

During the financial year, we strengthened our occupational safety culture and focused on preventive occupational safety measures, such as safety rounds, safety observations and corrective measures, as well as risk assessments. Compared to the previous year, the number of accidents at work decreased by half and amounted to three. As in the previous year, the occupational well-being survey was conducted at the end of the year. The number of responses received reached an excellent level and was 90% (83) and eNPS was 28.0 (39.9).

At the end of November, a joint personnel day was held, where we focused on being together, teambuilding and promoting the shared Honka spirit after a challenging year.

Executive Group

During the financial year the Executive Group consisted of: Marko Saarelainen, CEO; Juha-Matti Hanhi-koski, Vice President, Production; Eino Hekali, Vice Precident, Product; Maarit Jylhä, CFO; Petri Perttula Business Vice Precident, Operations Finland; and Maarit Taskinen, Vice Precident, Operations Export.

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

Honkarakenne Oyj's Annual General Meeting was held at Honkarakenne's Karstula plant on 20 April 2023. The General Meeting adopted the financial statements, approved the remuneration report, and granted discharge from liability for 2022 to the members of the Board of Directors and the CEO. The Annual General Meeting decided that a dividend of EUR 0.25 per share will be paid for the financial year that ended on 31 December 2022 and that the remaining profit should be left in equity. The dividend was paid to shareholders at the beginning of May.

Arto Halonen, Timo Kohtamäki, Maria Ristola and Kari Saarelainen were re-elected to the Board of Directors of the parent company. Antti Tiitola was elected as a new Member of the Board. At the Board's organizing meeting, Timo Kohtamäki was elected as the 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 Elina Laitinen, APA, as chief auditor.

Authorisations of the Board of Directors

The Annual General Meeting decided on 20 April 2023 that the Board of Directors is authorised to decide on the purchase of no more than 400.000 of the company's own B shares using funds from the parent company's unrestricted shareholders' equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on rights issue or bonus issue and on the granting of special rights entitling to shares in one or more instalments under the terms and conditions in Chapter 10, section 1 of the Companies Act. Under the authorisation, the Board of Directors may issue a maximum of 1.500.000 new shares and/or transfer old B shares held by the parent company inclusive of any shares that may be is-sued. These two authorisations remain in force until the next Annual General Meeting, however expiring at the latest on 30 June 2024.

Shares, Share Capital and Own Shares

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

Honkarakenne's class B shares are listed on Nasdaq Helsinki Ltd's Small Cap list with the ticker HONBS. The highest price of the listed class B share was EUR 4.98, and the lowest price was EUR 2.85. The closing price at the balance sheet date was EUR 3.22. The market capitalisation of the stock at the end of the financial year was EUR 12.9 million. The traded class B shares was EUR 2.9 million and the trading volume was 0.8 million shares.

Honkarakenne has not acquired its own shares during the review period. In April, Honkarakenne transferred 8,333 class B shares to the CEO as part of the 2022 performance bonus. Following the merger of Honka Management Oy, 286 250 class B shares held by the company were transferred to the parent company. At the end of the report period, the parent company held 321,052 of its own Series B shares with a total purchase price of EUR 1,186,556.34. Own shares account for 5.17% of all Honkarakenne shares and 2.69% of all votes. The acquisition cost of own shares reduces the free equity of both the parent company and the Group.

Flagging Notifications

No flagging notifications were received during the financial year 2023.

Corporate Governance

In 2023, Honkarakenne Oyj complied with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association in 2020. For more information about corporate governance, go to www.honka.fi.

Short-term Risks and Uncertainties

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.

The economic uncertainty in the Group's operating environment is negatively reflected in business and consumer confidence. High inflation and persistently high interest rates continue to increase short-term economic risks.

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

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

Reporting

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

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

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

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

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

Events After the Reporting Period

At the beginning of February, the company signed an investment agreement related to the non-settling log production line. The total value of the investment is approximately EUR 1.7 million.

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

The parent company's equity according to the balance sheet 31 December 2023 is EUR 16,112,69.69, of which distributable assets amount to EUR 5,694,760.69. The parent company's loss for the financial year 1 Jan.-31 Dec. 2023 is EUR - 223,343.50.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year that ended on 31 December 2023. The Annual General Meeting also proposes that a repayment of capital of EUR 0.09 per share be distributed from the invested unrestricted equity fund. No capital re-payment is paid on shares held by the parent company.

Outlook for 2024

According to Honkarakenne's view, the Group's net sales in 2024 will be on the level of the previous year and amount to EUR 43-50 million. The Group's operating profit will be between EUR +/-0.0 and +0.5 million.

Basis for the Outlook

The company's outlook of the 2024 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, high interest rates and weakened 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. In addition, the company sees that the export focus market areas in accordance with the strategy contain potential and support profitable growth.

General Meeting

The Annual General Meeting of Honkarakenne Oyj will be held in Tuusula on Thursday 18 April 2024 at 2:00 pm EET.

HONKARAKENNE OYJ

Board of Directors

Additional information:

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Consolidated Comprehensive Income Statement

	7–12/2023	7–12/2022	1–12/2023	1–12/2022
Net sales	23.3	37.0	46.3	73.7
Other operating income	0.3	0.3	0.6	0.5
Change in inventory of finished goods and work in progress	-0.5	-2.6	-1.2	0.1
Use of materials and goods	-16.5	-24.7	-30.7	-52.8
Employee benefit expenses	-3.1	-4.9	-8.1	-10.6
Depreciation and impairment	-1.1	-1.1	-2.2	-2.1
Other operating expenses	-2.4	-2.1	-4.8	-4.6
Operating profit/loss	0.0	1.9	-0.1	4.2
Financial income	0.0	0.0	0.1	0.1
Financial expences	0.2	-0.1	-0.2	-0.7
Share of associated companies' profit or loss	0.0	0.0	0.0	0.1
Profit/loss before taxes	0.2	1.9	-0.3	3.6
Income taxes	0.0	-0.4	0.0	-0.8
Profit/loss for the period	0.2	1.4	-0.2	2.8
Other items of comprehensive income that may be re-classified subsequently to profit or loss:				
Translation differences related to foreign subsidiaries	0.3	0.0	0.2	0.0
Total comprehensive income for the period	0.4	1.4	0.0	2.7
Allocated to				
Shareholders of the parent company	0.2	1.4	-0.2	2.8
Non-controlling interests	-	-	-	-
	0.2	1.4	-0.2	2.8
Allocated to				
Shareholders of the parent company	0.5	1.5	-0.0	2.7
Non-controlling interests	-	-	-	-
	0.5	1.5	-0.0	2.7
Earnings per share calculated on the profit attributable to shareholders of the parent company:				
undiluted earnings per share (EUR)	0.04	0.25	-0.04	0.47
diluted earnings per share (EUR)	0.04	0.25	-0.04	0.47

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

Consolidated Statement Of Financial Position

Unaudited

EUR million	31 Dec. 2023	31 Dec. 2022
Assets		
Non-current assets		
Property, plant and equipment	12.2	11.4
Goodwill	0.1	0.1
Other intangible assets	0.5	0.5
Shares in associated companies	0.5	0.5
Receivables	0.3	0.2
Deferred tax assets	1.1	1.0
	14.6	13.6
Current assets		
Inventories	5.3	6.5
Trade and other receivables	3.8	3.8
Tax receivables	0.0	-
Other financial assets	1.0	6.8
Cash and cash equivalents	5.3	5.8
	15.4	22.9
Total assets	30.0	36.6
Shareholders' equity and liabilities		
Equity attributable to owners of the parent company		
Share capital	9.9	9.9
Share premium fund	0.5	0.5
Reserve for invested unrestricted equity	4.7	4.8
Treasury shares	-1.2	-1.2
Translation differences	0.0	0.0
Retained earnings	2.6	4.2
	16.5	18.2
Share of non-controlling interests	-	-
Total equity	16.5	18.2
Non-current liabilities		
Deferred tax liability	0.0	0.1
Provisions	0.3	0.4
Financial liabilities	2.5	2.1
	2.9	2.5
Current liabilities		
Accounts payable and other liabilities	9.9	14.7
Current tax liabilities	0.0	0.4
Provisions	0.0	0.1
Short-term financial liabilities	0.8	0.7
	10.7	15.8
Total liabilities	13.6	18.4
Total equity and liabilities	30.0	36.6

Consolidated Statement of Changes in Equity

Abridged
Unaudited

EUR 1,000	Shareholder's equity								
	a)	b)	c)	d)	e)	f)	Yht.	g)	Total equity
Total equity, 1 Jan. 2022	9,898	520	6,275	89	-1,265	1,381	16,899	-	16,899
Profit/loss for the period	-	-	-	-	-	2,772	2,772	-	2,772
Translation difference	-	-	-	-72	-	25	-46	-	-46
Repayment of capital	-	-	-1,471	-	-	-	-1,471	-	-1,471
Impact of share-based bonuses	-	-	-	-	43	14	58	-	58
Total equity, 31 Dec. 2022	9,898	520	4,805	17	-1,221	4,193	18,211	-	18,211

	Shareholder's equity								
	a)	b)	c)	d)	e)	f)	Yht.	g)	Total equity
Total equity, 1 Jan. 2023	9,898	520	4,805	17	-1,221	4,193	18,211	-	18,211
Profit/loss for the period	-	-	-	-	-	-239	-239	-	-239
Translation difference	-	-	-	-63	-	-3	-65	-	-65
Payment of dividend	-	-	-	-	-	-1,473	-1,473	-	-1,473
Impact of share-based bonuses	-	-	-	-	35	-35	0	-	0
Impact of mergers and acquisitions	-	-	-113	-	-	129	16	-	16
Total equity, 31 Dec. 2023	9,898	520	4,692	-46	-1,187	2,572	16,450	-	16,450

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

Consolidated Cash Flow Statement

Abridged Unaudited EUR million	1 Jan. – 31 Dec. 2023	1 Jan. – 31 Dec. 2022
From operations	-2.4	4.6
From investments, net	-1.6	-1.1
From financial activities, total	-2.3	-2.2
Loan repayments	-0.4	-0.4
Repayments of lease liabilities	-0.4	-0.4
Repayment of capital/dividend	-1.5	-1.5
Change in liquid assets	-6.4	1.3
Impact of exchange rate fluctuations on cash assets	-0.3	-0.2
Impact of stock exchange price changes on cash assets	0.4	-0.3
Change in liquid assets	-6.3	0.7
Liquid assets at end of period**)	6.3	12.6
Liquid assets at beginning of period	12.6	11.9
Change in liquid assets	-6.3	0.7
**) Cash and cash equivalents	5.3	5.8
**) Other financial assets	1.0	6.8

Notes To the Report

Accounting policies

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

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

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

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

New standards and interpretations

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

Alternative Performance Measures

Honkarakenne complies with the Guidelines on Alternative Performance Measures (APM) issued by the European Secu-rities and Markets Authority (ESMA). An APM is a financial measure of performance other than a financial measure de-fined or specified in IFRS. Therefore, instead of the previous term 'without non-recurring items', the term 'adjusted' is used. The company classifies significant business transactions that are considered to affect comparisons between different reporting periods as adjustment items. Such transactions include significant re-organisation expenses, significant impairment losses or reversals thereof, significant capital gains and losses on assets, and other significant non-customary income or expenses.

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

Segments

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

Other Notes to the Report

Related Party Transactions

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

During the financial year, ordinary business transactions with related parties were made as follows: sales of goods and services to related parties amounted to EUR 0.2 million (0.7) and purchases from related parties to EUR 0.4 million (0.4). Financial statements of the Group include EUR 0.0 million (0.0) liabilities to related parties and EUR 0.0 million (0.0) receivables from related parties. No bad debts were recognised from related parties in 2023 or 2022. At the time of the financial statements, the parent company has claims from subsidiaries of EUR 1.8 million (2.4) and debts to subsidiaries of EUR 0.1 million (0.1). No bad debts were recognised from related parties in 2023 or 2022.

Group's Tangible Assets

Unaudited EUR million	31 Dec. 2023	31 Dec. 2022
Acquisition cost, 1 Jan.	52.6	51.5
Increases	2.9	1.3
Decreases	-0.1	-0.2
Acquisition cost, 31 Dec.	55.4	52.6
Accumulated depreciation, 1 Jan.	-41.2	-39.3
Accumulated depreciation of decreases	0.0	0.0
Depreciation for the financial period	-2.0	-1.9
Accumulated write-downs at the end of the financial year	-43.1	-41.2
Book value, 1 Jan.	11.4	12.2
Book value, 31 Dec.	12.2	11.4

Treasury shares

Honkarakenne has not acquired its own shares during the review period. In April, Honkarakenne transferred 8,333 class B shares to the CEO as part of the 2022 performance bonus. Following the merger of Honka Management Oy, 286 250 class B shares held by the company were transferred to the parent company. At the end of the report period, the parent company held 321,052 of its own Series B shares with a total purchase price of EUR 1,186,556.34. Own shares account for 5.17 % of all company shares and 2.69 % of all votes. The purchase cost of own shares has been deducted from shareholders' equity in the consolidated financial statements.

Group's Contingent Liabilities

Unaudited EUR million	31 Dec. 2023	31 Dec. 2022
Own liabilities		
Mortgages	6.0	6.0
Other guarantees	2.1	3.0
Off-balance sheet lease liabilities	0.1	0.1

Group's Key Figures

Unaudited		1–12/2023	1–12/2022
Net sales	EUR million	46.3	73.7
Operating profit	EUR million	-0.1	4.2
	% of net sales	-0.3	5.7
Adjusted operating profit	EUR million	0.3	4.2
	% of net sales	0.7	5.7
Profit before taxes	EUR million	-0.3	3.6
	% of net sales	-0.6	4.9
Adjusted operating profit before taxes	EUR million	0.2	3.6
	% of net sales	0.4	4.9
Profit for the period	EUR million	-0.2	2.8
Earnings/share	EUR	-0.04	047
ROE	%	-1.4	15.8
ROI	%	0.1	17.1
Equity ratio	%	64.3	66.6
Equity / share	EUR	2.79	3.10
Net financial liabilities	EUR million	-3.0	-9.8
Net gearing	%	-18.2	-53.8
Gross investments	EUR million	1.8	1.0
	% of net sales	3.9	1.4
Order book	EUR million	18.8	29.0
Average number of employees	White-collar	118	125
	Blue-collar	65	65
	Total	183	190
Average number of personnel in person-years	White-collar	114	121
	Blue-collar	60	62
	Total	174	183
Adjusted number of shares (1,000)	At end of period	5 890	5 887
	Average during period	5 888	5 880

Gross investments are presented excluding right-of-use assets and investment grants received in accordance with the IFRS 16 standard. There were no investment grants in 2023 and 2022.

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

Formulas for Key Indicator Calculation

Earnings/share:

$$\frac{\text{Profit / loss for the period attributable to owners of parent}}{\text{Average number of outstanding shares}}$$

Return on equity %:

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

Equity/share:

$$\frac{\text{Shareholder's equity}}{\text{Number of outstanding shares at the end of the period}}$$

Equity ratio, %:

$$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}} \times 100$$

Net financial liabilities: Interest-bearing financial liabilities - cash assets

Gearing, %

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