

# Honkarakenne Group Half-Year Report H1 2022



## HONKARAKENNE'S NET SALES AND OPERATING PROFIT INCREASED

Net sales for the first half of 2022 grew by 24% to EUR 36.7 million (H1 2021: 29.6). Operating profit and profit before taxes were higher than in the previous year. Operating profit increased by 30% and was EUR 2.2 million (1.7). Profit before taxes increased by 3% and was EUR 1.7 million (1.7).

### January-June 2022

- Honkarakenne Group's net sales in January–June amounted to EUR 36.7 million (H1 2021: 29.6). Net sales rose by 24% from the corresponding period of the previous year.
- Operating profit was EUR 2.2 million (1.7).
- Profit before taxes was 3% higher than in the previous year and was EUR 1.7 million (1.7). The operating profit of the review period is weakened by changes in the value of other cash assets recognised in financial expenses.
- EPS was EUR 0.23 (0.25).

Honkarakenne's guidance for 2022 remains unchanged from the updated guidance in May. Honkarakenne's outlook is that net sales will increase from the previous year and profit before taxes will be at the previous year's level.

The Group's order book was below the historically high EUR 60.5 million level of the comparison period and amounted to EUR 51.3 million. At the beginning of March, Honkarakenne suspended sales to Russia after Russia commenced military aggression against Ukraine and the last deliveries were made at the end of the review period before the EU's export sanctions came into force. The Group's order book no longer includes orders to Russia.

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

KEY FIGURES	1-6/2022	1-6/2021	1-12/2021
Net sales, MEUR	36.7	29.6	69.7
Operating profit, MEUR	2.2	1.7	3.7
Profit before taxes, MEUR	1.7	1.7	3.6
Average number of employees	188	176	178
Average number of employees in person-years	182	168	170
Earnings per share, EUR	0.23	0.25	0.56
Equity ratio, %	56	53	61
Return on equity, %	8	10	21
Equity per share, EUR	2.85	2.56	2.88
Gearing ratio, %	-87	-64	-51

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

"The first half of the year was challenging due to market turbulence. After Russia started military aggression against Ukraine, Honka decided to suspend sales to Russia. During the review period we managed to deliver only some of the last projects in ordering and delivery stage before EU's export sanctions came into force. After customs sanctions came into force, Honkarakenne suspended all deliveries to Russia.

Adapting to changing and sometimes challenging situations has been demanding for our personnel, required numerous negotiations, and finding new solutions to ensure, e.g., availability of domestic raw materials and making higher prices reasonable.

Due to the good order book in early 2022, Honkarakenne's net sales grew nicely from the comparison period, totalling EUR 36.7 million, 24% higher than in 2021. Thanks to measures taken in spring,

adjustment and further investments in the market, the Group managed to maintain a good profitability level. The EBIT margin was 6% and operating profit EUR 2.2 million.

In June, an impressive sauna restaurant called Sataman Viilu was completed in Jyväskylä, for which Honkarakenne designed, delivered and implemented all log structures. Honka, exhibited an energy-efficient and modern log house called Honka Haiku at the Housing Fair in Naantali that attracted a lot of interest. The Housing Fair in Naantali was a success for Honka and we are pleased about the overall execution of the exhibition house, which was one of the best houses at the fair.

The war in Ukraine and the uncertainty it brings have a negative impact on the overall market situation. The outlook for sales development is low. Although demand is still moderate, accelerating inflation and rising interest rates may reduce the number of housing start decisions and postpone them to a later date. In our view, demand will temporarily weaken.

In addition to the domestic market, Honkarakenne invests in increasing exports in selected export regions. The company is engaged in several development projects that support the export-driven strategy and strengthens profitability and process efficiency, and improve customer and employee experience.”

## NET SALES

Honkarakenne Group’s net sales for the first half of 2022 grew by 24% to EUR 36.7 million (29.6).

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

Geographical distribution of net sales:

Net sales distribution, %	1-6/2022	1-6/2021	1-12/2021
Finland	72	74	63
Exports	28	26	37
Total	100	100	100

Net sales, MEUR	1-6/2022	1-6/2021	change-%
Finland	26.4	21.9	20
Exports	10.3	7.7	35
Total	36.7	29.6	24

Net sales, MEUR	7-12/2021	1-12/2021
Finland	22.2	44.1
Exports	17.9	25.6
Total	40.1	69.7

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

## ORDER BOOK

The Group's order book at the time of the report stood at EUR 51.3 million (60.5). The order book was 15% lower than one year earlier. The Group’s order book at the end of June does not include orders to Russia. Order book refers to orders with a delivery date within the next 24 months. Some orders may have a financing or building permit condition.

## TRENDS IN PROFIT AND PROFITABILITY

The Group's operating profit increased by 30% year-on-year and was EUR 2.2 million (1.7). Profit before taxes was 3% higher than in the previous year and was EUR 1.7 million (1.7). Compared with the corresponding period of 2021, the Group's profitability is weakened by high raw material and subcontracting product costs, as well as increased personnel costs, mainly due to the additional recruitment carried out after last summer. In addition, financial expenses increased due to changes in the value of other cash assets recognised in financial expenses.

## FINANCING AND INVESTMENT

At the end of the review period, Honkarakenne's financial position was good and the Group's equity ratio was 56% (53%). Gearing was at -87% (-64 %). The Group's net financial liabilities amounted to EUR -14.5 million (-9.6), so the Group's liquid assets exceeded its financial liabilities. The Group's liquid assets totalled EUR 17.6 million (13.0). The Group also has a EUR 3.0 million (3.0) overdraft facility, which has not been used in the review period or the comparison period.

The Group's capital expenditure amounted to EUR 0.2 million (0.9), excluding right-of-use assets in accordance with the IFRS 16 standard. Investments during the period under review focused mainly on completing the introduction of the log line at the Karstula factory and developing the ERP system.

## PRODUCTS AND MARKET AREAS

**In Finland**, net sales developed well and was 20% higher than in the corresponding period in 2021. Sales growth and demand have continued well in leisure building construction, in detached houses growth has been positive, but signs of a slowdown in detached house demand is visible. The high inflation rate, still elevated construction costs and overall uncertainty are expected to potentially affect housing start decisions in detached house construction. Demand for Honkarakenne's leisure building construction is expected to remain at a reasonably good level, to stabilise from previous years, and for service sales, demand is expected to remain at its current level.

There is a lot of demand for domestic project construction, especially in housing construction and regional development, leisure centre construction, as well as care facility and day-care centre construction. During the review period, log-structure day-care centres were completed in Vantaa, Espoo and Ii, a care facility in Ylivieska and a school in Kuopio in cooperation with Hoivarakentajat. In addition, an impressive sauna restaurant called Sataman Viilu was completed in the harbour in Jyväskylä where Honkarakenne designed, delivered and implemented all log structures.

Honkarakenne exhibited the Honka Haiku house at the Housing Fair in Naantali. The house is a modern single-storey log home that uses M1-certified low-emission materials, innovative solar power system and smart technical solutions. Together, they reduce the carbon footprint of housing and support a sustainable future and the happiness of its future residents.

**In exports**, net sales developed excellently and was 35% higher than in the previous year. Sales growth and demand increased especially in project export countries. As far as exporting countries are concerned, only China is still at a standstill. The availability problems in the raw material markets were to some extent reflected in export supply and caused longer delivery times. Furthermore, the military actions initiated by Russia have made export transports difficult and increased their costs.

Sales in Russia were suspended at the beginning of March and deliveries from the order book during the review period were at the level of the comparison period. After customs sanctions came into force, the last deliveries in the order book were suspended and the Group no longer has deliveries to Russia in the order book. After Russia was excluded from exports, investments have been transferred to other export countries. At the end of June, the order book for exports was significantly higher than one year earlier.

## **STRATEGY 2022-2024**

In December 2021, the Board of Directors decided on the company's new strategy. The aim of the strategy, which will be in force until the end of 2024, is to strengthen Honkarakenne Oyj's position as Finland's largest exporter of wooden buildings. With the new export-driven strategy, the company 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 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 that support the progress of the strategy. These are monitored by the Board of Directors and the Executive Group and the steering group operating under its control.

## **SUSTAINABILITY**

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

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

## **THE HONKA BRAND**

The renewed Honka brand was introduced in early 2022 and it has been highly visible during the review period. The core of the Honka brand is the close relationship with northern 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 forest.

## **SEASONAL NATURE OF OUR BUSINESS**

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

## RESEARCH AND DEVELOPMENT

The Group's R&D costs in January-June were EUR 0.2 million (0.2), representing 0.4% (0.7%) of net sales. Research and development activities focused on product solutions for export markets and continued to focus on log structures suitable for public and large buildings in particular. Honkarakenne's log product project for public and large buildings is part of the Ministry of the Environment's Wood Building Programme, which has granted funding for the project. The aim of the project and programme is to increase the use of wood in construction to promote climate targets. Wood construction is part of sustainable use of forests. The Group has not capitalised development costs during the review period.

## PERSONNEL

The Group's average number of personnel, measured in person-years, totalled 182 persons (168) during the first half of the year. The increase from the comparison period was 14 persons. The Group's average number of personnel, measured by employment relationships, was 188 (176) during the first half of the year.

After Honkarakenne decided to suspend sales to Russia since Russia launched military operations in Ukraine, the company began change negotiations with personnel representatives in March due to the uncertain production and economic situation. It was agreed in the negotiations that the employer has the right to impose a maximum of 90 days of temporary layoffs and working time arrangements for the entire personnel until 31 December 2022. Some of the layoffs have taken place starting from April.

## EXECUTIVE GROUP

In June, the company strengthened its executive group and appointed Eino Hekali as Vice President, Product and Maarit Taskinen as Vice President, Operations Export and as executive group members. At the end of the review period, Honkarakenne's Executive Group consisted of; Marko Saarelainen, President and CEO; Juha-Matti Hanhikoski, Vice President, Production; Eino Hekali, Vice President, Product (from 8 June 2022); Sanna Huovinen, Vice President, Marketing; Maarit Jylhä, CFO; Petri Perttula Vice President, Operations Finland and Maarit Taskinen, Vice President, Operations Export (from 8 June 2022).

## HONKARAKENNE OYJ'S ANNUAL GENERAL MEETING, BOARD OF DIRECTORS AND AUDITORS

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

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

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

The Annual General Meeting decided that a Shareholders' Nomination Committee be established and that the rules of procedure for the committee be approved.

## AUTHORISATIONS OF THE BOARD OF DIRECTORS

The Annual General Meeting decided on 13 April 2022 that the Board of Directors is authorised to decide on the purchase of no more than 400.000 of the company's own B shares using funds from the company's unrestricted shareholders' equity. In addition, the Annual General Meeting authorised the

Board of Directors to decide on rights issue or bonus issue and on the granting of special rights entitling to shares in one or more instalments under the terms and conditions in Chapter 10, section 1 of the Companies Act. Under the authorisation, the Board of Directors may issue a maximum of 1.500.000 new shares and/or transfer old B shares held by the company inclusive of any shares that may be issued. These two authorisations remain in force until the next Annual General Meeting, however expiring at the latest on 30 June 2023.

## **SHARES, SHARE CAPITAL AND OWN SHARES**

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

Honkarakenne's class B shares are listed on NASDAQ OMX Helsinki Oy's Small Cap list with the ticker HONBS. The highest price of the listed class B share was EUR 7.72, lowest EUR 4.20, and the closing price at the end of the review period was EUR 4.92. The trading value of class B shares was EUR 0.9 million and the trading volume 5.3 million shares.

In April, Honkarakenne transferred 10,000 class B shares to the CEO as part of the 2021 performance bonus. At the end of the report period, the Group held 329,385 of its own Series B shares with a total purchase price of EUR 1,221,417.02. Own shares account for 5.30% of all company shares and 2.76% of all votes. The purchase cost of own shares has been deducted from shareholders' equity in the consolidated financial statements.

## **CORPORATE GOVERNANCE**

Honkarakenne Oyj complies Finnish Corporate Governance Code for listed companies issued by the Securities Market Association in 2021. For more information about corporate governance, go to [www.honka.fi](http://www.honka.fi).

## **SHORT-TERM RISKS AND UNCERTAINTIES**

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

Economic uncertainty is negatively reflected in business and consumer confidence. The short-term economic risks are further increased by the acceleration of inflation and the rise in interest rates that has started. In addition, the availability of energy, some raw materials and construction materials, as well as machine components, may become more difficult due to mutual sanctions by Russia and Western countries and will continue to increase costs.

The uncertainty of the military aggression initiated by Russia and all its effects on business are difficult to assess. The attack on Ukraine, related sanctions and countersanctions resulted in Honkarakenne suspending sales to Russia and stopping delivery of orders in the order and delivery stages to the company's long-term importer. Replacing the lost order book with other export markets may be prolonged or uncertain in the current global market situation. In addition, the COVID pandemic still causes uncertainty in the company's various market areas, especially in exports.

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

## **EVENTS AFTER THE REVIEW PERIOD**

Sanna Huovinen, Vice President, Marketing, has resigned from the company's service and will start working for another employer. She remains a member of the Executive Group until 30 September 2022.

## **REPORTING**

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

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

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.

## **OUTLOOK FOR 2022**

Honkarakenne's guidance for 2022 is in line with the updated guidance in May. Honkarakenne's outlook is that net sales will increase from the previous year and profit before taxes will be at the previous year's level.

## **BASIS FOR THE OUTLOOK**

The company's outlook of the 2022 development is based on the existing order book and the expectation on market development, the price development of raw materials and components, the agreed adjustment measures and the measures decided and promoted in connection with the strategy work.

## **HONKARAKENNE OYJ**

Board of Directors

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Unaudited

MEUR	1-6/2022	1-6/2021	1-12/2021
<b>Revenue (net sales)</b>	<b>36.7</b>	<b>29.6</b>	<b>69.7</b>
Other operating income	0.3	0.3	0.5
Change in inventories	2.7	1.8	2.0
Work performed for own purposes and capitalised	-28.2	-21.4	-51.3
Employee benefit expenses	-5.7	-5.0	-10.1
Depreciations, amortisation and impairment	-1.0	-1.1	-2.3
Other operating expenses	-2.5	-2.5	-4.8
<b>Operating profit/loss</b>	<b>2.2</b>	<b>1.7</b>	<b>3.7</b>
Financial income	0.1	0.1	0.0
Financial expenses	-0.7	-0.2	-0.3
Share of associated companies' result	0.1	0.1	0.1
<b>Profit/loss before taxes</b>	<b>1.7</b>	<b>1.7</b>	<b>3.6</b>
Taxes	-0.4	-0.2	-0.3
<b>Profit/loss for the period</b>	<b>1.3</b>	<b>1.5</b>	<b>3.3</b>
<b>Other items of comprehensive income</b>			
Translation differences	0.0	0.0	0.0
<b>Total comprehensive income for the period</b>	<b>1.3</b>	<b>1.4</b>	<b>3.3</b>
<b>Result for the period attributable to</b>			
Equity holders of the parent	1.3	1.5	3.3
Non-controlling interest	0.0	0.0	0.0
	<b>1.3</b>	<b>1.5</b>	<b>3.3</b>
<b>Comprehensive income attributable to</b>			
Equity holders of the parent	1.3	1.4	3.3
Non-controlling interest	0.0	0.0	0.0
	<b>1.3</b>	<b>1.4</b>	<b>3.3</b>
Calculated from the result for the period attributable to equity holders of parent			
Earnings/share (EPS):			
Basic, EUR	0.23	0.25	0.56
Diluted, EUR	0.23	0.25	0.56

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Unaudited	30 Jun. 2022	30 Jun. 2021	31 Dec. 2021
MEUR			
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11.5	13.5	12.2
Goodwill	0.1	0.1	0.1
Other intangible assets	0.5	0.5	0.5
Investments in associated companies	0.5	0.4	0.4
Receivables	0.1	0.1	0.1
Deferred tax assets	1.2	1.7	1.5
<b>Total non-current assets</b>	<b>13.8</b>	<b>16.3</b>	<b>14.8</b>
<b>Current assets</b>			
Inventories	9.1	6.4	6.5
Trade and other receivables	6.0	7.7	5.1
Income tax receivables	0.3	0.4	0.3
Other financial assets	7.8		5.0
Cash and cash equivalents	9.8	13.0	6.9
<b>Total current assets</b>	<b>33.1</b>	<b>27.5</b>	<b>23.9</b>
<b>Total assets</b>	<b>46.9</b>	<b>43.8</b>	<b>38.6</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	9.9	9.9	9.9
Share premium account	0.5	0.5	0.5
Invested unrestricted equity fund	4.8	6.3	6.3
Own shares	-1.2	-1.3	-1.3
Translation differences	0.0	0.1	0.1
Retained earnings	2.7	-0.5	1.4
<b>Total equity attributable to owners of the parent</b>	<b>16.8</b>	<b>15.0</b>	<b>16.9</b>
Non-controlling interests			
<b>Total equity</b>	<b>16.8</b>	<b>15.0</b>	<b>16.9</b>
<b>Non-current liabilities</b>			
Deferred tax liability	0.1	0.2	0.2
Provisions	0.6	0.3	0.5
Financial liabilities	2.3	2.7	2.6
<b>Total non-current liabilities</b>	<b>3.0</b>	<b>3.2</b>	<b>3.2</b>
<b>Current liabilities</b>			
Trade and other payables	26.3	24.6	17.7
Current tax liabilities	0.1	0.1	0.1
Provisions	0.1	0.1	0.1
Current financial liabilities	0.7	0.7	0.7
<b>Total current liabilities</b>	<b>27.2</b>	<b>25.6</b>	<b>18.5</b>
<b>Total liabilities</b>	<b>30.2</b>	<b>28.7</b>	<b>21.7</b>
<b>Total equity and liabilities</b>	<b>46.9</b>	<b>43.8</b>	<b>38.6</b>

**STATEMENT OF CHANGES IN EQUITY**

Abridged  
Unaudited

EUR thousand	Equity attributable to owners of the parent							Total g)	Total equity
	a)	b)	c)	d)	e)	f)	Total		
<b>Total equity 1 Jan 2021</b>	<b>9,898</b>	<b>520</b>	<b>7,331</b>	<b>111</b>	<b>-1,309</b>	<b>-1,927</b>	<b>14,623</b>		<b>14,623</b>
Profit/loss for the period						1,479	<b>1,479</b>		<b>1,479</b>
Translation differences				-33			<b>-33</b>		<b>-33</b>
Redemption of minority interest			-1,055				<b>-1,055</b>		<b>-1,055</b>
Share based incentive scheme					45	-29	<b>16</b>		<b>16</b>
<b>Total equity 30 June 2021</b>	<b>9,898</b>	<b>520</b>	<b>6,275</b>	<b>78</b>	<b>-1,265</b>	<b>-477</b>	<b>15,029</b>		<b>15,029</b>

EUR thousand	Equity attributable to owners of the parent							Total g)	Total equity
	a)	b)	c)	d)	e)	f)	Total		
<b>Total equity 1 Jan 2022</b>	<b>9,898</b>	<b>520</b>	<b>6,275</b>	<b>89</b>	<b>-1,265</b>	<b>1,381</b>	<b>16,899</b>		<b>16,899</b>
Profit/loss for the period						1,326	<b>1,326</b>		<b>1,326</b>
Translation differences				-84	0	27	<b>-56</b>		<b>-56</b>
Return of capital			-1,471				<b>-1,471</b>		<b>-1,471</b>
Share based incentive scheme					43	14	<b>58</b>		<b>58</b>
<b>Total equity 30 June 2022</b>	<b>9,898</b>	<b>520</b>	<b>4,805</b>	<b>6</b>	<b>-1,221</b>	<b>2,748</b>	<b>16,755</b>		<b>16,755</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

Abridged

Unaudited

	1-6/2022	1-6/2021	1-12/2021
MEUR			
Cash flow from operating activities	8.5	8.2	7.2
Cash flow from investing activities, net	-0.3	-0.7	-0.4
Total cash flows from financing activities	-5.0	-1.4	-6.8
Repayment of borrowings	-0.2	-0.2	-0.4
Repayment of lease liabilities	-0.2	-0.2	-0.4
Return on capital	-1.5	-1.1	-1.1
Short-term securities investments	-3.1		-5.0
Change in cash and cash equivalents	3.2	6.0	0.0
Effect of exchange rate changes	-0.3	-0.1	-0.1
<b>Cash and cash equivalents at the beginning of period</b>	<b>6.9</b>	<b>7.0</b>	<b>7.0</b>
<b>Cash and cash equivalents at the close of period</b>	<b>9.8</b>	<b>13.0</b>	<b>6.9</b>

## 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 2021 financial statements. The accounting policies used in preparing the financial statements are the same as in the financial statements for 2021, with the exception of standards and interpretations that have come into force on 1 January 2022 or thereafter.

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

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

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

### New standards and interpretations

The new standards or interpretations effective as of 1 January 2022 did not have a material impact on the figures presented for the review period.

### Alternative Performance Measures

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

In Honkarakenne's view, Alternative Performance Measures provide significant additional information to management, investors, securities analysts and other parties on Honkarakenne's operational result, financial position and cash flows, and are frequently used by analysts, investors and other parties. Return on equity, equity ratio, net financial liabilities and gearing are presented as supplementary key figures, as

in the company's view they are useful indicators for assessing Honkarakenne's ability to acquire financing and pay its debts. In addition, gross investments and R&D expenditure provide additional information on needs related to Honkarakenne's operational cash flow.

## Segments

Since the beginning of 2020, Honkarakenne has had two geographical operating segments that have been 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.

### PROPERTY, PLANT AND EQUIPMENT

Unaudited	30 Jun. 2022	30 Jun. 2021	31 Dec. 2021
MEUR			
Cost at the beginning of the period	<b>51.5</b>	<b>51.0</b>	<b>51.0</b>
Additions	0.2	0.9	0.6
Disposals	0.0	-0.1	-0.1
Cost at the end of the period	<b>51.7</b>	<b>51.8</b>	<b>51.5</b>
Accumulated depreciation at the beginning of the period	<b>-39.3</b>	<b>-37.3</b>	<b>-37.3</b>
Accumulated depreciation of disposals	0.0	0.0	0.0
Depreciation for the period	-1.0	-1.0	-2.0
Accumulated depreciation at the end of period	<b>-40.2</b>	<b>-38.3</b>	<b>-39.3</b>
<b>Carrying amount at the beginning of the period</b>	<b>12.2</b>	<b>13.7</b>	<b>13.7</b>
<b>Carrying amount at the end of the period</b>	<b>11.5</b>	<b>13.5</b>	<b>12.2</b>

### CONTINGENT LIABILITIES

Unaudited	30 Jun. 2022	30 Jun. 2021	31 Dec. 2021
MEUR			
For own loans			
Mortgages	6.0	6.0	6.0
Other quarantees	9.6	7.9	7.8
Off-balance sheet lease contracts	0.1	0.1	0.1

## Other notes to the report

### Events with related parties

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

During the financial year, ordinary business transactions with related parties were made as follows: sales of goods and services to related parties amounted to EUR 0.2 million (0.2) and purchases from related parties to EUR 0.2 million (0.3). Financial statements of the Group include EUR 0.1 million (0.0) liabilities

to related parties and EUR 0.0 million (0.0) receivables from related parties. No credit losses have been recognised for the related parties.

**KEY FIGURES**

Unaudited		1-6/2022	1-6/2021	1-12/2021
Earnings/share (EPS)	EUR	0.23	0.25	0.56
Return on equity	%	8	10	21
Equity ratio	%	56	53	61
Equity/share	EUR	2.85	2.56	2.88
Net financial liabilities	MEUR	-14.5	-9.6	-8.7
Gearing	%	-87	-64	-51
Gross investments	MEUR	0.2	0.9	1.3
	% of net sales	1	3	2
Order book	MEUR	51.3	60.5	52.4
Average number of personnel	White-collar	123	109	112
	Blue-collar	65	67	66
	Total	188	176	178
Personnel in person-years, average	White-collar	121	105	109
	Blue-collar	61	63	62
	Total	182	168	170
Adjusted number of shares ('000)	At period-end	5,882	5,872	5,877
	Average during period	5,877	5,872	5,872

**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 %:	$\frac{\text{Profit/loss for the period under review}}{\text{Total equity, average}}$
Equity/share:	$\frac{\text{Owners' equity}}{\text{Number of outstanding shares at the end of the period}}$
Equity ratio, %:	$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}}$
Net financial liabilities:	Interest-bearing financial liabilities — cash and cash equivalents
Gearing, %:	$\frac{\text{Interest-bearing financial liabilities — cash and cash equivalents}}{\text{Total equity}}$