

ANNUAL REPORT 1996

The logo for RAUTE, featuring a stylized blue icon of three horizontal bars to the left of the word "RAUTE" in a bold, blue, sans-serif font.

RAUTE



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Annual General Meeting

The Annual General Meeting of Raute Oy will be held on Tuesday, 15 April 1997, starting at 6 p.m., at the Auditorium of Lahti Adult Education Centre, Kirkkokatu 16, Lahti. Shareholders, entered on 4 April 1997 at the latest in the shareholders' register of the Finnish Central Share Register, are entitled to attend the Annual General Meeting. The shareholders, who plan to attend the meeting, must register for the meeting by 4 p.m. on 11 April 1997 at the latest, either by telephone +358-3-829 2421, by telefax +358-3-829 2400, or by writing to Raute Oy, POB 148, 15141 Lahti. The Annual General Meeting, with the respective agenda, will be announced in the Helsingin Sanomat and in the Etelä-Suomen Sanomat.

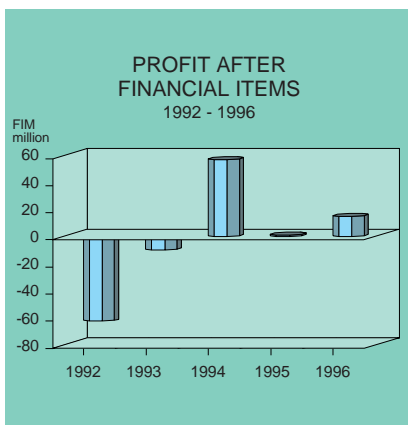
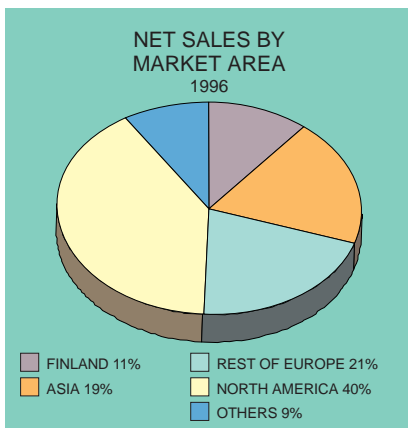
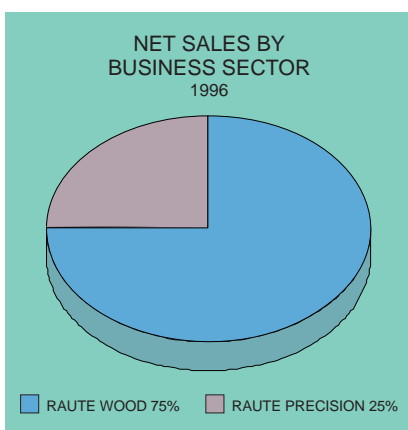
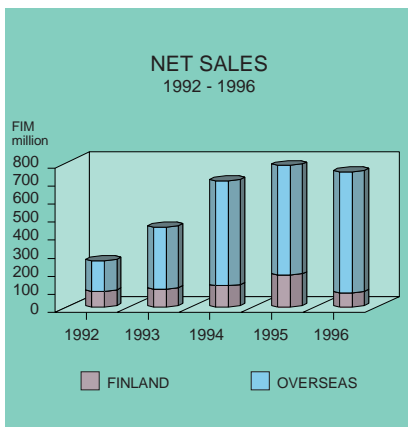
Distribution of Dividends

The Board of Directors' proposal for distribution of dividends is on page 29. The dividend is paid to the shareholder who on the tally day, i.e. 18 April 1997, is entered in the shareholders' register in the Finnish Central Share Register. The dividends are paid on 23 April 1997.

Business Information

*Raute Oy will publish two interim reports in 1997:
for the period from January to April on 4 June 1997
for the period from January to August on 8 October 1997*

RAUTE GROUP



	1996	1995	1994
Net sales (FIM million)	748.4	782.9	698.2
Change (per cent)	-4.4	12.1	57.7
Overseas sales (FIM million)	669.3	607.5	581.2
Change (per cent)	10.2	4.5	70.0
Profit after financial items (FIM million)	14.9	3.3	56.8
Earnings per share (FIM)	3.38	-0.85	12.57
Equity per share (FIM)	45.16	46.57	51.94
Return on investment (ROI, per cent)	8.1	6.09	24.90
Solvency ratio (per cent)	38.2	35.4	42.2
Volume of orders in hand (FIM million)	239.5	376.5	443.3

Raute is an industrial group who specializes in project delivery. Deliveries include complete production plants, production lines and machinery, as well as a wide variety of customer services. Good customer relations and in recent years rapidly expanding market areas have strengthened Raute Group's international position.

Raute Group operates in two business areas: Raute Wood is one of the world's leading equipment and project suppliers in the wood processing industry and Raute Precision is one of the world's leading suppliers of batch plants for the glass manufacturing industry. Raute Precision is also a significant supplier of dry mix plants and technology, as well as the market leader in the Finnish weighing business.

The Group's parent company, Raute Oy, was established in 1908 in Lahti. It concentrates on the Group's strategic management, corporate administration and financial services, and on the management of the company's real estate. Raute Oy is listed on the Helsinki Stock Exchange since September 1994.

The Group's net sales amount to FIM 748 million and it has a staff of 903, including 322 overseas.

BUSINESS ORGANIZATION

GROUP ADMINISTRATION

Group development, investments and investor relations

RAUTE WOOD

Services, production systems and machinery for the wood processing industry worldwide

	1996	1995
Net sales (FIM million)	563	689
Operating profit after depreciation (FIM million)	5	5
Personnel	900	1,249

RAUTE PRECISION

Weighing and dosing systems and plants as well as their components worldwide

	1996	1995
Net sales (FIM million)	194	107
Operating profit after depreciation (FIM million)	9	7
Personnel	204	172

The personnel figures are given in person-years (average during the year).





its investors and will ensure good returns in the future.

Raute Group's business policy reflects the shareholders' set of values, with the main emphasis on ensuring a high net asset value and strong performance on the stock exchange as a customer-oriented and progressive business.

FOCUS ON PROFITABILITY AND RISK MANAGEMENT

No increase is expected in Raute Group's net sales in 1997. An essential objective of the Group's restructuring is to build a foundation for profitable results, should net sales be at a lower level.

This foundation will consist of Raute Wood's better risk management and more efficient project management, the complete merging of Raute Wood's North-American operations and their closer integration with Raute Wood Finland. Controlled growth and increased profitability are Raute Precision's major challenges in 1997.

I should now like to thank Raute Group's personnel and business partners for their strong input and goodwill during this period of change.


Juba-Pekka Keskiabo, President and CEO

Rehabilitation of Raute Wood's business in North America and effective control of Raute Precision's growth were Raute Group's greatest challenges in 1996.

THE STAPLES OF THE BUSINESS

Raute Wood, whose first concern was to enhance its competitiveness and profitability in North America, streamlined and restructured operations and merged nine companies in the U.S. and Canada into three firms in order to achieve an improvement in efficiency, substantial savings in annual costs and a reduction of over 300 persons in the work force. The immediate results of these measures are quite encouraging and further integration and streamlining is scheduled for 1997.

Raute Precision nearly doubled its net sales and enlarged the market area for its products. However, profitability was not yet in line with its volume growth.

A SLIGHT DECLINE IN NET SALES

Raute Precision increased volume of business, in spite of the fact that Raute Group's net sales, amounting to FIM 748 million, were 4 per cent below the 1995 level. Raute Precision contributed to the Group's net sales by 25 per cent, while Raute Wood generated 75 per cent.

The Group's profit after financial items was FIM 15 million and its solvency ratio 38 per cent. The Group had a staff of 903 at the end of the year.

FIRM STOCK MARKET

Share prices remained stable in 1996 which was the second calendar year for Raute's shares on the Helsinki Stock Exchange. The highest price paid for Raute's A share was FIM 48 and the lowest price FIM 34. Raute's share price typically followed the trend in the metal exchange index. Raute is committed to

Raute Wood business group develops, produces and supplies plants, production lines and machinery to its worldwide customer base in the mechanical wood processing industry. The main customer groups include plywood, LVL, OSB, particleboard and engineered wood flooring producers. To increase the customers' competitiveness, Raute Wood also provides services, including consulting, research and product development, maintenance and training. These services comprise the whole business chain, from wood supply to end products.

Raute Wood utilizes its multiple resources, working closely with the customers, to produce better wood processing solutions. Research and development focuses on the more efficient use of raw materials, production efficiency and on the development of competitive end products.

Raute Wood has a global sales network, and production plants in Finland, Canada and the United States. Within Raute Wood, RWS-Engineering is a center of excellence for providing consulting services to the mechanical wood processing industry. Worldwide, Raute Wood has a staff of 679 persons.

President Mikko Mustakallio

NET SALES AND OPERATING PROFIT

Raute Wood reported a decline in net sales in 1996 from the record-breaking level of 1995. Net sales amounted to FIM 563 million (FIM 689 million). In North America, the decrease in sales was greater than expected. There was also a fall in European and Asian sales. In Central and Eastern Europe, investment activity was still strong, but in Finland it returned to a more normal level after exceptionally active business development in the previous year. The decline in Asian sales was attributed to excess capacity and low prices in the wood-based panel industry. In Latin America, sales increased as a result of a softwood plywood plant sold to a customer in Chile.

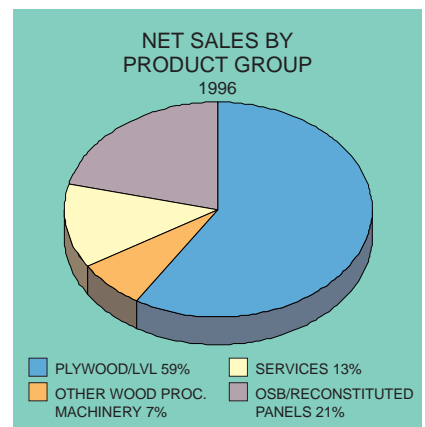
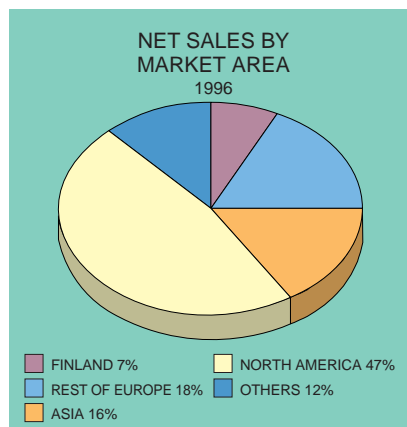
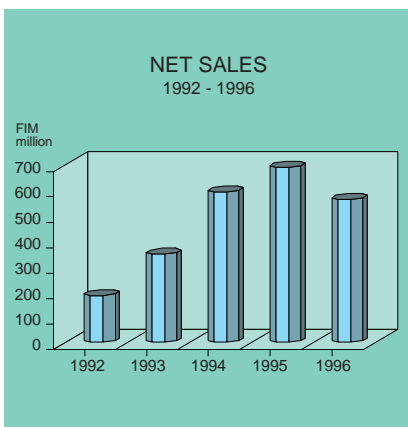
The operating profit was FIM 5 million (FIM 5 million). The profitability of Durand-Raute's projects improved clearly, however, due to decreased net sales and restructuring costs, the operating result is slightly negative. The PS&E Companies' operating loss was caused by a drop in sales. Both Raute Wood Oy and RWS-Engineering Oy performed satisfactorily with net sales below the 1995 level.



The key personnel of the softwood plywood plant sold to Chile spent five weeks in training in Finland. The program included both theory and practical work in the engineering shop to familiarize them with lathe control and hydraulics.



In 1996 Raute Wood supplied a peeling line and a veneer drying line to Paged-Sklejka Morag Mazury S.A. in Poland.





Product development focuses on more efficient utilization of tropical timber species. First pruning of an Eucalyptus Stand. Photo: Ari Vanamo.

BUSINESS DEVELOPMENT

Raute Wood's business development focused on the reorganization of the North-American operations. Strong measures were taken to bring Durand-Raute's project management and business administration in line with Raute Wood Oy's systems. The operations at Collierville were reduced by centralizing purchasing, engineering, project management and business administration in New Westminster, B.C., Canada. The joining of PS&E's manufacturing shop at Macon GA, and Durand-Raute's plant at Collierville TN, began in early autumn, 1996.

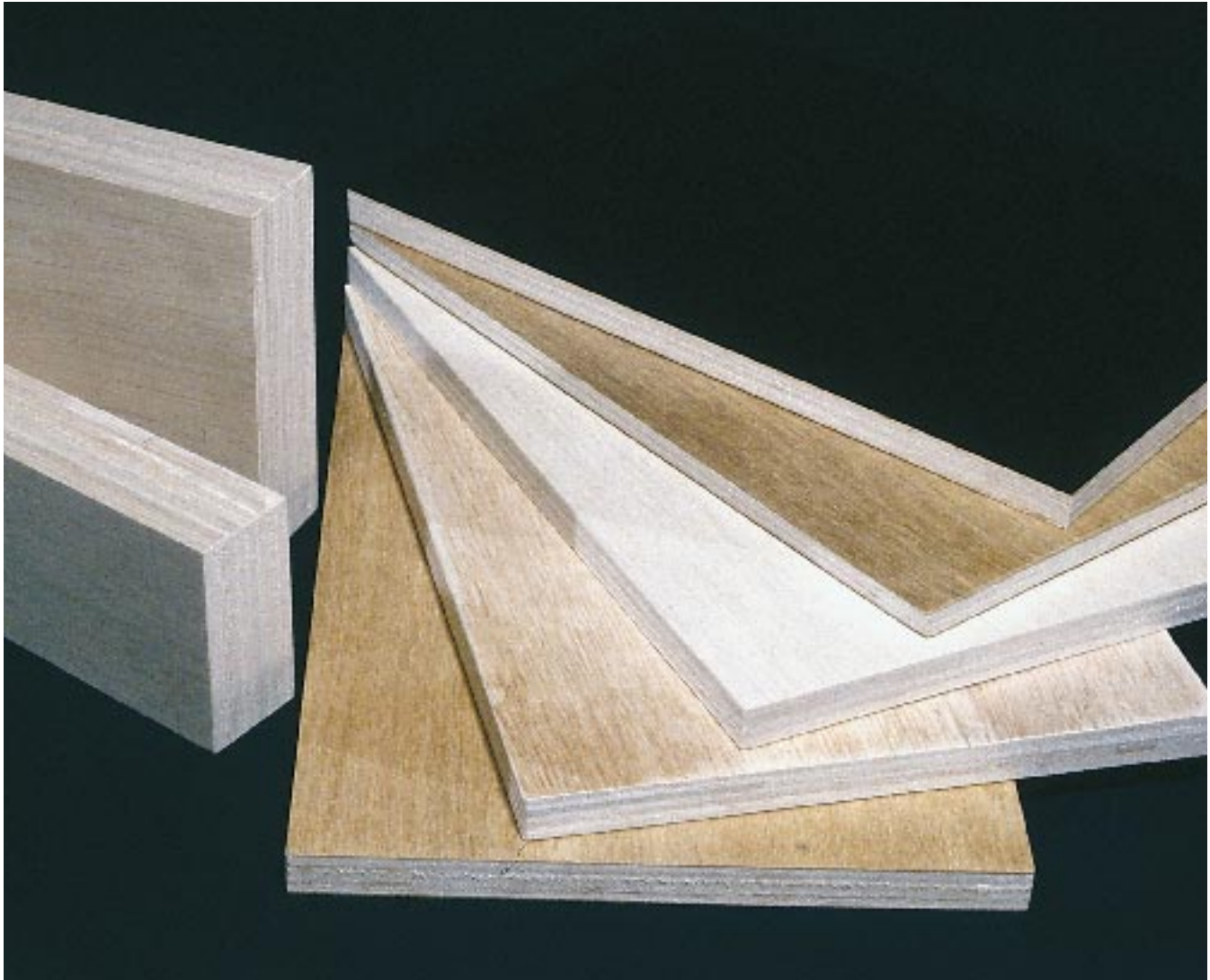
The merger of Durand-Raute and PS&E Companies was announced on 1 October 1996. Two companies were formed in North America under the name of Raute Wood,

one in Canada and the other in the United States. All the business operations of Durand-Raute and PS&E are carried out by these two companies. The aim of this incorporation is to reduce the cost structure, to improve customer service and to facilitate the intergration of the North American operations into Raute Wood.

Raute Wood's production units in North America are now in New Westminster and Collierville. The aim is to sell the manufacturing plants in Macon, Prince Albert and Edmonton during 1997. Most of the preparations and arrangements for the merger were made towards the end of 1996 and some are scheduled for the first months of 1997, while the benefits will not be fully realized until 1998.

To intensify and deepen the planning and implementation of Raute Wood's business strategy, the whole business group participated in the Continuous Strategy Review program. Also a team coaching system was applied at Raute Wood in Nastola, involving the whole staff. The purpose was to improve the flow of information, and to encourage involvement and teamwork.

The research and development work concentrated on finding more efficient solutions for the processing of tropical wood species. In the development of OSB technology the emphasis was on model solutions for different markets. The product range of the engineered wood flooring lines was extended to include new types of



Test panels made from Albizia Falcataria. The customer's raw material can be worked into final products in laboratory conditions. This ensures - before any decision is made about the investment - that the wood is suited for production use.

flooring.

Most of the investments, totalling FIM 6 million (FIM 52 million), were made in information technology as well as in replacements at the production plant in Nastola.

OUTLOOK

Raute Wood's operations will be strengthened in 1997 to better meet the challenges of the fluctuating project business. The target is a more stable and sufficiently high return on investments, regardless of the differences in annual sales volumes. To achieve this, the restructuring of North American operations will be completed, and internal specialization and cooperation in business

processes increased.

A good global competitive position as a supplier of technology for the wood-based panel industry and the reorganization of the North American operations provide the basis for further business development. This year, attention will be concentrated on improving quality and customer service, and on integrating the product development and production processes.

Consolidated net sales in 1997 are estimated to remain at a lower level than last year. Investments are increasing in Southeast Asia because of the more active demand for panels. Net sales are expected to increase in Asia, while moderate development is foreseen in Europe, including Finland. The North American panel manufacturers will

invest mainly in replacements and no significant increase is expected in OSB capacity. Raute Wood's volume of orders at the end of 1996 totalled FIM 139 million (FIM 235 million).

The outlook for 1997 is reasonably good. The market conditions in North America and the business group's total sales are the principal uncertainties which may affect the financial performance. The company's strong worldwide market position, diversified knowledge in wood processing technology and competent, professional staff are the resources upon which Raute Wood, together with our customers, will develop the growing wood processing industry all over the world.

Raute Precision consists of several business areas which utilize weighing technology. The group's activities are divided into three business units. The Glass Unit and the Dry Mix Unit, Raute Dry Mix Oy, operate globally in their respective niche markets. The third unit serves customers in industry and trade, as well as in the public sector, mainly in Finland and in the neighbouring countries.

Raute Precision's products are batch plants and cullet handling systems for the glass industry, dry mix plants and product technology, weighing components, scales, weighing and dosing systems for the process industry, as well as maintenance and calibration services related to the weighing business.

Raute Precision's goal in the glass and dry mix industries is to be globally one of the three leading companies in the business. As a supplier of glass batch plants, the group is one of the two leading companies worldwide.

In the other business areas, the group's objective is to strengthen its position as the leading company in the domestic weighing business.

Raute Precision's production plants are in Lahti and the business group has 204 employees.

President Pentti Aalto

NET SALES AND OPERATING PROFIT

The strong increase in the volume of orders since the spring of 1995 is now fully reflected in the 1996 net sales which were FIM 194 million (FIM 107 million), i.e. at a notably higher level than in the previous years.

The business group's operating profit, FIM 9 million (FIM 7 million), is slightly higher than last year. Measured by the return on investment, the result is good, but considering the growth in sales it cannot be regarded as satisfactory. The profitability was weakened particularly due to two projects which turned out to have a much lower-than-estimated margin.

The most successful business unit was Raute Dry Mix Oy. The growth in sales continued and the profitability remained at a good level. The company's biggest project was a plaster and mortar plant delivered to Germany close to Berlin. This plant represents new technology with the first fluidization and gravity based dry mix manufacturing process in Germany. Founded on the patented fluid technology, Raute Dry Mix also granted a licence to the



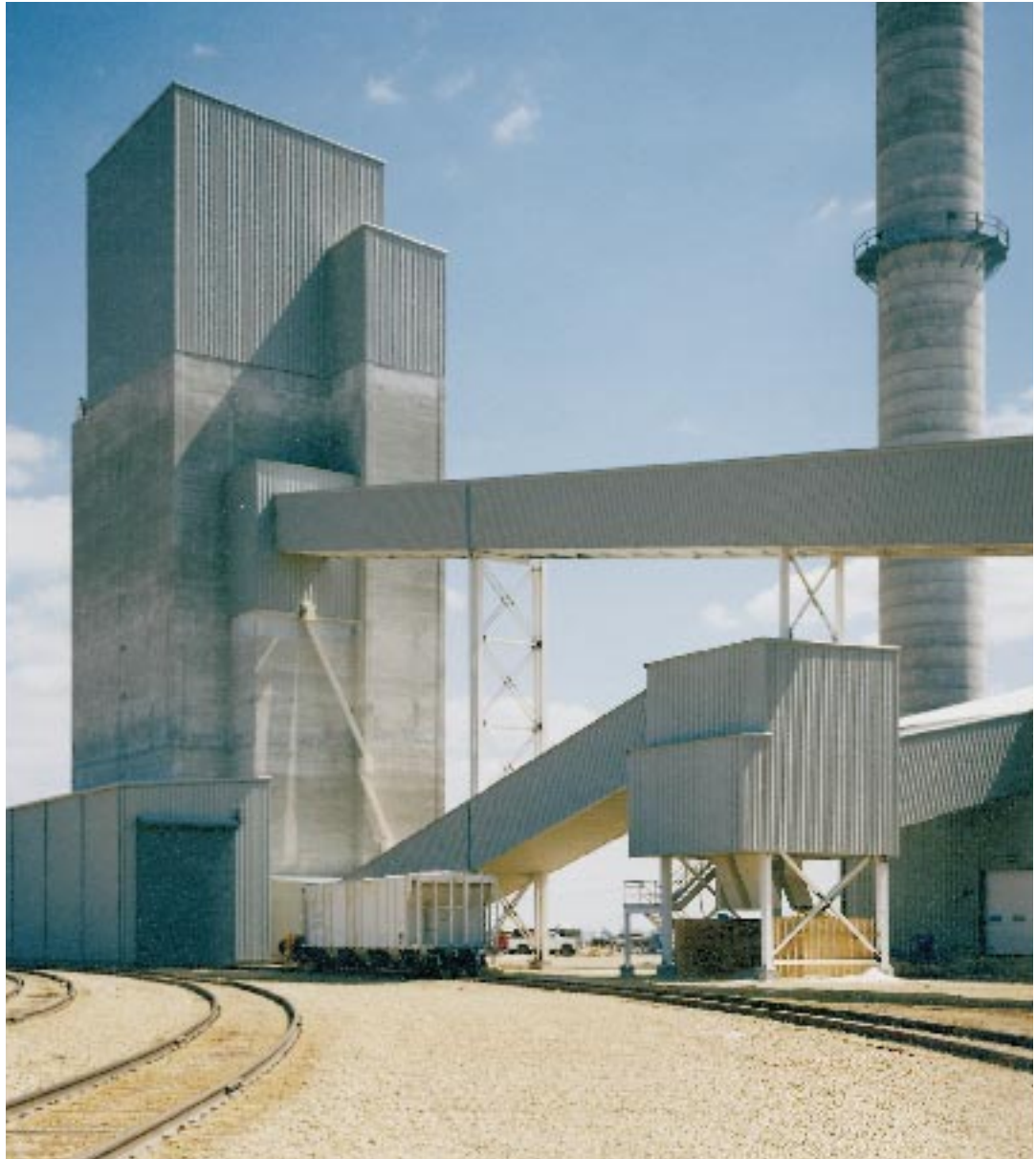
Receiving and dosing equipment for minor ingredients at Guardian's Bath Plant.

reputed Swedish group Trelleborg Ab for the manufacturing and marketing of flexible rubber hose to be used for the transfer and dosing of powder materials.

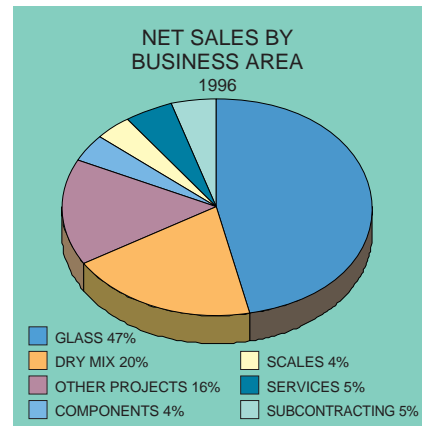
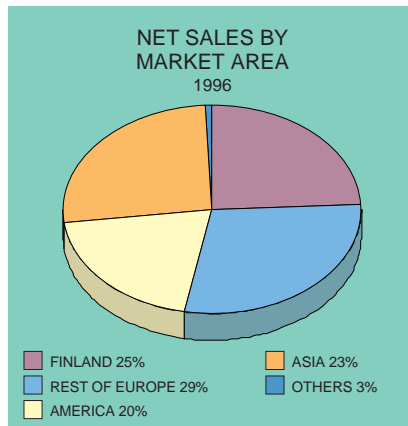
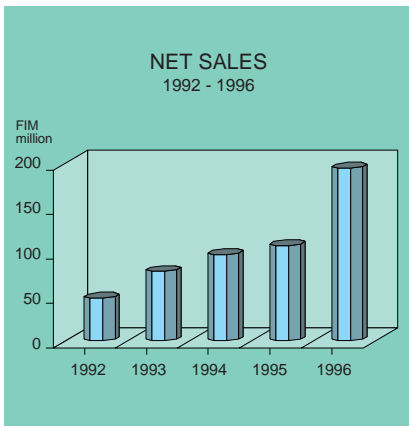
As estimated, the Glass Unit showed a substantial increase in sales, but the profitability did not meet the target level. Altogether, seven plants were delivered during the fiscal year to customers in East

Asia, the Middle East, Europe and North America. The biggest project handed over was a batch plant and a cullet return system for Guardian Industries' new float glass plant in Iowa, U.S.A.

Also in the other business areas the sales continued to develop with some growth, but the profitability was weakened and the result can be regarded only as satisfactory.



The biggest project delivery in 1996 consisted of a batch plant and a cullet handling system for Guardian's new float glass plant in Iowa, U.S.A.



RAUTE PRECISION



The newest member in the WB product family is a single-component Batch Controller to be used both as a stand-alone unit and as a component in control systems.

BUSINESS DEVELOPMENT

The strengthening of the project management competence and resources, combined with improvements in the use of new operation management system were the focus areas in the internal development work.

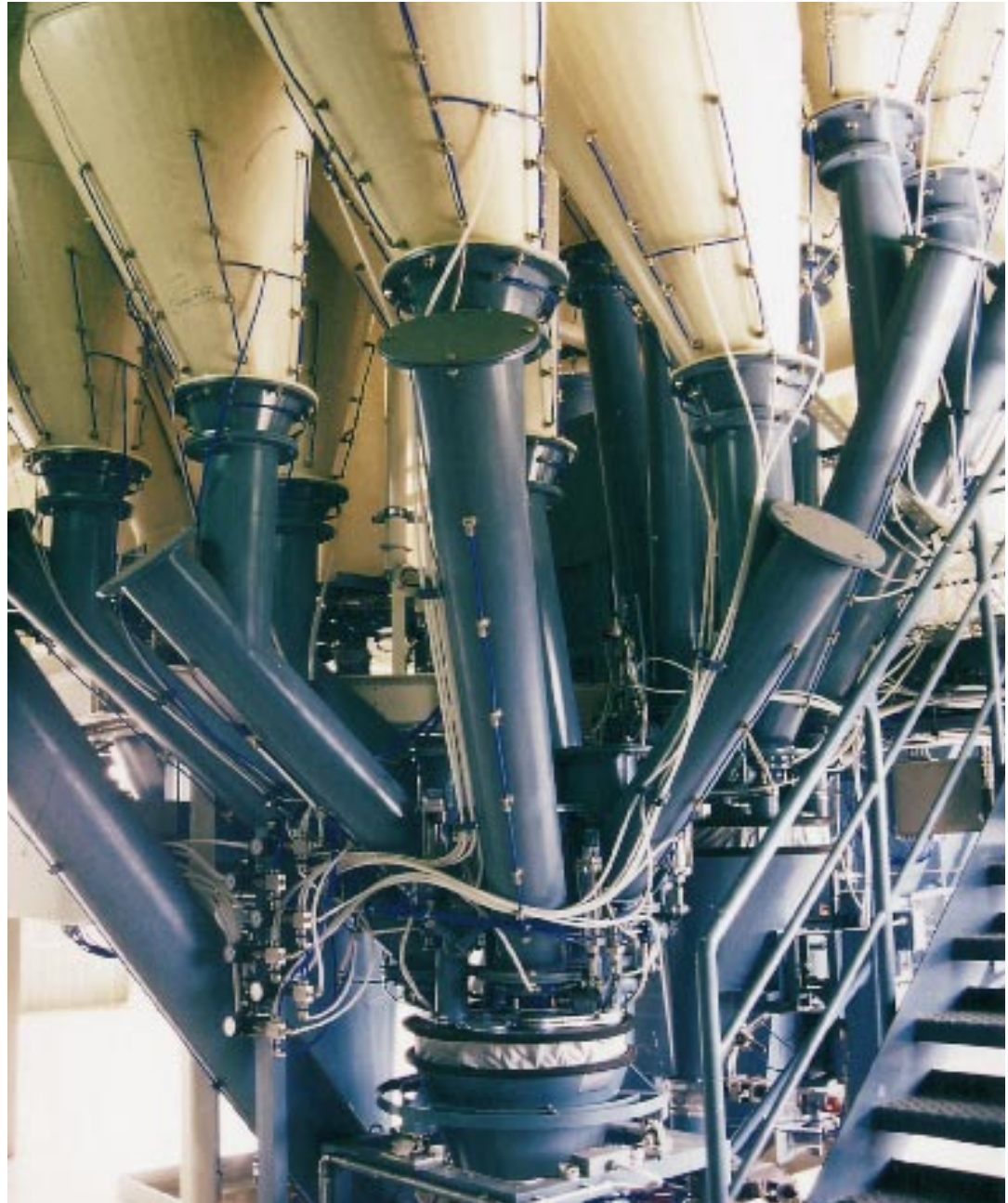
The Glass Unit's resources were strengthened to boost the sales and to develop customer service in North and South America. Investments are expected to brisk up particularly in South America.

Raute Dry Mix introduced both the vibrating fluid bed dryers for the drying of sand and the patented fluid system for the transfer and dosing of powder materials to the lime, cement and dry mortar industries in German-speaking Europe. The fluid system can clearly be regarded as a new technology in dry mix industry and it provides good potential to develop the business further.

The development of the WB-weighing indicator/controller family, launched at the end of 1995, continued and the single-component batch controller WB-951 was introduced into the market. This new product range is also applied in the Windows 95/NT based operator interface developed mainly for truck scales.



The plaster and mortar plant delivered to Rethwisch Baustoffwerke in Germany was Raute Dry Mix Oy's biggest project during the year 1996. The photo shows the plant under construction.



The patented fluid system doses raw materials with high capacity but still accurately.

OUTLOOK

The building industry is the most significant common market segment for Raute Precision's customers. Therefore partially investments in the business group's products are indirectly dependent on the building activity as well as on the development of the quality requirements, labour costs and technology relating to the building industry.

The market outlook is bright for the dry mix industry. Also the investments in the glass

industry are expected to remain at a high level at least in 1997. However, due to some surplus capacity in the industry, the outlook for the following years is uncertain. The development in the other business areas is closely linked to investment activity in Finland.

In 1996 Raute Precision received new orders in the amount of FIM 147 million (FIM 221 million) and the volume of orders totalled FIM 101 million at the end of the year (FIM 142 million). The biggest deliveries in 1997

are a dry mix plant to Poland and glass batch plants to a Japanese customer in Thailand and Indonesia. The Thai and Indonesian projects can be regarded as a breakthrough for Raute Precision into the Japanese glass industry which is vigorously expanding especially in East Asia.

Estimate for 1997 point to lower net sales than in 1996 and the major part of the income will be recorded in the last quarter of the year. Anyhow, the goal is to generate higher profit than last year.



Raute Oy's Board of Directors. From left Lauri Jalli, Juba-Pekka Keskiäho, Stig Gustavson and Mikko Mustakallio. Absent from the picture: Kari Atraksinen.

NET SALES

Raute Group's net sales amounted to FIM 748 million (FIM 783 million), including FIM 563 million or 75 per cent by Raute Wood and FIM 184 million or 25 per cent by Raute Precision.

11 per cent of the Group's net sales were derived from Finland, 21 per cent from other European countries, 40 per cent from North America and 19 per cent from Asia.

Raute Wood's net sales decreased by 18 per cent compared with the previous year. Net sales decreased by 70 per cent in Finland where investments were back to normal after the record-breaking investment activity in 1995. In the other markets the decline in net sales was less notable.

Raute Precision's net sales increased by 80 per cent. Both the glass manufacturing industry and the dry mix business showed a strong growth in net sales.

VOLUME OF ORDERS

At the end of 1996, the Group's volume of orders totalled FIM 239 million (FIM 376 million).

The volume of orders received by Raute Wood during the year was FIM 406 million (FIM 422 million) and the volume of orders at 31 December 1996 FIM 139 million (FIM 235 million).

Raute Precision recorded orders in 1996 to the value of FIM 147 million (FIM 221

million) and the volume of orders at 31 December 1996 was FIM 101 million (FIM 142 million).

REORGANIZATION OF THE BUSINESS

The rehabilitation program launched in Raute Wood's North-American companies in 1995 has continued because the investments in the panel industry failed to develop as expected during 1996. The decreased demand in the OSB industry was due to surplus capacity.

Durand-Raute's and the PS&E Companies' nine units were merged into three operating companies, Raute Wood Ltd in Canada and Raute Wood Inc. in the U.S. where the Group has also a holding company, Raute Inc.

The North-American head office is located in New Westminster with centralized sales and production management, administration, planning and engineering, and project management.

The North-American companies' personnel was reduced by nearly 50 per cent. The expenses resulting from the reorganization have been entered in these companies' operating costs, and as an extraordinary expense of FIM 8 million. In addition, extraordinary expenses, FIM 10 million are recorded as an additional depreciation on the PS&E Companies' goodwill.

Raute Precision strengthened its sales network by opening a sales office in Singapore. The German outlet is now an independent company, Raute Dry Mix GmbH.

The closed-down HKG Panel Oy was dissolved.

BUSINESS DEVELOPMENT

In spite of lower net sales, the Group's income was at the previous year's level. The operating profit amounted to FIM 10 million (FIM 9 million).

The financial benefits of the North-American restructuring activities are not yet fully reflected in Raute Wood's business results. The income statement shows a profit of FIM 5 million (FIM 5 million). The rapid development in Raute Precision's net sales did not result in a proportionate increase in the business group's profitability. Raute Precision reported a profit of FIM 9 million (FIM 7 million).

Raute Group's financial items amounted to FIM +5 million (FIM -5 million) and its profit after financial items was FIM 15 million (FIM 3 million). Extraordinary income, including the profit from the sale of fixed assets, and extraordinary expenses totalled FIM 9 million (FIM 2 million). The Group's profit before voluntary provisions and taxes was FIM 6 million (1 million).

FINANCING

The Raute Group's solvency ratio strengthened and was 38 per cent (35 per cent) at the end of the year. Its liquidity was good throughout the year in spite of the fact that interest-bearing liabilities were paid off in the amount of FIM 17 million. The advances recorded at year-end were at a low level than in the previous year due to the timing of income from projects. At the end of the year the ratio of interest-bearing net liabilities to net sales was 5 per cent (2 per cent).

INVESTMENTS AND PRODUCT DEVELOPMENT

The Group invested a total of FIM 12 million (FIM 63 million) in replacements, like machining centres, upgrading information systems and equipment, and improving production facilities.

The expenditure on research and product development amounted to FIM 8 million (FIM 15 million).

PERSONNEL

The Group had a staff of 903 (1,287) at 31 December 1996. The reduction was primarily due to the reorganization of the North-American operations. Only minor changes were made in Finland and Raute Precision's staff increased in number.

At the end of the year 322 (685) employees worked overseas. The Group employed, on an average, 1,126 (1,295) people during the year 1996.

The parent company's staff averaged 14 (17).

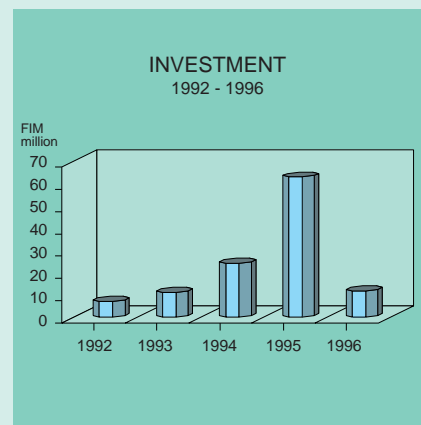
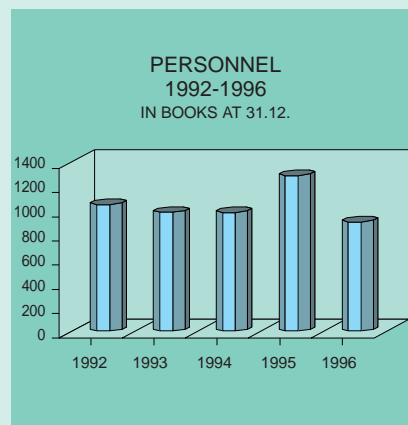
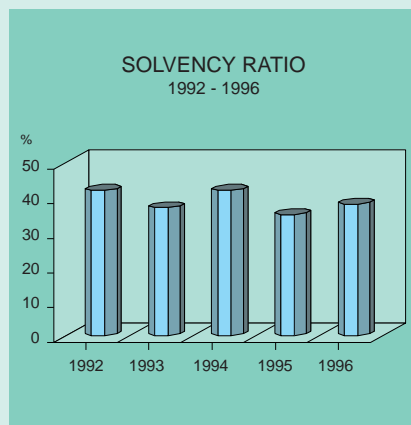
SHARES AND SHAREHOLDERS

The price of Raute Oy's A share was stable throughout the year. 985,029 (747,626) shares were traded during the year for a total of FIM 40 million (FIM 43 million). The company had 560 (594) shareholders at the end of the year.

OUTLOOK

The Group's net sales are estimated to decline, mainly due to the low prices in the North-American panel industry and to some surplus capacity.

The Group's profit after financial items is expected to be close to the 1996 level. There are still uncertainties, especially with regard to the market conditions in North America and the rehabilitation of Raute Wood's North-American companies. The Group's operating profit is expected to accrue in the latter part of the year 1997.



RAUTE GROUP

ACCOUNTING PRINCIPLES

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements include the parent company Raute Oy and those companies in which the parent company has, directly or indirectly, over 50 per cent of the vote, or otherwise the control. Property and housing companies, including the associated company Eloc Oy, are not incorporated into the Consolidated Financial Statements, because their operations differ from the Group's line of business and they are of little significance to the Group's performance and shareholders' equity.

For the Consolidated Financial Statements, the foreign subsidiaries' Financial Statements are adjusted to conform to the Group's general accounting principles.

The past-equity method (the acquisition method of accounting) is applied to the elimination of mutual share ownership. The difference arising out of the elimination between the acquisition cost of the subsidiary's shares and its shareholders' equity at the time is recorded as consolidated goodwill and depreciated over five years.

The conversion difference arising out of the elimination of the acquisition cost of foreign subsidiaries is recorded as non-restricted shareholders' equity.

The foreign subsidiaries' Income Statements are translated to Finnmarks according to the average rate of exchange during the year, and the Balance Sheets at the average rate of exchange on the year end date. The rates of exchange applied to the subsidiaries are given in the Group's Note 15 to the Income Statement and to the Balance Sheet.

NET SALES

Net sales are calculated by deducting indirect taxes, allowed discounts, credit losses, delivery and dispatch charges, exchange rate differences in receivables and sales commissions from the sales revenues on products and services.

Project deliveries are included in net sales upon the final delivery.

OTHER INCOME FROM OPERATIONS

Proceeds other than direct business revenues, such as rents and gains from the sale of fixed assets, are entered in other income from operations.

FOREIGN CURRENCY ITEMS

Business transactions in a foreign currency are entered at the rate of exchange effective on the day of the transaction. Receivables and loans which are unsettled at the end of the year are translated at the average rate of exchange effective on the year end date, with the exception of protected or hedged items which are valued at the rate agreed in the contract.

Advances paid and received are entered in the Balance Sheet at the rate of exchange effective on the day of payment. Exchange gains and losses are included in the business result.

FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Fixed assets are valued less depreciation calculated on the basis of the acquisition cost apportioned to the economic life span, with the exception of some property items and shares which have been revalued. Straight-line depreciation according to plan is on goodwill 5 years, on

consolidated goodwill 5 years, on buildings 25 to 40 years, on machinery and equipment 5 to 8 years, and on other fixed assets 5 to 10 years.

INVENTORIES

Inventories are valued at the acquisition cost or at the lower replacement value, or at a probable resale price. Only the variable costs resulting from the acquisition and manufacture of the goods are included in the acquisition cost of inventories.

OBLIGATORY PROVISIONS

Future expenses not offset by corresponding income and losses which are considered probable and which can be estimated with reasonable accuracy are deducted as expenses in the Income Statement.

EXTRAORDINARY ITEMS

Special business transactions of significance which are not part of the Group's ordinary business are included in extraordinary income and expenses.

Also group contributions are recorded by the parent company under extraordinary items.

PENSION FUND ARRANGEMENTS

The Group's Finnish personnel's statutory pension coverage has been arranged through a pension insurance company. Voluntary supplementary pensions have been provided for the oldest staff members through Raute Oy's pension fund which was closed on 1 October 1992. The foreign subsidiaries' pension arrangements have been made according to the local practice.

The uncovered pension liability is shown in Note 14.

Any increase in the year's uncovered pension liability is entered in statutory social security contributions.

The uncovered pension liability arisen before 1 January 1993 is matched and entered in extraordinary expenses annually until the year 2000.

The reference year's figures have been adjusted accordingly.

RESEARCH AND PRODUCT DEVELOPMENT EXPENDITURE

Project deliveries to customers include a significant part of the research and product development expenses. Other research and product development expenses are entered as expenditure in the year they are incurred.

VOLUNTARY RESERVES, ACCUMULATED DEPRECIATION DIFFERENCE AND TAXES

Voluntary reserves included in the Consolidated Financial Statements and the accumulated difference between total depreciation and depreciation according to plan have been divided in the Balance Sheet into shareholders' equity and deferred tax liability.

The calculated tax liability is included in the Balance Sheet according to the tax rate effective after the end of the year.

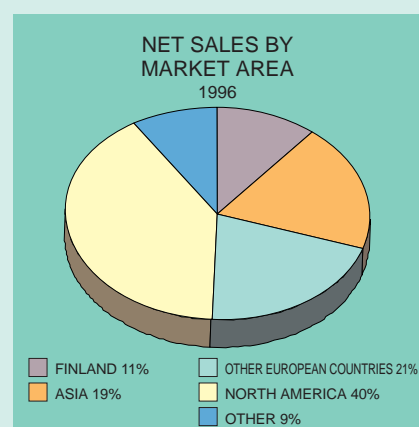
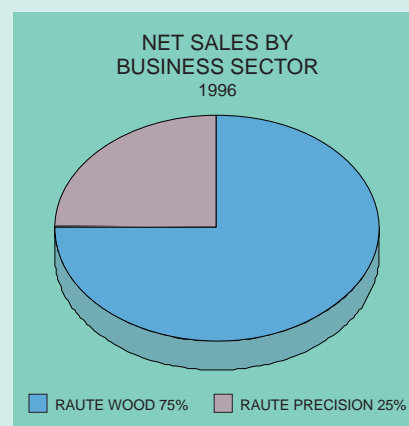
The group companies' income taxes are calculated according to the local practice in each subsidiary's country and included in the Consolidated Financial Statements.

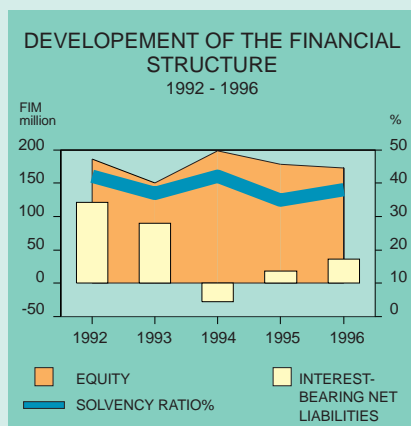
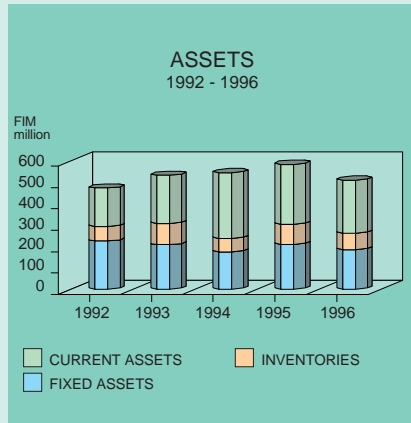
COMPARABILITY OF THE FIGURES

Minor changes have been made in the itemization of the year's Income Statement and Balance Sheet, and the reference year's figures have been adjusted accordingly.

INCOME STATEMENT

FIM 1,000	1996	1995
Net sales (Notes 1, 2)	748,398	782,919
Increase (+) or decrease (-) in finished goods inventories	-3,078	1,047
Other operating income	1,281	2,735
Costs		
Purchases	346,157	396,862
Increase (-) or decrease (+) in inventories	6,413	-4,472
External services	33,957	39,133
Personnel expenses (Note 3)	247,174	256,282
Rents	6,577	6,046
Other	70,311	63,179
Total costs	710,589	757,030
OPERATING PROFIT BEFORE DEPRECIATION	36,012	29,671
DEPRECIATION ACCORDING TO PLAN (Note 5)	25,852	21,100
OPERATING PROFIT AFTER DEPRECIATION	10,160	8,571
FINANCIAL ITEMS		
Dividend income	1,257	265
Interest income from short-term investments	7,256	9,704
Other financial income	7,805	3,205
Interest expenses	-7,017	-9,409
Other financial expenses	-4,567	-9,038
Total financial items	4,734	-5,273
PROFIT AFTER FINANCIAL ITEMS	14,894	3,298
EXTRAORDINARY ITEMS (Note 4)		
Income	10,441	0
Expenses	-19,800	-2,200
Total extraordinary items	-9,359	-2,200
PROFIT BEFORE VOLUNTARY PROVISIONS AND TAXES	5,535	1,098
Increase in depreciation difference (Note 5)	-5,468	-4,080
Change in voluntary provisions increase (-), decrease (+)	6,584	0
Income taxes	-4,386	-4,232
Change in deferred tax liabilities	312	-267
Minority interest	-106	-124
NET PROFIT (LOSS) FOR THE FINANCIAL YEAR	2,471	-7,605





BALANCE SHEET

FIM 1,000	31.12.96	31.12.95
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ASSETS

FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible assets (Note 5)

Intangible rights	1,053	1,053
Goodwill	12,390	27,459
Goodwill on consolidation	2,453	3,952
Other capitalized expenditure	3,483	4,120
Total	19,379	36,584

Tangible assets (Note 5)

Land and water	9,491	9,378
Buildings	80,858	81,242
Machinery and equipment	38,669	42,812
Other tangible assets	627	674
Advance payments	598	870
Total	130,243	134,976

Financial assets (Note 5)

Shares in other companies	36,303	39,204
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CURRENT ASSETS

Inventories

Materials and supplies	17,492	23,418
Unfinished products	55,496	55,240
Finished products/goods	753	3,824
Advance payments	3,800	12,512
Total	77,541	94,994

Receivables (Notes 6, 7, 8, 9)

Accounts receivable	133,209	137,987
Loans receivable	10,802	10,327
Export and delivery credits	643	4,688
Accrued receivables	25,518	12,783
Other receivables	4,996	10,283
Total	175,168	176,068

Current assets in marketable securities

53,383 52,797

Cash and cash equivalents

19,080 51,104

TOTAL ASSETS

511,097 585,727

FIM 1,000 31.12.96 31.12.95

LIABILITIES

SHAREHOLDERS' EQUITY

Restricted equity

Share capital	38,221	38,221
Reserve fund	39,418	39,418
Total	77,639	77,639

Non-restricted equity (Note 10)

Retained earnings	92,165	107,618
Profit (loss) for the year	2,471	-7,605
Total	94,636	100,013

Total shareholders' equity **172,275** **177,652**

MINORITY INTEREST **244** **259**

OBLIGATORY PROVISIONS (Note 11) **27,252** **22,642**

LIABILITIES

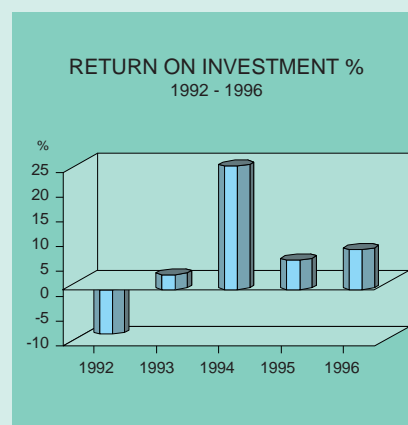
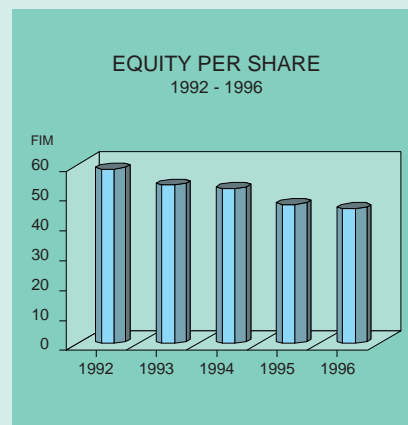
Long-term (Notes 12, 13)

Loans from financial institutions	9,522	17,769
Pension loans	63,640	68,797
Deferred tax liabilities	14,439	14,752
Other long-term liabilities	7,207	12,643
Total	94,808	113,961

Short-term (Note 13)

Loans from financial institutions	10,063	14,880
Pension loans	5,128	5,375
Export and delivery credits	0	3,892
Advances received	59,132	83,175
Accounts payable	45,532	60,509
Accrued payables	72,429	84,295
Other short-term liabilities	24,234	19,087
Total	216,518	271,213

TOTAL LIABILITIES **511,097** **585,727**



RAUTE GROUP

SOURCE AND APPLICATION OF FUNDS

FIM 1,000	1996	1995
OPERATIONS		
Funds from operations		
Operating profit before depreciation	36,012	29,671
Financial items	4,734	-5,273
Extraordinary items	909	-2,200
Taxes	-4,386	-4,232
Total	37,269	17,966
Change in working capital		
Inventories, increase (-), decrease (+)	17,454	-31,726
Short-term receivables increase (-), decrease (+)	900	-42,221
Short-term liabilities increase (+), decrease (-)	-45,022	70,644
Total change in working capital	-26,668	-3,303
OPERATIONS CASH FLOW	10,601	14,663
INVESTMENTS		
Investments in fixed assets	-11,694	-62,818
Sale of fixed assets	1,484	328
INVESTMENT CASH FLOW	-10,210	-62,490
CASH FLOW BEFORE FINANCING	391	-47,827
FINANCING		
Increase in long-term receivables (-), decrease (+)	0	322
Increase in long-term liabilities (+), Decrease in long-term liabilities (-)	0	11,848
Dividends	-4,699	-7,629
FINANCING CASH FLOW	-30,133	-12,306
CALCULATED DECREASE IN LIQUID ASSETS	-29,742	-60,133
Adjustment due to changes in exchange rates	-1,696	-3,245
DECREASE IN LIQUID ASSETS ACCORDING TO THE BALANCE SHEET	-31,438	-63,378

NOTES TO THE INCOME STATEMENT AND THE BALANCE SHEET

FIM 1,000	1996		1995	
1. Net sales by business sector				
		%		%
Raute Wood	563,361	75	687,798	88
Raute Precision	184,112	25	94,066	12
Other	925	0	1,055	0
Total	748,398	100	782,919	100

2. Net sales by market area				
		%		%
Finland	79,050	11	175,450	22
Other European countries	155,883	21	117,462	15
Asia	143,875	19	160,580	21
North America	303,310	40	315,336	40
Others	66,280	9	14,091	2
Total	748,398	100	782,919	100

3. Personnel expenses and benefits		
Wages and salaries	197,008	200,007
Pension contributions	17,650	16,201
Pension fund contributions	2,955	3,144
Other statutory personnel contributions	27,869	28,228
Voluntary personnel contributions	1,692	8,702
Personnel expenses in the Income Statement	247,174	256,282
Taxable value of other benefits	969	911
Total	248,143	257,193

4. Fixed assets	Acquisition cost	Increase	Decrease	Accumulated	Depreciation for	Value	Value in the
	1.1.	1.1.-31.12.	1.1.-31.12.	depreciation 1.1.	the fiscal year	adjustment	Balance Sheet 31.12.
Intangible assets							
Intangible rights	1,061	0	0	7	0	0	1,053
Goodwill	32,990	0	10,153	3,886	6,561	0	12,390
Goodwill on consolidation	6,567	0	32	2,615	1,467	0	2,453
Other capitalized expenditure	6,280	462	0	2,309	951	0	3,483
Total at 31 December 1996	46,898	462	10,185	8,817	8,979	0	19,379
Total at 31 December 1995	28,153	36,493	17,998	4,368	5,697	0	36,584
Tangible assets							
Land and water	7,411	0	0	0	0	2,080	9,491
Buildings	107,256	2,070	234	29,951	3,768	5,486	80,858
Machinery and equipment	95,258	8,407	874	51,241	12,881	0	38,669
Other tangible assets	2,114	106	0	1,369	224	0	627
Advance payments	870	1,554	1,826	0	0	0	598
Total at 31 December 1996	212,909	12,137	2,934	82,561	16,873	7,566	130,243
Total at 31 December 1995	202,630	23,741	13,827	69,731	15,403	7,566	134,976

FIM 1,000	1996	1995
Production machinery and equipment in the balance sheet total		
Taxable values of fixed assets		
Land	7,895	7,277
Buildings	77,595	78,177
Shares in other companies	31,799	30,211
Total	117,289	115,665

6. Long-term loans receivable		
Associated companies	7,000	7,000

FIM 1,000	1996	1995
Paid salaries and remuneration		
Management, members of the Supervisory Board and the Board of Directors		
salaries including remuneration	9,106	7,810
Other salaries and remuneration	44	525
Total	186,694	204,081

4. Extraordinary items		
Extraordinary incomes		
Profit from the income of fixed assets	10,441	0
Extraordinary expenses		
North-American companies' rehabilitation expenses	8,032	0
Additional depreciation on goodwill	10,268	0
Retroactive contribution to the Pension Fund	1,500	2,200
Total	19,800	2,200

Change in the depreciation difference		
Other capitalized expenditure	-451	-913
Buildings	-1,142	-527
Machinery and equipment	-3,875	-2,640
Total	-5,468	-4,080

Accumulated difference between total depreciation and depreciation according to plan		
Other capitalized expenditure	1,351	913
Buildings	30,949	17,962
Machinery and equipment	6,959	14,913
Total	39,259	33,788

7. Receivables maturing beyond a year		
Loans receivable	7,580	7,351

RAUTE GROUP

FIM 1,000	1996	1995
8. Receivables and loans within the associated companies		
Accounts receivable	306	77
Loans receivable	8,651	7,878
Short-term accounts payable	15	42
9. Loans to management and shareholders		
Loans to the companies' management	372	340
Loans to shareholders	120	113
Loan terms from 1 to 5 years. Interest rate between 6.25 and 8 per cent.		
Members of the Group management whose employment began before 1 October 1992 may retire at the age of 60. Their pensions are covered through Raute Oy's Pension fund.		
10. CHANGE IN SHAREHOLDERS' EQUITY		
Retained earnings at 1 January	107,618	96,941
Profit for the previous year	-7,605	23,535
Dividends	-4,699	-7,629
Change in revaluation	-2,500	2,500
Transfer of voluntary provisions to equity	-1,116	-5,252
Translation differences	467	-2,477
Retained earnings at 31 December	92,165	107,618
Distributable equity funds		
Non-restricted equity	94,636	100,013
Voluntary provisions and accumulated depreciation difference	-36,817	-37,933
Distributable equity funds	57,819	62,080
11. Obligatory provisions		
Estimated guarantee and other project costs	27,252	22,642
12. Long-term liabilities		
Deferred tax liabilities		
Long-term tax liabilities corresponding to the Group's voluntary provisions and accumulated depreciation difference	14,439	14,752

FIM 1,000	1996	1995
Liabilities maturing beyond five years		
Pension loans	45,784	49,634
Other loans	0	163
Total	45,784	49,797
13. Interest-bearing debts		
Long-term	74,562	89,596
Short-term	33,836	32,195
Total	108,398	121,791
14. Pledged assets and contingent liabilities		
Security for own debts		
Pledges	5,207	5,554
Mortgages	93,585	94,511
Security for others' debts		
Guarantees	2,179	4,706
Other own liabilities		
Leasing liabilities	2,785	1,586
Pension fund liabilities	7,303	10,593
Forward exchange agreements *)	126,129	158,515
*) Project deliveries in foreign currency are protected by forward contracts.		
15. Rates of exchange applied to the subsidiaries		
Income statement		
USD	4,6028	4,3405
CAD	3,3724	3,1670
DEM	3,0528	3,0555
SEK	0,6857	0,6136
SGD	3,2669	3,0686
Balance sheet		
USD	4,6439	4,3586
CAD	3,3900	3,1960
DEM	2,9880	3,0435
SEK	0,6748	0,6546
SGD	3,3158	3,0835

INCOME STATEMENT

FIM 1,000	1.1. - 31.12.96	1.1. - 31.12.95
Net sales (Note 1)	8,240	8,651
Other operating income	775	1,393
Costs		
Personnel expenses (Note 2)	5,700	7,102
Rents	763	841
Other	3,745	4,654
Total costs	10,208	12,597
OPERATING PROFIT BEFORE DEPRECIATION	-1,193	-2,553
DEPRECIATION ACCORDING TO PLAN (Note 5)	1,239	841
OPERATING PROFIT AFTER DEPRECIATION	- 2,432	-3,394
FINANCIAL ITEMS (Note 3)		
Dividend income	1,257	3,199
Interest income from long-term investments	6,112	5,025
Interest income from short-term investments	5,887	9,236
Other financial income	4,873	321
Interest expenses	-7,913	-11,019
Other financial expenses	-2,561	-5,765
Total financial items	7,655	998
PROFIT AFTER FINANCIAL ITEMS	5,223	-2,396
EXTRAORDINARY ITEMS (Note 4)		
Income	17,999	44,801
Expenses	-2,619	-2,200
Total extraordinary items	15,380	42,601
PROFIT BEFORE VOLUNTARY PROVISIONS AND TAXES	20,603	40,205
Increase in depreciation difference (Note 5)	-299	-180
Change in voluntary provisions, increase (-), decrease (+)	417	4,500
Income taxes	-5,314	-8,260
NET PROFIT FOR THE FINANCIAL YEAR	15,407	36,265

BALANCE SHEET

FIM 1,000 31.12.96 31.12.95

ASSETS

FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible assets (Note 5)

Intangible rights	504	504
Other capitalized expenditure	153	197
Total	657	701

Tangible assets (Note 5)

Land and water	981	981
Buildings	22,231	22,699
Machinery and equipment	833	846
Other tangible assets	234	308
Total	24,279	24,834

Financial assets (Notes 5, 13)

Shares in other companies	83,071	87,744
Loans receivable (Notes 6, 7, 8)	57,250	68,137
Total	140,321	155,881

CURRENT ASSETS

Receivables (Notes 8, 9)

Accounts receivable	1,509	1,055
Loans receivable	32,884	33,771
Export and delivery credits	643	4,688
Accrued receivables	55,254	51,283
Other receivables	890	1,064
Total	91,180	91,861

Current assets in marketable securities 53,383 52,797

Cash and cash equivalents 696 4,316

TOTAL ASSETS 310,516 330,390

BALANCE SHEET

FIM 1,000	31.12.96	31.12.95
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LIABILITIES**SHAREHOLDERS' EQUITY****Restricted equity**

Share capital	38,221	38,221
Reserve fund	39,418	39,418
Total	77,639	77,639

Non-restricted equity (Note 10)

Retained earnings	81,833	52,645
Profit for the year	15,407	36,265
Total	97,240	88,910

TOTAL SHAREHOLDERS' EQUITY	174,879	166,549
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PROVISIONS

Accumulated difference in depreciation (Note 5)	8,567	8,269
Investment provision	6,583	7,000

LIABILITIES**Long-term (Note 11)**

Loans from financial institutions	7,000	9,500
Pension loans	58,756	63,545
Total	65,756	73,045

Short-term (Note 8)

Loans from financial institutions	2,800	3,000
Pension loans	4,760	4,980
Export and delivery credits	0	3,892
Accounts payable	431	880
Accrued payables	8,585	16,877
Other short-term liabilities	38,155	45,898
Total	54,731	75,527

TOTAL LIABILITIES	310,516	330,390
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SOURCE AND APPLICATION OF FUNDS

FIM 1,000	1996	1995
OPERATIONS		
Funds from operations		
Operating profit before depreciation	-1,193	-2,553
Financial items	7,655	998
Extraordinary income	17,999	44,801
Extraordinary expenses	-2,619	-2,200
Taxes	-5,314	-8,260
Total	16,528	32,786
Change in working capital		
Short-term receivables increase (-), decrease (+)	681	-18,585
Short-term liabilities increase (+), decrease (-)	-20,376	-78,877
Total change in working capital	-19,695	-97,462
OPERATIONS CASH FLOW	-3,167	-64,676
INVESTMENTS		
Investments in fixed assets	-1,352	-6,940
Sale of fixed assets	2,886	18,471
INVESTMENT CASH FLOW	1,534	11,531
CASH FLOW BEFORE FINANCING	-1,633	-53,145
FINANCING		
Increase in long-term receivables (-), decrease (+)	10,887	-23,667
Increase in long-term liabilities (+), Decrease in long-term liabilities (-)	0	1,250
Dividends	-4,578	-7,629
FINANCING CASH FLOW	-1,401	-38,631
CALCULATED DECREASE IN LIQUID ASSETS	-3,034	-91,776
DECREASE IN LIQUID ASSETS ACCORDING TO THE BALANCE SHEET	-3,034	-91,776

NOTES TO THE INCOME STATEMENT AND THE BALANCE SHEET

FIM 1,000	1996	1995	FIM 1,000	1996	1995
1. Net sales			3. Financial items within the Group		
Net sales consist mainly of administration and other services given to the group companies			Financial income from group companies		
2. Personnel expenses and benefits			Dividend income	0	2,834
Wages and salaries	3,059	3,468	Interest income from long-term investments	6,112	5,025
Pension contributions	353	333	Interest income from short-term investments	490	682
Pension fund contributions	1,700	2,547	Financial expenses paid to group companies		
Other statutory personnel contributions	230	248	Interest expenses	2,525	4,524
Voluntary personnel contributions	358	506	4. Extraordinary items		
Personnel expenses in the Income Statement	5,700	7,102	Extraordinary income		
Taxable value of other benefits	146	152	Contributions from group companies	6,900	43,630
Total	5,846	7,254	Profit from the sale of fixed assets	10,442	0
			Other income	657	1,171
			Total	17,999	44,801

Paid salaries and remuneration

Management, members of the Supervisory Board and the Board of Directors

salaries including remuneration	1,620	1,374
Other salaries and remuneration	1,580	2,489

Extraordinary expenses		
Retroactive contribution to the Pension Fund	1,500	2,200
North-American companies' rehabilitation expenses	1,119	0
Total	2,619	2,200

5. Fixed assets	Acquisition cost 1.1.	Increase 1.1.-31.12.	Decrease 1.1.-31.12.	Accumulated depreciation 1.1.	Depreciation for the fiscal year	Value adjustment	Value in the Balance Sheet 31.12.
Intangible assets							
Intangible rights	504	0	0	0	0	0	504
Other capitalized expenditure	1,381	7	0	1,184	50	0	153
Total at 31 December 1996	1,885	7	0	1,184	50	0	657
Total at 31 December 1995	1,441	445	0	1,134	50	0	701
Tangible assets							
Land and water	901	0	0	0	0	80	981
Buildings	24,616	417	0	7,403	885	5,486	22,231
Machinery and equipment	2,359	310	430	1,178	229	0	833
Other tangible assets	1,194	2	0	886	75	0	234
Total at 31 December 1996	29,070	729	430	9,467	1,189	5,566	24,279
Total at 31 December 1995	23,379	5,690	0	9,010	791	5,566	24,834

FIM 1,000	1996	1995	FIM 1,000	1996	1995
Accumulated difference between total depreciation and depreciation according to plan			Taxable values of fixed assets		
Buildings	8,567	8,269	Land	2,168	1,821
Total	8,567	8,269	Buildings	20,315	20,919
			Shares in other companies	94,427	78,837
			Total	116,910	101,577

6. Long-term loan receivables		
Group companies	57,250	68,137
Associated companies	7,000	7,000
7. Receivables maturing beyond a year		
Loans receivable	64,830	75,137
Total	64,830	75,137

8. Receivables and loans within the Group		
Group companies		
Accounts receivable	1,200	819
Loans receivable	79,356	93,787
Accrued receivables	45,654	48,831
Short-term accounts payable	14	4
Accrued payables	146	4,256
Other short-term liabilities	31,700	41,726
Associated companies		
Accounts receivable	306	77
Loans receivable	8,651	7,878
Short-term accounts payable	15	42

RAUTE OY

FIM 1,000	1996	1995	FIM 1,000	1996	1995
9. Loans to management and shareholders			11. Liabilities maturing beyond five years		
Loans to the companies' management	372	340	Pension loans	42,180	45,759
Loans to shareholders	120	113	12. Pledged assets and contingent liabilities		
Loan terms from 1 to 5 years.			Security for own debts		
Interest rate between 6.25 and 8 per cent.			Pledges	5,207	5,532
10. CHANGES IN SHAREHOLDERS' EQUITY			Mortgages	29,027	29,027
Retained earnings at 1 January	52,645	46,752	Securities for a group company's debts		
Profit for the previous year	36,265	13,523	Guarantees	103,929	117,469
Change in revaluation	-2,500	0	Forward exchange agreements	126,129	158 515
Dividends	-4,578	-7,629	Other own liabilities		
Retained earnings at 31 December	81,833	52,645	Pension fund liabilities	4,175	7,459
The parent company's shares			Long-term loans receivable include consolidated loans to subsidiaries on equity terms	200	1,450
	Number	Nominal value FIM	Total		
	3,815	10.00	38,221		
Ordinary shares (20 votes/share)	1,055				
A-shares (1 vote/share)	2,760				
7,520 ordinary shares redeemed by the company.			Letters of Support have also been issued on behalf of some subsidiaries.		

13. Shares and holdings of the Group and the Parent Company

Group companies	Group holdings and voting rights, %	Number of shares (1,000)	Nominal value currency 1,000	Book value entered by the Parent Company	Profit/loss in the latest Financial Statements 12/96	The Group's part in shareholders' equity
Raute Wood Oy	100.00	14	FIM 14,015	35,615	-2,890	32,377
Raute Wood Ltd. *)	100.00	2,005	CAD 4,412		-31,504	-36,868
Raute Inc. *)	100.00	1	USD 1		-51	5,374
Raute Wood Inc. *)	100.00	1	USD 1		-2,010	-11,297
Raute GmbH *)	100.00	1	DEM 50		22	261
RWS-Engineering Oy *)	100.00	1	FIM 1,015		271	1,293
Raute Wood Asia Pte Ltd. *)	100.00	2	SGD 0		192	695
Raute Precision Oy	100.00	4	FIM 4,495	11,215	972	12,285
Raute Precision Ab *)	100.00	2	SEK 200		0	145
Raute Dry Mix Oy *)	91.00	27	FIM 1,365		1,181	2,462
Raute Dry Mix GmbH *)	100.00	1	DEM 100		0	0
Kiinteistö Oy Kurjenjalka	100.00	1	FIM 67	67	0	65 **)
Kiinteistö Oy Hamarahjo	74.00	1	FIM 1	1	1	-99 **)
TOTAL				46,898		
Associated companies	Group holdings and voting rights, %		Nominal value currency 1,000	Book value entered by the Parent Company	Profit/loss in the latest Financial Statements 12/96	The Group's part in shareholders' equity
Eloc Oy (property company)	34.00		FIM 10,205	20,352	48	20 322 **)
A/O Raute Massa *	50.00		SUR 500		-1	2

*) Through subsidiaries

***) Date of the Financial Statements 8/96

The Parent Company's other shares and participations

	Parent holdings, %	Book value entered by the Parent Company
Chudovo-RWS	19.65	6,775
Other shares and participations		9,045
TOTAL		15,820

The Group's other shares and participations

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The book values of the Parent Company's shares include revaluations in the amount of FIM 4,000.

DISTRIBUTION OF DIVIDENDS

The Board of Directors' proposal to the Annual General Meeting

According to the Balance Sheet at 31 December 1996, the Group's non-restricted equity was FIM 1,000	94,636
whereof distributable funds in the amount of FIM 1,000	57,819

According to the Balance Sheet at 31 December 1996, the Parent Company's non-restricted equity was FIM	81,832,854.04
Profit for the year FIM	15,406,709.56

Total non-restricted equity FIM	97,239,563.60
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The Board of Directors proposes to the Annual General Meeting that FIM 1.40 per share be paid out of the Parent Company's non-restricted equity as dividend to the shareholders, totalling FIM	5,340,451.20
and that FIM be left in the profit account.	91,899,112.40

	97,239,563.60
--	---------------

Lahti, 3 March 1997

Juha-Pekka Keskiaho
Chairman of the Board

Kari Airaksinen

Lauri Jalli

Stig Gustavson

Mikko Mustakallio

AUDITORS' REPORT

To the shareholders of Raute Oy

We have audited the accounting, the financial statements and the corporate governance of Raute Oy for the period 1.1. - 31.12.1996. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with the Finnish Standards on auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures 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 corporate governance is to examine that the members of the Supervisory Board and Board of Directors as well as the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, both of the consolidated and parent company's results of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Supervisory Board and Board of Directors as well as the Managing Director can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

We have reviewed the interim reports published during the financial year. The interim reports have been prepared in accordance with the relevant regulations.

Lahti, 5 March 1997

Kari Manner, APA

Jarmo Lohi, APA

DEFINITION OF KEY RATIOS

Return on equity (ROE) =	$\frac{\text{Profit before extraordinary items} - \text{taxes}}{\text{Equity} + \text{minority interests} + \text{accumulated appropriations (average)}} \times 100 \%$
Return on investment (ROI) =	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial items}}{\text{Balance sheet total} - \text{interest-free liabilities (average)}} \times 100 \%$
Solvency ratio, % =	$\frac{\text{Equity} + \text{minority interests} + \text{accumulated appropriations}}{\text{Balance sheet total} - \text{advances received}} \times 100 \%$
Earnings per share (EPS) =	$\frac{\text{Profit before extraordinary items} \pm \text{minority interests as a percentage of group profit} - \text{taxes}}{\text{Share issue adjusted average number of shares during the year}}$
Equity to share =	$\frac{\text{Equity} + \text{accumulated appropriations}}{\text{Share issue adjusted number of shares at the day of the financial statements}}$
Dividend per share =	$\frac{\text{Distributed dividend for the year}}{\text{Share issue adjusted number of shares at the day of the financial statements}}$
Dividend per profit, % =	$\frac{\text{Distributed dividend for the year}}{\text{Profit (calculated as in earnings per share)}} \times 100 \%$
Price/earnings ratio = (P/E ratio)	$\frac{\text{Issue-adjusted share price at 31 December}}{\text{Earnings per share}}$
Effective dividend = return %	$\frac{\text{Issue-adjusted dividend per share}}{\text{Issue-adjusted share price}} \times 100 \%$
Issue-adjusted share price at the end of the fiscal year =	Average price weighted by the number of share transactions on the last trading day

PERFORMANCE KEY RATIOS

KEY RATIOS

FIM 1,000	1996	1995	1994	1993	1992
Net Sales	748,398	782,918	698,243	442,632	257,438
Exports	669,348	607,470	581,253	342,011	88,400
% of net sales	89.4	77.6	83.2	77.3	34.3
Operating profit after depreciation	10,160	6,371	71,350	-789	-54,066
% of net sales	1.4	0.8	10.2	-0.2	-21.0
Profit after financial items	14,894	1,098	56,807	-10,079	-62,595
% of net sales	2.0	0.1	8.1	-2.3	-24.3
Profit before voluntary provisions and taxes	5,535	1,098	38,786	-10,079	-62,595
% of net sales	1	0.1	5.6	-2.3	-24.3
Return on investment, % (ROI)	8.1	6.1	24.9	2.9	-9.3
Return on equity, % (ROE)	7.4	-1.7	24.3	-6.1	-29.1
Balance sheet total	511,097	585,727	545,637	533,670	474,312
Interest bearing net liabilities	35,935	17,890	-27,579	89,843	121,293
% of net sales	4.8	2.3	Neg.	20.3	47.1
Interest-free liabilities	230,181	286,025	207,686	170,908	95,783
Solvency ratio (gearing ratio), %	38.2	35.4	42.2	37.4	42.1
Gross investments in fixed assets	11,694	62,818	24,060	10,671	6,725
% of net sales	1.6	8.0	3.4	2.4	2.6
Research and development expenditure	7,899	15,244	8,910	7,169	6,219
% of net sales	1.0	2.0	1.3	1.6	2.4
Volume of orders in hand	239,468	376,516	443,351	365,093	153,300
Personnel at 31 December	903	1,287	981	982	1,046
Dividends	*) 5,430	4,578	7,629	2,511	2,352

SHARE INFORMATION

	1996	1995	1994	1993	1992
Earnings per share FIM	3.38	-0.85	12.57	-3.78	-20.07
Equity to share FIM	45.16	46.57	51.94	53.06	58.41
Dividend per share FIM	*) 1.40	1.20	2.00	0.79	0.74
Dividend per profit %	41.4	Neg.	18.0	neg.	neg.
Effective dividend return %	3.52	3.75			
Price/earnings ratio (P/E ratio)	11.77	-37.47			
Issue-adjusted share price at the end of the year					
Low, FIM	34.00	28.50	70.00		
High, FIM	48.00	88.90	95.00		
Average rate during the year, FIM	40.45	58.00	**)		
Share price on the last day of the year	39.81	32.00	88.20		
Market capitalization, 31 December, FIM 1,000	151,860	122,067	336,448		
Trading in the company's shares (A share)					
Shares traded during the fiscal year	985	748	**)		
% of the number of A shares	35.7	27.1			
Issue-adjusted number of shares at year-end	3,814,608	3,814,608	3,375,666	3,178,840	3,180,340
Issue-adjusted number of shares average	3,814,608	3,814,608	3,814,608	3,178,840	3,178,840

The key figures for 1992 - 1993 have been calculated according to the old accounting regulations.

The deferred tax liabilities have been included in the computation of the key ratios since 1994.

*) The Board of Directors' proposal

***) Raute Oy was listed in 1994

SHARES AND SHAREHOLDERS

SHARE CAPITAL AT 31 DECEMBER 1996

Shares	Nominal value	1,000 shares	Total nominal value
	10	3,815	38,221
Ordinary shares		1,055	
A-shares		2,760	

CHANGES IN SHARE CAPITAL FROM 1 JANUARY 1989 TO 31 DECEMBER 1996

	Share capital FIM	K-shares (20 votes)	A-shares (1 vote)
Share capital at 1 January 1989	31,863,600	1,062,120	2,124,240
Redemptions at 13 March 1992		-7,520	
Share issue at 21 September 1994, the shares entitle to full dividend for the year beginning at 1 January 1994	6,357,680		635,768
Share capital at 31 December 1996	38,221,280	1,054,600	2,760,008

The company has no current authority for share issues or convertible bonds or related arrangements.

DISTRIBUTION OF SHARES AT 31 DECEMBER 1996

By shareholding

	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
Private individuals	455	81.25	2,589,432	67.88	22,626,832	94.86
Financial institutions	14	2.50	293,400	7.69	293,400	1.23
Foreign shareholders	8	1.43	175,600	4.60	175,600	0.74
Foundations, trusts and funds, etc.	7	1.25	8,800	0.23	8,800	0.04
Public institutions	4	0.71	426,400	11.18	426,400	1.79
Companies	72	12.86	320,976	8.42	320,976	1.34
Total	560	100.00	3,814,608	100.00	23,852,008	100.00

By size of holding

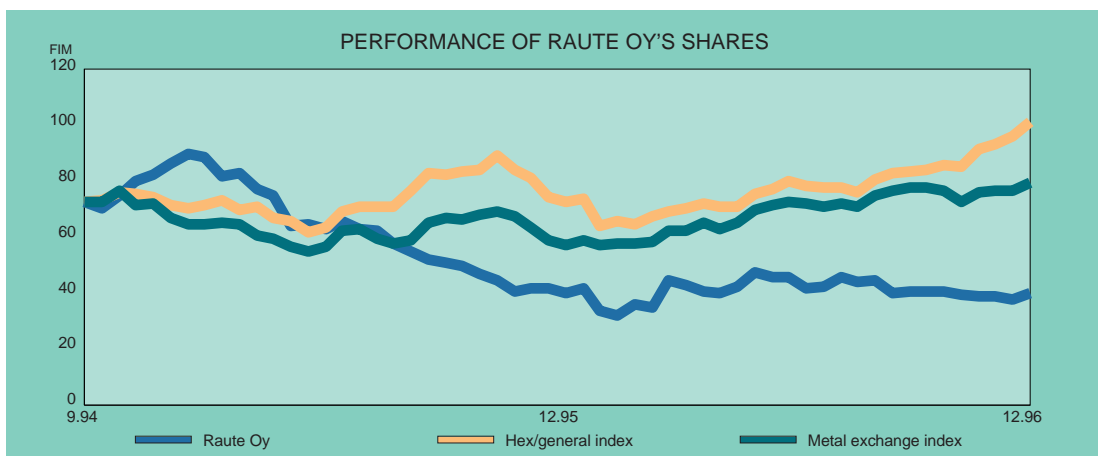
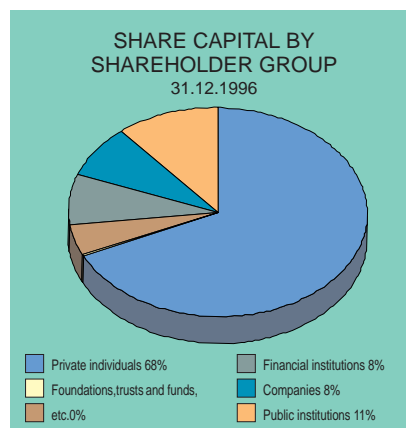
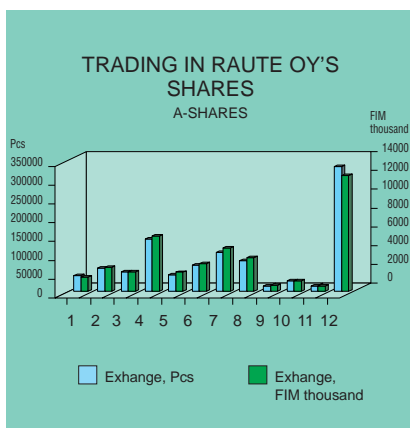
	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
1 - 1000	427	76.25	161,719	4.24	175,019	0.73
1001 - 5000	53	9.47	134,890	3.54	134,890	0.57
5001 - 10000	18	3.21	137,106	3.59	597,666	2.51
10001 - 50000	35	6.25	795,283	20.85	5,214,683	21.86
50001 - 100000	18	3.21	1,224,114	32.09	9,683,294	40.60
100001 -	9	1.61	1,361,496	35.69	8,046,456	33.73
Total	560	100.00	3,814,608	100.00	23,852,008	100.00

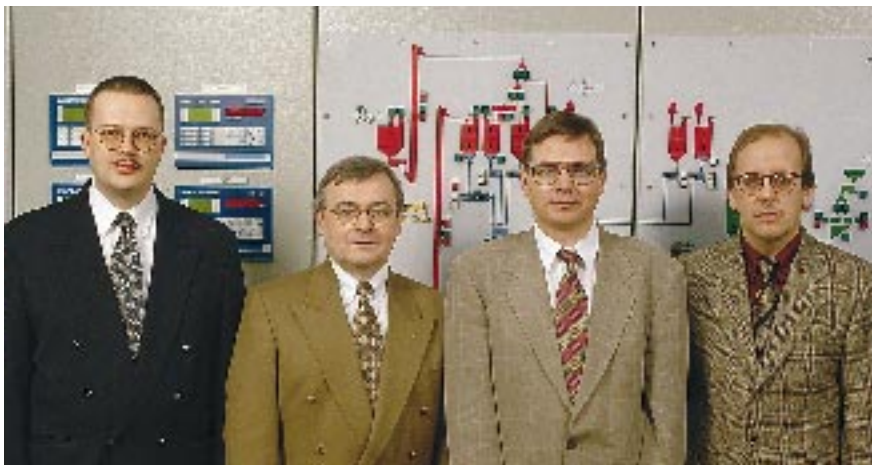
THE TEN BIGGEST SHAREHOLDERS ACCORDING TO THE SHARE REGISTER

Shareholder	Number of K-shares	Number of A-shares	Total number of shares	Holding in per cent	Total number of votes	Percentage of voting rights
1. Vakuutusosakeyhtiö Eläke-Sampo		380,000	380,000	9.96	380,000	1.59
2. Mustakallio Kari	60,480	77,009	137,489	3.60	1,286,609	5.39
3. Tiiviste Group Oy		133,300	133,300	3.49	133,300	0.56
4. Kirmo Kaisa	50,280	73,492	123,772	3.24	1,079,092	4.52
5. Suominen Pekka	48,000	74,759	122,759	3.22	1,034,759	4.34
6. Suominen Tiina	48,000	74,759	122,759	3.22	1,034,759	4.34
7. Suominen Jussi	48,000	74,759	122,759	3.22	1,034,759	4.34
8. Siivonen Osku	50,640	59,539	110,179	2.89	1,072,339	4.50
9. Mustakallio Mikko	46,440	62,039	108,479	2.84	990,839	4.15
10. Mustakallio Eero	32,000	54,767	86,767	2.27	694,767	2.91
Total	383,840	1,064,423	1,448,263	37.95	8,741,223	36.64

105,550 shares were under administrative registration at 31.12.1996.

The company's management has 563,634 shares with 24.68 per cent of the total voting rights. The company's management has no convertible bonds or bonds with warrants.





Raute Group's Management Team: from left Mikko Mustakallio, Juha-Pekka Keskiäho, Pentti Aalto and Risto Tuuri.

SUPERVISORY BOARD

Sinikka Mustakallio
Chairman
On the Supervisory Board since 1995

Riitta Särkijärvi
Deputy Chairman
On the Supervisory Board since 1974

Tuomo Keskiäho
On the Supervisory Board since 1990

Lasse Kirmo
On the Supervisory Board since 1992

Sole Molander
On the Supervisory Board since 1993

Leea Mustakallio
On the Supervisory Board since 1990

Jukka Suominen
On the Supervisory Board since 1977

BOARD OF DIRECTORS

Juha-Pekka Keskiäho
President of Raute Oy
Chairman
On the Board of Directors since 1990

Kari Airaksinen
President of Finnyards Oy
Deputy Chairman
On the Board of Directors since 1991

Stig Gustavson
President of KCI Konecranes
International Oy
On the Board of Directors since 1995

Lauri Jalli
Director of Research of Taktum Oy
On the Board of Directors since 1991

Mikko Mustakallio
President of Raute Wood Oy
On the Board of Directors since 1990

THE RAUTE GROUP'S CORPORATE MANAGEMENT TEAM

Juha-Pekka Keskiäho
President of Raute Oy

Pentti Aalto
President of Raute Precision Oy

Mikko Mustakallio
President of Raute Wood Oy

Risto Tuuri
Director of Accounting and
Business Administration

**RAUTE WOOD
BUSINESS GROUP**
Mikko Mustakallio, President

**RAUTE PRECISION
BUSINESS GROUP**
Pentti Aalto, President

AUDITORS

Kari Manner,
Authorized Public Accountant
Jarmo Lohi,
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Kihlman Oy,
Authorized Public Accountants

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