

ANNUAL REPORT
1997

CONTENTS

Raute Group	2
Review by the Management	5
Raute Wood	6
Raute Precision	10
The Board of Directors' Annual Report	14
The Raute Group's Financial Statements	16
The Parent Company's Financial Statements	23
Business Development	29
Definition of Key Ratios	30
Distribution of Dividends	31
Shares and Shareholders	32
Addresses	34
Group Management	35

Raute is an industrial group specialized in project delivery. Deliveries include complete production plants, production lines and machinery, as well as a wide variety of customer services.

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 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 649 million and it has a staff of 893.

Annual General Meeting

The Annual General Meeting of Raute Oy will be held on Tuesday, 31 March 1998, starting at 6 p.m., at the Sokos Hotel Lahden Seurahuone, Aleksanterinkatu 14, Lahti. Shareholders, entered on 26 March 1998 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 27 March 1998 at the latest, either by telephone +358-3-829 2421, by telefax +358-3-829 2463, or by writing to Raute Oy, POB 148, FIN-15141 Lahti, Finland. 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 31. The dividend is paid to the shareholder who on the tally day, i.e. 3 April 1998, is entered in the shareholders' register in the Finnish Central Share Register. The dividends are paid on 8 April 1998.

Business Information

Raute Oy will publish two interim reports in 1998:
for the period from January to April on 29 May 1998
for the period from January to 29 September 1998

BUSINESS ORGANIZATION

GROUP ADMINISTRATION

Group development, investments and investor relations

RAUTE WOOD

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

	1997	1996
Net sales (FIM million)	460	577
Operating profit after depreciation (FIM million)	24	5
Personnel	635	900

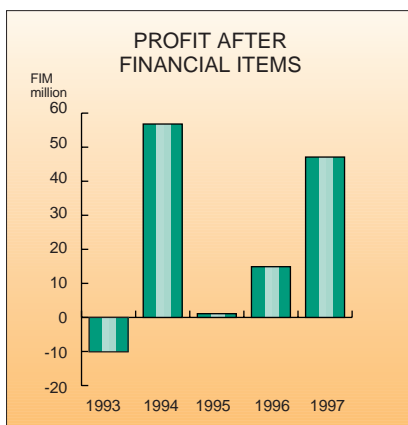
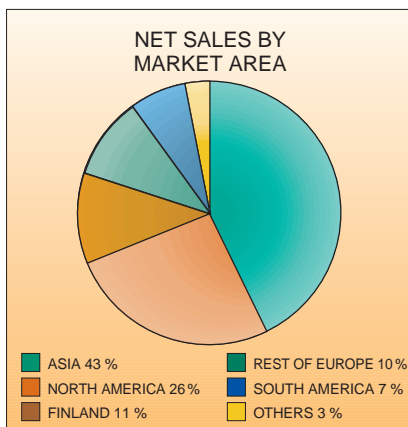
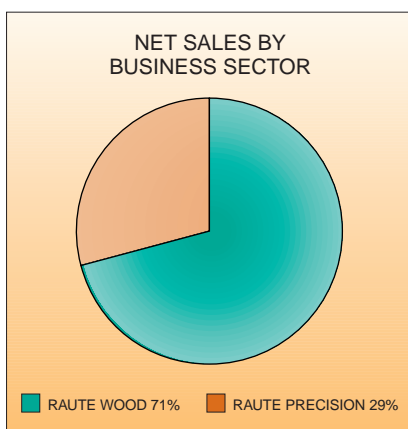
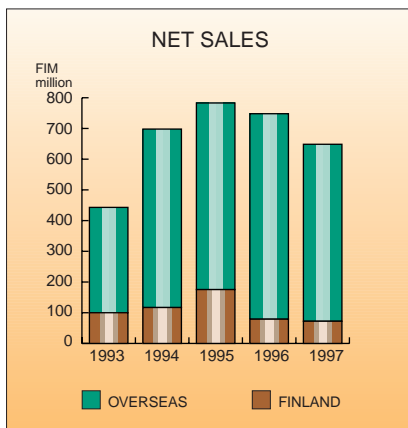
RAUTE PRECISION

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

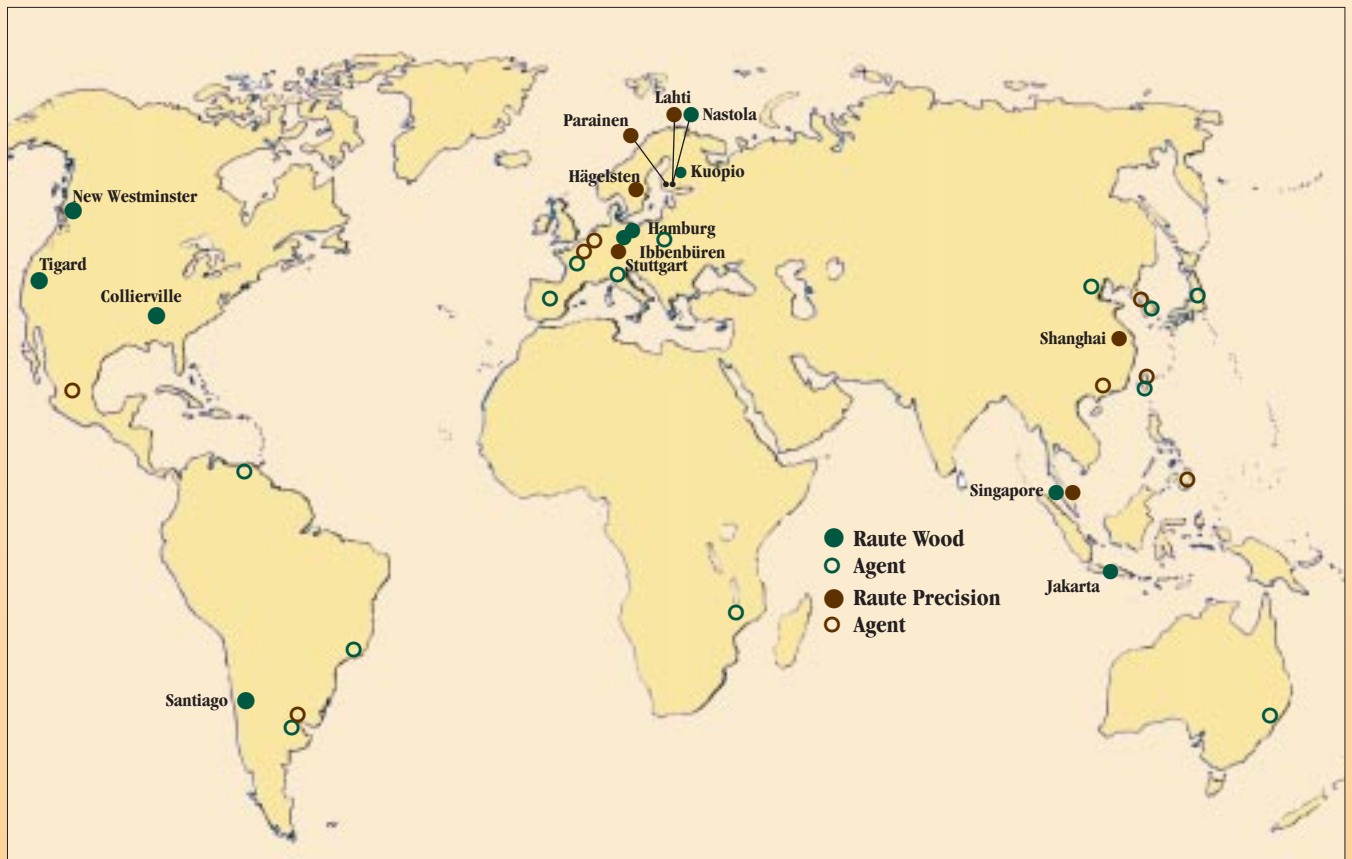
	1997	1996
Net sales (FIM million)	195	197
Operating profit after depreciation (FIM million)	19	9
Personnel	203	204

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

KEY RATIOS



	1997	1996	1995
Net sales (FIM million)	649	765	783
Change (per cent)	-15.2	-2.3	12.1
Overseas sales (FIM million)	576	684	608
Change (per cent)	-15.8	12.7	4.5
Profit after financial items (FIM million)	47.1	14.9	3.3
Earnings per share (FIM)	9.31	3.38	-0.85
Equity per share (FIM)	52.27	45.16	46.57
Return on investment (ROI, per cent)	18.8	8.1	6.1
Solvency ratio (per cent)	46.1	38.2	35.4
Volume of orders in hand (FIM million)	379	240	377



FOCUS OF THE 90TH ANNIVERSARY YEAR: QUALITY DEVELOPMENT AND MARKETING EFFORTS

Raute Oy's 90 years of history involve the development from a one-man enterprise to a family-owned company, and further on to an exchange-listed private company. The basis of the development is strong entrepreneurship, high technological expertise and the ability to react rapidly to changes in the environment.

In 1998 the operations will be focused on quality development, emphasising a high level of expertise and customer-oriented product development. The sales office established in China, and more effective marketing efforts in North and South America, will promote internationalization and improve the Group's possibilities to compensate for the decline in sales in Southeast Asia in the near future. The marketing efforts in Southeast Asia will be further enhanced, because we expect the market situation to pick up in the long run.

The development of a performance-related salary system for the personnel will be the key focus of the Group's personnel administration during 1998.

THE LEVEL OF NET SALES FIRM IN 1998

The estimate, that net sales will remain at the same level as in the previous year, is based on the high volume of orders in market areas other than Asia. The profit after financial items is anticipated to decline slightly.

The Raute Group's good result for 1997 proves that strong entrepreneurship and co-operation between customers, personnel and other interest groups pays off.

I would like to extend my warmest thanks to you all for a successful year, and wish a prosperous 90th Anniversary Year in 1998.



Juba-Pekka Keskiabo, President and CEO

The Raute Group has been able to meet the challenges set for 1997, the most significant of which were the completion of restructuring of operations in Raute Wood's North-American units, and the improvement of profitability of all business groups.

The result of Raute Wood's North-American units picked up and was positive. Profitability of both Raute Wood and Raute Precision improved clearly. Also the Group's solvency ratio strengthened considerably.

OPERATING PROFIT QUADRUPLED

The North-American business was rehabilitated through Raute Wood's extensive restructuring program. Also, the Raute Precision's emphasis on project development and project risk management, as well as project planning, resulted in positive profit development.

The Group's operating profit quadrupled, totalling FIM 41 million, in spite of the 15 percent decline in net sales. The Group's net sales in 1997 amounted to FIM 649 million, of which Raute Wood accounted for 71 percent and Raute Precision for 29 percent.

The Group's profit after financial items totalled FIM 47 million, and the solvency ratio was 46 percent. The number of personnel at the end of the year was 893.

STOCK PRICES REMAINED STABLE

The stock prices of Raute's A-shares at the Helsinki Stock Exchange have been firm. The price fluctuated from FIM 40 to FIM 57. The development of Raute's A-shares' stock prices corresponded to the metal exchange index.

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 635 persons.

Mikko Mustakallio, President

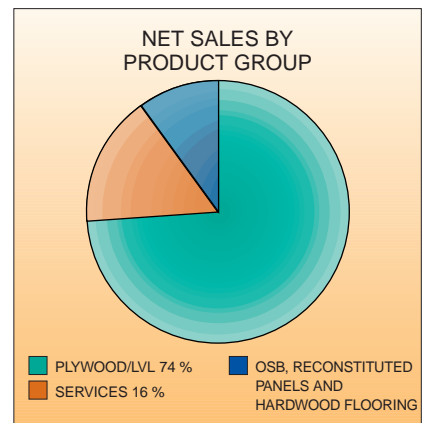
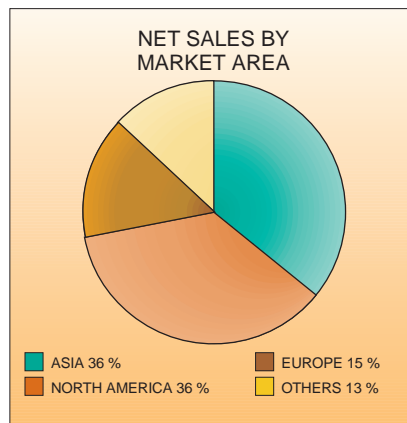
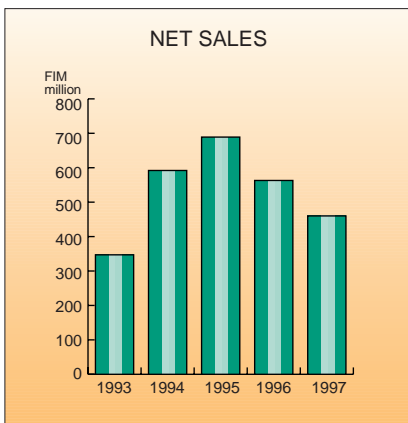
NET SALES AND OPERATING PROFIT

As anticipated, the net sales of the Raute Wood business group decreased in 1997, totalling FIM 460 million (FIM 577 million). The decline was biggest in North America, mainly due to the decrease in OSB technology sales. Net sales in Europe declined significantly from the previous year, which had been lively, though in Finland sales remained at the same level as 1996. On the other hand, sales in Asia increased considerably compared to the previous year, which had been quiet. The first project since the collapse of the Soviet Union was delivered to Russia. The majority of sales in 1997 consisted of plywood and LVL technology.

The operating profit of the business group amounted to FIM 24 million (FIM 5 million). The considerable growth in this category was due mainly to the reorganization of operations in North America. Now the result of the North-American units was positive as well. The operating profit of RWS-Engineering improved clearly, reaching a good level. The result for Raute Wood Oy declined slightly but was, however, satisfactory.

LVL - short for laminated veneer lumber - is a typical "new" high quality wood product. In spite of it having been commercially available for the past twenty years, it has only recently become well known to the building industry.

With its wide variety of properties, LVL provides structural engineers with almost unlimited opportunities. Planks which are over 20 m in length can be used to make attractive, open structures. LVL is also well suited to smaller construction jobs. Being a homogeneous and dimensionally stable building material, LVL can be used in both bearing and non-bearing walls, in door and window frames, sliding door rails, steps, as well as in the roof trusses of single-family houses.



In North America 45 per cent of the produced LVL is processed into I-joints for use in intermediate floors of buildings, as well as in floor and roof systems. The web is generally made of OSB.

BUSINESS DEVELOPMENT

The fixed and indirect costs of Raute Wood units in North America decreased by half, as a result of the reorganization implemented in the units during the previous year. The comprehensive reorganization measures were carried out in order to eliminate overlapping costs and react to the OSB market situation, which had changed. The number of personnel in North America in 1997 averaged 245 (508). Having been reorganized, the North-American companies now market the whole Raute Wood product range, improving sales opportunities in the area.

In 1997 the Raute Wood Nastola began a systematic quality development project involving internal quality training, participation in the Master of Quality training program arranged by the Helsinki University of Technology, and participation in the Finnish Quality Award contest in order to gain an outside evaluation of the quality status. Quality management will be vigorously developed during 1998.

The investments of the business group totalled an approximate FIM 13 million, the major investment being the acquisition of a CNC machine tool centre for the

manufacturing system in Nastola. Investments included, among other targets, renovation of computer-aided design and the microcomputer hardware.

Key areas in product development were the development of veneer peeling lines, the increasing of the LVL line layup capacity, increasing the speed of overlaying lines, and adapting of the OSB-process for new market areas. The Research Laboratory tested the suitability of fast growing wood species, such as acacia, albiria and eucalyptus, for wood-based panel manufacturing.

Raute Wood's biggest project in South America is the softwood plywood mill to the Arauco Group in Chile. The new factory started production in September 1997. Chile's leading wood processing company, who also operates two pulp mills and five sawmills, plans to produce annually 100,000 m³ of plywood and 20,000 m³ good-quality veneer.

The strategy of the Raute Wood business group was further developed in international strategy forums for the personnel. Strategic cornerstones are: local, customer-oriented operations; the scale advantages and learning advantages of production and product development based on world-wide operations; and flexible and rapid joint use of resources in order to exploit new business prospects.

OUTLOOK

The recent developments in the Asian economies have increased economic

instability throughout the world, including Raute Wood's business operations. The probable consequences will involve postponing certain projects until a later date.

The volume of orders at the end of 1997 was high, totalling FIM 266 million (FIM 139 million). Projects in Asia amounted to FIM 62 million, and the projects in question are estimated not to involve any financing risks. On account of the situation in Asia, the sales forecast for that area has been reduced by about a half from previous year. The relatively good market situation in North America is expected to continue in

the plywood and LVL business, and sales in that area are expected to remain at their 1997 level. In European sales, significant growth is anticipated for 1998 due to the good volume of orders in Finland. The exceptionally high volume of orders in Finland is due to construction of new plywood and LVL capacity. Sales in other market areas will remain on a level clearly lower than the previous year.

On the whole, the net sales and operating profit of the business group in 1998 are estimated to reach the same level as the previous year.

Raute Precision consists of several business areas which utilize weighing technology. The group's activities are divided into four business units, of which the Glass Unit and the Dry Mix Unit, Raute Dry Mix Oy, operate globally in their respective niche markets. The Standard Products Unit and the Project Unit serve customers in trade, industry, as well as in the public sector, mainly in Finland and in the neighboring 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, and weighing and dosing systems, as well as maintenance and calibration services related to the weighing business.

The group is one of the two leading companies worldwide for supplying glass batch plants and dry mix plants. In the other business areas Raute Precision's objective is to strengthen its position as the leading company in the weighing business in the domestic market.

The building industry is the most significant common market segment for the customers of the business group. Therefore investments in the group's products, to a considerable extent, are indirectly dependent on building activity, as well as on the development of quality requirements, labor costs and technology related to the building industry.

Raute Precision's production plants are in Lahti and the business group has 203 employees.

Pentti Aalto, President

NET SALES AND OPERATING PROFIT

Raute Precision's net sales, totalling FIM 195 million (FIM 197 million) were at level of the previous year.

The business group's operating profit of FIM 19 million (FIM 9 million) is the highest in the history of the company. The result is also good measured by the return on capital employed in the business. During the past few years, the profitability of the group has clearly increased to a level higher than generally in the weighing business.

The glass industry's profitability improved clearly over the previous year and the result was good, in spite of some decrease in net sales. During the fiscal year the Business Unit delivered seven plants altogether. The biggest project was a batch plant and a cullet return system for Siam Guardian in Thailand.

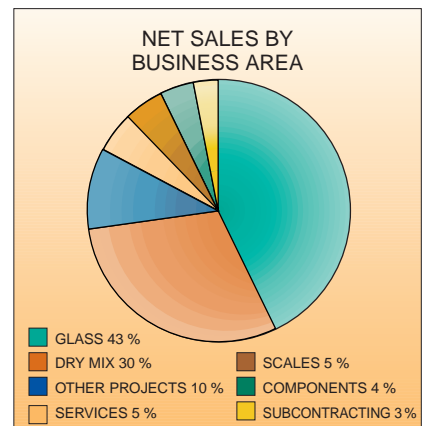
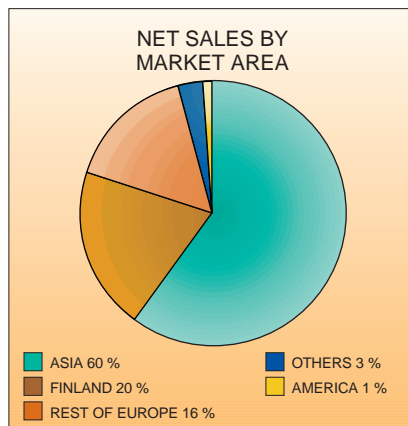
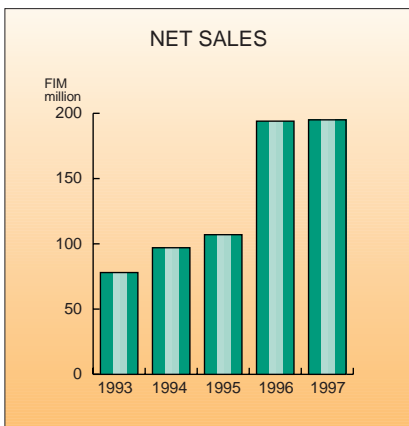
Raute Dry Mix continued to grow, and the profitability of the company was good again. The biggest projects were dry mix plants for Optiroc in Poland and SsangYong and Eastern Pretech in Singapore.

Excluding scales and subcontracting the profitability of all other business areas were also good.

During the year 1997 Raute Dry Mix made a turnkey delivery of a mortar and plaster plant to Poland.

The biggest project in the glass industry in 1997 was the delivery of a batch plant and a cullet return system to Siam Guardian's float glass factory in Thailand.

The control system for the batch plant.



In the dry mix plants supplied by Raute Dry Mix, sand is dried by vibrating fluid bed dryers. In the picture, the dryer delivered to IHB Quarzwerk GmbH in Germany.

In the patented silo discharge system the fluidizing air is carried through specially designed fluid elements.

BUSINESS DEVELOPMENT

The focus areas in the internal development work were project and risk management, as well as project engineering. The marketing, sales, engineering and operation management activities related to the weighing components and scales excluding process scales were organized under the Standard Products Unit established in the beginning of the year.

During the past few years Raute Precision has delivered several significant projects to China. In order to further develop sales and customer service of the glass and dry mix

businesses in that region, it was decided at the end of 1997 to establish a sales office in Shanghai. The goal is also to even out the effect of the considerably weakened economic situation in Southeast Asia on the business group's sales.

A new series of HSB hopper scales for batch processes was launched into the market. The development of vibrating fluid bed dryers continued and the WB-range of weighing indicators and controllers was expanded by WB-940 controller for totalizing hopper scales and WB-961 controller for packing machines. The group invested also in the development of belt conveyors used in the projects.

OUTLOOK

Asia has grown into the biggest market area for the group. The outlook for the following years is weakened by the economic situation in Southeast Asia. This has been evident in poor accumulation of orders from the area since the autumn 1997. The situation is beginning to be reflected in postponements of customers' investment decisions for other parts of the world, too.

The Glass Industry Unit has invested in sales and marketing activities in North and South America. The unit's volume of orders for 1998 is satisfactory due to projects sold to

Also the sales of truck scales developed well in 1997.

U.S. and Brazil, although the partial surplus capacity in the industry is increasing particularly in the float glass industry in Southeast Asia.

The dry mix business is a growing industry, but 1998 may become an interim year for Raute Dry Mix, which has been growing rapidly. Net sales are expected to decrease somewhat from the level achieved in the previous year. Marketing and sales efforts in Europe and South America will be intensified in order to compensate for the weakening market situation in Southeast Asia.

The development of other business areas is closely linked to investment activity in Finland.

In 1997 Raute Precision received new orders in the amount of FIM 209 million (FIM 147 million) and the volume of orders totalled FIM 115 million (FIM 101 million) at the end of the year. The biggest project deliveries are batch plants and cullet return systems for Guardian's new float glass factories in Brazil and the United States, as well as a dry mix plant in Hong Kong. The delivery to Brazil is a breakthrough for Raute Precision into the South-American glass industry, the investments of which are

expected to grow over the next few years, though at a slower rate than predicted. The Hong Kong plant will be the first industrial dry mix plant in China, thus a significant breakthrough for Raute Dry Mix.

The major part of the income from projects in 1998 is expected to be recorded in the last quarter of the year. Net sales for the business group are estimated to remain at the same level as the previous year, but the operating profit will decrease to a satisfactory level due to additional investments in marketing sales and product development, as well as the situation in Southeast Asia.

NET SALES

The net sales of the Raute Group amounted to FIM 649 million (FIM 765 million), including FIM 460 million (71 %) on the part of Raute Wood and FIM 188 million (29 %) on the part of Raute Precision.

A total of 11 percent of the Group's net sales came from Finland, 10 percent from other European countries, 7 percent from South America, 26 percent from North America, and a total of 43 percent from Asia.

The North-American share of Raute Wood's net sales was 36 percent, equal to Asia's share, which was also 36 percent.

Raute Precision's net sales increased to a level equal to the previous year. The Glass Industry Unit's total share of the net sales amounted to 43 percent, and the Dry Mix Unit accounted for 30 percent. By market area, the net sales were highest in Asia, at 60 percent. Finland accounted for 20 percent of the net sales, while other European countries made up 16 percent.

THE GROUP'S ORDER VOLUME

At the end of 1997, the Group's volume of orders totalled FIM 379 million (FIM 239 million).

The volume of orders received during the year by Raute Wood amounted to FIM 520 million (FIM 406 million), and the volume of orders on 31 December, 1997 was FIM 266 million (FIM 139 million). As for Raute Precision, the volume of orders received during the year totalled FIM 209 million (FIM 147 million), and the volume of orders on 31 December, 1997 was FIM 115 million (FIM 101 million).

CHANGES IN THE GROUP'S STRUCTURE

At the end of the year, the decision was taken to establish a sales office in Shanghai with a view to improving sales and customer service in the glass and dry mix industry.

Sales of scales in Russia have not developed

as expected. Therefore, it was decided that the affiliate company A/O Raute Massa would be dissolved. The effect of the dissolution on the result of the Group is slight.

BUSINESS DEVELOPMENT

The Group's result was considerably better than in the previous year, in spite of the decline in net sales. The operating profit amounted to FIM 41 million (FIM 10 million).

Both the operating profit of Raute Wood, FIM 24 million (FIM 5 million), and the operating profit of Raute Precision, FIM 19 million (FIM 9 million), show a clear increase. The growth of Raute Wood's operating profit was due mainly to the reorganization of operations in North America. Raute Precision's operating profit was the highest in company history.

The Raute Group's financial income and expenses amounted to FIM +6 million (FIM +5 million). The profit after financial items was FIM 47 million (FIM 15 million). Extraordinary items include the retroactive contribution of FIM 2 million to the Raute Oy Pension Foundation. The Group's result before voluntary provisions and taxes was FIM 45 million (FIM 6 million).

FINANCING

The Raute Group's equity ratio strengthened significantly, amounting to 46 percent (38 percent) at the end of the financial year.

Liquidity was good throughout the year. The Group's cash flow prior to change of financial items was FIM +89 million.

The net change in long-term, interest-bearing liabilities was FIM -26 million, of which of extra instalments was approximately FIM 10 million.

The advances received at the end of the year 1997 were on a clearly higher level than the previous year, totalling FIM 128 million (FIM 59 million). The ratio of interest-bearing net liabilities to net sales was -9 percent (5 percent) at the end of the year.

INVESTMENTS AND PRODUCT DEVELOPMENT

The Group's investments totalled FIM 19 million (FIM 12 million).

The most significant investment was the acquisition of a CNC-machine tool centre for the Raute Wood production plant in Nastola.

The expenditure on research and product development amounted to FIM 9 million (FIM 8 million), and they are booked against income.

PERSONNEL

The staff of the Group totalled 893 (903) as of 31 December 1997.

At the end of the year, 296 (322) were employed overseas. On the average, the Group employed 875 (1126) people in 1997.

The parent company's personnel averaged 12 people (14 people).

SHARES AND SHAREHOLDERS

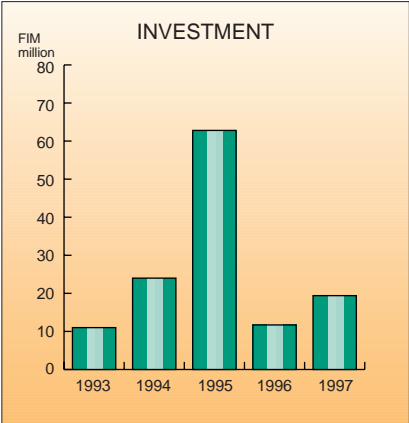
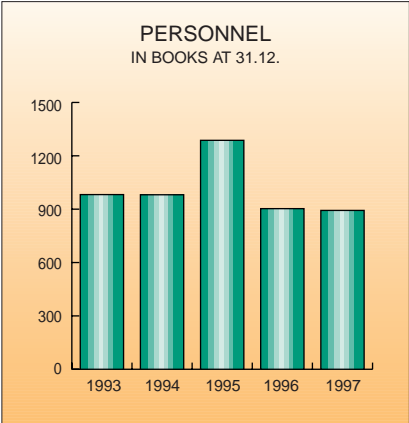
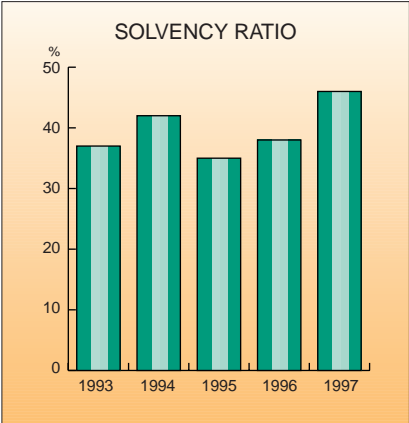
The total number of 1,211,196 (985,029) Raute Oy's A-shares were traded during the financial year for a total of FIM 59 million (FIM 40 million). The number of shareholders at the end of the financial year was 572 (560).

OUTLOOK

The Group's net sales in 1998 are expected to remain at the same level as the previous year. The volume of orders in Europe, North America and South America is strong and the market prospects of the areas are good. The share of Asia in the Group's net sales is estimated at 20 percent.

The Group's profit after financial items is expected to decline slightly, but to at least remain satisfactory. A major part of the operating profit for 1998 will accrue during the first two thirds of the year.

Raute Oy's Board of Directors. From the left Kari Airaksinen, Heikki Lehtonen, Juba-Pekka Keskiabo, Markku Nihti and Ilkka Kauranen.



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 which it otherwise controls.

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 Financial Statements of the foreign subsidiaries 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 Income Statements of the foreign subsidiaries are translated into Finnmarks according to the average rate of exchange during the year, and 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

The computation of net sales has been altered, so that net sales are calculated by deducting indirect taxes and discounts from the sales revenue of products and services. The figures for the reference year have been adjusted to conform to this recording system.

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 5 years on goodwill, 5 years on consolidated goodwill, 25 to 40 years on buildings, 4 to 8 years on machinery and equipment, and 5 to 10 years on other fixed assets.

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 that are not part of the Group's ordinary business are included in extraordinary income and expenses.

Group contributions are also recorded by the parent company under extraordinary items.

PENSION FUND ARRANGEMENTS

The statutory pension coverage of the Group's Finnish personnel 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. Pension arrangements for the foreign subsidiaries 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.

Uncovered pension liability that arose before 1 January 1993 is matched and entered in extraordinary expenses annually until the year 2000.

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.

ACCUMULATED DEPRECIATION DIFFERENCE AND TAXES

The accumulated difference between total depreciation and depreciation according to plan has 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.

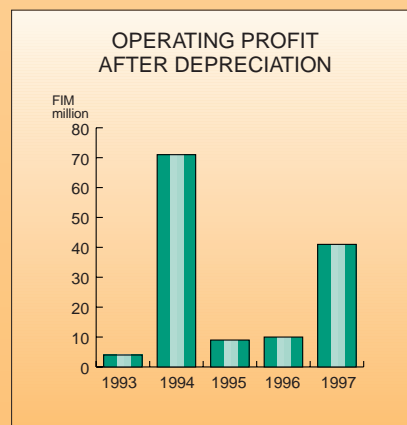
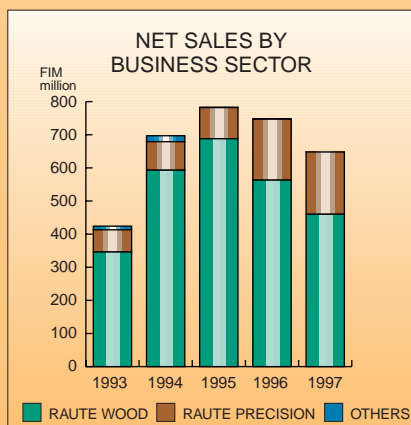
The income taxes of the Group companies are calculated according to the local practice in each subsidiary's country and included in the Consolidated Financial Statements.

COMPARABILITY OF THE FIGURES

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

INCOME STATEMENT

FIM 1,000	1997	1996
Net sales (Notes 1, 2)	648,626	764,935
Increase (+) or decrease (-) in finished goods inventories	12,038	-3,078
Other operating income	1,457	1,280
Costs		
Purchases	323,937	357,628
Increase (-) or decrease (+) in inventories	144	6,413
External services	19,534	33,957
Personnel expenses (Note 3)	199,116	247,174
Rents	4,480	6,577
Other	51,565	75,376
Total costs	598,776	727,125
OPERATING PROFIT BEFORE DEPRECIATION	63,345	36,012
DEPRECIATION ACCORDING TO PLAN (Note 5)	22,301	25,852
OPERATING PROFIT AFTER DEPRECIATION	41,044	10,160
FINANCIAL ITEMS		
Dividend income	754	1,257
Interest income from short-term investments	6,341	7,256
Other financial income	6,811	7,805
Interest expenses	-3,721	-7,017
Other financial expenses	-4,123	-4,567
Total financial items	6,062	4,734
PROFIT AFTER FINANCIAL ITEMS	47,106	14,894
EXTRAORDINARY ITEMS (Note 4)		
Income	0	10,441
Expenses	-2,100	-19,800
Total extraordinary items	-2,100	-9,359
PROFIT BEFORE VOLUNTARY PROVISIONS AND TAXES	45,006	5,535
Increase in depreciation difference (Note 5)	-9,992	-5,468
Change in voluntary provisions increase (-), decrease (+)	12,310	6,584
Income taxes, accounting period	-11,448	-4,386
Income taxes, from previous accounting periods	-1,275	0
Change in deferred tax liabilities	649	312
Minority interest	-203	-106
NET PROFIT FOR THE FINANCIAL YEAR	35,047	2,471



BALANCE SHEET

FIM 1,000 31.12.97 31.12.96

ASSETS

FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible assets (Note 5)

Goodwill	9,879	12,390
Goodwill on consolidation	1,415	2,453
Other capitalized expenditure	4,835	3,483
Total	16,129	18,326

Tangible assets (Note 5)

Land and water	10,038	10,544
Buildings	75,459	80,858
Machinery and equipment	40,067	38,669
Other tangible assets	561	627
Advance payments	574	598
Total	126,699	131,296

Financial assets (Note 5)

Shares in other companies	36,037	36,303
---------------------------	--------	--------

CURRENT ASSETS

Inventories

Materials and supplies	18,400	17,492
Unfinished products	68,680	55,496
Finished products/goods	763	753
Advance payments	14,712	3,800
Total	102,555	77,541

Receivables (Notes 6, 7, 8, 9)

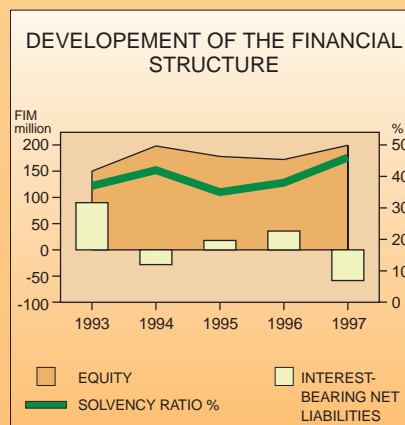
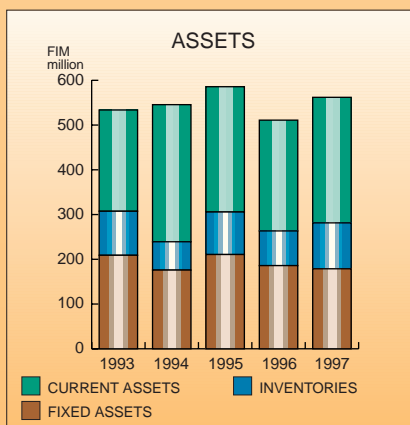
Accounts receivable	112,644	133,209
Loans receivable	10,531	10,802
Accrued receivables	23,852	25,518
Other receivables	6,835	5,639
Total	153,862	175,168

Current assets in marketable securities 65,911 53,383

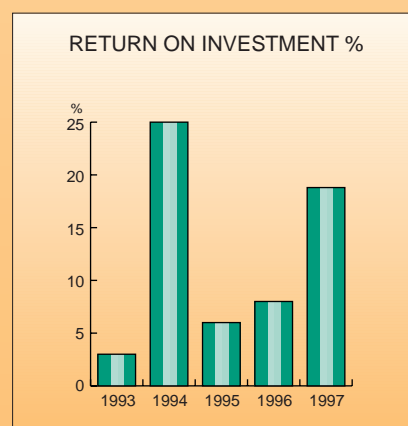
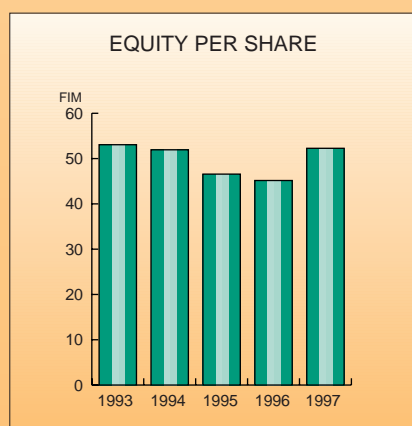
Cash and cash equivalents 60,839 19,080

TOTAL ASSETS

562,032 511,097



FIM 1,000	31.12.97	31.12.96
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	86,710	92,165
Profit for the year	35,047	2,471
Total	121,757	94,636
Total shareholders' equity	199,396	172,275
MINORITY INTEREST	346	244
OBLIGATORY PROVISIONS (Note 11)	18,641	27,252
LIABILITIES		
Long-term (Notes 12, 13)		
Loans from financial institutions	25,500	9,522
Pension loans	29,195	63,640
Deferred tax liabilities	13,790	14,439
Other long-term liabilities	10,593	7,207
Total	79,078	94,808
Short-term (Note 13)		
Loans from financial institutions	7,490	10,063
Pension loans	2,586	5,128
Advances received	128,335	59,132
Accounts payable	43,856	45,532
Accrued payables	78,704	72,429
Other short-term liabilities	3,600	24,234
Total	264,571	216,518
TOTAL LIABILITIES	562,032	511,097



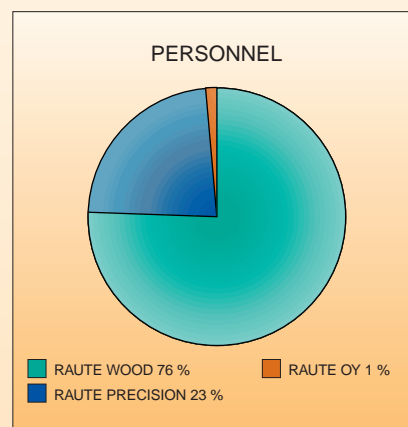
RAUTE GROUP

SOURCE AND APPLICATION OF FUNDS

FIM 1,000	1997	1996
OPERATIONS		
Funds from operations		
Operating profit before depreciation	63,345	36,012
Financial items	6,062	4,734
Extraordinary items	-2,100	909
Taxes	-12,723	-4,386
Total	54,584	37,269
Change in working capital		
Inventories, increase (-), decrease (+)	-25,013	17,454
Short-term receivables increase (-), decrease (+)	21,306	900
Short-term liabilities increase (+), decrease (-)	47,944	-45,022
Total change in working capital	44,237	-26,668
OPERATIONS CASH FLOW	98,821	10,601
INVESTMENTS		
Investments in fixed assets	-19,446	-11,694
Sale of fixed assets	9,651	1,484
INVESTMENT CASH FLOW	9,795	-10,210
CASH FLOW BEFORE FINANCING	89,026	391
FINANCING		
Increase in long-term liabilities (+), Decrease in long-term liabilities (-)	30,000	0
Dividends	-5,440	-4,699
FINANCING CASH FLOW	-31,772	-30,133
CALCULATED INCREASE IN LIQUID ASSETS	57,254	-29,742
Adjustment due to changes in exchange rates	-2,966	-1,696
INCREASE IN LIQUID ASSETS ACCORDING TO THE BALANCE SHEET	54,288	-31,438

NOTES TO THE INCOME STATEMENT AND THE BALANCE SHEET

FIM 1,000	1997		1996	
1. Net sales by market area		%		%
Finland	72,368	11	80,492	11
Other European countries	64,815	10	160,700	21
Asia	281,196	43	148,622	19
North America	168,698	26	306,272	40
South America	44,513	7	36,494	5
Others	17,036	3	32,355	4
Total	648,626	100	764,935	100



2. Net sales, operating profit after debreciation and personnel by business sector

	Raute Wood	%	Raute Precision	%	Other and Internal	%	Raute-konserni Yhteensä
Net sales 31.12.1997	459,988	71	195,081	30	-6,443	-1	648,626
Net sales 31.12.1996	576,715	75	197,123	26	-8,903	-1	764,935
Operating profit 31.12.1997	23,673	58	18,700	46	-1,329	-4	41,044
Operating profit 31.12.1996	5,356	53	8,858	87	-4,054	-40	10,160
Personnel 31.12.1997	677	76	205	23	11	1	893
Personnel 31.12.1996	679	75	210	23	14	2	903

FIM 1,000

3. Personnel expenses and benefits

	1997	1996
Wages and salaries	156,638	197,008
Pension contributions	15,966	17,650
Pension fund contributions	1,697	2,220
Other statutory personnel contributions	22,593	28,604
Voluntary personnel contributions	2,222	1,692
Personnel expenses in the Income Statement	199,116	247,174
Taxable value of other benefits	995	969
Total	200,111	248,143

Paid salaries and remuneration

	1997	1996
Management, members of the Supervisory Board and the Board of Directors		
salaries including remuneration	6,085	9,106
Other salaries and remuneration	162,072	186,694

FIM 1,000

	1997	1996
Personnel 31.12.	893	903
Personnel, average	875	1,126
Over seas personnel 31.12.	296	322
Over seas personnel average	286	516

4. Extraordinary items

	1997	1996
Extraordinary incomes		
Profit from the income of fixed assets	0	10,441
Extraordinary expenses		
North-American companies' rehabilitation expenses	0	8,032
Additional depreciation on goodwill	0	10,268
Retroactive contribution to the Pension Fund	2,100	1,500
Total	2,100	19,800

5. Fixed assets

	Acquisition cost 1.1.	Changes in exchange rates	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								
Goodwill	32,990	4,204	0	0	23,293	4,022	0	9,879
Goodwill on consolidation	6,535	0	0	0	4,083	1,037	0	1,415
Other capitalized expenditure	6,742	0	2,541	91	3,169	1,188	0	4,835
Total at 31 December 1997	46,267	4,204	2,541	91	30,546	6,247	0	16,129
Total at 31 December 1996	45,837		462	32	8,809	19,132	0	18,326
Tangible assets								
Land and water	8,472	632	0	1,146	0	0	2,080	10,038
Buildings	109,092	3,787	641	4,482	34,921	4,144	5,486	75,459
Machinery and equipment	102,791	4,826	14,807	3,820	66,859	11,678	0	40,067
Other tangible assets	2,220	254	236	443	1,475	231	0	561
Advance payments	598	-27	578	575	0	0	0	574
Total at 31 December 1997	223,173	9,472	16,262	10,466	103,256	16,053	7,566	126,699
Total at 31 December 1996	213,970		12,137	2,934	82,570	16,873	7,566	131,296
Shares in other companies 31.12.1997	32,303	0	644	910	0	0	4,000	36,037
Shares in other companies 31.12.1996	34,476		618	2,791	0	0	4,000	36,303

RAUTE GROUP

FIM 1,000	1997	1996	FIM 1,000	1997	1996
Production machinery and equipment in the balance sheet total				23,412	21,644
Taxable values of fixed assets *)			Change in the depreciation difference		
Land	7,782	7,895	Other capitalized expenditure	485	-451
Buildings	71,269	77,595	Buildings	745	-1,142
Shares in other companies	35,412	31,799	Machinery and equipment	8,762	-3,875
Total	114,463	117,289	Total	9,992	-5,468
*) Book values are applied where no tax value has been confirmed.			Accumulated difference between total depreciation and depreciation according to plan		
			Other capitalized expenditure	1,836	1,351
			Buildings	31,694	30,949
			Machinery and equipment	15,720	6,959
			Total	49,250	39,259
6. Long-term loans receivable			12. Long-term liabilities		
Associated companies	7,000	7,000	Deferred tax liabilities		
7. Receivables maturing beyond a year			Long-term tax liabilities corresponding to the Group's accumulated depreciation difference		
Loans receivable	7,720	7,580		13,790	14,439
8. Receivables and loans within the associated companies			Liabilities maturing beyond five years		
Accounts receivable	0	306	Pension loans		
Loans receivable	8,451	8,651		19,580	45,784
Short-term accounts payable	101	15	13. Interest-bearing debts		
9. Loans to management and shareholders			Long-term		
Loans to the companies' management	175	372		55,278	74,562
Loans to shareholders	96	120	Short-term		
Loan terms from 1 to 5 years. Interest rate between 6.25 and 8 per cent.				13,089	33,836
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.			Total		
10. CHANGE IN SHAREHOLDERS' EQUITY				68,367	108,398
Retained earnings at 1 January	92,165	107,618	14. Pledged assets and contingent liabilities		
Profit for the previous year	2,471	-7,605	Security for own debts		
Dividends	-5,440	-4,699	Pledges		
Change in revaluation	0	-2,500		5,207	5,207
Transfer of voluntary provisions to equity	-2,318	-1,116	Mortgages		
Translation differences	-168	467		78,904	93,585
Retained earnings at 31 December	86,710	92,165	Security for others' debts		
Distributable equity funds			Guarantees		
Non-restricted equity	121,758	94,636		373	2,179
Accumulated depreciation difference	-34,811	-36,817	Other own liabilities		
Distributable equity funds	86,947	57,819	Leasing liabilities		
11. Obligatory provisions			- for the current accounting period		
Estimated guarantee and other project costs	18,641	27,252		843	1,274
			- for the following accounting periods		
				986	1,511
			Pension fund liabilities		
				4,728	7,303
			Forward exchange agreements *)		
				84,669	126,129
			*) Project deliveries in foreign currency are protected by forward contracts.		
			15. Rates of exchange applied to the subsidiaries		
			Income statement		
			USD		
				5.2106	4.6028
			CAD		
				3.7517	3.3724
			DEM		
				2.9967	3.0528
			SEK		
				0.6784	0.6857
			SGD		
				3.4913	3.2669
			Balance sheet		
			USD		
				5.4207	4.6439
			CAD		
				3.7820	3.3900
			DEM		
				3.0275	2.9880
			SEK		
				0.6863	0.6748
			SGD		
				3.2294	3.3158

INCOME STATEMENT

FIM 1,000	1.1. - 31.12.97	1.1. - 31.12.96
Net sales (Note 1)	7,427	8,240
Other operating income	1,029	775
Costs		
Personnel expenses (Note 2)	4,575	5,700
Rents	723	763
Other	3,351	3,745
Total costs	8,649	10,208
OPERATING PROFIT BEFORE DEPRECIATION	-193	-1,193
DEPRECIATION ACCORDING TO PLAN (Note 5)	2,136	1,239
OPERATING LOSS AFTER DEPRECIATION	-2,329	- 2,432
FINANCIAL ITEMS (Note 3)		
Dividend income	753	1,257
Interest income from long-term investments	5,180	6,112
Interest income from short-term investments	5,474	5,887
Other financial income	1,733	4,873
Interest expenses	-5,726	-7,913
Other financial expenses	-3,722	-2,561
Total financial items	3,692	7,655
PROFIT AFTER FINANCIAL ITEMS	1,363	5,223
EXTRAORDINARY ITEMS (Note 4)		
Income	35,600	17,999
Expenses	-2,100	-2,619
Total extraordinary items	33,500	15,380
PROFIT BEFORE VOLUNTARY PROVISIONS AND TAXES	34,863	20,603
Increase in depreciation difference (Note 5)	-31	-299
Change in voluntary provisions, increase (-), decrease (+)	295	417
Income taxes	-9,946	-5,314
NET PROFIT FOR THE FINANCIAL YEAR	25,181	15,407

BALANCE SHEET

FIM 1,000 31.12.97 31.12.96

ASSETS

FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Intangible assets (Note 5)

Other capitalized expenditure	112	153
Total	112	153

Tangible assets (Note 5)

Land and water	1,486	1,485
Buildings	20,733	22,231
Machinery and equipment	740	833
Other tangible assets	131	234
Total	23,090	24,783

Financial assets

Shares in other companies (Notes 5, 13)	82,817	83,071
Loans receivable (Notes 6, 7, 8)	50,809	57,250
Total	133,626	140,321

CURRENT ASSETS

Receivables (Notes 8, 9)

Accounts receivable	742	1,509
Loans receivable	25,419	32,884
Accrued receivables	64,177	55,254
Other receivables	906	1,533
Total	91,244	91,180

Current assets in marketable securities 60,491 53,383

Cash and cash equivalents 26,326 696

TOTAL ASSETS **334,889 310,516**

BALANCE SHEET

FIM 1,000	31.12.97	31.12.96
-----------	----------	----------

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	91,899	81,833
Profit for the year	25,181	15,407
Total	117,080	97,240

TOTAL SHAREHOLDERS' EQUITY	194,719	174,879
-----------------------------------	----------------	----------------

PROVISIONS

Accumulated difference in depreciation (Note 5)	8,599	8,567
Investment provision	6,288	6,583

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

Loans from financial institutions	25,500	7,000
Pension loans	24,652	58,756
Total	50,152	65,756

Short-term (Note 8)

Loans from financial institutions	3,000	2,800
Pension loans	2,244	4,760
Accounts payable	179	431
Accrued payables	7,439	8,585
Other short-term liabilities	62,269	38,155
Total	75,131	54,731

TOTAL LIABILITIES	334,889	310,516
--------------------------	----------------	----------------

SOURCE AND APPLICATION OF FUNDS

FIM 1,000	1997	1996
OPERATIONS		
Funds from operations		
Operating profit before depreciation	-193	-1,193
Financial items	3,691	7,655
Extraordinary income	35,600	17,999
Extraordinary expenses	-2,100	-2,619
Taxes	-9,946	-5,314
Total	27,052	16,528
Change in working capital		
Short-term receivables increase (-), decrease (+)	-64	681
Short-term liabilities increase (+), decrease (-)	22,717	-20,376
Total change in working capital	22,653	-19,695
OPERATIONS CASH FLOW	49,705	-3,167
INVESTMENTS		
Investments in fixed assets	-1,132	-1,352
Sale of fixed assets	984	2,886
INVESTMENT CASH FLOW	-148	1,534
CASH FLOW BEFORE FINANCING	49,557	-1,633
FINANCING		
Increase in long-term receivables (-), decrease (+)	6,441	10,887
Increase in long-term liabilities (+), Decrease in long-term liabilities (-)	30,000	0
Dividends	-47,920	-7,710
	-5,340	-4,578
FINANCING CASH FLOW	-16,819	-1,401
CALCULATED INCREASE IN LIQUID ASSETS	32,738	-3,034
INCREASE IN LIQUID ASSETS ACCORDING TO THE BALANCE SHEET	32,738	-3,034

NOTES TO THE INCOME STATEMENT AND THE BALANCE SHEET

FIM 1,000	1997	1996	FIM 1,000	1997	1996		
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, benefits and personnel			Interest income from long-term investments	5,180	6,112		
Wages and salaries	3,377	3,059	Interest income from short-term investments	172	490		
Pension contributions	330	353	Financial expenses paid to group companies				
Pension fund contributions	283	1,700	Interest expenses	2,464	2,525		
Other statutory personnel contributions	252	230	4. Extraordinary items				
Voluntary personnel contributions	333	358	Extraordinary income				
Personnel expenses in the Income Statement	4,575	5,700	Contributions from group companies	35,600	6,900		
Taxable value of other benefits	167	146	Profit from the sale of fixed assets	0	10,442		
Total	4,742	5,846	Other income	0	657		
Paid salaries and remuneration			Total	35,600	17,999		
Management, members of the Supervisory Board and the Board of Directors			Extraordinary expenses				
Salaries	1,107	1,029	Retroactive contribution to the Pension Fund	2,100	1,500		
Other salaries and remuneration	2,186	2,171	North-American companies' rehabilitation expenses	0	1,119		
Personnel			Total	2,100	2,619		
Personnel, 31 Dec	11	13					
Personnel average	12	14					
5. 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							
Other capitalized expenditure	1,388	9	0	1,235	50	0	112
Total at 31 December 1997	1,388	9	0	1,235	50	0	112
Total at 31 December 1996	1,381	7	0	1,185	50	0	153
Tangible assets							
Land and water	1,406	0	0	0	0	80	1,486
Buildings	25,033	232	0	8,260	1,755	5,486	20,733
Machinery and equipment	2,239	247	74	1,382	290	0	740
Other tangible assets	1,195	0	172	851	41	0	131
Total at 31 December 1997	29,873	479	249	10,493	2,086	5,566	23,090
Total at 31 December 1996	29,574	728	430	9,467	1,189	5,566	24,783
Shares in other companies 31 December 1997	79,071	644	898	0	0	4,000	82,817
Shares in other companies 31 December 1996	81,244	618	2,791	0	0	4,000	83,071
FIM 1,000	1997	1996	FIM 1,000	1997	1996		
Accumulated difference between total depreciation and depreciation according to plan			Taxable values of fixed assets				
Buildings	8,599	8,567	Land	2,456	2,168		
Total	8,599	8,567	Buildings	19,689	20,315		
			Shares in other companies	123,236	94,427		
			Total	145,381	116,910		
6. Long-term loan receivables			8. Receivables and loans within the Group and associated companies				
Group companies	50,809	57,250	Group companies				
Associated companies	7,000	7,000	Accounts receivable	633	1,200		
7. Receivables maturing beyond a year			Loans receivable	65,698	79,356		
Loans receivable	58,529	64,830	Accrued receivables	56,719	45,654		
Total	58,529	64,830	Short-term accounts payable	3	14		
			Accrued payables	342	146		
			Other short-term liabilities	59,600	31,700		
			Associated companies				
			Accounts receivable	0	306		
			Loans receivable	8,451	8,651		
			Short-term accounts payable	101	15		

RAUTE OY

FIM 1,000	1997	1996	FIM 1,000	1997	1996
9. Loans to management and shareholders			11. Liabilities maturing beyond five years		
Loans to the companies' management	175	372	Pension loans	16,228	42,180
Loans to shareholders	96	120	12. Pledged assets and contingent liabilities as security for subsidiaries' commitments and the company's own debts		
Loan terms from 1 to 5 years. Interest rate between 6.25 and 8 per cent.			Pledges	5,207	5,207
10. CHANGES IN SHAREHOLDERS' EQUITY			Mortgages	30,027	29,027
Retained earnings at 1 January	81,833	52,645	Securities for a group company's debts		
Profit for the previous year	15,407	36,265	Guarantees	93,478	103,929
Change in revaluation	0	-2,500	Forward exchange agreements	84,669	126,129
Dividends	-5,340	-4,578	Other own liabilities		
Retained earnings at 31 December	91,899	81,833	Pension fund liabilities	2,599	4,175
The parent company's shares			Long-term loans receivable include loans to subsidiaries on equity terms	340	200
	Number	Nominal value FIM	Total	Letters of Support have also been issued on behalf of some subsidiaries.	
	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.					

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 12/97	The Group's part in shareholders' equity
Raute Wood Oy	100.00	14	FIM 14,015	35,615	3,215	35,592
Raute Wood Ltd. *)	100.00	2,005	CAD 4,412		5,282	-35,989
Raute Inc. *)	100.00	1	USD 1		0	6,273
Raute Wood Inc. *)	100.00	1	USD 1		-637	-7,607
Raute GmbH *)	100.00	1	DEM 50		3	266
RWS-Engineering Oy *)	100.00	1	FIM 1,015		163	1,456
Raute Wood Asia Pte Ltd. *)	100.00	2	SGD 0		199	879
Raute Precision Oy	100.00	4	FIM 4,495	11,215	1,207	13,492
Raute Precision Ab *)	100.00	2	SEK 200		0	148
Raute Dry Mix Oy *)	91.00	27	FIM 1,365		2,047	3,500
Raute Dry Mix GmbH *)	91.00	1	DEM 100		-164	112
Kiinteistö Oy Kurjenjalka	100.00	1	FIM 67	67	-134	-69 **)
Kiinteistö Oy Hamarahjo	74.00	1	FIM 1	1	26	-80 **)
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 12/97	The Group's part in shareholders' equity
Eloc Oy (property company)	34.00		FIM 10,205	20,352	55	20,341 **)

*) Through subsidiaries

***) Date of the Financial Statements 8/97

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		8,792
TOTAL		15,567

The Group's other shares and participations

35

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

PERFORMANCE KEY RATIOS

KEY RATIOS

FIM 1,000	1997	1996	1995	1994	1993
Net Sales	648,626	748,398	782,918	698,243	442,632
Exports	576,259	669,348	607,470	581,253	342,011
% of net sales	88.8	89.4	77.6	83.2	77.3
Operating profit after depreciation	41,044	10,160	6,371	71,350	-789
% of net sales	6.3	1.4	0.8	10.2	-0.2
Profit after financial items	47,106	14,894	1,098	56,807	-10,079
% of net sales	7.3	2.0	0.1	8.1	-2.3
Profit before voluntary provisions and taxes	45,006	5,535	1,098	38,786	-10,079
% of net sales	6.9	0.7	0.1	5.6	-2.3
Return on investment, % (ROI)	18.8	8.1	6.1	24.9	2.9
Return on equity, % (ROE)	19.1	7.4	-1.7	24.3	-6.1
Balance sheet total	562,032	511,097	585,727	545,637	533,670
Interest bearing net liabilities	-58,384	35,935	17,890	-27,579	89,843
% of net sales	-9.0	4.8	2.3	-3.9	20.3
Interest-free liabilities	293,674	230,181	286,025	207,686	170,908
Solvency ratio, %	46.1	38.2	35.4	42.2	37.4
Quick ratio	2.1	1.6	1.5	2.3	1.6
Gross investments in fixed assets	19,446	11,694	62,818	24,060	10,671
% of net sales	3.0	1.6	8.0	3.4	2.4
Research and development expenditure	9,462	7,899	15,244	8,910	7,169
% of net sales	1.5	1.1	2.0	1.3	1.6
Volume of orders in hand	379,062	239,468	376,516	443,351	365,093
Personnel at 31 December	893	903	1,287	981	982
Dividends	*) 13,351	5,430	4,578	7,629	2,511

SHARE INFORMATION

	1997	1996	1995	1994	1993
Earnings per share FIM	9.31	3.38	-0.85	12.57	-3.78
Equity to share FIM	52.27	45.16	46.57	51.94	53.06
Dividend per share FIM	*) 3.50	1.40	1.20	2.00	0.79
Dividend per profit %	37.6	41.4	-140.5	18.0	-20.9
Effective dividend return %	7.1	3.5	3.8		
Price/earnings ratio (P/E ratio)	5.3	11.8	-37.5		
Issue-adjusted share price at the end of the year					
Low, FIM	40.00	34.00	28.50	70.00	
High, FIM	57.00	48.00	88.90	95.00	
Average rate during the year, FIM	48.74	40.45	58.00	**)	
Share price on the last day of the year	49.60	39.81	32.00	88.20	
Market capitalization, 31 December, FIM 1,000	189,205	151,860	122,067	336,448	
Trading in the company's shares (A-share)					
Shares traded during the fiscal year	1,211	985	748	**)	
% of the number of A-shares	43.9	35.7	27.1		
Issue-adjusted number of shares at year-end	3,814,608	3,814,608	3,814,608	3,375,666	3,178,840
Issue-adjusted number of shares average	3,814,608	3,814,608	3,814,608	3,814,608	3,178,840

The key ratios have been given according to the Official Financial Statements and subsequent changes in accounting principles have not been taken into account.

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

DEFINITION OF KEY RATIOS

$$\text{Return on investment (ROI) = } \frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial items}}{\text{Balance sheet total} \text{ ./. interest-free liabilities (average)}} \times 100 \%$$

$$\text{Return on equity (ROE) = } \frac{\text{Profit before extraordinary items} \text{ ./. taxes}}{\text{Equity} + \text{minority interests} + \text{accumulated appropriations (average)}} \times 100 \%$$

$$\text{Solvency ratio, \% = } \frac{\text{Equity} + \text{minority interests} + \text{accumulated appropriations}}{\text{Balance sheet total} \text{ ./. advances received}} \times 100 \%$$

$$\text{Quick ratio = } \frac{\text{Current assets}}{\text{Short term liabilities} \text{ ./. advances received}}$$

$$\text{Earnings per share (EPS) = } \frac{\text{Profit before extraordinary items} + \text{/ - minority interests as a percentage of group profit} \text{ ./. taxes}}{\text{Share issue adjusted average number of shares during the year}}$$

$$\text{Equity to share = } \frac{\text{Equity} + \text{accumulated appropriations}}{\text{Share issue adjusted number of shares at the day of the financial statements}}$$

$$\text{Dividend per share = } \frac{\text{Distributed dividend for the year}}{\text{Share issue adjusted number of shares at the day of the financial statements}}$$

$$\text{Dividend per profit, \% = } \frac{\text{Distributed dividend for the year}}{\text{Profit (calculated as in earnings per share)}} \times 100 \%$$

$$\text{Effective dividend return \% = } \frac{\text{Issue-adjusted dividend per share}}{\text{Issue-adjusted share price}} \times 100 \%$$

$$\text{Price/earnings ratio = (P/E ratio) = } \frac{\text{Issue-adjusted share price at 31 December}}{\text{Earnings per share}}$$

$$\text{Issue-adjusted share price at the end of the fiscal year = } \text{Average price weighted by the number of share transactions on the last trading day}$$

DISTRIBUTION OF DIVIDENDS

The Board of Directors' proposal to the Annual General Meeting

According to the Balance Sheet at 31 December 1997, the Group's non-restricted equity was FIM 1,000	121,757
whereof distributable funds in the amount of FIM 1,000	86,947

According to the Balance Sheet at 31 December 1997, the Parent Company's non-restricted equity was FIM	91,899,112.40
Profit for the year FIM	25,180,672.89

Total non-restricted equity FIM	117,079,785.29
---------------------------------	----------------

The Board of Directors proposes to the Annual General Meeting that FIM 3.50 per share be paid out of the Parent Company's non-restricted equity as dividend to the shareholders, totalling FIM	13,351,128.00
and that FIM be left in the profit account.	103,728,657.29

	117,079,785.29
--	----------------

Lahti, 20 February 1998

Juha-Pekka Keskiaho
Chairman of the Board

Kari Airaksinen

Ilkka Kauranen

Heikki Lehtonen

Markku Nihti

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. - 31.12.1997. 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 1998

Kari Manner, APA

Jarmo Lohi, APA

SHARES AND SHAREHOLDERS

SHARE CAPITAL AT 31 DECEMBER 1997

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 1997

	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 1997	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 1997

By shareholding

	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
Private individuals	470	82.17	2,653,526	69.56	22,690,926	95.13
Financial institutions	11	1.92	272,937	7.15	272,937	1.14
Foreign shareholders	5	0.87	175,175	4.59	175,175	0.73
Foundations, trusts and funds, etc.	8	1.40	13,200	0.34	13,200	0.06
Public institutions	4	0.70	426,400	11.18	426,400	1.79
Companies	74	12.94	273,370	7.18	273,370	1.15
Total	572	100.00	3,814,608	100.00	23,852,008	100.00

By size of holding

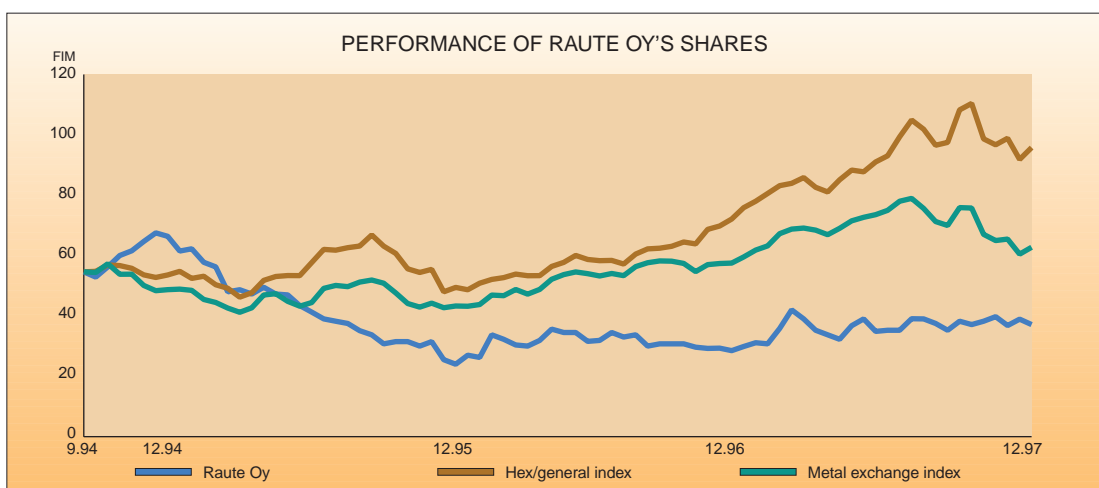
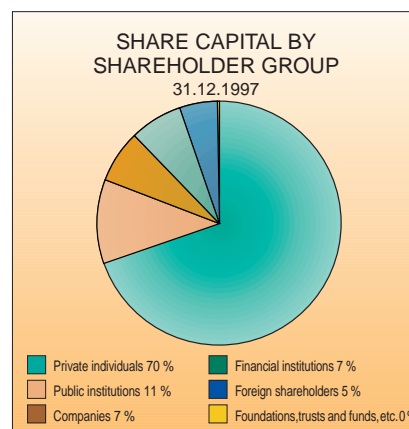
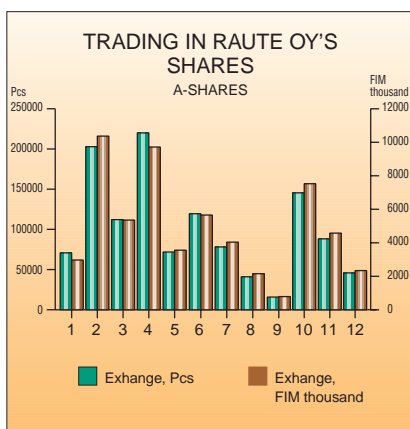
	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
1 - 1000	421	73.60	164,592	4.32	177,892	0.75
1001 - 5000	73	12.77	171,720	4.50	214,470	0.90
5001 - 10000	16	2.80	127,856	3.35	557,066	2.34
10001 - 50000	35	6.12	819,522	21.48	5,846,922	24.51
50001 - 100000	18	3.14	1,202,722	31.53	9,048,202	37.93
100001 -	9	1.57	1,328,196	34.82	8,007,456	33.57
Total	572	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. Insurance Company Eläke-Sampo		380,000	380,000	9.96	380,000	1.59
2. Mustakallio Kari	60,480	75,809	136,289	3.57	1,285,409	5.39
3. Kirmo Kaisa	50,280	73,492	123,772	3.24	1,079,092	4.52
4. Suominen Jussi	48,000	74,759	122,759	3.22	1,034,759	4.34
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. Siivonen Osku	50,640	59,539	110,179	2.89	1,072,339	4.50
8. Op-Metsä Investment Fund		108,000	108,000	2.83	108,000	0.45
9. Mustakallio Mikko	46,140	55,539	101,679	2.67	978,339	4.10
10. Mustakallio Leea	46,140	39,500	85,640	2.25	962,300	4.03
Total	397,680	1,016,156	1,413,836	37.07	8,969,756	37.60

104,550 shares were under administrative registration at 31.12.1997.

The company's management has 398,503 shares with 18.3 per cent of the total voting rights. The company's management has no convertible bonds or bonds with warrants.



RAUTE GROUP ADDRESSES

RAUTE OY

Vesijärvenkatu 21
P.O.Box 148,
FIN-15141 Lahti, Finland
Tel. +358 3 82 981
Telefax +358 3 829 2400

RAUTE WOOD

RAUTE WOOD OY
Rautatie 2
P.O.Box 69,
FIN-15551 Nastola, Finland
Tel. +358 3 82 911
Telefax +358 3 829 3200

RWS-ENGINEERING OY
Yrittäjänkatu 3
FIN-15170 Lahti, Finland
Tel. +358 3 82 961
Telefax +358 3 752 2378

RWS-ENGINEERING OY
RWS-Trading
Itkonniemenkatu 29 B
FIN-70500 Kuopio, Finland
Tel. +358 17 262 5398
Telefax +358 17 262 4186

RWS-TRADING BUSINESS
REP. OFFICE
Wellingsbüttler Weg 38
D-22391 Hamburg
Germany
Tel. +49-40-536 2140
Telefax +49-40-536 5392

RAUTE GMBH
Am Forsthaus 46
D-49477 Ibbenbüren
Germany
Tel. +49-5451-78 523
Telefax +49-5451-78 514

RAUTE WOOD LTD.

5 Capilano Way
New Westminster, B.C.
Canada V3L 5G3
Tel. +1-604-524 6611
Telefax +1-604-521 4035

RAUTE WOOD INC.

P.O.Box 700, Collierville, TN
USA 38027-0700
Tel. +1-901-853 7290
Telefax +1-901-853 4765

RAUTE WOOD INC.

OF OREGON
P.O.Box 23727, Tigard, OR
USA 97281-3727
Tel. +1-503-684 1166
Telefax +1-503-620 7954

RAUTE WOOD SANTIAGO

Hernando de
Aquirre 162 Of. 704/706
Providencia
Santiago
Chile
Tel. +56-2-233 4812
Telefax +56-2-233 4748

RAUTE WOOD ASIA PTE LTD

35 Jalan Pemimpin #06-02
Wedge Mount Industrial Building
Singapore 577176
Tel. +65-250 4322
Telefax +65-250 5322

RAUTE-RWS REPRESENTATIVE OFFICE

Graha Simatupang, Menara IIB, Lt.4
Jl. TB. Simatupang, Kav. 38
Jakarta 12540, Indonesia
Tel. +62-21-782 9411
Telefax +62-21-782 9415

RAUTE PRECISION

RAUTE PRECISION OY
Mestarinkatu 10
P.O.Box 22,
FIN-15801 Lahti, Finland
Tel. +358 3 82 921
Telefax +358 3 829 4100

RAUTE DRY MIX OY
Mestarinkatu 7
P.O.Box 22,
FIN-15801 Lahti, Finland
Tel. +358 3 82 921
Telefax +358 3 829 4103

RAUTE DRY MIX OY
FIN-21600 Parainen
Tel. +358 2 4542 6649
Telefax +358 2 4542 6695

RAUTE DRY MIX GMBH
Eisentalstrasse 27
D-71332 Waiblingen
Germany
Tel. +49-7151-958 040
Telefax +49-7151-958 0444

RAUTE PRECISION AB

Box 6084
S-12907 Hägelsten
Sweden
Tel. +358 3 82 921
Telefax +358 3 829 4100

RAUTE PRECISION
REPRESENTATIVE OFFICE
360 Orchard Road
#10-01 International Building
Singapore 238869
Tel. +65-736 3089
Telefax +65-732 7590

RAUTE PRECISION
REPRESENTATIVE OFFICE
Room 1306 Astronautics Building
222# Cao Xi Road,
Shanghai 200233
P.R. China
Tel. +86-21 648 29736
Telefax +86-21 648 29737

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

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

Hannu Tarvonen
On the Supervisory Board since 1997

BOARD OF DIRECTORS

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

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

Ilkka Kauranen
Professor
University of Technology
On the Board of Directors since 1997

Heikki Lehtonen
President of Santasalo-Jot Oy
On the Board of Directors since 1997

Markku Nihti
President of Elektroskandia Oy
On the Board of Directors since 1997

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,
Authorized Public Accountant
Deputy Auditor Arthur Andersen
Kihlman Oy,
Authorized Public Accountants



Raute Oy, Vesijärvenkatu 21
P.O. Box 148, FIN-15141 LAHTI, FINLAND
Tel. +358 3 829 81
Telefax +358 3 829 2400