

## Interim report

January 1 – June 30, 2010



**RAUTE CORPORATION – INTERIM REPORT JANUARY 1 – JUNE 30, 2010**

- The Group's net sales, EUR 30.0 million (MEUR 20.9), increased 43% on the comparison period.
- The operating profit was EUR –1.3 million (MEUR –4.1). The result before taxes was EUR -1.3 million (MEUR -4.1).
- Earnings per share (undiluted) were EUR -0.27 (EUR -0.86).
- The order intake was EUR 34 million (MEUR 11) and the order book at the end of the reporting period amounted to EUR 28 million (MEUR 14).
- Net sales for the second quarter were EUR 19.5 million and the operating profit EUR +0.1 million.
- The outlook for net sales and profit remained unchanged. Net sales for the entire year 2010 will increase and the operating profit will improve from 2009. Achieving a positive operating profit and its amount will depend on the order intake in the next few months.

**MR. TAPANI KIISKI, PRESIDENT AND CEO: POSITIVE DEVELOPMENT BUT UNCERTAINTY CONTINUES**

Raute's second quarter turned out as forecasted early in the spring on the basis of the order book: net sales increased clearly and the profit improved. Thanks to major orders received in December 2009 and January 2010, we nearly doubled our net sales during the second quarter compared with preceding quarters. Even so, it is still under the pre-recession level. Thanks to a reorganization of Raute's operations, we succeeded in improving our operating profit during the second quarter and achieved slightly positive figures even at this level of net sales.

Order intake remained low during the second quarter, but the order book is still on a reasonable level. Uncertainty in customers' investment decisions and their timing still persists, and strong fluctuations in the order intake are typical of Raute's business in the prevailing market conditions. Nearly all geographical markets include customers who continue to actively plan investments to develop their production capacity, including quite substantial projects. Our customers are still experiencing difficulties in successfully accomplishing financing arrangements for their invest-

ments at profitable terms. I am convinced that some of the investment projects that are currently in the planning stage will proceed in a positive direction during the coming months. Our customers' confidence that market conditions will improve was demonstrated by minor machinery and equipment orders Raute received in July, although the mill-scale projects under negotiation have not yet materialized in orders.

While the capacity utilization rates of our customers' production plants have improved during the first half of 2010, few plants operate at full capacity or even close to it. This is also reflected in the demand for our technology services, which has somewhat livened up, but still remains at a fairly low level.

Raute's outlook and challenges for all of 2010 have remained unchanged. Our main goals are strengthening of the order book, cost-efficient delivery of orders, and close control of overhead costs. We will reach a positive result in 2010 if we succeed in achieving these goals. However, we still face market-related challenges.

**RAUTE CORPORATION – INTERIM REPORT JANUARY 1 – JUNE 30, 2010**

**BUSINESS ENVIRONMENT**

**Market situation in customer industries**

Raute's customers in the plywood and LVL industries are engaged in the manufacturing of wood products used in investment commodities and thus highly affected by fluctuations in the fields of construction, housing-related consumption, international trade, and transportation.

Debt problems experienced by European countries are estimated to slow down the recovery of international economic growth from the recession caused by financial markets. Uncertainty in the demand for wood products experienced by Raute's customer industries in all markets will persist during 2010. As a result of the ongoing difficult situation in the construction and transport industries, demand for wood products has remained at a low level in all market areas that are important to Raute. However, the demand has picked up compared with the corresponding period last year. Many of the mills are still adjusting their production volumes to the lower demand by shortening their workweek and implementing shut-down periods of varied duration. Production is still shut down at the plywood mills with the poorest profitability and the lowest efficiency.

**Demand for wood products technology and technology services**

Due to the low demand for wood products and the market outlook, investment activity in the plywood industry has remained at a low level in all market areas. Negotiations and investment decisions on projects under planning have been further delayed. Investments in the LVL industry, which is dependent solely on construction industry activity, remain at a low level in all market areas. The challenges of the financial markets in the emerging markets that are important to Raute and the conditions of long-term financing continue to restrict the investments of Raute's customers.

Demand for maintenance and spare parts services will not improve before long-term recovery of the capacity utilization rates in plywood production.

**ORDER INTAKE AND ORDER BOOK**

Raute's business consists of providing project deliveries and technology services to the wood products industry. Project deliveries encompass complete mills, production lines, and individual machines and equipment. Technology services include maintenance, spare parts services, equipment modernization, consulting, training, and re-conditioned machinery.

The order intake for the reporting period, EUR 34 million (MEUR 11), was at good level, considering the market situation. 51 percent of orders received came from the Asia-Pacific area, 22 from Europe, 15 percent from North-America, 9 percent from Russia and 3 percent from other market areas. Technology services accounted for EUR 8 million (MEUR 8) of the order intake.

The order intake in the second quarter amounted to EUR 9 million (MEUR 7). The most significant new order was a veneer drying line in Latvia. The low number of new orders was due to uncertainty concerning the development in the wood products market and the resulting postponement of investment decisions.

The order book amounted to EUR 28 million at the end of the period (MEUR 14).

**COMPETITIVE POSITION**

There have been no essential changes in Raute's competitive position, and thus Raute will be competitive when demand recovers. Customers appreciate comprehensive competence and strong technology development in their strategic investments aimed at ensuring their ability to deliver and provide service and to improve their competitiveness. The competitive edge provided by Raute's technology plays an important role when customers select their suppliers. Raute's strong financial position also enhances its credibility and improves its competitive position as an executor of long-term investment projects.

**NET SALES**

Net sales for the reporting period totaled EUR 30.0 million (MEUR 20.9), up by 43 percent

on the comparison period. The increase in net sales was due to two large orders received in December 2009 and January 2010.

Net sales were generated exclusively by project deliveries and technology services related to the wood products technology business. Technology services accounted for 30 percent (34%) of net sales for the reporting period.

Russia's share of total net sales was 49 percent (16%), Asia-Pacific's 19 percent (7%), North America's 15 percent (7%), Europe's 13 percent (61%), and South America's 4 percent (8%).

Second-quarter net sales were EUR 19.5 million (MEUR 9.6).

### **RESULT AND PROFITABILITY**

The Group's profitability during the reporting period improved substantially over the comparison period thanks to increased net sales and operational reorganization measures. Operating profit for the reporting period was EUR 1.3 million in the negative (MEUR 4.1 negative) and accounted for -4 percent (-20%) of net sales. The negative operating profit was caused by low net sales. The operating profit for the reporting period includes one-time costs totaling EUR 0.6 million from the transfer of production operations from Jyväskylä to the main production plant in Nastola and relocation of the Canadian unit.

The result before taxes for the reporting period was EUR 1.3 million in the negative (MEUR 4.1 negative). The result for the reporting period was EUR 1.1 million in the negative (MEUR 3.4 negative). Earnings per share (undiluted) were EUR -0.27 (EUR -0.86).

The two large new orders received in December and January started to show in the production workload and net sales growth during March. Operating profit for the second quarter was EUR 0.1 million in the positive (MEUR 1.9 negative) and accounted for 1 percent (-20%) of net sales. The second quarter result was EUR 0.1 million negative (MEUR 1.5 negative), and earnings per share were EUR -0.03 (EUR -0.38).

### **CASH FLOW AND BALANCE SHEET**

The Group's financial position is good. At the end of the reporting period, gearing was -75 percent (-25%) and the equity ratio 45 percent (59%). The 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.

Raute's liquid assets stood at EUR 32.8 million (MEUR 16.3) at the end of the reporting period. Operating cash flow was EUR 6.9 million positive (MEUR 0.5 negative). Cash flow from investment activities totaled EUR -0.5 million (MEUR -0.2). Cash flow from financing activities was EUR -1.1 million (MEUR -4.1) including a TyEL loan installment of EUR 2 million.

Interest-bearing liabilities amounted to EUR 16.5 million (MEUR 9.3) at the end of the reporting period, with TyEL loans accounting for EUR 16.0 million (MEUR 9.0). Unused long-term credit limits amounted to EUR 7 million (MEUR 14). The company additionally has a EUR 10 million (MEUR 10) commercial paper program.

### **DEVELOPMENT OF OPERATIONS**

The production operations of Raute's Jyväskylä unit were transferred to Nastola during the second quarter. Other operations related to panel handling technology, such as machine design and local maintenance services, remain with the Jyväskylä unit. The objective is to increase the efficiency of operations and to improve profitability as the difficult market situation drags on.

The Raute unit in Canada transferred most of its operations to rental facilities during the second quarter. The new facilities cater better to the needs of our current operational model. Production investments were carried out in connection with the move, to improve productivity and shorten delivery times.

The Group's main production plant in Nastola launched a new version of its ERP system during the second quarter, aiming mainly at more efficient project planning.

## **RESEARCH AND DEVELOPMENT COSTS AND CAPITAL EXPENDITURES**

Research and development costs totaled EUR 0.8 million (MEUR 1.4) in the reporting period, representing 2.6 percent (6.5%) of net sales.

Investments totaled EUR 1.7 million (MEUR 0.3) during the reporting period and were mainly targeted at reorganization and developing production in the Canadian unit. The investments include capitalized development costs worth EUR 17 thousand (EUR 102 thousand).

## **PERSONNEL**

The Group's headcount at the end of the reporting period was 522 (539). Group companies outside Finland accounted for 25 percent (23%) of employees.

The number of personnel was adjusted during the reporting period by 18 percent (17%) and the Group's entire personnel was affected by temporary lay-offs of varied duration and other adjustment arrangements. Converted to full-time employees ("effective headcount"), the average number of employees was 423 (454).

## **SHARES**

The number of Raute Corporation's shares at the end of the reporting period 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 two euros.

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 new owner who does not previously hold series K shares, 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.

Raute Corporation's series A shares are listed on NASDAQ OMX Helsinki Ltd. 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 company's market capitalization at the end of the reporting period was EUR 29.5 million (MEUR 28.0), with series K shares valued at the closing price of series A shares on June 30, 2010, that is EUR 7.37 (EUR 6.99).

The Annual General Meeting authorized the Board of Directors on March 31, 2010 to decide on the repurchase of the company's series A shares with the company's distributable assets and a directed issue of a maximum of 400,000 of these shares. The Board of Directors did not exercise this authorization during the report period.

The company did not possess any company shares during the reporting period.

## **STOCK OPTION SCHEME**

On March 31, 2010 the Annual General Meeting decided on the issuance of a maximum of 240,000 stock options. In compliance with this authorization by the Annual General Meeting, the Board of Directors issued a total of 80,000 stock options marked with the symbol 2010A to the Group's key personnel on May 5, 2010. The share subscription period for 2010A stock options will be from March 1, 2013 to March 31, 2016 and the exercise price EUR 7.64. The terms and conditions of the stock option scheme are available on the company's website.

## **SHAREHOLDERS**

The number of shareholders totaled 1,820 at the beginning of the year and 1,792 at the end of the reporting period. Series K shares are held by 50 private individuals (46). Management held 7.0 percent (5.0%) of the company shares and 12.5 percent (9.1%) of the votes. Nominee-registered shares accounted for 2.1 percent (1.4%) of shares.

On April 22, 2010, the company gave a flagging notification concerning the increase of Göran Sundholm's ownership share to 15.0 percent of the total number of the company's shares.

## **ANNUAL GENERAL MEETING 2010**

Raute Corporation's Annual General Meeting was held on March 31, 2010. Information on the decisions made by the Annual General Meeting can be

found in the stock exchange release issued on March 31, 2010.

### **DISTRIBUTION OF DIVIDEND FOR THE FINANCIAL YEAR 2009**

No dividend was paid for 2009.

### **CORPORATE GOVERNANCE**

Raute Corporation complies with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association on October 20, 2008. Raute deviates from the recommendation 22 to elect members to the Appointments Committee in that one member to the Committee is elected from outside the Board of Directors from among the major shareholders who have significant voting rights. The Board views this exception as justified, when taking into consideration the company's ownership structure and the possibility to consider the expectations of major shareholders as early as in the preparation phase of selecting members of the Board of Directors. An outline of Raute Corporation's corporate governance principles is presented on the company's website at [www.raute.com](http://www.raute.com).

Raute Corporation's Corporate Governance Statement 2009 has been drawn up separately from the financial statements and is published on the company's website.

### **BOARD OF DIRECTORS AND BOARD COMMITTEES**

At Raute Corporation's Annual General Meeting on March 31, 2010, Mr. Erkki Pehu-Lehtonen was elected Chairman of the Board for Raute Corporation, Ms. Sinikka Mustakallio Vice-Chair and Mr. Risto Hautamäki, Mr. Ilpo Helander, Mr. Mika Mustakallio and Mr. Pekka Suominen as Board members.

Based on the evaluation of independence, Chairman Erkki Pehu-Lehtonen and members Risto Hautamäki, Ilpo Helander, Mika Mustakallio and Pekka Suominen are independent of the company. Vice-Chair Sinikka Mustakallio, who chaired Raute's Supervisory Board from 1996 to 1998 and has acted as a member of the Board since 1998, is dependent on the company. The Chairman of the Board (Erkki Pehu-Lehtonen) and two Board

members (Ilpo Helander and Risto Hautamäki) are independent of major shareholders.

Raute Corporation's Board of Directors has an Appointments Committee and a Working Committee. The Appointments Committee is chaired by Erkki Pehu-Lehtonen and its members are Sinikka Mustakallio and Ville Korhonen, who has been elected by the major shareholders from among themselves. The Working Committee is chaired by Erkki Pehu-Lehtonen and its members are Sinikka Mustakallio and Risto Hautamäki. The Audit Committee's tasks are handled by the Board of Directors.

### **BUSINESS RISKS**

Risks in the near term continue to be driven by the global economic situation and the uncertainty concerning its development. During the reporting period, there have been no essential changes in the business risks described in the 2009 Board of Directors' report and financial statements. The most significant risks for Raute in the near term are related to the development of net sales and profitability.

### **OUTLOOK FOR 2010**

Due to the uncertainty related to the development of the global economy and financial markets, the market situation of Raute's customer industries is expected to continue to be uncertain. No permanent improvement is expected in the demand for investments and services in the wood products industry in 2010. Individual mill-scale investment projects, through which customers are already making preparations for the period following the present recession, are, however, in the planning phase in many market areas, but they involve uncertainties related to implementation and scheduling. In addition, restructuring resulting from the difficult situation in the customer industries may activate new investment projects.

Thanks to its strong financial position, market position and the implemented development efforts, Raute's ability to survive the economic slowdown and to respond to growing demand as soon as the markets recover will be excellent.

The outlook for net sales and profit remained unchanged. Net sales for the entire year 2010 will increase and the operating profit will improve

from 2009. Achieving a positive operating profit and its amount will depend on the order intake in the next few months.

**TABLES SECTION OF THE INTERIM REPORT**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**JANUARY 1 - JUNE 30, 2010**

The figures presented in the Interim report have not been audited except the figures of the financial statements for 2009.



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**AUGUST 3, 2010**  
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**CONSOLIDATED FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2010**

The figures presented in the Interim financial report have not been audited except the figures for the financial statements for 2009.

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1 000)</b>	<b>Note</b>	<b>1.4.-30.6. 2010</b>	<b>1.4.-30.6. 2009</b>	<b>1.1.-30.6. 2010</b>	<b>1.1.-30.6. 2009</b>	<b>1.1.-31.12. 2009</b>
<b>NET SALES</b>	3, 4, 5	<b>19 546</b>	<b>9 565</b>	<b>29 982</b>	<b>20 930</b>	<b>36 638</b>
Other operating income		120	108	139	140	153
Increase (+) or decrease (-) in inventories of finished goods and work in progress		-87	135	-419	387	795
Materials and services		10 612	3 813	14 283	8 984	15 695
Expenses from employee benefits	16	6 211	5 386	11 598	11 518	22 047
Depreciation and amortization		459	665	1 096	1 340	2 670
Other operating expenses		2 194	1 862	4 011	3 712	6 869
<b>Total operating expenses</b>		<b>19 476</b>	<b>11 726</b>	<b>30 989</b>	<b>25 554</b>	<b>47 281</b>
<b>OPERATING PROFIT</b>		<b>103</b>	<b>-1 918</b>	<b>-1 287</b>	<b>-4 096</b>	<b>-9 695</b>
<b>% of net sales</b>		<b>1</b>	<b>-20</b>	<b>-4</b>	<b>-20</b>	<b>-26</b>
Financial income		185	-9	561	241	356
Financial expenses		-256	-38	-600	-241	-551
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>33</b>	<b>-1 965</b>	<b>-1 327</b>	<b>-4 097</b>	<b>-9 890</b>
<b>% of net sales</b>		<b>0</b>	<b>-21</b>	<b>-4</b>	<b>-20</b>	<b>-27</b>
Income taxes	7	-156	424	253	661	1 749
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>-123</b>	<b>-1 540</b>	<b>-1 074</b>	<b>-3 436</b>	<b>-8 141</b>
<b>% of net sales</b>		<b>-1</b>	<b>-16</b>	<b>-4</b>	<b>-16</b>	<b>-22</b>
<b>Other comprehensive income items:</b>						
Exchange differences on translating foreign operations		-37	-142	-48	-132	-228
Cash flow hedging		16	0	8	0	0
Income tax related to cash flow hedges		-4	0	-2	0	0
<b>Other comprehensive income items for the period, net of tax</b>		<b>-25</b>	<b>-142</b>	<b>-42</b>	<b>-132</b>	<b>-228</b>
<b>COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD</b>		<b>-149</b>	<b>-1 682</b>	<b>-1 116</b>	<b>-3 568</b>	<b>-8 369</b>
<b>Profit (loss) for the period attributable to</b>						
Equity holders of the Parent company		-123	-1 540	-1 074	-3 436	-8 141
<b>Comprehensive profit (loss) for the period attributable to</b>						
Equity holders of the Parent company		-149	-1 682	-1 116	-3 568	-8 369
<b>Earnings per share for profit (loss) attributable to Equity holders of the Parent company, EUR</b>						
Undiluted earnings per share		-0,03	-0,38	-0,27	-0,86	-2,03
Diluted earnings per share		-0,03	-0,38	-0,27	-0,86	-2,03
<b>Shares, 1 000 pcs</b>						
Adjusted average number of shares		4 005	4 005	4 005	4 002	4 003
Adjusted average number of shares diluted		4 055	4 005	4 030	4 002	4 003



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CONSOLIDATED FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2010

CONSOLIDATED BALANCE SHEET (EUR 1 000)	Note	30.6. 2010	30.6. 2009	31.12. 2009
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	9	1 585	2 128	1 831
Tangible assets	9	9 301	10 480	10 267
Other financial assets		487	499	486
Receivables		0	0	1 000
Deferred tax assets		1 977	116	1 741
<b>Total</b>		<b>13 350</b>	<b>13 223</b>	<b>15 325</b>
<b>Current assets</b>				
Inventories		4 883	4 153	4 330
Accounts receivables and other receivables	5	11 692	16 358	9 832
Cash and cash equivalents		32 834	16 320	27 900
<b>Total</b>		<b>49 409</b>	<b>36 831</b>	<b>42 062</b>
Non-current assets classified as held for sale	10	1 038	0	0
<b>Total</b>		<b>1 038</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>		<b>63 796</b>	<b>50 054</b>	<b>57 387</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Equity attributable to Equity holders of the Parent company</b>				
Share capital		8 010	8 010	8 010
Share premium		6 498	6 498	6 498
Other funds	16	312	294	294
Exchange differences		7	151	55
Retained earnings		8 196	16 336	16 337
Profit (loss) for the period		-1 074	-3 436	-8 141
<b>Share of shareholders' equity that belongs to the owners of the Parent company</b>		<b>21 948</b>	<b>27 854</b>	<b>23 053</b>
<b>Total shareholders' equity</b>		<b>21 948</b>	<b>27 854</b>	<b>23 053</b>
<b>Long-term liabilities</b>				
Provisions		58	216	182
Deferred tax liabilities		262	560	271
Long-term interest-bearing liabilities	12	12 253	7 231	14 318
<b>Total</b>		<b>12 573</b>	<b>8 007</b>	<b>14 771</b>
<b>Short-term liabilities</b>				
Provisions		1 017	1 902	1 325
Pension obligations		131	160	143
Short-term interest-bearing liabilities	12	4 215	2 100	4 215
Advance payments received	5	14 624	2 904	7 222
Trade and other payables		9 289	7 128	6 658
<b>Total</b>		<b>29 275</b>	<b>14 193</b>	<b>19 563</b>
<b>Total liabilities</b>		<b>41 848</b>	<b>22 200</b>	<b>34 334</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>63 796</b>	<b>50 054</b>	<b>57 387</b>

CONSOLIDATED FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2010

CONSOLIDATED CASH FLOW STATEMENT (EUR 1 000)	1.1.–30.6. 2010	1.1.–30.6. 2009	1.1.–31.12. 2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Proceeds from sales	36 122	24 079	50 988
Proceeds from other operating income	100	77	85
Payments of operating expenses	-28 681	-24 629	-46 020
<b>Cash flow before financial items and taxes</b>	<b>7 541</b>	<b>-473</b>	<b>5 053</b>
Interests and other operating financial expenses paid	-761	-218	-486
Interests and other income received	35	151	423
Dividends received	87	79	79
Income taxes paid	8	-52	550
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>6 908</b>	<b>-512</b>	<b>5 619</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure in tangible and intangible assets	-1 484	-268	-1 034
Purchases of assets-for-sale as investments	-1	0	0
Proceeds from sale of tangible and intangible assets	990	59	79
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>-495</b>	<b>-209</b>	<b>-955</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase of long-term and short-term receivables	0	0	-3 000
Decrease of long-term and short-term receivables	1 000	0	0
Repayments of short-term liabilities	-100	-125	-125
Increase of long-term liabilities	0	0	10 200
Repayments of long-term liabilities	-2 000	-1 000	-2 000
Repurchase of own shares	0	-138	-138
Dividends paid	0	-2 803	-2 803
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>-1 099</b>	<b>-4 067</b>	<b>2 134</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>5 314</b>	<b>-4 788</b>	<b>6 798</b>
increase (+)/decrease (-)			
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD*</b>	<b>27 900</b>	<b>21 109</b>	<b>21 109</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*</b>	<b>-380</b>	<b>0</b>	<b>-7</b>
<b>CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET AT THE END OF THE PERIOD</b>	<b>32 834</b>	<b>16 320</b>	<b>27 900</b>
Cash and cash equivalents	32 834	16 320	27 900
<b>TOTAL</b>	<b>32 834</b>	<b>16 320</b>	<b>27 900</b>

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

CONSOLIDATED FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2010

<b>CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>					
<b>(EUR 1 000)</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other funds</b>	<b>Exchange rate diff.</b>	<b>Retained earnings</b>
<b>EQUITY Jan. 1, 2010</b>	<b>8 010</b>	<b>6 498</b>	<b>294</b>	<b>55</b>	<b>8 196</b>
Profit (loss) for the period					-1 074
Comprehensive profit (loss) for the period:					
Exchange differences on translating foreign operations				-48	
Cash flow hedging, net of tax			6		
<b>Total comprehensive profit (loss) for the period</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>-48</b>	<b>-1 074</b>
Repurchase of own shares					
Repurchase of own shares, tax effect					
Equity-settled share-based transactions			12		
Dividend paid					
<b>EQUITY June 30, 2010</b>	<b>8 010</b>	<b>6 498</b>	<b>312</b>	<b>7</b>	<b>7 122</b>

<b>CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continue)</b>			
<b>(EUR 1 000)</b>	<b>To the owners of the Parent company</b>	<b>Minority interest</b>	<b>EQUITY TOTAL</b>
<b>EQUITY Jan. 1, 2010</b>	<b>23 053</b>	<b>0</b>	<b>23 053</b>
Profit (loss) for the period	-1 074		-1 074
Comprehensive profit (loss) for the period:			
Exchange differences on translating foreign operations	-48		-48
Cash flow hedging, net of tax	6		6
<b>Total comprehensive profit (loss) for the period</b>	<b>-1 116</b>	<b>0</b>	<b>-1 116</b>
Repurchase of own shares	0		0
Repurchase of own shares, tax effect	0		0
Equity-settled share-based transactions	12		12
Dividend paid	0		0
<b>EQUITY June 30, 2010</b>	<b>21 948</b>	<b>0</b>	<b>21 948</b>

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<b>CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>					
<b>(EUR 1 000)</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other funds</b>	<b>Exchange rate diff.</b>	<b>Retained earnings</b>
<b>EQUITY Jan. 1, 2009</b>	<b>8 010</b>	<b>6 498</b>	<b>287</b>	<b>283</b>	<b>19 242</b>
Profit (loss) for the period					-3 436
Comprehensive profit (loss) for the period:					
Exchange differences on translating foreign operations				-132	
Cash flow hedging, net of tax					
<b>Total comprehensive profit (loss) for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-132</b>	<b>-3 436</b>
Repurchase of own shares					-138
Repurchase of own shares, tax effect					36
Equity-settled share-based transactions			7		
Dividend paid					-2 803
<b>EQUITY June 30, 2009</b>	<b>8 010</b>	<b>6 498</b>	<b>294</b>	<b>151</b>	<b>12 901</b>

<b>CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continue)</b>			
<b>(EUR 1 000)</b>	<b>To the owners of the Parent company</b>	<b>Minority interest</b>	<b>EQUITY TOTAL</b>
<b>EQUITY Jan. 1, 2009</b>	<b>34 321</b>	<b>0</b>	<b>34 321</b>
Profit (loss) for the period	-3 436		-3 436
Comprehensive profit (loss) for the period:			
Exchange differences on translating foreign operations	-132		-132
Cash flow hedging, net of tax	0		0
<b>Total comprehensive profit (loss) for the period</b>	<b>-3 568</b>	<b>0</b>	<b>-3 568</b>
Repurchase of own shares	-138		-138
Repurchase of own shares, tax effect	36		36
Equity-settled share-based transactions	7		7
Dividend paid	-2 803		-2 803
<b>EQUITY June 30, 2009</b>	<b>27 854</b>	<b>0</b>	<b>27 854</b>

**CONSOLIDATED FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2010**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**1. General information**

Raute Group is a globally operating technology corporation which manufactures complete mills, production lines and single machines for the veneer, plywood and LVL industries. Raute's technology offering covers the customers' entire production process, ranging from raw material processing to the finishing and packaging of end products. Additionally, Raute's total service concept includes technology services, such as maintenance, spare parts services, equipment modernization, consulting, training and sales of reconditioned machinery. The Group has production units in Finland, Canada and China. The company's sales network has a global reach.

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 on NASDAQ OMX Helsinki Ltd., under Industrials. Raute Corporation is domiciled in Lahti, Finland. The address of its registered office is Rautetie 2, FI-15550 Nastola, Finland, and its postal address is P.O. Box 69, FI-15551 Nastola, Finland.

The Consolidated financial statements 2009 are available online at [www.raute.com](http://www.raute.com) or at the head office of the Parent company, Rautetie 2, FI-15550 Nastola, Finland.

Raute Corporation's Board of Directors has on August 3, 2010 reviewed the Group's Interim financial report for January 1 – June 30, 2010, and approved the Interim financial report for January 1 – June 30, 2010 to be published in compliance with this release.

**2. Accounting principles**

Raute Corporation's Interim financial report January 1 - June 30, 2010 has been prepared in accordance with standard IAS 34 Interim Financial Reporting. The Interim financial report does not contain full notes and other information presented in the financial statements. Therefore, the Interim financial report should be read in conjunction with the Financial statements published for 2009.

Raute Group's Interim financial report January 1 - June 30, 2010 has been prepared applying the accounting principles described in the Annual financial statements for 2009 and the following new and amended standards and interpretations which have taken effect on January 1, 2010 or later:

- IFRS 3 Business Combinations, amendment to standard
- IFRS 5 Non-current assets held for sale and discontinued operations, amendment to standard
- IAS 27 Consolidated Financial Statements and Separate Financial Statements, amendment to standard
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items, amendment to standard
- IFRS 2 Share-Based Payments.

The following new standards, standard amendments, and interpretations are in effect for the financial year beginning January 1, 2010, but they did not significantly affect the result or the balance of the Group or the financial statement presentation:

- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives
- IFRIC 18 Transfer of Assets from Customers.

The figures presented in the Interim financial report have not been audited except the figures for the financial statements for 2009. Figures in parentheses refer to the corresponding figures in the comparison period. All the monetary figures presented in this interim report are in thousands euros, unless otherwise stated. Due to the rounding of the figures in the financial statement tables, the sums of figures may deviate from the sum total presented in the table.

The preparation of Interim financial report according to IFRS-standards requires management to use estimates and assumptions when adopting accounting principles. In addition, the management must exercise its judgement in selecting and applying the accounting policies. These estimates and assumptions affect the assets and liabilities in the Group's balance sheet, the disclosure of commitments and possible assets in the consolidated financial statements, and income and expenses for the period. Actual results may differ from the estimates.

**CONSOLIDATED FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2010**

**3. Segment information**

**Operational segment**

Continuing operations of Raute Group belong to the wood products technology segment.

Due to Raute's business model, operational nature and administrative structure, the operational segment to be reported as wood products technology segment is comprised of the whole Group and the information on the segment is consistent with that of the Group.

	<b>30.6.</b>		<b>30.6.</b>		<b>31.12.</b>
<b>Wood products technology</b>	<b>2010</b>		<b>2009</b>		<b>2009</b>
Net sales	29 982		20 930		36 638
Operating profit	-1 287		-4 096		-9 695
Assets	63 796		50 054		57 387
Liabilities	41 848		22 200		34 334
Capital expenditure	1 684		280		1 095

<b>Assets of the wood products technology segment by geographical location</b>	<b>30.6.</b>		<b>30.6.</b>		<b>31.12.</b>
	<b>2010</b>	<b>%</b>	<b>2009</b>	<b>%</b>	<b>2009</b>
Finland	56 363	89	45 514	91	53 448
North America	4 522	7	3 025	6	1 950
China	1 665	4	781	3	858
Russia	976	2	534	1	948
South America	138	0	66	0	88
Others	132	0	133	0	95
<b>TOTAL</b>	<b>63 796</b>	<b>100</b>	<b>50 054</b>	<b>100</b>	<b>57 387</b>

<b>Capital expenditure of the wood products technology segment by geographical location</b>	<b>30.6.</b>		<b>30.6.</b>		<b>31.12.</b>
	<b>2010</b>	<b>%</b>	<b>2009</b>	<b>%</b>	<b>2009</b>
Finland	214	13	268	96	1 071
North America	1 445	86	4	1	18
China	5	0	1	0	3
Russia	0	0	2	1	2
South America	20	1	5	2	0
Others	0	0	0	0	1
<b>TOTAL</b>	<b>1 684</b>	<b>100</b>	<b>280</b>	<b>100</b>	<b>1 095</b>

**4. Net sales**

The main part of the net sales is comprised of project deliveries related to wood processing technology that are treated 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).

The significant part of the Group's net sales (project deliveries and modernization in technology services) includes both product and service sales. Breakdown of the Group's net sales into purely product and service sales cannot be presented reliably.

<b>Net sales by market area</b>	<b>1.1.–30.6.</b>		<b>1.1.–30.6.</b>		<b>1.1.–31.12.</b>
	<b>2010</b>	<b>%</b>	<b>2009</b>	<b>%</b>	<b>2009</b>
Russia	14 554	49	3 453	16	11 237
Asia-Pacific	5 684	19	1 540	7	2 241
North America	4 515	15	1 436	7	2 549
Rest of Europe	2 531	8	6 655	32	10 415
Finland	1 404	5	6 074	29	6 172
South America	1 294	4	1 735	8	3 853
Others	0	0	37	0	171
<b>TOTAL</b>	<b>29 982</b>	<b>100</b>	<b>20 930</b>	<b>100</b>	<b>36 638</b>

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<b>5. Long-term projects</b>	<b>30.6.</b>	<b>30.6.</b>	<b>31.12.</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
Net sales			
Net sales by percentage of completion	25 029	16 228	26 990
Other net sales	4 953	4 702	9 648
<b>TOTAL</b>	<b>29 982</b>	<b>20 930</b>	<b>36 638</b>
Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	38 601	43 758	27 184
Amount of long-term project revenues not yet entered as income (order book)	26 098	11 766	20 976
Specification of combined asset and liability items:			
Advance payments paid	145	0	389
Advance payments received included in inventories in the balance sheet	145	0	389
Accrued income corresponding to revenues by percentage of completion	40 635	43 663	27 306
Advance payments received from project customers	-35 442	-35 499	-24 060
Project receivables included in current assets in the balance sheet	5 193	8 164	3 246
Advance payments received in the balance sheet	14 624	2 904	7 222
<b>6. Number of personnel, persons</b>	<b>30.6.</b>	<b>30.6.</b>	<b>31.12.</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
Effective, on average	423	454	419
In books, on average	517	549	542
In books, at the end of period	522	539	524
- of which personnel working abroad	128	125	120
<b>7. Income taxes</b>			
The taxes in the consolidated income statement include the taxes corresponding to the Group companies' taxable profit for the financial period as well as tax adjustments for the previous years 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. 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.			
<b>8. Research and development costs</b>	<b>30.6.</b>	<b>30.6.</b>	<b>31.12.</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
Research and development costs for the period	780	1 367	2 470
Amortization of previously capitalized development costs	191	269	599
Developments costs recognized as an asset in the balance sheet	-17	-102	-125
Research and development costs entered as expenses for the period	953	1 534	2 943



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<b>9. Changes in Intangible assets and in Property, plant and equipment</b>	<b>30.6. 2010</b>	<b>30.6. 2009</b>	<b>31.12. 2009</b>
<b>Intangible assets</b>			
Carrying amount at the beginning of the period	11 462	11 575	11 575
Exchange rate differences	46	-8	-19
Additions	55	177	429
Disposals	0	0	-495
Other reclassifications between items	57	0	-28
<b>Carrying amount at the end of the period</b>	<b>11 620</b>	<b>11 743</b>	<b>11 462</b>
Accumulated depreciation and amortization at the beginning of the period	-9 630	-9 094	-9 094
Exchange rate differences	-24	3	34
Accumulated depreciations on disposals	0	0	495
Depreciation for the financial period	-380	-524	-1 065
<b>Accumulated depreciation and amortization at the end of the period</b>	<b>-10 035</b>	<b>-9 615</b>	<b>-9 630</b>
<b>Book value of intangible assets, at the beginning of the period</b>	<b>1 832</b>	<b>2 482</b>	<b>2 482</b>
<b>Book value of intangible assets, at the end of the period</b>	<b>1 585</b>	<b>2 128</b>	<b>1 831</b>
<b>Property, plant and equipment</b>			
Carrying amount at the beginning of the period	42 022	40 447	40 480
Exchange rate differences	1 772	353	901
Additions	1 627	103	666
Disposals	-952	-4	-25
Other reclassifications between items	-1 091	0	0
<b>Carrying amount at the end of the period</b>	<b>43 378</b>	<b>40 898</b>	<b>42 022</b>
Accumulated depreciation and amortization at the beginning of the period	-31 755	-29 272	-29 304
Exchange rate differences	-1 593	-335	-834
Depreciation for the financial period	-728	-811	-1 617
<b>Accumulated depreciation and amortization at the end of the period</b>	<b>-34 076</b>	<b>-30 419</b>	<b>-31 755</b>
<b>Book value of property, plant and equipment, at the beginning of the period</b>	<b>10 267</b>	<b>11 175</b>	<b>11 175</b>
<b>Book value of property, plant and equipment, at the end of the period</b>	<b>9 301</b>	<b>10 480</b>	<b>10 267</b>

**10. Non-current assets held for sale**

Property, plant and equipment classified as assets held for sale have been measured at the lower of their carrying value or fair value less selling costs. The premises of the unit operating in Canada have been classified as assets held for sale. The sale of the premises is estimated to be finalized within 9 months. The assets in Jyväskylä have been classified as assets held for sale at March 31, 2010. The assets have been sold in April. The value of the assets held for sale is EUR 1 038 thousand at the end of the reporting period.

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**11. Related party transactions**

Raute Group's related parties consist of Board members, President and CEO, Presidents of the subsidiaries and Raute Corporation's Sickness Fund. Based on the authorization given by the Annual General Meeting the Board of Directors of Raute Corporation has granted stock options to the management. The main items of the terms and conditions of the stock option system and its effect on the profit or loss for the period have been presented in Note 16. Group management's other employee benefits are presented in the annual financial statement.

<b>12. Interest-bearing liabilities</b>	<b>30.6.</b>	<b>30.6.</b>	<b>31.12.</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
Long-term interest-bearing liabilities recognized at amortized cost	12 253	7 231	14 318
Short-term interest-bearing liabilities	4 215	2 100	4 215
<b>TOTAL</b>	<b>16 469</b>	<b>9 331</b>	<b>18 533</b>
<b>13. Other leases and operating lease liabilities</b>	<b>30.6.</b>	<b>30.6.</b>	<b>31.12.</b>
<b>Group as lessee</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
Minimum rents paid on the basis of other non-cancellable leases:			
- Within one year	543	274	551
- After the period of more than one and less than five years	1 016	465	1 013
- More than five years	778	0	782
<b>TOTAL</b>	<b>2 337</b>	<b>739</b>	<b>2 346</b>
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 the 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:			
- Within one year	25	12	25
- After the period of more than one and less than five years	55	2	67
<b>TOTAL</b>	<b>81</b>	<b>14</b>	<b>92</b>

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**14. Pledged assets and contingent liabilities**

Raute Group has non-current credit regulation agreements worth EUR 10 million (MEUR 17), of which EUR 7 million (MEUR 14) were unused on June 30, 2010.

Raute Corporation 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 program is arranged by Nordea Bank Finland Plc.

	<b>30.6.</b>	<b>30.6.</b>	<b>31.12.</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
<b>Pledged assets</b>			
<b>Debts and other contingent liabilities have been secured by mortgages and contingencies</b>			
Bank credit limits, of which used	<b>10 000</b>	17 000	10 000
	<b>2 700</b>	3 000	2 400
- Business mortgages (1)	<b>7 300</b>	14 000	5 300
Pension loans (TyEL)	<b>16 000</b>	9 000	18 000
- Bank guarantees as collateral given for the TyEL loan	<b>10 400</b>	3 000	12 400
Business mortgages (1)	<b>4 700</b>	4 700	4 700
Deposits of money (2)	<b>2 000</b>	0	3 000
- Credit insurance agreements as collateral for the TyEL loan	<b>4 900</b>	7 000	5 600
Right of recourse of the party providing collateral	<b>4 900</b>	7 000	5 600
Financial liability/Raute's Sickness Fund	<b>100</b>	100	100
- Real estate mortgages (1)	<b>134</b>	134	134
Commercial bank guarantees on behalf of the Parent company and subsidiaries	<b>28 235</b>	5 149	7 125
- Counter guarantees (3)	<b>28 235</b>	5 149	7 125
Mortgage agreements on behalf of subsidiaries			
- Counter guarantees (3)	<b>216</b>	0	200
<b>Mortgages and contingencies total</b>			
- Secured by mortgages total (1)	<b>12 134</b>	18 834	10 134
- Secured by deposits of money total (2)	<b>2 000</b>	0	3 000
- Counter guarantees total (3)	<b>28 451</b>	5 149	7 325
<b>Other own liabilities</b>			
Leasing and rent liabilities			
- For the current accounting period	<b>284</b>	143	576
- For subsequent accounting periods	<b>1 849</b>	467	1 862

Loans and guarantees on behalf of the related party

No pledges or other commitments have been given on behalf of the company's management and shareholders.

No loans are granted to the company's management and shareholders.

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<b>15. Currency derivatives and hedging instruments</b>	<b>30.6.</b>	<b>30.6.</b>	<b>31.12.</b>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
<p>Currency derivatives are used for hedging purposes. During the reporting period, Raute Corporation adopted hedge accounting as defined in the IAS 39 standard. The effective portion of changes in the fair value determined as cash flow hedging has been recognized in the items of the comprehensive income and presented in the equity hedge reserve, which is included in the item Other funds in the equity. Related to hedge accounting, an amount of EUR 6 thousand has been recognized in the comprehensive income statement during the period. During the reporting period, no ineffective portion has been connected to these items. The hedged items mature in less than 12 months.</p>			
<b>Nominal values of forward contracts in foreign currency</b>			
Economic hedging			
- Related to financing	2 172	3 819	661
- Related to hedging of net sales	542	0	1 615
<b>Hedge accounting</b>			
- Related to the hedging of net sales	1 465	0	0
<b>Fair values of forward contracts in foreign currency</b>			
Economic hedging			
- Related to financing	26	66	-35
- Related to the hedging of net sales	-11	0	98
<b>Hedge accounting</b>			
- Related to the hedging of net sales	7	0	0

**16. Share-based payments**

The Annual General Meeting resolved on March 31, 2010 to issue a maximum of 240,000 stock options. Based on the authorization given by the Annual General Meeting the Board of Directors of Raute Corporation has granted 80,000 stock options marked with the symbol 2010 A to the Group's key persons. The granted options have been valued at fair value upon the grant May 5, 2010. The fair value of the stock option is recognized as an expense in the comprehensive income statement during the earning period. During the reporting period an amount of EUR 11 thousand has been recognized as an expense in the comprehensive income statement related to stock options.

The conditions of the option system are:

Arrangement	Stock option
Grant date	May 5, 2010
Options granted	80,000 pcs
Subscription price	EUR 7.64
Share price at the date of grant	EUR 7.90
Exercise period	3 years
Subscription period	March 1, 2013 to March 31, 2016
Settlement	Shares

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<b>GROUP KEY RATIOS</b>	<b>1.1.–30.6. 2010</b>	<b>1.1.–30.6. 2009</b>	<b>1.1.–31.12. 2009</b>
Return on investment (ROI), %	-3,6	-18,8	-21,6
Return on equity (ROE), %	-9,5	-22,1	-28,4
Gearing, %	-74,6	-25,1	-40,6
Equity ratio, %	44,6	59,1	46,0
Order book, EUR million	28	14	22
Order intake, EUR million	34	11	35
Exported portion of net sales, %	95,3	71,0	83,2
Change in net sales, %	43,2	-61,7	-62,8
Gross capital expenditure, EUR million	1,7	0,3	1,1
% of net sales	5,6	1,3	3,0
Research and development costs, EUR million	0,8	1,4	2,5
% of net sales	2,6	6,5	6,7
Earnings per share (EPS), EUR			
- undiluted	-0,27	-0,86	-2,03
- diluted	-0,27	-0,86	-2,03
Equity to share, EUR	5,48	6,96	5,76
Dividend per share series K shares, EUR			0,00
Dividend per share series A shares, EUR			0,00
Dividend per profit, %			0,0
Effective dividend return, %			0,0
Share price at the end of the period, EUR	7,37	6,99	7,47
Number of shares			
- weighted average, 1 000 pcs	4 005	4 002	4 003
- diluted, 1 000 pcs	4 030	4 002	4 003

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**Calculation of key ratios**

Return on investment (ROI), % =	$\frac{\text{Profit before tax + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average of the period)}} \times 100$
Return on equity (ROE), % =	$\frac{\text{Profit/loss for the period}}{\text{Shareholders' equity (average of the period)}} \times 100$
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, euros =	$\frac{\text{Profit for the period}}{\text{Equity issue-adjusted average number of shares during the period}}$
Earnings per share, diluted, euros =	$\frac{\text{Diluted profit for the period}}{\text{Diluted equity issue-adjusted average number of shares}}$
Equity to share, euros =	$\frac{\text{Share of shareholders' equity belonging to the owners of the Parent company}}{\text{Undiluted number of shares at the end of the period}}$
Dividend per share, euros =	$\frac{\text{Distributed dividend for the financial year}}{\text{Undiluted number of shares at the end of the financial year}}$
Dividend per profit, % =	$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend return, % =	$\frac{\text{Dividend per share}}{\text{Closing share price at the end of the financial year}} \times 100$
Price/earnings ratio (P/E ratio) =	$\frac{\text{Closing share price at the end of the financial year}}{\text{Earnings per share}}$
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 period.
Market value of capital stock =	Undiluted number of shares at the end of the period (series A + series K shares) x closing price of the share on the last day of the financial period
Gearing, % =	$\frac{\text{Interest-bearing net financial liabilities}}{\text{Shareholders' equity}} \times 100$

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DEVELOPMENT OF QUARTERLY RESULTS (EUR 1 000)	Q 2 2010	Q 1 2010	Q 4 2009	Q 3 2009	Rolling 1.7.2009 – 30.6.2010	Rolling 1.7.2008 – 30.6.2009
<b>NET SALES</b>	<b>19 546</b>	<b>10 435</b>	<b>7 650</b>	<b>8 057</b>	<b>45 690</b>	<b>64 776</b>
Other operating income	120	18	23	-10	152	183
Increase (+) or decrease (-) in inventories of finished goods and work in progress	-87	-332	300	107	-12	214
Materials and services	10 612	3 671	3 267	3 444	20 994	30 936
Expenses from employee benefits	6 211	5 387	5 753	4 776	22 127	25 120
Depreciation and amortization	459	637	629	701	2 426	2 730
Other operating expenses	2 194	1 817	1 649	1 508	7 168	8 048
<b>Total operating expenses</b>	<b>19 476</b>	<b>11 512</b>	<b>11 298</b>	<b>10 429</b>	<b>52 716</b>	<b>66 834</b>
<b>OPERATING PROFIT</b>	<b>103</b>	<b>-1 391</b>	<b>-3 325</b>	<b>-2 274</b>	<b>-6 886</b>	<b>-1 662</b>
<b>% of net sales</b>	<b>1</b>	<b>-13</b>	<b>-43</b>	<b>-28</b>	<b>-15</b>	<b>-3</b>
Financial income	185	376	70	46	676	866
Financial expenses	-256	-344	-209	-101	-910	-663
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>33</b>	<b>-1 359</b>	<b>-3 464</b>	<b>-2 330</b>	<b>-7 120</b>	<b>-1 459</b>
<b>% of net sales</b>	<b>0</b>	<b>-13</b>	<b>-45</b>	<b>-29</b>	<b>-16</b>	<b>-2</b>
Income taxes	-156	409	574	514	1 341	-203
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-123</b>	<b>-950</b>	<b>-2 889</b>	<b>-1 816</b>	<b>-5 779</b>	<b>-1 662</b>
<b>% of net sales</b>	<b>-1</b>	<b>-9</b>	<b>-38</b>	<b>-23</b>	<b>-13</b>	<b>-3</b>
<b>Attributable to</b>						
Equity holders of the Parent company	-123	-950	-2 889	-1 816	-5 779	-1 662
<b>Earnings per share, EUR</b>						
Undiluted earnings per share	-0,03	-0,24	-0,79	-0,45		
Diluted earnings per share	-0,03	-0,24	-0,79	-0,45		
<b>Shares, 1 000 pcs</b>						
Adjusted average number of shares	4 005	4 005	4 003	4 003		
Adjusted average number of shares, diluted	4 055	4 005	4 003	4 003		



**RAUTE CORPORATION**  
**INTERIM REPORT JANUARY 1 - JUNE 30, 2010**

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**CONSOLIDATED FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2010**

<b>LARGEST SHAREHOLDERS AT 30 JUNE, 2010</b>	<b>Number of series K shares (20 votes per share)</b>	<b>Number of series A shares (1 vote per share)</b>	<b>Total number of shares</b>
1. Sundholm Göran		601 433	601 433
2. Suominen Jussi Matias	48 000	74 759	122 759
3. Mustakallio Kari Pauli	60 480	60 009	120 489
4. Suominen Pekka Matias	48 000	62 429	110 429
5. Suominen Tiina Sini-Maria	48 000	62 316	110 316
6. Siivonen Osku Pekka	50 640	53 539	104 179
7. Mandatum Henkivakuutusosakeyhtiö		96 900	96 900
8. Kirmo Kaisa Marketta	50 280	41 826	92 106
9. Lisboa De Castro Palacios Hietala M		85 000	85 000
10. Keskiaho Kaija Leena	33 600	51 116	84 716
11. Särkijärvi Riitta	60 480	22 009	82 489
12. Mustakallio Mika	39 750	42 670	82 420
13. Mustakallio Risto	42 240	35 862	78 102
14. Mustakallio Ulla Sinikka	47 240	30 862	78 102
15. Mustakallio Marja Helena	43 240	20 162	63 402
16. Relander Harald Bertel		60 000	60 000
17. Kirmo Lasse	30 000	26 200	56 200
18. Särkijärvi Timo	12 000	43 256	55 256
19. Särkijärvi-Martinez Anu Riitta	12 000	43 256	55 256
20. Suominen Jukka Matias	24 960	27 964	52 924
<b>TOTAL</b>	<b>650 910</b>	<b>1 541 568</b>	<b>2 192 478</b>
Share of total amount of shares, %	65,7	51,2	54,7
Share of total voting rights, %	65,7	51,2	63,8
Nominee-registered		85 244	85 244
Other shareholders	340 251	1 386 785	1 727 036
<b>TOTAL</b>	<b>991 161</b>	<b>3 013 597</b>	<b>4 004 758</b>
<b>MANAGEMENT'S SHAREHOLDING</b>	<b>134 990</b>	<b>146 049</b>	<b>281 039</b>
Share of total amount of shares, %	13,6	4,8	7,0
Share of total voting rights, %	13,6	4,8	12,5

**CONSOLIDATED FINANCIAL STATEMENTS JANUARY 1 – JUNE 30, 2010**

<b>SHARE INFORMATION</b>	<b>30.6. 2010</b>	<b>30.6. 2009</b>	<b>31.12. 2009</b>
<b>Number of shares</b>			
- Series K shares, ordinary shares (20 votes/share)	991 161	991 161	991 161
- Series A shares (1 vote/share)	3 013 597	3 013 597	3 013 597
<b>Total</b>	<b>4 004 758</b>	<b>4 004 758</b>	<b>4 004 758</b>
<b>Trading in the company's shares (series A shares)</b>			
Trading of shares, pcs	356 761	248 400	454 798
Trading of shares, EUR million	2,8	1,8	3,3
<b>Share price of the series A shares</b>			
At the end of reporting period, EUR	7,37	6,99	7,47
Highest price during the reporting period, EUR	9,34	7,73	8,90
Lowest price during the reporting period, EUR	7,24	6,50	6,50
Average price during the reporting period, EUR	7,88	7,05	7,29
<b>Market value of capital stock</b>			
- Series K shares, EUR million*	7,3	6,9	7,4
- Series A shares, EUR million	22,2	21,1	22,5
<b>Total, EUR million</b>	<b>29,5</b>	<b>28,0</b>	<b>29,9</b>

\*Series K shares valued at the value of series A shares at the end of reporting period.

RAUTE CORPORATION  
 Board of Directors

PRESS CONFERENCE ON AUGUST 3, 2010 AT 2 P.M.:

A press conference will be organized for analysts and the media on August 3, 2010 at 2 p.m. at Scandic Simonkenttä Hotel, Roba cabinet, Simonkatu 9, Helsinki. The interim report will be presented by Mr. Tapani Kiiski, President and CEO, and Mrs. Arja Hakala, CFO.

NEXT INTERIM REPORT:

Raute Corporation's interim report for the period January 1 - September 30, 2010 will be published on October 28, 2010.

FURTHER INFORMATION:

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Mrs. Arja Hakala, CFO, Raute Corporation, tel. +358 3 829 3293, mobile +358 400 710 387

DISTRIBUTION:

NASDAQ OMX Helsinki Ltd, main media, [www.raute.com](http://www.raute.com)

RAUTE IN BRIEF:

Raute is a technology company serving the wood products industry worldwide. Its most important customers are the plywood and LVL industries. Raute is one of the world's leading suppliers of mill-scale projects to these customer industries. The total service concept also includes technology services, with which Raute supports its customers throughout the entire life cycle of their investments. Raute's head office is located in Nastola, Finland. Its other production plants are in the Vancouver area of Canada, in the Shanghai area of China, and in Kajaani, Finland. Raute's net sales declined significantly due to the difficult market situation in 2009 and equaled EUR 36.6 million. The number of personnel at the end of 2009 was 524. More information on the company can be found at: [www.raute.com](http://www.raute.com).