

ANNUAL REPORT
2004

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Shareholder Information

Annual General Meeting

The Annual General Meeting of Raute Oyj will be held on Tuesday, March 22, 2005, 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 Oyj) no later than March 11, 2005.

A shareholder who plans to attend the Annual General Meeting must register for the meeting by 4 p.m. on Friday, March 18, 2005, 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 Ms. 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 0.40 for both A shares and K shares (ordinary shares) be paid for the financial year 2004

on 5 April 2005 to any shareholder who on the corresponding matching day 29 March 2005 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 2005, Raute Oyj will issue three Interim Reports as follows:

27 April	January - March
10 August	January - June
26 October	January - September

Interim Reports are published in Finnish and English.

The Annual Report, the Interim Reports, Stock Exchange Releases, and other information on Raute Oyj are available in Finnish and English at 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. info@raute.com

Global Expertise in Wood Products Technology



Raute is the leading technology company in its sector serving the wood products industry worldwide by adding value to its customers' business. The core of operations comprises the manufacturing processes for veneer-based products.

Raute's project deliveries include complete plants, production lines, and individual machines. The full-service provider concept includes spare parts, maintenance, and modernization services, as well as services related to developing the customers' business.

Raute's head office and main production unit is in Nastola (Finland), with other production units in Jyväskylä and Kajaani (Finland), and in the Vancouver area in Canada.

In 2004 the net sales in the wood products technology business were EUR 73.8 million. The number of personnel at the end of 2004 was 543.

The A shares of Raute Oyj, the Group's parent company, are quoted on the Main List of the Helsinki Stock Exchange.

The machine vision system based on color technology with an integrated veneer moisture measuring system was first introduced at an industry trade show in the United States.

Raute Group



Technology and services for
the wood products industry
worldwide

Raute is a global technology company, whose core of operations comprises the manufacturing processes of veneer-based wood products. The Group divested its weighing and dosing business, Raute Precision, in February 2004.

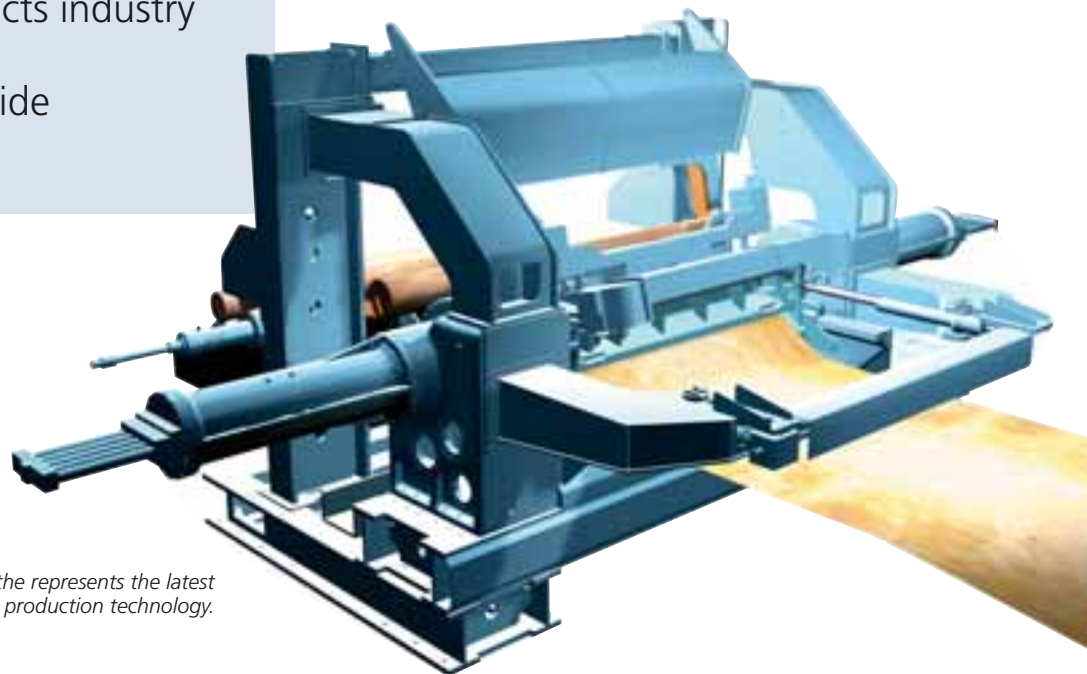
Operating Environment

The most important customer industries are the plywood, laminated veneer lumber (LVL), and engineered wood flooring (EWF) industries. These wood products industry segments are dependent on the market conditions in the construction industry.

Raute's business volume and importance of market areas vary yearly, along with the fluctuations in the investment activity in the customer industries. The key customers in the plywood industry invest mostly in the development of their existing production capacity. However, new investment demand will be created by the ongoing relocation of plywood production to the plantation wood areas in the southern hemisphere and by the use of new wood species. The emphasis of investments in the LVL industry is on building of new production capacity. In 2004, Raute's main market areas were North America, Russia and Western Europe.

Raute has a number of globally operating competitors. However, most of the competitors are smaller or mid-sized companies operating locally or regionally, often focusing on a specific area of the wood products technology.

Raute is the leading supplier of complete plants for the veneer-based wood products industry globally. Raute's leading position as a supplier of maintenance and modernization services is enhanced by its regional presence and its know-how of the technological needs in different areas.



The Smart Peel lathe represents the latest plywood production technology.

Vision

Raute's vision is to be the leading technology and service provider worldwide in its field.

Mission

Raute provides added value to its customers' businesses by supplying state-of-the-art technology and services that facilitate a profitable and environmentally sustainable production of wood products.

Strategy

Raute's main strategic goals include continuous improvement of profitability, enhanced management of business cycles, and growth.

Its position as a full-service provider is based on global technology and local services. The cyclical investment demand typical for Raute's business is leveled out by the maintenance services business, which is developing and expanding strongly.

The market position is strengthened by launching of new innovative solutions that improve the customer's competitiveness. The new products and services enhance the efficient use of raw materials and labor, and improve the quality of end products.

Continuous improvement of product quality and cost efficiency, and the ability to quickly respond to the changing global market environment, form the foundation for Raute's business.

The key factors are the true understanding of customers' business and the customer-oriented development of technology and competence. Delivery capacity and cost efficiency are developed in cooperation with a comprehensive network of outsourcing partners.

Goals in 2005–2007

The goal is to improve profitability and to increase net sales by approximately 10 per cent annually. The development of the business focuses on the modernization and maintenance service business.

Shares

Raute Oyj has two series of shares. At the end of 2004, the number of A shares was 2,823,447 and K shares 991,161, totaling 3,814,608 shares. At the Shareholders' Meetings, an A share entitles the holder to one (1) vote and a K share to 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 since 1994. The trading 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 return on the invested capital. Due to the nature of the business, the dividend is not directly tied to the annual result. The aim is to maintain the company's solvency at a healthy level.



Values

A profitable business is Raute's main goal. Our operations are governed by our core values:

The 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 products and services. Our goal is to create lasting and profitable relationships with our customers and be a preferred supplier for them.

Trust in People

All employees are fully committed to attaining the common goals. We are responsible in our actions, keep our promises, and follow the agreed procedures. We take initiative, and we are 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 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.

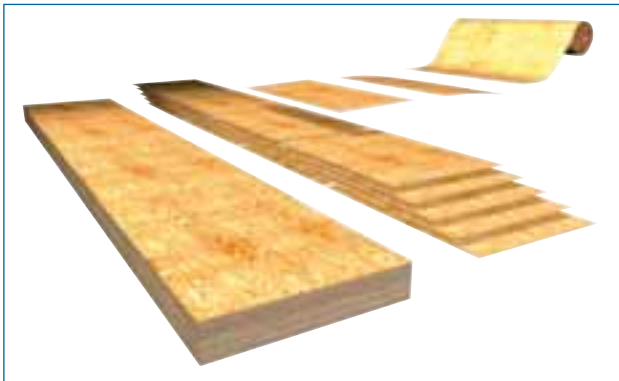
Environment

We operate globally on the "good corporate citizen" principle. We take into consideration the requirements of the local cultures and societies in our operations. We develop our products and services towards environmental soundness, from the customer's starting point. Our goal is a continuously improving and more profitable working environment.

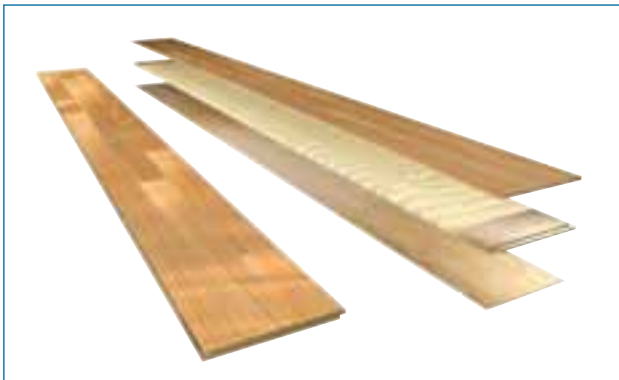
Added Value for Wood Products Industry



In plywood, the sheets of veneer are crosswise.



In laminated veneer lumber (LVL), the sheets are parallel.



Veneer is used as the bottom layer in parquet (EWF).

Raute supplies machinery and production lines, and related technology and services for the wood products industry worldwide. The most important customer industries are the plywood, laminated veneer lumber (LVL), and engineered wood flooring (EWF) industries. Raute is the leading supplier of complete plants for the veneer-based wood products industry globally. It is also highly competitive in smaller-scale projects with tighter delivery schedules.

Raute is a full-service provider of technology to customers in the wood products industry. Its strengths are the expertise in the customers' production processes and related automation, the ability to supply complete plants and production lines, comprehensive services, and experience gained from global deliveries. The maintenance services ensure a reliable operation of the customers' production processes and supplement Raute's full-service provider concept.

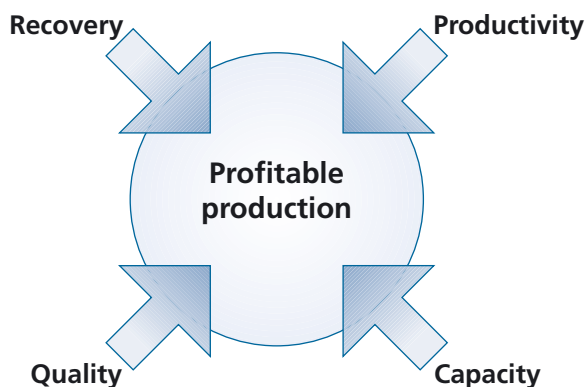
Raute's modern technology covers the customers' entire production processes. The delivery competence is strong, from individual machines and lines to complete plant deliveries. Comprehensive services support the customer's business throughout the investment's life cycle, from raw material and market research to the modernization and maintenance of production lines.

Raute invests 3 - 4 per cent of its annual net sales in R&D. The goal of R&D is to create innovative solutions that help the customers process their raw materials into high-quality end products as profitably and efficiently as possible. The cornerstones of our technology development are recovery, quality, and productivity, whose improvement is becoming increasingly important for the competitiveness of the customer industries.

Raute's operations are enhanced by a quality and environmental management system complying with ISO 9001:2000 and ISO 14001 standards.

Raute's head office and main production unit is in Nastola (Finland), with other production units in Jyväskylä and Kajaani (Finland), and in the Vancouver area in Canada. The global sales network covers all market areas.

The Group incorporates following companies: Raute Oyj (Nastola and Jyväskylä), Raute Wood Ltd. (Canada), RWS-Engineering Oy (Nastola), and Mecano Group Oy (Kajaani), the sales companies Raute Wood Inc. (USA), Raute Group Asia Pte Ltd (Singapore), and Raute Wood Santiago Ltda (Chile). At the beginning of 2005, a maintenance company, Raute Service LLC, was established in St. Petersburg. Raute's sales offices are in China (Peking), Indonesia (Jakarta) and Russia (Moscow).



Group 2004 in Brief

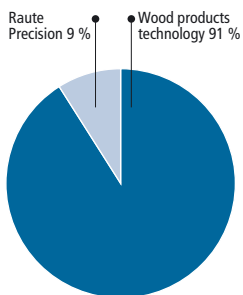
- The Group's net sales declined as a consequence of the divestment of the Raute Precision business. The profit from the divestment, MEUR 3.0, improved the result.
- Raute concentrated on the wood products technology – the comparable net sales increased by 11 per cent, and profitability improved.
- The new products launched were successful on the market, and the market position strengthened.
- The emphasis of the demand for wood products technology was on production line and modernization investments – new plant-scale projects were not launched.
- The maintenance service business showed strong growth.
- R&D and development and restructuring of operations continued.
- The cash flow was positive. The equity ratio was reinforced and gearing decreased.

Key Figures	2004	2003
Net sales, MEUR	81	98
change, %	-17	10
Overseas sales, MEUR	72	84
change, %	-14	14
Operating profit/loss, MEUR	5.1	-3.3
Profit before extraordinary items, MEUR	5.8	-2.3
Return on investment (ROI), %	22.0	-5.4
Return on equity (ROE), %	16.8	-10.7
Equity ratio, %	56.2	41.3
Order book, MEUR	32	39
Order intake, MEUR	68	99
Earnings per share (EPS), EUR	1.03	-0.71
Equity per share, EUR	6.24	6.11
Dividend per share, EUR	0.40 *	1.00
Dividend per profit, %	38.8	-141.1
Personnel 31 Dec.	543	758
Personnel, average	590	783

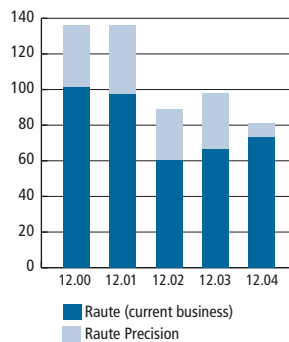
Raute Precision is included in the figures for 2004 for the period 1 Jan. - 24 Feb. 2004.

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

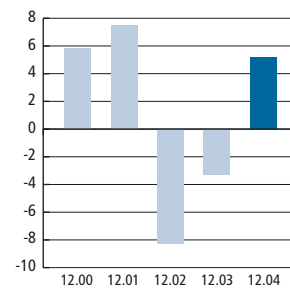
Net Sales by Business Group, %



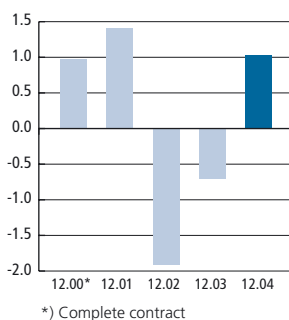
Net Sales by Business Sector, MEUR



Operating Profit/Loss, MEUR

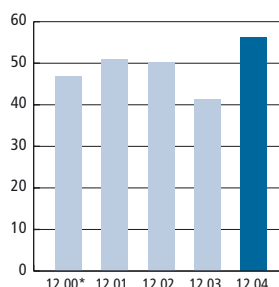


Earnings per Share, EUR

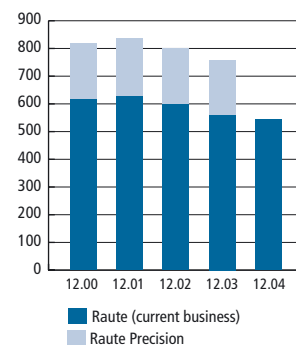


*) Complete contract

Equity Ratio, %



Number of Personnel



Review by the President and CEO



A good start
for improved
profitability

After a Year of Improvements, Promising Prospects for 2005

Raute's goal is to be the leading supplier of production technology and services for the wood products industry. We can only achieve and maintain this by the quality of our services and by providing true added value to our customers' business. We apply our technology and other expertise globally, but always adapting to local needs.

Our business is based on the genuine understanding of our customers' needs, and their earnings and investment logic. Our services cover our customers' entire business process. We provide a full range of technology, from log handling to the packaging of final products, as well as services for the entire life-cycle of the production lines and machinery we supply. Our technological competence is broader than that our competitors'. Our product range gives us a unique opportunity to develop, together with our customers, the manufacturing process as a whole – not only parts of it.

The intensive and continuous development of our technology enables us to provide our customers regularly with new means to develop their business and improve their production. We actively cooperate especially with our partner customers in product development, which has resulted in many of our most successful technologies.

Competence in project business is one of our strengths. We have to deliver the machinery and services ordered by our customers cost-efficiently, while maintaining proper quality. Now that the focus of our operations moves from complete plant deliveries to maintenance and development of existing capacity, our competence in project management is more important than ever. Our challenge is to accelerate the deliveries of smaller-scale projects, cost-effectively.

Our success is based on our competence, now and in future. To ensure our future competitiveness, we put continuous efforts in developing our personnel's professional skills. The focus of this development is not only on wood products technology but also on skills in customer service and international project and maintenance business.

The EWF and LVL industries are growth businesses, whereas no substantial growth is expected in the global plywood production in the coming years. The plywood industry is undergoing a structural change, where it follows new raw materials to new geographical areas. This development will offer Raute new growth opportunities as well in terms of new plant and production line deliveries as modernization and maintenance service business.

A Year of Changes and Profit Improvement

2004 was a year of changes for Raute. We focused on wood products technology and divested our weighing and dosing technology business. Now we concentrate all our expertise and resources to serve even better the wood products industry. We also develop competitiveness by focusing on our core competence, and constantly look for cost-efficient partners to join our supply chain.

In the past year, the world economy and our customers' business developed positively. The investment demand in the wood products industry, however, focused on modernizations and maintenance. No new plant projects were launched. Competence in rapid installations and start-ups was more important than ever. In the new market situation, we managed to increase our net sales by more than 10 per cent and were particularly successful in the maintenance business, which achieved its best year of growth ever.

We continued to put efforts in the development of our technology and products. Our R&D operations has succeeded to introduce solutions that both save our customers' production costs and, at the same time, help reduce environmental impacts. If Raute's new peeling technology alone was applied to the world's plywood production, annual savings of over three million cubic meters of logs would be achieved. This is equivalent to two million trees or 30,000 hectares of forest harvested annually. Similarly, our new gluing technology would save hundreds of thousands of barrels of crude oil annually. Our profitability improved more than our net sales grew. We achieved a clearly positive result throughout the year. The strongest growth was experienced in the maintenance service business and in our North American operations. We will continue our work to improve our service and delivery abilities and our cost-efficiency in all areas.

From Rationalization to Profitable Growth

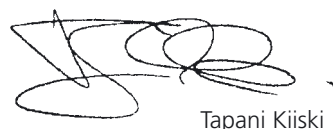
The year 2005 has had a promising start. The market situation in the wood products industry is favorable, the capacity utilization rates and order books are at a high level. The prices of wood-based panels have remained at a reasonable level. Risks related to oil prices and, particularly, to the US dollar rating still maintain uncertainty.

In the wood products industry, investments in capital improvements will probably remain at last year's level. New production capacity is projected, particularly for the new plantation forest resources. Some of these projects will most probably materialize already this year.



Our technology is highly competitive. With many of our products we are the market leader. The restructuring and development actions carried out during the last two years have significantly improved our cost structure. We will continue to focus on further growing and developing our maintenance service business. This year we will be able to turn the focus from restructuring and rationalization to development and growth.

I would like to thank our customers, personnel, shareholders, and other partners for their trust and cooperation during the past year. I hope we can continue and deepen our cooperation.



Tapani Kiiski



Business Operations Summary



Raute concentrates on wood products technology

Key Figures

MEUR	2004	2003	Change %
Net sales	73.8	66.7	11
Operating profit	2.2	-2.7	
Order intake	68.4	62.8	9
Order book	32.2	22.1	46
Personnel 31 Dec.	543	560	-3

The current business was earlier reported as the Raute Wood business group.

Customer Industries

- Plywood production
- Laminated veneer lumber (LVL) production
- Panel handling
- Parquet/EWF (Engineered Wood Flooring) production

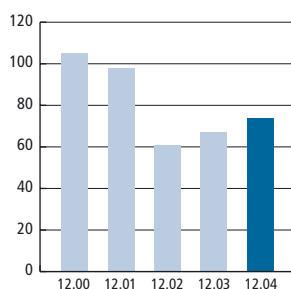
Products and Services for Customer Industries

- Complete production plants
- Production lines
- Machinery and equipment
- Automation, machine vision applications, and measuring technology
- Maintenance, spare parts and modernization services
- Consulting and business support services

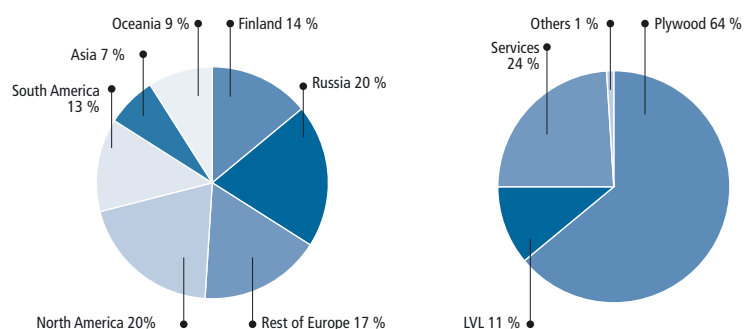
2004 in Brief

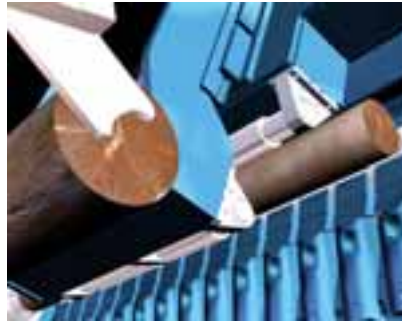
- Net sales increased by 11 per cent
- The operating profit increased and remained positive through all quarters
- The new products were successful in the market and the market position was reinforced
- The demand focused on investments in production lines and modernizations – no new, complete plant projects were launched.
- The maintenance business grew steadily
- Development and restructuring of operations improved profitability
- The prospects for 2005 are favorable

Net Sales, MEUR



Distribution of Net Sales, %





The highly automated peeling lines resulting from strong input in R&D improve the customer's competitiveness.

Net Sales Grew and the Operating Profit Improved Clearly

The comparable net sales in the wood products technology business, MEUR 73.8 (MEUR 66.7), grew by 11 per cent. The operating profit, MEUR 2.2 (MEUR -2.7), improved clearly from the previous year and remained positive through all quarters. The savings resulting from development and restructuring enhanced profitability.

An increasing share of the net sales was generated from the customers' investments in production lines and modernizations that aimed to improve their existing plywood production capacity. The net sales in the maintenance business and other services increased by 21 per cent, and its share of total net sales increased to 24 per cent (21 %).

Favorable Market Situation for Customer Industries

The demand for plywood increased in most parts of Europe, and was particularly strong in Russia. The prices rose from the previous year and remained at reasonable levels. In North America, the market situation was favorable and price levels high. In Asia, the development was limited by the restricted availability of suitable wood raw material, and by unstable political conditions in some of the major plywood producing countries. In China, the growth in the demand for plywood is strong as a result of urbanization and related construction industry.

The demand for laminated veneer lumber (LVL) continued to increase in North America and Japan and in the European countries where the product has an established position. As a result of the growing demand, additional capacity will be introduced in the market in the near future.

The growth of the demand for engineered wood flooring (EWF) is strongest in Asia and Eastern Europe. The fierce competition has kept the prices stable.

Investment Demand Focused on Modernizations

The improved market situation in the veneer-based wood products industry triggered smaller-scale modernization investments targeted to improve the recovery from wood raw material, the efficiency of production and the quality of the end products. Plant size investments were characterized by uncertainty of realization and timing, and the projects progressed

slowly. Some investment decisions were made on complete plant projects, but they did not reach the implementation stage in 2004.

Investment demand remained high throughout the year in Russia, where the volume of plywood production increased remarkably and stricter product quality requirements continued to gain importance. In Western Europe, the demand was also exceptionally brisk. In Finland, the focus was on modernization and maintenance services, whose demand grew considerably as customers invested in the development of their existing production capacity.

In North America, the improvement of the capacity utilization rate in the plywood industry triggered mainly smaller modernization projects, whereas no new capacity was built. At the end of the year the investment demand picked up, particularly in Canada.

In Indonesia and Malaysia, the major plywood producing countries in Southeast Asia, investment demand continued to be low. In China, the volume of plywood production grew strongly, but the growth relied on traditional production methods characterized by manual work. With the exception of some individual investments, China's plywood industry did not yet generate demand for state-of-the-art production technology.

In South America, Australia, and New Zealand, the plant projects of some previous years have increased the production capacity. Due to the growth of the plantation forest resources, the investment demand is still focused on building of new production capacity.

Reinforced Competitiveness in the New Market Situation

The order intake in 2004, totaling MEUR 68.4 (MEUR 62.8), consisted mainly of modernizations of existing production capacity in the plywood industry, in comparison to many complete plant project orders received in 2003.

Raute's market position as a supplier of complete plant projects is traditionally solid. Successful deliveries have proved Raute's good delivery capacity also in smaller-scale projects with tighter delivery schedules. Raute's position as the global technology leader in the softwood and birch plywood industry strengthened. Its position as a technology supplier for the South European poplar plywood industry was established.

The most important market areas were North America, Russia, and Western Europe. The largest new orders included pressing and peeling lines to Russia, a peeling line to China, veneer drying lines to Canada, and panel line machinery and peeling line modernization to Finland.

Order book at the end of the year was MEUR 32.2 (MEUR 22.1).

New Technologies and Products Were Successful

Investment in R&D continued to be strong and accounted for 4 per cent (3 %) of net sales. Product development has resulted in many innovative solutions that improve the raw material recovery, increase the productivity of the work force, and improve the quality of the customers' end products. The new solutions enable the customer industries to reduce the burden on the environment. Raute's technological innovations and new products were received very positively on the market.

At the industry's largest trade show in 2004, held in Portland, Oregon, U.S., Raute introduced the industry's first color-technology based machine vision system, with an integrated moisture measuring system. Other new products in the reporting year included foam gluing technology and automated patching technology for surface defects of panels.

At the beginning of the year, the first Smart Scan block optimizing systems were taken into use in Finland. The Smart Scan system applies a new optimization algorithm and laser technology with three-dimensional measuring of the entire block shape. Smart Scan improves recovery and efficiency of peeling. Savings in wood raw material and improved production capacity were achieved as expected.

In Latvia, the first peeling line representing the entirely new Smart Peel lathe generation was taken into use. A Smart Peel lathe has also been ordered to China, which is a significant breakthrough for the latest technology in Asia. The competitive advantages of this lathe include improved recovery, good maintainability, and improved veneer quality.

Systematic maintenance will ensure trouble-free production. Veikko Louhela inspecting the condition of the lathe.



During the reporting year, Raute delivered the first automated machine vision based grading line for sanded panels and the first plywood layup line based on foam gluing technology. With the new foam gluing technology, significant savings in gluing costs can be achieved. Foam gluing also reduces harmful emissions both in plywood production and end use applications.

Intensive Development of Maintenance Services

Raute's maintenance service business serves our key customers' plants locally and helps ensure the quality of products and the productivity of operations through the entire life cycle of the production line.

During the reporting year the processes of the maintenance business, i.e. spare parts, maintenance (basic services) and modernization services (value added services) were developed further. The foundation of the operation is laid by the needs of the customers. In the customer industries, the pressure to improve efficiency and quality has increased. This has created a demand especially for systematic, proactive maintenance and modernization services which utilize the new technology.

A new maintenance data system was implemented to help improve customer care, resource and work management. Both maintenance and modernization services have been turned into well-defined products that benefit the customer. The productization of spare parts services has been launched.

Restructuring Reinforced the Delivery Capacity

The high demand for modernizations and small investments that provide a rapid efficiency increase in customers' production presented new challenges to Raute's operational and delivery capacity. Tight delivery schedules were met by the improved efficiency of internal and global purchasing, and by developing the operating models.

The pressure resulting from the higher prices of components and raw materials on our costs were suppressed by developing the subcontractor network. New financial and ERP systems were implemented at the Nastola and Jyväskylä units. These systems reinforce particularly the product and delivery project management.

In modernizations a short commissioning time is important. Veli Laine assembling the main machinery for testing at the Nastola unit.





Patching of veneer was automated in Finland with Raute's latest technology.



Raute delivered most of the machinery for Paneles Arauco's new softwood plywood plant in Chile.

The restructuring of the North American operations, i.e. the transfer of technology management and production of key machinery to the Nastola unit, was completed as planned. The unit in Canada concentrates on maintenance services, modernizations and sales.

At the Nastola unit, efficiency was improved and the cost structure was streamlined by outsourcing support operations such as industrial and real estate maintenance, and packaging. At the end of the year, a development project was launched to improve the profitability and competitiveness of the parts manufacturing in Nastola. The objective is to reduce the volume of Raute's own parts manufacturing and focus increasingly on assembly, installation, and commissioning operations, and on the maintenance business.

The decision was made to develop the Jyväskylä unit into a technology centre for panel handling machinery and systems, with product development, engineering, assembly, and project management as the main functions. The parts manufacturing will be transferred from Jyväskylä, partly to the Nastola plant and partly to outsourcing.

Periodic layoffs were employed to adjust to the variations in workload, typical for project operations. The restructuring measures implemented in 2004 will reduce the number of personnel in Finland by a total of 49 persons by the end of 2005.

The capital expenditures in 2004 totaled MEUR 1.5 (MEUR 1.2) and were mainly related to the updating and maintenance of information systems.

Personnel and Competence

The number of personnel at the end of the year was 543 (560), 556 (582) on the average. The reduced number resulted from the outsourcing and restructuring of operations along with the implementation of rationalization measures.

The development of the competence of the personnel focused on project management and maintenance services. Professional qualifying examinations taken by the employees reinforced their competence and versatility of their skill set in the core fields of production. The development of competence is monitored and managed through regular customer satisfaction surveys. Operations faced special challenges of smaller-scale deliveries with tighter delivery schedules, the share of which is growing.

Promising Prospects for 2005

The favorable and steady market development in the wood products industry is estimated to continue, and the investment demand remain brisk. The demand will continue to focus on production line and modernization projects. The growth of the maintenance service business is estimated to continue. Plant-scale investments generating new production capacity are at the planning stage in many market areas, but there is still uncertainty regarding their realization and timing.

Raute's competitiveness is traditionally strong in complete plant projects. Successful deliveries have shown that Raute is competitive also in smaller-scale projects with tighter delivery schedules. Reinforcing of local maintenance services will improve Raute's position as a supplier of maintenance services throughout the entire life cycle of the production lines.

As a consequence of the high demand for smaller modernizations, the growth of the maintenance business, and the planned complete plant projects the prospects for Raute in 2005 are positive. The new products also improve the competitiveness of Raute's technology. Customer orientation, cost-efficiency, and the management of cyclic variations are focus areas for continuous improvement.

In 2005 the net sales is estimated to increase and the profitability to improve.

Production Process of a Softwood Plywood Plant

Raute's product range covers the customer's needs from individual machines to complete production lines and plants. Understanding the entire production process is the key factor – also in small-scale deliveries and modernizations. The objective of Raute's technology, automation, and services is to offer to the customer an as efficient production process as possible, with optimized use of raw materials and resources and a smooth process flow secured through scheduled maintenance and spare parts services.

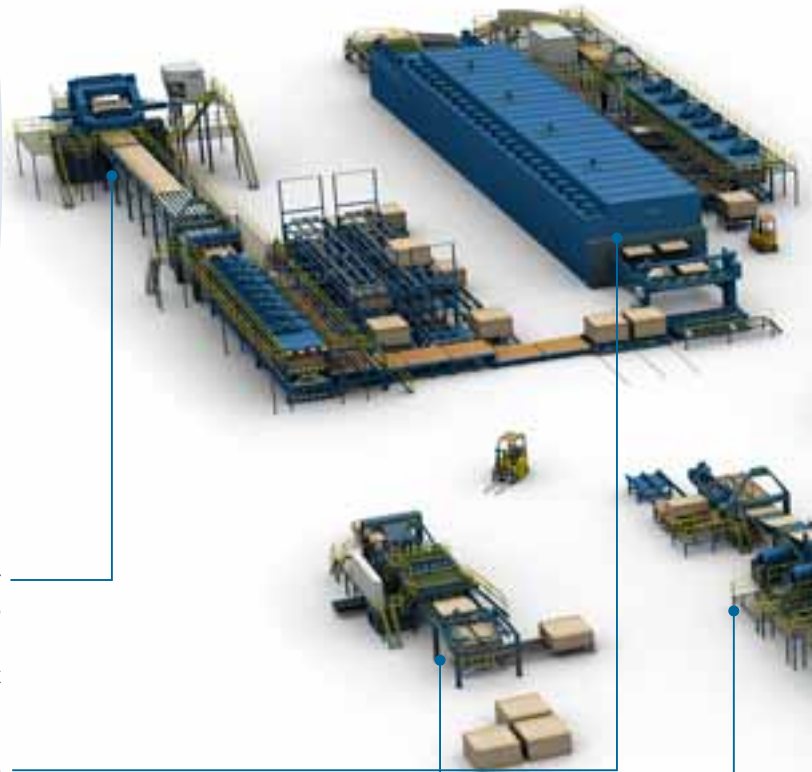
Profitable Wood Products Manufacturing as a Goal

On the peeling line, the block is peeled into a veneer ribbon. The ribbon is cut into full sheets and randoms and the defects detected by the machine vision system are removed. The sheets and randoms are graded by moisture into different stacks.

On the drying line, excess moisture is evaporated. The dried sheets and randoms are graded into stacks according to the visual quality analysis made by the machine vision system.

On the composing line, defective parts detected by the machine vision system are first cut out from the randoms, and the solid parts are joined together into a veneer ribbon with glue and glue thread. The composed veneer ribbon is then cut into full sheets.

On the patching line, big knots and defects detected by a machine vision system are removed and replaced with patches made of solid veneer.



Smart Peel improves the veneer recovery and quality and the efficiency of production.



Smart Scan measures and centralizes the block with laser technology.





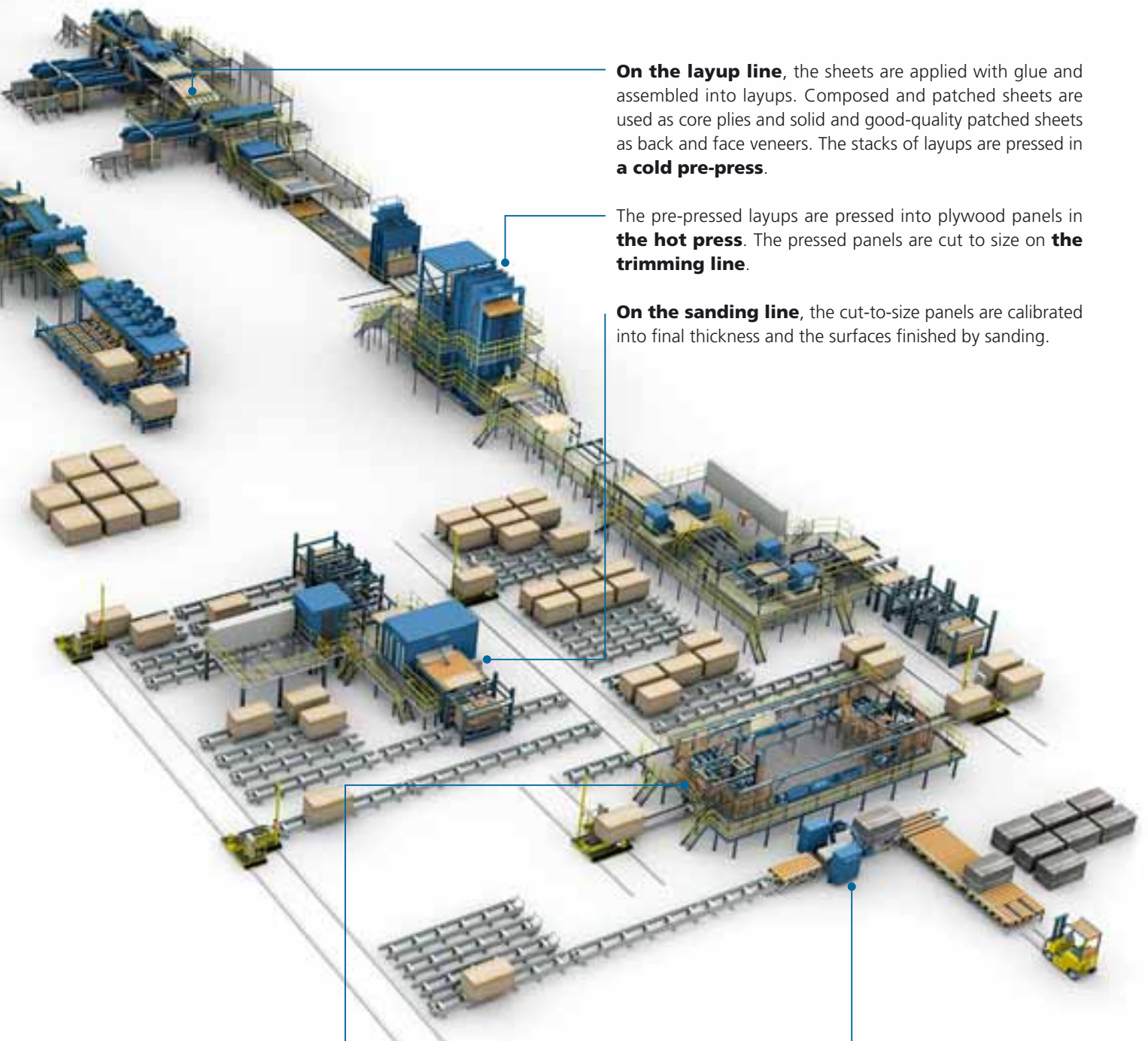
Foam gluing substantially reduces glue consumption.



The machine vision system grades the veneers efficiently and accurately.



The quality of plywood packed in stretch film will endure during the transport.



On the layup line, the sheets are applied with glue and assembled into layups. Composed and patched sheets are used as core plies and solid and good-quality patched sheets as back and face veneers. The stacks of layups are pressed in **a cold pre-press**.

The pre-pressed layups are pressed into plywood panels in **the hot press**. The pressed panels are cut to size on **the trimming line**.

On the sanding line, the cut-to-size panels are calibrated into final thickness and the surfaces finished by sanding.

The possible minor defects on the panel surfaces are manually repaired **on the puttying line**.

On the packing line, the stacks of finished panels are wrapped in stretch film for protection during transportation and storage.

Board of Directors' Report

Raute Group

The Group's consolidated net sales for the fiscal year, MEUR 81.2 (MEUR 97.6), decreased by 17 per cent from the previous year, due to the divestment of the Raute Precision business. The Group's operating profit totaled MEUR 5.1 (MEUR -3.3). The Group's financial income and expenses were MEUR +0.7 (MEUR +1.1). Profit after financial items was MEUR 5.8 (MEUR -2.3). The capital gains of MEUR 3.0 on the sales of the shares in Raute Precision Oy on February 24, 2004, are included in other operating income and improve the profits for the fiscal year. Earnings per share came to EUR 1.03 (EUR -0.71).

The order intake in 2004 was MEUR 68.4 (MEUR 62.8*). The order book at the end of the year was MEUR 32.2 (MEUR 22.1*).

*Wood Products Technology business

Current Business (Proforma)

Since February 24, 2004, Raute has concentrated on the wood products technology business, which was previously reported as the Raute Wood business group. Raute Precision sub-group's net sales outside the Group, Raute Precision sub-group's results, and the capital gains on the divestment of the Raute Precision business have been eliminated in the Group proforma figures that are now comparable with the Group's current business.

The market situation in the veneer-based wood products industry was favorable, and the capacity utilization rates and value of order books were high. The prices of plywood and laminated veneer lumber (LVL) remained at reasonable levels all year. The emphasis of the demand for wood products technology was on smaller modernization investments and maintenance services. New complete plant investment projects were at the planning stage in many market areas, but progressed slowly due to the uncertainty in the development of the world economy.

The net sales from current business in the fiscal year, MEUR 73.8 (MEUR 66.7), grew by 11 per cent from the previous year. The maintenance business and other services accounted for 24 per cent (21 %) of net sales. The principal market areas were North America, Russia, Finland, and the rest of Western Europe.

South America and Australia also remained at a high level due to the completion of deliveries of plant projects sold in 2003.

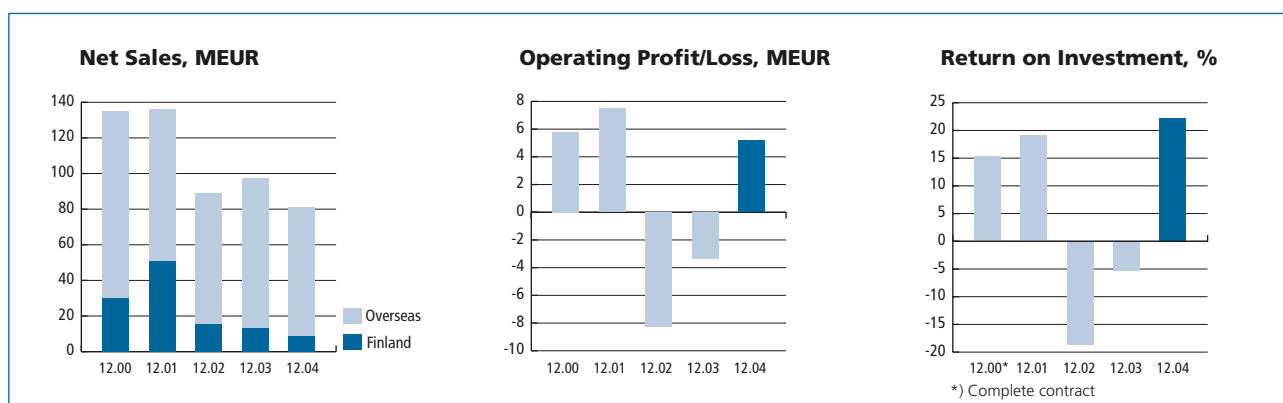
The operating profit from the current business, MEUR 2.2 (MEUR -2.7), improved clearly from the previous year and was positive for all quarters. The improved profit resulted not only from the growth of net sales but also from the development and restructuring of operations.

The restructuring of the North American operations, i.e. the transfer of technology management and the production of key machinery to the Nastola unit, was completed as planned. The unit in Canada concentrates on maintenance and modernization services, and project sales in the North American market.

At the Nastola unit, efficiency was improved and the cost structure was streamlined by outsourcing support operations. A decision was made to develop the Jyväskylä unit into a technology centre for panel handling machinery and systems. At the end of the year, a development project was launched to improve the profitability and competitiveness of the parts manufacturing in Nastola.

With continuous product development, Raute has continued to strengthen its position as a global single-source supplier of veneer-based wood products technology. Successful deliveries have proved Raute's good delivery capacity also in smaller-scale projects with tighter delivery schedules. In addition to being the global leader in the softwood and birch plywood technology, Raute has established its position as a technology supplier for the South European poplar plywood industry. Efforts taken to develop the maintenance service business improved Raute's market position, particularly in Finland and North America.

The order intake in 2004 was MEUR 68.4 (MEUR 62.8) and grew by nine per cent. The orders consisted mainly of modernizations of existing capacity in the plywood industry, while many complete plant projects were scheduled for 2003, the year of comparison. The order book at the end of the year was MEUR 32.2 (MEUR 22.1).



Raute Precision

On February 24, 2004, Raute Group divested the business operations that were previously reported as the Raute Precision business group. The effect of the Raute Precision business and its divestment on the Group's net sales was MEUR 7.4 (MEUR 31.0), and on the Group's operating result MEUR 3.0 (MEUR -0.7). The capital gains of MEUR 3.0 are included in other operating income.

Changes During the Fiscal Year

Raute Group concentrated on wood products technology and divested its shares in Raute Precision Oy on February 24, 2004 to a company owned partly by funds managed by the venture capital company Eqvitec Partners Oy and partly by the operative management of Raute Precision. The debt-free sales price was EUR 7.4 million.

The accounts of the partly Raute-owned real estate company Eloc Oy, have been consolidated in the Group's figures since the beginning of 2004.

The accounts of the associated company Mecano Group Oy, of which Raute Oyj owns 49.92 per cent, have been consolidated in the Group's figures since the beginning of 2004. Based on a shareholders' agreement, Raute will purchase the remaining Mecano Group's shares at the beginning of 2005.

Raute GmbH, a subsidiary owned entirely by Raute Oyj, has been dissolved.

Changes After the Fiscal Year

At the beginning of January, Raute Oyj and Nordea Bank Finland Plc signed a market making agreement that meets the requirements of Liquidity Providing (LP) operations at Helsinki Exchange.

At the end of January, Raute established a maintenance service company in St. Petersburg, Russia. The entirely Raute-owned subsidiary Raute Service LLC, provides spare parts and maintenance services to Raute's customers in Russia. The operation will start in early 2005.

At the beginning of February, Raute Oyj signed an agreement to transfer the voluntary supplementary pensions insured in Raute's pensions fund to Henki Sampo life insurance company.

Financial Position

The Group's financial position remained good. The liquid assets amounted to MEUR 9.5 (MEUR 13.5). The gearing was -32 per cent (-18 %) and the equity ratio 56 per cent (41 %). The balance sheet totaled MEUR 45.2 (MEUR 63.5).

The cash flows from operations and investments were positive by MEUR 0.3 (MEUR 1.7) and MEUR 7.8 (MEUR -0.4), respectively.

In August, Raute Oyj established a domestic commercial paper program of EUR 10 million, arranged by Nordea Bank Finland Plc. The program allows the company to issue commercial papers with maturities of less than one year. In connection with the rearrangements of financing, Raute Oyj signed long-term bilateral credit facilities to a total of EUR 15 million with Nordea Bank Finland Plc, Danske Bank A/S, and Svenska Handelsbanken AB.

Capital Expenditure and R&D Costs

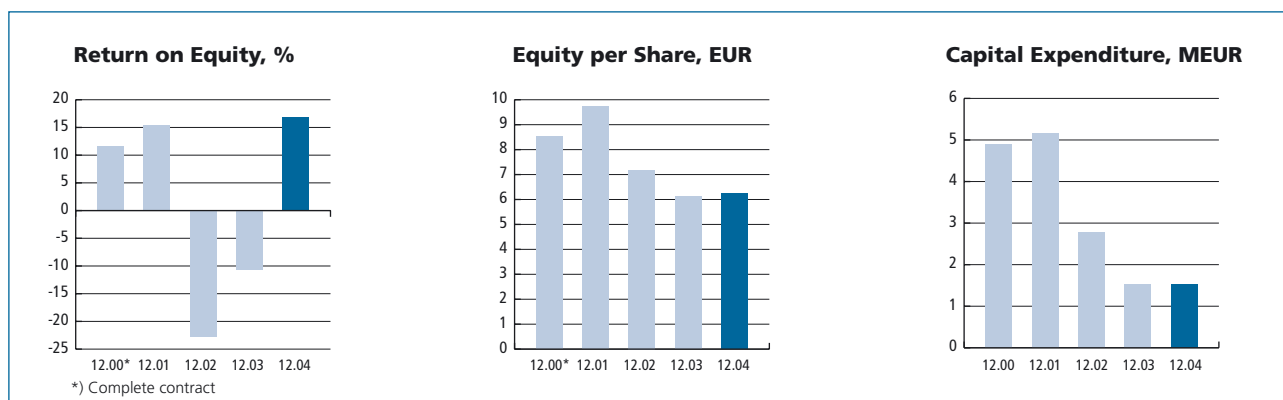
Capital expenditure totaled MEUR 1.5 (MEUR 1.5) and were mainly related to the updating of information systems. The R&D costs of MEUR 3.2 (MEUR 2.7) accounted for 4 per cent of the net sales.

Personnel

The number of personnel in the Group decreased clearly from the beginning of the year, due to business divestments and restructuring. The number of personnel at the end of the year was 543 (758). The number of personnel in the current business was 543 (560) at the end of the year.

Shares

The trading volume of A shares for 2004 totaled 568,922 shares, valued at EUR 4,631,605. The highest and lowest quotations were EUR 8.90 and EUR 7.10, respectively. At the end of the year, the share closed at EUR 7.70.



In April 2004, a total of 4,900 K shares were converted into A shares after which the number of K shares is 991,161 and A shares 2,823,447, totaling 3,814,608 shares. Market capitalization on December 31, 2004 totaled MEUR 29.4, with the K shares valued at the value of A shares.

Distribution Of Dividend

On March 16, 2004, the Annual General Meeting resolved to distribute a dividend of EUR 1.00 per share, totaling MEUR 3.8. The dividend was paid in two parts, on March 26, 2004 and December 16, 2004.

Board's Proposal to the Annual General Meeting

The Board of Directors will propose to the Annual General Meeting on March 22, 2005, that a dividend of EUR 0.40 per share be paid on A and K shares, totaling EUR 1.5 million. The dividend will be paid on April 5, 2005, with March 29, 2005 as balancing date.

Board of Directors and President and CEO

Raute Oyj's Annual General Meeting on March 16, 2004 elected Mr. Jarmo Ryttilahti (Chairman), Ms. Sinikka Mustakallio (Vice Chairman), Mr. Mika Mustakallio, Mr. Panu Mustakallio, Mr. Markku Nihti, Mr. Pekka Paasikivi, and Mr. Heikki Lehtonen as Board members.

All the Board members are independent of the company, and the Chairman of the Board (Mr. Jarmo Ryttilahti) and three of the members (Mr. Heikki Lehtonen, Mr. Markku Nihti, Mr. Pekka Paasikivi) are independent of the company's major shareholders.

Raute's President and CEO Mr. Risto Mäkitalo resigned to join another company on February 9, 2004. Ms. Arja Hakala, Chief Financial Officer, was appointed interim President and CEO, followed by Mr. Tapani Kiiski, who was appointed new President and CEO on March 16, 2004.

Auditors

At Raute Oyj's Annual General Meeting on March 16, 2004, Mr. Kari Miettinen and Ms. Lotta Mäkelä, Authorized Public

Accountants, were elected as auditors, and PricewaterhouseCoopers Oy, Authorized Public Accountant as deputy auditor.

Organizational Changes

On June 1, 2004, Raute's Board of Directors confirmed the members of the Executive Board as follows: Mr. Tapani Kiiski, President and CEO; Ms. Arja Hakala, Chief Financial Officer; Mr. Petri Strengell, Vice President, Technology and Operations; and Mr. Bruce Alexander, President of North American Operations. Mr. Timo Kangas, Vice President, Maintenance Service Business, was appointed to the Executive Board on September 22, 2004.

Prospects for 2005

The favorable and steady market development in the wood products industry is estimated to continue, and the investment demand remain brisk. The demand will continue to focus on production line and modernization projects. The growth of the maintenance business is estimated to continue. Capacity-increasing plant-scale investments are at the planning stage in many market areas, but there is still uncertainty regarding their realization and timing.

Raute's competitiveness is traditionally strong in complete plant projects. Successful deliveries have made Raute highly competitive also in smaller-scale projects with tighter delivery schedules.

The high demand for smaller modernizations, the growth of the maintenance business, and the planned complete plant projects result in positive prospects for Raute in 2005. The new products launched also improve the competitiveness of Raute's technology. The restructuring of operations has permanently improved profitability. Customer orientation, cost-efficiency, and the management of cyclic variations are focus areas for continuous improvement.

In 2005 the net sales of the current business is estimated to increase and the profitability to improve.

Income Statement 1 Jan. - 31 Dec.

EUR 1,000 Note	GROUP 2004	2003	PARENT 2004	2003	
1,2,3	NET SALES	81,166	97,608	57,559	52,131
	Increase (+) or decrease (-) in finished goods and work in progress inventories	-580	673	-369	463
4	Other operating income	3,775	983	3,915	926
5	Materials and services	42,701	55,166	30,812	28,193
6	Personnel expenses	25,236	33,072	16,888	16,218
8,14,15	Depreciation and write downs	2,712	3,361	1,923	1,946
	Share of associated company's result	53	128		
9	Other operating costs	8,532	10,877	6,258	6,323
	Total operating costs	79,235	102,604	55,881	52,680
	OPERATING PROFIT/LOSS	5,126	-3,340	5,224	840
	Financial items				
10	Profit from shares in associated companies		32		81
10	Income from long-term investments	58	48	57	48
10	Interest and other financial income	1,272	1,381	1,405	1,450
10	Value adjustments of long-term investments			-1,901	-775
10	Interest and other financial expences	-679	-395	-464	-193
	Total financial items	651	1,066	-902	611
	PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS	5,777	-2,274	4,322	1,451
11	Extraordinary items			128	-1,427
	PROFIT/LOSS AFTER EXTRAORDINARY ITEMS	5,777	-2,274	4,450	24
12	Change in untaxed reserves			554	694
13	Income taxes	-1,784	-429	-1,724	-63
	Minority interests	-48			
	PROFIT/LOSS FOR THE FINANCIAL YEAR	3,945	-2,703	3,279	655

Balance Sheet 31 Dec.

EUR 1,000 Note	GROUP 2004	2003	PARENT 2004	2003	
ASSETS					
Fixed assets					
14,15	Intangible assets	1,365	769	1,363	544
14,15	Group goodwill	406	779		
14,15	Tangible assets	14,156	17,883	11,149	12,552
16	Investments	734	2,638	8,272	10,596
	Total	16,661	22,069	20,784	23,692
Current assets					
3,17	Inventories	3,650	5,728	1,948	2,743
18	Long-term receivables	48	48	88	89
18,23	Deferred tax assets				
3,18	Short-term receivables	15,303	22,153	14,424	13,974
19	Current assets in marketable securities	7,712	11,500	7,712	11,500
	Cash and cash equivalents	1,779	2,012	1,167	1,396
	Total	28,492	41,441	25,340	29,702
	TOTAL ASSETS	45,154	63,510	46,124	53,394
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
	Share capital	7,629	7,629	7,629	7,629
	Premium fund	5,429	5,429	5,429	5,429
20	Retained earnings	6,815	12,958	12,561	15,744
20	Profit/loss for the financial year	3,945	-2,703	3,279	655
	Total	23,818	23,313	28,898	29,457
	Minority interests	353			
21	Untaxed reserves			1,709	2,262
22	Provisions	1,828	1,985	1,672	1,452
Liabilities					
23	Deferred tax liabilities	1,048	1,172	243	292
24	Long-term liabilities	186	252		252
24	Short-term liabilities	17,921	36,788	13,602	19,679
	Total	19,155	38,212	13,845	20,223
	TOTAL LIABILITIES	45,154	63,510	46,124	53,394

Cash Flow Statement 1 Jan. - 31 Dec.

EUR 1,000	GROUP 2004	2003	PARENT 2004	2003
OPERATING CASH FLOW				
Payments from sales	73,167	93,999	50,361	50,754
Payments from other operating income	494	124	654	94
Payments of business expenses	-73,572	-94,270	-53,210	-49,754
Operating cash flow before financing and taxes	89	-147	-2,196	1,094
Interest and other financial expenses paid	-750	-385	-376	-193
Interest and other income received	1,340	1,288	1,352	1,422
Dividend income received	219	169	218	169
Income taxes paid	-640	779	-681	299
Cash flow before extraordinary items	258	1,704	-1,683	2,791
OPERATING CASH FLOW (A)	258	1,704	-1,683	2,791
INVESTMENT CASH FLOW				
Capital expenditure in tangible and intangible assets	-1,629	-1,398	-1,523	-1,175
Acquisition of subsidiary companies' shares		-104		
Disposal of subsidiary companies' shares	7,385			
Capital gains from tangible and intangible assets	611	125	511	150
Other investments			-1,901	-107
Capital gains from other investments	1,462	938	6,477	937
Loan receivables, increase			-1,134	-1,355
Interest income from investments			122	30
INVESTMENT CASH FLOW (B)	7,829	-439	2,551	-1,520
FINANCIAL CASH FLOW				
Short-term loans, increase(+)/decrease(-)	-7,255	216	-3,154	-13
Long-term loans, increase(+)/decrease(-)	-40	-501	-252	269
Long-term and short-term receivables, increase(-)/decrease(+)	-998	-33	2,186	-1,018
Dividends paid	-3,815	-1,907	-3,815	-1,907
Group contributions, paid and received			150	1,055
FINANCIAL CASH FLOW (C)	-12,108	-2,225	-4,885	-1,614
CHANGE IN FINANCIAL RESOURCES (A+B+C)	-4,021	-960	-4,017	-343
increase (+) / decrease (-)				
CASH AND MARKETABLE SECURITIES AT 1 JAN.	13,513	14,473	12,896	13,239
CASH AND MARKETABLE SECURITIES AT 31 DEC.	9,492	13,513	8,879	12,896

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 per cent of the voting rights, or which it otherwise controls. 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 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 translation 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. The percentage of completion is the ratio of realized expenditure to the estimated total expenditure.

Other Operating Income

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

Foreign Currency Items

Transactions other than denominated in euros are 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. The exchange rate gains resulting from the extension of protection contracts related to sales receivables are activated into accrued expenses. Other exchange rate gains and losses are handled according to their impact on business results.

Financial Assets

Marketable securities include shares and holdings, deposits with a minimum of 3-month maturity, and other securities with an 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

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

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

Planned depreciations are 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

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 at a 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 that are considered probable and can be estimated with reasonable accuracy, are deducted as expenses in the Income Statement.

Extraordinary Items

Extraordinary items include exceptional and significant income and expenses not part of usual business operations, or items incurred at changes in the 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 closed on October 1, 1992.

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

R&D Costs

Research and development costs are expensed as incurred.

Direct Taxes

Direct taxes shown in the Income Statement include the Group companies' estimated direct taxes for the period and the tax adjustments for previous periods together with changes 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 on December 31, 2004 are not comparable to the previous Financial Statements. The merger of Jymet-Engineering Oy and the parent company of the Group was effective June 30, 2003.

Effective January 1, 2004, the associated company Eloc Oy was merged into the corporate figures.

Effective January 1, 2004, the figures of the associated company Mecano Group were merged into the Group's figures using the acquisition cost method. Based on the shareholder contract, the company will become a consolidated company in the spring of 2005.

The Group divested Raute Precision on February 24, 2004. The figures of the Raute Precision business group have been merged into the Group's figures for the period January 1, 2004 - February 24, 2004. The turnover of the Raute Precision business group outside the Group has been eliminated from the Raute (proforma) figures comparable to the Group's current performance, as has the result of the Raute Precision business group. The profit before taxes received from the divestment has been entered in the other operation income.

Notes to the Financial Statements

EUR 1,000	GROUP 2004		2003		PARENT 2004		2003	
1. Net sales by market area	%		%		%		%	
Finland	8,949	11	13,190	14	7,338	13	6,867	13
Russia	15,590	19	6,497	7	15,277	27	5,300	10
Other European countries	13,761	17	16,745	17	12,348	21	9,273	18
North America	15,654	19	20,587	21	2,064	4	7,679	15
South America	11,264	14	19,697	20	10,059	17	11,222	22
Asia	7,893	10	8,917	9	2,941	5	1,680	3
Oceania	7,521	9	10,076	10	7,446	13	10,076	19
Rest of the world	534	1	1,899	2	86		34	
Total	81,166	100	97,608	100	57,559	100	52,131	100
2. Net sales, operating profit/loss, order book and personnel by business sector	Raute (Proforma)		Raute Precision		Raute Group total			
	%		%					
The Raute (proforma) figures are comparable to the Group's current performance.								
The Raute Precision business group's figures have been merged from 1 Jan. to 24 Feb. in the financial year 2004.								
Net sales 1 Jan. - 31 Dec. 2004	73,768	91	7,398	9	81,166			
Net sales 1 Jan. - 31 Dec. 2003	66,658	68	30,950	32	97,608			
Operating profit 1 Jan. - 31 Dec. 2004	2,174	42	2,952	58	5,126			
Operating loss 1 Jan. - 31 Dec. 2003	-2,683	80	-657	20	-3,340			
Order book 1 Jan. - 31 Dec. 2004	32,199	100			32,199			
Order book 1 Jan. - 31 Dec. 2003	22,132	57	16,837	43	38,969			
Order intake 1 Jan. - 31 Dec. 2004	68,406	100			68,406			
Order intake 1 Jan. - 31 Dec. 2003	62,809	63	37,646	37	100,455			
Personnel 31 Dec. 2004	543	100			543			
Personnel 31 Dec. 2003	560	73	198	27	758			
EUR 1,000	GROUP 2004		2003		PARENT 2004		2003	
3. Revenue recognition method based on percentage of completion								
Net sales by percentage of completion	66,291		74,607		48,592		43,671	
Other net sales	14,875		23,541		8,967		8,460	
Total	81,166		97,608		57,559		52,131	
Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	26,218		43,384		9,763		15,345	
Amount of long-term project revenues not yet entered as income (order book)	29,927		36,419		23,834		18,298	
Itemization of combined asset and liability items								
Advances paid	453		1,071		445		583	
Advances broken down by percentage of completion			-412					
Inventories by percentage of completion	453		659		445		583	
Accrued income and deferred expenses corresponding to revenues by percentage of completion	11,397		43,123		9,763		15,388	
Advances received from project customers	-7,382		-33,256		-5,432		-12,590	
Project receivables included in short-term receivables in the Balance Sheet	4,014		9,867		4,331		2,798	

EUR 1,000	GROUP 2004	2003	PARENT 2004	2003
4. Other operating income				
Gain from sales of fixed assets	3,357	859	3,248	832
Other income items	418	124	667	94
Total	3,775	983	3,915	926
5. Materials and services				
Materials and supplies				
- Purchases during the accounting period	37,849	52,043	27,379	26,787
- Change in inventories	102	244	288	26
External services	4,750	2,879	3,145	1,380
Total	42,701	55,166	30,812	28,193
6. Personnel expenses				
Personnel expenses in Income Statement				
Wages and salaries	20,588	26,939	13,779	12,999
Pension contributions	2,631	3,738	2,090	2,210
Other personnel costs	2,017	2,395	1,020	1,009
Total	25,236	33,072	16,888	16,218
Salaries and remunerations of Directors				
The members of Boards of Directors	125	172	123	169
Presidents of Group companies	740	827		
7. Personnel				
Hourly paid workers on 31 Dec.	208	309	163	200
Office staff on 31 Dec.	335	449	227	226
Total personnel on 31 Dec.	543	758	390	426
Hourly paid average	230	314	179	202
Office staff average	360	469	230	231
Total personnel, average	590	783	409	433
Overseas staff on 31 Dec.	123	127	4	3
Overseas staff, average	117	141	4	3
8. Depreciation and write downs				
Depreciation and amortization from intangible and tangible assets	2,712	3,361	1,923	1,946
9. Other operating costs				
Indirect production costs	1,785	2,186	1,627	1,469
Sales and marketing costs	2,185	3,110	1,690	1,913
Administration costs	2,612	3,054	1,621	1,461
Other costs	1,950	2,527	1,320	1,480
Total	8,532	10,877	6,258	6,323
10. Financial income and expenses				
Profit from shares in associated companies				
Dividends		32		81
Income from other long-term investments				
Dividends	58	48	57	48
Other interest and financial income				
Group companies			140	156
Dividends and yield on investment fund from others	287	40	287	40
Other interest and financial income from others	985	1,341	979	1,254
Total	1,272	1,381	1,405	1,450

Notes to the Financial Statements

EUR 1,000	GROUP 2004	2003	PARENT 2004	2003					
Value adjustments of long-term investments									
Group companies			1,901	775					
Interest and other financial expenses									
Group companies			2						
Others	679	395	463	193					
Total	679	395	464	193					
Total financial items	651	1,066	-902	611					
Exchange rate gains (+)/losses (-) included in total financial items	-39	75	-17	18					
11. Extraordinary items									
Extraordinary income									
Contributions from Group companies			180	150					
Total			180	150					
Extraordinary expenses									
Merger loss of Jymet-Engineering Oy				1,533					
Tax impact of extraordinary items			52	44					
Total			52	1,577					
Extraordinary items in Income Statement (net)			128	-1,427					
12. Change in untaxed reserves									
Difference in planned and taxed depreciations			554	694					
Total			554	694					
13. Income taxes									
From operations, financial year	-1,814	-60	-1,724	-25					
From operations, previous years	78	459		-38					
Change in deferred taxes	-48	-828							
Total	-1,784	-429	-1,724	-63					
14. Fixed assets of Group companies									Total
	Intangible assets			Tangible assets					
	Goodwill	Goodwill on consolidation	Other capitalized expenditure and intangible assets	Land and water	Buildings	Machinery and equipment	Other tangible assets	Advance payments	
Acquisition cost 1 Jan. 2004	6,657	2,549	3,230	1,186	17,673	25,820	420	624	58,161
Translation difference				-6	-21	-65			-92
Additions		119	666	47	300	667	3	229	2,032
Disposals		-111	-1,171	-235	-2,696	-4,602	-6	-72	-8,893
Transferred between items			443		69	269		-781	
Acquisition costs 31 Dec. 2004	6,657	2,557	3,168	993	15,325	22,089	417		51,208
Accumulated depreciation 1 Jan. 2004	-6,657	-1,770	-2,462		-8,497	-20,081	-367		-39,834
Translation difference					16	62			78
Accumulated depreciation included in increases for the financial period			968		1,339	3,773	4		6,084
Depreciation for the accounting period		-381	-309		-640	-1,376	-6		-2,712
Accumulated depreciation 31 Dec. 2004	-6,657	-2,151	-1,803		-7,782	-17,622	-369		-36,384
Revaluations 1 Jan. and 31 Dec. 2004				182	923				1,105
Value in the Balance Sheet 31 Dec. 2004		406	1,365	1,175	8,466	4,467	48		15,927

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. 2004	526	2,460	461	9,927	15,278	336	552	29,539
Additions		666	47	291	498		229	1,732
Disposals			-47	-743	-223			-1,013
Transferred between items		443		69	269		-781	
Acquisition costs 31 Dec. 2004	526	3,569	462	9,544	15,821	336		30,258
Accumulated depreciation 1 Jan. 2004	-526	-1,916		-3,947	-10,704	-287		-17,380
Accumulated depreciation included in increases for the financial period				476	144			620
Depreciation for the accounting period		-290		-456	-1,171	-6		-1,923
Accumulated depreciation 31 Dec. 2004	-526	-2,206		-3,927	-11,731	-293		-18,683
Revaluations 1 Jan. and 31 Dec. 2004			13	923				936
Value in the Balance Sheet 31 Dec. 2004		1,363	475	6,540	4,090	43		12,512

16. Long-term investments	GROUP			PARENT				Total
	Shares Associated companies	Others	Total	Shares Group companies	Associated companies	Others	Loan receivables Group companies	
Acquisition cost 1 Jan. 2004	2,693	474	3,167	6,255	3,066	463	5,372	15,156
Translation difference							-110	-110
Additions				1,901			1,678	3,579
Disposals	-1,783	-50	-1,833	-3,809	-1,321	-49	-544	-5,723
Acquisition costs 31 Dec. 2004	910	424	1,335	4,347	1,745	414	6,396	12,902
Accumulated write downs in value 1 Jan. and 31 Dec.	-601		-601	-4,029	-601			-4,630
Revaluation 1 Jan.		71	71			71		71
Disposals		-71	-71			-71		-71
Revaluation 31 Dec.								
Value in the Balance Sheet 31 Dec. 2004	309	424	734	318	1,144	414	6,396	8,272

EUR 1,000	GROUP 2004	2003	PARENT 2004	2003
17. Inventories				
Materials and supplies	2,364	3,143	1,143	1,431
Work in progress	586	1,299	160	329
Finished products/goods	247	627	200	400
Advance payments	453	659	445	583
Total	3,650	5,728	1,948	2,743
18. Receivables				
Long-term receivables				
Long-term receivables from Group companies				
- Loan receivables			40	42
Long-term receivables from others				
- Loan receivables	48	48	48	48
Total	48	48	88	89
Short-term deferred tax assets				
Deferred tax assets, (specification note number 23)				

Notes to the Financial Statements

EUR 1,000	GROUP 2004	2003	PARENT 2004	2003
Short-term receivables				
Short-term receivables from Group companies				
- Accounts receivable			661	1,195
- Loan receivable				3,184
- Prepayments and accrued income			1,515	151
- Other receivables				141
Total from Group companies			2,176	4,671
Short-term receivables from associated companies				
- Accounts receivable	6	9	6	
Short-term receivables from others				
- Accounts receivable	9,194	9,274	7,288	4,995
- Loan receivable	1,000		1,000	
- Prepayments and accrued income	4,389	10,471	3,324	3,050
- Other receivables	714	2,398	630	1,258
Total in Balance Sheet	15,303	22,153	14,424	13,974
Substantial items included in prepayments and accrued income				
- Contribution receivables from Group companies			180	150
- Project receivables entered according to percentage of completion	4,014	9,867	4,331	2,799
- Other items	375	604	328	252
Total	4,389	10,471	4,839	3,201
19. Current assets in marketable securities				
Current market value	7,751	11,684	7,751	11,684
Current assets (in book)	-7,712	-11,500	-7,712	-11,500
Difference	39	184	39	184
Current assets in marketable securities 31.12.2004 include public fund units.				
20. Shareholders' equity				
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.	12,958	21,647	15,744	19,302
- Loss/profit from the previous year	-2,703	-7,329	655	-1,633
- Dividends paid	-3,815	-1,907	-3,815	-1,907
- Reductions in revaluations	-71	-25	-71	-25
- Change of deferred tax liabilities from revaluation	49	7	49	7
- Translation differences of restricted equity	-173	-136		
- Translation differences of non-restricted equity	570	701		
Retained earnings 31 Dec.	6,815	12,958	12,561	15,744
Profit/loss for the financial year	3,945	-2,703	3,279	655
Shareholders' equity	23,818	23,313	28,898	29,457
Distributable funds				
Retained earnings 31 Dec.	6,815	12,958	12,561	15,744
Profit/loss for the financial year	3,945	-2,703	3,279	655
Transfer of voluntary provisions and accumulated depreciation to equity	-2,306	-3,562		
Distributable funds at 31 Dec.	8,453	6,693	15,840	16,399
Shares in the parent company				
Shares			3,815	thousand pieces
Nominal value			2.00	EUR
Total nominal value			7,629	1,000 EUR
A shares (1 vote/share)			2,824	thousand pieces
K shares (ordinary shares, 20 votes/share)			991	thousand pieces

EUR 1,000	GROUP 2004	2003	PARENT 2004	2003
21. Untaxed reserves				
Untaxed reserves of the Parent Company consist of accumulated depreciation difference EUR 1,709 thousand, accumulated depreciation difference including deferred tax liabilities EUR 444 thousand.				
22. Provisions				
Estimated warranty accruals				
Estimated warranty accruals at 1 Jan.	1,985	2,447	1,452	1800
Amendment during financial year	-157	-462	220	-348
Estimated warranty accruals at 31 Dec.	1,828	1,985	1,672	1,452
23. Deferred tax liabilities and tax assets				
Deferred tax assets				
Short-term				
- For consolidation measures	14	23		
- For periodizing differences	44	314		
- Netting against tax liability	-58	-337		
Total	0	0		
Deferred tax liabilities				
Long-term				
- For accrued year-end transfers	456	658		
- For consolidation measures	363	510		
- For revaluations	287	341	243	292
- Netting against tax refund claims	-58	-337		
Total	1,048	1,172	243	292
24. Liabilities				
Long-term liabilities				
Long-term deferred tax liabilities				
- Long-term deferred tax liabilities (specification note number 23)	1,048	1,172	243	292
Long-term liabilities to others				
- Loans from financial institutions	186			
- Pension loans		252		252
Total	186	252		252
The Group does not have liabilities that mature in more than five years.				
Short-term liabilities				
Short-term liabilities to Group companies				
- Accounts payable			174	293
- Accrued expenses and prepaid income			90	48
- Other short-term liabilities			352	372
Total to Group companies			615	713
Short-term payable to associated companies				
- Accounts payable		47	34	138
- Accrued expenses and prepaid income		10		
Total to associated companies		57	34	138
Short-term liabilities to others				
- Loans from financial institutions	1,554	8,387		2,618
- Pension loans		489		489
- Advances received	2,136	7,060	1,844	5,788
- Accounts payable	3,224	6,169	2,415	2,971
- Accrued expenses and prepaid income	10,183	13,692	8,155	6,342
- Other short-term liabilities	825	934	539	620
Total in Balance Sheet	17,921	36,788	13,602	19,679

Notes to the Financial Statements

EUR 1,000	GROUP 2004	2003	PARENT 2004	2003
Interest-bearing debts				
- Long-term	186	252		252
- Short-term	1,674	9,023	472	3,626
Total	1,860	9,275	472	3,878
Substantial items included in accrued expenses and prepaid income				
- Accrued project expenses	4,763	7,685	3,495	3,227
- Accrued employee related expenses	3,637	4,605	2,934	2,608
- Tax liabilities	1,087		1,059	
- Others	696	1,412	757	555
Total	10,183	13,702	8,245	6,390
25. Pledged assets and contingent liabilities				
<u>Pledged assets</u>				
Debts secured by mortgages				
Pension loans		742		742
Loans from financial institutions		2,618		2,618
The Group has long-term bilateral credit facilities to a total of EUR 15 million, from which EUR 1,528 thousand in use at 31 Dec. 2004.				
These debts and other liabilities have been secured by mortgages				
Mortgages on real property	1,151	4,872	1,151	3,807
Business mortgages	10,000	6,055	10,000	4,877
Pledged in security for other debts				
Shares		123		123
<u>Contingent liabilities and other liabilities</u>				
Guarantees issued on behalf of Group companies	5,873	4,675	8,462	14,395
Guarantees issued on behalf of other companies	450		450	
Leasing and rent liabilities				
- for the current accounting period	69	523	5	32
- for future accounting periods	122	1,108	8	13
Forward foreign exchange contracts *				
- Nominal value	13,472	4,880	14,109	4,880
- Market value	78	53	88	53
*) 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.				
No money loans, pledges or other contingent liabilities have been given on behalf of the management, shareholders or associated companies.				
Letters of support have been issued on behalf of certain subsidiaries.				

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. Investments in interest rate funds are invested in short interest 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.

Notes to the Financial Statements

26. Shares and holdings of the Group and the Parent Company, 31 Dec. 2004	Group holdings and voting rights, %	Parent Company holdings and voting rights, %
Group companies		
Raute Wood Ltd., New Westminster, BC, Canada	100.00	100.00
Raute Inc., DE, USA	100.00	100.00
Raute Wood Inc., Rossville, TN, USA	100.00	100.00
RWS-Engineering Oy, Lahti, Finland	100.00	100.00
Raute Group Asia Pte Ltd., Singapore	100.00	100.00
Raute WPM Oy, Lahti, Finland	100.00	100.00
Raute Wood Oy-Santiago Limitada, Chile	100.00	50.00
Associated companies		
Eloc Oy (real estate), Lahti, Finland - the company has been merged into the corporate figures using the equity share method in the financial year 2004	34.00	34.00
Mecano Group Oy, Kajaani, Finland - the company has been merged into the corporate figures using the acquisition cost method in the financial year 2004	49.92	49.92
27. Rates of exchange applied to subsidiaries	2004	2003
Income Statement		
USD	1.2433	1.1346
CAD	1.6170	1.5918
SEK	9.1250	9.1431
SGD	2.1008	1.9753
CLP	755.6396	774.6976
Balance Sheet		
USD	1.3621	1.2630
CAD	1.6416	1.6234
SEK	9.0206	9.0800
SGD	2.2262	2.1450
CLP	770.6155	738.4242

Group Key Ratios

Key Ratios

(calculated using audited financial statements)

EUR 1,000	2004	2003	2002	2001	2000
Net sales	81,166	97,608	88,908	136,106	136,150
Overseas Sales	72,217	84,419	73,708	85,264	116,870
% of net sales	89.0	86.5	82.9	62.6	85.8
Operating profit/loss	5,126	-3,340	-8,299	7,485	4,481
% of net sales	6.3	-3.4	-9.3	5.5	3.3
Profit/loss before extraordinary items	5,777	-2,274	-8,951	7,829	5,286
% of net sales	7.1	-2.3	-10.1	5.8	3.9
Profit/loss before taxes	5,777	-2,274	-8,951	10,764	4,931
% of net sales	7.1	-2.3	-10.1	7.9	3.6
Profit/loss for the financial year	3,945	-2,703	-7,329	8,333	3,341
% of net sales	4.9	-2.8	-8.2	6.1	2.5
Return on investment, % (ROI)	22.0	-5.4	-18.5	19.1	15.3
Return on equity, % (ROE)	16.8	-10.7	-22.8	15.5	11.6
Balance Sheet total	45,154	63,510	58,903	80,430	84,609
Interest bearing net liabilities	-7,632	-4,238	-4,450	-6,396	-9,044
% of net sales	-9.4	-4.3	-5.0	-4.7	-6.6
Interest-free liabilities	19,123	30,922	21,504	32,064	43,441
Equity ratio, %	56.2	41.3	50.1	51.0	46.9
Quick ratio	1.6	1.2	1.3	1.6	1.5
Gearing	-31.6	-18.2	-16.3	-17.2	-27.8
Gross capital expenditure in fixed assets	1,537	1,502	2,793	5,157	4,893
% of net sales	1.9	1.5	3.1	3.8	3.6
R&D Costs	3,176	2,651	3,611	4,478	4,176
% of net sales	3.9	2.7	4.1	3.3	3.1
Order book	32,199	38,774	25,387	34,586	81,287*
Personnel 31 Dec.	543	758	801	836	818
Personnel, average	590	783	835	860	835
Dividend	1,526 **	3,815	1,907	3,815	3,454

*) Complete contract

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

Group Key Ratios

Share Related Data

	2004	2003	2002	2001	2000
Earnings per share, EUR	1.03	-0.71	-1.92	1.41	0.97
Equity to share, EUR	6.24	6.11	7.18	9.74	8.52
Dividend per share, EUR	0.40*	1.00	0.50	1.00	0.91
Dividend per profit %	38.8	-141.1	-26.0	70.7	93.5
Effective dividend return %	5.2	12.5	6.4	11.8	11.3
Price/earnings ratio (P/E ratio)	7.5	-11.3	-4.1	6.0	8.3
Development in share price (A share)					
Lowest, EUR	7.10	6.20	7.80	7.15	6.75
Highest, EUR	8.90	9.50	10.30	9.70	9.20
Average exchange rate for the accounting period, EUR	8.14	8.12	9.18	7.95	7.78
Share price at 31. Dec., EUR	7.70	8.00	7.80	8.50	8.00
Market value of capital stock, 31 Dec., EUR thousand**	29,372	30,517	29,754	32,424	30,517
Trading in the company's shares (A share)					
Shares traded during the fiscal year, thousand	569	323	845	74	692
% of the number of A shares	20.1	11.5	30.5	2.7	25.0
Issue-adjusted number of shares average	3,814,608	3,814,608	3,814,608	3,814,608	3,814,608
Issue-adjusted number of shares at year-end	3,814,608	3,814,608	3,814,608	3,814,608	3,814,608

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

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

***) K shares valued at the value of A shares

The Development of The Group's Quarterly Results

EUR 1,000	1-12 2004	10-12 2004	7-9 2004	4-6 2004	1-3 2004
Net sales					
- Raute (Proforma)	73,768	20,538	18,708	15,799	18,723
- Raute Precision	7,398				7,398
Total	81,166	20,538	18,708	15,799	26,121
Operating profit					
- Raute (Proforma)	2,174	191	683	787	513
- Raute Precision *	2,952	159			2,793
Total	5,126	350	683	787	3,306
% of net sales	6	2	4	5	13
Financial items	651	461	-42	159	73
Profit before extraordinary items	5,777	811	641	945	3,380
% of net sales	7	4	3	6	13

*) includes the capital gains of EUR 3.0 million on the sale of Raute Precision Oy

Definition of Key Ratios

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

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

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

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

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

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

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

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

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

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

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

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

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

Shares and Shareholders

Share Capital 31 Dec. 2004

Share	Nominal value	1,000 shares	Total nominal value
	2.00	3,815	7,629
Ordinary shares (K shares)		991	
A shares		2,823	

Changes in share capital

from 1 Jan. 1989 to 31 Dec. 2004

	Share capital EUR	K shares (20 votes)	A shares (1 vote)
Share capital 1989	5,359,073	1,062,120	2,124,240
Redemptions 1992		-7,520	
Share issue 1994	1,069,285		635,768
Change of K series shares into A series shares 1998		-14,000	14,000
Decrease of the share capital (premium fund) 2000	-12,648		
Rise of the share capital, capitalization issue 2000	1,213,506		
Change of K series shares into A series shares 2003		-44,539	44,539
Change of K series shares into A series shares 2004		-4,900	4,900
Share capital 31 Dec. 2004	7,629,216	991,161	2,823,447

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 issue shares, nor buy back or 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 8.90 and the lowest price EUR 7.10. At the end of the year the share price was EUR 7.70. During the year 568 922 shares were traded, the total value of EUR 4,631,605.

Inside Information Policy

The Helsinki Stock Exchange inside information policy, published on 28 October 1999, is implemented within Raute Oyj. 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 5.36 at 31 December 2004.

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 are divided into A warrants (212,500), whose subscription period was 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. The listing began for A warrants on the Main List of the Helsinki Stock Exchanges on October 22, 2001 and ended on September 30, 2004. The listing began for B warrants on September 1, 2003.

The A and B warrants entitle their holders to subscribe for a maximum of 425,000 A shares. B warrants entitle their holders to subscribe maximum of 212,500 A shares, which represent 6 per cent of the company's share capital and 1 per cent of votes. As a result of subscriptions with warrants, the share capital may be increased by no more than EUR 425,000.

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 2003, the new subscription price is EUR 8.62.

RWS-Engineering Oy, a subsidiary owned entirely by Raute Oyj, holds 3,050 B warrants at 31 December 2004.

The highest price paid for an A warrant during the year was EUR 0.50 and the lowest EUR 0.02. The number of A warrants traded during the period January 1 - September 30, 2004 totaled 70,800, with their total value coming to EUR 17,260.

The highest price paid for an B warrant during the year was EUR 1.50 and the lowest EUR 0.82. The number of B warrants traded during the year totaled 70,500, with their total value coming to EUR 77,157.

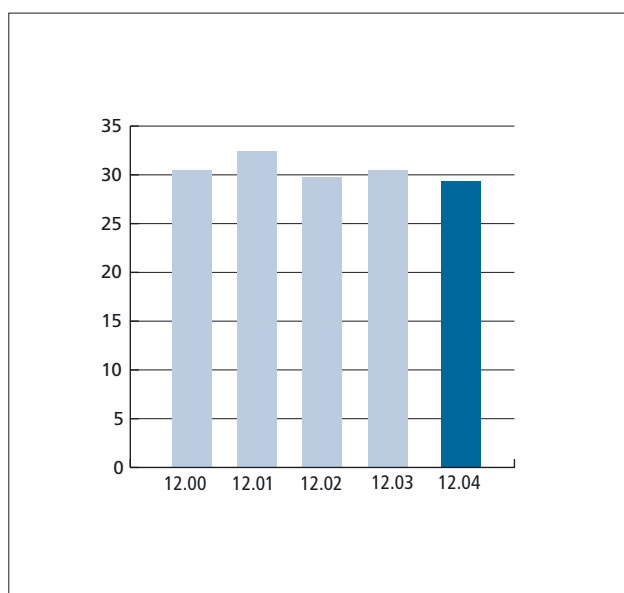
Distribution of Shares by Share Type 31 Dec. 2004

By shareholding A shares	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
Private individuals	836	90.97	2,286,842	80.99	2,286,842	80.99
Financial and insurance institutions	2	0.22	73,200	2.59	73,200	2.59
Foreign shareholders	3	0.33	3,200	0.11	3,200	0.11
Non profit institutions	11	1.20	64,600	2.29	64,600	2.29
Public institutions	3	0.33	244,000	8.64	244,000	8.64
Companies	62	6.75	133,625	4.73	133,625	4.73
Administrative registered	2	0.22	17,980	0.64	17,980	0.64
Total	919	100.00	2,823,447	100.00	2,823,447	100.00

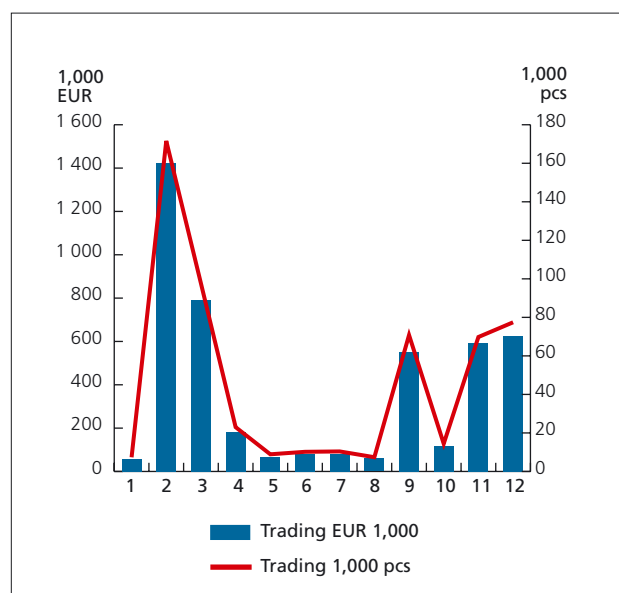
By shareholding K shares	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
Private individuals	48	100.00	991,161	100.00	19,823,220	100.00
Total	48	100.00	991,161	100.00	19,823,220	100.00

By shareholding A and K shares	Shareholders		Shares		Voting rights	
	number	%	number	%	number	%
Private individuals	838	90.99	3,278,003	85.93	22,110,062	97.63
Financial and insurance institutions	2	0.22	73,200	1.92	73,200	0.32
Foreign shareholders	3	0.33	3,200	0.08	3,200	0.01
Non profit institutions	11	1.19	64,600	1.69	64,600	0.29
Public institutions	3	0.33	244,000	6.40	244,000	1.08
Companies	62	6.73	133,625	3.50	133,625	0.59
Administrative registered	2	0.22	17,980	0.47	17,980	0.08
Total	921	100.00	3,814,608	100.00	22,646,667	100.00

Market Value of Capital Stock, MEUR



Trading in A shares 1 Jan. - 31 Dec. 2004



Shares and Shareholders

Distribution of Shares 31 Dec. 2004

By size of holding

A shares	Shareholders	%	Shares	%	Voting rights	%
1 - 1 000	739	80.41	290,119	10.28	290,119	10.28
1 001 - 5 000	114	12.40	256,475	9.08	256,475	9.08
5 001 - 10 000	20	2.18	151,445	5.36	151,445	5.36
10 001 - 50 000	35	3.81	856,975	30.35	856,975	30.35
50 001 - 100 000	9	0.98	638,433	22.61	638,433	22.61
100 001 -	2	0.22	630,000	22.31	630,000	22.31
Total	919	100.00	2,823,447	100.00	2,823,447	100.00

By size of holding

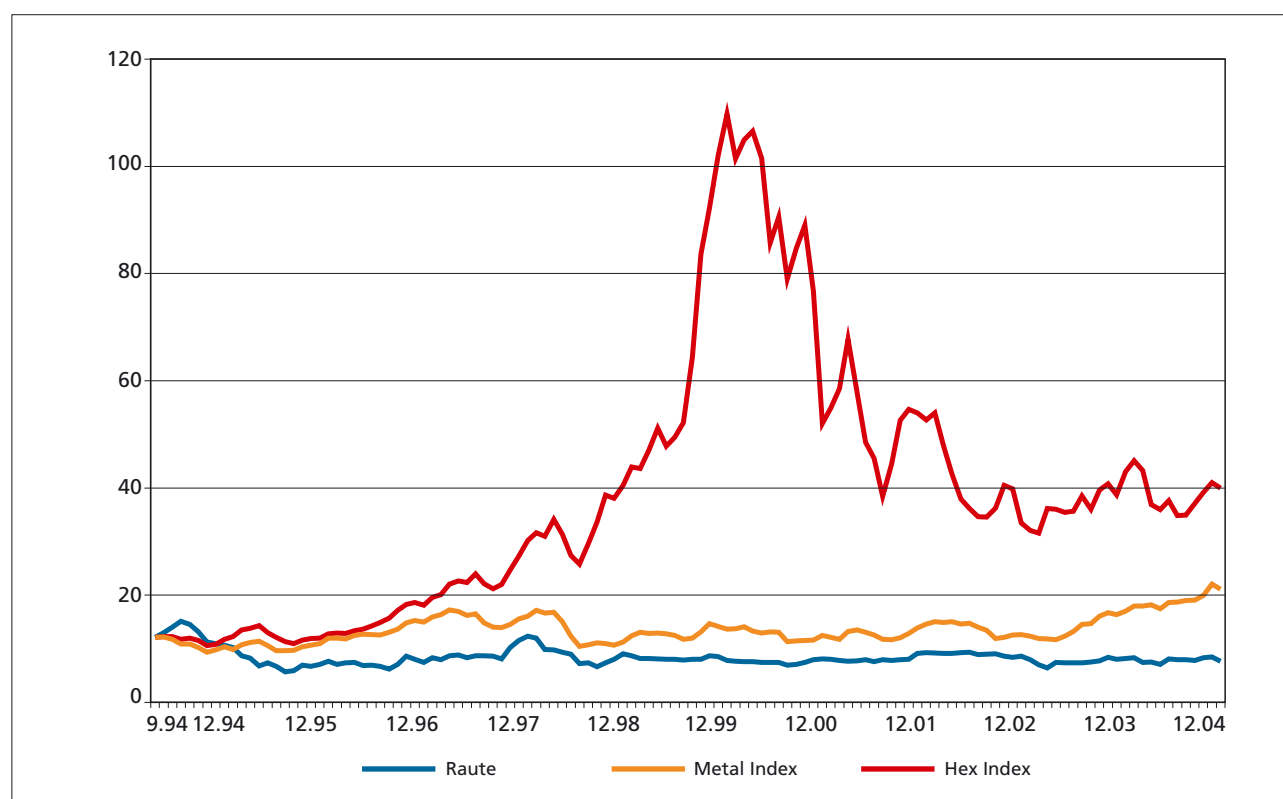
K shares	Shareholders	%	Shares	%	Voting rights	%
1 - 1 000	2	4.17	580	0.06	11,600	0.06
1 001 - 5 000	3	6.25	12,179	1.23	243,580	1.23
5 001 - 10 000	13	27.08	84,173	8.49	1,683,460	8.49
10 001 - 50 000	26	54.17	672,349	67.83	13,446,980	67.83
50 001 - 100 000	4	8.33	221,880	22.39	4,437,600	22.39
Total	48	100.00	991,161	100.00	19,823,220	100.00

Management stake at 31 Dec. 2004

On 31 December 2004 the management of the company owned a total of 55,068 A shares and 86,720 K shares corresponding to 3.72 per cent of the shares in the company and 7.90 per cent of the associated voting rights. The management also held bond with warrants corresponding to 18.35 per cent of the total number of bond with warrants released by Raute Oyj. A total of no more than 39,000 A shares may be subscribed on the basis of these warrants, corresponding to 1.38 per cent of the A shares voting rights and 0.17 per cent of total voting rights on 31 December 2004.

Holdings of shares and warrants on 31 December 2004. The figures include the holdings of their own, minor children and controlled corporations.

Performance of Raute Oyj's A shares 27 Sept. 1994 - 31 Dec. 2004



The Largest Shareholders 31 Dec. 2004

The ten largest shareholders sorted by number of shares

Shareholder	Number of K shares	Number of A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
1. Sundholm Göran		430,000	430,000	11.27	430,000	1.90
2. Keskinäinen Työeläkevakuutusyhtiö Varma		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	4.76
4. Suominen Jussi Matias	48,000	74,759	122,759	3.22	1,034,759	4.57
5. Suominen Tiina Sini-Maria	48,000	74,759	122,759	3.22	1,034,759	4.57
6. Suominen Pekka Matias	48,000	74,159	122,159	3.20	1,034,159	4.57
7. Mustakallio Kari Pauli	60,480	60,009	120,489	3.16	1,269,609	5.61
8. Siivonen Osku Pekka	50,640	59,539	110,179	2.89	1,072,339	4.74
9. Paananen Jalo		99,600	99,600	2.61	99,600	0.44
10. Keskiaho Leena	33,600	51,116	84,716	2.22	723,116	3.19
Total	339,000	1,197,433	1,536,433	40.28	7,977,433	35.23

The ten largest shareholders sorted by number of votes

Shareholder	Number of K shares	Number of A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
1. Mustakallio Kari Pauli	60,480	60,009	120,489	3.16	1,269,609	5.61
2. Särkijärvi Riitta	60,480	22,009	82,489	2.16	1,231,609	5.44
3. Kirmo Kaisa Marketta	50,280	73,492	123,772	3.24	1,079,092	4.76
4. Siivonen Osku Pekka	50,640	59,539	110,179	2.89	1,072,339	4.74
5. Suominen Jussi Matias	48,000	74,759	122,759	3.22	1,034,759	4.57
6. Suominen Tiina Sini-Maria	48,000	74,759	122,759	3.22	1,034,759	4.57
7. Suominen Pekka Matias	48,000	74,159	122,159	3.20	1,034,159	4.57
8. Mustakallio Ulla Sinikka	41,720	35,862	77,582	2.03	870,262	3.84
9. Mustakallio Kai Henrik	41,720	21,362	63,082	1.65	855,762	3.78
10. Mustakallio Marja Helena	36,720	37,662	74,382	1.95	772,062	3.41
Total	486,040	533,612	1,019,652	26.73	10,254,412	45.28

The number of administratively registered shares on 31 Dec. 2004 was 17,980.

Distribution of Dividends

The Board of Directors' Proposal to the Annual General Meeting

The distributable shareholders' equity of the Group is EUR 8,453 thousand

The distributable shareholders' equity of the parent company is EUR 15,840 thousand

The Board of Directors proposes to the Annual General Meeting that a per-share dividend of EUR 0.40 be paid on A shares and K shares on 5 April 2005.

A total dividend will be EUR 0.40 per share, amounting to a total dividend payment of 1,525,843.20 EUR.

Nastola, 8 February 2005

Jarmo Ryttilahti
Chairman of the Board

Heikki Lehtonen

Mika Mustakallio

Panu Mustakallio

Sinikka Mustakallio

Markku Nihti

Pekka Paasikivi

Tapani Kiiski
President and CEO

Auditor's Report

To the Shareholders of Raute Oyj

We have audited the accounting, the financial statements and the corporate governance of Raute Oyj for the period 1 Jan. - 31 Dec. 2004. 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 President and CEO. 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 President and CEO 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 President and CEO's of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

Nastola, 11 February 2005

Kari Miettinen
APA

Lotta Mäkelä
APA

Board of Directors



Jarmo Rytilahti

born in 1944
Chairman of the Board 2004-
Member of the Board 2003-
M.Sc. (Econ.)
President and CEO, Uponor Oyj (formerly Asko Oyj) 1991-2003
Member of the Board: Kemppi Oy 2003-, Renor Oy 2003-, Sato-Yhtymä Oyj 2004-
No holding of Raute Oyj shares and warrants
Remuneration in 2004: 22 thousand euros

Sinikka Mustakallio

born in 1952
Vice-Chairman of the Board 2004-
Member of the Board 1998-
Chairman of Raute Oyj's Supervisory Board 1996-1998
President, WoM Oy 2001-
Raute Oyj K shares 41,720 pcs and A shares 35,862 pcs
Holding of warrants to subscribe 5 000 A shares
Remuneration in 2004: 12 thousand euros

Mika Mustakallio

born in 1964
Member of the Board 2004-
M.Sc. (Econ.), CEFA
Vice President, Algorithmica Research AB 2000-
Raute Oyj's K shares 33,000 pcs
No holding of warrants
Remuneration in 2004: 10 thousand euros

Panu Mustakallio

born in 1971
Member of the Board 2003-
M. Sc. (Eng.)
Development Engineer, Halton Oy 2001-
Raute Oyj's K shares 12,000 pcs and A shares 15,256 pcs
No holding of warrants
Remuneration in 2004: 12 thousand euros

Markku Nihti

born in 1945
Member of the Board 1997-
M.Sc. (Eng.), MBA
President, Elektroskandia Oy 1992-
Vice President: ABB Fläkt AB 1989-1992
Member of the Board: Duuri Oy 2003-
Raute Oyj's A shares 900 pcs
Holding of warrants to subscribe 5,000 A shares
Remuneration in 2004: 12 thousand euros

Heikki Lehtonen

born in 1959
Member of the Board 1997-
M.Sc.(Eng.)
President and CEO, Componenta Oyj 1993-
Vice-Chairman of the Board of Directors: Jaakko Pöyry Group 2003-,
The Family Business Network Finland 2004-
Member of the Board of Directors: Otava Books and Magazines Group Ltd 1991-,
Confederation of Finnish Industries 2005-
Raute Oyj's A shares 4,600 pcs
Remuneration in 2004: 12 thousand euros

Pekka Paasikivi

born in 1944
Member of the Board 2002-
B.Sc. (Eng.)
Chairman of the Board: Oras Oy 1996-,
Oras Invest Oy 2005-
CEO, Oras Oy 1979-2001
Chairman of the Board: Uponor Oyj 1999-
Deputy Chairman of the Board: Hollming Oy 1993-
Deputy Chairman of the Supervisory Board: Varma Mutual Pension Insurance Company, 2001-
Member of the Board: Okmetic Oy 1996-,
Technology Industries of Finland, 1996-,
Foundation of Economic Education, 2003-
Member of the Supervisory Board: Finpro, 2000-
No holding of Raute Oyj's shares
Holding of warrants to subscribe 5,000 A shares
Remuneration in 2004: 12 thousand euros

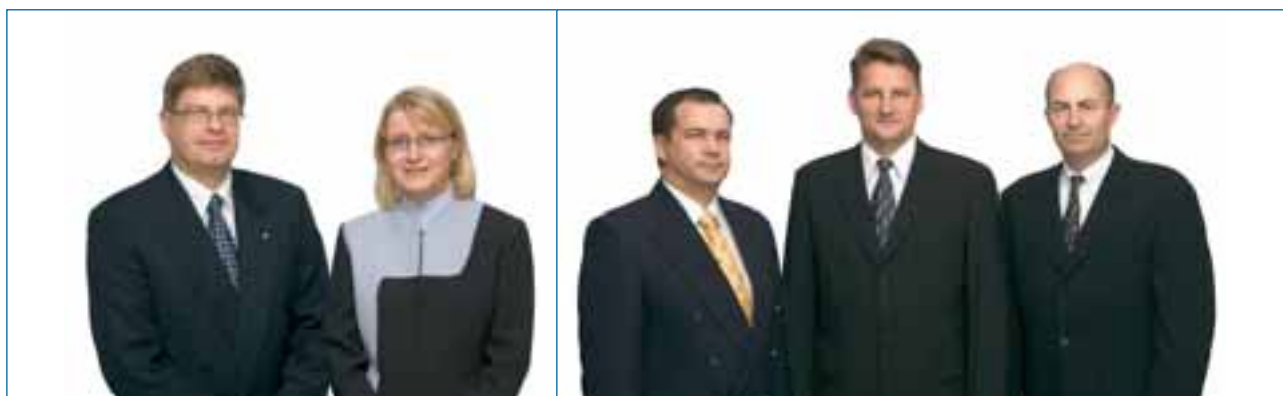
Holdings of shares and warrants on 31 December 2004. The figures include the holdings of their own, minor children and controlled corporations.

Auditors

Mr. Kari Miettinen, APA
Ms. Lotta Mäkelä, APA

Deputy Auditor
PricewaterhouseCoopers Oy

Executive Board

**Tapani Kiiski**

born in 1962
Licentiate in Technology
President and CEO
With the Company since 2002
A shares 1,000 pcs
Holding of warrants to subscribe 5,000 A shares

Arja Hakala

born in 1957
M.Sc. (Econ.), MBA
CFO, Deputy to President and CEO
With the Company since 1990
No holding of Raute Oyj shares
Holding of warrants to subscribe 4,000 A shares

Petri Strengell

born in 1962
M.Sc. (Eng.)
Vice President, Technology and Operations
With the Company since 1987
No holding of Raute Oyj shares
Holding of warrants to subscribe 5,000 A shares

Timo Kangas

born in 1965
Engineer
Vice President, Maintenance
With the Company since 2004
No holding of Raute Oyj shares and warrants

Bruce Alexander

born in 1959
B. Sc. (Forestry), MBA
North American Business Operations, President of Raute Wood Ltd.
With the Company since 2000
No holding of Raute Oyj shares and warrants

Holdings of shares and warrants on 31 December 2004. The figures include the holdings of their own, minor children and controlled corporations.

Adoption of IFRS-based Accounting Standards

Beginning in the first quarter of 2005, Raute Group will start to apply the accounting principles based on IFRS (International Financial Reporting Standards). A stock exchange release describing Raute Group's transition to the IFRS standards and the transition period reconciliations of the effects of IFRS on the Group's previously reported shareholders' equity and profit will be published before the publishing of the year's first interim report.

The project to change over to IFRS reporting has proceeded as planned. The opening balance sheet on January 1, 2004

was prepared in accordance with the standards and interpretations valid on December 31, 2004. The effect on the Group's shareholders' equity on January 1, 2004 is not significant. The most important positive changes result from the activation of R&D costs and the receivable from the defined benefit pension plan in Raute Oyj's Pension Fund. The shareholders' equity is decreased by the deferred liabilities from the defined benefit disability pension covered by the Employers Pensions Act, specifications of revenue recognition principles, and depreciations from real estate revaluations.

Corporate Governance

Raute Oyj follows the Corporate Governance Recommendation for listed companies, issued by Hex Oyj, the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers (TT) on July 1, 2004. The central elements of Raute Oyj's governance are provided below. The principles and information defined as public in the recommendations are presented on the company's website.

Shares and Shareholders

Raute Oyj's shares are divided into ordinary shares (series K) and A shares (series A), each series K share entitling the holder to twenty (20) votes, and each series A share to one (1) vote at the Shareholders Meeting. The A shares have been quoted on the Main List of the Helsinki Stock Exchange since 1994.

Year 2004

Detailed information on Raute Oyj's shares and shareholders is provided on pages 34-37.

Annual General Meeting

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

Year 2004

Raute Oyj's Annual General Meeting was held on March 16, 2004. The Annual General Meeting adopted the financial statements for 2003 and resolved to distribute a dividend of EUR 1.00 per share, elected the Board of Directors and the auditors, and decided on their remunerations.

Board of Directors

The Board's period of operation starts at the Annual General Meeting, where the Board is elected, and ends at the following Annual General Meeting. The majority of the Board members shall be independent of the company and at least two members in the said majority shall be independent of the company's major shareholders.

The Charter for the Board of Directors is described in the company's Administrative Instructions. In addition to statutory tasks and those defined in the Articles of Association, the Board confirms the company strategy and budget annually, and, on basis of the management's reports, monitors the Group's financial status monthly and provides interim reports. The Board evaluates the work of the Board members and the Chairman of the Board annually.

Year 2004

Raute Oyj's Annual General Meeting held on March 16, 2004 elected seven members to the Board of Directors. Mr. Jarmo Ryttilahti, M.Sc. (Econ.), was elected Chairman of the Board, and Ms. Sinikka Mustakallio, Researcher, was elected Vice Chairman. Mr. Mika Mustakallio, M.Sc. (Econ.), was elected as a new member to the Board.

Mr. Panu Mustakallio, Mr. Markku Nihti, Mr. Pekka Paasikivi, and Mr. Heikki Lehtonen were re-elected as Board members.

All the Board members are independent of the company. Chairman Jarmo Ryttilahti and members Heikki Lehtonen, Markku Nihti, and Pekka Paasikivi are independent of the company's major shareholders.

The remunerations for the Board members in 2004 was defined by the Annual General Meeting in 2004 as follows: EUR 24 thousand to the Chairman of the Board and EUR 12 thousand to each Board member. In 2004, salaries and remunerations to the Chairmen and members of the Board totaled EUR 123 thousand.

Mr. Juha-Pekka Keskiäho (born 1944), the full-time Chairman of the Board until March 16, 2004, retired in spring 2004. His salary and remunerations for 2004 totaled EUR 31 thousand.

In 2004, the Board held 15 meetings, four of which were teleconferences. The meetings dealt with the issues listed in the Charter of the Administrative Instructions, with the exception of the Board's self-evaluation, which will take place in the spring 2005. The attendance of the Board members at meetings was 91 per cent on the average.

According to the plan for 2005, the Board of Directors will convene eight times, and teleconferences will be held as necessary.

The Board members' personal data, holdings of shares and warrants on December 31, 2004, and remunerations for 2004 are presented on page 39.

The Company's Administrative Instructions

On June 21, 2004, Raute Oyj's Board of Directors issued Administrative Instructions for the company. They comprise the Charter for the decision-making bodies and instructions both on the division of responsibilities among the Board of Directors, the President and CEO, and the Executive Board, and on the organization of internal supervision and risk management to complement the provisions of the Companies Act and the company's Articles of Association. The Administrative Instructions are available on the company's website.

Board Committees

Raute Oyj's Board of Directors is responsible for the tasks of the Audit Committee. In this capacity, the Board shall meet the external auditor at least once a year without the presence of any members of the management employed by the company. In the capacity of the Audit Committee, the Board's responsibilities include reviewing the company's financial statements and interim reports, monitoring the internal supervision system, and seeing to internal and external audits.

For the preparation of matters of major importance, the Board of Directors appoints annually from among its members a Working Committee comprising a Chairman, a Vice Chairman, and one Board member.

The Board elects annually an Appointments Committee, whose task is to prepare a proposal on Board members and auditors to the Annual General Meeting. The members of the Appointments Committee are Board members or representatives of major shareholders.

The Board may also establish other separate committees as necessary.

Year 2004

In October 2004, Mr. Jarmo Ryttilahti (Chairman), Ms. Sinikka Mustakallio (Vice Chairman), and Mr. Heikki Lehtonen (Board member) were elected to the Board's permanent Working Committee. The Working Committee convened once during the second half of the year.

In December, Mr. Jarmo Ryttilahti (Chairman), Ms. Sinikka Mustakallio (Vice Chairman), and Mr. Ville Korhonen, a representative of a major group of shareholders, were elected to the Appointments Committee. The Appointments Committee did not convene in 2004.

President and CEO

Raute Oyj's Board of Directors appoints the President and CEO and confirms the terms of his or her employment. The Board evaluates the President and CEO's work annually.

Raute Oyj's President and CEO also acts as the Group's President and CEO and as the Chairman of the Group's Executive Board. The President acts as the representative of the Group at the Annual General Meetings of subsidiaries and affiliates, and as the Chairman of the subsidiaries' Boards of Directors, unless the Board decides otherwise in individual cases.

Year 2004

Mr. Risto Mäkitalo, B.Sc. (Eng.), was President and CEO until February 9, 2004, from which date Ms. Arja Hakala, CFO, M.Sc. (Econ.), MBA, was the interim President and CEO until Mr. Tapani Kiiski, Licentiate in Technology, was appointed President and CEO on March 16, 2004. Ms. Arja Hakala is the deputy to the President and CEO.

According to the President and CEO Tapani Kiiski's executive contract, his annual salary and fringe benefits total approximately EUR 174 thousand. In addition, he has the possibility to receive a profit-related bonus amounting to six months' salary at the most. The contract does not include any special conditions concerning retirement or the amount of retirement allowance. The term of notice is six months, and the severance pay equals six months' salary.

The salaries and remunerations paid to Raute Oyj's President and CEOs for their tasks in 2004 totaled EUR 197 thousand, of which Tapani Kiiski's share was EUR 127 thousand.

The President and CEO's and his deputy's personal data, holdings of shares and warrants are presented on page 40.

Business Organization

Raute Group's Executive Board consists of the President and CEO who acts as the Chairman, and of a variable number of members appointed by Raute Oyj's Board of Directors. The Executive Board prepares the Group's business strategy and is in charge of its implementation. The Executive Board deals with all major operational issues, and its decisions are confirmed by the President and CEO. The members of the Executive Board are in charge of the day-to-day management of the company in their respective areas of responsibility.

Year 2004

On June 1, 2004, Raute Oyj's Board of Directors confirmed the members of the Group's Executive Board as follows: Mr. Tapani Kiiski, President and CEO (Chairman); Ms. Arja Hakala, CFO; Mr. Petri Strengell, Vice President, Technology and Operations; and Mr. Bruce Alexander, President of North American Operations. Mr. Timo Kangas, Vice President, Maintenance Service Business, was appointed a member of the Executive Board on September 22, 2004.

The Executive Board members' personal data and holdings of shares and warrants are presented on page 40.

Salaries and Remunerations

The company's remuneration system is divided into three components: the basic salary, a profit- and performance-related bonus system, and a long-term incentive scheme. Depending on the employee's position, different variations of the above mentioned elements are applied.

The Board of Directors prepares a proposal on and determines the President and CEO's annual remuneration and, based in the President and CEO's proposal, approves the remunerations for the members of the Executive Board. An individual employee's remuneration is always approved by the superior of the employee's superior. The Chairman of the Board approves the remunerations for those of the President and CEO's immediate subordinates who are not members of the Executive Board. An employee is not entitled to a separate remuneration for being a member in a Board of Directors in Raute Group's subsidiaries.

Insider Issues

Raute Oyj follows the Insider Rules provided by the Helsinki Stock Exchange, the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers (TT). In addition, the company applies separate insider instructions

approved by the Board of Directors. The statutory insiders comprise the President and CEO, his or her deputy, the Board members, the auditors, and the Presidents of Raute Group companies. The insiders by definition are members of the Group's Executive Board and persons who regularly handle non-disclosed information that affects the share price. In addition to the persons mentioned above, the company maintains a project register where project-specific insiders are listed. The Chief Financial Officer is in charge of insider issues in the company.

The insider trading prohibition applies from the end of an interim reporting period or fiscal year up to the publication of the corresponding stock exchange release. The company tries to avoid investor communication meetings during insider trading prohibitions.

The list of insiders available on the company's website is updated quarterly.

Risk Management

The key risks related to Raute Group's international business are the financing, product liability, and contractual risks. The company applies a risk management policy approved by the Board. The President and CEO and the Chief Financial Officer report to the Board regularly on any major strategic and business risks.

The Board of Directors determines the Group's general risk attitude and approves the risk management policy at a general level. The Executive Board determines the Group's general risk management principles and confirms various operating policies and boundaries of powers. The Chief Financial Officer is responsible for the coordination of risk management.

The Group's President and CEO is responsible for the implementation of risk management in the entire Group, and the Presidents of the Group companies in their respective companies. The members of the Executive Board are responsible for their own fields across company boundaries.

The responsibility of the Group's Controller function is to develop risk management procedures together with the operational management and to control the compliance with risk management principles and powers. The principal product and operation liability risks, and property and personal damage risks are covered by insurance. The absence of an internal auditing organization is taken into account when drawing up the contents of Group reporting and the internal audits of quality systems. The company's Board of Directors approves the auditing program.

The management of financing risks is described in the notes to the balance sheet on pages 29.

Audits

According to the Articles of Association, the company shall elect two regular auditors with deputies. The Annual General Meeting may exercise its legal right and elect a public accountant company instead of two deputy auditors. The Board of Directors approves the audit plan and supervises its implementation. When drawing up the contents of the audit, the absence of a separate internal auditing organizations shall be taken into account. In addition to tasks defined by regulations, the auditors report to the Chairman of the Board when necessary, and at least once a year to the Board of Directors on any issues arisen in connection with the audit.

Year 2004

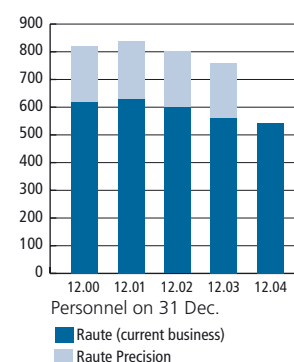
Mr. Kari Miettinen and Ms. Lotta Mäkelä, Authorized Public Accountants, were re-elected as auditors, and PricewaterhouseCoopers Oy, an authorized public accounting company, was elected as deputy auditor

In 2004, the remuneration paid to PricewaterhouseCoopers by the Group totaled EUR 137 thousand, of which the normal annual audit accounted for EUR 75 thousand and other services provided for EUR 62 thousand, including expert services in connection with the transition to IFRS-based accounting standards.

Personnel	2004	2003	2002	2001	2000
Number of personnel *	536	743	790	820	794
Women, %	11	13	13	13	12
Average age	45	44	44	43	43
Years at Raute	14	14	13	10	10
New employment contracts including business acquisitions	35	41	55	108	93
Terminated employment contracts	72	93	87	82	96
Training days per employee	2	3	4	3	4
Training costs per payroll bill, %	2	2	3	3	3

*) Current employment contracts 31 Dec.

Number of Personnel



Raute's Units



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RAUTE WOOD BEIJING REPRESENTATIVE OFFICE

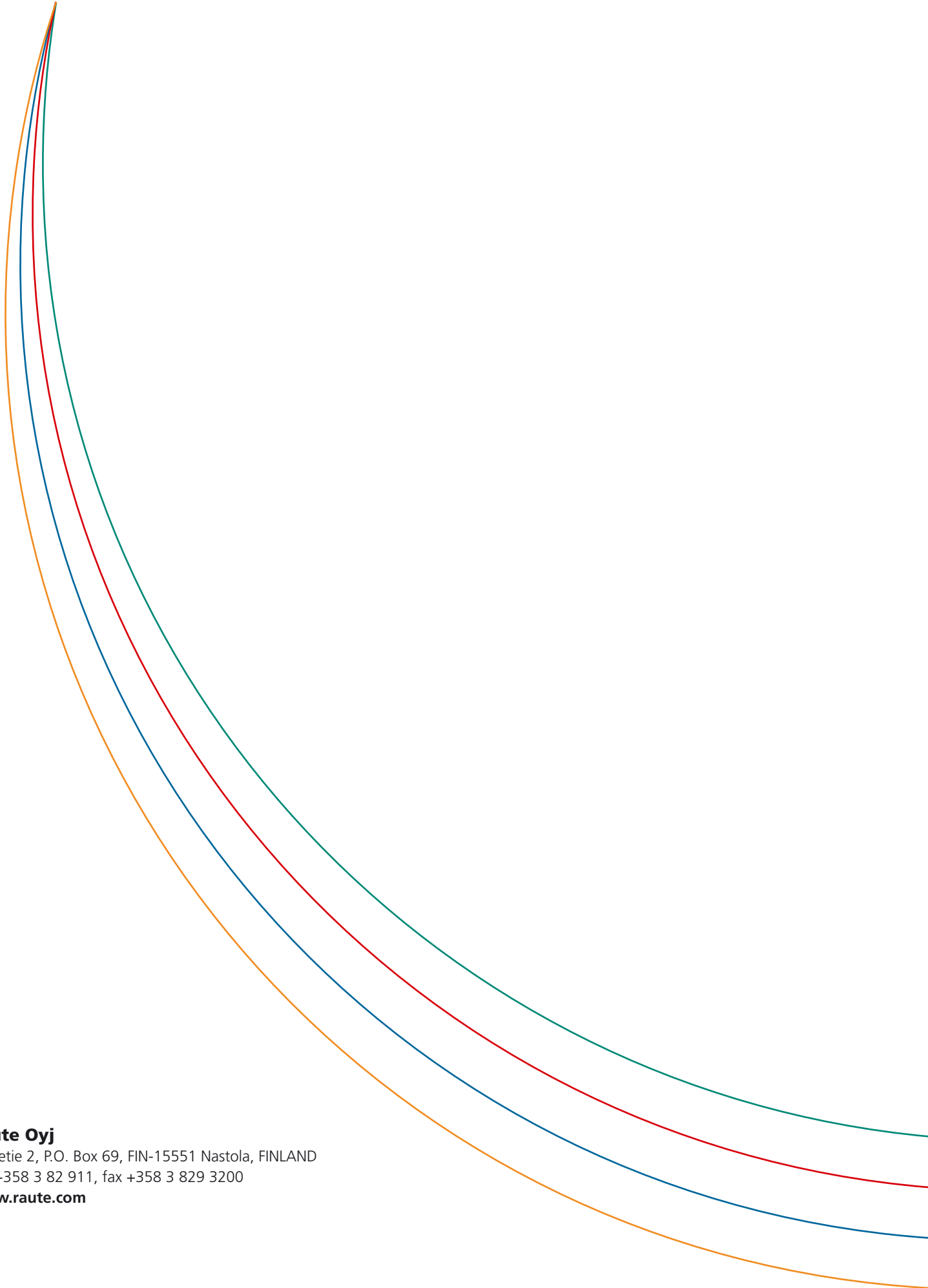
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