

# 2006



Interim report  
1 January–30 September

**RAUTE CORPORATION'S INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2006**

- Net sales, €73.7 m (€77.1 m), dropped by 4% on the comparison period. Operating profit was €2.2 m (€3.7 m), and earnings per share (undiluted) were €0.50 (€0.85). The order book totaled €69 m (€57 m).
- Full-year net sales and operating profit in 2006 are estimated to remain on the same level as in 2005.
- Strong order book and good demand show promising prospects for early 2007.
- Owing to the weak net sales in the third quarter, €18.7 m (€29.5 m), the operating profit for the period was in the red, amounting to €-0.3 m (€1.9 m). The new project orders totaled €40 m (€35 m).

<b>KEY FIGURES</b>	<b>Q3/2006</b>	<b>Q3/2005</b>	<b>Q1-3/2006</b>	<b>Q1-3/2005</b>	<b>2005</b>
Net sales, m€	<b>18.7</b>	29.5	<b>73.7</b>	77.1	108.6
Change,%	<b>-37 %</b>	58 %	<b>-4 %</b>	51 %	49 %
Operating profit/loss, m€	<b>-0.3</b>	1.9	<b>2.2</b>	3.7	4.4
Profit/Loss before tax, m€	<b>-0.2</b>	2,1	<b>2.5</b>	4.5	5.5
Equity ratio, %	<b>66 %</b>	53 %	<b>66 %</b>	53 %	56 %
Assets total, m€	<b>56.2</b>	56,0	<b>56.2</b>	56.0	55.4
Earnings per share (EPS), €	<b>-0.08</b>	0.4	<b>0.50</b>	0.85	1.09
Order intake (Projects), m€	<b>40</b>	35	<b>69</b>	87	109
Order book, m€	<b>69</b>	57	<b>69</b>	57	55
Capital expenditure, m€	<b>0.6</b>	0.7	<b>1.4</b>	2.4	3.8
R&D expenses, of net sales	<b>5.8%</b>	3.4%	<b>3.7%</b>	2.9 %	3.3%

**MR. TAPANI KIISKI, PRESIDENT AND CEO, COMMENTING ON THE INTERIM REPORT:  
PRICE PRESSURE FROM PURCHASES AFFECTED THE RESULT**

"Demand for Raute's wood products technology and services has continued to be brisk. The company received two mill-scale orders in the third quarter. This is a sign of our customers' belief in the future of their own businesses and in Raute as a supplier. Our order book strengthened further and is now at an excellent level, stretching well into the new year.

Demand will continue at a healthy level in the near future. Our expectations for new orders now focus especially on the Russian market. Many of our potential customers in the region are companies new to the field, and their decision-making schedules have proven to be difficult to estimate.

The third quarter result is a disappointment to us. The schedule of the order intake indicated that net sales in the third quarter would be the weakest this year, and we were prepared for a dip in operating profit. Particularly disappointing, however, was the stronger than expected rise in purchase prices, which weakened the margins in

the third quarter and will affect our profitability in the latter part of the year.

We have systematically developed our operating model according to our strategy, in which cooperation with partners is more important than ever before and directly affects our performance. With this model we hope to enhance operations and reduce sensitivity to economic fluctuations. The recent rise in cost levels shows that we have not been successful enough in carrying out this strategy. As a result, we will not be able to reach the improvement in performance we were aiming at this year. Nevertheless, I am convinced that we have chosen the right strategy. We will now push ahead with even more determination."

## **MARKET SITUATION**

### **Market situation in customer industries**

The market for the plywood industry continues to look good in Raute's main market areas, with the exception of North America. Especially in the USA, the slowdown in construction has reduced the demand for plywood panels and lowered their market price.

The outlook for the Laminated Veneer Lumber (LVL) industry continues to be positive in all market areas.

### **Demand for wood products technology**

Demand for plywood technology still targets large, mill-scale projects. Smaller projects encompassing individual machines or production lines are also seeing good demand.

In the LVL industry, significant investment plans to increase production capacity are under way in several market areas. Some of the plans are still in the early phases, however.

Good demand is also seen in Raute's smaller product groups, which include overlaying technology of wood-based panels other than plywood, the parquet and the decorative veneer technologies.

In technology services, demand for spare part and maintenance services remained at a good level. Demand for modernizations is expected to show a clear drop from last year's figures, especially in Europe. North American demand for modernizations is weakened by the plywood industry's general reluctance to make investments.

### **Order intake and order book**

The order intake in the report period amounted to EUR 69 million (€87 m), 27 percent of which targeted North America, 36 percent Europe, and 13 percent Russia. Most of the remaining 24 percent of the order intake involved South America. The order intake for technology services amounted to EUR 20 million (€19 m) in the report period.

The third quarter order intake totaled EUR 40 million (€35 m). The most significant new order came from Murphy Company, in the USA, and was

made for key production machinery and automation control systems for an LVL mill. The total value of the deal is about EUR 18 million. The deliveries and installations will take place in early 2007. Another major order, placed by a well-established European plywood manufacturer, includes the machinery and lines for a plywood mill. The total value of the deal is about EUR 11 million. The deliveries are scheduled for mid-2007.

The order book at the end of the report period was EUR 69 million (€57 m).

### **Competitive position**

Raute is generally speaking in a good competitive position and looks particularly strong in its traditional technology fields: the plywood and veneer industry, as well as the LVL industry. The company's position is based on a comprehensive offering of technology and services, leading technology in the field that is maintained by strong product development, and solid references.

Several deliveries with reference value have been introduced into production use in the third quarter. Examples of these include two peeling lines to South-East Asia, marking Raute's first tropical wood peeling deliveries in several years. In addition, a new-generation cross cut saw line, a scarf jointing line, and a decorative veneer drying line were taken in production use in Finland. The new products will strengthen Raute's competitiveness in these technology and market areas.

### **EVENTS IN THE REPORT PERIOD**

Raute Corporation's new subsidiary, Raute (Shanghai) Machinery Co., Ltd., obtained the required business permits at the end of September, and the company has launched operations.

The dissolution of Raute Corporation's pension fund was completed.

### **NET SALES AND RESULT**

Net sales in the report period totaled EUR 73.7 million (€77.1 m), showing a drop of 4 percent

over the previous year. This was caused by the weak order intake in the early part of the year, as well as by the timing of deliveries. Business consisted exclusively of project deliveries and technology services related to the wood products technology business.

Europe's share of net sales in the report period dropped to 27 percent (40%), North America's to 17 percent (24%), and Russia's to 13 percent (17%), while Asia accounted for 7 percent (6%). Other market areas increased their share to 36 percent (13%), fueled by mill-scale deliveries in South America.

Operating profit, at EUR 2.2 million (€3.7 m), and profit before tax, at EUR 2.5 million (€4.5 m), were both down on the comparison year. Profit for the period was EUR 1.9 million (€3.1 m).

R&D expenses grew by EUR 0.5 million on the comparison period. Profit for the report period benefited from a EUR 0.1 million (€-0.9 m) IFRS-compliant recognition of currency hedges used for economic hedging purposes. Profit for the previous year was improved by the release of excess cover totaling EUR 0.4 million in conjunction with the dissolution of the pension fund. Taxes for the report period are reduced by a credit loss recognized in Raute Corporation and Mecano Group Oy for commercial receivables from the Canadian subsidiary Raute Wood Ltd.

Net sales in the third quarter totaled EUR 18.7 million (€29.5 m), dropping by 37 percent from the comparison period. Operating profit was in the red, amounting to EUR -0.3 million (€1.9 m). The relative profitability of the third quarter corresponded to the level of the comparison period but did not achieve targets mainly due to the rise in purchase prices.

## **FINANCING**

The Group's financial position strengthened. Gearing was -52.7 percent (-25.9%) and the equity ratio 65.6 percent (53.2%). The balance sheet totaled EUR 56.2 million (€56.0 m).

Liquid assets grew by EUR 3.5 million in the report period, amounting to EUR 14.9 million (€7.4 m). Operating cash flow was EUR 5.6 million (€2.4 m) and investing cash flow was EUR -1.3 million (€-1.9 m). The financing cash flow,

EUR -0.8 million (€-2.6 m), includes EUR 2.3 million from the payment of year 2005 dividends, as well as EUR 1.4 million in payments received from the stock issue of shares subscribed for with warrants.

The strong fluctuation in balance sheet items and the key ratios based on them results from differences in the timing of customer payments and the corresponding cost accumulation, which is typical of project business.

Interest-bearing liabilities totaled EUR 0.5 million (€0.7 m) at the end of the report period. Unused credit limits amounted to EUR 15 million on the same date. The company also has a EUR 15 million commercial paper program.

## **RESEARCH AND DEVELOPMENT COSTS AND CAPITAL EXPENDITURE**

Research and development costs in the report period totaled EUR 2.7 million (€2.3 m), representing 3.7 percent (2.9%) of net sales. The pretax impact on costs was EUR 2.3 million (€1.8 m).

Capital expenditure totaled EUR 1.4 million (€2.4 m).

## **PERSONNEL AND ORGANIZATION**

The Group's headcount at the end of the report period was 534 (524). Converted to full-time employees, the average number was 539 (526).

## **CORPORATE GOVERNANCE**

The Annual General Meeting held on March 22, 2006, elected Mr. Jarmo Ryttilahti as Chairman of the Board, Ms. Sinikka Mustakallio as Vice-Chairman, and Mika Mustakallio, Panu Mustakallio, Pekka Paasikivi, and Jorma Wiitakorpi as Board members.

All of the Board members are independent of the company. Chairman Jarmo Ryttilahti and two of the members (Pekka Paasikivi and Jorma Wiitakorpi) are independent of major shareholders.

The chairman of the Appointment Committee is Mr. Jarmo Ryttilahti, while Ms. Sinikka Mustakallio

and Mr. Ville Korhonen, a representative of a major shareholder, act as its members. The Working Committee is chaired by Mr. Jarmo Ryttilahti and its members are Ms. Sinikka Mustakallio and Mr. Pekka Paasikivi.

## **SHARES**

Raute Corporation's series A shares are listed on the Nordic list of the Helsinki Stock Exchange. The trading code is RUTAV. The shares have a nominal value of two euro. Raute Corporation has signed a market making agreement with Nordea Bank Finland plc in compliance with the Liquidity Providing (LP) requirements issued by the Helsinki Stock Exchange.

The number of shares at the end of the report period totaled 3,889,458, of which 991,161 were series K shares and 2,898,279 series A shares. A total of 53,200 series A shares subscribed for through the exercise of B warrants pertaining to the 1998 bond issue were entered in the Trade Register during the report period. A total of 115,300 series A shares had been subscribed for but not yet entered in the Trade Register at the end of the report period.

A total of 676,432 (1,277,285) series A shares worth EUR 10.1 million (€13.5 m) were traded in the report period. The share price at the end of the period was EUR 12.90 (€15.40). The highest quotation of series A shares was EUR 17.60 and the lowest EUR 11.60, while the average quotation was EUR 14.90.

The company's market capitalization at the end of the report period was EUR 50.2 million (€58.7 m), with series K shares valued at the closing price on September 30, 2006, of series A shares, that is EUR 12.90.

Raute Corporation's 1998 bond issue expired on September 30, 2006, for B warrants. The bond issue accounted for a total of 212,500 warrants, of which 190,150 were exercised. The highest trading price for B warrants in 2006 was EUR 9.58 (2005: €9.20) and the lowest was EUR 4.48 (2005: €1.00). A total of 330,650 B warrants were traded in 2006 (2005: 197,500). The total value of trading was EUR 2,452,176 (2005: €701,207).

The number of shareholders totaled 974 at the beginning of the year and 1,033 at the end of the

report period. No flagging notifications were given to the company in the report period.

The company's Board of Directors is authorized to buy back and dispose of a maximum of 381,625 of the company's series A shares. The Board of Directors has not exercised this authorization.

## **DIVIDEND**

The Annual General Meeting decided to distribute a dividend of EUR 0.60 per share for 2005. A total of EUR 2.3 million was paid in dividend on April 3, 2006.

## **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 and on the Board of Directors' assessment of the success of the strategy. The incentive plan encompasses the Group's Executive Board (5 members) and 13 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.

On September 30, 2006, the share-based plan accounted for a maximum of 56,000 Raute Corporation's series A shares. Of these, the President and CEO may hold a maximum of 10,000 and the rest of the Executive Board jointly a maximum of 20,000 shares.

The plan had a pretax profit impact of EUR 0.1 million in the report period.

## **ACCOUNTING PRINCIPLES**

The interim report has been prepared according to international recognition and measurement principles (IFRS). The figures for the report period and the comparison period have not been audited.

The Group has adopted the amendments to IAS 39 issued by IASB in 2004 and 2005. The

adoption of the amended standard has not had any material impact on the interim figures.

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 measures granted share-based incentives in equity at the fair value at the grant date. Share- and cash-based payments are expensed 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-based payments are based on the latest estimate of outstanding shares and the fair value of shares at the balance sheet date.

The Group has adopted hedge accounting in compliance with IAS 39. Derivative agreements 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 agreement is terminated or exercised.

In other respects, the Group has followed the accounting principles described in the financial statements for 2005.

## **BUSINESS RISKS**

### **Hedging of foreign currency receivables**

Forward contracts in Canadian and US dollars related to the economic hedging of payments from binding sales agreements had a nominal value of EUR 2.1 million (€8.5 m) at the end of the report period. The measurement of these forward contracts in compliance with IFRS improved the company's net sales and operating

profit by EUR 0.1 million (€-0.9 m) compared to the Finnish Accounting Standards.

Forward contracts in Canadian and US dollars related to fair value hedging had a nominal value of EUR 13.6 million (€0 m) at the end of the report period. Hedge accounting had no impact on the profit for the report period.

## **EVENTS AFTER THE REPORT PERIOD**

### **Share subscriptions through B warrants pertaining to the 1998 bond issue**

A total of 115,300 series A shares, worth EUR 878,586, were subscribed for with B warrants pertaining to Raute Corporation's 1998 bond issue between August 11 and September 30, 2006. The share capital increase corresponding to the share subscriptions totals EUR 230,600. The Board of Directors approved the share subscriptions on October 25, 2006. The subscriptions are expected to be registered on 2 November, 2006.

## **OUTLOOK FOR 2006**

Investments in the wood products industry will continue at a good level in the near future. The focus will most likely remain on large mill-scale projects. Brisk demand will continue in Russia.

Due to the strong order book in the last quarter Raute's full-year net sales in 2006 will reach the level of 2005. The operating profit in 2006 is estimated to remain on the same level as in 2005. The reasons for the change in forecast are the later than expected launching of some major projects, and the higher than expected rise in purchase prices.

Figures in 1,000 Euro

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>1.7.-30.9. 2006</b>	<b>1.7.-30.9. 2005</b>	<b>1.1.-30.9. 2006</b>	<b>1.1.-30.9. 2005</b>	<b>1.1.-31.12. 2005</b>
<b>NET SALES</b>	<b>18 666</b>	<b>29 494</b>	<b>73 711</b>	<b>77 124</b>	<b>108 627</b>
Other operating income	30	94	127	619	708
Operating expenses	-18 404	-26 997	-69 835	-71 870	-102 054
Depreciation, amortisation and impairment charges	-616	-705	-1 790	-2 164	-2 877
<b>OPERATING PROFIT</b>	<b>-324</b>	<b>1 886</b>	<b>2 214</b>	<b>3 709</b>	<b>4 403</b>
% of net sales	-2 %	6 %	3 %	5 %	4 %
Financial income	184	279	546	878	1 131
Financial expenses	-92	-36	-286	-76	-73
<b>PROFIT BEFORE TAX</b>	<b>-233</b>	<b>2 129</b>	<b>2 474</b>	<b>4 511</b>	<b>5 461</b>
% of net sales	-1 %	7 %	3 %	6 %	5 %
Income tax *)	-66	-596	-539	-1 391	-1 423
<b>PROFIT FOR THE PERIOD</b>	<b>-299</b>	<b>1 532</b>	<b>1 935</b>	<b>3 120</b>	<b>4 038</b>
% of net sales	-2 %	5 %	3 %	4 %	4 %
<b>BREAKDOWN OF PROFITS</b>					
Minority interest	0	2	0	-117	-114
Owners of the parent company	-299	1 530	1 935	3 237	4 152
<b>EARNINGS PER SHARE, EUR</b>					
Basic	<b>-0,08</b>	<b>0,40</b>	<b>0,50</b>	<b>0,85</b>	<b>1,09</b>
Diluted	<b>-0,08</b>	<b>0,40</b>	<b>0,49</b>	<b>0,84</b>	<b>1,07</b>
<b>NUMBER OF SHARES</b>					
Weighted average, 1 000 pcs	3 834	3 815	3 834	3 815	3 815
Diluted, 1 000 pcs	3 957	3 861	3 957	3 834	3 872

\*) Income taxes include the tax liability estimated for the report period.

<b>BALANCE SHEET</b>	<b>30.9. 2006</b>	<b>30.9. 2005</b>	<b>31.12. 2005</b>
<b>ASSETS</b>			
<b>FIXED ASSETS AND OTHER NON-CURRENT ASSETS</b>			
- intangible assets	2 991	3 023	2 757
- property, plant and equipment	13 214	13 144	13 939
- available-for-sale investments	404	228	395
- receivables	0	10	48
- deferred tax assets	356	362	210
<b>Fixed and other non-current assets total</b>	<b>16 964</b>	<b>16 766</b>	<b>17 349</b>
<b>CURRENT ASSETS</b>			
- inventories	4 366	6 219	5 026
- accounts receivable and other financial assets	20 060	25 250	21 666
- financial assets at fair value through profit or loss	9 554	5 402	8 975
- cash and cash equivalents	5 305	2 023	2 419
<b>Current assets total</b>	<b>39 285</b>	<b>38 895</b>	<b>38 086</b>
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	0	294	0
<b>TOTAL ASSETS</b>	<b>56 249</b>	<b>55 955</b>	<b>55 435</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
- share capital	7 779	7 629	7 629
- other shareholders' equity	19 510	17 994	18 294
Owners of the parent company	<b>27 289</b>	<b>25 623</b>	<b>25 923</b>
Minority interest	0	172	224
<b>Total shareholders' equity</b>	<b>27 289</b>	<b>25 795</b>	<b>26 147</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
- provisions	201	328	475
- deferred tax liabilities	1 224	1 308	1 300
- interest-bearing long-term liabilities	318	261	357
<b>Current liabilities</b>			
- provisions	1 700	1 393	1 927
- income tax liabilities	0	1 587	105
- pension obligations	347	429	380
- interest-bearing short-term liabilities	150	471	176
- customer deposits	14 641	7 451	8 500
- trade and other payables	10 379	16 933	16 068
<b>Total liabilities</b>	<b>28 960</b>	<b>30 161</b>	<b>29 288</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>56 249</b>	<b>55 955</b>	<b>55 435</b>

CONSOLIDATED	1.1.-30.9.	1.1.-30.9.	1.1.-31.12.
CASH FLOW STATEMENTS	2006	2005	2005
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Payments received:			
- receipts from sales	82 573	70 947	108 934
- receipts from other operating income	85	1 376	483
Payments made:			
- expenses	-76 347	-69 248	-99 840
- interest and other financial expenses paid	-89	-76	-80
Interest and other financial income received	541	425	764
Dividend income received	24	36	56
Income taxes paid	-1 166	-1 093	-2 636
<b>Net cash from (+) / used in (-) operating activities (A)</b>	<b>5 621</b>	<b>2 367</b>	<b>7 681</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure:			
- capital expenditure in tangible and intangible assets	-1 376	-1 693	-3 554
- purchases of available-for-sale as financial assets	-49		
Subsidiary shares:			
- acquisition of subsidiary shares	0	-752	-304
Proceeds:			
- proceeds from sale of tangible and intangible assets	81	551	713
- proceeds from sale of investments	12	8	180
<b>Net cash from (+) / used in (-) investing activities (B)</b>	<b>-1 332</b>	<b>-1 886</b>	<b>-2 965</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Change:			
- change in short-term loans	0	-943	-1 537
- change in long-term loans	-66	-66	212
- change in long-term and short-term receivables	95	-50	
Proceeds from issuance of shares	1 436		
Dividends paid	-2 290	-1 526	-1 526
<b>Net cash from (+) / used in (-) financing activities (C)</b>	<b>-825</b>	<b>-2 585</b>	<b>-2 851</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>3 464</b>	<b>-2 104</b>	<b>1 865</b>
Increase (+)/decrease (-)			
<b>CASH AND CASH EQUIVALENTS*)</b>			
- at the beginning of the period	11 395	9 530	9 530
- at the end of the period	14 859	7 426	11 395

\*) Cash and cash equivalents comprise of trading assets as well as cash and bank receivables

CONSOLIDATED STATEMENT OF CHANGES	Share	Share	Other	Exchange	Retained	Total
IN SHAREHOLDERS' EQUITY	capital	premium	funds	rate diff.	earnings	
<b>1.1.2005</b>	<b>7 629</b>	<b>5 429</b>	<b>0</b>	<b>902</b>	<b>10 726</b>	<b>24 686</b>
Other increase / decrease				-969	194	-775
Increase in share capital (warrants)						0
Dividends paid					-1 526	-1 526
Profit for the period					3 237	3 237
<b>30.9.2005</b>	<b>7 629</b>	<b>5 429</b>	<b>0</b>	<b>-67</b>	<b>12 632</b>	<b>25 623</b>

CONSOLIDATED STATEMENT OF CHANGES	Owners	Minority	TOTAL
IN SHAREHOLDERS' EQUITY (Continue)	of the company	interest	
<b>1.1.2005</b>	<b>24 686</b>	<b>353</b>	<b>25 039</b>
Other increase / decrease	-775	-63	-838
Increase in share capital (warrants)			0
Dividends paid	-1 526		-1 526
Profit for the period	3 237	-117	3 120
<b>30.9.2005</b>	<b>25 623</b>	<b>172</b>	<b>25 795</b>

CONSOLIDATED STATEMENT OF CHANGES	Share	Share	Other	Exchange	Retained	Total
IN SHAREHOLDERS' EQUITY	capital	premium	funds	rate diff.	earnings	
<b>1.1.2006</b>	<b>7 629</b>	<b>5 429</b>	<b>14</b>	<b>-533</b>	<b>13 384</b>	<b>25 923</b>
Other increase / decrease				226		226
Increase in share capital (warrants)	150	421	865			1 436
Share-based payment			58			58
Dividends paid					-2 290	-2 290
Profit for the period					1 935	1 935
<b>30.9.2006</b>	<b>7 779</b>	<b>5 850</b>	<b>937</b>	<b>-307</b>	<b>13 030</b>	<b>27 289</b>

CONSOLIDATED STATEMENT OF CHANGES	Owners	Minority	TOTAL
IN SHAREHOLDERS' EQUITY (Continue)	of the company	interest	
<b>1.1.2006</b>	<b>25 923</b>	<b>224</b>	<b>26 147</b>
Other increase / decrease	226	-224 *)	2
Increase in share capital (warrants)	1 436		1 436
Share-based payment	58		58
Dividends paid	-2 290		-2 290
Profit for the period	1 935		1 935
<b>30.9.2006</b>	<b>27 289</b>	<b>0</b>	<b>27 289</b>

\*) Associated company Eloc Oy, dissolution



THE DEVELOPMENT OF QUARTERLY RESULTS	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Rolling 1.10.05 - 30.9.06	Rolling 1.10.04 - 30.9.05
<b>NET SALES</b>	<b>18 666</b>	<b>28 543</b>	<b>26 503</b>	<b>31 503</b>	<b>105 215</b>	<b>99 064</b>
Other operating income	30	72	25	88	216	738
Operating expenses	-18 404	-26 629	-24 803	-30 184	-100 019	-90 893
Depreciation, amortisation and impairment charges	-616	-579	-595	-714	-2 503	-2 876
<b>OPERATING PROFIT</b>	<b>-324</b>	<b>1 408</b>	<b>1 130</b>	<b>694</b>	<b>2 908</b>	<b>6 033</b>
% of net sales	-2 %	5 %	4 %	2 %	3 %	6 %
Financial income	184	-46	409	253	799	1 101
Financial expenses	-92	-5	-189	3	-283	-199
Share of the associated companies' result						-22
<b>PROFIT BEFORE TAX</b>	<b>-233</b>	<b>1 357</b>	<b>1 350</b>	<b>950</b>	<b>3 424</b>	<b>6 913</b>
% of net sales	-1 %	5 %	5 %	3 %	3 %	7 %
Income taxes	-66	-50	-423	-32	-571	-1 961
<b>PROFIT FROM CONTINUING OPERATIONS</b>	<b>-1 226</b>	<b>1 307</b>	<b>927</b>	<b>918</b>	<b>2 854</b>	<b>4 952</b>
Profit from discontinued operations						113
<b>PROFIT FOR THE PERIOD</b>	<b>-299</b>	<b>1 307</b>	<b>927</b>	<b>918</b>	<b>2 854</b>	<b>5 065</b>
% of net sales	-2 %	5 %	3 %	3 %	3 %	5 %
<b>BREAKDOWN OF PROFITS</b>						
Minority interest	0	0	0	3	3	-102
Owners of the parent company	-299	1 307	927	915	2 851	5 167
<b>EARNINGS PER SHARE, EUR</b>						
Basic	-0,08	0,34	0,24	0,24		
Diluted	-0,08	0,33	0,24	0,24		
<b>NUMBER OF SHARES</b>						
Weighted average, 1 000 pcs	3 834	3 822	3 816	3 815		
Diluted, 1 000 pcs	3 957	3 931	3 925	3 872		

PERSONNEL	30.9. 2006	30.9. 2005	31.12. 2005
Personnel			
- effective on average	539	526	536
- in books on average	539	531	537
- in books, at the end of the period	534	524	533

SEGMENT INFORMATION *) BY GEOGRAPHICAL LOCATION	1.1.-30.9. 2006	%	1.1.-30.9. 2005	%	1.1.-31.12. 2005	%
*) Raute's primary reporting segment is the business segment. All continuing operations are categorized in the wood products technology segment. The secondary reporting segment is geographical location.						
<b>NET SALES</b>						
Europe	20 166	27	32 028	40	43 954	40
Russia	9 273	13	12 844	17	15 534	14
North America	12 448	17	18 554	24	28 817	27
Asia	5 086	7	4 350	6	8 107	7
Rest of the world	26 739	36	9 348	13	12 215	12
<b>TOTAL</b>	<b>73 711</b>	<b>100</b>	<b>77 124</b>	<b>100</b>	<b>108 627</b>	<b>100</b>
<b>ASSETS</b>						
Europe	49 682	88	45 615	82	48 655	89
Russia	287	1	0	0	200	0
North America	6 082	11	10 201	18	6 375	11
Asia	148	0	139	0	155	0
Rest of the world	50	0	0	0	50	0
<b>TOTAL</b>	<b>56 249</b>	<b>100</b>	<b>55 955</b>	<b>100</b>	<b>55 435</b>	<b>100</b>
<b>CAPITAL EXPENDITURE</b>						
Europe	1 347	98	2 277	97	3 654	96
Russia	0	0	0	0	0	0
North America	26	2	77	3	142	4
Asia	0	0	0	0	1	0
Rest of the world	0	0	0	0	1	0
<b>TOTAL</b>	<b>1 373</b>	<b>100</b>	<b>2 354</b>	<b>100</b>	<b>3 798</b>	<b>100</b>

<b>NET SALES</b>	<b>1.1.-30.9.</b>		<b>1.1.-30.9.</b>		<b>1.1.-31.12.</b>	
<b>BY MARKET AREA</b>	<b>2006</b>	<b>%</b>	<b>2005</b>	<b>%</b>	<b>2005</b>	<b>%</b>
Finland	7 019	10	23 298	29	30 444	28
Rest of Europe	13 146	18	8 730	11	13 510	12
Russia	9 273	13	12 844	17	15 534	14
North America	12 448	17	18 554	24	28 817	27
Asia	5 086	7	4 350	6	8 107	7
South America	25 881	35	2 145	3	4 556	4
Oceania	409	0	1 966	3	2 366	2
Other	449	0	5 237	7	5 293	6
<b>TOTAL</b>	<b>73 711</b>	<b>100</b>	<b>77 124</b>	<b>100</b>	<b>108 627</b>	<b>100</b>

<b>OFF BALANCE SHEET</b>	<b>30.9.</b>	<b>30.9.</b>	<b>31.12.</b>
<b>COMMITMENTS AND DERIVATIVES</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
<b>COMMITMENTS</b>			
<b>Security of own debts</b>			
- mortgages	11 134	11 134	11 134
<b>Security for Group's liabilities</b>			
- guarantees	2 231	6 604	4 111
<b>Security for others' liabilities</b>			
- guarantees	0	0	0
<b>Other own liabilities</b>			
<b>Leasing and rent liabilities:</b>			
- for the current accounting period	72	96	179
- for the following accounting periods	154	63	122
<b>CURRENCY DERIVATIVES</b>			
Currency derivatives are used for hedging purposes.			
<b>Nominal values of forward contracts in foreign currency</b>			
<b>Economic hedging</b>			
- related to financing	2 232	7 293	6 830
- related to hedging of net sales	2 076	8 533	3 071
<b>Hedge accounting</b>			
- related to the hedging of net sales	13 596		
<b>Fair values of forward contracts in foreign currency</b>			
<b>Economic hedging</b>			
- related to financing	-2	-43	-41
- related to the hedging of net sales	-3	-295	-104
<b>Hedge accountig</b>			
- related to the hedging of net sales	-91		
No loans or pledges given or other commitments made on behalf of the company's management, shareholders or associated companies.			

<b>GROUP</b>	<b>1.1.-30.9.</b>	<b>1.1.-30.9.</b>	<b>1.1.-31.12.</b>
<b>KEY RATIOS</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Return on investment , ROI	13,5 %	22,9 %	20,7 %
Return on equity , ROE	9,7 %	16,4 %	15,8 %
Quick ratio	3,2	1,7	2,0
Gearing	-52,7 %	-25,9 %	-41,5 %
Equity ratio	65,6 %	53,2 %	55,7 %
Order book, €m	69	57	55
Order intake, €m	69	87	109
Exported portion of net sales	90,5 %	69,8 %	72,0 %
Change in net sales %	-4,4 %	9,5 %	48,6 %
Gross capital expenditure, €m	1,4	2,4	3,8
Gross capital expenditure of net sales	1,9 %	3,1 %	3,5 %
Research and development	2,7	2,3	3,6
- capital expenditure, €m	0,4	0,5	0,2
- expenses, €m	2,3	1,8	3,4
Research and development of net sales	3,7 %	2,9 %	3,3 %

<b>SHARE RELATED KEY RATIOS</b>	<b>1.1.-30.9. 2006</b>	<b>1.1.-30.9. 2005</b>	<b>1.1.-31.12. 2005</b>
Earnings per share (EPS), EUR			
- basic	0,50	0,85	1,09
- diluted	0,49	0,84	1,07
Equity to share, EUR	7,02	6,72	6,80
Dividend per share, EUR			0,60
Dividend per profit, %			55,1 %
Effective dividend return, %			4,2 %
Share price at the end of period	12,90	15,40	14,24
Equity issue adjusted number of shares			
-weighted average, 1 000 pcs	3 834	3 815	3 815
-diluted, 1 000 pcs	3 957	3 861	3 872

<b>THE LARGEST REGISTERED SHAREHOLDERS on 30 September 2006</b>	<b>Number of K-shares (20 votes per share)</b>	<b>Number of A-shares ( 1 vote per share)</b>	<b>TOTAL number of shares</b>
1. Sundholm Göran		479 900	479 900
2. Varma Mutual Pension Insurance Company		195 000	195 000
3. Suominen Jussi Matias	48 000	74 759	122 759
4. Suominen Tiina Sini-Maria	48 000	74 759	122 759
5. Mustakallio Kari Pauli	60 480	60 009	120 489
6. Kirmo Kaisa Marketta	50 280	65 092	115 372
7. Suominen Pekka Matias	48 000	64 159	112 159
8. Siivonen Osku Pekka	50 640	59 539	110 179
9. Op Suomi Kasvu Mutual Fund		100 000	100 000
10. Keskiaho Leena	33 600	51 116	84 716
11. Särkijärvi Riitta	60 480	22 009	82 489
12. Mustakallio Risto	42 240	35 862	78 102
13. Mustakallio Mika	39 750	34 670	74 420
14. Mustakallio Ulla Sinikka	47 240	25 862	73 102
15. Sijoitusrahasto Op-Suomi Arvo		67 900	67 900
16. Mustakallio Marja Helena	42 240	20 662	62 902
17. Mustakallio Kai Henrik	47 240	12 362	59 602
18. Kirmo Lasse	30 000	26 200	56 200
19. Särkijärvi Timo Juha	12 000	43 256	55 256
20. Särkijärvi-Martinez Anu Riitta	12 000	43 256	55 256
<b>TOTAL</b>	<b>672 190</b>	<b>1 556 372</b>	<b>2 228 562</b>
percentage from total amount of shares	67,8 %	53,7 %	57,3 %
Administrative registered		46 990	46 990
<b>OTHER SHAREHOLDERS</b>	<b>318 971</b>	<b>1 294 935</b>	<b>1 613 906</b>
<b>TOTAL</b>	<b>991 161</b>	<b>2 898 297</b>	<b>3 889 458</b>
<b>MANAGEMENT'S STAGE</b>	<b>98 990</b>	<b>76 838</b>	<b>175 828</b>
percentage from total amount of shares	10,0 %	2,7 %	4,5 %

Members of the Board had 10 000 pcs warrants to subscribe Raute Corporation's A-shares on 30 September 2006.

#### **RAUTE CORPORATION**

Board of Directors

#### **FURTHER INFORMATION:**

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