

HONKARAKENNE OYJ'S REPORT ON ACCOUNTS 1 JANUARY - 31 DECEMBER 2007

Net sales and profit

Honkarakenne's consolidated net sales of 2007 amounted to EUR 93.4 million, compared with EUR 84.9 million in the same period last year. Income before taxes showed a profit of EUR 2.7 million (a loss of EUR 1.8 million in the previous year).

Net sales increased by 10.0 per cent when compared with last year. With regards to the East European countries, exports to Russia developed exceptionally well, and the project delivery of 100 homes to Kazakhstan that began in the fall of 2006 was completed during the spring and summer of 2007. With regards to the Central European countries, the exports to France increased, but exports to Germany decreased. This was due to the VAT increase and discontinuation of the subsidy targeted for people constructing their first home, both of which came into force in Germany at the turn of 2006-2007. The Japanese exports decreased due to the unfavorable exchange rate of Yen. On the other hand, the Finnish net sales increased.

The favorable profit development was influenced by the increase in net sales, good utilization rates at the factories (except for the end of the year), improved raw material use, more efficient operations, and lower overhead costs. The price of wood has increased very rapidly this year, but the effects of increased sales prices on the profit have been visible since last spring. The effects of the strengthening program that was launched in the spring also contributed to the favorable profit development.

Honkarakenne Group's order book amounted to EUR 35.1 million (EUR 32.6 million in the previous year) at the end of December. The order book was 7.7 per cent bigger than the corresponding figure of last year.

Market situation

In Finland, the holiday construction has remained stable and the overall market grew due to the increase in average building size and construction costs. Even though the market for single-family homes has decreased for three successive years, the log home has maintained its solid position.

In the eastern European markets - i.e. Russia, Kazakhstan and Ukraine - the construction volume has increased steadily. As for the central European countries, the construction volume has decreased significantly in Germany, and in France the growth of construction volumes has halted.

In Japan, the processing of planning constructions has tightened up due to the earthquake problems. Since last year, it has led to fewer applications and postponed project start-ups. Furthermore, the Yen has remained weak against the Euro, which decreases the European manufacturers' competitive strength on the Japanese markets.

Financing and investments

The financial position of the company has remained stable. The equity ratio stood at 40.1 per cent (37.7%), and interest-bearing net liabilities at EUR 13.4 million (EUR 11.6 million). Group's liquid assets totaled EUR 1.9 million (EUR 4.1 million). Gearing was at 72.0% (65.7%).

Capital expenditure totaled EUR 3.7 million (EUR 2.6 million). The investments were still primarily targeted at replacement investments, development of

information systems for better internal efficiency. The investments of 2008 will exceed last year's figures, and will focus mainly on improving the efficiency of the Alajärvi and Karstula factories.

General meeting of 2007

Honkarakenne Oyj's General Meeting was held on Friday 30 March 2007. 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 2006. The General Meeting also decided not to pay any dividends for 2006. The elected board members included Mauri Saarelainen, Eero Saarelainen, Kari Saarelainen and Mauri Niemi (old members) and Tomi Laamanen as a new member. KPMG Oy Ab, Authorized Public Accountants, was selected to continue as the company's auditor with Ari Eskelinen, APA, as the chief accountant.

Own shares

Honkarakenne Oyj has repurchased 129,556 shares during the period under review for an average price of EUR 6.09 per share. At the end of the review period the company held 158,100 of its B shares with a total nominal value of EUR 316,200.00 and a total purchase price of EUR 941,877.19. These shares represent 4.22% of the company's capital stock and 1.67% of the voting rights. The purchase cost has been deducted from shareholders' equity.

The Board of Directors has been granted a share repurchase authorization, valid until 4 April 2008, to repurchase company shares for an amount equivalent to a maximum of 5% of the company's capital stock. The Board of Directors has also been granted authority, also valid until 4 April 2008, to dispose of 187,448 B shares.

Future Outlook

The order book amounted to EUR 33.8 million (39.4 MEUR) on 19 February 2008, i.e. the order book was 14.2 per cent bigger than the corresponding figure of last year. The customers' decision-making has been influenced by their uncertainty about the price development of wood and the unsure economic prospects which have spread from the United States of America. The price level of timber has dropped from the peak prices of last fall, but is not expected to decrease significantly anymore this year as a result of the high stumpage price and export duties on Russian raw wood.

Nevertheless, the market situation on the company's main market areas is expected to remain stable regardless of the uncertainty factors. The company will continue the strengthening program it started last year, and the product development will focus on energy-efficient structural solutions.

Events after the review period

The company's subsidiary, Finwood Oy, organized a directed issue in February. The parent company's ownership decreased to 68.2% after the issue.

Board of Directors' proposal for the disposal of profit

The parent company's unrestricted equity amounted on 31 December 2007 to EUR 7.4 million, of which the profit for the financial period equals EUR 3.8 million.

The Board of Directors proposes that the disposable profit be used to pay EUR 0.30 in dividends per each of the 3,572,320 shares in circulation. The total dividend distribution will amount to EUR 1,071,696.00. The remaining profit of EUR 2,671,572.74 will be left in the unrestricted equity.

HONKARAKENNE OYJ

Board of Directors

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Honkarakenne Oyj's annual general meeting will be held on Friday, 4 April 2008 at 2 p.m. at the company headquarters in Tuusula.

The annual report of 2007 will be published on the company's web pages at www.honka.com in week 12. The interim reports of 2008 will be published on 7 May 2008, 13 August 2008, and 5 November 2008.

DISTRIBUTION

Helsinki Stock Exchange

Principal media

The figures have not been examined by the auditor

CONSOLIDATED INCOME STATEMENT

(unaudited)	10-12/2007	10-12/2006	1-12/2007	1-12/2006
(MEUR)				
Net sales	22.2	24.4	93.4	84.9
Other operating income	0.5	0.7	1.8	2.0
Change in inventories	-2.6	-2.0	-0.6	-1.6
Production for own use	0.1	0.1	0.7	0.2
Materials and services	-13.5	-13.3	-59.0	-51.3
Employee benefit expenses	-3.7	-4.3	-17.3	-16.6
Depreciations	-1.1	-0.8	-4.0	-4.0
Other operating expenses	<u>-2.7</u>	<u>-4.0</u>	<u>-12.0</u>	<u>-14.7</u>
Operating profit/loss	-0.7	0.8	3.1	-1.3
Financial income and expenses	-0.2	-0.2	-0.6	-0.6
Share of associated companies' profit	<u>0.2</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>
Profit/loss before taxes	-0.7	0.7	2.7	-1.8
Taxes	<u>0.0</u>	<u>-0.4</u>	<u>-0.8</u>	<u>0.2</u>
Profit/loss for the period	-0.7	0.3	1.9	-1.6
Attributable to:				
Equity holders of the parent	-0.7	0.3	1.9	-1.6
Minority interest	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	-0.7	0.3	1.9	-1.6
Earnings/share (EPS), EUR				
Basic	-0.19	0.08	0.53	-0.42
Diluted	-0.19	0.08	0.53	-0.42

CONSOLIDATED BALANCE SHEET

(unaudited)	31.12.2007	31.12.2006
(MEUR)		
Assets		
Non-current assets		
Property, plant and equipment	24.8	25.5
Goodwill	0.5	0.5
Other intangible assets	1.1	0.8
Investments in associated companies	0.5	0.5
Other investments	0.4	0.2
Receivables	0.3	0.9
Deferred tax assets	<u>0.8</u>	<u>1.3</u>
	28.3	29.6
Current assets		
Inventories	14.1	15.7
Trade and other receivables	8.7	9.4
Cash and bank receivables	<u>1.9</u>	<u>4.1</u>
	24.7	29.2
Total assets	53.0	58.8
Shareholders' equity and liabilities		
Equity attributable to equity holders of the parent		
Capital stock	7.5	7.5
Share premium	0.5	0.5
Reserve fund	5.3	5.3
Translation differences	0.2	0.2
Retained earnings	<u>5.1</u>	<u>4.1</u>
	18.6	17.6
Minority share	<u>0.0</u>	<u>0.0</u>
Total equity	18.6	17.6
Non-current liabilities		
Deferred tax liabilities	0.6	1.3
Provisions	0.4	0.2
Intrest bearing debt	<u>13.0</u>	<u>11.9</u>
	13.9	13.4
Current liabilities		
Trade and other payables	17.6	24.0
Tax liabilities	0.5	0.0
Intrest bearing debt	<u>2.4</u>	<u>3.8</u>
	20.5	27.7
Total liabilities	34.4	41.2
Total equity and liabilities	53.0	58.8

STATEMENT OF CHANGES IN EQUITY

(unaudited)								Min ori ty int .	Total equity
1000 EUR	Equity attributable to equity holders of the parent								
	Share capital	Primiu m fund	Reserv e fund	Transla tion diff.	Own shar es	Retained earning	Total		
Total equity 1.1.2006	7,498	520	5,316	257	-73	5,775	19,293	8	19,301
Translation difference				-39			-39		-39
Repurchase of own shares					-80		-80		-80
Result of the period						-1,559	-1,559		-1,559
Osingonjako						0	0		0
Total equity 31.12.2006	7,498	520	5,316	218	-153	4,216	17,615	8	17,623

Total equity 1.1.2007	7,498	520	5,316	218	-153	4,216	17,615	8	17,623
Translation difference				-39			-39		-39
Repurchase of own shares					-789		-789		-789
Result of the period						1,899	1,899	-16	1,883
Other changes						-78	-78		-78
Total equity 31.12.2007	7,498	520	5,316	179	-942	6,037	18,608	-8	18,600

CONSOLIDATED CASH FLOW STATEMENT

(Unaudited)	1-12/2007	1-12/2006
(MEUR)		
Cash flow from operations	2.30	4.70
Cash flow from investments, net	-3.10	-1.60
Total cash flow from financing	-1.40	1.00
Increase in credit capital	2.40	10.00
Decrease in credit capital	-2.80	-10.70
Other financial items	-1.00	-0.30
Change in liquid assets	-2.20	2.00
Liquid assets at the beginning of period	4.10	2.10
Liquid assets at the end of period	1.90	4.10

Notes to the interim 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.

CONTINGENT LIABILITIES

(Unaudited)

MEUR	31.12.2007	31.12.2006
For own loans		
- Mortgages	19.7	20.0
- Pledged shares	0.63	0.18
- Other quarantees	0.69	0.69
For others		
- Guarantees	0.65	1.49
Leasing liabilities	0.70	0.30
Rent liabilities	0.26	0.42
Nominal values of forward exchange contracts	0.91	0.00

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.

Transactions with acquaintances has been in value of 189,9 teur during the financial year.

KEY INDICATORS

		1-12 2007	1-12 2006
(Unaudited)			
Earnings/share (EPS)	eur	0.53	-0.42
Return on equity	%	10.5	-8.4
Equity ratio	%	40.1	37.7
Net debt	MEUR	13.4	11.6

Gearing	%	72.0	65.7
Gross investments	MEUR	3.7	2.6
	% of net sales	3.9	3.1
Order book	MEUR	35.1	32.6
Average number of personnel	Staff	206	210
	Workers	215	218
	Total	421	428

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	-----	x 100
	Total equity, average		
Equity ratio, %	Total equity	-----	x 100
	Balance sheet total - advances received		
Net debt	Interest-bearing debt - cash and cash equivalents		
Gearing, %	Interest-bearing debt - cash and cash equivalents	-----	x 100
	Total equity		
Shareholders equity/share	Shareholders' equity	-----	
	Number of shares outstanding at end of period		