

# Interim report 1 January - 30 June 2006

10 August 2006

Tapani Kiiski, President and CEO



# Good demand continues

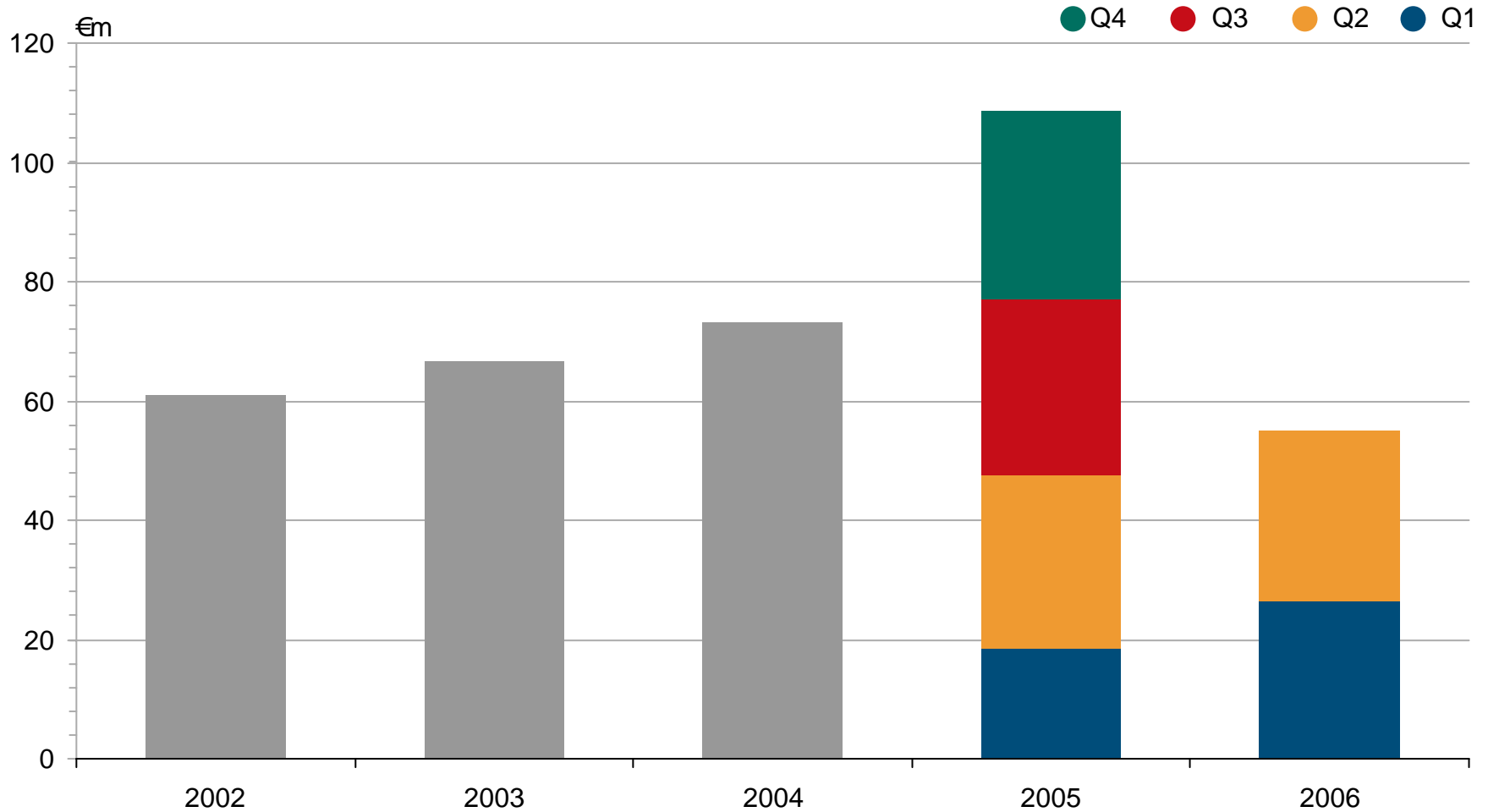
- Plywood industry market good in the main market areas, with the exception of North America.
- LVL industry market good in all market areas, high production capacity utilization rate.
- Demand for wood products technology on a good level. Market focused on large, new capacity creating projects.
- Demand for technology services picked up in all market areas, with the exception of North America.
- Mill-scale order from Paneles Arauco in Chile.
- Brisk demand for large projects. Order for LVL mill equipment to the USA effective in August.

€m	Q2 2006	Q2 2005	2005
Net sales	28,5	29,1	108,6
Operating profit	1,4	1,4	4,4
New orders:			
•Projects	26	16	109
•Technology services	7	8	23
Order book	41	52	55

- Net sales and operating profit on the same level as on the comparison period
- Profitability burdened by growth in R&D costs and unexpected expenses in connection with the launch of some new products
- After a slack Q1, the level of new orders returned to a good level
- Order book good
- New information systems to NA
- Subsidiary to China to strengthen procurement operations

€m	1-6/2006	1-6/2005	2005
New orders, projects	29	54	109
New orders, technology services	13	15	23
Order book	41	52	55
Net sales	55,0	47,6	108,6
Operating profit	2,5	1,8	4,4
Profit before tax	2,7	2,4	5,5
Earnings per share	0,58	0,45	1,09
Operating cash flow	-2,4	6,1	7,7
Return on investment, % (ROI)	21,7	18,8	20,7
Gearing	-20,7	-46,2	-41,5
Equity ratio, %	61,9	51,5	55,7
Personnel (in books)	557	549	533

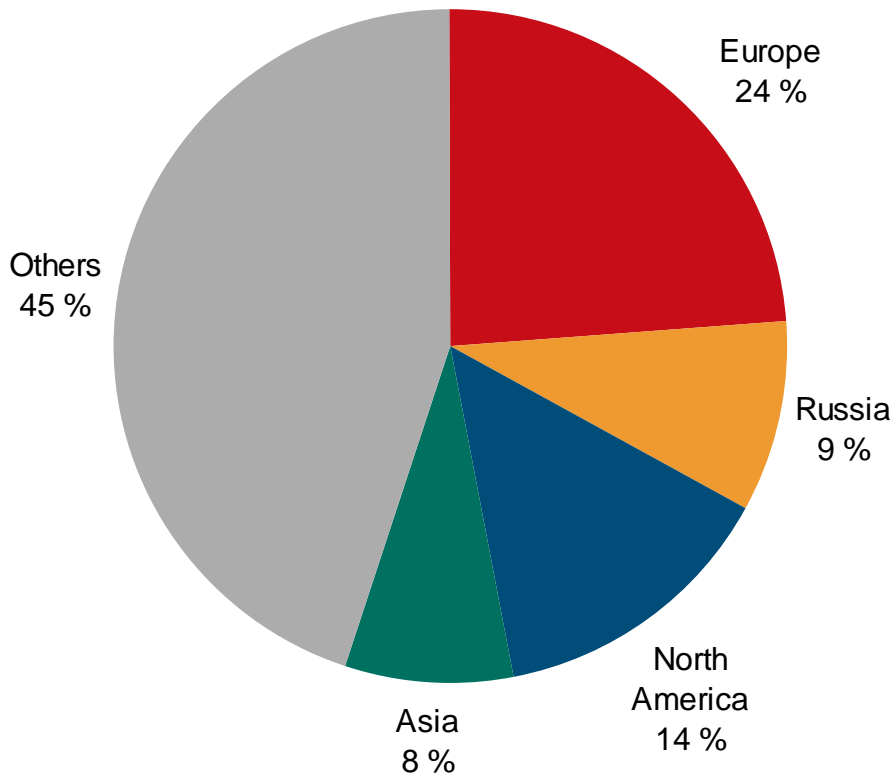
# Net sales



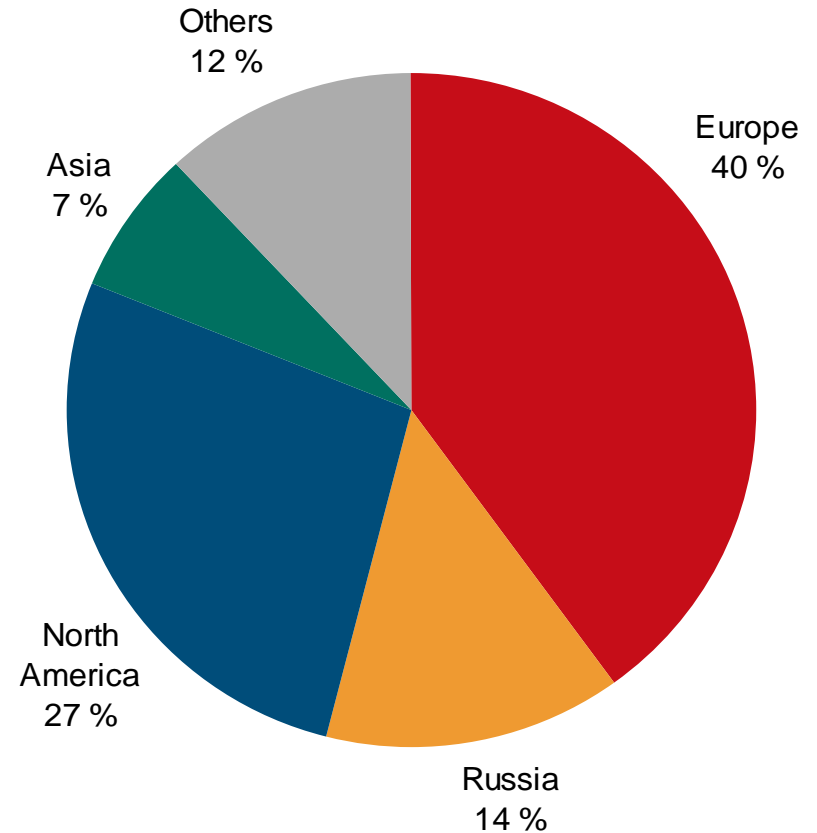
Figures 2002-2003 FAS, figures 2004-2006 IFRS, continuing operations

# Net sales by area, %

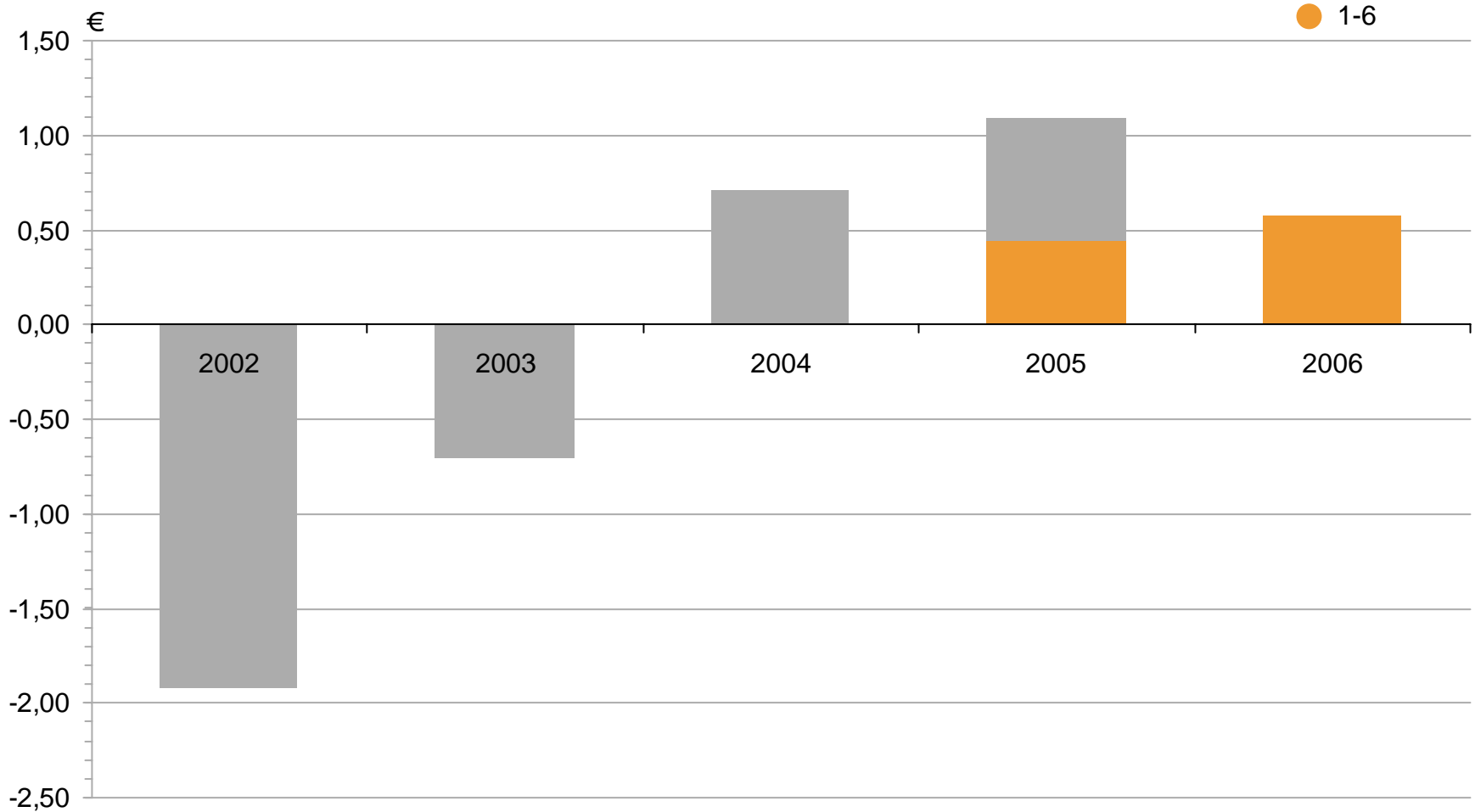
## 1-6/2006



## 2005

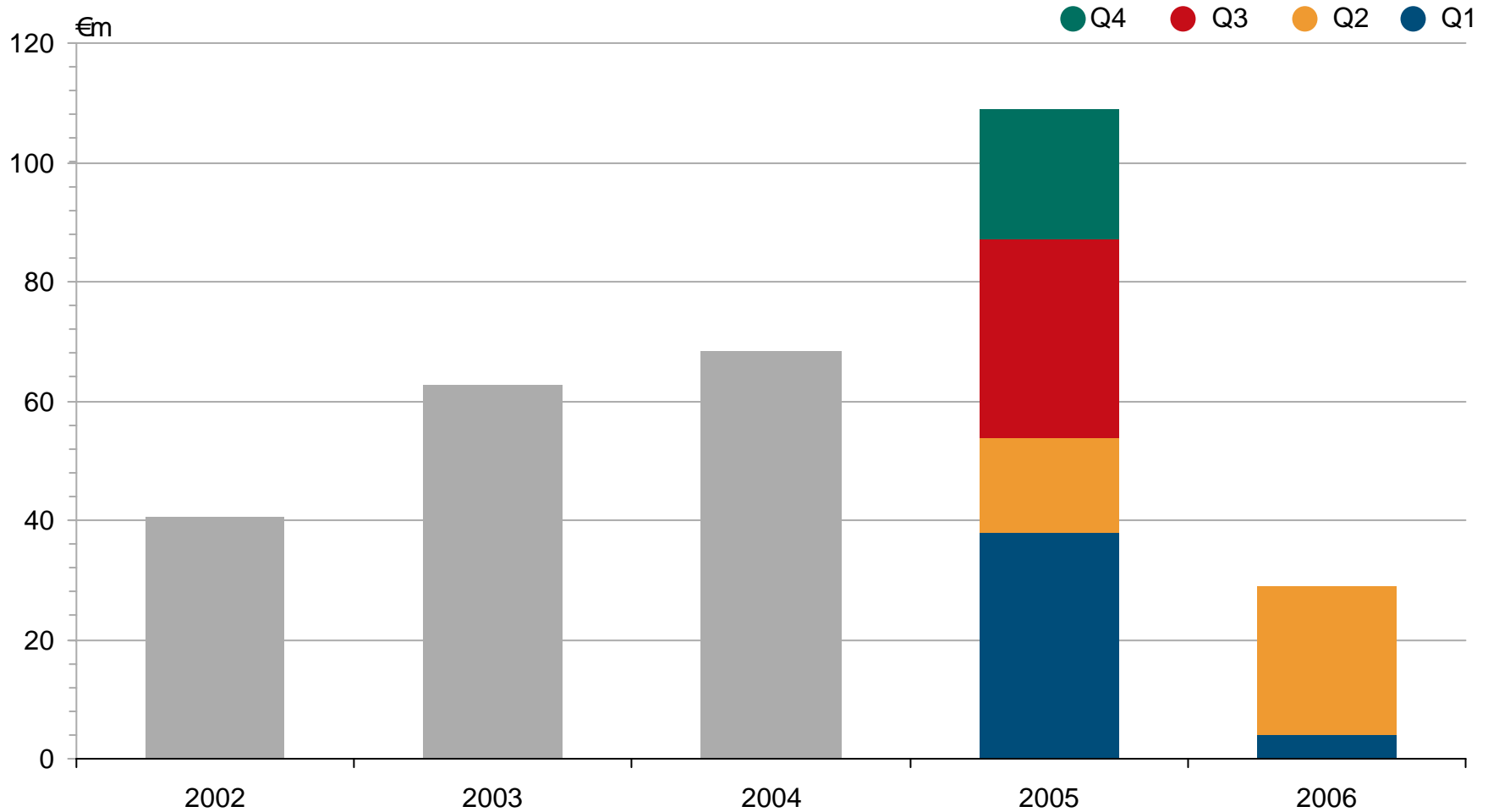


# Earnings per share



Figures 2002-2003 FAS, figures 2004-2006 IFRS, continuing operations

# New project orders

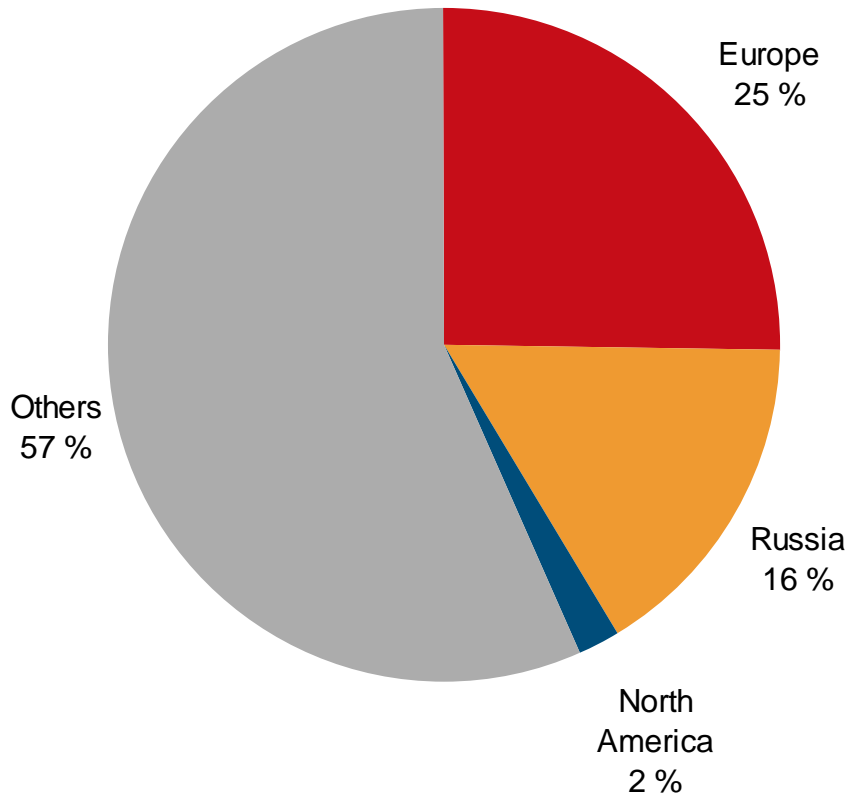


Figures 2002-2003 FAS, figures 2004-2006 IFRS

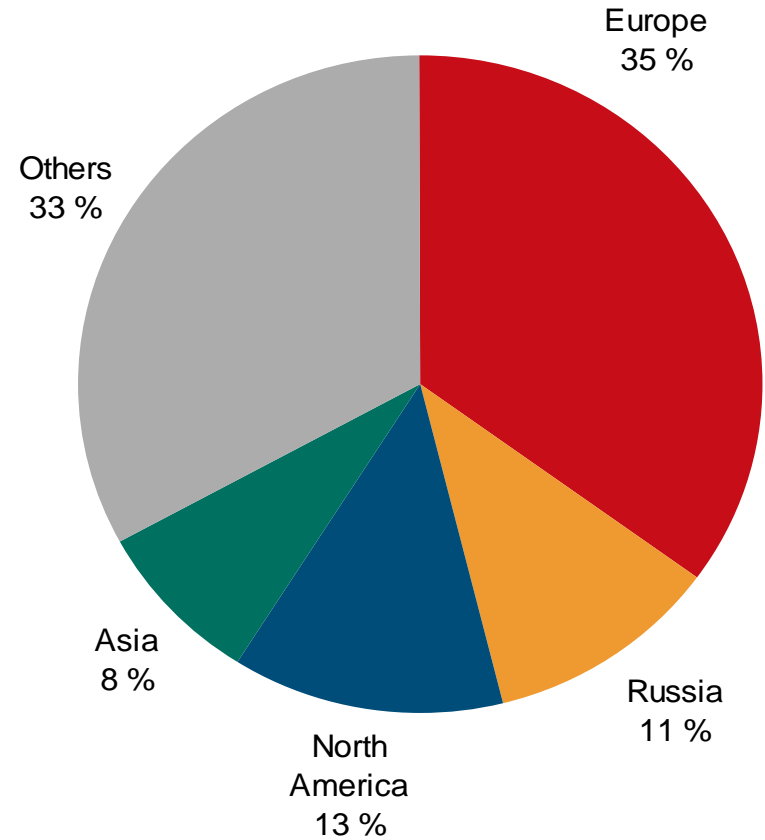


# New project orders by market area, %

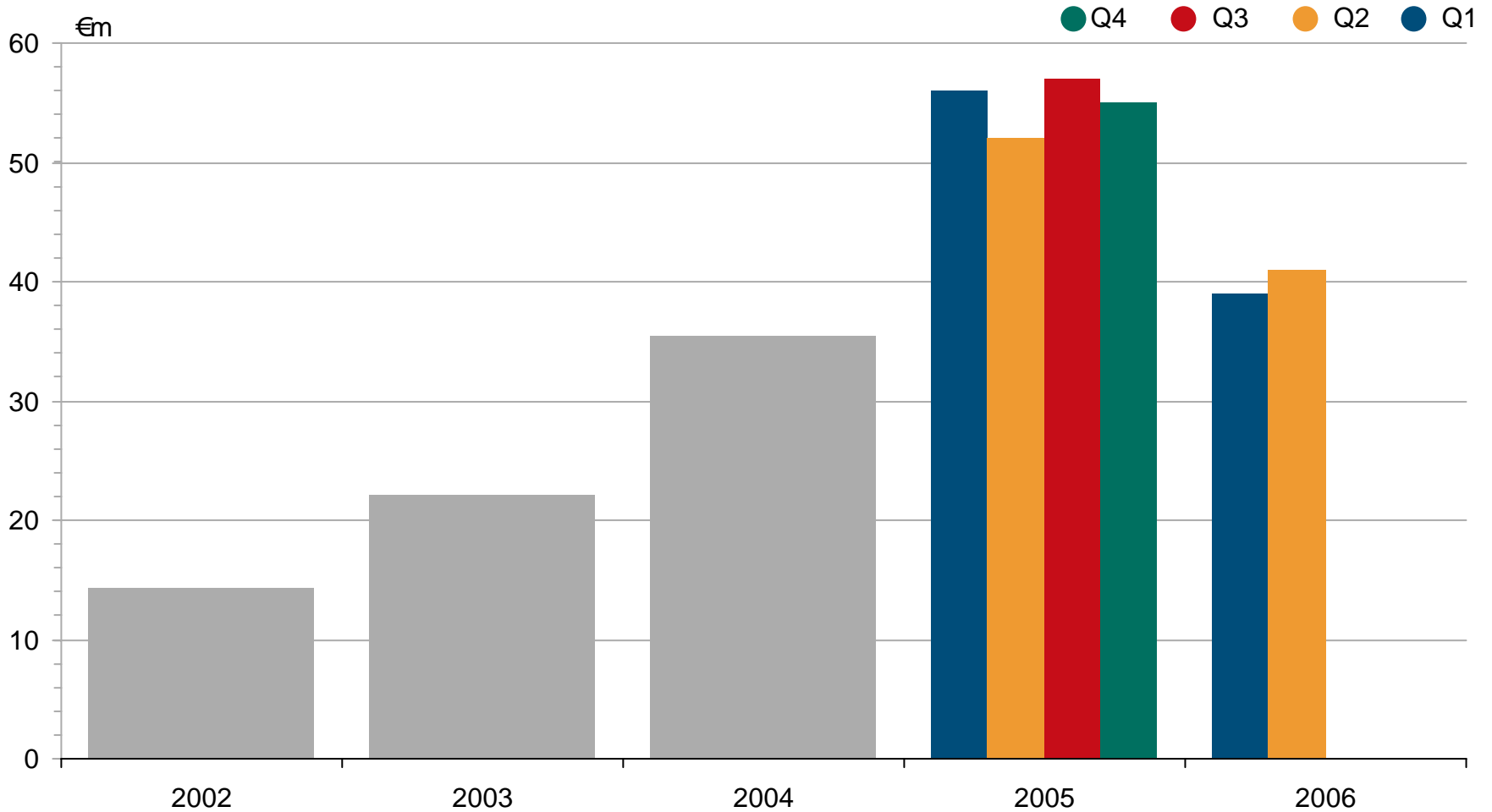
1-6/2006



2005

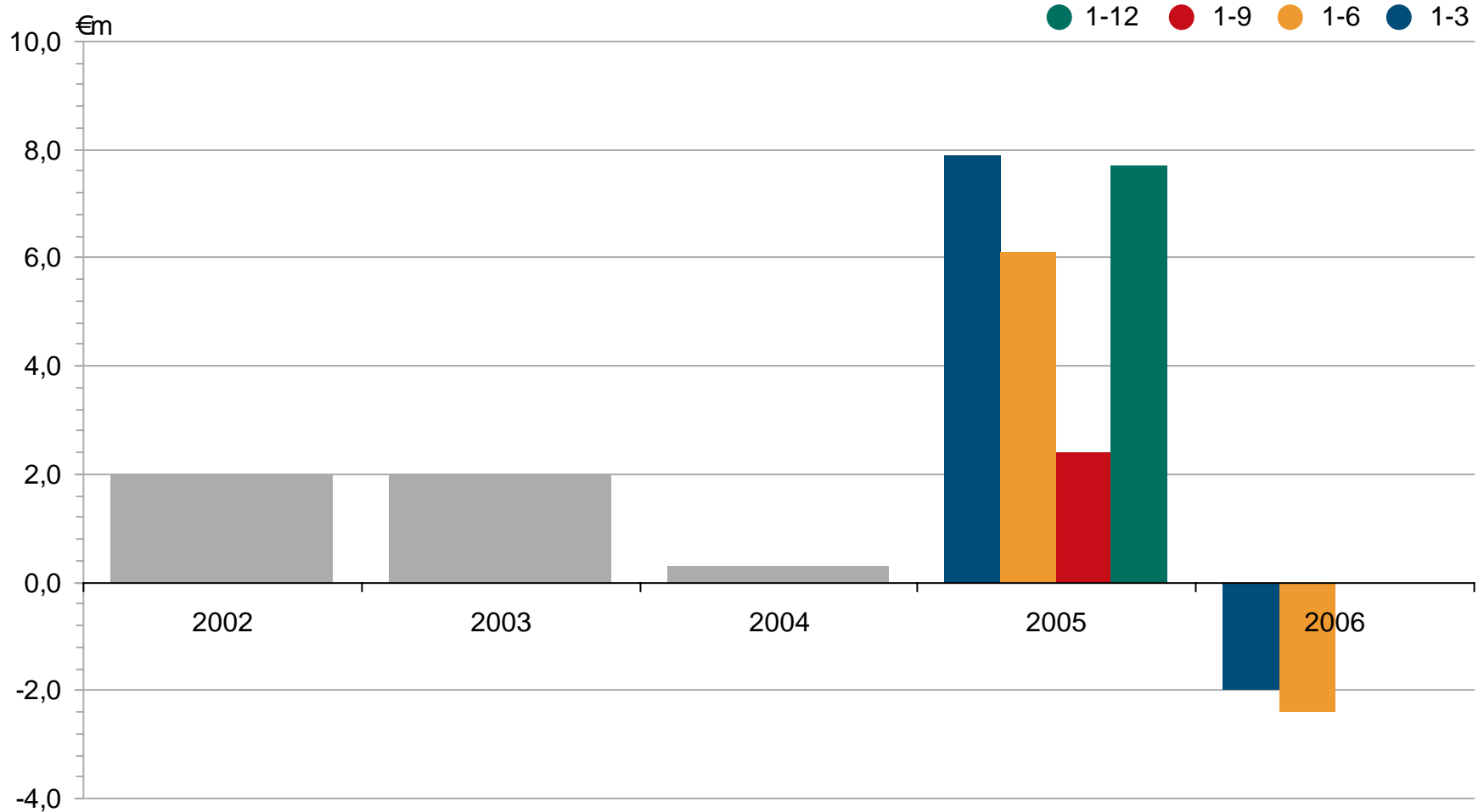


# Order book

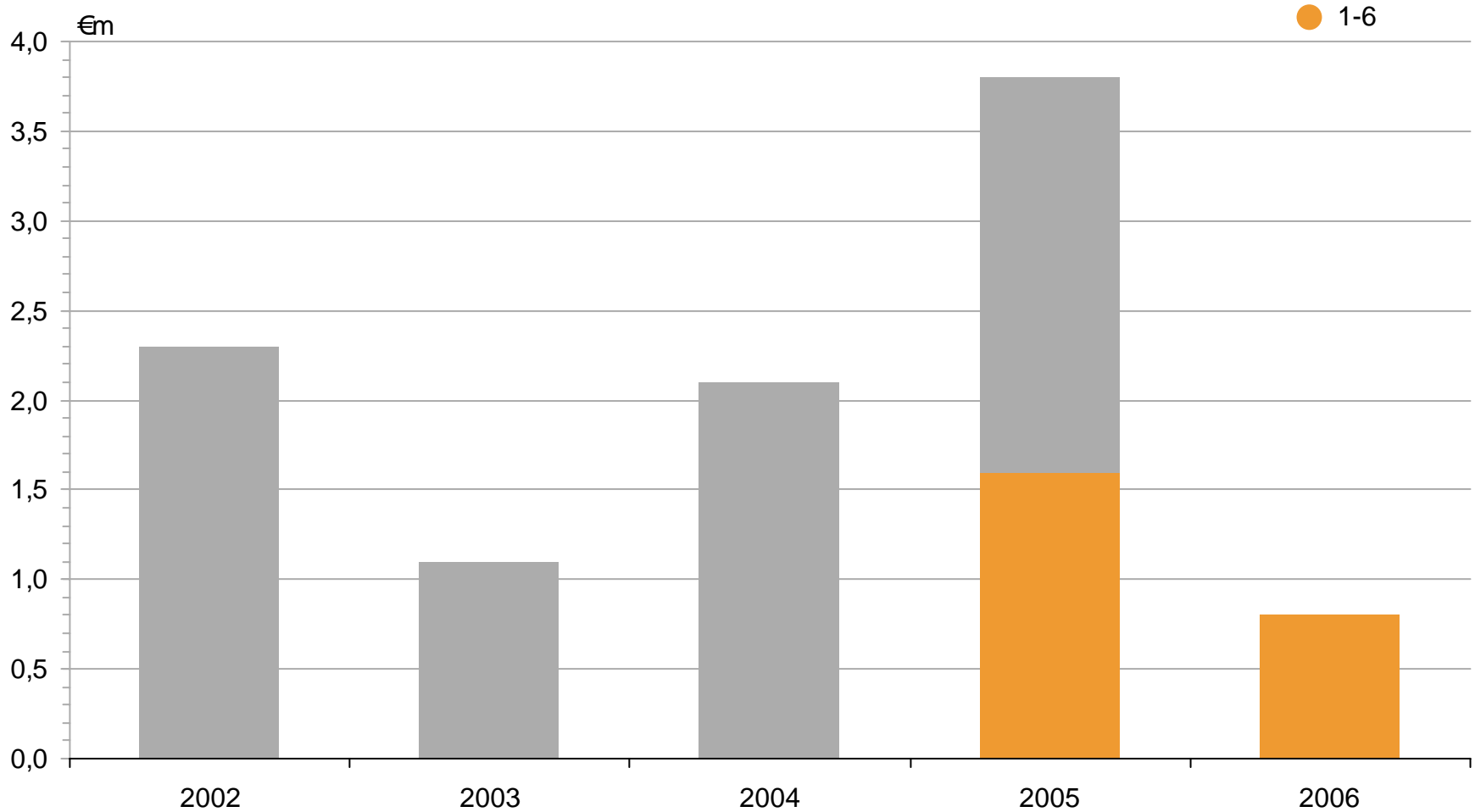


Figures 2002-2003 FAS, figures 2004-2006 IFRS

# Operating cash flow

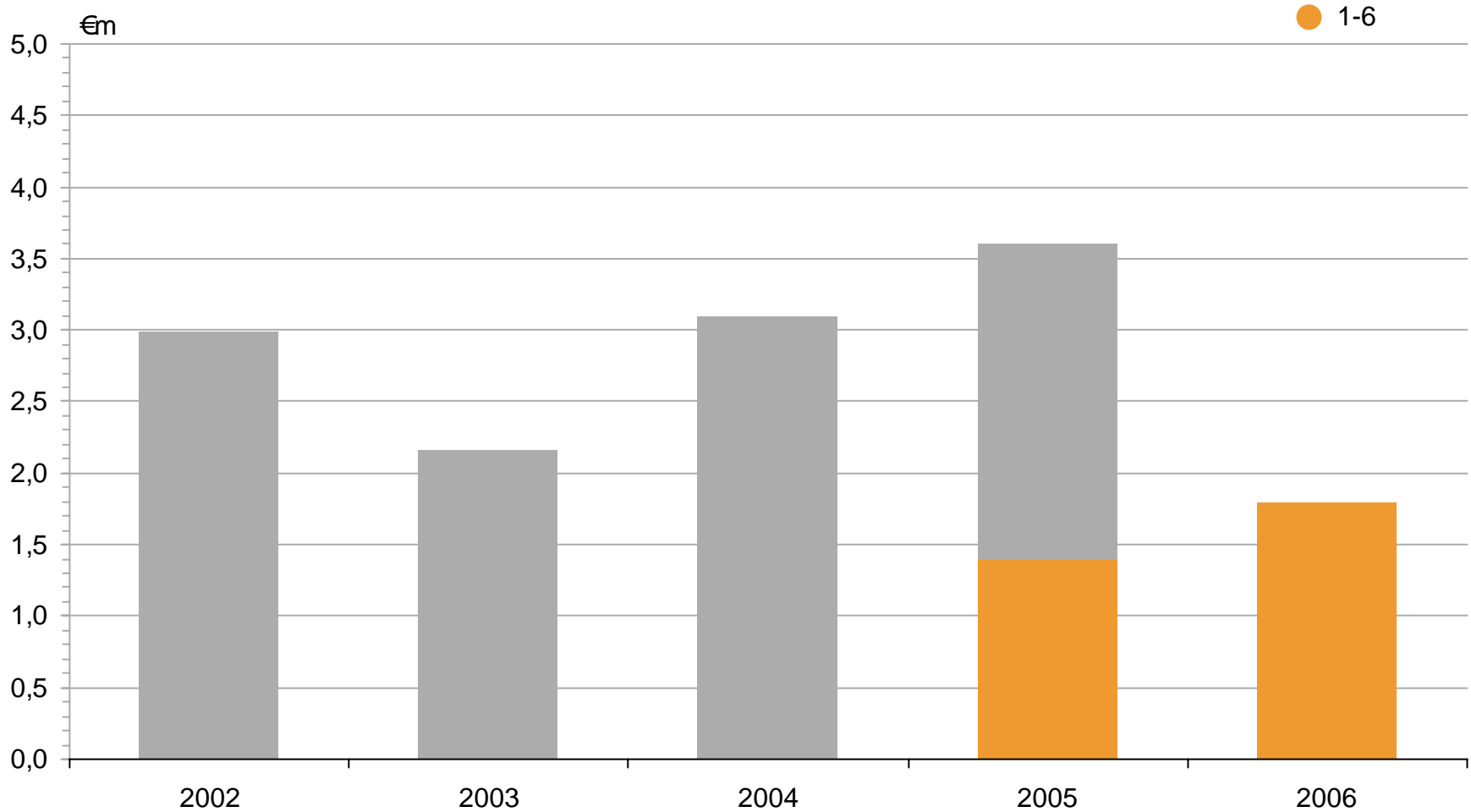


# Capital expenditure



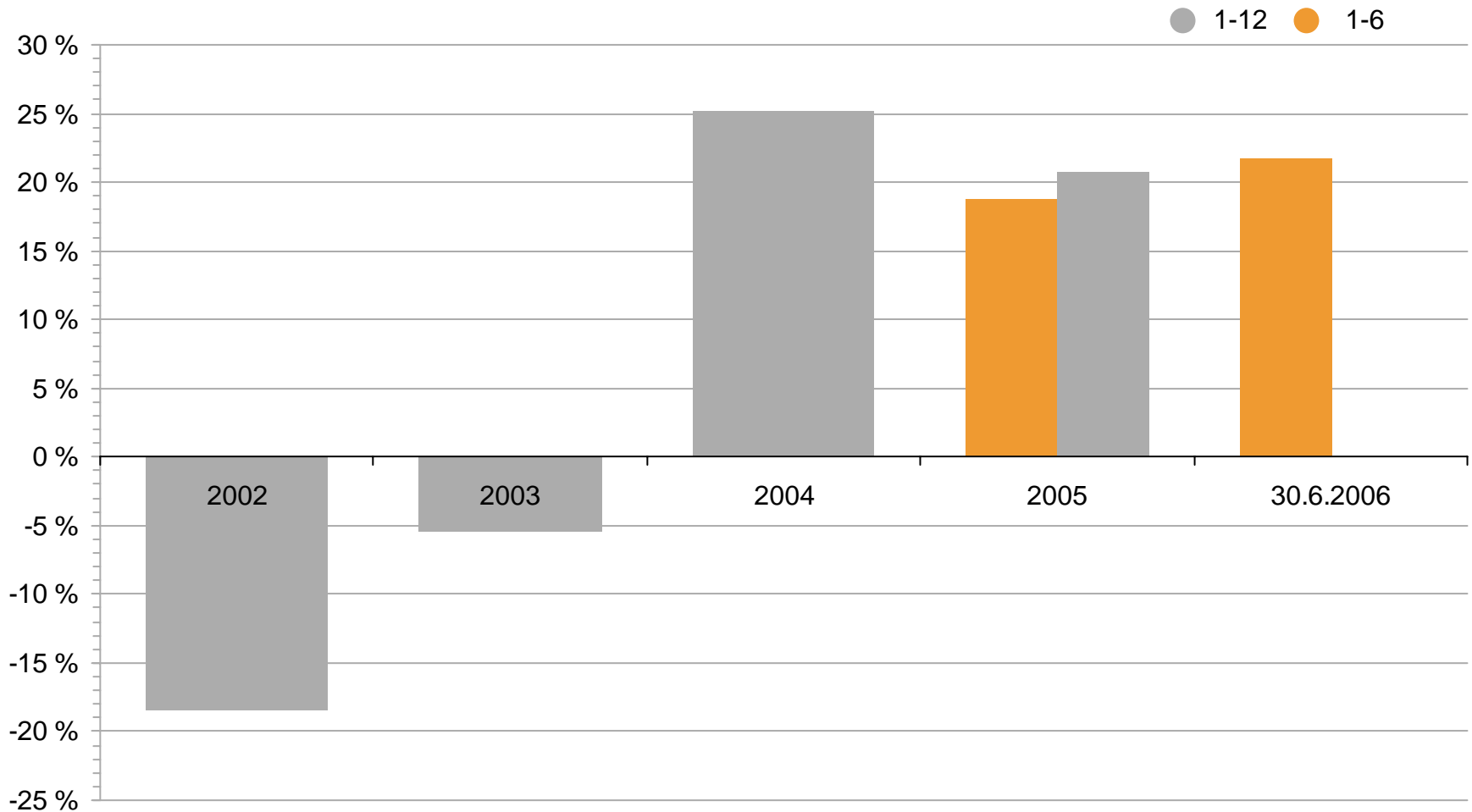
Figures 2002-2003 FAS, figures 2004-2006 IFRS

# R&D expenditure



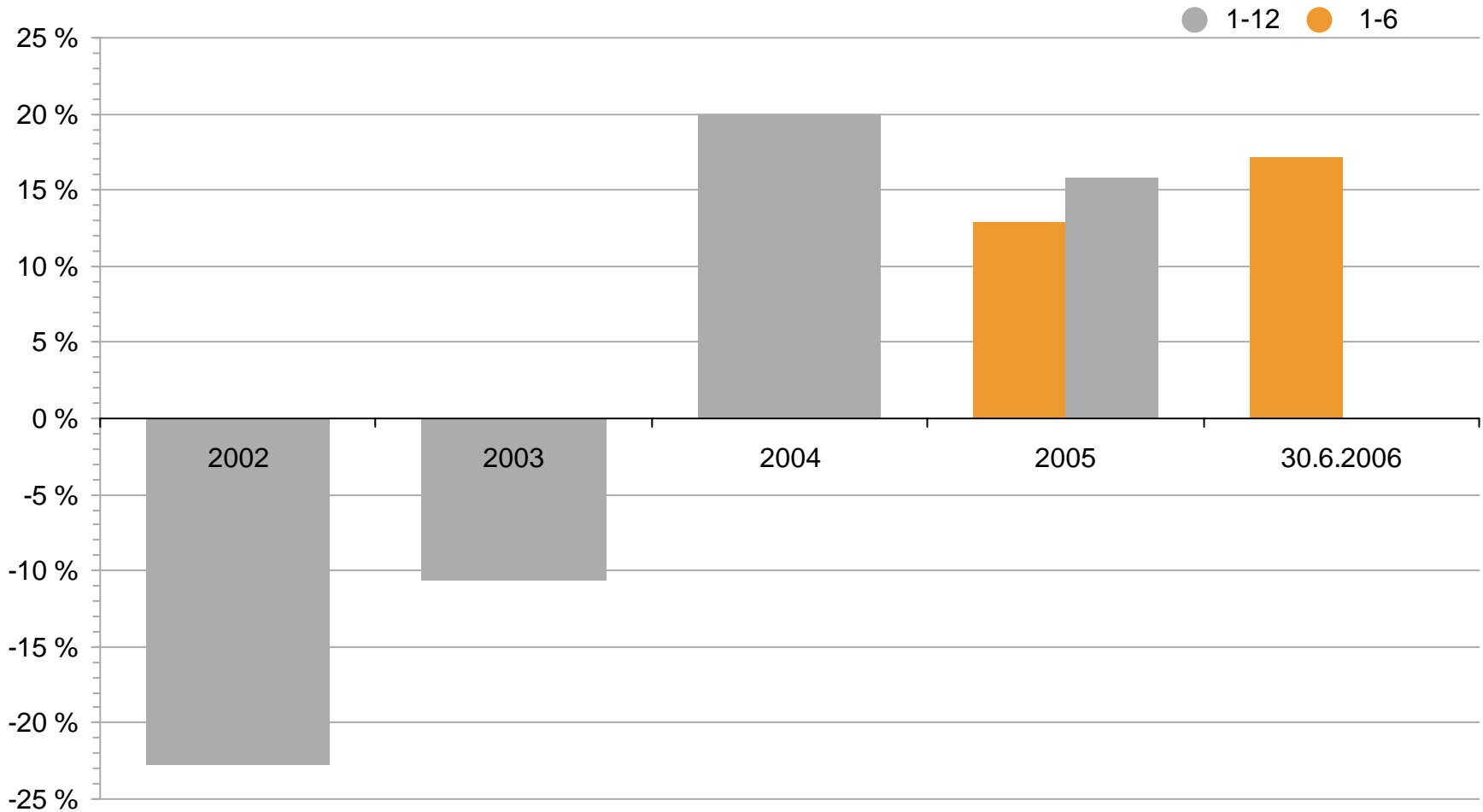
Figures 2002-2003 FAS, figures 2004-2006 IFRS

# Return on investment (ROI)

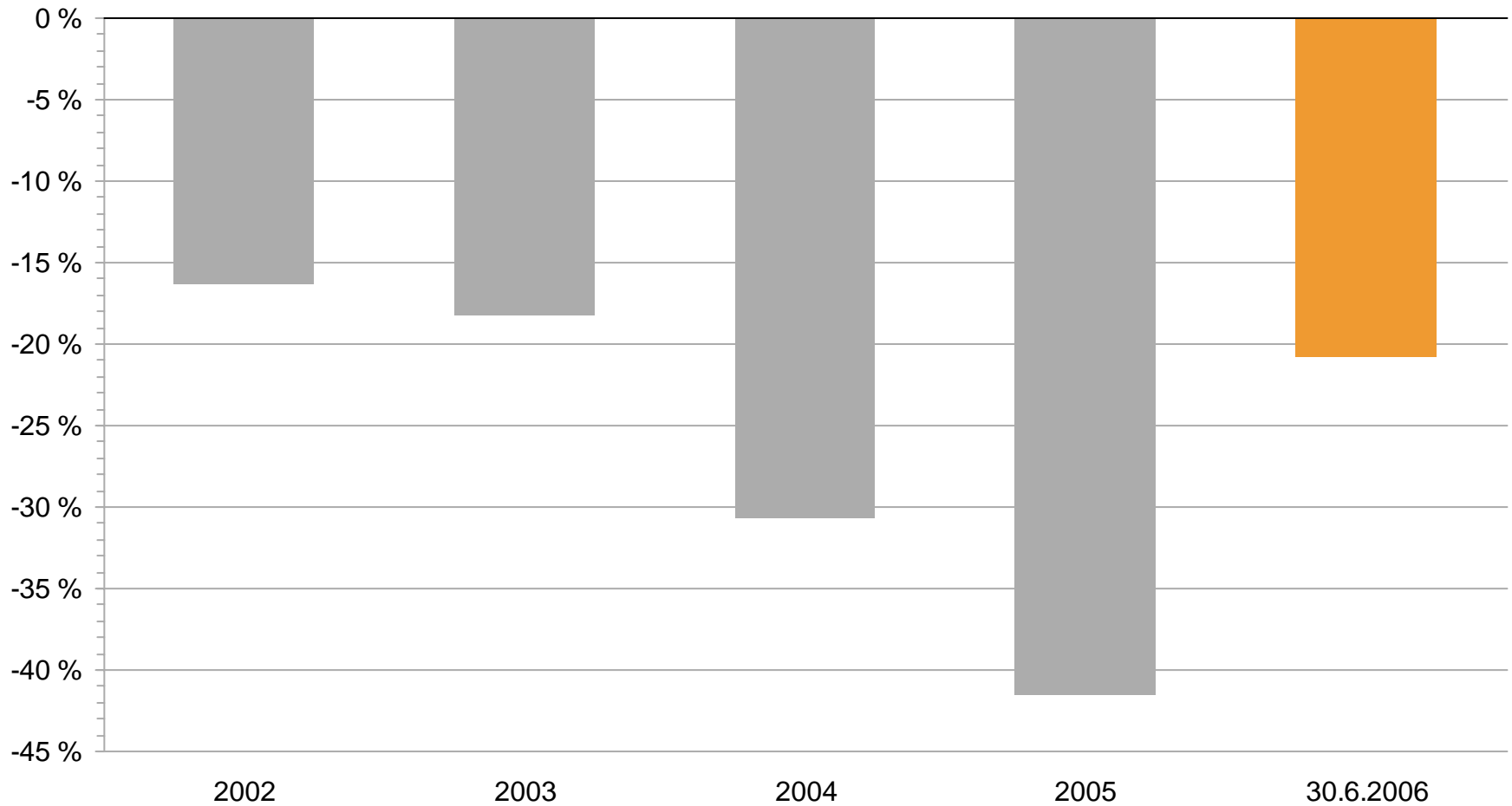


Total of continuing and discontinuing operations, figures 2002-2003 FAS, figures 2004-2006 IFRS

# Return on equity (ROE)



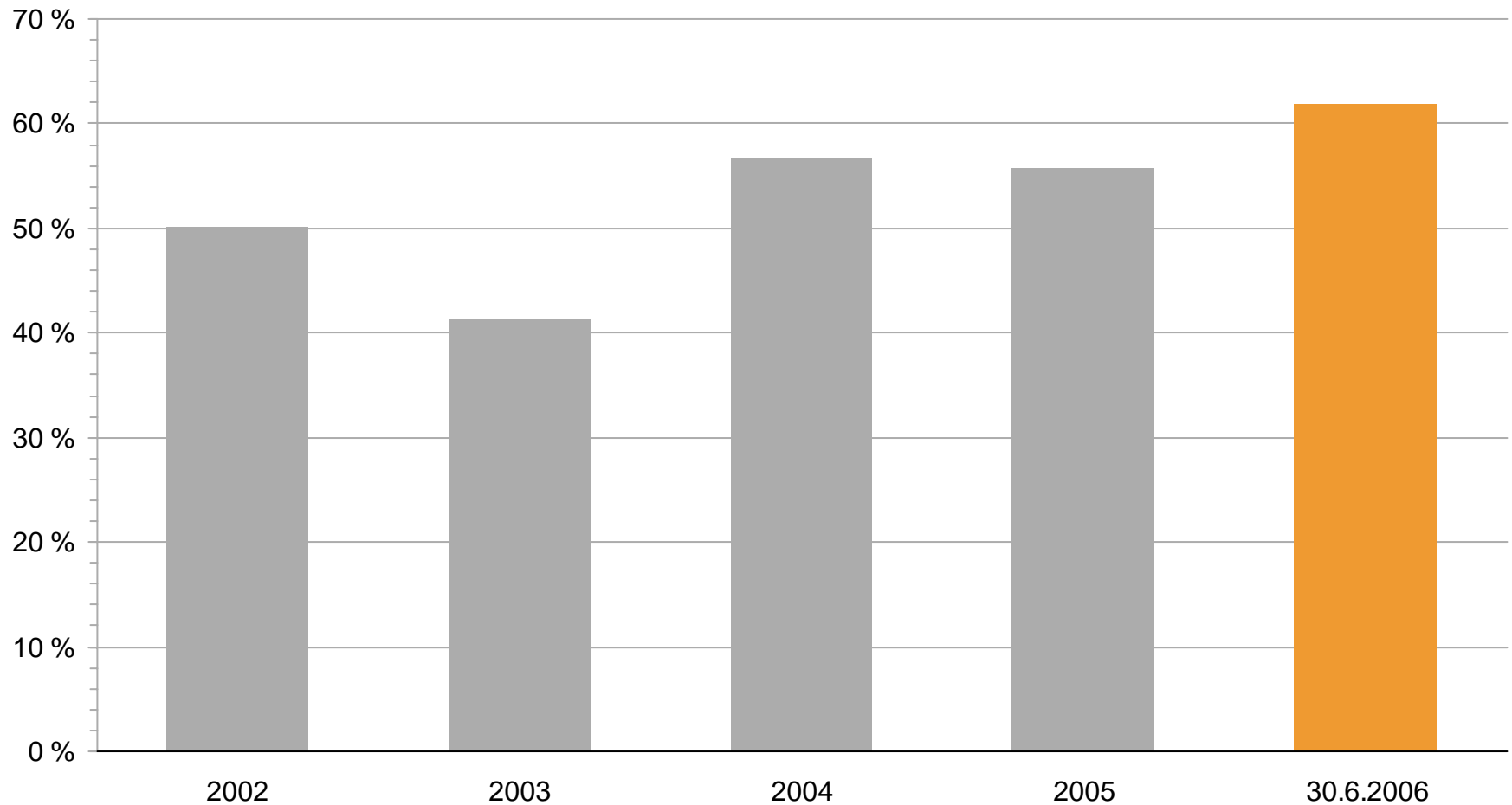
Total of continuing and discontinuing operations, figures 2002-2003 FAS, figures 2004-2006 IFRS



Figures 2002-2003 FAS, figures 2004-2006 IFRS



# Equity ratio



Figures 2002-2003 FAS, figures 2004-2006 IFRS

# Year-end market outlook good

- Most markets for wood products remain good
- Investment demand continues on a good level:
  - Demand focused on large, new production capacity creating projects
  - Brisk demand in Russia is expected to result in new orders
  - Asian markets continue to recover
  - Slack investment demand in plywood industry in North America
- Demand for technology services continues stable:
  - Slack demand for larger modernizations
  - Good demand level for maintenance and spare part services

- Demand and order book at a good level
- Focus of demand in large projects, which strengthens Raute's competitive position.
- Development of Technology services continues. Growth behind last year due to lack of large modernization projects
- R&D continues strong
- Net sales in the latter part of the year will be generated mostly in the last quarter
- Net sales on the same level as in 2005
- Operating profit to improve

# Q2 Theme

Plywood industry in South America  
Raute in South America

# South American plywood industry

- Markets: home market, exports to the USA and Europe
- Favourable climate => fast forest growth
- Public subsidy of forest plantations
- Moderate labour costs
- Growing production costs in competing countries
- Good profitability and effective strategy (integration from forestry to processing)

## Facts:

- Production volume almost 5 million m<sup>3</sup>
- Strong growth in production
- Tropical species, plantation pine and eucalyptus
- Strong growth in the share of softwood
- Brazil and Chile largest producers

# Important producers

- **Chile:**

- Total capacity about 650.000 m<sup>3</sup>
- Almost solely Raute technology
- Predominantly softwood plywood, Radiata pine from plantations
- Fast growth of production, 2 new mills under construction
- Paneles Arauco pioneer, started production 10 years ago, 4th mill-scale order from Raute in June
- Empresas CMPC to start in 2007
- High-quality raw material from well-managed plantation forests => high-quality products
- Integrated strategy

- **Brazil:**

- Majority of production softwood plywood and the share is growing fast. The share of hardwood plywood is going down
- Traditionally local machine suppliers, current business situation favours companies like Raute
- Mainly construction-quality plywood from current raw material
- Forestry development renders better raw material and upgrades plywood quality

# Important producers

- **Other countries:**

- **Uruguay:** development of plywood industry starting, plantation species as raw material
- **Argentina:** growing plantation forests suitable for plywood production
- **Other countries:** single, small hardwood plywood mills utilize natural forests



# Raute in South America

- Local presence since 90s
- Strong foothold in Chile; young and well developed plywood industry
  - Raute's deliveries:
    - Paneles Arauco: 3 plywood mills and an expansion of the newest mill
    - CMPC: plywood mill
- Entry to Brazil, 2 peeling line orders
- Raute's strengths:
  - Leading technology enables efficient and high-quality production
  - Expertise in mill-scale deliveries and strong references
  - Long experience in the processing of small-diameter plantation logs
- Raute's potential in the future:
  - Large installed machine base
  - Further developing and growing customer industry in Chile
  - Development of customer industry in Brazil



# Contact information

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