CONTINUOUS DEVELOPMENT
GENERATES FUTURE SUCCESS

ANNUAL REPORT 2008

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Raute Corporation's consolidated financial statements are published as an appendix to this Annual Report. Raute's financial publications can be ordered in print or as printouts by email from ir@raute.com or by phone from +358 3 829 11.

OUR HIGH-TECH PRODUCTS AND SERVICES ENABLE OUR CUSTOMERS TO ACHIEVE A PROFITABLE AND ENVIRONMENTALLY SUSTAINABLE WOOD PRODUCTS PROCESS.

VISION

Raute's vision is to be the world's leading supplier of technology and services in its field.

MISSION

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

VALUES

- The customer
- Trust in people
- Continuous development
- The environment

In 2008, Raute celebrated its 100-year journey together with its customers and partners.
The photo is taken at the main festivities in the Sibelius Hall in Lahti on 21 August 2008.

100 YEARS
OF TECHNOLOGY AND EXPERTISE

OUR STATE-OF-THE-ART TECHNOLOGY AND VERSATILE SERVICES WILL CONTINUE TO PROVIDE OUR CUSTOMERS' BUSINESSES WITH ADDED VALUE, ALSO FOR THE NEXT 100 YEARS.

Today, Raute, founded in 1908, is a global technology company. Raute manufactures mills, production lines as well as individual machines and equipment for the veneer, plywood and LVL (Laminated Veneer Lumber) industries.

Raute's technology offering covers the customer's entire production process, ranging from raw material processing to the finishing and packaging of end products. Additionally, Raute offers technology services, such as maintenance, spare parts, equipment modernization, consulting, training and machinery reconditioning services.

Raute's strengths include its in-depth knowledge of the processes and operations of its customers, leading-edge technologies, and solid project skills. The Group has production units in Finland, Canada and China. The company's sales and service network has a global reach.

Raute's net sales in 2008 totaled EUR 98.5 million. The company had 573 employees in 8 countries. An average of 100 Raute employees worked on long-term customer projects around the world.

The company's shares have been listed on the NASDAQ OMX Helsinki Oy since 1994.

INVESTMENTS, SUDDEN CHANGES AND CENTENNIAL CELEBRATIONS

2008 WAS A YEAR OF UNCERTAINTY AND SUDDEN CHANGES. THIS HELD TRUE FOR THE GLOBAL REAL ECONOMY, THE FINANCIAL MARKETS, AS WELL AS FOR RAUTE'S BUSINESS OPERATIONS. MEANWHILE, WE WERE LAYING THE FOUNDATIONS FOR FUTURE SUCCESS AT 100-YEAR-OLD RAUTE.

A GOOD ORDER BOOK IN EARLY 2008

We began the year in a confident frame of mind. Our order book was on a good level in terms of volume and quality. At the start of the year we received a fair number of new orders and several larger projects were under negotiation. Our technology services were also in demand. Due to the ongoing and completed development projects from the past few years, the quality and efficiency of our operations were better than before.

In North America the plywood industry's market situation weakened dramatically already in 2007, and as a result, investment activity plummeted to an extremely low level. Already during the first months of 2008, we began receiving some weak signals, especially in the form of a decrease in the volume of construction activity, indicating the spread of the downturn to other market areas. During the summer, the demand for both plywood and LVL (Laminated Veneer Lumber) began to fade. The weakening situation continued for the rest of the year and the projects in the negotiation phase were postponed for the time being. At the same time, the production capacity utilization rates of our customers' mills decreased.

DEMAND REDUCED BY FINANCIAL CRISIS

In September the global financial crisis began in earnest. Many of our customers found it difficult to obtain financing for their projects.

Our order book decreased to an alarmingly low level towards the end of the year due to this development. We adapted our capacity to correspond with the situation by utilizing the flexibility offered by our partner network. We were regrettably forced to temporarily lay off personnel and terminate contracts in all of our Finnish units and in most of our overseas units. The most important means for adapting to the weakened demand were, however, the structural reorganization measures of our resources aimed at improving and optimizing our service offering at a lower level of business activity.

SUBSTANTIAL INVESTMENTS IN PRODUCTION AND PRODUCT DEVELOPMENT

During 2008, we worked hard to secure our success in the future. Investments made in production and product development were exceptionally large. In addition, we focused significantly on our personnel, particularly in market areas in which we believe we can achieve growth in the future.

On the part of our own production, we continued to focus on our core activities. At our main production unit in Nastola we invested in, for example, heavy machining equipment. We have ascertained that our production work which requires specialized machinery and high quality is competitive also in Finland. We also developed our Shanghai unit into a procurement and production channel for parts and subassemblies for which the cost level is too high in Finland. In fact, we have swum against today's outsourcing tide in Shanghai. We have reintroduced into our production process some of the tasks and work stages which we had earlier outsourced. Besides achieving a lower cost level, we have been able to improve the quality and delivery accuracy of our products.

During 2008 we invested a record-breaking EUR 4.9 million, or five percent of our net sales in product development. This is the most powerful statement we can make to show our belief in the future of our industry and our commitment to achieving our business objectives: we aim to be the leading provider of technology and services in our field.

We reinforced our presence in our most potential markets in Russia, Asia and South America by hiring and training new personnel. I believe that our investments will produce results in the years to come, despite the present somber outlook.

RAUTE HEADS TOWARDS THE FUTURE

Raute turned hundred years during the past year. We celebrated this significant achievement in all of our units together with our personnel, customers, owners, suppliers and partners. The most important celebration was, however, the successful and high-quality work we performed during the year to serve our customers and to secure our own future. Amidst our celebrations we stated together that Raute's values – the customer, trust in people, the environment and continuous development – are the right ones for steering the development of our business operations in the future.

2009 began with an exceptionally low order book and under a cloud of uncertainty. The fact is, however, that this economic downturn will pass and be followed by a new period of growth. I am concerned that the present negative economic situation will affect Raute's operations further into the future than just the ongoing year. 2009 is destined to be a difficult year for us and we will not be able to reach our strategic targets concerning growth and profitability. By utilizing the investments we have made and by working for the good of our customers, I believe that we will come through this situation stronger than ever before.

I thank all of you, both Raute employees and partners, for the past year and the 99 before that, and for your continued participation in helping to make Raute's success a reality.

Tapani Kiiski
President and CEO

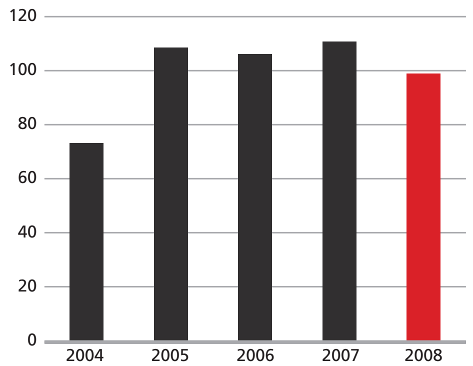
YEAR 2008

- The financial crisis which expanded to global proportions, and the weakened market situation lowered demand for wood product technology and services.
- The good profitability development in the first three quarters broke off due to the strong decrease in net sales in the fourth quarter.
- Net sales down 11% due to the weak market situation and the low amount of new orders.
- Operating profit down 27% due to the low net sales.
- The order book decreased to a low level and year 2009 will be challenging.
- Thanks to its strong financial position, Raute is well-equipped to cope with the economic recession.
- The strong market position and development efforts made in operations and products ensure that Raute's ability to respond to the growing demand is excellent when the markets recover.

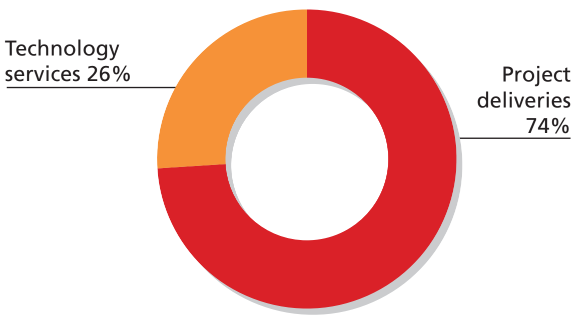
Key figures	2008	2007
Net sales, MEUR	**98.5**	110.8
Change, %	**-11.1**	4.3
Exported portion of net sales, MEUR	**82.7**	96.8
Change, %	**-14.6**	1.0
Operating profit, MEUR	**6.3**	8.6
Change, %	**-26.7**	90.7
Profit before income taxes, MEUR	**6.9**	9.0
ROI, %	**19.4**	29.2
ROE, %	**14.0**	21.1
Equity ratio, %	**60.5**	70.3
Order book at Dec. 31, MEUR	**24**	56
Order intake, MEUR	**67**	90
Earnings per share, EUR	**1.18**	1.65
Equity per share, EUR	**8.57**	8.29
Dividend per share, EUR	**0.70***	1.00
Dividend per profit, %	**59.4**	60.7
Number of personnel at Dec. 31	**573**	570
Personnel average	**585**	575

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

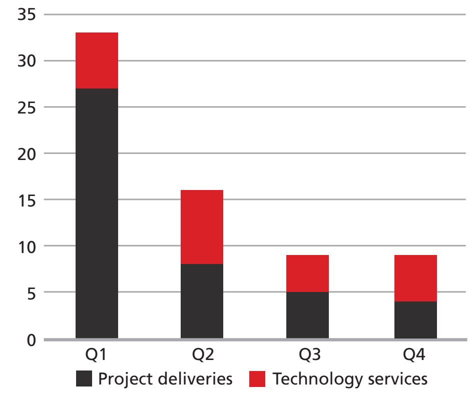
NET SALES, EUR million



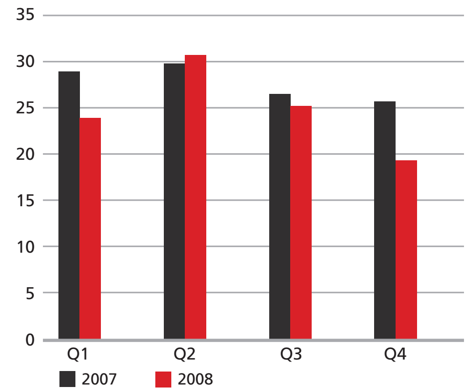
NET SALES BY PRODUCT AREA



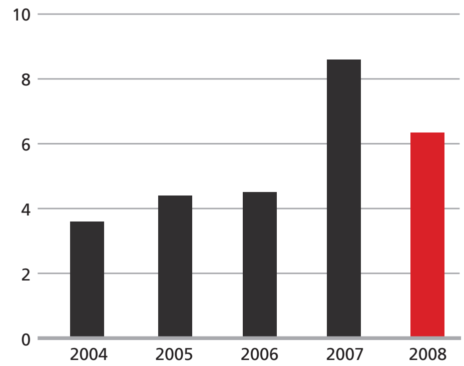
ORDER INTAKE QUARTERLY, EUR million



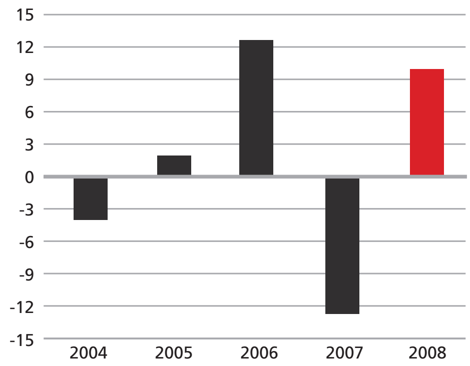
NET SALES QUARTERLY, EUR million



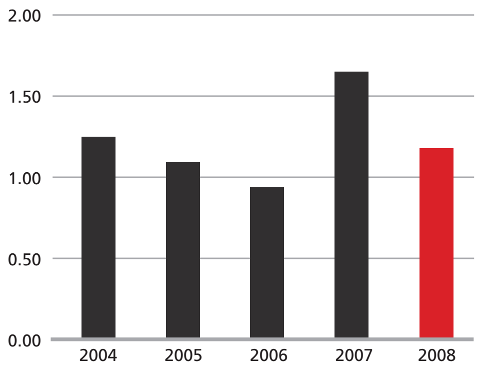
OPERATING PROFIT, EUR million



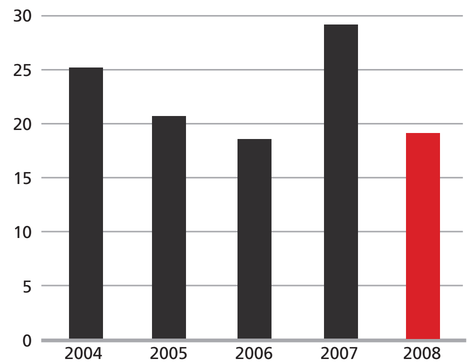
NET CHANGE IN CASH AND CASH EQUIVALENTS, EUR million



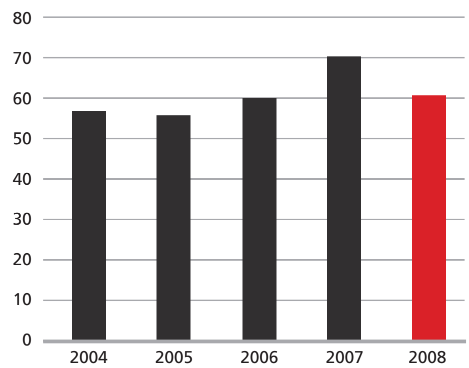
EARNINGS / SHARE, EUR



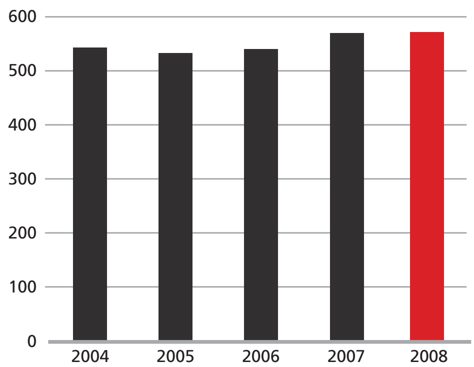
RETURN ON INVESTMENT, %

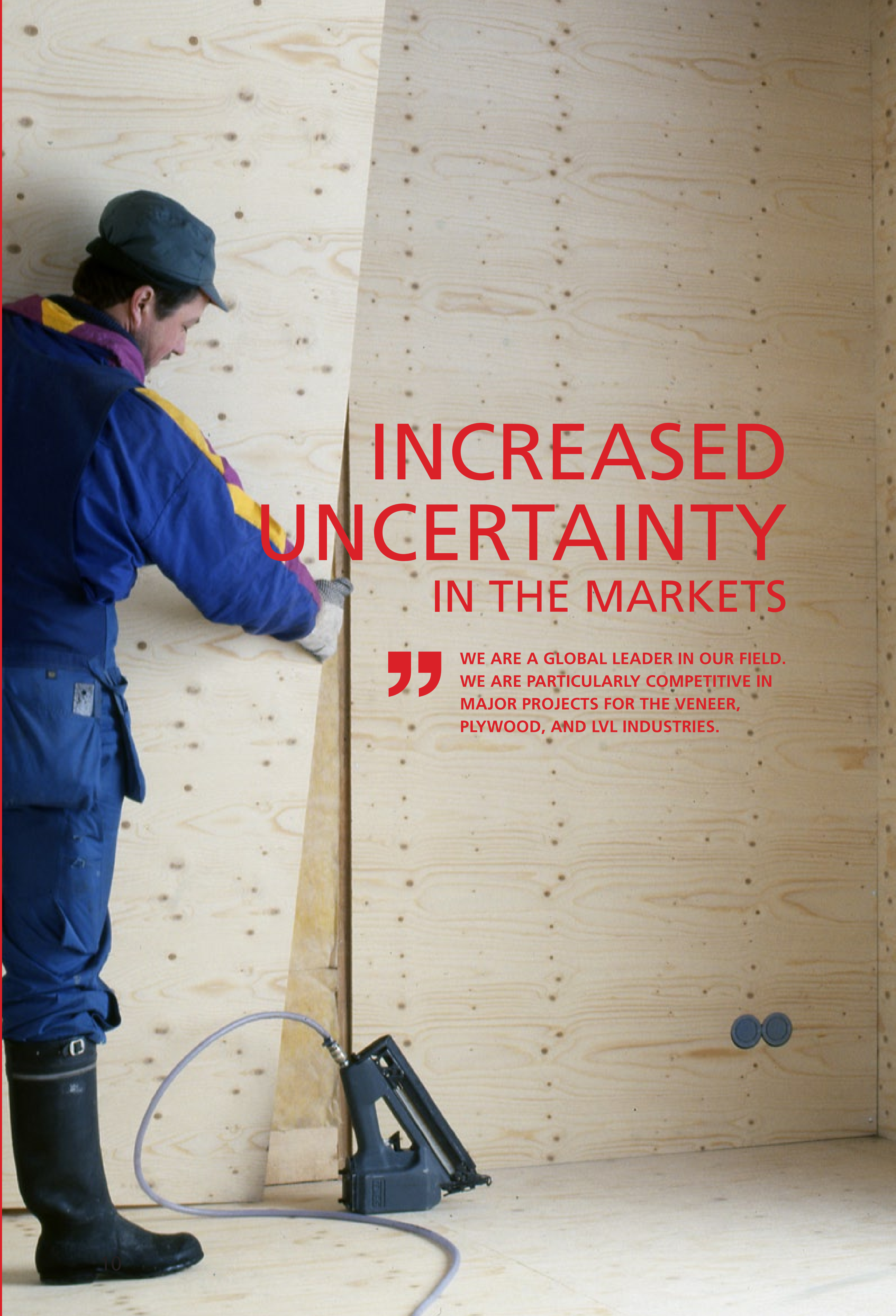


EQUITY RATIO, %



NUMBER OF PERSONNEL AT DEC. 31





INCREASED UNCERTAINTY
IN THE MARKETS

WE ARE A GLOBAL LEADER IN OUR FIELD. WE ARE PARTICULARLY COMPETITIVE IN MAJOR PROJECTS FOR THE VENEER, PLYWOOD, AND LVL INDUSTRIES.

INCREASED UNCERTAINTY IN THE MARKETS

- **The growth of the global economy has slowed down considerably.**
- **The financial crisis has made it more difficult for customers in the plywood and LVL industries to make investments.**
- **Demand for wood products technology and supporting services is most active in Russia.**

Raute serves the veneer, plywood, and LVL (Laminated Veneer Lumber) industries with a comprehensive, global technology and service offering.

Raute's customer industries manufacture wood-based panel products, which are mainly used in investment commodities. Their most important customers are the construction, transport, furniture, and packaging industries. This makes Raute's customers dependent on fluctuations in the fields of construction, housing-related consumption, international trade, and transportation.

DEMAND GUIDED BY CUSTOMERS' OBJECTIVES TO IMPROVE OPERATIONAL EFFICIENCY, PRODUCTIVITY AND QUALITY

In addition to the demand for their end products, Raute's customers' investments in new production capacity are governed by the availability and location of raw materials.

Customers seek to continuously increase the efficiency of their production and improve their productivity and the quality of their end products. Tough competition and strict quality standards have resulted in increasingly higher demands on production technology. Compared to new technology, old equipment and machinery are no longer competitive and their useful life becomes shorter. Technological development in itself creates fresh demand for both new investments and modernizations.

The customers' aim to enhance their operations is also reflected in the demand for technology services. In the wood products industry, service outsourcing is only now getting started, and maintenance outsourcing, for example, is expected to increase in the future.

Due to the weakened market situation for plywood and LVL, the need to build new production capacity was low in 2008. Customers' need to enhance their operations and maintain their competitiveness remained unchanged or was even higher than normal.

WEAKENED ECONOMIC AND FINANCIAL MARKET SITUATION SLOWED DOWN THE MARKETS

In 2008, business in the construction and transport industries slowed down on a global scale. The outlook of the economy weakened and the financial crisis made it more difficult to receive financing which in turn reduced the demand for wood products and was also reflected in the investment decisions made in the plywood and LVL industries.

The prices for plywood remained at a normal level throughout the year, but the plywood mills were forced to adapt their production levels to correspond with the lowered demand.

The demand for LVL is more strongly dependent on the volume of activity taking place in the construction industry. The market situation for LVL was difficult, and the production capacity of almost all LVL mills was underutilized, especially towards the end of 2008. The prices for LVL remained at a normal level throughout the year.

RAUTE COMPETITIVE IN MILL-SCALE DELIVERIES

Raute's position is strongest as a supplier of mill-scale projects to the veneer, plywood, and LVL industries. Raute's competitors are mainly small or medium-sized companies that operate locally or regionally and mainly focus on only one or a few processes and technologies.

Raute's competitive advantage lies in its clear focus on serving the wood products industry exclusively, which enables the company to offer customers unique competence in enhancing processes and generating added value. Raute's comprehensive product and service offering and extensive experience help customers to improve their productivity, profitability, and competitiveness.

In its biggest customer industry, the plywood industry, Raute holds a 15–20 percent market share, which makes it the global market leader. The plywood industry machinery market is estimated to amount to some EUR 500 million.

Raute also has a strong position as a supplier to the LVL industry. Approximately half of the LVL manufactured in the world is produced on machines supplied by Raute.

GROWTH POTENTIAL IN RUSSIA AND THE SOUTHERN HEMISPHERE

The strongest production capacity increase for Raute's customers is taking place in areas with abundant underutilized wood resources. Raute sees its greatest market potential in the emerging markets of Russia, Asia and South America.

Russia is a strong market area for Raute. Russian plywood production has doubled over the last five years. The extensive installed equipment base is also paving the way for the growth of Raute's technology services in the area.

Europe has seen an exceptionally high increase in new production capacity in recent years. Plywood manufacturers have ensured their competitiveness by developing new products and improving product quality. In addition, the structural change in the mechanical wood processing industry is creating new opportunities for development in the field. Investments aimed at improved production efficiency and veneer quality provide opportunities for Raute. In addition to new investments, Raute has focused on the improvement of production efficiency and systematic maintenance.

South America is one of the biggest growth areas in plywood production. Opportunities are offered by the structure of the local forest industry, abundant forest plantation wood resources and investments made in products with a high degree of processing. Raute has a strong position in Chile and promising deliveries to Brazil. Growth is expected to continue in the area.

North America is the world's second largest plywood producing area. The equipment market is mainly controlled by local players. The market has been slow due to the low level of construction activity, and for several years now, the weak market situation has caused investments to be focused on smaller modernization projects. Raute sees growth potential in comprehensive, strategic investments and technology services, such as modernizations and spare parts sales.

China is a major plywood producing area, where up to one-third of the world's plywood is produced. Its production is based on old and manual labor intensive technology. Small, local machinery manufacturers hold a strong position. However, more stringent requirements set for end products offer Raute opportunities.

In South-East Asia, Australia and New Zealand, the growth of plywood production is based on plantation forests. Companies in these countries are expected to invest more in the future, especially in products with a high degree of processing.

The LVL industry is a relatively new field. LVL was developed in **North America** in the 1970s. North America still accounts for 90 percent of worldwide LVL production. Other producers include Finland, Japan, Australia, New Zealand and Russia.

Further information on Raute's strategy on pages 13–15.

MAIN FACTORS AFFECTING THE DEMAND

- Changes in the demand for customers' products
- Customers' need to increase production efficiency and improve quality
- Location and quality of wood raw material
- Technological development
- Outsourcing of technology services

INDUSTRY LEADER

THROUGH STATE-OF-THE-ART TECHNOLOGY AND SERVICE

- **Continuous improvement of profitability maintains competitiveness.**
- **Growth through the emerging markets.**
- **Challenge of adapting to cyclicality.**

INDUSTRY-LEADER THROUGH STATE-OF-THE-ART TECHNOLOGY AND CUSTOMER-ORIENTED SERVICE

Raute's objective is to be the world's leading supplier of technology and services in its field.

Raute is the global market leader in its largest customer sector, the plywood industry, with a 15–20 percent market share. Raute's position in the LVL (Laminated Veneer Lumber) industry is especially strong, as approximately half of the LVL manufactured in the world is produced on machines supplied by Raute.

TECHNOLOGICAL EXPERTISE AND LOCAL PRESENCE AT THE CORE OF RAUTE'S STRATEGY

The customers' needs are the starting point for product development. Raute supports its customers in achieving a profitable and environmentally sustainable wood products process. The company's operations are based on high technology, local services and presence, as well as substantial expertise and high-quality work. Raute is committed to upholding its customer-orientation throughout its operations.

OBJECTIVES ASSIST IN ACHIEVING STRATEGIC INTENT

The company has defined three key strategic objectives for achieving its strategic intent.

Continuous improvement of profitability

Raute has focused on its core competencies, i.e. the production technologies for veneer, plywood and LVL. Profitable operations are based on correctly priced products which significantly benefit the customer. The timing of large individual projects can have a significant impact on the company's profitability in the short term.

The company's objective is to increase the efficiency of its operations by investing in quality and persistently developing its partner network. Profitability is also being developed by deepening customer relationships and creating new contract partnerships.

Enhanced adaptation to cyclical economic fluctuations

Raute's goal is to adapt to cyclical economic fluctuations by developing its partner network, as well as by increasing the efficiency of its own operations and improving its internal expertise.

The partner network enables the company to adapt its cost-efficiency and production capacity to fluctuations in demand and the order book. The technology services offered by the company also balance the seasonal fluctuations in its project operations.

Well managed growth

According to Raute's estimate, the total markets the company serves are growing at a rate of 3–4 percent annually, viewed over the economic cycle. By increasing its market share with the help of properly targeted investments, the company tries to achieve a faster growth rate than this.

The key to its growth potential lies in Raute's strategic choices. Raute's objective is to achieve growth in the customer industries of its choice. Raute has a proven track record in its mill-scale projects for the plywood industry and its leading position in deliveries within the LVL industry. Raute is looking towards Russia, South America and Asia in its aim to achieve regional growth.

Raute also aims to increase its business operations by introducing to the market innovations that will improve customers' competitiveness and by developing its technology services offering. The added value that Raute's technology solutions offer customers has a direct impact on the company's volume of demand.

FINANCIAL TARGETS SUPPORT STRATEGIC OBJECTIVES

Raute's financial target is to:

- Improve profitability and retain a good level over the entire economic cycle.
- Increase sales faster than the market growth rate.
- Maintain good financial solidity and offer investors a competitive return.

Raute exercises an active dividend policy. Its aim is to ensure competitive returns for its investors. Dividend payment takes into account future investment needs and the goal of maintaining a solid equity ratio. Due to the nature of the project business, the dividend is not directly tied to the annual result.

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WE AIM TO ACHIEVE PROFITABILITY AND GROWTH THROUGH OUR STRONG EXPERTISE IN TECHNOLOGY, OUR LOCAL SERVICES AND CUSTOMER ORIENTATION.

IMPLEMENTING THE STRATEGY IN 2008

PROFITABILITY DEVELOPMENT CONTINUED

Profitability remained on a good level during the first three quarters of 2008. This resulted mainly from a favorable product mix in the order book and the success of the company's efficiency and work quality. Profitability was also improved by earlier investments in the partner network. The operations at the plant in China were expanded during the year. In addition, the company succeeded in developing its customer relationships and customer satisfaction, as well as reducing quality costs.

During the last quarter, net sales decreased from the level attained earlier during the year and profitability weakened. This was caused by the sudden decline in the market since the summer. Due to the slowing down which took place during the latter part of the year, the company did not meet its profitability objectives for the whole year.

GROWTH OBJECTIVES WERE NOT MET

The key focus area at the start of 2008 was growth. Especially the emerging markets, for example Russia, were seen as having potential.

At the beginning of 2008, the order book was on a good level but weakened alarmingly towards the end of the year. The sudden, clear downturn in the market, as well as the uncertain situation in the financial markets, complicated the financing situations of many customers and they postponed the decisions to initiate their planned projects. Due to the weakened demand, Raute did not meet its growth objectives for the whole year.

STRATEGY

ADAPTATION MEASURES FOR FLUCTUATIONS IN THE ECONOMIC CYCLE

Due to the financial crisis and the weakening of the global economy, the main strategic theme for the end of 2008 became adapting to cyclicality.

Despite Raute's improved ability to react to fluctuations in the economic cycle due to the development of its partner network and investment in its technology services, the lowering of the demand was so strong, that the improved flexibility wasn't enough. In the last part of the year the company was forced to resort to short-term adaptation measures in its Finnish units. Already during the spring, operations in the North American units were adapted to the market situation, which is expected to remain weak at least until 2010.

ADAPTING TO CYCLICALITY AS MAIN THEME FOR THE NEAR FUTURE

The weakening of the market situation will not alter Raute's strategy. Challenging in 2009 is adapting to the significantly weakened investment demand.

The willingness of Raute's customers to make large investments has decreased. The demand for spare parts and maintenance services is also lower due to the low utilization rates of the customers' production facilities. The demand for the continued improvement and developmental maintenance of machines and equipment, on the other hand, is expected to remain on a good level even in the present market situation. Recovery, quality and productivity are important factors for customers, whatever the circumstances.

In 2009, Raute will continue to invest in improving its competitiveness by developing and increasing the efficiency of its operations. Product development will also have a central role to play in the tightening competition.

Further information on Raute's financial development on pages 8–9 and business operations on pages 16–19.

GROWTH
THROUGH THE EMERGING MARKETS

OUR BUSINESS CONSISTS OF PROJECT DELIVERIES AND TECHNOLOGY SERVICES.

GROWTH THROUGH THE EMERGING MARKETS

- **Demand for line-scale and modernization projects is good.**
- **No significant changes took place in the development of sales prices.**
- **Raute's profitability was improved by developing the partner network and investing in product development.**

Raute's business consists of providing project deliveries and technology services to the wood products industry. Project deliveries form the foundation of Raute's business. Project deliveries encompass complete mills, production lines, and individual machines and equipment. In the form of installed equipment bases, they create potential for technology services sales and thus for the creation of long-term partnerships.

Technology services include maintenance, spare parts services, modernization, consulting, training, and machinery reconditioning services.

Raute's net sales in 2008 were EUR 98.5 million (MEUR 110.8). Project deliveries accounted for 74 percent (74%) and technology services for 26 percent (26%) of net sales.

STRENGTHENED PRESENCE IN THE EMERGING MARKETS

Raute strengthened its global presence during the year, especially in the emerging markets. Operations were expanded at the company's Chinese plant. The service center in Chile started its operations in early 2008. Through the representative office established in Moscow, Raute further strengthened its presence in the significant Russian market. The development and expansion of the partner network continued in Russia, China and India, in particular.

During the year, Raute introduced to the market new innovations and service concepts that support lower energy and raw material consumption.

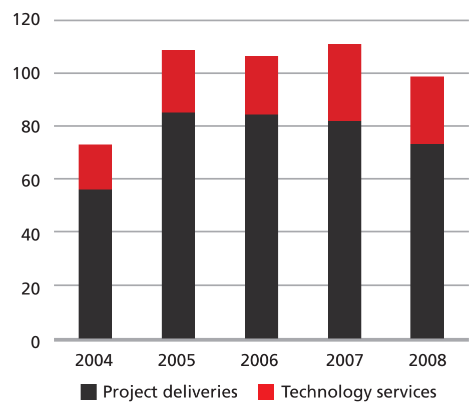
DECLINING WILLINGNESS TO INVEST

Measured in net sales, the most important market areas in 2008 were Europe and Russia. Demand was highest for line-scale and modernization projects. Several larger-scale projects were also delivered to Russia.

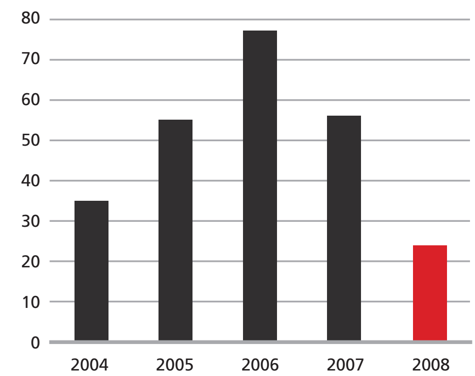
The order book was good at the beginning of 2008. The increased global economic uncertainty reduced the willingness of Raute's customers to make large investments, and the order book decreased to an alarmingly low level towards the end of the year. Although the willingness to make large investments has decreased among customers, the need and willingness to invest in the continuous development and preventive maintenance of machinery and equipment is expected to continue also in the future. This will create demand for Raute's products and services.

Demand in North America slowed down already in 2007, and this resulted in the adaptation of operations there in spring 2008. Likewise, the units in Finland had to carry out some short-term adaptation measures towards the end of the year.

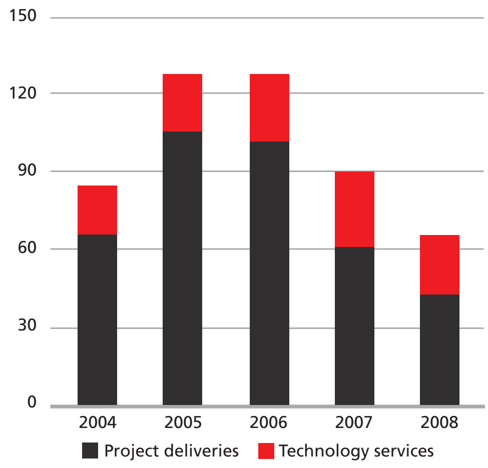
NET SALES, EUR million



YEAR-END ORDER BOOK, EUR million



ORDER INTAKE, EUR million



PROJECT DELIVERIES – THE FOUNDATION OF RAUTE'S BUSINESS

Net sales for project deliveries in 2008 totaled EUR 73 million (MEUR 82). The most important market areas for Raute's project deliveries in 2008 were Europe and Russia. The deliveries included projects aimed at both developing existing capacity and building completely new capacity.

Several large-scale projects were delivered to Russia, in particular. The deliveries mainly consisted of manufacturing technology for birch plywood. In Europe, there was demand for technology for manufacturing poplar, softwood and birch plywood, in particular, whereas in South America, the emphasis was on manufacturing technology for softwood plywood. During the year, no significant changes took place in the development of sales prices.

New orders for project deliveries stood at EUR 44 million (MEUR 61). The low order intake was attributable to the rapid weakening of the market situation during the second half of the year and the resulting postponement of projects in the negotiation phase. The postponements are evaluated to result from the lower demand for plywood and LVL (Laminated Veneer Lumber), more difficult financing of investments and schedule changes typical of project business.

CHINESE OPERATIONS STRENGTHENED

One of the key focal areas for 2008 was the development, expansion and training of the partner network. Measures focused especially on further developing partnerships in Russia, China and India. The results of the development work were already apparent in the improved profitability and quality of deliveries during the year.

The company's global presence was strengthened by expanding operations at the plant in China. The investment doubled the production facilities and capacity of the plant.

INVESTMENTS IN OWN PRODUCTION CAPACITY

Raute developed its own production by increasing automation over the course of the year. Production capacity at the Nastola plant was developed by acquiring an automatic machining center for large components. The investment secures speedy spare parts deliveries and the availability of critical parts. In addition, an automatic welding unit was acquired for the plant for welding hot plates and frames.

VARIOUS-SIZED PROJECTS BEING PLANNED

At the start of 2009, the order book for project deliveries stands at an exceptionally low level. Several mill-scale projects are being planned in various market areas, but their scheduling is still uncertain.

The weakened market situation is forecasted to result in a situation where the demand for technology in both the plywood and LVL industries covers the following types of projects:

- Relatively small projects with a short payback time, through which the customers aim to achieve savings in raw material, energy, glue and labor costs, are being planned in normal numbers.
- Established operators are also planning projects to strengthen their competitiveness and ability to deliver as soon as demand returns to its normal level.
- In addition, some projects triggered by the wood export duties are being planned in Russia by both Russian and external operators.

TECHNOLOGY SERVICES TARGET EMERGING MARKETS

Net sales for technology services in 2008 totaled EUR 25 million (MEUR 29). Demand remained at a good level in all of the market areas, except for North America. The good demand in the first half of the year weakened in other market areas towards the end of the year due to the low capacity utilization rates of customers' mills.

Demand targeted training services and modernization projects that improve equipment and operations. Demand for maintenance and spare parts services remained at the same level as in 2007.

The order intake for technology services in 2008 amounted to EUR 23 million (MEUR 29). Several significant Group-level contracts were signed during the year. The number of production lines covered by maintenance contracts increased by 19%.

DEVELOPING CUSTOMER RELATIONSHIPS AND THE SERVICE NETWORK

During the year, Raute extended and intensified existing customer relationships. The aim is to further increase the share of close cooperation based on continuous contracts. In 2008, planned cooperation based on contracts accounted for more than 50 percent of maintenance sales. Operations based on contracts enable more efficient resource allocation than earlier.

Raute's presence was strengthened in the emerging markets, in particular. The investment to start up and develop operations at the service center in Chile resulted in local service contracts. In Russia, the operations of the St. Petersburg unit were strengthened by recruiting new people.

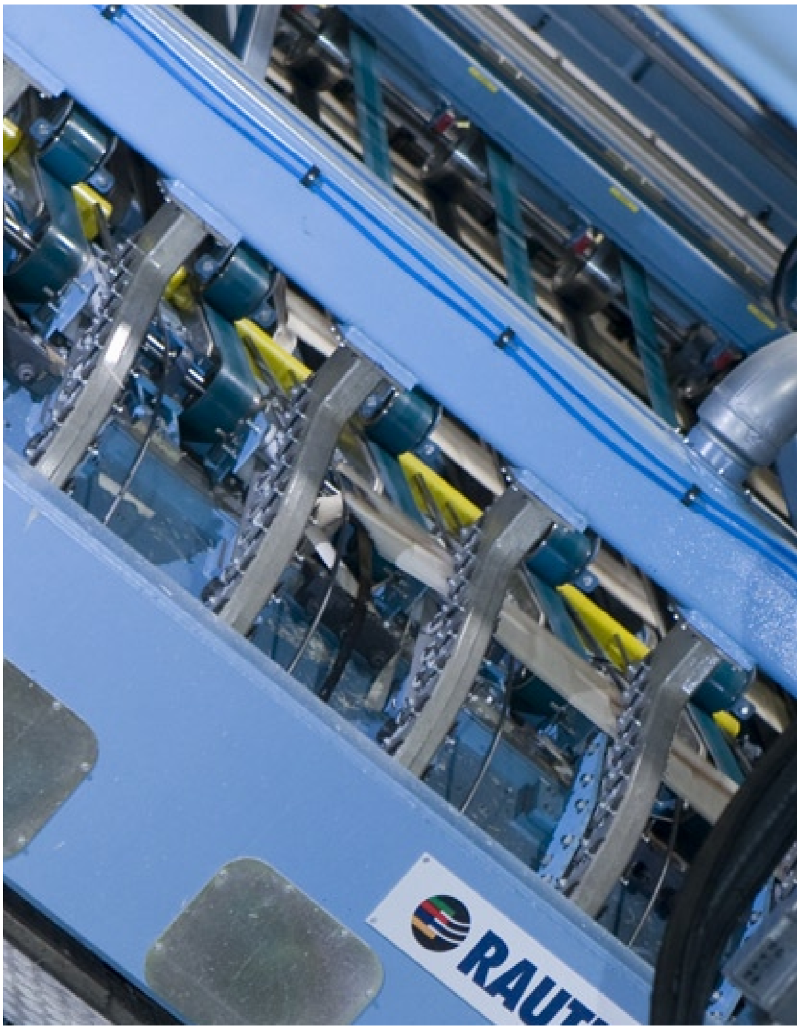
CONTINUOUS CUSTOMER RELATIONSHIPS CREATE A SOLID FOUNDATION

Raute has customer contracts based on continuous cooperation which creates a solid foundation for 2009. Although the uncertainty in the global economy continues, some customers will make the most of the slower market situation and develop their own operations. This is forecasted to create demand for Raute's technology services, such as training and modernization.

The lower uptimes of customers' mills will decrease the demand for both spare parts and maintenance services. The focus of Raute's product development is now on services relating to the improvement of energy efficiency and safety, environmental sustainability and the optimization of personnel and production expenses.

Further information on Raute's financial development on pages 8–9.

Further information on Raute's products, services and product development on pages 20–23.



PRODUCTS AND SERVICES

THROUGH THE LIFE-CYCLE

WE OFFER OUR CUSTOMERS TECHNOLOGY AND EXPERTISE THAT INCREASE THEIR PRODUCTION EFFICIENCY, RELIABILITY AND PROFITABILITY.

PRODUCTS AND SERVICES THROUGH THE LIFE-CYCLE

- **Raute's core competence encompasses the manufacturing processes of selected wood products.**
- **The company's strengths are its comprehensive technology offering and versatile service offering.**
- **Raute is involved in the planning stages of the customer's production investment to close cooperation in the form of contract-based maintenance and modernizations.**

The versatility of the service offering enables a close, long-term cooperation between Raute and the customer. The aim of the cooperation is to constantly develop customers' production processes and end products. Raute's significant experience, expertise and global reference deliveries form a strong foundation for the development process. The longest customer relationships have began with raw material and market research and continued after the project phase with maintenance and modernization services for the entire life-cycles of the production equipment.

POTENTIAL FOR TECHNOLOGY SERVICES THROUGH PROJECT DELIVERIES

Raute's project deliveries include:

- complete mills for the veneer, plywood and LVL (Laminated Veneer Lumber) industries

- production lines for the above-mentioned mills, such as peeling, drying, lay-up and pressing lines as well as various panel handling and processing lines

- individual machines and equipment.

Raute's goal is to provide customers with added value by offering them production technology that is superior to that offered by competitors. Project deliveries also create markets for technology services and thus for building up productive partnerships.

Raute is able to deliver mill-scale, highly automated projects for the veneer, plywood and LVL industries. This is a definite competitive advantage in comparison to other operators in the field.

Raute's technology offering covers the customer's entire production process, ranging from raw material processing to the finishing and packaging of end products. A high level of automation, machine vision applications and measurement technology bring added value. The main benefits to customers are a better raw material recovery, improved labor productivity, reduced energy and chemical consumption, higher quality end products, and reduced environmental loading.

TECHNOLOGY SERVICES INCREASE PRODUCTION EFFICIENCY

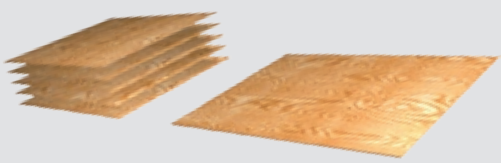
Raute's technology services include:

- maintenance
- spare parts services
- modernizations
- consulting
- training
- reconditioned machinery.

Raute's technology services comprise basic services, value-added services which improve the equipment base or operations, as well as partnership services based on close cooperation.

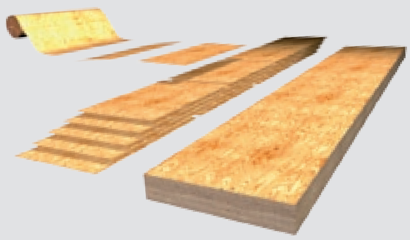
During 2008, new service concepts were actively created within the technology services, especially aimed at improving energy conservation and safety. The latest technological innovations can also be utilized in the equipment base through modernizations.

VENEER is a thin, sheet-like wood product, peeled or sliced from a block.



PLYWOOD is a wood panel product, manufactured by cross-bonding at least three veneers, each laid with its grain at right angles to adjacent layers.

LVL (Laminated Veneer Lumber) is a bar-like structural wood product, created by gluing veneers together, laid one on top of and after the other with the grain running in the same direction.



ADDED VALUE FOR CUSTOMERS

THROUGH TECHNOLOGICAL INNOVATIONS

"ENERGY EFFICIENCY IS ONE OF THE KEY FOCUS AREAS FOR OUR PRODUCT DEVELOPMENT.

- **Raute is investing heavily in research and product development.**
- **The objective of the development work is to improve the competitiveness of customers.**
- **The key focus point in 2008 was on developing solutions which reduce energy and glue consumption and improve yield.**

Raute aims to be the leading supplier of technology and services in its selected wood products technology sectors. The company is investing heavily in research and product development. In recent years, product development has accounted for 3–4 percent of Raute's net sales. In 2008, product development accounted for 5.0 percent (3.9%) of the company's net sales.

PRODUCT DEVELOPMENT IN CLOSE COOPERATION WITH THE CUSTOMER

The need for developing technology and services arises in the customer base. The best end results are achieved when the customer's expertise in the raw materials and operational environment is combined with Raute's knowledge of the necessary processes and equipment. New products and production processes are developed, simulated, and tested in close cooperation with customers to ensure optimum results.

In order to improve design quality and to speed up the design process, Raute uses three-dimensional product models and animations of the production lines and machines. They help to simulate how the customers' production lines operate and to present various options already at the development phase.

When developing technology, focus is placed on the factors in the customers' production process which will lead to improvements in the customers' competitiveness and profitability. By helping its customers succeed and by enhancing the competitiveness of veneer-based products compared to other panel materials, Raute also improves its own competitiveness on the market and increases the size of its potential markets.

AUTOMATION IMPROVES WORKING CONDITIONS

Raute's products also play a role in improving working conditions in customers' mills. Automating processes has removed work stages which were difficult, unergonomic and high-risk for employees. In practice this means moving from work stages that were done by hand to process monitoring tasks, thus increasing the well-being and safety of employees. Safety aspects, ergonomic solutions and the easy and safe maintenance of production lines play an important role in production process planning.

OBJECTIVE: IMPROVEMENTS IN PRODUCTION AND QUALITY

The most significant cost factors in a plywood mill are wood, labor, glue and energy. In order to improve the customers' prerequisites for achieving profitable production levels, Raute is developing solutions for improving raw material recovery and work productivity, energy efficiency, reduced use of chemicals and a higher quality of end product. The development work also aims to reduce the environmental impacts resulting from the customer's operations.

Research and product development at Raute involves designing new products, improving existing products, as well as developing technology services, such as maintenance and modernization products.

Product improvements made at different life-cycle stages, as well as regular maintenance, are important ways to maintain the profitability of production. Modernizing the machine base with the most up-to-date technology helps to achieve significant improvements in production and quality.

MORE WIDE-SPREAD USE OF ROBOT TECHNOLOGY

Important development areas in 2008 included reducing the drying line's energy consumption, the secondary processing of veneer, and measurement and grading methods. New random handling (randoms are pieces of veneer which are smaller than a full veneer sheet and vary in size) and veneer jointing concepts enable the use of smaller pieces of veneer in plywood production, which improves the efficiency of raw material use and increases work productivity. The aim of reducing glue consumption is targeted through a new liquid extruder gluing method.

Using machine vision and robots for different work stages offers new process development possibilities. Raute has implemented robot technology in, for example, lay-up, and the patching and grading of veneer. During 2008, Raute also presented a new peeling line concept which was designed for peeling small-diameter hardwood, especially for the Russian markets. The concept can also be applied in the installed base as a modernization.

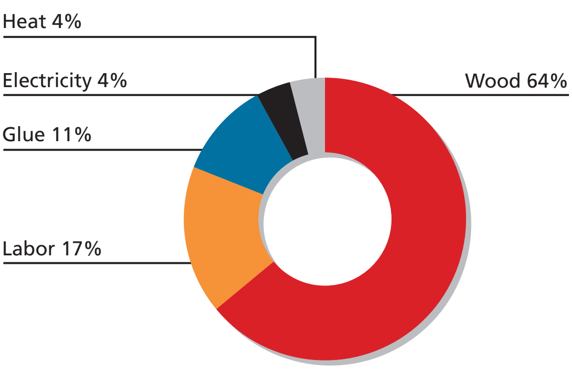
In 2009, the focus areas of product development will be, for example, the optimization of raw materials use, solutions for reducing labor costs, as well as reducing glue and energy consumption in the plywood production process.

RAUTE'S FORMULA FOR SUCCESS

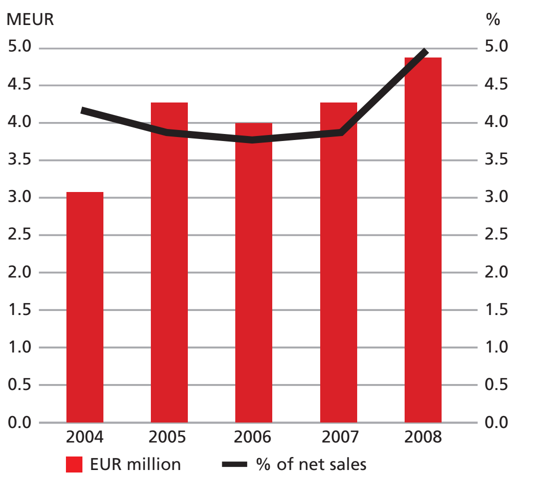
RECOVERY
+
QUALITY
+
PRODUCTIVITY
x CAPACITY = PROFITABLE PRODUCTION

Further information on Raute's environmental technology on pages 27–29.

TYPICAL MANUFACTURING COSTS OF PLYWOOD, western cost level



PRODUCT DEVELOPMENT



SUCCESS
REQUIRES EXPERTISE

WE WILL ACHIEVE OUR OBJECTIVES BY APPLYING THE BEST METHODS FOR MANAGING OUR SKILLED PERSONNEL AND BY ENSURING THEIR WELL-BEING.

SUCCESS REQUIRES EXPERTISE

- **The constant development of expertise is necessary for achieving objectives.**
- **The Raute Leader program enhances the leadership skills of managers.**
- **Tacit knowledge is transferred through mentoring.**

Investing in human resources management supports Raute's goal of becoming the leading technology and service providing company in its field. A competent and efficient personnel is essential for reaching this goal. The objective of HR management is to ensure the development of the personnel's competence and that the company has enough professionals in the future. Key focus areas in 2008 were the strengthening of the company's employer image, committing personnel, developing competence and occupational well-being.

PERSONNEL IN EIGHT COUNTRIES

In 2008, Raute employed an average of 585 persons (575).

362 employees worked in project deliveries, 137 in technology services, 43 in management and administration and 43 in sales and marketing. 77 percent of Raute's personnel worked in Finland, 13 percent in North America, 7 percent in China, and 3 percent in other sales and maintenance companies.

96 percent of personnel had permanent employment contracts. The employment relationships are on average 13.8 years long (14.3 years). The personnel turnover was 10.7 percent (13.1%).

The decrease in the order book also caused Raute to take adaptation measures in its North American operations during the spring and in the Finnish companies towards the end of 2008.

RETAINING A POSITIVE EMPLOYER IMAGE IS ESSENTIAL

In order for the company to achieve its strategic objectives and to ensure its future competitiveness, it will need new professionals also in the future: wood products and wood technology professionals who understand the needs of customers. Succeeding at work requires employees to have good social and language skills as well as technical knowledge.

Raute offers its employees interesting and challenging work and excellent development prospects in Finland and abroad.

Retaining a positive employer image is important for Raute in the ever-tightening competition for the best professionals. Cooperation with schools and universities plays a central role in enhancing the company's employer image. In 2008, a number of school visits and an open day were organized at Raute's Nastola unit in Finland in connection with the company's centennial celebrations.

During the course of the year, a number of new professionals were recruited for, among others, production, engineering and project management, as well as technology services jobs at the company's Finnish, Chinese and Russian units. New professionals for production were also sought through apprenticeship training.

EXPERTISE REQUIRES DEVELOPMENT

Raute develops its personnel's expertise mainly through learning at work, training and networking. Additionally, Raute supports independent education, such as postgraduate degrees and various further education options. Training took up one percent of the company's working hours in 2008.

In 2008, the focus points for developing expertise were management and technological expertise. The company's project which aims at strengthening the management skills of supervisors and experts, as well as promoting good management at Raute, was continued. The two-year program started in 2007 with the aim of discovering new thought and operating models for managing people. The Raute Leader program, which consisted of four training sessions, was completed as part of the project. The training included the management of individuals, groups as well as of change.

In the fall of 2008, a new Future Raute Leader program was begun, based on the interest and positive feedback that the previous program had generated. The program is aimed at future managers and experts whose job description will include management duties. The program includes training and operational models for managing people, business and oneself. Supervisory work was also supported through other supervisor training programs.

TECHNOLOGICAL KNOWLEDGE FROM MENTORS

Another focus point for development was technology. A future challenge for Raute is securing expertise and the transfer of tacit knowledge from experienced professionals to their younger counterparts. Mentoring was continued during 2008, in which new employees were given the opportunity to work together with more experienced professionals and to make use of their expertise.

The technological expertise of the personnel was also developed by organizing internal and external training, for example in peeling technology, automation, hydraulics and design systems.

DEVELOPING THE REWARD SYSTEM

Raute's performance-based pay system covers the whole personnel, in addition to which employees can also be rewarded for achieving their personal targets. Reforms to the company's reward systems were implemented during 2008 and new models will be introduced during 2009. Raute has implemented a share-based incentive plan during 2006–2008, aimed at the Executive Board and key employees, to ensure their commitment to the company.

PRE-EMPTIVE OCCUPATIONAL HEALTH CARE AND OHS

The personnel's well-being and ability to work are maintained through occupational health care (OHS), as well as through occupational well-being and occupational health and safety measures according to a plan which is drawn up annually. The occupational health care emphasizes preventive measures that maintain the ability to work.

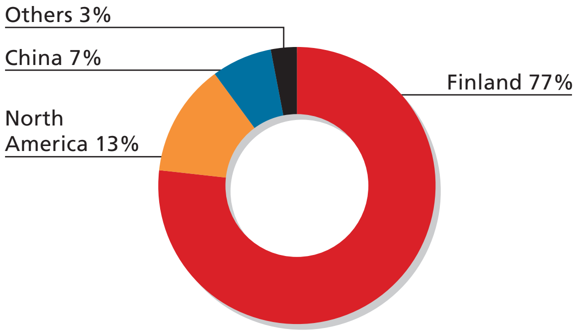
Personnel*	2008	2007	2006
Personnel	**550**	548	522
Average age	**45**	47	45
Women, %	**12**	12	12
Years of experience at Raute	**14**	14	14
New employment contracts	**53**	71	44
Personnel turnover, %	**11**	13	8
Training days / employee	**2**	3	2

**Current employment contracts at Dec. 31*

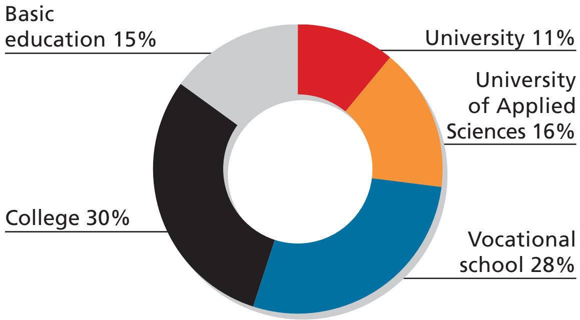
In 2008, focus was placed on the improvement of employees' physical well-being using fitness tests, for example, followed up through fitness programs and by supporting individual exercise. In addition, Raute supports recreational activities that maintain the ability to work. These include different kinds of events, as well as sports and exercise courses and clubs.

At Raute, absences due to illness correspond to the average in the technology industries. Absences due to accidents at work are slightly lower than average. The work safety risks assessment project was completed in 2008. Its objective was to identify the risks and determine the measures to be taken in risk situations and thus to achieve further improvements in work safety.

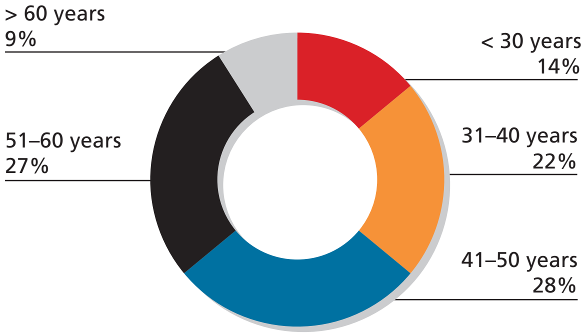
PERSONNEL BY COUNTRY



EDUCATION OF PERSONNEL



AGE DISTRIBUTION OF PERSONNEL



ENVIRONMENTAL TECHNOLOGY

CREATES COMPETITIVE EDGE

THE EFFICIENT USE OF ENERGY AND RAW MATERIALS, AS WELL AS MINIMIZING THE IMPACT ON THE ENVIRONMENT, ARE OBJECTIVES SHARED BY US AND OUR CUSTOMERS.

ENVIRONMENTAL TECHNOLOGY CREATES COMPETITIVE EDGE

- **The environment is one of the values that guide Raute's operations.**
- **Raute focuses especially on developing solutions which save raw materials, energy and chemicals.**
- **Environmentally sustainable technologies are economically profitable for both Raute and its customers.**

Raute has two separate viewpoints from which environmental issues are developed. The company's objective is to reduce its own environmental impact as well as to help customers improve the environmental sustainability of their operations. The environmental impact of the operations can be minimized by monitoring customers' processes and by focusing on the areas which hold the greatest significance for the environment.

ENVIRONMENTAL IMPACT OF RAUTE'S OPERATIONS

The environmental impact of Raute's operations mainly involves waste management, energy use, chemical management and safety. An environmental management program has been drawn up based on these, which takes into account any potential risks. It defines on a yearly basis the environmental aspects of the company's operations, as well as the objectives and measures concerning the reduction of environmental impacts.

The Nastola and Jyväskylä production units have ISO-certified quality and environmental management systems. Field surveys are organized at the industrial sites twice a year, the focus being on environmental and safety aspects. The operations and ethical principles of Raute's broad, international network of partners and subcontractors are assessed according to standardized criteria. The aim is to ensure the ethical functioning of the entire production chain.

CONTINUOUS WORK FOR THE ENVIRONMENT

During 2008, the work towards improving Raute's environmental and safety issues was continued. The proportion of recycled waste from the total waste volume remained at approximately 90 percent, the target level. The objective is to reduce the ratio of waste volume and net sales by two percent per year. Cost savings were achieved in waste management also by calling tenders for the reception of recycled material.

The safety management project begun in 2007 was completed in 2008. New safety management procedures were created that can be adapted to different sites. Safety aspects are taken into account when working with the customer, partners and within Raute itself. The project was carried out jointly with the Tampere University of Technology.

Raute's objective is to continue to develop its working environment both from a production and safety standpoint.

AIMING FOR INCREASED ENERGY EFFICIENCY

In 2009, Raute will be focusing on energy efficiency through various programs and evaluations. Raute has extended the voluntary Energy Efficiency Agreement for the technology industry up until 2016. Cooperation with other companies will be increased under the agreement. Special focus will be placed on energy procurement tenders which will increase long-term cost savings. In addition, Raute will increase the efficiency of its raw material sorting and operations linked to quality control.

Constantly increasing energy prices have necessitated an active search for measures to reduce energy consumption.

ENVIRONMENTAL IMPACT OF RAUTE'S CUSTOMERS

Raute takes into account the central environmental impacts of the wood products industry from the customers' point of view. Raute helps its customers to function in a more environmentally sustainable way by improving recovery, reducing energy consumption and reducing the use of chemicals, especially glue.

Tightening environmental standards mean that also the plywood production process will be monitored more closely from the environmental viewpoint. Controlling the entire production process creates an advantage for Raute in reducing the environmental load. Many of Raute's new product innovations are classified as environmental technology, and for good reason.

In the plywood production process, most of the energy is used up by the veneer drying process. In 2008, several assessments and development measures took place for reducing energy consumption in both the drying process and other stages.

ENVIRONMENTAL TECHNOLOGY SOLUTIONS FOR CUSTOMERS

The most significant environmental technology results achieved by Raute's product development in 2008 were the reduction in energy consumption in the veneer drying process, the jointing and random handling solutions (randoms are pieces of veneer which are smaller than a full veneer sheet and vary in size) improving recovery, as well as a new liquid extruder gluing concept which reduces the amount of glue used.

The objective for Raute's customers is to continually improve the productivity of their processes. Improvements can be achieved, for example, by increasing the life-cycle of a production line by modernizing it, i.e. adding new technology to the existing machinery. Modernizations make it possible to increase productivity, improve the quality of end products and minimize the environmental impacts of processes.

To ensure their future competitiveness, Raute and its customers wish to promote ecological wood construction and the utilization of wood panels in various end-uses. The use of plywood can be increased by, for example, developing new products for projects requiring visual qualities. Correspondingly, LVL (Laminated Veneer Lumber) can be used instead of non-renewable materials such as metal or concrete for supporting structures in construction projects.

In 2008 Raute introduced a new liquid extruder gluing concept which reduces the amount of glue used.

BOARD OF DIRECTORS

Jarmo Rytilahti
b. 1944, M.Sc. (Econ.& Bus. Adm.)
Chairman of the Board 2004–
Member of the Board 2003–
Principal occupation:
President of Uponor Oyj (former Asko Oyj) 1991–2003
Main simultaneous position of trust:
Member of the Board:
Kemppi Oy 2003–
Renor Oy 2004–
Polttimo Companies Ltd 2005–
Raute shares: No holding of shares
Remuneration in 2008: EUR 39.2 thousand
Share-based remunerations:
No share-based remunerations

Sinikka Mustakallio
b. 1952
Vice-Chairman of the Board 2004–
Member of the Board 1998–
Chairman of Raute Corporation's Supervisory Board 1996–1998
Principal occupation:
President, WoM Oy 2001–
Main simultaneous position of trust: None
Raute shares:
47 240 pcs series K shares
30 862 pcs series A shares
Remuneration in 2008: EUR 19.5 thousand
Share-based remunerations:
No share-based remunerations

Ilpo Helander
b. 1942, M.Sc. (Eng.)
Member of the Board 2008–
Principal occupation:
President of Oy Electrolux Ab 1991–2004
Main simultaneous position of trust:
Member of the Board:
Neomarkka Oyj 2007–
Reka Kumi Oy 2007–
Teknos Oy 2007–
CT-Logistics Oy 2008–
Raute shares: No holding of shares
Remuneration in 2008: EUR 15.0 thousand
Share-based remunerations:
No share-based remunerations

Holdings of Raute shares on 31 December 2008. The figures include holdings of their own, minor children and control entities.

Mika Mustakallio
b. 1964, M.Sc. (Econ. & Bus. Adm.), CEFA
Member of the Board 2004–
Principal occupation:
President, MORS Software Oy 2006–
Main simultaneous position of trust: None
Raute shares:
39 750 pcs series K shares
42 670 pcs series A shares
Remuneration in 2008: EUR 19.5 thousand
Share-based remunerations:
No share-based remunerations

Panu Mustakallio
b. 1971, M.Sc. (Eng.)
Member of the Board 2003–
Principal occupation:
Specialist, Indoor Climate Technology, Halton Oy 2005–
Innovation specialist, Oy Halton Group Ltd., 2008–
Main simultaneous position of trust: None
Raute shares:
12 000 pcs series K shares
15 256 pcs series A shares
Remuneration in 2008: EUR 19.5 thousand
Share-based remunerations:
No share-based remunerations

Jorma Wiitakorpi
b. 1957, M.Sc. (Eng.)
Member of the Board 2006–
Principal occupation:
President and CEO, Patria Oyj 2001–2008
Main simultaneous position of trust:
Chairman of the Board:
Suomen Laatuyhdistys ry. 2006–
Neomarkka Oyj 2007–
Member of the Board:
Kemppi Oy 2008–
Teknologiateollisuus ry 2008-
Raute shares:
1 050 pcs series A shares
Remuneration in 2008: EUR 16.5 thousand
Share-based remunerations:
No share-based remunerations

Auditors
Anna-Maija Simola, APA
Antti Unkuri, APA
Deputy Auditor
Ernst & Young Oy

Jarmo Rytilahti

Sinikka Mustakallio

Ilpo Helander

Mika Mustakallio

Panu Mustakallio

Jorma Wiitakorpi

EXECUTIVE BOARD

Tapani Kiiski
b. 1962, Licentiate in Technology, M.Sc. (Eng.)
President and CEO, March 16, 2004–
With the company since: 2002–
Member of the Executive Board: March 16, 2004
Employment history: Raute Corporation 2002–2004: various positions such as Technology Director, Sales Director;
KCI Konecranes International Plc 1994–2002: various positions, such as CIO;
Kone Corporation, Kone Cranes 1985–1994: various positions, such as R&D Manager, R&D Director
Raute shares: 1 000 pcs series A shares

Arja Hakala
b. 1957, M.Sc. (Econ.), MBA
Chief Financial Officer,
Deputy to President and CEO, October 8, 2003–
With the company since: 1990–
Member of the Executive Board: January 1, 2001
Employment history: Raute Corporation 1990–2003: Administrative Director;
Luhta Oy 1985–1990: Controller
Raute shares: No holding of shares

Petri Strengell
b. 1962, M.Sc. (Eng.)
Vice President, Technology and Operations, October 11, 2004–
With the company since: 1987–
Member of the Executive Board: June 1, 2004
Employment history: Raute Corporation 1987–2004: various positions such as Engineering Manager, Production Director
Raute shares: No holding of shares

Timo Kangas
b. 1965, Engineer
Vice President, Technology Services, October 1, 2004
With the company since: 2004–
Member of the Executive Board: September 22, 2004
Employment history: Raute Corporation 2004: Maintenance Service Manager;
YIT Corporation, 1999–2004: various positions such as Key Account Manager, Area Manager
Raute shares: No holding of shares

Bruce Alexander
b. 1959, B.Sc. (For.), MBA
Vice President, North American Business Operations
President, Raute's North American companies, March 6, 2000–
With the company since: 2000–
Member of the Executive Board: June 1, 2004
Employment history: International Forest Products Ltd. 1988–2000: various positions, such as Corporate Development Manager, Divisional Manager
Raute shares: No holding of shares

Petri Strengell

Holdings of Raute shares on 31 December 2008. The figures include holdings of their own, minor children and control entities.

Tapani Kiiski Timo Kangas Arja Hakala Bruce Alexander

INFORMATION TO SHAREHOLDERS

Raute Corporation's series A shares are listed on the NASDAQ OMX Helsinki Ltd. Share quotations can be followed online at www.raute.com.

Series A share

- Trading code: RUTAV
- Number of shares: 3 013 597
- Votes/share: 1 vote

Series K share

- Number of shares: 991 161
- Votes/share: 20 votes

Investor relations

Tapani Kiiski, President and CEO
Arja Hakala, CFO
tel. +358 3 829 11
email: ir@raute.com

ANNUAL GENERAL MEETING

Raute Corporation's Annual General Meeting will be held on Thursday, April 2, 2009 starting at 6:00 p.m. at Congress Center Fellmanni, Kirkkokatu 27, Lahti, Finland.

To be entitled to attend the Annual General Meeting, shareholders must be registered in the shareholders' register maintained by Euroclear Finland Ltd at the latest on March 23, 2009.

Shareholders who wish to attend the Meeting must register for it by 4:00 p.m. on Friday, March 27, 2009 by writing to Raute Corporation, P.O. Box 69, FI-15551 Nastola, Finland, by email to eija.salminen@raute.com, by sending a fax to +358 3 829 3582 or by calling +358 3 829 3302 / Ms. Eija Salminen. Any proxies should be supplied at the time of registration. Raute Corporation's Articles of Association do not specify special procedures for presenting initiatives to the Annual General Meeting.

DIVIDEND

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.70 per share paid for both series A and K shares. The date of payment is April 16, 2009 and the respective record date is April 7, 2009. Dividends will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date.

FINANCIAL INFORMATION

This annual report is published in Finnish and English. Raute Corporation will publish three interim reports, in Finnish and English, in 2009:

April 29	January–March 2009
August 4	January–June 2009
October 27	January–September 2009

The annual report, the consolidated financial statements, interim reports, stock exchange releases and other information on Raute Corporation are available in Finnish and English at www.raute.com. Raute's financial publications can be ordered in print or as printouts by phone from +358 3 829 11 or by email from ir@raute.com.

RAUTE IS A LEADING TECHNOLOGY COMPANY IN ITS SECTOR, SERVING THE WOOD PRODUCTS INDUSTRY WORLDWIDE.

Raute is proud of its over 500 experts who work internationally and develop the best products and services in the sector for its customers.

ADDRESSES

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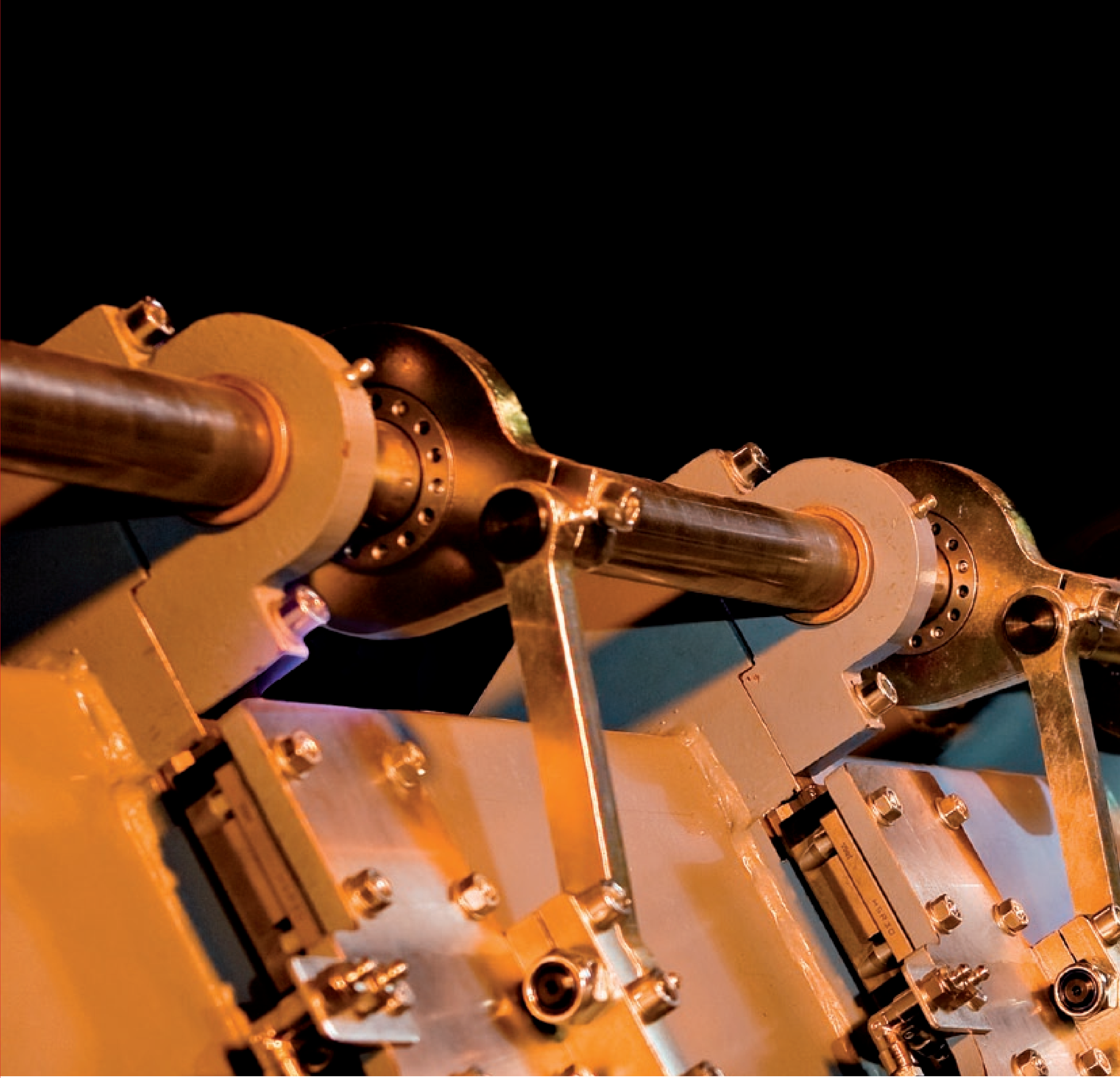

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FINANCIAL STATEMENTS 2008

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BOARD OF DIRECTORS´ REPORT

The Group's net sales in 2008 totaled EUR 98.5 million (MEUR 110.8), down 11.1 percent. The Group's operating profit was EUR 6.3 million (MEUR 8.6). Financial income and expenses totaled EUR 0.5 million (MEUR 0.4). Profit before tax was EUR 6.9 million (MEUR 9.0) and profit for the financial year EUR 4.7 million (MEUR 6.6). Earnings per share were EUR 1.18 (EUR 1.65), and return on equity was 14 percent (21%).

In this report, figures in parentheses refer to corresponding figures for the previous years 2007 and 2006.

MARKETS

The financial crisis which expanded to global proportions, and the weakened outlook of the global economy made it more difficult to receive financing, and as a result, business in the construction and transport industries slowed down on a global scale during the latter part of 2008. After the summer, the plywood and LVL (Laminated Veneer Lumber) mills began to adapt their production levels to correspond with the lowered demand.

In North America, the difficult market situation for the plywood and LVL industries continued throughout the year, as the level of construction activity remained low.

The more difficult financing and the weakened market situation affected investment decisions of plywood and LVL industries, and reduced the demand for wood products technology. The low capacity utilization rates of the mills were also reflected in the demand for maintenance and spare parts services.

ORDER INTAKE AND COMPETITIVE POSITION

Raute's business consists of project deliveries and technology services. Project deliveries encompass complete mills, production lines, and individual machines and equipment. Technology services include maintenance, spare parts services, equipment modernization, consulting, training, and reconditioned machinery.

The order intake in 2008 was only EUR 67 million (MEUR 90) due to the weakened market situation and the postponement of large, mill-scale projects. Project deliveries accounted for EUR 44 million (MEUR 61) of the order intake, and technology services for EUR 23 million (MEUR 29).

On the whole, Raute's competitive position has remained strong. Customers appreciate the supplier's comprehensive competence and strong technology development in their strategic investments aimed at ensuring their ability to deliver and provide service. The competitive edge provided by Raute's technology plays an important role when customers select their suppliers.

NET SALES AND ORDER BOOK

The Group's net sales (IFRS) totaled EUR 98.5 million (2007: MEUR 110.8; 2006: MEUR 106.2), down 11.1 percent from 2007. The decline in net sales was due to the low order intake.

The portion of project deliveries of the Group's net sales was 74 percent (74%). The plywood industry's share of the project deliveries was 99 percent (82%), while the LVL industry's share was 1 percent (16%). The portion of technology services of the Group's net sales was 26 percent (26%).

Europe took over as the biggest market area in 2008, accounting for 48 percent (31%) of net sales. Russia's share of net sales was 35 percent (35%). North America's share fell to 10 percent (22%) and the share of other market areas to 7 percent (12%). Finland accounted for 16 percent (13%) of net sales.

Due to the weakened market and demand situation, the order book decreased, totaling EUR 24 million (MEUR 56) at the end of the year.

In 2008, the net sales (FAS) of the Parent company Raute Corporation totaled EUR 87.7 million (2007: MEUR 93.0; 2006: MEUR 91.1).

RESULT AND PROFITABILITY

The Group's operating profit (IFRS) fell to EUR 6.3 million in 2008 (2007: MEUR 8.6; 2006: MEUR 4.5), accounting for only 6 percent (2007: 8%; 2006: 4%) of net sales. The decline in net sales weakened the operating profit and the profit margin, despite the successful and improved cost management of projects.

In order to adapt to the strongly weakened market situation in North America, restructuring measures were taken in Raute's North American companies in April. A total of EUR 0.6 million of one-time costs relating to the restructuring was recorded in 2008.

The Group's financial income and expenses totaled EUR 0.5 million (MEUR 0.4) positive. The Group's profit before tax was EUR 6.9 million (MEUR 9.0) and profit for the financial year EUR 4.7 million (MEUR 6.6).

Earnings per share were EUR 1.18 (EUR 1.65). There were no dilutive items. Return on investment was 19 percent (29%) and return on equity 14 percent (21%).

The operating profit (FAS) of the Parent company Raute Corporation was EUR 6.5 million (2007: MEUR 7.8; 2006: MEUR 4.0). The operating profit accounted for 7 percent (2007: 8%; 2006: 4%) of net sales. The profit for the financial year (FAS) was EUR 4.5 million (MEUR 7.4). The operating profit was weakened by a EUR 0.8 million write-off of receivables from a subsidiary. The financial items included a loss of EUR 1.0 million relating to the valuation of loans to a subsidiary.

DEVELOPMENT OF OPERATIONS

Raute Corporation established a representative office in Moscow in June 2008. The aim is to improve Raute's customer service and strengthen its local presence in Russia.

The development of the subcontracting network continued. Raute's own ability to deliver was improved by investing in production equipment at the Nastola main production plant and the Chinese plant. In order to support the management of deliveries, the ERP information system already in place in the other Group units was introduced at the Chinese unit.

RAUTE TURNED 100 YEARS

Raute turned 100 years on April 30, 2008. The company celebrated its 100-year journey together with its partners and employees in the various units. Some 400 visitors visited the Nastola unit during the open days organized in August.

GROUP STRUCTURE

Mecano Group Oy, a wholly-owned subsidiary of Raute Corporation focusing on machine vision and analyzing applications, was merged with the parent company on December 31, 2008. The merger will clarify the Group structure and improve the efficiency of operations. The merger will have no impact on Mecano's product offering, customer service or personnel.

A merger loss of EUR 150 thousand was recorded in the Parent company Raute Corporation due to the merger. The effect on Raute Corporation's balance sheet total was EUR 804 thousand.

FINANCING

The Group's financial position remained strong. At the end of the financial year, the equity ratio was 60.5 percent (2007: 70.3%; 2006: 60.1%) and gearing -31.0 percent (2007: -32.5%; 2006: -80.3%). The Group's balance sheet totaled EUR 60.2 million (2007: MEUR 54.8; 2006: MEUR 68.5) at the end of 2008. The strong fluctuation in balance sheet items and the key figures based on them is a result of differences in the timing of customer payments and the cost accumulation from project deliveries, which is typical of project business.

The Group's cash and cash equivalents, including financial assets recognized at fair value through profit or loss, stood at EUR 21.1 million (MEUR 11.3) at the end of the financial year. Operating cash flow was EUR 6.9 million positive (MEUR -10.2), and cash flow from investment activities was EUR 3.1 million negative (MEUR -0.7). Cash flow from financing activities was EUR 6.0 million positive (MEUR -1.8) and includes EUR 4.0 million (MEUR 2.8) in dividend payments for 2007 and the new EUR 10 million TyEL (pension) loans.

The company made preparations for market disturbances caused by the financial crisis by raising a EUR 10 million TyEL loan in November 2008. Due to the new loan, interest-bearing liabilities amounted to EUR 10.5 million (MEUR 0.5) at the end of 2008.

Raute Corporation has a EUR 10 million domestic commercial paper program, which allows the company to issue commercial papers maturing in less than one year. The company also has unused bilateral non-current credit regulation agreements worth EUR 14 million with three different Nordic banks.

At the end of 2008, the equity ratio (FAS) of the Parent company Raute Corporation was 60.7 percent (2007: 72.2%; 2006: 59.0%).

RESEARCH AND DEVELOPMENT COSTS AND CAPITAL EXPENDITURE

Raute's goal is to be the leading technology supplier in its selected customer industries, and to invest strongly in the continuous research and development of plywood and LVL manufacturing technology, in particular, and the supporting automation and instrumentation applications, such as machine vision. In 2008, the Group's research and development costs, EUR 4.9 million, remained at a high level, representing 5.0 percent of net sales (2007: MEUR 4.3 / 3.9% of net sales; 2006: MEUR 4.0 / 3.8% of net sales).

Investments totaled EUR 3.2 million, and were at a higher level than in the past few years (2007: MEUR 1.9; 2006: MEUR 1.9). The largest single investments involved the development of production at the plants in Nastola and China. The investments made in 2008 included development costs in the amount of EUR 0.7 million (2007: MEUR 0.2; 2006: MEUR 0.5). Other investments consisted of information system and replacement investments.

In 2008, the research and development costs (FAS) of the Parent company Raute Corporation were EUR 3.7 million, representing 4.2 percent of net sales (2007: MEUR 3.1 / 3.3% of net sales; 2006: MEUR 3.2 / 3.5% of net sales). Investments totaled EUR 2.1 million (2007: MEUR 1.6; 2006: MEUR 1.8).

PERSONNEL

The Group's headcount at the end of 2008 was 573 (570). Finnish Group companies accounted for 77 percent (76%) of employees, North American companies for 13 percent (18%), Chinese companies for 7 percent (4%), and other sales and maintenance companies for 3 percent (2%).

In April, the number of personnel in the North American units was adapted to the continued weak demand.

In December, adaptation measures concerning the entire personnel in the Group's Finnish companies were started due to the reduced order book and weakening market and demand situation. The implementation of the measures will continue in 2009.

Converted to full-time employees, the Group's average headcount in 2008 was 538 (2007: 566; 2006: 546). Salaries paid by the Group totaled EUR 23.8 million (2007: MEUR 24.0; 2006: MEUR 22.0).

The Group uses performance-based pay systems covering the entire personnel. In addition, the Group implemented a share-based incentive plan during the strategic period 2006–2008. The plan is described in more detail in the section Shares and Shareholders of the financial statements.

The Raute Leader program was completed during the year to enhance the leadership skills of the Group's managers. A total of 16 middle-management managers and specialists completed the training program which coached them to meet future challenges. 1.0 percent (0.9%) of the payroll was invested in the training of personnel.

Converted to full-time employees, the average number of personnel employed by the Parent company Raute Corporation in 2008 was 366 (2007: 393; 2006: 386). Salaries paid by the Parent company totaled EUR 17.0 million (2007: MEUR 16.3; 2006: MEUR 14.8).

SHARES

The number of Raute Corporation's shares at the end of 2008 totaled 4,004,758, of which 991,161 were series K shares (ordinary share, 20 votes/share) and 3,013,597 series A shares (1 vote/share). Series K and A shares grant equal rights to dividends and company assets.

Series K shares can be converted to series A shares under the terms described in Article 3 of the Articles of Association. If a series K share is transferred to a new owner who does not previously hold series K shares, the new owner shall report this to the Board of Directors in writing and without delay. The other shareholders of the K series have the right to redeem the share under the terms described in Article 4 of the Articles of Association. The company did not during 2008 possess company shares or hold them as security.

Raute Corporation's series A shares are listed on NASDAQ OMX Helsinki Ltd. A total of 392,693 shares worth EUR 4,854 thousand were traded in 2008. The number of shares traded represents 13 percent of all listed series A shares. The average price of a series A share was EUR 12.37 (EUR 13.85). The highest rate of the year was EUR 15.20 and the lowest EUR 6.24. The company's market capitalization at the end of 2008 totaled EUR 25.6 million, with series K shares valued at the closing price of series A shares, EUR 6.40, on December 31, 2008.

Raute Corporation has signed a market making agreement with Nordea Bank Finland Plc in compliance with the Liquidity Providing (LP) requirements issued by NASDAQ OMX Helsinki Ltd.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

The Annual General Meeting held on April 2, 2008 authorized the Board of Directors to decide on the repurchase of a maximum of 400,000 Raute Corporation series A shares with the company's distributable assets. Repurchased shares may be disposed for important financial reasons, such as funding acquisitions or other arrangements. The authorization was not exercised in 2008.

LOANS TO RELATED PARTIES AND OTHER LIABILITIES

On December 31, 2008, the Parent company Raute Corporation had loan receivables from its subsidiary Raute Canada Ltd. in the amount of CAD 5,415 thousand. Raute Corporation had a loan of EUR 110 thousand to the Raute Sickness Fund. Other obligations are described in the notes to the financial statements.

DISTRIBUTION OF DIVIDEND

On April 2, 2008, Raute Corporation's Annual General Meeting decided to distribute a dividend of EUR 1.00 per share for 2007. The total amount of dividends paid on April 14, 2008 was EUR 4.0 million, series A shares accounting for EUR 3.0 million and series K shares for EUR 1.0 million.

MANAGEMENT

The Annual General Meeting elects the Chairman and Vice-Chairman for the Board of Directors, and 3–5 Board members.

Raute Corporation's Annual General Meeting held on April 2, 2008 re-elected Mr. Jarmo Rytilahti as Chairman of the Board, Ms. Sinikka Mustakallio as Vice-Chairman, and Mr. Mika Mustakallio, Mr. Panu Mustakallio and Mr. Jorma Wiitakorpi as Board members. Mr. Ilpo Helander was elected as a new Board member.

The Board of Directors appoints the President and CEO and confirms the terms of his or her employment, including fringe benefits.

Mr. Tapani Kiiski, Licentiate in Technology, continued as Raute Corporation's President and CEO. He was appointed as Raute Corporation's President and CEO on March 16, 2004. As agreed in the executive contract, the term of notice is six months, and the severance pay equals six months' salary.

Raute Corporation's Articles of Association do not grant any unusual authorizations to the Board of Directors, or the President and CEO.

Any decisions on changes to the Articles of Association or an increase in share capital are made in compliance with the regulations of the effective Companies Act.

OTHER MANAGEMENT

Mr. Tapani Kiiski continued as Chairman of the Group's Executive Board, and the Executive Board also included Ms. Arja Hakala, CFO; Mr. Petri Strengell, Vice President, Technology and Operations; Mr. Timo Kangas, Vice President, Technology Services; and Mr. Bruce Alexander, Vice President, North American Business Operations and President of Raute's North American companies.

AUDITORS

Raute Corporation's Annual General Meeting held on April 2, 2008 elected Ms. Anna-Maija Simola and Mr. Antti Unkuri, Authorized Public Accountants, as auditors, and Ernst & Young Oy, an authorized public accounting company, as deputy auditor.

BUSINESS RISKS

Impact of economic fluctuations on business operations

Raute supplies technology and services to the wood products industry. Business is characterized by sensitivity to economic fluctuations due to changes in the investment activity of customer industries. The impact that the cyclical nature of project deliveries has on the Group's performance is mitigated by systematically increasing the share of technology services, by developing the subcontracting network, and by focusing on core competencies in the company's own operations. In the long term, the Group's growth opportunities are increased and the impact of economic fluctuations balanced by developing operations in market areas where the company's market share is still small, and by creating products for new customer groups, such as the decorative veneer industry.

The economic recession, which expanded to global proportions during 2008, the financial crisis, and the deepened uncertainty in the development of the global economy will increase near-future risks, and it is difficult to predict all of their implications. The financial crisis will make business financing more difficult and increase financing costs which will weaken the company's market outlook for the short term and affect the company's counterparty risk. The company's loans have fixed interest rates, and thus the company is not subject to interest rate risk. The liquid assets are mainly in Finnish and Swedish banks.

The Group is prepared for fluctuations in the working capital tied up in project operations. Raute Corporation has a EUR 10 million domestic commercial paper program, which allows the company to issue commercial papers maturing in less than one year. The company also has unused bilateral non-current credit regulation agreements worth EUR 14 million.

Delivery and technology risks
The bulk of Raute's business operations consist of different kinds of project deliveries, which always expose the company to risks caused by, for example, each customer's end product, production methods, or tailored solutions related to raw materials. At the quotation and negotiation phase, the company has to take risks relating to the promised performance figures, and make estimates of implementation costs. Contract, product liability, implementation, cost, and capacity risks are managed using project management procedures that comply with the company's certified quality system.

Raute emphasizes product development and continuously develops new technology in order to offer solutions for customers' expanding needs. The functionality and capacity of new solutions cannot be fully verified until the solutions can be tested under production conditions in conjunction with the first customer deliveries. Technology risks are reduced by the conditions of delivery contracts and by restricting the number of simultaneous first deliveries.

Financing risks
The main financing risks that Raute's international business operations are exposed to are liquidity, currency, and credit and counterparty risks.

The financing risks, as well as the risk management objectives and procedures, are described in note number 36 to the financial statements.

Accident risks
The production, planning, financial, and ERP systems serving the Group's key technologies are centrally located at the Nastola main production plant. A fire or serious breakdown in machinery may result in considerable property or interruption loss. The Group hedges against such risks by assessing its facilities and processes in terms of risk management and by maintaining emergency plans. It regularly reviews its insurance policies as part of overall risk management. The objective is to use insurance policies to sufficiently hedge all risks that are reasonable to handle through insurance due to economical or other reasons.

The Group has no ongoing legal proceedings or other disputes in progress that might materially affect the continuity of business operations, nor is the Board of Directors aware of any other legal risks related to the Group's operations that might have such an effect.

Risk management policy and organization
The Group has a risk management policy approved by the Board of Directors. The President and CEO and the Chief Financial Officer report to the Board regularly concerning any major strategic and business risks, and financing risks.

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

The Group's President and CEO controls the implemen-tation of risk management in the entire Group, while the Presidents of the Group companies are responsi-ble for risk management 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 jointly with the operational management and to control compliance with the risk management principles and powers. The principal product and operation liability risks, and property and personal damage risks are covered by insurances. The absence of an internal auditing organization is taken into account when drawing up the content of the Group reporting and the internal audits of quality systems. The company's Board of Directors approves the auditing program.

The risk assessment of business operations was updated in 2008. In addition, the coverage of contracts was assessed in technology services. The assessments identified and evaluated risks of different types, defined areas for development, and specified measures to be taken immediately.

SOCIETY AND THE ENVIRONMENT

The environment is one of the values that guide Raute's operations. Raute has been systematically developing the environmental sustainability of its products and services and aims to reduce the environmental impact of its operations. The Group abides by the principles of good corporate citizenship, taking into consideration nature and its protection, as well as the operating methods of the surrounding society, and by respecting local cultures.

Raute's operations mainly affect the environment indirectly when the company's technology is used in the production processes of the wood products industry. Raute's technology enables the wood products industry to substantially reduce the environmental load caused by its operations through, for example, more efficient use of raw materials, additives, and energy.

The Group's own operations do not involve considerable environmental risks that might have a direct impact on the Group's business operations or financial position. The Nastola and Jyväskylä plants manage environmental matters in compliance with a certified environmental system. At the Canadian plant, environmental surveys are carried out regularly by an external assessor. The operations and ethical principles of the partner and subcontractor networks are also subjected to systematic inspection.

Raute aims to continuously reduce energy consumption, decrease the volume of waste, and develop the working environment.

The Group's environmental management is described in more detail in the Annual Report, under Environment.

EVENTS AFTER THE REPORTING YEAR

At the end of January 2009, negotiations in accordance with the Act on Co-operation within Undertakings were started in the Group's Finnish units on additional adaptation measures relating to personnel and other arrangements to adapt operations to the continued weak market situation. The structural changes that the company has implemented in recent years to increase its ability to adapt to the normal fluctuations in demand typical of project business are not sufficient enough to enable the adaptation of the operations to the present exceptional market situation.

The Board of Directors of Raute Corporation has decided to utilize the authorization it was given by the Annual General Meeting of shareholders on April 2, 2008 to acquire the company's own series A shares. The shares are acquired to be used as part of the incentive plans for key personnel. The purchase of the shares will begin at earliest on February 19, 2009 and will end at latest on April 2, 2009.

THE BOARD OF DIRECTORS' PROPOSAL FOR MEASURES CONCERNING THE COMPANY'S PROFIT

The Parent company's distributable assets total EUR 18,712 thousand, of which EUR 4,485 thousand stand for the period's profit.

The Board of Directors will propose to Raute Corporation's Annual General Meeting on April 2, 2009, that a dividend of EUR 0.70 per share be paid for series A and K shares, that is, a total of EUR 2.8 million. Other distributable funds will be left in retained earnings.

No essential changes have taken place in the company's financial position since the end of the financial year. The company has good liquidity, and according to the Board of Directors' view, the proposed dividend does not pose a risk to solvency.

OUTLOOK FOR 2009

Due to the financial crisis and global economic uncertainty, the market situation in Raute's customer industries is expected to remain difficult for the entire year 2009. Investments and demand for services in the wood products industry are expected to remain weak in all market areas, with the exception of individual mill-scale projects, several of which are in the planning phase in the various market areas.

Year 2009 will be a difficult year for Raute due to the low order book and weak continuing demand. The net sales and operating profit for 2009 are expected to decline significantly. Achieving a positive result will be very challenging in the present market situation, despite the adaptation measures taken.

Thanks to its strong financial position, Raute is well-equipped to cope with the economic recession. The strong market position and development efforts made in operations and products ensure that Raute's ability to respond to the growing demand is excellent when the markets recover.

CONSOLIDATED INCOME STATEMENT

EUR 1 000 Note		1.1.-31.12.2008	1.1.-31.12.2007
2, 3, 4	**NET SALES**	**98 466**	110 799
5	**Other operating income**	**95**	461
	Increase (+) or decrease (-) in inventories of finished goods and work in progress	**404**	42
6	Materials and services	**50 906**	60 999
7	Expenses from employee benefits	**28 592**	28 875
10, 16, 17	Depreciation, amortization and impairment charges	**2 751**	2 654
12	Other operating expenses	**10 375**	10 166
	Total operating expenses	**92 624**	102 695
	OPERATING PROFIT	**6 341**	8 607
13	**Financial income**	**1 268**	660
13	**Financial expenses**	**-729**	-291
	PROFIT BEFORE TAX	**6 880**	8 976
14	**Income taxes**	**-2 157**	-2 375
	PROFIT FOR THE FINANCIAL YEAR	**4 723**	6 601
	Attributable to		
	Equity holders of the Parent company	**4 723**	6 601
15	**Undiluted earnings per share, EUR**	**1.18**	1.65
15	**Diluted earnings per share, EUR**	**1.18**	1.65
	Shares		
	Adjusted average number of shares	**4 004 758**	4 004 758
	Adjusted average number of shares, diluted	**4 004 758**	4 004 758

CONSOLIDATED BALANCE SHEET

EUR 1 000		**31.12.2008**	31.12.2007
Note			
	ASSETS		
	Non-current assets		
16	Intangible assets	**2 482**	2 546
17	Tangible assets	**11 175**	10 993
18	Other financial assets	**499**	449
27	Deferred tax asset	**334**	275
	Total	**14 491**	14 263
	Current assets		
20	Inventories	**4 310**	4 515
4, 21	Accounts receivables and other receivables	**20 270**	24 739
22	Financial assets at fair value through profit or loss	**0**	2 144
23	Cash and cash equivalents	**21 109**	9 140
	Total	**45 689**	40 537
	TOTAL ASSETS	**60 180**	54 800
	SHAREHOLDERS' EQUITY AND LIABILITIES		
	Equity attributable to equity holders of the Parent company		
24	Share capital	**8 010**	8 010
	Share premium	**6 498**	6 498
24	Other funds	**287**	125
	Exchange rate differences	**283**	36
	Retained earnings	**14 520**	11 924
	Profit for the financial year	**4 723**	6 601
	Share of shareholders' equity that belongs to owners of the Parent company	**34 321**	33 194
	Total shareholders' equity	**34 321**	33 194
	Long-term liabilities		
26	Provisions	**289**	286
27	Deferred tax liabilities	**599**	676
28, 36	Long-term interest-bearing liabilities	**8 232**	277
	Total	**9 120**	1 239
	Current liabilities		
26	Provisions	**2 251**	971
30	Pension obligations	**173**	260
29, 36	Short-term interest-bearing liabilities	**2 225**	213
31	Advance payments received	**3 475**	7 590
	Current tax liabilities	**79**	851
31	Trade and other payables	**8 536**	10 481
	Total	**16 739**	20 367
	Total liabilities	**25 859**	21 605
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**60 180**	54 800

CONSOLIDATED CASH FLOW STATEMENT

EUR 1 000	1.1.-31.12.2008	1.1.-31.12.2007
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	**100 611**	96 117
Proceeds from other operating income	**65**	114
Payments of operating expenses	**-90 988**	-104 963
Cash flow before financial items and taxes	**9 688**	-8 732
Interests and other operating financial expenses paid	**-224**	-394
Interests and other income received	**828**	639
Dividends received	**133**	115
Income taxes paid	**-3 522**	-1 843
NET CASH FROM (+) / USED IN (-) OPERATING ACTIVITIES (A)	**6 903**	-10 214
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	**-3 201**	-1 964
Purchases of assets-for-sale as investments	**-50**	-74
Proceeds from sale of tangible and intangible assets	**171**	1 310
NET CASH FROM (+) / USED IN (-) INVESTING ACTIVITIES (B)	**-3 080**	-728
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of long-term and short-term loan receivables	**0**	1 000
Increase of short-term liabilities	**0**	63
Repayments of short-term liabilities	**-63**	0
Increase of long-term liabilities	**10 069**	0
Repayments of long-term liabilities	**0**	-40
Dividends paid	**-4 005**	-2 803
NET CASH FROM (+) / USED IN (-) FINANCING ACTIVITIES (C)	**6 001**	-1 780
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**9 824**	-12 723
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR*	**11 284**	24 006
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR*	**21 109**	11 284
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET		
Financial assets at fair value through profit or loss	**0**	2 144
Cash and cash equivalents	**21 109**	9 140
TOTAL	**21 109**	11 284

*Cash and cash equivalents comprise trading assets as well as cash and bank receivables, which will fall due within three months' period.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1 000	Share capital	Share premium	Other funds	Exchange rate differences	Retained earnings	Share of shareholders' equity that belongs to the owners of the Parent company	Minority interests	**TOTAL**
EQUITY JAN. 1, 2007	**8 010**	**6 498**	**-201**	**274**	**14 726**	**29 309**	**0**	**29 309**
Exchange differences from net investments			264			264		264
Taxes related to items recognized in equity or transferred from equity			12			12		12
Exchange rate differences				-238		-238		-238
Other increase/decrease			-48			-48		-48
Net income recognized directly in equity	**0**	**0**	**228**	**-238**	**0**	**-10**	**0**	**-10**
Profit for the financial year					6 601	6 601	0	6 601
Total income and expenses recognized in the period	**0**	**0**	**228**	**-238**	**6 601**	**6 591**	**0**	**6 591**
Dividend					-2 803	-2 803		-2 803
Equity-settled share-based transactions			98			98		98
EQUITY DEC. 31, 2007	**8 010**	**6 498**	**125**	**36**	**18 524**	**33 194**	**0**	**33 194**
EQUITY JAN. 1, 2008	**8 010**	**6 498**	**125**	**36**	**18 524**	**33 194**	**0**	**33 194**
Exchange differences from net investments			22			22		22
Taxes related to items recognized in equity or transferred from equity						0		0
Exchange rate differences				247		247		247
Other increase/decrease						0		0
Net income recognized directly in equity	**0**	**0**	**22**	**247**	**0**	**269**	**0**	**269**
Profit for the financial year					4 723	4 723	0	4 723
Total income and expenses recognized in the period	**0**	**0**	**22**	**247**	**4 723**	**4 992**	**0**	**4 992**
Dividend					-4 005	-4 005		-4 005
Equity-settled share-based transactions			139			139		139
EQUITY DEC. 31, 2008	**8 010**	**6 498**	**287**	**283**	**19 242**	**34 321**	**0**	**34 321**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

Raute Group ('Group') is a globally operating technology corporation, whose core business consists of the production processes of veneer-based wood products. Project deliveries include complete mills, production lines, and single machines. Full-service technology services include spare part, maintenance, and modernization services, as well as services related to developing customers' businesses.

The Group's Parent company, Raute Corporation, is a Finnish public limited liability company established in accordance with Finnish law (Business ID FI01490726). Its series A shares are quoted in NASDAQ OMX Helsinki Ltd, under Industrials. Raute Corporation is domiciled in Lahti. The address of its registered office is Rautetie 2, FI-15550 Nastola, and its postal address is P.O. Box 69, FI-15551 NASTOLA.

A copy of the consolidated financial statements is available online at www.raute.com or at the head office of the Parent company, Rautetie 2, FI-15550 Nastola, Finland.

These financial statements were authorized for issue by Raute Corporation's Board of Directors at its meeting on February 11, 2009. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at the shareholders' meeting arranged after the statements have been issued. The shareholders' meeting also has the opportunity to make changes to the financial statements.

1 ACCOUNTING PRINCIPLES

Basis of preparation

The consolidated financial statements have been prepared in accordance with international financial statement standards (International Financial Reporting Standards, IFRS). Preparations have complied with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, effective on December 31, 2008. IFRS refer to the standards and their interpretations that have been approved for application in the EU in the Finnish Accounting Act and regulations issued under it in accordance with the procedures laid down in the EU regulation (EC) 1606/2002 . The notes to the consolidated financial statements also comply with Finnish Accounting Legislation.

The consolidated financial statements have been prepared under the historical cost convention, except for the following items measured at fair value:

- available-for-sale investments
- financial assets and liabilities recognized at fair value through profit or loss
- derivative financial instruments
- hedged items in fair value hedge
- cash-settled share-based transactions.

All of the figures presented in these consolidated financial statements are in thousand euro, unless otherwise stated.

The Group has applied the following amended standards and their interpretations as of January 1, 2008, but they did not affect the profit or loss or the balance of the Group or the financial statement presentation:

• IFRIC 11, IFRS 2 Group and treasury share transactions.

The interpretation provides revaluation of share-based transactions in subsidiaries.

• IFRIC 14, IAS 19 The limit and defined benefit assets, minimum funding requirements and their interaction.

The interpretation provides guidance on post-employment benefit plans in IAS 19 standard.

• IFRIC 16, Hedges of a net investment in a foreign operation.

The standard includes quidance on risk hedging treatment and what hedging instrument may be held.

The Group has applied the following amended standards and their interpretations as of July 1, 2008, but they did not affect the financial statement 2008:

• IAS 39, Financial instruments: recognition and measurement and IFRS 7, Financial instruments: Presentation of financial statements standard amendment.

The amendments clarify reclassification of certain financial assets.

The preparation of financial statements in conformity with IFRS requires management to make certain critical accounting estimates and to exercise its judgment in applying the Group's accounting policies. Information about the estimates and judgment that the management has used and that are most critical to the figures in the financial statements are disclosed under "Critical accounting judgments and key sources of estimation uncertainty".

Segment reporting

The Group's primary reporting format is by business segments and its secondary format by geographical segments. The business segments are based on the Group's internal organization structure and internal financial reporting. A geographical segment is identified as reportable if the market area it forms accounts for more than 10 percent of the Group's net sales and if its business risks and profitability differ from those found in the economic environments of other market areas.

In the report periods 2007 and 2008 the Group's continuing operations as a whole were included in the wood products technology segment.

Consolidated financial statements

The consolidated financial statements include the Parent company Raute Corporation and its subsidiaries in which the Parent company holds, directly or indirectly, over 50 percent of the votes or in which it exercises control otherwise. Control means the right to decide on the company's financial and business principles to profit from the company's operations.

Mutual shareholding has been eliminated using the purchase method. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Raute Corporation's subsidiary Mecano Group Oy was merged with the Parent company on December 31, 2008. The merger loss recognized through profit or loss in the Parent company is reversed in the consolidated financial statements.

Accounting policies of subsidiaries outside the euro zone have been changed where necessary to ensure consistency with the accounting policies adopted by the Group. All intra-Group transactions, receivables, liabilities and unrealized margins, as well as internal distribution of profit have been eliminated. The profit or loss for the period has been allocated to equity holders of the Parent company and to minority interest in the income statement. In the balance sheet the minority interest is presented as a separate item under equity. The minority interest's share of accumulated losses recognized in the consolidated financial statements may not exceed the invested amount. The consolidated financial statements at December 31, 2008 do not include minority interest.

Associates over which the Group has significant influence but not control, which generally means a holding of between 20 percent and 50 percent of the voting rights, are accounted for in the consolidated financial statements using the equity method. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group's investment in associates includes goodwill identified on acquisition. The Group did not include associates at December 31, 2008.

The Group has made use of the exemption available under standard IFRS 1 not to restate the acquisitions that took place prior to January 1, 2004 .

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euro, which is the Parent company's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. In practice the translation is often carried out using rates that approximately correspond to those prevailing at the dates of transactions. Foreign currency non-monetary items measured at fair value are translated into the functional currency using the rates prevailing at the date of measurement. Otherwise non-monetary items are measured using the rate prevailing at the date of transaction. Exchange differences arising from transactions are recognized in the corresponding accounts in the income statement before operating profit.

Exchange differences arising from financial transactions are recognized in financial assets and liabilities, except for exchange differences arising from intra-Group loans which have been treated as net investments in foreign entities. Such exchange differences are recognized in translation differences under equity, and they are recognized in financial liabilities in the income statement on full or partial disposal of the net investment.

The income statements of foreign subsidiaries are translated into euro using the weighted average exchange rates during the report period and balance sheets are translated at the average rate on the balance sheet date. Exchange differences arising from translation, as well as translation differences arising from equity, are recognized as a separate component of equity. On partial or full disposal of a subsidiary, the accumulated translation differences are recognized in the income statement as part of the gains or losses from disposal. According to the exemption allowed by standard IFRS 1, translation differences that have arisen prior to January 1, 2004, have been recognized in retained earnings, and the translation differences that have arisen after the transition date are presented as a separate component of equity.

The exchange rates used for the consolidation of subsidiaries are presented in the notes to the consolidated income statement and balance sheet number 38.

Revenue recognition
Net sales include revenue from the sale of products and services, as well as raw materials and equipment, adjusted net of indirect taxes, discounts, and exchange differences from foreign currency sales.

Revenue from the sale of spare parts and other goods, as well as small and short-term projects, are recognized in full when the significant risks and rewards have been transferred to the buyer. After this the Group no longer has control related to the product. This generally means the moment at which the goods have been delivered to the customer in accordance with the agreed delivery clause. Revenue from services are recognized in the period in which the service has been carried out.

Revenue and costs from long-term projects (deliveries of project and modernization nature) are recognized based on the percentage of completion. Percentage of completion is measured on a cost-basis as the relation of actual project costs to the estimated overall project costs. When it is probable that the total costs needed to complete the contract will exceed total contract revenue, the expected loss is recognized as an expense immediately. If the result of a long-term project cannot be reliably estimated, the project costs have been recognized as an expenditure in the period in which they have incurred, and project revenue is recognized only to the extent of project costs that are likely to be recovered. Long-term projects are recognized as revenue in full when the risks and benefits related to ownership are transferred to the buyer.

Costs related to projects that have not yet been recognized in revenue are recognized as long-term projects in progress under inventories. Net sales recognized on the basis of percentage of completion are allocated to prepayments from customers. If such net sales exceed the prepayments received, the difference is presented under Accounts receivables and other receivables in the balance sheet.

Other operating income
Other operating income includes revenue not included in net sales, such as lease income, insurance compensations and gains on the disposal of fixed assets.

Interests and dividends
Interest income is recognized as income in the period in which they have arisen. Dividend income is recognized when the company paying dividends pays it.

Non-current assets held for sale and discontinued operations
Non-current assets held for sale and discontinued operations are treated in compliance with standard IFRS 5. Assets held for sale and assets related to discontinued operations classified as held for sale are measured at the lower of the following: carrying amount or fair value less costs to sell. Depreciation of these assets has ended at the date of classification. Assets held for sale are presented as separate items in the balance sheet.

A separate major line of business which can be clearly distinguished from other operations in terms of property and result and which is part of a single disposal plan is treated as a discontinued operation.

Income taxes
The taxes in the income statement include the estimated taxes corresponding to the Group companies' taxable profit for the period, as well as tax adjustments for previous periods and the change in deferred taxes. Current tax based on the taxable income is calculated on taxable income using the tax rate in force in each country. Tax expenses are recognized in the income statement, except for items recognized directly in equity.

Deferred taxes are calculated for all temporary differences in accounting and taxation using the tax rates enacted by the reporting date. The principal temporary differences arise from the amortization of tangible fixed assets. Deferred tax is recognized in balance sheet in its entirety.

Deferred tax receivables are recognized to the extent that it is probable that taxable profits will be available against which temporary differences can be utilized.

Financial assets and liabilities
Financial assets and liabilities are classified in accordance with standard IAS 39, Financial Instruments: Recognition and Measurement, into the following:

- financial assets at fair value through profit or loss
- loans and other receivables
- available-for-sale financial assets
- financial liabilities at fair value through profit or loss
- other financial liabilities.

All purchases and sales of financial assets are recognized on the transaction date.

Classification is made based on the purpose of acquisition in conjunction with the original acquisition. An item in financial assets is assigned to the Financial assets at fair value through profit or loss group if it is held for trading.

Financial assets at fair value through profit or loss include shares and units, deposits with maturities under three months and other securities. Financial assets held for trading have mainly been acquired to generate profit from short-term changes in market price. Derivatives that do not meet the conditions for hedge accounting provided for in standard IAS 39 are classified as held for trading. Derivatives held for trading, as well as financial assets maturing within 12 months, are included in current assets. The items in this group are measured at fair value. Realized and unrealized gains and losses from changes in fair value are recognized in the income statement in the period in which they have arisen.

Loan and other receivables are assets with fixed or determinable payments that are not quoted in an active market and which the company does not hold for trading. Loan and other receivables are measured at amortized cost using the effective interest method. They are included in non-current financial assets under Accounts receivables and other receivables in the balance sheet if they mature over 12 months from the balance sheet date. Otherwise they are included in current financial assets.

Sales and other revenue are recognized in accounts receivables at the original receivable amount. The default risk related to overdue receivables is estimated on the basis of a comprehensive survey of receivables carried out at the balance sheet date, and estimated credit losses are recognized as an expense.

Available-for-sale financial assets are assets not included in derivatives that have been expressly assigned to this group or that have not been classified into any other group. They are included in non-current assets unless the intention is to hold them less than 12 months from the balance sheet date, in which case they are included in current assets. Available-for-sale financial assets may consist of shares and interest-bearing investments. They are measured at fair value or, where fair value cannot be reliably determined, at cost of acquisition. Impairment during ownership is directly recognized in the fair value reserve in equity, including the tax effects. When an investment is sold or disposed, the difference between the original cost and the realized price is recognized in the income statement. Permanent impairment of assets is always recognized directly in the income statement. The consolidated financial statements do not include available-for-sale financial assets at December 31, 2008.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short-term bank deposits and other highly liquid short-term investments with original maturities of three months or less. Bank overdrafts are included in short-term interest-bearing liabilities. Credit accounts related to Group accounts are included in short-term interest-bearing liabilities and presented net if the Group has a contractual legal right of set-off concerning full or partial payment or elimination of an amount to the lender.

Financial assets are derecognized when the contractual right to cash flows expires or the Group has substantially transferred risks and income outside the Group.

Financial liabilities

Financial liabilities are recognized at fair value based on the purchase consideration at the grant date less transaction costs. Financial liabilities are included in current and long-term liabilities and they may be interest-bearing or non-interest-bearing.

Measurement of financial instruments

The fair values of all financial instruments in the balance sheet are based on market values. Fair values are presented according to IAS 39 standard in note number 37.

Impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets.

The Group recognizes impairment loss for trade receivables if there is objective evidence that the receivable cannot be recovered in full. The impairment loss recognized in the income statement is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. If an in impairment loss decreases in a subsequent period, and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment is reversed through profit or loss.

Derivative financial instruments

Derivative financial instruments to which hedge accounting is not applied in compliance with standard IAS 39 are measured at fair value at the reporting date. The fair values of derivative financial instruments are presented in deferred income or receivables in the balance sheet, and changes in fair value are presented in the income statement. Impairment related to operating activities is presented as adjustments to net sales.

Hedge accounting

Derivative contracts hedging against currency risks are treated as either fair value hedges or economic hedges (excluded from the scope of hedge accounting). In fair value hedging, changes in the values of the hedged item and the hedging instrument are recognized in profit or loss. The result for economic hedges taken out against currency risks is recognized in net sales. When initiating hedge accounting, the relationship between the hedged item and the hedging instrument is documented, as are the objectives of the Group's risk management. The effectiveness of hedging is tested regularly and the effective portion is recognized in line with the hedged item against the change in its value in profit or loss. Hedge accounting is discontinued when the hedging instrument expires or is sold, or the contract is terminated or exercised. The fair values of hedged derivative financial instruments are presented in non-current assets or liabilities in the balance sheet when the remaining hedged item is more than 12 months from the reporting date, and in current assets or liabilities otherwise. The Group did not have hedge accounting in compliance with standard IAS 39 at December 31, 2008.

Intangible assets

An intangible asset is recognized in the balance sheet only if it is probable that the expected future benefit attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. In other cases the expenditure from intangible assets is recognized as an expense when incurred. Intangible assets include goodwill, capitalized development costs and other intangible assets.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment. Goodwill is measured at original cost less impairment losses. The financial statements for 2008, including the comparison data, do not include goodwill.

Research and development costs

Research and development costs are recognized as an expense in the income statement. Development expenditure incurred in planning new or more advanced products are recognized as intangible assets in the balance sheet from the moment the product can be produced technologically, utilized commercially, and future financial benefit is expected from it. Capitalized development costs include the material, work and testing expenditure incurred directly from completing the asset for the intended purpose. Capitalized, in-progress development expenditure is tested annually for impairment. Development expenditure previously recognized as an expense is not capitalized at a later date. Development costs are depreciated from the time the product is ready for use. The useful life of development costs is three years, during which time capitalized assets are recognized as an expense on a straight line basis.

Other intangible assets

An intangible asset is recognized at original cost if the cost of the asset can be reliably measured and it is probable that the economic benefits attributable to the asset will flow to the entity.

Depreciation is not recognized for intangible assets with an indefinite useful life. They are tested annually for impairment. Intangible assets with a finite useful life are presented in the balance sheet and recognized as an expense based on the straight-line depreciation method over their useful life as follows:

Patents	10 years
Computer software	5 years
Other intangible rights	3–10 years.

Property, plant and equipment

All property, plant and equipment is measured at original cost less accumulated depreciation and impairment. Ordinary repair and maintenance costs are recognized through profit or loss as incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method over their estimated useful lives:

Buildings	25–40 years
Machinery and equipment	4–12 years
Other tangible assets	3–10 years.

The residual value of property, plant and equipment, and the remaining useful lives are reviewed at each balance sheet date. If needed, they are adjusted to reflect changes in expectations of economic benefit.

The depreciation of property, plant and equipment ceases when the asset is classified as held for sale in accordance with standard IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Gains and losses on decommissioning and disposal of property, plant and equipment are presented in other operating income or expenses.

Impairment of assets

Tangible and intangible assets

The Group's intangible assets with an indefinite useful life are tested annually for impairment. For other balance sheet assets, impairment is tested if there are indications of impairment. This involves measuring the recoverable amount of the asset. An impairment loss is recognized if the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized immediately in income statement. An impairment loss recognized for an asset other than goodwill is reversed when a change has taken place in the figures used to measure the recoverable amount of the asset. However, reversal of impairment shall not exceed the asset's carrying amount less impairment loss. Impairment loss for goodwill is not reversed.

Leases

Group as lessee

Leases in which a significant portion of the risks and rewards incident to ownership are retained by the lessor are treated as operating leases. Payments made under operating leases are recognized as an expense over the lease period.

Group as lessor

Assets held under other than finance leases are included in property, plant and equipment. They are depreciated over the useful life, similar to equal property, plant and equipment in own use. Rental income is recognized in other operating income on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost and net realizable value. Raw materials and supplies are measured using the weighted average cost method. The cost of finished goods and work in progress comprises direct material and production costs and the portion of indirect production costs and depreciation allocated to products at a normal capacity excluding interest expenses. The value of inventories includes impairment due to obsolescence.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provision related to warranty obligation is recognized when revenue from a long-term project, service or spare part including a warranty clause has been recognized. The amount of the warranty provision is estimated at the beginning of the project based on past experience from warranty costs. The unused provision is recognized as income at the end of the warranty period.

Provision for contract is recognized when the unavoidable direct costs and estimated indirect production costs and depreciation under the contract exceed the benefits from the contract.

Restructuring provision is recognized when the Group has drawn up a detailed plan for restructuring and has started to implement the plan or has announced its main features to those affected by it. The financial statements for 2008, including the comparison data, do not include restructuring provisions.

Employee benefits: Pension obligations

Pension plans are classified into defined benefit and defined contribution plans. Under a defined contribution plan the Group pays fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay retirement benefits. All other plans are defined benefit pension plans. Contributions to defined contribution pensions plans are recognized in profit or loss in the period in which they are due.

The Finnish statutory employment pension scheme and the pension plans of foreign subsidiaries are classified as defined contribution plans.

Defined benefit plans include Raute Corporation's voluntary supplementary pension plan and the disability pension included in the Finnish pension scheme TEL, which was withdrawn in 2005.

The voluntary supplementary pension plan was transferred from the Parent company's pension fund to an outside insurance company in 2005. The obligations from defined benefit plans are recognized as an expense separately for each plan based on calculations made by authorized actuaries. The discount rate used in the calculations is determined by reference to the market yields of high quality corporate bonds at the balance sheet date. The bonds are denominated in euro, and their term is the same as the estimated duration of the obligations resulting from the post-employment benefit.

In accordance with the exemption allowed by standard IFRS 1, all actuarial gains and losses have been recognized in equity in the opening balance sheet on the date of transition January 1, 2004. Subsequent actuarial gains and losses have been recognized in profit or loss over the employees' average remaining working lives where they exceed the greater of the following: 10 percent of the defined benefit obligation or 10 percent of the fair value of plan assets.

Employee benefits: Share-based payments

The Group has applied the IFRS 2 standard to the share-based incentive plan set up for key employees on March 22, 2006.

The Group has a share-based incentive plan for the Executive Board and other key employees, as well as performance-based share remuneration and contingent share remuneration.

The Group measures granted share-based incentives in equity at the fair value at the grant date. Share- and cash-based payments are recognized as an expense on a straight-line basis over the vesting period. The amount paid in shares is based on the management's latest estimate at the grant date and each balance sheet date of the number of shares expected to vest at the end of the commitment period. Cash-settled payments are based on the latest estimate of outstanding shares and the fair value of shares at the balance sheet date.

Costs from option schemes set up prior to November 7, 2002 have not been recognized in the income statement.

Share capital

Outstanding series K and series A shares are presented in share capital.

Expenditure related to own equity issues or acquisitions are presented as allowance for equity. If the Parent company repurchases own equity instruments, their acquisition cost is deducted from equity.

Dividend

The dividend proposed by the Board of Directors to the Annual General Meeting is recognized as a deduction from distributable equity, but not until approved by the Annual General Meeting.

Operating profit

Standard IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group uses the following definition: operating profit is the net sum calculated by adding other operating income to net sales; deducting purchase expenses that have been adjusted by changes in inventories of finished goods and work in progress and by expenses from production for own use; and by deducting expenses, depreciation and possible impairment losses from employee benefits, as well as other operating expenses. All other income statement items are presented after operating profit. Exchange differences and changes in the fair values of derivatives are included in operating profit if they have arisen from business-related items. In other cases they are recognized in financial items.

Earnings per share

Undiluted earnings per share are calculated by dividing the period's profit attributable to Parent company equity holders by the weighted average of outstanding shares in the period.

Diluted earnings per share are calculated using the treasury stock method. In addition to the weighted average of outstanding shares, the divisor includes additional shares from the presumed exercise of options. The exercise of options is not taken into account in the calculation of earnings per share if the exercise price of options exceeds the average market price of shares during the period. Options have a dilutive effect if the average market price of shares exceeds the exercise price of options.

The calculation of other key figures is presented on page 52.

Critical accounting judgments and key sources of estimation uncertainty

When preparing the consolidated financial statements in compliance with IFRS, the company management must make certain estimates and assumptions. In addition, the management must exercise its judgment in applying the accounting policies. These may affect the assets and liabilities in the balance sheet, the disclosure of commitments and possible assets in the financial statements, and income and expenses for the period. Actual results may differ from the estimates.

Intangible assets

The Group's intangible assets are tested annually for impairment. Other balance sheet assets are assessed for indications of impairment as explained in the accounting principles above. The recoverable amounts of cash-generating entities have been determined based on value-in-use calculations, which require the use of estimates.

Long-term projects

The percentage of completion method is based on estimates of expected project revenue and expenses, as well as on reliable measurement of project progress. Should the estimates of the project outcome change, the recognized revenue and profit will be adjusted in the period in which the change first becomes known and can be estimated.

Warranty provision

Warranty provisions are estimated on the basis of experience, taking into consideration special product risks, as explained above.

Receivables

The management has estimated customers' ability to remit the payment of such trade receivables, about which the company has not received any securities.

Group's companies ability to settle the trade receivables and payments related to the loans has been estimated by the management.

Deferred taxes

The management has also made estimates pertaining to deferred tax assets.

Share-based remuneration costs

The share-based remuneration costs have been calculated by using the closing price of series A share at the end of the financial year.

Application of new or amended IFRS standards and IFRIC interpretations

The following standards, interpretations, and their amendments have been published, but they are not yet in effect, or they will take effect on January 1, 2009 at the earliest, nor has the Group applied these provisions prior to their obligatory entry into force. The Group will adopt in 2009 or later the following new or amended standards and interpretations published by IASB:

• IFRS 8, Operating Segments, effective on January 1, 2009. According to the standard, segment information should be based on internal reports submitted to the management and the calculation principles followed in the reporting. The adoption of the standard will affect the presentation of segment information.

• IAS 1, Presentation of Financial Statements: Amendment to the standard, effective on January 1, 2009.

The amendment will mainly affect the presentation of the income statement and the statement of changes in equity as well as the terminology used in the financial statements.

• IAS 23, Borrowing Costs, effective on January 1, 2009, if the amendment is approved for application within the EU. The amended standard requires that the borrowing costs directly attributable to the acquisition, production or construction of a qualifying asset be capitalized as part of the cost of that asset.

• IFRS 3, Business Combinations: Amendment to the standard, effective on July 1, 2009. The amendment will affect the amount of goodwill recognized on acquisitions and the gain or loss recognized on disposals.

The following standards and interpretations have taken effect during the financial year, but according to the management's view, they are not relevant to the Group's operations:

• IFRIC 12 Service Concession Arrangements
• IFRIC 13 Customer Loyalty Programmes
• IFRIC 15 Agreements for the construction of real estate.

EUR 1 000	**2008**	**%**	2007	%
2 SEGMENT INFORMATION				
Primary reporting segment				
Raute's primary reporting segment is the business segment. Continuing operations belong to the wood products technology segment.				
Secondary reporting segment				
The secondary reporting segment is geographical. The geographical segment consists of market areas accounting for over 10 percent of the Group's net sales.				
Secondary reporting segment information:				
Net sales to external clients by clients' geographical location				
Europe	**47 709**	**48**	34 117	31
Russia	**34 359**	**35**	38 314	35
North America	**9 832**	**10**	24 047	22
South America	**4 311**	**4**	11 485	10
Others	**2 255**	**3**	2 836	3
TOTAL	**98 466**	**100**	110 799	100
Assets by geographical location				
Europe	**55 616**	**92**	48 822	89
Russia	**782**	**1**	1 048	2
North America	**2 730**	**5**	3 275	6
South America	**36**	**0**	34	0
Others	**1 016**	**3**	1 621	3
TOTAL	**60 180**	**100**	54 800	100

EUR 1 000	2008	%	2007	%
Capital expenditure by geographical location				
Europe	**2 775**	**86**	1 411	75
Russia	**2**	**0**	0	0
North America	**75**	**2**	74	4
South America	**19**	**1**	4	0
Others	**371**	**11**	380	20
TOTAL	**3 242**	**100**	1 869	100

3 PROCEEDS FROM SALES

The main part of the net sales is comprised of project deliveries and modernization services related to wood processing technology that are handled as long-term projects. The rest of the net sales is comprised of technology services provided to the wood products industry (spare parts, maintenance and modernization services as well as services provided to the development of customers' business).

Net sales by market area	2008	%	2007	%
Russia	**34 359**	**35**	38 314	35
Rest of Europe	**31 909**	**32**	20 077	18
Finland	**15 800**	**16**	14 040	13
North America	**9 832**	**10**	24 047	22
South America	**4 311**	**4**	11 485	10
Asia	**1 241**	**1**	915	1
Oceania	**701**	**1**	979	1
Others	**313**	**1**	942	1
TOTAL	**98 466**	**100**	110 799	100

4 LONG-TERM PROJECTS

	2008	2007
Net sales		
Net sales by percentage of completion	**80 749**	94 905
Other net sales	**17 717**	15 894
TOTAL	**98 466**	110 799
Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	**85 487**	120 722
Amount of long-term projects revenues not yet entered as income	**22 817**	53 474
Specification of combined asset and liability items		
Advances paid	**448**	513
Advances wounded up by percentage of completion	**0**	0
Advances paid included in inventories	**448**	513
Accrued income corresponding to revenues by percentage of completion	**85 328**	120 942
Advances received from project customers	**-73 509**	-102 601
Project receivables included in current assets	**11 819**	18 341
Advance payments received at Balance Sheet	**3 475**	7 590

5 OTHER OPERATING INCOME

	2008	2007
Capital gain on sale of fixed assets	**30**	346
Other	**65**	114
TOTAL	**95**	461

6 MATERIALS AND SERVICES

	2008	2007
Materials and supplies		
- Purchases during the period	**45 832**	54 993
- Change in inventories	**155**	-883
External services	**4 919**	6 889
TOTAL	**50 906**	60 999

EUR 1 000	2008	2007
7 EXPENSES FROM EMPLOYEE BENEFITS		
Wages and salaries	**23 846**	24 028
Pension contributions		
- Defined contribution plans	**3 359**	3 161
- Defined benefit plans	**-87**	-75
Share-based payments to be settled in shares	**139**	98
Share-based payments to be settled in cash	**-28**	97
Other personnel costs	**1 362**	1 566
TOTAL	**28 592**	28 875

Information about management’s employee benefits and loans is presented in the notes to the financial statements number 32 Related party transactions. Information about the share-based incentive plan is presented in the notes to the financial statements number 25 Share-based payments.

	2008	2007
8 NUMBER OF PERSONNEL		
Employed at Dec. 31, persons		
Workers	**178**	187
Office staff	**395**	383
TOTAL	**573**	570
- of which personnel working abroad	**136**	140
Average, persons		
Workers	**183**	196
Office staff	**402**	379
TOTAL	**585**	575
- of which personnel working abroad	**136**	140

	2008	2007
9 RESEARCH AND DEVELOPMENT COSTS ENTERED AS EXPENSES FOR THE PERIOD		
Total research and development costs	**4 375**	3 969
Depreciation of previously capitalized development costs	**549**	367
Recognized as assets in balance sheet	**-667**	-233
Research and development costs entered as expenses for the period	**4 257**	4 103
Total research and development costs	**4 924**	4 336
% of net sales	**5.0**	3.9

Research and development costs have been recognized in operating expenses prior to operating profit.

	2008	2007
10 DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES		
Depreciation and amortization by class of assets		
Intangible assets		
- Capitalized development costs	**549**	367
- Other intangible assets	**573**	626
Tangible assets		
- Buildings and structures	**456**	506
- Machinery and equipment	**1 167**	1 150
- Other tangible assets	**7**	5
TOTAL	**2 751**	2 654

11 ACQUISITIONS

No business acquisitions were made during the financial year 2008 and during the comparision year 2007.

EUR 1 000		2008	2007
12	**OTHER OPERATING EXPENSES**		
	Indirect production expenses	**2 225**	1 570
	Sales and marketing expenses	**2 436**	2 222
	Administration expenses	**2 339**	2 517
	Other expenses	**3 374**	3 857
	TOTAL	**10 375**	10 166
	Auditors' remunerations		
	Annual audit, statutory	**59**	56
	Other audit related services under audit law	**0**	2
	Tax services	**91**	45
	Other services	**4**	18
	TOTAL	**153**	121
13	**FINANCIAL INCOME AND EXPENSES**		
	Financial income		
	Interest income on loans and receivables	**681**	276
	Dividend income of available-for-sale investments	**133**	115
	Sales profit of financial assets through profit or loss	**86**	446
	Change in fair value of financial assets through profit or loss	**-100**	-245
	Other financial income	**469**	68
	TOTAL	**1 268**	660
	Financial expenses		
	Interest expenses on loans from financial institutions	**-43**	-17
	Losses from sales of available-for-sale investments	**-50**	0
	Exchange rate losses of loans	**-505**	-198
	Other financial expenses	**-131**	-76
	TOTAL	**-729**	-291
	Financial income and expenses	**539**	369
	Exchange rate differences entered in income statement		
	Included in net sales	**4**	9
	Included in purchases and other expenses	**-49**	-12
	Included in financial income and expenses	**-38**	-198
	TOTAL	**-83**	-201
14	**INCOME TAXES**		
	Current tax	**-2 114**	-2 379
	From operations, previous years	**-180**	-176
	Change in deferred taxes	**138**	180
	TOTAL	**-2 157**	-2 375
	Analysis of the relationship between realized tax expense and theoretical accounting result using Finnish tax rate of 26%		
	Profit before taxes	**6 880**	8 976
	Taxes calculated using the Finnish tax rate, 26%	**-1 789**	-2 334
	Effect of differences in taxes from other countries	**16**	-111
	Non-deductible income	**35**	-333
	Non-deductible costs	**-30**	222
	Taxes from the previous financial years	**-180**	-27
	Unrecognized tax assets from the losses of foreign subsidiaries	**-497**	173
	Other items	**288**	36
	Consolidated tax expense	**-2 157**	-2 375
	Effective tax rate, %	**31.3**	26.5

EUR 1 000	2008	2007
15 EARNINGS PER SHARE		
Share of profit that belongs to owners of the Parent company	**4 723**	6 601
Weighted average number of shares, 1 000 shares	**4 005**	4 005
Diluted weighted average number of shares, 1 000 shares	**4 005**	4 005
Earnings per share, EUR	**1.18**	1.65
Diluted earnings per share, EUR	**1.18**	1.65

16 INTANGIBLE ASSETS

EUR 1 000	Development costs	Long-term expenses and intangible rights*	TOTAL
Intangible assets 2007			
Carrying amount at Jan. 1, 2007	**2 938**	**6 919**	**9 857**
Exchange rate differences			0
Additions	236	298	534
Other reclassifications between items		112	112
Carrying amount at Dec. 31, 2007	**3 174**	**7 329**	**10 503**
Accumulated depreciation and amortization at Jan. 1, 2007	**-1 728**	**-5 206**	**-6 934**
Exchange rate differences			0
Depreciation for the financial period	-367	-658	-1 025
Accumulated depreciation and amortization at Dec. 31, 2007	**-2 095**	**-5 864**	**-7 959**
Book value at Jan. 1, 2007	**1 211**	**1 713**	**2 924**
Book value at Dec. 31, 2007	**1 079**	**1 465**	**2 546**
Intangible assets 2008			
Carrying amount at Jan. 1, 2008	**3 174**	**7 329**	**10 503**
Exchange rate differences		22	22
Additions	667	351	1 018
Other reclassifications between items		33	33
Carrying amount at Dec. 31, 2008	**3 841**	**7 735**	**11 575**
Accumulated depreciation and amortization at Jan. 1, 2008	**-2 095**	**-5 864**	**-7 959**
Exchange rate differences		-13	-13
Depreciation for the financial period	-549	-573	-1 122
Accumulated depreciation and amortization at Dec. 31, 2008	**-2 644**	**-6 450**	**-9 094**
Book value at Jan. 1, 2008	**1 079**	**1 465**	**2 546**
Book value at Dec. 31, 2008	**1 197**	**1 285**	**2 482**

*Long-term expenditure and intangible rights include patents, computer software and product rights.

17 PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Assets in progress and advance payments	TOTAL
Property, plant and equipment 2007						
Carrying amount at Jan. 1, 2007	**1 158**	**14 708**	**24 048**	**377**	**120**	**40 411**
Exchange rate differences			6	-2		4
Additions	4	130	832		298	1 263
Disposals	-122	-1 433	-3			-1 558
Other reclassifications between items		140	3		-255	-112
Carrying amount at Dec. 31, 2007	**1 040**	**13 545**	**24 886**	**375**	**162**	**40 008**
Accumulated depreciation and amortization at Jan. 1, 2007	**0**	**-7 660**	**-19 867**	**-341**	**0**	**-27 868**
Exchange rate differences				2		2
Accumulated depreciations on disposals		-50				-50
Depreciation for the financial year		-447	-1 122	-5		-1 574
Impairments	33	444				477
Accumulated depreciation and amortization at Dec. 31, 2007	**33**	**-7 714**	**-20 989**	**-344**	**0**	**-29 014**
Book value at Jan. 1, 2007	**1 158**	**7 047**	**4 181**	**36**	**120**	**12 542**
Book value at Dec. 31, 2007	**1 073**	**5 830**	**3 897**	**31**	**162**	**10 993**
Property, plant and equipment 2008						
Carrying amount at Jan. 1, 2008	**1 040**	**13 545**	**24 886**	**375**	**162**	**40 008**
Exchange rate differences	-91	-422	-974	2		-1 484
Additions		63	989	8	1 111	2 170
Disposals		-3	0	0	-87	-90
Other reclassifications between items		75	830	0	-1 062	-157
Carrying amount at Dec. 31, 2008	**949**	**13 259**	**25 731**	**385**	**124**	**40 447**
Accumulated depreciation and amortization at Jan. 1, 2008	**33**	**-7 714**	**-20 989**	**-344**	**0**	**-29 014**
Exchange rate differences		395	980	0		1 375
Accumulated depreciations on disposals						0
Depreciation for the financial year		-456	-1 167	-9		-1 632
Impairments						0
Accumulated depreciation and amortization at Dec. 31, 2008	**33**	**-7 775**	**-21 176**	**-353**	**0**	**-29 272**
Book value at Jan. 1, 2008	**1 073**	**5 830**	**3 897**	**31**	**162**	**10 993**
Book value at Dec. 31, 2008	**982**	**5 483**	**4 555**	**31**	**124**	**11 175**

18 OTHER FINANCIAL ASSETS

EUR 1 000	2008	2007
Publicly quoted share investments	**16**	19
Unquoted share investments	**483**	430
TOTAL	**499**	449

Realized sales losses of EUR 50 thousand have been recognized during the financial year from available-for-sale investments.

Unquoted shares are recognized at cost deducted with possible impairments, since their fair value cannot be determined reliably.

EUR 1 000		2008	2007
19	**LONG-TERM RECEIVABLES**		
	Deferred tax receivable	**334**	275
	TOTAL	**334**	275
20	**INVENTORIES**		
	Materials and supplies	**2 417**	2 357
	Work in progress	**1 019**	692
	Finished products/goods	**425**	953
	Advance payments	**448**	513
	TOTAL	**4 310**	4 515

In the year ended, EUR 235 thousand (EUR 305 thousand) were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price.

		2008	2007
21	**ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES**		
	Short-term receivables		
	- Accounts receivables	**4 743**	4 449
	- Accrued income from customers recognized according to percentage of completion	**11 819**	18 341
	- Accrued income and prepaid expenses	**919**	687
	- Other receivables	**2 790**	1 262
	TOTAL	**20 270**	24 739

The current values of receivables are presented in the notes to the financial statements number 37. Balance sheet values correspond best to the amount of money that is the maximum amount of credit risk without taking into consideration the fair value of collaterals, in such a case where other contract parties are not able to fulfill their obligations related to financial instruments.

Receivables do not include significant credit risk clusters.

Losses of EUR 129 thousand have been recognized in accounts receivables during the financial year. There were no losses during the comparison year 2007.

EUR 1 000		2008	2007
22	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Held for trading	**0**	2 043
	Fair valuation of cash and cash equivalents	**0**	101
	Financial assets at fair value through profit or loss at the end of the financial period	**0**	2 144
23	**CASH AND CASH EQUIVALENTS**		
	Cash and bank accounts	**1 216**	1 740
	Bank deposits	**19 893**	7 400
	TOTAL	**21 109**	9 140
	Cash and cash equivalents in cash flow statement		
	Financial items at fair value through profit or loss	**0**	2 144
	Cash and cash equivalents	**21 109**	9 140
	TOTAL	**21 109**	11 284
24	**NOTES TO EQUITY**		
	Reconciliation of the number of shares, 1 000 pcs		
	Number of shares Jan. 1	**4 005**	4 005
	Number of shares Dec. 31	**4 005**	4 005

EUR 1 000	**2008**	2007
Nominal value, EUR	**2.00**	2.00
Total shareholders' equity, EUR thousand	**8 010**	8 010
Series K shares (20 votes/share)	**991**	991
Series A shares (1 vote/share)	**3 014**	3 014

The minimum share capital is EUR 5 000 000 and the maximum share capital is EUR 20 000 000. All issued shares are paid in full.

The share premium includes the value paid for shares in connection with a rights issue that exceeds the nominal value.

Other reserves include granted share-based remuneration settled in shares.

Exchange rate differences include exchange differences arising from translation of foreign subsidiaries' financial statements as well as gains and losses arising from hedging of net investments in subsidiaries.

Dividend

After the balance sheet date, the Board of Directors proposed to the Annual General Meeting that a dividend of EUR 0.70 per share be paid from the financial year 2008.

25 SHARE-BASED PAYMENTS

SHARE-BASED INCENTIVE PLAN

The Board of Raute Corporation has on March 22, 2006 resolved to implement a share-based incentive plan. The share-based incentive plan offers the target group a possibility to earn Raute's series A shares as reward for an earning period of three calendar years for attainment of the targets established for it.

The earning period began on January 1, 2006 and ended on December 31, 2008. The amount of reward that shall be paid on the basis of the plan, has been bound to Raute's operating profit (weight 75%) and the evaluation of the Board of Directors on e.g. the materialization of the strategy (weight +/-25%). The maximum total reward is 65 000 Raute's series A shares and a cash payment equivalent to the value of the shares, in the maximum.

The attainment of the targets established for the earning period will determine the amount to be paid out of the maximum reward. The reward from the plan shall be paid as a combination of shares and cash payment, after the end of the earning period. The reward shall be paid in April 2009 at latest.

No reward shall be paid if a person's employment ends before the reward payment. In addition, a person must own the earned shares at least for two years from the reward payment.

The basic information on the share-based incentive plan has been collected in the table below:

- Issue date: March 22, 2006
- Instrument: Share-based payment
- Number of shares, max*: 54 000 pcs
- Share price upon grant: EUR 17.28
- Fair value of the share upon grant**: EUR 15.28
- Share price at the end of financial year: EUR 6.40
- Earning period began: January 1, 2006
- Earning period ended: December 31, 2008
- Earnings criteria: Operating profit and Board's evaluation on e.g. the materialization of the strategy
- Pay-out assumption of earnings criteria: 35%
- Vesting date of shares: latest April 30, 2009
- Share ownership obligation: 2 years from the grant date
- Remaining binding period: at most 4 months
- Target group December 31, 2008: 17

	Number of shares Jan. 1, 2008	**Changes during financial year**	**Number of shares Dec. 31, 2008**
Shares granted	58 000	0	58 000
Shares returned	-2 000	-2 000	-4 000
Shares distributed	0	0	0
Shares forfeited	0	0	0
Shares total	**56 000**	**-2 000**	**54 000**

* The numbers of shares presented in the table describe the maximum numbers of shares to be distributed on the basis of the share ownership plan. In addition, the Company is committed to pay a cash amount that corresponds to the value of the shares in the maximum (proportion for taxes).

**From the share price on the grant date of the shares have been deducted the expected dividends 2.00 euros that the key people do not receive before the potential reward payment.

Determination of the fair value

Raute Corporation has used Alexander Corporate Finance Oy as an advisor when determining the fair value of the reward. As the reward will be paid as a combination of shares and cash payment, the determining of the fair value of the reward is divided into two proportions, in accordance with IFRS 2 standard: a proportion settled in shares and a proportion settled in cash. The proportion to be settled in shares will be entered in the equity and the proportion to be settled in cash will be entered in liabilities. The fair value of the share-based payment on the grant date was the market price of the Raute's series A share, the dividends to be distributed before the reward payment deducted. The fair value of the share proportion was thus EUR 15.28 per share. Correspondingly, the fair value of the proportion to be settled in cash will further be evaluated every reporting day until the end of the earning period, and the fair value of the debt will thus change in accordance with Raute's series A share price. At the end of the financial year, the fair value of the cash proportion was EUR 6.40 per share. The fair value of the rewards granted during the financial year was EUR 0.4 million in total. The effect of the rewards on the result of Raute Corporation is EUR 0.1 million during the financial year 2008 (MEUR 0.2).

Calculation of fair value of reward

- Shares granted: 54 000 pcs
- Share price upon grant: EUR 6.40
- Assumed dividend before reward payment*: EUR 2.00
- Fair value (proportion in shares): EUR 15.28
- Share price December 31, 2008 (proportion in cash) EUR 6.40
- Pay-out assumption of earnings criteria: 35%
- Estimate of shares to be returned: 0%
- Fair value of reward December 31, 2008: EUR 395 129

*Dividend assumption is an estimate on distributed dividends before reward payment at the grant date.

EUR 1 000	**2008**	2007
26 PROVISIONS		
Warranty provisions		
Book value at the beginning of the financial year	**1 080**	952
Additions	**1 775**	1 331
Used amounts	**-511**	-886
Cancelled unused amounts	**-220**	-325
Exchange rate differences	**-12**	8
Book value at the end of the financial year	**2 111**	1 080
Losses from long-term projects in order book		
Book value at the beginning of the financial year	**177**	666
Additions	**341**	0
Decreace	**-90**	-489
Book value at the end of the financial year	**429**	177
Provisions in balance sheet	**2 540**	1 257
from which		
- long-term	**289**	286
- short-term	**2 251**	971

27 DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

EUR 1 000		Items entered in income statement	Items recognized in shareholders' equity	
Deferred tax assets	**Jan. 1, 2007**			**Dec. 31, 2007**
Changes in fair value	58	-58		0
Effects on Group consolidation	0			0
Other taxable temporary differences	429	-154		275
TOTAL	**487**	**-212**	**0**	**275**
Deferred tax assets	**Jan. 1, 2008**			**Dec. 31, 2008**
Changes in fair value	0			**0**
Effects on Group consolidation	0	27		**27**
Other taxable temporary differences	275	32		**307**
TOTAL	**275**	**59**	**0**	**334**

EUR 1 000		Items entered in income statement	Items recognized in shareholders' equity	
Deferred tax liabilities	**Jan. 1, 2007**			**Dec. 31, 2007**
Depreciation differences and other provisions	383	124		507
Changes in fair value	90	-65		25
Effects of Group consolidation	326	-233		93
Other taxable temporary differences	285	-104	-130	51
TOTAL	**1 084**	**-278**	**-130**	**676**
Deferred tax liabilities	**Jan. 1, 2008**			**Dec. 31, 2008**
Depreciation differences and other provisions	507	-110		**397**
Changes in fair value	25	-25		**0**
Effects of Group consolidation	93	-93		**0**
Other taxable temporary differences	51	151		**202**
TOTAL	**676**	**-77**	**0**	**599**

Unrecognized tax assets from losses of foreign subsidiaries are in total EUR 670 thousand (EUR 476 thousand). Deferred tax liability is not recognized from undistributed earnings of Finnish subsidiaries and associated companies, since in most cases these earnings are transferred to the Parent company without tax implications.

EUR 1 000	2008	2007
28 LONG-TERM INTEREST-BEARING LIABILITIES		
Long-term interest-bearing liabilities recognized at amortized cost		
- Pension loans (TyEL)	**8 000**	0
- Other liabilities	**232**	277
TOTAL	**8 232**	277

Other liabilities are Finnish Funding Agency for Technology (Tekes) loans. The Group's interest-bearing loans are in euros and have a fixed interest rate. The repayment period of the Tekes loan is scheduled for 2009–2013 and the interest rate of the loan is 1.0%. The interest rate of pension loans is 2.95%. The repayment period of the pension loans is five years, with two equal installments each year starting from May 2009. The collaterals given for the loans are a credit guarantee granted by a credit insurance company without a counter guarantee requirement, or a bank guarantee.

EUR 1 000	2008	2007
29 SHORT-TERM INTEREST-BEARING LIABILITIES		
Partial payments of long-term debts	**2 000**	63
Other short-term interest-bearing debts	**225**	150
Total short-term interest-bearing liabilities	**2 225**	213
Distribution of the Group's short-term loans by currencies		
- EUR, %	**100**	100
The weighted averages of effective interest rates of short-term interest-bearing liabilities were:		
Repayment of long-term loans, %	**2.95**	1.00
Other short-term loans, %	**1.00**	2.30

Fair values of financial liabilities are presented in the notes to the financial statements number 37.

EUR 1 000	2008	2007
30 PENSION OBLIGATIONS		
Raute Corporation's voluntary supplement to pension coverage has been treated in accounting as a defined benefit plan.		
The current emplyees' voluntary supplementary pension insurance has been arranged through Sampo Life Insurance Company.		
Defined benefit pension plans		
Items recognized in balance sheet		
Present value of funded obligations	**406**	353
Fair value of assets included in the plan	**-394**	-364
Difference	**12**	-11
Present value of non-funded obligations		
Unrecognized actuarial losses	**161**	232
Unrecognized costs based on retrospective work performance	**0**	39
Net liabilities (receivables) in balance sheet (liability +/receivable -)	**173**	260
Amounts in balance sheet		
Liabilities	**173**	260
Assets	**0**	0
Net liabilities in balance sheet (liability +/receivable -)	**173**	260
Items entered in income statement		
Costs based on the work performance in the financial year	**4**	15
Interest on obligation	**14**	17
Expected income from the assets included in the plan	**-15**	-15
Net of recognized actuarial gains/losses in the financial year	**-20**	-15
Costs based on retrospective work performance	**-39**	-52
Profits/losses resulting from the reduction of the plan or fulfilling of the obligation	**-31**	-25
Total, included in personnel expenses (expenses +/income -)	**-87**	-75
Realized income from the assets included in the plan (expenses +/income -)	**1**	-16
Changes in net liabilities recognized in balance sheet		
Net liabilities at Jan. 1	**260**	335
Net amount of income/expenses entered in income statement	**-87**	-75
Net liabilities at Dec. 31 (liability +/receivable -)	**173**	260
Key actuarial assumptions		
Discount interest, %		
- Finland	**4.9**	4.5
Expected yield from the assets, %		
- Finland	**4.0**	4.5
Yearly salary increase assumption, %		
- Finland	**2.5**	2.5
Inflation assumption, %		
- Finland	**2.0**	2.0
Personnel turnover assumption, %		
- Finland	**1.0**	1.0

EUR 1 000	2008	2007
31 ADVANCE PAYMENTS RECEIVED, TRADE AND OTHER PAYABLES		
Advance payments received EUR 3 475 thousand (EUR 7 590 thousand) comprise of advances received from projects in progress.		
Short-term liabilities in balance sheet		
- Trade payables	**2 863**	2 495
- Accrued expenses and prepaid income	**5 003**	6 912
- Derivative liabilities	**34**	0
- Other liabilities	**636**	1 074
TOTAL	**8 536**	10 481
Substantial items included in accrued expenses and prepaid income		
- Periodizing of project costs	**225**	1 003
- Periodizing of personnel costs	**3 788**	3 821
- Other accrued expenses and prepaid income	**991**	2 087
TOTAL	**5 003**	6 912

32 RELATED PARTY TRANSACTIONS

Raute Group's related parties consist of associated companies, Board members, President and CEO, Presidents of the subsidiaries and Raute Corporation's Sickness Fund.

Group companies	Group's ownership interest and voting power, %	Parent company's ownership interest and voting power, %
Raute Corporation, Lahti, Finland (Parent company)		
Raute Canada Ltd., New Westminster, B.C., Canada	**100**	100
Raute Inc., Delaware, USA	**100**	100
Raute US, Inc., Rossville, Tennessee, USA	**100**	100
RWS-Engineering Oy, Lahti, Finland	**100**	100
Raute Group Asia Pte Ltd., Singapore	**100**	100
Raute WPM Oy, Lahti, Finland	**100**	100
Raute Chile Ltda., Chile	**100**	50
Mecano Group Oy, Kajaani, Finland: merged with the Parent company Dec. 31, 2008		
Raute Service LLC, St. Petersburg, Russia	**100**	0
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	**100**	100
Raute (Shanghai) Trading Co., Ltd, Shanghai, China	**100**	100

EUR 1 000	2008	2007
Group management's employee benefits		
Salaries and other short-term employee benefits	**971**	913
TOTAL	**971**	913
Salaries and remunerations of the management of the Parent company		
President and CEO		
Kiiski, Tapani, President and CEO	**256**	224
Members of the Board of Directors		
Rytilahti, Jarmo, Chairman of the Board	**39**	36
Mustakallio, Sinikka, Vice-Chairman of the Board	**20**	18
Helander, Ilpo, Member of the Board as of April 2, 2008	**15**	0
Mustakallio, Mika, Member of the Board	**20**	18
Mustakallio, Panu, Member of the Board	**20**	18
Wiitakorpi, Jorma, Member of the Board	**17**	18
Paasikivi, Pekka, Member of the Board until April 2, 2008	**5**	18
TOTAL	**389**	350

The contracts of the management do not include any special conditions concerning retirement or the amount of retirement allowance.

The company's Board of Directors, President and CEO and Presidents of the subsidiaries owned a total of 90 838 series A shares and 98 990 series K shares. Management's ownership corresponds to 4.7 percent of the shares in the company and 9.1 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.

No loans are granted to the management. On December 31, 2008, the Parent company Raute Corporation had loan receivables from its subsidiary Raute Canada Ltd. in amount of CAD 5 415 thousand (CAD 4 735 thousand). Raute Corporation had EUR 110 thousand (EUR 110 thousand) liabilities to Raute Corporation's Sickness Fund. No other pledges or other contigent liabilities have been given on behalf of the related parties of the company.

Sickness Fund

Raute Group's personnel has a voluntary insurance fund, which pays its members additional benefits on top of compensations paid according to the Sickness Insurance Act. Raute's Sickness Fund covers personnel in Raute Corporation and its domestic subsidiaries as well as personnel in the former subsidiary Lahti Precision Oy. Raute's Sickness Fund has deposited its assets in Raute Corporation. The amount of deposits was EUR 110 thousand at Dec. 31 (EUR 110 thousand) and 4.0% (2.4%) of interest was paid to it.

EUR 1 000	2008	2007
33 OTHER LEASES AND OPERATING LEASE LIABILITIES		
Group as lessee		
Minimum rents paid on the basis of other non-cancellable leases:		
- Within 1 year	**273**	127
- After the period of more than 1 and less than 5 years	**464**	370
TOTAL	**737**	497
The Group has rented in a part of office and production premises. The rental agreements are made for the time being or for the fixed-term. The agreements made for a fixed-term include an option to extend the rental period after the date of initial expiration.		
Minimum direct leasing rents paid on the basis of non-cancellable direct leasing contracts are:		
- Under 1 year	**12**	60
- 1–5 years	**2**	60
TOTAL	**14**	120
Group as lessor		
The Group has rented out the office and plant facilities that it does not need. The facilities have been classified as tangible fixed assets in the financial statements. Rent income has been recognized in other operating income in the financial statements and totaled EUR 21 thousand (EUR 77 thousand) in 2008.		
34 CURRENCY DERIVATIVES		
Currency derivatives are used for hedging purposes.		
Nominal values of forward contracts in foreign currency		
Economic hedging		
- Related to financing	**3 186**	3 277
- Related to hedging of net sales	**532**	2 481
Fair values of forward contracts in foreign currency		
Economic hedging		
- Related to financing	**170**	-30
- Related to hedging of net sales	**-8**	360

EUR 1 000	2008	2007
35 PLEDGED ASSETS AND CONTINGENT LIABILITIES		
Pledged assets		
Debts and other contingent liabilities have been secured by mortgages		
- Real estate mortgages (Raute Corporation's Sickness Fund)	**134**	134
- Business mortgages (Credit regulation agreements)	**10 000**	10 000
Contingent liabilities and other liabilities		
Security for Parent company and subsidiaries		
- Bank guarantees	**8 928**	17 584
Other own liabilities		
Leasing and rent liabilities		
- For the current accounting period	**285**	187
- For subsequent accounting periods	**466**	430

No pledges have been given or other commitments made on behalf of the company's management or shareholders. No loans are granted to the company's management and shareholders.

36 MANAGEMENT OF FINANCING RISKS

The most significant financing risks that Raute Group is exposed to are liquidity, currency, and credit and counterparty risks. The Group may also be exposed to price and interest rate risks. The Group has a risk management policy approved by the Board of Directors. The Parent company's financing unit is responsible for practical risk management concerning financial risks. It identifies, assesses, and hedges financing risks in cooperation with operating units.

The Group's written financing policy is based on the principle of cost-effective hedging against risks that have a negative effect on the Group's performance or cash flow. The financing policy defines the limiting values that guide operations, the adopted financial and hedging instruments, and the acceptable counterparties.

Financial assets

The items included in the Group's financial assets have been described by balance sheet item in note number 37. Financial assets include the percentage of completion receivables of the balance sheet that have arisen from work performed related to binding sales contracts, and are a balance sheet item comparable to accounts receivables.

Liquidity risks

The minimum amounts of cash, current investments, and available credit liabilities have been defined to ensure the Group's liquidity. In the long term, risks related to the availability and pricing of funding are managed by using a variety of sources for financing. Investments are required to exhibit good creditworthiness and sufficient liquidity.

The Parent company has a EUR 10 million (MEUR 10) domestic commercial paper program, which allows it to issue commercial papers maturing in less than one year. The company also has bilateral non-current credit regulation agreements worth EUR 17 million (MEUR 15), of which EUR 14 million (MEUR 15) could be used as credit limits on December 31, 2008. The main condition of the covenants included in the credit regulation agreements is to maintain the Group's equity ratio at more than 30 percent. During the financial year and the comparison year, the Group met the conditions of the covenants.

The Group's financial liabilities consist of trade payables, derivative payables and interest-bearing debts. Trade payables are due in less than a month on average.

The interest-bearing debts are EUR 10 million TyEL (Employees Pensions Act) loans and EUR 0.5 million loans from the Finnish Funding Agency for Technology (Tekes). The TyEL loans have a fixed annual interest rate of 2.95 percent. The repayment period of the loans is five years, with two equal installments each year starting from May 2009. The collaterals given for the loans are a credit guarantee granted by a credit insurance company without a counter guarantee requirement, or a bank guarantee. The repayment of the Tekes loan is scheduled for 2009–2013, and the interest rate is 1.0 percent. Foreign subsidiaries have no financial loans from outside the Group.

Currency risks

The currency distribution varies yearly. In 2008, 50.1 percent (69.4%) of net sales was generated outside the euro zone. The main currency which is used in customer deliveries and in transactions between the Group companies is euro. Other important currencies are the US (USD) dollar, the Canadian (CAD) dollar, the Russian rouble (RUB), and the Chinese yuan (CNY). The Group hedges itself against currency exchange risks related to business payments by using each Group company's functional currency as the primary trading currency.

As stated in the Group's financing policy, operating units hedge single currency items of over EUR 100,000 based on binding sales contracts and procurement contracts with the Group's financing unit when the contracts take effect. Mainly forward contracts are used in external hedging related to the currency risk of sales contracts. The Group's unhedged currency flow and forward contracts are mainly used for hedging against currency risks related to procurement contracts. At the reporting and comparison date, there was no hedge accounting.

The forward contract receivables and liabilities related to business payments and denominated in foreign currency, to which hedge accounting is not applied, arise the currency risk to the Group at reporting date. This currency risk is recognized in profit or loss when the value of the forward contracts exceeds the income recognition of the respective binding sales contracts. The measurement of the forward contracts and the percentage of completion receivables improved the company's net sales by EUR 10 thousand (EUR 300 thousand).

Currency clauses are used to hedge against currency risks during the quotation period. Depending on the case, currency risks related to preliminary sales contracts are hedged with currency options.

The Group's internal loans, other than equity loans, are hedged with forward contracts. Forward contracts related to the economic hedging of the Group's internal financing in Canadian dollars had a nominal value of EUR 3.3 million (MEUR 3.2) at the end of the financial year.

The coverage of currency risk hedging is verified quarterly by reviewing the Group's net currency position in the main currency pairs USD/EUR, CAD/EUR, USD/CAD, CNY/EUR and RUB/EUR. Currency flows related to binding contracts, and derivate contracts used for their hedging, are taken into account in the position from the reporting date onwards regardless of which year's profit or loss, or equity, the currency risk will effect. For the currency pair USD/EUR, the net currency position at the reporting date was EUR -225 thousand (EUR -97 thousand), for the currency pair CAD/EUR, EUR 231 thousand (EUR 11 thousand), for the currency pair USD/CAD, EUR 321 thousand (EUR 532 thousand), for the currency pair CNY/EUR, EUR 66 thousand (EUR 297 thousand), and for the currency pair RUB/EUR, EUR -681 thousand (EUR -1 005 thousand). For the currency pair USD/EUR, the Group's net currency position in the assets at the reporting date was EUR 243 thousand (EUR 38 thousand), for the currency pair CAD/EUR, EUR -119 thousand (EUR 76 thousand), for the currency pair USD/CAD, EUR 599 thousand (EUR 753 thousand), for the currency pair CNY/EUR, EUR 66 thousand (EUR 297 thousand), and for the currency pair RUB/EUR, EUR -681 thousand (EUR -1 005 thousand).

The following table includes a sensitivity analysis on transaction risk, i.e. the effect of reasonable potential changes in the exchange rates on the Group's profit or loss before tax, and equity in the main currency pairs. Accounts receivables and percentage of completion receivables, trade payables, internal loans, and derivative contracts have been taken into account when estimating the effect of the changes in the exchange rate.

Sensitivity analysis of the transaction risk

EUR 1 000	**2008**	2007
Increase/decrease in CAD/EUR, %	**+/- 20**	+/- 20
Effect on profit before tax	**-/+ 24**	+/- 15
Increase/decrease in USD/EUR, %	**+/- 20**	+/- 20
Effect on profit before tax	**+/- 49**	+/- 8
Increase/decrease in CNY/EUR, %	**+/- 20**	+/- 20
Effect on profit before tax	**+/- 13**	+/- 59
Increase/decrease in RUB/EUR, %	**+/- 20**	+/- 20
Effect on profit before tax	**-/+ 136**	-/+ 201

The Group has foreign subsidiaries and is exposed to translation risks. Net investments and corresponding items in subsidiaries have not been hedged. The share capital of Group companies outside the euro zone was EUR 617 thousand (EUR 755 thousand) at the end of the financial year. Net investments or corresponding items were EUR 2.0 million (MEUR 1.9) in US dollars, EUR -5.9 million (MEUR -6.2) in Canadian dollars and EUR 0.8 million (MEUR 0.9) in Chinese yuans. Exchange rate differences for net investments, EUR 22 thousand (EUR 264 thousand), are recognized in equity. A loan, EUR 1.0 million, granted by the Parent company to a foreign subsidiary was turned into a capital loan during the financial year. At the reporting date, the Parent company estimated that the value of the loan had decreased, and an impairment loss of EUR 1.0 million was recognized in the Parent company's financial statements.

The following table includes a sensitivity analysis on translation risks related to the possible changes in the exchange rate of US and Canadian dollars, Russian rouble, Chinese yuan and euro and the effect of the changes on the Group's equity. The effects of +20/-20 percent changes in exchange rates on the fair values of foreign net investments have been taken into account in the sensitivity analysis.

Sensitivity analysis on translation risk

EUR 1 000	**2008**	2007
Increase/decrease in CAD/EUR, %	**+/- 20**	+/- 20
Effect on profit before tax	**+/- 201**	+/- 8
Effect on equity	**+/- 815**	+/- 742
Increase/decrease in USD/EUR, %	**+/- 20**	+/- 20
Effect on profit before tax	**-/+ 7**	+/- 6
Effect on equity	**+/- 33**	+/- 32
Increase/decrease in CNY/EUR, %	**+/- 20**	+/- 20
Effect on profit before tax	**+/- 28**	-/+ 85
Effect on equity	**-/+ 168**	-/+ 171
Increase/decrease in RUB/EUR, %	**+/- 20**	+/- 20
Effect on profit before tax	**-/+ 22**	+/- 0
Effect on equity	**+/- 0**	+/- 17

Credit and counterparty risks

The most significant credit and counterparty risks are related to the counterparties of project business and financial investment activities. Credit risks related to accounts receivables of project deliveries are managed by requesting bank guarantees or confirmed letters of credit for customer payments, and by accelerated payment terms with long-term customers approved by the Board of Directors. Technology service related credit risks are managed by regularly following customer-specific payment behavior and credit limits at the time of order confirmation.

The financial crisis, which expanded to global proportions towards the end of 2008, and the uncertainty in the development of the global economy affect the company's counterparty risk. The maximum counterparty risk relating to customers' solvency is the amount of receivables relating to binding sales contracts that are not covered by bank guarantees, letters of credit, or other securities. Received bank guarantees and letters of credit covered 32.8 percent (44.4%) of the accounts receivables and the percentage of completion receivables recorded in the balance sheet, and 22.8 percent (9.3%) of the order book at the end of the financial year.

The age analysis of accounts receivables, and invoiced advance payments of binding sales contracts which are recorded in the percentage of completion receivables in the financial assets, is shown in the following table. The advance payments in the table are not included in the assets of the balance sheet at the balance sheet date. According to the management's best estimate, there were no overdue accounts receivables resulting from counterparties' permanent insolvency. A total of EUR 0.1 million (MEUR 0) was recognized as credit losses during the financial year.

Accounts receivables EUR 1 000	Accounts receivables	Advances invoiced	Total
Dec. 31, 2008	4 743	4 746	9 489
Dec. 31, 2007	4 449	6 048	10 497

Age analysis of receivables EUR 1 000	Neither past due nor impaired	< 30 days	30–60 days	> 60 days
Dec. 31, 2008	5 619	543	564	2 763
Dec. 31, 2007	9 088	1 205	125	79

Investments and derivative agreements are only made with counterparties that meet the credit rating criteria defined in the financing policy. When making investments, or derivative and loan agreements, the Group applies counterparty-specific upper limits to avoid risk concentrations. At the balance sheet date, investments related to the Group's cash management were made to Finnish and Swedish banks. The liquid assets in financial institutions outside the euro zone were EUR 0.6 million (MEUR 0.9).

At the end of the financial year, the maximum amount of credit risk is the book value of financial assets EUR 21.1 million (MEUR 11.3) at December 31, 2008.

Price risk
At the balance sheet date, there were no derivatives hedging price risk that would affect the profit or loss in the consolidated financial statements.

The raw materials used by the Group are reprocessed steel products, other raw materials, components, and commodities; it is not possible to actively hedge against their market price risk with derivatives, and their price risk is a part of the business risk. The price risk of steel is managed by regularly analyzing and following the price fluctuation. The price risk of components is reduced by making blanket agreements with suppliers.

The Group's production processes use electric power. The price risk of electric power is followed and managed through fixed-price contracts.

The price risk of financial instruments is analyzed as part of fair value risk. At the balance sheet date, there were no significant investments held for sale, the change of which in fair value price would essentially affect the Group's profit or loss, and equity.

Interest risks
Due to the strong financing position, the Group's interest risks are minor.

The interest risk related to financial liabilities arises from the interest differences between derivative contract currencies, and from loans. At the balance sheet date, short- and long-term interest-bearing liabilities totaling EUR 10 456 thousand (EUR 490 thousand) had fixed interest rates.

In a normal financial market situation, the Group's cash and cash equivalents are invested in interest-bearing investments in funds and deposits whose profit levels include an interest risk. At the balance sheet date, the financial assets included no interest risk. A total of EUR 19.9 million (MEUR 7.4) was invested in market money deposits with fixed interest rate.

Capital structure management
The objective of the Group's capital structure management is an effective capital structure that secures the Group's operational preconditions on the capital market. Soliditet Finland ranked the Group's Parent company in the highest AAA ranking category throughout 2008.

The Group's capital structure is followed by equity ratio, which has a strategic target value. During the financial year 2008 the target value of equity ratio was over 40 percent. Equity ratio on December 31, 2008 was 60.5 percent (70.3%).

37 OTHER FINANCIAL INSTRUMENT DATA

The following table shows a comparision by category of carrying amounts and fair values, that are carried in the balance sheet.

EUR 1 000	Note	Carrying amount Dec. 31, 2008	Fair value Dec. 31, 2008	Carrying amount Dec. 31, 2007	Fair value Dec. 31, 2007
Financial assets					
Financial assets at fair value through profit or loss					
Held for trading	22	0	0	2 144	2 144
Loans and other receivables					
Trade and other receivables	21, 23	36 454	36 454	30 350	30 350
Cash and cash equivalents	23	1 216	1 216	1 740	1 740
Available-for-sale financial assets		499	499	449	449
TOTAL		**38 169**	**38 169**	**34 683**	**34 683**
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Held for trading					
Financial liabilities recognized at amortized cost					
Bank and other loans	28-29	10 457	10 457	63	63
Trade and other payables	31	8 536	8 536	3 047	3 047
TOTAL		**18 993**	**18 993**	**3 110**	**3 110**
Aggregated by measurement category					
Financial assets held for trading		0	0	2 144	2 144
Loans and receivables		36 454	36 454	30 350	30 350
Available-for-sale financial assets		1 715	1 715	2 189	2 189
Financial liabilities recognized at amortized cost		18 993	18 993	3 110	3 110

38 EXCHANGE RATES USED IN CONSOLIDATION OF THE SUBSIDIARIES

	2008	2007
Income statement	EUR	EUR
USD	**1.4706**	1.3706
CAD	**1.5593**	1.4689
SGD	**2.0761**	2.0636
CLP	**761.6427**	714.9118
RUB	**36.4231**	35.0199
CNY	**10.2247**	10.4186
Balance sheet	EUR	EUR
USD	**1.3917**	1.4721
CAD	**1.6998**	1.4449
SGD	**2.0040**	2.1163
CLP	**870.6680**	727.6318
RUB	**41.2830**	35.986
CNY	**9.2205**	10.7404

EUR 1 000	2008	2007
39 ADJUSTMENTS TO OPERATING CASH FLOW		
Non-cash transactions in operating activities:		
Depreciation and amortization	**-2 751**	-2 654
Employee benefits	**-24**	-120
Impairments	**0**	477
Exchange rate differences	**-83**	-201
Profit or loss from change in fair value of financial assets through profit or loss	**-15**	201
TOTAL	**-2 873**	-2 298

40 EVENTS AFTER THE BALANCE SHEET DATE

At the end of January 2009, negotiations in accordance with the Act on Co-operation within Undertakings were started in the Group's Finnish units on additional adaptation measures relating to personnel and other arrangements to adapt operations to the continued weak market situation. The structural changes that the company has implemented in recent years to increase its ability to adapt to the normal fluctuations in demand typical of project business are not sufficient enough to enable the adaptation of the operations to the present exceptional market situation.

The Board of Directors of Raute Corporation has decided to utilize the authorization it was given by the Annual General Meeting of shareholders on April 2, 2008 to acquire the company's own series A shares. The shares are acquired to be used as part of the incentive plans for key personnel. The purchase of the shares will begin at earliest on February 19, 2009 and will end at latest on April 2, 2009.

PARENT COMPANY'S INCOME STATEMENT, FAS

EUR 1 000 Note		1.1.–31.12.2008	1.1.–31.12.2007
2, 3	**NET SALES**	**87 713**	92 977
	Increase (+) or decrease (-) in inventories of finished goods and work in progress	**383**	104
4	**Other operating income**	**571**	755
5	Materials and services	**49 984**	56 063
6	Personnel expenses	**20 679**	20 061
8, 14	Depreciation, amortization and impairment charges	**1 949**	1 832
9	Other operating expenses	**9 546**	8 126
	Total operating expenses	**82 158**	86 082
	OPERATING PROFIT	**6 509**	7 755
	Financial income and expenses		
10	Income from investments in other non-current assets	**133**	114
10	Interest and other financial income	**1 268**	700
10	Impairments from investments in non-current assets	**0**	0
10	Intrerest and other financial expenses	**-1 659**	-238
	Total financial income and expenses	**-259**	576
	PROFIT BEFORE EXTRAORDINARY ITEMS	**6 250**	8 331
11	**Extraordinary items**	**0**	885
	PROFIT BEFORE APPROPRIATIONS AND TAXES	**6 250**	9 216
12	**Appropriations**	**355**	709
13	**Income taxes**	**-2 120**	-2 541
	PROFIT FOR THE FINANCIAL YEAR	**4 485**	7 385

PARENT COMPANY'S BALANCE SHEET, FAS

EUR 1 000		31.12.2008	31.12.2007
Note			
	ASSETS		
	Non-current assets		
14	Intangible assets	**1 572**	1 851
14	Tangible assets	**8 736**	8 321
15	Investments	**4 504**	5 903
	Non-current assets total	**14 812**	16 075
	Current assets		
3,16	Inventories	**3 345**	2 853
17	Long-term receivables	**0**	0
17	Short-term receivables	**19 470**	24 098
18	Investments held as current assets	**0**	2 144
	Cash and cash equivalents	**20 507**	8 214
	Current assets total	**43 323**	37 308
	TOTAL ASSETS	**58 135**	53 383
	LIABILITIES		
	Shareholders' equity		
19	Share capital	**8 010**	8 010
19	Share premium	**6 498**	6 498
19	Retained earnings	**14 227**	10 847
19	Profit for the financial year	**4 485**	7 385
	Shareholders' equity total	**33 220**	32 739
20	**Appropriation reserve**	**418**	765
21	**Provisions**	**2 417**	1 067
	Liabilities		
22	Long-term liabilities	**8 231**	277
22	Short-term liablities	**13 849**	18 534
	Liabilities total	**22 080**	18 811
	TOTAL LIABILITIES	**58 135**	53 383

PARENT COMPANY'S CASH FLOW STATEMENT, FAS

EUR 1 000	1.1.–31.12.2008	1.1.–31.12.2007
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	**90 078**	79 095
Proceeds from other operating income	**541**	409
Payments of operating expenses	**-82 660**	-87 224
Cash flow before financial items and taxes	**7 959**	-7 719
Interests and other operating financial expenses paid	**-250**	-347
Interests and other income received	**801**	743
Dividends received	**133**	114
Income taxes paid	**-3 557**	-1 579
Cash flow before extraordinary items	**5 086**	-8 788
NET CASH FROM (+) / USED IN (-) OPERATING ACTIVITIES (A)	**5 086**	-8 788
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases in tangible and intangible assets	**-1 688**	-1 230
Purchases of available-for-sale investments	**-50**	-74
Acquisition of subsidiary shares	**0**	-343
Proceeds from disposal of tangible and intangible assets	**30**	1 310
Repayments of loan receivables	**27**	0
NET CASH FROM (+) / USED IN (-) INVESTING ACTIVITIES (B)	**-1 681**	-337
CASH FLOW FROM FINANCING ACTIVITIES		
Increase of short-term liabilities	**355**	0
Repayments of short-term liabilities	**-560**	-1 576
Increase of long-term liabilities	**10 069**	0
Repayments of long-term liabilities	**0**	-163
Dividends paid	**-4 005**	-2 803
Group contributions, paid and received	**885**	300
NET CASH FROM (+) / USED IN (-) FINANCING ACTIVITIES (C)	**6 744**	-4 243
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**10 149**	-13 367
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**10 358**	23 725
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**20 507**	10 358

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

The accounting principles of the Parent company's financial statements are presented only for those parts that differ from the accounting principles of the consolidated financial statements.

The Parent company's financial statements have been prepared in accordance with the Finnish Accountancy Act (FAS).

Foreign currency items

Other than euro denominated transactions are recognized at the exchange rate effective on the transaction date. Receivables and liabilities denominated in other currencies are translated into euro at the average rate of the balance sheet date, except for hedged items that are 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 will be capitalized into accrued expenses or receivables. Other exchange rate gains and losses are handled according to their impact on profit.

Fixed assets

Intangible and tangible assets are stated at cost less accumulated depreciation, with the exception for some property items and shares revaluated. Only variable costs arising from the acquisition and production of a product are included in the carrying amount.

Depreciations of tangible and intangible assets are recorded with the straight-line method over the expected economic lives of the assets as follows:

Goodwill	5 years
Other intangible assets	3–10 years
Buildings and structures	25–40 years
Machinery and equipment	4–12 years
Other fixed assets	3–10 years.

Gains and losses on decommissioning and disposal of property, plant and equipment are presented in other operating income or expenses.

Research and development costs

Research and development costs are recognized as expenses in the income statement in the year in which they are incurred.

Pensions

Statutory pension coverage of the Parent company has been arranged through an external pension insurance company. Pension expenses are recorded as expenses in the year in which they are incurred.

Extraordinary items

Extraordinary items include significant and exceptional income and expenses that are not a part of the usual business operations. Group contributions received and paid are also recognized as extraordinary items.

Income taxes

Income taxes recognized in the income statement include direct taxes for the period and tax adjustments for previous periods. Current tax is calculated on taxable income using the tax rate that is in force.

Deferred tax assets and liabilities have not been recognized in the balance sheet for other than revaluations. The deferred tax liability included in the depreciation difference is presented in the notes item Appropriation reserve.

Changes in subsidiary ownership

Raute Corporation's subsidiary Mecano Group Oy was merged with the Parent company on December 31, 2008. A merger loss of EUR 150 thousand was recorded due to the merger as the difference between the book value of the subsidiary's shares and the equity of the subsidiary at the date of the merger. The merger loss is presented under other operating expenses in the receiving Parent company's income statement.

EUR 1 000	**2008**	**%**	2007	%
2 NET SALES BY MARKET AREA				
Finland	**14 182**	**16**	13 367	14
Rest of Europe	**31 133**	**35**	19 772	21
Russia	**33 441**	**38**	38 456	41
South America	**4 123**	**5**	11 226	12
North America	**2 573**	**3**	7 550	8
Asia	**1 195**	**1**	701	1

EUR 1 000	2008	%	2007	%
Oceania	**786**	**1**	963	1
Others	**280**	**0**	942	1
TOTAL	**87 713**	**100**	92 977	100

EUR 1 000		2008	2007
3	**REVENUE RECOGNITION METHOD BASED ON PERCENTAGE OF COMPLETION**		
	Net sales by percentage of completion	**76 765**	82 218
	Other net sales	**10 948**	10 759
	TOTAL	**87 713**	92 977
	Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	**83 687**	105 898
	Amount of long-term project revenues not yet entered as income (order book of long-term projects)	**22 778**	52 718
	Specification of combined asset and liability items		
	Advances paid	**427**	811
	Advance payments recognized by percentage of completion	**0**	0
	Advance payments included in inventories	**427**	811
	Accrued income corresponding to revenues by percentage of completion	**83 788**	108 301
	Advances received from project customers	**-72 385**	-91 245
	Balance sheet project receivables included in non-current receivables	**11 403**	17 056
4	**OTHER OPERATING INCOME**		
	Capital gain on sale of fixed assets	**30**	346
	Other	**541**	409
	TOTAL	**571**	755
5	**MATERIALS AND SERVICES**		
	Materials and supplies during the period		
	- Purchases	**45 118**	50 318
	- Change in inventories	**-205**	1
	External services	**5 071**	5 743
	TOTAL	**49 984**	56 063
6	**PERSONNEL EXPENSES**		
	Wages and salaries	**17 026**	16 279
	Pension costs	**2 710**	2 598
	Other statutory personnel contributions	**943**	1 184
	TOTAL	**20 679**	20 061
	Salaries and remunerations of the management		
	Kiiski, Tapani, President and CEO	**256**	224
	Members of the Board		
	Rytilahti, Jarmo, Chairman of the Board	**39**	36
	Mustakallio, Sinikka, Vice-Chairman of the Board	**20**	18
	Helander, Ilpo, Member of the Board as of April 2, 2008	**15**	0
	Mustakallio, Mika, Member of the Board	**20**	18
	Mustakallio, Panu, Member of the Board	**20**	18
	Wiitakorpi, Jorma, Member of the Board	**17**	18
	Paasikivi, Pekka, Member of the Board until April 2, 2008	**5**	18
	TOTAL	**389**	350

	EUR 1 000	2008	2007
7	**PERSONNEL**		
	Employed at Dec. 31, persons		
	Workers	**155**	156
	Office staff	**278**	242
	TOTAL	**433**	398
	- of which personnel working abroad	**6**	3
	Average, persons		
	Workers	**157**	157
	Office staff	**249**	245
	TOTAL	**406**	402
	- of which personnel working abroad	**6**	3
8	**DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES**		
	Depreciation and amortization from tangible and intangible assets	**1 949**	1 832
	TOTAL	**1 949**	1 832
9	**OTHER OPERATING EXPENSES**		
	Indirect production costs	**1 348**	1 285
	Losses on Group companies' trade receivables	**754**	0
	Sales and marketing costs	**2 638**	2 142
	Administration costs	**1 729**	1 704
	Other costs	**3 077**	2 995
	TOTAL	**9 546**	8 126
	Auditor's remunerations		
	Annual audit, statutory	**39**	31
	Other audit related services under audit law	**0**	2
	Tax services	**57**	8
	Other services	**5**	10
	TOTAL	**100**	51
10	**FINANCIAL INCOME AND EXPENSES**		
	Income from investments in other non-current assets		
	Dividends	**133**	114
	TOTAL	**133**	114
	Other interest and financial income		
	From Group companies	**141**	166
	Dividends and yield on investment funds from others	**85**	201
	Other interest and financial income from others	**1 141**	333
	TOTAL	**1 368**	700
	Impairments from investments in non-current assets		
	Group companies	**968**	0
	Interest and other financial expenses		
	Group companies	**22**	33
	Other than associates or Group companies	**770**	205
	TOTAL	**791**	238
	Total financial income and expenses		
	Exchange rate gains (+) / losses (-) included in total financial items	**-259**	576
		25	-51
11	**EXTRAORDINARY ITEMS**		
	Extraordinary income		
	Contributions from Group companies	**0**	885
	TOTAL	**0**	885

EUR 1 000	2008	2007
12 APPROPRIATIONS		
Difference in planned and taxed depreciations	**355**	709
TOTAL	**355**	709
13 INCOME TAXES		
From operations, current financial year	**-1 963**	-2 251
Tax impact of extraordinary items	**0**	-230
From operations, previous financial years	**-157**	-59
TOTAL	**-2 120**	-2 541

14 NON-CURRENT ASSETS

EUR 1 000	Capitalized product development costs	Intangible rights	Other intangible assets	TOTAL
Intangible assets				
Carrying amount at Jan. 1, 2008	**565**	**983**	**3 920**	**5 468**
Additions	0	64	173	237
Disposals	0	0	0	0
Intangible assets transferred in merger	115	0	7	121
Transfers between items	0	0	33	33
Carrying amount at Dec. 31, 2008	**679**	**1 047**	**4 133**	**5 859**
Accumulated depreciation at Jan. 1, 2008	**-20**	**-553**	**-3 044**	**-3 617**
Depreciation for the financial year	-163	-123	-384	-671
Accumulated depreciation at Dec. 31, 2008	**-183**	**-676**	**-3 428**	**-4 287**
Book value at Dec. 31, 2008	**496**	**371**	**705**	**1 572**
Book value at Dec. 31, 2007	**545**	**431**	**876**	**1 851**

EUR 1 000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Assets in progress and advance payments	TOTAL
Tangible assets						
Carrying amount at Jan. 1, 2008	**301**	**8 879**	**17 859**	**336**	**75**	**27 450**
Additions	0	63	602	0	1 111	1 776
Disposals	0	-3	0	0	0	-3
Tangible assets transferred in merger	0	0	78	0	0	78
Transfers between items	0	75	830	0	-1 062	-157
Carrying amount at Dec. 31, 2008	**301**	**9 014**	**19 368**	**336**	**124**	**29 144**
Accumulated depreciation at Jan. 1, 2008	**0**	**-4 477**	**-14 344**	**-308**		**-19 129**
Depreciation for the financial year		-276	-998	-4		-1 278
Accumulated depreciation at Dec. 31, 2008	**0**	**-4 753**	**-15 342**	**-313**	**0**	**-20 407**
Book value at Dec. 31, 2008	**301**	**4 261**	**4 027**	**23**	**124**	**8 736**
Book value at Dec. 31, 2007	**301**	**4 402**	**3 515**	**28**	**75**	**8 321**

Book value for production machinery						
Dec. 31, 2008			**3 312**			
Dec. 31, 2007			**2 998**			

15 NON-CURRENT INVESTMENTS	SHARES		RECEIVABLES	TOTAL
EUR 1 000	Group companies	Others	Group companies	
Carrying amount at Jan. 1, 2008	**8 318**	**447**	**7 885**	**16 650**
Exchange rate differences	0	0	-256	-256
Additions	0	50	1 132	1 182
Disposals	-1 331	0	-27	-1 358
Carrying amount at Dec. 31, 2008	**6 987**	**497**	**8 734**	**16 218**
Revaluation at Jan. 1, 2008	**-6 166**	**0**	**-4 581**	**-10 747**
Additions	0	0	-968	-968
Revaluation at Dec. 31, 2008	**-6 166**	**0**	**-5 549**	**-11 715**
Book value at Dec. 31, 2008	**821**	**497**	**3 186**	**4 504**
Book value at Dec. 31, 2007	**2 152**	**447**	**3 304**	**5 903**

Shares owned by the company are presented in the notes to the financial statemets number 24.

EUR 1 000	2008	2007
16 INVENTORIES		
Materials and supplies	**1 774**	1 396
Work in progress	**909**	534
Finished products / goods	**234**	112
Other inventories	**0**	0
Advance payments	**427**	811
TOTAL	**3 345**	2 853
17 SPECIFICATION OF RECEIVABLES		
Long-term receivables		
Long-term receivables from Group companies		
- Loan receivables	**3 186**	0
Total from Group companies	**3 186**	0
TOTAL	**3 186**	0
Short-term receivables		
Short-term receivables from Group companies		
- Accounts receivables	**1 165**	1 911
- Accrued income and prepaid expenses	**24**	1 103
Total from Group companies	**1 213**	3 013
Short-term receivables from others		
- Accounts receivables	**3 778**	3 262
- Accrued income and prepaid expenses	**12 852**	17 193
- Other receivables	**1 650**	630
Total from others	**18 281**	21 085
TOTAL	**19 494**	24 098
Substantial items included in accrued income and prepaid expenses		
- Contribution receivables from Group companies	**0**	885
- Project receivables entered according to percentage of completion	**11 403**	17 056
- Other accrued income	**1 449**	355
TOTAL	**12 852**	18 295

EUR 1 000	2008	2007
18 INVESTMENTS HELD AS CURRENT ASSETS		
Replacement cost	**0**	2 144
Book value	**0**	2 043
Difference	**0**	101
Financial assets are fund units held for trading.		
19 SHAREHOLDERS' EQUITY		
Share capital at Jan. 1	**8 010**	8 010
Share capital at Dec. 31	**8 010**	8 010
Premium fund at Jan. 1	**6 498**	6 498
Premium fund at Dec. 31	**6 498**	6 498
Retained earnings at Jan. 1	**10 847**	14 861
Changes during the financial year		
- Loss / profit from the previous year	**7 385**	-854
- Dividends	**-4 005**	-2 803
- Reductions in revaluations	**0**	-357
Retained earnings at Dec. 31	**14 227**	10 847
Profit / loss for the financial year	**4 485**	7 385
SHAREHOLDERS' EQUITY AT DEC. 31	**33 220**	32 740
Distributable funds		
Retained earnings at Dec. 31	**14 227**	10 847
Profit / loss for the financial year	**4 485**	7 385
Distributable funds at Dec. 31	**18 712**	18 232
Shares of Parent company		
Shares, 1 000 pcs	**4 005**	4 005
Nominal value, EUR	**2.00**	2.00
Total nominal value, 1 000 EUR	**8 010**	8 010
Serie K shares (ordinary shares, 20 votes/share), 1 000 pcs	**991**	991
Serie A shares (1 vote/share), 1 000 pcs	**3 014**	3 014

20 APPROPRIATION RESERVE

The appropriation reserve consists of accumulated depreciation difference of EUR 418 thousand (EUR 933 thousand), including deferred tax liabilities of EUR 109 thousand (EUR 243 thousand).

	2008	2007
21 PROVISIONS		
Estimated warranty accruals at Jan. 1	**890**	782
Amendment during the financial year	**1 098**	108
Estimated warranty accruals at Dec. 31	**1 988**	890
Provision for loss/overheads from long-term projects in order book at Jan. 1	**177**	666
Amendment during the financial year	**251**	-489
Provision for loss/overheads from long-term projects in order book at Dec. 31	**428**	177
TOTAL	**2 416**	1 067

EUR 1 000		2008	2007
22	**SPECIFICATION OF LIABILITIES**		
	Long-term liabilities		
	Long-term liabilities to others		
	- Pension loans (TyEL)	**8 000**	0
	- Other loans	**231**	277
	TOTAL	**8 231**	277
	Short-term liabilities		
	Short-term liabilities to Group companies		
	- Accounts payable	**663**	1 531
	- Accrued expenses and prepaid income	**0**	140
	- Other current liabilities	**506**	1 637
	Total to Group companies	**1 168**	3 308
	Short-term liabilities to others		
	- Pension loans (TyEL)	**2 000**	0
	- Advances received	**3 389**	7 002
	- Accounts payable	**2 507**	1 978
	- Accrued expenses and prepaid income	**3 991**	5 696
	- Other current liabilities	**794**	550
	Total to others	**12 681**	15 226
	TOTAL	**13 849**	18 534
	Interest-bearing debts		
	- Long-term	**8 231**	277
	- Short-term	**1 431**	1 747
	TOTAL	**9 662**	2 024
	Substantial items included in accrued expenses and prepaid income		
	- Accrued income taxes	**79**	850
	- Accrued project expenses	**225**	981
	- Accrued employee related expenses	**3 140**	2 715
	- Other accrued expenses	**547**	1 291
	TOTAL	**3 991**	5 836
23	**PLEDGED ASSETS AND CONTINGENT LIABILITIES**		
	Pledged assets		
	Debts and other contingent liabilities have been secured by mortgages		
	- Real estate mortgages (Raute Corporation's Sickness Fund)	**134**	134
	- Business mortgages (Credit Facilities)	**10 000**	10 000
	Contingent liabilities and other liabilities		
	On behalf of own and Group companies		
	- Guarantees issued*	**8 928**	17 584
	Leasing and rent liabilities		
	- Within one year	**122**	5
	- 1–5 years	**123**	2

*The comparison year has been changed to correspond the presentation of the financial year 2008.

EUR 1 000	2008	2007
Forward contracts in foreign currency		
- Nominal value of forward contracts, external	**373**	1 914
- Nominal value of forward contracts, internal	**3 344**	3 845
- Fair value, external	**-4**	360
- Fair value, internal	**166**	-30

The nominal value is the value of underlying instruments converted into euros using the exchange rate of balance sheet date. The market value is the profit generated, if the derivatives position would have been closed to the market price on the balance sheet date.

Other own obligations
Letters of Guarantee engagements have been issued on behalf of certain subsidiaries. No other pledges or other contingent liabilities have been given on behalf of the management or shareholders.
No loans are granted to the management and shareholders.

24 SHARES OWNED BY THE COMPANY

Subsidiaries	**Holding and voting right, %**	**Book value, EUR 1 000**
Raute Canada Ltd., New Westminster, B.C., Canada	**100**	84
Raute Inc., Delaware, USA	**100**	17
RWS-Engineering Oy, Lahti, Finland	**100**	203
Raute Group Asia Pte Ltd., Singapore	**100**	0
Raute WPM Oy, Lahti, Finland	**100**	9
Raute Chile Ltda., Chile	**50**	15
Mecano Group Oy, Kajaani, Finland:		
merged with the Parent company Dec. 31, 2008		
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	**100**	398
Raute (Shanghai) Trading Co., Ltd, Shanghai, China	**100**	95

Other shares	**Number of shares**	**Book value, EUR 1 000**
PHP Holding Oy	**110**	16
Lahden Seudun Puhelin Oy	**1 717**	326
Kainuun Puhelinosuuskunta	**1**	1
Electrosys Oy	**600**	51
FIMECC Oy	**50**	50
Lahti Science and Business Park Ltd	**200**	34
Lahti Fair Ltd	**1**	2
Finnish Fair Cooperative	**20**	0
Lahden Teollisuusseura ry	**1**	2
Messilä Golf Oy (B)	**1**	7
Lahden Jäähalli Oy	**1**	7
Joutjärven Palloilu ja Liikunta Oy	**11**	2
Suomen Urheiluopiston Kannatus Oy	**6**	0
Lahden Työväentalo-Osakeyhtiö	**25**	0
TOTAL		498

KEY RATIOS DESCRIBING THE FINANCIAL DEVELOPMENT

EUR 1 000	**2008**	2007	2006	2005	2004
Net sales	**98 466**	110 799	106 206	108 627	73 116
Change in net sales, %	**-11.1**	4.3	-2.2	48.6	-25.1
Exported portion of net sales	**82 666**	96 759	95 789	78 183	65 136
% of net sales	**84.0**	87.3	90.2	72.0	89.1
Operating profit / loss	**6 341**	8 607	4 513	4 403	3 647
% of net sales	**6.4**	7.8	4.2	4.1	5.0
Profit / loss before income taxes, from continuing operations	**6 880**	8 976	4 887	5 461	3 906
% of net sales	**7.0**	8.1	4.6	5.0	5.3
Profit / loss attributable to equity holders of the Parent company	**4 723**	6 601	3 632	4 152	4 762
% of net sales	**4.8**	6.0	3.4	3.8	6.5
Return on investment (ROI), %	**19.4**	29.2	18.6	20.7	25.2
Return on equity (ROE), %	**14.0**	21.1	13.1	15.8	19.9
Balance sheet total	**60 180**	54 800	68 472	55 435	46 188
Interest-bearing net liabilities	**-10 653**	-10 794	-23 539	-10 861	-7 670
% of net sales	**-10.8**	-9.7	-22.2	-10.0	-10.5
Interest-free liabilities	**15 402**	21 116	38 696	28 755	19 289
Equity ratio, %	**60.5**	70.3	60.1	55.7	56.8
Gearing, %	**-31.0**	-32.5	-80.3	-41.5	-30.6
Gross capital expenditure	**3 242**	1 869	1 852	3 798	2 060
% of net sales	**3.3**	1.7	1.7	3.5	2.8
Research and development costs*	**4 924**	4 336	3 993	4 257	3 093
% of net sales	**5.0**	3.9	3.8	3.9	4.2
Order book, EUR million	**24**	56	77	55	35
Order intake, EUR million	**67**	90	132	132	87
Personnel at Dec. 31	**573**	570	540	533	543
Personnel, average	**585**	575	547	537	556
Dividend	**2 803****	4 005	2 803	2 289	1 526

* Comparison years 2004–2007 have been changed to correspond the presentation of the financial year 2008.
**The Board of Directors' proposal to the Annual General Meeting.

SHARE-RELATED DATA

	2008	2007	2006	2005	2004
Earnings per share from continuing operations, EUR	**1.18**	1.65	0.94	1.09	0.71
Earnings per share from discontinued operations, EUR					0.54
Equity to share, EUR	**8.57**	8.29	7.32	6.80	6.47
Dividend per share, EUR	**0.70***	1.00	0.70	0.60	0.40
Dividend per profit, %	**59.4**	60.7	74.5	55.1	32.0
Effective dividend yield, %	**10.9**	7.0	5.5	4.2	5.2
Price/earnings ratio (P/E ratio)	**5.43**	8.71	13.68	13.08	6.16
Development in share price (series A shares)					
Lowest, EUR	**6.24**	12.40	11.60	7.60	7.10
Highest, EUR	**15.20**	15.45	17.60	16.42	8.90
Average share price for the financial year, EUR	**12.37**	13.85	14.03	11.24	8.14
Share price at Dec. 31, EUR	**6.40**	14.35	12.85	14.24	7.70
Market value of capital stock at Dec. 31, EUR thousand**	**25 630**	57 468	51 461	54 320	29 372
Trading in the company's shares (series A shares)					
Shares traded during the financial year, 1 000 shares	**393**	981	1 088	1 530	569
% of the number of series A shares	**13.0**	32.5	36.1	54.2	20.1
Issue-adjusted weighted average number of shares	**4 004 758**	4 004 758	3 866 561	3 814 608	3 814 608
Issue-adjusted number of shares at the end of the financial year	**4 004 758**	4 004 758	4 004 758	3 814 608	3 814 608

The deferred tax liabilities have been included in the calculation of the key ratios.

* Board of Directors' proposal to the Annual General Meeting.
**Series K shares valued at the value of series A shares.

CALCULATION OF KEY RATIOS

Return on investment (ROI), % =

$$\frac{\text{Profit before tax + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average of the financial year)}} \times 100$$

Return on equity (ROE), % =

$$\frac{\text{Profit/loss for the period}}{\text{Shareholders' equity (average of the financial year)}} \times 100$$

Interest-bearing net liabilities = Interest-bearing liabilities ./. (cash and cash equivalents + financial assets at fair value through profit or loss)

Equity ratio, % =

$$\frac{\text{Shareholders' equity}}{\text{Balance Sheet total ./. advances received}} \times 100$$

Earnings per share, undiluted, EUR =

$$\frac{\text{Profit for the financial year}}{\text{Equity issue-adjusted average number of shares during the financial year}}$$

Earnings per share, diluted, EUR =

$$\frac{\text{Diluted profit for the financial year}}{\text{Diluted equity issue-adjusted average number of shares}}$$

Equity to share, EUR =

$$\frac{\text{Share of shareholders' equity belonging to the owners of the Parent company}}{\text{Undiluted number of shares at the day of the financial statements}}$$

Dividend per share, EUR =

$$\frac{\text{Distributed dividend for the financial year}}{\text{Undiluted number of shares at the day of the financial statements}}$$

Dividend per profit, % =

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend return, % =

$$\frac{\text{Dividend per share}}{\text{Closing share price at Dec. 31}} \times 100$$

Price/earnings ratio (P/E ratio) =

$$\frac{\text{Closing share price at Dec. 31}}{\text{Earnings per share}}$$

Trend in share turnover, in volume and percentage figures (series A shares): The trend in turnover of shares is given as the number of shares traded during the financial year and as the percentage of the average undiluted number of traded shares relative to issued share stock during the year.

Market value of capital stock = Undiluted number of shares at year end (series A + series K shares) x closing price of the share on the last day of the financial year

Gearing, % =

$$\frac{\text{Interest-bearing net financial liabilities}}{\text{Shareholders' equity}} \times 100$$

SHARES AND SHAREHOLDERS

→ *Current information on Raute's shares and shareholders can be found on the company's website at www.raute.com.*

SHARE CAPITAL AT DEC. 31, 2008

Shares	Voting rights	Nominal value EUR/share	Number of shares 1 000 pcs	Total nominal value EUR 1 000
Series K shares (ordinary shares)	20 votes/share	2.00	991	1 982
Series A shares	1 vote/share	2.00	3 014	6 027
Total shares at Dec. 31, 2008		**2.00**	**4 005**	**8 010**

Changes in share capital from Jan. 1, 1994 to Dec. 31, 2008	Share capital EUR	Number of series K shares	Number of series A shares
Share capital at Jan. 1, 1994	**5 359 073**	**1 054 600**	**2 124 240**
Issue of share capital Sept. 21, 1994	1 069 285		635 768
Change of series K shares into series A shares 1998		-14 000	14 000
Decrease of share capital (premium fund) June 30, 2000	-12 648		
Increase of share capital, capitalization issue June 30, 2000	1 213 506		
Change of series K shares into series A shares 2003		-44 539	44 539
Change of series K shares into series A shares 2004		-4 900	4 900
Registration of shares with options Jan. 1. – Dec. 31, 2006	380 300		190 150
Share capital at Dec. 31, 2008	**8 009 516**	**991 161**	**3 013 597**

Board authorizations

No decisions on share issues were made during the report period, nor were any convertible bonds or stock options issued.

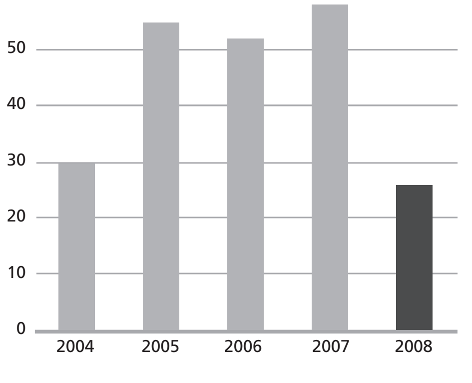
Raute Corporation's Board of Directors has been authorized by the Annual General Meeting held on April 2, 2008 to decide on the repurchase of a maximum of 400,000 of the company's series A shares using the company's distributable assets. In addition, the Annual General Meeting authorized the Board of Directors to decide on the directed issue of a maximum of 400,000 of the company's series A shares. The authorizations are effective until the next Annual General Meeting. The Board of Directors has not exercised the authorization.

Shares and shareholders

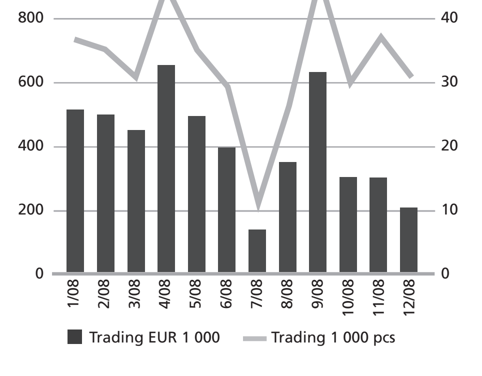
Raute Corporation's series A shares are listed on NASDAQ OMX Helsinki Ltd. The trading code is RUTAV. Raute Corporation has signed a market making agreement with Nordea Bank Finland Plc in compliance with the Liquidity Providing (LP) requirements issued by NASDAQ OMX Helsinki Ltd.

The number of shares at the end of the reporting year totaled 4,004,758, of which 991,161 were series K shares (ordinary share, 20 votes/share) and 3,013,597 series A shares (1 vote/share). The shares have a nominal value of EUR 2.00. Series K shares can be converted to series A shares under the terms described in section 3 of the Articles of Association. If a series K share is transferred to a

Market value of capital stock at Dec. 31, EUR million



Trading in series A shares



new owner who does not previously hold series K shares, the other shareholders of the K series have the right to redeem the share under the terms described in Section 4 of the Articles of Association.

A total of 392,693 (981,095) shares were traded in 2008. The total value of trading was EUR 4.9 million (MEUR 13.7). The highest share price was EUR 15.20 (EUR 15.45) and the lowest EUR 6.24 (EUR 12.40). At the end of the year, the share price was EUR 6.40 (EUR 14.35). The average price was EUR 12.37 (EUR 13.85). The company's market capitalization at the end of the report period was EUR 25.6 million (MEUR 57.5), with series K shares valued at the closing price on December 31, 2008, of series A shares.

The number of shareholders totaled 1,312 at the beginning of the year, and 1,528 at the end of the report period. Series K shares were owned by 46 (46) private individuals. The management held 4.7 percent (4.7%) of company shares and 9.1 percent (9.1%) of votes. Nominee-registered shares accounted for 2.4 percent (2.8%) of shares.

The company did not during 2008 possess company shares or hold them as security.

No flagging notifications were given to the company during 2008.

Incentive plans

Share-based incentive plan

On March 22, 2006, the Board of Directors of Raute Corporation approved a share-based incentive plan for the strategy period 2006–2008. The potential reward from the plan will be based on the Group's operating profit for 2006–2008 and on the Board of Directors' assessment of the success of the strategy. The incentive plan encompasses the Group's Executive Board, five members, and 12 other key employees. The rewards will be paid partly in shares and partly in cash. Decisions on the rewards will be made in 2009. The cash portion is meant for the payment of taxes and tax-related costs. The shares are subject to a two-year transfer prohibition.

Option scheme

Raute Corporation has no valid option scheme.

Insider issues

Raute Corporation follows the Guidelines for Insiders issued by OMX Nordic Exchange Helsinki Oy (now NASDAQ OMX Helsinki Ltd), the Central Chamber of Commerce, and the Confederation of Finnish Industries EK. In addition, the company applies separate insider instructions approved by the Board of Directors. Raute Corporation's Chief Financial Officer, Ms. Arja Hakala, is in charge of insider issues in the company.

Raute Corporation's insiders comprise public insiders, permanent company-specific insiders and project-specific insiders in accordance with the Finnish Securities Markets Act. The company's public insiders include the Board of Directors, the President and CEO, the Executive Board, the Presidents of subsidiaries, and auditors. The company's permanent company-specific insiders include those persons employed by the company or persons performing work for the company on the basis of some other contract who, by virtue of their positions or tasks, have access to insider information on a regular basis. A project-specific register is set up if the person responsible for the project considers that the publication of the project may have a significant impact on the value of the company's shares.

The information on insiders subject to disclosure requirements is kept available to the public in the SIRE system maintained by Euroclear Finland Ltd. In addition, the public information on the insiders is also available on Raute Corporation's website at www.raute.com.

DISTRIBUTION OF SHARE OWNERSHIP BY SHAREHOLDER CATEGORY AT DEC. 31, 2008

Series A and K shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	1 399	91.6	3 440 411	85.9	22 272 470	97.5
Financial and insurance institutions	4	0.3	45 223	1.1	45 223	0.2
Foreign shareholders	6	0.4	72 252	1.8	72 252	0.3
Non-profit institutions	10	0.7	26 831	0.7	26 831	0.1
Public institutions	2	0.1	60 350	1.5	60 350	0.3
Companies	104	6.8	261 722	6.5	261 722	1.1
Nominee-registered	3	0.2	97 969	2.4	97 969	0.4
Total	**1 528**	**100.0**	**4 004 758**	**100.0**	**22 836 817**	**100.0**

DISTRIBUTION OF SERIES A SHARE OWNERSHIP AT DEC. 31, 2008

Series A shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	1 396	91.5	2 449 250	81.3	2 449 250	81.3
Financial and insurance institutions	4	0.3	45 223	1.5	45 223	1.5

Series A shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Foreign shareholders	6	0.4	72 252	2.4	72 252	2.4
Non-profit institutions	10	0.7	26 831	0.9	26 831	0.9
Public institutions	2	0.1	60 350	2.0	60 350	2.0
Companies	104	6.8	261 722	8.7	261 722	8.7
Nominee-registered	3	0.2	97 969	3.3	97 969	3.3
Total	**1 525**	**100.0**	**3 013 597**	**100.0**	**3 013 597**	**100.0**

Series A shares by number of shares	Number of shareholders	%	Number of shares	%	Number of voting rights	%
1–1 000	1 316	86.3	408 329	13.5	408 329	13.5
1 001–5 000	144	9.4	302 488	10.0	302 488	10.0
5 001–10 000	21	1.4	157 556	5.2	157 556	5.2
10 001–50 000	32	2.1	837 088	27.8	837 088	27.8
50 001–100 000	10	0.7	601 236	20.0	601 236	20.0
100 001–	2	0.1	706 900	23.5	706 900	23.5
Total	**1 525**	**100,0**	**3 013 597**	**100.0**	**3 013 597**	**100.0**

DISTRIBUTION OF SERIES K SHARE OWNERSHIP AT DEC. 31, 2008

Series K shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	46	100.0	991 161	100.0	19 823 220	100.0
Total	**46**	**100.0**	**991 161**	**100.0**	**19 823 220**	**100.0**

Series K shares by number of shares	Number of shareholders	%	Number of shares	%	Number of voting rights	%
1–1 000	2	4.3	400	0.0	8 000	0.0
1 001–5 000	2	4.3	7 429	0.8	148 580	0.8
5 001–10 000	14	30.4	92 653	9.3	1 853 060	9.3
10 001–50 000	24	52.2	668 799	67.5	13 375 980	67.5
50 001–100 000	4	8.7	221 880	22.4	4 437 600	22.4
Total	**46**	**100.0**	**991 161**	**100.0**	**19 823 220**	**100.0**

20 LARGEST SHAREHOLDERS AT DEC. 31, 2008

By number of shares		Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
1	Sundholm, Göran		525 000	525 000	13.1	525 000	2.3
2	Hietala, Pekka Tapani		181 900	181 900	4.5	181 900	0.8
3	Suominen, Jussi Matias	48 000	74 759	122 759	3.1	1 034 759	4.5
4	Mustakallio, Kari Pauli	60 480	60 009	120 489	3.0	1 269 609	5.6
5	Kirmo, Kaisa Marketta	50 280	64 052	114 332	2.9	1 069 652	4.7
6	Suominen, Pekka Matias	48 000	64 159	112 159	2.8	1 024 159	4.5
7	Suominen, Tiina Sini-Maria	48 000	62 316	110 316	2.8	1 022 316	4.5
8	Siivonen, Osku Pekka	50 640	53 539	104 179	2.6	1 066 339	4.7
9	Keskiaho, Kaija Leena	33 600	51 116	84 716	2.1	723 116	3.2
10	Särkijärvi, Riitta	60 480	22 009	82 489	2.1	1 231 609	5.4
11	Mustakallio, Mika	39 750	42 670	82 420	2.1	837 670	3.7
12	Mustakallio, Risto	42 240	35 862	78 102	2.0	880 662	3.9
13	Mustakallio, Ulla Sinikka	47 240	30 862	78 102	2.0	975 662	4.3
14	Sr Arvo Finland Value		63 042	63 042	1.6	63 042	0.3
15	Mustakallio, Marja Helena	42 240	20 662	62 902	1.6	865 462	3.8
16	Kirmo, Lasse Antti	30 000	26 200	56 200	1.4	626 200	2.7
17	Särkijärvi, Timo Juha	12 000	43 256	55 256	1.4	283 256	1.2
18	Särkijärvi-Martinez, Anu Riitta	12 000	43 256	55 256	1.4	283 256	1.2
19	Mustakallio, Kai Henrik	47 420	6 994	54 414	1.4	955 394	4.2
20	Suominen, Jukka Matias	24 960	27 964	52 924	1.3	527 164	2.3
Total		**697 330**	**1 499 627**	**2 196 957**	**54.9**	**15 446 227**	**67.6**

20 LARGEST SHAREHOLDERS AT DEC. 31, 2008

By number of votes		Number of series K shares	Number of series 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	3.0	1 269 609	5.6
2	Särkijärvi, Riitta	60 480	22 009	82 489	2.1	1 231 609	5.4
3	Kirmo, Kaisa Marketta	50 280	64 052	114 332	2.9	1 069 652	4.7
4	Siivonen, Osku Pekka	50 640	53 539	104 179	2.6	1 066 339	4.7
5	Suominen, Jussi Matias	48 000	74 759	122 759	3.1	1 034 759	4.5
6	Suominen, Pekka Matias	48 000	64 159	112 159	2.8	1 024 159	4.5
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16	Sundholm, Göran		525 000	525 000	13.1	525 000	2.3
17	Särkijärvi, Timo Juha	12 000	43 256	55 256	1.4	283 256	1.2
18	Särkijärvi-Martinez, Anu Riitta	12 000	43 256	55 256	1.4	283 256	1.2
19	Hietala, Pekka Tapani		181 900	181 900	4.5	181 900	0.8
20	Sr Arvo Finland Value		63 042	63 042	1.6	63 042	0.3
Total		**697 330**	**1 499 627**	**2 196 957**	**54.9**	**15 446 227**	**67.6**

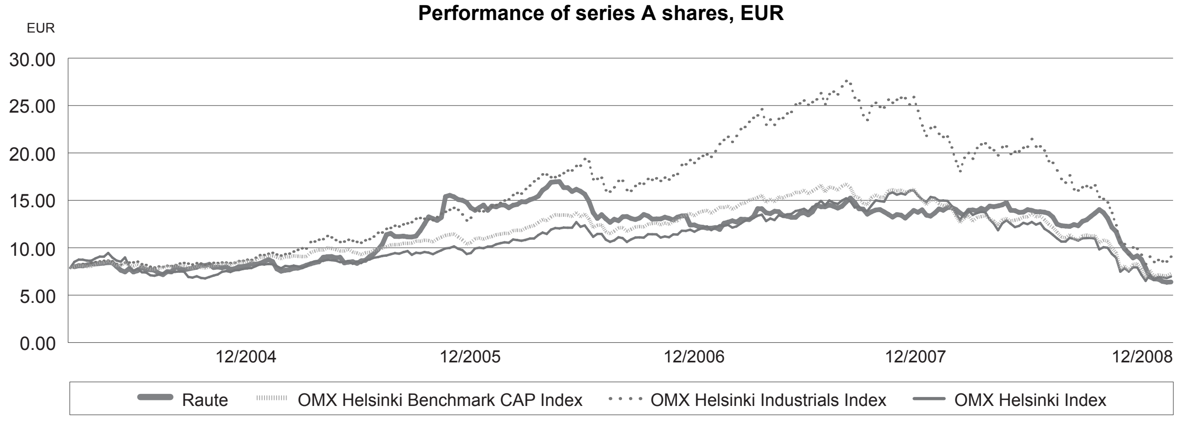
The number of nominee-registered shares at Dec. 31, 2008 was 97 969 (93 025).

Management interest at Dec. 31, 2008

The company's Board of Directors, the Group's President and CEO, and Presidents of subsidiaries owned a total of 90 838 series A shares and 98 990 series K shares. Management's ownership corresponds to 4.7 percent of the company's shares and 9.1 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.

Public insiders' interest at Dec. 31, 2008

The company's public insiders owned a total of 90 838 series A shares and 98 990 series K shares. Public insiders' ownership corresponds to 4.7 percent of the company's shares and 9.1 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.



THE BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION, SIGNATURES FOR THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The Parent company's distributable funds total EUR 18 712 thousand, of which the profit for the financial year is EUR 4 485 thousand and the balance sheet amounts to EUR 58 135 thousand.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used in the following way:

- EUR 0.70 per share distributed as dividend, i.e., a total of	EUR	2 803 thousand
- Retained in equity	EUR	15 909 thousand
	EUR	18 712 thousand

No significant changes have taken place in the company's financial position after the end of the report period. The company has good liquidity, and the proposed profit distribution does not put liquidity at risk.

Nastola, February 11, 2009

Jarmo Rytilahti
Chairman of the Board of Directors

Mika Mustakallio

Panu Mustakallio

Sinikka Mustakallio

Ilpo Helander

Jorma Wiitakorpi

Tapani Kiiski
President and CEO

AUDITOR'S REPORT

To the Annual General Meeting of Raute Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Raute Corporation for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the Parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the President and CEO

The Board of Directors and the President and CEO are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the Parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the Parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the President and CEO have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Nastola, February 11, 2009

Anna-Maija Simola
APA

Antti Unkuri
APA

DEVELOPMENT OF QUARTERLY RESULTS

EUR 1 000	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
NET SALES	**98 466**	**18 619**	**25 227**	**30 710**	**23 910**
Other operating income	**95**	14	29	26	27
Increase (+) or decrease (-) in inventories of finished goods and work in progress	**404**	-108	-65	381	196
Materials and services	**50 906**	8 218	13 735	17 293	11 661
Expenses from employee benefits	**28 592**	7 062	6 541	7 858	7 131
Depreciation, amortization and impairment charges	**2 751**	692	699	720	641
Other operating expenses	**10 375**	2 347	1 988	2 543	3 497
Total operating expenses	**92 624**	**18 318**	**22 962**	**28 413**	**22 931**
OPERATING PROFIT	**6 341**	**206**	**2 228**	**2 704**	**1 202**
% of net sales	**6**	1	9	9	5
Financial income	**1 268**	550	75	190	453
Financial expenses	**-729**	-448	26	22	-330
PROFIT BEFORE TAX	**6 880**	**309**	**2 329**	**2 916**	**1 325**
% of net sales	**7**	2	9	9	6
Income taxes	**-2 157**	-131	-733	-920	-373
PROFIT FOR THE PERIOD	**4 723**	**177**	**1 597**	**1 996**	**952**
% of net sales	**5**	1	6	6	4
Attributable to					
Equity holders of the Parent company	**4 723**	177	1 597	1 996	952
Earnings per share, EUR					
Undiluted earnings per share	**1.18**	0.04	0.40	0.50	0.24
Diluted earnings per share	**1.18**	0.04	0.40	0.50	0.24
Shares, 1 000 pcs					
Adjusted average number of shares	**4 005**	4 005	4 005	4 005	4 005
Adjusted average number of shares, diluted	**4 005**	4 005	4 005	4 005	4 005

CORPORATE GOVERNANCE

In 2008, Raute Corporation followed the Corporate Governance Recommendation for listed companies issued by the Helsinki Stock Exchange (now NASDAQ OMX Helsinki Ltd), the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers (now Confederation of Finnish Industries EK) on July 1, 2004. The main elements of Raute's corporate governance are described below. The principles and information defined as public in the recommendation are presented on the company's website.

Shares and shareholders

Raute Corporation's shares are divided into ordinary shares (series K) and A shares (series A). The difference between the series is that a series K share entitles the holder to twenty (20) votes and a series A share to one (1) vote at shareholders' meetings. The series A shares have been quoted on the NASDAQ OMX Helsinki Ltd since 1994.

Year 2008

Detailed information on Raute Corporation's shares and shareholders is provided in the financial statements section on pages 53–56 of the Annual Report.

Annual General Meeting

Raute Corporation's Annual General Meeting is held in April, but no later than six months from the end of the financial year. The Annual General Meeting elects the Chairman and Vice-Chairman for the Board of Directors, and 3–5 Board members.

Year 2008

Raute Corporation's Annual General Meeting was held on April 2, 2008. The Meeting adopted the financial statements for 2007 and resolved to distribute a dividend of EUR 1.00 per share, elected the Board of Directors and the auditors, and decided on their remuneration. The Meeting authorized the Board to decide on the acquisition of the company's own series A shares and the repurchase of a maximum of 400,000 shares.

Board of Directors

The Board's term of office 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 must be independent of the company and at least two members in the said majority must be independent of the company's major shareholders.

The Charter and tasks of the Board of Directors are described in the Administrative Instructions available on the company's website. In addition to statutory tasks and those defined in the Articles of Association, the Board confirms the company strategy and budget annually, and, based on management reports, monitors the Group's financial status monthly and draws up interim reports. The Board carries out an annual self-evaluation of the work of the Board members and the Chairman of the Board.

Year 2008

Raute Corporation's Annual General Meeting on April 2, 2008 elected six members to the Board of Directors. Mr. Jarmo Rytilahti was elected Chairman of the Board, Ms. Sinikka Mustakallio Vice-Chairman and Mr. Ilpo Helander, Mr. Mika Mustakallio, Mr. Panu Mustakallio and Mr. Jorma Wiitakorpi as Board members.

All Board members are independent of the company. The Chairman (Jarmo Rytilahti) and two of the Board members (Ilpo Helander and Jorma Wiitakorpi) are independent of major shareholders.

The Annual General Meeting of 2008 set the following remunerations for Board members in 2008: EUR 40 thousand to the Chairman of the Board and EUR 20 thousand to each Board member. The salaries and fees paid to the Chairman and Board members totaled EUR 134 thousand in 2008.

The Board held 11 meetings in 2008, two of which were teleconferences. The Board members' average attendance at meetings was 89 percent. The attendance of individual members was as follows: Jarmo Rytilahti 11/11, Sinikka Mustakallio 10/11, Ilpo Helander 9/9, Mika Mustakallio 10/11, Panu Mustakallio 10/11, Pekka Paasikivi 2/2, and Jorma Wiitakorpi 7/11. The meetings handled the matters listed in the Charter for the Board included in the Administrative Instructions. The Board carried out a self-evaluation of the term of office 2007 in spring 2008.

According to the plan for 2009, the Board of Directors will convene nine times and hold additional meetings if necessary.

The Board members' personal data, share and option holdings on December 31, 2008, and remunerations for 2008 can be found on pages 30–31 of the Annual Report.

The company's Administrative Instructions

On June 21, 2004, Raute Corporation's Board of Directors issued Administrative Instructions for the company. They comprise the Charter for the decision-making bodies; instructions on the division of responsibilities among the Board of Directors, the President and CEO, and the Executive Board; as well as guidelines for organizing internal control and risk management to complement the provisions of the Companies Act and Raute's Articles of

Association. The Administrative Instructions are reviewed annually. The Administrative Instructions are available on the company's website.

Board Committees

The Audit Committee's tasks are handled by Raute Corporation's Board of Directors. In this capacity, the Board meets 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, estimating of additional auditing services, monitoring the internal control 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 the Chairman, Vice-Chairman, and one Board member.

The Board annually elects an Appointments Committee, whose task is to prepare a proposal on Board members 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 committees, if necessary.

Year 2008

The Chairman of the Board, Mr. Jarmo Rytilahti, continued as the Chairman of the Working Committee, and the Vice-Chairman, Ms. Sinikka Mustakallio, and Board member Mr. Jorma Wiitakorpi acted as its members. The Working Committee convened once in 2008, and the Committee members' attendance was 100 percent.

The Chairman of the Board, Mr. Jarmo Rytilahti, continued as Chairman of the Appointments Committee, and the Vice-Chairman, Ms. Sinikka Mustakallio, and Mr. Ville Korhonen – a representative of major shareholders – acted as its members. The Appointments Committee convened twice in 2008, and the Committee members' attendance was 100 percent.

President and CEO

Raute Corporation'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 Corporation's President and CEO also acts as the Group's President and CEO and as Chairman of the Group's Executive Board. The President and CEO represents the Group at the shareholders' meetings of subsidiaries and associates, and acts as Chairman of the subsidiaries' Boards of Directors, unless the Board decides otherwise in individual cases.

Year 2008

Mr. Tapani Kiiski, Licentiate in Technology, was appointed Raute Corporation's President and CEO on March 16, 2004. Ms. Arja Hakala, M.Sc. (Econ.), MBA, Chief Financial Officer, was appointed deputy to the President and CEO on March 16, 2004.

According to the President and CEO Tapani Kiiski's executive contract, his annual salary and fringe benefits total EUR 228 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. President and CEO, Mr. Tapani Kiiski, is covered by Raute Corporation's share-based incentive plan for key employees (2006). His share of the incentive plan may be a maximum of 10,000 series A shares.

The salaries and fees paid to Raute Corporation's President and CEO in 2008 amounted to EUR 256 thousand, of which regular salaries accounted for EUR 224 thousand and profit-related bonuses for EUR 32 thousand.

The personal data and option and share holdings of the President and CEO and his deputy on December 31, 2008 are presented on page 31 of the Annual Report.

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 Corporation'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 2008

The Group's Executive Board consists of Mr. Tapani Kiiski, President and CEO (Chairman); Ms. Arja Hakala, CFO; Mr. Petri Strengell, Vice President, Technology and Operations; Mr. Timo Kangas, Vice President, Technology Services; and Mr. Bruce Alexander, Vice President, North American Operations.

The Executive Board members' personal data and share and option holdings on December 31, 2008 are presented on page 31 of the Annual Report.

Salaries and fees

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 plan. Depending on the employee's position, different variations of the above-mentioned elements are applied. The Board of Directors confirms annually the principles of the remuneration systems, and determines the profit related bonuses of the President and CEO and other senior management.

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

Insider issues

Raute Corporation follows the Guidelines for Insiders issued by NASDAQ OMX Helsinki Ltd, the Central Chamber of Commerce, and the Confederation of Finnish Industries EK. In addition, the company applies separate insider instructions approved by the Board of Directors. Public insiders comprise the President and CEO, his or her deputy, the Board members, the auditors, the members of the Group's Executive Board, and the Presidents of Raute Group companies. Company-specific insiders comprise individuals who, as part of their duties, regularly deal with or obtain unpublished information that influences the share price. Raute also maintains a company-specific project register where project-specific insiders are entered. The Chief Financial Officer is in charge of insider issues in the company.

The insider trading prohibition begins at the end of an interim reporting period or financial year and ends in two hours following the publication of the corresponding stock exchange release. The company aims to avoid investor communication meetings during insider trading prohibitions.

The list of public insiders and their shareholding is published on the company's website.

Risk management

The main risks in Raute Group's international business are financing, product liability, and contractual risks. The company has a risk management policy approved by the Board of Directors. The President and CEO and the Chief Financial Officer report to the Board regularly about any major strategic and business risks.

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

The Group's President and CEO controls the implementation of risk management in the entire Group, while the Presidents of the Group companies are responsible for risk management 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 jointly with the operational management and to control compliance with the risk management principles and powers. The principal product and operation liability risks, and property and personal damage risks are covered by insurances. The absence of an internal auditing organization is taken into account when drawing up the content 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 consolidated financial statements on pages 33–36 of the Annual Report.

Audits

According to the Articles of Association, the company shall elect two regular auditors and deputies for them. The shareholders' 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. In addition to their tasks defined in 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 that have arisen during the audit.

Year 2008

The Annual General Meeting held on April 2, 2008 elected Ms. Anna-Maija Simola and Mr. Antti Unkuri, Authorized Public Accountants, as auditors, and Ernst & Young Oy, an authorized public accounting company, as deputy auditor.

The remuneration paid to the auditors, elected by the Annual General Meeting, for the normal annual audit of year 2008 totaled EUR 59 thousand. Other remuneration paid to the authorized public accounting company Ernst & Young Oy amounted to EUR 94 thousand.

STOCK EXCHANGE RELEASES AND ANNOUNCEMENTS 2008

February

February 12	Financial statements January 1 – December 31, 2007
February 12	Correction to Raute Corporation's financial statements release published on 12 February 2008
February 19	Raute's year 2007 releases

March

March 10	Summons to Raute Corporation's Annual General Meeting
March 17	Raute's Annual Report and financial statements for 2007 published

April

April 2	Raute Corporation's Annual General Meeting
April 29	Raute Corporation – Interim report January 1 – March 31, 2008

August

August 5	Raute Corporation – Interim report January 1 – June 30, 2008
August 22	Notice of a subsidiary merger to Raute Corporation's shareholders

September

September 23	Raute's net sales and profit development in 2008 will not reach targets

October

October 28	Raute Corporation – Consolidated financial statements January 1 – September 30, 2008
October 28	Raute Corporation's financial releases in 2009

November

November 18	Raute Corporation's employee negotiations concluded

Up-to-date information for investors is available in the investor section of Raute's website at www.raute.com. The section contains information about the company as an investment, Annual Reports and Stock Exchange Releases published by the company, as well as information on Raute's share and shareholdings.

www.raute.com