Honkarakenne Group's Financial Statements Bulletin 2024

Honkarakenne Oyj's Financial Statements Bulletin 1 Jan.–31 Dec. 2024

Net sales and operating profit decreased, financial position and equity ratio good

Summary

Honkarakenne Group's net sales for the financial period were EUR 36.7 million (2023: 46.3), which is 21% lower than in the previous year. The adjusted operating profit was EUR -2.3 million (0.3) and adjusted profit before taxes was EUR -2.6 million (0.2). The financial statements include non-recurring adjustment items of EUR 0.1 million (0.5), formed as a result of adaptation measures.

At the end of the financial year, the order book was EUR 22.2 million (18.8), which is 18% higher than in the previous year. The Group's financial position and the equity ratio remained at a good level.

July - December 2024

- Honkarakenne Group's net sales in July-December amounted to EUR 22.2 million (H2 2023: 23.3), which is 5% lower than in the previous year
- H2 operating profit was EUR 0.3 million (-0.0) and profit before taxes was EUR 0.6 million (0.2)
- H2 Adjusted operating profit was EUR 0.4 million (0.1) and Adjusted profit before taxes was EUR 0.7 million (0.3)
- Earnings per share was EUR 0.09 (0.04)

January - December 2024

- Honkarakenne Group's net sales in January-December amounted to EUR 36.7 million (2023: 46.3), which is 21% lower than in the previous year
- The operating profit was EUR -2.4 million negative (-0.1) and profit before taxes was EUR -2.6 million negative (-0.3)
- The adjusted operating profit was EUR -2.3 million (0.3) and adjusted profit before taxes was EUR -2.6 million (0.2)
- Earnings per share was EUR -0.37 (-0.04)
- Net financial liabilities totalled EUR -0.5 million (-3.0)
- The equity ratio was 59.7% (64.3)

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

The value of the Group's order book at the end of December was EUR 22.2 million (18.8). The order book increased by 18% from the previous year. Order book refers to orders with a delivery date within the next 24 months. Some orders may have a financing or building permit condition.

Outlook for 2025

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

Group's key figures	7–12/2024	7–12/2023	1–12/2024	1–12/2023
Net sales, EUR million	22.2	23.3	36.7	46.3
Operating profit/loss, EUR million	0.3	-0.0	-2.4	-0.1
Adjusted operating profit, EUR million	0.4	0.1	-2.3	0.3
Profit/loss before taxes, EUR million	0.6	0.2	-2.6	-0.3
Adjusted operating profit before taxes, EUR million	0.7	0.3	-2.6	0.2
Average number of employees	157	176	157	183
Average number of employees in person-years	152	163	153	174
Earnings per share, EUR	0.09	0.04	-0.37	-0.04
Equity ratio, %			59.7	64.3
Return on equity, %			-14.3	-1.4
Equity per share, EUR			2.32	2.79
Gearing ratio, %			-3.5	-18.2

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

"The Group's net sales and operating profit for the financial year decreased significantly from the corresponding period in the previous year. The market situation in construction and the economic outlook remained very weak throughout the year. This created significant uncertainty among customers and their construction start decisions.

Due to the weak order intake in 2023, the Group started this year with a historically low order book. The beginning of the year continued being quiet, but because of the additional campaigns, the sales volumes were able to grow moderately in the end of the year so the group will start the new year with a higher order book than the previous year.

There were large regional differences in domestic demand. New orders accumulated especially in the Southern Finland region, exceeding the rest of the country.

In terms of export regions, Asia successfully increased new sales and net sales both in project exports and consumer business. In other export regions, the previously emerging demand ultimately remained surprisingly weak.

Despite the challenging operating environment, the Group has continued to advance selected strategic development projects, with only minor adjustments to their focus areas. One good example of this is the Honka Rock & Star leisure range, which was and launched for sale in the spring and early autumn.

The Group's export activities focused on developing the sales and distribution network, supporting sales activities, and acquiring new customers. In the Japanese subsidiary, the implementation of the renewed growth strategy was continued and the organization was strengthened by hiring e.g. country manager

Despite the challenging market situation and layoffs during the rewiev period, we invested in developing the well-being of the personnel and stronger communication between supervisors, personnel and the personnel team. I would like to thank all Honka people for their commitment and flexibility.

At the beginning of the review period, the replacement investments in production machinery for the gluer and the new laminated timber plane were completed at the Karstula production plant. Currently, a production machinery investment is underway for a new non-settling log production line, which will be commissioned in the spring. With the investment, Honkarakenne will introduce the most advanced non-settling log in the industry to the market, whose improved properties will benefit our consumer and project customers. Honkarakenne has received funding for this investment package following an investment subsidy decision from the Central Finland ELY Center.

Competent personnel, investments made during the downturn, Group's strong balance sheet and financial position guarantee us a good starting point for growth and good profitability when the market recovers. During the coming months, we expect the market to increasingly pick up as inflation moderates and interest rates continue to decline. Customers, representatives, partners, and personnel can count on Honkarakenne's excellent reliability and security of supply also in the future.”

Net Sales

Compared to the previous year, the Group’s operating environment remained challenging despite the budding recovery.

The Group’s net sales decreased by 5% in the second half of 2024, to EUR 22.2 million (23.3). July-December net sales decreased by 8% for Finland and by 3% for exports. The decline in Finnish net sales was mainly due to a decrease in consumer business deliveries and the postponement of individual project starts to the 2025 financial year. In exports, Asia's net sales were clearly higher than in the previous year, while other export project countries remained at a lower level than before.

The Group’s net sales for the financial year were 21% below the previous year and amounted to EUR 36.7 million (46.3). Compared with the corresponding period of 2023, Finnish net sales decreased by 18% and export net sales by 27%. The decline in full-year export net sales was mainly due to weaker revenue accumulation in European export regions. In terms of net sales, growth from the previous year was particularly evident in Japan and Central Asian countries.

Honkarakenne presents its net sales data divided in two parts: Finland and exports. The geographical distribution of net sales is shown below.

NET SALES DEVELOPMENT

Net sales distribution, %	1–12/2024	1–12/2023
Finland	71%	69%
Exports	29%	31%
Total	100%	100%

Net sales, MEUR	7–12/2024	7–12/2023	change	1–12/2024	1–12/2023	change
Finland	15.6	16.9	-8%	26.2	31.8	-18%
Exports	6.6	6.4	-3%	10.5	14.5	-27%
Total	22.2	23.3	-5%	36.7	46.3	-21%

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

Order Book

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

Trends in Profit and Profitability

Operating profit for July-December was EUR 0.3 million (-0.0) and profit before taxes was EUR +0.6 million (0.2).

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

Non-recurring adjustment items for the review year include expenses of EUR 0.1 million related to the closure of the representative office in China. Non-recurring items totalled EUR 0.5 million in the comparison year as a result of change negotiations that ended in redundancies.

The negative profit development was affected by significantly lower net sales compared to the comparison period. During the review period, personnel costs have been adjusted through lay-offs.

Financing and Investment

At the end of 2024, Honkarakenne's financial position was good. The Group's equity ratio was 59.7% (64.3). Gearing was negative at -3.5% (-18.2). The Group's net financial liabilities amounted to EUR -0.0 million (-3.0), so the Group's liquid assets exceeded its financial liabilities. The Group's liquid assets including other financial assets were EUR 5.0 million (6.4).

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

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

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

Products and Market Areas

Honkarakenne’s product range is updated and developed based on market-specific customer understanding. In support of this work, dedicated in-depth customer segment studies were conducted in Finland and Japan. With regard to the implementation of different product ranges, the focus is strongly on the quality and sustainability of housing in the longer term. The ranges inspire to look at housing through more sustainable eyes, the impact that choices will have on health and the environment for years to come.

Honkarakenne's convertible models are designed to enable a wide variety of variations to live different lives without the need to build or buy a house when life situations change and to give up a healthy, natural and sustainable log house.

In the spring, a new Rock & Star range was launched for the Finnish and Swedish markets, featuring new-age landscape villas and cabins with efficient square metre usage that provide ample sleeping and living space, while bringing several generations together for leisure activities. In connection with the launch, the energy and housing cost-saving Honka Säästö solution for recreational building was presented. It enables a holiday home with water technology and amenities to be unheated during the winter season when the building is not in use, resulting in significant savings on heating costs.

Cost- and space-efficient detached house models were launched in Finland in the autumn, and the development of cost-efficient leisure-time models for the Finnish and Nordic markets continued. Furthermore, larger-scale Honka house models Kanto, Manto and Latvus, representing international architecture, were published. These are aimed especially at the company’s international markets.

Honkarakenne presented Kömmeli at the Oulu 2025 Housing Fair press day. The house is a custom-designed log home by an architect for a young couple building their first home. This building represents a modern interpretation of the traditional architecture of the coastal region featuring the classic red ochre color.

Honkarakenne’s operations are certified with the ISO 9001 quality standard and the ISO 14001 environmental standard.

In Finland, net sales were 18% lower than in the previous year and amounted to EUR 26.2 million (EUR 31.8 million). The decline in net sales is a result of the weak order intake in the previous year, postponements of construction starts and the prolonged downturn in the domestic market.

Project construction sales were lower in the financial year than in the previous year. New orders received grew reasonably well, and most of the new contracts for regional and care facility construction progressed to deliveries and handovers of construction sites during the late spring, summer, and autumn. Some of the planned construction starts were shifted to 2025 deliveries due to the weaker order situation.

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

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

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

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

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

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

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

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

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

Strategy 2022-2024

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

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

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

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

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

Sustainability

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

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

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

The Honka Brand

The core of the Honka brand is the close relationship with nature and Finnish happiness. Honka's yellow is the colour of hope and joy. Honka helps every customer realize the dreams that are important to them and Honka has the honour to convey the vitality of the northern forests.

Seasonal Nature of Our Business

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

Research and Development

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

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

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

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

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

Personnel

The Group's average number of personnel, measured in person-years, totalled 153 persons (174) during the year. The number decreased by 21 persons from the comparison period. The Group employed an average of 157 (183) people in 2024.

Due to low demand and low production and delivery volumes, the parent company has had to lay off its personnel as one of its adjustment measures. The company also decided to close its representative office in China, which led to the dismissal of one local employee. In the comparison period, the change negotiations led to redundancies of 22 people, as well as layoffs. Non-recurring costs related to these measures amounted to EUR 0.1 million (0.5).

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

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

During the review period, there was one more work accident leading to absence than in the previous year, totaling 4 (3). Personnel well-being and job satisfaction are monitored, for example, through an annual well-being survey. As in the previous year, the occupational well-being survey was conducted at the end of the year, and the number of responses received again reached an excellent level with the response rate being 90% (90). For 2024, the company-level development goal of the experience of receiving sufficient feedback from superiors developed in a positive direction. eNPS decreased from the previous survey and was 11.0 (28.0).

Executive Group

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

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

Honkarakenne Oyj's Annual General Meeting was held at Honkarakenne's Tuusula office on 18 April 2024. The General Meeting adopted the financial statements, approved the remuneration report, and granted discharge from liability for 2023 to the members of the Board of Directors and the CEO.The Annual General Meeting decided that no dividend be paid for the financial year ended 31 December 2023. The Board of Directors decided that repayment of capital of EUR 0.09 per share to be distributed from the invested unrestricted equity fund. The repayment of capital has been paid to shareholders at the end of April.

Arto Halonen, Timo Kohtamäki, Maria Ristola, Kari Saarelainen and Antti Tiitola were re-elected to the Board of Directors of the parent company. At the Board's organizing meeting, Timo Kohtamäki was elected as the Chairman of the Board and Maria Ristola as Vice Chairman of the Board. At the same meeting, the Board of Directors decided that it would not establish committees.

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

Authorisations of the Board of Directors

The Annual General Meeting decided on 18 April 2024 that the Board of Directors is authorised to decide on the purchase of no more than 400.000 of the company's own B shares using funds from the parent company's unrestricted shareholders' equity. In addition, the Annual General Meeting authorised the Board of Directors to decide on rights issue or bonus issue and on the granting of special rights entitling to shares in one or more installments under the terms and conditions in Chapter 10, section 1 of the Companies Act. Under the authorisation, the Board of Directors may issue a maximum of 1.500.000 new shares and/or transfer old B shares held by the parent company inclusive of any shares that may be is-sued. These two authorisations remain in force until the next Annual General Meeting, however expiring at the latest on 30 June 2025.

Shares, Share Capital and Own Shares

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

Honkarakenne's class B shares are listed on Nasdaq Helsinki Ltd's Small Cap list with the ticker HONBS. The highest price of the listed class B share was EUR 3.5, and the lowest price was EUR 2.18. The clos-ing price at the balance sheet date was EUR 2.32. The market capitalisation of the stock at the end of the financial year was EUR 13.7 million. The traded class B shares was EUR 1.5 million and the trading vol-ume was 0.5 million shares.

Honkarakenne has not acquired its own shares during the review period. At the end of the report period, the parent company held 321,052 of its own Series B shares with a total purchase price of EUR 1,186,556.34. Own shares account for 5.17% of all Honkarakenne shares and 2.69% of all votes. The acquisition cost of own shares reduces the free equity of both the parent company and the Group.

Flagging Notifications

No flagging notifications were received during the financial year 2024.

Corporate Governance

In 2024, Honkarakenne Oyj complied with the Finnish Corporate Governance Code 2025 issued by the Securities Market Association, taking into account the transitional provision of Recommendation 8 of the Corporate Governance Code. For more information about corporate governance, go to www.honka.fi.

Short-term Risks and Uncertainties

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

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

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

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

Reporting

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

The Financial Statement Bulletin has not been audited but the presented figures are audited in connection with the audit.

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

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

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

Events After the Reporting Period

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

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

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

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

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

Outlook for 2025

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

Basis for the Outlook

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

General Meeting

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

HONKARAKENNE OYJ

Board of Directors

Additional information:
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Consolidated Comprehensive Income Statement

Unaudited EUR million	7–12/2024	7–12/2023	1–12/2024	1–12/2023
Net sales	22.2	23.3	36.7	46.3
Other operating income	0.3	0.3	0.5	0.6
Change in inventory of finished goods and work in progress	-0.1	-0.5	-0.7	-1.2
Use of materials and goods	-13.3	-16.5	-23.5	-30.7
Employee benefit expenses	-3.7	-3.1	-7.6	-8.1
Depreciation and impairment	-1.1	-1.1	-2.3	-2.2
Other operating expenses	-2.9	-2.4	-5.5	-4.8
Operating profit/loss	0.3	0.0	-2.4	-0.1
Financial income	0.1	0.0	0.1	0.1
Financial expences	0.3	0.2	-0.3	-0.2
Share of associated companies' profit or loss	0.0	0.0	-0.1	0.0
Profit/loss before taxes	0.6	0.2	-2.6	-0.3
Income taxes	-0.1	0.0	0.4	0.0
Profit/loss for the period	0.5	0.2	-2.2	-0.2
Other items of comprehensive income that may be re-classified subsequently to profit or loss:				
Translation differences related to foreign subsidiaries	-0.1	0.3	-0.1	0.2
Total comprehensive income for the period	-2.3	0.4	-2.3	0.0
Allocated to				
Shareholders of the parent company	-2.3	0.2	-2.2	-0.2
Non-controlling interests	-	-	-	-
	-2.3	0.2	-2.2	-0.2
Allocated to				
Shareholders of the parent company	-2.3	0.5	-2.3	-0.0
Non-controlling interests		-	-	-
	-2.3	0.5	-2.3	-0.0
Earnings per share calculated on the profit attributable to shareholders of the parent company:				
undiluted earnings per share (EUR)	0.37	0.04	-0.37	-0.04
diluted earnings per share (EUR)	0.37	0.04	-0.37	-0.04

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

Consolidated Statement Of Financial Position

Unaudited EUR million	31 Dec. 2024	31 Dec. 2023
Assets		
Non-current assets		
Property, plant and equipment	11.7	12.2
Goodwill	0.1	0.1
Other intangible assets	0.7	0.5
Shares in associated companies	0.4	0.5
.Receivables	0.2	0.3
Deferred tax assets	1.5	1.1
	14.6	14.6
Current assets		
Inventories	4.5	5.3
Trade and other receivables	2.6	3.8
Tax receivables	0.0	0.0
Other financial assets	0.0	1.0
Cash and cash equivalents	4.9	5.3
	12.1	15.4
Total assets	26.7	30.0
Shareholders' equity and liabilities		
Equity attributable to owners of the parent company		
Share capital	9.9	9.9
Share premium fund	0.5	0.5
Reserve for invested unrestricted equity	4.2	4.7
Treasury shares	-1.2	-1.2
Translation differences	-0.1	0.0
Retained earnings	0.4	2.6
	13.7	16.5
Share of non-controlling interests	-	-
Total equity	13.7	16.5
Non-current liabilities		
Deferred tax liability	0.0	0.0
Provisions	0.3	0.3
Financial liabilities	3.6	2.5
	3.9	2.9
Current liabilities		
Accounts payable and other liabilities	8.2	9.9
Current tax liabilities	0.0	0.0
Provisions	0.0	0.0
Short-term financial liabilities	0.8	0.8
	9.0	10.7
Total liabilities	13.0	13.6
Total equity and liabilities	26.7	30.0

Consolidated Statement of Changes in Equity

Abridged
Unaudited

EUR 1,000	Shareholder's equity								
	a)	b)	c)	d)	e)	f)	Yht.	g)	Total equity
Total equity, 1 Jan. 2023	9 898	520	4 805	17	-1 221	4 193	18 211	-	18 211
Profit/loss for the period	-	-	-	-	-	239	239	-	-239
Translation difference	-	-	-	-63	-	-2	-65	-	-65
Payment of dividend	-	-	-	-	-	-1 473	-1 473	-	-1 473
Impact of share-based bonuses	-	-	-	-	35	-35	0	-	0
Impact of mergers and acquisitions	-	-	-113	-	-	129	16	-	16
Total equity, 31 Dec. 2023	9 898	520	4 692	-46	-1 187	2 573	16 451	-	16 451

	Shareholder's equity								
	a)	b)	c)	d)	e)	f)	Yht.	g)	Total equity
Total equity, 1 Jan. 2024	9 898	520	4 692	-46	-1 187	2 573	16 451	-	16 451
Profit/loss for the period	-	-	-	-	-	-2 160	-2 160	-	-2 160
Translation difference	-	-	-	-92	-	-	-92	-	-92
Re-payment of capital	-	-	-530	-	-	-	-530	-	-530
Total equity, 31 Dec. 2024	9 898	520	4 162	-138	-1 187	413	13 669	-	13 669

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

Consolidated Cash Flow Statement

Abridged Unaudited EUR million	1 Jan. – 31 Dec. 2024	1 Jan. – 31 Dec. 2023
From operations	-0.4	-2.4
From investments, net	-1.0	-1.6
From financial activities, total	0.1	-2.3
Loan withdrawals	1.7	
Loan repayments	-0.6	-0.4
Repayments of lease liabilities	-0.5	-0.4
Repayment of capital/dividend	-0.5	
Change in liquid assets	-1.3	-6.4
Impact of exchange rate fluctuations on cash assets	-0.1	-0.3
Impact of stock exchange price changes on cash assets	0.0	0.4
Change in liquid assets	-1.4	-6.3
Liquid assets at end of period**)	5.0	6.3
Liquid assets at beginning of period	6.3	12.6
Change in liquid assets	-1.4	-6.3
**) Cash and cash equivalents	5.0	5.3
**) Other financial assets	0.0	1,0

Notes To the Report

Accounting policies

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

The Financial Statement Bulletin has not been audited but the presented figures are audited in connection with the audit.

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

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

New standards and interpretations

The new standards or interpretations effective as of 1 January 2024 did not have a material impact on the figures presented for the review period.

Alternative Performance Measures

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

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

Segments

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

Other Notes to the Report

Related Party Transactions

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

During the financial year, ordinary business transactions with related parties were made as follows: sales of goods and services to related parties amounted to EUR 0.2 million (0.2) and purchases from related parties to EUR 0.3 million (0.4). Financial statements of the Group include EUR 0.0 million (0.0) liabilities to related parties and EUR 0.0 million (0.0) receivables from related parties. No bad debts were recog-nised from related parties in 2024 or 2023. At the time of the financial statements, the parent company has claims from subsidiaries of EUR 1.7 million (1.8) and debts to subsidiaries of EUR 0.1 million (0.1).

Group's Tangible Assets

Unaudited EUR million	31 Dec. 2024	31 Dec. 2023
Acquisition cost, 1 Jan.	55.4	52.6
Increases	2.2	2.9
Decreases	-0.7	-0.1
Acquisition cost, 31 Dec.	56.8	55.4
Accumulated depreciation, 1 Jan.	-43.1	-41.2
Accumulated depreciation of decreases	0.0	0.0
Depreciation for the financial period	-2.0	-2.0
Accumulated write-downs at the end of the financial year	-45.2	-43.1
Book value, 1 Jan.	12.2	11.4
Book value, 31 Dec.	11.7	12.2

Treasury shares

At the end of the report period, the parent company held 321,052 of its own Series B shares with a total purchase price of EUR 1,186,556.34. Own shares account for 5.17 % of all company shares and 2.69 % of all votes. The purchase cost of own shares has been deducted from shareholders' equity in the consolidated financial statements.

Group's Contingent Liabilities

Unaudited EUR million	31 Dec. 2024	31 Dec. 2023
Own liabilities		
Mortgages	6.0	6.0
Business mortgages	2.2	
Other guarantees	3.1	2.1
Off-balance sheet lease liabilities	0.1	0.1

Group's Key Figures

Unaudited		1–12/2024	1–12/2023
Net sales	EUR million	36.7	46.3
Operating profit	EUR million	-2.4	-0.1
	% of net sales	-6.5	-0.3
Adjusted operating profit	EUR million	-2.3	0.3
	% of net sales	-6.3	0.7
Profit before taxes	EUR million	-2.6	-0.3
	% of net sales	-7.2	-0.6
Adjusted operating profit before taxes	EUR million	-2.6	0.2
	% of net sales	-7.0	0.4
Profit for the period	EUR million	-2.2	-0.2
Earnings/share	EUR	-0.37	-0.04
ROE	%	-14.3	-1.4
ROI	%	-9.7	0.1
Equity ratio	%	59.7	64.3
Equity / share	EUR	2.32	2.79
Net financial liabilities	EUR million	-0.5	-3.0
Net gearing	%	-3.5	-18.2
Gross investments	EUR million	1.4	1.8
	% of net sales	3.8	3.9
Order book	EUR million	22.2	18.8
Average number of employees	White-collar	105	118
	Blue-collar	52	65
	Total	157	183
Average number of personnel in person-years	White-collar	103	114
	Blue-collar	51	60
	Total	153	174
Adjusted number of shares (1,000)	At end of period	5 890	5 890
	Average during pe-riod	5 890	5 888

Gross investments are presented excluding right-of-use assets and investment grants received in ac-cordance with the IFRS 16 standard. There were investment grant of 0.2 million euros in 2024, there were no investment grant in 2023.

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

Formulas for Key Indicator Calculation

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

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

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

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

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

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