

## HONKARAKENNE OYJ'S INTERIM REPORT, 1 JANUARY - 31 MARCH 2009

Honkarakenne's consolidated net sales for the first quarter of 2009 amounted to EUR 11.5 million (EUR 17.8 million). Profit before taxes showed a loss of EUR 1.2 million (loss of EUR 0.6 million) and the earnings/share ratio was a loss of EUR 0.27 (loss of EUR 0.13). The weak advance sales in the second half of the previous year were reflected in the delivery volumes at the start of this year in all market areas. If the market forecast holds, we can expect an improvement this year on last year's total profit figure.

KEY FIGURES	1-3/2009	1-3/2008	1-12/2008
Net sales, MEUR	11.5	17.8	78.4
Net sales, change %	-35.2	-3.8	-16.1
Operating profit/loss, MEUR	-1.2	-0.5	-0.1
Profit/loss before taxes, MEUR	-1.2	-0.6	-1.5
Average number of personnel	393	418	398
Earnings/share (EPS), EUR	-0.27	-0.13	-0.32
Shareholders equity/share, EUR	4.3	5.02	4.5

## DEVELOPMENT OF NET SALES AND PROFIT

Honkarakenne's consolidated net sales for the first quarter of 2009 amounted to EUR 11.5 million, compared with EUR 17.8 million in the same period last year. Net sales decreased by EUR 6.2 million and remained 35% below last year's figure. Domestic net sales decreased by EUR 1.0 million (-14%), and export net sales by EUR 5.2 million (-49%).

The operating result for January-March amounted to a loss of EUR 1.2 million (loss of EUR 0.5 million), and profit before taxes showed a loss of EUR 1.2 million (loss of EUR 0.6 million). The impact of the adjustment measures that were launched last autumn will not show in full until the second half of this year.

## FINANCING AND INVESTMENTS

The Group's financial position has remained satisfactory. The equity ratio stood at 30.9% (38.7%) and interest-bearing net liabilities at EUR 20.6 million (EUR 12.4 million). Group liquid assets totalled EUR 2.6 million (EUR 2.4 million). Gearing stood at 135.9% (69.5%). Capital expenditure totalled EUR 0.7 million (EUR 1.1 million).

## MARKET DEVELOPMENT

The decline in the number of started building projects of single-family and holiday homes in Finland and the corresponding cut in the number of building permits granted escalated in the second half of last year. This market trend has continued in the first months of the current year. The downward slide in the number of building permits concerns both single-family dwellings and holiday homes. At the

beginning of May the realized sales and order books of the entire Finnish log house construction industry stood at 32 per cent less than in the previous year. Domestic sales shrank by 24% and export sales by 40%. Overall construction costs have fallen from last year, and it is estimated that the price of timber has now bottomed out in the sawn goods markets.

All export markets are experiencing the same market conditions. The economic slowdown has caused a sharp decline in demand, and customers remain cautious in their decision-making. In several export markets, the disruptions in the finance markets slow down, or even prevent, sales that would otherwise go through. Devaluations of currencies in the East European sector has compromised those countries' purchasing power vis-à-vis the euro and cut demand, as well as delaying the deliveries of concluded sales.

In these weakening markets, poor demand has increased price competition; this will undermine the relative profitability of the Group in 2009 despite the lower raw material and production costs.

#### DEVELOPMENT OF SALES

Distribution of net sales, %	1-3/2009	1-3/2008
Finland	39.3%	39.0%
Central Europe	21.1%	17.5%
Far East	8.8%	7.6%
Other countries	30.8%	35.9%
Total	100.0%	100.0%

Net sales 1,000 euro	1-3/2009	1-3/2008	% change
Finland	5.972	6.931	-13.8%
Central Europe	2.438	3.103	-21.4%
Far East	1.317	1.343	-1.9%
Other countries	1.779	6.378	-72.1%
Total	11.506	17.755	-35.2%

At the end of March, the Group's order book amounted to EUR 19.8 million. The corresponding figure for the same period last year was EUR 38.3 million.

#### PRODUCTS AND MARKETING

The company launched its new log products, the Honka Duo eco round log and the Honka Major multi-laminated log, at the beginning of this year. Honka Duo is a new-generation ecological round log which enables the construction of houses with a modern demeanour using slightly oval-shaped round logs. Thanks to the production process, any splitting, bending or settling has been minimized in the Duo, and the round log houses are consequently better sealed and more energy efficient than previously. The product enjoys model protection within the EU.

At 270 mm, the new Honka Major log product is the largest of the multi-laminated logs produced by Honkarakenne. It is designed to be used in single-family housing and buildings requiring a smart

appearance. It already meets the new energy regulations that are due to come into force at the beginning of 2010 in Finland.

New energy solutions were launched in Finland to correspond to different user needs. The new solutions save 30-80% of heating energy in relation to the levels imposed by regulations on round-the-year accommodation. The launch of the Honka Fusion product and the training of partners were ongoing in France and Japan. Honka Fusion lends itself particularly well to modern design solutions, such as the combination of glass, stone, timber and steel. It allows designers the freedom to create sustainable and ecological solid wood houses.

#### STAFF

At the end of March, the Group employed 393 people. This is 25 less than at the same time in the previous year. The reduction was mostly from the parent company.

#### HONKARAKENNE OYJ'S ANNUAL GENERAL MEETING 2009, BOARD OF DIRECTORS AND ACCOUNTANTS

Honkarakenne Oyj's annual general meeting was held on Friday 3 April 2009. The general meeting confirmed the financial statements of the parent company and the Group, and released the Board members and the President from liability for the year of 2008. The annual general meeting decided that no dividend would be payable for the financial year.

The following Board members were elected to continue in office: Mauri Saarelainen, Tomi Laamanen, Mauri Niemi and Pirjo Ruuska. Lasse Kurkilahti and Marko Saarelainen were elected as new members. The Board meeting elected Lasse Kurkilahti as chairman.

KPMG Oy Ab, Authorized Public Accountants, was selected to continue as the company's auditor with Ari Eskelinen as chief accountant.

#### HONKARAKENNE OYJ'S OWN SHARES AND AUTHORIZATION TO THE BOARD OF DIRECTORS

Honkarakenne Oyj repurchased 5,185 shares during the period under review, for an average price of EUR 2.68 per share. At the end of the review period the company held 213,885 of its B shares with a total nominal value of EUR 427,770.00 and a total purchase price of EUR 1,137,564.73. These shares represent 5.71% of the company's capital stock and 2.26% of the voting rights. The purchase cost has been deducted from shareholders' equity in the consolidated financial statements.

The Board of Directors has been granted a share repurchase authorization, valid until 26 March 2010, to repurchase company shares following which the company and its subsidiaries would hold a maximum of 10% of the company's capital stock. The Board of Directors has also been granted authority, also valid until 26 March 2010, to dispose of 374,896 B shares.

#### CORPORATE GOVERNANCE SYSTEM

Honkarakenne Oyj follows the Corporate Governance recommendations for listed companies issued by OMX Nordic Exchange in Helsinki, the Central Chamber of Commerce and the Confederation of Finnish Industries EK.

#### CHANGES IN IFRS REPORTING

As of 1 January 2009, the Group applies the following standard: IFRS 8 Operating Segments. The segment data presented under the standard must be based on internal reports submitted to the management and the accounting principles observed therein. The application of the new standard will not change the data that is presented on the Group segments. Honkarakenne only reports on one segment: the manufacture, sale and marketing of log houses. Additional information is provided in accordance with the following geographical breakdown: Finland, Central Europe, Far East and other countries.

#### FUTURE OUTLOOK

During the winter months, demand flattened to a much lower level than in the previous year. The market conditions in the company's principal markets are expected to improve slightly, with the industry starting to climb out of the deepest hole, with a helping hand from recent positive economic news. Other positive contributory factors are the lower construction costs and the historically low interest rate levels, both of which will boost demand. Major projects will start to move only when the general economic situation improves.

Due to weak advance sales in the second half of last year and in the first part of this year, net sales throughout the Finnish log industry are forecast to drop by 20-30% in the current financial year. Similarly, the annual consolidated net sales of Honkarakenne are expected to be appreciably lower this year than last year. Business expenditure has been adjusted to cope with the distinctly smaller net sales, while significant cost savings compared to last year are sought through various procedures and measures. Provided that the market situation holds, a higher annual profit figure than that of last year's is forecast for the current year.

#### FORTHCOMING RISKS

The most significant risks in the near future are linked to the operation of the finance markets and the development of the general economic situation. The sawn goods markets have seen extensive adjustment measures in production and in the short term, when demand picks up, we may experience delivery problems linked to the availability of wood raw material.

#### EVENTS AFTER THE PERIOD UNDER REVIEW

This year, production will be discontinued at the Paltamo factory of Honkarakenne's subsidiary Finwood Oy and transferred to the company's main production plants in Karstula and Alajärvi. On 9 April 2009, 18 Finwood employees were dismissed.

HONKARAKENNE OYJ

Board of Directors

Further information: Esko Teerikorpi, President and CEO, tel. +358 20 575 7816, +358 40 580 6111, esko.teerikorpi@honka.com.

This and previous press releases can be found on the company's website at [www.honka.com](http://www.honka.com), Investors. The next interim reports of 2009 will be published on 20 August 2009, and 12 November 2009.

The figures have not been examined by the auditor.

#### DISTRIBUTION

Helsinki Stock Exchange

Principal media

Financial Supervision

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited)	1-3/2009	1-3/2008	1.1.-31.12.2008
(MEUR)			
Net sales	11.5	17.8	78.4
Other operating income	0.1	0.3	1.1
Change in inventories	-0.2	0.9	-0.8
Production for own use	0.0	0.1	0.3
Materials and services	-5.9	-11.6	-47.2
Employee benefit expenses	-3.5	-4.0	-15.8
Depreciations	-0.9	-1.0	-4.1
Other operating expenses	-2.3	-3.0	-11.8
Operating profit/loss	-1.2	-0.5	-0.1
Financial income and expenses	-0.0	-0.2	-1.3
Share of associated companies' profit	-0.0	0.1	-0.1
Profit/loss before taxes	-1.2	-0.6	-1.5
Taxes	0.3	0.1	0.4
Profit/loss for the period	-0.9	-0.5	-1.1
Other comprehensive income:			
Translation differences	0.1	0.2	0.0
Total comprehensive income for the period	-0.8	-0.3	-1.1
Attributable to:			
Equity holders of the parent	-0.9	-0.5	-1.1
Minority interest	0.0	0.0	0.0
	-0.9	-0.5	-1.1
Earnings/share (EPS), EUR			
Basic	-0.27	-0.13	-0.32
Diluted	-0.27	-0.13	-0.32

CONSOLIDATED BALANCE SHEET  
(unaudited)

31.3.2009 31.3.2008 31.12.2008

(MEUR)

Assets

Non-current assets

Property, plant and equipment	25.8	25.2	26.0
Goodwill	0.5	0.5	0.5
Other intangible assets	1.5	1.2	1.5
Investments in associated companies	2.2	0.6	2.2
Other investments	0.2	0.3	0.2
Receivables	0.1	0.2	0.1
Deferred tax assets	1.6	1.0	1.4
	31.9	28.9	32.0

Current assets

Inventories	13.3	15.2	12.5
Trade and other receivables	8.8	10.5	9.1
Cash and bank receivables	2.6	2.4	1.6
	24.7	28.1	23.2
Total assets	56.6	57.0	55.2

Shareholders' equity and liabilities  
Equity attributable to equity holders  
of the parent

Capital stock	7.5	7.5	7.5
Share premium	0.5	0.5	0.5
Reserve fund	5.3	5.3	5.3
Translation differences	0.1	0.2	0.0
Retained earnings	1.7	4.4	2.7
	15.1	17.9	16.1
Minority share	0.0	0.0	0.0
Total equity	15.1	17.9	16.1

Non-current liabilities

Deferred tax liabilities	0.7	0.6	0.8
Provisions	0.4	0.4	0.4
Interest bearing debt	20.9	13.3	19.2
Non-interest bearing debt	0.6	0.0	0.6
	22.6	14.1	21.0

Current liabilities

Trade and other payables	16.6	23.2	16.2
Tax liabilities	0.0	0.1	0.0
Interest bearing debt	2.3	1.7	1.9
	18.9	25.0	18.1
Total liabilities	41.5	39.1	39.1
Total equity and liabilities	56.6	57.0	55.2

STATEMENT OF CHANGES IN EQUITY  
(unaudited)

1000 EUR	Equity attributable to equity holders of the parent								Total equity
	a)	b)	c)	d)	e)	f)	Total	g)	
Total equity									
1.1.2008	7,498	520	5,316	179	-942	6,037	18,608	-8	18,600
Translation difference				-5			-5		-5
Repurchase of own shares					-146		-146		-146

Result of the period						-458	-458	-22	-480
Other changes						-103	-103		-103
Total equity 31.3.2008	7,498	520	5,316	174	-1,088	5,476	17,896	-30	17,866
	a)	b)	c)	d)	e)	f)	Total	g)	Total equity
Total equity 1.1.2009	7,498	520	5,316	27	-1,124	3,819	16,056	9	16,065
Translation difference				41			41		41
Repurchase of own shares					-14		-14		-14
Result of the period						-955	-955	-1	-956
Total equity 31.3.2009	7,498	520	5,316	68	-1,138	2,864	15,128	8	15,136
a) Share capital									
b) Premium fund									
c) Reserve fund									
d) Translation difference									
e) Own shares									
f) Retained earnings									
g) Minority interest									

CONSOLIDATED CASH FLOW STATEMENT  
(Unaudited)

	1.1.-31.3.2009	1.1.-31.3.2008	1.1.-31.12.2008
(MEUR)			
Cash flow from operations	0.1	2.4	0.8
Cash flow from investments, net	-0.5	-1.0	-4.9
Total cash flow from financing	1.4	-1.0	3.7
Increase in credit capital	5.0	0.0	7.1
Decrease in credit capital	-3.5	-0.7	-1.5
Dividends paid			-1.1
Other financial items	-0.1	-0.3	-0.8
Change in liquid assets	1.0	0.5	-0.4
Liquid assets at the beginning of period	1.6	1.9	1.9
Liquid assets at the end of period	2.6	2.4	1.6

NOTES TO THE REPORT

Calculation methods

The financial statements release has been prepared in compliance with the recognition and measurement policies of the IFRS, but requirements of 34 standards has not been fully followed.

TANGIBLE ASSETS

(MEUR)	Tangible
(Unaudited)	assets
Acquisition cost 1.1.2009	66.2
Translation difference (+/-)	-0.1
Increase	0.8
Decrease	-0.1
Transfers between balance sheet items	0.0
Acquisition cost 31.03.2009	66.8

Accumulated depreciation 1.1.2009	-40.2
Translation difference (+/-)	0.1
Disposals and reclassifications	0.0
Depreciation for the period	-0.8
Accumulated depreciation 31.03.2009	-41.0
Book value 1.1.2009	26.0
Book value 31.03.2009	25.8

#### Own shares

Honkarakenne acquired during the period under review 5,185 of its own B shares, whose purchase price amounted to 13,8 meur.

#### Events in the circle of acquaintances

The circle of acquaintances consists of subsidiaries associated companies and the company's management. The management included in the circle of acquaintances comprises the Board of Directors, CEO and the company's managing committee.

There haven't been transactions with acquaintances during the reporting period.

#### CONTINGENT LIABILITIES

(Unaudited)

MEUR	31.3.2009	31.3.2008
For own loans		
- Mortgages	25.5	19.66
- Pledged shares	0.36	0.54
- Other quarantees	3.14	0.94
For others		
- Guarantees	1.09	0.84
Leasing liabilities	0.99	0.83
Rent liabilities	0.17	0.24
Nominal values of forward exchange contracts	2.17	2.9

#### KEY INDICATORS

		1-3 2009	1-3 2008	1-12 2008
(Unaudited)				
Earnings/share (EPS)	eur	-0.27	-0.13	-0.32
Return on equity	%	-6.1	-2.6	-6.6
Equity ratio	%	30.9	38.7	33.0
Shareholders equity/share	eur	4.3	5.02	4.5



Net debt	MEUR	20.6	12.4	19.5
Gearing	%	135.9	69.5	121.6
Gross investments	MEUR	0.7	1.1	5.1
	%			
	liikevaihdosta	6.1	6.1	6.5
Order book	MEUR	19.8	38.3	23.7
Average number of personnel	Staff	193	204	203
	Workers	200	214	195
	Total	393	418	398

#### CALCULATION OF KEY INDICATORS

	Profit for the period attributable to equity holders of parent	
Earnings/share (EPS)	-----	
	Average number of outstanding shares	
	Profit before taxes - taxes	
Return on equity %	-----	x 100
	Total equity, average	
	Total equity	
Equity ratio, %	-----	x 100
	Balance sheet total - advances received	
Net debt	Interest-bearing debt - cash and cash equivalents	
	Interest-bearing debt - cash and cash equivalents	
Gearing, %	-----	x 100
	Total equity	
	Shareholders' equity	
Shareholders equity/share	-----	
	Number of shares outstanding at end of period	