

Annual Report and Interim Reports

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In 2003, Raute Oyj will issue Interim Reports in Finnish and English as follows:

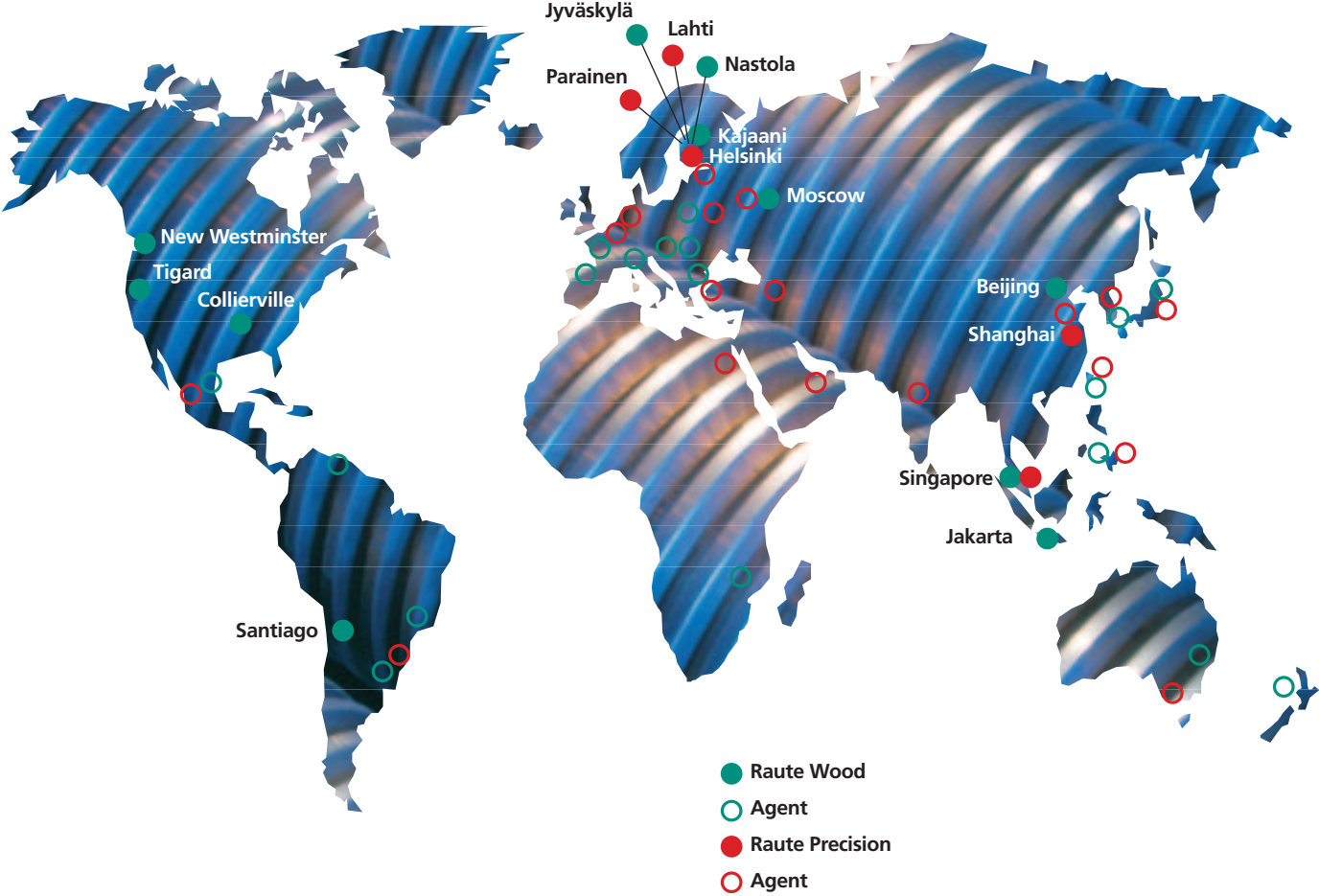
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Global expertise in wood processing and weighing technologies



Raute Group is a global technology company. Its core business includes manufacturing processes of veneer-based products and industrial processes utilizing weighing and dosing technology.

Raute's project deliveries include complete plants, production lines and machines. The consulting services offered by the company include developing the customer's business and products and designing, improving and maintaining the production.

Raute Group

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Annual General Meeting

The Annual General Meeting of Raute Oyj will be held on Tuesday, 18 March 2003, starting at 6 p.m., at Kongressikeskus Fellmanni, Kirkkokatu 27, Lahti.

A shareholder, who has been entered by 7 March 2003 as a shareholder in the company's shareholders' register maintained by the Finnish Central Securities Depository, is entitled to attend the General Meeting.

The shareholders, who plan to attend the meeting, must register for the meeting by 4 p.m. on 14 March 2003 latest, either by telephone +358-3-829 3302 (Sirpa Väänänen), by telefax +358-3-829 3582, or by writing to Raute Oyj, P.O.Box 69, FIN 15551 Nastola, Finland.

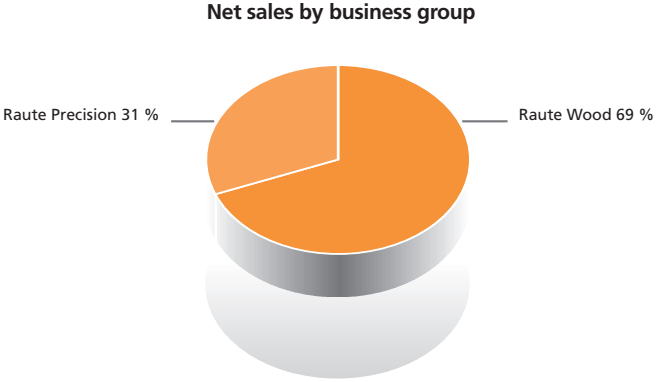
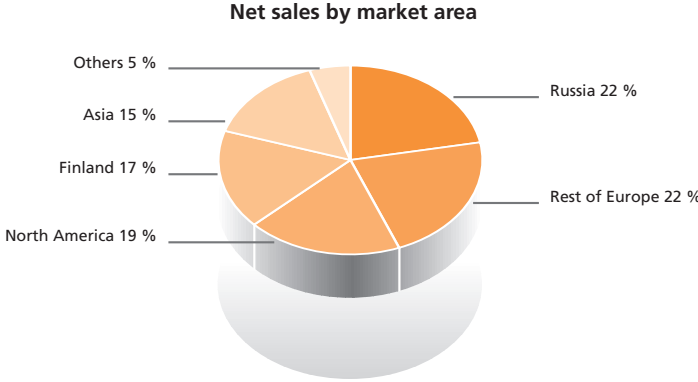
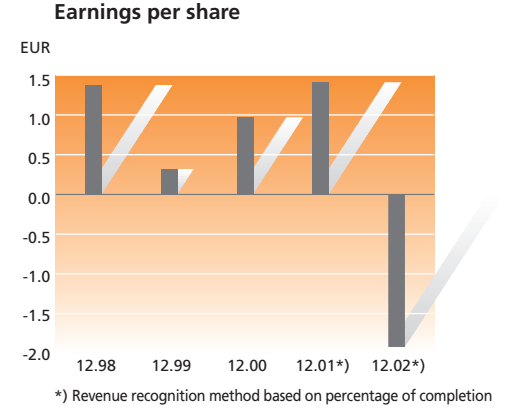
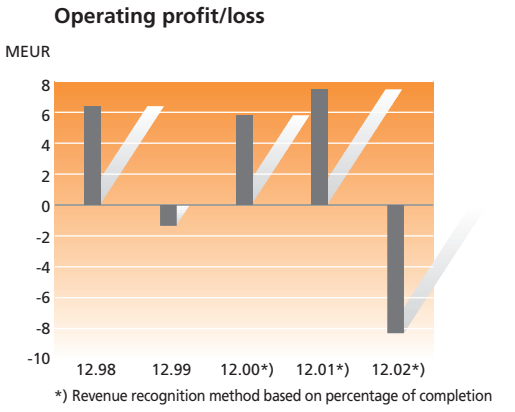
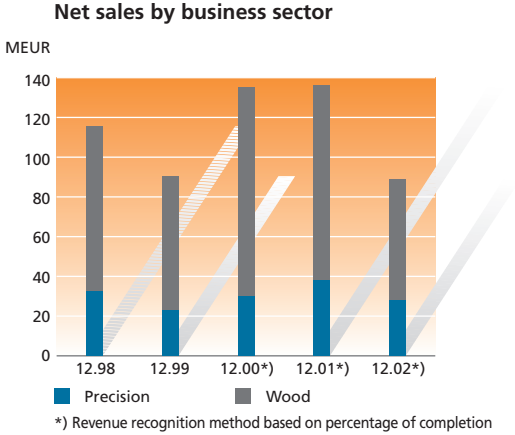
Distribution of Dividends

The Board of Director's proposal for distribution of dividends is on page 47. The Board of Directors proposes to the Annual General Meeting that a dividend for the year 2002 of EUR 0.50 per share be paid to the shareholder who on the tally day, i.e. 21 March 2003, is entered in the shareholder's register in the Finnish Central Share Register. The dividends are paid on 28 March 2003.

Year 2002

KEY FIGURES

	2002	2001
Net sales, MEUR	89	136
change, %	-35	1
Overseas sales, MEUR	74	85
change, %	-13	-20
Loss/profit before extraordinary items, MEUR	-9	8
Return on investment (ROI), %	-18.5	19.1
Return on equity (ROE), %	-22.8	15.5
Solvency ratio, %	50.1	51.0
Volume of orders in hand, MEUR	25	35
Earnings per share (ESP), EUR	-1.92	1.41
Equity per share, EUR	7.18	9.74
Dividend per share, EUR	0.50	1.00
Dividend per profit, %	-26.0	70.7



The President's Review



Risto Mäkitalo, President and CEO

Raute aims to be a global technological leader and project supplier in the fields of plywood technology and weighing and dosing technology. Our core competencies include veneer-based product manufacturing processes as well as the industrial processes utilizing weighing and dosing technology. We dynamically invest in product development and project management to be able to provide our customers with increasingly flexible and efficient premium-quality technological solutions. We serve companies in the wood product industry as well as the glass and building material industries on a global basis.

Our business is based on our strong expertise in our customers' core processes and on the understanding of their earning logic: we develop the production processes of our customer industries and supply complete plants, production lines, machinery and equipment, and provide modernization, service and maintenance services that enhance the productivity of our customers and improve their competitiveness and product quality.

Difficult 2002

The general insecurity in the global economy and

the consequential major decline in investment demand considerably affected Raute's business operations in 2002. Investment demand remained low throughout the year in the Group's main market areas in most customer segments. Our business operations were especially hit by our customers' postponement of investment decisions and the delayed implementation of those investments already decided. Due to the difficult market situation and toughened competition, the consolidated net sales fell sharply and the Group showed a marked operating loss. However, the Group's financial position and equity ratio remained favorable.

During 2002, we paid special attention to the management of the cycles typical of our operations. As the focus in demand shifted from large-scale plant projects to modernization and renovation projects, we further developed our service and maintenance concept, as evidenced by the considerably growth in our maintenance operations. To be able to quickly meet the changing demand and need for resources, we continued to invest strongly in product development as well as in the improvement of production flexibility and efficiency. We upgraded our planning and project management systems, invested in machinery, improved the component and subcontractor supplier network, and reinforced our sales and marketing resources.

We adapted our costs to meet the low demand through layoffs and dismissals, for example. However, these measures did not to any large extent contribute to the profit for 2002. The current year will see some layoffs as well.

At Raute Wood, we continued to dynamically invest in product development and new technologies. At Raute Precision, we consolidated the project operations into one organization to strengthen cost-efficiency and synergies. We made more efficient use of purchasing synergies between Raute's business groups. Also, Raute began to exploit synergies in the Financial and data administration.

Future prospects

Due to the development measures taken, Raute's competitiveness has remained good. However, due to the decline in investments, our volume of orders

has dropped. But, there are a number of major plant projects and modernization projects under negotiation, and we have been able to retain our market position even in this difficult market situation.

Excluding Russia and China, the market focus is clearly shifting from new, large-capacity plant projects to smaller modernization projects to improve the competitiveness of present production. They are estimated to further grow during the current year. Investments in maintenance operations have improved our competitiveness and opportunities as a supplier of modernization and renovation projects. Particularly in North America, we expect growth in the maintenance operations.

In line with our strategy, we continue to invest in plant-wide comprehensive projects. The plant projects moved forward from 2002 will provide us with opportunities to increase our order volume. During 2002, we developed a number of important new products and technological solutions scheduled to be launched during the current year. They will, however, contribute to net sales and profitability in late 2003 at the earliest.

Due to the ongoing general economic insecurity, it is very difficult to predict a recovery in investment demand and trends during the current year. On the basis of the market situation and our order volume, we anticipate that the first half of 2003 will still remain difficult. If the investment projects moved forward from 2002 materialise and those investments already decided are put into action, we estimate that our net sales will turn to growth during the latter half, and the profit will improve compared to the previous year.

I would like to thank our customers, employees, shareholders, and other partners for their trust and good co-operation during the past year.



Raute Group

Raute's vision is global technology leadership in the manufacturing processes of veneer-based products and in selected dosing systems and plants.

Success requires continuous development of technological know-how. Raute answers to this challenge with strong product development, development of customer management and by investing in future skills. Innovative solutions, state-of-the-art technology and solid expertise together with an ability to react quickly to the changing global market environment form the basis for Raute Group's business activity.

The Raute Wood business group includes the following units:

Raute Wood Nastola, Finland, Raute Wood North America, Raute Asia, RWS-Engineering Nastola, Jymet Engineering, Jyväskylä and Mecano Group, Kajaani, Finland.

The Raute Precision business group includes the following units:

Raute Glass Industry, Raute Plaster and Mortar Plants, Raute Dry Mix Oy, Raute Weighing and Raute Asia.

Shares

The Group has two types of shares which differ from each other in the manner referred to in the Articles of Association: the number of A Series shares total 2,774,008 and K Series shares total 1,040,600, respectively. The A Series shares are quoted on the Helsinki Exchanges. The nominal value of the share is EUR 2.

Voting rights

At the shareholder's meeting each K Series share entitles the holder to twenty (20) votes and each A Series share to one vote, respectively.

Share policy

As a public company, Raute pays attention that the investors receive a competitive profit for their investment.

VALUES OF RAUTE GROUP



BUSINESS ORGANIZATION

RAUTE
Group Administration

RAUTE WOOD
Business Group

RAUTE PRECISION
Business Group

RAUTE WOOD
Nastola

RAUTE
Glass Industry

RAUTE WOOD
North America

RAUTE
Plaster and Mortar Plants

RAUTE ASIA

RAUTE DRY MIX OY

RWS-
Engineering

RAUTE
Weighing

JYMET-
Engineering

RAUTE ASIA

MECANO
Ownership 49.9 %

Corporate Governance

Raute Oyj's Board of Directors follows the recommendations of the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers (TT) on the governance of a publicly listed company.

General Meeting

Raute Oyj's General Meeting is normally held in March, but not later than six months from the end of the fiscal year. The General Meeting selects the Chairman of the Board, the Vice Chairman, and 3-5 members. In addition, the General Meeting elects the auditors and their deputies.

Raute Oyj's shares are divided into common shares (K series) and A-shares (A series). They differ in that each common share entitles its owner at the General Meeting to twenty (20) votes, while an A-share entitles its owner to one (1) vote. The A-shares have been listed at the Helsinki Exchanges since 1994.

Board of Directors, President and CEO, and organizing the operations

Raute Oyj's Board of Directors is responsible for corporate governance and organizing operations. In addition to the statutory tasks and those defined by the General Meeting, the Board of Directors confirms the corporate strategy and budget annually, and each month monitors the financial status of the company as well as writing interim reports based on the management's reports.

At the moment, the Board of Directors consists of six members. The members do not have a fixed term. In this way, Raute Oyj strives to ensure enduring and profitable board work. In 2002, the Board of Directors convened 9 meetings. The Board of Directors elects the President and CEO and confirms the terms of his employment. The President and CEO manages the company's operational activities.

Raute Oyj has a Group Management Team which handles and draws up operational arrangements for the entire Group, and conveys information between the business units. The subsidiaries have their own boards of directors, whose chairman is principally the President and CEO of Raute Oyj.

The business operations are organized into two business groups, Raute Wood and Raute Precision, whose operational management is responsible for reaching the targets set for the operations.

Salaries and remunerations

Raute Oyj's Board of Directors defines the compensation of the President and CEO, and confirms the general principles of the Group's incentive system. The Group Management Team is responsible for implementing the incentive system. In the subsidiaries, the boards of directors implement the incentive system for the subsidiaries.

Inside information policy

The Helsinki Exchanges' insider information policy is implemented within Raute Oyj. In addition, the company follows its own insider information instructions confirmed by the Board of Directors. Statutory insiders are the President and CEO, board members, and auditors. Defined insiders are members of the Group Management Team and persons who regularly handle unpublished information affecting the share price. In addition to the people mentioned, the company maintains a project register in which project-specific insiders are listed. The Group's CFO is responsible for the insider issues in the company.

Supervision

The Board of Directors is responsible for the company's operations, and the President and CEO carries out the supervision in practice. The President and CEO regularly reports to the Board of Directors. Raute Oyj's auditors are authorized public accountants Jarmo Lohi and Juha Selänne, and Arthur Andersen Oy is the deputy auditor. In addition to the tasks defined by the regulations, the auditors report to the Chairman of the Board when necessary, and once a year give a report on any issues that have arisen in the audit. When planning the audit, the auditors take into account the fact that Raute Oyj does not have its own internal audit organization.

Raute Group management



Group's Management Team, from left Arja Hakala, Risto Mäkitalo, Juha-Pekka Keskiäho, Risto Tuuri and Pentti Aalto.

Board of Directors

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

Heikki Lehtonen
Deputy Chairman
President of Componenta Oyj
On the Board of Directors since 1997

Sole Molander
Licentiate in Political Science
On the Board of Directors since 1998

Sinikka Mustakallio
Researcher
On the Board of Directors since 1998

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

Pekka Paasikivi
Chairman
Oras Oy
On the Board of Directors since 2002

Raute Group

Management Team

Juha-Pekka Keskiäho
Chairman of Raute Oyj's Board of Directors

Risto Mäkitalo
President and CEO of Raute Oyj

Pentti Aalto
President of Raute Precision Oy

Risto Tuuri
Director of Finance of Raute Oyj

Arja Hakala
Director of Administration of Raute Oyj

Raute Wood

business group

Risto Mäkitalo, President and CEO

Raute Precision

business group

Pentti Aalto, President

Auditors

Jarmo Lohi,
Authorized Public Accountant
Juha Selänne,
Authorized Public Accountant
Deputy Auditor Arthur Andersen Oy,
Authorized Public Accountants

Competence Development: the Vision and the Tools

A company must have the ability to recognize signals of skill weaknesses and anticipate changes in the operating environment, allowing opportunity for internal discussions on the future expertise needs within the organization. The alignments made when creating the competence vision facilitate the allocation of development investments.

Raute strives to develop its expertise on in a systematic manner and on a long-term basis in order to improve customer satisfaction and competitiveness. For the different market situations, the company selects the tools to be used within the framework of financial wherewithal, but the tools of competence management – performance reviews, competence matrices, individualized training programs, and performance measurement – help us keep the development of competence on the chosen track.

Skills development

The essence of Raute's strategic competence is recognized in the company's internal Competence Vision forum. It is found in the requirements of technological development, in the skills of working within the networks of multicultural customers and partners, and in the development of management and organization-oriented thinking. These core areas will become evident in the near-future development plans.

In a challenging market and employment situation, Raute has invested in the development and sharing of competence through its own efforts within the organization. This has further improved the forms of on-the-job learning, interaction, and the sharing of expertise within the organization.

Based on the competence matrices describing the competence level of the employees, Raute has created task-specific skill profiles to describe the future expertise needed in the various core activities.



Performance reviews and competence matrices have acted as tools for planning training and personalized training programs.

The focal points of the training include service operations, information systems, process technology, design expertise, and communications. The company has also supported the voluntary training of employees pursuing a degree.

The "Rauten tuotelinjat tutuksi" (Learning to Know the Raute Product Lines) training, organized by the mentors at Nastola, continued throughout the year. Guided by our in-house experts, expertise on Raute Wood's product lines and technological solutions has been distributed throughout the organization. An ongoing internal product training program has been built around the core training scheme, and a corresponding training program on the core competence of scales and weighing technology is also about to be launched in the Raute Precision unit.

Current employment contracts

	31.12.2002	31.12.2001
Number of personnel	790	820
Women	13%	13%
Average age	44	43
Years at Raute	13	10
Number of new employment contracts including business acquisitions	55	108
Number of terminated employment contracts	87	82
Training days per employee	4	3
Training costs per payroll bill	3%	3%



In Spring 2002, the Strategy Forum was held at Sibelius Hall in Lahti. Plywood and LVL used as building material has been manufactured with Raute's machinery.

The English-language Interpersonal Communication Skills training has been a remarkable opening for the development of internal communications. The training took place throughout the entire organization in our North American unit, and in Finland, two course groups were trained.

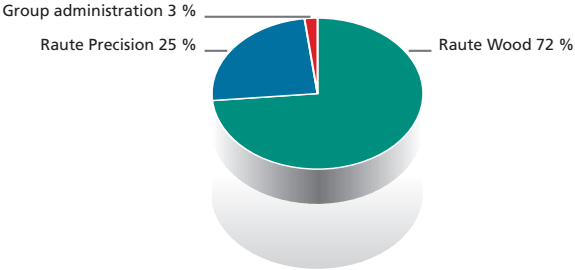
Customer satisfaction – Competence and the right methods

The development of systems, processes and methods must take place in conjunction with the development of the employees' competence. Skilled employees who have a clear and comprehensive picture of their work processes are able to anticipate future challenges and develop innovative methods.

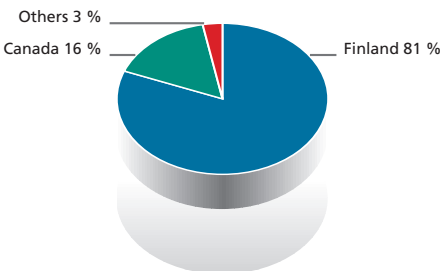
Raute's principles of continuous development and learning together have been particularly visible in the development of project management. Both of Raute's business units aim to clearly describe their project implementation processes, with a view to enhancing the profitability and quality of their daily operations. Raute has made use of the open exchange of expertise and experiences between the customer interface and the units in the development of operational models for project management.

In addition to the tools of project management – process descriptions, instructions, information systems – project managers also need to understand product technology, the complex interdependence between customer communications and the organization, as well as utilizing the various competencies of team members. The competence matrix database describing the employees' expertise and competence levels has been of great use in planning the training for project operations.

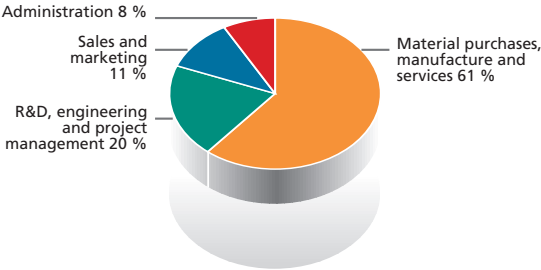
**Personnel by business group
31.12.2002**



**Personnel by country
31.12.2002**



**Personnel by operation
31.12.2002**



Raute Wood

Key technologies

- Plywood
- LVL (Laminated Veneer Lumber)
- OSB (Oriented Strand Board)
- Parquet/EFW (Engineered Wood Flooring)
- Overlaying

Products

- Plywood machinery and equipment
- LVL machinery and equipment
- OSB machinery and equipment
- EWF machinery and equipment
- Machine vision applications for the panel industry
- Panel handling lines
- Overlaying lines
- Plant efficiency services
- Consulting and business support services

Raute Wood supplies machinery and production lines and related technology and services for the wood products industry globally. Our largest customer industry sectors are plywood and LVL.

The business group's strengths include strong expertise in the customers' processes and related automation, the ability to supply complete production lines, comprehensive customer services, and the long experience in global project deliveries.

The target of its strong R&D is to create solutions that enable its customers to process, as profitably and efficiently as possible, their raw material into high-quality end products.

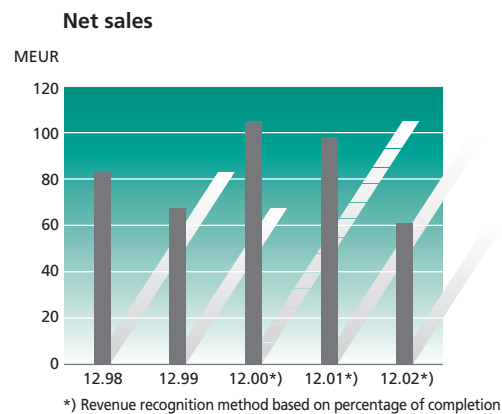
With a global sales network, Raute Wood has production units in Finland and Canada.

Net sales, result, and volume of orders

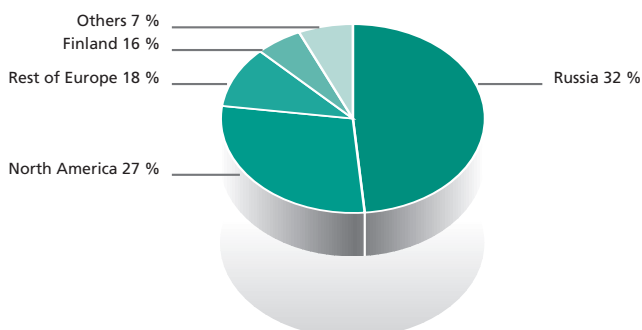
The Raute Wood business group posted net sales of MEUR 60.9 (MEUR 98.0), down more than one-third on a year earlier. Turnover generated by spare parts, equipment service, and maintenance grew by 12 percent and its share of the turnover grew to 21 percent. The weak performance of project sales was affected not only by low investment demand, but also by the postponed investment decisions on plant projects under negotiation in North America and Oceania. Raute responded to the difficult market situation by adapting its staffing level.

The business group made an operating loss of MEUR 5.1 (a profit of MEUR 6.7). The North American business was very unprofitable. The profit was burdened by non-recurring expenses of approximately MEUR 0.5 caused by the adaptation measures and the reorganization of the OSB business. The Finnish operations also showed a loss. Jymet-Engineering Oy, RWS-Engineering Oy and the associated company Mecano Group Oy made an operating profit.

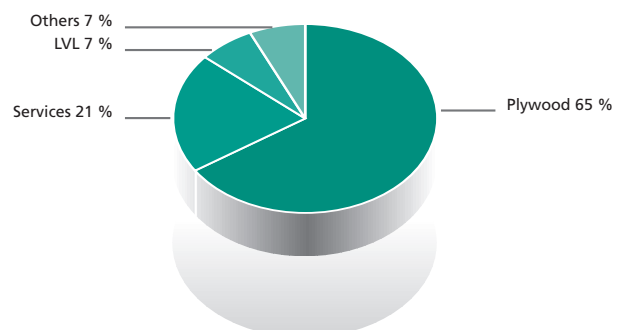
Raute has maintained its market position as a



Net sales by market area



Net sales by business sector





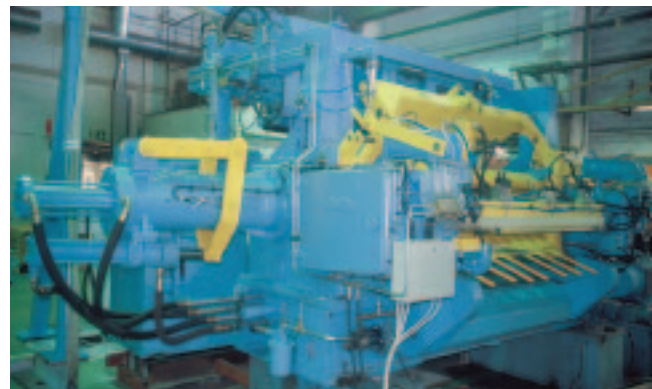
The veneer patching line delivered to France applies Mecano's machine vision technology.



Pictured dryer for thin veneer was delivered to Russia.



Also the pictured peeling line saw its installation in 2003.



RWS-Engineering Oy focused its business on Europe. Pictured is Raute's modernized block charger and lathe from 1973.

supplier of complete solutions for the veneer and plywood industries. In Russia, project postponements slowed down growth, while in North America, demand continued at a low level. In Europe, investment activity picked up towards the end of the year. In Finland, investment demand fell below the normal level after the peak year of 2001.

Investment demand in the OSB industry remained low in North America and in Europe. The focus of reconditioned machines and consulting services was in Europe.

The largest project implementations included an LVL plant and a peeling and drying line in Russia, peeling and drying lines in Finland, a veneer patching line in France, and a drying and stacking line and a lathe in North America.

The value of new orders received fell to MEUR 40.7 (MEUR 59.2). The year-end value of orders came to MEUR 14.3 (MEUR 22.7). The most important new orders were peeling, drying and pressing lines, as well as peeling and drying lines in Russia, veneer machinery in France, and a lathe deck and the modernization of a drying line in North America.

Development activity

Investment in R&D and technology continued vigorously. R&D accounted for approximately 5 percent of net sales. The areas of interest in technology development focused on improvements in raw material recovery, product quality, and productivity; improvements in these areas will become increasingly important for our customer industries' future competitiveness.

Development of a new series of veneer lathe was completed in 2002, with the new models due to be launched in the Spring of 2003. The most apparent benefits of Raute's new lathe are its improved raw material recovery, greater serviceability and more precise veneer thickness control. In addition, a new LVL lay-up line was developed. This fully-automatic, high precision line is suitable for inclusion in both new LVL production lines and as a means of improving raw material recovery in existing lines.

Other products aimed at improving raw material recovery include high-speed clipper controls and an upgraded veneer moisture content measuring and sorting system for dryers. In addition,

our R&D efforts produced a new modular stacking line for sorting and handling thin veneers and a new press with feeding device for veneer scarf-jointing lines.

Product development also saw the launch of a new family of information system products that enable the real-time production monitoring of complete plywood and veneer mills. The system also supports mill-wide maintenance activities, an example of which is the monitoring of the development and performance of the APQ efficiency indicator (Availability-Performance rate-Quality). This new information system will make it possible to improve the competitiveness of the maintenance business and its value to the customer.

Throughout the year, Raute Research centre undertook the testing of new raw materials with regards to their suitability for manufacturing veneer-based products and examined methods by which the quality of veneer might be improved. In early 2002, we conducted an in-depth study into the suitability of poplar as a raw material for plywood. In response to the findings of this study, we delivered two poplar scarf-jointing lines to Italy and a poplar peeling line to Hungary. Orders for poplar peeling lines were also received from Spain and France.

In the area of technology management, our emphasis has been in the development of design systems, with the aim of further shortening project lead times, intensifying project-specific design, and improving the manageability of product structures during the course of product life cycles. We instituted a new 3-D CAD design system and completed the Product Policy Framework definition, which is aimed at improving the R&D process. This framework helps in managing product development on a systematic basis and in response to customer needs.

During 2002, Raute Wood also undertook a number of joint technology projects with our customers, suppliers, and other technology providers. These networking initiatives, we believe, are an important means of ensuring that Raute remains at the forefront of panel manufacturing technology. The method by which Raute undertakes technology development was also reorganized in order to enable us to operate on the basis of global product responsibilities. Product development was centralized at our R&D centre in Finland

and sales and marketing resources were strengthened in Finland.

The main focus of production management was to raise our level of flexibility to meet rapidly changing resource needs. Networking initiatives undertaken in conjunction with other local companies has helped Raute Wood to improve considerably in this area. Ongoing analysis into our working relationships with sub-suppliers has helped to further develop the global component supplier and subcontractor network

Raute Wood's factory in Nastola, Finland continued to be the focus of investments in heavy machine tooling equipment, with the single largest investment being the installation of a turning mill that has helped to speed up production of manufactured components and spare parts.

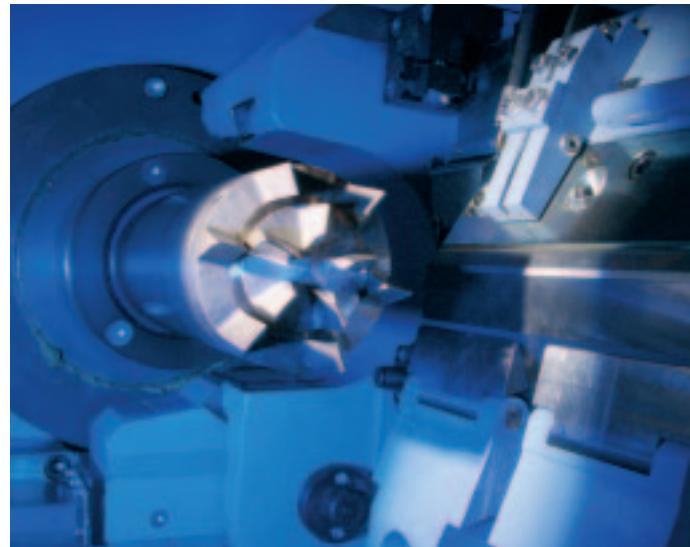
Mill maintenance business was also the target of dedicated effort within the Raute Wood organization. In Finland, a number of plant-wide audits were carried out by Raute personnel, leading to orders for machinery upgrades and modernizations. In North America, we continued to build our regional service network and improve the availability of maintenance services and spare parts.

Prospects for 2003

Panel industry investment projects are still characterized by uncertain mood. Market prospects look the most promising in Russia. North American investments will focus on modernization and maintenance projects.

Although panel industry investments will continue in Finland, no major investment projects are on the horizon. Investment activity is expected to remain at a normal level in the rest of Europe where Raute has strengthened its competitive position in hardwood veneer handling. Modernization investments are gradually rebounding in Southeast Asia.

The veneer-based panel industry will shift its investment focus towards improvements in raw material recovery, quality and productivity. Thanks to Raute's constant product development, its position as a supplier of complete plant projects will remain robust. The business group will further shift its business focus towards plant modernization projects and maintenance services. By investing in its core expertise in production and product development in Finland, we are confident that the



business group's performance and profitability will also improve in the cyclical North American market.

Early 2003 has been characterized by low order volumes, and the profit performance for the first quarter is likely to be weak. Nevertheless, the order volume is expected to grow in the first half. Net sales for 2003 as a whole is estimated to improve and operating profit to rise markedly over the previous year.

Raute Precision

Key Technologies

- **Weighing**
- **Dosing**
- **Automation**
- **Bulk material processes**
- **Dry mix product technology**

Products

- **Batch plants and cullet handling systems for the glass industry**
- **Plaster and mortar plants and related product technology**
- **Weighing components, scales, weighing and dosing systems**
- **Maintenance services for the weighing business**

Raute Precision supplies weighing and dosing systems and plants and related technology and services to process industry worldwide, the major customers operating in the glass industry, the plaster and mortar industry, and the metallurgical industry. Weighing components and scales are also supplied to the engineering industry, trade and the public sector.

Raute Precision's strengths include strong expertise in weighing, dosing and bulk processes and related automation as well as the management of global project deliveries.

The development of solutions to improve customers' production processes, products and profitability is supported by the accredited mass and force laboratory, the pilot plant for testing of bulk materials as well as the laboratory for development of plasters and mortars.

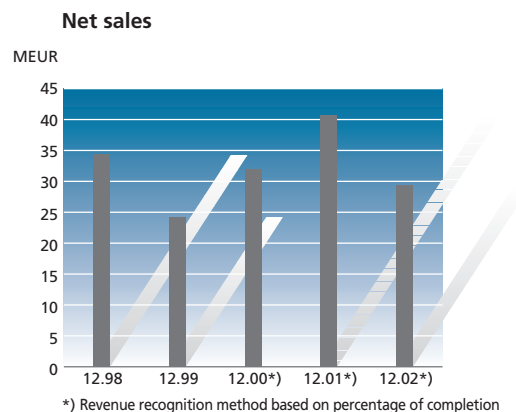
Key components and products are manufactured in Raute Precision's own mechanical and electrical workshops in Finland.

Net sales, result, and volume of orders

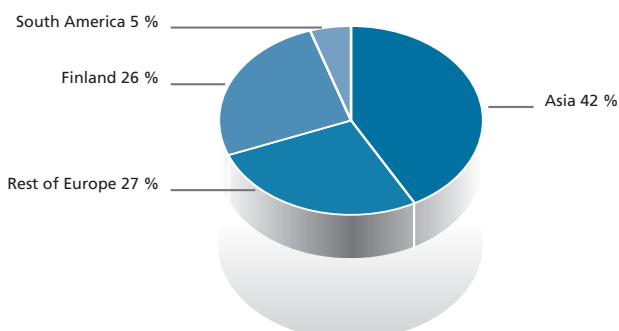
Due to the weak investment demand that continued throughout the year, the situation was difficult in most main product and market areas. Raute Precision generated net sales of MEUR 29.4 (MEUR 40.8), down one quarter over the previous year. Operating result declined compared to the previous year, showing a loss of MEUR 2.2 (a profit of MEUR 1.2). The business development and adaptation measures taken during the period could not contribute significantly to the result for 2002.

In the glass industry, investment activity was markedly lower than in the previous year and investment decisions were postponed. The business area showed a sharp fall in net sales and made an operating loss. In the difficult market situation, however, Raute Precision retained its strong market position in the glass industry. Demand remained favourable in China while strengthening in the Middle East. Of the projects delivered during 2002, seven were new batch plants and four were modernization projects.

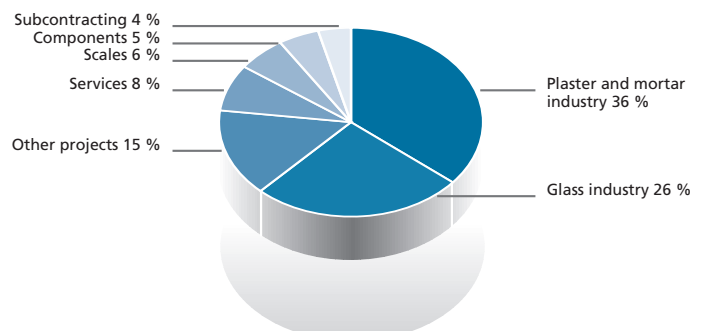
Investment activity in the plaster and mortar



Net sales by market area



Net sales by business sector





The project delivered to Spain in 2002 is Raute Precision's biggest single plaster and mortar plant sale so far.



The metallurgical industry is another important source of customers for Raute Precision. The main products are alloying plants for steel works and dosing systems for copper works.



The waste fiber recycling process, developed by Raute Precision for the fiberglass industry, reduces the consumption of energy and the amount of difficult fiber waste, also improving the raw material yield.



The plaster and mortar industry became Raute Precision's major business area in 2002. In addition to plant sales the growth of product technology and chemical sales also continued.

industry, which became Raute Precision's largest business area, was better than that of the glass industry. In addition to growth in plant sales, sales of product technology and the chemicals needed for the manufacture of plasters and mortars continued to grow.

Price competition remained tough. Due to low margins and a substantial credit loss realized during the period, the business area showed an operating loss. Demand picked up in Europe and the Middle East. The largest projects were plaster and mortar plants in Egypt and Spain, of which the latter project was the company's biggest single plaster and mortar plant sales ever.

Demand for maintenance services remained at a healthy level. Net sales rose by approximately 10 percent year-on-year, and profitability was good. The combined net sales generated by weighing components, scales, and weighing and dosing systems decreased markedly, but profitability was satisfactory. In the largest market area, Finland, sales dropped after the peak year of 2001 back to the normal level. The largest project was a dosing system for nickel works in Russia.

The value of new orders received by Raute Precision, at MEUR 28.3 (MEUR 33.1), dropped from the previous year. The period also experienced the largest single order in the company's history, a batch plant and cullet line in Brazil. The year-end value of orders at MEUR 11.2 remained almost at the previous year's level, (MEUR 12.2).

Development activity

Product development investment rose to 2 percent of net sales. Product development placed a special emphasis on the development of weighing, dosing, and automation solutions.

The most important development projects involved in operational processes related to project management, engineering, and purchasing, with a view to improving quality, cost-efficiency and risk management.

In order to enhance customer service for the plaster and mortar industry, plant projects and the rapidly growing product technology and chemicals business were separated in 2002 to form individual businesses. The purpose of this reorganization is to improve the cost-efficiency of plant projects and strengthen synergies between the project business areas.

Raute Precision is the market leader in China as a supplier of batch plants for the glass industry. To improve customer service, it reinforced its service and commissioning resources at the Shanghai office.

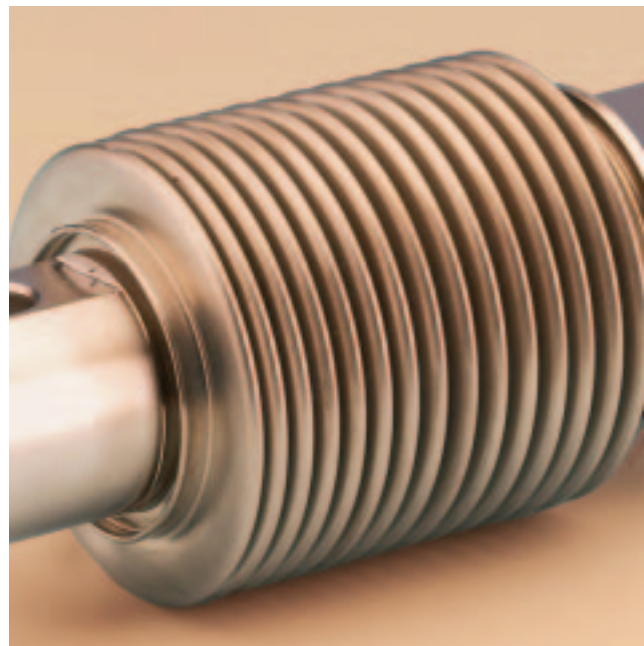
Prospects for 2003

The general economic uncertainty is also reflected in the prospects for Raute Precision's business areas for 2003. The most favourable market prospects are in the glass industry in which our market position is strong and the volume of orders is higher than in the previous year. Investment activity is estimated to continue brisk in China and to pick up in Russia and Europe.

Our investments in customer service and cost-efficiency in the plaster and mortar industry will provide foundations for a stronger market position. Europe and China seem to have most investments in hand.

Demand for weighing components, scales, and weighing and dosing systems is likely to remain low in Finland, the main market area. It is estimated that maintenance services will continue to grow.

It is estimated that Raute Precision's net sales will remain at the previous year's level and operating profit will improve. Key measures to improve profitability include enhancing sales efficiency, developing project management, and improving cost-efficiency.





Board of Directors' review of the year



*The Board of Directors of Raute Oyj.
In front, left Sinikka Mustakallio,
Pekka Paasikivi, Heikki Lehtonen,
Sole Molander, Markku Nihti and
Juha-Pekka Keskiäho.*

Raute Group

The Raute Group posted consolidated net sales of MEUR 88.9 (MEUR 136.1) and an operating loss of MEUR 8.3 (a profit of MEUR 7.5). The Group's financial items amounted MEUR -0.7 (MEUR 0.3). Loss before extraordinary items came to MEUR 9.0 (a profit of MEUR 7.8). Earnings per share came to EUR -1.92 (EUR 1.41). The result in 2001 included capital gains of MEUR 2.8 on shares sold.

The Group's year-end value of orders amounted to MEUR 25.4 (MEUR 34.6). The orders received during the report period were valued at MEUR 68.0 (MEUR 90.5).

Raute Wood business group

The Raute Wood business group's net sales of MEUR 60.9 (MEUR 98.0) declined by more than a third year-on-year. Net sales of the spare parts and maintenance services business increased by 12 percent, accounting for 21 percent of net sales. The weak project sales were hit, in addition to low investment activity, by the postponement of investment decisions on plant projects under negotiations in North America and Oceania. The difficult market situation led to personnel reductions.

The business group made an operating loss of MEUR 5.1 (a profit of MEUR 6.7). The North American business was highly unprofitable. Its results were eroded by non-recurring expenses of MEUR 0.5 resulting from adjustment measures and the restructuring of the OSB business. Also the operations in Finland showed an operating loss.

Raute has maintained its market position as a supplier of complete solutions for the veneer and plywood industries. Project postponements slowed down growth in Russia and demand remained still low in North America, whereas investment activity rebounded in Europe towards the end of the year. In Finland, investment activity fell under a normal level from the peak year of 2001.

Investment demand in the OSB industry remained mild in North America and Europe. The business of reconditioned machines and consulting services was focused on Europe.

Major project implementations included an LVL plant and a peeling and drying line in Russia, peeling and drying lines in Finland, a veneer patching line in France, a drying and stacking line, and a lathe in North America.

The reported value of new orders received fell to MEUR 40.7 (MEUR 59.2). The year-end value of orders came to MEUR 14.3 (MEUR 22.7). The

most significant new orders included peeling, drying and pressing lines, as well as peeling and drying lines in Russia, veneer plant machinery in France, and a lathe and the modernization of a drying line in North America.

Near-term prospects

Panel industry investment projects are still characterized by uncertain mood. Market prospects look the most promising in Russia. North American investments will focus on modernization and maintenance projects.

Although panel industry investments will continue in Finland, no major investment projects are on the horizon. Investment activity is expected to remain at a normal level in the rest of Europe where Raute has strengthened its competitive position in hardwood veneer handling. Modernization investments are gradually rebounding in Southeast Asia.

The veneer-based panel industry will shift its investment focus towards improvements in raw-material recovery, quality and productivity. Thanks to Raute's constant product development, its position as a supplier of complete plant projects will remain robust. The company will further shift its business focus towards plant modernization and upgrading projects. Through investment in its core expertise in production and product development in Finland, the business group expects its performance and profitability to improve in the cyclical North American market, too.

Early 2003 has been characterized by low order volumes, and the profit performance for the first quarter is expected to be weak. The volume of orders is expected to increase during the next six months. Net sales for 2003 as a whole are expected to improve and operating profit to rise markedly over the previous year.

Raute Precision business group

Due to the low investment demand that prevailed throughout the year, the business group was faced with a troublesome market situation in most of its main product and market areas. The business group's net sales of MEUR 29.4 (MEUR 40.8) decreased by around a quarter. Operating results declined year-on-year, showing a loss of MEUR 2.2 (a profit of MEUR 1.2). The business development

and restructuring measures launched during the report period were not in time to contribute to any marked degree to the 2002 result.

Glass industry investments fell markedly year-on-year, and investment decisions were put off. The business group reported a sharp decline in net sales, while showing an operating loss. Despite the troubled markets, Raute Precision was successful in maintaining its strong market position in the glass industry. Demand remained at a healthy level in China, while strengthening in the Middle East.

Investment activity in the plaster and mortar industry was higher than in the glass industry. It became the largest business area within Raute Precision. In addition to growth in plant sales, the report year saw sales growth in product technology and chemicals for plaster and mortar production. Due to low margins and a substantial credit loss accrued for the period, the business area made an operating loss. Demand picked up in Europe and the Middle East. Demand for maintenance services remained at a brisk level. Net sales rose by around 10 percent and the profitability was good.

The value of reported orders at MEUR 28.3 (MEUR 33.1) was lower than in the previous year. The report period also saw the largest single order in the company's history, i.e. a float glass batch plant and a cullet handling system to be delivered to Brazil. The year-end orders, valued at MEUR 11.2 (MEUR 12.2), remained almost at the previous year's level.

Near-term prospects

The overall economic uncertainty is also expected to have its impact on the prospects for Raute Precision's business areas in 2003. Prospects look the most promising in the glass industry in which Raute Precision holds a strong market position and a higher order volume than in the previous year. Investments are expected to remain healthy in China and pick up in Russia and Europe.

Greater emphasis on customer service and cost-efficiency in the plaster and mortar industry will provide solid foundations for a stronger market position. Europe and China boast the greatest number of investment projects in hand.

Raute Precision expects its net sales to remain at the previous year's level and its operating results to improve. The most crucial measures to improve profitability will involve dedicated efforts to

intensify sales operations, and project management processes and improve cost-efficiency.

Essential business changes

Raute Oyj has decided to merge Jymet-Engineering Oy, its wholly owned subsidiary, into Raute Oyj. The estimated date for the registration of the merger will be June 30, 2003.

As part of the restructuring of Raute Wood's European Sales, Raute Oyj has decided to discontinue Raute GmbH, its wholly owned sales company.

Group financing

The Group's financial position remained healthy. Its liquid assets amounted to MEUR 14.5 (MEUR 17.6) and gearing was at -16 percent (-17 percent) and solvency ratio at 50 percent (51 percent). The balance sheet total was valued at MEUR 58.9 (MEUR 80.4). Repayments of the Group's long-term interest-bearing loans totaled MEUR 0.8 (MEUR 2.3).

Investment and R&D expenditure

The Group's gross investment expenditure totaled MEUR 2.8 (MEUR 5.2). R&D expenditure of MEUR 3.6 (MEUR 4.5) accounted for about 4 percent of consolidated net sales.

Personnel

The Group had a staff of 801 (836) at 31 December 2002 and 147 (161) were working abroad.

Shares

January–December share trading volume totaled 844,893, valued at EUR 7,754,707, the highest and lowest quotation coming to EUR 10.30 and EUR 7.80, respectively. Raute Oyj share closed at EUR 7.80 on December 31, 2002. The number of K shares converted into A shares in January 2003 totaled 44,539.

Distribution of dividend

Raute Oyj's Annual General Meeting confirmed on March 19, 2002 the proposed dividend of EUR 1.00 per share totaling MEUR 3.8. The day of payment was April 2, 2002.

Board of Directors' proposal to the Annual General Meeting

The Board of Directors proposes to the Annual General Meeting on March 18, 2003 that a per-share dividend of EUR 0.50 be paid, totalling MEUR 1.9.

Board of Directors and President and CEO

Raute Oyj's Annual General Meeting of March 19, 2002 elected following members of the Board: Juha-Pekka Keskiäho (Chairman), Heikki Lehtonen (Vice-Chairman), Sole Molander, Sinikka Mustakallio, Markku Nihti and Pekka Paasikivi.

Risto Mäkitalo is the Group's President and CEO.

Auditors

The Group's auditors were authorized public accountants Jarmo Lohi and Juha Selänne, and Arthur Andersen Oy, Authorized Public Accountants, as their deputy auditor.

Prospects for the year 2003

Investment prospects for the Raute Group's customer industries still look unpredictable. However, the investment activities of the panel industry in Russia are estimated to remain on good level. Investments in the glass industry are estimated to continue in China and the activities to rise in Russia. Demand is expected to improve for modernization projects and maintenance services.

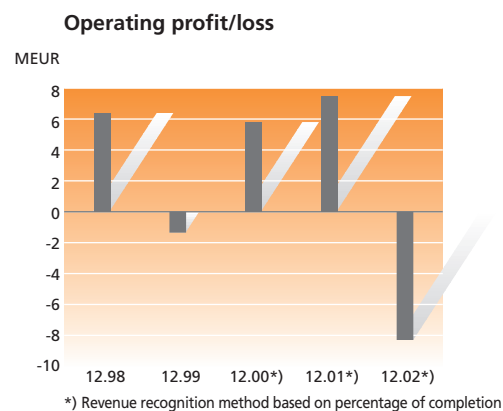
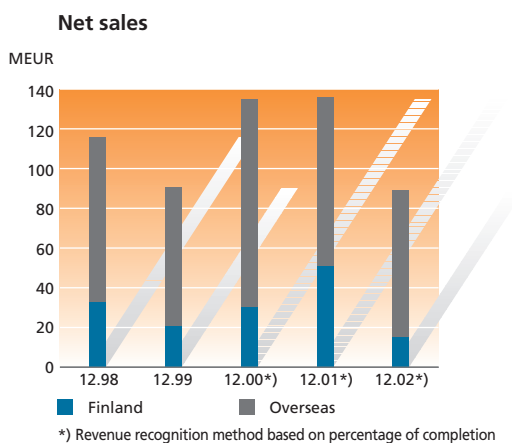
Raute holds a robust position in the market for panel industry plant projects. The fruits of the related product development – new products and technological solutions – will boost competitiveness.

Raute holds a good position in the market for glass industry solutions, as evidenced by the year-on-year higher order volumes. The Group expects to improve its competitiveness in the plaster and mortar industry through its measures to restructure its project management operations and enhance cost-efficiency.

The first half of 2003 will probably see a weakish profit performance. Current negotiations on plant projects are expected to grow the Group's order book larger. Raute estimates that its consolidated net sales will start improving during 2003 and its operating profit will rise markedly from the previous year's level.

RAUTE GROUP

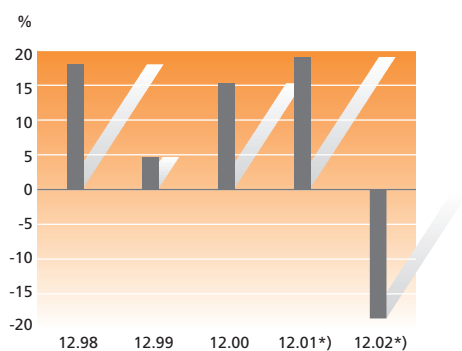
CONSOLIDATED INCOME STATEMENT			
EUR 1,000	NOTE	1.1.-31.12.2002	1.1.-31.12.2001
Net sales	1, 2, 3	88,908	136,106
Increase (+) or decrease (-) in finished goods and work in progress inventories		-715	-460
Other operating income	4	773	3,739
Materials and services	5	45,138	75,762
Personnel expenses	6	34,478	37,991
Depreciation and write downs	8, 13	3,590	3,259
Share of associated company's result		46	33
Other operating costs	9	14,013	14,856
Total		97,265	131,900
OPERATING PROFIT/LOSS		-8,299	7,485
FINANCIAL ITEMS			
Interest and other financial income	10	350	1,060
Interest and other financial expenses	10	-1,002	-716
Total		-652	344
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		-8,951	7,829
Extraordinary items	11	0	2,936
PROFIT/LOSS AFTER EXTRAORDINARY ITEMS		-8,951	10,764
Income taxes	12	1,599	-2,432
Minority interests		23	0
PROFIT/LOSS FOR THE FINANCIAL YEAR		-7,329	8,333



RAUTE GROUP

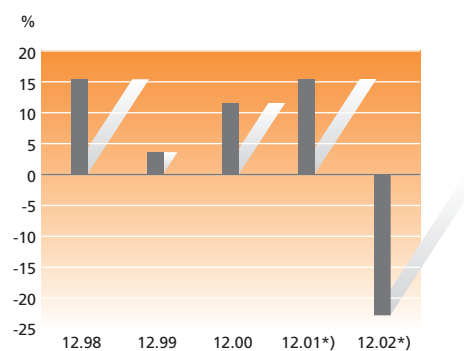
CONSOLIDATED BALANCE SHEET			
EUR 1,000	NOTE	31.12.2002	31.12.2001
ASSETS			
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets	13	881	1,028
Group Goodwill	13	965	747
Tangible assets	13	19,527	20,963
Investments	14	2,963	3,180
Total		24,336	25,918
CURRENT ASSETS			
Inventories	3, 15	4,715	5,998
Long-term receivables	16	0	27
Deferred tax assets	16, 20	478	962
Short-term receivables	3, 16	14,901	29,949
Current assets in marketable securities	17	10,844	11,190
Cash and cash equivalents		3,629	6,386
Total		34,567	54,512
TOTAL ASSETS		58,903	80,430
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		7,629	7,629
Premium fund		5,429	5,429
Retained earnings	18	21,647	15,760
Profit/loss for the financial year	18	-7,329	8,333
Total		27,376	37,151
MINORITY INTERESTS		0	35
PROVISIONS	19	2,447	3,295
LIABILITIES			
Deferred tax liabilities	20	831	2,054
Long-term liabilities	21	758	1,497
Short-term liabilities	21	27,491	36,398
Total		29,080	39,949
TOTAL LIABILITIES		58,903	80,430

Return on investment



*) Revenue recognition method based on percentage of completion

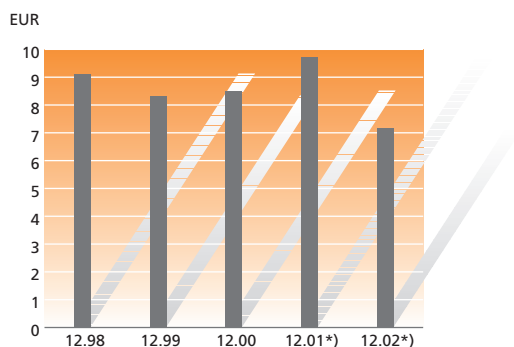
Return on equity



*) Revenue recognition method based on percentage of completion

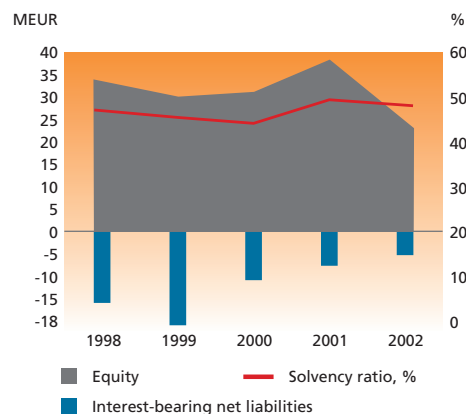
CONSOLIDATED CASH FLOW STATEMENT		
EUR 1,000	2002	2001
Operating cash flow:		
Payments from sales	99,100	137,309
Payments from other operating income	176	602
Payments of business expenses	-96,440	-133,129
Operating cash flow before financing and taxes	2,836	4,782
Interest and other financial expenses paid	-956	-683
Interest and other income received	208	1,266
Dividend income received	170	230
Income taxes paid	10	-4,020
Cash flow before extraordinary items	2,268	1,575
Operating cash flow (A)	2,268	1,575
Investment cash flow:		
Investments in tangible and intangible assets	-2,381	-4,094
Acquisition of subsidiary companies' shares	-397	-1,063
Capital gains from tangible and intangible assets	495	3,241
Capital gains from other investments	457	2,087
Investment cash flow (B)	-1,826	171
Financial cash flow:		
Short-term loans, increase	862	3,815
Long-term loans, repayment	-766	-2,250
Long-term and short-term receivables, decrease	174	113
Dividends paid	-3,815	-3,483
Financial cash flow (C)	-3,545	-1,805
Change in financial resources (A+B+C) increase (+)/decrease (-)	-3,103	-59
Cash and marketable securities at 1 January	17,576	17,635
Cash and marketable securities at 31 December	14,473	17,576

Equity per share



*) Revenue recognition method based on percentage of completion

Development of the financial structure



Raute Group

Accounting principles

Consolidated Financial Statements

The Consolidated Financial Statements include the accounts of the Parent Company, Raute Oyj, and each of those companies in which the Parent Company holds, directly or indirectly, over 50 percent of the voting rights, or which it otherwise controls. Real estate and housing companies, including the associated company Eloc Oy, are not incorporated into the Consolidated Financial Statements, since their operations differ from the Group's line of business and they are of minor significance to the Group's results and shareholders' equity.

Associated companies are consolidated using the equity method. In proportion to Group holdings in the associated companies, the Group's proportion of the associated companies' profits and losses for the financial year is shown as a separate item in the Consolidated Income Statement.

Foreign subsidiaries' financial statements are adjusted for the Consolidated Financial Statements to be consistent with the Group's principles.

The acquisition cost method is used in the elimination of intra-Group holdings. The difference between the acquisition cost of the subsidiaries' shares and the value of the shareholders' equity of the subsidiaries on the acquisition date is allocated to those balance sheet items which generate the consolidation difference. The consolidation difference allocated to fixed assets is depreciated in accordance with the relevant depreciation period. The consolidated difference not allocated to fixed asset items is shown as a separate item in the balance sheet and amortized over its economic life of five years.

The foreign subsidiaries' Income Statements are converted into euros according to the average exchange rate for the financial year, and Balance Sheets at the average exchange rate on the date of closing the accounts. The resultant conversion differences and the translation differences in shareholders' equity are shown in retained earnings in the Balance Sheet.

The exchange rates applied in the consolidation of subsidiary accounts are presented in Note 23 in the Notes to the Financial Statements.

Net sales

Net sales are calculated by deducting indirect sales-related taxes and discounts from revenues of product and service sales.

Since January 1, 2001, Raute has applied the partial revenue recognition method for long-term projects based on the percentage of project completion, replacing the previous revenue recognition method based on project completion. The percentage of completion is the ratio of realized expenditure to the estimated total expenditure.

Other operating income

Other operating income includes income not entered in net sales, such as rental income and capital gains on fixed assets.

Foreign currency items

Transactions other than denominated in euros are entered at the exchange rate on the day of each transaction. Receivables and liabilities denominated in other currencies than the euro are translated into euros at the average rate quoted by the European Central Bank on the day of closing the accounts, except for hedged items valued at the agreed contract rate. Advances paid and received are entered in the Balance Sheet at the exchange rate effective on the payment date. Exchange rate gains and losses are recognized as income and expenses.

Financial assets

Marketable securities include shares and holdings, deposits with a minimum of 3-month maturity, and other securities with the intended holding period of less than one year. They are stated at the acquisition cost or at a lower market price. Quoted securities and comparable assets are valued at the acquisition cost or likely net realizable value.

Fixed asset and other long-term investments

The acquisition cost of fixed assets only includes variable costs caused by the acquisition and manufacture of the asset items.

Fixed assets are stated at cost less accumulated depreciation, with the exception of some property items and shares which have been revaluated.

Planned depreciation is recorded on a straight-line basis over the expected economic lives of the assets as follows:

Goodwill	5 yrs
Consolidation difference	5 yrs
Buildings and structures	25 – 40 yrs
Machinery and equipment	4 - 8 yrs
Other fixed assets	3 - 10 yrs

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

Inventories

Inventories are stated at the acquisition cost or at a lower replacement value or likely net realizable value.

Acquisition cost of inventories includes only the variable costs incurred due to the acquisition and manufacture of goods.

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

Extraordinary items include income and expenses based on essential transactions as distinct from usual business operations or on changes in accounting principles. Since the adoption of the percentage of completion method in project revenue recognition on January 1, 2001, the work in progress, including margins, has been entered as extraordinary income, and the equivalent acquisition cost of work in progress has been

entered as extraordinary expense. Group contributions received and paid are also entered in extraordinary items in the Group companies' financial statements.

Pension plans

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 Pension Fund, which was closed on October 1, 1992.

The pension plan for the foreign subsidiaries is based on the local practice.

Research and product development expenditure

Research and development costs are expensed as incurred.

Direct taxes

Direct taxes shown in the Income Statement include Group companies' estimated direct taxes for the period and tax adjustments for previous periods together with change in deferred tax liability. Taxes included in extraordinary items are presented in extraordinary items.

Deferred tax liabilities and accrued tax assets are entered in the Consolidated Balance Sheet, calculated on the basis of accrual differences, other temporary differences and differences due to consolidation measures using the tax rate for subsequent years confirmed on the date of closing the accounts. The accumulated according-to-plan depreciation difference is allocated to shareholders' equity and deferred tax liability in the Consolidated Balance Sheet.

Deferred tax liability due to revaluation is entered in the Consolidated and Parent Company Balance Sheets.

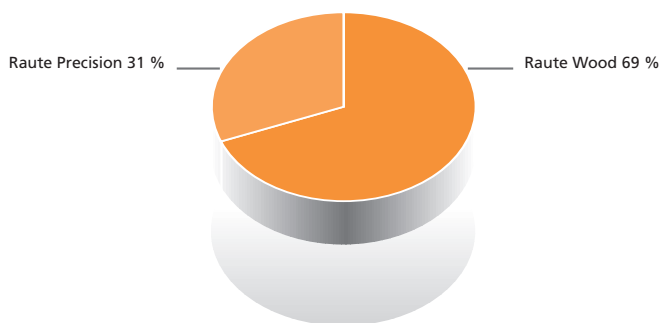
Deferred tax liability is included in the balance sheet in full and accrued tax asset is valued at likely tax asset.

RAUTE GROUP

NOTES TO THE CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET

EUR 1,000	2002		2001	
1. Net sales by market area		%		%
Finland	15,200	17	50,842	37
Other European countries	19,942	22	26,232	19
Asia	13,145	15	12,606	9
North America	16,678	19	10,103	7
South America	3,789	4	2,127	2
Russia	19,379	22	21,455	16
Others	775	1	12,741	10
Total	88,908	100	136,106	100

Net sales by business sector



2. Net sales, operating profit/loss, volume of orders in hand and personnel by business sector

	Raute Wood	%	Raute Precision	%	Other and internal	%	Raute Group total
Net sales 31 Dec. 2002	60,922	69	29,390	33	-1,404	-2	88,908
Net sales 31 Dec. 2001	98,030	72	40,751	30	-2,675	-2	136,106
Operating loss 31 Dec. 2002	-5,142	62	-2,154	26	-1,003	12	-8,299
Operating profit 31 Dec. 2001	6,729	90	1,192	16	-436	-6	7,485
Volume of orders in hand 31 Dec. 2002	14,296	56	11,180	44	-89	0	25,387
Volume of orders in hand 31 Dec. 2001	22,689	66	12,205	35	-308	-1	34,586
Orders received during the period 31 Dec. 2002	40,749	60	28,286	42	-1,031	-2	68,004
Orders received during the period 31 Dec. 2001	59,229	65	33,060	37	-1,829	-2	90,460
Personnel 31 Dec. 2002	584	73	201	25	16	2	801
Personnel 31 Dec. 2001	620	74	206	25	10	1	836

EUR 1,000	2002	2001
3. Revenue recognition method based on percentage of completion		
Net sales by percentage of completion	64,402	113,597
Other net sales	24,506	22,509
Total	88,908	136,106

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

	11,454	27,261
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Amount of long-term project revenues not yet entered as income (volume of orders)

	23,075	31,785
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Itemization of combined asset and liability items

Advances paid	88	1,840
Advances broken down by percentage of completion	0	-1,154
Inventories by percentage of completion	88	686

Accrued income and deferred expenses corresponding to revenues by percentage of completion

	11,220	27,227
Advances received from project customers	-8,050	-17,455
Project receivables included in short-term receivables in the balance sheet	3,170	9,772

EUR 1,000	2002	2001
4. Other operating income		
Gain from sales of fixed assets	596	3,137
Other income items	177	602
Total	773	3,739

5. Materials and services

Materials and supplies		
- Purchases during the accounting period	42,546	65,791
- Change in inventories	-240	154
External services	2,832	9,817
Total	45,138	75,762

6. Personnel expenses

Personnel expenses in Income Statement		
- Wages and salaries	27,485	30,488
- Pension contributions	3,746	4,053
- Other personnel costs	3,247	3,450
Total	34,478	37,991

Salaries, remunerations and pension commitments of Directors

Managing Directors of Group companies and the members of Boards of Directors	1,011	1,109
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The retirement age of 58-60 years has been agreed for the Managing Directors and members of Boards of Directors of certain companies in the Group.

The retirement age of 58-60 years has been agreed for the Managing Director and Chairman of the Board of Directors of the parent company.

EUR 1,000	2002	2001	EUR 1,000	2002	2001				
7. Personnel			Financial expenses						
Hourly paid workers on 31 Dec.	321	329	Interest and other financial expenses						
Office staff on 31 Dec.	480	507	- other than group and						
Total personnel on 31 Dec.	801	836	participating companies	1,002	716				
Hourly paid average	339	350	Total financial expenses	1,002	716				
Office staff average	496	510	TOTAL FINANCIAL ITEMS	-652	344				
Total personnel, average	835	860	Exchange rate gains (+)/losses (-)						
Overseas staff on 31 Dec.	147	161	included in total financial items	-427	48				
Overseas staff, average	159	176							
8. Depreciation and write downs			11. Extraordinary items						
Depreciation and amortization from			Extraordinary income						
intangible and tangible assets	3,590	3,259	Transition to revenue recognition using						
			the partial revenue recognition method	0	15,350				
9. Other operating costs			Extraordinary expenses						
Indirect production costs	3,210	3,073	Transition to revenue recognition using						
Sales and marketing costs	4,197	4,177	the partial revenue recognition method	0	11,215				
Administration costs	3,815	4,805	Tax impact of extraordinary items	0	1,199				
Other costs	2,792	2,801	Total	0	12,414				
Total	14,013	14,856	Net extraordinary items	0	2,936				
10. Financial income and expenses			12. Income taxes						
Financial income			- from operations, financial year	283	-2,473				
Dividends and yield on investment fund			- from operations, previous years	-11	30				
- Other than group and			Change in deferred tax liabilities	1,326	11				
participating companies	89	180	Total income taxes (- = expenses)	1,599	-2,432				
Corporation tax credits	46	50							
Total	135	230							
Interest and other financial income									
- others	215	830							
Total financial income	350	1,060							
13. Fixed assets									
	Intangible assets			Tangible assets					
	Goodwill	Goodwill on consolidation	Other capitalized expenditure and intangible assets	Land and water	Buildings	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost 1 Jan. 2002	6,657	2,033	2,701	1,292	18,112	24,698	383	362	56,239
Translation difference	0	0	0	-93	-354	-1,026	0	0	-1,473
Additions	0	412	230	6	52	941	26	1,126	2,793
Disposals	0	0	0	-30	-339	-191	0	0	-561
Transferred between items	0	0	0	0	111	1,362	11	-1,484	0
Acquisition costs 31 Dec. 2002	6,657	2,445	2,931	1,175	17,582	25,783	419	4	56,998
Accumulated depreciation 1 Jan. 2002	-6,482	-1,286	-1,849	0	-7,710	-16,924	-353	0	-34,605
Translation difference	0	0	0	0	226	898	0	0	1,124
Accumulated depreciation included in increases for the financial period	0	0	0	0	197	144	0	0	341
Depreciation for the accounting period	-53	-194	-324	0	-592	-2,420	-8	0	-3,590
Accumulated depreciation 31 Dec. 2002	-6,535	-1,480	-2,173	0	-7,879	-18,302	-361	0	-36,730
Revaluations 1 Jan. and 31 Dec. 2002	0	0	0	182	923	0	0	0	1,105
Value in the Balance Sheet 31 Dec. 2002	123	965	758	1,358	10,625	7,481	59	4	21,373

RAUTE GROUP

EUR 1,000

14. Long-term investments	Shares Participa- ting companies	Others	Total
Acquisition cost 1 Jan. 2002	2,937	748	3,685
Disposals	-81	-136	-217
Acquisition costs 31 Dec. 2002	2,856	611	3,468
Accumulated write downs in value 1 Jan. and 31 Dec. 2002	-601	0	-601
Revaluation 1 Jan. and 31 Dec. 2002	0	96	96
Value in the Balance Sheet 31 Dec. 2002	2,255	707	2,963

1,000 EUROS 2002 2001

15. Inventories

Materials and supplies	3,436	3,370
Work in progress	1,144	1,870
Finished products/goods	47	72
Advance payments	88	686
Total	4,715	5,998

16. Receivables

Long-term receivables		
Long-term loan receivables from others	0	27
Total in Balance Sheet	0	27

Short-term deferred tax assets		
- Deferred tax assets, (specification note number 20)	478	962

Short-term receivables from participating companies		
- Accounts receivable	9	1
Total from participating companies	9	1

Short-term receivables from others		
- Accounts receivable	9,308	16,519
- Loan receivables	12	157
- Prepayments and accrued income	4,430	10,745
- Other receivables	1,142	2,527
Total short-term receivables in Balance Sheet	14,901	29,949

Substantial items included in prepayments and accrued income

Project receivables entered according to percentage of completion	3,170	9,772
Other items	1,260	973
Total	4,430	10,745

EUR 1,000

2002

2001

17. Current assets in marketable securities

Current market value	11,636	11,941
Value in the Balance Sheet 31 Dec.	-10,844	-11,191
Difference	792	750

Current assets in marketable securities include public fund units and stock market shares.

18. Shareholders' equity

Share capital 1 Jan. and 31 Dec.	7,629	7,629
Premium fund 1 Jan. and 31 Dec.	5,429	5,429

Retained earnings 1 Jan.	15,760	16,114
Profit from the previous year	8,333	3,341
Dividends paid	-3,815	-3,483
Reductions in revaluations	0	-116
Change of deferred tax liabilities from revaluation	0	34
Translation differences of restricted equity	-680	42
Translation differences of non-restricted equity	2,049	-172
Retained earnings 31 Dec.	21,647	15,760

Profit/loss for the financial year	-7,329	8,333
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Shareholders' equity 31 Dec.	27,376	37,151
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Distributable funds

Retained earnings 31 Dec.	21,647	15,760
Profit/loss for the financial year	-7,329	8,333
Translation differences of restricted equity	0	-631
Transfer of voluntary provisions and accumulated depreciation to equity	-4,295	-4,314
Distributable funds 31 Dec.	10,023	19,148

19. Provisions

Estimated warranty accruals	2,447	3,295
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20. Deferred tax liabilities and tax assets

Deferred tax assets

Short-term		
- for consolidation measures	16	21
- for periodizing differences	462	941
Total	478	962

Deferred tax liabilities

Long-term		
- for accrued year-end transfers	0	1,142
- for consolidation measures	531	612
- for revaluations	300	300
Total	831	2,054

Deferred tax liabilities for consolidation measures EUR 1,455 thousand are net booked with deferred tax assets for periodizing differences EUR 924 thousand, net EUR 531 thousand.

EUR 1,000	2002	2001
21. Liabilities		
Long-term liabilities		
- Long-term deferred tax liabilities (specification note number 20)	831	2,054
Long-term liabilities to others		
- Pension loans	744	1,230
- Other liabilities	14	267
Total in Balance Sheet	758	1,497
Short-term liabilities		
Short-term payable to participating companies		
- Accounts payable	23	186
Total to participating companies	23	186
Short-term liabilities to others		
- Loans from financial institutions	1,813	1,362
- Pension loans	485	549
- Advances received	4,224	7,442
- Accounts payable	3,690	5,691
- Accrued expenses and prepaid income	8,879	11,743
- Other short-term liabilities	8,377	9,425
Total in Balance Sheet	27,491	36,398

Interest-bearing debts

Long-term	758	1,256
Short-term	9,265	9,924
Total	10,023	11,180

Substantial items included in accrued expenses and prepaid income

Accrued project expenses	1,849	3,859
Accrued employee related expenses	4,446	5,472
Other items	2,584	2,412
Total	8,879	11,743

22. Pledged assets and contingent liabilities

Pledged assets

Debts secured by mortgages

Pension loans	1,230	1,778
Loans from financial institutions	1,813	1,362

These debts and other liabilities have been secured by mortgages

Mortgages on real property	4,872	4,956
Business mortgages	6,055	6,055

EUR 1,000	2002	2001
Pledged in security for other debts		
Shares	123	94
Contingent liabilities and other liabilities		
Guarantees issued on behalf of Group companies		
	2,391	1,185
Leasing and rent liabilities		
- for the current accounting period	569	626
- for future accounting periods	1,874	2,683
Forward foreign exchange contracts		
- Value of the underlying value	493	1,299
- Current value	467	1,273
Forward exchange contracts have been used for hedging project deliveries denominated in foreign currencies.		
Other own liabilities	576	743

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

23. Rates of exchange applied to subsidiaries

Income Statement

USD	0.9458	0.8947
CAD	1.4843	1.3860
SEK	9.1449	9.2529
SGD	1.6915	1.6020
CLP	647.5406	564.4310

Balance Sheet

USD	1.0487	0.8813
CAD	1.6550	1.4077
SEK	9.1528	9.3012
SGD	1.8199	1.6306
CLP	713.5812	596.1644

RAUTE OYJ

PARENT COMPANY INCOME STATEMENT			
EUR 1,000	NOTE	1.1.-31.12.2002	1.1.-31.12.2001
Net sales	1, 2	40,938	82,833
Increase (+) or decrease (-) in finished goods and work in progress inventories		-149	-765
Other operating income	3	673	3,639
Materials and services	4	20,045	49,445
Personnel expenses	5	15,100	16,988
Depreciation and write downs	7	2,021	1,615
Other operating costs	8	7,133	8,019
Total		44,299	76,067
OPERATING PROFIT/LOSS		-2,837	9,641
FINANCIAL ITEMS			
Income from long-term investments	9	310	254
Interest and other financial income	9	313	1,016
Interest and other financial expenses	9	-577	-300
Total		46	970
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		-2,791	10,611
Extraordinary items	10	202	3,100
PROFIT/LOSS AFTER EXTRAORDINARY ITEMS		-2,589	13,710
Change in untaxed provisions	11	867	-106
Income taxes	12	89	-3,043
PROFIT/LOSS FOR THE FINANCIAL YEAR		-1,633	10,562

PARENT COMPANY BALANCE SHEET			
EUR 1,000	NOTE	31.12.2002	31.12.2001
ASSETS			
FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS			
Intangible assets	13	432	440
Tangible assets	13	12,650	13,051
Investments	14	9,051	8,847
Total		22,133	22,338
CURRENT ASSETS			
Inventories	15	1,565	2,076
Long-term receivables	16	99	137
Short-term receivables	2, 16	12,281	21,421
Current assets in marketable securities	17	10,844	11,190
Cash and cash equivalents		2,395	5,505
Total		27,184	40,329
TOTAL ASSETS		49,317	62,667
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		7,629	7,629
Premium fund		5,429	5,429
Retained earnings	18	19,302	12,555
Profit/loss for the financial year	18	-1,633	10,562
Total		30,727	36,175
Untaxed reserves	19	2,956	3,823
Provisions	20	1,800	2,064
Liabilities			
Deferred tax liabilities	21	300	300
Long-term liabilities	22	758	1,497
Short-term liabilities	22	12,777	18,808
Total		13,834	20,605
TOTAL LIABILITIES		49,317	62,667

RAUTE OYJ

PARENT COMPANY CASH FLOW STATEMENT		
EUR 1,000	2002	2001
Operating cash flow:		
Payments from sales	46,028	83,895
Payments from other operating income	96	502
Payments of business expenses	-44,985	-74,103
Operating cash flow before financing and taxes	1,139	10,294
Interest and other financial expenses paid	-546	-331
Interest and other income received	166	1,222
Dividend income received	170	301
Income taxes paid	-1,200	-3,293
Cash flow before extraordinary items	-271	8,193
Operating cash flow (A)	-271	8,193
Investment cash flow:		
Investments in tangible and intangible assets	-1,794	-3,052
Capital gains from tangible and intangible assets	438	3,179
Other investments	-269	-1,118
Capital gains from other investments	457	2,087
Loan receivables, increase	-1,670	-767
Loan receivables, repayment	0	0
Interest income from investments	260	183
Investment cash flow (B)	-2,578	512
Financial cash flow:		
Long-term loans, increase	553	419
Long-term loans, repayment	-766	-1,185
Change in long-term and short-term receivables	3,421	-4,740
Dividends paid	-3,815	-3,454
Group contributions, paid and received	0	336
Financial cash flow (C)	-607	-8,624
Change in financial resources (A+B+C) increase (+)/decrease (-)	-3,456	81
Cash and marketable securities at 1 January	16,695	16,614
Cash and marketable securities at 31 December	13,239	16,695

PARENT COMPANY NOTES TO THE INCOME STATEMENT AND BALANCE SHEET

EUR 1,000	2002	2001	EUR 1,000	2002	2001
Information on the Group					
Raute Oyj is the Raute Group's parent company. The registered office of the Group is in Lahti and the address of the Company is Rautetie 2, 15550 Nastola, Finland.					
1. Net sales by market area					
		%		%	
Finland	8,259	20	38,965	47	
Other European countries	9,381	23	8,443	10	
Asia	1,104	3	1,088	1	
North America	2,268	6	1,781	2	
South America	2,243	5	1,134	1	
Russia	16,950	41	20,606	25	
Others	733	2	10,816	14	
Total	40,938	100	82,833	100	
2. Revenue recognition method based on percentage of completion					
Net sales by percentage of completion	30,540		76,360		
Other net sales	10,398		6,473		
Total	40,938		82,833		
Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion					
	5,330		17,581		
Amount of long-term project revenues not yet entered as income (volume of orders)					
	11,265		14,863		
Itemization of combined asset and liability items					
Accrued income and deferred expenses corresponding to revenues by percentage of completion					
	5,330		17,581		
Advances received from project customers	-4,298		-13,036		
Project receivables included in short-term receivables in the balance sheet	1,032		4,545		
3. Other operating income					
Gain from the sales of fixed assets	577		3,137		
Other income items	96		502		
Total	673		3,639		
4. Materials and services					
Materials and supplies					
- Purchases during the accounting period	18,906		44,075		
- Change in inventories	194		-223		
External services	945		5,593		
Total	20,045		49,445		
5. Personnel expenses					
- Salaries to the members to Boards of Directors	150		147		
- Other wages and salaries	11,998		13,520		
- Pension contributions	2,133		2,347		
- Other personnel costs	819		974		
Total	15,100		16,988		
6. Personnel					
Hourly paid workers on 31 Dec.	191		194		
Office staff on 31 Dec.	213		226		
Total personnel on 31 Dec.	404		420		
Hourly paid average	198		210		
Office staff average	220		212		
Total personnel, average	418		422		
Overseas staff 31 Dec.	3		3		
Overseas staff, average	3		4		
7. Depreciation and write downs					
Depreciation and amortization from intangible and tangible assets	2,021		1,615		
8. Other operating costs					
Indirect production costs	1,696		2,319		
Sales and marketing costs	2,428		2,499		
Administration costs	1,662		1,683		
Other costs	1,347		1,518		
Total	7,133		8,019		
9. Financial income and expenses					
Financial income					
Income from long term investment					
Dividends and corporation tax credits					
- Group companies	0		50		
- Participating companies	35		0		
- Corporation tax credits	14		21		
Total	49		71		
Interest income					
- Group companies	261		182		
Income from long term investment, total	310		254		
Income from short term investment					
Dividends and yield on investment fund					
- From other than participating or group companies	88		180		
- Corporation tax credits	32		50		
Total	120		230		
Other interest and financial income					
- Group companies	52		108		
- Others	141		678		
Total	193		786		
Income from short term investment, total	313		1,016		
Total financial income	623		1,270		

RAUTE OYJ

EUR 1,000	2002	2001
Financial expenses		
Interest and other financial expenses		
- Group companies	2	3
- Others	575	297
Total	577	300
Total financial expenses	577	300
TOTAL FINANCIAL ITEMS	46	970
Exchange rate gains (+)/losses (-) included in total financial items	-247	11

10. Extraordinary items

Extraordinary incomes		
- Contributions from Group companies	285	770
- Transition to revenue recognition using the partial revenue recognition method	0	12,030
Total	285	12,800

13. Fixed assets

	Intangible assets		Tangible assets					Total
		Other capitalized expenditure	Land and water	Buildings	Machinery and equipment	Other tangible assets	Advance payments	
Acquisition cost 1 Jan. 2002		1,928	344	9,339	13,382	302	349	25,644
Additions		158	6	41	444	22	1,122	1,794
Disposals		0	-30	-339	-42	0	0	-412
Transferred between items		0	0	111	1,349	11	-1,471	0
Acquisition costs 31 Dec. 2002		2,086	320	9,152	15,134	335	0	27,026
Accumulated depreciation 1 Jan. 2002		-1,487	0	-3,402	-7,924	-276	0	-13,089
Accumulated depreciations from disposals and transfers		0	0	197	33	0	0	230
Depreciation for the accounting period		-166	0	-294	-1,555	-5	0	-2,021
Accumulated depreciation 31 Dec. 2002		-1,654	0	-3,499	-9,446	-282	0	-14,880
Revaluation 1 Jan. and 31 Dec. 2002		0	13	923	0	0	0	936
Value in the Balance Sheet 31 Dec. 2002		432	334	6,575	5,688	54	0	13,082

EUR 1,000	2002	2001
Extraordinary expenses		
- Transition to revenue recognition using the partial revenue recognition method	0	8,434
- Tax impact of extraordinary items	83	1,266
Total	83	9,700
Extraordinary items in Income Statement (net)	202	3,100

11. Change in untaxed reserves

- Difference in planned and taxed depreciations	867	-106
Total (+ = incomes)	867	-106

12. Income taxes

- from operations, financial year	83	-3,106
- from operations, previous years	6	63
Total (- = expenses)	89	-3,043

EUR 1,000

2002 2001

14. Long-term investments

	Shares			Loan receivables	
	Group companies	Participating companies	Others	Group companies	Total
Acquisition cost					
1 Jan. 2002	7,389	3,066	662	2,264	13,381
Translation difference	0	0	0	-213	-213
Additions	269	0	0	546	816
Disposals	-66	0	-70	-70	-207
Transferred to short-term loans	0	0	0	-192	-192
Acquisition costs					
31 Dec. 2002	7,592	3,066	592	2,335	13,585
Accumulated write downs in value 1 Jan. and 31 Dec.	-4,029	-601	0	0	-4,630
Revaluation					
1 Jan. and 31 Dec.	0	0	96	0	96
Value in the Balance Sheet 31 Dec. 2002	3,563	2,465	688	2,335	9,051

There is a list of shares and holdings of the Group in note 24.

15. Inventories

Materials and supplies		1,285	1,479
Work in progress		265	414
Advance payments		15	183
Total		1,565	2,076

16. Receivables**Long-term receivables**

Long-term receivables from Group companies		
- Loan receivables	99	110

Long-term receivables from others		
- Loan receivables	0	27
Total in Balance Sheet	99	137

Short-term receivables

Short-term receivables from Group companies		
- Accounts receivable	99	192
- Loan receivables	5,490	7,164
- Prepayments and accrued income	1,163	827
- Other receivables	228	66
Total from Group companies	6,980	8,249

Short-term receivables from participating companies		
- Accounts receivable	0	1
Total from participating companies	0	1

Short-term receivables from others		
- Accounts receivable	3,367	7,430
- Loan receivables	11	155
- Prepayments and accrued income	1,608	5,161
- Other receivables	315	425
Total in Balance Sheet	12,281	21,421

EUR 1,000

2002 2001

Substantial items included in prepayments and accrued income

- Contribution receivables from Group companies	1,055	770
- Project receivables entered according to percentage of completion	1,032	4,545
- Other items	684	673
Total	2,771	5,988

17. Current assets in marketable securities

Current market value	11,636	11,941
Current assets (in book)	-10,844	-11,191
Difference	792	750

Current assets in marketable securities include public fund units and stock market shares.

18. Shareholders' equity

Share capital 1 Jan. and 31 Dec.	7,629	7,629
Premium fund 1 Jan. and 31 Dec.	5,429	5,429

Retained earnings on 1 Jan.	12,555	15,962
Profit from the previous year	10,562	129
Dividends paid	-3,815	-3,454
Reductions in revaluations	0	-116
Change of deferred tax liabilities from revaluation	0	34
Retained earnings 31 Dec.	19,302	12,555

Profit/loss for the financial year	-1,633	10,562
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Shareholders' equity	30,727	36,175
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Distributable funds		
Retained earnings 31 Dec.	19,302	12,555
Profit/loss for the financial year	-1,633	10,562
Distributable funds at 31.12.	17,669	23,117

Shares in the parent company

Shares 3,815 thousand	
Nominal value 2 euros	
Total nominal value 7.629 thousand euros	
A-shares (1 vote/share)	2,774 thousand
Ordinary shares (20 votes/share)	1,041 thousand

19. Untaxed reserves

Untaxed reserves consist of accumulated depreciation difference EUR 2,956 thousand, accumulated depreciation difference including deferred tax liabilities EUR 857 thousand.

20. Provisions

Estimated warranty accruals	1,800	2,064
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21. Deferred tax liabilities

- Revaluations	300	300
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RAUTE OYJ

EUR 1,000

2002 2001

22. Liabilities

Long-term liabilities

Long-term liabilities to others

- Pension loans	744	1,230
- Deferred tax liabilities	300	300
- Other long-term liabilities	13	267
Total in Balance Sheet	1,057	1,797

Short-term liabilities

Short-term liabilities to Group companies

- Advances received	0	23
- Accounts payable	411	1,368
- Accrued expenses and prepaid income	124	479
- Other short-term liabilities	385	285
Total to Group companies	920	2,155

Short-term liabilities to participating companies

- Accounts payable	8	183
Total to participating companies	8	183

Short-term liabilities to others

- Loans from financial institutions	1,813	1,362
- Pension loans	485	549
- Advances received	2,790	5,771
- Accounts payable	1,210	2,157
- Accrued expenses and prepaid income	4,507	6,047
- Other short-term liabilities	1,044	584
Total in Balance Sheet	12,777	18,808

Interest-bearing debts

Long-term	758	1,256
Short-term	2,829	2,340
Total	3,587	3,596

Substantial items included in accrued expenses and prepaid income

- Accrued project expenses	1,419	1,458
- Accrued employee related expenses	2,382	2,918
- Others	830	2,150
Total	4,631	6,526

EUR 1,000

2002 2001

23. Pledged assets and contingent liabilities

Debts secured by mortgages

Pension loans	1,230	1,778
Loans from financial institutions	1,813	1,362

These debts and other liabilities have been secured by mortgages

Mortgages on property	3,807	3,891
Business mortgages	4,877	4,877

Pledged in security for other debts

Shares	123	94
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Contingent liabilities and other liabilities

Guarantees issued on behalf of Group companies

	8,192	10,526
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Leasing and rent liabilities

- for the current accounting period	41	44
- for future accounting periods	7	48

Forward foreign exchange contracts

- Value of the underlying value	493	1,299
- Current value	467	1,273

Forward exchange contracts have been used for hedging project deliveries denominated in foreign currencies.

Other own liabilities	576	743
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Letters of support have also been issued on behalf of certain subsidiaries.

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

Group companies	Parent Company holdings and voting rights, %	Group holdings and voting rights, %	Book value entered by the Parent Company EUR 1,000	Profit/loss in the latest Financial Statements EUR 1,000	Shareholders' equity EUR 1,000
Raute Wood Ltd., New Westminster, Canada	100.00	100.00	84		
Raute Inc., Collierville, USA	100.00	100.00	17		
Raute Wood Inc., Collierville, USA		100.00			
Raute GmbH, Ibbenbüren, Germany	100.00	100.00	20		
RWS-Engineering Oy, Lahti	100.00	100.00	203		
Raute Group Asia Pte Ltd., Singapore	100.00	100.00	0		
Raute WPM Oy, Lahti	100.00	100.00	9		
Raute Wood Oy-Santiago Limitada, Chile	50.00	100.00	5		
Jymet Engineering Oy, Jyväskylä	100.00	100.00	1,332		
Raute Precision Oy, Lahti	100.00	100.00	1,886		
Bulk Process Engineering Sweden Ab, Stockholm, Sweden		100.00			
Raute Dry Mix Oy, Lahti		94.00			
Raute Dry Mix GmbH, Vaihingen, Germany		94.00			
Kiinteistö Oy Kurjenjalka, Nastola	58.00	58.00	8	0	81
TOTAL			3,564		

Associated companies

Eloc Oy (real estate), Lahti	34.00	34.00	1,683	51	6,553
Mecano Group Oy, Kajaani	49.92	49.92	782	148	697

Financial Statements of the associated company Mecano Group Oy have been included in the Consolidated Financial Statements using the equity share method. The figures for Mecano Group Oy include as yet undepreciated consolidation assets of EUR 239 thousand. Financial Statements of the associated company Eloc Oy have not been included in the Consolidated Financial Statements as its business is different from other Group business and it is of minor significance to Group results and shareholders' equity.

The Parent Company's other shares and membership

	Book value entered by the Parent Company EUR 1,000
Housing companies total	223
Other shares and membership	463
TOTAL	6,716

The Group's other shares and participations

3

The book values of the Parent Company's shares include revaluations in the amount of 96,7 thousand euros.

RAUTE GROUP

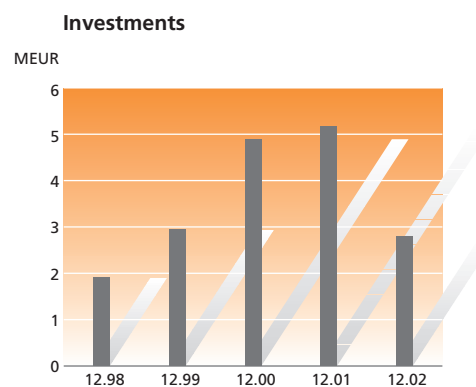
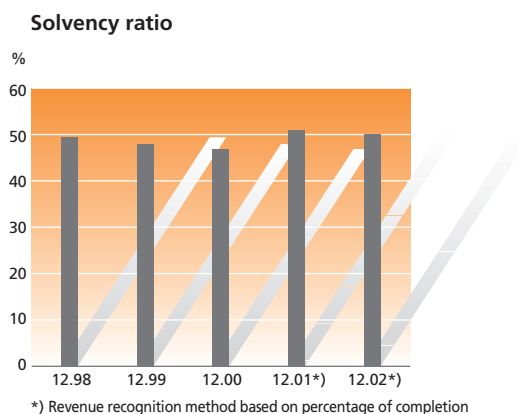
KEY RATIOS

(calculated using audited financial statements)

EUR 1,000	2002	2001	2000	1999	1998
Net sales	88,908	136,106	136,150	90,394	115,769
Exports	73,708	85,264	116,870	69,809	83,218
% of net sales	82.9	62.6	85.8	77.2	71.9
Operating profit	-8,299	7,485	4,481	-1,347	6,470
% of net sales	-9.3	5.5	3.3	-1.5	5.6
Profit before extraordinary items	-8,951	7,829	5,286	1,443	7,293
% of net sales	-10.1	5.8	3.9	1.6	6.3
Profit before taxes	-8,951	10,764	4,931	1,275	6,057
% of net sales	-10.1	7.9	3.6	1.4	5.2
Profit for the financial year	-7,329	8,333	3,341	1,091	4,122
% of net sales	-8.2	6.1	2.5	1.2	3.6
Return on investment, % (ROI)	-18.5	19.1	15.3	4.7	18.0
Return on equity, % (ROE)	-22.8	15.5	11.6	3.6	15.4
Balance Sheet total	58,903	80,430	84,609	85,717	80,493
Interest bearing net liabilities	-4,450	-6,396	-9,044	-17,329	-13,222
% of net sales	-5.0	-4.7	-6.6	-19.2	-11.4
Interest-free liabilities	21,504	32,064	43,441	46,607	34,803
Solvency ratio, %	50.1	51.0	46.9	47.9	49.4
Quick ratio	1.3	1.6	1.5	1.8	2.2
Gearing	-16.3	-17.2	-27.8	-54.4	-37.9
Gross investments in fixed assets	2,793	5,157	4,893	2,942	1,898
% of net sales	3.1	3.8	3.6	3.3	1.6
Research and development expenditure	3,611	4,478	4,176	2,384	2,144
% of net sales	4.1	3.3	3.1	2.6	1.9
Volume of orders in hand *)	25,387	34,586	81,287	73,030	37,582
Personnel on 31 Dec.	801	836	818	802	762
Personnel, average	801	860	835	782	816
Dividends **)	1,907	3,815	3,454	1,925	2,887

*) Volume of orders by percentage of completion in 2002 and 2001

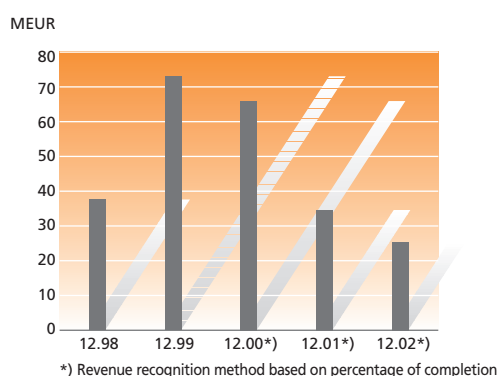
***) The Board of Directors' proposal



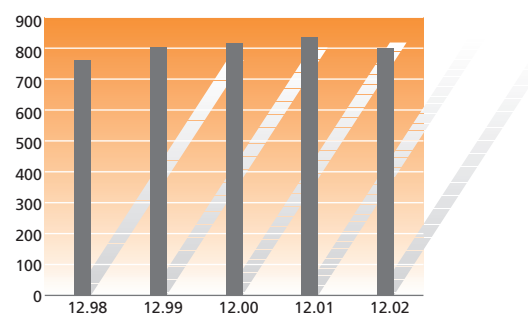
THE DEVELOPMENT OF THE GROUP'S QUARTERLY RESULTS

	1-12	10-12	7-9	4-6	1-3
EUR 1,000	2002	2002	2002	2002	2002
Net sales					
- Raute Wood	60,922	13,416	16,938	18,652	11,916
- Raute Precision	29,390	7,553	5,877	7,072	8,888
- Other and internal	-1,404	-532	-239	-238	-395
Total	88,908	20,437	22,576	25,486	20,409
Operating loss					
- Raute Wood	-5,142	-2,044	-48	-391	-2,659
- Raute Precision	-2,154	-560	-944	-494	-156
- Other and internal	-1,003	-421	-166	-49	-367
Total	-8,299	-3,025	-1,158	-934	-3,182
% of net sales	-9 %	-15 %	-5 %	-4 %	-16 %
Financial items					
Loss before extraordinary items	-8,951	-3,127	-1,583	-1,150	-3,091
% of net sales	-10 %	-15 %	-7 %	-5 %	-15 %

Volume of orders at year-end



Personnel



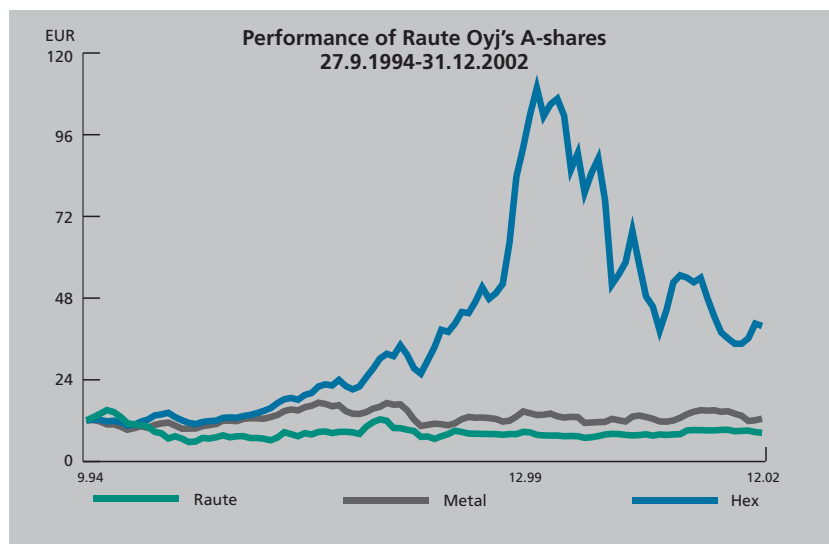
RAUTE GROUP

SHARE RELATED DATA

	2002	2001	2000	1999	1998
Earnings per share, EUR	-1.92	1.41	0.97	0.32	1.38
Equity to share, EUR	7.18	9.74	8.52	8.34	9.13
Dividend per share, EUR *)	0.50	1.00	0.91	0.50	0.76
Dividend per profit %	-26.0	70.7	93.5	158.8	54.8
Effective dividend return %	6.4	11.8	11.3	6.0	10.8
Price/earnings ratio (P/E ratio)	-4.1	6.0	8.3	26.4	5.1
Development in share price					
Lowest, EUR	7.80	7.15	6.75	7.00	5.89
Highest, EUR	10.30	9.70	9.20	10.00	13.46
Average exchange rate for the accounting period, EUR	9.18	7.95	7.78	8.28	10.05
Share price at the end of the exchange year, EUR	7.80	8.50	8.00	8.40	7.02
Market value of capital stock, 31 Dec., EUR thousand	29,754	32,424	30,517	32,043	26,760
Trading in the company's shares (A-share)					
Shares traded during the fiscal year, thousand	845	74	692	233	1,037
% of the number of A-shares	30.5	2.7	25.0	8.4	37.8
Issue-adjusted number of shares average	3,814,608	3,814,608	3,814,608	3,814,608	3,814,608
Issue-adjusted number of shares at year-end	3,814,608	3,814,608	3,814,608	3,814,608	3,814,608

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

*) The Board of Directors' proposal



DEFINITION OF KEY RATIOS

Return on investment (ROI) =	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial expenses}}{\text{Balance Sheet total} \text{ ./. interest-free liabilities (average)}} \times 100 \%$
Return on equity (ROE) =	$\frac{\text{Profit before extraordinary items} \text{ ./. taxes}}{\text{Equity} + \text{minority interests (average)}} \times 100 \%$
Interest-bearing net liabilities =	Interest-bearing debt ./. cash, cash equivalents and marketable securities
Solvency ratio, % =	$\frac{\text{Equity} + \text{minority interests}}{\text{Balance Sheet total} \text{ ./. advances received}} \times 100 \%$
Quick ratio =	$\frac{\text{Current assets}}{\text{Short term liabilities} \text{ ./. advances received}}$
Research and development expenditure =	Expenses of research and development activities shown in the income statement
Earnings per share (EPS) =	$\frac{\text{Profit before extraordinary items} \pm \text{minority interests as a percentage of group profit} \text{ ./. taxes}}{\text{Issue-adjusted average number of shares during the year}}$
Equity to share =	$\frac{\text{Equity}}{\text{Issue-adjusted number of shares at the day of the Financial Statements}}$
Dividend per share =	$\frac{\text{Distributed dividend for the year}}{\text{Issue-adjusted number of shares on the day of the Financial Statements}}$
Dividend per profit, % =	$\frac{\text{Distributed dividend per share}}{\text{Earnings per share}} \times 100 \%$
Effective dividend return % =	$\frac{\text{Dividend per share}}{\text{Share price at the end of accounting period}} \times 100 \%$
Price/earnings ratio (P/E ratio) =	$\frac{\text{Issue-adjusted share price at 31 Dec.}}{\text{Earnings per share}}$
Average exchange rate for the accounting period =	$\frac{\text{Total share exchange in FIM}}{\text{Number of issue-adjusted shares exchanged during the accounting period}}$
Market value of capital stock =	Number of shares at year end (A + K shares) x share price on the last day of the year
Gearing =	$\frac{\text{Interest bearing liabilities} \text{ ./. cash and cash equivalents and current assets in marketable securities}}{\text{Equity} + \text{minority interests}} \times 100$

SHARES AND SHAREHOLDERS

SHARE CAPITAL AT 31 DECEMBER 2002

Shares	Nominal value	1,000 shares	Total nominal value
	2,00	3,815	7,629
Ordinary shares		1,041	
A-shares		2,774	

CHANGES IN SHARE CAPITAL FROM 1 JANUARY 1989 TO 31 DECEMBER 2002

	Share capital EUR	K-shares (20 votes)	A-shares (1 vote)
Share capital at 1 January 1989	5,359,073	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	1,069,285		635,768
Change of K-series shares into A-series shares		-14,000	14,000
Decrease of the share capital (premium fund) at 30 June 2000	-12,648		
Rise of the share capital, capitalization issue at 30 June 2000	1,213,506		
Share capital at 31 December 2002	7,629,216	1,040,600	2,774,008

During the period, Raute Oyj did not decide to issue shares, convertible bonds and stock options. The Group's Board of Directors does not hold any effective authorization to issues shares, and buy back and dispose of own shares.

Share quotation

Raute Oyj is listed on the Helsinki Stock Exchange. Trading code is RUTAV.

Share price development

The highest price paid in the year was EUR 10.30 and the lowest price EUR 7.80. At the end of the year the share price was EUR 7.80. 844,893 shares were traded during the year, the total value of EUR 7,754,707.

Inside information policy

The Helsinki Stock Exchange inside information policy is implemented within Raute Oyj as of 1 March 2000. Also Raute Oyj's own specific provisions on inside information are applied within the company.

Taxable value

Taxable value of Raute Oyj shares was EUR 5.46 at 31 December 2002.

BONDS WITH WARRANTS

Raute Oyj's General Meeting of 16 June 1998 decided to issue a EUR 357,399.34 bond with warrants to the Group's personnel, members of the Board of Directors of Raute Oyj, and a subsidiary company

owned entirely by Raute Oyj. The term of the bond was three years, and it was repaid as a single payment on 4 September 2001. No interest was paid.

The warrants entitle their holders to subscribe for a maximum of 425,000 A shares, which represent 11 percent of the company's share capital and 2 percent of votes. As a result of subscriptions with warrants, the share capital may be increased by no more than EUR 850,000.00.

The warrants are divided into A warrants (212,500), whose subscription period is from 1 September 2001 to 30 September 2004, and B warrants (212,500), whose subscription period is from 1 September 2003 to 30 September 2006.

According to the terms of the bond with warrants, the subscription price of the shares is EUR 13.29. The price is adjusted annually on the record date; after the dividend payment for the financial period 2001, the new subscription price is EUR 10.12.

Raute Precision Oyj, a subsidiary owned entirely by Raute Oyj, holds 7,700 B warrants at 31 December 2002.

The Board of Directors of Raute Oyj applied for the listing of A warrant holdings on the main list of the Helsinki Exchanges, and they were listed as of 22 October 2001.

DISTRIBUTION OF SHARES BY SHARE TYPE AT 31 DECEMBER 2002

By shareholding

A-shares	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
Private individuals	625	90.32	2,113,742	76.20	2,113,742	76.20
Financial and insurance institutions	4	0.58	121,200	4.37	121,200	4.37
Foreign shareholders	1	0.14	500	0.02	500	0.02
Non profit institutions	7	1.01	19,600	0.71	19,600	0.71
Public institutions	4	0.58	420,400	15.15	420,400	15.15
Companies	50	7.23	83,436	3.01	83,436	3.01
Administrative registered	1	0.14	15,130	0.55	15,130	0.55
Total	692	100.00	2,774,008	100.00	2,774,008	100.00

By shareholding K-shares

	Shareholders		Shares		Voting rights	
	number		number	%	number	%
Private individuals	49		1,040,600	100.00	20,812,000	100.00
Total			1,040,600	100.00	20,812,000	100.00

By shareholding A- and K-shares

	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
Private individuals	626	90.46	3,154,342	82.69	22,925,742	97.20
Financial and insurance institutions	4	0.58	121,200	3.18	121,200	0.51
Foreign shareholders	1	0.14	500	0.01	500	0.00
Non profit institutions	7	1.01	19,600	0.51	19,600	0.08
Public institutions	4	0.58	420,400	11.02	420,400	1.78
Companies	50	7.23	83,436	2.19	83,436	0.35
Administrative registered			15,130	0.40	15,130	0.06
Total	692	100.00	3,814,608	100.00	23,586,008	100.00

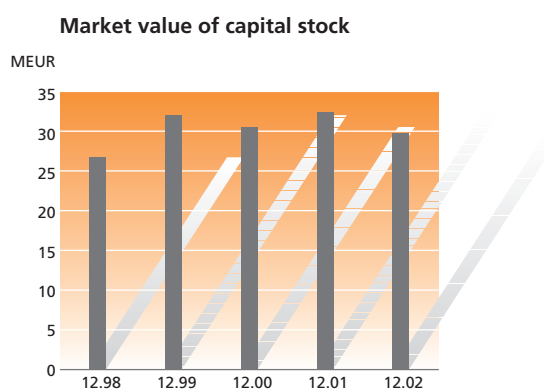
DISTRIBUTION OF SHARES AT 31 DECEMBER 2002

By size of holding A-shares

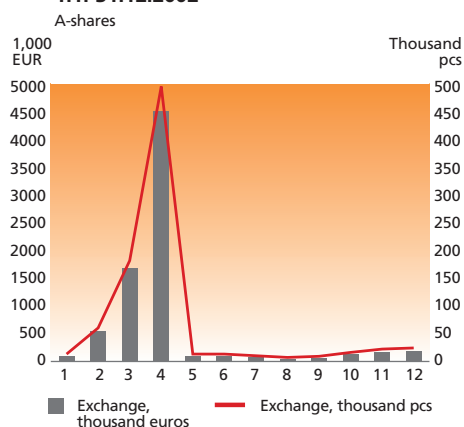
	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
1 - 1 000	558	80.64	201,693	7.27	201,693	7.27
1 001 - 5 000	75	10.84	180,230	6.50	180,230	6.50
5 001 - 10 000	15	2.17	114,827	4.14	114,827	4.14
10 001 - 50 000	33	4.77	812,725	29.30	812,725	29.30
50 001 - 100 000	8	1.16	559,833	20.18	559,833	20.18
100 001 -	3	0.43	904,700	32.61	904,700	32.61
Total	692	100.00	2,774,008	100.00	2,774,008	100.00

By size of holding K-shares

	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
1 - 1 000	1	2.04	480	0.05	9,600	0.05
1 001 - 5 000	4	8.16	16,929	1.63	338,580	1.63
5 001 - 10 000	13	26.53	84,173	8.09	1,683,460	8.09
10 001 - 50 000	27	55.10	717,138	68.92	14,342,760	68.92
50 001 - 100 000	4	8.16	221,880	21.32	4,437,600	21.32
Total	49	100.00	1,040,600	100.00	20,812,000	100.00



Trading in Raute Oyj's shares 1.1.-31.12.2002



SHARES AND SHAREHOLDERS

ACCORDING TO THE CENTRAL REGISTER OF SHAREHOLDERS, THE LARGEST SHAREHOLDERS ON 31 DECEMBER 2002 WERE: THE TEN LARGEST SHAREHOLDERS SORTED BY SIZE OF SHAREHOLDING

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. Sundholm Göran		409,700	409,700	10.74	409,700	1.74
2. Varma-Sampo Mutual Pension Insurance Company		380,000	380,000	9.96	380,000	1.61
3. Kirmo Kaisa	50,280	73,492	123,772	3.24	1,079,092	4.58
4. Suominen Jussi	48,000	74,759	122,759	3.22	1,034,759	4.39
5. Suominen Tiina	48,000	74,759	122,759	3.22	1,034,759	4.39
6. Suominen Pekka	48,000	74,159	122,159	3.20	1,034,159	4.38
7. Mustakallio Kari	60,480	60,009	120,489	3.16	1,269,609	5.38
8. Paananen Jalo		115,000	115,000	3.01	115,000	0.49
9. Siivonen Osku	50,640	59,539	110,179	2.89	1,072,339	4.55
10. Equity fund Conventum Finland Value		92,000	92,000	2.41	92,000	0.39
Total	305,400	1,413,417	1,718,817	45.06	7,521,417	31.89

THE TEN LARGEST SHAREHOLDERS SORTED BY NUMBER OF VOTES

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. Mustakallio Kari	60,480	60,009	120,489	3.16	1,269,609	5.38
2. Särkijärvi Riitta	60,480	22,009	82,489	2.16	1,231,609	5.22
3. Kirmo Kaisa	50,280	73,492	123,772	3.24	1,079,092	4.58
4. Siivonen Osku	50,640	59,539	110,179	2.89	1,072,339	4.55
5. Suominen Jussi	48,000	74,759	122,759	3.22	1,034,759	4.39
6. Suominen Tiina	48,000	74,759	122,759	3.22	1,034,759	4.39
7. Suominen Pekka	48,000	74,159	122,159	3.20	1,034,159	4.38
8. Mustakallio Mikko	44,789	489	45,278	1.19	896,269	3.80
9. Mustakallio Sinikka	41,720	35,862	77,582	2.03	870,262	3.69
10. Mustakallio Kai	41,720	23,362	65,082	1.71	857,762	3.64
Total	494,109	498,439	992,548	26.02	10,380,619	44.01

The number of administratively registered shares on 31 December 2002 was 15,130.

MANAGEMENT STAKE ON 31 DECEMBER 2002

On 31 December 2002 the management of the company owned a total of 84,132 A-shares and 85,160 K-shares corresponding to 4.44 per cent of the shares in the company and 7.58 per cent of the associated voting rights.

The management also held bond with warrants corresponding to 19.53 per cent of the total number of bond with warrants released by Raute Oyj.

A total of no more than 83,000 shares may be subscribed on the basis of these bond with warrants, corresponding to 2.59 per cent of the A-shares voting rights and 0.35 per cent of total voting rights on 31 December 2001.

CHANGES IN HOLDING REPORTED ON THE BASIS OF THE DUTY TO REPORT PRESCRIBED IN CHAPTER 2, ARTICLE 9 OF THE SECURITIES MARKET ACT

Shareholder	Share category	Number of shares	Share of share capital	Share of votes	
E.A.T-Invest Oy	12.4.2002	A-shares	120,800	3.17 %	0.51 %
Göran Sundholm	18.4.2002	A-shares	201,300	5.28 %	0.85 %
Jalo Paananen	22.4.2002	A-shares	140,800	3.69 %	0.60 %
Göran Sundholm	26.4.2002	A-shares	384,900	10.09 %	1.63 %

DISTRIBUTION OF DIVIDENDS

The Board of Directors' proposal to the Annual General Meeting

The distributable shareholders' equity of the parent company is EUR 17,669 thousand
 The distributable shareholders' equity of the Group is EUR 10,023 thousand

The Board of Directors will propose to the company General Meeting
 that a dividend of EUR 0.50 per share be distributed to the shareholders,
 amounting to a total dividend payment of EUR 1,907,304,00

Nastola, 6 February 2003

Juha-Pekka Keskiaho
 Chairman of the Board

Heikki Lehtonen

Sole Molander

Sinikka Mustakallio

Markku Nihti

Pekka Paasikivi

Risto Mäkitalo
 President and CEO

AUDITORS' REPORT

To the shareholders of Raute Oyj

We have audited the accounting, the Financial Statements and the corporate governance of Raute Oyj for the period 1 January - 31 December 2002. 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 Board of Directors and 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, of both 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 Board of Directors and 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.

Nastola, 13 February 2003

Jarmo Lohi, APA

Juha Selänne, APA

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