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## Shareholder Information

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### Annual General Meeting

The Annual General Meeting of Raute Oyj will be held on Tuesday, March 16, 2004, starting at 6 p.m., at Kongressikeskus Fellmanni, Kirkkokatu 27, Lahti.

To be entitled to attend the Annual General Meeting, a shareholder must be registered in the shareholders' register held by the Finnish Central Securities Depository Ltd (Suomen Arvopaperikeskus Oy) no later than March 5, 2004.

A shareholder who plans to attend the Annual General Meeting must register for the meeting by 4 p.m. on Friday, March 12, 2004, at the latest, by one of these methods: in writing to the address Raute Oyj, P.O. Box 69, FIN-15551 Nastola, Finland; by fax to the number +358 3 829 3582; or by phone to Sirpa Väänänen at +358 3 829 3302. Please present any proxies in connection with the registration.

### Distribution of dividends

The Board of Directors proposes to the Annual General Meeting that a per-share dividend of EUR 0,50 for both A shares and K shares be paid for the financial year 2003 on 26 March 2004, and a per-share dividend of EUR 0,50 on 16 December

2004 to any shareholder who on the corresponding matching days - i.e., 19 March, 2004 and 9 December 2004 - is entered in the shareholders' register of the Finnish Central Securities Depository Ltd.

### Financial information

This annual report is published in Finnish and English. In 2004, Raute Oyj will issue three Interim Reports as follows:

28 April	January - March
5 August	January - June
27 October	January - September

Interim Reports are published in Finnish and English.

The Annual Report, the Interim Reports, Stock Exchange Bulletins, and other information on Raute Oyj are available in Finnish and English at [www.raute.com](http://www.raute.com).

Annual Reports and Interim Reports can also be ordered from this address: Raute Oyj, P.O. Box 69, FIN-15551 Nastola, Finland, tel. +358 3 829 11, fax +358 3 829 3582.

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# Comprehensive Know-How in Wood Processing

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**R**aute Group is a technology company that serves the wood products industry worldwide. Its core business includes manufacturing processes for veneer-based products.

Raute's project deliveries include complete plants, production lines, and machines, as well as spare parts, maintenance and operations services. The products and services offered by the Group are related to the development of the customers' businesses and products, and to more efficient production.

The only business unit of the Group is Raute Wood as the Group divested Raute Precision, operating in weighing and dosing technology, in February 2004.

The Group's net sales in 2003 was 97.6 MEUR with a personnel of 758 at the end of the year. Raute Wood's net sales was 67.0 MEUR with a personnel of 539 at the end of the year. The A shares of Raute Oyj, the Group's parent company, have been quoted on the Main List at the Helsinki Exchanges since 1994.



## Operating environment

Raute is a globally operating technology enterprise, whose operations are especially dependent on developments in the construction business. The majority of the customers of Raute Wood and Raute Precision are companies in the wood products and building material industries that serve the construction business. Raute Wood's largest customer sectors are the plywood, LVL, and engineered wood flooring (parquet) industries, while most customers of Raute Precision operate in the glass, plaster, mortar and metallurgical industries.

The cyclic variations typical to the Group's operations are caused by the conditions of the construction business and the changes in demand in the customers' industries. Raute aims at leveling out the effects of these variations by focusing on the increase in maintenance operations during the product's entire service life. As Raute also delivers entire production lines and factory systems, the business volume varies considerably from one year to another.

Depending on the demands of the customers' industries, the market areas change from year to year, with South America, Russia, and Australia being the most important market areas for Raute Wood in 2003, and Europe and Latin America for Raute Precision.

Both business groups have several competitors with global operations. Those of Raute Wood are mainly medium-sized or small companies that operate locally or regionally and focus on certain sectors involved in certain panel technologies. In 2003, Raute Wood was clearly the leading supplier of technology in factory-wide projects, being rather competitive in smaller projects as well.

Raute Precision's main competitors are medium-sized European companies. However, in 2003, Raute Precision was one of the two leading suppliers of raw material systems for the international glass industry, the third largest factory supplier for the plaster and mortar industry, and a leading company in the weighing business in Finland.



*Raute Wood was exhibited, for example, at the Ligna Plus Hannover 2003 Fair with a new look.*

## Business idea

Raute is a global technology company. Its core businesses are manufacturing processes for veneer-based wood products and industrial processes utilizing weighing and dosing technology.

## Vision

Raute aims to be the global technological leader in manufacturing processes for veneer-based products and industrial processes utilizing weighing and dosing technology.

## Strategy

In order to achieve technological leadership and to succeed on the rapidly changing global market, Raute focuses strongly on R&D and on the development of customer management and future skills. Innovative, customer-oriented solutions, state-of-the-art technology, and solid expertise, together with an ability to react quickly to the changing global market environment, are the foundation for Raute Group's business.

Raute's project deliveries include complete plants, production lines, and machines, as well as service, spare parts, and maintenance services. The products and services offered by the Group are related to the development of the customers' businesses and products, and to more efficient production planning.

## Goals

The main strategic goals of Raute Group in 2004-2006 are growth along with improved profitability and management of the cyclic operation environment.

## Shares

Raute Oyj has two series of shares. At the end of 2003, the A shares amounted to 2,818,547 and the K shares to 996,061, a total of 3,814,608 shares. At General Meetings, the A shares entitle the holder to one (1) vote and the K shares allow twenty (20) votes. The nominal value of one share is two (2) euros. All shares entitle the holder to an equal dividend. The A shares are quoted on the Main List at the Helsinki Exchanges. The trade code is RUTAV, and the round lot is 200 shares.

## Dividend policy

Raute exercises an active dividend policy and takes special care that investors receive a competitive profit on the invested capital. Due to the nature of the business, the dividend is not directly tied to the annual results. The aim is to maintain the company's solvency at a healthy level.

## Values

Raute Group's operations are governed by the following common values:

### Customer

We know and understand our customers' needs. We operate in such a manner that our customers find us a reliable company with high-quality services and products. Our goal is to create lasting and profitable relationships with our customers and be a desired supplier for them.

### Trust in people

All employees are committed to achieving the common goals. We are responsible in our actions, keep our promises, and follow the agreed procedures. We are initiative, open, honest, and fair.

### Continuous development

We want to be successful and enjoy our success. We do not hesitate to take new opportunities or the responsibility for developing our own work and all our operations, for reaching our goals and for training and improving our skills to reach our goals. Our goal is to achieve results today and tomorrow.

### Environment

We operate globally on the so-called "good citizen" principle. We take into consideration the demands of the local cultures and societies in our operations. We develop our products and services towards environmental friendliness, from the customers' starting point. Our goal is a continuously improving and more profitable working environment.



# Business Operations 2003



## Raute Wood

Raute Wood supplies machinery and production lines as well as related technology and services for the wood products industry on a global scale. Most of our customers operate in the plywood, LVL, and engineered wood flooring (parquet) sectors.

Raute Wood is a full-range supplier of technology to customers in the wood products industry. Its strengths include solid expertise in the customers' processes and related automation, the ability to supply complete factories and production lines, and a long-term experience in global project deliveries. Its comprehensive services cover the customer's entire production process, from raw material and marketing research to maintenance and modernization services.

The target of its strong R&D is to create solutions that enable its customers to process their raw material into high-quality end products as profitably and efficiently as possible. The cornerstones of the development of technology are recovery, quality, and productivity, the improvement of which will become increasingly important for our customers in achieving competitiveness in their industries.

Raute Wood's main production unit is located in Nastola (Finland), with production units also in Jyväskylä (Finland), and in the Vancouver area in Canada. Its global sales network covers all market areas.

Raute Wood incorporates following units: Raute Oyj / Raute Wood (Nastola and Jyväskylä), Raute Wood Ltd. (Canada), RWS-Engineering Oy (Nastola) and the associated company Mecano Group Oy (Kajaani, Finland), and the sales companies Raute Wood Inc. (U.S.A.), Raute Group Asia Pte Ltd (Singapore), and Raute Wood Santiago LTDA (Chile). In addition, Raute Wood has local sales offices in China (Peking), Indonesia (Jakarta), and Russia (Moscow).

## Raute Precision

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

Raute Precision's strengths include solid expertise in weighing, dosing and bulk processes and related automation, and 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 mechanical and electrical workshop in Lahti (Finland).

Raute Precision incorporates following units: Raute Precision Oy (Lahti) and Raute Dry Mix Oy (Espoo and Parainen, Finland), as well as a sales office in China (Shanghai).

Raute Group has divested Raute Precision Oy, whose shares were sold on February 2, 2004, to a company owned by Raute Precision's operative management and by funds managed by capital investment company Evitec Partners Oy. The business was transferred to the new owners on February 24, 2004. The released resources will be used for developing the Raute Wood business.

## CUSTOMERS

### RAUTE WOOD

Raute Wood Finland  
Raute Wood North America  
Raute Wood Asia  
Raute Wood South America  
RWS-Engineering  
Mecano

### RAUTE PRECISION

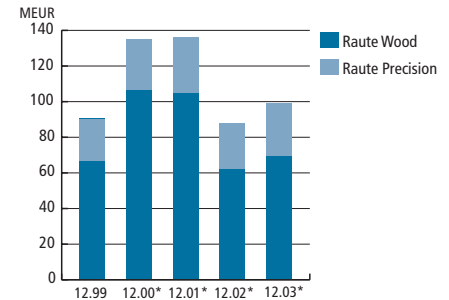
Raute Precision  
Raute Dry Mix  
Raute Precision China

## GROUP ADMINISTRATION

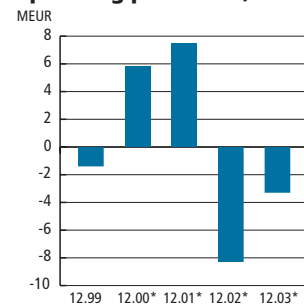
# 2003 in Brief

- Net sales grew by 10 percent. Low investment demand and the postponement of projects slowed down growth. The number of orders received was up.
- After a weak start to the year, the orderbook grew during the second quarter. The majority of net sales were posted during the fourth quarter, which showed excellent results.
- The operating result improved on the previous year, but showed a loss due to the weak orderbook at the beginning of the year, postponements of projects and operating losses in North America.
- The market position of both business groups became stronger.
- R&D and investments in technology continued. New products were launched.
- Cash flow from business operations was positive. The Group's financial position and solvency ratio remained healthy. Gearing was unchanged.

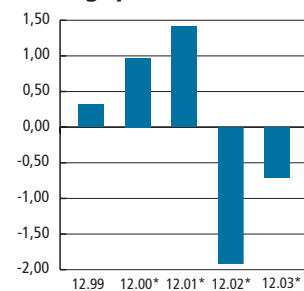
**Net sales by business sector, MEUR**



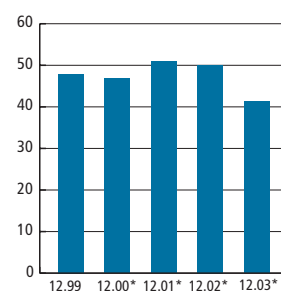
**Operating profit/loss, MEUR**



**Earnings per share, Eur**



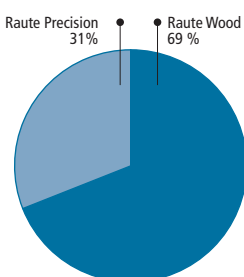
**Solvency ratio, %**



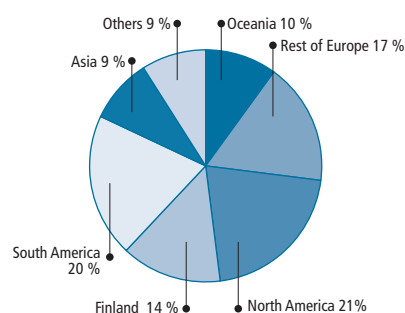
Key Figures	2003	2002
Net sales, MEUR	98	89
change,	10	-35
Overseas sales, MEUR	<b>84</b>	74
change, %	<b>14</b>	-13
Operating loss, MEUR	<b>-3.3</b>	-8.3
Loss before extraordinary items, MEUR	<b>-2.3</b>	-9
Return on investment (ROI), %	<b>5.4</b>	-18.5
Return on equity (ROE), %	<b>-10.7</b>	-22.8
Solvency ratio, %	<b>41.3</b>	50.1
Volume of orders in hand, MEUR	<b>39</b>	25
Value of new orders, MEUR	<b>99</b>	68
Earnings per share (EPS), EUR	<b>-0.71</b>	-1.92
Equity per share, EUR	<b>6.11</b>	7.18
Dividend per share, EUR	<b>1.00*</b>	0.50
Dividend per profit, EUR	<b>-141.1</b>	-26.0
Personnel on 31 Dec.	<b>758</b>	801
Personnel, average	<b>783</b>	835

\*) Proposed by the Board

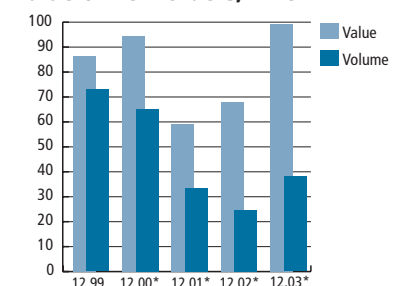
**Net sales by business group, %**



**Net sales by market area, %**



**Volume of orders in hand, MEUR**  
**Value of new orders, MEUR**



\*) Revenue recognition method based on percentage of completion

## The President's Review



**R**aute aims to be the global technological leader and project supplier in wood products technology. Our core competencies are in the veneer-based product manufacturing processes, and we serve the wood products industry worldwide.

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. We supply complete plants, production lines, machinery and equipment, and provide modernization and maintenance services that enhance the productivity of our customers' businesses, improving their competitiveness and product quality.

We strongly invest in product development and project management to be more flexible and efficient in providing our customers with premium-quality technological solutions. We act as our customers' co-operative partners throughout the life cycle of the production processes.

Our expertise is developed in a systematic manner on a long-term basis in order to improve customer satisfaction and competitiveness. We try to maintain the conditions necessary for ongoing development of staff competencies in a quickly changing global operational environment by identifying changes in the business environment in good time and by reacting to them flexibly.

### **Challenging year 2003**

The operational environment of Raute Group continued to be challenging. Global economic growth remained weaker than expected, and industry's investment activity was low throughout the year, postponing investment decisions and delaying the implementation of many projects.

After a weak start to the year, the order book of Raute Wood grew during the second quarter as three major undertakings matured into the implementation phase. Demand for modernization and maintenance services remained at a healthy level. Investment activity in Raute Precision's customer industries remained subdued throughout the year, except for the glass industry.

Consolidated net sales grew, but the low volume of orders at the beginning of the year, new contracts taking effect slower than anticipated and the troubled North American markets slowed down the development of results, causing the Group to show a loss in operating results. However, our financial position and solvency ratio remained at a healthy level.



Development of the business and personnel lay-offs were continued in order to improve profitability and competitiveness. The North American key-machinery manufacture and technology operations of Raute Wood were redeployed to Finland and the OSB (Oriented Strand Board) business was discontinued. At Raute Precision, a reorganization of the plaster and mortar industries was implemented to improve cost-efficiency, while staffing expenses were cut through lay-offs.

The position of both business groups as suppliers of complete plant projects strengthened. Raute Wood was a clear market leader as a supplier of complete plants for the veneer-based panel industry, and Raute Precision strengthened its position as a supplier for the glass industry.

By developing our modernization and maintenance services, we respond to the changes on the market, where the focal point of demand is shifting from large plant projects to modernization and maintenance services. Our input in these services improves the profitability management in the cyclic business.

Investments in R&D and technology continued, and the new products launched have succeeded well on the markets. Increasing the efficiency of our earlier machinery investments, improving profitability and developing our own core competencies were in focus. Reported investments were mainly in information systems.

### **Prospects for the year 2004**

The year 2004 at Raute Group began with a new Group structure. The sale of our weighing and dosing technology business in February 2004 released resources for the development of Raute Wood, our core business, which serves the wood products industry.

The restructuring of the wood products industry continues. Capacity-raising investments that comprise entire plants are concentrated to the southern hemisphere, where plantation forests ensure the availability of raw material for the industry. Our position as a supplier of complete plant projects is strong.

In other market areas, the investment demand focuses on projects that increase production and on modernizations. Our new products, technology solutions and wide installation base improve our opportunities as a supplier of modernization projects.

Our business environment remains challenging and difficult to predict. The utilization rate in the wood products industry is low, as are product prices. Investment projects are still characterized by uncertainty, in relation to both implementation and schedules, this uncertainty being fuelled by the weak US dollar.

However, our performance in the fourth quarter of 2003 demonstrated that the basis for our competitive abilities and profitability is sound. Investments in R&D continue to strengthen our position as a supplier of complete plant projects and as a technology leader in the field. By investing in modernization, maintenance and spare parts services, and by centralizing the manufacturing of key machinery and technology operations, the cost-efficiency of our project operations in the cyclic markets will be improved.

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



Risto Mäkitalo

# Competence Development



**R**aute strives to develop its expertise systematically on a long-term basis in order to improve customer satisfaction and competitiveness. We try to maintain the conditions necessary for the continuous development of the staff's competencies in the quickly changing global operational environment by identifying changes in the business environment in time and by reacting to them flexibly. The selection of the measures used reflects the prevailing financial operative requirements in different market situations.

In the challenging market and employment climate of 2003, Raute invested in the development and sharing of competence through various efforts within the organization. This has further improved the forms of on-the-job learning, interaction, and sharing of expertise within the organization. Established tools for competence management - personal performance reviews, competence matrices, individualized training programs, and performance measurement - have kept the development of competence in line with Raute's vision of competence.

## Versatile training and cooperation

The focal points of training in 2003 included information systems, engineering methods, sales work, management, and communications. The training of employees involved in production focused in particular on site operations and industrial safety in the installation and implementation phases of the delivered lines. Operations maintaining working abilities were even more closely than before integrated with operations that enhance the functioning of the entire work community and employee competence. Common to many training projects, cooperation, communication, and influencing one's own operational environment were emphasized.

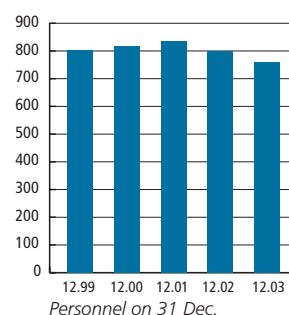
The Raute Wood's training program "Learning to Know the Raute Wood Product Lines", customized for different target groups, was among the programs carried out through internal training. A corresponding training program covering the key area of scales and weighing technology was completed at Raute Precision. Under the guidance of our in-house experts, expertise on production lines and technological solutions was distributed throughout the organization.

## Personnel

	2003	2002	2001	2000
Number of personnel *	743	790	820	794
Women, %	13	13	13	12
Average age	44	44	43	43
Years at Raute	14	13	10	10
No. of new employment contracts including business acquisitions	41	55	108	93
Number of terminated employment contracts	93	87	82	96
Training days per employee	3	4	3	4
Training costs per payroll bill, %	2	3	3	3

\*) Current employment contracts Dec. 31, 2003

## Personnel development



Development of process management is an essential part of modern quality management. In connection with the training arranged for supervisors and internal auditors at Raute, the organization's process structure was examined from the point of view of core process management.

### Development of operational processes

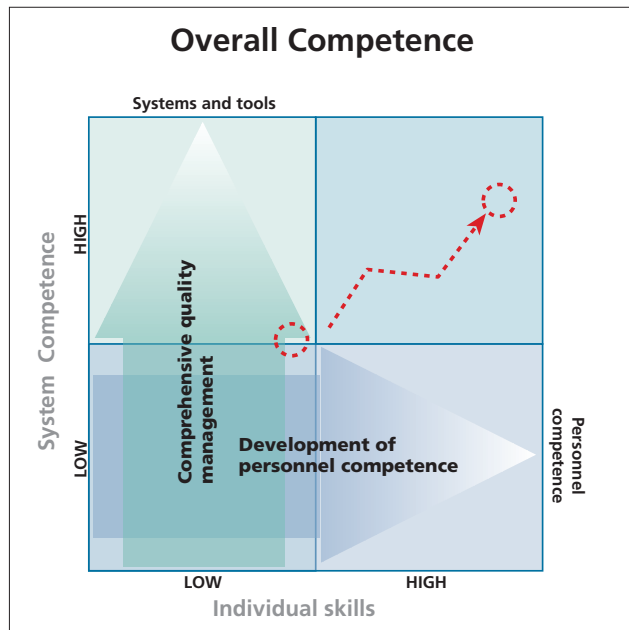
Raute's principles of continuous development and learning together have been particularly visible in the selection and definition of new information systems and in the development of project management. The aim is to clearly describe the project implementation processes and to make them work out with success and quality.

An open exchange of expertise and experience between the customers and the units was employed in the development of project management. A poll was conducted on the operations of the project teams, and a development program for project work was constructed on the basis of the results. The most significant development targets concerned the development of project feedback procedures and communication between the various Group businesses.

At Raute Wood's Nastola workshop, the superior-subordinate network monitored an ongoing customer project. The employees evaluated the implementation of the project from the first customer contacts to its completion and related service and maintenance contracts, and discussed the strengths, made mistakes, operational risks, and targets for development throughout the process.

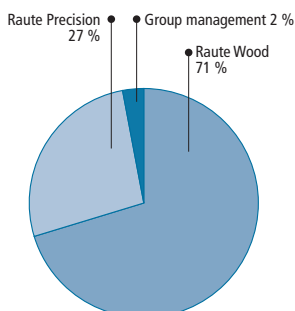
### Certified operational systems

Operational policy based on corporate strategy includes Raute's quality and environment policy. Raute Oyj's environmental system, which conforms to the ISO 14001 standard, was re-certified in the autumn of 2003. At the same time, a periodical evaluation of the quality system for compliance to ISO 9001:2000, for which certification was achieved two years ago, was performed. In setting the environmental goals, points of view relating not only to one's own work environment but also to the products and services and to the work environment of the customer have been taken into consideration.

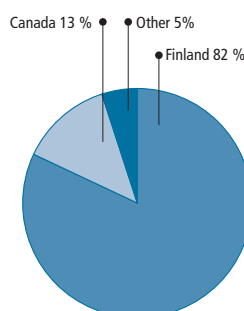


Raute's overall competence is a combination of the individual skills of the personnel and the organization's systems competence. The development of systems, processes, procedures and personnel's competences is implemented on a parallel and interactive basis.

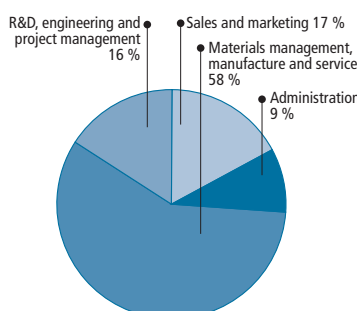
**Staff by business units**  
December 31, 2003



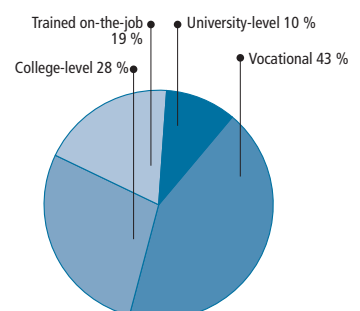
**Staff by countries**  
December 31, 2003



**Staff by operations**  
December 31, 2003



**Level of education**  
December 31, 2003





## Key Technologies

- Plywood
- Laminated veneer lumber (LVL)
- Panel handling
- Engineered Wood Flooring (EWF) or factory-finished 3-layer parquet

## Products

- Plywood machinery and equipment
- LVL machinery and equipment
- EWF machinery and equipment
- Machine vision applications for the panel industry
- Panel handling and overlaying lines
- Operations and maintenance services, modernizations and spare parts
- Consulting and business support services

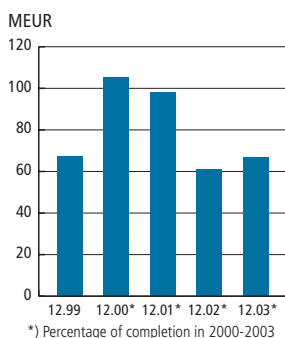
## 2003 in Brief

- Clear market leader in plant projects: South America, Australia and North America
- Smaller-scale projects in Finland, Russia and other parts of Europe
- Launching of new-generation peeling line
- Strengthened order book during the second quarter and increased net sales
- Reduced loss; excellent profitability for last quarter
- Operations in North America continued to be unprofitable, net sales in Finland were profitable
- Improved profitability through re-organization of business

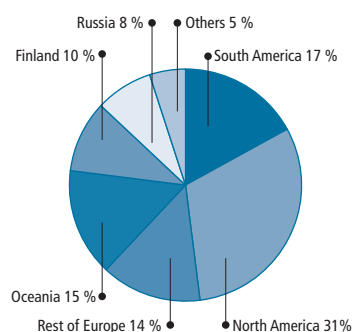
## Key Figures

MEUR	2003	2002	Change %
Net sales	67.0	60.9	10
Operating loss	-1.7	-5.1	
Value of new orders	62.8	40.7	54
Volume of order in hand	22.1	14.3	55
Personnel on 31 Dec.	539	584	-8

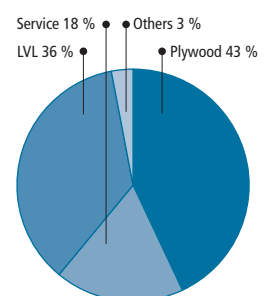
Net sales, MEUR



Net sales by market area



Net sales by business sector



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### Net sales, result, and volume of orders

Raute Wood reported net sales of MEUR 67.0 (MEUR 60.9), up by 10 percent year-on-year. The overall economic uncertainty affected investment decisions in the wood products industry, which delayed large-scale projects. Investment demand remained low throughout the year. The majority of Raute Wood's new orders took effect during the second quarter, and almost half of the net sales were posted only during the fourth quarter.

Apart from three large-scale complete plant projects, Raute Wood focused on smaller-scale modernization projects and maintenance services. LVL technology increased considerably its share of net sales, while the share of spare parts, servicing and maintenance services stayed at the previous year's level.

Although the business group improved its year-on-year operating result, it recorded a loss of MEUR -1.7 (MEUR -5.1), despite excellent performance in the last quarter. The result for the first three quarters was eroded by the low volume of orders during the first half, new contracts taking effect slower than anticipated, and by the troubled North American market. Furthermore, the result was affected by non-recurring expenses of MEUR 0.7 resulting from the restructuring of the North American operations. Operating results in Finland turned profitable during the last quarter.

The difficult market situation during the first quarters led to personnel lay-offs. Due to persistently sluggish investment and gloomy market prospects in North America, Raute Wood redeployed its key-machinery manufacture and technology operations to its Finnish main unit, while discontinuing the OSB (Oriented Strand Board) business.

Raute Wood maintained its strong position as a supplier of complete plant projects to the veneer-based wood products industry. In particular, the highly automatic high-capacity peeling, veneer patching and lay-up lines have been market successes, to name a few products of the continuous development.

South America, Australia and North America emerged as the principal market areas, where the majority of net sales came from large-scale plant deliveries. In Finland, Russia and other parts of Europe, net sales mainly stemmed from smaller-scale modernization projects. Postponements on large investments slowed down growth in Russia. The largest new orders were the main machinery for a plywood mill to Chile, machinery for LVL plants to Australia and North America, a veneer patching line to Finland, a peeling line to Russia and EWF (parquet) machinery to Thailand.

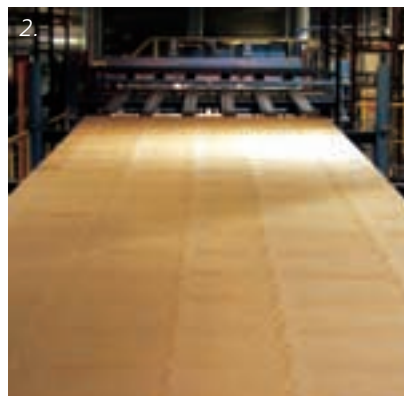
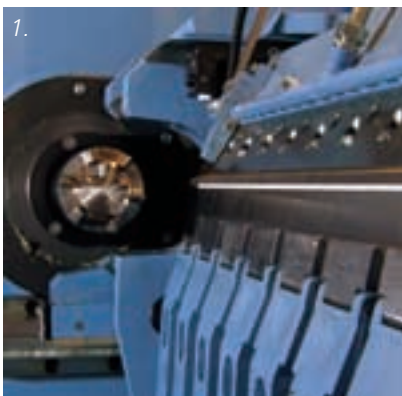
The largest project implementations included machinery for LVL plants in North America, machinery for a plywood mill in Chile, a peeling and pressing lines in Russia, log handling, peeling and drying lines in France and a veneer patching line in Finland. Two veneer scarf-jointing lines were delivered to Malaysia.

The orders received during the report period increased significantly to MEUR 62.8 (MEUR 40.7). The year-end value of orders was MEUR 22.1 (MEUR 14.3).

### Development activity

Investments in R&D and technology continued, R&D accounting for three percent of the net sales. The main focus in technology development was on the more efficient use of raw materials, improved end product quality and higher production efficiency, all of which are important for the customer's competitiveness. In addition to our own R&D work, Raute Wood participated in several significant joint ventures in technology development together with universities, research institutes and customers. The new-generation veneer lathe, SmartPeel, was introduced onto the market in May at a trade fair in Germany. The competitive features of the new lathe include improved yield, better serviceability and higher veneer quality. The efficiency of peeling is also improved by the new block charger, SmartScan, which applies a new optimization algorithm and laser technology with three-dimensional measurement of the entire block shape. The structure of the new type of veneer dryer, optimized to enable local subcontracting, considerably improved the price competitiveness of drying technology.





A license and co-operation agreement was signed concerning the development and commercialization of foam gluing technology used in the manufacturing of plywood. This new method yields considerable savings in glue consumption.

By further developing its modernization and maintenance operations, Raute Wood responded to the market changes in which demand for veneer-based wood products technology shifted to modernization, maintenance and spare parts services. Investments in sales and development of engineered wood flooring technology were also increased.

The technology and sales organization was developed in order to create a more holistic customer service. By focusing technology operations and the manufacturing of key machinery to the main unit in Finland, Raute Wood's technology leadership and competitiveness was further strengthened. Jymet-Engineering Oy, Jyväskylä, which focuses on panel handling operations, merged with the parent company and its operations are from now on developed as part of the Raute Wood Finland profit center.

In North America, the focus was on developing the modernization, maintenance and spare parts services in the plywood and LVL industries. By rearranging operations, annual cost savings worth approximately one million euros were achieved in North America and capital was released for the development of operations.

The investments of the financial year were mainly allocated to the development of the information systems of engineering, operations management and financial administration. At the main unit in Finland, the development of production continued, with focus on improving the efficiency of machinery investments carried out during the past two years, improving profitability and developing own core competences. Development of the partnership network and supplier evaluations also continued.

### Prospects for the year 2004

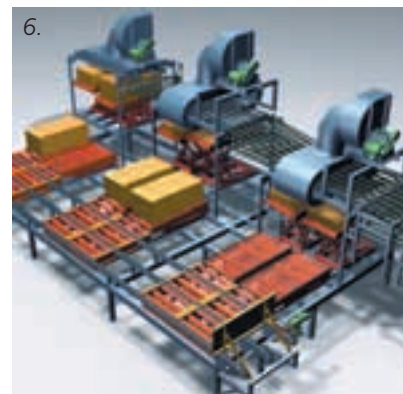
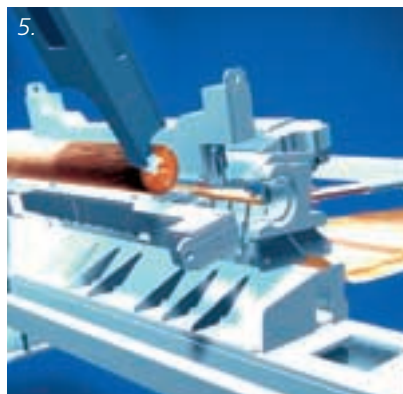
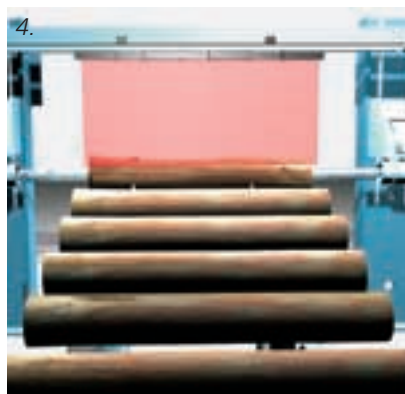
The plywood industries in Russia, South America and China are planning investments to expand production capacity. There are also plans to increase LVL capacity in Oceania. However,

wood products industry investments will continue to focus on smaller-scale modernization projects in pursuit of improved yield on raw material, quality of end product and production capacity. This is especially evident in Finland and North America. The growing demands on the end product quality will increase investment demand in the Russian and Chinese plywood industries. The Southeast Asian engineered wood flooring industry has a number of investment projects in hand.

Constant product development will strengthen the company's competitiveness, and its position as a supplier of complete plant projects will remain strong. Inputs both in modernization of plywood and LVL industries and in maintenance and spare parts services, and centralizing the manufacturing of key machinery and technology operations to Finland, profitability in the cyclic markets of North America.

Investment projects in the veneer-based wood products industry are still characterized by uncertainty, in relation to both implementation and schedules. In the main market areas, the capacity utilization rate and the panel product prices are at low levels, this uncertainty being fuelled by the weakening US dollar. The restructuring measures taken will improve the company's profitability. Since the implementation of received large-scale projects was mainly scheduled for the previous year, Raute Wood will have to respond to the reduced load with personnel lay-offs. During the first quarter, net sales will grow and operating results will show an improvement, year-on-year.

1. *Peeling is the most important process stage with respect to plant capacity and product quality.*
2. *Highly automated peeling lines have been a market success.*
3. *Machine vision is used to detect defects in the veneer.*
4. *The SmartScan block charger uses laser technology for three-dimensional measurement of the block shape.*
5. *The SmartPeel concept was one of the technology projects to enhance customers' competitiveness.*
6. *The automated LVL line reduces manpower requirements.*





## 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

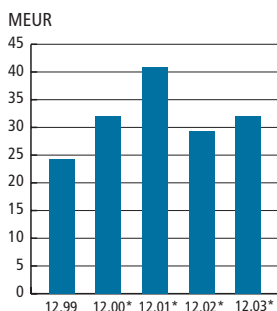
## 2003 in Brief

- Significant projects in South America
- Strengthened position in China as supplier for glass industry
- Revitalizing of Russian markets
- Small-sized plaster and mortar plant on the market
- Order book strengthened and increase in net sales
- Reorganization of business improved profitability
- Loss reduced; net sales for last quarter profitable

## Key Figures

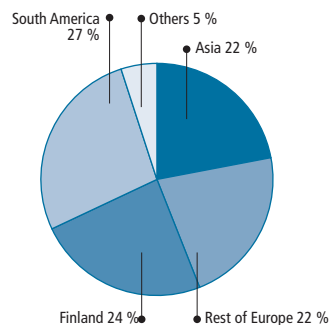
MEUR	2003	2002	Change %
Net sales	32.0	29.4	9
Operating loss	-0.7	-2.2	
Value of new orders	37.6	28.3	33
Volume of orders in hand	16.8	11.2	50
Personnel on 31 Dec	198	201	-1

Net sales, MEUR

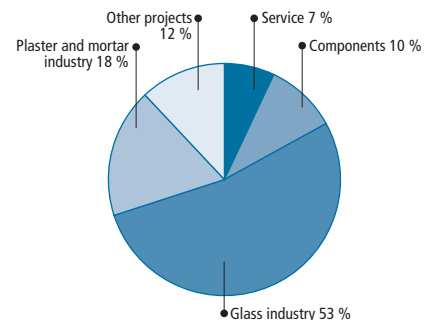


\*) Revenue recognition method based on percentage of completion

Net sales by market area



Net sales by business sector





### Net sales, result, and volume of orders

Raute Precision reported net sales of MEUR 32.0 (MEUR 29.4), up by nine percent on the previous year. Investment activity in customer industries remained subdued throughout the year, except for the glass industry. Price competition remained fierce in all business areas, and margins stayed low. Operating results improved over the previous year, although a loss of MEUR 0.7 (MEUR -2.2) was shown. Restructuring measures and other business development and adjustment initiatives implemented in the plaster and mortar industry during the fiscal year had a favourable effect on 2003 results.

Glass industry investments increased from the previous year. Raute Precision was successful in maintaining its strong position as a supplier for the glass industry. Net sales generated by the glass industry business grew substantially, making it the largest business area. Demand remained at a healthy level in China, where the company is the leading market supplier of batch plants. Demand remained at a healthy level also in Latin America, with a glass batch plant order of MEUR 6 to Mexico being the largest deal of the financial year. The first Russian batch plant deal for a glass factory was realized. Of the projects delivered during 2003, five were new batch plants and two were modernization projects.

Year-on-year, investment activity in the plaster and mortar industry weakened markedly, while investment decisions were put off. The company maintained its market share as a plaster and mortar industry supplier, but net sales fell. The value of new orders received grew year-on-year. The largest project delivered was a modernization of a plaster and mortar plant in Saudi Arabia. The first order from Russia, a new glass batch plant, was received.

Maintenance services maintained net sales at the previous year's level. In Finland – the main market area of weighing components, scales and weighing and dosing systems – there was a fall in demand from the process industry using bulk materials and that coming from project export companies,

and the business group showed a marked decline in its net sales. The largest project was a slurry preparation plant in Finland.

The value of Raute Precision's reported orders at MEUR 37.6 (MEUR 28.3) grew by a third year-on-year. With a longer orderbook, the value of orders was MEUR 16.8 (MEUR 11.2) at the end of the year.

### Development activity

Product development for the small-sized plaster and mortar plant was concluded, and the first plant was sold to Asia. The development project in weighing and dosing automation solutions continued.

The most important development projects involved the overall implementation of a project, from sales to delivery, 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 product technology and chemicals businesses were separated at the beginning of the year. The reorganization improved the cost-efficiency of plant projects and brought synergy to project implementation.

To enhance sales and improve customer service, reinforcements to the staff at the sales office in China and a strengthening of the sales network in Russia were made.

### Prospects for 2004

Based on a decision to divest its Raute Precision business group, the Raute Group sold on February 2, 2004 its shares in Raute Precision Oy to a company owned by funds managed by the venture capital company Eqvitec Partners Oy and by the operative management of Raute Precision. Business operations were transferred to the new owner on February 24, 2004. Resources freed by the divestment will be used to develop Raute Wood.



# Board of Directors' Report

## Raute Group

The Raute Group's consolidated net sales increased by ten percent, to MEUR 97.6 (MEUR 88.9). Its operating results improved over the previous year, but showed a loss of MEUR 3.3 (MEUR -8.3), despite excellent last-quarter performance. The Group's financial income and expenses amounted to MEUR 1.1 (MEUR -0.7). Loss before extraordinary items totaled MEUR 2.3 (MEUR -9.0). Per-share profit showed a loss of EUR 0.71 (MEUR -1.92).

The orders received during the report period increased considerably and were valued at MEUR 99.2 (MEUR 68.0). The year-end volume of orders was MEUR 38.8 (MEUR 25.4).

## Raute Wood

Raute Wood reported net sales of MEUR 67.0 (MEUR 60.9), up by ten percent year on year. The overall economic uncertainty affected panel-industry investment decisions, delaying large-scale projects. Investment demand remained low throughout the year. The majority of Raute Wood's new orders took effect during the second quarter, and almost half of net sales were posted only during the fourth quarter.

Although the business group improved its year-on-year operating result, it recorded a loss of MEUR 1.7 (MEUR -5.1), despite excellent last-quarter performance. The result for the first three quarters was eroded by the low volume of orders during the first half, new contracts taking effect more slowly than anticipated, and the troubled North American market. Furthermore, the result was affected by non-recurring expenses of MEUR 0.7 resulting from the restructuring of the North American operations.

The difficult market situation during the first quarters led to personnel lay-offs. The manufacturing of key machinery and technology operations was centralized in the main unit in Finland, and the OSB (Oriented Strand Board) operations were discontinued.

As a result of continuous product development, Raute maintained its strong position as a supplier of complete plant products to the veneer-based wood products industry. The orders received during the report period increased significantly to MEUR 62.8 (MEUR 40.7). The year-end value of orders was MEUR 22.1 (MEUR 14.3).

## Short-term Prospects

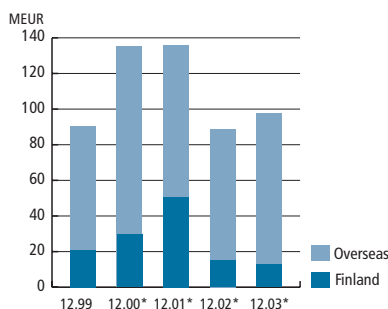
The plywood industries in Russia, South America and China are planning investments to expand production capacity. There are also plans to increase LVL capacity in Oceania.

However, wood products industry investments will continue to focus on smaller-scale modernization projects in pursuit of more efficient use of raw materials, improved end-product quality and more efficient production. This is especially evident in Finland and North America. The growing end-product quality requirements will increase investment demand in the Russian and Chinese plywood industries. The Southeast Asian parquet industry has a number of investment projects in hand.

Constant product development will strengthen competitiveness, and the company's position as a supplier of complete plant projects will remain strong. Focusing on modernization projects and servicing and maintenance services, as well as centralizing key-machinery manufacture and technology operations will contribute to improved profitability in cyclical markets.

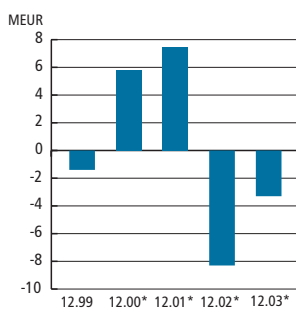
Investment projects in the veneer-based wood products industry are still characterized by uncertainty, in relation to both their implementation and schedules. In the main market areas, the capacity utilization rate and panel product prices are at low levels, this uncertainty being fuelled by the weakening US dollar. Since the implementation of large-scale projects received were mainly scheduled for 2003, Raute Wood will have to respond to the reduced load with personnel lay-offs. During the first quarter, net sales will grow and operating results will improve, year on year.

**Net sales, MEUR**

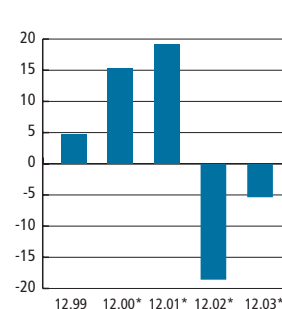


\*) Revenue recognition method based on percentage of completion 2000-2003

**Operating profit/loss, MEUR**



**Return on investment, %**



## Raute Precision

Raute Precision reported net sales of MEUR 32.0 (MEUR 29.4), up by nine percent year on year. Investment activity in customer industries remained subdued throughout the year, except for the glass industry.

Operating results improved over the previous year, although a loss of MEUR 0.7 (MEUR -2.2) was made. Price competition remained fierce in all business areas, and margins stayed low. The restructuring measures and other business development and adjustment measures taken had a positive effect on 2003 results.

The company maintained its strong position as a supplier for the glass industry, with the number of new orders amounting to MEUR 37.6 (MEUR 28.3) and the orderbook at MEUR 16.8 (MEUR 11.2), both increasing year on year.

## Major Business Changes After the Fiscal Period

Based on a decision to divest its Raute Precision business group, the Raute Group sold its shares in Raute Precision Oy on February 2, 2004 to a company owned through funds managed by the venture capital company Eqvitec Partners Oy and by the operative management of Raute Precision. The business operations are expected to transfer to the new owners on 24 February 2004.

The enterprise value (debt free) of the transaction at the time of signing the sale agreement was EUR 7 million. The final enterprise value will be determined at the time of transfer. Raute will record a profit of about EUR 2 million after taxes, as a result of the transaction. Resources freed by the transaction will mainly be used to develop Raute Wood.

## Major Business Changes During the Fiscal Period

The merger of Jymet-Engineering Oy, Raute Oyj's wholly-owned subsidiary, with Raute Oyj was registered on June 30, 2003.

Raute GmbH, wholly owned by Raute Oyj, has been discontinued, and its dissolving process is still under way.

## Financial Position

The Group's financial position remained healthy, with the Group's liquid assets totaling MEUR 13.5 (MEUR 14.5), gearing at -18 percent (-16 percent) and solvency ratio reaching 41 percent (50 percent). The balance sheet total came to MEUR 63.5 (MEUR 58.9).

Cash flow from business operations amounted to MEUR 1.7 (MEUR 2.3), and cash flow from investments came to MEUR -0.4 (MEUR -1.8).

## Capital and R&D Expenditure

The Group's gross investment expenditure totaling MEUR 1.5 (MEUR 2.8) was mainly allocated to information systems. R&D expenditure of MEUR 2.7 (MEUR 3.6) accounted for three percent of net sales.

## Personnel

On December 31, 2003, the Group employed 758 (801) people, and on average 783 (835). At the end of the year, 127 (147) were working abroad, and on average 141 (159).

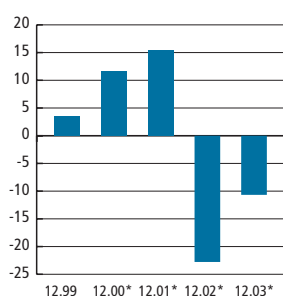
## Shares

January-December share trading volume totaled 322,958, valued at EUR 2,623,626, the highest and lowest quotation being EUR 9.50 and EUR 6.20, respectively. At the end of the year, the share closed at EUR 8.00. The number of K shares converted into A shares in January 2003 totaled 44,539. The market capitalization of the shares as at December 31, 2003 was MEUR 30.5, when the K shares were evaluated according to the value of the A shares.

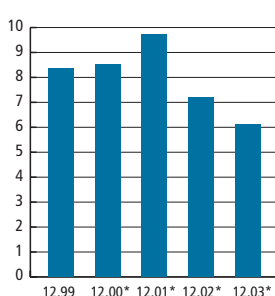
## Dividend Distribution

Raute Oyj's Annual General Meeting confirmed on March 18, 2003 the proposed dividend of EUR 0.50 per share, totaling MEUR 1.9. The day of payment was March 28, 2003.

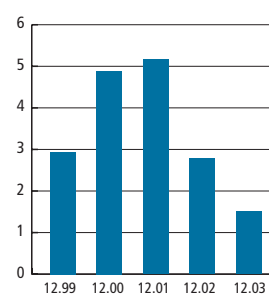
Return on equity, %



Equity per share, %



Investments, MEUR



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### **Board Proposal to the Annual General Meeting**

The Board of Directors proposes to the Annual General Meeting on March 16, 2004 that a per-share dividend of EUR 0.50 be paid for A and K shares, with the payment date March 26, 2004, and a per-share dividend of EUR 0.50 with the payment date December 16, 2004. The tally days are March 19, 2004 and December 9, 2004, respectively. The total dividend amounts to MEUR 3.8.

The company has engaged operations and property not related to its core business. From the funds received, the majority will be spent on developing the core business, but part of it is proposed to be distributed as dividends. By dividing the distribution of dividends into two lots, the Board wants to maintain a healthy solvency despite the insecure market situation, and promote long-term investment in Raute shares.

### **Board of Directors, President and Ceo**

Raute Oyj's Annual General Meeting of March 18, 2003, elected the following members of the Board: Juha-Pekka Keskiäho (Chairman), Heikki Lehtonen (Vice Chairman), Panu Mustakallio, Sinikka Mustakallio, Markku Nihti, Pekka Paasikivi and Jarmo Ryttilähti.

Risto Mäkitalo is the Group's President and CEO.

### **Auditors**

The AGM of March 18, 2003 elected Kari Miettinen and Lotta Mäkelä, Authorized Public Accountants, as auditors and PricewaterhouseCoopers Oy, Authorized Public Accountants, as deputy auditor with Leena Rajala, Authorized Public Accountant, acting as the principal auditor.

### **Appointments**

Arja Hakala, M.Sc.(Econ.), was appointed Director of Finance of Raute Group as of October 9, 2003. Risto Tuuri, Director of Finance, resigned on October 8, 2003.

### **Adoption of IFRS-based Accounting Standards**

The Raute Group will adopt the accounting principles based on IFRS as of January 1, 2005. The adoption is expected to have only minor effects on the Group's shareholders' equity.

### **Group's Prospects for 2004**

The Raute Group will concentrate on Raute Wood, following the divestment of Raute Precision. The company has sold the Raute Precision operations through a dealing in shares on February 2, 2004. The business will transfer to the new owners on February 24, 2004.

The wood products industries in Russia, South America, China and Oceania are planning investments to expand production capacity. However, the focus in demand will remain on plant upgrading and modernization projects, as well as maintenance and spare parts services. Prospects look the most promising in Russia and China, where the growing end-product quality requirements will increase investment demand. In Finland and North America, demand will focus on smaller-scale modernization projects.

The company's position as a supplier of complete plant projects for the veneer-based wood products industry will remain strong. The fruits of the continuous product development – new products and technological solutions – will maintain the company's strong competitive position in smaller-scale modernization projects as well.

Investment projects in the veneer-based wood products industry are still characterized by uncertainty, in relation to both their implementation and schedules, this uncertainty being fuelled by the weakening US dollar. The business development and restructuring measures taken will enhance the cost-efficiency of cyclical projects. Resources freed by the divestment will mainly be used to develop Raute Wood. During the first quarter, the Group will improve its net sales and operating results, year on year, supported by capital gains from the sale of Raute Precision Oy shares.

# Income Statement

EUR 1,000 NOTE	GROUP		PARENT		
	1.1.-31.12.2003	1.1.-31.12.2002	1.1.-31.12.2003	1.1.-31.12.2002	
1,2,3 <b>NET SALES</b>	<b>97,608</b>	88,908	<b>52,131</b>	40,938	
	<b>Increase (+) or decrease (-) in finished goods and work in progress inventories</b>	<b>673</b>	-715	<b>463</b>	-149
4	<b>Other operating income</b>	<b>983</b>	773	<b>926</b>	673
5	Materials and services	<b>55,166</b>	45,138	<b>28,193</b>	20,045
6	Personnel expenses	<b>33,072</b>	34,478	<b>16,218</b>	15,100
8,14,15	Depreciation and write downs	<b>3,361</b>	3,590	<b>1,946</b>	2,021
	Share of associated company's result	<b>128</b>	46		
9	Other operating costs	<b>10,877</b>	14,013	<b>6,323</b>	7,133
	<b>Total operating costs</b>	<b>102,604</b>	97,265	<b>52,680</b>	44,299
	<b>OPERATING PROFIT/LOSS</b>	<b>-3,340</b>	-8,299	<b>840</b>	-2,837
	<b>Financial items</b>				
10	Profit from shares in associated companies	<b>32</b>		<b>81</b>	49
10	Income from long-term investments	<b>48</b>	44	<b>48</b>	44
10	Interest and other financial income	<b>1,381</b>	306	<b>1,450</b>	530
10	Value adjustments of long-term investments			<b>-775</b>	
10	Interest and other financial expenses	<b>-395</b>	-1,002	<b>-193</b>	-577
	<b>Total financial items</b>	<b>1,066</b>	-652	<b>611</b>	46
	<b>PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS</b>	<b>-2,274</b>	-8,951	<b>1,451</b>	-2,791
11	Extraordinary items			<b>-1,427</b>	202
	<b>PROFIT/LOSS AFTER EXTRAORDINARY ITEMS</b>	<b>-2,274</b>	-8,951	<b>24</b>	-2,589
12	Change in untaxed provisions			<b>694</b>	867
13	Income taxes	<b>-429</b>	1,599	<b>-63</b>	89
	Minority interests		23		
	<b>PROFIT/LOSS FOR THE FINANCIAL YEAR</b>	<b>-2,703</b>	-7,329	<b>655</b>	-1,633

# Balance Sheet

EUR 1,000 Note	GROUP 31.12.2003	31.12.2002	PARENT 31.12.2003	31.12.2002	
<b>ASSETS</b>					
<b>Fixed assets</b>					
14,15	Intangible assets	769	881	544	432
14,15	Group goodwill	779	965		
14,15	Tangible assets	17,883	19,527	12,552	12,650
16	Investments	2,638	2,963	10,596	9,051
	Total	22,069	24,336	23,692	22,133
<b>Current assets</b>					
3,17	Inventories	5,728	4,715	2,743	1,565
18	Long-term receivables	48		89	99
18,23	Deferred tax assets		478		
3,18	Short-term receivables	22,153	14,901	13,974	12,281
19	Current assets in marketable securities	11,500	10,844	11,500	10,844
	Cash and cash equivalents	2,012	3,629	1,396	2,395
	Total	41,441	34,567	29,702	27,184
	<b>TOTAL ASSETS</b>	<b>63,510</b>	<b>58,903</b>	<b>53,394</b>	<b>49,317</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
	Share capital	7,629	7,629	7,629	7,629
	Premium fund	5,429	5,429	5,429	5,429
20	Retained earnings	12,958	21,647	15,744	19,302
20	Profit/loss for the financial year	-2,703	-7,329	655	-1,633
	Total	23,313	27,376	29,457	30,727
21	<b>Untaxed reserves</b>			2,262	2,956
22	<b>Provisions</b>	1,985	2,447	1,452	1,800
<b>Liabilities</b>					
23	Deferred tax liabilities	1,172	831	292	300
24	Long-term liabilities	252	758	252	758
24	Short-term liabilities	36,788	27,491	19,679	12,776
	Total	38,212	29,080	20,223	13,834
	<b>TOTAL LIABILITIES</b>	<b>63,510</b>	<b>58,903</b>	<b>53,394</b>	<b>49,317</b>

# Cash Flow Statement

EUR 1,000	GROUP		PARENT	
	1.1.-31.12.2003	1.1.-31.12.2002	1.1.-31.12.2003	1.1.-31.12.2002
<b>OPERATING CASH FLOW</b>				
Payments from sales	93,999	99,100	50,754	46,028
Payments from other operating income	124	176	94	96
Payments of business expenses	-94,270	-96,440	-49,754	-44,985
<b>Operating cash flow before financing and taxes</b>	<b>-147</b>	<b>2,836</b>	<b>1,094</b>	<b>1,139</b>
Interest and other financial expenses paid	-385	-956	-193	-546
Interest and other income received	1,288	208	1,422	166
Dividend income received	169	170	169	170
Income taxes paid	779	10	299	-1,200
<b>Cash flow before extraordinary items</b>	<b>1,704</b>	<b>2,268</b>	<b>2,791</b>	<b>-271</b>
<b>OPERATING CASH FLOW (A)</b>	<b>1,704</b>	<b>2,268</b>	<b>2,791</b>	<b>-271</b>
<b>INVESTMENT CASH FLOW</b>				
Investment in tangible and intangible assets	-1,398	-2,381	-1,175	-1,794
Acquisition of subsidiary companies' shares	-104	-397		
Capital gains from tangible and intangible assets	125	495	150	438
Other investments			-107	-269
Capital gains from other investments	938	457	937	457
Loan receivables, increase			-1,355	-1,670
Interest income from investments			30	260
<b>INVESTMENT CASH FLOW (B)</b>	<b>-439</b>	<b>-1,826</b>	<b>-1,520</b>	<b>-2,578</b>
<b>FINANCIAL CASH FLOW</b>				
Short-term loans, increase(+)/decrease(-)	216	862	-13	553
Long-term loans, increase(+)/decrease(-)	-501	-766	269	-766
Long-term and short-term receivables, increase(-)/decrease(+)	-33	174	-1,018	3,421
Dividends paid	-1,907	-3,815	-1,907	-3,815
Group contributions, paid and received			1,055	
<b>FINANCIAL CASH FLOW (C)</b>	<b>-2,225</b>	<b>-3,545</b>	<b>-1,614</b>	<b>-607</b>
<b>CHANGE IN FINANCIAL RESOURCES (A+B+C)</b>	<b>-960</b>	<b>-3,103</b>	<b>-343</b>	<b>-3,456</b>
increase (+) / decrease (-)				
<b>CASH AND MARKETABLE SECURITIES AT 1 JAN</b>	<b>14,473</b>	<b>17,576</b>	<b>13,239</b>	<b>16,695</b>
<b>CASH AND MARKETABLE SECURITIES AT 31 DEC</b>	<b>13,513</b>	<b>14,473</b>	<b>12,896</b>	<b>13,239</b>

# Notes to the Financial Statements

## 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 company Eloc Oy, is not incorporated into the Consolidated Financial Statements, since its operations differ from the Group's line of business and it is 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 27 in the Notes to the Financial Statements.

### Net Sales

Net sales is 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, and in off-shore projects according to physical percentage of completion.

### 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 recorded 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, 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 end 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.

### 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 - 12 yrs
Other fixed assets	3 - 10 yrs



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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 can be estimated with reasonable accuracy are deducted as expenses in the Income Statement.

#### **Extraordinary items**

Extraordinary items include income and expenses of significant size and not part of usual business operations or on changes in accounting principles. 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 shown 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 revaluations 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.

#### **Comparability of the figures**

The financial statements of the parent company as of 31.12.2003 are not comparable with the previous year due to the merger of Jymet-Engineering Oy with the parent company. The merger was registered on June 30, 2003.

# Notes to the Financial Statements

EUR 1,000	GROUP 2003		2002		PARENT 2003		2002
<b>1. Net sales</b>		%		%		%	
<b>by market area</b>							
Finland	13,190	14	15,200	17	6,867	13	8,259
Russia	6,497	7	19,379	22	5,300	10	16,950
Other European Countries	16,745	17	19,942	22	9,273	18	9,381
Asia	8,917	9	13,145	15	1,680	3	1,104
Oceania	10,076	10			10,076	19	
North America	20,587	21	16,678	19	7,679	15	2,268
South America	19,697	20	3,789	4	11,222	22	2,243
Others	1,899	2	775	1	34	0	733
Total	97,608	100	88,908	100	52,131	100	40,938

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	
		%		%		%	
<b>Net sales 31 Dec. 2003</b>	<b>66,976</b>	<b>69</b>	<b>31,983</b>	<b>33</b>	<b>-1,351</b>	<b>-2</b>	<b>97,608</b>
Net sales 31 Dec. 2002	60,922	69	29,390	33	-1,404	-2	88,908
<b>Operating loss 31 Dec. 2003</b>	<b>-1,683</b>	<b>50</b>	<b>-657</b>	<b>20</b>	<b>-1,000</b>	<b>30</b>	<b>-3,340</b>
Operating loss 31 Dec. 2002	-5,142	62	-2,154	26	-1,003	12	-8,299
<b>Volume of orders in hand 31 Dec. 2003</b>	<b>22,132</b>	<b>57</b>	<b>16,837</b>	<b>43</b>	<b>-195</b>	<b>0</b>	<b>38,774</b>
Volume of orders in hand 31 Dec. 2002	14,296	56	11,180	44	-89	0	25,387
<b>Orders receiving during the period 31 Dec. 2003</b>	<b>62,809</b>	<b>63</b>	<b>37,646</b>	<b>38</b>	<b>-1,210</b>	<b>-1</b>	<b>99,245</b>
Orders receiving during the period 31 Dec. 2002	40,749	60	28,286	42	-1,031	-2	68,004
<b>Personnel 31 Dec. 2003</b>	<b>539</b>	<b>71</b>	<b>198</b>	<b>26</b>	<b>21</b>	<b>3</b>	<b>758</b>
Personnel 31 Dec. 2002	584	73	201	25	16	2	801

EUR 1,000	GROUP 2003		2002		PARENT 2003		2002
<b>3. Revenue recognition method based on percentage of completion</b>							
Net sales by percentage of completion	74,067		64,402		43,671		30,540
Other net sales	23,541		24,506		8,460		10,398
Total	97,608		88,908		52,131		40,938
Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	43,384		11,454		15,345		5,330
Amount of long-term project revenues not yet entered as income (volume of orders)	36,419		23,075		18,298		11,265
<b>Itemization of combined asset and liability items</b>							
Advances paid	1,071		88		583		15
Advances broken down by percentage of completion	-412						
Inventories by percentage of completion	659		88		583		15
Accrued income and deferred expenses corresponding to revenues by percentage of completion	43,123		11,220		15,388		5,330
Advances received from project customers	-33,256		-8,050		-12,590		-4,298
Project receivables included in short-term receivables in the balance sheet	9,867		3,170		2,798		1,032

EUR 1,000	GROUP 2003	2002	PARENT 2003	2002
<b>4. Other operating income</b>				
Gain from sales of fixed assets	859	596	832	577
Other income items	124	177	94	96
Total	983	773	926	673
<b>5. Materials and services</b>				
Materials and supplies				
- Purchases during the accounting period	52,044	42,546	26,787	18,906
- Change in inventories	244	-240	26	194
External services	2,878	2,832	1,380	945
Total	55,166	45,138	28,193	20,045
<b>6. Personnel expenses</b>				
Personnel expenses in Income Statement				
Wages and salaries	26,939	27,485	12,999	12,148
Pension contributions	3,738	3,746	2,210	2,133
Other personnel costs	2,395	3,247	1,009	819
Total	33,072	34,478	16,218	15,100
<b>Salaries, remunerations and pension commitments of Directors</b>				
The members of Boards of Directors	172	153	169	150
Managing Directors of Group companies	827	858		
<p>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.</p> <p>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.</p>				
<b>7. Personnel</b>				
Hourly paid workers on 31 Dec.	309	321	200	191
Office staff on 31 Dec.	449	480	226	213
Total personnel on 31 Dec.	758	801	426	404
Hourly paid average	314	339	202	198
Office staff average	469	496	231	220
Total personnel, average	783	835	433	418
Overseas staff on 31 Dec.	127	147	3	3
Overseas staff, average	141	159	3	3
<b>8. Depreciation and write downs</b>				
Depreciation and amortization from intangible and tangible assets	3,361	3,590	1,946	2,021
<b>9. Other operating costs</b>				
Indirect production costs	2,186	3,210	1,469	1,696
Sales and marketing costs	3,110	4,197	1,913	2,428
Administration costs	3,054	3,815	1,461	1,662
Other costs	2,527	2,792	1,480	1,347
Total	10,877	14,013	6,323	7,133

# Notes to the Financial Statements

EUR 1,000	GROUP 2003	2002	PARENT 2003	2002
<b>10. Financial income and expenses</b>				
<b>Profit from shares in associated companies</b>				
Dividends	32		81	49
<b>Income from other long-term investments</b>				
Dividends	48	44	48	44
<b>Other interest and financial income</b>				
Group companies			156	313
Dividends and yield on investment fund from others	40	91	40	76
Other interest and financial income from others	1,341	215	1,254	141
Total	1,381	306	1,450	530
<b>Value adjustments of long-term investments</b>				
Group companies			775	
<b>Interest and other financial expenses</b>				
Group companies				2
Others	395	1,002	193	575
Total	395	1,002	193	577
<b>TOTAL FINANCIAL ITEMS</b>	1,066	-652	611	46
<b>Exchange rate gains (+)/losses (-) included in total financial items</b>	75	-427	18	-247
<b>11. Extraordinary items</b>				
<b>Extraordinary incomes</b>				
Contributions from Group companies			150	285
Total			150	285
<b>Extraordinary expenses</b>				
Merger loss of Jymet-Engineering Oy			1,533	
Tax impact of extraordinary items			44	83
Total			1,577	83
<b>Extraordinary items in Income Statement (net)</b>			-1,427	202
<b>12. Change in untaxed reserves</b>				
Difference in planned and taxed depreciations			694	867
Total			694	867
<b>13. Income taxes</b>				
From operations, financial year	-60	283	-25	83
From operations, previous years	459	-11	-38	6
Change in deferred taxes	-828	1,327		
Total	-429	1,599	-63	89

14. Fixed assets of Group companies	Intangible assets			Tangible assets					Total
	Goodwill	Goodwill on consolidation	Other capitalized expenditure and intangible assets	Land and water	Buildings	Machinery and equipment	Other tangible assets	Advance payments	
Acquisition cost 1 Jan. 2003	6,657	2,445	2,932	1,175	17,582	25,783	419	4	56,998
Translation difference				11	47	116			174
Additions		104	280		41	415	1	658	1,500
Disposals						-510			-510
Transferred between items			18		3	16		-38	0
<b>Acquisition costs 31 Dec. 2003</b>	<b>6,657</b>	<b>2,549</b>	<b>3,230</b>	<b>1,186</b>	<b>17,673</b>	<b>25,820</b>	<b>420</b>	<b>624</b>	<b>58,161</b>
Accumulated depreciation 1 Jan. 2003	-6,534	-1,480	-2,173		-7,879	-18,302	-361		-36,730
Translation difference					-26	-108			-134
Accumulated depreciation included in increases for the financial period						392			392
Depreciation for the accounting period	-123	-290	-289		-592	-2,062	-6		-3,361
<b>Accumulated depreciation 31 Dec. 2003</b>	<b>-6,657</b>	<b>-1,770</b>	<b>-2,462</b>		<b>-8,497</b>	<b>-20,081</b>	<b>-367</b>		<b>-39,834</b>
Revaluations 1 Jan. and 31 Dec. 2003				182	923				1,105
<b>Value in the Balance Sheet 31 Dec. 2003</b>		<b>779</b>	<b>769</b>	<b>1,368</b>	<b>10,099</b>	<b>5,739</b>	<b>53</b>	<b>624</b>	<b>19,431</b>

15. Fixed assets of the Parent Company	Intangible assets		Tangible assets					Total
	Goodwill	Other capitalized expenditure and intangible assets	Land and water	Buildings	Machinery and equipment	Other tangible assets	Advance payments	
Acquisition cost 1 Jan. 2003		2,086	320	9,152	15,134	335		27,026
Merge 30 June 2003	526	106	141	734	174			1,681
Additions		250		37	213	1	673	1,174
Disposals					-255			-255
Transferred between items		18			13		-121	-87
<b>Acquisition costs 31 Dec. 2003</b>	<b>526</b>	<b>2,460</b>	<b>461</b>	<b>9,926</b>	<b>15,278</b>	<b>336</b>	<b>552</b>	<b>29,539</b>
Accumulated depreciation 1 Jan. 2003		-1,654		-3,499	-9,446	-282		-14,880
Merge 30 June 2003	-430	-87		-120	-83			-720
Accumulated depreciation included in increases for the financial period		167						
Depreciation for the accounting period	-96	-176		-326	-1,342	-6		-1,946
<b>Accumulated depreciation 31 Dec. 2003</b>	<b>-526</b>	<b>-1,916</b>		<b>-3,945</b>	<b>-10,704</b>	<b>-287</b>		<b>-17,380</b>
Revaluations 1 Jan. and 31 Dec. 2003			13	923				936
<b>Value in the Balance Sheet 31 Dec. 2003</b>		<b>544</b>	<b>475</b>	<b>6,904</b>	<b>4,574</b>	<b>48</b>	<b>552</b>	<b>13,096</b>

# Notes to the Financial Statements

16. Long-term investments	GROUP			PARENT			Loan	
	Shares			Shares			receivables	
	Associated companies	Others	Total	Group companies	Associated companies	Others	Group companies	Total
Acquisition cost 1 Jan. 2003	2,856	611	3,467	7,592	3,066	592	2,335	13,585
Merge 30 June 2003						2		2
Translation difference							-367	-367
Additions		2	2	104		2	4,754	4,861
Disposals	-163	-138	-301	-1,442		-133	-1,351	-2,925
Acquisition costs 31 Dec. 2003	2,693	474	3,168	6,255	3,066	463	5,371	15,155
Accumulated write downs in value 1 Jan. and 31 Dec.	-601		-601	-4,029	-601			-4,630
Revaluation 1 Jan. and 31 Dec.		96	96			96		96
Disposals		-25	-25			-25		-25
Revaluation 1 Jan. and 31 Dec.		71	71			71		71
Value in the Balance Sheet 31 Dec. 2003	2,092	546	2,638	2,226	2,465	534	5,371	10,596

EUR 1,000	GROUP 2003	2002	PARENT 2003	2002
<b>17. Inventories</b>				
Materials and supplies	3,143	3,436	1,431	1,285
Work in progress	1,299	1,144	329	265
Finished products/goods	627	47	400	
Advance payments	659	88	583	15
Total	5,728	4,715	2,743	1,565
<b>18. Receivables</b>				
<b>Long-term receivables</b>				
Long-term receivables from Group companies				
- Loan receivables			42	99
Long-term receivables from others				
- Loan receivables	48		47	
Total	48		89	99
<b>Short-term deferred tax assets</b>				
Deferred tax assets, (specification note number 23)		478		
<b>Short-term receivables</b>				
Short-term receivables from Group companies				
- Accounts receivable			1,195	99
- Loan receivable			3,184	5,490
- Prepayments and accrued income			151	1,163
- Other receivables			141	228
Total from Group companies			4,671	6,980
Short-term receivables from associated companies				
- Accounts receivable	9	9		
Total from associated companies	9	9		
Short-term receivables from others				
- Accounts receivable	9,274	9,308	4,995	3,367
- Loan receivable		12		11
- Prepayments and accrued income	10,471	4,430	3,050	1,608
- Other receivables	2,399	1,142	1,258	315
Total	22,153	14,901	13,974	12,281

EUR 1,000	GROUP 2003	2002	PARENT 2003	2002
Substantial items included in prepayments and accrued income				
- Contribution receivables from Group companies			150	1,055
- Project receivables entered according	9,867	3,170	2,799	1,032
- Other items	604	1,260	252	684
Total	10,471	4,430	3,201	2,771
<b>19. Current assets in marketable securities</b>				
Current market value	11,684	11,636	11,684	11,636
Current assets (in book)	-11,500	-10,844	-11,500	-10,844
Difference	184	792	184	792
Current assets in marketable securities include public fund units and stock market shares.				
<b>20. Shareholders' equity</b>				
Share capital 1 Jan. and 31 Dec.	7,629	7,629	7,629	7,629
Premium fund 1 Jan. and 31 Dec.	5,429	5,429	5,429	5,429
Retained earnings on 1 Jan.	21,647	15,760	19,302	12,555
- Profit/loss from the previous year	-7,329	8,333	-1,633	10,562
- Dividends paid	-1,907	-3,815	-1,907	-3,815
- Reductions in revaluations	-25		-25	
- Change of deferred tax liabilities from revaluation	7		7	
- Translation differences of restricted equity	-136	-680		
- Translation differences of non-restricted equity	701	2,049		
Retained earnings 31 Dec.	12,958	21,647	15,744	19,302
Profit/loss for the financial year	-2,703	-7,329	655	-1,633
Shareholders' equity	23,313	27,376	29,457	30,727
<b>Distributable funds</b>				
Retained earnings 31 Dec.	12,958	21,647	15,744	19,302
Profit/loss for the financial year	-2,703	-7,329	655	-1,633
Transfer of voluntary provisions and accumulated depreciation to equity	-3,562	-4,295		
Distributable funds at 31 Dec.	6,693	10,023	16,399	17,669
<b>Shares in the parent company</b>				
Shares			3,815	thousand pieces
Nominal value			2.00	EUR
Total nominal value			7,629	1,000 EUR
A-shares (1 vote/share)			2,819	thousand pieces
Ordinary shares (20 votes/share)			996	thousand pieces
<b>21. Untaxed reserves</b>				
Untaxed reserves of the Parent Company consist of accumulated depreciation difference EUR 2,262 thousand, accumulated depreciation difference including deferred tax liabilities EUR 656 thousand.				

# Notes to the Financial Statements

EUR 1,000	GROUP 2003	2002	PARENT 2003	2002
<b>22. Provisions</b>				
<b>Estimated warranty accruals</b>				
Estimated warranty accruals at 1 Jan.	2,447	3,295	1,800	2,064
Amendment during financial year	-462	-848	-348	-264
Estimated warranty accruals at 31 Dec.	1,985	2,447	1,452	1,800
<b>23. Deferred tax liabilities and tax assets</b>				
<b>Deferred tax assets</b>				
Short-term				
- For consolidation measures	23	16		
- For periodizing differences	314	462		
- Of Group company losses	0	924		
- Netting against tax liability	-337	-924		
Total	0	478		
<b>Deferred tax liabilities</b>				
<b>Long-term</b>				
- For accrued year-end transfers	658	869		
- For consolidation measures	510	538		
- For revaluations	341	348	292	300
- Netting against tax refund claims	-337	-924		
Total	1,172	831	292	300
<b>24. Liabilities</b>				
<b>Long-term liabilities</b>				
Long-term deferred tax liabilities				
- Long-term deferred tax liabilities (specification note number 23)	1,172	831	292	300
Long-term liabilities to others				
- Pension loans	252	744	252	744
- Other liabilities	0	14	0	14
Total	252	758	252	758
The Group does not have liabilities that mature in more than five years.				
<b>Short-term liabilities</b>				
Short-term liabilities to Group companies				
- Accounts payable			293	411
- Accrued expenses and prepaid income			48	124
- Other short-term liabilities			372	385
Total to Group companies			713	920
Short-term payable to associated companies				
- Accounts payable	47	23	138	8
- Accrued expenses and prepaid income	10			
Total to associated companies	57	23	138	8
Short-term liabilities to others				
- Loans from financial institutions	2,618	1,813	2,618	1,813
- Pension loans	489	485	489	485
- Advances received	7,060	4,224	5,788	2,790
- Accounts payable	6,169	3,690	2,971	1,210
- Accrued expenses and prepaid income	13,692	8,879	6,342	4,507
- Other short-term liabilities	6,703	8,377	620	1,043
Total	36,788	27,491	19,679	12,776



EUR 1,000	GROUP 2003	2002	PARENT 2003	2002
<b>Interest-bearing debts</b>				
- Long-term	252	758	252	758
- Short-term	9,023	9,265	3,626	2,829
Total	9,275	10,023	3,878	3,587
<b>Substantial items included in accrued expenses and prepaid income</b>				
- Accrued project expenses	7,685	1,849	3,227	1,419
- Accrued employee related expenses	4,605	4,446	2,608	2,382
- Others	1,412	2,584	555	830
Total	13,702	8,879	6,390	4,631
<b>25. Pledged assets and contingent liabilities</b>				
<b><u>Pledged assets</u></b>				
<b>Debts secured by mortgages</b>				
Pension loans	742	1,230	742	1,230
Loans from financial institutions	2,618	1,813	2,618	1,813
<b>These debts and other liabilities have been secured by mortgages</b>				
Mortgages on real property	4,872	4,872	3,807	3,807
Business mortgages	6,055	6,055	4,877	4,877
<b>Pledged in security for own debts</b>				
Shares	123	123	123	123
<b><u>Contingent liabilities and other liabilities</u></b>				
<b>Guarantees issued on behalf of Group companies</b>	4,675	2,391	14,395	8,192
<b>Leasing and rent liabilities</b>				
- for the current accounting period	523	569	32	41
- for future accounting periods	1,108	1,874	13	7
<b>Forward foreign exchange contracts</b>				
- Nominal value	4,880	493	4,880	493
- Market value	53	23	53	23
The nominal value refers to the value of underlying instruments converted into euros according to the exchange rate on the date of closing the accounts. Market value refers to the result that would have risen from closing the derivatives at the market price on the date of closing the accounts. The average remaining term of futures and forwards on the date of closing the accounts was less than one month. The information on market value from the previous year has been changed to correspond the presentation principle of the market value for 2003.				
<b>Other own liabilities</b>		576		576
No money loans, pledges or other contingent liabilities have been given on behalf of the management, shares or associated companies. Letters of support have also been issued on behalf of certain subsidiaries.				

# Notes to the Financial Statements

## Financial Risks

### Financial Risk Management

Liquidity, currency and credit risks are the most important financial risks of Raute's global operations.

The key principles of the treasury policy, approved by Raute's board, are to hedge cost efficiently and minimize any risks that have a negative effect on the group's income or cash flow.

Treasury policy sets risk limits, defines funding and hedging instruments and specifies approved counterparties.

Financial risk management is the responsibility of the corporate treasury function. It identifies, evaluates and hedges financial risks in co-operation with the operative business units.

In addition to that funding, investments and all external hedging activities are centralized within the corporate treasury function.

### Currency Risks

The major portion of Raute's turnover comes from currencies outside the EURO zone.

Different currencies, of which the most important are the US and Canadian dollar, are used in customer deliveries and inter-company transactions.

Operative business units must hedge, according to the treasury policy, all foreign currency flows based on committed sales and purchase agreements.

Tender period currency risks are minimized by using foreign exchange clauses in the offers.

### Interest Rate Risks

Interest rate risks are managed by diversifying the loan portfolio between fixed-rate and floating-rate loans.

About 60% of investments in interest rate funds are in money market funds.

### Credit and Other Counterparty Risks

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

In order to avoid risk concentrations, the treasury policy also sets limits for each counterparty for investments, derivative agreements and loan agreements.

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

### Liquidity

The minimum amount of cash, short-term investments and available credit facilities are defined in the treasury policy to ensure the group's liquidity.

In the long run, risks in availability of funding and pricing are managed by diversifying sources of funding.

Investments are made mainly through investment funds. Good creditworthiness and sufficient liquidity is required from the funds.

<b>26. Shares and holdings of the Group and the Parent Company</b>			
<b>Group companies</b>	<b>Group holdings and voting rights, %</b>		<b>Parent Company holdings and voting rights, %</b>
Raute Wood Ltd., New Westminster, BC, Canada	100.00		100.00
Raute Inc., Delaware, USA	100.00		100.00
Raute Wood Inc., Rossville, USA	100.00		100.00
Raute GmbH, Ibbenbüren, Germany	100.00		100.00
RWS-Engineering Oy, Lahti	100.00		100.00
Raute Group Asia Pte Ltd., Singapore	100.00		100.00
Raute WPM Oy, Lahti	100.00		100.00
Raute Wood Oy-Santiago Limitada, Chile	100.00		50.00
Raute Precision Oy, Lahti	100.00		100.00
Bulk Process Engineering Sweden AB, Stockholm, Sweden	100.00		
Raute Dry Mix Oy, Lahti	94.00		
<b>Associated companies</b>			
Eloc Oy (real estate), Lahti	34.00		34.00
Mecano Group Oy, Kajaani	49.92		49.92
<p>Financial Statements of the associated company Mecano Group Oy have been included in the Consolidated Financial Statement using the equity share method. The figures for Mecano Group Oy include as yet undepreciated consolidation assets on EUR 120 thousand.</p> <p>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.</p>			
<b>27. Rates of exchange applied to subsidiaries</b>	<b>2003</b>	<b>2002</b>	
<b>Income Statement</b>			
USD	1.1346	0.9458	
CAD	1.5918	1.4843	
SEK	9.1431	9.1449	
SGD	1.9753	1.6915	
CLP	774.6976	647.5406	
<b>Balance Sheet</b>			
USD	1.2630	1.0487	
CAD	1.6234	1.6550	
SEK	9.0800	9.1528	
SGD	2.1450	1.8199	
CLP	738.4242	713.5812	

# Raute Group Key Ratios

## Key Ratios

(calculated using audited financial statements)

EUR 1,000	2003	2002	2001	2000	1999
Net sales	97,608	88,908	136,106	136,150	90,394
Exports	84,419	73,708	85,264	116,870	69,809
% of net sales	86.5	82.9	62.6	85.8	77.2
Operating profit/loss	-3,340	-8,299	7,485	4,481	-1,347
% of net sales	-3.4	-9.3	5.5	3.3	-1.5
Profit/loss before extraordinary items	-2,274	-8,951	7,829	5,286	1,443
% of net sales	-2.3	-10.1	5.8	3.9	1.6
Profit/loss before taxes	-2,274	-8,951	10,764	4,931	1,275
% of net sales	-2.3	-10.1	7.9	3.6	1.4
Profit/loss for the financial year	-2,703	-7,329	8,333	3,341	1,091
% of net sales	-2.8	-8.2	6.1	2.5	1.2
Return on investment, % (ROI)	-5.4	-18.5	19.1	15.3	4.7
Return on equity, % (ROE)	-10.7	-22.8	15.5	11.6	3.6
Balance Sheet total	63,510	58,903	80,430	84,609	85,717
Interest bearing net liabilities	-4,238	-4,450	-6,396	-9,044	-17,329
% of net sales	-4.3	-5.0	-4.7	-6.6	-19.2
Interest-free liabilities	30,922	21,504	32,064	43,441	46,607
Solvency ratio, %	41.3	50.1	51.0	46.9	47.9
Quick ratio	1.2	1.3	1.6	1.5	1.8
Gearing	-18.2	-16.3	-17.2	-27.8	-54.4
Gross investments in fixed assets	1,502	2,793	5,157	4,893	2,942
% of net sales	1.5	3.1	3.8	3.6	3.3
Research and development expenditure	2,651	3,611	4,478	4,176	2,384
% of net sales	2.7	4.1	3.3	3.1	2.6
Volume of orders in hand *)	38,774	25,387	34,586	81,287	73,030
Personnel on 31 Dec.	758	801	836	818	802
Personnel, average	783	835	860	835	782
Dividends **)	3,815	1,907	3,815	3,454	1,925

\*) Volume of orders by percentage of completion in 2003 and 2002

\*\*) The Board of Directors' proposal in 2003

## Share Related Data

	2003	2002	2001	2000	1999
Earnings per share, EUR	-0.71	-1.92	1.41	0.97	0.32
Equity to share, EUR	6.11	7.18	9.74	8.52	8.34
Dividend per share, EUR *)	1.00	0.50	1.00	0.91	0.50
Dividend per profit %	-141.1	-26.0	70.7	93.5	158.8
Effective dividend return %	12.5	6.4	11.8	11.3	6.0
Price/earnings ratio (P/E ratio)	-11.3	-4.1	6.0	8.3	26.4
<b>Development in share price (A share)</b>					
Lowest, EUR	6.20	7.80	7.15	6.75	7.00
Highest, EUR	9.50	10.30	9.70	9.20	10.00
Average exchange rate for the accounting period, EUR	8.12	9.18	7.95	7.78	8.28
Share price at the end of the exchange year, EUR	8.00	7.80	8.50	8.00	8.40
Market value of capital stock, 31 Dec., EUR thousand	30,517	29,754	32,424	30,517	32,043
<b>Trading in the company's shares (A share)</b>					
Shares traded during the fiscal year, thousand	323	845	74	692	233
% of the number of A shares	11.5	30.5	2.7	25.0	8.4
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 Director's proposal in 2003

## The Development of The Group's Quarterly Results

EUR 1,000	1-12 2003	10-12 2003	7-9 2003	4-6 2003	1-3 2003
<b>Net sales</b>					
- Raute Wood	66,976	31,113	15,945	9,985	9,933
- Raute Precision	31,983	12,227	6,302	7,645	5,809
- Other and internal	-1,351	-870	-153	-40	-288
<b>Total</b>	<b>97,608</b>	<b>42,470</b>	<b>22,094</b>	<b>17,590</b>	<b>15,454</b>
<b>Operating profit/loss</b>					
- Raute Wood	-1,683	4,038	237	-3,782	-2,176
- Raute Precision	-657	690	-198	-647	-502
- Other and internal	-1,000	-501	-161	-21	-317
<b>Total</b>	<b>-3,340</b>	<b>4,227</b>	<b>-122</b>	<b>-4,450</b>	<b>-2,995</b>
% of net sales	-3 %	10 %	-1 %	-25 %	-19 %
Financial terms	1,066	904	61	230	-129
<b>Profit/loss before extraordinary items</b>					
% of net sales	-2 %	12 %	0 %	-24 %	-20 %

## Definition of Key Ratios

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

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

$$\text{Interest-bearing net liabilities} = \text{Interest-bearing debt} \text{ ./. cash, cash equivalents and marketable securities}$$

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

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

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

$$\text{Equity to share} = \frac{\text{Equity}}{\text{Issue-adjusted number of shares at the day of the Financial Statements}}$$

$$\text{Dividend per share} = \frac{\text{Distributed dividend for the year}}{\text{Issue-adjusted number of shares on the day of the Financial Statements}}$$

$$\text{Dividend per profit, \%} = \frac{\text{Distributed dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Effective dividend return \%} = \frac{\text{Dividend per share}}{\text{Share price at the end of accounting period}} \times 100$$

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

$$\text{Average exchange rate for the accounting period} = \frac{\text{Total share exchange in EUR}}{\text{Number of issue-adjusted shares exchanged during the accounting period}}$$

$$\text{Market value of capital stock} = \text{Number of shares at year end (A + K shares)} \times \text{share price on the last day of the year}$$

$$\text{Gearing} = \frac{\text{Interest bearing liabilities} \text{ ./. cash and cash equivalents and current assets in marketable securities}}{\text{Equity} + \text{minority interests}} \times 100$$

# Shares and Shareholders

## Share Capital at 31 December 2003

Shares	Nominal value	1,000 shares	Total nominal value
	2.00	3,815	7,629
Ordinary shares		996	
A shares		2,819	

## Changes in share capital from 1 January 1989 to 31 December 2003

	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		
Change of K series shares into A series shares at 15 January 2003		-44,539	44,539
<b>Share capital at 31 December 2003</b>	<b>7,629,216</b>	<b>996,061</b>	<b>2,818,547</b>

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 share.

### 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 9.50 and the lowest price EUR 6.20. At the end of the year the share price was EUR 8.00.

322 958 shares were traded during the year, the total value of EUR 2,623,626.

### 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 5.53 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 bonds 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.

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 9.62.

Raute Precision Oy, a subsidiary owned entirely by Raute Oyj, holds 8,050 B warrants at 31 December 2003.

Raute Oyj's Board of Directors applied for the listing of A warrants, related to the 1998 bond with warrants, on the Main List of the Helsinki Stock Exchanges.

The listing began for the A warrants and B warrants on October 22, 2001 and on September 1, 2003, respectively.

The highest price paid for an A warrant during the year was EUR 0.80 and the lowest EUR 0.40, while closing at EUR 0.41.

The number of A warrants traded during the year totaled 8,300, with their total value coming to EUR 5,005.

# Shares and Shareholders

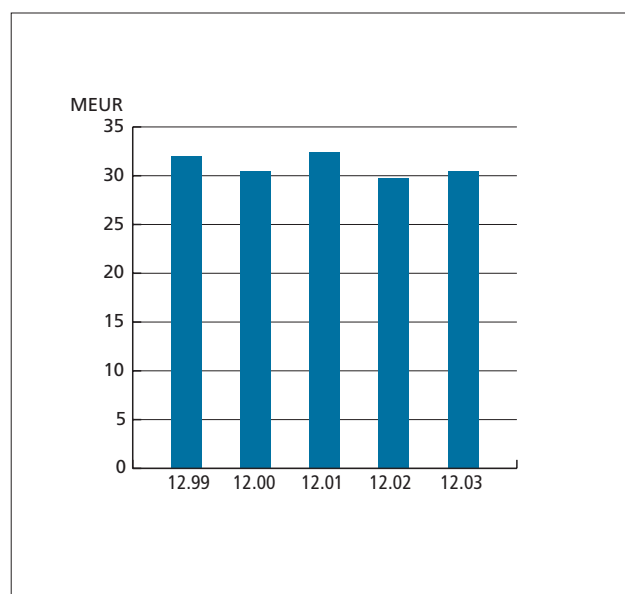
## Distribution of shares by share type at 31 December 2003

By shareholding	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
<b>A shares</b>						
Private individuals	700	90.91	2,161,714	76.70	2,161,714	76.70
Financial and insurance institutions	4	0.52	105,100	3.73	105,100	3.73
Foreign shareholders	2	0.26	2,600	0.09	2,600	0.09
Non profit institutions	8	1.04	102,600	3.64	102,600	3.64
Public institutions	4	0.52	240,400	8.53	240,400	8.53
Companies	50	6.49	191,003	6.78	191,003	6.78
Administrative registered	2	0.26	15,130	0.54	15,130	0.54
<b>Total</b>	<b>770</b>	<b>100.00</b>	<b>2,818,547</b>	<b>100.00</b>	<b>2,818,547</b>	<b>100.00</b>

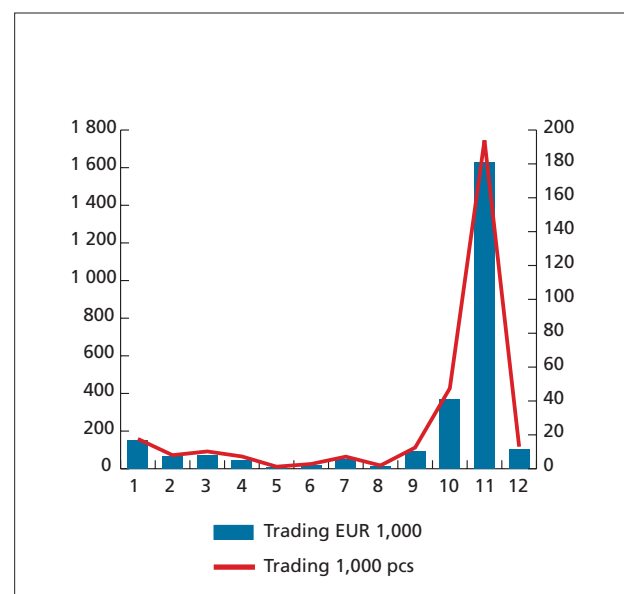
By shareholding	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
<b>K shares</b>						
Private individuals	48	100.00	996,061	100.00	19,921,220	100.00
<b>Total</b>	<b>48</b>	<b>100.00</b>	<b>996,061</b>	<b>100.00</b>	<b>19,921,220</b>	<b>100.00</b>

By shareholding	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
<b>A and K shares</b>						
Private individuals	702	90.93	3,157,775	82.78	22,082,934	97.11
Financial and insurance institutions	4	0.52	105,100	2.76	105,100	0.46
Foreign shareholders	2	0.26	2,600	0.07	2,600	0.01
Non profit institutions	8	1.04	102,600	2.69	102,600	0.45
Public institutions	4	0.52	240,400	6.30	240,400	1.06
Companies	50	6.48	191,003	5.01	191,003	0.84
Administrative registered	2	0.26	15,130	0.40	15,130	0.07
<b>Total</b>	<b>772</b>	<b>100.00</b>	<b>3,814,608</b>	<b>100.00</b>	<b>22,739,767</b>	<b>100.00</b>

## Market value of capital stock, MEUR



## Trading in Raute Oyj's A shares 1.1.- 31.12.2003





## Distribution of shares at 31 December 2003

By size of holding A shares	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
1 - 1 000	625	81.17	232,804	8.26	232,804	8.26
1 001 - 5 000	84	10.91	205,712	7.30	205,712	7.30
5 001 - 10 000	14	1.82	111,273	3.95	111,273	3.95
10 001 - 50 000	34	4.42	824,125	29.24	824,125	29.24
50 001 - 100 000	10	1.30	723,333	25.66	723,333	25.66
100 001 -	3	0.39	721,300	25.59	721,300	25.59
<b>Total</b>	<b>770</b>	<b>100.00</b>	<b>2,818,547</b>	<b>100.00</b>	<b>2,818,547</b>	<b>100.00</b>

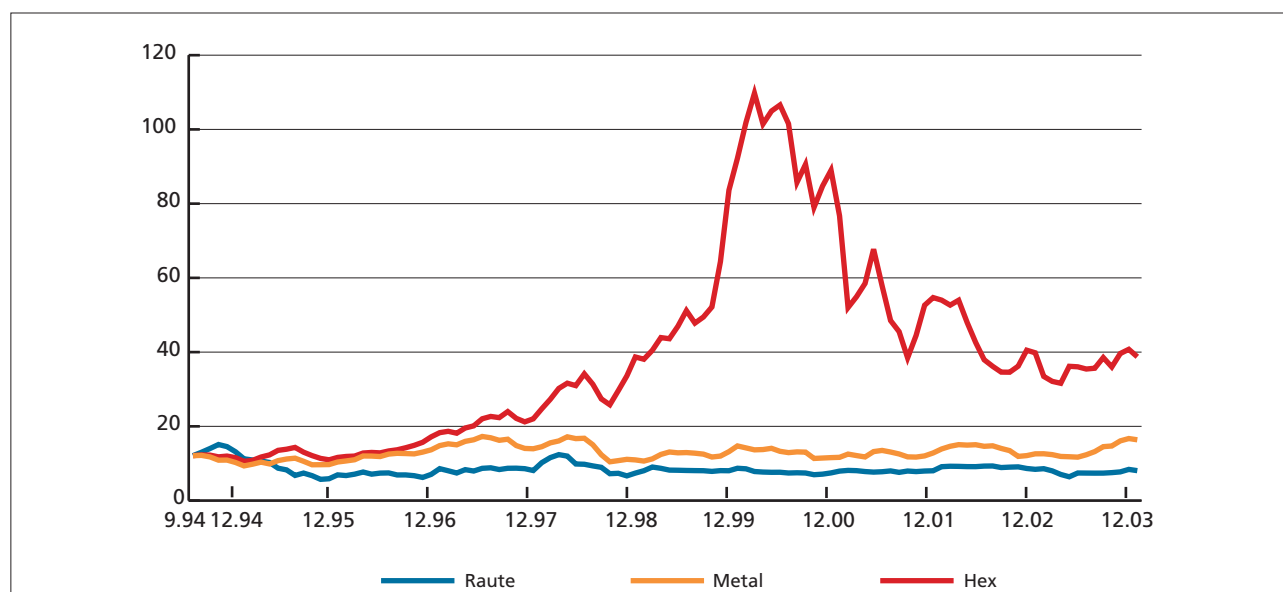
By size of holding K shares	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
1 - 1 000	1	2.08	480	0.05	9,600	0.05
1 001 - 5 000	4	8.33	17,179	1.72	343,580	1.72
5 001 - 10 000	13	27.08	84,173	8.45	1,683,460	8.45
10 001 - 50 000	26	54.17	672,349	67.50	13,446,980	67.50
50 001 - 100 000	4	8.33	221,880	22.28	4,437,600	22.28
<b>Total</b>	<b>48</b>	<b>100.00</b>	<b>996,061</b>	<b>100.00</b>	<b>19,921,220</b>	<b>100.00</b>

## Management stake on 31 December 2003

On 31 December 2003 the management of the company owned a total of 63,268 A shares and 81,160 K shares corresponding to 3.79 percent of the shares in the company and 7.42 percent of the associated voting rights. The management also held bond with warrants corresponding to 28.82 percent of the total number of bond with warrants released by Raute Oyj. A total of no more than 122,500 A shares may be subscribed on the basis of these nod with warrants, corresponding to 4.35 percent of the A shares voting rights and 0.54 percent of total voting rights on 31 December 2003.

(The figures include own, minor children's and controlling corporation's holdings.)

## Performance of Raute Oyj's A shares 27.9.1994 - 31.12.2003



# Shares and Shareholders

## The largest shareholders on 31 December 2003

### 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		411,700	411,700	10.79	411,700	1.81
2. Keskinäinen työeläkevakuutusyhtiö Varma-Sampo		200,000	200,000	5.24	200,000	0.88
3. Kirmo Kaisa Marketta	50,280	73,492	123,772	3.24	1,079,092	4.75
4. Suominen Jussi Matias	48,000	74,759	122,759	3.22	1,034,759	4.55
5. Suominen Tiina Sini-Maria	48,000	74,759	122,759	3.22	1,034,759	4.55
6. Suominen Pekka Matias	48,000	74,159	122,159	3.20	1,034,159	4.55
7. Mustakallio Kari Pauli	60,480	60,009	120,489	3.16	1,269,609	5.58
8. Siivonen Osku Pekka	50,640	59,539	110,179	2.88	1,072,339	4.72
9. Paananen Jalo Otto		109,600	109,600	2.87	109,600	0.48
10. E.A.T.-Invest Oy		100,000	100,000	2.62	100,000	0.44
<b>Total</b>	<b>305,400</b>	<b>1,238,017</b>	<b>1,543,417</b>	<b>40.44</b>	<b>7,346,017</b>	<b>32.31</b>

### 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 Pauli	60,480	60,009	120,489	3.16	1,269,609	5.58
2. Särkijärvi Riitta	60,480	22,009	82,489	2.16	1,231,609	5.42
3. Kirmo Kaisa Marketta	50,280	73,492	123,772	3.24	1,079,092	4.75
4. Siivonen Osku Pekka	50,640	59,539	110,179	2.89	1,072,339	4.72
5. Suominen Jussi Matias	48,000	74,759	122,759	3.22	1,034,759	4.55
6. Suominen Tiina Sini-Maria	48,000	74,759	122,759	3.22	1,034,759	4.55
7. Suominen Pekka Matias	48,000	74,159	122,159	3.20	1,034,159	4.55
8. Mustakallio Ulla Sinikka	41,720	35,862	77,582	2.03	870,262	3.83
9. Mustakallio Kai Henrik	41,720	21,362	63,082	1.65	855,762	3.76
10. Mustakallio Marja Helena	36,720	37,662	74,382	1.95	772,062	3.40
<b>Total</b>	<b>486,040</b>	<b>533,612</b>	<b>1,019,652</b>	<b>26.72</b>	<b>10,254,412</b>	<b>45.11</b>

The number of administratively registered shares on 31 December 2003 was 15,130.

# Distribution of Dividends

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

The distributable shareholders' equity of the Group is EUR 6,693 thousand

The distributable shareholders' equity of the parent company is EUR 16,399 thousand

The Board of Directors proposes to the Annual General Meeting that a per-share dividend of EUR 0.50 be paid on A shares and K shares on 26 March 2004, and 0.50 EUR per share be paid on 16 December 2004.

A total dividend will be EUR 1.00 per share, amounting to a total dividend payment of EUR 3,814,608.00.

Nastola, 5 February 2004

Juha-Pekka Keskiaho  
Chairman of the Board

Heikki Lehtonen

Panu Mustakallio

Sinikka Mustakallio

Markku Nihti

Pekka Paasikivi

Jarmo Rytilahti

Risto Mäkitalo  
President and CEO

# Auditor's Report

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## To the shareholders of Raute Corporation

We have audited the accounting, the financial statements and the corporate governance of Raute Corporation for the period 1.1. - 31.12.2003. 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 of the parent company.

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

of the Board of Directors and the Managing Director of the parent company 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 result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

Nastola, February 12, 2004

Kari Miettinen  
APA

Lotta Mäkelä  
APA

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 seven members. The members do not have a fixed term. In this way, Raute Oyj strives to ensure enduring and profitable board work. In 2003, the Board of Directors convened 12 meetings. The Board of Directors elects the President and CEO and confirms the terms of this 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 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 Kari Miettinen and Lotta Mäkelä, and PricewaterhouseCoopers 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.

## Board of Directors



Juha-Pekka Keskiäho



Heikki Lehtonen



Sinikka Mustakallio



Panu Mustakallio



Markku Nihti



Pekka Paasikivi



Jarmo Ryttilahti

Chairman of the Board

**Juha-Pekka Keskiäho**, born in 1944  
Member of Raute Oyj's Board since 1990, Chairman  
of the Board since 1991  
Raute Oyj A shares 21,000 and K shares 27,440  
Holding of warrants to subscribe 20,000 A shares

Vice-Chairman of the Board

**Heikki Lehtonen**, born in 1959, M.Sc. (Eng)  
Member of Raute Oyj's Board since 1997,  
Vice-Chairman since 1998  
Componenta Oyj, President  
Raute Oyj A shares 4,600  
Holding of warrants to subscribe 10,000 A shares

**Sinikka Mustakallio**, born in 1952, Researcher  
Member of Raute Oyj's Board since 1998  
WoM Oy, Managing Director  
Raute Oyj A shares 35,862 and K shares 41,720  
Holding of warrants to subscribe 10,000 A shares

**Panu Mustakallio**, born in 1971, M.Sc. (Eng)  
Member of Raute Oyj's Board since 2003  
Halton Oy, Development Engineer  
Raute Oyj A shares 15,256 and K shares 12,000  
No holding of warrants

**Markku Nihti**, born in 1945, M.Sc. (Eng.), MBA  
Member of Raute Oyj's Board since 1997  
Elektroskandia Oy, President  
Raute Oyj A shares 500  
Holding of warrants to subscribe 10,000 A shares

**Pekka Paasikivi**, born in 1944, B.Sc. (Eng.)  
Member of Raute Oyj's Board since 2002  
Oras Oy, Chairman of the Board  
No holding of Raute Oyj shares  
Holding of warrants to subscribe 7,500 A shares

**Jarmo Ryttilahti**, born in 1944, M.Sc. (Econ.)  
Member of Raute Oyj's Board since 2003  
No holding of Raute Oyj shares  
No holding of warrants

## Group's management 2003



Risto Mäkitalo



Arja Hakala



Pentti Aalto

Group's President and CEO

**Risto Mäkitalo**, born in 1951, B.Sc.(Eng)  
Director of Raute Wood business unit  
With the Company 1998 - 2004  
No holding of Raute Oyj shares  
Holding of warrants to subscribe 30,000 A shares

CFO

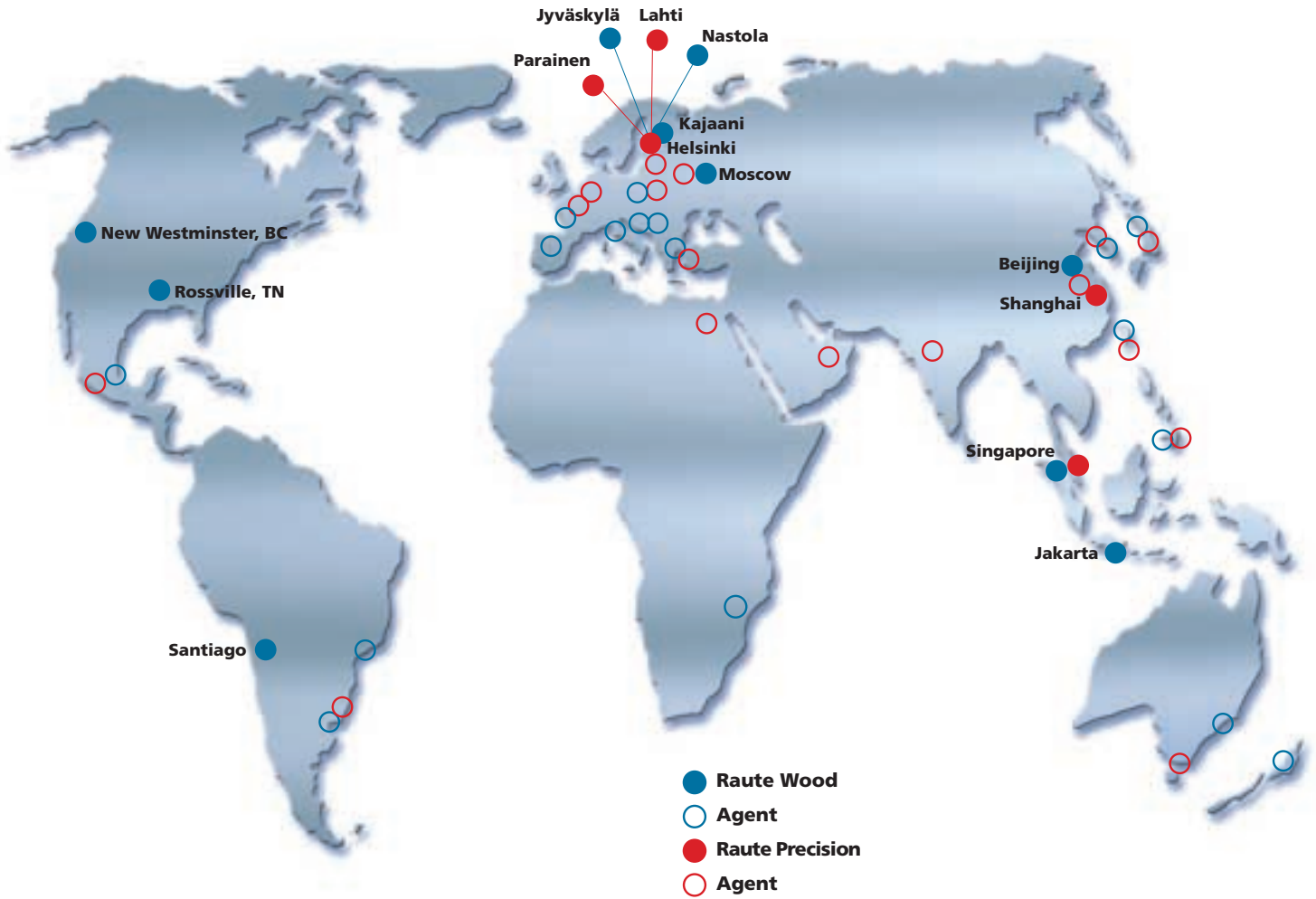
**Arja Hakala**, born in 1957, M.Sc. (Econ.), MBA  
President (acting) 9 February 2004 -  
With the Company since 1990  
No holding of Raute Oyj shares  
Holding of warrants to subscribe 15,000 A shares

President

**Pentti Aalto**, born in 1957, M.Sc.(Eng.)  
President of Raute Precision Oy  
Director of Raute Precision Oy business unit  
With the Group 1988 - 2004  
Raute Oyj A shares 100  
Holding of warrants to subscribe 20,000 A shares

*Holdings of shares and warrants on 31 December 2003. The figures include the holdings of their own, underage children and controlled corporations.*

# Raute Group Units in 2003



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