Honkarakenne Group Half-Year Report 2024

H1 2024

Honkarakenne Oyj Half-year report 1 Jan.–30 Jun. 2024

Net sales and operating profit down, order book increased by 44% from previous review period

Summary

Net sales for the first half of 2024 declined by 37% to EUR 14.5 million (H1 2023: 23.0). The operating result for the review period was EUR -2.7 million (-0.1), and the profit before taxes was EUR -3.3 million (-0.5) due to weak sales and foreign exchange losses for the period. Order book increased by +44% from the end of December last year (H2 2023: 18.8) and amounted to EUR 27.0 million (28.0) at the end of review period.

January-June 2024

- Honkarakenne Group's net sales in January–June amounted to EUR 14.5 million (H1 2023: 23.0). Net sales decreased by 37% from the corresponding period of the previous year.
- Operating profit was negative and amounted to EUR -2.7 million (-0.1). Adjusted operating profit was EUR -2.7 million (0.3). The adjusted operating profit of the comparison period includes costs of EUR 0.4 recorded as a result of change negotiations.
- Profit before taxes was EUR -3.3 million (-0.5) and adjusted profit before taxes was EUR -3.3 million (-0.1). The profit for the review and comparison period is weakened by the unfavourable exchange rate development of the Japanese yen recorded in financial expenses.
- Earnings per share was EUR -0.46 (-0.08).
- The Group's financial position is strong, with equity ratio of 55.7% (59.2) and net financial liabilities of EUR -3.2 million (-6.8).

Honkarakenne's guidance for 2024 remains unchanged from the guidance updated on 13 August 2024.

According to Honkarakenne's view, the Group's net sales in 2024 will decrease from previous guidance and amount to EUR 38-44 million. The Group's operating profit will decrease and remain to EUR -2.2 – -0.8 million.

GROUP'S KEY FIGURES	1–6/2024	1–6/2023	1–12/2023
Net sales, EUR million	14.5	23.0	46.3
Operating profit/loss, EUR million	-2.7	-0.1	-0.1
Adjusted operating profit, EUR million	-2.7	0.3	0.3
Profit/loss before taxes, EUR million	-3.3	-0.5	-0.3
Adjusted operating profit before taxes, EUR million	-3.3	-0.1	0.2
Average number of employees	167	189	183
Average number of employees in person-years	159	184	174
Earnings per share, EUR	-0.46	-0.08	-0.04
Equity ratio, %	55.7	59.2	64.3
Return on equity, %	-18.2	-2.7	-1.4
Equity per share, EUR	2.23	2.76	2.79
Gearing ratio, %	-24.6	-41.7	-18.2

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

“The Group’s net sales and operating result for the review period decreased clearly from the corresponding period in the previous year. We started the year with a very low order book, which combined with a moderate order intake in early winter created challenging conditions for the rest of the year. The market situation and economic outlook were weak at the beginning of the year, leading to uncertainty among customers and a slowdown in construction decisions.

Compared to the same period last year, spring sales were more positive than in the previous year, but summer sales fell back to the level of the previous year's summer months.

In terms of export regions, demand and sales in Asia continued to develop positively, both for project exports and consumer business. Based on the strategy implemented in the Japanese subsidiary at the beginning of the year, the first business development activities were initiated, including the recruitment of a country manager and a marketing manager. The new country manager will join the subsidiary in the last quarter of this year.

The upturn in demand that had started in Europe remained very sluggish. The challenging economic climate in Europe, particularly in Germany, has made it difficult for us to do business in the region.

Due to a weak order book at the beginning of the year, capacity utilisation at the Karstula plant remained low during the period. As a result, the lay-off and redundancy measures initiated in the previous year continued during the early winter, spring and part of the summer, both in terms of production and other personnel.

All strategic development projects progressed. Exports focused on developing the sales and distribution network, supporting sales activities and acquiring new customers. The Customer 360 project progressed as planned and the first completed subset of the customer management system was rolled out in late spring. The project monitoring system will be finalised by autumn.

Replacement investments were completed at the Karstula plant for a gluer and a new laminated timber plane. Following a decision in December, new production machinery was ordered in February for a new line for the production of non-settling logs, which is due to be commissioned at the end of the year. The investment in question amounts to approximately EUR 1.7 million, and an investment grant decision has been received from the ELY Centre of Central Finland.

Rebuilding Ukraine is a great opportunity for the Finnish building and housing industry. Honkarakenne has been actively involved in discussions with Ukrainian parties on the implementation of individual projects. Possible developments in the war of aggression launched by Russia will add a complicating factor to this business.

In a challenging economic environment, the Group's strong balance sheet and financial position will allow us to develop our activities and to cope with a slower-than-expected market recovery in the coming months. Customers, representatives, partners, and personnel can count on Honka's strong market position and reliability and security of supply.”

Net Sales

Honkarakenne Group's net sales for the first half of 2024 decreased by 37% to EUR 14.5 million (23.0).

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 first half of 2024 and the second half of 2023 with the comparison year.

Geographical distribution of net sales:

Net sales development

Net sales distribution, %	1–6/2024	1–6/2023	1-12/2023
Finland	73%	65%	69%
Exports	27%	35%	31%
Total	100 %	100%	100%

Net sales, MEUR	1-6/2024	1-6/2023	Change	7-12/2023	1–12/2023
Finland	10.6	14.9	-29%	16.9	31.8
Exports	3.9	8.1	-52%	6.4	14.5
Total	14.5	23.0	37%	23.3	46.3

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

Order Book

Group's order book was 4% lower than in the comparison year and amounted to EUR 27.0 million (28.0). The order book increased by +44% from EUR 18.8 million at the end of December last year. This was driven by higher sales in both the domestic consumer business and the project and export business compared to the first and especially the last half of last year.

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

Trends in Profit and Profitability

Operating profit for the review period stood at EUR -2.7 million (-0.1) and the profit before taxes was EUR -3.3 million (-0.5). The adjusted operating result deteriorated by EUR -3.0 million to EUR -2.7 million (0.3) and adjusted profit before taxes was EUR -3.3 million (-0.1). Non-recurring adjustments in the comparison period included a charge of EUR 0.4 million as a result of the change negotiations, which consisted of severance payments and other redundancy-related costs.

The negative profit development was affected by significantly lower net sales compared to the same period last year, additional costs due to reduced production volumes and also by yen valuation losses on financial items. During the review period, it was possible to partially adjust personnel costs by making redundancies in functions where people were not fully involved in driving strategic development projects.

Financing and Investment

At the end of the review period, Honkarakenne's financial position was good. The Group's equity ratio was 55.7% (59.2%) and net gearing ratio was -24.6% (-41.7%). The Group's net financial liabilities amounted to EUR -3.2 million (-6.8), so the Group's liquid assets exceeded its financial liabilities. The Group's liquid assets totalled EUR 6.9 million (10.5). The Group also has a EUR 3.0 (3.0) overdraft facility, which has not been used in the review period or the comparison period.

The Group's gross investments amounted to EUR 0.7 million (0.6), excluding right-of-use assets in accordance with the IFRS 16 standard. Investments during the period mainly related to the completion of the commissioning of the replacement investments in the gluer and laminated timber plane at the Karstula mill and the replacement investment in the non-settling logs production line, which was started at the beginning of the year. The investment in the Customer 360 project, launched last autumn, will be fully completed this autumn, when a project tracking system will be introduced in addition to the customer management system.

Products and Market Areas

Honka's collection is updated and developed based on market-specific customer understanding. In terms of the collection, the review period 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. 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.

In the spring, a new Rock and Star range was launched for the Finnish and Swedish markets, featuring new-age landscape cabins with efficient square metre usage that provide ample sleeping and living space, while bringing several generations together for leisure activities.

In connection with the launch, the Honka Säästö solution for recreational buildings, which saves energy and housing costs, was presented, enabling a holiday home with water technology and amenities to be kept unheated during the winter season when the building is not in use, resulting in significant savings on heating costs.

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

In Finland, net sales were 29% lower than in the same period last year at EUR 10.6 million (14.9).The decrease in net sales is a result of the weak order intake in the previous year in the very challenging construction operating environment in Finland. The decline in net sales is the result of weak order intake in the previous year in a very challenging domestic construction environment.

In the review period, project construction sales were lower than in the previous year. There has been a significant increase in new orders, and some of these new contracts for regional and care facility construction in the early part of the year have progressed to the construction phase in the late spring and summer.

In response to the current domestic market situation and existing demand, Honka launched the new Rock and Star collections in the spring, which includes holiday homes, saunas and gardens. The range enables affordable leisure building with efficient and functional square meter usage.

On the consumer side, demand for holiday homes is on a favourable upward trend, while demand for detached houses remains low due to a slowing housing market and low construction activity.

Domestic demand and order intake are expected to increase to higher levels than last year, and the market downturn is expected to slowly turn into a more favourable direction. If there is no turnaround in uncertainty in 2025, this will have a negative impact on start decisions and new orders for leisure and especially detached house builders.

In exports, net sales were 52% lower than in the corresponding period of the previous year at EUR 3.9 million (8.1). The decline in net sales is the result of a weak order intake in the previous year in a very challenging market environment. The recovery in demand during the review period was very uneven across the various export regions. Demand and initiatives for projects of all sizes are higher than last year, but decision times have increased. Overall order intake was higher than in the same period last year. There is still uncertainty as to when demand will materialise and lead to new orders and deliveries.

The largest single export deliveries consisted of project business holiday home deliveries to leisure resorts in the Asian regions and consumer business deliveries sold through a subsidiary in Japan. In addition, the delivery of the new representative in Central Asia is well advanced into the set-up phase.

For the Japanese subsidiary, the first business development activities in line with the strategy were initiated, including the recruitment of a country manager and a marketing manager.

During the review period, demand and sales for project exports to Asia continued to develop positively in the export regions. In contrast, the earlier upturn in demand in the European region remained very sluggish. Demand will continue to be affected by interest rates and the availability of financing, as well as inflation and high construction costs.

Exports will focus on future collection development, customer acquisition, customer meetings and support for regional importer and agent activities. A new Honka sales office was opened in Stockholm in January.

Strategy 2022–2024

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

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

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

- Increasing exports by focusing on and allocating resources to selected markets
- Increased profitability through further enhancing the customer and employee experience

- A responsible leader focused on health and the future.

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

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

Sustainability

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

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

Honkarakenne also promotes sustainability through its various product solutions. In conjunction with the Rock and Star collection, which was launched during the period, Honka Säästö introduced a solution for safely shutting off both water and heat in living spaces. The solution allows the cottage to be kept unheated in the living areas 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.

Seasonal Nature of Our Business

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

Research and Development

Group's R&D costs in January-June were EUR 0.3 million (0.3), which was 1.8% (1.2%) of net sales.

During the review period, 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 to other types of buildings, such as offices, schools and hotels.

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

The Group has not capitalized development costs during the review period.

Personnel

The Group's average number of personnel, measured in person-years, totalled 159 (184) persons during the first half of the year. The decrease from the comparison period was 25 people. The Group's average number of personnel, measured by employment relationships was 167 (189) during the first half of the year.

As a result of the low demand, the parent company has reduced its workforce by means of short- or long-term layoffs, as authorised by the change negotiations. In the comparison period, the change negotiations led to redundancies as well as layoffs. The total personnel and other costs resulting from these measures were EUR 0.4 million in the comparison period.

At its meeting in February, the Board of Directors of the Group's parent company decided to reward employees in accordance with the rules of the employee fund based on good safety performance in the financial year 2023. These bonuses were paid to the people covered by the staff fund after the Annual General Meeting in April.

At its meeting in March, the Board of Directors of the parent company approved the launch of the share-based incentive program for 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 performance period of three years and the metrics for the period are net sales and operating profit margin.

Executive Group

During the review period the Executive Group consisted of: Marko Saarelainen, CEO; Juha-Matti Hanhikoski, Vice President, Production; Eino Hekali, Vice President, Product; Maarit Jylhä, CFO; Petri Perttula, Business Vice 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 the Honkarakenne's Tuusula office on 18 April 2024. The General Meeting adopted the financial statements, approved the remuneration report, and granted discharge from liability for 2023 to the members of the Board of Directors and the President and CEO. The Annual General Meeting decided that no dividend be paid for the financial year ended 31 December 2023. The Board of Directors decided that repayment of capital of EUR 0.09 per share to be distributed from the invested unrestricted equity fund. The repayment of capital has been paid to shareholders at the end of April.

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

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.

Authorisations of the Board of Directors

The Annual General Meeting authorised the Board of Directors to decide on the purchase of no more than 400.000 of the company's own B shares using funds from the company's unrestricted shareholders' equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on rights issue or bonus issue and on the granting of special rights entitling to shares in one or more instalments under the terms and conditions in Chapter 10, section 1 of the Companies Act. Under the authorisation, the Board of Directors may issue a maximum of 1,500,000 new shares and/or transfer old B shares held by the company inclusive of any shares that may be issued. These two authorisations remain in force until the next Annual General Meeting, however expiring at the latest on 30 June 2025.

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 3.50, and the lowest price was EUR 2.88. The clos-ing price at the balance sheet date was EUR 3.10. The market capitalisation of the stock at the end of the financial year was EUR 18.3 million. The traded class B shares was EUR 0.7 million and the trading vol-ume was 0.2 million shares.

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

Corporate Governance

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

The economic uncertainty in the Group's operating environment is negatively reflected in business and consumer confidence. Economic risks continue to be driven by consumer confidence and employment concerns, rising inflation, interest rates and access to 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 market area with other export markets may be prolonged or uncertain in the current global market situation. If the war were to be prolonged or escalated, or if the war waged by Israel were to spread to other parts of the Middle East, this could have a material adverse effect on the Group's business, financial position and results of operations. At present, instability in the Middle East is contributing to longer delivery times and higher freight costs as export shipments to the Asian region are diverted to longer routes away from the Suez Canal. If prolonged, this could have a negative spill-over impact on profitability and order intake.

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

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

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

This half-year report bulletin has been prepared in accordance with IAS 34. The half-year report bulletin should be read together with the 2023 financial statements. The accounting policies used in preparing the financial statements are the same as in the financial statements for 2023, with the exception of standards and interpretations that have come into force on January 1 2024 or thereafter. The impact of the new standards and interpretations is described later in the section "New stardards and interpretations".

Events After the Reporting Period

There are no significant events.

Outlook for 2024(published on 13 August 2024)

Honkarakenne's guidance for 2024 remains unchanged from the guidance updated on 13 August 2024. According to Honkarakenne's view, the Group's net sales in 2024 will decrease from previous guidance and amount to EUR 38-44 million. The Group's operating profit will decrease and remain to EUR -2.2 – -0.8 million.

Basis For the Outlook

The company's view of the development in 2024 is based on the existing order book, the orders received and the view of the prolonged recovery of the operating environment and the market.

Uncertainty about the development of the economic situation, current interest rates and the reduced availability of financing may have a negative impact on demand and construction decisions by consumers and professional builders, thus creating uncertainty about the start of new construction projects both in Finland and in the company's export regions.

The company sees signs of improvement and believes that the worst of the downturn in the construction sector has already been experienced domestically. Exports, especially in Asia, and the project business outside European area are showing moderate growth in demand and deliveries.

HONKARAKENNE OYJ

Board of directors

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Consolidated Comprehensive Income Statement

Unaudited EUR million	1-6/2024	1–6/2023	1–12/2023
Net sales	14.5	23.0	46.3
Other operating income	0.2	0.2	0.6
Change in inventory of finished goods and work in progress	0.5	-0.7	-1.2
Use of materials and goods	-10.2	-14.2	-30.7
Employee benefit expences	-3.9	-5.0	-8.1
Depreciation and impairment	-1.1	-1.1	-2.2
Other operating expences	-2.7	-2.4	-4.8
Operating profit/loss	-2.7	-0.1	-0.1
Financial income	0.0	0.1	0.1
Financial expences	-0.6	-0.4	-0.2
Share of associated companies' profit or loss	0.0	0.0	0.0
Profit/loss before taxes	-3.3	-0.5	-0.3
Income taxes	0.6	+0.0	0.0
Profit/loss for the period	-2.7	-0.5	-0.2
Other items of comprehensive income that may be re-classified subsequently to profit or loss:			
Translation differences related to foreign subsidiaries	0.1	-0.0	0.2
Total comprehensive income for the period	-2.8	-0.5	0.0
Allocated to			
Shareholders of the parent company	-2.7	-0.5	-0.2
Non-controlling interests	-	-	-
	-2.7	-0.5	-0.2
Allocated to			
Shareholders of the parent company	-2.8	-0.5	-0.0
Non-controlling interests	-	-	-
	-2.8	-0.5	-0.0
Earnings per share calculated on the profit attributable to shareholders of the parent company:			
undiluted earnings per share (EUR)	-0.46	-0.08	-0.04
diluted earnings per share (EUR)	-0.46	-0.08	-0.04

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	30 Jun. 2024	30 Jun. 2023	31 Dec. 2023
Assets			
Non-current assets			
Property, pland and equipment	12.4	12.2	12.2
Goodwill	0.1	0.1	0.1
Other intangible assets	0.6	0.4	0.5
Shares in associated companies	0.4	0.5	0.5
Receivables	0.1	0.1	0.3
Deferred tax assets	1.7	1.1	1.1
	15.3	14.4	14.6
Current assets			
Inventories	5.7	5.8	5.3
Trade and other receivables	2.8	4.2	3.8
Tax receivables	0.0	0.0	0.0
Other financial assets		4.8	1.0
Cash and cash equivalents	6.9	5.8	5.3
	15.4	20.6	15.4
Total assets	30.7	35.0	30.0
Shareholders’ equity and liabilities			
Equity attributable to owners of the parent company			
Share capital	9.9	9.9	9.9
Share premium fund	0.5	0.5	0.5
Reserve for invested unrestricted equity	4.2	4.8	4.7
Treasury shares	-1.2	-1.2	-1.2
Translation differences	-0.1	-0.0	0.0
Retained earnings	-0.2	2.2	2.6
	13.1	16.2	16.5
Share of non-controlling interests	-	-	-
Total equity	13.1	16.2	16.5
Non-current liabilities			
Deferred tax liability	0.0	0.1	0.0
Provisions	0.3	0.3	0.3
Financial liabilities	2.8	2.9	2.5
	3.1	3.3	2.9
Current liabilities			
Accounts payable and other liabilities	13.6	14.3	9.9
Current tax liabilities	0.0	0.0	0.0
Provisions		0.3	0.0
Short-term financial liabilities	0.9	0.8	0.8
	14.4	15.5	10.7
Total liabilities	17.5	18.8	13.6
Total equity and liabilities	30.7	35.0	30.0

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. 2023	9 898	520	4 805	17	-1 221	4 193	18 211	-	18 211
Profit/loss of the period	-	-	-	-	-	- 468	-468	-	-468
Translation difference	-	-	-	-42	-	-30	-72	-	-72
Repayment of capital	-	-	-	-	-	-1 473	-1 473	-	-1 473
Impact of share-based bonuses	-	-	-	-	35	-19	16	-	16
Total equity, 30 Jun. 2023	9 898	520	4 805	-24	-1 187	2 203	16 215	-	16 215

	Shareholder's equity								
	a)	b)	c)	d)	e)	f)	Yht.	g)	Total equity
Total equity, 1 Jan. 2024	9 898	520	4 692	-46	-1 187	2 573	16 451	-	16 451
Total equity	-	-	-	-	-	-2 692	-2 692	-	-2 692
Translation differences	-	-	-	-15	-	-92	-106	-	-106
Return of capital	-	-	-530	-	-	-	-530	-	-530
Impact of share-based bonuses	-	-	-	-	-	-	-	-	0
Total equity, 30 Jun. 2024	9 898	520	4 162	-60	-1 187	-211	13 122	-	13 122

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

Consolidated Cash Flow Statement

Abridged
Unaudited

EUR million	1-6/2024	1-6/2023	1-12/2023
From operations	2.5	0.6	-2.4
From investments, net	-0.9	-0.6	-1.6
From financial activities, total	-0.9	-1.9	-2.3
Loan repayments	-0.2	-0.2	-0.4
Repayments of lease liabilities	-0.5	-0.2	-0.4
Repayment of capital/dividend	-0.5	-1.5	-1.5
Change in liquid assets	**0.7**	**1.9**	**-6.4**
Impact of exchange rate fluctuations on cash assets	-0.1	-0.3	-0.3
Impact of stock exchange price changes on cash assets	-	0.1	0.4
Change in liquid assets	**0.5**	**1.9**	**-6.3**
Liquid assets at the end of period **)	6.9	10.5	6.3
Liquid assets at the beginning of period	6.4	12.6	12.6
Likvidien varojen muutos	0.5	-2.1	-6.3
**) Cash and cash equivalents	6.9	5.8	5.3
**) Other financial assets	-	4.8	1.0

Notes To the Report

Accounting Policies

This half-year report bulletin has been prepared in accordance with IAS 34. The half-year report bulletin should be read together with the 2023 financial statements. The accounting policies used in preparing the financial statements are the same as in the financial statements for 2023, with the exception of standards and interpretations that have come into force on January 1 2024 or thereafter. The impact of the new standards and interpretations is described later in the section “New stardards 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 2024 did not have a material impact on the figures presented for the review period.

Alternative Performance Measures

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

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

Segments

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

Other notes to the report

Related party transactions

The Group’s related parties consist of subsidiaries and associated companies; the company's manage-ment 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 review period, ordinary business transactions with related parties were made as follows: sales of goods and services to related parties amounted to EUR 0.1 million (0.1) and purchases from related parties to EUR 0.2 million (0.2). Financial statement 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 2024 or 2023. At the time of financial statements, the parent company has claims from subsidiaries of EUR 1.1 million (0.5) and debts to subsidiaries of EUR 0.1 million (0.1).

Group's Tangible Assets

Unaudited EUR million	30.6.2024	30.6.2023	31.12.2023
Acquisition cost, 1 Jan.	55.4	52.6	52.6
Increases	1.2	1.9	2.9
Decreases	-0.1	-0.1	-0.1
Acquisition cost, 30 Jun.	56.5	54.4	55.4
Accumulated depreciation, 1 Jan.	-43.1	-41.2	-41.2
Accumulated depreciation of decreases	0.0	0.0	0.0
Depreciation for the financial period	-1.0	-1.0	-2.0
Accumulated write-downs at the end of the financial year	-44.2	-42.2	-43.1
Book value, 1 Jan.	12.2	11.4	11.4
Book value, 30 Jun.	12.4	12.3	12.2

Treasury shares

Honkarakenne has not acquired its own shares during the review period. 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	30.6.2024	30.6.2023	31.12.2023
Own liabilities			
Mortgages	6.0	6.0	6.0
Other guarantees	3.5	4.3	2.1
Off-balance sheet lease liabilities	0.1	0.1	0.1

Group's Key Figures

Unaudited		1.1.-30.6.2024	1.1.-30.6.2023	1–12/2023
Net sales	EUR million	14.5	23.0	46.3
Operating profit	EUR million	-2.7	-0.1	-0.1
	% of net sales	-18.6	-0.4	-0.3
Adjusted operating profit	EUR million	-2.7	0.3	0.3
	% of net sales	-18.6	1.2	0.7
Profit before taxes	EUR million	-3.3	-0.5	-0.3
	% of net sales	-22.6	-1.9	-0.6
Adjusted operating profit before taxes	EUR million	-3.3	-0.1	0.2
	% of net sales	-22.6	-0.5	0.4
Profit for the period	EUR million	-2.7	-0.5	-0.2
Earnings/share	EUR	-0.46	-0.08	-0.04
ROE	%	-18.2	-2.7	-1.4
ROI	%	-11.5	-0.1	0.1
Equity ratio	%	55.7	59.2	64.3
Equity / share	EUR	2.23	2.75	2.79
Net financial liabilities	EUR million	-3.23	-6.8	-3.0
Net gearing	%	-24.6	-41.7	-18.2
Gross investment	EUR million	0.7	0.6	1.8
	% of net sales	4.8	2.7	3.9
Order book	EUR million	27.0	28.0	18.8
Average number of employees	White-collar	109	122	118
	Blue-collar	59	66	65
	Total	167	189	183
Average number of personnel in person-years	White-collar	106	120	114
	Blue-collar	54	64	60
	Total	159	184	174
Adjusted number of shares (1,000)	At the end of period	5882	5 890	5 890
	Average during period	5882	5 886	5 888

Gross investments are presented excluding right-of-use assets and investment grants received in accordance with the IFRS 16 standard. During the period, 0.2 grants were allocated to investments. There were no investment grants in 2023.

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

Formulas for Key Indicator Calculation

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

Return on equity -%: $\dfrac{\text{Profit/loss for the period under review}}{\text{Total equity, average}} \times 100$

Equity/share: $\dfrac{\text{Shareholder's equity}}{\text{Number of outstanding shares at the end of the period}}$

Equity ratio, %: $\dfrac{\text{Total equity}}{\text{Balance sheet total – advances received}} \times 100$

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

Gearing, %: $\dfrac{\text{Interest-bearing financial liabilities – cash assets}}{\text{Total equity}} \times 100$