

2006

Financial statements

Financial statements

2006

Board of Directors' report	3
Group	
Consolidated income statement	9
Consolidated balance sheet	10
Consolidated cash flow statement	11
Consolidated statement of changes in shareholders' equity	12
Notes to the financial statements	13
Parent company	
Income statement, FAS	36
Balance sheet, FAS	37
Statement of changes in shareholders' equity, FAS	38
Cash flow statement	39
Notes to the financial statements	40
Key ratios describing the financial development	48
Calculation of key ratios	51
Shares and shareholders	52
Proposal for distribution of profits	56
Auditor's report	56
Addresses	57

Board of Directors'

report

The Group's net sales in 2006, EUR 106.2 million (€108.6 m), were down 2 percent. The Group's operating profit totaled EUR 4.5 million (€4.4 m). Financial income and expenses were EUR 0.4 million (€1.1 m). Profit before tax was EUR 4.9 million (€5.5 m) and profit for the period EUR 3.6 million (€4.0 m). Earnings per share amounted to EUR 0.94 (€1.09), while return on equity was 13 percent (16%).

The figures in parentheses in the Board of Directors' report refer to the corresponding figures in the previous report period 2005.

Markets

The market situation in the plywood and veneer industry, the capacity utilization, order book, product prices, and investments were all at a good level throughout the year in the company's main market areas, with the exception of North America. In the USA, the waning confidence in overall economic development affected the demand for and prices of construction materials. In addition, the new production capacity for OSB board rolled out in 2006 competed with plywood in North America. In Asia and Russia, the market situation for plywood showed positive development. The demand for investments focused on mill-scale projects.

Favorable development and investments in new production capacity continued in the LVL industry. The production capacity that has come on line in recent years has found demand on the market.

In technology services, demand for spare part and maintenance services remained at a good level. Modernizations were in less demand in Europe compared to the previous year. Their demand in North America was also low due to the plywood industry's general unwillingness to make investments.

Order intake and market position

Raute's business consists of project deliveries and technology services. Project deliveries encompass complete mills, production lines, and single machines and equipment. Technology services include maintenance,

spare part services, modernizations, consulting, training, and sales of reconditioned machinery.

The order intake in 2006 totaled EUR 132 million (€132 m), of which project deliveries accounted for EUR 105 million (€109 m). The most significant orders involved the machinery and equipment for three plywood mills in Chile, France and Russia, as well as key production machinery for an LVL mill in the USA.

Raute's market position is generally speaking good and looks particularly strong in its traditional technology fields: the plywood and veneer industry, as well as the LVL industry. Proof of the company's leading market position as a full-service technology supplier came in the form of four mill-scale orders received in 2006.

The company's competitive position is based on a comprehensive offering of technology and services, leading technology in the field that is maintained by strong product development, and solid references. Several deliveries with reference value were introduced into production use in 2006. New products will boost Raute's competitiveness in these technology and market areas.

Net sales and order book

The Group's net sales (IFRS) EUR 106.2 million (2005: €108.6 m; 2004: €73.1 m) dropped by 2 percent compared to 2005, which was a year of steep growth. The drop in net sales was caused by lower net sales from modernizations and the scheduling of project deliveries.

Project deliveries accounted for 79 percent (78%) of the Group's net sales. 93 percent (83%) of project deliveries were to the plywood industry and 4 percent (17%) to the LVL industry. Technology deliveries to the decorative veneer industry have started as planned, holding a share of 3 percent (0%). The first dryer for the decorative veneer industry was delivered in 2006.

Technology services accounted for 21 percent (22%) of the Group's net sales. While growth in maintenance

and spare part services reached targets, overall net sales from technology services were down 7 percent from the previous year due to the market situation for modernizations in Europe. Technology services have grown by 26 percent since 2004.

Europe's share of the Group's net sales dropped to 29 percent (40%) and North America's to 16 percent (27%). Russia's share was 12 percent (14%) and Asia's 5 percent (7%). Other market areas increased their share to 38 percent (12%), fueled by two mill-scale project deliveries to Chile.

The order book grew strongly throughout the year, amounting to EUR 77 million (€55 m) at the end of the year.

Parent company Raute Corporation's net sales (FAS) in 2006 totaled EUR 91.1 million (2005: €87.1 m; 2004: €54.7 m).

Result and profitability

The Group's operating profit in 2006 (IFRS) was EUR 4.5 million (2005: €4.4 m; 2004: €3.6 m), representing 4 percent of turnover (2005: 4%; 2004: 5%). Profitability development fell short of targets due to the unanticipated expenses related to the first deliveries of some new products, the cost pressure caused by the good overall economic situation, and North America's weak market situation. Operations in North America were unprofitable.

The Group's financial income and expenses were EUR 0.4 million (€1.1 m). The Group reached the income level set for asset management in 2006.

Profit before tax was EUR 4.9 million (€5.5 m) and profit for the period EUR 3.6 million (€4.0 m). Earnings per share stood at EUR 0.94 (undiluted: €1.09 per share; diluted: €1.07 per share). Return on investment was 19 percent (21%) and return on equity 13 percent (16%).

In 2006 net sales and profit benefited from a EUR 0.1 million (€-0.7 m) IFRS-compliant recognition of currency hedges that were used for economic hedging purposes but fell outside the scope of hedge accounting. Profit for the previous year was improved by the release of excess cover totaling EUR 0.4 million in conjunction with the dissolution of the pension fund. The hedge accounting and other changes to accounting principles adopted in 2006 did not have an essential impact on the figures for 2006.

Parent company Raute Corporation's operating profit (FAS) amounted to EUR 4.0 million (2005: €5.5 m; 2004: €4.6 m), representing 4 percent of turnover (2005: 6%; 2004: 8%). Profit for the period was EUR 0.9 million in the red (€3.8 m positive). Operating profit suffered from impairments worth EUR 1.2 million from the receivables of a subsidiary. Financial items include a loss of EUR 4.6 million related to the measurement of subsidiaries' loans.

Development of operations

Raute continued to develop its procurement activities by establishing a subsidiary in Shanghai, China. The new company will strengthen the Group's purchasing organization, handle subcontracting and materials purchases in China, and improve the Group's presence on the Chinese market.

The ERP and financial administration systems of Raute's North American operations were harmonized to comply with the information systems used at the main production plant in Nastola. Harmonized systems will enhance quotation processes, project implementation, and co-operation between plants.

Development also continued on the work distribution and co-operation among Raute's own operations, the goal being to improve customer service and operational efficiency. The consulting and reconditioned machinery services offered by RWS-Engineering Oy were made into an operational part of Raute's technology services managed from Finland. To deal with the weak demand for investments in North America, Raute strengthened its customer service and delivery capacity in technology services in the region, and made the resources related to project deliveries a part of its global project organization.

Group structure

Raute Corporation's subsidiary in China, Raute (Shanghai) Machinery Co., Ltd, obtained business permits in September.

The dissolution of Eloc Oy, an associated company, was entered in the Trade Register on May 31, 2006.

The dissolution of Raute Corporation's Pension Fund was entered in the Register of Foundations on July 25, 2006.

Financing

The Group's financial position remained strong. The equity ratio (IFRS) at the end of the period was 60.1 percent (2005: 55.7%; 2004: 56.8%). Gearing was

-80.3 percent (2005: -41.5%; 2004: -30.6%) at the end of the period, and the balance sheet total was EUR 68.5 million (2005: €55.4 m; 2004: €46.2 m). The rise in the balance sheet total came from an increase in prepayments received. The strong fluctuation in balance sheet items and the key ratios based on them results from differences in the timing of customer payments and the cost accumulation from project deliveries, which is typical of project business.

The Group's liquid assets at the end of the period totaled EUR 24.0 million (€11.4 m), while interest-bearing liabilities were EUR 0.5 million (€0.5 m).

Operating cash flow amounted to EUR 15.0 million (€7.7 m) and investing cash flow to EUR -1.5 million (€-3.0 m). The financing cash flow, EUR -0.8 million (€-2.9 m), includes EUR 2.3 million from the payment of year 2005 dividends, as well as EUR 1.4 million in payments received from the stock issue of series A shares subscribed for with options.

Raute Corporation has an EUR 10 million domestic commercial paper program, which allows it to issue commercial papers maturing in less than one year. The company also has bilateral non-current credit regulation agreements worth EUR 15 million.

Parent company Raute Corporation's equity ratio (FAS) at the end of the period was 59.0 percent (2005: 63.1%; 2004: 68.1%).

Research and development costs and capital expenditure

Raute aims at being the leading technology supplier in selected customer industries and to strongly emphasize continuous research and development of plywood and LVL technologies in particular. The Group's research and development expenditure remained high in 2006, amounting to EUR 3.8 million and representing 3.5 percent of net sales (2005: €3.6 m / 3.3% of net sales; 2004: €3.1 m / 4.2% of net sales).

Overall investments in the report period, EUR 1.9 million, were low in terms of production investments (2005: €3.8 m; 2004: €2.1 m). Investments in 2006 included development costs worth EUR 0.5 million (2005: €0.2 m; 2004: €0.5 m). Other investments focused mainly on upgrading information technology.

Parent company Raute Corporation's research and development costs (FAS) in the period totaled EUR 3.2 million, representing 3.5 percent of net sales (2005: €2.9 m / 3.3% of net sales; 2004: €2.5 m / 4.6% of

net sales). Investments amounted to EUR 1.8 million (2005: €2.9 m; 2004: €1.4 m).

Personnel

The Group's headcount at the end of 2006 was 540 (533) persons. Finnish companies accounted for 76 percent (77%), North American companies for 21 percent (21%) and other sales and maintenance companies for 3 percent (2%) of personnel.

The number of personnel converted to full-time employees was approximately 547 (2005: 537; 2004: 556). The operations development projects carried out in 2006 had no significant impact on the headcount.

The Group's salaries totaled EUR 22.0 million (2005: €21.1 m; 2004: €19.4 m).

The Group has adopted profit-based bonus systems that cover the entire personnel. In the report period the company set up a share-based incentive plan for the strategy period 2006–2008. The system is described in greater detail in the financial statements under Shares and shareholders.

The number of personnel at parent company Raute Corporation, converted to full-time employees, was on average 386 (2005: 379; 2004: 406). The parent company's salaries totaled EUR 14.8 million (2005: €14.7 m; 2004: €13.8 m).

Shares

The number of Raute Corporation's shares at the end of 2006 totaled 4 004 758, of which 991 161 were series K shares (ordinary share, 20 votes/share) and 3 013 597 series A shares (1 vote/share). Series K and A shares have an equal right to dividends and the company's assets. Series K shares can be converted to series A shares under the terms described in section 3 of the Articles of Association. If an ordinary share is transferred to a new owner who is not a shareholder of the series K shares, the transferee must immediately make this known in writing to the Board of Directors. Other shareholders of the series K shares have the right to redeem the share under the terms described in section 4 of the Articles of Association. The company did not possess company shares during the report period or hold them as security.

Raute Corporation's series A shares are listed on the Nordic list of the Helsinki Stock Exchange. A total of 1 088 288 shares were traded in 2006, amounting to EUR 15.4 million. The traded amount represented 36 percent of the number of series A shares. The average

price of series A shares was EUR 14.03 (€11.24). The highest quotation was EUR 17.60 and the lowest EUR 11.60. The company's market capitalization at the end of 2006 was EUR 51.5 million, with series K shares valued at the closing price on 31 December 2006 of series A shares, that is EUR 12.85.

A total of 190 150 series A shares subscribed for through the exercise of B options pertaining to the 1998 option scheme were entered in the Trade Register in 2006. The option scheme expired on September 30, 2006. Corresponding share capital increases totaled EUR 380 300. The terms of the option scheme are described on the company's website.

Raute Corporation has signed a market making agreement with Nordea Bank Finland plc in compliance with the Liquidity Providing (LP) requirements issued by the Helsinki Stock Exchange.

Authorization to acquire and dispose company shares

The Annual General Meeting held on March 22, 2006 gave the Board of Directors a one-year authorization to decide on the acquisition of series A shares using distributable funds. The number of shares acquired may not exceed 10 percent of the company's overall shares or votes. The acquired shares may be used if a weighty reason thereto exists, such as the funding of acquisitions or other arrangements. The authorization was not exercised in 2006.

Loans to related parties and other obligations

In the financial statements dated December 31, 2006 parent company Raute Corporation had loan receivables from its subsidiaries Raute Canada Ltd. totaled CAD 3.2 million; Raute Group Asia Pte Ltd totaled SGD 90 thousand; and Raute Service LLC totaled EUR 30 thousand. Raute Corporation had a loan of EUR 110 thousand to Raute's sickness fund. Other obligations are presented in the notes to the financial statements.

Distribution of dividend

Raute Corporation's Annual General Meeting on March 22, 2006 approved a dividend of EUR 0.60 per share. A total of EUR 2.3 million was paid in dividend on April 3, 2006.

Management

The Annual General Meeting elects the Chairman and Vice-Chairman for the Board of Directors, and 3–5 Board members.

Mr. Jarmo Ryttilahti was elected Chairman of the Board, Ms. Sinikka Mustakallio was elected Vice-Chairman, and Mr. Mika Mustakallio, Mr. Panu Mustakallio, Mr. Pekka Paasikivi, and Mr. Jorma Wiitakorpi were elected Board members at the Annual General Meeting on March 22, 2006.

The Board of Directors elects the President and CEO, and confirms the terms of his or her employment, including wage benefits.

Mr. Tapani Kiiski, Licentiate in Technology, continued as President and CEO of Raute Corporation. He was appointed President and CEO on March 16, 2004. As agreed in the executive contract, the term of notice is six months and the severance pay equals six months' salary.

The Articles of Association do not grant unusual authorizations to the Board of Directors or the President and CEO.

Decisions on amendments to the Articles of Association and share capital increases are made in compliance with the regulations of the effective Companies Act.

Other management

Mr. Tapani Kiiski continued as Chairman of Raute's Executive Board, and the Board's members included Ms. Arja Hakala, CFO; Mr. Petri Strengell, Vice President, Technology and Operations; Mr. Timo Kangas, Vice President, Technology Services; and Mr. Bruce Alexander, Vice President, North American Operations and President of Raute's North American companies.

The President of Raute Corporation's subsidiary Mecano Group Oy is Mr. Pasi Kenola, M.Sc. (Eng.), eMBA, who has held the post since March 1, 2006. The President of Raute Corporation's subsidiary RWS-Engineering Oy is Mr. Timo Kangas, Vice President, Technology Services, who took up the post on March 10, 2006.

Auditors

Raute Corporation's Annual General Meeting held on March 22, 2006 elected Mr. Kari Miettinen and Ms. Sari Airola, Authorized Public Accountants, as auditors, and PricewaterhouseCoopers Oy, an authorized public accounting company, as deputy auditor.

Business risks

Impact of economic fluctuations on business operations

Raute supplies technology and services to the wood products industry. Business is characterized by sensi-

tivity to economic fluctuations due to changes in the investment activity of customer industries. The impact that the cyclical nature of project deliveries has on the Group's performance is mitigated by systematically increasing the share of technology services, by developing the subcontracting network, and by focusing on core competence. In the long term, the Group's growth opportunities are increased and the impact of economic fluctuations balanced by developing operations in customer industries where the company's market share is still small, and by creating products for new customer groups, such as the decorative veneer industry.

The Group is prepared for fluctuations in the working capital tied up in project operations. Raute Corporation has an EUR 10 million domestic commercial paper program, which allows it to issue commercial papers maturing in less than one year. The company also has bilateral non-current credit regulation agreements worth EUR 15 million.

Delivery and technology risks

The majority of Raute's business operations consists of different kinds of project deliveries, which always expose the company to risks caused by, for example, the customer's end product, production methods, or customer-specific solutions related to raw materials. At the quotation and negotiation phase, the company has to make estimates of the achievement of promised performance figures and of the costs of implementation. Contract, product liability, implementation, cost, and capacity risks are managed using project management procedures that comply with the company's certified quality system.

Raute emphasizes product development and continuously develops new technology in order to offer solutions for customers' increasing needs. The functionality and capacity of new solutions cannot be fully verified until the solutions can be tested under production conditions in conjunction with first customer deliveries. Technology risks are reduced by the conditions of delivery contracts and by restricting the number of simultaneous first deliveries.

Financial risks

The main financial risks that Raute's international business operations are exposed to are credit, liquidity, and currency risks.

Financial risks, the objectives of financial risk management, and management procedures are described in the notes to the financial statements.

Accident risks

The production, planning, financial, and ERP systems serving the Group's key technologies are centrally located at the Nastola main production plant. A fire or serious breakdown in machinery may result in considerable property or interruption damage. The Group hedges against such risks by assessing its facilities and processes in terms of risk management and by maintaining emergency plans. It regularly reviews its insurance policies as part of overall risk management. The objective is to use insurance policies to sufficiently hedge all risks that are reasonable to handle through insurance due to economical or other reasons.

The Group has no ongoing legal proceedings or other disputes in progress that might materially affect the continuity of business operations, nor is the Board of Directors aware of any other legal risks related to the Group's operations that might have such an effect.

Risk management

Risk management is described in the Annual Report, under Corporate governance.

Society and the environment

The environment is one of the values that guide Raute's operations. Raute has been systematically developing the environmental soundness of its products and services and aims to reduce the environmental impact of its operations. The Group abides by the principles of good corporate citizenship, taking into consideration nature and its protection, as well as the operating methods of the surrounding society, and by showing respect to local cultures.

Raute's operations mainly affect the environment indirectly when the company's technology is used in the production processes of the wood products industry. Raute's technology enables the wood products industry to substantially reduce the environmental load caused by its operations, for example, through more efficient use of raw materials, additives, and energy.

The Group's own operations do not involve any considerable environmental risks that might have a direct impact on the Group's business operations or financial position. The Nastola and Jyväskylä plants manage environmental matters in compliance with a certified environmental system. At the Canadian plant, environmental surveys are carried out regularly by an outside assessor. The operations and ethical principles of the partner and subcontractor networks are also subjected to systematic inspection.

Raute aims to continuously reduce energy use, decrease the volume of waste, and develop the working environment. In 2006, a survey of potential soil contamination was conducted at the Canadian plant. According to the survey, the soil does not call for cleansing measures for the current industrial purposes.

The Group's environmental management is described in more detail in the Annual Report, under Corporate responsibility.

The Board of Directors' proposal for measures concerning the company's profit

The parent company's distributable assets total EUR 14 007 thousand, of which EUR 854 thousand stands for the period's loss.

The Board of Directors will propose to Raute Corporation's Annual General Meeting on March 21, 2007 that a dividend of EUR 0.70 per share be distributed on series A and K shares, that is, a total of EUR 2.8 million. Other distributable funds will be left in retained earnings.

No essential changes have taken place in the company's financial position since the end of the report period. The company has good liquidity, and the proposed dividend does not risk it in the Board of Directors' view.

Outlook for 2007

The market situation in Raute's customer industries is expected to remain good, except in North America. However, developments in raw material and energy prices will keep competition tough in the wood products industry, forcing players in the field to focus on continuously developing their production. This will offer business opportunities to Raute.

Investments in the wood products industry will continue at a good level in the near future. Several mill-scale projects are in the planning phase in different market areas. In addition, demand for smaller production line projects and modernizations is picking up after 2006, which was less active in this respect.

Raute's competitiveness is good thanks to modern technology and the investments carried out. First deliveries account for a smaller share of the order book than the year before. The potential weakening of the US and Canadian dollars against the euro create challenges to the competitiveness of North American project deliveries.

Thanks to a strong order book and good continued demand the outlook for 2007 is promising. Net sales are expected to grow moderately in 2007 and operating profit to improve over 2006.

Consolidated income statement

EUR 1 000		1.1–31.12.2006	1.1–31.12.2005
Note			
2,3,4	NET SALES	106 206	108 627
5	Other operating income	199	708
	Increase (+) or decrease (-) in inventories of finished goods and work in progress	-111	40
6	Materials and services	62 418	66 694
7	Expenses from employee benefits	26 227	25 387
10,16,17	Depreciation, amortization and impairment charges	2 660	2 877
12	Other operating expenses	10 476	10 014
	Total operating expenses	101 781	104 972
	OPERATING PROFIT	4 513	4 403
13	Financial income	745	1 131
13	Financial expenses	-371	-73
	PROFIT BEFORE TAX	4 887	5 461
14	Income taxes	-1 255	-1 423
	PROFIT FOR THE PERIOD	3 632	4 038
15	Breakdown		
	Minority interest		-114
	Share of profit that belongs to owners of the parent company	3 632	4 152
15	Undiluted earnings per share, EUR	0.94	1.09
15	Diluted earnings per share, EUR	0.94	1.07
	Shares		
	Adjusted average number of shares	3 866 561	3 814 608
	Adjusted average number of shares diluted	3 866 561	3 871 703

→ The notes form an essential part of the financial statements.

Consolidated balance sheet

EUR 1 000		31.12.2006	31.12.2005
Note			
	ASSETS		
	Fixed assets and other non-current assets		
16	Intangible assets	2 924	2 757
17	Tangible assets	12 542	13 939
19	Available-for-sale investments	395	395
20	Receivables		48
28	Deferred tax assets	487	210
	Total	16 348	17 349
	Current assets		
21	Inventories	4 933	5 026
4, 22	Accounts receivable and other receivables	23 184	21 666
23, 24	Financial assets at fair value through profit or loss	10 195	8 975
24	Cash and cash equivalents	13 812	2 419
	Total	52 124	38 086
2	TOTAL ASSETS	68 472	55 435
	SHAREHOLDERS' EQUITY AND LIABILITIES		
	Shareholders' equity		
25	Share capital	8 010	7 629
25	Share premium	6 498	5 429
25, 26	Other funds	-201	14
25	Retained earnings	11 370	8 699
25	Profit for the period	3 632	4 152
	Share of shareholders' equity that belongs to owners of the parent company	29 309	25 923
	Minority interest		224
	Total shareholders' equity	29 309	26 147
	Long term liabilities		
27	Provisions	262	475
28	Deferred tax liabilities	1 084	1 300
29	Long term interest-bearing liabilities	317	357
	Total	1 663	2 132
	Current liabilities		
28	Provisions	1 726	1 927
31	Short-term interest-bearing liabilities	150	176
32	Pension obligations	335	380
33	Advance payments received	19 726	8 500
	Current tax liabilities	113	105
33	Trade and other payables	15 450	16 068
	Total	37 500	27 156
	Total liabilities	39 163	29 288
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	68 472	55 435

Consolidated cash flow statement

EUR 1 000	1.1–31.12.2006	1.1–31.12.2005
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	116 046	108 934
Proceeds from other operating income	155	483
Payments of operating expenses	-100 100	-99 840
Cash flow before financial items and taxes	16 102	9 577
Interests and other operating financial expenses paid	-190	-80
Interests and other income received	660	764
Dividends received	24	56
Income taxes paid	-1 614	-2 636
NET CASH FROM (+) / USED IN (-) OPERATING ACTIVITIES (A)	14 982	7 681
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-1 809	-3 554
Purchases of available-for-sale as investments	-49	
Acquisition of subsidiary shares		-304
Proceeds from sale of tangible and intangible assets	292	713
Proceeds from other investments	20	180
NET CASH FROM (+) / USED IN (-) INVESTING ACTIVITIES (B)	-1 545	-2 965
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of long-term and short-term loan receivables	95	
Repayment of short-term liabilities		-1 537
Increase of long-term liabilities		278
Repayment of long-term liabilities	-67	-66
Proceeds from issuance of shares	1 436	
Dividends paid	-2 290	-1 526
NET CASH FROM (+) / USED IN (-) FINANCING ACTIVITIES (C)	-826	-2 851
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	12 611	1 865
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR*	11 395	9 530
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR*	24 006	11 395
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET		
Financial assets at fair value through profit or loss	10 195	8 975
Cash and cash equivalents	13 812	2 419
Total	24 006	11 395

*Cash and cash equivalents comprise trading assets as well as cash and bank receivables, which will be due under three months' period.

→ The notes form an essential part of the financial statements.

Consolidated statement of changes in shareholders' equity

EUR 1 000	Share capital	Share premium	Other funds	Exchange rate differences	Retained earnings	Share of share-holders' equity that belongs to the owners of the parent company	Minority interests	TOTAL
EQUITY Jan. 1, 2005	7 629	5 429		902	10 726	24 686	353	25 039
Exchange differences from net investments								
Taxes related to items recognized in equity or transferred from equity								
Translation differences				-1 435		-1 435		-1 435
Other increase/decrease					32	32	-15	17
Net income recognized directly in equity				-1 435	32	-1 403	-15	-1 418
Profit for the period					4 152	4 152	-114	4 038
Total income and expenses recognized in the period				-1 435	4 184	2 749	-129	2 620
Share capital increase (options)			14			14		14
Dividend					-1 526	-1 526		-1 526
Equity-settled share-based transactions								
EQUITY Dec. 31, 2005	7 629	5 429	14	-533	13 384	25 923	224	26 147
EQUITY Jan. 1, 2006	7 629	5 429	14	-533	13 384	25 923	224	26 147
Exchange differences from net investments			-338			-338		-338
Taxes related to items recognized in equity or transferred from equity			88			88		88
Translation differences				808		808		808
Other increase/decrease*							-224	-224
Net income recognized directly in equity			-250	808		558	-224	334
Profit for the period					3 632	3 632		3 632
Total income and expenses recognized in the period			-250	808	3 632	4 190	-224	3 966
Share capital increase (options)	381	1 069	-14			1 436		1 436
Dividend					-2 290	-2 290		-2 290
Equity-settled share-based transactions			50			50		50
EQUITY Dec. 31, 2006	8 010	6 498	-201	274	14 726	29 308		29 309

*Dissolution of associate Eloc Oy.

→ The notes form an essential part of the financial statements.

Notes to the consolidated financial statements

General information

Raute Group ('Group') is a globally operating technology corporation, whose core business consists of the production processes of veneer-based wood products. Project deliveries include complete mills, production lines, and single machines. Full-service technology services include spare part, maintenance, and modernization services, as well as services related to developing customers' businesses.

The Group's parent company, Raute Corporation, is a Finnish public limited liability company established in accordance with Finnish law (Business ID FI01490726). Its series A shares are quoted on the Nordic list of the Helsinki Stock Exchange under Industrials. Raute Corporation is domiciled in Lahti, Finland. The address of its registered office is Rautetie 2, 15550 Nastola, Finland and its postal address is P.O. Box 69, 15551 Nastola, Finland.

These financial statements were authorized for issue by Raute Corporation's Board of Directors at its meeting on February 8, 2007. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at the shareholders' meeting arranged after the statements have been issued. The shareholders' meeting also has the opportunity to make changes to the financial statements.

Notes

1 ACCOUNTING PRINCIPLES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Preparations have complied with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, effective on December 31, 2006. IFRS refer to the standards and their interpretations that have been approved for application in the EU in the Finnish Accounting Act and regulations issued under it in accordance with the procedures laid down in the EU regulation (EC) 1606/2002. The notes to the consolidated financial statements also comply with Finnish Accounting Legislation.

The consolidated financial statements have been prepared under the historical cost convention, except for the following items measured at fair value:

- available-for-sale investments
- financial assets and liabilities recognized at fair value through profit or loss
- derivative financial instruments
- hedged items in fair value hedge
- cash-settled share-based transactions.

All of the figures presented in these consolidated financial statements are in thousand euro, unless otherwise stated.

The Group has applied the following amended standards as of January 1, 2006:

The Group has adopted the amendments to IAS 39 issued by IASB in 2004 and 2005. The adoption of the amended standard has not had any material impact on the figures for 2005 and 2006.

The Group has applied the IFRS 2 standard to the share-based incentive plan set up for key employees on March 22, 2006.

The Group has adopted hedge accounting in compliance with IAS 39.

The Group has adopted the amendments to standard IAS 21, the Effects of Changes in Foreign Exchange Rates. The amendment to the standard has not had any material impact on the figures for 2005 and 2006.

The preparation of financial statements in conformity with IFRS requires management to make certain critical accounting estimates and to exercise its judgment in applying the Group's accounting policies. Information about the estimates and judgment that the management has used and that are most critical to the figures in the financial statements are disclosed under "Critical accounting judgments and key sources of estimation uncertainty".

Segment reporting

The Group's primary reporting format is by business segments and its secondary format by geographical segments. The business segments are based on the Group's internal organization structure and internal financial reporting. A geographical segment is identified as reportable if the market area it forms accounts for more than 10 percent of the Group's net sales and if its busi-

ness risks and profitability differ from those found in the economic environments of other market areas.

In the report periods 2005 and 2006 the Group's continuing operations as a whole were included in the wood products technology segment.

Consolidated financial statements

The consolidated financial statements include the parent company Raute Corporation and its subsidiaries in which the parent company holds, directly or indirectly, over 50 percent of the votes or in which it exercises control otherwise. Control means the right to decide on the company's financial and business principles to profit from the company's operations.

Mutual shareholding has been eliminated using the purchase method. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Accounting policies of foreign subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. All intra-Group transactions, receivables, liabilities and unrealized margins, as well as internal distribution of profit have been eliminated. The profit or loss for the period has been allocated to equity holders of the parent company and to minority interest in the income statement. In the balance sheet the minority interest is presented as a separate item under equity. The minority interest's share of accumulated losses recognized in the consolidated financial statements may not exceed the invested amount.

Associates over which the Group has significant influence but not control, which generally means a holding of between 20 percent and 50 percent of the voting rights, are accounted for in the consolidated financial statements using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group's investment in associates includes goodwill identified on acquisition.

The Group has made use of the exemption available under IFRS 1 not to restate the acquisitions that took place prior to January 1, 2004.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in euro, which is the parent company's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the

functional currency using the exchange rates prevailing at the dates of the transactions. In practice the translation is often carried out using rates that approximately correspond to those prevailing at the dates of transactions. Foreign currency non-monetary items measured at fair value are translated into the functional currency using the rates prevailing at the date of measurement. Otherwise non-monetary items are measured using the rate prevailing at the date of transaction. Exchange differences arising from transactions are recognized in the corresponding accounts in the income statement before operating profit.

Exchange differences arising from financial transactions are recognized in financial assets and liabilities, except for exchange differences arising from intra-Group loans which have been treated as net investments in foreign entities. Such exchange differences are recognized in translation differences under equity, and they are recognized in financial liabilities in the income statement on full or partial disposal of the net investment.

The income statements of foreign subsidiaries are translated into euro using the weighted average exchange rates during the report period and balance sheets are translated at the average rate on the balance sheet date. Exchange differences arising from translation, as well as translation differences arising from equity, are recognized as a separate component of equity. On partial or full disposal of a subsidiary, the accumulated translation differences are recognized in the income statement as part of the gains or losses from disposal. According to the exemption allowed by IFRS 1, translation differences that have arisen prior to January 1, 2004, have been recognized in accumulated gains, and the translation differences that have arisen after the transition date are presented as a separate component of equity.

The exchange rates used for the consolidation of subsidiaries are presented in the notes to the consolidated income statement and balance sheet no. 39.

Revenue recognition

Net sales include revenue from the sale of products and services, as well as raw materials and equipment, adjusted net of indirect taxes, discounts, and exchange differences from foreign currency sales.

Revenue from the sale of spare parts and other goods, as well as small and short-term projects, are recognized in full when the significant risks and rewards have been transferred to the buyer. After this the Group no longer has control related to the product. This generally means the moment at which the goods have been delivered to the customer in accordance with the agreed delivery clause. Revenue from servic-

es are recognized in the period in which the service has been carried out.

Revenue and costs from construction contracts (deliveries of project nature) are recognized based on the percentage of completion. Completion is measured on a cost-basis as the relation of actual project costs to the estimated overall project costs. When it is probable that the total costs needed to complete the contract will exceed total contract revenue, the expected loss is recognized as an expense immediately. If the result of a construction contract cannot be reliably estimated, the project costs have been recognized as an expenditure in the period in which they have incurred, and contract revenue is recognized only to the extent of contract costs that are likely to be recovered. Construction contracts are recognized as revenue in full when the risks and benefits related to ownership are transferred to the buyer.

Costs related to projects that have not yet been recognized in revenue are recognized as construction contracts in progress under inventories. Net sales recognized on the basis of percentage of completion is allocated to prepayments from customers. If such net sales exceed the prepayments received, the difference is presented under trade and other receivables in the balance sheet.

Other operating income

Other operating income includes revenue not included in net sales, such as lease income and gains on the disposal of fixed assets.

Non-current assets held for sale and discontinued operations

Non-current assets held for sale and discontinued operations are treated in compliance with IFRS 5. Assets held for sale and assets related to discontinued operations classified as held for sale are measured at the lower of the following: carrying amount of fair value less costs to sell. Depreciation of these assets has ended at the date of classification. Assets held for sale are presented as separate items in the balance sheet.

A separate major line of business which can be clearly distinguished from other operations in terms of property and result and which is part of a single disposal plan is treated as a discontinued operation.

Income taxes

The taxes in the income statement include the estimated taxes corresponding to the Group companies' taxable profit for the period, as well as tax adjustments for previous periods and the change in deferred taxes. Tax expenses are recognized in the income statement, except for items recognized directly in equity.

Deferred taxes are calculated for all temporary differences in accounting and taxation using the tax rates enacted by the reporting date. The principal temporary differences arise from the amortization of tangible fixed assets.

Deferred tax receivables are recognized to the extent that it is probable that taxable profits will be available against which temporary differences can be utilized.

Financial assets and liabilities

Financial assets and liabilities are classified in accordance with IAS 39, Financial Instruments: Recognition and Measurement, into the following

- financial assets at fair value through profit or loss
- loan receivables
- trade and other receivables
- financial assets held for sale.

All purchases and sales of financial assets are recognized on the transaction date.

Classification is made based on the purpose of acquisition in conjunction with the original acquisition. An item in financial assets is assigned to the financial assets at fair value through profit or loss group if it is held for trading.

Financial assets at fair value through profit or loss include shares and units, deposits with maturities under three months and other securities. Financial assets held for trading have mainly been acquired to generate profit from short-term changes in market price. Derivatives that do not meet the conditions for hedge accounting provided for in IAS 39 are classified as held for trading. Derivatives held for trading, as well as financial assets maturing within 12 months, are included in current assets. The items in this group are measured at fair value. Realized and unrealized gains and losses from changes in fair value are recognized in the income statement in the period in which they have arisen.

Loan and other receivables are assets with fixed or determinable payments that are not quoted in an active market and which the company does not hold for trading. Loan and other receivables are measured at amortized cost using the effective interest method. They are included in non-current financial assets under trade and other receivables in the balance sheet if they mature over 12 months from the balance sheet date. Otherwise they are included in current financial assets.

Sales and other revenue are recognized in trade receivables at the original receivable amount. The default risk related to overdue receivables is estimated on the basis of a comprehensive survey of receivables carried out at the balance sheet date, and estimated credit losses are recognized as an expense.

Available-for-sale financial assets are assets not included in derivatives that have been expressly assigned to this group or that have not been classified into any other group. They are included in non-current assets unless the intention is to hold them less than 12 months from the balance sheet date, in which case they are included in current assets. Available-for-sale financial assets may consist of shares and interest-bearing investments. They are measured at fair value or, where fair value cannot be reliably determined, at cost of acquisition. Impairment during ownership is directly recognized in the fair value reserve in equity, including the tax effects. When an investment is sold or disposed, the difference between the original cost and the realized price is recognized in the income statement. Permanent impairment of assets is always recognized directly in the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short-term bank deposits and other highly liquid short-term investments with original maturities of three months or less. Bank overdrafts are included in short-term interest-bearing liabilities. Credit accounts related to Group accounts are included in short-term interest-bearing liabilities and presented net if the Group has a contractual legal right of set-off concerning full or partial payment or elimination of an amount to the lender.

Financial assets are de-recognized when the contractual right to cash flows expires or the Group has substantially transferred risks and income outside the Group.

Financial liabilities

Financial liabilities are recognized at fair value based on the purchase consideration at the grant date less transaction costs. Financial liabilities are included in current and non-current liabilities and they may be interest-bearing or non-interest-bearing.

Measurement of financial instruments

The fair values of all financial instruments in the balance sheet are based on market values.

Impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets.

The Group recognizes impairment loss for trade receivables if there is objective evidence that the receivable cannot be recovered in full. The impairment loss recognized in the income statement is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. If an impairment

loss decreases in a subsequent period, and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment is reversed through profit or loss.

Derivative financial instruments

Derivative financial instruments to which hedge accounting is not applied in compliance with IAS 39 are measured at fair value at the reporting date. The fair values of derivative financial instruments are presented in deferred income or receivables in the balance sheet, and changes in fair value are presented in the income statement. Impairment related to operating activities are presented as adjustments to net sales.

Hedge accounting

The Group has adopted hedge accounting in compliance with IAS 39. Derivative contracts hedging against currency risks are treated as either fair value hedges or economic hedges (excluded from the scope of hedge accounting). In fair value hedging, changes in the values of the hedged item and the hedging instrument are recognized in profit or loss. The result for economic hedges taken out against currency risks is recognized in net sales. When initiating hedge accounting, the relationship between the hedged item and the hedging instrument is documented, as are the objectives of the Group's risk management. The effectiveness of hedging is tested regularly and the effective portion is recognized in line with the hedged item against the change in its value in profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, or the contract is terminated or exercised.

The fair values of hedged derivative financial instruments are presented in non-current assets or liabilities in the balance sheet when the remaining hedged item is more than 12 months from the reporting date, and in current assets or liabilities otherwise.

Intangible assets

An intangible asset is recognized in the balance sheet only if it is probable that the expected future benefit attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. In other cases the expenditure from intangible assets is recognized as an expense when incurred. Intangible assets include goodwill, capitalized development costs and other intangible assets.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment. Goodwill is measured at cost less impairment losses. The financial statements for 2006, including the comparison data, do not include goodwill.

Research and development costs

Research and development costs are recognized as an expense in the income statement. Development expenditure incurred in planning new or more advanced products are recognized as intangible assets in the balance sheet from the moment the product can be produced technologically, utilized commercially, and future financial benefit is expected from it. Capitalized development costs include the material, work and testing expenditure incurred directly from completing the asset for the intended purpose. Capitalized, in-progress development expenditure is tested annually for impairment. Development expenditure previously recognized as an expense is not capitalized at a later date. Development costs are depreciated from the time the product is ready for use. The useful life of development costs is three years, during which time capitalized assets are recognized as an expense on a straight line basis.

Other intangible assets

An intangible asset is recognized at cost if the cost of the asset can be reliably measured and it is probable that the economic benefits attributable to the asset will flow to the entity.

Depreciation is not recognized for intangible assets with an indefinite useful life. They are tested annually for impairment. Intangible assets with a finite useful life are presented in the balance sheet and recognized as an expense based on the straight-line depreciation method over their useful life as follows:

Patents	10 years
Computer software	5 years
Other intangible assets	3–10 years

Property, plant and equipment

All property, plant and equipment is measured at cost less accumulated depreciation and impairment. Ordinary repair and maintenance costs are recognized through profit or loss as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives:

Buildings	25–40 years
Machinery	4–12 years
Other property, plant and equipment	3–10 years

The residual value of property, plant and equipment, and the remaining useful lives are reviewed at each balance sheet date. If needed, they are adjusted to reflect changes in expectations of economic benefit.

The depreciation of property, plant and equipment ceases when the asset is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Gains and losses on decommissioning and disposal of property, plant and equipment are presented in other operating income or expenses.

Impairment of assets

Tangible and intangible assets

The Group's intangible assets with an indefinite useful life are tested annually for impairment. For other balance sheet assets, impairment is tested if there are indications of impairment. This involves measuring the recoverable amount of the asset. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized immediately in profit or loss. An impairment loss recognized for an asset other than goodwill is reversed when a change has taken place in the figures used to measure the recoverable amount of the asset. However, reversal of impairment shall not exceed the asset's carrying amount less impairment loss. Impairment loss for goodwill is not reversed.

Leases

Group as lessee

Leases in which a significant portion of the risks and rewards incident to ownership are retained by the lessor are treated as operating leases. Payments made under operating leases are recognized as an expense over the lease period.

Group as lessor

Assets held under other than finance leases are included in property, plant and equipment. They are depreciated over the useful life, similar to property, plant and equipment in own use. Rental income is recognized in other operating income on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost and net realizable value. Raw materials and supplies are measured using the weighted average cost method. The cost of finished goods and work in progress comprises direct material and production costs and the portion of indirect production costs and depreciation allocated to products at a normal capacity excluding interest expenses. The value of inventories includes impairment due to obsolescence.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provision related to warranty obligation is recognized when revenue from a construction contract, service or spare part including a warranty clause has been recognized. The amount of the warranty provision is estimated at the beginning of the project based on past experience from warranty costs. The unused provision is recognized as income at the end of the warranty period.

Provision for contract is recognized when the unavoidable direct costs and estimated indirect production costs and depreciation under the contract exceed the benefits from the contract.

Restructuring provision is recognized when the Group has drawn up a detailed plan for restructuring and has started to implement the plan or has announced its main features to those affected by it. The financial statements for 2006, including the comparison data, do not include restructuring provisions.

Employee benefits: pension obligations

Pension plans are classified into defined benefit and defined contribution plans. Under a defined contribution plan the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay retirement benefits. All other plans are defined benefit pension plans. Contributions to defined contribution pension plans are recognized in profit or loss in the period in which they are due.

The Finnish statutory employment pension scheme and the pension plans of foreign subsidiaries are classified as defined contribution plans.

Defined benefit plans include Raute Corporation's voluntary supplementary pension plan and the disability pension included in the Finnish pension scheme TEL, which was withdrawn in 2005.

The voluntary supplementary pension plan was transferred from the parent company's pension fund to an outside insurance company in 2005. The obligations from defined benefit plans are recognized as an expense separately for each plan based on calculations made by authorized actuaries.

In accordance with the exemption allowed by IFRS 1, all actuarial gains and losses have been recognized in equity in the opening balance sheet on the date of transition January 1, 2004. Subsequent actuarial

gains and losses have been recognized in profit or loss over the employees' average remaining working lives where they exceed the greater of the following: 10 percent of the defined benefit obligation or 10 percent of the fair value of plan assets.

Employee benefits: share-based payments

The Group has applied the IFRS 2 standard to the share-based incentive plan set up for key employees on March 22, 2006.

The Group has a share-based incentive plan for the Executive Board and other key employees, as well as performance-based share remuneration and contingent share remuneration.

The Group measures granted share-based payments in equity at the fair value at the grant date. Share- and cash-based payments are recognized as an expense on a straight-line basis over the vesting period. The amount paid in shares is based on the management's latest estimate at the grant date and each balance sheet date of the number of shares expected to vest at the end of the commitment period. Cash-settled payments are based on the latest estimate of outstanding shares and the fair value of shares at the balance sheet date.

Costs from option schemes set up prior to November 7, 2002 have not been recognized in the income statement.

Share capital

The nominal value of the outstanding series K and A shares is presented in share capital.

Expenditure related to own equity issues or acquisitions are presented as allowance for equity. If the parent company repurchases own equity instruments, their acquisition cost is deducted from equity.

Dividend

The dividend proposed by the Board of Directors to the Annual General Meeting is recognized as a deduction from distributable equity, but not until approved by the Annual General Meeting.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group uses the following definition: operating profit is the net sum calculated by adding other operating income to net sales; deducting purchase expenses that have been adjusted by changes in inventories of finished goods and work in progress and by expenses from production for own use; and by deducting expenses, depreciation and possible impairment losses from employee benefits, as well as other operating expenses. All other income statement items are presented under operating profit. Exchange differences and changes in the fair

values of derivatives are included in operating profit if they have arisen from business-related items. In other cases they are recognized in financial items.

Earnings per share

Undiluted earnings per share are calculated by dividing the period's profit attributable to parent company equity holders by the weighted average of outstanding shares in the period.

Diluted earnings per share are calculated using the treasury stock method. In addition to the weighted average of outstanding shares, the divisor includes additional shares from the presumed exercise of options. The exercise of options is not taken into account in the calculation of earnings per share if the exercise price of options exceeds the average market price of shares during the period. Options have a dilutive effect if the average market price of shares exceeds the exercise price of options.

The calculation of other key ratios is presented in the notes to the consolidated financial statements on page 51.

Critical accounting judgments and key sources of estimation uncertainty

When preparing the consolidated financial statements in compliance with IFRS, the company management must make certain estimates and assumptions. In addition, the management must exercise its judgment in applying the accounting policies. These may affect the assets and liabilities in the balance sheet, the disclosure of commitments and possible assets in the financial statements, and income and expenses for the period. Actual results may differ from the estimates.

Intangible assets

The Group's intangible assets are tested annually for impairment. Other balance sheet assets are assessed for indications of impairment as explained in the accounting principles above. The recoverable amounts of cash-generating entities have been determined based on value-in-use calculations, which require the use of estimates.

Revenue recognition

The percentage of completion method is based on estimates of expected project revenue and expenses, as well as on reliable measurement of project progress. Should the estimates of the project outcome change, the recognized revenue and profit will be adjusted in the period in which the change first becomes known and can be estimated.

The warranty provisions are based on empirical estimates of the costs caused by the product during the

warranty period, having regard to the special risks related to the product.

Receivables

The management's estimates of customers' solvency have been used in trade receivables for which the company has no security from the customer.

The management has estimated the ability of Group companies to pay trade receivables owed to other Group companies and to handle payments related to loans.

Deferred taxes

The management has made estimates pertaining to deferred tax assets.

Share-based reward expenses

The share-based reward expenses are counted using the management's estimate of the Group's profit development and the achievement of the strategic goals in 2007 and 2008.

Comparatives

The expense classification in the income statement for the comparison period has been adjusted by moving EUR 1 370 thousand related to project deliveries from other operating expenses to materials and services. The adjustment does not affect the key figures.

Applying new or amended IFRS standards and IFRIC interpretations

The standards, interpretations and their amendments presented below have been published, but they are not yet in effect, nor has the Group applied these provisions prior to their obligatory entry into force. The Group will adopt in 2007 or later the following new or amended standards and interpretations published by IASB in 2005 and 2006:

- IFRS 7 Financial Instruments: Disclosures, adopted Jan. 1, 2007
- Amendment to standard IAS 1: Presentation of Financial Statements, adopted Jan. 1, 2007
- IFRIC 8: Scope of IFRS 2, adopted Jan. 1, 2007
- IFRIC 9: Reassessment of Embedded Derivatives, adopted Jan. 1, 2007
- IFRIC 10: Interim Financial Reporting and Impairment, adopted Jan. 1, 2007
- IFRIC 11, IFRS 2: Group and Treasury Share Transactions, adopted Jan. 1, 2008
- IFRIC 12: Service Concession Arrangements, adopted Jan. 1, 2008
- IFRS 8: Operating Segments, adopted Jan. 1, 2009

Of the abovementioned standards, interpretations and their amendments, the following have not yet been approved by the EU: IFRS 8, IFRIC 10, IFRIC 11, IFRIC 12.

EUR 1 000	2006	%	2005	%
-----------	------	---	------	---

2 SEGMENT INFORMATION

Primary reporting segment

Raute's primary reporting segment is the business segment. Continuing operations belong to the wood products technology segment.

Secondary reporting segment

The secondary reporting segment is geographical. The geographical segment consists of market areas accounting for over 10 percent of the Group's net sales.

Geographical reporting segment information:

Net sales to external clients by clients' geographical location

South America	39 160	37	4 556	4
Europe	30 620	29	43 954	40
North America	17 107	16	28 817	27
Russia	12 470	12	15 534	14
Rest of the world	6 849	6	15 766	15
TOTAL	106 206	100	108 627	100

Assets by geographical location

South America	38	0	50	0
Europe	63 832	93	48 655	89
North America	4 158	7	6 375	11
Russia	190	0	200	0
Rest of the world	254	0	155	0
TOTAL	68 472	100	55 435	100

Capital expenditure by geographical location

South America			1	0
Europe	1 801	97	3 654	96
North America	51	3	142	4
Russia				
Rest of the world			1	0
TOTAL	1 852	100	3 798	100

3 PROCEEDS FROM SALES

The main part of the net sales is comprised of project deliveries related to wood products technology that are handled as construction contracts. The rest of the of net sales is comprised of technology services provided to the wood products industry (spare parts, maintenance and modernization services as well as services provided to the development of customers' business).

Net sales by market area

Finland	10 417	10	30 444	28
North America	17 107	16	28 817	27
Russia	12 470	12	15 534	14
Rest of Europe	20 203	19	13 510	12
Asia	5 593	5	8 107	7
South America	39 160	37	4 556	4
Oceania	501	0	2 366	2
Rest of the world	755	1	5 293	6
TOTAL	106 206	100	108 627	100

EUR 1 000	2006	2005
4 CONSTRUCTION CONTRACTS		
Net sales		
Net sales by percentage of completion	90 464	93 021
Other net sales	15 742	15 606
TOTAL	106 206	108 627
Project revenues entered as income from currently undelivered construction contracts recognized by percentage of completion	77 607	45 578
Amount of construction contract revenues not yet entered as income	74 281	53 691
Specification of combined asset and liability items		
Advances paid	1 180	1 342
Advances wound up by percentage of completion		
Advances paid included in inventories	1 180	1 342
Accrued income corresponding to revenues by percentage of completion	76 989	46 501
Advances received from project customers	-62 588	-34 211
Project receivables included in short-term receivables	14 401	12 290
5 OTHER OPERATING INCOME		
Capital gain on sale of fixed assets	44	225
Other	155	483
TOTAL	199	708
6 MATERIALS AND SERVICES		
Materials and supplies		
- Purchases during the period	55 907	58 501
- Change in inventories	-307	173
External services	6 818	8 020
TOTAL	62 418	66 694
7 EXPENSES FROM EMPLOYEE BENEFITS		
Wages and salaries	22 024	21 137
Pension contributions		
- Defined contribution plans	2 541	2 684
- Defined benefit plans	-45	-401
Share-based payments settled in shares	52	
Share-based payments settled in cash	44	
Other personnel costs	1 611	1 967
TOTAL	26 227	25 387
Information about management's employee benefits and loans is presented in the notes to the financial statements no. 34 Related party transactions. Information about the share-based incentive plan is presented in the notes to the financial statement no. 26.		
8 PERSONNEL		
Employed at Dec. 31		
Workers	182	191
Office staff	358	342
PERSONNEL, TOTAL	540	533
- of which personnel working abroad	130	124
Average		
Workers	188	197
Office staff	359	340
PERSONNEL, TOTAL	547	537
- of which personnel working abroad	127	124

EUR 1 000	2006	2005
9 RESEARCH AND DEVELOPMENT COSTS ENTERED AS EXPENSES FOR THE PERIOD		
Total research and development costs	3 765	3 616
Depreciation of capitalized development costs	228	500
Recognized as assets in balance sheet	-538	-242
Research and development costs entered as expenses for the period	3 455	3 874
Research and development costs	3 765	3 616
% of net sales	3.5	3.3
Research and development costs have been recognized in operating expenses prior to operating profit.		
10 DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES		
Depreciation		
Intangible assets		
- Capitalized development costs	228	500
- Other intangible assets	593	660
Tangible fixed assets		
- Buildings and structures	517	515
- Machinery and equipment	1 093	1 202
- Other tangible fixed assets	6	
TOTAL	2 437	2 877
Impairment by class of assets		
- Buildings and structures	222	
TOTAL	222	
DEPRECIATION, AMORTIZATION AND IMPAIRMENT, TOTAL	2 660	2 877
11 ACQUISITIONS		
No business acquisitions were made in the report period 2006.		
In March 2005 Raute Corporation acquired 29 percent of real estate holding company Eloc Oy's capital stock from Raute Corporation's Pension Fund. After the acquisition Raute Corporation's shareholding of the company increased to 63 percent.		
In April 2005 Raute acquired the rest of the 50 percent in associated company Mecano Group. Mecano Group develops and delivers machine vision technology and measuring systems to the wood products industry. Sales and marketing occurs mainly through Raute's sales network.		
Total cash flow from acquisitions in 2005 was EUR 304 thousand.		
12 OTHER OPERATING EXPENSES		
Indirect production expenses	1 644	1 472
Sales and marketing expenses	2 293	2 536
Administration expenses	2 874	2 854
Other expenses	3 665	3 152
TOTAL	10 476	10 014

EUR 1 000	2006	2005
13 FINANCIAL INCOME AND EXPENSES		
Financial Income		
Interest income	209	142
Dividend income	24	56
Profit from sales of available-for-sale investments		95
Exchange rate profit		217
Profit from sales of trading assets	584	217
Change in fair value of trading assets	-94	403
Other financial income	22	
TOTAL	745	1 131
Financial expenses		
Interest expenses	-56	-40
Losses from sales of available-for-sale investments	-13	
Exchange rate losses	-158	
Other financial expenses	-144	-33
TOTAL	-371	-73
Exchange rate differences entered in income statement		
Included in net sales	-154	-518
Included in purchases and other expenses	54	32
Included in financial income / expenses	-158	217
TOTAL	-258	-269
14 INCOME TAXES		
Current tax	-1 488	-1 653
From operations, previous years	-174	3
Change in deferred taxes	407	227
TOTAL	-1 255	-1 423
Analysis of the relationship between realized tax expense and theoretical accounting result using Finnish tax rate of 26 percent.		
Profit before taxes	4 887	5 461
Taxes calculated using the Finnish tax rate, 26%	-1 271	-1 420
Effect of differences in taxes from other countries	-78	
Non-deductible costs	-45	-194
Taxes from the previous financial years		1
Effect from unrecognized tax assets (from the losses of foreign subsidiaries)	157	
Other items	-18	190
Consolidated tax expense	-1 255	-1 423
Effective tax rate, %	26	26
15 EARNINGS PER SHARE		
Share of profit that belongs to owners of the parent company	3 632	4 152
Weighted average number of shares, 1 000 shares	3 867	3 815
Effect of warrants issued in 1998, 1 000 shares		57
Diluted weighted average number of shares, 1 000 shares	3 867	3 872
Earnings per share, EUR	0.94	1.09
Diluted earnings per share, EUR	0.94	1.07

16 INTANGIBLE ASSETS

EUR 1 000	Development costs	Long-term expenses and intangible rights*	TOTAL
Intangible assets 2005			
Carrying amount at Jan. 1, 2005	2 298	5 725	8 023
Exchange rate differences			
Additions	242	745	987
Disposals			
Reclassifications of held-for-sale items	-141		-141
Other reclassifications between items			
Carrying amount at Dec. 31, 2005	2 400	6 470	8 870
Accumulated depreciation and amortization at Jan. 1, 2005			
Exchange rate differences	-1 000	-3 953	-4 953
Accumulated depreciations on disposals			
Accumulated depreciations on reclassifications to held-for-sale items			
Accumulated depreciations on other reclassifications between items			
Depreciation for the financial period	-500	-660	-1 160
Accumulated depreciation and amortization at Dec. 31, 2005	-1 500	-4 613	-6 113
Book value at Jan. 1, 2005	1 298	1 772	3 070
Book value at Dec. 31, 2005	900	1 857	2 757
Intangible assets 2006			
Carrying amount at Jan. 1, 2006	2 400	6 470	8 870
Exchange rate differences			
Additions	539	309	848
Disposals			
Reclassifications to held-for-sale items			
Other reclassifications between items		140	140
Carrying amount at Dec. 31, 2006	2 939	6 919	9 858
Accumulated depreciation and amortization at Jan. 1, 2006			
Exchange rate differences	-1 500	-4 613	-6 113
Accumulated depreciations on disposals			
Accumulated depreciations on reclassifications to held-for-sale items			
Accumulated depreciations on other reclassifications between items			
Depreciation for the financial period	-228	-593	-821
Accumulated depreciation and amortization at Dec. 31, 2006	-1 728	-5 206	-6 934
Book value at Jan. 1, 2006	900	1 857	2 757
Book value at Dec. 31, 2006	1 211	1 713	2 924

*Long-term expenditure and intangible rights include patents, computer software and product rights.

17 PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Assets in progress and advance payments received	TOTAL
Property, plant and equipment 2005						
Carrying amount at Jan. 1, 2005	1 174	14 412	22 089	417		38 092
Exchange rate differences	105	405	1 135			1 646
Additions	5	159	1 462		566	2 193
Disposals	-50	-128	-60	-6		-244
Reclassifications of held-for-sale items						
Other reclassifications between items						
Carrying amount at Dec. 31, 2005	1 234	14 849	24 627	411	566	41 687
Accumulated depreciation and amortization at Jan. 1, 2005						
		-6 857	-17 620	-369		-24 846
Exchange rate differences		-390	-1 050			-1 440
Accumulated depreciations on disposals		256				256
Accumulated depreciations on reclassifications to held-for-sale items						
Accumulated depreciations on other reclassifications between items						
Depreciation for the reporting period		-515	-1 202			-1 717
Accumulated depreciation and amortization at Dec. 31, 2005		-7 506	-19 872	-369		-27 747
Book value at Jan. 1, 2005	1 174	7 555	4 469	48		13 246
Book value at Dec. 31, 2005	1 234	7 342	4 755	42	566	13 939
Property, plant and equipment 2006						
Carrying amount at Jan. 1, 2006	1 234	14 849	24 627	411	566	41 687
Exchange rate differences	-65	-486	-845	-34		-1 430
Additions	5	42	601		313	961
Disposals	-16	-316	-335			-667
Reclassifications to held-for-sale items						
Other reclassifications between items		619			-759	-140
Carrying amount at Dec. 31, 2006	1 158	14 708	24 048	377	120	40 411
Accumulated depreciation and amortization at Jan. 1, 2006						
		-7 506	-19 872	-369		-27 747
Exchange rate differences		440	824	34		1 298
Accumulated depreciations on disposals		145	274			419
Accumulated depreciations on reclassifications to held-for-sale items						
Accumulated depreciations on other reclassifications between items						
Depreciation for the financial period		-517	-1 093	-6		-1 616
Impairments		-222				-222
Accumulated depreciation and amortization at Dec. 31, 2006		-7 660	-19 867	-341		-27 868
Book value at Jan. 1, 2006	1 234	7 342	4 755	42	566	13 939
Book value at Dec. 31, 2006	1 158	7 047	4 181	36	120	12 542

EUR 1 000	2006	2005
18 INVESTMENTS IN ASSOCIATED COMPANIES		
Book value at Jan.1		309
Disposals and other deductions*		-309
Book value at Dec. 31		
<p>The dissolution of associate Eloc Oy was completed on May 31, 2006.</p> <p>*Eloc Oy became Raute Corporation's subsidiary in 2005 and was consolidated in group accounts on January 1, 2005 using the purchase method after holdings rose to 63 percent.</p>		
19 AVAILABLE-FOR-SALE INVESTMENTS		
Balance sheet value at Jan.1	395	342
Additions	49	81
Deductions	-49	-28
Balance sheet value at Dec. 31	395	395
<p>For the period's available-for-sale investments, a total of EUR 13 thousand of realized sales losses have been recognized in financial items (€95 thousand gains).</p> <p>Available-for-sale investments include unquoted shares. These shares are recognized at cost deducted with possible impairments, since their fair value cannot be determined reliably.</p>		
20 LONG-TERM RECEIVABLES		
Loan receivables		48
TOTAL		48
<p>The fair value of loan assets does not differ materially from the carrying amount.</p>		
21 INVENTORIES		
Materials and supplies	2 664	2 456
Work in progress	1 018	1 154
Finished products / goods	71	74
Advance payments	1 180	1 342
TOTAL	4 933	5 026
<p>In the year ended, EUR 184 thousand were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price (€571 thousand).</p>		
22 TRADE RECEIVABLES AND OTHER RECEIVABLES		
Short-term receivables		
- Trade receivables	5 519	7 021
- Loan receivables	1 000	1 050
- Accrued income and prepaid expenses	15 174	13 091
- Other receivables	1 491	504
TOTAL	23 184	21 666
<p>Balance sheet values correspond best to the amount of money, that is the maximum amount of credit risk without taking into consideration the fair value of collaterals, in such a case where other contract parties are not able to fulfill their obligations related to financial instruments. Receivables do not include significant credit risk clusters.</p>		

EUR 1 000	2006	2005
Significant items included in accrued income and prepaid expenses		
- Project receivables recognized according to percentage of completion	14 401	12 290
- Other accrued income and prepaid expenses	773	801
TOTAL	15 174	13 091
For trade receivables, a total of EUR 5 thousand (€62 thousand) was recognized in losses.		
23 FINANCIAL ITEMS AT FAIR VALUE THROUGH PROFIT / LOSS		
Initially recognized as financial assets through profit / loss	9 849	8 536
Fair valuation of cash and cash equivalents	346	439
Financial items at fair value through profit / loss at the end of the financial period	10 195	8 975
24 CASH AND CASH EQUIVALENTS		
Cash and bank accounts	2 612	1 819
Bank deposits	11 200	600
TOTAL	13 812	2 419
Cash and cash equivalents in cash flow statement		
Financial items at fair value through profit / loss	10 195	8 975
Cash and cash equivalents	13 812	2 419
TOTAL	24 006	11 395
25 SHAREHOLDERS' EQUITY AND DISTRIBUTABLE FUNDS		
Notes to equity:		
Reconciliation of the number of shares (1 000)		
Number of shares Jan.1	3 815	3 815
Shares subscribed by warrants	190	
Number of shares Dec. 31	4 005	3 815
Nominal value, EUR	2.00	2.00
Total shareholders' equity, EUR thousand	8 010	7 629
Series K shares (20 votes/share)	991	991
Series A shares (1 vote/share)	3 014	2 824

The minimum share capital is EUR 5 000 000 and the maximum share capital is EUR 20 000 000. All issued shares are paid in full.

Other reserves include:

- Granted share-based remuneration settled in shares
- Exchange differences arising from intra-Group loans (net investment)
- Payments for shares subscribed for with options, which have not been entered in the Trade Register on the reporting date.

The share premium includes the value paid for shares in connection with a rights issue that exceeds the nominal value.

After the balance sheet date, the Board of Directors has proposed to the Annual General Meeting that a dividend of EUR 0.70 per share be paid for the financial year 2006.

26 SHARE-BASED PAYMENTS

SHARE-BASED INCENTIVE PLAN 2006

The Board of Raute Corporation has on 22 March 2006 resolved to implement a share-based incentive plan. The share-based incentive plan offers the target group a possibility to earn Raute Corporation series A shares as reward for an earning period of three calendar years for attainment of the targets established for it.

The earning period began on 1 January 2006 and will end on 31 December 2008. The amount of reward that shall be paid on the basis of the plan, has been bound to the Raute's operating profit (weight 75%) and the evaluation of the Board of Directors on e.g. the materialization of the strategy (weight +/- 25%). The maximum total reward is 65 000 Raute series A shares and a cash payment equivalent to the value of the shares, in the maximum. The attainment of the targets established for the earning period will determine the amount to be paid to the key personnel out of the maximum reward. The reward from the plan shall be paid to the key personnel as a combination of shares and cash payment, after the end of the earning period.

No reward shall be paid if a key person's employment ends before the reward payment. In addition, a key person must own the earned shares at least for two years from the reward payment.

The basic information on the share-based incentive plan has been collected in the table below:

Share-based payments in 2006

Issue date	March 22, 2006
Instrument	Share-based payment
Number of shares, max.*	65 000
Share price upon grant	17.28
Fair value of the share upon grant**	15.28
Share price at the end of financial year	12.85
Earning period begins, date	Jan. 1, 2006
Earning period ends, date	Dec. 31, 2008
Earnings criteria	Operating profit and Board's evaluation on e.g. the materialization of the strategy
Pay-out assumption of earnings criteria, %	24
Vesting date of shares	Jan. 1, 2009
Share ownership obligation, years	2
Remaining binding period, years	2
Target group (Dec. 31, 2006)	18

	Number of shares Jan. 1, 2006	Changes during financial year	Number of shares Dec. 31, 2006
Shares granted	0	56 000	56 000
Shares returned	0	0	0
Shares distributed	0	0	0
Shares forfeited	0	0	0
Shares total	0	-	56 000

* The numbers of shares presented in the table describe the numbers of shares to be distributed on the basis of the share-based incentive plan. In addition, the Company is committed to pay a cash amount that corresponds to the value of the shares in the maximum (proportion for taxes).

**From the share price on the grant date of the shares have been deducted the expected dividends EUR 2.00 that the key people do not receive before the potential reward payment.

Determination of the fair value

Raute Corporation has used Alexander Corporate Finance Oy as an advisor when determining the fair value of the reward. As the reward will be paid as a combination of shares and cash payment, the determining of the fair value of the reward is divided into two proportions, in accordance with IFRS 2 standard: a proportion settled in shares and a proportion settled in cash. The proportion to be settled in shares will be entered in the equity and the proportion to be settled in cash will be entered in liabilities. The fair value of the share-based payment on the grant date was the market price of the Raute series A share, the dividends to be distributed before the reward payment deducted. The fair value of the share proportion was thus EUR 15.28 per share. Correspondingly, the fair value of the proportion to be settled in cash will further be evaluated every reporting day until the end of the earning period, and the fair value of the debt will thus change in accordance with Raute series A share price. At the end of the financial year, the fair value of the cash proportion was EUR 12.85 per share. The fair value of the rewards granted during the financial year was EUR 0.3 million in total. The effect of the rewards on the result of Raute Corporation is EUR 0.1 million during the financial year 2006 (€0).

Calculation of fair value of reward	
Number of shares granted	56 000
Share price upon grant, EUR	17.28
Assumed dividend before reward payment*, EUR	2.00
Fair value (proportion in shares), EUR	15.28
Share price Dec. 31, 2006 (proportion in cash), EUR	12.85
Pay-out assumption of earnings criteria, %	24
Estimate of shares to be returned, %	10
Fair value of reward Dec. 31, 2006, EUR	340 260

*Dividend assumption is an estimate on distributed dividends before reward payment.

OPTIONS

1 000 shares	2006		2005	
	Exercise price as a weighted average per share, EUR	The amount of options	Exercise price as a weighted average per share, EUR	The amount of options
In the beginning of the financial year		212 500		212 500
Options exercised	7.63	-190 150		
Options expired		22 350		
Options available for exercise at the end of the financial year				212 500

A total of 190 150 series A shares, worth EUR 1 450 thousand, were subscribed for with B warrants pertaining to Raute Corporation's 1998 bond issue. The share capital increase corresponding to the share subscriptions total EUR 380 thousand.

EUR 1 000	2006	2005
27 PROVISIONS		
Warranty provisions		
Book value at the beginning of the financial year	1 741	1 346
Additions	1 984	2 387
Used	-2 013	-1 367
Cancelled unused amounts	-735	-646
Exchange rate differences	-25	21
Book value at the end of the financial year	952	1 741
Losses from construction contracts in order book		
Book value at the beginning of the financial year	661	
Additions	417	661
Decrease	-412	
Book value at the end of the financial year	666	661
Other provisions		
Provision for disputed warranty obligations to customer	370	
Provisions in balance sheet	1 988	2 402
from which		
- long-term	262	475
- short-term	1 726	1 927

28 DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

EUR 1 000		Items entered in income statement	Items recognized in sharehol- ders' equity
Deferred tax assets	1.1.2005		31.12.2005
Depreciation differences and other provisions			
Changes in fair value			
Effects of Group consolidation			
Other taxable temporary differences	235	-25	210
TOTAL	235	-25	210
	1.1.2006		31.12.2006
Depreciation differences and other provisions			
Changes in fair value		58	58
Effects of Group consolidation			
Other taxable temporary differences	210	219	429
TOTAL	210	276	487
Deferred tax liabilities	1.1.2005		31.12.2005
Depreciation differences and other provisions	451	1	452
Changes in fair value	120	-6	114
Effects of Group consolidation	393	-4	389
Other taxable temporary differences	588	-243	345
TOTAL	1 552	-252	1 300
	1.1.2006		31.12.2006
Depreciation differences and other provisions	452	-69	383
Changes in fair value	114	-24	90
Effects of Group consolidation	389	-63	326
Other taxable temporary differences	345	26	-86
TOTAL	1 300	-130	1 084

Unrecognized tax assets from losses of foreign subsidiaries are in total EUR 769 thousand (€929 thousand).

Deferred tax liability is not recognized from undistributed earnings of Finnish subsidiaries and associated companies, since in most cases these earnings are transferred to the parent company without tax implications.

EUR 1 000	2006	2005
29 LONG-TERM INTEREST-BEARING LIABILITIES		
Long-term interest-bearing liabilities		
- Other loans	317	357
TOTAL	317	357

Non-current loans are Technology Funding Agency loans, with repayment scheduled for 2006–2011 and an interest rate of 1.0 percent. The loans have no collateral, and the Technology Funding Agency may, under certain conditions, demand a loan to be fully or partly repaid immediately without notice.

30 CARRYING VALUES AND FAIR VALUES OF LIABILITIES

The majority of the Group's financial liabilities are short-term and their carrying value equals fair value. The fair value of long-term liabilities with the exception of partial payments are EUR 317 thousand (€357 thousand) and their carrying value is EUR 317 thousand (€357 thousand).

EUR 1 000	2006	2005
31 SHORT-TERM INTEREST-BEARING LIABILITIES		
Partial payments of long-term debts	40	66
Other short-term interest-bearing debts	110	110
Total short-term interest-bearing liabilities	150	176
Distribution of Group's short-term loans by currencies		
- EUR, %	100	100
The weighted averages of effective interest rates of current interest-bearing liabilities were:		
Amortization of non-current loans, %	1.00	1.00
Other current loans, %	2.30	1.75

32 PENSION OBLIGATIONS

Raute Corporation's voluntary supplementary pension plan and in 2005 Disability pension included in Finnish TEL pension plan are treated as defined benefit plans.

Raute Corporation's Pension Fund

Raute Corporation's Pension Fund was dissolved on 17 May 2006. The liquidation has been entered in the fund register on 25 July 2006.

Voluntary supplement to pension coverage for those employees that have had long-term employment with Raute Corporation was managed in Raute Corporation's Pension Fund that was closed on October 1, 1992. During the year 2005, Raute Corporation made an agreement to transfer the supplementary pensions insured in the Pension Fund to Sampo Life Insurance company. In the year 2005 overmargin of EUR 1.2 million has been refunded from the Pension Fund, which is distributed as income in IFRS financial statements among the years 2003–2005.

EUR 1 000	2006	2005
Defined benefit pension plans		
Items recognized in balance sheet		
Present value of funded obligations	367	335
Fair value of assets included in the plan	-328	-252
Difference	39	83
Present value of non-funded obligations		
Unrecognized actuarial losses	205	154
Unrecognized costs based on retrospective work performance	91	143
Net liabilities (receivables) in balance sheet (liability + / receivable -)	335	380
Amounts in balance sheet		
Liabilities	335	380
Assets		
Net liabilities in balance sheet (liability + / receivable -)	335	380
Items entered in income statement		
Costs based on the work performance in the financial year	17	48
Interest on obligation	16	77
Expected income from the assets included in the plan	-13	-64
Effect of changes in billing basis		
Net of recognized actuarial gains / losses in the financial year	11	14
Costs based on retrospective work performance	-52	-129
Profits / losses resulting from the reduction of the plan or fulfilling of the obligation	-24	-346
Total, included in personnel expenses (expenses + / income -)	-45	-401
Realized income from the assets included in the plan (expenses + / income -)	-52	373

EUR 1 000	2006	2005
Changes in net liabilities recognized in balance sheet		
Net liabilities at Jan.1	380	-419
Net amount of income / expenses entered in income statement	-45	-401
Contributions from the plan		1 200
Net liabilities at Dec. 31 (liability + / receivable -)	335	380
Key actuarial assumptions		
Discount interest, %		
- Finland	4.5	4.5-5.0
Expected yield from the assets, %		
- Finland	4.5	4.5
Yearly salary increase assumption, %		
- Finland	3.0	3.0-3.5
Inflation assumption, %		
- Finland	2.0	2.0
Personnel turnover assumption, %		
- Finland	1.0	1.0-2.0
33 ADVANCE PAYMENTS RECEIVED, TRADE AND OTHER PAYABLES		
Advance payments received EUR 19 726 thousand (€8 500 thousand) comprise of advances received from projects in progress.		
Short-term liabilities in balance sheet		
- Trade payables	6 085	6 572
- Accrued expenses and prepaid income	8 472	8 823
- Derivative liabilities	57	145
- Other liabilities	836	528
TOTAL	15 450	16 068
Substantial items included in accrued expenses and prepaid income		
- Periodizing of project costs	3 860	3 468
- Periodizing of personnel costs	3 927	4 312
- Other accrued expenses and prepaid income	685	1 043
TOTAL	8 472	8 823
34 RELATED PARTY TRANSACTIONS		
Raute Group's related parties consist of associated companies, Board members, President and CEO and Presidents of the subsidiaries and Raute Corporation's Sickness Fund and Raute's Pension Fund.		
Group management's employee benefits		
Salaries and other short-term employee benefits	1 015	894
Share-based payments	107	
TOTAL	1 122	894
Salaries and remunerations of Directors of the Parent company		
President and CEO		
Kiiski, Tapani	273	237
The members of the Board of Directors		
Rytilahti, Jarmo, Chairman of the Board	36	33
Mustakallio, Miika, Member of the Board	18	17
Mustakallio, Panu, Member of the Board	18	17
Mustakallio, Sinikka, Vice-Chairman of the Board	18	17
Paasikivi, Pekka, Member of the Board	18	17
Wiitakorpi, Jorma, Member of the Board	14	
Lehtonen, Heikki, Former Member of the Board	5	17
Nihti, Markku, Former Member of the Board	5	17
TOTAL	405	372

The company's Board of Directors, President and CEO and Presidents of the subsidiaries owned a total of 81 838 series A shares and 98 990 series K shares. Management's ownership corresponds to 4.5 percent of the shares in the company and 9.0 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.

Raute Corporation's Pension Fund

See note number 32, Pension obligations.

Sickness Fund

Raute Group has an insurance fund, which pays its members additional benefits on top of compensations paid according to the Sickness Insurance Act. Raute's Sickness Fund covers personnel in Raute Corporation and its domestic subsidiaries as well as personnel in the former subsidiary Raute Precision Oy. Raute's Sickness Fund has deposited its assets in Raute Corporation. The amount of deposits was EUR 110 thousand at Dec. 31 (€110 thousand) and 2.3 percent (1.75%) of interest was paid to it.

No loans are granted to related parties of the Group.

EUR 1 000	2006	2005
35 OTHER LEASES AND OPERATING LEASE LIABILITIES		
Group as lessee		
Minimum rents paid on the basis of other non-cancellable leases:		
- For the current accounting period	169	126
- For subsequent accounting periods	470	76
TOTAL	639	202
Minimum rents paid on the basis of other non-cancellable leases:		
Under 1 year	49	53
1-5 years	57	46
Over 5 years		
TOTAL	106	99
Group as lessor		
The Group has rent out the office and plant facilities that it does not need. The facilities have been classified as tangible fixed asset in the financial statements. Lease income has been recognized in other operating income in the financial statements and totaled EUR 85 thousand (€156 thousand).		
36 CURRENCY DERIVATIVES		
Currency derivatives are used for hedging purposes.		
Nominal values of forward contracts in foreign currency		
Economic hedging		
- Related to financing	2 065	6 830
- Related to hedging of net sales	174	3 071
Hedge accounting		
- Related to hedging of net sales	7 000	
Fair values of forward contracts in foreign currency		
Economic hedging		
- Related to financing	2	-41
- Related to the hedging of net sales	-8	-104
Hedge accounting		
- Related to the hedging of net sales	-50	
Purchased currency options		
- Nominal values	1 963	
- Fair values	13	

EUR 1 000	2006	2005
37 PLEDGED ASSETS AND CONTINGENT LIABILITIES		
Pledged assets		
Raute Group had long-term bilateral credit facilities to a total of EUR 15 000 thousand, of which nothing was used during 2006.		
Raute Corporation has an EUR 10 million domestic commercial paper plan, which is arranged by Nordea Bank Finland Oyj. Within the limits of the plan, the Corporation can issue commercial papers with maturity under one year.		
The debts and other contingent liabilities above have been secured by mortgages		
- Mortgages on real property	1 134	1 134
- Business mortgages	10 000	10 000
Contingent liabilities and other liabilities		
Security for Group's liabilities		
- Guarantees issued	646	4 111
Other own obligations		
No money loans, pledges or other contingent liabilities have been given on behalf of the management, shareholders or associated companies.		

Management of financial risks

The main financial risks that Raute's international business operations are exposed to are credit, liquidity, and currency risks.

The written financing policy, approved by Raute's Board of Directors, is based on the principle of cost-effective hedging against risks that have a negative effect on the Group's performance or cash flow.

The financing policy defines the limiting values that guide operations, the adopted financial and hedging instruments, and the acceptable counterparties.

Practical risk management is the responsibility of the parent company's financing unit. It identifies, assesses, and hedges financial risks in co-operation with operating units.

The financing unit is also in charge of centrally handling external asset acquisition, managing financial assets, and taking care of the necessary hedging actions.

Currency risks

A significant share of the Group's net sales is generated outside the euro zone. The most important foreign currencies used in customer deliveries, and business transactions between Group companies are the US and Canadian dollars. The currency distribution varies yearly.

As stated in the Group's financing policy, operating units hedge currency items in excess of EUR 100 thousand based on binding delivery and subcontracting agreements. The Group applies hedge accounting in compliance with IAS 39 to separately defined significant and long-term project deliveries.

Currency clauses are used to hedge against currency risks during the bidding period. Depending on the case, currency risks related to preliminary agreements are hedged with currency options.

The Group has foreign subsidiaries and is exposed to translation risks. Net investments and corresponding items in subsidiaries have not been hedged. Exchange rate differences for net investments are recognized in equity.

Interest rate risks

The Group has a strong financial position. Interest rate risks are mostly related to income from investment activities and to interest rate differences between currencies. Loans on the balance sheet date had fixed interest rates. Investments in interest funds have been made in short-term interest funds.

Credit and other counterparty risks

Investments and derivative agreements are only made with counterparties that meet the credit rating criteria defined in the financing policy.

When making investments or derivative and loan agreements, the Group applies counterparty-specific upper limits to avoid risk concentrations.

Trade-related credit risks are managed by demanding bank guarantees or confirmed letters of credit for customer receivables in project deliveries.

Liquidity

The minimum amounts of cash, current investments and available credit liabilities have been defined to ensure the Group's liquidity. In the long term, risks related to the availability and pricing of funding are managed by using a variety of sources for financing.

The parent company has an EUR 10 million domestic commercial paper program, which allows it to issue commercial papers maturing in less than one year. The company also has bilateral non-current credit regulation agreements worth EUR 15 million.

Most investment activities are carried out through mutual funds, which are required to exhibit good creditworthiness and sufficient liquidity.

38 SHARES AND PARTICIPATIONS OWNED BY THE GROUP

Group companies	Group's ownership interest and voting power, %	Parent company's ownership interest and voting power, %
Raute Canada Ltd., New Westminster, B.C., Canada	100.00	100.00
Raute Land Ltd, B.C., Canada	100.00	0.00
Raute Inc., Delaware, USA	100.00	100.00
Raute US, Inc., Rossville, Tennessee, USA	100.00	0.00
RWS-Engineering Oy, Lahti, Finland	100.00	100.00
Raute Group Asia Pte Ltd., Singapore	100.00	100.00
Raute WPM Oy, Lahti, Finland	100.00	100.00
Raute Wood Oy-Santiago Limitada, Chile	100.00	50.00
Mecano Group Oy, Kajaani, Finland	100.00	100.00
Mecano Group Inc., Oregon, USA	100.00	0.00
Raute Service LLC, St. Petersburg, Russia	100.00	100.00
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	100.00	100.00

	2006	2005
39 EXCHANGE RATES USED IN CONSOLIDATION OF THE SUBSIDIARIES		
Income statement	EUR	EUR
USD	1.2557	1.2448
CAD	1.4242	1.5097
SGD	1.9940	2.0711
CLP	695.9000	698.9770
RUB	34.1116	35.1860
CNY	10.0090	
Balance sheet	EUR	EUR
USD	1.3170	1.1797
CAD	1.5281	1.3725
SGD	2.0202	1.9628
CLP	696.4292	609.4000
RUB	34.68	33.92
CNY	10.333	

Parent company's income statement, FAS

EUR 1 000		1.1–31.12.2006	1.1–31.12.2005
Note			
2,3	NET SALES	91 092	87 084
	Increase (+) or decrease (-) in inventories of finished goods and work in progress	307	-127
4	Other operating income	396	2 220
5	Materials and services	58 453	56 301
6,7	Personnel expenses	18 110	17 938
8,14,15	Depreciation, amortization and impairment charges	1 769	1 720
9	Other operating expenses	9 470	7 689
	Total operating expenses	87 802	83 648
	OPERATING PROFIT	3 993	5 529
	Financial income and expenses		
10	Income from investments in other non-current assets	524	56
10	Interest and other financial income	883	1 206
10	Impairments from investments in non-current assets	-4 581	-1 536
10	Interest and other financial expenses	-713	-76
	Total financial income and expenses	-3 887	-350
	PROFIT BEFORE EXTRAORDINARY ITEMS	106	5 179
11	Extraordinary items	222	100
	PROFIT / LOSS AFTER EXTRAORDINARY ITEMS	328	5 279
12	Appropriations	265	-32
13	Income taxes	-1 447	-1 419
	LOSS / PROFIT FOR THE FINANCIAL YEAR	-854	3 828

Parent company's balance sheet, FAS

EUR 1 000	31.12.2006	31.12.2005	
Note			
ASSETS			
Non current assets			
14	Intangible assets	1 945	1 625
14	Tangible assets	10 387	11 122
15	Investments	4 289	10 064
	Total	16 621	22 811
Current assets			
3,16	Inventories	3 157	2 011
17	Long-term receivables	44	124
3,17	Short-term receivables	21 459	20 076
18	Investments held as current assets	10 194	8 975
	Cash and cash equivalents	13 531	1 580
	Total	48 385	32 766
	TOTAL ASSETS	65 006	55 577
LIABILITIES			
Shareholders' equity			
19	Share capital	8 010	7 629
19	Equity issue		14
19	Share premium	6 498	5 429
19	Retained earnings	14 861	13 322
19	Loss / profit for the financial year	-854	3 828
	Total	28 515	30 222
20	Appropriation reserve	1 475	1 740
21	Provisions	1 818	2 141
Liabilities			
22,23	Deferred tax liabilities	130	130
23	Long-term liabilities	277	277
23	Short-term liabilities	32 791	21 067
	Total	33 198	21 474
	TOTAL LIABILITIES	65 006	55 577

Parent company's statement of changes in shareholders' equity, FAS

EUR 1 000	Share capital	Other funds	Reserve fund	Share premium	Retained earnings	TOTAL
SHAREHOLDERS' EQUITY AT JAN. 1, 2005	7 629		5 429		15 170	28 228
Share capital increase (options)		14				14
Dividend					-1 526	-1 526
Transfer from reserve fund to the share premium fund			-5 429	5 429		
Reductions in revaluations (incl. deferred tax)					-322	-322
Profit for the period					3 828	3 828
SHAREHOLDERS' EQUITY AT DEC. 31, 2005	7 629	14		5 429	17 150	30 222
SHAREHOLDERS' EQUITY AT JAN. 1, 2006	7 629	14		5 429	17 150	30 222
Share capital increase (options)	381	-14		1 069		1 436
Dividend					-2 290	-2 290
Loss for the period					-854	-854
SHAREHOLDERS' EQUITY AT DEC. 31, 2006	8 010			6 498	14 007	28 515

Distributable funds	2006	2005
Retained earnings at Dec. 31	14 861	13 322
Loss / profit for the period	-854	3 828
Capitalized development costs		-38
DISTRIBUTABLE FUNDS	14 007	17 112

Parent company's cash flow statement

EUR 1 000	1.1-31.12.2006	1.1-31.12.2005
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from sales	99 774	85 360
Receipts from other operating income	352	1 788
Payments of operating expenses	-86 031	-79 839
Cash flow before financial items and taxes	14 095	7 309
Interests and other operating financial expenses paid	-194	-76
Interests and other income received	843	638
Dividends received	524	56
Income taxes paid	-1 593	-2 529
Cash flow before extraordinary items	13 675	5 398
NET CASH FROM (+) / USED IN (-) OPERATING ACTIVITIES (A)	13 675	5 398
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-1 572	-2 753
Purchases of assets-for-sale as investments	-49	
Acquisition of subsidiary shares	-160	-2 103
Proceeds from disposal of tangible and intangible assets	261	678
Proceeds from subsidiary shares	381	
Proceeds from other investments	20	
Loans granted	244	
NET CASH FROM (+) / USED IN (-) INVESTING ACTIVITIES (B)	-875	-4 178
CASH FLOW FROM FINANCING ACTIVITIES		
Increase (+) / decrease (-) of short-term liabilities	1 306	1 545
Increase (+) / decrease (-) of long-term liabilities		277
Increase (-) / decrease (+) of long-term and short-term receivables	82	-20
Proceeds from issuance of shares	1 436	
Dividends paid	-2 290	-1 526
Group contributions, paid and received	-165	180
NET CASH FROM (+) / USED IN (-) FINANCING ACTIVITIES (C)	369	456
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	13 169	1 676
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10 556	8 879
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23 725	10 556

Parent company's notes to the financial statements

1 ACCOUNTING PRINCIPLES

The accounting principles of the Parent company's financial statements are presented only for those parts that differ from the accounting principles of the consolidated financial statements.

Parent company's financial statements have been prepared in accordance with the Finnish Accountancy Standards (FAS).

Foreign currency items

Other than euro denominated transactions are recognized at the exchange rate effective on the transaction date. Receivables and liabilities denominated in other currencies are translated into euro at the average rate of the balance sheet date, except for hedged items that are valued at the agreed contract rate. Advances paid and received are entered in the balance sheet at the exchange rate effective on the payment date. The exchange rate gains resulting from the extension of protection contracts related to sales receivables will be capitalized into accrued expenses or receivables. Other exchange rate gains and losses are handled according to their impact on profit.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation, with the exception for some property items and revaluated shares. Only variable costs arising from the acquisition and production of a product are included in the carrying amount.

Depreciations of tangible and intangible assets are recorded with the straight-line method over the expected economic lives of the assets as follows:

Goodwill	5 years
Other intangible assets	3–10 years
Buildings and structures	25–40 years
Machinery and equipment	4–12 years
Other fixed assets	3–10 years

Certain property and shares include, in addition to the non-depreciated acquisition cost, a maximum revaluation that equals the difference between the probable net realizable value and the non-depreciated acquisition cost. The probable realizable value is based on an assessment provided by an independent party.

Extraordinary items

Extraordinary items include significant and exceptional income and expenses that are not a part of the usual business operations. Group contributions received and paid are also recognized as extraordinary items.

Income taxes

Income taxes recognized in the income statement include direct taxes for the period and tax adjustments for previous periods. Deferred tax assets and liabilities have not been recognized in the balance sheet for other than revaluations. The deferred tax liability included in the depreciation difference is presented in the notes.

Comparatives

The expense classification in the income statement for the comparison period has been adjusted by moving EUR 1 370 thousand related to project deliveries from other operating expenses to materials and services. The adjustment does not affect the key figures.

EUR 1 000	2006	%	2005	%
2 NET SALES BY MARKET AREA				
Finland	9 983	11	29 699	34
Russia	11 774	13	14 697	17
Rest of Europe	19 467	21	12 523	14
North America	4 142	5	10 028	12
South America	39 143	42	4 556	5
Asia	5 424	6	8 021	9
Oceania	466	1	2 366	3
Others	693	1	5 194	6
TOTAL	91 092	100	87 084	100

EUR 1 000	2006	2005
3 REVENUE RECOGNITION METHOD BASED ON PERCENTAGE OF COMPLETION		
Net sales by percentage of completion	81 005	78 595
Other net sales	10 087	8 489
TOTAL	91 092	87 084
Project revenues entered as income from currently undelivered non-current projects recognized by percentage of completion	72 061	36 662
Amount of non-current project revenues not yet entered as income	68 115	49 716
Specification of combined asset and liability items		
Advances paid	1 229	759
Advances wound up by percentage of completion		
Advance payments included in inventories	1 229	759
Accrued income corresponding to revenues by percentage of completion	72 061	36 662
Advances received from project customers	-58 217	-26 202
Project receivables included in non-current receivables	13 844	10 460
4 OTHER OPERATING INCOME		
Capital gain on sale of fixed assets	44	439
Other	352	1 781
TOTAL	396	2 220
5 MATERIALS AND SERVICES		
Materials and supplies during the period		
- Purchases	52 522	48 662
- Change in inventories	-370	146
External services	6 300	7 493
TOTAL	58 453	56 301
6 PERSONNEL EXPENSES		
Personnel expenses in income statement		
Wages and salaries	14 844	14 651
Pension costs	2 134	2 324
Other statutory personnel contributions	1 132	963
TOTAL	18 110	17 938
Salaries and remunerations of Directors		
Kiiski, Tapani, President and CEO	273	237
The members of the Board of Directors		
Rytilahti, Jarmo, Chairman of the Board	36	33
Mustakallio, Mika, Member of the Board	18	17
Mustakallio, Panu, Member of the Board	18	17
Mustakallio, Sinikka, Vice-Chairman of the Board	18	17
Paasikivi, Pekka, Member of the Board	18	17
Wiitakorpi, Jorma, Member of the Board	14	
Lehtonen, Heikki, Former Member of the Board	5	17
Nihti, Markku, Former Member of the Board	5	17
TOTAL	405	372

EUR 1 000	2006	2005
7 PERSONNEL		
Employed at Dec. 31		
Workers	141	146
Office staff	245	229
PERSONNEL, TOTAL	386	375
- of which personnel working abroad	5	4
Average		
Workers	145	152
Office staff	245	227
PERSONNEL, TOTAL	390	379
- of which personnel working abroad	5	4
8 DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES		
Depreciation and amortization from tangible and intangible assets	1 769	1 720
9 OTHER OPERATING EXPENSES		
Indirect production costs	1 593	1 391
Losses on Group companies' trade receivables	1 190	
Sales and marketing costs	2 045	2 184
Administration costs	2 519	2 294
Other costs	2 123	1 820
TOTAL	9 470	7 689
10 FINANCIAL INCOME AND EXPENSES		
Income from investments in other non-current assets		
Dividends from the Group companies	500	
Dividends	24	56
TOTAL	524	56
Other interest and financial income		
Group companies	181	251
Other interest and financial income from others	702	955
TOTAL	883	1 206
Impairments from investments in non-current assets		
To Group companies	4 581	1 536
Interest and other financial expenses		
To Group companies		4
To other than Group companies	713	72
TOTAL	713	76
Total financial income and expenses	-3 887	-350
Exchange rate gains (+) / losses (-) included in total financial items	491	101
11 EXTRAORDINARY ITEMS		
Extraordinary income		
Contributions from Group companies	300	135
TOTAL	300	135
Extraordinary expenses		
Tax impact of extraordinary items	78	35
TOTAL	78	35
Extraordinary items in income statement (net)	222	100

EUR 1 000	2006	2005
12 APPROPRIATIONS		
Difference in planned and taxed depreciations	265	-32
TOTAL	265	-32
13 INCOME TAXES		
Current financial year	-1 351	-1 456
Tax impact of extraordinary items	78	35
Previous financial years	-174	2
TOTAL	-1 447	-1 419

EUR 1 000	14 FIXED AND OTHER NON-CURRENT ASSETS		INTANGIBLE ASSETS		TANGIBLE ASSETS			TOTAL
	Capitalized product develop- ment costs	Other capitalized expenditure and intang- ible assets	Land and water	Buildings and structures	Machin- ery and equip- ment	Other tangible assets	Assets in progress and advance payments received	
Carrying amount at Jan.1, 2006	38	4 168	417	9 210	17 074	336	566	31 809
Additions	360	309	5	42	542		312	1 570
Disposals			-16	-316	-303			-635
Transfers between items		140		619			-759	
Carrying amount at Dec. 31, 2006	398	4 618	406	9 555	17 313	336	119	32 745
Accumulated depreciation at Jan.1, 2006		-2 581		-3 989	-12 694	-299		-19 563
Accumulated depreciations on disposals				145	274			419
Depreciation for the accounting period		-489		-315	-960	-5		-1 769
Accumulated depreciation at Dec. 31, 2006		-3 070		-4 159	-13 380	-304		-20 913
Revaluations at Jan.1, 2006			13	487				500
Revaluations wound up								
Revaluations at Dec. 31, 2006			13	487			500	
Book value at Dec. 31, 2006	398	1 548	419	5 883	3 933	32	119	12 332
Book value at Dec. 31, 2005	38	1 587	430	5 708	4 381	37	566	12 747
Book value for production machinery								
Dec. 31, 2006					3 467			
Dec. 31, 2005					3 471			

EUR 1 000	15 NON-CURRENT INVESTMENTS		SHARES		RECEIVABLES	TOTAL
	Group companies	Others	Group companies			
Carrying amount at Jan. 1, 2006	8 196	384	7 650			16 230
Additions	160	49				209
Disposals	-381	-49	-244			-674
Revaluation at fair value			-4 581			-4 581
Transfers between items			-729			-729
Carrying amount at Dec. 31, 2006	7 975	384	2 096			10 455
Accumulated impairments Jan. 1, 2006		-6 166				-6 166
Additions 2006						
Transfers between items						
Accumulated impairments Dec. 31, 2006		-6 166				-6 166
Book value at Dec. 31, 2006	1 809	384	2 096			4 289
Book value at Dec. 31, 2005	2 030	384	7 650			10 064

EUR 1 000	2006	2005
16 INVENTORIES		
Materials and supplies	1 388	1 018
Work in progress	540	234
Finished products / goods		
Advance payments	1 229	759
TOTAL	3 157	2 011
17 SPECIFICATION OF RECEIVABLES		
Non-current receivables		
Non-current receivables from Group companies		
- Loan receivables	44	76
Non-current receivables from others		
- Loan receivables		48
TOTAL	44	124
Current receivables		
Current receivables from Group companies		
- Trade receivables	299	1 567
- Accrued income and prepaid expenses	300	136
Total from Group companies	599	1 703
Current receivables from others		
- Trade receivables	3 969	5 765
- Loan receivables	1 000	1 050
- Accrued income and prepaid expenses	14 571	11 407
- Other receivables	1 320	151
Total from others	20 860	18 373
TOTAL	21 459	20 076
Substantial items included in accrued income and prepaid expenses		
- Contribution receivables from Group companies	300	135
- Project receivables entered according to percentage of completion	13 844	10 460
- Other items	727	948
TOTAL	14 871	11 543
18 INVESTMENTS HELD AS CURRENT ASSETS		
Replacement cost	10 194	8 975
Book value	9 848	8 536
Difference	346	439
19 SHAREHOLDERS' EQUITY		
Share capital at Jan. 1, 2006	7 629	7 629
Share issue	381	
Share capital at Dec. 31, 2006	8 010	7 629
Share issue reserve at Jan.1, 2006	14	14
Share issue	-14	
Share issue reserve at Dec. 31, 2006		14
Reserve fund at Jan. 1, 2006		5 429
Transferred to share premium fund		-5 429
Reserve fund at Dec. 31, 2006		

EUR 1 000	2006	2005
Share premium fund at Jan. 1, 2006	5 429	
Share issue	1 069	
Transferred from reserve fund		5 429
Share premium fund at Dec. 31, 2006	6 498	5 429
Retained earnings at Jan. 1, 2006	13 322	12 561
Changes during the financial year		
- Loss / profit from the previous year	3 828	2 609
- Dividends	-2 289	-1 526
- Reductions in revaluations		-436
- Change of deferred tax liabilities from revaluation		114
Retained earnings at Dec. 31, 2006	14 861	13 322
Loss / profit for the financial year	-854	3 828
Shareholders' equity at Dec. 31, 2006	28 515	30 222
Distributable funds		
Retained earnings at Dec. 31	14 861	13 322
Loss / profit for the financial year	-854	3 828
Capitalized development costs		-38
Distributable funds	14 007	17 112
Share capital of parent company		
Shares, 1 000 pcs	4 005	3 815
Nominal value, EUR	2.00	2.00
Total nominal value, EUR 1 000	8 010	7 629
Series K shares (ordinary shares, 20 votes/share), 1 000 pcs	991	991
Series A shares (1 vote/share), 1 000 pcs	3 014	2 824
20 APPROPRIATION RESERVE		
The untaxed reserve consists of accumulated depreciation difference of EUR 1 475 thousand (€1 740 thousand), including deferred tax liabilities of EUR 383 thousand (€452 thousand).		
21 PROVISIONS		
Estimated warranty accruals at 1 Jan.	1 480	1 186
Amendment during the financial year	-698	294
Estimated warranty accruals at 31 Dec.	782	1 480
Provision for disputed warranty obligations	370	
Provision for loss from construction contracts in order book at Jan. 1	661	
Change in period	5	
Provision for loss from construction contracts in order book at Dec. 31	666	661
TOTAL	1 818	2 141
22 DEFERRED TAX LIABILITIES		
Non-current		
- From revaluations	130	130
23 SPECIFICATION OF LIABILITIES		
Non-current liabilities		
Non-current tax liabilities		
- Non-current deferred tax liabilities (specification in note 22)	130	130
Non-current liabilities to others	277	277
TOTAL	407	407

EUR 1 000	2006	2005
Liabilities with a maturity of more than five years		
- Other liabilities		46
TOTAL		46
Current liabilities		
Current liabilities to Group companies		
- Advances received	3 773	
- Accounts payable	571	368
- Accrued expenses and prepaid income	89	64
- Other current liabilities	3 212	1 907
Total to Group companies	7 645	2 339
Current liabilities to others		
- Advances received	12 894	7 665
- Accounts payable	4 877	3 718
- Accrued expenses and prepaid income	6 793	6 794
- Other current liabilities	582	551
Total to others	25 146	18 728
TOTAL	32 791	21 067
Interest-bearing debts		
- Non-current	277	277
- Current	3 322	2 016
TOTAL	3 599	2 293
Substantial items included in accrued expenses and prepaid income		
- Accrued project expenses	3 476	2 843
- Accrued employee related expenses	3 101	3 443
- Other	305	571
TOTAL	6 882	6 857
24 PLEDGED ASSETS AND CONTINGENT LIABILITIES		
Pledged assets		
Debts secured by mortgages		
Raute Group has non-current bilateral credit facilities for a total of EUR 15 million, from which none has been in use in 2006.		
Raute Corporation has a EUR 10 million domestic commercial paper plan, which is arranged by Nordea Bank Finland Oyj. Within the limits of the plan, the Corporation can issue commercial papers with maturity under one year.		
Debts and other contingent liabilities above have been secured by mortgages		
- Real estate mortgages	1 134	1 134
- Business mortgages	10 000	10 000
Contingent liabilities and other liabilities		
On behalf of Group companies		
- Guarantees issued	646	4 971
Leasing and rent liabilities		
- For the current financial year	2	7
- For subsequent financial years	4	5

EUR 1 000	2006	2005
Values of forward contracts in foreign currency		
- Nominal value of forward contracts, external	9 239	9 901
- Nominal value of forward contracts, Group internal	380	
- Fair value, external	-56	-145
- Fair value, Group internal	5	
Purchased currency options		
- Nominal value	1 963	
- Fair value	13	

The nominal value is the value of underlying instruments converted into euro using the exchange rate of balance sheet date. The market value is the profit generated, if the derivatives position would have been closed to the market price on the balance sheet date.

Other own obligations

Letters of Guarantee engagements have been issued on behalf of certain subsidiaries. No money loans, pledges or other contingent liabilities have been given on behalf of the management, shareholders or associated companies.

Key ratios describing the financial development

EUR 1 000	2006	2005	2004	2003*	2002*
Net sales	106 206	108 627	73 116	97 608	88 908
Overseas sales	95 789	78 183	65 136	84 419	73 708
% of net sales	90.2	72.0	89.1	86.5	82.9
Operating profit / loss	4 513	4 403	3 647	-3 340	-8 299
% of net sales	4.2	4.1	5.0	-3.4	-9.3
Profit / loss before income taxes, from continuing operations	4 887	5 461	3 906	-2 274	-8 951
% of net sales	4.6	5.0	5.3	-2.3	-10.1
Profit / loss attributable to equity holders of the parent company	3 632	4 152	4 762	-2 703	-7 329
% of net sales	3.4	3.8	6.5	-2.8	-8.2
Return on investment (ROI), %	18.6	20.7	25.2	-5.4	-18.5
Return on equity (ROE), %	13.1	15.8	19.9	-10.7	-22.8
Balance sheet total	68 472	55 435	46 188	63 510	58 903
Interest-bearing net liabilities	-23 539	-10 861	-7 670	-4 238	-4 450
% of net sales	-22.2	-10.0	-10.5	-4.3	-5.0
Interest-free liabilities	38 696	28 755	19 289	30 922	21 504
Equity ratio, %	60.1	55.7	56.8	41.3	50.1
Quick ratio	2.7	2.0	1.5	1.2	1.3
Gearing, %	-80.3	-41.5	-30.6	-18.2	-16.3
Gross capital expenditure	1 852	3 798	2 060	1 502	2 793
% of net sales	1.7	3.5	2.8	1.5	3.1
R&D costs	3 765	3 616	3 093	2 651	3 611
% of net sales	3.5	3.3	4.2	2.7	4.1
Order book	76 699	55 317	35 417	38 774	25 387
Personnel at Dec. 31	540	533	543	758	801
Personnel, average	547	537	556	783	835
Dividend	2 803**	2 289	1 526	3 815	1 907

* The years 2002–2003 have been reported according to Finnish Accounting Standards (FAS).

**The Board of Directors' proposal to the Annual General Meeting.

SHARE-RELATED DATA

	2006	2005	2004	2003*	2002*
Earnings per share from continuing operations, EUR	0.94	1.09	0.71	-0.71	-1.92
Earnings per share from discontinued operations, EUR			0.54		
Equity to share, EUR	7.32	6.80	6.47	6.11	7.18
Dividend per share, EUR	0.70**	0.60	0.40	1.00	0.50
Dividend per profit, %	74.5	55.1	32.0	-141.1	-26.0
Effective dividend yield, %	5.5	4.2	5.2	12.5	6.4
Price/earnings ratio (P/E ratio)	13.68	13.08	6.16	-11.3	-4.1
Development in share price (series A shares)					
Lowest, EUR	11.60	7.60	7.10	6.20	7.80
Highest, EUR	17.60	16.42	8.90	9.50	10.30
Average exchange rate for the accounting period, EUR	14.03	11.24	8.14	8.12	9.18
Share price at Dec. 31, EUR	12.85	14.24	7.70	8.00	7.80
Market value of capital stock at Dec. 31, EUR thousand***	51 461	54 320	29 372	30 517	29 754
Trading in the company's shares (series A shares)					
Shares traded during the fiscal year, 1 000 shares	1 088	1 530	569	323	845
% of the number of series A shares	36.1	54.2	20.1	11.5	30.5
Issue-adjusted number of share average	3 866 561	3 814 608	3 814 608	3 814 608	3 814 608
Issue-adjusted number of share average at year-end	4 004 758	3 814 608	3 814 608	3 814 608	3 814 608

The deferred tax liabilities have been included in the computation of the key ratios.

* The years 2002–2003 have been reported according to Finnish Accounting Standards (FAS).

** The Board of Directors' proposal to the Annual General Meeting.

*** Series K shares valued at the value of series A shares.

DEVELOPMENT OF QUARTERLY RESULTS

EUR 1 000	Total 2006	Q4 2006	Q3 2006	Q2 2006	Q1 2006
NET SALES	106 206	32 494	18 666	28 543	26 503
Other operating income	198	72	30	72	25
Operating expenses	-99 231	-29 396	-18 404	-26 629	-24 803
Depreciation, amortization and impairment charges	-2 660	-871	-616	-579	-595
OPERATING PROFIT / LOSS	4 513	2 299	-324	1 408	1 130
% of net sales	4	7	-2	5	4
Financial income and expenses	374	113	92	-51	220
PROFIT / LOSS BEFORE TAX	4 887	2 412	-233	1 357	1 350
% of net sales	5	7	-1	5	5
Taxes	-1 255	-717	-66	-50	-423
PROFIT / LOSS FROM CONTINUING OPERATIONS	3 632	1 696	-299	1 307	927
% of net sales	3	5	-2	5	3
BREAKDOWN					
Profit / loss attributable to minority interest					
Profit / loss attributable to equity holders of the parent company	3 632	1 696	-299	1 307	927
EARNINGS PER SHARE					
Earnings per share:					
- Basic, EUR	0.94	0.44	-0.08	0.34	0.24
- Diluted, EUR	0.94	0.44	-0.08	0.33	0.24
Equity issue-adjusted number of shares					
- Weighted average	3 867	3 867	3 834	3 822	3 816
- Diluted	3 867	3 867	3 957	3 931	3 925

Calculation of key ratios

Return on investment (ROI), % =	$\frac{\text{Profit before tax}^* + \text{interest expenses} + \text{other financial expenses}}{\text{Balance sheet total} \text{ ./. interest-free liabilities (average)}} \times 100$	x 100
Return on equity (ROE), % =	$\frac{\text{Profit before tax}^* \text{ ./. taxes}}{\text{Equity} + \text{minority interests (average)}} \times 100$	x 100
Interest-bearing net liabilities =	$\text{Interest-bearing liabilities} \text{ ./. cash and cash equivalents} + \text{financial assets at fair value through profit / loss}$	
Equity ratio, % =	$\frac{\text{Equity} + \text{minority interests}}{\text{Balance sheet total} \text{ ./. advances received}} \times 100$	x 100
Quick ratio =	$\frac{\text{Cash and cash equivalents} + \text{financial assets at fair value through profit / loss} + \text{current receivables}}{\text{Current liabilities} \text{ ./. advances received}}$	
Earnings per share (EPS) =	$\frac{\text{Profit / loss for the period}^{**}}{\text{Equity issue-adjusted average number of shares during the year}}$	
Equity to share =	$\frac{\text{Equity}}{\text{Equity issue-adjusted number of shares at the day of the financial statements}}$	
Dividend per share =	$\frac{\text{Distributed dividend for the year}}{\text{Equity issue-adjusted number of shares at the day of the financial statements}}$	
Dividend per profit, % =	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$	x 100
Effective dividend return, % =	$\frac{\text{Dividend per share}}{\text{Equity issue-adjusted closing share price at 31 Dec.}} \times 100$	x 100
Price/earnings ratio (P/E ratio) =	$\frac{\text{Equity issue-adjusted closing share price at 31 Dec.}}{\text{Earnings per share}}$	
Market value of capital stock =	$\text{Number of shares at year end (series A+K shares)} \times \text{closed share price on the last day of the year}$	
Gearing, % =	$\frac{\text{Interest-bearing liabilities} \text{ ./. cash and cash equivalents} + \text{financial assets at fair value through profit / loss}}{\text{Equity} + \text{minority interest}} \times 100$	x 100

* 2002–2003: profit before extraordinary items

**2002–2003: profit before extraordinary items and taxes ./. taxes +/- minority interests

Shares and shareholders

→ Current information on Raute's shares and shareholders can be found on the company's website at www.raute.com.

SHARE CAPITAL AT DECEMBER 31, 2006

Shares	Voting rights	Nominal value EUR/share	Number of 1 000 shares	Total nominal value EUR 1 000
Series K shares (ordinary shares)	20 votes/share	2.00	991	1 982
Series A shares	1 vote/share	2.00	3 014	6 027
Total shares at Dec. 31, 2006		2.00	4 005	8 010

CHANGES IN SHARE CAPITAL FROM JANUARY 1, 1994 TO DECEMBER 31, 2006

	Share capital EUR	Number of series K shares	Number of series A shares
Share capital at January 1, 1994	5 359 073	1 054 600	2 124 240
Issue of share capital September 21, 1994	1 069 285		635 768
Change of series K shares into series A shares 1998		-14 000	14 000
Decrease of share capital (premium fund) June 30, 2000	-12 648		
Increase of share capital, capitalization issue June 30, 2000	1 213 506		
Change of series K shares into series A shares 2003		-44 539	44 539
Change of series K shares into series A shares 2004		-4 900	4 900
Shares registered for with options 1.1–31.12.2006	380 300		190 150
Share capital at Dec. 31, 2006	8 009 516	991 161	3 013 597

Board authorizations

No decisions about new share issues were made during the report period, nor were any convertible bonds or stock options issued.

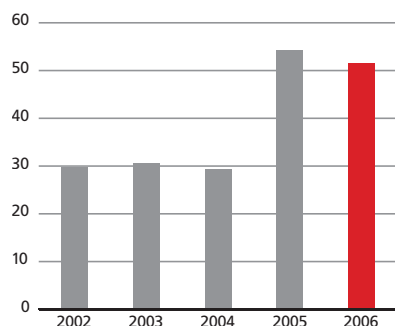
Raute Corporation's Board of Directors had no valid authorizations to issue shares, convertible bonds, or stock options. The Annual General Meeting held on March 22, 2006 re-authorized the Board to decide about the acquisition of Raute's series A shares using distributable funds, as well as about the disposal of own shares. The maximum number of shares that the Board is authorized to purchase

is defined as follows: after the purchase, the total nominal value of the shares or the votes that they offer, combined with company shares held by the company or its subsidiaries, may not exceed 10 percent of the company's registered share capital or the total votes of all shares.

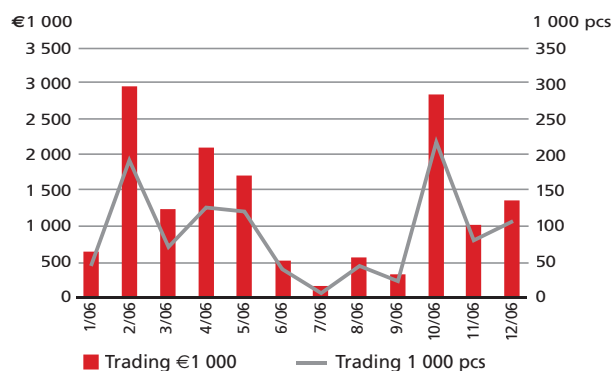
Shares and shareholders

Raute Corporation's series A shares are listed on the Nordic list of the Helsinki Stock Exchange. The trading code is RUTAV. The shares have a nominal value of EUR 2. Raute Corporation has signed a market making agreement with

Market value of capital stock at Dec. 31,
EUR million



Trading in series A shares



Nordea Bank Finland plc in compliance with the Liquidity Providing (LP) requirements issued by the Helsinki Stock Exchange.

The number of shares at the end of the report period totaled 4 004 758, of which 991 161 were series K shares and 3 013 597 series A shares.

A total of 1 088 288 (1 529 700) shares were traded in 2006. The total value of trading was EUR 15.4 million (€17.1 m). The highest share price was EUR 17.60 (€16.42) and the lowest EUR 11.60 (€7.60). At the end of the year, the share price was EUR 12.85 (€14.24). The average price was EUR 14.03 (€11.24). The company's market capitalization at the end of the report period was EUR 51.5 million (€54.3 m), with series K shares valued at the closing price on December 29, 2006, of series A shares.

The number of shareholders totaled 974 at the beginning of the year and 1 144 at the end of the report period.

Incentive schemes

Share-based incentive plan

On March 22, 2006, the Board of Directors of Raute Corporation approved a share-based incentive plan for the strategy period 2006–2008. The potential reward from the plan will be based on the Group's operating profit and on the Board of Directors' assessment of the suc-

cess of the strategy. The incentive plan encompasses the Group's Executive Board (5 members) and 13 other key employees. The rewards will be paid partly in shares and partly in cash. Decisions on the rewards will be made in 2009. The cash portion is meant for the payment of taxes and tax-related costs. The shares are subject to a two-year transfer prohibition.

Option scheme

Raute Corporation's 1998 option scheme expired on September 30, 2006, for B options. The scheme accounted for a total of 212 500 options, of which 190 150 were exercised. The highest trading price in 2006 for B options was EUR 9.58 (€9.20) and the lowest EUR 4.48 (€1.00). A total of 330 650 B options were exercised in 2006 (197 500). The total value of trading was EUR 2 452 176 (€701 207).

Insider issues

Raute Corporation follows the Guidelines for Insiders issued by the Helsinki Stock Exchange, the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers. In addition, the company applies separate insider instructions approved by the Board of Directors.

The company's public insiders include the Board of Directors, the Group's President and CEO, the Executive Board, the Presidents of subsidiaries, and auditors.

DISTRIBUTION OF SHARES BY SHARE TYPE AT DEC. 31, 2006

Series A and K shares by shareholder groups	Number of shareholders		Number of shares		Number of voting rights	
		%		%		%
Households	1 039	90.9	3 263 501	81.5	22 095 560	96.9
Credit and insurance institutions	4	0.3	110 425	2.8	110 425	0.5
Foreign shareholders	8	0.7	54 250	1.4	54 250	0.2
Non-profit institutions	8	0.7	34 201	0.9	34 201	0.1
Public institutions	3	0.3	212 133	5.3	212 133	0.9
Companies	78	6.8	277 808	6.9	277 808	1.2
Administrative registered	4	0.3	52 440	1.3	52 440	0.2
Total	1 144	100.0	4 004 758	100.0	22 836 817	100.0

DISTRIBUTION OF SERIES K SHARES BY SHARE TYPE AT DEC. 31, 2006

Series K shares by shareholder groups	Number of shareholders		Number of shares		Number of voting rights	
		%		%		%
Households	46	100.0	991 161	100.0	19 823 220	100.0
Total	46	100.0	991 161	100.0	19 823 220	100.0

Series K shares by size of holding	Number of shareholders		Number of shares		Number of voting rights	
		%		%		%
1–1 000	2	4.3	580	0.1	11 600	0.1
1 001–5 000	2	4.4	7 429	0.8	148 580	0.8
5 001–10 000	14	30.4	92 653	9.4	1 853 060	9.4
10 001–50 000	24	52.2	668 619	67.5	13 372 380	67.5
50 001–100 000	4	8.7	221 880	22.4	4 437 600	22.4
Total	46	100.0	991 161	100.0	19 823 220	100.0

DISTRIBUTION OF SERIES A SHARES BY SHARE TYPE AT DEC. 31, 2006

Series A shares by shareholder groups	Number of shareholders		Number of shares		Number of voting rights	
		%		%		%
Households	1 037	90.8	2 272 340	75.4	2 272 340	75.4
Credit and insurance institutions	4	0.7	110 425	3.7	110 425	3.7
Foreign shareholders	8	0.7	54 250	1.8	54 250	1.8
Non-profit institutions	8	0.7	34 201	1.1	34 201	1.1
Public institutions	3	0.3	212 133	7.0	212 133	7.0
Companies	78	6.8	277 808	9.2	277 808	9.2
Administrative registered	4	0.0	52 440	1.7	52 440	1.7
Total	1 142	100.0	3 013 597	100.0	3 013 597	100.0

Series A shares by size of holding	Number of shareholders		Number of shares		Number of voting rights	
		%		%		%
1-1 000	937	82.1	335 490	11.1	335 490	11.1
1 001-5 000	130	11.4	292 558	9.7	292 558	9.7
5 001-10 000	28	2.5	214 303	7.1	214 303	7.1
10 001-50 000	37	3.2	958 913	31.8	958 913	31.8
50 001-100 000	8	0.7	517 333	17.2	517 333	17.2
100 001-	2	0.2	695 000	23.1	695 000	23.1
Total	1 142	100.0	3 013 597	100.0	3 013 597	100.0

20 LARGEST SHAREHOLDERS AT DEC. 31, 2006

By number of shares	Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
1 Sundholm, Göran		500 000	500 000	12.5	500 000	2.2
2 Varma Mutual Pension Insurance Company		195 000	195 000	4.9	195 000	0.9
3 Suominen, Jussi Matias	48 000	74 759	122 759	3.1	1 034 759	4.5
4 Suominen, Tiina Sini-Maria	48 000	74 759	122 759	3.1	1 034 759	4.5
5 Mustakallio, Kari Pauli	60 480	60 009	120 489	3.0	1 269 609	5.6
6 Kirmo, Kaisa Marketta	50 280	65 092	115 372	2.9	1 070 692	4.7
7 Suominen, Pekka Matias	48 000	64 159	112 159	2.8	1 024 159	4.5
8 Siivonen, Osku Pekka	50 640	59 539	110 179	2.8	1 072 339	4.7
9 Keskiaho, Leena	33 600	51 116	84 716	2.1	723 116	3.2
10 Särkijärvi, Riitta	60 480	22 009	82 489	2.1	1 231 609	5.4
11 Mustakallio, Risto	42 240	35 862	78 102	2.0	880 662	3.9
12 Mustakallio, Ulla Sinikka	47 240	30 862	78 102	2.0	975 662	4.3
13 Mustakallio, Mika	39 750	34 670	74 420	1.9	829 670	3.6
14 Op-Suomi Pienyhtiöt Mutual Fund		67 900	67 900	1.7	67 900	0.3
15 Mustakallio, Marja Helena	42 240	20 662	62 902	1.6	865 462	3.8
16 Mustakallio, Kai Henrik	47 240	12 000	59 240	1.5	956 800	4.2
17 Kirmo, Lasse	30 000	26 200	56 200	1.4	626 200	2.7
18 Särkijärvi, Timo Juha	12 000	43 256	55 256	1.4	283 256	1.2
19 Särkijärvi-Martinez, Anu Riitta	12 000	43 256	55 256	1.4	283 256	1.2
20 Suominen, Jukka Matias	24 960	27 964	52 924	1.3	527 164	2.3
Total	697 150	1 509 074	2 206 224	55.1	15 452 074	67.7

20 LARGEST SHAREHOLDERS AT DEC. 31, 2006

By number of votes		Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
1	Mustakallio, Kari Pauli	60 480	60 009	120 489	3.0	1 269 609	5.6
2	Särkijärvi, Riitta	60 480	22 009	82 489	2.1	1 231 609	5.4
3	Siivonen, Osku Pekka	50 640	59 539	110 179	2.8	1 072 339	4.7
4	Kirmo, Kaisa Marketta	50 280	65 092	115 372	2.9	1 070 692	4.7
5	Suominen, Jussi Matias	48 000	74 759	122 759	3.1	1 034 759	4.5
6	Suominen, Tiina Sini-Maria	48 000	74 759	122 759	3.1	1 034 759	4.5
7	Suominen, Pekka Matias	48 000	64 159	112 159	2.8	1 024 159	4.5
8	Mustakallio, Ulla Sinikka	47 240	30 862	78 102	2.0	975 662	4.3
9	Mustakallio, Kai Henrik	47 240	12 000	59 240	1.5	956 800	4.2
10	Mustakallio, Risto	42 240	35 862	78 102	2.0	880 662	3.9
11	Mustakallio, Marja Helena	42 240	20 662	62 902	1.6	865 462	3.8
12	Mustakallio, Mika	39 750	34 670	74 420	1.9	829 670	3.6
13	Keskiaho, Leena	33 600	51 116	84 716	2.1	723 116	3.2
14	Kirmo, Lasse	30 000	26 200	56 200	1.4	626 200	2.7
15	Keskiaho, Juha-Pekka	27 440	9 500	36 940	0.9	558 300	2.4
16	Suominen, Jukka Matias	24 960	27 964	52 924	1.3	527 164	2.3
17	Keskiaho, Marjaana	24 780	23 288	48 068	1.2	518 888	2.3
18	Sundholm, Göran		500 000	500 000	12.5	500 000	2.2
19	Molander, Sole	20 000		20 000	0.5	400 000	1.8
20	Kultanen, Leea Annika	19 789	4 050	23 839	0.6	399 830	1.8
Total		765 159	1 196 500	1 961 659	49.0	16 499 680	72.3

The number of administratively registered shares at 31 December 2006 was 52 440 (49 310).

Management interest at Dec. 31, 2006

The company's Board of Directors, President and CEO and Presidents of the subsidiaries owned a total of 81 838 series A shares and 98 990 series K shares. Management's ownership corresponds to 4.5 percent of the shares in the company and 9.0 percent of associated total voting rights. The figures include holdings of their own, minor children and control entities.

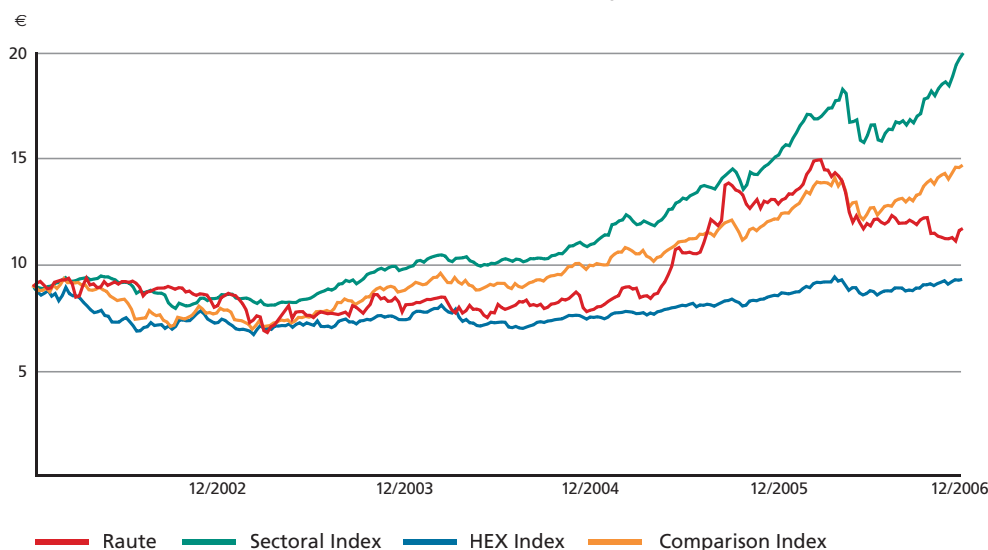
Public insider ownership at Dec. 31, 2006

Public insiders owned a total of 81 838 series A shares and 98 990 series K shares. Management's ownership corresponds to 4.5 percent of the shares in the company and 9.0 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.

Changes in ownership related to the disclosure obligation as provided in the Securities market act, Chapter 2, Section 9

The holdings of Varma Mutual Pension Insurance Company dropped under the disclosure threshold of one-twentieth (1/20) when the increase in Raute Corporation's share capital was registered in the Trade Register on November 2, 2006. Varma Mutual Pension Insurance Company's holdings of Raute Corporation's share capital and voting rights was: 200 000 Raute Corporation series A shares, 4.99 percent of share capital, and 0.88 percent of voting rights.

Performance of series A shares, EUR



The Board of Directors' proposal for distribution of profits

The parent company's distributable profits total EUR 14 007 thousand, of which the loss for the period is EUR 854 thousand.

The Board of Directors proposes to the Annual General Meeting that the distributable profits be used in the following way:

- EUR 0.70 per share distributed as dividend, i.e., a total of	EUR 2 803 thousand
- Retained in equity	EUR 11 204 thousand
	EUR 14 007 thousand

No significant changes have taken place in the company's financial position after the end of the report period. The company has good liquidity, and the proposed profit distribution does not put liquidity at risk.

Nastola, February 8, 2007

Jarmo Rytilahti
Chairman of Board of Directors

Mika Mustakallio Panu Mustakallio Sinikka Mustakallio

Pekka Paasikivi Jorma Wiitakorpi

Tapani Kiiski
President and CEO

Auditor's report

To the shareholders of Raute Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Raute Corporation for the period Jan. 1–Dec. 31, 2006. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Report-

ing Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies' Act.

Nastola 9 February 2007

Kari Miettinen, APA

Sari Airola, APA

Addresses

Raute Corporation

Head office and main production plant

P.O. Box 69 (Rautetie 2)

FI-15551 Nastola

Finland

Tel. +358 3 829 11

Fax +358 3 829 3200

firstname.lastname@raute.com

www.raute.com

Raute Corporation

Jyväskylän plant

Hakkutie 3

FI-40320 Jyväskylä

Finland

Tel. +358 14 445 4400

Fax +358 14 445 4429

RWS-Engineering Oy

Tuhkamäentie 2

FI-15540 Villähde

Finland

Tel. +358 3 829 61

Fax +358 3 762 2378

Mecano Group Oy

Syväojankatu 8

FI-87700 Kajaani

Finland

Tel. +358 8 877 6700

Fax +358 8 612 1982

info@mecanogroup.com

Raute Canada Ltd. (former Raute Wood Ltd.)

5 Capilano Way

New Westminster, B.C.

Canada V3L 5G3

Tel. +1 604 524 6611

Fax +1 604 521 4035

Raute US, Inc. (former Raute Wood Inc.)

50 Commercial Loop Way

Suite A, Rossville, TN

USA 38066

Tel. +1 901 853 7290

Fax +1 901 853 4765

Raute Wood Oy-Santiago Limitada

Hernando de Aguirre 162 Of. 704

Providencia

Santiago

Chile

Tel. +56 2 233 4812

Fax +56 2 233 4748

Raute Group Asia Pte Ltd

35 Jalan Pemimpin # 06-02

Wedge Mount Industrial Building

Singapore 577 176

Tel. +65 625 043 22

Fax +65 625 053 22

Raute Wood Indonesia Representative Office

Jl. Kelapa Tiga / Joe No. 75

Jagakarsa, Jakarta 12620

Indonesia

Tel. +62 21 7888 6461

Fax +62 21 7888 9867

Raute Wood Beijing Representative Office

Office 969, Poly Plaza

14 Dongzhimen Nandajie

Dongcheng District

Beijing 100027

China

Tel. +86 10 650 11698

Fax +86 10 650 11798

Raute (Shanghai) Machinery Co., Ltd

18 Building, No. 399, Xuanzhong Road

Nanhui Industry Zone, Nanhui District

Shanghai City, China

P.C. 201300

Tel. +86 021 5818 6330

Fax +86 021 5818 6322

Raute Wood Moscow

Arkhangelski per., 1

101934 Moscow

Russia

Tel. +7 495 207 8794

Fax +7 495 207 8794

Raute Service LLC

V.O. Srednii prospect, 48

199178 St. Petersburg

Russia

Tel. +7 812 740 5386 (87)

Fax +7 812 740 5387