

Financial statements 2007



RAUTE CORPORATION – FINANCIAL STATEMENTS JANUARY 1 – DECEMBER 31, 2007

- Net sales totaled MEUR 110.8 (MEUR 106.2), up 4.3%. Technology services were up 33%.
- Operating profit, MEUR 8.6 (MEUR 4.5), and profit before tax, MEUR 9.0 (MEUR 4.9), nearly doubled.
- Earnings per share were EUR 1.65 (EUR 0.94).
- The order intake was MEUR 90 (MEUR 132) due to slow sales in the first half of 2007. The order book at the end of the year, MEUR 56 (MEUR 77), was at a good level.
- The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1,00 per share be paid for 2007.
- Raute is well positioned to continue its good development in 2008.

KEY FIGURES	Q4 2007	Q4 2006	2007	2006
Net sales, MEUR	25.7	32.5	110.8	106.2
Change	-21 %	3 %	4 %	2 %
Operating profit, MEUR	2.4	2.3	8.6	4.5
Profit before tax, MEUR	2.5	2.4	9.0	4.9
Equity ratio	70 %	60 %	70 %	60 %
Assets total, MEUR	54.8	68.5	54.8	68.5
Earnings per share (EPS), EUR	0.41	0.44	1.65	0.94
Order intake, MEUR	42	43	90	132
Order book, MEUR	56	77	56	77
Capital expenditure, MEUR	0.8	0.5	1.9	1.9
R&D, share of net sales	3.2%	3.4%	3.6%	3.5%

MR. TAPANI KIISKI, PRESIDENT AND CEO: FIFTH CONSECUTIVE YEAR OF RESULT IMPROVEMENT

Our positive result development has continued now for the fifth consecutive year and our result from 2007 is one of the best in Raute's history. This result was achieved through the continuous efforts of our personnel and the determined implementation of our strategy. Net sales grew quite moderately, almost in accordance with our targets. The order book was exceptionally good in terms of both products and scheduling, and this enabled us to allocate our resources effectively. Another key factor contributing to the record result was our unit in China that became fully operational in 2007. In North America, our organization managed to improve its performance significantly under extremely tough market conditions. This confirms the appropriateness of the restructuring measures implemented at the end of 2006. I would like to thank our customers, all our personnel, our partners and other stakeholders for the year 2007.

Demand in our main market areas has remained brisk, with the exception of North America. Several long-planned projects finally got underway in the last quarter of 2007, strengthening our order book considerably and laying a solid foundation for operations in the beginning of 2008. Various investment projects are in the planning phase in different market areas such as Russia, Asia, and Europe, and I expect the order book to remain at a good level at least during the first

months of 2008. In addition, the demand for technology services looks promising. The initiatives to extend cooperation with certain key customers have been particularly encouraging.

So far, the serious economic uncertainty originating from the US housing and mortgage market has not affected Raute's markets outside North America. The further weakening US dollar and the rapidly rising costs in Finland pose a serious challenge and increase the pressure to improve our productivity. In order to meet these challenges, we will continue to improve our efficiency in accordance with our strategy.

Based on the good order book and brisk demand, we are seeking moderate growth also in 2008. Raute has experienced five consecutive years of growth. We seek to continue this development in 2008. The biggest threat to this objective is the unexpectedly strong and rapid decline in the global economy.

MARKET SITUATION

Market situation in customer industries

The market situation in Raute's customer industries continued to be good in the last quarter in the company's main market areas, with the exception of North America, despite the growing global economic uncertainty resulting from the subprime mortgage crisis in the US. Nevertheless, the continued rise in the cost of wood-based panel products has largely settled down.

In North America, the rapid decrease in housing construction has weakened the demand for plywood and LVL. The uncertainty in the housing market has proven to be more serious than anticipated, and the low demand in wood products is expected to continue at least until 2009.

Demand for wood products technology

In Raute's customer industries, investment demand and the demand for modernizations and other technology services remained solid throughout 2007 in all market areas except for North America. In North America, low utilization rates and the closing of several plywood mills have affected both investments and the demand for spare parts and basic maintenance services.

Demand in the plywood and veneer industry has spread more evenly over various projects. No large mill-scale projects were launched in 2007. On the other hand, several medium-sized projects, such as new veneer mills or the capacity expansion and change of the line of production of plywood mills, were launched. Demand was particularly good in Russia. Various investment projects remain in the planning phase in all Raute's market areas. These also include mill-scale projects.

Demand for investments in the LVL industry was slower than in 2006. None of the projects planned in different market areas were launched during 2007.

The demand for modernizations and other technology services was strong throughout 2007 in all market areas except for North America.

Order intake and order book

Raute's business consists of project deliveries and technology services to the wood products industry. Project deliveries encompass complete mills, production lines, and individual machines and equipment units. Technology services include maintenance, spare part services, modernizations, consulting, training, and sales of reconditioned machinery.

Good demand in the first half of 2007 was realized in the fourth quarter, and the new orders received totaled EUR 42 million (MEUR 43). The new orders include log handling, peeling and drying lines for the production of base layer parquet veneer industry in Sweden, as well as different types of plywood production lines in Russia and Latvia.

The order intake in 2007 amounted to EUR 90 million (MEUR 132), of which technology services accounted for EUR 29 million (MEUR 27).

The portion of project deliveries in the order intake was EUR 61 million (MEUR 105). Within project deliveries, Russia accounted for 39% (42%) and the rest of Europe for 53% (25%). Other market areas accounted for 8% (17%).

No new project orders were received in North America during 2007. The comparative year 2006 included four mill-scale orders in different market areas.

The order book at the end of 2007, EUR 56 million (MEUR 77), was at a good level.

Competitive position

On the whole, Raute's competitive position has remained strong. The company's position is based on its industry-leading technology maintained by strong product development, a comprehensive service and product offering, as well as a broad range of solid references.

In 2007, Raute delivered several new projects with reference value. These deliveries will further strengthen the company's competitive position.

Raute's price competitiveness was undermined in 2007 by the rapid weakening of the US dollar against the euro and the Canadian dollar, currencies in which Raute's costs are mainly incurred. The challenge posed by the declining US dollar was further heightened by the expensive collective agreements signed in Finland in fall 2007. Raute has sought to meet these challenges by further developing its partner network and procurement in China.

DEVELOPMENT OF OPERATIONS

The delivery capacity of the unit in China, which became operational at the end of 2006, has been increased during 2007 by allocating more personnel in procurement and production, and by investing in new production facilities and equipment. The number of personnel in China at the end of the year was 24 (4).

The ERP and financial administration systems of Mecano Group Oy, a Kajaani-based company specialized in machine vision, were harmonized to comply with the systems used at Raute Corporation. The harmonized systems will enhance the management of Mecano's project deliveries as well as the cooperation between different units.

GROUP STRUCTURE

At the end of 2007, Raute Corporation established a subsidiary, Raute (Shanghai) Trading Co., Ltd, in Shanghai, China. With a focus on trading, the new company started operations in the beginning of 2008.

Established at the end of 2006, Raute (Shanghai) Machinery Co., Ltd focuses on delivering products manufactured by the company.

NET SALES AND RESULT

Net sales in 2007 totaled EUR 110.8 million (MEUR 106.2), up 4.3 percent from the previous year.

Net sales were generated exclusively by technology services and project deliveries related to the wood products technology business.

Net sales for project deliveries totaled EUR 82 million (MEUR 84), down 3 percent from the previous year, accounting for 74 percent (79%) of net sales. The plywood industry's share of the net sales of project deliveries was 82 percent (93%), the LVL industry's 16 percent (5%), and that of other, smaller customer industries 2 percent (2%).

Net sales for technology services totaled EUR 29 million (MEUR 22), up 33 percent from the previous year, accounting for 26 percent (21%) of net sales.

The four mill-scale orders received in 2006 are reflected in the changes in the distribution of net sales by market area in 2007. Russia took over as the biggest market area in 2007, accounting for 35 percent (12%) of net sales. Europe's share of net sales rose to 31 percent (29%) and North America's to 22 percent (16%). The share of other market areas fell to 12 percent (43%).

The Group's operating profit, EUR 8.6 million (MEUR 4.5), and profit before tax, EUR 9.0 million (MEUR 4.9), nearly doubled from the previous year. The improvement in performance resulted from growth in net sales, successful implementation of projects, improved productivity, a more even load distribution, and the lower costs provided by subcontracting in China. The profit margin increased to 7.8 percent (4.2%).

Profit for the period amounted to EUR 6.6 million (MEUR 3.6), and earnings per share were EUR 1.65 (EUR 0.94).

Fourth-quarter net sales were EUR 25.7 million (MEUR 32.5). Operating profit totaled EUR 2.4 million (MEUR 1.9) and accounted for 9.5 percent (6.5%) of net sales. The higher profit margin compared to early 2007 resulted from project scheduling and product distribution. Profit in the fourth quarter amounted to EUR 1.6 million (MEUR 1.7), and earnings per share were EUR 0.41 (EUR 0.44).

FINANCING

The Group's financial position was good. At the end of 2007, gearing was -32.5% (-80.3%) and equity ratio 70.3% (60.1%). The balance sheet total has decreased by EUR 13.7 million from the beginning of the year,

totaling EUR 54.8 million (MEUR 68.5) at the end of 2007. The fluctuation in balance sheet items and the key figures based on them is a result of differences in the timing of customer payments and the cost accumulation from project deliveries, which is typical of project business.

Cash and cash equivalents, including financial assets at fair value through profit or loss, amounted to EUR 11.3 million (MEUR 24.0) at the end of the reporting year. The change in cash and cash equivalents in the reporting year was EUR 12.7 million negative (MEUR +12.6). Operating cash flow was EUR -10.2 million (MEUR 15.0). Investment cash flow was EUR -0.7 million (MEUR -1.5). The financing cash flow, EUR -1.8 million (MEUR -0.8), includes EUR 2.8 million in dividend payments for 2006 (MEUR 2.3).

Interest-bearing liabilities amounted to EUR 0.5 million (MEUR 0.5) at the end of the reporting year. Unused long-term credit limits amounted to EUR 15 million (MEUR 15). The company also has a EUR 10 million (MEUR 10) commercial paper program.

RESEARCH AND DEVELOPMENT COSTS AND CAPITAL EXPENDITURE

Research and development costs totaled EUR 4.0 million (MEUR 3.8), representing 3.6% (3.5%) of net sales.

Investments totaled EUR 1.9 million (MEUR 1.9), and remained at the level of 2006. The largest single investment involved the development of operations at the plant located in China. Other investments consisted of information system and other replacement investments.

PERSONNEL

The Group's headcount at the end of the year was 570 (540). The increase in the number of personnel mainly resulted from the development of the Chinese operations. Group companies in Finland accounted for 76 % (76%) of employees. Converted to full-time employees, the number of employees was approximately 566 (547).

CORPORATE GOVERNANCE

The Annual General Meeting held on March 21, 2007, elected Mr. Jarmo Rytilahti as Chairman of the Board, Ms. Sinikka Mustakallio as Vice-Chairman, and Mr. Mika Mustakallio, Mr. Panu Mustakallio, Mr. Pekka Paasikivi, and Mr. Jorma Wiitakorpi as Board members.

All of the Board members are independent of the company. Chairman Jarmo Rytilahti and two of the members (Pekka Paasikivi and Jorma Wiitakorpi) are independent of major shareholders.

The chairman of the Appointment Committee is Mr. Jarmo Ryttilähti, while Ms. Sinikka Mustakallio and Mr. Ville Korhonen - a representative of a major shareholder - act as its members. The Working Committee is chaired by Mr. Jarmo Ryttilähti and its members are Ms. Sinikka Mustakallio and Mr. Pekka Paasikivi. The Audit Committee's tasks are handled by the Board of Directors.

Authorized Public Accountants Ms. Anna-Maija Simola and Mr. Antti Unkuri are the company's auditors, and Ernst&Young Oy, an authorized public accounting company, is deputy auditor.

The Group's President and CEO is Mr. Tapani Kiiski. Raute's Executive Board also includes Ms. Arja Hakala, CFO; Mr. Petri Strengell, Vice President, Technology and Operations; Mr. Timo Kangas, Vice President, Technology services; and Mr. Bruce Alexander, President of North American Operations.

SHARES

The number of Raute Corporation's shares at the end of the reporting year 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). The shares have a nominal value of two euro. Series K shares can be converted to series A shares under the terms described in section 3 of the Articles of Association. If a series K share is transferred to a new owner who does not previously hold series K shares, other shareholders of the K series have the right to redeem the share under the terms described in Section 4 of the Articles of Association.

Raute Corporation's series A shares are listed on the OMX Nordic Exchange, Helsinki. The trading code is RUTAV. Raute Corporation has signed a market making agreement with Nordea Bank Finland plc in compliance with the Liquidity Providing (LP) requirements issued by the OMX Nordic Exchange, Helsinki.

The company's market capitalization at the end of the reporting year was EUR 57.5 million (MEUR 51.5), with series K shares valued at the closing price of series A shares on December 31, 2007, that is, EUR 14.35 (EUR 12.85).

Other share-related information is presented in the figures section of this report.

Board authorizations

The company's Board of Directors has been authorized by the Annual General Meeting held on March 21, 2007, to decide on the buyback and directed issue of a maximum of 400,000 of the company's series A shares. The authorizations are effective until the next Annual General Meeting. The Board of Directors has not exercised this authorization.

DIVIDEND FOR THE FINANCIAL YEAR 2006

The Annual General Meeting decided to distribute a dividend of EUR 0.70 per share for 2006. The date of payment was April 2, 2007. The total amount of dividend paid was EUR 2.8 million.

SHAREHOLDERS

The number of shareholders totaled 1,144 at the beginning of the year and 1,312 at the end of the reporting year. Series K shares are held by 46 private individuals (46). The management held 4.7% (4.5%) of company shares and 9.1% (9.0%) of votes. Nominee-registered shares accounted for 2.8% (1.3%) of shares.

The company did not possess company shares during 2007 or hold them as security.

No flagging notifications were given to the company in 2007.

SEASONAL FLUCTUATION IN BUSINESS

The Group's net sales and working capital fluctuate every quarter due to different types of project deliveries and their schedules. Business does not involve systematic seasonal changes, with the exception of technology services delivered to Finland, which mainly take place during service shutdowns in the summer.

BUSINESS RISKS

Impact of economic fluctuations on business operations

Raute supplies technology and services to plants in the wood products industry. Business is characterized by sensitivity 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 competencies in company's own operations. 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 a EUR 10 million domestic commercial paper program, which allows us 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 bulk of Raute's business operations consist 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 on the realization 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' expanding 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.

Hedging of foreign currency receivables

Items related to business payments and denominated in foreign currency are hedged with currency derivatives when contracts take effect.

Forward contracts in Canadian and US dollars related to the economic hedging of payments from binding sales agreements had a nominal value of EUR 2,5 million (MEUR 0.2) at the end of the reporting year. The company had no forward contracts involving fair value hedging at the end of the reporting year (MEUR 7.0).

In 2007 net sales and profit benefited from a EUR 0.3 million (MEUR +0.1) IFRS-compliant recognition of currency hedges that were used for economic hedging purposes but fell outside the scope of hedge accounting.

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 through, for example, more efficient use of raw materials, additives, and energy.

The Group's own operations do not involve 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.

BOARD PROPOSALS TO THE ANNUAL GENERAL MEETING

Raute Corporation's Annual General Meeting will be held in Lahti on April 2, 2008 at 6:00 p.m.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1.00 per share be paid for series A and K shares, that is, a total of EUR 4.0 million, on April 14, 2008. The record date for dividend payments is April 7, 2008.

The Board of Directors proposes to the Annual General Meeting that the Meeting authorize the Board to decide on the repurchase of a maximum of 400,000 Raute Corporation series A shares with assets from the company's non-restricted equity to be used for the development of the company's capital structure, as consideration for funding or carrying out acquisitions or other arrangements, or to be otherwise disposed of or cancelled. The proposed number of shares is less than ten percent (10%) of the company's overall shares. The authorization includes the right to acquire shares other than in proportion to the holdings of the shareholders. The Board of Directors will decide on the other conditions related to share repurchases. The authorization is effective until the end of the next Annual General Meeting.

Furthermore, the Board proposes that the Annual General Meeting authorize the Board to decide on a directed issue of Raute Corporation's series A shares, as well as on all of the related conditions, including the recipients and the sum of consideration to be paid. The Board of Directors may decide to issue either new shares or company shares held by Raute. The maximum number of shares issued is 400,000 series A shares. The authorization is effective until the end of the next Annual General Meeting. As proposed, the authorization will be used to fund or carry out acquisitions or other arrangements or for other purposes decided by the Board of Directors.

OUTLOOK FOR 2008

Despite economic uncertainty and pressures to increase the price of wood raw material, the market situation in

Raute's customer industries is expected to remain good in the company's main market areas, with the exception of North America. Based on the market outlook, investments and demand for services in the wood products industry are expected to remain at a good level, with the exception of North America.

Thanks to a good order book and brisk demand, Raute is well positioned to continue its good development in 2008. The biggest threat to the good development is an unexpectedly strong and rapid decline in the global economy.

CONSOLIDATED FINANCIAL STATEMENTS JANUARY 1 – DECEMBER 31, 2007

Figures are not audited
(Figures in EUR 1 000)

CONSOLIDATED INCOME STATEMENT	Note	1.10. - 31.12. 2007	1.10. - 31.12. 2006	1.1. - 31.12. 2007	1.1. - 31.12. 2006
NET SALES	2, 3, 4	25 683	32 495	110 799	106 206
Other operating income		386	72	461	199
Increase (+) or decrease (-) in inventories of finished goods and work in progress		-252	-13	42	-111
Materials and services		11 910	19 490	60 999	62 418
Expenses from employee benefits	7	8 103	7 097	28 875	26 227
Depreciation, amortization and impairment charges		654	870	2 654	2 660
Other operating expenses		2 709	2 797	10 166	10 476
Total operating expenses	6	23 376	30 254	102 695	101 781
OPERATING PROFIT		2 441	2 299	8 607	4 513
% of net sales		10 %	7 %	8 %	4 %
Financial income		159	199	660	745
Financial expenses		-129	-85	-291	-371
PROFIT BEFORE TAX		2 470	2 412	8 976	4 887
% of net sales		10 %	7 %	8 %	5 %
Income taxes		-844	-716	-2 375	-1 255
PROFIT FOR THE PERIOD		1 626	1 696	6 601	3 632
% of net sales		6 %	5 %	6 %	3 %
Attributable to					
Equity holders of the parent company		1 626	1 696	6 601	3 632
Earnings per share, EUR					
Undiluted earnings per share		0,41	0,44	1,65	0,94
Diluted earnings per share		0,41	0,44	1,65	0,94
Shares (1 000 pcs)					
Adjusted average number of shares		4 005	3 867	4 005	3 867
Adjusted average number of shares diluted		4 005	3 867	4 005	3 867

CONSOLIDATED BALANCE SHEET	Note	31.12. 2007	31.12. 2006
ASSETS			
Non-current assets			
- Intangible assets		2 546	2 924
- Tangible assets		10 993	12 542
- Available-for-sale investments		449	395
- Deferred tax assets		275	487
Total		14 263	16 348
Current assets			
- Inventories		4 515	4 933
- Accounts receivables and other receivables	4	24 739	23 184
- Financial assets at fair value through profit or loss		2 144	10 195
- Cash and cash equivalents		9 140	13 812
Total		40 537	52 124
TOTAL ASSETS	2	54 800	68 472
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
- Share capital		8 010	8 010
- Share premium		6 498	6 498
- Other funds	7	161	-201
- Retained earnings		11 924	11 370
- Profit for the period		6 601	3 632
Share of shareholders' equity that belongs to owners of the parent company		33 194	29 309
Total shareholders' equity		33 194	29 309
Long-term liabilities			
- Provisions		286	262
- Deferred tax liabilities		676	1 084
- Long-term interest-bearing liabilities		277	317
Total		1 239	1 663
Current liabilities			
- Provisions		971	1 726
- Pension obligations		260	335
- Short-term interest-bearing liabilities		213	150
- Advance payments received	4	7 590	19 726
- Current tax liabilities		851	113
- Trade and other payables		10 481	15 450
Total		20 367	37 500
Total liabilities		21 605	39 163
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		54 800	68 472

	1.1. - 31.12. 2007	1.1. - 31.12. 2006
CONSOLIDATED CASH FLOW STATEMENT		
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	96 117	116 046
Proceeds from other operating income	114	155
Payments of operating expenses	-104 963	-100 100
Cash flow before financial items and taxes	-8 732	16 102
Interests and other operating financial expenses paid	-394	-190
Interests and other income received	639	660
Dividends received	115	24
Income taxes paid	-1 843	-1 614
NET CASH FLOW FROM (+) / USED IN (-) OPERATING ACTIVITIES (A)	-10 214	14 982
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-1 964	-1 809
Purchases of available-for-sale as investments	-74	-49
Proceeds from sale of tangible and intangible assets	1 310	292
Proceeds from other investments	0	20
NET CASH FLOW FROM (+) / USED IN (-) INVESTING ACTIVITIES (B)	-728	-1 545
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of long-term and short-term loan receivables	1 000	95
Increase of short-term liabilities	63	0
Repayment of long-term liabilities	-40	-67
Proceeds from issuance of shares	0	1 436
Dividends paid	-2 803	-2 290
NET CASH FROM (+) / USED IN (-) FINANCING ACTIVITIES (C)	-1 780	-826
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	-12 723	12 611
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS*)		
- AT THE BEGINNING OF THE PERIOD	24 006	11 395
- AT THE END OF THE PERIOD	11 284	24 006
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET AT THE END OF THE PERIOD		
Financial assets at fair value through profit or loss	2 144	10 195
Cash and cash equivalents	9 140	13 812
Total	11 284	24 007

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Other funds	Exchange rate diff.	Retained earnings
EQUITY January 1, 2007	8 010	6 498	-201	274	14 726
Exchange differences from net investments			264		
Taxes related to items recognized in equity or transferred from equity			12		
Translation differences				-238	
Other increase/decrease			-48		
Net income recognized directly in equity	0	0	229	-238	0
Profit for the period					6 601
Total income and expenses recognized in the period	0	0	229	-238	6 601
Share capital increase (options)					
Dividend					-2 803
Equity-settled share-based transactions			98		
EQUITY December 31, 2007	8 010	6 498	125	36	18 524

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continue)

	To owners of the parent company	Minority interest	EQUITY TOTAL
EQUITY January 1, 2007	29 309	0	29 309
Exchange differences from net investments	264		264
Taxes related to items recognized in equity or transferred from equity	12		12
Translation differences	-238		-238
Other increase/decrease	-48		-48
Net income recognized directly in equity	-10	0	-10
Profit for the period	6 601		6 601
Total income and expenses recognized in the period	6 591	0	6 591
Share capital increase (options)	0		0
Dividend	-2 803		-2 803
Equity-settled share-based transactions	98		98
EQUITY December 31, 2007	33 194	0	33 194

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					
	Share capital	Share premium	Other funds	Exchange rate diff.	Retained earnings
EQUITY January 1, 2006	7 629	5 429	14	-533	13 384
Exchange differences from net investments			-338		
Taxes related to items recognized in equity or transferred from equity			88		
Translation differences				808	
Other increase/decrease					
Net income recognized directly in equity	0	0	-250	808	0
Profit for the period					3 632
Total income and expenses recognized in the period	0	0	-250	808	3 632
Share capital increase (options)	381	1 069	-14		
Dividend					-2 290
Equity-settled share-based transactions			50		
EQUITY December 31, 2006	8 010	6 498	-201	274	14 726

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continue)			
	To owners of the parent company	Minority interest	EQUITY TOTAL
EQUITY January 1, 2006	25 923	224	26 147
Exchange differences from net investments	-338		-338
Taxes related to items recognized in equity or transferred from equity	88		88
Translation differences	808		808
Other increase/decrease	0	-224	-224
Net income recognized directly in equity	558	-224	334
Profit for the period	3 632		3 632
Total income and expenses recognized in the period	4 190	-224	3 966
Share capital increase (options)	1 436		1 436
Dividend	-2 290		-2 290
Equity-settled share-based transactions	50		50
EQUITY December 31, 2006	29 309	0	29 309

NOTES

GENERAL INFORMATION

Raute Corporation's Board of Directors has on 12 February 2008 reviewed the Group's Financial statements for January 1 – December 31, 2007, to be published in compliance with this release. According to the Finnish Companies Act a shareholder has the right to approve or reject the annual accounts in the shareholders' meeting held after their release. The shareholders' meeting also has the right to make amendments to the annual accounts.

1. ACCOUNTING PRINCIPLES

Raute Corporation's financial reporting has 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, 2007. International Financial Reporting Standards refer to the standards and their interpretations that have been approved for application in the EU into the Finnish Accounting Act and regulations issued under it in accordance with the procedures laid down in the EU regulation (EC) 1606/2002.

Financial statement release 1.1. - 31.12.2007 has been prepared in accordance with IAS 34 Interim Financial Reporting.

Raute Group's financial statements for January 1 – December 31, 2007, included in the Financial statement release do not contain full notes and other information presented in the financial statements. Therefore, the Financial statement release should be read in conjunction with the Financial statements published for 2006. Financial Statements 2007 with full notes will be published week 12 in March 2008.

The figures presented in the Financial statement release have not been audited. Figures in parentheses refer to the corresponding figures in the comparison year. All the monetary figures presented in this financial report are in thousands euros, unless otherwise stated. Due to the roundings of the figures in the financial statement tables, the sums of figures may deviate from the sum total presented in the table.

The preparation of financial statements according to IFRS requires management to use estimates and assumptions that affect the assets and liabilities on the balance sheet date, as well as the income and expenses for the financial period. Because the forward-looking estimates and assumptions are based on management's best knowledge at the reporting date, they comprise risks and uncertainties. The actual results may differ from these estimates.

On January 1, 2007, the Group adopted the following standards and interpretations issued by IASB:

IFRS 7 Financial Instruments: Presentation of Financial Statements

According to the standard, the corporation must present data in its financial statements that help users to estimate the impact of financial instruments on the performance of the corporation and its financial position. In addition, the nature and the scope of risks caused by financial instruments and the corporation's risk management in regard to these risks must be described.

IAS 1 Presentation of Financial Statements: Amendment to the standard The amendment concerns the notes to the equity. According to the amendment, the corporation must present information with which the users of the financial statements can base their assessment of the corporation's objectives, principles, and processes regarding capital management.

IFRIC 10: Interim Financial Reporting and Impairment

The corporation must evaluate on each reporting day whether the goodwill or the value of available-for-sale financial assets has decreased and, if necessary, recognize the write-down. The following standards have taken effect during the financial year, but according to the management's view, they do not affect the performance or the balance.

IFRIC 8 Scope of IFRS 2

IFRIC 9 Reassessment of Embedded Derivatives

In other respects, the Group has followed the accounting principles described in the Financial statements for 2006.

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% of the Group's net sales.

Geographical reporting segment information

Net sales to external clients by clients' geographical location	1.1. - 31.12. 2007	%	1.1. - 31.12. 2006	%
Russia	38 314	35	12 470	12
Europe	34 117	31	30 620	29
North America	24 047	22	17 107	16
South America	11 485	10	39 160	37
Others	2 836	3	6 849	6
TOTAL	110 799	100	106 206	100

Assets by geographical location				
Russia	1 048	2	190	0
Europe	48 822	89	63 832	93
North America	3 275	6	4 158	6
South America	34	0	38	0
Others	1 621	3	254	0
TOTAL	54 800	100	68 472	100

Capital expenditure by geographical location				
Russia	0	0	0	0
Europe	1 411	75	1 801	97
North America	74	4	51	3
South America	4	0	0	0
Others	380	20	0	0
TOTAL	1 869	100	1 852	100

3. Proceeds from sales

Net sales by market area	1.1. - 31.12. 2007	%	1.1. - 31.12. 2006	%
Russia	38 314	35	12 470	12
North America	24 047	22	17 107	16
Rest of Europe	20 077	18	20 203	19
Finland	14 040	13	10 417	10
South America	11 485	10	39 160	37
Asia	915	1	5 593	5
Oceania	979	1	501	0
Others	942	1	755	1
TOTAL	110 799	100	106 206	100

4. Long-term projects	31.12.	31.12.
	2007	2006

Net sales		
Net sales by percentage of completion	94 905	90 464
Other net sales	15 894	15 742
TOTAL	110 799	106 206

Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion

	120 722	77 607
--	---------	--------

Amount of long-term projects revenues not yet entered as income

	53 474	74 281
--	--------	--------

Specification of combined asset and liability items:
Accrued income corresponding to revenues by percentage of completion

	120 942	76 989
--	---------	--------

Advances received from project customers

	-102 601	-62 588
--	----------	---------

Project receivables included in short-term receivables

	18 341	14 401
--	--------	--------

Advance payments received at Balance Sheet

	7 590	19 726
--	-------	--------

5. Number of personnel	31.12.	31.12.
	2007	2006

- effective, on average	566	546
- in books, on average	575	547
- in books, at the end of period	570	540
- of which personnel working abroad	140	130

6. Research and development costs	31.12.	31.12.
	2007	2006

Research and development costs on the period	3 969	3 765
Depreciation of capitalized development costs	367	228
Recognized as assets in balance sheet	-233	-538
Research and development costs entered as expenses for the period	4 103	3 455

7. Share-based payments

The effect of the share-based remunerations to the profit of Raute Group was EUR 195 thousand. At the end of the year the current value of the cash portion was EUR 14,35 per share. The value of share-based remunerations was EUR 0.5 million total.

8. Off- balance sheet commitments	31.12.	31.12.
	2007	2006

Security of own debts		
- mortgages	10 134	11 134
Security for Group's liabilities		
- bank guarantees	17 584	14 116
Other own liabilities		
Leasing and rent liabilities		
- for the current accounting period	187	218
- for subsequent accounting periods	430	527

No loans or pledges have been given or other commitments made on behalf of the company's management, shareholders or associated companies.

9. Currency derivatives	31.12. 2007	31.12. 2006
-------------------------	----------------	----------------

Currency derivatives are used for currency hedging purposes.

Nominal values of forward contracts in foreign currency

Economic hedging		
- related to financing	3 277	2 065
- related to hedging of net sales	2 481	174
Hedge accounting		
- related to the hedging of net sales	0	7 000

Fair values of forward contracts in foreign currency

Economic hedging		
- related to financing	-30	2
- related to the hedging of net sales	360	-8
Hedge accounting		
- related to the hedging of net sales	0	-50

Purchased currency options

- nominal values	0	1 963
- fair values	0	13

GROUP KEY RATIOS

	1.1. - 31.12. 2007	1.1. - 31.12. 2006
Return on investment , ROI	29,2 %	18,6 %
Return on equity , ROE	21,1 %	13,1 %
Quick ratio	2,8	2,7
Gearing	-32,5 %	-80,3 %
Equity ratio	70,3 %	60,1 %
Order book, EUR million	56	77
Order intake, EUR million	90	132
Exported portion of net sales	87,3 %	90,2 %
Change in net sales	4,3 %	-2,2 %
Gross capital expenditure, EUR million	1,9	1,9
Gross capital expenditure of net sales	1,7 %	1,7 %
Research and development, EUR million	4,0	3,8
Research and development of net sales	3,6 %	3,5 %
Earnings per share (EPS), EUR		
- basic	1,65	0,94
- diluted	1,65	0,94
Equity to share, EUR	8,29	7,32
Dividend per share series K shares, EUR	1,00*	0,70
Dividend per share series A shares, EUR	1,00*	0,70
Dividend per profit	60,7 %	74,5 %
Effective dividend return	7,0 %	5,4 %
Share price at the end of period, EUR	14,35	12,85
Number of shares		
- weighted average, 1 000 pcs	4 005	3 867
- diluted, 1 000 pcs	4 005	3 867

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

The formulas used to calculate key ratios are described on page 60 of the Annual Report 2006.

THE DEVELOPMENT OF QUARTERLY RESULTS

	Q 4	Q 3	Q 2	Q 1	Rolling	Rolling
	2007	2007	2007	2007	1.1.2007	1.1.2006
					-	-
					31.12.2007	31.12.2006
NET SALES	25 683	26 466	29 769	28 882	110 799	106 206
Other operating income	386	17	19	38	461	199
Increase (+) or decrease (-) in inventories of finished goods and work in progress	-252	103	-54	246	42	-111
Materials and services	11 910	14 653	17 439	16 997	60 999	62 418
Expenses from employee benefits	8 103	6 397	7 369	7 007	28 875	26 227
Depreciation, amortization and impairment charges	654	684	663	653	2 654	2 660
Other operating expenses	2 709	2 412	2 427	2 618	10 166	10 476
Total operating expenses	23 376	24 146	27 898	27 276	102 695	101 781
OPERATING PROFIT	2 441	2 440	1 836	1 891	8 607	4 513
% of net sales	10 %	9 %	6 %	7 %	8 %	4 %
Financial income	159	-1	191	312	660	745
Financial expenses	-129	-57	-53	-51	-291	-371
PROFIT BEFORE TAX	2 470	2 382	1 973	2 151	8 976	4 887
% of net sales	10 %	9 %	7 %	7 %	8 %	5 %
Income taxes	-844	-536	-478	-517	-2 375	-1 255
PROFIT FOR THE PERIOD	1 626	1 845	1 495	1 634	6 601	3 632
% of net sales	6 %	7 %	5 %	6 %	6 %	3 %
Attributable to						
Share of profit that belongs to owners of the parent company	1 626	1 845	1 495	1 634	6 601	3 632
Earnings per share, EUR						
Undiluted earnings per share	0,41	0,46	0,37	0,41		
Diluted earnings per share	0,41	0,46	0,37	0,41		
Shares (1 000 pcs)						
Adjusted average number of shares	4 005	4 005	4 005	4 005		
Adjusted average number of shares, diluted	4 005	4 005	4 005	4 005		

THE LARGEST SHAREHOLDERS 31 December, 2007	Number of K-shares (20 votes per share)	Number of A-shares (1 vote per share)	Total number of shares
1. Sundholm Göran		525 000	525 000
2. Hietala Pekka Tapani		181 900	181 900
3. Suominen Jussi Matias	48 000	74 759	122 759
4. Suominen Tiina Sini-Maria	48 000	73 759	121 759
5. Mustakallio Kari Pauli	60 480	60 009	120 489
6. Kirmo Kaisa Marketta	50 280	64 052	114 332
7. Suominen Pekka Matias	48 000	64 159	112 159
8. Siivonen Osku Pekka	50 640	53 539	104 179
9. Keskiäho Kaija Leena	33 600	51 116	84 716
10. Särkijärvi Riitta	60 480	22 009	82 489
11. Mustakallio Mika	39 750	42 670	82 420
12. Mustakallio Risto	42 240	35 862	78 102
13. Mustakallio Ulla Sinikka	47 240	30 862	78 102
14. Sr Arvo Finland Value		63 042	63 042
15. Mustakallio Marja Helena	42 240	20 662	62 902
16. Mustakallio Kai Henrik	47 240	12 000	59 240
17. Sr Eq Suomi Pienyhtiöt	30 000	26 200	56 200
18. Kirmo Lasse Antti	12 000	43 256	55 256
19. Särkijärvi Timo Juha	12 000	43 256	55 256
20. Särkijärvi-Martinez Anu Riitta	24 960	27 964	52 924
TOTAL	697 150	1 516 076	2 213 226
Share of total amount of shares	70,3 %	50,3 %	55,3 %
Share of total voting rights	70,3 %	50,3 %	67,7 %
Administrative registered		95 872	95 872
OTHER SHAREHOLDERS	294 011	1 401 649	1 695 660
TOTAL	991 161	3 013 597	4 004 758
MANAGEMENT'S SHAREHOLDING	98 990	89 788	188 778
Share of total amount of shares	10,0 %	3,0 %	4,7 %
Share of total voting rights	10,0 %	3,0 %	9,1 %

SHARE INFORMATION

	31.12.	31.12.
	2007	2006

Number of shares

- Series K , ordinary shares (20 votes / share)	991 161	991 161
- Series A , 1 vote/share	3 013 597	3 013 597
Number of shares total	4 004 758	4 004 758

Trading of series A shares

Trading of shares, pcs	981 095	1 088 288
Trading of shares, EUR million	13,7	15,4

Exchange rate of series A shares

At the end of report period, EUR	14,35	12,85
Highest price during the report period, EUR	15,45	17,60
Lowest price during the report period, EUR	12,40	11,60
Average price during the report period, EUR	13,85	14,03

Market value of capital stock

(Series K shares valued at the value of series A shares at the end of reporting period.

- Series K shares, EUR million	14,2	12,7
- Series A shares, EUR million	43,2	38,7
Total, EUR million	57,5	51,5

RAUTE CORPORATION

Board of Directors

FURTHER INFORMATION:

Mr. Tapani Kiiski, President and CEO, Raute Corporation, tel. +358 3 829 3560, mobile +358 400 814 148

Ms. Arja Hakala, CFO, Raute Corporation, tel. +358 3 829 3293, mobile +358 400 710 387

RAUTE IN BRIEF:

Raute is a technology company serving the wood products industry worldwide. Its most important customers are the plywood and LVL industries. The company is the world market leader as a supplier of mill-scale projects to these customer industries. The full-service concept also includes technology services, with which Raute supports its customers throughout the entire life cycle of their investment. Raute's head office and main production plant are in Nastola, Finland. Its other production plants are in the Vancouver area of Canada, in the Shanghai area of China, and in Jyväskylä and Kajaani, Finland. Net sales in 2007 were EUR 111 million and the number of personnel 570. More information on the company can be found at www.raute.com.

DISTRIBUTION:

OMX Nordic Exchange in Helsinki, main media, www.raute.com