HONKARAKENNE OYJ INTERIM REPORT 11 August 2011 at 3:00 pm

HONKARAKENNE OYJ'S INTERIM REPORT, 1 JANUARY–30 JUNE 2011

SUMMARY

April - June 2011

- Honkarakenne Group's consolidated net sales for the second quarter of the year amounted to MEUR 18.2 (MEUR 19.6 in 2010), representing a reduction over the same period the previous year of 6.9%.
- Operating profit was MEUR 2.2 (MEUR 2.5). Operating profit before non-recurring items was MEUR 2.2.
- Profit before taxes was MEUR 2.0 (MEUR 2.1).
- Earnings per share amounted to EUR 0.30 (EUR 0.45).

January - June 2011

- Honkarakenne Group's consolidated net sales for January-June amounted to MEUR 27.5 (MEUR 28.1), representing a reduction over the same period the previous year of 2.2%.
- Operating profit was MEUR 1.0 (MEUR 0.7). Operating profit before non-recurring items was MEUR 0.8 (MEUR 1.4).
- Profit before taxes was MEUR 1.0 (MEUR 0.1).
- Earnings per share amounted to EUR 0.18 (EUR 0.01).

The uncertainty in the global economy that has increased since early summer presents challenges, especially for growth in net sales. At present, there exists a risk that the target for growth in net sales will not be reached. This represents a change to the previous outlook. However, the Group is still targeting a better result before taxes than last year.

At the end of the second quarter, the Group's order book was 3% larger than the corresponding period the previous year.

KEY FIGURES	4-6/ 2011	4-6/ 2010	1-6/ 2011	1-6/ 2010	Change %	1-12/ 2010
Net sales, MEUR	18.2	19.6	27.5	28.1	2.2	58.1
Operating profit/loss, MEUR	2.2	2.5	1.0	0.7		1.3
Operating profit before non-recurring items, MEUR	2.2	2.9	0.8	1.4		2.5
Profit/loss before taxes, MEUR	2.0	2.1	1.0	0.1		0.4
Average number of personnel	266	304	265	303		291
Earnings/share (EPS), EUR	0.30	0.45	0.18	0.01		0.23
Equity ratio, %			46.0	34.9		42.5
Return on equity, %			5.1	0.4		7.3
Shareholders' equity/share, EUR			3.7	3.4		3.6
Gearing, %			56.5	79.0		73.1

Esa Rautalinko, President and CEO of Honkarakenne Oyj, in connection with the interim report:

"After the second quarter, the Group's result before taxes is at a satisfactory level. The Group's net sales, however, did not develop as expected during the second quarter, falling short of the figure for the same period last year. The increasing uncertainty in the global economy began to show itself in the purchasing decisions of customers in May, which was reflected in Honkarakenne's sales at the end of the quarter. At present, there exists a risk that the target for growth in net sales will not be reached. However, the Group is still targeting a better result before taxes than last year.

Despite the increasing uncertainty in the global economy, our main focus area has continued to be the picking up of sales in all market areas. In Finland, growth is particularly being sought in the single-family house market, for which Honkarakenne offers high-quality, environmentally-friendly, low-energy solutions, also for areas zoned for stone houses. In Finland, sales of single-family houses have increased by more than 60% compared with the previous year. This has not, however, been sufficient fully to compensate for the general drop in the construction of vacation houses.
In line with strategy, in export sales we continue to focus on luxury and premium products, such as the Honka Fusion™ product concept, and new markets will be opened up for it. In the Far East, West and Other Markets groups, growth is also being sought through the development of sales networks.

The goal of the improvement programme initiated by the Group at the beginning of 2010 is to increase the result by MEUR 8 within two years. Of this, MEUR 5.1 was achieved in 2010, and for 2011 the targeted improvement is MEUR 2.9. During the second quarter of the year, the effect of the improvement programme on 2011 amounted to -MEUR 0.6. The negative result of the improvement programme is a result of the fact that, in an uncertain market situation, it has not been possible to keep sales margins at targeted levels.

The Group’s balance sheet structure has developed well. At present, the equity ratio level of 46% and the gearing level of 56.5% are both on a good level. The Group’s financial position has significantly improved since the corresponding period last year and empowers developing the Honkarakenne Group.

Honkarakenne strengthened its management team with a new Vice President Marketing in order to boost the implementation of its strategy. Sanna Wester took up the position on 1 June 2011. She previously worked as Head of Brand, Media and Research at TeliaSonera Finland.”

NET SALES

Honkarakenne Group’s consolidated net sales for the second quarter of 2011 decreased by 6.9% to MEUR 18.2 (19.6). Domestic net sales decreased by 9% to MEUR 8.5 (9.3). In export, net sales decreased by 8% to MEUR 9.1 (9.8).

Honkarakenne Group’s consolidated net sales for January-June 2011 amounted to MEUR 27.5, having stood at MEUR 28.1 at the same period the previous year.

Geographical distribution of net sales:

DEVELOPMENT OF SALES

Distribution of net sales, %	1-6 /2011	1-6 /2010
Domestic	44%	48%
West	15%	19%
East	24%	18%
Far East	9%	10%
Other markets	4%	2%
Process waste sales for recycling	3%	3%
Total	100%	100%

Net sales, MEUR	4-6 /2011	4-6/ 2010	Change %	1-6/ 2011	1-6/ 2010	Change %
Domestic	8.5	9.3	- 9%	12.0	13.4	- 10%
West	2.8	3.4	- 17%	4.0	5.4	- 26%
East	3.8	3.9	- 4%	6.7	5.1	+ 31%
Far East	1.6	2.1	- 24%	2.6	2.9	- 10%
Other markets	0.9	0.4	+ 135%	1.2	0.6	+ 121%
Process waste sales for recycling	0.7	0.5	+ 55%	1.0	0.7	30%
Total	18.2	19.6	- 7%	27.5	28.1	- 2%

The sales areas are:

Domestic, includes Finland.

West, includes the following countries: Netherlands, Belgium, Spain, Ireland, Great Britain, Iceland, Italy, Austria, Greece, Cyprus, Latvia, Lithuania, Luxembourg, Norway, Portugal, Poland, France, Sweden, Germany, Slovakia, Slovenia, Switzerland, Denmark, Czech Republic, Hungary and Estonia.

East, includes the following countries: Azerbaijan, Kazakhstan, Ukraine, Russia and other CIS countries.

Far East, includes South Korea and Japan.

Other markets, includes the following countries: Bulgaria, China, Croatia, Mongolia, North and South America, Romania, Serbia, Turkey as well as new target countries and markets.

In addition, the sales of factory process waste for recycling will be reported separately from the actual Honkarakenne core business operations.

DEVELOPMENT OF PROFIT AND PROFITABILITY

Operating profit in January–June was MEUR 1.0 (MEUR 0.7), and profit before taxes was MEUR 1.0 (MEUR 0.1).

The calculations below present the change in operating profit from 2010 to 2011.

Operating profit 1-6/2010 without non-recurring items	1.4
Improvement programme and increase in sales	-0.6
Operating profit 1-6/2011 without non-recurring items	0.8
Non-recurring items 1-6/2011	+0.3
Operating profit 2011	1.0

Non-recurring items includes a positive item generated by the sale of the shareholding in Karjalan Lisenssisaha Invest Oy of MEUR 0.34 and non-recurring implementation expenditure for the improvement programme amounting to MEUR 0.06.

FINANCING AND INVESTMENTS

In the course of the period under review, the financial position of the Group strengthened. The equity ratio stood at 46.0% (34.9%) and interest-bearing net liabilities at MEUR 10.1 (MEUR 13.1). MEUR 1.9 (2.7) of the interest-bearing net liabilities carries a 30% equity ratio covenant term. Group liquid assets totalled MEUR 1.8 (MEUR 2.4). The Group also has a MEUR 10.0 bank overdraft facility, MEUR 7.7 (MEUR 7.7) of which had not been drawn on at the end of the report period. Gearing stood at 56% (79%). The Group’s capital expenditure totalled MEUR 0.4 (MEUR 0.3).

MARKET DEVELOPMENT

Based on a report commissioned by RTS Oy, Finnish log house production is expected to decrease by 3% this year. The corresponding forecast at the time of the previous interim report was a 3% growth. The figure includes production for Finland and for export.

PRODUCTS, MARKETING AND MARKET AREAS

In Finland, the second quarter is the season for sales of vacation houses. Honkarakenne launched new vacation house models such as the Saariston Tähti range, which is particularly directed at meeting the needs of vacation homes in the Finnish Archipelago Sea and other archipelago areas.

Honkarakenne was also strongly involved in the Mäntyharju Holiday Housing Fair. Honkarakenne exhibited two houses at the fair. One of these, Kippari, is a new range of vacation house models for Honkarakenne. Kippari has been developed using the Honka Säästö™ concept. Through Honka Säästö™, vacation houses equipped with modern comforts can easily be left cold during the winter when they are not in use. This enables considerable savings in heating costs during the winter. Kippari also features unhindered access, which is suitable for the needs of both families with children and senior citizens. The other house at the fair was the unique Lokki model. Lokki uses Honkarakenne's unique non-settling log, which enables exceptionally individual architecture with large glass surfaces.

In the West, single-family house models based on the Honka Fusion™ concept were launched in Germany and the UK. Sales in the West have not developed at a satisfactory level. In order to boost sales, sales training was organised for all importers in the West market area. Efforts will also be made in the area to recruit additional strong importers in order to increase the number of sales contacts.

In the East, the new Honka Jewels range of models was launched. So far, the first phase of the range has been launched, covering about half of the Honka Jewels models. The Honka Jewels range has taken into account the typical needs of customers in the premium segment of the East market area. All houses in the Jewels range are large single-family houses.

In the Far East, the existing product ranges were renewed in response to the development of customer needs. In order to support sales, a concept handbook was prepared specifically for importers, which will facilitate discussion between the seller and the customer when purchasing decisions are being made. Concerning Japan's natural disaster, Honkarakenne repeats its previously expressed view that construction will pick up in the devastated areas next year, but it is too early to anticipate the extent to which Honkarakenne will be involved in the reconstruction.

In the Other Markets group, the focus was on the development of the North American market and sales of large projects.

RESEARCH AND DEVELOPMENT

In January–June, the Group's R&D expenditure was MEUR 0.3 (MEUR 0.2), 1.1% of net sales (0.9%). The Group did not activate development costs during the period under review. R&D expenditure has been targeted towards further developing low-energy solutions and, especially, developing log models suited for single-family house construction.

STAFF

At the end of June, the Group employed 265 people (303) on average. This is 38 fewer than at the same time the previous year.

At the end of the second quarter, Honkarakenne entered into productional co-operation negotiations, the aim of which is to maintain competitiveness through periods of fluctuation in sales and production. As a result of these negotiations, Honkarakenne may lay off its staff for a fixed period not exceeding 90 days up to the end of March 2012.

MANAGEMENT INCENTIVE SYSTEM, RELATED DIRECTED ISSUE AND OWN SHARES

On 31 May 2010, the Board of Directors of Honkarakenne Oyj decided on a share ownership system for the management of the Honkarakenne Group, the purpose of which is to enable the significant long-term ownership in the company by management. In the second quarter, the Board decided to relinquish to Honka Management Oy, a holding company set up by management, 17,250 of the company's B shares in its possession in a directed rights issue in order to enlarge the system, with Honkarakenne's new management team member, Sanna Wester, joining it.

In the directed issue, Honkarakenne relinquished to Honka Management Oy a total of 17,250 of its own shares (HONBS) as part of the share ownership system for

Honkarakenne management. The purchase price of the shares was EUR 5.26 each, making a total of EUR 90,735.

After the transaction, Honka Management Oy now owns 286,250 B shares in Honkarakenne Oyj.

During the period under review, Honkarakenne Oyj did not buy any of its own shares. At the end of the period, the Group owned 364,385 B shares, with a total purchase price of EUR 1,381,750.23. The proportion of these shares of the company’s share capital is 7.05% and represents 3.35% of all voting rights. The purchase cost of the shares has been entered in the Group accounts to reduce shareholders’ equity. Honkarakenne Oyj’s share capital comprises a total of 5,168,968 shares, of which 300,096 are A shares and 4,868,872 are B shares. Each B share yields one (1) vote and each A share twenty (20) votes, so the total number of votes yielded by all Honkarakenne’s shares is 10,870,792. The company’s share capital amounts to EUR 9,897,936.00.

HONKARAKENNE OYJ’S 2011 ANNUAL GENERAL MEETING, BOARD OF DIRECTORS, AND AUDITORS

The Annual General Meeting (AGM) of Honkarakenne Oyj was held at the company’s headquarters in Tuusula on 1 April 2011. The AGM confirmed the financial statements of the parent company and Group, and discharged from liability the board members and CEOs for 2010. The AGM decided to pay a dividend of EUR 0.10 on B shares for the 2010 financial year.

Anders Adlercreutz, Lasse Kurkilahti, Mauri Saarelainen, Marko Saarelainen, Mauri Niemi, Teijo Pankko and Pirjo Ruuska were elected to the Board of Directors. The Board’s organisation meeting elected Lasse Kurkilahti as Chairman of the Board. Mauri Saarelainen is serving as Deputy Chairman of the Board. Lasse Kurkilahti, Pirjo Ruuska and Teijo Pankko were elected to the company’s audit committee.

Authorised Public Accounting company KPMG Oy Ab was elected as auditor, the main auditor being Authorised Public Accountant Reino Tikkanen.

AUTHORISATIONS OF THE BOARD OF DIRECTORS

On 1 April 2011, the AGM decided that the Board of Directors was authorised to acquire a maximum of 400,000 of the company’s own B shares with assets included in the company’s unrestricted equity. In addition, the AGM authorised the Board to decide on a rights issue or bonus issue and on granting special rights to shares referred to in Section 1 of Chapter 10 of the Limited Liability Companies Act in one or more instalments. By virtue of the authorisation, the Board may issue a maximum total of 400,000 new shares and/or relinquish old B shares held by the company, including those shares that can be issued by virtue of special rights. Both authorisations will be valid until 25 March 2012.

OWNERSHIP CHANGES IN ASSOCIATED COMPANIES

On 17 February 2011, Honkarakenne Oyj signed an agreement to sell its 37.5% sharehold in Karjalan Lisenssisaha Invest Oy to FM Timber Team Oy. Karjalan Lisenssisaha Invest Oy and its subsidiaries operate in the field of sawmill industry in Russia. Honkarakenne relinquished its sharehold in Karjalan Lisenssisaha Invest Oy as part of its aim to focus on its core operations.

CORPORATE GOVERNANCE

Honkarakenne Oyj follows the Limited Liability Companies Act and the Finnish Corporate Governance Code, 1 October 2010, for listed companies issued by the Finnish Securities Market Association. The company's website, www.honka.com/investors, provides more information on the corporate governance systems.

FUTURE OUTLOOK

General macroeconomic uncertainties may affect customers’ willingness to make decisions on large construction projects. Uncertainty in sales began to show itself in early summer. Sales numbers still show signs of a prolonged sales process and lack of long-term orders.

At the end of June, the Group’s order book stood at MEUR 19.4, which is a 3% increase from the MEUR 18.8 at the same period the previous year. The order book refers to orders whose delivery date falls within the next 24 months. Some orders may include a financing or building permit condition.

FORTHCOMING RISKS AND UNCERTAINTIES

The Group has been unable to grow at a satisfactory pace in the West market area.

Customer investment decisions have clearly been delayed as a result of general economic uncertainty. This may have a greater than expected negative effect on the net sales forecast for the end of the year.

The Group has one significant concentration of credit risks in sales receivables, concerning the open sales receivables of one importer. No provision for doubtful debt has been made for this. The new sales made with this importer have been paid according to the agreed terms. Deliveries to the importer have continued, and the risks with the open sales receivables have been amortised as per the agreement.

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.

{0>Tämä osavuosikatsaustiedote on laadittu IAS 34 -standardia noudattaen.<}0{>This interim report has been prepared in line with the IAS 34 standard.<0} {0>Osavuosikatsauksessa on sovellettu samoja laatimisperiaatteita kuin vuositilinpäätöksessä.<}0{>The same principles of preparation as used in the annual report have been applied to this interim report.<0} {0>Osavuosikatsausta tulee lukea yhdessä vuoden 2010 tilinpäätöksen kanssa.<}0{>The interim report should be read together with the accounts for 2010.<0} {0>1.1.2011 voimaan tulleet uudistetut standardit ja tulkinnat eivät ole vaikuttaneet katsauskaudella esitettyihin lukuihin.<}0{>The new revised standards or interpretations effective as of 1 January 2011 have no bearing on the figures presented for the report period. The figures have not been examined by the auditor.

OUTLOOK FOR 2011

The uncertainty in the global economy that has increased since early summer presents challenges, especially for growth in net sales. At present, there exists a risk that the target for growth in net sales will not be reached. This represents a change to the previous outlook. However, the Group is still targeting a better result before taxes than last year.

HONKARAKENNE OYJ

Board of Directors

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This and previous releases are available for viewing on the company's website at www.honka.com/investors. The following interim report will be published on 10 November 2011.

DISTRIBUTION
NASDAQ OMX Helsinki
Key media
Financial Supervisory Authority
www.honka.com

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited) (MEUR)	4-6 /2011	4-6 /2010	1-6 /2011	1-6 /2010	1-12 /2010
Net sales	18.2	19.6	27.5	28.1	58.1
Other operating income	0.2	0.3	0.8	0.6	1.0
Change in inventories	-0.6	-0.9	0.1	0.5	0.3
Production for own use	0.0	0.0	0.0	0.0	0.0
Materials and services	-9.4	-9.7	-15.6	-15.3	-32.6
Employee benefit expenses	-3.1	-3.4	-5.9	-6.7	-12.2
Depreciations	-0.8	-0.9	-1.7	-1.9	-3.7
Other operating expenses	-2.4	-2.4	-4.1	-4.6	-9.6
Operating profit/loss	2.2	2.5	1.0	0.7	1.3
Financial income and expenses	-0.2	-0.4	-0.0	-0.7	-0.7
Share of associated companies' profit	-0.0	-0.0	-0.0	0.0	-0.2
Profit/loss before taxes	2.0	2.1	1.0	0.1	0.4
Taxes	-0.5	-0.0	-0.1	-0.0	0.7
Profit/loss for the period	1.5	2.1	0.9	0.1	1.1
Other comprehensive income:					
Translation differences	-0.0	0.2	-0.1	0.3	0.3
Total comprehensive income for the period	1.5	2.3	0.8	0.4	1.4
Protif for the period attributable to:					
Equity holders of the parent	1.5	2.1	0.9	0.1	1.1
Non-controlling interest	0.0	0.0	0.0	0.0	-0.0
	1.5	2.1	0.9	0.1	1.1
Comprehensive income attributable to:					
Equity holders of the parent	1.5	2.3	0.8	0.4	1.4
Non-controlling interest	0.0	0.0	0.0	0.0	-0.0
	1.5	2.3	0.8	0.4	1.4
Earnings/share (EPS), EUR					
Basic	0.30	0.45	0.18	0.01	0.23
Diluted	0.30	0.45	0.18	0.01	0.23

CONSOLIDATED BALANCE SHEET

(unaudited) (MEUR)	30.6.2011	30.6.2010	31.12.2010
Assets			
Non-current assets			
Property, plant and equipment	20.5	22.8	21.6
Goodwill	0.1	0.1	0.1
Other intangible assets	0.9	1.2	1.0

Investments in associated companies	0.4	2.0	1.8
Other investments	0.2	0.4	0.4
Receivables	0.2	0.3	0.1
Deferred tax assets	1.5	1.5	1.6
	23.6	28.2	26.5
Current assets			
Inventories	9.6	10.1	9.9
Trade and other receivables	10.0	9.6	8.0
Cash and bank receivables	1.8	2.4	1.9
	21.3	22.0	19.9
Total assets	44.9	50.2	46.4

Shareholders' equity and liabilities	30.6.2011	30.6.2010	31.12.2010
Equity attributable to equity holders of the parent			
Capital stock	9.9	9.9	9.9
Share premium	0.5	0.5	0.5
Reserve fund	5.3	5.3	5.3
Unrestricted equity reserve	1.9	1.9	1.9
Translation differences	0.2	0.4	0.3
Retained earnings	-0.2	-1.6	-0.6
	17.7	16.3	17.3
Non-controlling interests	0.2	0.2	0.2
Total equity	17.9	16.6	17.5
Non-current liabilities			
Deferred tax liabilities	0.3	0.9	0.3
Provisions	0.4	0.4	0.4
Interest bearing debt	8.7	11.7	11.1
Non-interest bearing debt	0.0	0.0	0.0
	9.4	13.0	11.8
Current liabilities			
Trade and other payables	14.5	16.8	13.5
Tax liabilities	0.0	0.2	0.0
Interest bearing debt	3.2	3.7	3.6
	17.6	20.6	17.1
Total liabilities	27.0	33.6	28.9
Total equity and liabilities	44.9	50.2	46.4

STATEMENT OF CHANGES IN EQUITY
(unaudited)

1,000 EUR	Equity attributable to equity holders of the parent									
	a)	b)	c)	d)	e)	f)	g)	Total	h)	Total equity
Total equity 1.1.2010	7,498	520	5,316		29	-1,138	82	12,307	9	12,316
Share issue	2,400			1,088				3,480		3,480
Management Incentive Plan				816		-816		0	203	203
Repurchase of own shares						-182		-182		-182
Proceeds from sale of own shares						758	-414	344		344

Total comprehensive income for the period					323		64	387	0	387
Total equity 30.6.2010	9,898	520	5,316	1,896	352	-1,378	-268	16,336	211	16,547
	a)	b)	c)	d)	e)	f)	g)	Total	h)	Total equity
Total equity 1.1.2011	9,898	520	5,316	1,896	319	-1,378	771	17,342	200	17,542
Dividends							-446	-446		-446
Repurchase of own shares						-91		-91		-91
Proceeds from sale of own shares						87	4	91		91
Total comprehensive income for the period					-110		883	772	47	819
Total equity 30.6.2011	9,898	520	5,316	1,896	209	-1,382	1,211	17,668	247	17,915

a) Share capital
b) Premium fund
c) Reserve fund
d) Unrestricted equity reserve
e) Translation difference
f) Own shares
g) Retained earnings
h) Non-controlling interests

CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)	1.1.-30.6.2011	1.1.-30.6.2010	1.1.-31.12.2010
(MEUR)			
Cash flow from operations	2.9	1.9	2.8
Cash flow from investments, net	0.3	-0.4	-0.8
Total cash flow from financing	-3.3	-0.8	-1.8
Share issue		3.5	3.5
Increase in credit capital	2.3	2.3	3.1
Decrease in credit capital	-5.0	-6.8	-8.5
Other financial items	-0.2	0.2	0.1
Dividends paid	-0.4		
Change in liquid assets	-0.1	0.7	0.2
Liquid assets at the beginning of period	1.9	1.7	1.7
Liquid assets at the end of period	1.8	2.4	1.9

NOTES TO THE REPORT

Calculation methods

This interim report has been prepared in line with the IAS 34 standard. The same principles of preparation as used in the annual report have been applied to this interim report. The interim report should be read together with the accounts for 2010. The new revised standards or interpretations effective as of 1 January 2011 have no bearing on the figures presented for the report period. The figures have not been examined by the auditor.

Honka Management Oy, established year 2010 and owned by the top management of the company, has been included in the consolidated financial statements due to the terms and conditions of the shareholder agreement concluded between it and Honkarakenne Oyj.

Honkarakenne has one operating segment, the manufacture, sales and marketing of log houses, under the Honka brand. Geographically, the sales of the Group divide as follows: Domestic, West, East, Far East, Other markets and Process waste sales for recycling. The internal reporting of the management is in line with IFRS reporting. For this reason, separate reconciliations are not presented.

TANGIBLE ASSETS

(Unaudited) (MEUR)	Tangible assets
Acquisition cost 1.1.2011	67.0
Translation difference (+/-)	-0.2
Increase	0.4
Decrease	-0.1
Transfers between balance sheet items	0.0
Acquisition cost 30.6.2011	67.1
Accumulated depreciation 1.1.2011	-45.4
Translation difference (+/-)	0.1
Disposals and reclassifications	0.1
Depreciation for the period	-1.4
Accumulated depreciation 30.6.2011	-46.6
Book value 1.1.2011	21.6
Book value 30.6.2011	20.5

Own shares

During the second quarter, by virtue of authorisation granted by the AGM, the Board of Directors of the company decided to organise a rights issue of 17,250 shares. In the rights issue, in an exception to the shareholders' subscription privilege, Honkarakenne relinquished 17,250 Honkarakenne B shares for the subscription of Honka Management at a price of EUR 5.26 per share. As a result of the issue, management group members now own 5.5% of Honkarakenne's shares and 2.63% of the company's voting rights. Because Honka Management Oy has been consolidated into the figures for the Honkarakenne Group, the purchase cost for these shares has been entered in the consolidated accounts to reduce the Group's shareholders' equity.

At the end of the report period, the Group held 364,385 of its Honkarakenne B shares with a total purchase price of EUR 1,381,750.23. These shares represent 7.05% of the company's capital stock and 3.35% of all votes.

CONTINGENT LIABILITIES

(Unaudited)	30.06.2011	30.6.2010	31.12.2010
MEUR			
For own loans			
- Mortgages	25.7	26.3	25.7
- Pledged shares			
- Other quarantees	2.2	2.4	2.3

For others			
- Guarantees	0.2	0.8	0.7
Leasing liabilities	0.7	0.6	0.8
Rent liabilities		0.05	
Nominal values of forward exchange contracts	1.4	1.7	2.8
Derivative contracts	0.3	0.4	0.3

Events in the circle of acquaintances

The Group's 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.

In the period under review, no transactions were conducted with acquaintances included in the company's management.

KEY INDICATORS

(Unaudited)		1-6 2011	1-6 2010	1-12 2010
Earnings/share (EPS)	eur	0.18	0.01	0.23
Return on equity	%	5.1	0.4	7.3
Equity ratio	%	46.0	34.9	42.5
Shareholders equity/share	eur	3.7	3.4	3.6
Net debt	MEUR	10.1	13.1	12.8
Gearing	%	56.5	79.0	73.1
Gross investments	MEUR	0.4	0.3	0.5
	% of net sales	1.5	1.1	0.8
Order book	MEUR	19.4	18.8	18.0
Average number of personnel	Staff	122	142	135
	Workers	143	161	156
	Total	265	303	291
Adjusted number of shares	At year-end	4805	4805	4805
	Average during period	4805	4693	3737

CALCULATION OF KEY INDICATORS

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