

The year of *wood living*

20
21

Board of Directors' *Report and Financial Statements*



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BOARD OF DIRECTORS' REPORT

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The Honkarakenne Group's revenue (net sales) amounted to EUR 69.7 million (previous year: EUR 52.9 million and in 2019: EUR 47.5 million). The Group's operating profit amounted to EUR 3.7 (3.1; 3.4) million, profit before taxes to EUR 3.6 (2.9; 3.2) million and earnings per share to EUR 0.56 (0.48; 0.40).

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year ended 31 December 2021. In addition, the Board of Directors proposes that a repayment of capital of EUR 0.25 per share be distributed from the invested unrestricted equity fund.

Business review

Honkarakenne's revenue increased by EUR 16.8 million and were 32 per cent higher than in the previous year. The operating profit for the reporting period was EUR 3.7 (3.1) million.

The consolidated financial statements do not include non-recurring adjustment items for 2021. The adjustment items for the comparison year 2020 were EUR 0.3 million, consisting of production reorganisation costs. Adjusted operating profit was EUR 3.7 (3.4) million and adjusted profit before taxes was EUR 3.6 (3.2) million.

The order book was at the highest level in its history and was EUR 52.4 (39.8) million. This is 32 per cent higher than in the corresponding period of the previous year.

Revenue distribution (%)	Jan-Dec 2021	Jan-Dec 2020
Finland	63%	70%
Exports	37%	30%
Total	100%	100%

Revenue (MEUR)	Jan-Dec 2021	Jan-Dec 2020	Change%
Finland	44.1	36.9	19%
Exports	25.6	16.0	60%
Total	69.7	52.9	32%

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

Exports include all other countries except Finland.

In Finland, revenue developed well for the whole year and were 19 per cent higher than in the previous year. Sales growth and demand have continued as especially strong in leisure building construction,

where Honkarakenne has a strong market position. Demand and sales of detached houses developed favourably and according to plan, considering the sales of detached houses through project construction. The new detached house collection launched by Honka has been positively received in the market and demand at the time of the review is at a good level. During the year under review, demand in project construction has increased in particular for housing and regional construction. In care facility, day-care centre and school construction demand remained at last year's good level.

Despite very strong demand, delivery times have almost been normalized and there are currently no significant challenges visible in the availability of raw materials. Increased demand can in future be curbed especially for larger leisure sites, detached houses and project construction due to increased raw material costs.

Honka's collection was updated based on international trends and a market-specific customer understanding. The new detached house models combine the best of single family and leisure housing. Some builders are looking for modern solutions with all the amenities, large landscape windows and a peaceful place to find their own remote workstation. Honka's leisure collection has been supplemented with both year-round detached house holiday homes and smaller holiday homes, mainly for summer use. All house innovations have their own visual orientation with Scandinavian architecture with international influences. The goal is to bring architecturally attractive options with functional uses of space that inspire premium quality and ecological housing.

In exports, revenue developed well and was 60 per cent higher than in the previous year. In the second half of the review period, the availability challenges in the global raw material market were partly reflected in export deliveries and caused delivery times to be somewhat prolonged. In terms of sales, the negative effects of the COVID-19 pandemic continued particularly in Asia, where periodic lockdown measures and restrictions on mobility hampered trade considerably. In the second half of the review period, demand in Europe and, to a certain extent, Asia showed clear signs of recovery. Sales

development in Russia has been particularly positive and demand has increased. Deliveries to larger project sites in Russia and Europe were completed before the end of the year. In general, demand on the export markets has been active despite the pandemic. At the end of the year, the order book for exports was significantly higher than one year earlier.

Financial position, result and key figures

The consolidated financial statements do not include non-recurring adjustment items for 2021. The adjustment items for the comparison year 2020 were EUR 0.3 million, consisting of production reorganisation costs. The operating profit for the full year was EUR 3.7 (3.1; adjusted 3.4) million and profit before taxes was EUR 3.6 (2.9; adjusted 3.2) million.

The Group's full-year result development and profitability were affected by the increase in revenue in Finland and, in terms of exports, especially in Russia. Overall profitability improved from the previous year, but profitability declined significantly towards the end of the year due to higher raw material prices. In addition, disruptions caused by raw material availability problems led to an increase in delivery delays, production and delivery costs.

Key figures	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019
Revenue (net sales). MEUR	69.7	52.9	47.5
Operating profit. MEUR	3.7	3.1	3.4
Adjusted operating profit. MEUR	3.7	3.4	3.4
Profit before taxes. MEUR	3.6	2.9	3.2
Adjusted profit before taxes. MEUR	3.6	3.2	3.2
Average number of employees	178	168	155
Average number of employees in person-years	170	153	139
Undiluted earnings per share. EUR	0.56	0.48	0.40
Diluted earnings per share. EUR	0.56	0.48	0.40
Equity ratio. %	61	56	56
Return on equity. %	21	21	20
Equity per share. EUR	2.88	2.49	2.14
Gearing ratio. %	-51	-23	-15

Honkarakenne reports in accordance with the European Securities and Markets Authority's (ESMA) recommendation on alternative key figures (sometimes also called alternative performance

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

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

Significant events during the financial year

In 2021, the company invested heavily in the introduction of its new log production line and ERP system.

In line with the goals, the Group implemented the brand reform started at the end of the previous year, creating a distinctive and attractive Honka brand that supports the Group's business both in Finland and in exports. The Sustainability Working Group completed Honka's Sustainability Program, which is also a key part of Honkarakenne's renewed strategy.

In December, the Board approved and decided on the company's new strategy, which runs until the end of 2024. The goal of the strategy is to strengthen Honkarakenne Oyj's position as Finland's largest exporter of wooden buildings to the world. With the help of the export-driven strategy, the company seeks revenue growth with a focus on profitability. Profitability targets are based on process efficiency, which at the same time significantly improves the customer and employee experience.

Order book

At the end of December, the Group's order book stood at EUR 52.4 (39.8) million, which is 32% higher than the order book in the corresponding period of the previous year. Order book refers to orders with a delivery date within the next 24 months. Some orders may involve terms and conditions relating to financing or building permits.

Financing and liquidity

At the end of 2021, Honkarakenne's financial position was strong, with the Group's equity ratio being 61% (56%). The gearing was negative at -51% (-23%). The Group's net financial liabilities totalled EUR -8.7 (-3.3) million, i.e. the Group's liquid assets exceeded financial liabilities. Liquid assets amounted to EUR 11.9 (7.0) million. The Group also has an overdraft facility of EUR 3.0 (3.0) million, which was not in use at the end of this financial year or the previous financial year.

Investments

The Group's gross investments in 2021 were EUR 1.3 (4.1) million, excluding right-of-use assets in accordance with IFRS 16 and the investment grant received. Investment grants of EUR 0.8 (0.3) million were received for investments. Investments in production have received support from the European Regional Development Fund (ERDF) and Sustainable Growth and Jobs 2014–2020 –Finland's structural funds programme.

Investments during the review period are mainly focused on the completion of the introduction of the Karstula factory's log line, production transport equipment and the ERP system.

Research and development

In research and development, research and development of log structures suitable for larger buildings in particular continued. One of the goals of Honkarakenne's log product for public and large buildings is to increase the use of wood in construction to promote climate goals. Timber construction is part of the sustainable use of forests.

The Group's research and development expenditure during the financial year were EUR 0.5 (0.2) million, corresponding to 0.7% (0.4) of revenue.

The Group has not capitalised any research and development costs during the financial year.

Major operational risks

The demand for Honkarakenne's products is closely linked to general economic development, exchange rates, consumer confidence in their own economy, and competition in the industry. If demand falls sharply, it may have significant effects on the company's earnings development.

The COVID-19 pandemic continues to cause uncertainty in the company's market areas. The duration and various effects of the uncertainty caused by the pandemic on Honkarakenne's business is difficult to estimate.

Honkarakenne has one major reseller, through which a significant share of the Group's revenue and profit is generated. Uncertainty regarding the export business to Russia is highlighted in the near term due to the recent situation in Ukraine. If the situation escalates, it can have a considerable negative effect on the Group's business, financial position and operating profit.

The deferred tax assets of the statement of financial position on 31 December 2021 includes a EUR 0.5 million item related tax losses. In the Honkarakenne's view, deferred tax assets recorded in the statement of financial position can be utilised using the future estimated taxable income for the following years based on Honkarakenne's business plans. If the result does not develop as expected, it is possible that the tax assets will not be utilised in time and will have to be written down.

Maintaining Honkarakenne's solvency requires good cash flow. For short-term working capital needs, Honkarakenne has a bank account limit of EUR 3.0 million. The limit was not in use in 2021.

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

The environment

Environmental friendliness, a long service life and energy efficiency are the strengths of log house construction. Renewable wood is an ecologically sustainable choice of building material. As it grows, wood binds carbon dioxide, which is stored in the walls of a solid wood house for centuries. At the same time, new forests grow sequestering more carbon dioxide, which slows down climate change. For responsible consumers, selecting wood as building material is a natural way of being mindful of future generations.

Honkarakenne takes account of the environment by carefully utilising the wood raw material, saving energy, recycling waste and using recyclables. In its policy, Honkarakenne commits to sustainable forestry through the Programme for the Endorsement of Forest Certification (PEFC), and it does not purchase timber from protected areas.

The new, stricter energy regulations also require new log products that have been and will continue to be produced through product development. Various efforts are made at the factory to achieve the best outcome for the environment. Investments in research and development enable the introduction of new, environmentally friendly production methods. The ETA certification and the related right to use the CE mark contribute to ensuring that Honkarakenne follows high quality and environmental standards in its operations.

At Honkarakenne, environmental aspects are reflected in effective production activities. Careful utilisation of raw materials, energy saving, utilisation of by-products and recycling of waste for recovery are all part of responsible environmental management. Honkarakenne utilises low-quality sawn timber from production in its packaging, and wooden recyclable packaging materials are labelled in accordance with EU standards. Part of the log ends, second-grade timber and waste wood is converted into wood chips and used in energy production. The cutter chips produced by Honkarakenne are utilised further as bedding in agriculture, and the pieces of log that are surplus from production are processed into wood wool.

Honkarakenne sorts and pre-processes packaging plastic films and plastic-based binding bands. Recycled materials are sent for further processing. Other waste is sorted at the factory by waste type and sent for recycling or storage. Waste transportation contracts have been concluded with regional waste management companies.

The associated company Puulaakson Energia Oy produces all the thermal energy required by the drying plants in the Karstula factory. It also supplies thermal energy to the heating network of the municipality

of Karstula. The power plant uses the by-products from the Karstula factory, such as bark, sawdust and dry chips, as fuel. Honkarakenne's holding in the company is 26%.

Strategy 2022–2024 and sustainability

In December 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 revenue in the new strategy period with a focus on profitability. The profitability targets are driven by process efficiency, while significantly enhancing both the customer and employee experience.

Honkarakenne Group's goal is to become the leader in environmentally friendly and healthy housing in our chosen market areas, with the mission of improving 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 prepared a plan covering all of its key operations. The progress and implementation of the strategy is monitored by the Board of Directors and the Executive Group, including the steering and project groups that operate under its control.

Sustainability is a key part of Honkarakenne's strategy. The 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.

Honkarakenne states that it does not consider long-term goals to be market guidance for any single year of the strategy period.

The Honka brand

A brand reform was launched at the end of 2020, the aim of which was to create a distinctive and attractive Honka brand that supports both business in Finland and abroad.

The basis for the brand reform was Honka's business strategy and values, the results of a segmentation study in key markets and interviews with staff and stakeholders. During the review year, the new brand

was tested in key markets and the brand was introduced in early 2022. 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 forest.

Personnel

At the end of the financial year, the Group had 186 (168; 158) employees, and in 2021, the average number of employees was 178 (168; 155). Measured in person-years, the Group had a total of 170 employees (153, 139) during the year.

At the end of the financial year, the parent company had 181 (162; 151) employees, and the annual average was 173 (162; 149) employees. The number of personnel in the parent company increased in production, design, construction services and project business. In addition, an CHRO and CDO, as well as a Vice President – Operations Finland, were hired at managerial level in the autumn.

Of Honkarakenne Oyj's personnel, 79% (78; 80) worked at the Karstula factory and 21% (22; 20) at other locations. Clerical employees and management accounted for 64% (59; 54) of the parent company's personnel. Women accounted for 22% (22; 19) of the parent company's personnel. At the end of the year, part-time employees accounted for 3% (3; 2) of all employees. Temporary employees accounted for 4% (3; 3).

Expenses arising from the Group's employee benefits totalled EUR 10.1 million in the financial year 2021. In the previous year, they were EUR 9.3 million and in 2019 they were EUR 8.3 million.

The co-operation negotiations related to the reorganisation of production were completed in December 2020. The negotiations ended with the dismissal of 11 people, 4 of whom were rehired in 2021.

Honkarakenne develops the competence of its personnel, particularly through job rotation and various development projects, which provide the personnel with a better overall view of the company's operations so that each employee better understands the impact of their own work on the company's various operations.

Towards the end of the year under review, an occupational well-being survey was carried out. Based on the results (Motivated and healthy personnel) goals selected by the teams that support well-being at work are developed. The occupational well-being survey is carried out annually and the development of results is monitored. In connection with the preparation of the Strategy 2022–2024, personnel were involved in the strategy work through personnel surveys.

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

Board of Directors and senior management

In 2021, the members of Honkarakenne Oyj's Board of Directors were: Arto Halonen (since 16 April 2021), Timo Kohtamäki, Arimo Ristola (member and chairman until 16 April 2021), Maria Ristola (since 16 April 2021), Helena Ruponen (until 16 April 2021), Kari Saarelainen and Kyösti Saarimäki (Chairman since 16 April 2021).

Ernst & Young Oy acted as the auditor, with Elina Laitinen, Authorised Public Accountant, as the principal auditor.

Changes were made to the Executive Group during the review period concerning the CFO and Vice President, Operations Finland. CFO Leena Aalto took up a position with another company on 28 February 2021. Maarit Jylhä was appointed as Vice President, Finance (CFO) and a member of the Executive Group as of 1 June 2021 and Petri Perttula was appointed as Vice President, Operations Finland and a member of the Executive Group as of 1 October 2021.

At the end of 2021, Honkarakenne's Executive Group consisted of; Marko Saarelainen, President and CEO; Juha-Matti Hanhikoski, Vice President, Production; Sanna Huovinen, Vice President, Marketing; Maarit Jylhä, Vice President, Finance (CFO) and Petri Perttula, Vice President, Operations Finland.

Group structure

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

The company's subsidiaries include Honka Management Oy, Alajärven Hirsitalot Oy and Honka-Kodit Oy in Finland; Honka Japan Inc. in Japan; Honka Blockhaus GmbH in Germany and Honkarakenne SARL in France.

Honkarakenne Group's operating companies include the parent company Honkarakenne Oyj (Finland), the subsidiaries Honka Japan Inc. (Japan) and Honka Blockhaus GmbH (Germany) and the associated company Puulaakson Energia Oy (25.9%). In addition, the consolidated financial statements include the subsidiaries Honka Management Oy, Honkarakenne SARL (France), Alajärven Hirsitalot Oy, Honka-Kodit Oy and Pielishonka Oy (39.3%), which has been consolidated as an associated company.

Management incentive schemes

Honkarakenne's Board of Directors decides annually on the management's bonuses. In 2021, the management bonus was three-tiered and tied to the budgeted operating margin. The first-tier bonus for the members of the Executive Group was a supplementary pension payment equivalent to one



month's salary plus 5,000 of Honkarakenne Oyj's Series B shares for the President & CEO. The second-tier bonus consisted of the first-tier bonus and a cash bonus worth one month's salary plus 5,000 of Honkarakenne Oyj's Series B shares for the President & CEO. The scheme's third-tier bonus corresponded to the first and second-tier bonuses, a supplementary pension payment equivalent to one month's salary plus 5,000 of Honkarakenne Oyj's Series B shares for the President & CEO.

The pension scheme is a defined contribution plan.

Honkarakenne does not currently have a valid long-term incentive scheme for management.

Shares and shareholders

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

Shares and votes

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

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

Treasury shares

Honkarakenne did not acquire any of its own shares during the review period. In June, Honkarakenne transferred 10,000 of the company's Series B shares to the company's President & CEO as part of the President & CEO's 2020 bonus. At the end of the review period, the Group held 339,385 of its own Series B shares with an acquisition price of EUR 1,264,758.66. Treasury shares account for 5.46% of all the company's shares and 2.85% of all votes. The acquisition cost has been deducted from shareholders' equity in the consolidated financial statements.

Trading in shares

Honkarakenne's Series B shares are listed on Nasdaq Helsinki Oy's Small Cap list under the trading symbol HONBS. At the balance sheet date, the share price was EUR 7.32. The highest price for the year was EUR 8.48 and the lowest EUR 4.11. At the end of the financial year, market capitalisation was at EUR 43.0 million (the value of Series B shares has been used for unlisted Series A shares). The trading value of B shares was EUR 25.1 million, and the related trading volume was 3.8 million shares.

Key figures per share		2021	2020	2019	
Earnings per share	euro	0.56	0.48	0.40	
Dividend per share *)	euro	0.0	0.0	0.0	
Dividend payout ratio	%	0.0	0.0	0.0	
Effective dividend yield	%	0.0	0.0	0.0	
Equity per share	euro	2.88	2.49	2.14	
P/E ratio		13.0	8.9	10.6	
SHARE PRICE DEVELOPMENT					
Highest share price of the year	euro	8.48	4.43	4.28	
Lowest share price of the year	euro	4.11	2.32	1.98	
Share price at balance sheet date	euro	7.32	4.28	4.20	
Market capitalisation **)	MEUR	43.0	25.1	24.6	
Share turnover	trading value. MEUR	25.1	10.5	5.8	
	trading volume. (1,000 pcs)	3,792	2,918	2,076	
	% of total shares	64.6	49.8	35.5	
ADJUSTED NUMBER OF SHARES					
		at the end of the financial year. (1,000 pcs)	5,877	5,862	5,847
		average during the period. (1,000 pcs)	5,872	5,856	5,847

*) The Board of Directors' proposal for the 2021 financial year.

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

Shareholders

At the end of the financial year, the company had a total of 4,946 shareholders, of which 9 were nominee-registered. The holdings of several investors can be managed through one nominee-registered shareholder

The company's major shareholders on 31 December 2021 by number of shares

Name	Series A	Series B	Total
1 AKR-INVEST OY		1,000,000	1,000,000
2 Saarelainen Oy	127,624	509,190	636,814
3 Saarelainen Marko Tapani	25,470	304,517	329,987
4 Honka Management Oy		286,250	286,250
5 Sijoitusrahasto Nordea Nordic Small Cap		251,457	251,457
6 Keskinäinen Työeläkevakuutusyhtiö Varma			222,812
7 Skandinaviska Enskilda Banken Ab	5,950		174,501
8 Nordea Henkivakuutus Finland Oy Nominee reg.		91,118	91,118
9 Ruuska Pirjo Helena	5,950	78,817	84,767
10 Etola Markus Eeriki		80,000	80,000
11 Saarelainen Erja Anneli	4,480	60,122	64,602
12 Syrjänen Eva Annika Elisabeth		61,850	61,850
13 Ristola Arimo Kalervo	20,000	40,100	60,100
14 Pim Partners Ab		59,600	59,600
15 Ruponen Sonja Helena		54,500	54,500
16 Honkarakenne Oyj		53,135	53,135
17 Localbitcoins Holding Oy		52,631	52,631
18 Savolainen Paul-Petteri		48,807	48,807
19 Nieminen Jorma Juhani		40,000	40,000
20 Saarelainen Mauri Olavi	10,456	29,377	39,833

Name	Series A	Series B	Total
21 Valkila Erkkä Ilpo Eerik		37,000	37,000
22 Saarelainen Paula Sinikka	11,703	24,958	36,661
23 Saarelainen Hanna Miira Maria	6,971	28,029	35,000
24 Saarelainen Sirkka Liisa		31,900	31,900
25 Meissa-Capital Oy		31,863	31,863
26 Iivanainen Rauno Henrik		29,000	29,000
27 Privatum Oy		29,000	29,000
28 Paakki Petri Olavi		28,850	28,850
29 Tugent Oy		27,619	27,619
30 Karhulahti Veikko Kalevi		25,568	25,568

Foreign and nominee-registered shares on 31 December 2021

	Shareholders	Number of shares	% of all shares	Votes	% of all the votes
Total foreign	18	6,963	0.11	46,033	0.39
Total nominee-registered (foreign)	6	17,683	0.28	17,683	0.15
Total nominee-registered (Finland)	4	71,922	1.16	71,922	0.60
Total	28	96,568	1.55	135,638	1.14

Number of shares issued	6,211,419	100.0	11,913,243	100.0
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Distribution of share capital by size category on 31 December 2021

	Number of shareholders	% of all shareholders	Number of shares	% of all shares
1–100	2,465	49.8	101,104	1.6
101–500	1,633	33.0	405,794	6.5
501–1 000	437	8.8	342,494	5.5
1 001–5 000	325	6.6	723,147	11.6
5 001–10 000	31	0.6	227,084	3.7
10 001–50 000	38	0.8	835,631	13.5
50 001–100 000	10	0.2	662,303	10.7
100 001–500 000	5	0.1	1,265,007	20.4
over 500 001	2	0.0	1,618,290	26.1
Total	4,946	100.0	6,180,854	99.5
Of which nominee-registered	9		220,951	3.6
Waiting list	3		27,124	0.4
Joint account			3,441	0.1
Number of shares issued		100.0	6,211,419	100.0

Shareholders by sector on 31 December 2021

	Number of shareholders	% of all shareholders	Number of shares	% of all shares
Companies	140	2.8	2,325,659	37.4
Financial and insurance institutions	11	0.2	551,995	8.9
Public entities	1	0.0	222,812	3.6
Households	4,771	96.4	3,025,449	48.7
Non-profit organisations	8	0.2	20,306	0.3
Foreign ownership	18	0.4	34,633	0.6
Grand total	4,949	100.0	6,180,854	99.5
Of which nominee-registered	9	0.3	220,951	3.6
Waiting list	1		27,124	0.4
Joint account			3,441	0.1
Number of shares issued		100.0	6,211,419	100.0

Shareholding of the Board of Directors and the President & CEO on 31 December 2021

	Series A	Series B	Total	% of all shares	Votes	% of votes
Board's shareholding	5,950	26,118	32,068	0.52	145,118	1.22
President & CEO's shareholding *)	25,470	305,517	363,000	5.84	846,930	6.84
Total	31,420	331,635	362,055	5.84	959,035	8.06

*) incl. shareholdings of an underage child

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

Flagging notifications

During the financial year 2021, Honkarakenne received a notification pursuant to Chapter 9, Section 5 of the Securities Markets Act, according to which the number of votes of Honkarakenne Oyj shares owned by Saarelainen Oy had increased to 25.75 per cent on 26 March 2021.

Management transactions

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

Board authorisations

On 16 April 2021, the Annual General Meeting decided, that the company's Board of Directors is authorised to repurchase a maximum of 400,000 of the company's own B-shares with the company's unrestricted equity.

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

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

Both authorisations will remain in force until the next Annual General Meeting but expire on 30 June 2022 at the latest.

Redemption clause

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

Shareholders' agreement

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

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

Saarelainen Oy or a buyer appointed by Saarelainen Oy with a right of first refusal.

In addition to Saarelainen Oy, the agreement covers the following shareholders: Saarelainen Sinikka, Saarelainen Erja, Saarelainen Mauri, Ruuska Pirjo, Saarelainen Anita, Saarelainen Kari, Saarelainen Paula, Ruponen Helena, Saarelainen Jukka, Saarelainen Sari and Saarelainen Jari. The parties to the agreement, including their underage children, have a combined holding of 150,903 A-shares and 794,394 B-shares. The holding of all shares is 15.22%, and the share of all votes is 32.00%.

Related party transactions

The Group's related parties consist of subsidiaries and associated companies; the company's management and the companies in which they exercise influence, as well as the persons covered by the Saarelainen shareholders' agreement and the companies controlled by them. The management personnel considered to be related parties comprise the Board of Directors, President & CEO, and the company's Executive Group. The pricing of goods and services in transactions with related parties is based on market-based pricing.

During the financial year, ordinary transactions were made with related parties as follows: goods and services were sold to related parties for EUR 0.3 (0.2) million, and goods and services were purchased from related parties for EUR 0.5 (0.4) million. The financial statements include EUR 0.1 (0.0) million in liabilities to related parties and EUR 0.1 (0.1) million in receivables from related parties. No credit losses have been recognised on receivables from related parties in 2021 or 2020.

Corporate governance

In 2021, Honkarakenne Oyj complied with the Finnish Limited Liability Companies Act and the Securities Market Association's Corporate Governance Code 2020 for Finnish listed companies. The Corporate Governance Statement for the financial period Jan-Dec 2021 is provided separate from this Board of Directors' Report.

Outlook for 2022

According to Honkarakenne, revenue and profit before taxes will remain at the previous year's level in 2022.

Basis for the outlook

The company's view of developments in 2022 is based on the existing order book and the view of market recovery, the price development of raw materials and components, as well as the measures decided in the company in connection with the strategy work.

Events after the financial year

No significant events.

Board's proposal for the allocation of profits

The parent company has no distributable funds, but the parent company's distributable equity is EUR 6.2 million. The parent company's profit for the financial year is EUR 3.1 million.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year ended 31 December 2021. In addition, the Board of Directors proposes that a repayment of capital of EUR 0.25 per share be distributed from the invested unrestricted equity fund.

2022 Annual General Meeting

Honkarakenne Oyj's Annual General Meeting will be held on Friday 13 April 2022 at 2pm in Tuusula, Finland.

Tuusula, 15 February 2022

BOARD OF DIRECTORS

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

Consolidated statement of *comprehensive income* (IFRS)

TEUR	NOTE	Jan-Dec 2021	Jan-Dec 2020
Revenue	1, 2	69,652	52,896
Other operating income	3	545	484
Change in inventories of finished goods and work in progress		1,971	113
Materials and services		-51,257	-34,647
Employee benefits expenses	4	-10,096	-9,281
Depreciation	6	-2,300	-1,757
Other operating expenses	7	-4,809	-4,741
Operating profit/loss		3,705	3,067
Financial income	8	47	117
Financial expenses	8	-256	-325
Share of profit of associated companies		104	48
Profit/loss before taxes		3,600	2,906
Income taxes	9	-297	-93
Net profit/loss for the financial year		3,303	2,814
Other comprehensive income that may be subsequently transferred to profit or loss:			
Translation differences related to foreign subsidiaries		-21	-54
Comprehensive income for the financial year in total		3,282	2,760
DISTRIBUTION OF THE RESULT FOR THE FINANCIAL YEAR			
To the owners of the parent company		3,303	2,814
To non-controlling interests		-	-
		3,303	2,814
DISTRIBUTION OF COMPREHENSIVE INCOME			
To the owners of the parent company		3,282	2,760
To non-controlling interests		-	-
		3,282	2,760
Earnings per share calculated from the profit/loss attributable to owners of the parent company:	10		
basic earnings per share (EUR)		0.56	0.48
diluted earnings per share (EUR)		0.56	0.48

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

Consolidated statement of *financial position* (IFRS)

Assets				Equity and liabilities			
TEUR	NOTE	31.12.2021	31.12.2020	TEUR	NOTE	31.12.2021	31.12.2020
NON-CURRENT ASSETS				EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Property, plant and equipment	11	12,184	13,674	Share capital	20	9,898	9,898
Goodwill	12	72	72	Share premium account	20	520	520
Other intangible assets	12	500	478	Invested unrestricted equity fund	20	6,275	7,331
Investments in associated companies	13	425	334	Own shares	20	-1,265	-1,309
Other financial assets		-	-4	Translation differences	20	89	111
Receivables	15, 25	87	59	Retained earnings		1,381	-1,927
Deferred tax assets	16	1,483	1,684	Total equity		16,899	14,623
Total non-current assets		14,751	16,297	Non-controlling interests		-	-
CURRENT ASSETS				Total equity		16,899	14,623
Inventories	17	6,517	4,552	NON-CURRENT LIABILITIES			
Trade and other receivables	18	5,072	4,333	Deferred tax liabilities	16	157	152
Income tax assets	18	347	401	Provisions	22	484	260
Other financial assets	14	5,000	-	Financial liabilities	21, 25	2,552	2,962
Cash and cash equivalents	19	6,935	7,049	Total non-current liabilities		3,193	3,374
Total current assets		23,871	16,334	CURRENT LIABILITIES			
TOTAL ASSETS		38,622	32,630	Trade and other liabilities	23	17,687	13,492
				Current tax liabilities	23	64	-
				Provisions	22	57	386
				Current financial liabilities	21, 25	723	756
				Total current liabilities		18,530	14,634
				Total liabilities		21,723	18,008
				TOTAL EQUITY AND LIABILITIES		38,622	32,630

Consolidated statement of *cash flows* (IFRS)

TEUR	NOTE	Jan-Dec 2021	Jan-Dec 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/loss for the financial year		3,303	2,814
Adjustments			
Transactions not involving a payment transaction	28	2,092	1,980
Financial income and expenses	8	208	209
Other adjustments		-7	27
Taxes	9	297	93
Changes in working capital			
Change in trade and other receivables		-741	-2,207
Change in inventories		-1,965	-110
Change in trade and other liabilities		4,114	3,869
Other working capital adjustments		46	78
Interest paid		-109	-164
Interest received		24	3
Dividends received from operations		1	0
Other financial expenses		-86	-52
Other financial income		5	54
Taxes paid		26	-621
Net cash flow from operating activities		7,210	5,973

TEUR	NOTE	Jan-Dec 2021	Jan-Dec 2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment		-974	-3,782
Grants received for tangible assets		823	348
Investments in intangible assets		-282	-300
Sale of property, plant and equipment		12	36
Dividends received on investments		13	-
Net cash flow from investing activities		-408	-3,697
CASH FLOWS FROM FINANCING ACTIVITIES			
Withdrawals of long-term loans	21	-	-
Repayments of long-term loans	21	-400	-1,343
Acquisition of non-controlling interest		-	-
Payments of lease liabilities	21	-361	-373
Repayment of capital		-1,055	-703
Short-term securities investments	14	-5,000	-
Net cash flow from financing activities		-6,816	-2,419
Change in cash and cash equivalents		-15	-144
Impact of exchange rate changes on cash and cash equivalents		-98	139
Cash and cash equivalents at the beginning of the financial year	19	7,049	7,053
Cash and cash equivalents at the end of the financial year	19	6,935	7,049

Statement of changes in consolidated equity (IFRS)

TEUR	NOTE	Equity attributable to owners of the parent							Non-controlling interests	Total equity
		Share capital	Share premium account	Invested unrestricted equity fund	Treasury shares	Translation differences	Retained earnings	Total		
Equity on 1 January 2020		9,898	520	8,034	-1,382	164	-4,696	12,539	-	12,539
COMPREHENSIVE INCOME										
Income for the financial year		-	-	-	-	-	2,814	2,814	-	2,814
Other comprehensive income items										
Translation difference		-	-	-	-	-54	-	-54	-	-54
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR TOTAL										
		-	-	-	-	-54	2,814	2,760	-	2,760
Transactions with the owners										
Repayment of capital		-	-	-703	-	-	-	-703	-	-703
Effect of share awards		-	-	-	72	-	-45	28	-	28
Transactions with the owners in total										
		-	-	-703	72	-	-45	-676	-	-676
Equity on 31 December 2020										
		9,898	520	7,331	-1,309	111	-1,927	14,623	-	14,623
Equity on 1 January 2021		9,898	520	7,331	-1,309	111	-1,927	14,623	-	14,623
COMPREHENSIVE INCOME										
Income for the financial year		-	-	-	-	-	3,303	3,303	-	3,303
Other comprehensive income items										
Translation difference		-	-	-	-	-21	-	-21	-	-21
COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR TOTAL										
		-	-	-	-	-21	3,303	3,282	-	3,282
Transactions with the owners										
Repayment of capital		-	-	-1,055	-	-	-	-1,055	-	-1,055
Effect of share awards		-	-	-	45	-	5	50	-	50
Transactions with the owners in total										
		-	-	-1,055	45	-	5	-1,006	-	-1,006
Equity on 31 December 2021										
		9,898	520	6,275	-1,265	89	1,381	16,899	-	16,899

Accounting principles for consolidated financial statements (IFRS)

Basic information about the Group

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

A copy of the consolidated financial statements is available at www.honka.com or Honkarakenne Oyj's head office at the address above. At its meeting on 15 February 2022, Honkarakenne Oyj's Board of Directors approved the consolidated financial statements for issue. According to the Finnish Limited Liability Companies Act, shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after the issue.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as well as the AS/IFRS standards and SIC and IFRIC interpretations in force on 31 December 2021. International Financial Reporting Standards refer to the standards and interpretations adopted for application in the EU in accordance with the procedure laid down in the Finnish Accounting Act and the regulations issued on the basis thereof in EU Regulation (EC) No. 1606/2002. The notes to the consolidated financial statements also comply with the requirements of Finnish accounting and

community legislation supplementing the IFRS. The notes form an integral part of the financial statements.

The auditor has not certified or audited the 2021 ESEF financial statements prepared in accordance with the European Commission's technical regulatory standard to be published in accordance with Chapter 7, Section 5 of the Securities Markets Act.

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

Accounting principles for consolidated financial statements

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

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

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

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

Associated companies are companies in which the Group has significant influence, but no full or shared control. Typically, it is

considered significant influence when the Group has 20% or more of the company's voting rights but no control over it.

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

Segment reporting

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

Estimates

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

The most significant estimates are related to:

- customer contracts
- the usability of deferred tax assets
- estimation of income tax amounts
- valuation of inventories

- valuation of trade receivables and recognition of uncertain trade receivables
- the useful lives of intangible and tangible non-current assets
- the recoverable amount of intangible and tangible non-current assets
- estimates and assumptions made in goodwill impairment testing
- assessment of the probability and amount of provisions
- presentation of contingent assets and liabilities.

Foreign currency items

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

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

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

in equity, the change in which is presented in other comprehensive income items.

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

Revenue from customer contracts

Revenue

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

Goods and services for sale

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

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



Income from goods for sale

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

Income from services for sale

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

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

If it is not, for some reason, possible to determine the degree of fulfilment and the expenses are expected to be covered, sales income is only recognised to the extent to which expenses have incurred. If it is probable that the total cost of completing the item will exceed the transaction price obtained for the project, the predicted loss is recognised as an expense under provisions. If, at the

time of reporting, the amount invoiced for the contract is lower than the sales income recognised on the basis of the project's degree of fulfilment, the difference is presented as a contractual adjustment item under Trade and other receivables in the statement of financial position. If, at the time of reporting, the amount invoiced for the contract is higher than the sales income recognised on the basis of the project's degree of fulfilment, the difference is presented as a contractual liability under current liabilities in the Advances received section of the statement of financial position.

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

Other operating income

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

Employee benefits

Pensions

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

Share-based payments

The Group applies IFRS 2 Share-Based Payments to all share-based payment transactions. Arrangements payable as equity instruments are measured at fair value at the time they are granted and recognised as an expense in the statement of comprehensive income on a straight-line basis at the time the right is created. Arrangements paid in cash are measured at fair value in each

financial statement, and changes in the fair value of the liability are recognised in the statement of comprehensive income. The effect of the arrangement on profit or loss is presented in the statement of comprehensive income under employee benefit expenses.

Termination benefits

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

Leases

Lease liability

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

Lease payments are discounted at the interest rate implicit in the lease if that rate is readily determinable. If the interest rate implicit in the lease is not readily determinable, the incremental

borrowing rate may be used instead. According to the standard, the incremental borrowing rate is defined as the interest rate that a lessee would pay to borrow, for a similar period and with similar security, the funds required for obtaining an asset whose value equals the acquisition cost of the right-of-use asset in a similar economic environment.

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

Right-of-use asset

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

Low-value assets and short-term leases

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

Honkarakenne does not recognise leases of less than 12 months, i.e. short-term leases according to IFRS 16, in the statement of financial position. Honkarakenne recognises these leases on a time

proportion basis as lease expenses in the statement of comprehensive income. When determining whether the lease meets the criteria for a short-term lease, Honkarakenne assesses the length of the contract in the same way as with other contracts, i.e. taking into account possible extension and termination options and whether their exercise is reasonably certain. If the lease includes a purchase option, Honkarakenne does not consider it to be a short-term lease.

Significant assumptions

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

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

Operating profit

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

Interest

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

Income taxes and deferred taxes

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

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

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

subsidiaries if the tax payment can be considered to be realised in the foreseeable future.

Government grants

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

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

Tangible assets

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

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

The estimated useful lives of property, plant and equipment:

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

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

Intangible assets

Goodwill

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

Research and development expenditure

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

Other intangible assets

An intangible asset is initially recognised in the statement of financial position at acquisition cost when the acquisition cost can be determined reliably, and it is expected that the intangible asset will generate economic benefits for the Group. The acquisition cost of an intangible asset comprises its purchase price and all costs

directly attributable to bringing the asset to its working condition for its intended use. Intangible assets with a known or estimated limited useful life are depreciated on a straight-line basis over their useful lives as an expense in the statement of comprehensive income. Depreciation begins when the asset is ready for use. No expenses are recognised for intangible assets with an indefinite useful life, instead they are tested for impairment annually or when necessary. The Group does not currently have any intangible assets with an indefinite useful life.

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

The estimated useful lives of intangible assets:

- IT systems and software 3–5 years
- Other Intangible assets 5–10 years.

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

Impairment of tangible and intangible assets

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

In determining the value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect the time value of money and the specific risks associated with the

asset. If it is not possible to calculate recoverable future cash flows for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Inventories

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

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

Financial assets and financial liabilities

Financial assets

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

Financial assets at fair value through profit or loss

In the Group, financial assets at fair value through profit or loss include all derivative contracts that do not qualify for hedge accounting. Such derivative contracts include the Group's currency, interest and commodity derivatives. Derivatives are recognised at fair value based on quoted market prices and generally accepted valuation models. Changes in fair value are recognised in accordance with the purpose of the derivative, either under financial items or other operating income and expenses. Honkarakenne has not applied hedge accounting and has not made a decision to start hedge accounting in accordance with IFRS 9. In 2021, the Group has not had any valid derivative contracts.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-derivative financial assets that are held for the collection of contractual cash flows and sale of financial assets and whose cash flows are comprised solely of capital and interest payments. This could include the Group's short-term financial market

investments. Changes in fair value are recognised in other comprehensive income, except for impairment losses and interest income and exchange differences recognised using the effective interest method, which are recognised as financial items through profit or loss.

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

At the balance sheet date, the Group had EUR 5 million of financial assets at fair value through other comprehensive income.

Financial assets valued at amortised cost

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

Cash and cash equivalents

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

Impairment of financial assets

The impairment model for financial assets is based on expected credit losses, which take account of the customer's credit risk. The simplified procedure for expected credit losses is applied to trade receivables and assets based on customer contracts in accordance

with IFRS 15, and receivables are classified according to their maturity date and the estimated impairment is assessed by category.

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

Financial liabilities

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

In the Group, financial liabilities at fair value through profit or loss include all derivative contracts that do not qualify for hedge accounting. Honkarakenne has not applied hedge accounting and has not made a decision to start hedge accounting in accordance with IFRS 9. In 2021, the Group has not had any valid derivative contracts.

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

Treasury shares

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

treasury shares are resold or reissued, the consideration received is recognised in equity.

Provisions

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

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

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

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

Dividends

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

Earnings per share

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

Assets held for sale and discontinued operations

Assets held for sale

The Group classifies non-current assets (or disposal groups) and assets and liabilities related to discontinued operations as held for sale if their carrying amounts will mainly be recovered through the sale of the assets instead of continuing use. Assets (or disposal groups) are considered to meet the criteria for being held for sale when the sale is highly probable and the asset (or disposal group) is immediately available for sale in its present condition on general and customary terms, with management committing to the sale,

active marketing commenced, and the sale expected to be made within one year of the classification.

The assets in question or the assets and liabilities of the disposal groups are valued as held for sale immediately before the classification in accordance with the applicable IFRS standards. From the date of classification, the assets (or disposal groups) held for sale are recognised at the carrying amount or their fair value less costs to sell, whichever is lower. Depreciation on these assets ceases at the time of classification.

Assets and liabilities in disposal groups that do not fall within the scope of the IFRS 5 standard are measured in accordance with the relevant IFRS standards even after the date of classification. Assets held for sale and liabilities included in the disposal group are presented in the statement of financial position separately from other items.

The Group does not currently have any assets classified as held for sale.

Discontinued operations

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

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

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

included in the disposal group, are presented in the statement of financial position separately from other items.

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

Application of new and amended IFRS standards and IFRIC interpretations

As of 1 January 2021, the Honkarakenne Group has applied the following new standards and amendments to standards:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the reference interest rate reform (Step 2), which clarifies the information to be provided on the impact and management of the reform. The changes have not had a significant effect on the consolidated financial statements.
- Other amendments to the standards that became effective on 1 January 2021 had no effect on the reported figures.

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

In 2022 and thereafter, the Group will adopt the following new and revised standards and interpretations issued by the IASB. The changes are not expected to have a significant impact on the Group's reporting.

Applicable for financial years beginning on or after 1 January 2022:

- Annual Improvements to IFRS standards 2018–2020: IFRS 9 Financial Instruments. The amendment clarifies that in assessing whether a change in a financial liability results in a change in an existing debt instrument or the recognition of a new debt instrument, the entity should test the present value of cash flows before and after the change, including fees paid and received between the lender and the borrower. According to the

Group's estimate, the amendment does not have a significant impact on the consolidated financial statements.

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify the costs that an entity must consider when assessing the onerous nature of a contract. The amendments are intended to clarify and assist with the uniform application of the standard, and they utilise a direct cost approach. Costs that are directly related to a contract on the provision of goods or services include both incremental costs and allocated costs that are directly related to contract activity. The determination of costs directly related to contract activity requires judgment. According to the Group's estimate, the amendment does not have a significant impact on the consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit entities from deducting any profits for assets sold from the acquisition costs of a tangible right-of-use asset generated at the time when the asset has been provided with a location and condition that enable it to function in the manner intended by the management. The sales income and manufacturing costs of such assets are recognised in the income statement. According to the Group's estimate, the amendment does not have a significant impact on the consolidated financial statements.

Applicable for financial years beginning on or after 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements. The amendments clarify the classification of liabilities as either current or non-current according to the rights at the end of the reporting period. The company's expectations or events after the balance sheet date have no effect on the classification. According to the Group's estimate, the amendment does not have a significant impact on the consolidated financial statements.
- Amendments to IAS 1 Classification of Liabilities as Current and Non-current. The amendment specifies how liabilities should be classified as current or non-current when the company has

the right to defer payment of the debt for at least 12 months. Under the amendment, a liability that falls due within 12 months of the reporting date is presented as non-current if the entity has the right to continue the liability for at least 12 months after the reporting date. In this case, the liability is presented as non-current at the reporting date, regardless of the probability or the intention of management to repay the liability within the next 12 months. According to the Group's estimate, the amendment does not have a significant impact on the consolidated financial statements.

- Amendments to IAS 12 Income Taxes: Deferred Taxes on Assets and Liabilities Arising from a Single Transaction. The amendment clarifies how deferred taxes are recognized in an individual transaction, such as a lease.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS 2: Presentation of Accounting Policies. The amendment clarifies in which situations the change in accounting policy is material and should be presented.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The amendment clarifies the definition and application of accounting estimates.



Notes to the consolidated financial statements (IFRS)

1. Segments

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

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

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

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

Exports include all other countries except Finland.

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

Honkarakenne Group's external revenue accrue from a wide customer base. Income from significant individual customers in accordance with IFRS 8 totalled EUR 14.2 million in 2021 and EUR 7.6 million in 2020.

Geographical breakdown

Distribution of revenue (%)	2021	2020	
Finland	63%	70%	
Exports	37%	30%	
Total	100%	100%	
Revenue (TEUR)	2021	2020	% change
Finland	44,091	36,900	19%
Exports	25,561	15,996	60%
Total	69,652	52,896	32%
Non-current assets (TEUR)	2021	2020	
Finland	12,459	14,086	
Exports	809	526	
Total	13,268	14,613	

2. Revenue from contracts with customers

Jan-Dec 2021

Date of revenue recognition (TEUR)	Finland	Exports	Total
Specific date	42,733	25,561	68,294
Over time	1,358	-	1,358
Total	44,091	25,561	69,652

Jan-Dec 2020

Date of revenue recognition (TEUR)	Finland	Exports	Total
Specific date	35,207	15,996	51,203
Over time	1,693	-	1,693
Total	36,900	15,996	52,896

Assets and liabilities based on contract

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

Received prepayments are recognised as revenue as the item's rate of completion increases and latest when the item is completed. The completion time of the items depends on their extent.

Assets based on customer contracts

TEUR	2021	2020
Trade receivables	2,436	2,824
Receivables from customer contracts where the fulfillment rate exceeds the prepayments received	377	215
Total	2,813	3,039

Liabilities based on customer contracts

TEUR	2021	2020
Advance payments received in excess of contract performance	125	228
Total	125	228

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

TEUR	2021	2020
Recognised sales income based on liabilities included in contracts at the beginning of the period	228	572

Assets and liabilities in sales contracts

Assets in sales contracts

TEUR	2021	2020
Total of items to be recognised over time but not yet transferred	4,118	2,761
Receivables from customer contracts where the fulfillment rate exceeds the prepayments received	377	215
Sales expenses	1,709	1,123
Total	5,451	3,669

Liabilities in sales contracts

TEUR	2021	2020
Advance payments received for items recognised as income over time (gross)	3,866	2,774
Receivables from items recognised as income over time offset against advance payments received	3,742	2,546
Total	125	228

Advances received

TEUR	2021	2020
Advance payments received for items recognised as income over time (net)	125	215
Other advances received	10,657	6,406
Total	10,781	6,620

Transaction price allocated to remaining payment obligations in customer contracts

TEUR	Within one year	Within two years
	90%	10%
Total amount of transaction price allocated to long-term customer-project contracts that have been entirely and partly unfulfilled	1,556	173

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

3. Other operating income

TEUR	2021	2020
Rental income	26	28
Capital gains on property, plant and equipment	12	36
Compensation from representatives	212	236
Usage fees received	24	12
Marketing cooperation	-	31
Annual compensation	39	17
Received remuneration for work	35	34
Sale of timber	87	48
Grants received	55	-
Other operating income	55	42
Total	544	484

4. Employee benefit expenses

TEUR	2021	2020
Wages and salaries	8,086	7,917
Share-based payments	50	28
Pension contributions, defined contribution plans	1,543	1,059
Other personnel expenses	418	277
Total	10,096	9,281

Average number of employees in the Group in person-years	2021	2020
White-collar employees	109	93
Blue-collar employees	62	60
Total	170	153

Average number of employees in the Group	2021	2020
White-collar employees	112	97
Blue-collar employees	66	71
Total	178	168

5. Research and development expenditure

Research and development expenses totaled EUR 471 thousand in 2021 (EUR 235 thousand in 2020).

6. Depreciation and impairment

Depreciation (TEUR)	2021	2020
INTANGIBLE ASSETS		
Intangible rights	274	134
Total	274	134
PROPERTY, PLANT AND EQUIPMENT		
Buildings and structures	401	431
Buildings and structures, right of use	344	352
Machinery and equipment	1,233	774
Machinery and equipment, right of use	30	37
Other tangible assets	18	30
Total	2,026	1,623
Total depreciation and impairment	2,300	1,757

7. Other operating expenses

TEUR	2021	2020
Voluntary personnel expenses	162	257
Lease payments	157	133
Credit losses *)	-159	134
Sales and marketing expenses	1,897	1,728
Expert services	591	429
Premises costs	450	385
IT expenses	738	705
Insurance	103	105
Other operating expenses	865	829
Total	4,804	4,706

*) The Group's impairment loss was reversed by EUR 203 thousand in 2021

Auditor's fees (TEUR)	2021	2020
Tax advice	69	68
Other services	8	-
Total	77	68

8. Financial income and expenses

Financial income (TEUR)	2021	2020
CHANGE IN VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Other interest and financial income	25	3
Total	25	3

Financial expenses (TEUR)	2021	2020
Interest expenses on financial loans recognised at amortised cost	107	161

CHANGE IN VALUE OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Other financial expenses	11	10
Total	118	171

Exchange differences recognised in financial items in the statement of comprehensive income (TEUR)	2021	2020
Exchange gains	23	114
Exchange losses	-137	-154
Total	-115	-41
Total financial income and expenses	-208	-209

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

9. Income taxes

TEUR	2021	2020
Tax based on taxable income for the financial year	-89	-108
Taxes in previous financial years	-1	-5
Deferred taxes:		
Origination and reversal of temporary differences	-206	21
Total	-297	-93

Reconciliation of effective tax rate

TEUR	2021	2020
Profit before taxes	3,600	2,906
Deferred tax at the parent company's tax rate	-720	-581
Effect of different tax rates in foreign subsidiaries	-14	-44
Tax-free income	14	109
Non-deductible expenses	-6	-2
Use of unused tax depreciation	424	433
Share of results in associated companies, tax effect	21	-10
Taxes for previous financial years	-1	-
Other items	-15	2
Taxes in the statement of comprehensive income	-297	-93

In 2021, the parent company's tax rate was 20% (20% in 2020).

10. Earnings per share

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

TEUR	2021	2020
Profit/loss for the financial year	3,303	2,814
Minority interest	-	-
Profit/loss for the financial year attributable to the parent company's owners	3,303	2,814

Average number of shares (1,000 pcs)	5,872	5,856
Diluted average number of shares (1,000 pcs)	5,872	5,856
Undiluted earnings per share (EPS), EUR	0.56	0.48
Diluted earnings per share (EPS), EUR	0.56	0.48

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



11. Tangible assets

Tangible assets 2021

TEUR	Land and water	Buildings and structures	Buildings and structures, right of use	Machinery and equipment	Machinery and equipment, right of use	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition cost 1 Jan	901	16,463	2,300	28,550	69	2,676	12	50,972
Translation differences (+/-)	-	-0	-	-5	-	-	-	-5
Increase	7	67	321	82	55	-	62	594
Reclassifications	-	42	-	32	-	-	-74	-
Decrease	-	-	-54	-40	-	-	-	-94
Acquisition cost 31 Dec	908	16,572	2,568	28,619	124	2,676	-	51,466
Accumulated depreciation 1 Jan	-	-12,702	-641	-21,307	-46	-2,602	-	-37,298
Translation differences (+/-)	-	0	-	2	-	-	-	2
Accumulated depreciation on deductions and transfers	-	-	-	40	-	-	-	40
Depreciation for the financial year	-	-401	-344	-1 233	-30	-18	-	-2,026
Accumulated depreciation 31 Dec	-	-13,103	-985	-22,499	-76	-2,621	-	-39,282
Carrying amount 31 Dec	908	3,469	1,583	6,120	48	56	-	12,184

A received development grant of EUR 823 thousand has been offset to the additions to the acquisition cost of machinery and equipment. The recoverable amount is determined at fair value less the cost of selling, and it is based on the management's estimate.

Leases in the statement of comprehensive income

TEUR	2021
Depreciation of leased assets	-374
Interest expense on leases	-40
Expenses related to short-term and low-value leases	-157
Total in the statement of comprehensive income	-570

Tangible assets 2020

TEUR	Land and water	Buildings and structures	Buildings and structures, right of use	Machinery and equipment	Machinery and equipment, right of use	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition cost 1 Jan	865	16,007	2,196	24,760	83	2,636	973	47,519
Translation differences (+/-)	-	-6	-	-3	-	-	-	-9
Increase	36	491	308	2,859	18	40	3,419	7,171
Reclassifications	-	19	-	954	-	-	-973	-
Decrease	-	-48	-203	-20	-32	-	-3,407	-3,710
Acquisition cost 31 Dec	901	16,463	2,300	28,550	69	2,676	12	50,972
Accumulated depreciation 1 Jan	-	-12,303	-407	-20,555	-41	-2,572	-	-35,878
Translation differences (+/-)	-	4	-	3	-	-	-	7
Accumulated depreciation on deductions and transfers	-	27	118	20	32	-	-	196
Depreciation for the financial year	-	-431	-352	-774	-37	-30	-	-1,623
Accumulated depreciation 31 Dec	-	-12,702	-641	-21,307	-46	-2,602	-	-37,298
Carrying amount 31 Dec	901	3,761	1,659	7,243	23	74	12	13,674

A received investment grant of EUR 348 thousand has been offset to the additions to the acquisition cost of machinery and equipment. The recoverable amount is determined at fair value less the cost of selling, and it is based on the management's estimate.

12. Goodwill and intangible assets

Goodwill and intangible assets 2021

TEUR	Goodwill	Intangible assets	Other intangible assets	Advance payments on intangible assets	Total
Acquisition cost 1 Jan	72	5,733	2,110	-	7,915
Translation differences (+/-)	-	-	-4	-	-4
Increase	-	297	-	-	297
Decrease	-	-180	-	-	-180
Transfers between items	-	-	-	-	-
Acquisition cost 31 Dec	72	5,850	2,106	-	8,028
Accumulated depreciation 1 Jan	-	-5,271	-2,095	-	-7,365
Translation differences (+/-)	-	-	4	-	4
Accumulated amortisation on deductions	-	72	-	-	72
Amortisation for the financial year	-	-162	-4	-	-166
Accumulated depreciation 31 Dec	-	-5,361	-2,095	-	-7,456
Carrying amount 31 Dec	72	489	11	-	572

Goodwill and Intangible assets 2020

TEUR	Goodwill	Intangible assets	Other intangible assets	Advance payments on intangible assets	Total
Acquisition cost 1 Jan	72	5,302	2,111	131	7,617
Translation differences (+/-)	-	-	-1	-	-1
Increase	-	300	-	-	300
Decrease	-	-	-	-	-
Transfers between items	-	131	-	-131	-
Acquisition cost 31 Dec	72	5,733	2,110	-	7,915
Accumulated depreciation 1 Jan	-	-5,141	-2,091	-	-7,232
Translation differences (+/-)	-	-	0	-	0
Accumulated amortisation on deductions	-	-	-	-	-
Amortisation for the financial year	-	-130	-4	-	-134
Accumulated depreciation 31 Dec	-	-5,271	-2,095	-	-7,365
Carrying amount 31 Dec	72	462	15	-	550

In accordance with IAS 36, consolidated goodwill is not amortised. Instead, it is tested annually for impairment. Goodwill is allocated to the 10% share in Honka Blockhaus GmbH acquired by Honkarakenne Oyj in 2003. No impairment losses have been recognised on goodwill in 2006–2021.

Goodwill impairment testing

TEUR	2021	2020
Honka Blockhaus	72	72

The calculated cash flow forecasts are based on strategies prepared and approved by management that cover a period of five years. The discount rate used in the testing is 6.6% (8.3% in 2020), and its sensitivity in relation to the calculations has been tested with different ranges. The calculation of discounted cash flows requires forecasts and assumptions concerning factors such as market growth, prices and volume development.

	Honka Blockhaus	Honka Blockhaus
Projection parameters used	2021	2020
Discount rate (pre-tax WACC)	6.6%	8.3%
Terminal growth	2%	2%
Fixed operating expenses, average annual growth	2%	2%

13. Associated companies

Investments in associated companies

TEUR	2021	2020
At the beginning of the financial year	334	286
Share of result for the financial year	104	48
Decrease	-13	-
At the end of the financial year	425	334

Associated companies

TEUR	2021	2020
PUULAAKSON ENERGIA OY, KARSTULA		
Holding (%)	25.9%	25.9%
Assets	2,782	2,392
Liabilities	1,069	1,074
Revenue	1,764	1,340
Profit/loss	400	184

PIELISHONKA OY, LIEKSA		
Holding (%)	39.3%	39.3%

14. Other financial assets

TEUR	2021	2020
Other securities: financial securities	5,000	-
Total	5,000	-

The market amount and carrying amount of other financial securities do not differ. Rahoitusvarojen Classification of financial assets and liabilities by measurement category is presented in Note 25.

15. Non-current receivables

Non-current receivables 2021

TEUR	Non-current loan receivables	Other non-current receivables	Total
Acquisition cost 1 Jan	112	27	139
Translation differences (+/-)	-	-	-
Increase	44	2	46
Decrease	-17	-	-17
Acquisition cost 31 Dec	139	29	168
Accumulated impairment 1 Jan	-81	-	-81
Cumulative impairment losses	-	-	-
Impairment during the financial year	-	-	-
Accumulated impairment 31 Dec	-81	-	-81
Carrying amount 31 Dec	58	29	87

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

Non-current receivables 2020

TEUR	Non-current loan receivables	Other non-current receivables	Total
Acquisition cost 1 Jan	133	24	157
Translation differences (+/-)	-	-	-
Increase	-	3	3
Decrease	-19	-	-19
Acquisition cost 31 Dec	113	27	140
Accumulated impairment 1 Jan	-81	-	-81
Cumulative impairment losses	-	-	-
Impairment during the financial year	-	-	-
Accumulated impairment 31 Dec	-81	-	-81
Carrying amount 31 Dec	32	27	59

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

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

16. Deferred tax assets and liabilities

Breakdown of deferred tax assets 2021

TEUR	1.1.2021	Recognised in profit or loss	Exchange rate differences	31.12.2021
Tax losses carried forward	573	-86	-	487
Temporary differences	1,111	-115	-0	995
Total	1,684	-201	-0	1,483

Breakdown of deferred tax assets 2020

TEUR	1.1.2020	Recognised in profit or loss	Exchange rate differences	31.12.2020
Tax losses carried forward	257	316	-	573
Temporary differences	1,320	-208	-2	1,111
Total	1,577	109	-2	1,684

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

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

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



Tax receivables recognised for losses carried forward and losses that need to be carried forward expire (TEUR)	2021	2020
In 2030	311	366
No expiry date	175	207
Total	487	573

Deferred tax assets are allocated to (TEUR)	2021	2020
Parent	1,239	1,387
German subsidiary	175	227
Japanese subsidiary	68	70
Total	1,483	1,684

Key items for which no deferred tax assets have been recognised

TEUR	2021	2020
Land write-downs (parent company)	637	637
Unused depreciation (parent company)	-	2,077

Breakdown of deferred tax liabilities 2021

TEUR	1.1.2021	Recognised in profit or loss	31.12.2021
Temporary differences	152	5	157
Total	152	5	157

Breakdown of deferred tax liabilities 2020

TEUR	1.1.2020	Recognised in profit or loss	31.12.2020
Temporary differences	65	87	152
Total	65	87	152

17. Inventories

TEUR	2021	2020
Work in progress	2,556	2,271
Finished products	2,377	1,347
Other inventories	1,583	934
Total	6,517	4,552

Expenses of EUR 69 thousand (EUR 121 thousand in 2020) were recognised during the reporting period, reducing the carrying amount of inventories to their net realisable value.

Other inventories mainly consist of plots.

18. Trade and other current receivables

TEUR	2021	2020
LOAN AND OTHER RECEIVABLES		
Trade receivables	2,757	3,039
Receivables from associated companies	56	39
Loan receivables	9	13
Other receivables	423	356
ACCRUED INCOME		
Accrued income	1,825	1,205
Tax receivables based on the taxable profit for the financial year	347	82
Total	5,417	4,733

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

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

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

TEUR	Expected credit losses, on average
Not due	0%
Overdue by less than 30 days	0%
Overdue by 31–60 days	0%
Overdue by 61–90 days	0%
Overdue by 91–120 days	10%
Overdue by 121–180 days	20%
Overdue by 181–365 days	50%
Overdue by over 366 days	50%
Gross carrying amount on 31 Dec 2021	2,988
Expected credit loss	-176
Carrying amount, net, on 31 Dec 2021	2,813

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

Age distribution of trade receivables

TEUR	2021	Impairment recognised	Net 2021	2020	Impairment recognised	Net 2020
Not due	2,034	-3	2,031	2,328	-2	2,326
Overdue by less than 30 days	244	-	244	396	-	396
Overdue by 31–60 days	124	-	124	83	-	83
Overdue by 61–90 days	136	-	136	163	-	163
Overdue by 91–120 days	45	-4	40	-	-	-
Overdue by 121–180 days	111	-22	89	219	-203	16
Overdue by 181–365 days	229	-138	90	157	-81	77
Overdue by over 366 days	294	-235	58	216	-199	17
Total	3,216	-403	2,813	3,563	-485	3,078

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

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



19. Cash

TEUR	2021	2020
Cash and bank account	6,935	7,049
Total	6,935	7,049

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

20. Equity

	Number of Class A shares (1,000)	Number of Class B shares (1,000)	Total number of shares (1,000)
31.12.2019	300	5,911	6,211
31.12.2020	300	5,911	6,211
31.12.2021	300	5,911	6,211

Honkarakenne Oyj's shares are divided into Class A and Class B shares, with Class A shares numbering at less than 300,000 and no more than 1,200,000, and Class B shares no less than 2,700,000 and no more than 10,800,000. Each Class A share carries 20 votes and Class B share one vote in a General Meeting.

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

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

On 31 December 2021, the parent company held 53,135 Class B shares (63,135 on 31 December 2020).

On 31 December 2021, the Group held 339,385 Class B shares (349,385 on 31 December 2020).

After the balance sheet date, the Board proposed to the General Meeting that no dividend be paid for the 2021 financial year. In addition, the Board proposed to the General Meeting that a repayment of capital of EUR 0.25 per share be paid from the invested

unrestricted equity fund. No dividend was paid for the 2020 financial year, but a repayment of capital of EUR 0.18 was paid from the invested unrestricted equity fund.

Share premium account

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

Invested unrestricted equity fund

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

Translation differences

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

Share-based payments

On 29 March 2021, the Board of Honkarakenne Oyj decided on a new, short-term incentive scheme for the Executive Group. This incentive scheme included a share-based incentive to the President & CEO. The incentive scheme concerned 2021; it was three-tiered and tied to the Group's operating margin. With the operating margin goal is reached, the President & CEO's share-based bonus would be 5,000–15,000 Honkarakenne Oyj Class B shares.

On 26 March 2020, the Board of Honkarakenne Oyj decided on a new, short-term incentive scheme for the Executive Group. This incentive scheme included a share-based incentive to the President & CEO. The incentive scheme concerned 2020; it was three-tiered and tied to the Group's operating margin. With the operating margin goal is reached, the President & CEO's share-based bonus would be 5,000–15,000 Honkarakenne Oyj Class B shares.

Share-based bonuses under incentive schemes are paid once the financial statements have been adopted, provided the President & CEO's contract is valid until further notice at the time of payment.

As a bonus for the President & CEO in accordance with the 2021 incentive scheme, EUR 16 thousand from the transfer of 5,000 shares has been recognised in the Group's equity in the 2021 financial statements.

As a bonus for the President & CEO in accordance with the 2020 incentive scheme, 10,000 Honkarakenne Oyj's Class B shares were transferred to the President and CEO in 2021. EUR 16 thousand of these shares were recorded in the 2020 financial statements and EUR 16 thousand in the 2021 financial statements.

21. Financial liabilities

TEUR	2021	2020
NON-CURRENT		
MFI loans	1,200	1,600
Loans from related parties	-	-
Lease liabilities	1,352	1,362
Total	2,552	2,962
CURRENT		
MFI loans	400	400
Lease liabilities	323	356
Total	723	756

Non-current MFI loans does not include overdrafts.

Reconciliation of financial liabilities (TEUR)	Current liabilities	Non-current liabilities	Financial lease liabilities	Total
31.12.2019	450	2,893	1,856	5,199
Loan withdrawals	-	-	-	-
Loan repayments	-450	-893	-373	-1,716
Other non-fee changes	400	-400	235	235
31.12.2020	400	1,600	1 718	3 718
Loan withdrawals	-	-	-	-
Loan repayments	-400	-400	-361	-1,161
Other non-fee changes	400	-	318	718
31.12.2021	400	1,200	1,675	3,275

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

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

Maturity breakdown of financial liabilities on 31 December 2021

TEUR	Balance sheet value	Cash flow *)	2022	2023	2024	2025	2026	2027+
MFI loans	1,600	1,667	429	421	413	404	-	-
Lease liabilities	1,675	1,922	379	358	306	98	98	684
Trade and other liabilities	14,927	14,927	14,927	-	-	-	-	-
Total	18,202	18,516	15,735	779	719	502	98	684

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

Maturity breakdown of financial liabilities on 31 December 2020

TEUR	Balance sheet value	Cash flow *)	2021	2022	2023	2024	2025	2026+
MFI loans	2,000	2,105	438	429	421	413	404	-
Lease liabilities	1,718	1,855	358	270	214	134	98	782
Trade and other liabilities	10,269	10,269	10,269	-	-	-	-	-
Total	13,987	14,229	11,065	699	635	547	502	782

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

The Group had no valid derivative contracts on 31 December 2021 or 31 December 2020.

The sensitivity analysis contains the financial liabilities included in the statement of financial position on 31 December 2021 (31 December 2020). One percentage point has been assumed as the change in interest rates. The interest rate position is assumed to be interest-bearing financial liabilities and receivables as well as interest rate swaps at the balance sheet date, with all agreements remaining valid unchanged throughout the year.

Sensitivity analysis

MEUR	2021	2020
	Income statement	Income statement
Interest rate change +/- 1%	+/- 0.0	+/- 0.0

Interest expense ranges for interest-bearing liabilities on 31 December 2021

Interest rate on financial loans 1.5–2.67% (2020: 1.5–2.67%).

No interest rate swaps were valid on 31 December 2021 or 31 December 2020

The Group's financial loans have floating rates. The average interest rate for financial loans is 2.085% (2020: 2.085%).

Lease liabilities have been discounted using an interest rate of 2.085–2.5% (2020: 2.085–2.5%).

22. Provisions

TEUR	Warranty provision	Provisions due to disputes	Restructuring provision	Other provisions	Total
31.12.2019	225	90	60	-	375
Additions to provisions	35	-	336	-	371
Deductions for provisions	-	-40	-60	-	-100
31.12.2020	260	50	336	-	646
Additions to provisions	57	-	-	168	224
Deductions for provisions	-	-	-329	-	-329
31.12.2021	316	50	7	168	541

TEUR	2021	2020
Non-current provisions	484	260
Current provisions	57	386
Total	541	646

Warranty provision

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

23. Trade and other liabilities

TEUR	2021	2020
CURRENT LIABILITIES		
Trade liabilities	3,645	3,230
Other liabilities	501	419
Advances received from customers	10,781	6,620
Other accruals	2,760	3,223
Total	17,687	13,492

Reservation due to disputes

The Group had three unresolved disputes on 31 December 2021 (four on 31 December 2020). The provision is expected to be realised in the next few years.

Restructuring provision

A restructuring provision EUR 336 thousand was recognised in 2020 in relation to the restructuring of the Karstula factory. The provision consists of staff reduction costs. In 2021, the provision was deducted by EUR 329 thousand.

Other provisions

Other provisions include a loss provision for a construction project.

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

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

The Group did not have any valid currency derivatives or interest rate swaps on 31 December 2021 or 31 December 2020.

TEUR	2021	2020
Tax liabilities based on taxable income for the financial year	64	-

24. Assets and liabilities in foreign currencies

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

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

TEUR	2021	2020
NON-CURRENT ASSETS		
Loans and other receivables	889	816
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	-	-
CURRENT ASSETS		
Other financial assets	3,849	3,201
Trade and other receivables	228	281
CURRENT LIABILITIES		
Interest-bearing liabilities	-	-
Non-interest-bearing liabilities	1,388	969
Net foreign currency receivables and liabilities	3,578	3,329
Forward exchange contracts	-	-
NET CURRENCY RISK	3,578	3,329

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

TEUR	2021		2020	
Change percentage	+ 10%	- 10%	+ 10%	- 10%
Impact on the result after taxes (TEUR)	260	-318	242	-296

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

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

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

31.12.2021

MEASUREMENT CATEGORY (IFRS 9) TEUR	Financial assets at fair value through other comprehensive income	Financial assets valued at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities valued at amortised cost	Balance sheet value	Fair value	NOTE
NON-CURRENT FINANCIAL ASSETS							
Other financial assets	-	-	-	-	-	-	14
Non-current receivables	-	87	-	-	87	87	15
CURRENT FINANCIAL ASSETS							
Trade and other receivables	-	5,418	-	-	5,418	5,418	18
Other financial assets	-	-	5,000	-	5,000	5,000	14
Cash and cash equivalents	-	6,935	-	-	6,935	6,935	19
Total financial assets by measurement category	-	12,441	5,000	-	17,441	17,441	
NON-CURRENT FINANCIAL LIABILITIES							
Interest-bearing liabilities	-	-	-	2,552	2,552	2,552	21
Trade and other liabilities	-	-	-	-	-	-	
CURRENT FINANCIAL LIABILITIES							
Interest-bearing liabilities	-	-	-	723	723	723	21
Trade and other liabilities	-	-	-	17,750	17,750	17,750	23
Total financial liabilities by measure- ment category	-	-	-	21,025	21,025	21,025	

31.12.2020

MEASUREMENT CATEGORY (IFRS 9) TEUR	Financial assets at fair value through other comprehensive income	Financial assets valued at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities valued at amortised cost	Balance sheet value	Fair value	NOTE
NON-CURRENT FINANCIAL ASSETS							
Other financial assets	-	-	-	-	-	-	14
Non-current receivables	-	59	-	-	59	59	15
CURRENT FINANCIAL ASSETS							
Trade and other receivables	-	4,733	-	-	4,733	4,733	18
Cash and cash equivalents	-	7,049	-	-	7,049	7,049	19
Total financial assets by measurement category	-	11,841	-	-	11,841	11,841	
NON-CURRENT FINANCIAL LIABILITIES							
Interest-bearing liabilities	-	-	-	2,962	2,962	2,962	21
Trade and other liabilities	-	-	-	-	-	-	
CURRENT FINANCIAL LIABILITIES							
Interest-bearing liabilities	-	-	-	756	756	756	21
Trade and other liabilities	-	-	-	13,492	13,492	13,492	23
Total financial liabilities by measure- ment category	-	-	-	17,210	17,210	17,210	

26. Financial risks and their management

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

Currency risks

Exchange rate fluctuations may adversely affect the Group's business performance.

Honkarakenne operates internationally and is thus exposed to transaction risks arising from different currency positions and risks that arise when investments made in subsidiaries in different currencies are translated into the parent company's functional currency.

The Group hedges against currency risks by mainly using the euro as the transaction currency in both sales and purchases.

The Group's most significant foreign currency is the Japanese yen. In 2021, yen-denominated revenue accounted for 4% of the Group's revenue. The parent company can hedge 0–60% of its estimated yen-denominated revenue for the financial year.

The Group's parent company has an internal loan of EUR 0.7 million granted by the Japanese subsidiary. The intra-group loan is exposed to exchange rate risk.

There were no open forward exchange contracts in the financial statements on 31 December 2021. Honkarakenne does not apply hedge accounting to the forward exchange contracts it uses and has not made a decision to start hedge accounting.

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

The Group's yen-denominated receivables and liabilities and the sensitivity analysis are presented in Note 24 to the financial statements on 31 December 2021.

Interest rate risk

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

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

A significant rise in interest rates could have a negative impact on private consumption. In addition, an increase in interest rates may have a significantly adverse effect on the price of financing and the Group's current financial expenses. Honkarakenne closely monitors interest rate developments and actively seeks to manage its

interest rate risk. Although the Group is taking active measures to manage such potential developments, failure to manage these risks could have a significantly adverse effect on Honkarakenne's business, financial position, business performance, future outlook and share prices.

All of the Group's MFI loans have a variable interest rate. There were no valid interest rate swaps on 31 December 2021.

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

Credit risk

The age distribution of trade receivables is presented in Note 18 to the financial statements on 31 December 2021.

Credit loss risk is managed through prepayments, bank guarantees and export letters of credit. Sales regions are responsible for the credit risk related to trade receivables. In the event of a possible payment default, the Group will make an effort to negotiate a payment programme or use a collection agency to obtain the payment. The maximum amount of credit risk to the Group's trade receivables corresponds to the carrying amount of trade receivables on 31 December 2021. Although the Group is taking active measures to manage the credit risk, failure to manage these risks could have an adverse effect on Honkarakenne's business, financial position, business performance and future outlook.

The impairment model for financial assets in accordance with IFRS 9 Financial Instruments is based on expected credit losses, which take into account the customer's credit risk. The simplified procedure for expected credit losses is applied to trade

receivables, and trade receivables are classified according to their maturity date and the estimated impairment is assessed by category.

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

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

At the end of reporting period on 31 December 2021, the Group did not have any valid derivative contracts, nor a year earlier.

Liquidity risk

Maintaining Honkarakenne's debt solvency requires good cash flow.

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

For short-term working capital needs, Honkarakenne has a bank account limit of EUR 3.0 million (EUR 3.0 million in the previous year). At the end of reporting period on 31 December 2021, the limit was not in use, nor was it a year ago. The Bank have the right to terminate bank account limits with a short notice period if Honkarakenne's solvency deteriorates substantially or if there is some other business-related reason for it.

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

Although the Group is taking active measures to manage the liquidity risk, failure to manage these risks could have a significantly

adverse effect on Honkarakenne's business, financial position, business performance and future outlook.

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

Price risk of shares owned by the Group

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

27. Commitments and contingent liabilities

Mortgages and guarantees on own behalf (TEUR)	2021	2020
Real estate mortgages	6,000	6,000
Guarantees on own behalf	7,770	4,732
Total	13,770	10,732

Business and real estate mortgages have been provided as collateral for MFI loans. These loans mature in 2022–2025.

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

Liabilities secured by mortgages or other security

TEUR	2021	2020
MFI loans	1,600	2,000
Total	1,600	2,000

Other leases

TEUR	2021	2020
Off-balance-sheet lease liabilities maturing within less than 12 months	95	78
Off-balance-sheet lease liabilities maturing within 1–5 years	112	70
Total	206	148

Other operating leases concern copiers, printers and vehicles.

Financial instruments

The Group did not have any valid currency derivatives or interest rate swaps on 31 December 2021 or 31 December 2020.

28. Adjustments to cash flows from operating activities

Transactions not involving a payment transaction (TEUR)	2021	2020
Depreciation	2,300	1,757
Change in provisions	-105	271
Share of result of associated companies	-104	-48
Total	2,092	1,980

29. Key strategic and operational risks and their management

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

Strategic risks

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

Risk related to the operating environment and changes in the market situation

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

Fluctuations caused by economic cycles and protracted COVID-19 pandemic may also adversely affect the solvency of the Group's customers, the operations of raw material and component

suppliers and subcontractors. Honkarakenne invests in understanding and responding to customer needs by, among other things, continuously developing products for new and selected customer segments.

Disruptions in distribution channels may affect product sales. This risk is particularly high in the Russian market area, where business is based on the performance of a single importer. The risk in Russia is also increased by the situation in the market environment.

An economic downturn may also affect the value of plots, shares and properties held by the parent company. The parent company requests an external party to estimate the value of its properties every 3 to 5 years.

Risk related to raw material acquisition

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

Risk of regulatory changes

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

performance. Because of the situation in Ukraine, this risk is higher at the moment, especially in Russia.

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

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

Risk related to governance model and reporting principles

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

Risk related to concentration of ownership

Saarelainen Oy and certain private Honkarakenne Oyj shareholders within the Saarelainen family signed an amended shareholders' agreement on 17 February 2009. Parties committed to the shareholders' agreement hold 15.22% (2020: 16.19%) of all Group's parent company's shares, commanding 32.00% (37.25%) of all votes. Together, Saarelainen Oy and private shareholders of the Saarelainen family control a significant percentage of the parent

company's voting rights. Concentration of ownership may in certain situations reduce the influence of other shareholders in the parent company.

Operational risks

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

Risks related to goodwill, deferred tax assets and intangible rights

According to the statement of financial position on 31 December 2021, the Group had EUR 1.5 (1.7) million in deferred tax assets, EUR 0.1 (0.1) million in goodwill and EUR 0.5 (0.5) million in other intangible assets. Changes in the market situation may also result in risks relating to impairment of deferred tax assets, goodwill and intangible rights. Goodwill and other intangible assets with indefinite useful lives are not amortised on a straight-line basis but are tested annually for impairment. For this purpose, goodwill is allocated to units that create cash flows or, in the case of associated companies, goodwill is included in the acquisition cost of the associated company.

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

The deferred tax assets of the statement of financial position on 31 December 2021 includes a EUR 0.5 (0.6) million item related tax losses that have been or will be confirmed. Deferred tax assets recognised on the basis of tax losses include an item of EUR 0.2 (0.2) million with no maturity date.

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

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

Tax risks

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

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

Product liability risks

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

Operational risks and process risks

Honkarakenne's operational risks are related to consequences of human activities, the company's internal processes or external events. Operational risks related to factory operations are minimised with systematic development, for example. The launch

of new manufacturing techniques and production lines involves cost and capacity risks. Efforts are made to protect against them through careful planning work and staff training. Dependence on key suppliers may increase the Group's material costs, the costs of machinery and their spare parts, or affect production. Operational disruptions may also be related to changes in distribution channels and logistics systems. Contractual risks are part of operational risks.

Honkarakenne has one major reseller, contributing to a significant part of the Group's revenue and result.

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

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

Damage risks

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



30. Capital management

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

Capital structure and key figures

MEUR	2021	2020
Net financial liabilities	-8.7	-3.3
Total equity	16.9	14.6
Total net liabilities and equity	8.2	11.3
Equity ratio (%)	60.7	56.2
Gearing (%)	-51.3	-22.8

31. Transactions with related parties

The Group's related parties consist of subsidiaries and associated companies; the company's management and the companies in which they exercise influence, as well as the persons covered by the Saarelainen shareholders' agreement and the companies controlled by them. The management personnel considered to be related parties comprise the Board of Directors, President & CEO, and the company's Executive Group.

The Group's parent company and subsidiary relationships are as follows:

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

Honka Management Oy owns 286,250 Honkarakenne Oyj Series B shares.

Associated companies

Company	Domicile	Holding (%)
Pielishonka Oy	Liekka, Finland	39.3
Puulaakson Energia Oy	Karstula, Finland	25.9

Transactions with related parties and related party receivables and liabilities

2021 (TEUR)	Sales	Purchases	Receivables	Liabilities
Associated companies	320	413	56	64
Key management personnel	-	-	-	-
Related parties of key management personnel	-	17	-	-
Other related parties	24	85	4	-

2020 (TEUR)	Myynnit	Ostot	Saamiset	Velat
Associated companies	184	244	39	-
Key management personnel	-	-	-	-
Related parties of key management personnel	-	57	-	-
Other related parties	34	64	20	-

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

No credit losses were recognised on receivables from related parties in 2021 or 2020.

In 2010 and 2011, the parent company Honkarakenne Oyj granted a long-term loan of EUR 851 thousand to Honka Management Oy. The maturity of the loan is valid for the time being.

32. Key management remuneration

TEUR	2021	2020
Salaries and other short-term employee benefits	658	744
Benefits paid upon termination	10	158
Post-employment benefits	162	229
Share-based benefits	50	28
Total	880	1,159

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

Specification of post-employment benefits

TEUR	2021	2020
STATUTORY PENSIONS		
President & CEO		
Marko Saarelainen	57	47
Other members of the Group's Executive Group	42	86
Total statutory pensions	99	133
SUPPLEMENTARY PENSION SCHEME		
President & CEO		
Marko Saarelainen	39	37
Other members of the Group's Executive Group	28	59
Total supplementary pension scheme	67	96
Total post-employment benefits	166	229

Management salaries and fees

TEUR	2021	2020
President & CEO	317	281
Other members of the Group's Executive Group	249	509
Members of the Board of Directors	133	111
Total	699	901

PRESIDENT & CEO'S SALARIES AND REMUNERATION

Saarelainen Marko	317	281
Total	317	281

SALARIES AND REMUNERATION OF BOARD MEMBERS

Saarimäki Kyösti, Chariman since 16 April 2021	37	19
Kohtamäki Timo	23	19
Saarelainen Kari	23	19
Ristola Maria, member since 16 April 2021	18	-
Halonen Arto, member since 16 April 2021	18	-
Ristola Arimo, member and Chairman until 16 April 2021	9	34
Ruponen Helena, member until 16 April 2021	5	19
Total	133	111

Management pension commitments and severance pay

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

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

33. Group's key indicators and their calculation

Honkarakenne reports in accordance with the European Securities and Markets Authority's (ESMA) recommendation on alternative key figures (sometimes also called alternative performance measures). An alternative key figure is a financial key figure other than a financial key figure specified or designated in IFRS. Following the recommendation, the term 'adjusted' is used instead of the previous term 'excluding non-recurring items'. The Group classifies significant transactions regarded as affecting the comparison between reporting periods as adjustment items. These include, but

are not limited to, significant restructuring costs, significant impairment losses or reversals of fixed assets, significant gains and losses on disposals of assets, or other significant income or expenses that differ from ordinary activities.

In Honkarakenne's view, the alternative key figures provide significant additional information concerning Honkarakenne to management, investors, securities market analysts and other parties on Honkarakenne's result, financial standing and cash flows, and are often used by analysts, investors and other parties. Return on

equity, equity ratio, net financial liabilities and gearing are presented as supplementary key figures, as they are, in the company's view, useful indicators of Honkarakenne's ability to obtain financing and pay off its debts. In addition, gross investments and research and development expenses provide additional information on the needs related to cash flows from Honkarakenne's operating activities. The calculation formulas for the key figures are presented after the key figures.

Economic indicators		2021	2020	2019	2018	2017
Revenue (net sales)	MEUR	69.65	52.90	47.55	48.86	43.41
Operating profit	MEUR	3.70	3.07	3.38	1.62	1.67
	% of revenue	5.3	5.8	7.1	3.3	3.9
Profit before taxes	MEUR	3.60	2.91	3.21	1.49	1.70
	% of revenue	5.2	5.5	6.8	3.1	3.9
Return on equity	%	21.0	20.7	20.5	12.3	11.1
Return on investment	%	18.5	17.4	17.7	12.6	9.5
Equity ratio	%	60.7	56.2	55.9	60.8	50.7
Net financial liabilities	MEUR	-8.7	-3.3	-1.9	-2.3	0.4
Gearing ratio	%	-51.3	-22.8	-14.8	-22.9	4.9
Gross investment *)	MEUR	1.3	4.1	3.2	1.1	0.5
	% of revenue	1.9	7.7	6.8	2.2	1.2
Research and development expenditure	MEUR	0.5	0.2	0.3	0.2	0.3
	% of revenue	0.7	0.4	0.5	0.5	0.6
Order book	MEUR	52.4	39.8	27.6	24.8	23.0
Staff on average		178	168	155	147	137

Economic indicators		2021	2020	2019	2018	2017
KEY FIGURES PER SHARE						
Earnings per share **)	euro	0.56	0.48	0.40	0.20	0.15
Dividend per share	euro	0.0	0.0	0.0	0.0	0.0
Dividend/result	%	0.0	0.0	0.0	0.0	0.0
Effective dividend yield	%	0.0	0.0	0.0	0.0	0.0
Equity per share	euro	2.88	2.49	2.14	1.73	1.53
P/E ratio		13.0	8.9	10.6	9.9	23.5
SHARE PRICE DEVELOPMENT						
Highest share price of the year	euro	8.48	4.43	4.28	4.02	3.92
Lowest share price of the year	euro	4.11	2.32	1.98	1.88	1.55
Share price at the date of the statement of financial position	euro	7.32	4.28	4.20	1.99	3.61
Market value of capital stock ***)	MEUR	43.0	25.1	24.6	11.6	21.1
Share exchange	value of trading (MEUR)	25.1	10.5	5.8	7.6	10.9
	trading volume (1,000 pcs)	3,792	2,918	2,076	2,396	3,762
	percentage of total shares	64.6	49.8	35.5	41.0	66.3
ADJUSTED NUMBER OF SHARES ****)						
	at the close of the period (1,000 pcs)	5,877	5,862	5,847	5,847	5,847
	average for the period (1,000 pcs)	5,872	5,856	5,847	5,847	5,677

*) Gross investments are presented without right-of-use assets in accordance with IFRS 16 and investment grants received, which in 2021 amounted to EUR 0.8 million (EUR 0.3 million in 2020).

**) Board's proposal

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

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

Calculation of key-indicators

Return on equity,%

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

Return on capital employed,%

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

Equity ratio,%

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

Net financial liabilities

Interest-bearing financial liabilities - cash and cash equivalents

Gearing,%

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

Earnings/share (EPS)

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

Dividend payout ratio,%

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

Effective dividend yield,%

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

Equity/share

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

Price-earnings (P/E) ratio

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

Parent Company's Income Statement (FAS)

TEUR	Jan-Dec 2021	Jan-Dec 2020
REVENUE	67,738	49,942
Increase (+) or decrease (-) in inventories of finished goods and work in progress	2,858	1,448
Other operating income	312	239
Materials and services		
Raw materials and consumables		
Purchases during the financial year	-39,377	-25,259
External services	-11,834	-9,316
Personnel expenses	-9,823	-9,008
DEPRECIATION AND IMPAIRMENT		
Depreciation and amortization according to plan	-1,902	-1,350
Other operating expenses	-4,598	-4,559
Operating profit/loss	3,374	2,137
FINANCIAL INCOME AND EXPENSES		
Income from group undertakings	-	542
Other interest income and other financial income	59	118
Interest and other financial expenses	-230	-274
Profit/loss before appropriations and taxes	3,203	2,523
INCOME TAXES		
Taxes paid	-	-54
Change in deferred tax assets	-54	366
Net profit/loss for the financial year	3,149	2,834

Parent Company's Balance Sheet (FAS)

Assets (TEUR)	31.12.2021	31.12.2020
NON-CURRENT ASSETS		
INTANGIBLE ASSETS		
Intangible rights	489	462
Total intangible assets	489	462
TANGIBLE ASSETS		
Land and water	928	925
Buildings and structures	3,898	4,218
Machinery and equipment	6,071	7,227
Other tangible assets	56	74
Advance payments and acquisitions in progress	-	12
Total tangible assets	10,953	12,455
INVESTMENTS		
Holdings in Group companies	354	354
Investments in associates	387	387
Other receivables from Group companies	980	980
Total Investments	1,721	1,721
Total non-current assets	13,162	14,638

Assets (TEUR)	31.12.2021	31.12.2020
CURRENT ASSETS		
Inventories		
Work in progress	2,407	2,126
Finished products/goods	6,063	3,486
Other inventories	859	859
Total inventories	9,329	6,470
RECEIVABLES		
Non-current receivables		
Receivables from Group companies	851	851
Loan receivables	29	27
Deferred tax assets	311	366
Total non-current receivables	1,191	1,243
Current receivables		
Trade receivables	1,981	2,942
Receivables from Group companies	760	290
Receivables from associated companies	56	39
Other receivables	772	335
Accrued income	1,813	1,188
Total current receivables	5,382	4,794
Financial securities	5,000	-
Cash and bank	5,855	5,899
Total current assets	26,757	18,406
TOTAL ASSETS	39,919	33,044

Equity and liabilities (TEUR)	31.12.2021	31.12.2020
SHAREHOLDERS' EQUITY		
Share capital	9,898	9,898
Share premium account	520	520
Invested unrestricted equity fund	6,235	7,341
Retained earnings	-3,177	-6,011
Profit/loss for the period	3,149	2,834
Total shareholders' equity	16,624	14,582
Obligatory provisions		
Other obligatory provisions	500	595
LIABILITIES		
Non-current liabilities		
Loans from financial institutions	1,200	1,600
Amounts owed to Group companies	720	735
Total non-current liabilities	1,920	2,335
Current liabilities		
Loans from financial institutions	400	400
Advances received	13,824	8,525
Trade payables	3,611	3,203
Amounts owed to Group companies	58	70
Other payables	338	226
Accrued liabilities	2,643	3,109
Total current liabilities	20,875	15,532
Total liabilities	22,795	17,867
TOTAL EQUITY AND LIABILITIES	39,919	33,044

Parent Company's *Statement of Cash Flows* (FAS)

TEUR	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/loss for the financial year	3,149	2,834
Adjustments		
Depreciation and impairment	1,902	1,350
Other non-fee income and expenses	-95	256
Financial income and expenses	171	-386
Other adjustments	55	-348
Cash flow before change in working capital	5,182	3,706
Change in working capital		
Change in current trade receivables	-558	-1 395
Change in inventories	-2,858	-1,448
Change in current liabilities	5,266	5,165
Cash flow from operating activities before financial items and taxes	7,032	6,028
Interest paid and payments on other operating expenses	-175	-189
Dividends received from operations	0	542
Interest received from operations	26	51
Taxes paid	-28	-373
Cash flow from operating activities	6,856	6,058

TEUR	2021	2020
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1,166	-4,082
Investment grants received	823	348
Gains on disposal of tangible and intangible assets	-	36
Repayments of loans granted	-	55
Dividends received on investments	13	-
Cash flow from investing activities	-330	-3,643
CASH FLOW FROM FINANCING ACTIVITIES		
Share issue	-	-
Withdrawals of long-term loans	-	-
Repayment of long-term loans	-400	-1,827
Repayment of capital	-1,107	-738
Short-term securities investments	-5,000	-
Cash flow from financing activities	-6,507	-2,565
Change in cash and cash equivalents	19	-149
Impact of exchange rate changes on cash and cash equivalents	-62	-
Cash and cash equivalents at the beginning of the financial year	5,899	6,048
Cash and cash equivalents at the end of the financial year	5,855	5,899

Accounting *Principles* of the Parent Company (FAS)

Fixed assets

Fixed assets have been capitalised at direct acquisition cost. Buildings and structures include revaluations made in accordance with the previously valid Accounting Act, and the grounds for these revaluations are assessed annually.

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

Planned depreciation periods:

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

Inventories

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

Revenue

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

Derivatives

The company's derivatives include forward exchange contracts and interest rate swaps. Forward exchange contracts are used to hedge against predicted cash flow changes in foreign-currency sales. Forward exchange contracts are used to hedge against 0–60% of the company's predicted foreign-currency cash flows for the next 12 months.

Interest rate swaps are used to change the interest rates of the company's MFI loans from variable to fixed rates. Interest rate swaps are defined with a maximum original maturity of 10 years, and interest rates are redefined at three to six month intervals.

Derivatives are measured at fair value in the financial statements. Changes in fair value are recognised through profit or loss in other financial income and expenses. At the balance sheet date, the company had no valid derivative contracts.

Pension arrangements

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

Recognition of deferred taxes

Deferred tax liabilities or assets are calculated for temporary differences between taxation and the financial statements using the tax rate for the following years established at the balance sheet date. The balance sheet includes the deferred tax liabilities in their entirety and the deferred tax assets at their estimated value.

Items denominated in foreign currencies

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

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

1. Notes to the income statement

1.1. Revenue by market area

TEUR	2021	2020
Finland	44,078	36,900
Exports	23,660	13,042
Total	67,738	49,942

1.2. Other operating income

TEUR	2021	2020
Rental income	26	28
Sales income from fixed assets	-	36
Other operating income	286	175
Total	312	239

1.3. Notes on personnel and management

Personnel expenses (TEUR)	2021	2020
Wages and salaries	7,915	7,703
Pension costs	1,539	1,067
Social costs	369	238
Total	9,823	9,008
AVERAGE NUMBER OF PERSONNEL		
White-collar employees	107	92
Blue-collar employees	66	71
Total	173	162

AVERAGE NUMBER OF PERSONNEL IN PERSON-YEARS		
White-collar employees	103	86
Blue-collar employees	62	60
Total	165	146

Management salaries and fees (TEUR)	2021	2020
President & CEO and Board members	381	344

PRESIDENT & CEO'S SALARIES AND REMUNERATION

Saarelainen Marko	248	233
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SALARIES AND REMUNERATION OF BOARD MEMBERS

Saarimäki Kyösti, Chariman since 16 April 2021	37	19
Kohtamäki Timo	23	19
Saarelainen Kari	23	19
Ristola Maria, member since 16 April 2021	18	-
Halonen Arto, member since 16 April 2021	18	-
Ristola Arimo, member and Chairman until 16 April 2021	9	34
Ruponen Helena, member until 16 April 2021	5	19
Total	133	111

1.4. Transactions with related parties

Transactions with related parties (TEUR)	2021	2020
Purchases from related parties	515	365
Sales to related parties	345	218
Receivables from related parties	59	58
Liabilities to related parties	64	0
Credit losses from related parties	-	-

The company's related parties consist of subsidiaries and associated companies; the company's management and any companies in which they exercise influence; and those involved in the Saarelainen shareholder agreement and any companies controlled by them. The management personnel considered to be related parties comprise the Board of Directors, President & CEO, and the company's Executive Group.

In 2010 and 2011, the parent company Honkarakenne Oyj granted a long-term loan of EUR 851 thousand to Honka Management Oy. The maturity of the loan is valid for the time being.

Related party transactions are ordinary market-based transactions.

1.5. Depreciation and impairment

Depreciation and amortisation according to plan (TEUR)	2021	2020
Intangible rights	270	130
Buildings and structures	399	428
Machinery and equipment	1,214	763
Other tangible assets	18	30
Total depreciation according to plan	1,902	1,350
Total depreciation and impairment	1,902	1,350

1.6. Auditor's fees

TEUR	2021	2020
Audit fees	69	68
Other fees	8	-
Total	77	68

1.7. Financial income and expenses

TEUR	2021	2020
Dividends from Group companies	-	542
Dividends from others	0	0
Dividends from associates	13	-
Interest income	28	10
Interest expenses	-83	-133
Other financial expenses	-11	-10
Exchange rate gains/losses	-118	-22
Total	-171	386

1.8. Income taxes

TEUR	2021	2020
Taxes paid	-	-54
Change in deferred tax asset	-54	366
Total	-54	311

2. Notes to the balance sheet

2.1. Intangible assets

Intangible assets 2021

TEUR	Intangible rights	Other long-term expenditure	Advance payments	Intangible assets total
Acquisition cost 1 Jan	5,731	2,091	-	7,822
Increase	297	-	-	297
Decrease	-180	-	-	-180
Transfers between items	-	-	-	-
Acquisition cost 31 Dec	5,849	2,091	-	7,940
Accumulated depreciation 1 Jan	-5,269	-2,091	-	-7,360
Accumulated depreciation on deductions	72	-	-	72
Amortisation for the financial year	-162	-	-	-162
Impairments	-	-	-	-
Accumulated depreciation 31 Dec	-5,360	-2,091	-	-7,451
Carrying amount 31 Dec	489	-	-	489

Intangible assets 2020

TEUR	Intangible rights	Other long-term expenditure	Advance payments	Intangible assets total
Acquisition cost 1 Jan	5,301	2,091	131	7,523
Increase	300	-	-	300
Decrease	-	-	-	-
Transfers between items	131	-	-131	-
Acquisition cost 31 Dec	5,731	2,091	-	7,822
Accumulated depreciation 1 Jan	-5,140	-2,091	-	-7,231
Accumulated depreciation on deductions	-	-	-	-
Amortisation for the financial year	-130	-	-	-130
Impairments	-	-	-	-
Accumulated depreciation 31 Dec	-5,269	-2,091	-	-7,360
Carrying amount 31 Dec	462	-	-	462

2.2. Tangible assets

Tangible assets 2021

TEUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Tangible assets total
Acquisition cost 1 Jan	901	16,448	28,193	2,715	12	48,269
Increase	3	38	26	-	62	128
Decrease	-	-	-	-	-	-
Transfers between items	-	42	32	-	-74	-
Acquisition cost 31 Dec	904	16,528	28,251	2,715	-	48,397
Accumulated depreciation 1 Jan	-	-12,700	-20,966	-2,641	-	-36,307
Accumulated depreciation on deductions	-	-	-	-	-	-
Depreciation for the financial year	-	-399	-1 214	-18	-	-1,631
Accumulated depreciation 31 Dec	-	-13,099	-22,180	-2,659	-	-37,938
Revaluations	24	470	-	-	-	494
Carrying amount 31 Dec	928	3,898	6,071	56	-	10,953

A received development grant of EUR 823 thousand has been offset to the additions to the acquisition cost of machinery and equipment. The recoverable amount is determined at fair value less the cost of selling, and it is based on the management's estimate.

Tangible assets 2020

TEUR	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Tangible assets total
Acquisition cost 1 Jan	865	15,938	24,385	2,675	973	44,835
Increase	36	61	-	40	3,419	3,556
Decrease	-	-	-	-	-16	-16
Transfers between items	-	449	3,808	-	-4,365	-107
Acquisition cost 31 Dec	901	16,448	28,193	2 715	12	48,269
Accumulated depreciation 1 Jan	-	-12,727	-20,203	-2 611	-	-35,086
Accumulated depreciation on deductions	-	-	-	-	-	-
Depreciation for the financial year	-	-399	-1,214	-18	-	-1,221
Accumulated depreciation 31 Dec	-	-12,700	-20,966	-2 641	-	-36,307
Revaluations	24	470	-	-	-	494
Carrying amount 31 Dec	925	4,218	7,227	74	12	12,455

A received investment grant of EUR 348 thousand has been offset to the additions to the acquisition cost of machinery and equipment. . The recoverable amount is determined at fair value less the cost of selling, and it is based on the management's estimate.

2.3. Investments

Investments 2021

TEUR	Holdings in Group companies	Investments in associated companies	Other shares and holdings	Other receivables from Group companies	Total investments
Acquisition cost 1 Jan	354	387	-	980	1,721
Increase	-	-	-	-	-
Decrease	-	-	-	-	-
Impairment reversals	-	-	-	-	-
Acquisition cost 31 Dec	354	387	-	980	1,721
Carrying amount 31 Dec	354	387	-	980	1,721

On 31 December 2021, the parent company had a long-term capital loan receivable of EUR 980 thousand from the German subsidiary, which has been valued at acquisition cost. The German company's equity at the balance sheet date on 31 December 2021 is EUR 506 thousand negative without the capital loan.

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

Investments 2020

TEUR	Holdings in Group companies	Investments in associated companies	Other shares and holdings	Other receivables from Group companies	Total investments
Acquisition cost 1 Jan	354	387	-	1,035	1,776
Increase	-	-	-	-	-
Decrease	-	-	-	-55	-55
Impairment reversals	-	-	-	-	-
Acquisition cost 31 Dec	354	387	-	980	1,721
Carrying amount 31 Dec	354	387	-	980	1,721

On 31 December 2019, the parent company had a long-term capital loan receivable of TEUR 1,035 from the German subsidiary, which has been valued at acquisition cost. TEUR 55 of this loan receivable was repaid in 2020. The German company's equity at the balance sheet date on 31 December 2020 is TEUR 616 negative without the capital loan.

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

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

Group companies	Parent company's and Group's holding and voting rights
Honka Blockhaus GmbH, Germany	100%
Honka Japan Inc., Japan	100%
Honkarakenne SARL, France	100%
Alajärven Hirsitalot Oy, Alajärvi, Finland	100%
Honka-Kodit Oy, Tuusula, Finland	100%
Honka Management Oy, Tuusula, Finland	100%
Associated companies	Parent company's and Group's holding and voting rights
Pielishonka Oy, Lieksa, Finland	39%
Puulaakson Energia Oy, Karstula, Finland	26%

2.5. Inventories

Other inventories comprise EUR 84 (84) thousand in time shares and EUR 775 (775) thousand in land areas. Other inventories have been valued at either their acquisition cost or fair market value, whichever is lower.

2.6. Receivables

2.6.1. Non-current receivables

Receivables maturing in more than one year (TEUR)	2021	2020
Loan receivables	29	27
Loan receivables from a former management company	851	851

In 2010 and 2011, the parent company Honkarakenne Oyj granted a long-term loan of EUR 851 thousand to Honka Management Oy. The maturity of the loan is valid for the time being.

2.6.2. Deferred tax assets and liabilities

Key items for which no deferred tax assets have been recognised

TEUR	2021	2020
Land area write-offs in 2010–2017	637	637
Unused depreciation in 2012–2018	-	2,077
Total	637	2,714

2.6.3. Current receivables

Receivables from Group companies (TEUR)	2021	2020
Trade receivables	683	222
Other receivables	78	68
Total	760	290

2.6.4. Accrued income

TEUR	2021	2020
Accrued guarantee payments	1,709	1,123
Accrued sales commissions	104	65
Total	1,813	1,188

2.6.5. Other financial assets

TEUR	2021	2020
Other securities: financial securities	5,000	-
Total	5,000	-

2.7. Equity

TEUR	2021	2020
Share capital 1 Jan	9,898	9,898
Share capital 31 Dec	9,898	9,898
Share premium account 1 Jan	520	520
Share premium account 31 Dec	520	520
Total restricted equity	10,418	10,418
Invested unrestricted equity fund 1 Jan	7,341	8,079
Repayment of capital	-1,107	-738
Invested unrestricted equity fund 31 Dec	6,235	7,341
Profit/loss from previous financial years 1 Jan	-3,177	-6,011
Adjustments to profit from previous financial years	-	-
Profit/loss for the financial year	3,149	2,834
Profit/loss 31 Dec	-28	-3,177
Unrestricted equity	6,206	4,164
Total equity	16,624	14,582

Calculation on distributable equity 31 Dec

TEUR	2021	2020
Profit/loss from previous financial years	-3,177	-6,011
Adjustments to profits/loss from previous financial years	-	-
Profit/loss for the financial year	3,149	2,834
Invested unrestricted equity fund	6,235	7,341
Total	6,206	4,164

Calculation on distributable equity 31 Dec

TEUR	2021	2020
Profit from previous financial years	-3,177	-6,011
Adjustments to profits from previous financial years	-	-
Profit/loss for the financial year	3,149	2,834
Total	-28	-3,177

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

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

2.8. Obligatory provisions

TEUR	2021	2020
Warranty provision	310	208
Provisions due to disputes	50	50
Restructuring provision, short-term	7	336
Other provisions	165	-
Total	531	595

Warranty provisions

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

Provisions arising from disputes

The company had three ongoing disputes at 31 December 2021 (three ongoing disputes on 31 Dec. 2020). The provisions are expected to be realised in the next few years.

Restructuring provisions

A restructuring provision EUR 336 thousand was recognised in 2020 in relation to the restructuring of the Karstula plant. The provision consists of staff reduction costs. In 2021, the provision was deducted by EUR 329 thousand.

Other provisions

Other provisions include a loss provision for a construction project.

2.9. Liabilities

2.9.1 Non-current liabilities

Liabilities maturing in five years or more (TEUR)	2021	2020
Loans from financial institutions	-	400
Total	-	400

Liabilities to Group companies (TEUR)	2021	2020
Other liabilities	720	735

2.9.2. Current liabilities

Liabilities to Group companies (TEUR)	2021	2020
Other liabilities	57	65
Accruals	1	5
Total	58	70

2.9.3. Accruals

Material items in accrued liabilities (TEUR)	2021	2020
Salaries and compensation, including personnel expenses	1,491	1,524
Sales commissions	151	594
Accrued purchase invoices	119	388
Accrued after-costs	659	419
Environmental restoration	68	70
Other accrued expenses	155	113
Total	2,643	3,109

3. Commitments and contingent liabilities

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

TEUR	2021	2020
Loans from financial institutions	1,600	2,000
Total	1,600	2,000

Collateral provided for the above

TEUR	2021	2020
Real estate mortgages	6,000	6,000
Total	6,000	6,000

Guarantees given

TEUR	2021	2020
On own behalf	7,770	4,732
Total	7,770	4,732

Amounts payable for lease contracts

TEUR	2021	2020
Payable in the next financial year	117	90
Payable later	139	79
Total	256	169

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

Translation from Finnish original

Dividend proposal

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year ending 31 December 2021.

The Board of Directors proposes to the Annual General Meeting that repayment of capital totalling EUR 0.25 per share to be paid from the fund for invested unrestricted equity.

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

Tuusula 15th February 2022

Kyösti Saarimäki
Chairman of the Board

Timo Kohtamäki
Member of the Board

Kari Saarelainen
Member of the Board

Arto Halonen
Member of the Board

Maria Ristola
Member of the Board

Marko Saarelainen
President & CEO

The Auditors' Note

A report on the audit performed has been issued today.

Kuopio 15th February 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Elina Laitinen
Authorized Public Accountant



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AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Honkarakenne Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Honkarakenne Oyj (business identity code 0131529-0) for the year ended on December 31st, 2021. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

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

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

Key Audit Matters

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

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

1 (4)



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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition <i>We refer to the Group's accounting policies concerning revenue recognition and note 2</i></p> <p>The Group manufactures and sells log house packages, provides log house construction services and sells log billets and by-products arisen during the manufacturing process. Revenue from sales of products and services is recognized when the control associated with the goods or services have been transferred to the buyer either over time or at a point in time.</p> <p>As revenue is a Key Performance Indicator in the Group, there could exist an incentive to recognize revenue before control has been transferred. Revenue recognition is a significant risk of material misstatement referred to in EU regulation No 537/2014, point (c) of Article 10 (2) due to risk of timely revenue recognition.</p>	<p>We addressed the risk of material misstatement relating to revenue recognition by performing e.g. the following audit procedures:</p> <ul style="list-style-type: none"> We assessed the application of group's accounting policies over revenue recognition and compared the group's accounting policies relating to revenue recognition with applicable accounting standards. We tested the revenue recognized. Our testing included tracing the information to agreements and consignment notes and/or to acceptance documents as well as to payment documents. We tested the cutoff of revenue with tests of details on a transaction level both sides of the balance sheet date. We performed substantive analytical procedures over revenue and We assessed the appropriateness of the group's disclosures in respect of revenues.

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

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

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

2 (4)

Auditor's Responsibilities for the Audit of Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

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

Other information

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

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Kuopio 15th February 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Elina Laitinen
Authorized Public Accountant

Corporate Governance *Statement* 2021

Introduction

In 2021, Honkarakenne Oyj complied with the Finnish Companies Act and the Finnish Securities Market Association's Finnish Corporate Governance Code 2020. The Corporate Governance Code is publicly available on the Finnish Securities Market Association's website www.cgfinland.fi.

The information stipulated by the Corporate Governance Code can be read on Honkarakenne's website under https://investors.honka.com/en/investors/corporate_governance.

The Corporate Governance Statement is issued separately from the Report by the Board of Directors.

Descriptions of corporate governance

1. Composition and activities of the Board of Directors

Composition of the Board of Directors

The 2021 Board of Directors consisted of:

Kyösti Saarimäki

Member of the Board since 2017, Chairman of the Board since 16 April 2021

- Born in 1950
- M.Sc. (Tech.), M.Sc. (Econ.)
- Board professional
- Independent of the company's principal shareholders
- Independent of the company
- Holds Honkarakenne shares 31 December 2021:
 - 10,000 Series B shares

Timo Kohtamäki

Member of the Board since 2017

- Born in 1963
- M.Sc. (Civil engineering), Lic.Tech. (Geotechnical and Environmental)
- Board professional
- Independent of the company's principal shareholders
- Independent of the company
- Holds Honkarakenne shares 31 December 2021:
 - Does not hold any Honkarakenne shares

Kari Saarelainen

Member of the Board since 2018

- Born in 1962
- M.Sc. (Econ.)
- CEO at SunBrandi Oy
- Not independent of the company's principal shareholders
 - Covered by the Saarelainen shareholder's agreement
- Independent of the company
- Holds Honkarakenne shares 31 December 2021:
 - 5,950 Series A shares
 - 16,118 Series B shares

Maria Ristola

Member of the Board since 16 April 2021

- Born in 1983
- Executive MBA, Nurse, Occupational health nurse
- Sales manager, Lääkärikeskus Aava Oy
- Not independent of the company's principal shareholders
 - Belongs to the family of a principal shareholder
- Independent of the company
- Holds Honkarakenne shares 31 December 2021:
 - Does not hold any Honkarakenne shares

Arto Halonen

Member of the Board since 16 April 2021

- Born in 1965
- Engineer, wood technology
- CEO, Oy Lunawood Ltd
- Independent of the company's principal shareholders
- Independent of the company
- Holds Honkarakenne shares 31 December 2021:
 - Does not hold any Honkarakenne shares

In addition, during 2021, the Board of Directors included:

Arimo Ristola

Member and Chairman of the Board until 16 April 2021

- Born in 1946
- M.Sc. (Econ.)

- Board professional
- Not independent of the company's principal shareholders
- Independent of the company
- Holds Honkarakenne shares 31 December 2021:
 - 20,000 Series A shares
 - 40,100 Series B shares
 - AKR-Invest Oy, a company under his control, holds an additional 1,000,000 Honkarakenne Series B shares

Helena Ruponen

Member of the Board until 16 April 2021

- Born in 1961
- Vocational Qualification in Business and Administration, Ikaalinen Business College; CFO Degree, Institute of Marketing
- Board professional
- Not independent of the company's principal shareholders
 - Covered by the Saarelainen shareholder's agreement
- Independent of the company
- Holds Honkarakenne shares 31 December 2021:
 - 55,150 Series B shares

More detailed information on the Board of Directors and the members of the Board of Directors' up-to-date information on the company's shares is presented on the company's website.

Activities of the Board of Directors

The Board of Directors oversees corporate governance and the appropriate arrangement of the company's operations and is responsible for ensuring that the control of the company's accounting and financial management is properly organised. The Board of Directors

decides on any far-reaching or fundamentally important matters concerning Honkarakenne.

The President & CEO attends in Board meetings as the Presiding Officer. An external of the Board of Directors attends Board meetings as a secretary. In 2021, the CFO acted as Secretary to the Board until 28 February 2021. At the Board's inaugural meeting on 16 April 2021, lawyer Jarmo Makkonen was elected as secretary for the term of office. Other members of Honkarakenne's Executive Group may attend Board meetings upon invitation. If necessary, experts from inside or outside the company may be invited to attend Board meetings.

In addition to corporate governance and the appropriate arrangement of operations, the Board of Directors' tasks include:

- deciding on the company's strategy, objectives and targets
- approving the Group's action plan and budget
- deciding on company policies
- reviewing and approving financial statements and half-year reports
- making decisions on business acquisitions and arrangements
- making decisions on and approving the Group's financial policies
- making decisions on significant investments, property transactions and contingent liabilities
- approving the Group's reporting procedures and arrangements for the internal audit
- making decisions on the Group's structure and organisation
- drafting the Group's policy on the payment of dividends
- appointing the CEO, Deputy CEO and a substitute for the CEO, and deciding on their compensation and other benefits
- appointing the members of the Executive Group on the proposal of the CEO
- deciding on the Executive Group's reward and incentive systems

- assuming responsibility for the company's value growth
- assuming responsibility for all other duties prescribed for a Board in the Limited Liability Companies Act, Articles of Association or other applicable sources.

The Board of Directors decides annually on its rules of procedure, which include the meeting schedule and the main special topics for each meeting. In addition to special topics, Board meetings discuss the company's current situation and future on the basis of information provided by the President & CEO. In addition to the meetings mentioned in the rules of procedure, Board meetings may be held if necessary. The Chairman of the Board of Directors and the President & CEO prepare the agenda for the issues to be discussed at the meeting.

The General Meeting decides on the fees paid to members of the Board of Directors. The Annual General Meeting of 2021 decided that the Chairman shall be paid a monthly fee of EUR 3,500 and other Board members EUR 2,000. Before the 2021 Annual General Meeting, the fees were EUR 3,000 per month for the Chairman and EUR 1,700 for other members. In addition to these monthly fees, Board members are paid per diems and their travel costs are reimbursed against an invoice. The General Meeting decided that, if the Board of Directors decides to appoint a committee from among its members, then members of the Board committee will be paid an attendance fee of EUR 500 per meeting. In 2021, the Board of Directors did not establish committees. There were no committees during the financial year 2021.

The Board of Directors held a total of 11 Board meetings in 2021. Board members' attendance at these meetings was as follows:

- Kyösti Saarimäki 11/11
- Timo Kohtamäki 11/11
- Kari Saarelainen 11/11
- Maria Ristola 9/9

- Arto Halonen 9/9
- Arimo Ristola 2/2
- Helena Ruponen 2/2

Order of appointment of Board members

The Annual General Meeting of Honkarakenne Oyj annually elects a minimum of three and a maximum of eight members to the company's Board of Directors. The Board of Directors elects a chairman from among its members and decides on the establishment of any Board committees and their composition. The term of office of the members of the Board of Directors lasts until the end of the next Annual General Meeting.

Principles of Board diversity

The company believes that the diversity of the Board of Directors enables decision-making based on different views and information. The aim is to elect the members of the company's Board of Directors in such a way that the size and composition of the Board of Directors meet the company's current and future needs. Members' competencies are considered taking into account, among other things, educational background, work experience, age, gender, independence, usability and personal characteristics.

The Board of Directors assesses the implementation of diversity in its self-assessment.

In accordance with the principle of diversity, the company's goal is for both genders to be represented on the Board of Directors. The company believes it has succeeded in this goal in 2021. Representatives of both genders were represented on the Board of Directors throughout 2021.

2. Board Committees

The Board of Directors elected by the Annual General Meeting of 2021 did not establish any separate committees during its

organisational meeting or at its other meetings. The Board of Directors as a whole currently handles the tasks specified for the Audit Committee.

3. President & CEO

President & CEO Marko Saarelainen

- Born in 1967
- Hokusei Gakuen University, Sapporo; Sapporo Int'l Language Institute, Sapporo
- Holds Honkarakenne shares 31 December 2021:
 - 25,470 Series A shares
 - 304,517 Series B shares

The Board of Directors appoints a President & CEO who manages the company's operations and administration in accordance with the instructions and regulations issued by the Board of Directors. The President and CEO is responsible for the practical management and planning of the Group's business operations. The President & CEO is responsible for preparing strategically significant measures and implementing the measures decided by the Board. In addition, the President & CEO ensures that the Group's corporate governance functions properly and is responsible for ensuring that the company's accounting is in accordance with the law and that financial management is arranged in a reliable manner.

4. Board of Executives

Honkarakenne Oyj has an Executive Group, which is chaired by the President & CEO, and which members are the directors from different operational departments. The task of the Executive Group is to assist the President & CEO in the operational management of the Group's business. The Board of Directors appoints the members of the Executive Group on a proposal made by the President & CEO.

The Executive Group convenes regularly (at least once a month) and holds additional meetings as required.

The Executive Group's tasks include preparing monthly reports, investments, Group guidelines and policies, long-term plans, 12-month action plans and the financial statements for approval by the Board of Directors.

In addition to President & CEO Marko Saarelainen, the Executive Group has the following members:

Juha-Matti Hanhikoski

Vice President, Production

Member of the Executive Group since 2020

- Born in 1984
- B.Sc. (Wood Engineering)
- Holds Honkarakenne shares 31 December 2021:
 - Does not hold any Honkarakenne shares
- Areas of responsibility: production, logistics and planning

Sanna Huovinen

Vice President, Marketing

Member of the Executive Group since 2019

- Born in 1978
- M.Sc. (Econ.)
- Holds Honkarakenne shares 31 December 2021:
 - Does not hold any Honkarakenne shares
- Areas of responsibility: marketing

Maarit Jylhä

Vice President, Finance (CFO)

Member of the Executive Group since 1 June 2021

- Born in 1967
- M.Sc. (Econ.)
- Holds Honkarakenne shares 31 December 2021:
 - Does not hold any Honkarakenne shares
- Areas of responsibility: finance

Petri Perttula

Vice President, Operations Finland

Member of the Executive Group since 1 October 2021

- Born in 1971
- M.Sc. (Building Construction Technology)
- Holds Honkarakenne shares 31 December 2021:
 - Does not hold any Honkarakenne shares
- Areas of responsibility: business in Finland

In addition, during 2021, the Executive Group included:

Leena Aalto

Vice President, Finance (CFO)

Member of the Executive Group since 2017 until 28 February 2021

- Born in 1966
- MBA, BBA
- Holds Honkarakenne shares at the end of the executive group work:
 - 300 Series B shares
- Areas of responsibility: finance, HR and IT

5. Internal supervision procedures and the main principles of risk management

Honkarakenne Oyj does not have an Audit Committee, but the Board of Directors also performs the duties of the Audit Committee. The Board of Directors is responsible for ensuring internal supervision and risk management and monitoring their effectiveness. The Board of Directors is responsible for ensuring that the Group's internal supervision and risk management are adequate in relation to the scope of operations and that supervision is appropriate. Honkarakenne Oyj has a risk management policy approved by the Board of Directors. In addition to the risk management policy, the Board of Directors has approved the main principles of the limits of authority at Honkarakenne Oyj.

Risk management

The aim of risk management is to comprehensively identify business-related risks and ensure that risks are properly managed in business-related decision-making. The company's risk management ensures business continuity. Risk management also safeguards the company's brand and ensures compliance with legislation and regulations. No separate organisation has been established to handle risk management – these tasks are handled according to the company's division of responsibilities.

The Board of Directors supervises that the President & CEO runs the company's operational business and administration in accordance with the instructions and regulations issued by the Board of Directors. The Board of Directors reviews the Group's financial reports and material changes in business operations to ensure adequate risk management.

The President & CEO is responsible for monitoring the implementation of risk management principles for the entire Group. The members of the Executive Group are each responsible for their own areas of responsibility. The CFO is responsible for coordinating risk

management. The President & CEO and the CFO report significant risks to the Board of Directors.

Internal control

Internal control seeks to ensure efficient and profitable operations, the production of reliable information, and compliance with regulations and operating principles. Internal control is the responsibility of the Board of Directors and operative management. Honkarakenne Oyj has not established a separate organisation for internal control. Internal control is carried out with the aid of the company's reporting system. Reliable financial reporting is one of the primary objectives of internal control.

The President & CEO is responsible for organising internal control. For instance, the President & CEO ensures that the company's accounting complies with legislation and that financial management is reliably arranged. The Executive Group and other managers are responsible for internal control within their own areas of responsibility.

The Board of Directors approves Honkarakenne Oyj's objectives, annual action plans and budgets. Internal control requires Group-level targets to be set, as these targets are used to derive individual targets for the Group's various companies, units, functions and managers. Honkarakenne's business plan sets quantitative and qualitative targets for different business operations, and progress towards these targets is regularly monitored.

The Chief Financial Officer (CFO) is responsible for setting, maintaining and developing financial steering and reporting requirements and processes. The CFO is also responsible for setting up and mobilising a control system that includes guidance, defining limits of authority, balancing the accounts, Executive Group reports, and non-conformance reports. The CFO controls compliance with all specified processes and controls, and monitors the reliability of financial reporting.

Auditors and other external assessors evaluate the control measures used to ensure the reliability of financial reporting.

The Executive Group produces reports separately and independently from the rest of the company's business operations. For monitoring and controlling its business activities, Honkarakenne uses an appropriate and reliable Enterprise Resource Planning (ERP) system, on which its other information systems and its subsidiaries' systems are based. Honkarakenne has a valid, up-to-date data security policy and supporting data security guidelines.

6. Principles of related party transactions

Honkarakenne complies with the legislation related to related party transactions and, in accordance with the legislation and the Corporate Governance Code, ensures that the requirements set for the monitoring, evaluation, decision-making and information of related party transactions are complied with.

Honkarakenne may enter into transactions with its related parties that are part of the company's normal business operations and are made on normal commercial terms in accordance with the decision-making procedure and the company's internal guidelines. Significant transactions and agreements with related parties are handled by the company's Board of Directors. In addition, related party transactions that are not Honkarakenne's ordinary business or that are not carried out on normal commercial terms are decided by Honkarakenne's Board of Directors.

Honkarakenne has defined its related parties. According to Honkarakenne's definition, the Group's related parties consist of subsidiaries and associated companies as well as the company's management and their influential companies, as well as persons covered by the Saarelainen shareholders' agreement and their controlled companies. The management personnel considered

to be related parties comprise the Board of Directors, President & CEO, and the company's Executive Group.

The company's finance department maintains a list of related parties and entities and regularly monitors transactions with them. Completed transactions with related parties are reported to the Board of Directors in connection with the review of the semi-annual reports and financial statements.

7. Insiders

Honkarakenne handles inside information and insiders in accordance with all laws and regulations applicable to inside information and trading. The most important statutory regulations are included in the European Union's Market Abuse Regulation (EU/596/2014). Honkarakenne also complies with its own insider policy and the insider guidelines for listed companies approved by Nasdaq Helsinki.

Insider lists are also drafted on a project-by-project basis as necessary. Insiders are notified in writing of their insider status and provided with instructions of the obligations of insiders. The CFO is responsible for the company's insiders.

According to Honkarakenne's guidelines, Board of Directors and Executive Group members and other specified employees may not trade in Honkarakenne shares during the 30-day period prior to the publication of half-year reports and financial statement bulletins.

In accordance with the Market Abuse Regulation, Honkarakenne issues a stock exchange release to disclose the securities transactions of those in executive positions and their related parties. Here, 'executive positions' refers only to the President & CEO and members of Honkarakenne's Board of Directors.

8. Auditors

Under the provisions of the Articles of Association, Honkarakenne Oyj must appoint one regular auditor and one deputy auditor. If the regular auditor is an auditing firm, no deputy auditor need be appointed. The elected auditors' term covers the remainder of the accounting period during which they were elected and expires at the end of the following Annual General Meeting. The audit covers the Group's accounting, financial statements and corporate governance for the financial year in question.

The auditor reports to the Board of Directors and gives an Auditor's Report to the Annual General Meeting. The Auditor's Report includes a statement on whether the financial statements give a true and fair view, as defined in the rules governing financial reporting, of the Group's operating result and financial position, and whether the information provided in the Directors' Report and Financial Statements is consistent. The Auditor's Report also contains a statement on other key audit matters. The auditor's fee is set by the Annual General Meeting.

At the 2021 Annual General Meeting, Ernst & Young Oy was re-elected as the auditor, with Elina Laitinen, Authorized Public Accountant, as the principal auditor.

In 2021, the auditors were paid EUR 69 thousand for the audit and in 2020 the audit fee was EUR 68 thousand. In 2021, the auditor was paid EUR 8 thousand for other services.



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