

Honkarakenne Group

# FINANCIAL STATEMENTS BULLETIN 2021



1 January - 31 December 2021

## HONKARAKENNE OYJ'S FINANCIAL STATEMENTS BULLETIN 1 JANUARY–31 DECEMBER 2021

### NET SALES AND PROFIT BEFORE TAXES GREW, ORDER BOOK EXCELLENT

Honkarakenne Group's net sales increased by EUR 16.8 million and were 32 per cent higher than in the previous year amounting to EUR 69.7 million (52.9). Despite the exceptionally high increase in raw material and component prices, operating profit and profit before taxes were higher than in the previous year. The 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 grew by 9 per cent to EUR 3.7 million (3.4) and adjusted profit before taxes grew by 11 per cent and was EUR 3.6 million (3.2).

The order book increased by 32 per cent and was EUR 52.4 million (39.8). The Group's financial position is strong.

### July–December 2021

- Honkarakenne Group's net sales for January–December increased by 32% and was EUR 40.1 million (30.3)
- Operating profit decreased by 3% and was EUR 2.0 million (2.1)
- Adjusted operating profit decreased by 17% and was EUR 2.0 million (2.4). The operating profit of the comparison period included EUR 0.3 million, in non-recurring items from production reorganisation.
- Adjusted profit before taxes was EUR 1.9 million (2.3) and decreased by 14% compared to the corresponding period of the previous year
- Earnings per share was EUR 0.31 (0.37)

### January–December 2021

- Honkarakenne Group's net sales for January–December increased by 32% and was EUR 69.7 million (52.9)
- Operating profit increased by 21% and was EUR 3.7 million (3.1)
- Adjusted operating profit increased by 9% and was EUR 3.7 million (3.4)
- Adjusted profit before taxes increased by 11% and was EUR 3.6 million (3.2)
- Earnings per share was EUR 0.56 (0.48)
- Net financial liabilities were EUR -8.7 million (-3.3)
- Equity ratio was 61% (56)

### BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year that ended 31 December 2021. In addition, the Board of Directors proposes that a repayment of capital of EUR 0.25 (0.18) per share be distributed from the invested unrestricted equity fund.

### OUTLOOK FOR 2022

Honkarakenne's outlook is that revenue (net sales) and profit before taxes will remain at the previous year's level in 2022.

### ORDERBOOK

At the end of December, the Group's order book stood at EUR 52.4 million (39.8), 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.

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

“In the financial year, Honkarakenne's sales have developed very well despite the global pandemic. In addition to holiday homes and detached houses, logs as a construction material are becoming increasingly popular in project construction like housing construction and regional development, as well as care facility, day-care centre and school construction.

The Group's order book on the closing date was at historically high levels at EUR 52 million. This is 32 per cent higher than a year earlier.

Production development at the Karstula factory and, in particular, the introduction of a new production line, have been demanding on the factory personnel. At the same time, demand and delivery volumes have reached peak levels and the raw materials market has been under disruption, so reorganisation of production could not be avoided. In addition, raw material prices rose sharply starting from spring due to COVID-19 recovery measures and the overheating of the market. These disturbances, and high raw material costs in particular, depressed the Group's profitability to a low level compared to the net sales level. Despite the challenging circumstances, overall profitability was better than in the corresponding period of the previous year. This can be called a hard-won victory and I like to thank the personnel and the entire Honka family for this.

A brand reform was carried out during the year, the aim of which was to create a distinctive and attractive Honka brand that supports both business in Finland and exports. Sustainability team completed Honka's sustainability programme, which is also a key part of Group's updated strategy. In December, the Board of Directors approved and decided on a new strategy, which extends until the end of 2024. The aim of the strategy is to strengthen Honkarakenne's position as Finland's largest exporter of wooden buildings to the world. With the export-driven strategy, the company seeks to increase net sales with a focus on profitability. The profitability targets are driven by process efficiency, while significantly enhancing the customer and employee experience.

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 free-time housing. The goal is to bring architecturally attractive options with functional uses of space that inspire premium quality and ecological housing.

Haiku, Honka's log home for the Housing Fair in Naantali next summer was introduced to the press at the beginning of November. The house is designed to blends into its delicate surroundings in a manner that respects the nature. The house is a modern single-storey log home that uses M1-certified low-emission materials, innovative solar power system and smart technical solutions. Together, they reduce the carbon footprint of housing and support a sustainable future and the happiness of the residents.

During the period, several recruitments were started and completed to strengthen the organisation and introduce new expertise to various operations. The chosen strategy, combined with a record high order book, gives Honkarakenne excellent preconditions for 2022.”

<b>GROUP'S KEY FIGURES</b>	<b>7–12/ 2021</b>	<b>7–12/ 2020</b>	<b>1–12/ 2021</b>	<b>1–12/ 2020</b>
Net sales, MEUR	40.1	30.3	69.7	52.9
Operating profit/loss, MEUR	2.0	2.1	3.7	3.1
Adjusted operating profit, MEUR	2.0	2.4	3.7	3.4
Profit before taxes, MEUR	1.9	1.9	3.6	2.9
Adjusted profit before taxes, MEUR	1.9	2.3	3.6	3.2
Average number of employees	181	171	178	168
Average number of employees in person-years	172	161	170	153
Earnings per share, EUR	0.31	0.37	0.56	0.48

Equity ratio, %	61	56
Return on equity, %	21	21
Equity per share, EUR	2.88	2.49
Gearing ratio, %	-51	-23

## NET SALES

The Group's net sales in the second half of 2021 increased by 32 per cent, to EUR 40.1 million (30.3). Net sales increased by 7 per cent for Finland and by 88 per cent for substantially strengthened exports.

The Group's net sales for the whole year 2021 increased by 32 percent to EUR 69.7 million (52.9). Finland accounted for 19 per cent of net sales growth and exports for 60 per cent compared with the corresponding period of the previous year.

Honkarakenne presents its net sales data divided in two parts: Finland and Exports. Below we present the net sales based on this division for the full year 2021 and the second half of 2021 with the comparison year.

Geographical distribution of net sales:

### NET SALES DEVELOPMENT

Net sales distribution, %	1–12 /2021	1–12 /2020		1–12 /2021	1–12 /2020	Change %
Finland	63%	70%		44.1	36.9	19%
Exports	37%	30%		25.6	16.0	60%
Total	100%	100%		69.7	52.9	32%

  

Net sales, MEUR	7–12 /2021	7–12 /2020	Change %	1–12 /2021	1–12 /2020	Change %
Finland	22.2	20.8	7%	44.1	36.9	19%
Exports	17.9	9.5	88%	25.6	16.0	60%
Total	40.1	30.3	32%	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.

## ORDER BOOK

The Group's order book at the turn of the year stood at the highest level in its history and was EUR 52.4 million (39.8). This is 32 per cent higher than 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 have a financing or building permit condition.

## DEVELOPMENT IN PROFIT AND PROFITABILITY

The operating profit for July–December stood at EUR 2.0 million (2.1) and the profit before taxes was EUR 1.9 million (1.9). The adjusted operating profit for July–December was EUR 2.0 million (2.4) and adjusted profit before taxes was EUR 1.9 million (2.3).

The profit for the financial year 2021 does not include non-recurring adjustment items. The adjustment items in the comparison year were EUR 0.3 million, consisting of production reorganisation costs.

The Group's operating profit for the whole year 2021 and the adjusted operating profit were EUR 3.7 million (3.1 and adjusted 3.4). Profit before taxes and adjusted profit before taxes were EUR 3.6 million (2.9 and adjusted 3.2).

The Group's profit development and profitability for the whole year were affected by net sales growth in Finland and, in terms of exports, especially in Russia. Overall profitability improved from the previous year, but profitability weakened significantly in the second half of the year due to clearly increased raw material prices. In addition, the disruptions caused by availability problems in raw materials resulted in an increase in costs related to delivery delays, production and supply.

## FINANCING AND INVESTMENTS

At the end of the review period, The Group's financial position was strong and the equity ratio was 61% (56). Gearing was negative at -51% (-23). The Group's net financial liabilities amounted to EUR -8.7 million (-3.3), so the liquid assets significantly exceeded its financial liabilities. The Group's liquid assets including other financial assets were EUR 11.9 million (7.0). Honkarakenne's EUR 3.0 million (3.0) overdraft facility has not been used in the review year or the comparison year.

The Group's capital expenditure amounted to EUR 1.3 million (4.1), excluding right-of-use assets in accordance with the IFRS 16 standard and investment grants received. Investment grants amounted to EUR 0.8 million (0.3).

Investments during the period under review focused mainly on completing the introduction of the log line at the Karstula factory, transport equipment and ERP system.

## PRODUCTS AND MARKET AREAS

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 free-time housing. Some builders look for modern solutions with all amenities, large landscaped windows and a peaceful location for their remote workplace. Honka's holiday home collection has been complemented with both fully equipped year-round holiday homes and smaller holiday homes mainly intended for summer use. All new houses have their own visual trend that combines 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 to its collection.

**In Finland**, net sales 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 construction and regional development. 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.

**In exports**, net sales 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.

## STRATEGY 2022–2024

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 net sales 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.

Please note that Honkarakenne does not consider long-term targets as market guidance for any single 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. The Group focuses on building the future and choices are guided by human and natural vitality. Honkarakenne's sustainability programme, *We are building the future*, is based on the changes we have identified in our operating environment, our ethical principles, recognised expectations of our staff and other stakeholders, and understanding the customer in our main markets. Responsible purchasing and eco-friendly production are at the core of our business and we are constantly developing the health and safety of our houses.

## 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.

## SEASONAL NATURE OF OUR BUSINESS

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

## RESEARCH AND DEVELOPMENT

The Group's R&D costs for the financial year were EUR 0.5 million (0.2), representing 0.7% (0.4) of net sales.

Research and development continued to focus on log structures suitable for larger buildings in particular. One of the objectives of Honkarakenne's project for public and large buildings is to increase the use of wood in construction to promote climate targets. Wood construction is part of sustainable use of forests. The Group has not capitalized development costs during the review period.

## PERSONNEL

Thanks to recruiting, 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.

The Group's average number of personnel, measured in person-years, totalled 170 persons (153) during the year. The increase from the comparison period was 17 persons. The Group employed an average of 178 (168) people in 2021. At the end of the year, the Group employed 186 (168) people.

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.

Towards the end of the year under review, an occupational well-being survey was carried out. Based on the results "Innostunut ja hyvinvoiva henkilöstö" (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 Strategy 2022-2024, personnel was involved in strategy work through personnel surveys.

## EXECUTIVE GROUP

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 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, CFO and Petri Perttula, Vice President, Operations Finland.

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

Honkarakenne Oyj's annual general meeting was held at the company's Tuusula office on 16 April 2021. The AGM adopted the financial statements of the parent company and Group, and discharged the Board members and CEO from liability regarding 2020. The AGM decided that no dividend will be paid for the financial year that ended on 31 December 2020. The AGM also decided that a repayment of capital of EUR 0.18 per share be distributed from the unrestricted equity fund.

Timo Kohtamäki, Kari Saarelainen and Kyösti Saarimäki were re-elected as Board members, with Arto Halonen and Maria Ristola as new members. The Board's organising meeting elected Kyösti Saarimäki as the chair. At the same meeting, the Board decided that no committees will be established.

Audit firm Ernst & Young Oy was re-elected as the company's auditor, with Elina Laitinen, APA, as the principal auditor.

## **AUTHORISATIONS OF THE BOARD OF DIRECTORS**

The AGM decided on 16 April 2021 that the Board is authorised to buy a total of 400,000 of the company's class B shares with its unrestricted equity capital. The Annual General Meeting also authorised the Board of Directors to decide on a share issue, either against payment or free of charge, and the issuance of special rights entitling to shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act, in one or more instalments. 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 class B shares held by the company, including those shares that may be issued under special rights. Both authorisations shall be valid until the next Annual General Meeting, but expire on 30 June 2022 at the latest.

## **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 vote and a class A share to 20 votes, bringing to total number of votes conferred by the shares during the review period to 11,913,243.

Honkarakenne's class B shares are listed on NASDAQ OMX Helsinki Oy's Small Cap list with the ticker HONBS. The highest price of the listed class B share was EUR 8.48, lowest EUR 4.11, and the closing price at the end of the review period was EUR 7.32. The trading value of class B shares was EUR 25.1 million and the trading volume 3.8 million shares.

In June, Honkarakenne transferred 10,000 class B shares to the CEO as part of the 2020 performance bonus. At the end of the review period, the group held 339,385 of its own class B shares, with a purchase price of EUR 1,264,758.66. The Group owns 5.46% of its own shares, and 2.85% of the votes. The acquisition price of its own shares is entered in the consolidated financial statements to reduce the equity.

## **FLAGGINGS**

During the review period, Honkarakenne received a notification, pursuant to chapter 9, section 5 of the Securities Markets Act, stating that on 26 March 2021 proportion of voting rights of shares owned by Saarelainen Oy had risen to 25.75%.

## **CORPORATE GOVERNANCE**

In 2021, Honkarakenne Oyj adhered to the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association in 2020. For more information about corporate governance, go to [www.honka.fi](http://www.honka.fi).

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

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 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.

In short-term risks the uncertainty related to the Group's exports to Russia due to the recent situation in Ukraine are emphasised. If the situation escalates it can have a considerable negative effect on the Group's business, financial position and operating profit.

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



## REPORTING

This report contains statements that relate to the future, and these statements are based on hypotheses that the company's management hold currently, as well as 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 statements bulletin has not been audited and the figures presented are unaudited.

Figures in parentheses refer to the corresponding period a year earlier, unless otherwise stated.

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

This bulletin has been prepared in accordance with IAS 34. The bulletin should be read in conjunction with the 2020 financial statements. The financial statements for 2021 have been prepared in accordance with the same accounting principles as the annual financial statements for 2020, except for the standards and interpretations that came into force on or after 1 January 2021. The revised standards and interpretations that came into force on 1 January 2021 have not had a significant effect on the figures presented for the review period.

## EVENTS AFTER THE REVIEW PERIOD

No significant events.

## BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company has no distributable profits, 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 that 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.

## OUTLOOK FOR 2022

According to Honkarakenne, revenue (net sales) 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.

## ANNUAL GENERAL MEETING

Honkarakenne Oyj's Annual General Meeting will be held on Wednesday, 13 April 2022 at 2 p.m.

## HONKARAKENNE OYJ

Board of Directors

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Unaudited	7-12 /2021	7-12 /2020	1-12 /2021	1-12 /2020
MEUR				
<b>Revenue (net sales)</b>	<b>40.1</b>	<b>30.3</b>	<b>69.7</b>	<b>52.9</b>
Other operating income	0.3	0.3	0.5	0.5
Change in inventories	0.1	-0.8	2.0	0.1
Work performed for own purposes and capitalised	0.0	0.0	0.0	0.0
Materials and services	-29.8	-19.8	-51.3	-34.6
Employee benefit expenses	-5.1	-4.9	-10.1	-9.3
Depreciations, amortisation and impairment	-1.3	-0.9	-2.3	-1.8
Other operating expenses	-2.3	-2.1	-4.8	-4.7
<b>Operating profit/loss</b>	<b>2.0</b>	<b>2.1</b>	<b>3.7</b>	<b>3.1</b>
Financial income	0.0	0.1	0.0	0.1
Financial expenses	-0.0	-0.2	-0.3	-0.3
Share of associated companies' result	0.0	0.0	0.1	0.0
<b>Profit/loss before taxes</b>	<b>1.9</b>	<b>1.9</b>	<b>3.6</b>	<b>2.9</b>
Taxes	-0.1	0.2	-0.3	-0.1
<b>Profit/loss for the period</b>	<b>1.8</b>	<b>2.1</b>	<b>3.3</b>	<b>2.8</b>
Other comprehensive income items that may be subsequently reclassified to profit and loss:				
Translation differences related to foreign subsidiaries	0.0	-0.1	0.0	-0.1
<b>Total comprehensive income for the period</b>	<b>1.8</b>	<b>2.1</b>	<b>3.3</b>	<b>2.8</b>
Result for the period attributable to				
Equity holders of the parent	1.8	2.1	3.3	2.8
Non-controlling interest	0.0	0.0	0.0	0.0
	<b>1.8</b>	<b>2.1</b>	<b>3.3</b>	<b>2.8</b>
Comprehensive income attributable to				
Equity holders of the parent	1.8	2.1	3.3	2.8
Non-controlling interest	0.0	0.0	0.0	0.0
	<b>1.8</b>	<b>2.1</b>	<b>3.3</b>	<b>2.8</b>
Calculated from the result for the period attributable to equity holders of parent Earnings/share (EPS):				
Basic, EUR	0.31	0.37	0.56	0.48
Diluted, EUR	0.31	0.37	0.56	0.48

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.

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>		
Unaudited	<b>31.12.2021</b>	<b>31.12.2020</b>
MEUR		
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	12.2	13.7
Goodwill	0.1	0.1
Other intangible assets	0.5	0.5
Investments in associated companies	0.4	0.3
Receivables	0.1	0.1
Deferred tax assets	1.5	1.7
	<b>14.8</b>	<b>16.3</b>
<b>Current assets</b>		
Inventories	6.5	4.6
Trade and other receivables	5.1	4.3
Income tax receivables	0.3	0.4
Other financial assets	5.0	
Cash and cash equivalents	6.9	7.0
	<b>23.9</b>	<b>16.3</b>
<b>Total assets</b>	<b>38.6</b>	<b>32.6</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	9.9	9.9
Share premium account	0.5	0.5
Invested unrestricted equity fund	6.3	7.3
Own shares	-1.3	-1.3
Translation differences	0.1	0.1
Retained earnings	1.4	-1.9
	<b>16.9</b>	<b>14.6</b>
Non-controlling interests	0.0	0.0
<b>Total equity</b>	<b>16.9</b>	<b>14.6</b>
<b>Non-current liabilities</b>		
Deferred tax liability	0.2	0.2
Provisions	0.5	0.3
Financial liabilities	2.6	3.0
	<b>3.2</b>	<b>3.4</b>
<b>Current liabilities</b>		
Trade and other payables	17.7	13.5
Current tax liabilities	0.1	0.0
Provisions	0.1	0.4
Current financial liabilities	0.7	0.8
	<b>18.5</b>	<b>14.6</b>
<b>Total liabilities</b>	<b>21.7</b>	<b>18.0</b>
<b>Total equity and liabilities</b>	<b>38.6</b>	<b>32.6</b>

**STATEMENT OF CHANGES IN EQUITY**

Abridged

Unaudited

EUR thousand

Equity attributable to owners of the parent

	a)	b)	c)	d)	e)	f)	Total.	g)	Total equity
<b>Total equity 1.1.2020</b>	<b>9898</b>	<b>520</b>	<b>8034</b>	<b>164</b>	<b>-1382</b>	<b>-4696</b>	<b>12539</b>	<b>0</b>	<b>12539</b>
Profit/loss for the period						2814	2814		2814
Translation differences				-54			-54		-54
Redemption of minority interest			-703				-703		-703
Share based incentive scheme					72	-45	28		28
<b>Total equity 31.12.2020</b>	<b>9898</b>	<b>520</b>	<b>7331</b>	<b>111</b>	<b>-1309</b>	<b>-1927</b>	<b>14623</b>	<b>0</b>	<b>14623</b>

Equity attributable to owners of the parent

	a)	b)	c)	d)	e)	f)	Total	g)	Total equity
<b>Total equity 1.1.2021</b>	<b>9 898</b>	<b>520</b>	<b>7 331</b>	<b>111</b>	<b>-1 309</b>	<b>-1 927</b>	<b>14 623</b>	<b>0</b>	<b>14 623</b>
Profit/loss for the period						3 303	3 303	0	3 303
Translation differences				-21			-21	0	-21
Return of capital			-1 055				-1 055	0	-1 055
Share based incentive scheme					45	5	50	0	50
<b>Total equity 31.12.2021</b>	<b>9 898</b>	<b>520</b>	<b>6 275</b>	<b>89</b>	<b>-1 265</b>	<b>1 381</b>	<b>16 899</b>	<b>0</b>	<b>16 899</b>

a) Share capital

b) Share premium account

c) Invested unrestricted equity fund

d) Translation differences

e) Own shares

f) Retained earnings

g) Non-controlling interests

**CONSOLIDATED STATEMENT OF CASH FLOWS**

Abridged

1.1.-  
31.12.2021

1.1.-  
31.12.2020

Unaudited

MEUR

Cash flow from operating activities	7.2	6.0
Cash flow from investing activities, net	-0.4	-3.7
Total cash flows from financing activities	-6.8	-2.4
Repayment of borrowings	-0.4	-1.3
Repayment of lease liabilities	-0.4	-0.4
Return on capital	-1.1	-0.7
Short-term securities investments	-5.0	-

Change in cash and cash equivalents	-0.0	-0.1
Effect of exchange rate changes	-0.1	0.1
Cash and cash equivalents at the beginning of period	7.0	7.1
Cash and cash equivalents at the close of period	6.9	7.0

## NOTES TO THE REPORT

### Accounting policies

This Financial Statement Bulletin has been prepared in accordance with IAS 34. The Financial Statement Bulletin should be read together with the 2020 financial statements. The accounting policies used in preparing the financial statements are the same as in the financial statements for 2020, with the exception of standards and interpretations that have come into force on 1 January 2021 or thereafter. The impact of the new standards and interpretations is described later in the section "New standards and interpretations".

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

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

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

### New standards and interpretations

The new standards or interpretations effective as of 1 January 2021 did not have a material impact on the figures presented for the review period.

### Alternative Performance Measures

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

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

### Segments

Since the beginning of 2020, Honkarakenne has had two geographical operating segments that have been combined into one segment for reporting purposes. Geographically, sales are divided as follows: Finland and Exports. As management's internal reporting complies with IFRS reporting, separate reconciliations are not presented.

## Other notes to the report

### Events with related parties

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

During the financial year, ordinary business transactions with related parties were made as follows: sales of goods and services to related parties amounted to EUR 0.3 million (0.2) and purchases from related parties to EUR 0.5 million (0.4). Financial statements of the Group include EUR 0.1 million (0.0) liabilities to related parties and EUR 0.1 million (0.1) receivables from related parties. No bad debts were recognised from related parties in 2021 or 2020.

### Property, plant and equipment

Unaudited

MEUR	31.12.2021	31.12.2020
Cost at the beginning of the period	51.0	47.5
Additions	0.6	3.8
Disposals	-0.1	-0.3
Cost at the end of the period	51.5	51.0
Accumulated depreciation at the beginning of the period	-37.3	-35.9
Accumulated depreciation of disposals	0.0	0.2
Depreciation for the period	-2.0	-1.6
Accumulated depreciation at the end of period	-39.3	-37.3
Carrying amount at the beginning of the period	13.7	11.6
Carrying amount at the end of the period	12.2	13.7

### Own shares

Honkarakenne has not acquired its own shares during the review period. In June, Honkarakenne transferred 10,000 of the company's class B shares to the company's President and CEO as part of his 2020 performance bonus. At the end of the report period, the Group held 339,385 of its own class B shares with a total purchase price of EUR 1,264,758.66. Own shares account for 5.46% of all company sharer and 2.85% of all votes. The purchase cost of won shares has been deducted from shareholders' equity in the consolidated financial statements.

### Contingent liabilities

Unaudited	31.12.2021	31.12.2020
MEUR		
For own loans		
- Mortgages	6.0	6.0
- Other quarantees	7.8	4.7
Off-balance sheet lease contracts	0.1	0.1

**Group's key figures**

Unaudited		1-12/ 2021	1-12/ 2020
Earnings/share (EPS)	EUR	0.56	0.48
Return on equity	%	21	21
Equity ratio	%	61	56
Equity/share	EUR	2.88	2.49
Net financial liabilities	MEUR	-8.7	-3.3
Gearing	%	-51	-23
Gross investments	MEUR	1.3	4.1
	%	2	8
Order book	MEUR	52.4	39.8
Average number of personnel	White-collar	112	97
	Blue-collar	66	71
	Total	178	168
Personnel in person-years, average	White-collar	109	93
	Blue-collar	62	60
	Total	170	153
Adjusted number of shares ('000)	At period-end	5877	5862
	Average during period	5872	5856

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

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

**Formulas for key indicator calculation:**

Earnings/share:	$\frac{\text{Profit / loss for the period attributable to owners of parent}}{\text{Average number of outstanding shares}}$	
Return on equity %:	$\frac{\text{Profit/loss for the period under review}}{\text{Total equity, average}}$	x 100
Equity/share:	$\frac{\text{Owners' equity}}{\text{Number of outstanding shares at the end of the period}}$	
Equity ratio, %:	$\frac{\text{Total equity}}{\text{Balance sheet total - advances received}}$	x 100
Net financial liabilities:	Interest-bearing financial liabilities — cash and cash equivalents	
Gearing, %:	$\frac{\text{Interest-bearing financial liabilities — cash and cash equivalents}}{\text{Total equity}}$	x 100



