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2018

**Financial
Statements**



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Report of the Board of Directors

The Group's net sales for 2018 totaled EUR 181.0 million (MEUR 148.1), up by 22 percent on the previous year. The Group's operating profit grew 34 percent from the previous year and stood at EUR 14.9 million positive (MEUR 11.2). The Group's financial income and expenses totaled EUR 0.0 million negative (MEUR 0.0). The result before taxes was EUR 14.9 million positive (MEUR 11.1). Profit for the financial year was EUR 11.8 million (MEUR 9.0). Comprehensive income was EUR 12.1 million positive (MEUR 8.9). Undiluted earnings per share were EUR 2.78 (EUR 2.13) and diluted earnings per share were EUR 2.76 (EUR 2.11). Return on equity was 27.6 percent (24.4%).

In this report, figures in parentheses refer to corresponding figures for the previous years 2017 and 2016.

BUSINESS ENVIRONMENT

Raute's customers in the plywood and LVL (Laminated Veneer Lumber) industries are engaged in the manufacture of wood products used in investment projects and are thus highly affected by fluctuations in construction, housing-related consumption, international trade and transportation.

The situation in the global economy and the financial markets during 2018 did not change considerably with respect to Raute. However, the economic outlook became more uncertain towards the end of the year and the risk of the uncertainty spreading to international trade policy increased.

Many of Raute's established and traditional customers have invested heavily during the past few years and demand for our technology is partially shifting towards new types of customer accounts.

Thanks to a good economic and market situation, investment activity among Raute's customers has remained high. Enquiry activity for new capacity projects and larger projects involving replacement and efficiency-boosting investments has remained at a good level, and trade is being actively negotiated.

Demand is especially strong in industrialized market areas, Europe, North America and Russia. Demand among major South American customers has somewhat picked up. Demand has been lower in emerging markets in Asia, including China, and in South America, but these mar-

kets are also showing growing interest towards Raute's offering, which opens up opportunities for new customer accounts.

Demand for maintenance and spare parts services remained at a good level, which is an indication of the good capacity utilization rates of Raute's customers' production plants.

ORDER INTAKE AND ORDER BOOK

Raute serves the wood products industry with a full-service concept that is based on technology solutions that cover the customer's entire production process and services throughout their life cycle. Raute's business consists of project deliveries and technology services. Project deliveries encompass projects from individual machine or production line deliveries to deliveries of all the machines and equipment belonging to a mill's production process. Additionally, Raute's full-service concept includes comprehensive technology services ranging from spare parts deliveries to regular maintenance and equipment modernizations, as well as consulting, training, reconditioned machinery and digital services.

The good market situation is reflected in the volume of new orders Raute has received. The order intake in 2018 was at a very good level, amounting to EUR 167 million (MEUR 155). The most significant new orders were received already earlier in the year: a EUR 23 million order for an LVL mill expansion in Finland, and a EUR 20 million order for LVL line equipment for North-East Asia.

Of new orders, 46 percent came from Europe (39%), 18 percent from Russia (32%), 15 percent from North America (23%), 14 percent from Asia-Pacific (1%) and 7 percent from South America (5%). Sometimes even strong fluctuations in the distribution of new orders between the various market areas are typical for project-focused business.

The order intake for project deliveries stood at EUR 106 million (MEUR 96), up 10 percent. The order intake for technology services amounted to EUR 61 million (MEUR 58), an increase of 5 percent on the comparison period.

At the end of 2018, the order book, EUR 95 million (MEUR 110), continued to be strong. Part of the order book is scheduled for 2020.

COMPETITIVE POSITION

Raute's competitive position has remained unchanged and is strong. Raute's solutions help customers in securing their delivery and service capabilities throughout the life cycle of the production process or a part thereof. In such investments, the supplier's overall expertise and extensive and diverse technology and service offering play a key role. The competitive edge provided by Raute plays a major role when customers select their cooperation partners. Raute's strong financial position and long-term dedication to serving selected customer industries also enhance its credibility and improve its competitive position as a company that carries out long-term investment projects.

NET SALES

The Group's net sales (IFRS) totaled EUR 181.0 million (2017: MEUR 148.1; 2016: MEUR 113.1). Net sales grew 22 percent on 2017. Growth in net sales is attributed to both the good existing order book and the large number of orders received during the year.

Net sales were generated by project deliveries related to the wood products technology business and by technology services.

Net sales for project deliveries totaled EUR 126 million (MEUR 99), up 28 percent from the previous year. Project deliveries accounted for 70 percent (67%) of total net sales. The plywood industry's share of the net sales of project deliveries was 67 percent (83%), while the LVL industry's share was 33 percent (17%).

Net sales for technology services totaled EUR 55 million (MEUR 49). Net sales grew 11 percent from the previous year, and its share of total net sales fell to 30 percent (33%), due to the strong growth in project deliveries. Growth was distributed across the different product areas.

Of the total net sales for 2018, Europe accounted for 43 percent (56%), Russia for 26 percent (24%), North America for 18 percent (14%), Asia-Pacific for 10 percent (2%), and South America for 3 percent (4%). Finland accounted for 15 percent (17%) of net sales.

In 2018, net sales (FAS) of the parent company Raute Corporation totaled EUR 152.7 million (2017: MEUR 130.0; 2016: MEUR 97.7).

RESULT AND PROFITABILITY

In 2018, the Group's operating profit (IFRS) totaled EUR 14.9 million positive (2017: MEUR 11.2; 2016: MEUR 8.6) and 8.2 percent of net sales (2017: 7.5%; 2016: 7.6%). Operating profit grew 34 percent, mainly due to net sales growth.

The Group's financial income and expenses totaled EUR -0.0 million (MEUR -0.1). The Group's profit before taxes was EUR 14.9 million positive (MEUR 11.1) and profit for the financial year was EUR 11.8 million positive (MEUR 9.0). The Group's comprehensive income was EUR 12.1 million positive (MEUR 8.9).

Undiluted earnings per share were EUR 2.78 (EUR 2.13) and diluted earnings per share were EUR 2.76 (EUR 2.11). Return on investment was 34.6 percent (29.5%) and return on equity 27.6 percent (24.4%).

The operating profit (FAS) of the parent company Raute Corporation was EUR 10.9 million positive (2017: MEUR 11.7; 2016: MEUR 8.8). The operating profit was 7.1 percent of net sales (2017: 9.0%; 2016: 9.1%). The profit for the financial year (FAS) was EUR 19.7 million positive (MEUR 9.2 positive). The profit for the financial year includes EUR 7.5 million (MEUR 0.0) in impairment reversals for subsidiary investments and EUR 2.9 million (MEUR 4.4) in impairment reversals for loan receivables from subsidiaries.

CASH FLOW AND BALANCE SHEET

The Group's financial position remained strong throughout the year. At the end of the financial year, the Group's cash and cash equivalents exceeded interest-bearing liabilities by EUR 12.3 million (MEUR 29.3). At the end of the financial year, gearing was -26 percent (2017: -74%; 2016: -60%) and the equity ratio was 62 percent (2017: 64%; 2016: 60%).

The Group's cash and cash equivalents amounted to EUR 13.4 million (MEUR 30.7) at the end of 2018. The change in cash and cash equivalents during the financial year was EUR 17.3 million negative (MEUR 6.9 positive). Operating cash flow was EUR 7.6 million negative (MEUR 18.4 positive). Cash flow from investment activities was EUR 4.2 million negative (MEUR 5.8 negative). Cash flow from financing activities was EUR 5.6 million negative (MEUR 5.7 negative), including dividend payments of EUR 5.3 million.

The Group's balance sheet total at the end of 2018 stood at EUR 96.4 million (2017: MEUR 87.0; 2016: MEUR 69.8).

Interest-bearing liabilities amounted to EUR 1.1 million (MEUR 1.4) at the end of 2018.

The parent company Raute Corporation has a EUR 10 million commercial paper program, which allows the company to issue commercial papers maturing in less than one year.

The parent company Raute Corporation is prepared for future working capital needs and has long-term credit facility agreements with four Nordic banks totaling EUR 23.0 million. The main covenants of the credit facilities are an equity ratio of >30% and gearing of <100%. Of the credit facilities, EUR 22.9 million remained unused at the end of the financial year.

At the end of the financial year, the equity ratio (FAS) of the parent company Raute Corporation was 68 percent (2017: 64%; 2016: 59%).

LOANS TO RELATED PARTIES AND OTHER LIABILITIES

Other liabilities are presented in the notes to the financial statements.

RESEARCH AND DEVELOPMENT

Raute is a leading technology supplier for the plywood and LVL industries and focuses strongly on the development of increasingly efficient, productive, safe and environmentally friendly manufacturing technology and supporting measurement and machine vision applications. Opportunities provided by digitalization are also an essential part of R&D activities.

In 2018, the Group's research and development costs totaled EUR 3.7 million (2017: MEUR 3.2; 2016: MEUR 2.9) and were 2.1 percent of net sales (2017: 2.2%; 2016: 2.5%).

2018 was research-focused, and the results will be launched in 2019 in the form of new technologies and products. Product development resulted in several minor pieces of equipment that improve the performance of drying and layup lines and will be applied both as part of new deliveries and as modernization products for existing lines. Stack and veneer conveyors were designed for new customer needs and manufacturing technologies. The development of digitalization

products was continued especially to support service and maintenance operations, and a web portal was launched for customers. Raute also launched a new online store for spare parts that automatically adapts to customer-specific needs.

During the financial year, the research and development costs (FAS) of the parent company Raute Corporation were EUR 3.6 million, representing 2.4 percent of net sales (2017: MEUR 3.2/2.4% of net sales; 2015: MEUR 2.9/3.0% of net sales).

INVESTMENTS

The Group's investments in 2018 totaled EUR 4.4 million (2017: MEUR 7.0; 2016: MEUR 3.2). The investments include EUR 0.0 million in capitalized development costs (2017: MEUR 0.1; 2016: MEUR 0.0).

The investments of the parent company Raute Corporation totaled EUR 3.5 million (2016: MEUR 4.4; 2016: MEUR 2.9).

DEVELOPMENT OF OPERATIONS

In 2018, strategic development projects focused on improving competitiveness and delivery capabilities and on developing the service business and digitalization products. The use of Lean methods as development tools was also expanded to the company's various main processes during the year.

HUMAN RESOURCES

The Group's headcount at the end of 2018 was 772 (704). Finnish Group companies accounted for 65 percent (68%) of employees, North American companies for 19 percent (17%), Chinese companies for 10 percent (11%), and other sales and maintenance companies for 6 percent (4%).

Converted to full-time employees ("effective headcount"), the average number of employees during the financial year was 725 (2017: 660; 2016: 631). Salaries and remunerations paid by the Group totaled EUR 38.8 million (2017: MEUR 33.6; 2016: MEUR 30.1). This figure does not include expenses resulting from the stock option and share incentive plans.

The Group continued to develop the competence of its personnel and increase their commitment to the company. Six percent (3%) of the payroll was invested in personnel training. In 2018, our key focal areas

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in HR development were the improvement of leadership and the organization-wide strengthening of our highly responsible operating culture that strives for first-class quality. Other competence-development activities were implemented through, among other things, a systematic mentor program and training organized based on identified needs. Through the RauteACADEMY learning system adopted in 2017, our personnel have had the chance to participate voluntarily in training involving different topics, with a focus on occupational safety, the Code of Conduct, strategy and technology.

Converted to full-time employees, the average number of personnel employed by the parent company Raute Corporation in 2018 was 489 (2017: 461; 2016: 441). Salaries and remunerations paid by the parent company totaled EUR 28.0 million (2017: MEUR 24.8; 2016: MEUR 22.9).

REMUNERATION

The Group has remuneration systems in place that cover the entire personnel.

SHARE-BASED INCENTIVE PLANS

A total of EUR 257 thousand (EUR 595 thousand) was recognized as an expense for the share-based incentive plans during the financial year. From the share plans in force at the end of the financial year, EUR 763 thousand (EUR 240 thousand) was allocated to the invested non-restricted equity reserve.

Share-based incentive plan 2014–2018

The Board of Directors of Raute Corporation resolved in February 2014 to implement a Performance Share Plan 2014–2018 for the Group's senior management. The three three-year share plans included in the incentive plan commenced in 2014, 2015 and 2016. The earnings criteria were earnings per share (EPS) and growth in net sales. The bonus accrued from the last earnings period 2016, totaling EUR 536 thousand, was paid to 12 members of the Group's senior management on March 6, 2018. The vesting period ended at the end of 2018.

Share-based incentive plan 2017–2022

In February 2017, the Board of Directors of Raute Corporation resolved to implement a new performance-based, share-value-based, long-term incentive plan for the Group's senior management. The purpose of the plan is to align the objectives of the owners and management

in order to develop the company's value, and to commit management to achieving the company's strategic goals by offering a competitive long-term incentive plan.

The Performance Share Plan is made up of three three-year plans that begin every year. A single plan may consist of either a three-year earnings period or a one-year earnings period and the subsequent two-year vesting period. The possible bonus earned by virtue of a single plan shall be paid at the end of the three-year plan in question. The earnings opportunity is limited such that the value of the bonus, at the time of payment, to be paid to a participant based on a single three-year plan can be no more than double the value of the maximum earnings opportunity allocated to him/her when the plan commenced.

The company's Board of Directors decides separately on when each plan commences, the length of its earnings period, the performance targets, the persons entitled to participate in the plan and the earnings opportunity.

LTI Plan 2017–2019 commenced at the start of 2017. The plan consists of a one-year earnings period and the subsequent two-year vesting period. The performance targets are earnings per share (EPS) and growth in net sales. At the end of the financial year, the plan covered a total of 12 persons belonging to the Group's senior management and the accrued bonuses totaled 25,623 Raute Corporation's series A shares. The bonuses will be paid in spring 2020 as Raute's series A shares, less the amount needed to cover the taxes and tax-like payments resulting from the shares.

LTI Plan 2018–2020 commenced at the start of 2018. The plan is made up of two parts. The first part consists of a three-year earnings period. Its weight is 80 per cent of the whole plan and the performance target is Total Shareholder Return (TSR) proportionate to the selected peer group. The second part consists of a one-year earnings period and the subsequent two-year vesting period. Its weight is 20 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any bonuses possibly accruing from both parts will be paid in spring 2021 as Raute's series A shares, less the amount needed to cover the taxes and tax-like payments resulting from the shares. The LTI 2018–2020 plan covers 11 persons belonging to the Group's senior management.

SOCIETY AND THE ENVIRONMENT

Responsibility is one of the values that guide Raute's operations. Raute aims to systematically develop its products and services to be environmentally sound while also reducing the environmental impacts of its own operations. The Group abides by the principles of good corporate citizenship, taking into consideration nature and its protection, and how society as a whole operates, while respecting local cultures and valuing diversity. Raute's Board of Directors has presented to the company the Code of Conduct which guides the personnel to act responsibly in accordance with Raute's values.

Raute delivers technology for the wood products industry, which uses renewable raw materials. Most of the products manufactured using Raute's machinery have a long life, and the carbon stored in wood products has a positive impact on the achievement of climate targets. An increase in the use of sustainably produced wood, for example, in construction is among the most important means of achieving climate targets. Raute's product development focuses on improving the resource efficiency of the machinery in order to reduce the overall environmental impacts of the production chain. Raute's machinery typically has a very long life, and the majority of emissions arise during the operational phase of the machines.

Raute focuses particularly on developing the occupational safety of its products.

In Raute's own operations, environmental matters and occupational safety are managed according to the principles of continuous improvement. The main production unit in Nastola is certified according to the ISO 14001 (environmental management system) and ISO 9001 (quality management system) standards. The operations and ethical principles of the partner and subcontractor network are also subjected to systematic inspection.

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

RISKS AND RISK MANAGEMENT

The Group's identified key risk areas relate to the nature of the business, the business environment, financing, damage or loss and information security. The fluctuations in demand resulting from economic

cycles and delivery and technology risks have been identified as the Group's most significant business risks.

Risks in the near term continue to be driven by the uncertainty relating to the global economic situation and the development of the financial markets, as well as by international political instability. The most significant risks for Raute in the near term are related to the completion of the high order book, and especially the major mill-scale projects that are in the implementation phase, in accordance with the schedule determined in the contract terms, and the sufficiency and availability of skilled resources.

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

Business risks

Impact of economic cycles on business operations

Raute's business operations are characterized by the sensitivity of investment demand to fluctuations in the global economy and the financing markets, and the cyclical nature of project business. The impact of changes in demand on the Group's result is reduced by increasing the share of technology services, increasing operations in market areas with a small current market share, developing products for customer segments in which the Group has a weaker market position, and developing the partner network.

Deliveries and technology

The bulk of Raute's business operations consists of project deliveries, which expose the company to risks caused by customer-specific solutions related to each customer's end product, production methods or raw materials. At the quotation and negotiation phase, the company has to take risks relating to the promised performance figures and make estimates of implementation costs.

Raute invests heavily in product development. The developmental phase for new technologies involves the risk that the project will not lead to a technologically or commercially acceptable solution. The functionality and capacity of new solutions produced as a result of

development work cannot be fully verified until the solutions can be tested under production conditions in conjunction with the first customer deliveries.

Contract, product liability, implementation, cost and capacity risks are managed using project management procedures that comply with the company's ISO-certified quality system. Technology risks are reduced by the conditions of delivery contracts and by restricting the number of simultaneous first deliveries.

Emerging markets

Raute's objective is to increase its local business, for example, in China and Russia, where, besides opportunities, companies face risks typical to emerging markets.

The company's reputation

Raute is at risk of being part of a business chain that involves corruption, bribery or money laundering without its knowledge, even though it regularly inspects its business partners with respect to, for example, international sanction lists and export restrictions. The realization of these risks may result in legal consequences, and the company's reputation and financial position may suffer.

It is possible that players who do not respect Raute's principles related to human rights or the basic rights of employees operate in the international supply chain. Such cases may damage the company's reputation and interrupt the supply chain if the infraction is severe enough to warrant an end to the co-operation.

Payment fraud

Raute is repeatedly exposed to the risk of payment fraud. The company faces the risk of a fraud attempt bypassing the payment transaction control points and damaging the company financially.

Data security

Information security risks are managed according to a defined information security policy.

Human resources

Competence retention and development and good management of the sufficiency of human resources are particularly important in cyclical

business. Continuity is ensured by monitoring the development of the age structure, implementing systematic human resources management and investing in well-being at work.

Financing risks

The most significant financing risks in the Group's international business operations are default risks and currency risks related to counterparties. The Group is also exposed to liquidity, refinancing, interest rate and price risks.

The default risk relating to customers' solvency is managed through payment terms and by covering the unpaid sum with bank guarantees, letters of credit or other suitable securities. The Group's liquid assets are mainly held in banks in the Nordic countries. The credit losses recognized during the 2018 financial year amounted to EUR 76 thousand (EUR 3 thousand).

The Group's main currency is the euro. The most significant currency risks result from the following currencies: Chinese yuan (CNY), Russian ruble (RUB), Canadian dollar (CAD) and US dollar (USD). The main hedging instruments used are foreign currency forward contracts. Currency clauses are included in quotations to hedge against currency risks during the quotation period. Depending on the case, currency risks related to preliminary sales contracts are hedged with currency option contracts.

The Group has prepared for fluctuating working capital requirements and possible disturbances in the availability of money through long-term credit facility agreements with four Nordic banks.

The financing risks, as well as the risk management objectives and procedures, are described in more detail on page 19 of the notes to the financial statements.

Risks of damage or loss

Raute's most significant single risks concerning material damage and business interruption loss are a fire, a serious machine breakdown and an IT system breakdown or malfunction at the Nastola main production unit, where the production, planning, financial, and ERP systems serving the Group's key technologies are centrally located. Precautions against such risks have been taken by means of back-up systems and

Report of the Board of Directors

insurance policies, but the serious realization of such a risk would cause significant damage to Raute's operations.

Other risks of damage or loss include occupational safety risks, which are managed by means of active risk-prevention measures, such as continuous personnel training and investigation of all near-miss situations. Occupational safety and ergonomics are under continuous development.

Raute's production operations do not have significant direct environmental impacts. The main production unit in Nastola is situated in a groundwater zone. A chemical or fuel leak in a groundwater zone could cause environmental damage, financial costs and disturbances in production. The Nastola main unit has an ISO-certified environmental system in place, and special attention has been paid to chemical safety. Other units also aim to adhere to the principles of the environmental system.

The Group hedges against risks of damage or loss by assessing its facilities and processes in terms of risk management and by maintaining emergency plans.

Global and local insurance programs are checked regularly as part of overall risk management. The objective is to use insurance policies to sufficiently hedge against all risks that are reasonable to handle through insurance due to economical or other reasons.

Organization of risk management

Raute's risk management policy is approved by the Board of Directors. The Board is responsible for organizing internal control and risk management, and for monitoring their efficiency.

The Executive Board defines the Group's general risk management principles and operating policies and defines the boundaries of the organization's powers. The President and CEO and the CFO regularly report significant risks to the Board.

The Group's President and CEO controls the implementation of the risk management principles in the entire Group, while the Presidents of the Group companies are responsible for risk management in their respective companies. The members of the Group's Executive Board

are responsible for their own areas of responsibility across company boundaries.

Raute has no separate internal auditing organization. The Controller function oversees the annual internal control plan, develops internal control and risk management procedures together with the operative leadership, and monitors compliance with risk management principles, operational policies and powers.

SHAREHOLDERS

The number of shareholders totaled 4,797 at the beginning of the year and 5,046 at the end of the financial year. Series K shares were held by 54 private individuals (55) at the end of the financial year. Nominee-registered shares accounted for 5.3 percent (4.0%) of shares. The company did not receive any flagging notifications in 2018.

The Board of Directors, the President and CEO as well as the Executive Board held altogether 259,558 company shares, equaling 6.1 percent (6.0%) of the company shares and 11.6 percent (11.6%) of the votes on December 31, 2018.

The distribution of ownership by sector and by size as well as the largest shareholders are presented in the financial statements under "Shares and shareholders".

AUDITORS

At Raute Corporation's Annual General Meeting on March 22, 2018, the authorized public accounting company PricewaterhouseCoopers was chosen as auditor with Authorized Public Accountant Markku Lounis as the principal auditor.

CORPORATE GOVERNANCE

Raute Corporation complies with the Finnish Corporate Governance Code 2015 for listed companies issued by the Securities Market Association on October 1, 2015.

CORPORATE GOVERNANCE STATEMENT

Raute Corporation's Board of Directors has reviewed Raute Corporation's Corporate Governance Statement for 2018 according to chapter 7, section 7 of the Finnish Securities Markets Act and the Finnish Corporate Governance Code 2015 for listed companies issued by the

Securities Market Association on October 1, 2015. The statement has been drawn up separately from the Report of the Board of Directors.

NON-FINANCIAL STATEMENT

Raute Corporation's Board of Directors has addressed Raute Corporation's non-financial statement for 2018 (in accordance with Directive 2014/95/EU of the European Parliament and Council) as a statement separate from the Report of the Board of Directors.

BOARD OF DIRECTORS AND PRESIDENT AND CEO

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

At the Annual General Meeting held on March 22, 2018, Mr. Erkki Pehu-Lehtonen was elected Chairman of the Board of Raute Corporation, Mr. Mika Mustakallio Vice-Chair, and Mr. Joni Bask, Ms. Laura Raitio, Mr. Pekka Suominen, and Mr. Patrick von Essen were elected as Board members.

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

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

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

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

EXECUTIVE BOARD

Raute Group's Executive Board and the members' areas of responsibility are:

- Tapani Kiiski, President and CEO, Chairman – Sales and technology services

- Arja Hakala, Group Vice President, Finance, CFO – Finance and administration until March 26, 2018; Group Vice President, Strategy – Business development as of March 27, 2018

- Marko Hjelt, Group Vice President, Human Resources – Human resources and competence development

- Mika Hyysti, Group Vice President, Technology – Technology, products and R&D

- Timo Kangas, Group Vice President, EMEA – Market area EMEA

- Antti Laulainen, Group Vice President, Technology Services and Sales Management – Technology services and sales management until November 12, 2018

- Petri Strengell, Group Vice President, Supply Chain – Sourcing and production

Olli-Pekka Vanhanen, Group Vice President, Finance, CFO – Finance and administration as of March 27, 2018.

Mr. Olli-Pekka Vanhanen left the CFO position on February 1, 2019 to join another employer. On the same date, Ms. Tarja Järvinen started as the Group Vice President, Finance, CFO.

SHARES

The number of Raute Corporation's shares at the end of 2018 totaled 4,263,194 (4,249,248), of which 991,161 (991,161) were series K shares (ordinary share, 20 votes/share) and 3,272,033 (3,258,087) series A shares (1 vote/share). Series K and A shares confer equal rights to dividends and company assets.

Series K shares can be converted to series A shares under the terms set out in section 3 of the Articles of Association. If an ordinary share is transferred to a new owner who has not previously held series K shares, the new owner must notify the Board of Directors of this in writing and without delay. In this kind of situation other holders of series K shares have the right to redeem the series K share under the terms specified in Article 4 of the Articles of Association.

Raute Corporation's series A shares are listed on Nasdaq Helsinki Ltd. The trading code is RAUTE. In 2018, 879,655 shares were traded (845,672) worth altogether EUR 25.1 million (MEUR 19.2). The number of shares traded represents 27 percent (26%) of all listed series A shares. The average price of a series A share was EUR 28.58 (EUR 22.70). The highest closing price of the year was EUR 34.90 and the lowest EUR 20.50.

The company's market capitalization at the end of 2018 totaled EUR 90.8 million (MEUR 123.2), with series K shares valued at the closing price of series A shares, EUR 21.30 (EUR 29.00), on December 31, 2018.

The market making agreement signed by Raute Corporation with Nordea Bank Ab (publ) in compliance with the Liquidity Providing (LP) requirements issued by Nasdaq Helsinki Ltd expired on December 8, 2018.

RAUTE CORPORATION'S 2010 STOCK OPTIONS

The subscription period for Raute Corporation's series C 2010 stock options ended on March 31, 2018.

DISTRIBUTION OF PROFIT FOR THE 2017 FINANCIAL YEAR

The Annual General Meeting held on March 22, 2018 decided to pay a dividend of EUR 1.25 per share for the financial year 2017. The total amount of dividends is EUR 5,320,473.75, with series A shares accounting for EUR 4,081,522.50 and series K shares for EUR 1,238,951.25. The dividend payment date was April 4, 2018.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

The Annual General Meeting held on March 22, 2018 authorized the company's Board of Directors to decide on the repurchase of Raute Corporation series A shares with assets from the company's non-restricted equity and to decide on a directed issue of a maximum of 400,000 shares. The Board of Directors did not exercise the authorization in 2018.

The company did not possess company shares at the end of the financial period or hold them as security.

ANNUAL GENERAL MEETING 2019

Raute Corporation's Annual General Meeting for 2019 will be held in Lahti on Tuesday April 2, 2019.

BOARD OF DIRECTORS' PROPOSAL CONCERNING THE USE OF PROFIT AND PAYMENT OF DIVIDEND

On December 31, 2018, the parent company Raute Corporation's distributable funds totaled EUR 43,954 thousand, of which EUR 19,691 thousand represents the profit for the financial year 2018.

The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on April 2, 2019, that a dividend of EUR 1.40 per share be paid to holders of series A and K shares for the financial year 2018, and that the remainder of the distributable funds be retained in equity.

On the date of the profit distribution proposal, the number of shares entitled to a dividend is 4,263,194 shares, which amounts to total dividends of EUR 5,968 thousand. Shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date for dividend distribution, April 4, 2019, are entitled to a dividend. The dividend payment date would be April 11, 2019.

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

OUTLOOK FOR 2019

Due to the high order book and sustained brisk demand, we estimate that both Raute's net sales and operating profit will remain at the level of the preceding year in 2019.

Consolidated Financial Statements 2018



RAUTE CORPORATION Consolidated Financial Statements January 1 – December 31, 2018

Raute Corporation's consolidated financial statements for January 1–December 31, 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations released accepted for application in the EU. Preparations have complied with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, effective on December 31, 2018. The notes to the consolidated financial statements also comply with Finnish accounting legislation.

General information

Adoption of the Consolidated Financial Statements

These consolidated financial statements for the period between January 1 and December 31, 2018 were authorized for issue by Raute Corporation's Board of Directors at its meeting on February 14, 2019. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting arranged after the statements have been issued. The Annual General Meeting also has the opportunity to make changes to the financial statements.

Business and operational segments

Raute Group ("the Group") is a globally operating technology and service company serving the wood products industry, with the core competence in selected wood products manufacturing processes. Raute's customers are companies operating in the wood products industry that manufacture veneer, plywood, LVL and sawn timber.

Raute's full-service concept is based on product life-cycle management and includes project deliveries and technology services. Raute's technology offering covers machinery and equipment for the customer's entire production process. In addition to a broad range of machines and equipment, Raute's solutions cover technology services ranging from spare parts deliveries to regular maintenance and equipment modernizations as well as consulting, training, reconditioned machinery and digital services.

The operations of Raute Group belong to the wood products technology segment. Raute Corporation's Board of Directors is the chief operating decision maker that is responsible for assigning resources to the operating segment and assessing its result. The Board monitors profitability through the key figure Operating profit.

Raute's head office is located in Lahti (previously the municipality of Nastola), Finland. Its other production plants are in Kajaani, in the Vancouver area in Canada, in the Shanghai area in China, and in Pullman, Washington, USA. The company's sales network has a global reach.

Parent company

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

Insider management

Raute Corporation follows the Guidelines for Insiders issued by Nasdaq Helsinki Ltd, the Central Chamber of Commerce, and the Confederation of Finnish Industries EK. In addition, the company applies separate insider instructions approved by the Board of Directors. The Chief Financial Officer is in charge of insider issues in the company.

Raute maintains a list of persons working in the management functions and the persons in their immediate circles (so-called management under notification obligation). These persons are obliged to notify Raute and the Financial Supervisory Authority about all transactions made on their account using financial instruments of Raute Corporation. Raute's management under notification obligation includes the Board of Directors, President and CEO and Chief Financial Officer.

Raute maintains a Confidential Information Recipient (CIR) list of employees and other persons who have continuous access to the company's undisclosed financial information. The individuals in the CIR group are committed to abiding by the company's closed period. The CIR list is not public.

In addition to what is mentioned above, the company maintains a list of projects. A project means an identifiable set of measures or an arrangement that is to be confidentially prepared by Raute, which is, according to Raute, insider information and whose publication Raute has decided to delay.

The insider trading prohibition of persons under notification obligation and in the CIR group begins at the end of the reporting period, however at least 30 days before the publication of an interim report or financial statements and ends two hours after the publication of a corresponding stock exchange release. The company avoids investor communication meetings during the closed period.

Raute has an internal procedure through which persons employed by the company may report within the company a suspected abuse of regulations and provisions concerning the financial market (whistle blowing).

Preparation of consolidated financial statements

Raute Corporation's consolidated financial statements for January 1 – December 31, 2018 have been prepared in accordance with the International Financial Reporting Standards, IFRS, accepted for application in the European Union. Preparations have complied with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, effective on December 31, 2018.

All figures are presented in thousand euro, unless otherwise stated. Due to the rounding of the figures in the financial statements tables, the sums of figures may deviate from the sum total presented in the table. Figures in parentheses refer to the corresponding figures in the comparison period.

Raute Corporation's consolidated financial statement information is available online at www.raute.com or at the head office of the Parent company, Rautetie 2, FI-15550 Nastola, Finland.

Raute's adjusted financial information for the financial year 2017 due to the adoption of the new IFRS 15 standard

Restated financial information published for the financial year 2017

Raute Group has adopted the standards IFRS 15 Revenue from contracts with customers, IFRS 9 Financial instruments and IFRS 2 Changes in Measurement of Share Based payments.

The comparison data for the financial year 2017 has been restated due to effects of the standard IFRS 15.

The impact of the standard IFRS 9 to the impairment loss of the accounts receivables and the impact of the change in standard IFRS 2 has been adjusted to the opening balance of retained earnings at January 1, 2018.

CONSOLIDATED STATEMENT OF INCOME

| EUR 1,000 | Page | 1.1.–31.12.2018 | Restated 1.1.–31.12.2017 |
|--|------|-----------------|-----------------------------|
| NET SALES | 21 | 180 993 | 148 064 |
| Change in inventories of finished goods and work in progress | | 3 069 | 2 054 |
| Other operating income | 29 | 692 | 96 |
| Materials and services | 25 | -103 781 | -80 721 |
| Employee benefits expense | 26 | -46 944 | -41 036 |
| Depreciation and amortization | 37 | -2 487 | -2 633 |
| Impairments | 35 | -38 | - |
| Other operating expenses | 29 | -16 582 | -14 653 |
| Total operating expenses | | -169 832 | -139 042 |
| OPERATING PROFIT | | 14 922 | 11 171 |
| Financial income | 53 | 346 | 359 |
| Financial expenses | 53 | -356 | -411 |
| Financial expenses, net | | -10 | -51 |
| PROFIT BEFORE TAX | | 14 912 | 11 120 |
| Income taxes | 31 | -3 076 | -2 141 |
| PROFIT FOR THE FINANCIAL YEAR | | 11 836 | 8 979 |
| Profit for the financial year attributable to Equity holders of the Parent company | | 11 836 | 8 979 |
| Earnings per share for profit attributable to Equity holders of the Parent company, EUR | | | |
| Undiluted earnings per share | 46 | 2,78 | 2,13 |
| Diluted earnings per share | 46 | 2,76 | 2,11 |
| Shares, 1 000 pcs | | | |
| Adjusted average number of shares | 46 | 4 260 | 4 225 |
| Adjusted average number of shares, diluted | 46 | 4 290 | 4 259 |

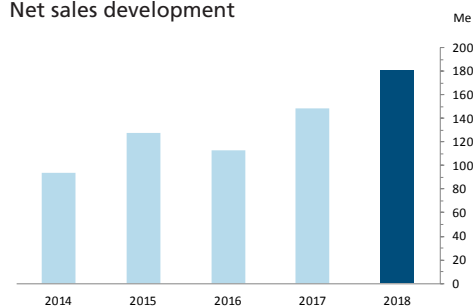
Basis of preparation

The Board of Directors monitors profitability through the key figure **Operating profit**. The Group has defined operating profit as follows: Operating profit is the net sum calculated by adding other operating income to net sales; deducting purchase expenses that have been adjusted by changes in inventories of finished goods and work in progress and by expenses from production for own use; and by deducting expenses from employee benefits, depreciation, amortization and possible impairment losses, as well as other operating expenses. All other income statement items are presented under operating profit before the profit for the financial year.

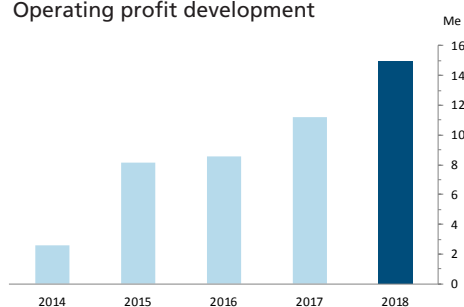
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| EUR 1,000 | Page | 1.1.–31.12.2018 | Restated 1.1.–31.12.2017 |
|---|------|-----------------|-----------------------------|
| PROFIT FOR THE FINANCIAL YEAR | | 11 836 | 8 979 |
| Other comprehensive income items: | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Changes in the fair value of available-for-sale investments | 44 | - | 193 |
| Hedging reserve, hedge accounting | 44 | -73 | -31 |
| Exchange differences on translating foreign operations | 44 | 356 | -183 |
| Income taxes related to these items | 44 | 10 | -32 |
| Comprehensive income items for the period, net of tax | | 293 | -52 |
| COMPREHENSIVE PROFIT FOR THE FINANCIAL YEAR | | 12 129 | 8 927 |
| Comprehensive profit for the financial year attributable to Equity holders of the Parent company | | 12 129 | 8 927 |

Net sales development



Operating profit development



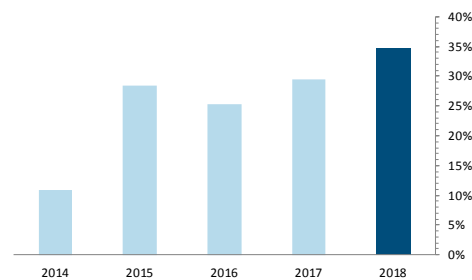
CONSOLIDATED BALANCE SHEET

| EUR 1,000 | Page | 31.12.2018 | Restated 31.12.2017 |
|--|------|---------------|------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 33 | 1 035 | 1 035 |
| Other intangible assets | 34 | 2 500 | 2 548 |
| Property, plant and equipment | 36 | 11 612 | 9 948 |
| Other financial assets | 49 | 1 185 | 923 |
| Deferred tax assets | 32 | 35 | 410 |
| Total non-current assets | | 16 368 | 14 865 |
| Current assets | | | |
| Inventories | 38 | 14 383 | 11 010 |
| Accounts receivables and other receivables | 24 | 52 256 | 30 363 |
| Income tax receivable | 24 | - | 45 |
| Cash and cash equivalents | 51 | 13 375 | 30 724 |
| Total current assets | | 80 014 | 72 142 |
| TOTAL ASSETS | | 96 382 | 87 006 |

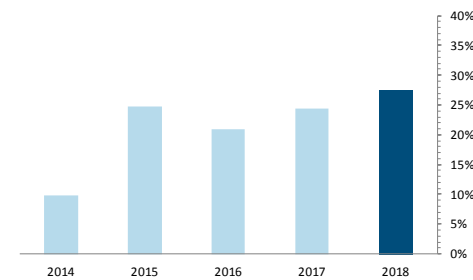
CONSOLIDATED BALANCE SHEET

| EUR 1,000 | Page | 31.12.2018 | Restated 31.12.2017 |
|--|------|---------------|------------------------|
| EQUITY AND LIABILITIES | | | |
| Equity attributable to Equity holders of the Parent company | | | |
| Share capital | 43 | 8 256 | 8 256 |
| Fair value reserve and other reserves | 43 | 7 164 | 7 156 |
| Exchange differences | 43 | 1 015 | 659 |
| Retained earnings | 43 | 18 239 | 14 321 |
| Profit for the financial year | 43 | 11 836 | 8 979 |
| Total equity | | 46 509 | 39 372 |
| Non-current liabilities | | | |
| Provisions | 25 | 605 | 707 |
| Deferred tax liability | 32 | - | 86 |
| Total non-current liabilities | | 605 | 793 |
| Current liabilities | | | |
| Provisions | 25 | 1 595 | 1 378 |
| Current interest-bearing liabilities | 47 | 1 079 | 1 413 |
| Current advance payments received | 39 | 21 006 | 25 739 |
| Income tax liability | 39 | 992 | 829 |
| Trade payables and other liabilities | 39 | 24 595 | 17 481 |
| Total current liabilities | | 49 268 | 46 841 |
| Total liabilities | | 49 872 | 47 634 |
| TOTAL EQUITY AND LIABILITIES | | 96 382 | 87 006 |

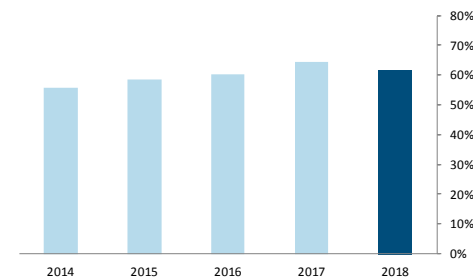
Return on investment, ROI



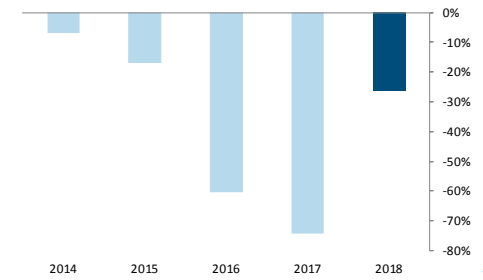
Return on equity, ROE



Equity ratio



Gearing



CONSOLIDATED STATEMENT OF CASH FLOWS

| EUR 1,000 | Page | 1.1.–31.12.2018 | 1.1.–31.12.2017 |
|---|------|-----------------|-----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Proceeds from customers | | 164 339 | 167 370 |
| Other operating income | | 611 | 50 |
| Payments to suppliers and employees | | -170 127 | -145 131 |
| Cash flow before financial items and taxes | | -5 177 | 22 289 |
| Interest paid from operating activities | | -119 | -277 |
| Dividends received from operating activities | 53 | 249 | 120 |
| Interest received from operating activities | | 20 | 7 |
| Other financing items from operating activities | | 48 | -298 |
| Income taxes paid from operating activities | | -2 584 | -3 408 |
| Net cash flow from operating activities (A) | | -7 562 | 18 432 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment and intangible assets | | -3 612 | -2 874 |
| Business transaction | 33 | -769 | -3 193 |
| Proceeds from sale of property, plant and equipment and intangible assets | | 230 | 117 |
| Proceeds from sale of investments | | - | 182 |
| Net cash flow from investing activities (B) | | -4 151 | -5 768 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of share capital | 43 | 59 | 207 |
| Proceeds from current borrowings | | 1 093 | 4 413 |
| Repayments of current borrowings | | -1 427 | -6 136 |
| Dividends paid | 43 | -5 320 | -4 220 |
| Net cash flow from financing activities (C) | | -5 595 | -5 736 |
| Net change in cash and cash equivalents (A+B+C) | 48 | -17 309 | 6 928 |
| increase (+)/decrease (-) | | | |
| Cash and cash equivalents at the beginning of the financial year | 48 | 30 724 | 23 769 |
| Net change in cash and cash equivalents | 48 | -17 309 | 6 928 |
| Effects of exchange rate changes on cash | 48 | -40 | 27 |
| Cash and cash equivalents at the end of the financial year | | 13 375 | 30 724 |

Non-cash transactions in operating activities

| EUR 1,000 | 2018 | 2017 |
|---|---------------|--------|
| Depreciation, amortization and impairments | -2 525 | -2 633 |
| Employee benefits | -275 | -280 |
| Exchange rate differences | 273 | -8 |
| Derivatives | -283 | -36 |
| Profit or loss from change in fair value of financial assets through profit or loss | - | 68 |
| TOTAL | -2 810 | -2 890 |

Basis of preparation

The cash flow statement has been generated using the direct method. The **cash flow from operating activities** includes proceeds from customers, other operating income as well as payments of supplies and services acquired. Cash flow from operating activities also includes payments to employees as well as interest paid and interest received from financial assets held for cash management. The cash flow from operating activities does not include accounts payable related to the investments.

Cash flow from investing activities includes the purchase of intangible and tangible assets and expenses of other activated assets. The item also

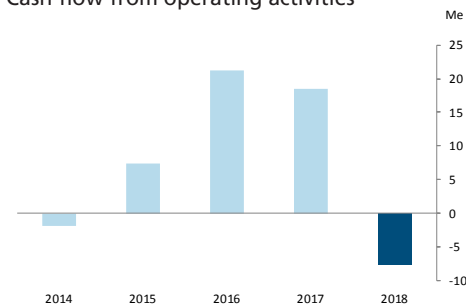
includes proceeds from sale of these assets on accrual basis.

Cash flow from financing activities includes the share capital changes in cash, dividends paid to shareholders during the period as well as proceeds and repayments of loans.

Cash and cash equivalents comprises cash and cash equivalents which will be due within the following three months' period.

Foreign Group companies' cash flow statements have been converted into euros according to the weighted average exchange rate of the financial year.

Cash flow from operating activities



Consolidated statement of changes in shareholders' equity

Financial Statements 2018 / Group

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| EUR 1,000 | Share capital | Invested non-restricted equity reserve | Other reserves | Exchange differences | Retained earnings | To the equity holders of the Parent company | TOTAL EQUITY |
|---|---------------|--|----------------|----------------------|-------------------|---|---------------|
| EQUITY at Dec. 31, 2017, ORIGINALLY PRESENTED | 8 256 | 5 652 | 1 504 | 659 | 23 623 | 39 694 | 39 694 |
| Changes in accounting principles, IFRS 15 | - | - | - | - | -322 | -322 | -322 |
| EQUITY at Dec. 31, 2017, RESTATED | 8 256 | 5 652 | 1 504 | 659 | 23 301 | 39 372 | 39 372 |
| Changes in accounting principles, IFRS 9 | - | - | - | - | -104 | -104 | -104 |
| Changes in accounting principles, IFRS 2 | - | - | 117 | - | - | 117 | 117 |
| EQUITY at Jan. 1, 2018, RESTATED | 8 256 | 5 652 | 1 621 | 659 | 23 197 | 39 385 | 39 385 |
| Comprehensive profit for the financial year | | | | | | | |
| Profit for the financial year | - | - | - | - | 11 836 | 11 836 | 11 836 |
| Other comprehensive income items: | | | | | | | |
| Hedging reserve | - | - | -73 | - | - | -73 | -73 |
| Exchange differences on translating foreign operations | - | - | - | 356 | - | 356 | 356 |
| Income taxes related to these items | - | - | 10 | - | - | 10 | 10 |
| Total comprehensive profit for the financial year | - | - | -63 | 356 | 11 836 | 12 129 | 12 129 |
| Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings | - | - | -362 | - | 362 | 0 | 0 |
| Transactions with owners | | | | | | | |
| Share-options exercised | - | 59 | - | - | - | 59 | 59 |
| Equity-settled share-based transactions | - | - | 257 | - | - | 257 | 257 |
| Dividends | - | - | - | - | -5 320 | -5 320 | -5 320 |
| Total transactions with owners | 0 | 59 | 257 | 0 | -4 958 | -5 005 | -5 005 |
| EQUITY at Dec. 31, 2018 | 8 256 | 5 711 | 1 453 | 1 015 | 30 075 | 46 509 | 46 509 |

COMPARISON YEAR, RESTATED

| EUR 1,000 | Share capital | Invested non-restricted equity reserve | Other reserves | Exchange differences | Retained earnings | To the equity holders of the Parent company | TOTAL EQUITY |
|---|---------------|--|----------------|----------------------|-------------------|---|---------------|
| EQUITY at Jan. 1, 2017 | 8 256 | 5 445 | 1 132 | 842 | 18 543 | 34 217 | 34 217 |
| Comprehensive profit for the financial year | | | | | | | |
| Profit for the financial year, restated | - | - | - | - | 8 979 | 8 979 | 8 979 |
| Other comprehensive income items: | | | | | | | |
| Changes in the fair value of available-for-sale investments | - | - | 193 | - | - | 193 | 193 |
| Hedging reserve | - | - | -31 | - | - | -31 | -31 |
| Exchange differences on translating foreign operations | - | - | - | -183 | - | -183 | -183 |
| Income taxes related to these items | - | - | -32 | - | - | -32 | -32 |
| Total comprehensive profit for the financial year | - | - | 131 | -183 | 8 979 | 8 927 | 8 927 |
| Transactions with owners | | | | | | | |
| Share-options exercised | - | 207 | - | - | - | 207 | 207 |
| Equity-settled share-based transactions | - | - | 240 | - | - | 240 | 240 |
| Dividends | - | - | - | - | -4 220 | -4 220 | -4 220 |
| Total transactions with owners | 0 | 207 | 240 | 0 | -4 220 | -3 773 | -3 773 |
| EQUITY at Dec. 31, 2017, RESTATED | 8 256 | 5 652 | 1 504 | 659 | 23 301 | 39 372 | 39 372 |

Amendments to accounting principles of consolidated financial statements and information to be presented

The consolidated financial statements are drawn up according to the same accounting principles as in 2017, except for the adoption of new and revised standards. The effects of changes in the accounting standards have been presented on page 17.

Preparation of consolidated financial statements

The consolidated financial statements include the financial statements of the Parent company Raute Corporation and the financial statements of those subsidiaries in which the Group has **control**. The Group controls an entity when the group is exposed to or has rights to variable returns from its involvement with the entity. And if the Group has the ability to affect the variable return through its power over entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control in the other company. In Raute Group, control is usually based on share ownership that represents more than 50 percent of the voting rights. Subsidiaries are fully consolidated in the consolidated financial statements from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

Business combinations have been entered using the acquisition method. The consideration paid for the acquisition of a subsidiary is determined as the fair value of the transferred assets, liabilities incurred and equity interests issued by the Group. The consideration transferred contains the fair value of the asset or liability that results from the contingent consideration arrangement. Expenditure related to the acquisition is recognized

as an expense when it is incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed by the business combination, have been measured at the acquisition-date fair value. Non-controlling interests have not been recognized in business combinations.

Business transactions, receivables and liabilities, and unrealized gains between Group companies have been eliminated. Unrealized losses has also been eliminated. Where necessary, the accounting principles of the subsidiaries have been changed to comply with the Group's accounting principles.

The allocation of the profit or loss for the financial year to the equity holders of the Parent company has been presented in connection with the statement of comprehensive income.

The consolidated financial statements have been presented in euro, which is the Parent company's functional and presentation currency. The figures concerning the profit or loss and financial position of the companies combined under the consolidated financial statements have been measured in the currency of the country in which that company operates (functional currency).

Financial statements in foreign currency

The income statements of foreign subsidiaries have been translated into euro using the weighted average exchange rates during the financial year and balance sheets have been translated at the average rate on the balance sheet date. Translation of income and comprehensive income at different exchange rates in the income statement and in the balance sheet results in translation differences which have been recognized in the balance sheet under equity, the difference of which has been recognized in the other comprehensive income items. The translation differences arising from the

Group companies

| Group companies | Group's ownership interest and voting power, % | Parent company's ownership interest and voting power, % |
|---|--|---|
| Raute Corporation, Lahti, Finland (Parent company) | | |
| Raute Canada Ltd., Delta, B.C., Canada | 100 | 100 |
| Raute Inc., Delaware, USA | 100 | 100 |
| Raute US, Inc., Monroe, Louisiana, USA | 100 | - |
| RWS-Engineering Oy, Lahti, Finland | 100 | 100 |
| Raute Group Asia Pte Ltd., Singapore | 100 | 100 |
| Raute WPM Oy, Lahti, Finland | 100 | 100 |
| Raute Chile Ltda., Santiago, Chile | 100 | 50 |
| Raute Service LLC, St. Petersburg, Russia | 100 | - |
| Raute (Shanghai) Machinery Co., Ltd, Shanghai, China | 100 | 100 |
| Metriguard Technologies, Inc., Pullman, Washington, USA | 100 | - |

elimination of the acquisition cost of foreign subsidiaries and from the translation of equity items accumulated after the acquisition have been recognized in the other items of the comprehensive income. On partial or full disposal of a subsidiary, the accumulated translation differences have been recognized through profit or loss as part of the gains or losses from disposal.

The exchange rates used for the consolidation of subsidiaries has been presented in the table Exchange rates used in consolidation.

Related party transactions

Group's related party consist of Raute Group's management. Raute Group's management consists of the Board of Directors, President and CEO and Executive Board. In addition, Raute Group's related party consist of Raute Corporation's Sick-ness Fund.

EXCHANGE RATES USED IN CONSOLIDATION

Income statement

| EUR | 2018 | 2017 |
|-----|----------|----------|
| CNY | 7,8074 | 7,6266 |
| RUB | 74,0551 | 65,8806 |
| CAD | 1,5302 | 1,4644 |
| USD | 1,1815 | 1,1292 |
| SGD | 1,5928 | 1,5583 |
| CLP | 757,0688 | 732,3058 |

Balance sheet at Dec. 31

| EUR | 2018 | 2017 |
|-----|----------|----------|
| CNY | 7,8751 | 7,8073 |
| RUB | 79,7153 | 69,3920 |
| CAD | 1,5605 | 1,5039 |
| USD | 1,1450 | 1,1993 |
| SGD | 1,5591 | 1,6024 |
| CLP | 795,4900 | 751,8129 |

IFRS 15 revenue from contracts with customers

Raute Group has adopted the standard IFRS 15 Revenue from contracts with customers as of January 1, 2018. Raute's products and services have been classified as performance obligations to be satisfied over time and performance obligations to be satisfied at a point in time under the standard. The new standards has been adopted by using the full retrospective method. The new standards and the figures of the comparison period has been restated.

Raute Group has presented on March 23, 2018, with a separate bulletin the impacts of the standard. The adoption of the standard had an impact of EUR 552 thousand to the revenue of the comparison period 2017. The adoption of the standard had an amount of EUR 402 thousand reduction to the operating profit and EUR 322 thousand reduction to the profit for the financial year. The change in the standard had an EUR 322 thousand negative impact on the Equity of Raute Group and increased the total balance of the balance sheet EUR 149 thousand.

IFRS 9 Financial instruments

Raute Group has adopted the standard IFRS 9 Financial instruments as of January 1, 2018. The adoption of the standard has had an impact on the credit loss model of financial assets based on the expected credit loss model. The standard has had the impact also on the classification and measurement of the financial assets and liabilities and hedge accounting requirements. According to the standard all share investments which has been previously classified available-for-sale financial assets are recognized as a fair value through comprehensive income. These changes of the standard has not have significant effects on classification and recognition of the financial assets.

An adoption of the changes of the standard had a reduction of EUR 104 thousand to the equity item Retained earnings, including changes in deferred tax, and a reduction to the item Accounts receivables.

IFRS 2 changes to standard – Share-based payments classification and recognition.

Raute Group has adopted the standard IFRS 2 Share-based payments as of January 1, 2018. If the company has a share-based payment plan based on the obligation to with-hold a tax from the settlement on behalf of the recipient, the bonuses of this share reward is recognized entirely as an equity-settled share-based payment.

An adoption of the changes to the standard had an EUR 117 thousand addition to the equity in the equity item Other reserves, and a reduction to the balance sheet item Current liabilities.

IFRS-standards that have been published and will be valid in future financial periods

International Accounting Standard Board (IASB) has published new or revised standards and interpretations or amendments, which the Group will apply at the beginning on the date that each standard and interpretation comes into effect. If the effective date is a date other than the first day of the financial year, the Group applies the standard at the start of the financial year following the effective date.

IFRS 16 Leases

IFRS 16 Standard Leases shall be effective January 1, 2019. As a result of the implementation of the standard change, the leases of business premises and production facilities leased by Raute Group will be recognized in the balance sheet. According to the standard, the leases that include the right-of-use of the leased asset are recognized in the item Property, plant and equipment in the lessor's balance sheet. A lessor shall recognize an asset based on the right-of-use of the asset and a lease liability based on the obligation to pay lease rent. The associated rental cost is replaced by the depreciation calculated on the fixed asset and the interest expense on the lease liability. In addition, the standard has an impact on the notes presented in the financial statements and key figures presented in the consolidated financial statements.

Raute Group shall adopt the standard starting on January 1, 2019 applying the simplified retrospective approach and comparative information will not be restated.

The implementation of the standard shall be recognized at the time of adoption January 1, 2019, to the assets and liabilities in the opening balance sheet, and comparative information will not be restated. The standard includes exemptions for short-term leases and low-value assets. Raute Group will apply the exemptions at the time of adoption. The rents related to these leases shall be recognized as expenses in the income statement according to the rental period.

The Raute Group has rented warehouses and production facilities for business use. The leases made under the lease contracts have been recognized based on the lease period as rental expenses on the income statement. On the closing date December 31, 2018, rental liabilities have been presented as off-balance sheet item in rental liabilities in the note Pledged assets and contingent liabilities, on page 54.

Raute Group's non-cancellable leases based on lease contracts for business premises and production facilities was EUR 3 996 thousand and other leases of low value EUR 145 thousand at the balance sheet date. The content of the leases recognized in the balance sheet based on IFRS 16 standard differs from the current rental liability in the notes to the balance sheet.

Raute Group has made a preliminary estimate of the effects of the standard IFRS 16 Leases, for certain leases in the financial statements. The estimate may still change when the final estimate will be confirmed.

At the beginning of the lease contract, leases shall be recognized in the balance sheet at the present value of the minimum rent corresponding the fixed asset item, which shall be depreciated during the rental period. The value of interest-bearing debt in the consolidated balance sheet shall increase with the discounted amount of the lease liability. In addition, the change in deferred tax shall be recognized in income taxes. According to the standard IFRS 16 Leases, the amount of the asset and liability based on the right-of-use shall be calculated by discounting the contract future minimum rents. The discount rate primarily used by the lessor is the incremental loan rate. For all contracts, internal rate is not in use. According to the preliminary estimate, approximately EUR 7,490 thousand lease assets will be recognized and related financial liability at January 1, 2019.

The transition to the standard affects Raute Group's cash flow cash flow presented in cash flow from operating activities and cash flow from financing activities. Realized rental payments will be allocated to the finance expense component in the cash flow from operating activities, and a component of the partial payments of the financial loan to the cash flow from financing activities. Total cash flow from the Group does not change because it is a matter of cash flow items presentation change.

Other published and future standards will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Management of financing risks

The aim of the Group's financing risk management is to minimize the negative effects of the changes in the financial markets on the Group's financial performance and ensure sufficient liquidity in all market conditions. The Group implements a financing policy, which is approved by the Parent company's Board of Directors and defines the limiting values that guide operations, the adopted financial and hedging instruments, and the acceptable counterparties. The Parent company's financing unit is responsible for the management of financing risks, with a duty to identify, assess, and hedge financing risks in cooperation with operative units. The Board regularly monitors the extent of the financing risks based on, among others, the net currency position, the age distribution and the hedging of receivables as well as cash flow estimates.

The Group, in its operations, is exposed to financing risks which have been classified into market, counterparty and liquidity risks. Market risks include currency, interest and price risks. Currency risks are further divided into transaction and translation risks. The Group's most significant counterparty risks are customer credit risks related to contractual counterparties in the project business and counterparty risks related to the Group's investment activities. The key risk areas of the Group's international business operations have been recognized as default risks of the counterparty risks and currency risks of the market risks. The Group is also exposed to liquidity and refinancing risks.

The additional information related to the financing risks has been presented in the additional information items as follows:

- Customer credit risks, note Accounts receivables and customer contract assets, page 23
- Counterparty risks, note Accounts receivables and customer contract assets, page 23
- Price risks, note Materials and services, page 25
- Currency risks, note Management of risks – Currency risks, page 42
- Interest risks, note Financial liabilities, page 47.

Critical accounting judgments of the company management and key sources of estimation uncertainty

When preparing the consolidated financial statements in compliance with International Financial Reporting Standards, the company management has made certain estimates and assumptions. In addition, the management has exercised its judgment in selecting and applying the accounting policies. These estimates and assumptions have affected 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 financial year.

Because the estimates have been based on management's best knowledge at the reporting date, and they comprise risks and uncertainties, therefore actual results may differ from these estimates. Possible changes in estimates and assumptions have been recognized in the financial year in which the estimate or assumptions has been changed.

The management is not, by the time the financial statements were to be published, aware of any major uncertainties concerning the estimates on the reporting date or any key assumptions concerning the future, on the basis of which there would be a considerable risk of a substantial change in the carrying values of assets and liabilities during the next financial year.

The judgments the management has used, when applying the accounting policies and which has the most significant impact on the financial statements, has been presented in the note it concerns. The management estimations have been presented in:

- Note Performance obligation to be satisfied over time, page 22
- Note Accounts receivables and customer contract assets, page 23
- Note Accounts receivables and other receivables, page 24
- Note Provisions, page 25
- Note Employee benefits, page 26
- Note Income taxes, page 31
- Note Group goodwill, page 33
- Note Other intangible assets, page 34
- Note Research and development costs, page 35
- Note Financial assets, page 49.

Project business

A major share of the Group's business is project-type business in which the delivery package contains products and services and the price, payment terms, delivery times and delivery terms are determined based on contract negotiations and the competitive situation. Projects are investments from the customer's viewpoint. With regard to the investment decision, the decision-making process and arranging financing may take a long time and their duration may be difficult to predict. For project business, significant demand fluctuation is typical. The percentage of completion procedure reduces variation in net sales between reporting periods but does not eliminate it. The contents and timing of the in-progress project portfolio impact Raute's working capital items.



| EUR 1,000 | 2018 | % | Restated 2017 | % |
|---------------------------------|----------------|------------|---------------|-----|
| NET SALES | | | | |
| Net sales by market area | | | | |
| EMEA (Europe and Africa) | 76 968 | 43 | 81 952 | 56 |
| CIS (Russia) | 47 757 | 26 | 35 365 | 24 |
| NAM (North America) | 32 168 | 18 | 21 115 | 14 |
| APAC (Asia-Pacific) | 18 438 | 10 | 3 429 | 2 |
| LAM (South America) | 5 662 | 3 | 6 202 | 4 |
| TOTAL | 180 993 | 100 | 148 064 | 100 |

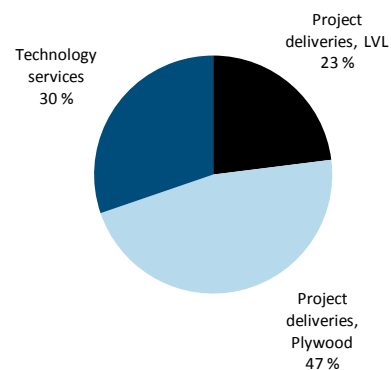
Raute serves the wood products industry with a full-service concept that is based on technology solutions that cover the customer's entire production process and services throughout their life cycle. Raute's business consists of **project deliveries** and **technology services**. Project deliveries encompass projects from individual machine or production line deliveries to deliveries of all the machines and equipment belonging to a mill's production process. Additionally, Raute's full-service concept includes comprehensive technology services ranging from spare parts deliveries to regular maintenance and equipment modernizations, as well as consulting, training, reconditioned machinery and digital services.

Large mill or production line scale delivery projects can temporarily increase the share of an individual customer of the Group's net sales to more than 10 percent. At the end of the financial year 2018, the Group had two customers (2), whose customized share of the Group's net sales temporarily exceeded ten percent. The sales share of the customers was 29 percent. The share of one customer was 17 percent and the share of the other customer 12 percent.

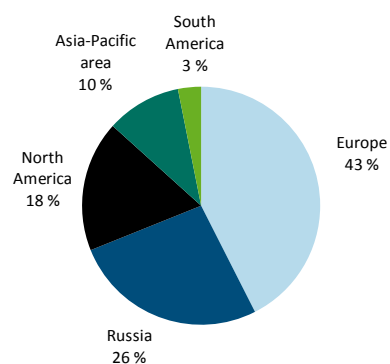
Finland accounted for 15 percent (17%) of net sales.

Net sales

Technology services vs. Project deliveries



Net sales by market area



Basis of preparation

Net sales include revenue from the sale of project deliveries and technology services, as well as raw materials and equipment, adjusted net of indirect taxes, discounts, and exchange differences from foreign currency sales. All components pertaining to each contractual entity have been treated as a whole and the same revenue recognition method is applied to them.

The revenue of the sales is recognized when or as control of the transferred goods or service passes to the customer. When determining the time of revenue recognition, it is assessed whether control of the goods or service subject to the performance obligation passes over time or at a point in time. This criterion applies by following five steps guidance: (1) identification of the contract, (2) identification of the performance obligation, (3) determining the transaction price, (4) Allocation of the transaction price to the performance obligations and (5) Recognition of revenue.

The main part of the net sales is comprised of **project deliveries and modernization projects**, which have been treated as performance obligations to be satisfied over time. The basis of preparation of the performance obligations to be satisfied over time has been presented on page 22.

Revenues from **service and other expert services**, such as consulting, training and digital services, have been recognized in net sales for the period in which the service has been provided. Revenues from time-based maintenance contracts have been recognized as income for the maintenance contract period and the costs incurred have been recognized as expenses on performance basis. Performance ob-

ligation of maintenance and other expert services shall be satisfied over time when the customer receives and consumes the benefit at the same time as the service is performed. Revenues from other services have been recognized in net sales for the period in which the service has been provided.

Performance obligations to be satisfied at a point in time include individual standard product deliveries and spare parts. Performance obligations related to the products will be recognized based on the delivery terms.

Revenues from the **sale of spare parts and other goods**, as well as small and short-term projects, have been recognized in full when the significant risks and rewards have been transferred to the buyer and the Group no longer has right of possession of and control over the product. This generally means the moment at which the goods have been delivered to the customer in accordance with the agreed delivery clause. The delivery conditions used in the Group are based on Incoterms 2010 delivery clauses which have been presented in the official rules published by the International Chamber of Commerce for the interpretation of trade terms.

Project deliveries and modernizations related to technology services include both product and service sales, so the breakdown of the Group's net sales into purely product and service sales cannot be reliably presented.

| EUR 1,000 | 2018 | Restated 2017 |
|---|----------------|------------------|
| Specification of net sales | | |
| Performance obligations to be satisfied over time | 149 460 | 118 115 |
| Performance obligations to be satisfied at a point in time | 31 533 | 29 949 |
| TOTAL | 180 993 | 148 064 |
| Project revenues entered as income from performance obligations to be satisfied over time currently undelivered | 202 848 | 135 322 |
| Amount of performance obligations to be satisfied over time not yet entered as income (order book) | 88 037 | 104 728 |
| Balance sheet items of undelivered projects | | |
| Projects in which the value by percentage of completion exceeds advance payments invoiced | | |
| - aggregate amount of costs incurred and recognized profits less recognized losses | 140 536 | 88 318 |
| - advance payments received | 99 313 | 67 913 |
| Current customer contract assets | 41 223 | 20 405 |
| Projects in which advance payments invoiced exceed the value by percentage of completion | | |
| - aggregate amount of costs incurred and recognized profits less recognized losses | 60 676 | 46 388 |
| - advance payments received | 78 602 | 68 846 |
| Current customer contract liabilities | 17 926 | 22 458 |
| Advance payments included in current liabilities in the balance sheet | | |
| Current customer contract liabilities | 17 926 | 22 458 |
| Other advance payments received | 3 080 | 3 281 |
| Total | 21 006 | 25 739 |
| Advance payments of the customer contract included in inventories in the balance sheet | | |
| Advance payments paid | 1 017 | 659 |
| Total | 1 017 | 659 |

Basis of preparation

Project deliveries and modernization projects recognized by percentage of completion and customized and tailored to customer's needs, shall be determined as a **performance obligation over time**. These performance obligations do not have the alternative use in IFRS 15, those constitute still one performance obligation and Group has the right to receive the payment for the performance produced at the time of review. If a contractual entity (e.g. mill-scale delivery) includes sub-entities (e.g. production lines) with determined contract terms and conditions and with risks, rewards and control of ownership transferred to the buyer separately from the rest of the contractual entity, they have been treated as separate performance obligations to be satisfied over time.

The company applies the **percentage of completion** method as a revenue recognition principle in performance obligations over time (relation of actual project costs to the estimated total project costs). Percentage of completion has been measured on a cost basis as the relation of actual costs of performance obligation to the estimated total costs of performance obligation. The most recent estimates of the total revenue including the estimated penalty discounts on costs and risks have been used in the estimates based on the trade contract terms according to the percentage of completion estimates adjusted with a typical performance estimate adjustments for similar contracts.

Revenue and cost from long-term projects has been recognized as an income and expense according to the percentage of completion as soon as the outcome of the performance has been reliably estimated, both expenses and income. The estimates have been based on previous experience of similar business transactions and the special features of each project have been considered. Changes to the project, requirements concerning additional charges and incentives have been taken into account in the project income and expenses to the extent that can be reliably determined and which has been agreed upon with the customer.

If the result of a performance obligations to be satisfied over time cannot be reliably estimated,

- the project costs have been recognized as an expenditure in the same financial year in which they have been incurred and

- the project revenue has been recognized only to the extent of project costs incurred that are likely to be recovered.

When it is probable that the total costs needed to complete the contract will exceed total contract revenue, the expected loss has been recognized as an expense immediately.

If the net sales of performance obligation to be satisfied over time recognized by percentage of completion (incurred costs and recognized profits) are larger than the amount of advance payment received for the project, the difference has been recognized as a current customer contract assets in the balance sheet item Accounts receivables and other receivables. If the net sales of performance obligation to be satisfied over time recognized by percentage of completion (incurred costs and recognized profits) are minor than the amount of advance payment received for the project, the difference has been recognized as a current customer contract liability in the balance sheet item Accounts payable and other liabilities. At the beginning of the financial year, a sales income of EUR 21,942 thousand has been recognized for items included in the current customer contract liabilities.

When the risks and responsibilities of the project have been essentially transferred to the counterparty on the contract, the customer contract has been recognized entirely as an income, unpaid contract price has been presented in accounts receivables and the estimated project warranty costs as a warranty reserve.

During the financial year 2018 and the comparison period, the Group has had no financial costs allocated to the long-term projects entered in the balance sheet

Management's critical accounting judgments and key sources of estimation uncertainty

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

| EUR 1,000 | 2018 | 2017 |
|---|---------------|---------------|
| ACCOUNTS RECEIVABLES AND CURRENT CUSTOMER CONTRACT ASSETS IN THE BALANCE SHEET | | |
| Accounts receivables excluding credit loss provision | 6 015 | 8 399 |
| Current customer contract assets | 41 223 | 20 405 |
| TOTAL | 47 238 | 28 804 |
| Customer receivables | | |
| Accounts receivables excluding credit loss provision | 6 015 | 8 399 |
| Invoiced outstanding advance payments | 14 029 | 6 129 |
| Total | 20 044 | 14 528 |
| Age distribution of customer receivables | | |
| Undue | 17 984 | 11 915 |
| Overdue 0–29 days | 1 409 | 1 750 |
| Overdue 30–60 days | 197 | 153 |
| Overdue over 60 days | 456 | 709 |
| Total | 20 044 | 14 528 |

The **outstanding advance payments** presented in the table “Customer receivables” are invoiced payments connected to binding contracts. They are not included in the assets of the balance sheet at the balance sheet date, because no payment has been received or they are not overdue. The combined age analysis of accounts receivables and advance payments of binding sales contracts invoiced according to payment terms has been presented in the table “**Age distribution of customer receivables**”.

Basis of preparation

Sales and other revenue have been recognized in **accounts receivables** at the original receivable amount. Current accounts receivables have been measured at the original receivable amount and their book value is equal with their fair value. The payment terms for customer contracts are based primarily to the percentage of completion of the project, performance of the service, payment schedule or the contractual target determined in a customer contract. Accounts receivables of EUR 6,015 thousand (EUR 8,399 thousand) are non-interest bearing. The average terms of payment are 30 days. Accounts receivables do not include any items which will overdue after 12 months from the balance sheet date, classified as non-current asset.

Current customer contract assets are a balance sheet item comparable to accounts receivables. As an asset is recognized the amount with which the individual, performance obligations to be satisfied over time entered as an income according to the percentage of completion method exceeds the amount of advance payment received. The carrying amounts of receivables have been presented in the note Financial assets, page 49. Customer contract receivables have been presented in this note as a financial asset.

Management’s critical accounting judgments and key sources of estimation uncertainty

The management has estimated customer’s ability to remit the payment of such accounts receivables, for which the company has not received any guarantee for the payment or any other securities. The Group companies’ ability to settle the accounts receivables and payments has been estimated by the management.

The credit risk related to the accounts receivables has been estimated according to the standard IFRS 9 on the basis of evaluation of the lifetime expected for accounts receivables at the balance sheet date. Raute Group has applied the simplified approach allowed for recognition of credit losses of accounts receivables, because accounts receivables do not contain significant financing component. The accounts receivables have been grouped based on an aging distribution and a credit risk characteristics. The expected credit loss is based on historical credit loss amounts taking into account individual estimates in the accounts receivables. Estimated impairment losses have been recognized through profit or loss. An impairment of EUR 28 thousand has been recognized for expected credit loss allowance on accounts receivables during the financial year. The value of accounts receivables has been reduced EUR 158

thousand. If the amount of the impairment loss will decrease in any subsequent financial year and deduction may be considered related to the recognition of impairment after the event, the recognized loss is reversed through profit or loss. Impairments of credit losses have been recognized to the item Other operating expenses in the income statement.

Risk management

The total value of accounts receivables and customer contract assets in the balance sheet corresponds to the amount of money that is the maximum amount of **credit risk** at the balance sheet date without taking into account the fair value of collateral or later contractual obligations in the case that the contractual parties are unable to fulfill their obligations to pay in accordance with the sales contract.

The Group’s credit risks or counterparty risks are realized when the customer or other counterparty is unable to fulfill its commitments to the Group. Receivables related to accounts receivables are derecognized as final credit losses when the contractual payment is significantly delayed, eg. due to significant financial difficulties of counterparty. According to the principles of credit management, the quality of receivables is assessed on the basis of customer-specific analysis. Credit risks related to contractual counterparties in project deliveries are managed with established suppliers and customers by advance payment terms and/or by expecting bank guarantees or confirmed letters of credit for customer payments. Credit risks related to technology services are managed by regularly monitoring the customer-specific amounts of receivables and customers’ payment behavior.

The maximum credit risk relating to customers’ solvency is the amount of receivables relating to binding sales contracts that are not covered by bank guarantees, letters of credit or other securities. Received bank guarantees and letters of credit covered 24 percent (14%) of the accounts receivables and the customer contract assets recorded in the balance sheet and 17 percent (16%) of the order book at the end of the financial year. A main part of the receivables was related to established counterparties and customers. During the financial year, a credit loss amounting to EUR 84 thousand (EUR 3 thousand) has been recognized as an expense. No significant credit risk clusters were recognized in the accounts receivables at the balance sheet date.

| EUR 1,000 | 2018 | 2017 |
|--|---------------|---------------|
| ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES | | |
| Accounts receivables | 5 857 | 8 399 |
| Customer contract assets | 41 223 | 20 405 |
| Accrued income and prepaid expenses | 1 331 | 899 |
| Derivative contract receivables | 155 | 131 |
| Other receivables | 3 689 | 574 |
| TOTAL | 52 256 | 30 408 |
| Substantial items included in accrued income and prepaid expenses | | |
| Accrued employee related expenses | 28 | 23 |
| Income tax receivable | - | 45 |
| Other accrued income and prepaid expenses | 1 303 | 831 |
| TOTAL | 1 331 | 899 |

Basis of preparation

The Group's assets include accounts receivables, customer contract assets, accrued income and prepaid expenses, derivative contract receivables and other receivables.

Information of credit losses related to the accounts receivables and customer contract assets as well as exposure to credit risk and counterparty risk has been presented in the note Account receivables and customer contract assets, page 23. Basis of preparation of derivative contracts has been presented in the note Derivatives, page 41. Fair values of the receivables have been presented in the note Financial assets, page 49.

Management's accounting judgments and key sources of estimation uncertainty

Management has monitored the customers' and other counterparties' ability to settle the commercial receivables and payment obligations related to loans. No significant credit risk clusters were recognized in the receivables at the balance sheet date.

| EUR 1,000 | 2018 | 2017 |
|---|-----------------|----------------|
| MATERIALS AND SERVICES | | |
| Purchases during the financial year | -88 762 | -69 698 |
| Change in inventories, materials and supplies | -49 | -203 |
| External services | -14 969 | -10 820 |
| TOTAL | -103 781 | -80 721 |

Basis of preparation

Purchases include materials and raw materials, as well as variable costs related to acquisition and manufacturing the products. External services include variable costs of production and subcontracting costs as well as service payments to suppliers.

Change in inventories includes material and raw material inventory change.

Risk management

The raw materials used by the Group are reprocessed steel products, other raw materials, components, and commodities. It is not possible to actively hedge against their **market price risk** with derivatives, and their price risk is a part of the business risk. The price risk of steel is managed by regularly analyzing and following the price fluctuation. The price risk of components is reduced by making blanket agreements with suppliers. The price risk of the electric power used in the Group's production processes is followed and managed through fixed-price contracts.

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

| EUR 1,000 | 2018 | 2017 |
|------------------------------|--------------|--------|
| PROVISIONS | | |
| Warranty provisions | | |
| Book value at Jan. 1 | 1 900 | 1 543 |
| Additions | 1 511 | 1 808 |
| Decrease | -1 462 | -1 449 |
| Exchange differences | 6 | -2 |
| Book value at Dec. 31 | 1 956 | 1 900 |
| Other provisions | | |
| Book value at Jan. 1 | 186 | 75 |
| Additions | 154 | 186 |
| Decrease | -96 | -75 |
| Book value at Dec. 31 | 244 | 186 |
| TOTAL | 2 200 | 2 086 |
| from which | | |
| - non-current | 605 | 707 |
| - current | 1 595 | 1 378 |

Basis of preparation

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

A provision related to warranty obligations has been recognized through profit or loss when revenue from a long-term project, service or spare part including a warranty clause has been recognized. The amount of the warranty provision is estimated at the beginning of the project based on past experience from warranty costs. The unused provision has been recognized as income at the end of the warranty period and expiry of the warranty obligations. Performance obligations to be satisfied over time, the warranty provisions are included in the estimated total costs of the project. Provision for unprofitable contract has been

recognized when the unavoidable direct costs and estimated indirect production costs and depreciation under the contract have exceeded the benefits from the contract.

Management's critical accounting judgments and key sources of estimation uncertainty

The amount of warranty provisions has been estimated on the basis of the management's experience from product costs in the warranty period, taking into consideration special product risks.

| | 2018 | 2017 |
|---|----------------|----------------|
| NUMBER OF PERSONNEL | | |
| Employed at Dec. 31, persons | | |
| Workers | 234 | 217 |
| Office staff | 538 | 487 |
| TOTAL | 772 | 704 |
| Personnel working abroad | 267 | 222 |
| Effective, on average, persons | | |
| Workers | 223 | 204 |
| Office staff | 502 | 456 |
| TOTAL | 725 | 660 |
| Personnel working abroad, effective, on average | 240 | 204 |
| On average, persons | | |
| Workers | 228 | 209 |
| Office staff | 520 | 473 |
| TOTAL | 748 | 682 |
| Personnel working abroad, on average | 245 | 206 |
| EUR 1,000 | | |
| EMPLOYEE BENEFITS EXPENSE | | |
| Wages and salaries | -38 750 | -33 589 |
| Share-based payments | -621 | -648 |
| Pension contributions | -5 904 | -4 721 |
| Other personnel costs | -1 668 | -2 078 |
| TOTAL | -46 944 | -41 036 |

Wages and salaries

Wages and salaries include the basic salaries with fringe benefits, a profit and performance benefits (performance-based bonuses) and long-term incentive schemes.

Performance-based bonus systems based on annual targets

Performance-based bonus system includes the bonus systems for the President and CEO and for the Group's Executive Board, key personnel and the rest of the personnel. A person can receive the bonus from one performance bonus system at a time. The Board of Directors annually confirms the general principles, maximum amounts and calculation methods for the remuneration systems. The system is in force for a year at a time. The payment of the bonus is dependent of the positive Group's profit. The maximum amount of the bonus systems has been limited to 20 percent of the Group's operating profit. The majority of the performance-based bonuses are paid once a year after the Annual General Meeting has confirmed the consolidated financial statements.

The payment of bonuses within the performance-based bonus systems for the President and CEO, the Group's Executive Board and key personnel is dependent on the profit and task-related personal targets determined for the entire year. The maximum amount of the bonus from the performance-based bonus system is 6 months for the President and CEO and 3 months for the Group's Executive Board.

The payment of bonuses within the plans for the rest of the personnel is dependent on the Group's profit and the shared targets set for the unit's performance, quality and operations. Part of the performance-based bonuses for entire personnel are determined and paid quarterly.

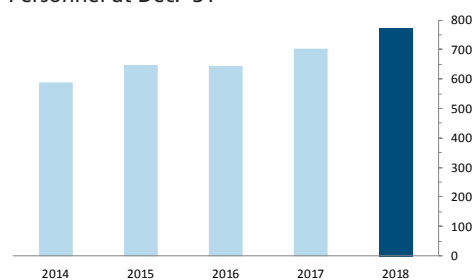
Basis of preparation

Performance-based bonus systems based on annual targets has been recognized as a provision when the Group has a contractual obligation or when a constructive payment obligation has arisen from an earlier practice.

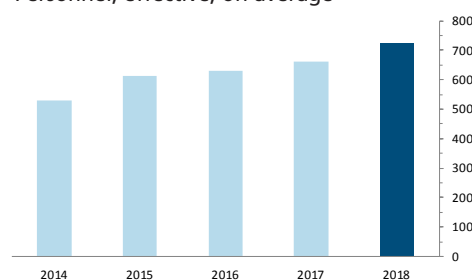
Management's critical accounting judgments

The expenses and liabilities recognized on the performance-based bonuses on annual target are based on calculations of the bonuses that are based on valid contracts. The management has used estimates to assess the amount of the performance-based bonus plan's when the target's linked to the persons or personnel group's profit, quality and operations have been met.

Personnel at Dec. 31



Personnel, effective, on average



Share-based payment plan for senior management's

Raute Group's share-based plans include two long-term performance share-based payment plans for the Group's senior management. The purpose of the plans is to align the objectives of the owners and management, for example in terms of developing the company's value, and to commit management to the company by offering a competitive long-term payment plan.

An expense of EUR 257 thousand (EUR 595 thousand) has been recognized for the share-based payment plans during the financial year. From the share-based payment plans in force at the end of the financial year, EUR 763 thousand (EUR 240 thousand) has been allocated to the invested non-restricted equity reserve.

Share-based payment plan 2014–2018 (LTI 2016)

The Board of Directors of Raute Corporation resolved on February 12, 2014 to implement a Performance Share Plan 2014–2018 for the Group's senior management. The three three-year share plans included in the payment plan commenced in 2014, 2015 and 2016. The bonus accrued from the last earnings period 2016, totaling EUR 536 thousand, was paid to 12 members of the Group's senior management on March 6, 2018. The earnings criteria were earnings per share (EPS) and growth in net sales. The vesting period ended at the end of 2018.

Share-based payment plan 2017–2022 (LTI Plan 2017–2019, LTI Plan 2018–2020)

On February 15, 2017, the Board of Directors of Raute Corporation resolved to implement a new performance-based, share-value-based, long-term payment plan for the Group's senior management.

The Performance Share Plan is made up of three three-year plans that begin every year. A single plan may consist of either a three-year earnings period or a one-year earnings period and the subsequent two-year vesting period. The possible bonus earned by

virtue of a single plan shall be paid at the end of the three-year plan in question. The earnings opportunity is limited such that the value of the bonus, at the time of payment, to be paid to a participant based on a single three-year plan can be no more than double the value of the maximum earnings opportunity allocated to him/her when the plan commenced. The company's Board of Directors decides separately on when each plan commences, the length of its earnings period, the performance targets, the persons entitled to participate in the plan and the earnings opportunity.

LTI Plan 2017–2019

LTI Plan 2017–2019 commenced at the start of 2017. The plan consists of a one-year earnings period and the subsequent two-year vesting period. The performance targets are earnings per share (EPS) and growth in net sales. At the end of the financial year, the plan covered a total of 12 persons belonging to the Group's senior management and the accrued bonuses totaled 25,623 Raute Corporation's series A shares. The bonuses will be paid in spring 2020 as Raute's series A shares, less the amount needed to cover the taxes and tax-like payments resulting from the shares.

LTI Plan 2018–2020

LTI Plan 2018–2020 commenced at the start of 2018. The plan is made up of two parts. The first part consists of a three-year earnings period. Its weight is 80 per cent of the whole plan and the performance target is Total Shareholder Return (TSR) proportionate to the selected peer group. The second part consists of a one-year earnings period and the subsequent two-year vesting period. Its weight is 20 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any bonuses possibly accruing from both parts will be paid in spring 2021 as Raute's series A shares, less the amount needed to cover the taxes and tax-like payments resulting from the shares. The LTI 2018–2020 plan covers 11 persons belonging to the Group's senior management.

Basis of preparation

Share-based payment plans have been recognized as an expense during the earnings period in the income statement item employee benefits expense. The fair value of the benefit is the share value at the benefit's grant date. The amount to be recognized as an expense is based on an estimate of the number of shares to which a right is expected to be born during the earnings period. The estimate of the shares earned will be assessed at each balance sheet date. If the estimate changes in later periods, the change shall be adjusted in the income statement at that period when the change has been detected. The contra account for shares to be granted according to the share-based payment plan, is the invested non-restricted equity reserve.

Granted share bonuses

| | LTI Plan 2018–2020 | LTI Plan 2017–2019 |
|--------------------------|-----------------------|-----------------------|
| Grant date | 29.3.2018 | 14.2.2017 |
| Fair value at grant date | 30,06 | 17,50 |
| Granted shares, pcs | 17 460 | 25 623 |

Management's accounting judgments

Management has estimated the performance level which is the basis of the bonuses and the amount of the eligible persons at the end of the vesting period.

Pension plans

Pension plans have been classified into defined benefit and defined contribution plans. Under a defined contribution plan the Group pays fixed contributions to a separate insurance company, after which the Group has no other obligations to pay. In addition, the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay retirement benefits. Contributions to defined contribution pension plans have been recognized in the income statement as an expense in the period in which they were due. The Finnish statutory employment pension scheme and the pension plans of foreign subsidiaries have been classified as defined contribution plans.

The parent company Raute Corporation has a defined-contribution pension arrangement and the related obligations are determined in accordance with the pension act that applies to the employees. The pension arrangements of foreign subsidiaries are managed in accordance with local legislation and they are defined-contribution arrangements. Raute Corporation's voluntary supplementary pension insurance has been treated in accounting as a defined-benefit plan. The current Finnish employees' voluntary supplementary pension insurance has been arranged through Mandatum Life Insurance Company. At the end of the financial year, the balance sheet did not contain any obligations resulting from benefit-based obligations.

Raute's Sickness Fund is an insurance fund, which pays its members additional benefits on top of compensations paid according to the Sickness Insurance Act. Raute's Sickness Fund covers personnel in Raute Corporation and Lahti Precision Oy.

| EUR 1,000 | 2018 | 2017 |
|---|--------------|--------------|
| Salaries and remunerations of the President and CEO and Board of Directors of the Parent company | | |
| Tapani Kiiski, President and CEO | | |
| Salaries and other short-term employee benefits | 397 | 453 |
| Post-employment benefits | 74 | 79 |
| Share-based payments | 67 | 233 |
| TOTAL | 538 | 765 |
| Remuneration of the Parent company's Board of Directors | | |
| Members of the Board of Directors | | |
| Pehu-Lehtonen Erkki, Chairman of the Board | 40 | 40 |
| Mustakallio Mika, Vice-Chairman of the Board | 20 | 20 |
| Suominen Pekka, Member of the Board | 20 | 20 |
| Bask Joni, Member of the Board | 20 | 20 |
| von Essen Patrick, Member of the Board | 20 | 20 |
| Raitio Laura, Member of the Board as of March 28, 2017 | 20 | 13 |
| Leiwo Päivi, Member of the Board until March 28, 2017 | - | 7 |
| TOTAL | 140 | 140 |
| Group Executive Board's employee benefits on an accrual basis | | |
| Salaries and other short-term employee benefits | 1 189 | 1 099 |
| Post-employment benefits | 243 | 224 |
| Share-based payments | 79 | 331 |
| TOTAL | 1 510 | 1 654 |

The **President and CEO** has a possibility to have a profit-related bonus amounting to a maximum of six months' salary which depends on the annual targets. The President and CEO's term of notice is six months, and the severance pay equals twelve months' salary.

An expense of EUR 413 thousand has been recognized for the share based payment during the financial year based on the long-term share-based payment program directed to the top management.

During the financial year, the management and the Board of Directors has not been granted share options.

Pension obligations of the President and CEO and the Board Members are determined according to the Employees Pensions Act. Other special conditions concerning retirement or the amount of retirement allowance have not been agreed on. The statutory pension cost in the financial year 2018 was EUR 74 thousand (EUR 79 thousand). Remunerations paid to the Board of Directors do not include the statutory retirement obligation.

Raute's **Remuneration statement** contains information on the remuneration of the Board of Directors and the President and CEO. Up-to-date information is available on the company's website at www.raute.com.

On December 31, 2018, the Board of Directors and the Group's President and CEO and the Group's Executive Board held altogether 131,668 series A shares and 127,890 series K shares. The management's holding represents 6.1 percent of the company shares and 11.6 percent of the votes. The figures include the holdings of their own, minor children and control entities.

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

| EUR 1,000 | 2018 | 2017 |
|--------------------------------------|------------|-----------|
| OTHER OPERATING INCOME | | |
| Insurance compensations | 527 | 11 |
| Allowances received | - | 4 |
| Capital gain on sale of fixed assets | 38 | 24 |
| Other | 126 | 57 |
| TOTAL | 692 | 96 |

| EUR 1,000 | 2018 | 2017 |
|---|----------------|----------------|
| OTHER OPERATING EXPENSES | | |
| Indirect production expenses | -4 446 | -3 264 |
| Renting expenses | -1 548 | -1 416 |
| Sales and marketing expenses | -2 577 | -2 604 |
| Credit losses | -28 | -3 |
| Administration expenses | -2 666 | -2 298 |
| Changes in the fair value of currency forward contracts | -178 | -58 |
| Other expenses | -5 140 | -5 010 |
| TOTAL | -16 582 | -14 653 |

Auditors' remunerations

Authorized Public Accountants PricewaterhouseCoopers Oy (Finland)

| | | |
|--|------------|-------------|
| Audit expenses, statutory | -43 | -40 |
| Audit expenses, other assignments according to the Audit Act | -2 | -2 |
| Audit expenses, other services | -4 | -93 |
| Audit expenses, tax services | -3 | -5 |
| Total | -52 | -140 |

Authorized Public Accountants PricewaterhouseCoopers (Global)

| | | |
|--|------------|------------|
| Audit expenses, statutory | -11 | -12 |
| Audit expenses, other assignments according to the Audit Act | - | - |
| Audit expenses, other services | - | - |
| Audit expenses, tax services | - | - |
| Total | -11 | -12 |

Basis of preparation

Revenue not included in net sales, such as lease income, insurance compensations and gains on the disposal of fixed assets, has been recognized in the **other operating income**. Lease income has been recognized as income on a straight-line basis for the lease term.

Basis of preparation

Other operating expenses have been recognized as income-impact items by nature included in business operations. Other individual items such as direct purchases, changes in inventories and employee benefits expenses included in the income statement have been presented in connection of the corresponding income statement item.

The Parent company's **auditor** during the financial year was the Authorized Public Accountants PricewaterhouseCoopers Oy. Statutory audit fee includes audit fees for current financial year auditing. Other services and tax services include audit fees for other services recognized on accrual basis during the financial year. Fees do not include travel costs and fees payable to the authorities arising from auditing or other assignments.

| EUR 1,000 | 2018 | 2017 |
|--|--------------|-------|
| LEASE AGREEMENT | | |
| Group as a lessee | | |
| Minimum rents paid on the basis of other non-cancellable leases: | | |
| - Within one year | 1 513 | 1 297 |
| - After a period of more than one year and less than five years | 2 629 | 2 773 |
| TOTAL | 4 143 | 4 070 |

Basis of preparation

Leases in which a significant portion of the risks and rewards incident to ownership are retained by the lessor have been treated as operating leases. Payments made under other leases have been recognized as an expense based on the lease period. In the financial statements 2018 lease liabilities have been presented in rental liabilities as an off balance sheet item in the note Pledged assets and contingent liabilities, page 54.

| EUR 1,000 | 2018 | Restated 2017 |
|---|---------------|------------------|
| INCOME TAXES | | |
| Consolidated income statement | | |
| Current tax based on the taxable profit of the financial year | -2 743 | -3 108 |
| Current tax of previous financial years | -53 | 9 |
| Deferred taxes | -279 | 959 |
| TOTAL | -3 076 | -2 141 |
| Reconciliation of the relationship between realized tax expense and theoretical accounting result using the Finnish tax rate of 20.0 percent | | |
| Profit before taxes | 14 912 | 11 120 |
| Tax effect of the following items: | | |
| Taxes calculated using the Finnish tax rate, 20.0 % | -2 982 | -2 224 |
| Effect of differences in tax rates of foreign subsidiaries | -96 | 57 |
| Non-taxable income | 252 | 120 |
| Non-deductible costs in taxation | -483 | -123 |
| Taxes from the previous financial years | -53 | 5 |
| Utilization of previously unrecognized tax losses | 357 | - |
| Unrecognized tax assets from the losses of foreign subsidiaries | - | -494 |
| Other items | -70 | 519 |
| Consolidated tax expense | -3 076 | -2 141 |
| Effective tax rate, % | 20,6 % | 19,3 % |

Basis of preparation

The taxes in the consolidated income statement include the current tax based on the Group companies' taxable income, as well as tax adjustments for previous years and the change in deferred taxes. Current tax based on the taxable income has been calculated on taxable income using the tax rate in force in each country. Taxes have been recognized in the income statement, except when they are related to other comprehensive income items or recognized directly in equity. In such a case, the tax has also correspondingly been recognized in other comprehensive income items or directly in equity.

The Group companies can use special tax deductions related to certain new investments of assets or expenses under certain conditions. These tax credits are treated as a deductible from taxes at the moment when it is highly probable that the tax deduction will be received. The tax credit reduces the tax liability and the tax expense based on the taxable income for the period.

Deferred taxes have been recognized for all temporary differences between the accounting and taxation value. Deferred tax has been determined using tax rates that have been enacted or substantively enacted by the balance sheet date and have been expected to apply when the related deferred tax asset shall be realized or the deferred tax liability shall be settled. The most significant temporary differences have arisen from the amortization of tangible fixed assets, fair value adjustments of available-for-sale financial assets, fair value adjustments of derivatives and tax losses carried forward unused.

The undistributed profits of foreign subsidiaries are not recognized as **deferred tax liabilities**. The assets are invested permanently in the countries in question. The translation differences generated by the consolidation of foreign subsidiaries are not recognized as deferred tax liabilities.

Deferred tax assets have been recognized to the extent that it is probable that taxable profits will be available against which temporary differences can be utilized. The recognition of deferred tax assets has been estimated at each reporting date. The undistributed profits of foreign subsidiaries are not recognized as deferred tax liabilities. The assets are invested permanently in the countries in question. The translation differences generated by the consolidation of foreign subsidiaries are not recognized as deferred tax liabilities.

Management's critical accounting judgments and key sources of estimation uncertainty

The Group is subject to income taxes in Finland and several other countries. Management's judgment has been required in determining the amount based on the taxable income for the financial year, tax of uncertain tax positions, as well as deferred tax assets and liabilities. The recognition and basis of preparation of the deferred tax assets has been estimated at the end of the financial year and the extent to which deferred tax assets can be recognized to the balance sheet. The management estimates how likely it is for the Group's companies to have future recoverable taxable income against which unused tax losses can be utilized. The preparatory estimates used for the estimates at the balance sheet date can differ from the actual figures, in which case changes in tax assets have been recognized as expenses in the income statement.

DEFERRED TAX ASSETS

| EUR 1,000 | 1.1.2018 | Entered through profit or loss | Entered in comprehensive income statement | Recognized in shareholders' equity | 31.12.2018 |
|--------------------------------------|------------|--------------------------------|---|------------------------------------|------------|
| Intercompany inventory profit | 28 | 9 | - | - | 37 |
| Provisions | 238 | 10 | - | - | 248 |
| Employee benefits | 17 | -16 | - | - | 1 |
| Tax losses and credits unused | 410 | -410 | - | - | 0 |
| Other temporary differences | 61 | 126 | 25 | - | 212 |
| Deferred tax assets, total | 754 | -282 | 0 | 0 | 472 |
| Offset from deferred tax liabilities | -315 | -93 | 0 | - | -408 |
| Deferred tax assets, net | 410 | -375 | 0 | 0 | 35 |

COMPARISON YEAR

| EUR 1,000 | 1.1.2017 | Entered through profit or loss | Entered in comprehensive income statement | Recognized in shareholders' equity | 31.12.2017 |
|--------------------------------------|------------|--------------------------------|---|------------------------------------|------------|
| Intercompany inventory profit | 34 | -7 | - | - | 28 |
| Provisions | 210 | 28 | - | - | 238 |
| Employee benefits | 9 | 9 | - | -1 | 17 |
| Tax losses and credits unused | 183 | 227 | - | - | 410 |
| Other temporary differences | 40 | -4 | - | - | 35 |
| Deferred tax assets, total | 476 | 253 | - | -1 | 728 |
| Offset from deferred tax liabilities | -306 | -9 | - | - | -315 |
| Deferred tax assets, net | 167 | 244 | 0 | -1 | 410 |

A deferred tax asset of EUR 1 thousand (EUR 434 thousand) has been recognized from **losses of foreign subsidiaries from the financial year 2018**.

A deferred tax asset of EUR 573 thousand (EUR 634 thousand) has been unrecognized from **loss carry-forwards of foreign subsidiaries**. It is probable that no taxable income, against which the losses can be utilized, shall be available to the Group before the expiry date of the losses.

DEFERRED TAX LIABILITIES

| EUR 1,000 | 1.1.2018 | Entered through profit or loss | Entered in comprehensive income statement | Recognized in shareholders' equity | 31.12.2018 |
|--------------------------------------|-----------|--------------------------------|---|------------------------------------|------------|
| Financial assets at fair value | 90 | 0 | 49 | - | 140 |
| Effect of Group consolidation | 103 | 88 | - | - | 192 |
| Other temporary differences | 209 | -140 | 8 | - | 77 |
| Deferred tax liabilities, total | 402 | -52 | 57 | 0 | 408 |
| Offset to deferred tax assets | -315 | -93 | - | - | -408 |
| Deferred tax liabilities, net | 86 | -145 | 57 | 0 | 0 |

COMPARISON YEAR

| EUR 1,000 | 1.1.2017 | Entered through profit or loss | Entered in comprehensive income statement | Recognized in shareholders' equity | 31.12.2017 |
|--------------------------------------|------------|--------------------------------|---|------------------------------------|------------|
| Financial assets at fair value | 52 | - | 39 | - | 90 |
| Effect of Group consolidation | 114 | -10 | - | - | 103 |
| Other temporary differences | 333 | -54 | 8 | - | 287 |
| Deferred tax liabilities, total | 499 | -64 | 47 | - | 481 |
| Offset to deferred tax assets | -306 | -9 | - | - | -315 |
| Deferred tax liabilities, net | 192 | -73 | 47 | - | 166 |

BUSINESS COMBINATION

On April 3, 2017, Raute Corporation acquired the business of Metriguard, Inc. in the USA. Metriguard sells and maintains measuring equipment for the veneer and plywood industry and for sawmills on a global scale. The production of the company has been centralized in Pullman, Washington. Metriguard's business will be continued under Raute's new US subsidiary, Metriguard Technologies, Inc., whose financial information will be reported as part of Raute's wood products technology segment.

The acquisition has been implemented as an asset purchase, including Metriguard's intangible assets, working capital and fixed assets, except real estate. Metriguard, Inc.'s personnel transferred in the business transaction. The purchase price was paid in two installments. A base purchase price of USD 3.1 million has been paid at closing. The additional earn-out payment based on net sales for a 12-month period following closing of the transaction was paid on October 9, 2018. The final earn-out payment was confirmed to be USD 880 thousand.

| Fair values of the acquisition, thousand euros | 3.4.2017 |
|---|-----------------|
| Intangible assets | 1 407 |
| Tangible assets | 94 |
| Inventory | 1 368 |
| Sales receivables and other receivables | 310 |
| Trade payables and other payables | -178 |
| Net identifiable assets acquired | 3 002 |
| Goodwill | 1 035 |
| Net assets acquired | 4 037 |

Purchase consideration, thousand euros

| | |
|--|--------------|
| Cash paid on Apr. 3, 2017 | 2 911 |
| Contingent consideration on Oct. 9, 2018 | 769 |
| Total purchase consideration | 3 681 |

The cash flow effect of the business transaction in the financial year was EUR 769 thousand.

Basis of preparation

The goodwill recognized in the consolidated balance sheet has been generated in the business acquisition from Metriguard, Inc. The goodwill represents acquired market share, business knowledge and the synergies obtained in connection with the acquisition. The goodwill is the amount over which the acquisition cost has exceeded the fair values of identified acquired assets and liabilities.

Net identifiable other intangible assets acquired has been presented in the balance sheet item Other intangible assets. These items shall be depreciated over their useful life.

Group goodwill has been recognized in the balance sheet at original acquisition cost less amortization and possible impairments. No amortization according to a plan is booked from group goodwill. The group goodwill is tested annually for impairment and always if any indication of impairment exists.

Impairment testing

For the impairment test the goodwill is allocated to the cash generating units (CGUs) of the group structure, which are identified to the business

unit. The goodwill has been allocated to cash generating units both in Finland and North America.

The recoverable amount of a CGU has been determined by value-in-use calculations which require the usage of assumptions. Cash flow estimates used in the calculations are based on management's best judgment and budget accepted by the management. The discount rate used in the calculations is based on the weighted average cost of capital (WACC) at the business area.

The possible impairment loss is recognized immediately in the income statement. Previously recognized goodwill impairment losses will not be revised.

The management has estimated the assumptions for the impairment testing at the balance sheet date. The recoverable amount of the cash generating unit is based on the budget accepted by the management and for forecasts for five years. The discount rate used in calculations is 9.1% (before taxes). The assumptions used in the cash flow estimates for future operations are based on management estimates at the balance sheet date. During the financial year impairment has not been recognized to the consolidated income statement.

OTHER INTANGIBLE ASSETS

| EUR 1,000 | Develop- ment costs | Other intangible assets | Development costs in progress | TOTAL |
|---|---------------------------|-------------------------------|-------------------------------------|----------------|
| Acquisition cost at Jan. 1, 2018 | 4 640 | 10 036 | 123 | 14 799 |
| Exchange rate differences | - | -1 | - | -1 |
| Additions | - | 193 | 275 | 468 |
| Reclassification between items | - | 119 | - | 119 |
| Acquisition cost at Dec. 31, 2018 | 4 640 | 10 346 | 398 | 15 384 |
| Accumulated depreciation and amortization at Jan. 1, 2018 | -4 515 | -7 736 | 0 | -12 250 |
| Exchange rate differences | - | 1 | - | 1 |
| Depreciation and amortization for the financial year | -125 | -472 | - | -597 |
| Impairments | - | - | -38 | -38 |
| Accumulated depreciation and amortization at Dec. 31, 2018 | -4 640 | -8 206 | -38 | -12 884 |
| Book value at Dec. 31, 2018 | 0 | 2 140 | 360 | 2 500 |

COMPARISON YEAR

| EUR 1,000 | Develop- ment costs | Other intangible assets | Development costs in progress | TOTAL |
|--|---------------------------|-------------------------------|-------------------------------------|----------------|
| Acquisition cost at Jan. 1, 2017 | 4 640 | 8 751 | 0 | 13 391 |
| Exchange rate differences | - | -48 | - | -48 |
| Additions | - | 1 627 | 123 | 1 750 |
| Reclassification between items | - | -295 | - | -295 |
| Acquisition cost at Dec. 31, 2017 | 4 640 | 10 036 | 123 | 14 799 |
| Accumulated depreciation and amortization at Dec. 31, 2017 | -4 291 | -7 746 | 0 | -12 038 |
| Exchange rate differences | - | 42 | - | 42 |
| Accumulated depreciation and amortization of disposals and reclassifications | - | 565 | - | 565 |
| Depreciation and amortization for the financial year | -223 | -597 | - | -820 |
| Accumulated depreciation and amortization at Dec. 31, 2017 | -4 515 | -7 736 | 0 | -12 250 |
| Book value at Dec. 31, 2017 | 125 | 2 300 | 123 | 2 548 |

Basis of preparation

An **intangible asset** has been recognized in the balance sheet when it is probable that the expected future financial benefit attributable to the asset will flow to the entity over a period of several years (amortization period) and the cost of the asset can be measured reliably. In other cases the expenditure from intangible assets has been recognized as an expense when incurred. Intangible assets in the Group do not include assets, which has unlimited economical period.

The intangible assets include capitalized development costs and other intangible assets.

Intangible assets with a finite useful life have been recorded in the balance sheet and recognized in the income statement as an expense based on the straight-line depreciation method over their useful life as follows:

| | |
|-------------------------------|-------------|
| Patents | 10 years |
| Computer software | 3–5 years |
| Other intangible assets | 3–10 years |
| Capitalized development costs | 3–10 years. |

Development costs incurred in planning new or more advanced products and in manufacturing test machinery for testing them has been recognized as intangible assets in the balance sheet from the moment the product can be produced technologically, utilized commercially, and future financial benefit is expected from it. Capitalized product development costs include the material, work and testing expenditure incurred directly from completing the product for the intended purpose. After they have originally recognized in the balance sheet capitalized product development costs have been measured at acquisition cost less accumulated amortization and impairment. Development costs recognized as an expense during previous financial year is not capitalized at a later date.

An **other intangible asset** has been recognized in the balance sheet at original cost when it is probable that the expected future financial benefit attributable

to the assets will flow to the entity over a period of several years (amortization period) and the cost of the assets can be measured reliably.

The expected useful lives of the items in the intangible assets in the balance sheet have been reviewed at each reporting date. If they differ considerably from previous estimates, the amortization plan is updated in accordance with the new expected useful lives. The carrying values of intangible assets with limited useful lives have been reviewed at each reporting date. If the value of an asset has decreased significantly the impairment is transferred to the income statement. A previously made impairment can be reversed if the circumstances can be shown to have improved considerably.

Impairment of intangible assets

Group's intangible assets have been tested annually for impairment. Assets that are subject to the amortization have been reviewed for impairment always when events or changes in circumstances have provided indications that it may be impossible to recover the carrying amount of the assets. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. The value in use is the present value of the expected recoverable cash flows from the asset. For the assessment of impairment, the assets are classified at the lowest levels at which the cash flows can be separately identified.

The amount by which the carrying amount of the asset exceeds the recoverable amount has been recognized in the income statement as an impairment loss. An impairment loss recognized in previous periods for non-financial assets other than goodwill has been reassessed at each balance sheet date. The recognition of an impairment loss has been reversed when a change has taken place in the circumstances or in the estimates used to determine the recoverable amount of the asset. However, reversal of impairment has not exceeded the asset's carrying amount less impairment loss.

| EUR 1,000 | 2018 | 2017 |
|---|--------|--------|
| RESEARCH AND DEVELOPMENT COSTS | | |
| Research and development costs for the financial year | -3 735 | -3 237 |
| Amortization of previously capitalized development costs | -125 | -223 |
| Development costs recognized as an asset in the balance sheet | 275 | 123 |
| Research and development costs recognized as an expense before impairments for the financial year | -3 585 | -3 338 |
| Impairments of capitalized development costs | -38 | - |
| Research and development costs recognized as an expense for the financial year | -3 623 | -3 338 |

Basis of preparation

Research cost and those development costs which have not been capitalized to the balance sheet, has been recognized as an expense to the operating expenses before operating profit.

Amortization of capitalized product development costs has been started when the product is ready for use and released for sale. The useful life of development costs is three to ten years depending on the estimated lifetime of the product, during which time capitalized assets have been recognized as an expense on a straight-line basis. Capitalized costs for product development in progress have been tested annually for impairment with the value calculation, if the changes in the circumstances have provided indications of impairment.

Management's accounting judgments

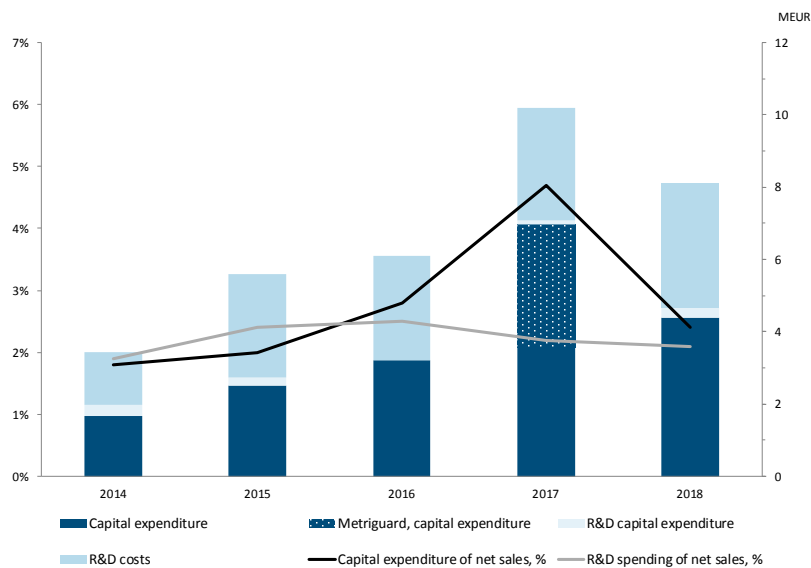
The expected useful lives of the items in the intangible assets in the balance sheet have been reviewed at each reporting date. If they differ considerably from previous estimates, the amortization plan is updated in accordance with the new expected useful lives.

Each asset has been assessed for indications of impairment as explained in the accounting principles above. Where the carrying amount of the asset exceeds the assets' estimated recoverable fair value, impairment has been recognized in the income statement. Previous impairment can be reversed if it can be confirmed that the circumstances have significantly been improved.

The valuations are sensitive to the assumptions involving future expected returns and discount rates. The **discount rate** describes the estimated interest rate expected on the markets, taking into account the time value of money and the special risks pertaining to the asset in question, the related adjustments for which have not been made to the estimated cash flows. The discount rate is defined using the average weighted capital cost, which describes the total equity and borrowing costs, taking into account the special risks linked to the assets. The discount rate used in calculations is 9.1%.

During the financial year, an impairment loss of EUR 38 thousands (EUR 0 thousand) was recognized on capitalized product development costs in progress.

Investing in the future



PROPERTY, PLANT AND EQUIPMENT

| EUR 1,000 | Land and water | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments and assets in progress | Total |
|--|----------------|--------------------------|-------------------------|-----------------------|---|----------------|
| Acquisition cost at Jan. 1, 2018 | 386 | 11 100 | 37 021 | 554 | 1 073 | 50 134 |
| Exchange rate differences | - | - | -309 | -7 | - | -316 |
| Additions | - | - | 1 404 | - | 2 512 | 3 916 |
| Disposals | - | - | -225 | - | - | -225 |
| Reclassification between items | - | 716 | 1 150 | 203 | -2 187 | -119 |
| Acquisition cost at Dec. 31, 2018 | 386 | 11 815 | 39 041 | 749 | 1 398 | 53 391 |
| Accumulated depreciation and amortization at Jan. 1, 2017 | - | -7 754 | -31 964 | -469 | - | -40 186 |
| Exchange rate differences | - | - | 289 | 5 | - | 294 |
| Accumulated depreciation and amortization of disposals and reclassifications | - | - | 4 | 0 | - | 4 |
| Depreciation and amortization for the financial year | - | -394 | -1 460 | -37 | - | -1 890 |
| Accumulated depreciation and amortization at Dec. 31, 2018 | - | -8 147 | -33 131 | -501 | - | -41 778 |
| Book value at Dec. 31, 2018 | 386 | 3 668 | 5 911 | 249 | 1 398 | 11 612 |

COMPARISON YEAR

| EUR 1,000 | Land and water | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments and assets in progress | Total |
|--|----------------|--------------------------|-------------------------|-----------------------|---|----------------|
| Acquisition cost at Jan. 1, 2017 | 386 | 10 887 | 36 571 | 553 | 260 | 48 657 |
| Exchange rate differences | - | - | -585 | -11 | - | -596 |
| Additions | - | 4 | 1 217 | - | 1 403 | 2 623 |
| Disposals | - | - | -97 | - | - | -97 |
| Reclassification between items | - | 209 | -84 | 12 | -589 | -452 |
| Acquisition cost at Dec. 31, 2017 | 386 | 11 100 | 37 021 | 554 | 1 073 | 50 134 |
| Accumulated depreciation and amortization at Jan. 1, 2017 | - | -7 390 | -31 234 | -453 | - | -39 077 |
| Exchange rate differences | - | - | 513 | 7 | - | 520 |
| Accumulated depreciation and amortization of disposals and reclassifications | - | - | 183 | - | - | 183 |
| Depreciation and amortization for the financial year | - | -364 | -1 426 | -23 | - | -1 813 |
| Accumulated depreciation and amortization at Dec. 31, 2017 | - | -7 754 | -31 964 | -469 | - | -40 186 |
| Book value at Dec. 31, 2017 | 386 | 3 346 | 5 058 | 85 | 1 073 | 9 948 |

| EUR 1,000 | 2018 | 2017 |
|---|---------------|---------------|
| DEPRECIATION AND AMORTIZATION | | |
| Depreciation and amortization by class of assets | | |
| Intangible assets | | |
| - Capitalized development costs | -125 | -223 |
| - Other intangible assets | -472 | -597 |
| Property, plant and equipment | | |
| - Buildings and structures | -394 | -364 |
| - Machinery and equipment | -1 460 | -1 426 |
| - Other tangible assets | -37 | -23 |
| TOTAL | -2 487 | -2 633 |

Basis of preparation

Property, plant and equipment have been measured at acquisition cost less accumulated depreciation and impairment. The acquisition cost includes the purchase price, cash and other discounts, import duties and fixed taxes. When a property, plant or equipment is manufactured in-house, it also includes, in addition to the above-mentioned items, a share of the Group's fixed costs. Ordinary property, plant and equipment repair and maintenance costs have been recognized through profit or loss as incurred. Possible costs incurred in restoring to original state have been taken into account in IFRS accounting as part of the acquisition cost.

Raute Corporation's consolidated financial statements of December 31, 2018, including the comparison data, do not include property, plant or equipment for which costs capitalized in the future should be taken into account.

Depreciation of tangible assets is calculated using the straight-line method over their estimated useful lives as follows:

| | |
|-------------------------|----------------------------|
| Buildings | 25–40 years |
| Machinery and equipment | 4–12 years |
| Other fixed assets | 3–10 years |
| Land | no depreciations are made. |

The residual value and useful lives of assets are reviewed at the last day of each reporting period and are changed if necessary. If the carrying amount of an asset exceeds the estimated recoverable amount, it is immediately reduced to correspond to the recoverable amount. Gains and losses on decommissioning and disposal of property, plant and equipment have been recognized through profit or loss.

| EUR 1,000 | 2018 | Restated 2017 |
|------------------------|---------------|------------------|
| INVENTORIES | | |
| Materials and supplies | 6 769 | 6 723 |
| Work in progress | 5 769 | 2 665 |
| Other inventories | 829 | 965 |
| Advance payments paid | 1 017 | 659 |
| TOTAL | 14 383 | 11 010 |

During the financial year, EUR 629 thousand (EUR 447 thousand) were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price.

Basis of preparation

Inventories have been measured at the lower of cost and net realizable value. Raw materials and supplies have been measured using the weighted average cost method. The cost of finished goods and work in progress comprises direct material and production costs and the portion of indirect production costs and depreciation allocated to products at a normal capacity excluding financial expenses. Net realizable value is the estimated selling price in the ordinary course of business, less costs of completion and sale. The value of inventories includes impairment due to obsolescence.

Risk management

Advance payments made to suppliers and subcontractors at the reporting date involve a risk of the counterparty not being able to fulfil their contractual obligations and return the advance payment. The risk is managed by examining the size of the subcontractors' risk position and the physical progress of the task and by demanding collateral for the advance payments from specific suppliers. At the reporting date, there was EUR 1.0 million in unsecured paid advance payments (EUR 0.6 million).

| EUR 1,000 | 2018 | 2017 |
|---|---------------|---------------|
| TRADE PAYABLES AND OTHER PAYABLES | | |
| Current interest-free liabilities in the balance sheet | | |
| Advance payments received | 21 006 | 25 188 |
| Trade payables | 13 261 | 7 115 |
| Accrued expenses and prepaid income | 10 046 | 9 603 |
| Derivatives | 373 | 80 |
| Income tax liability | 992 | 829 |
| Other liabilities | 915 | 683 |
| TOTAL | 46 594 | 43 498 |
| Substantial items included in accrued expenses and prepaid | | |
| Accrued project expenses related to customer contracts | 703 | 845 |
| Accrued employee related expenses | 8 119 | 7 184 |
| Financial expenses | 26 | 27 |
| Contingent consideration of the business acquisition | - | 1 001 |
| Other accrued expenses and prepaid income | 1 198 | 546 |
| TOTAL | 10 046 | 9 603 |

Basis of preparation

The Group's **trade payables and other payables** include liabilities arising from goods and services delivered prior to the financial year-end. Liabilities are unsecured and are due to be paid within 12 months after the reporting period. The book value of the items correspond to the fair value at the closing date.

Advance payments received, EUR 21,006 thousand (EUR 25,188 thousand), include advance payments received from performance obligations to be satisfied over time in the amount of EUR 17,926 thousand (EUR 22,593 thousand).

| EUR 1,000 | 2018 | 2017 |
|--|------------|-------------|
| EXCHANGE RATE GAINS AND LOSSES (NET) | | |
| Included in net sales | -159 | 33 |
| Included in financial income and expenses | -5 | -82 |
| Included in other comprehensive income items | 356 | -183 |
| TOTAL | 192 | -232 |

Basis of preparation

Foreign currency transactions of foreign subsidiaries' financial statements have been translated into the functional currency using the exchange rates prevailing at the dates of the transactions. In practice the translation is often carried out using rates that approximately correspond to those prevailing at the dates of transactions. Monetary items in foreign currency have been translated into the functional currency using the rates prevailing on the last day of the reporting period. Foreign currency non-monetary items measured at fair value have been translated into the functional currency using the rates prevailing at the date of fair value measurement. Otherwise non-monetary items have been measured using the rate prevailing at the date of transaction.

Gains and losses from foreign currency transactions and translation of monetary items have been recognized in the income statement. Exchange rate gains and losses from transactions have been presented in the corresponding items in a net basis above the operating profit or loss. Exchange rate gains and losses related to cash and cash equivalents, loans and other financial assets and liabilities have been presented in the income statement under the item Financial income and expenses.

The exchange gains and losses included in the comprehensive income items include exchange rate differences linked to monetary items which fulfill the terms defined for the hedging of cash flows. In addition, the items include the translation difference profits generated by the net investments linked to a foreign subsidiary.

| EUR 1,000 | 2018 | 2017 |
|--|-------|--------|
| DERIVATIVES | | |
| Nominal values of forward contracts in foreign currency | | |
| Economic hedging | | |
| - Related to financing | 961 | 492 |
| - Related to the hedging of net sales | 7 369 | 3 228 |
| Hedge accounting | | |
| - Related to the hedging of net sales | 5 723 | 12 716 |
| Fair values of forward contracts in foreign currency | | |
| Economic hedging | | |
| - Related to financing | -35 | 52 |
| - Related to the hedging of net sales | -120 | 27 |
| Hedge accounting | | |
| - Related to the hedging of net sales | -200 | -18 |

| EUR 1,000 | 2018 Nominal value | 2017 Nominal value |
|---|-----------------------|-----------------------|
| CONTRACTUAL MATURITIES OF HEDGE ACCOUNTING DERIVATIVES | | |
| Economic hedging | | |
| Under one year | 5 723 | 12 716 |
| TOTAL | 5 723 | 12 716 |

| EUR 1,000 | 2018 | 2017 |
|---|------------|-----------|
| CHANGES IN HEDGE RESERVES | | |
| Hedge reserves Jan., 1 | 15 | 7 |
| Additions to hedge accounting (through comprehensive income) | 174 | 14 |
| Transferred to profit or loss (from comprehensive income items) | -15 | -7 |
| From hedge accounting to economic hedging | 1 | 1 |
| Deferred tax at Group's tax rate 20% | -32 | -2 |
| Hedge reserve at Dec., 31 | 143 | 13 |

Basis of preparation

The Group has according to its finance policy used currency derivative contracts to hedge against currency derivative contracts to hedge against currency risks related to future transactions of commercial transactions and financial items. At the time of the adoption of each derivative contract have been determined in which assets or liability recognized in the balance sheet, or highly probable forecast transaction (cash flow hedge) the risk it protects and has the hedge accounting applied.

Hedge accounting has been applied when the derivative meets the conditions for hedge accounting. The decision to apply hedge accounting is made separately for each contract at the time of contract. Each hedging derivative protects certain assets and liabilities, binding contracts or future binding business transactions. The hedging relationship between the hedging instrument and the hedged item, as well as the risk management objectives and the strategy for hedging transactions, has been documented when the hedging relationship arises. The effective share of changes in the fair values of derivatives that meet the criteria for hedge accounting is recognized in equity. The gain or loss associated with the ineffective portion is recognized immediately in the income statement when the hedge is ineffective. When a derivative no longer meets the criteria for hedge accounting, gains or losses accumulated in equity has been recognized in profit or loss. Gains and losses on fair value accumulated in equity has been recognized in profit or loss in the period when the hedged transaction, such as the future transaction, has been recognized in the income statement and

the exchange rate changes in the transaction are recognized in the income statement.

When a derivative no longer meets the criteria of hedge accounting, retained profits and losses has been accrued in equity in profit or loss in the income statement. Accumulated gains and losses on fair value in equity has been recognized in profit or loss for the period when a hedged business transaction, such as a future business transaction, has been recognized in the income statement, and the changes in the exchange rate are recognized in the income statement.

Derivatives which do not meet the criteria of hedge accounting ie the so-called economic hedging, has been classified as held-for-sale. Derivatives classified as economic hedging has been accounted for at fair value through profit or loss in the other operating income or expenses.

Exchange rate losses EUR 15 (7 thousand) have been recognized in the income statement for the derivatives classified under hedge accounting.

Derivatives that do not meet hedge accounting criteria the exchange rate losses have been recognized in profit or loss EUR 135 thousand (36 thousand).

Recognized derivatives have been presented as accrued income or accrued liabilities in current assets or liabilities in the balance sheet. Derivatives mature at contractual due dates and within 12 months after the balance sheet date.

Risk management

The Group operates in international markets and is thus exposed to currency risks resulting from changes in currency exchange rates. The Group's **currency risks** consist of foreign currency denominated sales and purchases as well as assets and liabilities recognized in the balance sheet (transaction risks) and investments in foreign subsidiaries (translation risks).

The Group's main currency is the euro. The most significant currency risks result from the following currencies:

- Canadian dollar (CAD)
- US dollar (USD)
- Chinese yuan (CNY)
- Russian rouble (RUB).

The distribution of the Group's sales varies annually according to market area. In 2018 amount of 59 percent (63%) of net sales were generated outside the euro zone. The Group primarily uses Group company's functional currency as the primary trading currency, of which the most important is the euro. The proportion of the net sales sold in another currency than the Group's home currency was 9 percent (7%) during the year 2018.

The Group's operative units hedge foreign currency denominated payments based on binding sales contracts through the Parent company's financing unit when the contracts take effect. Currency forward contracts are used to hedge sales payments operatively.

The Group hedges the internal trading with forward contracts. The most significant individual currency risk related to purchasing in the Group arises from the Parent company's internal purchases from China. The trading currency of these purchase agreements is the euro but the Group's costs are determined by the Chinese yuan. Primarily, cash flows accumulating from un-hedged sales payments in the same currency are used in the hedging of currency risks related to binding procurement contracts.

Future cash flows, which are not based on contracts binding both parties, are usually not hedged. Currency clauses are used to hedge against currency risks during the quotation period. Depending on the case, currency risks related to preliminary sales contracts are hedged with currency option contracts. The nominal value of forward contracts used to hedge business operations was EUR 14 million (MEUR 16) and the fair value EUR 355 thousand negative (EUR 61 thousand) at the balance sheet date.

The internal loans taken out by the Group companies and their deposits are mainly in the functional currency of the subsidiary in question. The currency exchange risks of the Group's internal loans have been hedged with forward contracts, with the exception of equity loans or loans in fact classified as such.

At the end of the financial year 2018, no forward contracts were related to the hedging of the Group's financing. The subsidiaries' loans from external financial institutions were in each company's functional currency.

The forward contract receivables and liabilities related to the economic hedging of sales currency payments, which do not meet the hedge accounting criteria, form a profit affecting currency risk to the Group at the balance sheet date to the extent that value of the hedged contracts exceeds the net sales recognized from the respective binding sales contracts. The measurement of the forward contracts related to an economic hedging and current customer contract assets had an EUR 120 thousand positive effect on the Group's operating profit (EUR 78 thousand) at the reporting date. The nominal values of the derivatives have been presented in the note Derivatives, page 41.

The Group applies the hedge accounting to the currency derivative contracts when the change in the fair value of a contract may have a significant

temporary effect on the Group's operating profit due to the change in exchange rates. The Group's Parent company concludes, with an external counterparty, a derivative contract which is defined as a hedging instrument in hedge accounting. Subsidiaries use internal derivatives to hedge transactions defined as hedged items. The total amounts of the valuation gains and losses for derivatives have been presented in the note Derivatives, page 41.

The Group regularly monitors **transaction risks** in the main currency pairs. Currency flows related to binding contracts, and derivative contracts used for their hedging, are taken into account in the net currency position from the reporting date onwards regardless of which year's profit or loss the currency risk will affect. The aim of managing currency risks is to keep the open net currency positions of each Group currency pair at less than EUR 500 thousand for each currency pair other than for the Russian ruble, for which the aim is to keep the net currency position at less than EUR 1 million. The Group's net currency position and its portion included in the balance sheet at the reporting date (Net balance sheet risk) is presented in currency pairs in the following table:

| EUR 1,000 | Net currency position | | Net balance sheet risk | |
|-----------|-----------------------|------|------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| CNY/EUR | 437 | 216 | 18 | 8 |
| RUB/EUR | -135 | -650 | -135 | -650 |
| CAD/EUR | 1 255 | 650 | 3 667 | 4 986 |
| USD/EUR | 1 180 | 177 | 1 402 | 677 |

Cash flows related to binding contracts included in the net currency position have been hedged EUR 1,226 thousand in the CAD/EUR currency pair and EUR 139 thousand in the USD/EUR currency pair.

The Group is exposed to **translation risks**. The Group has foreign subsidiaries which have equities in currencies other than the Parent company's functional currency. The currency risks related to the conversion of the foreign subsidiaries' net investments to the Group's home currency, the euro, have not been hedged. The Group's subsidiaries' non-euro-denominated equities equalled altogether EUR 6,230 thousand on December 31, 2018 (EUR 3,280 thousand). Net investments are detailed according to currency in the following table:

Net investments

| EUR 1,000 | 2018 | 2017 |
|-----------|-------|--------|
| CNY | 313 | -41 |
| RUB | 203 | 180 |
| CAD | 507 | -1 810 |
| USD | 4 804 | 4 618 |
| Muut | 404 | 333 |

A **sensitivity analysis** in the main currency pairs on the transaction risk, i.e. the effect of reasonable potential changes in the exchange rates on the Group's profit or loss after tax on December 31, 2018 is presented in the following table:

Effect on profit after tax

| EUR 1,000 | | 2018 | 2017 |
|-------------|-----|------|--------|
| CNY +/- 30% | +/- | 106 | -184 |
| RUB +/- 30% | +/- | 14 | 25 |
| CAD +/- 30% | +/- | 675 | -1 077 |
| USD +/- 30% | +/- | -10 | -99 |

All foreign currency receivables and liabilities as well as the currency derivative contracts, recognized in the balance sheet on the reporting date, have been taken into account in the sensitivity analysis. In the analysis, the change in exchange rate has been estimated to be +/-30 percent from the reporting date based on the prevailing uncertainty in the financial market development. Other factors are estimated to remain unchanged.

| EUR 1,000 | 2018 | Restated 2017 |
|---|---------------|------------------|
| SHARE CAPITAL | | |
| Share capital at Jan. 1 | 8 256 | 8 256 |
| Share capital at Dec. 31 | 8 256 | 8 256 |
| FAIR VALUE RESERVE AND OTHER RESERVES | | |
| Invested non-restricted equity reserve at Jan. 1 | 5 652 | 5 445 |
| Exercised stock options | 59 | 207 |
| Invested non-restricted equity reserve at Dec. 31 | 5 711 | 5 652 |
| Other reserves at Jan. 1 | 1 504 | 1 132 |
| Changes in accounting principles, IFRS 2 | 117 | - |
| Other reserves at Jan. 1, restated | 1 621 | 1 132 |
| Fair value reserve | - | 193 |
| Hedging reserve, hedge accounting | -73 | -31 |
| Equity-settled share-based payments | 257 | 240 |
| Deferred taxes related to these items | 10 | -32 |
| Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings | -362 | - |
| Other reserves at Dec. 31 | 1 453 | 1 504 |
| EXCHANGE RATE DIFFERENCES | | |
| Exchange rate differences at Jan. 1 | 659 | 842 |
| Exchange rate differences on translating foreign operations | 356 | -183 |
| Exchange rate differences at Dec. 31 | 1 015 | 659 |
| RETAINED EARNING | | |
| Retained earnings at Jan. 1, 2017, originally presented | 23 623 | 18 543 |
| Changes in accounting principles, IFRS 15 | -322 | - |
| Retained earnings at Dec. 31, 2017, restated | 23 300 | 18 543 |
| Changes in accounting principles, IFRS 9 | -104 | - |
| Retained earnings at Jan. 1, 2018, restated | 23 197 | 18 543 |
| Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings | 362 | - |
| Dividends | -5 320 | -4 220 |
| Profit for the financial year | 11 836 | 8 979 |
| Retained earnings at Dec. 31 | 30 075 | 23 300 |
| TOTAL EQUITY | 46 509 | 39 372 |

Basis of preparation

Series K and series A shares held by third parties have been presented in **share capital**. Expenditure related to issues or acquisitions of own equity instruments has been presented as allowance for equity.

Invested non-restricted equity reserve includes other equity investments and the share subscription price unless not recognized to the equity based on an explicit resolution.

Other reserves include the fair value reserve arising from the valuation of revaluation reserve, granted share-based remuneration settled in shares and the changes in fair value in derivative contracts which meet the conditions of hedging.

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

The **dividend** proposed by the Board of Directors to the Annual General Meeting has been recognized as a liability and a deduction from distributable equity for the period in which the dividend has been approved for distribution by the shareholders.

The Annual General Meeting held on March 22, 2018 decided to pay a dividend of EUR 1.25 per share for the financial year 2017. The total amount of dividends was EUR 5,320,473.75 with series A shares accounting for EUR 4,081,522.50 and series K shares for EUR 1,238,951.25. The dividend payment date was April 4, 2018.

| EUR 1,000 | 2018 | Restated 2017 |
|---|------------|------------------|
| OTHER COMPREHENSIVE INCOME ITEMS | | |
| Changes in the fair value of available-for-sale investments | - | 193 |
| Hedging reserve, hedge accounting | -73 | -31 |
| Exchange differences on translating foreign operations | 356 | -183 |
| Deferred taxes related to these items | 10 | -32 |
| TOTAL | 293 | -52 |

Basis of preparation

Other comprehensive items include income and expense items that are included in other comprehensive income in accordance with IFRS standards, and are not recognized in profit or loss. At the balance sheet date, the other comprehensive income of the Raute Group included exchange rate differences arising from translating the financial statements of the foreign operation, the portion of gains and losses on the hedging instrument in cash flow hedges, the gains and losses recognized on remeasuring financial assets that are measured or classified as at fair value through other comprehensive income, and the related tax effects.

| Shares, 1,000 pcs | | 2018 | 2017 |
|--|----------------|--------------|-------|
| Series K shares (ordinary shares) | 20 votes/share | 991 | 991 |
| Series A shares | 1 vote/share | 3 272 | 3 258 |
| Total shares at Dec. 31 | | 4 263 | 4 249 |
| Own shares at Jan. 1 | | 9 | 15 |
| Acquisition of own shares | | - | 9 |
| Disposal of own shares | | -9 | -15 |
| Own shares at Dec. 31 | | 0 | 9 |
| Reconciliation of the number of shares, 1,000 pcs | | | |
| Number of shares at Jan. 1 | | 4 249 | 4 206 |
| Exercised stock options | | 14 | 34 |
| Directed issue of shares to the company itself | | - | 9 |
| Number of shares at Dec. 31 | | 4 263 | 4 249 |

| Changes in share capital from Jan. 1, 1994 to Dec. 31, 2018 | Share capital EUR | Number of series K shares | Number of series A shares |
|--|--------------------------|----------------------------------|----------------------------------|
| Share capital at Jan. 1, 1994 | 5 359 073 | 1 054 600 | 2 124 240 |
| Issue of share capital Sep. 21, 1994 | 1 069 285 | - | 635 768 |
| Conversion of series K shares into series A shares 1998 | - | -14 000 | 14 000 |
| Decrease of share capital (premium fund) June 30, 2000 | -12 648 | - | - |
| Increase of share capital, capitalization issue June 30, 2000 | 1 213 506 | - | - |
| Conversion of series K shares into series A shares 2003 | - | -44 539 | 44 539 |
| Conversion of series K shares into series A shares 2004 | - | -4 900 | 4 900 |
| Registration of shares with options 2006 | 380 300 | - | 190 150 |
| Share subscriptions with series 2010 stock options 2014 | 20 940 | - | 10 470 |
| Share subscriptions with series 2010 stock options 2015 | 192 960 | - | 96 480 |
| Directed issue of shares to the company itself 2016 | - | - | 14 523 |
| Share subscriptions with series 2010 stock options 2016 | 32 900 | - | 80 231 |
| Directed issue of shares to the company itself 2017 | - | - | 8 913 |
| Share subscriptions with series 2010 stock options 2017 | - | - | 33 873 |
| Share subscriptions with series 2010 stock options 2018 | - | - | 13 946 |
| Share capital at Dec. 31, 2018 | 8 256 316 | 991 161 | 3 272 033 |

| Other tradable securities | 2018 | 2017 |
|--|-------------|--------|
| Series 2010 C stock options, unsubscribed at Dec. 31 | - | 13 446 |
| Total unsubscribed at Dec. 31 | - | 13 446 |

Raute Corporation has **two series of shares**, series K and series A. Share-related data is presented on page 78 of the financial statements.

In 2018, altogether 13,946 series A shares have been subscribed for with Raute's series C stock options. The subscription period for series C stock options ended on March 31, 2018.

The company has disposed a total of 8,913 series A shares on March 6, 2018 held by the company as part of a long-term share-based payment plan that commenced in 2016. At the balance sheet date, the company did not hold own shares.

Capital structure management

The objective of the Group's capital structure management is an effective capital structure that secures the Group's operational preconditions on the capital market. The Group's Parent company's credit ranking throughout 2018, as well as in the comparison year 2017, was good. The Group's capital structure is followed using the equity ratio, which has been set a strategic target value. During the financial year 2018 the target value of the equity ratio was over 40 percent. At the end of the financial year, the equity ratio was 62 percent (64%) and gearing -26 percent (-74%).

| | 2018 | Restated 2017 |
|--|--------|------------------|
| Undiluted earnings per share | | |
| Share of profit that belongs to the owners of the Parent company, EUR 1,000 | 11 836 | 8 979 |
| Weighted average number of shares, 1,000 pcs | 4 260 | 4 225 |
| Earnings per share, EUR | 2,78 | 2,13 |
| Diluted earnings per share | | |
| Share of profit that belongs to the owners of the Parent company, EUR 1,000 | 11 836 | 8 979 |
| Diluted weighted average number of shares, 1,000 pcs | 4 290 | 4 259 |
| Diluted earnings per share, EUR | 2,76 | 2,11 |
| The weighted average number of shares used as divider when calculating the diluted earnings per share | | |
| The weighted average number of shares used as divider when calculating the diluted earnings per share, 1,000 pcs | 4 260 | 4 225 |
| Share-based payments, 1,000 pcs | 31 | 34 |
| The weighted average number of shares used when calculating the diluted earnings per share, 1,000 pcs | 4 290 | 4 259 |

Basis of preparation

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

Diluted earnings per share have been calculated by dividing the period's profit attributable to equity holders of the Parent company by the weighted average of shares in the period, which have been adjusted by dilutive effect of the share-based payments. Share-based payments have dilutive effect if the exercise price of the share benefit is lower than the fair value of the share.

For the calculation of diluted earnings per share, share-based payments calculation is done to determine the number of shares that could have been acquired at fair value (the company's share's average market price for the financial year) based on the monetary value of the subscription rights attached to outstanding share benefits. This number of shares is compared with the number of shares that would have been issued assuming the exercise of the share benefits. The share-based payments had a diluted effect of 30,908 pieces (33,834 pieces) on calculating the diluted number of shares.

| EUR 1,000 | 2018 | 2017 |
|--|--------------|--------------|
| CURRENT INTEREST-BEARING LIABILITIES | | |
| Financial liabilities recognized at amortized cost | | |
| Partial payments of financial loans | 1 079 | 1 413 |
| TOTAL | 1 079 | 1 413 |
| Distribution of the Group's current loans by currencies | | |
| - Chinese yuan (CNY) | 100 % | 100 % |
| The weighted averages of effective interest rates of current interest-bearing loans | | |
| Partial payments of financial loans | 5,07 % | 5,28 % |

The following table shows the carrying amounts of financial item which corresponds their fair value carried in the consolidated balance sheet. The Group's principles of fair value determination related to the financial instruments have been described in the note Basis of preparation.

| EUR 1,000 | Carrying amount 31.12.2018 | Carrying amount 31.12.2017 |
|--|-------------------------------|-------------------------------|
| Carrying amounts of financial liabilities | | |
| Financial liabilities at fair value through profit or loss | | |
| - Derivative contracts | 373 | 80 |
| Financial liabilities recognized at amortized cost | | |
| - Financial loans | 1 079 | 1 413 |
| - Trade payables and other liabilities | 35 182 | 32 986 |
| - Accrued expenses and prepaid income | 10 046 | 9 603 |
| Total | 46 681 | 44 082 |

| EUR 1,000 | Level 1 | Level 2 | Level 3 | Total |
|--|---------|---------|---------|-------|
| Hierarchy levels | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Derivative contracts | - | 373 | - | 373 |
| Total | - | 373 | - | 373 |

The fair value of the instruments included in the hierarchy level 2 is based on the price available from the market data but instruments are not traded in an active market.

Basis of preparation

Financial liabilities have been classified as financial liabilities at amortized cost and as financial liabilities at fair value through profit or loss according to the standard IFRS 9 Financial instruments. Financial liabilities are initially recognized at fair value. Transaction costs have been included in the initial carrying amount of the financial liabilities at amortized cost. Later, financial liabilities, excluding derivative liabilities, have been measured at amortized cost using the effective interest method. Current financial liabilities are debts where the Group has no unconditional right to defer the payment of the debt to at least 12 months from the reporting date. The adoption of the standard IFRS 9 did not have a significant effect on the classification or recognition of the financial liabilities in Raute Group.

Partial payments of the financial loan in the following financial year have been presented in the current liabilities. The Group has no non-current financial liabilities at the reporting date.

The Group's financial liabilities include a financial loan of a foreign subsidiary totaling EUR 1.1 million (MEUR 1.4) from a financial institution approved by the Parent company. The loan is secured by a counter guarantee from the Parent company. The Group's pledges and contingent liabilities have been presented in note Pledged assets and contingent liabilities, page 54.

Risk management

The Group's **interest risk** results from financial liabilities. The Group's objective is to hedge against interest risks related to liabilities through fixed-interest rate loans, interest rate derivative instruments and sufficient liquid assets. The Group takes out loans with either fixed interest rates or floating interest rates. The floating interest rate loans expose the Group's cash flow to interest risk.

Maturities of financial liabilities at Dec. 31, 2018

| EUR 1,000 | 2019 |
|--|---------------|
| Financial loans | |
| Repayments | 1 079 |
| Financial expenses | 55 |
| Total | 1 134 |
| Trade payables | |
| Repayments | 13 261 |
| Financial expenses | - |
| Total | 13 261 |
| Accrued expenses and prepaid income | |
| Repayments | 10 046 |
| Financial expenses | - |
| Total | 10 046 |
| Derivatives | |
| Cash outflow | -13 780 |
| Cash inflow | 14 056 |
| Total | 271 |

Maturities of financial liabilities, comparison year

| EUR 1,000 | 2018 |
|--|--------------|
| Financial loans | |
| Repayments | 1 413 |
| Financial expenses | 109 |
| Total | 1 522 |
| Trade payables | |
| Repayments | 7 115 |
| Financial expenses | - |
| Total | 7 115 |
| Accrued expenses and prepaid income | |
| Repayments | 9 603 |
| Financial expenses | - |
| Total | 9 603 |
| Derivatives | |
| Cash outflow | -16 093 |
| Cash inflow | 15 944 |
| Total | -150 |

| EUR 1,000 | 2018 | 2017 |
|---|----------------|----------------|
| FINANCIAL LOANS | | |
| Financial loans at the beginning of the period | 1 413 | 3 136 |
| Proceed from financial loans | 1 093 | 4 413 |
| Repayments of financial loans | -1 427 | -6 136 |
| Financial loans maturing within one year | 1 079 | 1 413 |
| FINANCIAL ASSETS | | |
| Financial assets at the beginning of the period | 30 724 | 23 767 |
| Change in financial assets | -17 309 | 6 928 |
| Exchange rate differences from financial assets | -40 | 27 |
| Financial assets at the end of the period | 13 375 | 30 723 |
| NET LIABILITIES | | |
| Financial loans maturing within one year | 1 079 | 1 413 |
| Deducted: Financial assets at the end of the period | -13 375 | -30 723 |
| Net liabilities | -12 295 | -29 311 |

| EUR 1,000 | Carrying amount 31.12.2018 | Carrying amount 31.12.2017 |
|---|-------------------------------|-------------------------------|
| Carrying amounts of financial assets | | |
| Financial assets at fair value through profit or loss | | |
| - Derivative contracts | 155 | 131 |
| Financial assets at fair value through other comprehensive income | | |
| - Unquoted share investments | 1 185 | 923 |
| Financial assets at amortized cost | | |
| - Account receivables and other receivables | 52 101 | 30 277 |
| - Cash and cash equivalents | 13 375 | 30 724 |
| Total | 66 816 | 62 055 |

The balance sheet item Accounts receivables and other receivables includes current customer contract assets of performance obligations to be satisfied over time EUR 41,223 thousand (EUR 20,405 thousand).

| EUR 1,000 | Level 1 | Level 2 | Level 3 | Total |
|---|----------|------------|--------------|--------------|
| Hierarchy levels | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| - Unquoted share investments | - | - | 1 185 | 1 185 |
| Financial assets at fair value through profit or loss | | | | |
| - Derivative contracts | - | 155 | - | 155 |
| Total | - | 155 | 1 185 | 1 341 |

Financial instruments at fair value are categorized according to standard. Instruments included in level 1 are traded in active markets. The fair values of these instruments are based on the quoted market prices at the balance sheet date. The fair value of the instruments included in level 2 is based on the price available from the market data but instruments are not traded in an active market. The fair value of the instruments included in level 3 is not based on the observable market data but is based on the estimates from the management

| EUR 1,000 | 2018 | 2017 |
|-------------------------------|--------------|------------|
| OTHER FINANCIAL ASSETS | | |
| Unquoted share investments | 1 185 | 923 |
| Total | 1 185 | 923 |

Unquoted share investments include mainly shares of PHP Holding Oy, which has a balance sheet value of EUR 1 040 thousand.

Basis of preparation

Financial assets have been classified as financial assets at fair value through profit and loss, fair value through other comprehensive income and financial assets at amortized costs according to the standard IFRS 9 Financial instruments. The classification has been made based on the purpose of acquisition and nature of the cash flow in conjunction with the original acquisition. Financial assets have been derecognized from the balance sheet when the contractual right to receive cash flows has expired or the Group has substantially transferred risks and income outside the Group. Financial assets maturing within 12 months are included in current assets.

Derivative contracts which do not fulfill the conditions of the hedge accounting have been classified as **financial assets at fair value through profit or loss**. All purchases and sales of financial assets have been recognized on the transaction date. Unquoted share investments have been classified as financial assets at fair value through other comprehensive income. At the time the share investment shall be derecognized from the balance sheet, accumulated

gain or loss previously recognized to the other reserves shall be transferred to the retained earnings, not to the income statement.

The fair value of the **derivative contracts** which do not fulfill the conditions of hedge accounting have been determined using the market values for corresponding contracts and maturity at the balance sheet date. Gains and losses from fair value measurement has been recognized in the income statement at the financial period they has been incurred. Nominal values of currency derivative contracts have been disclosed in the note Derivatives, page 41.

Financial assets at amortized cost include accounts receivables, accrued receivables, current customer contract assets and other receivables. Due to the short-term nature of receivables the original carrying amount of receivables corresponds to their fair value. The discounting effect is not significant when taking into account the maturity of the receivables. The balance sheet accounts receivables at the reporting date do not include significant risk concentrations.

Basis of preparation

Investments in **unquoted shares** have been included in non-current assets unless the intention is to hold them less than 12 months from the balance sheet date. The Group has so far no intention to dispose these investments in which case they have been included in non-current assets.

Expected credit loss risk

| Dec. 31, 2018 | Not due | 1-30 days | 31-60 days | 61-90 days | 91-180 days | 181-360 days | >360 days | Total |
|--|----------|-----------|------------|------------|-------------|--------------|------------|------------|
| Expected loss rates, % | 0 % | 0 % | 2 % | 3 % | 5 % | 25 % | 100 % | |
| Gross carrying amount of accounts receivables, EUR 1 000 | 4 417 | 1 144 | 197 | 109 | 72 | 34 | 130 | |
| Loss allowance, EUR 1 000 | 3 | 5 | 4 | 3 | 4 | 9 | 130 | 158 |

| Jan. 1, 2018 | Not due | 1-30 days | 31-60 days | 61-90 days | 91-180 days | 181-360 days | >360 days | Total |
|--|----------|-----------|------------|------------|-------------|--------------|-----------|------------|
| Expected loss rates, % | 0 % | 0 % | 2 % | 3 % | 5 % | 25 % | 100 % | |
| Gross carrying amount of accounts receivables, EUR 1 000 | 7 071 | 1 042 | 203 | 63 | 211 | 239 | 44 | |
| Loss allowance, EUR 1 000 | 5 | 5 | 5 | 2 | 11 | 60 | 44 | 130 |

| EUR 1,000 | 2018 |
|--|------------|
| The reconciliation of loss allowance for the Accounts receivables | |
| Amounts restated through opening retained earnings | 130 |
| Opening loss allowance | 130 |
| Increase during the financial year | 28 |
| Closing loss allowance at the end of the financial year | 158 |

Impairment of financial assets

The credit risk related to accounts receivables has been estimated according to the standard IFRS 9 on the basis of evaluation of the lifetime expected for accounts receivables at the balance sheet date. Raute Group has applied the simplified approach allowed for recognition of credit losses of accounts receivables, because accounts receivables do not contain significant financing component.

The accounts receivables have been grouped based on an aging distribution and a credit risk characteristics. The expected credit loss is based on historical credit loss amounts taking into account individual estimates in the accounts receivables. Estimated impairment losses have been recognized through profit or loss. An impairment of EUR 28 thousand has been recognized for expected credit loss allowance on accounts receivables during the financial year. The value of accounts receivables has been reduced EUR 158 thousand. If the amount of the impairment loss will decrease in any subsequent financial year and deduction may be considered related to the recognition of impairment after the event, the recognized loss is reversed through profit or loss.

On adoption of IFRS 9 loss allowance EUR 130 thousand credit loss adjustment has been recognized in retained earnings.

The credit loss model has no impact on other financial assets nor on the financial assets recognized at fair value through profit or loss in accordance with IFRS 9 because, at the time of fair value measurement expected credit losses have already been taken into account.

| EUR 1,000 | 2018 | 2017 |
|---|---------------|--------|
| CASH AND CASH EQUIVALENTS | | |
| Cash and bank accounts | 13 375 | 30 724 |
| TOTAL | 13 375 | 30 724 |
| Cash and cash equivalents in cash flow statement | | |
| Cash and cash equivalents | 13 375 | 30 724 |
| TOTAL | 13 375 | 30 724 |

Basis of preparation

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

Risk management**Counterparty risk for investment activities**

The financing instrument contracts that the Group has concluded with banks and financial institutions involve the risk that the counterparty is not able to fulfill its obligations according to the contract. In investment activities and when concluding derivative contracts, only those parties which have a good credit rating and which meet the other terms and conditions defined by the financing policy are accepted as counterparties. When making investments, or derivative and loan agreements, the Group applies counterparty-specific upper limits to avoid risk concentrations. On the balance sheet date, the investments assets related to the Group's cash management were in bank accounts. The liquid assets in financial institutions outside the euro zone were EUR 2.2 million (MEUR 4.9) at the balance sheet date.

Risk management

Due to the nature of the Group's project business, required financing and the amount of liquid assets also fluctuate in the short term. Predicting working capital requirements is made especially challenging by new orders which have individual payment terms and involve uncertainties related to delivery schedules.

The minimum amounts of cash and cash equivalents, current investments, and available credit liabilities have been defined in the Group's financing policy to ensure the Group's liquidity. Good liquidity is maintained primarily through efficient working capital and cash management. In the long term, risks related to the availability and pricing of funding are managed by using a variety of sources for financing. Investments are required to exhibit sufficient liquidity. The Group did not have interest-bearing net liabilities in the consolidated financial statements of December 31, 2018 or in the comparison year. The cash and cash equivalents available to the Group and credit limit agreements are sufficient to cover the Group's short-term financing needs.

The Group's cash and cash equivalents totaled EUR 13.4 million (MEUR 30.7) at the end of the finan-

cial year. The Group has made preparations for fluctuating working capital requirements and possible disturbances in the availability of money with non-current credit limit agreements worth EUR 23.0 million with four Nordic banks. At the end of the financial year, EUR 22.9 million was unused of the limit. The current credit limit agreements terminate in the year 2021. In addition the Group has an unused bank account limit of EUR 10 million.

Investments are made mainly in current deposits or in secondary marketable euro-based investments with a good credit rating.

The Group's financial liabilities include trade payables, derivative liabilities and interest-bearing liabilities. Trade payables are due within less than a month on average. Repayment of interest-bearing loans based on the Group's loan contracts and cash flows from financial expenses related to them and cash flows from other financial liabilities are presented in note Financial liabilities, page 47.

In addition, Raute Corporation's EUR 10 million (MEUR 10) domestic commercial paper program, which allows the Group to issue commercial papers maturing in less than one year, secures the Group's liquidity.

The credit facility agreements covenants

The Group has set in its loan and credit contracts, as well as in the security agreements related to them, the following specific conditions of key ratios, so called covenants:

- equity ratio at least 30 percent and
- gearing under +100 percent.

The loan covenants are reported to the creditor on a quarterly basis. If the Group breaks the loan covenant conditions, the creditor may require expedited repayment of the loans.

During the financial year 2018 and the comparison year, the Group met the conditions of the covenants and reached the set target value of equity ratio.

Fluctuations in working capital

Fluctuations in balance sheet working capital items and the key figures based on them are due to differences in the timing of customer payments and the cost accumulation from project deliveries, which is typical of the project business. Major individual projects in particular typically employ working capital just before the delivery of machines and equipment to customers.

| EUR 1,000 | 2018 | 2017 |
|---|-------------|-------------|
| FINANCIAL EXPENSES, NET | | |
| Financial income | | |
| Interest income from receivables | 11 | 5 |
| Dividend income from available-for-sale investments | 249 | 120 |
| Revaluation of assets at fair value through profit or loss | - | 68 |
| Capital gains from available-for-sale investments | - | 164 |
| Exchange rate gains from financial liabilities, net | 77 | 1 |
| Other financial income | 9 | 2 |
| Total financial income | 346 | 359 |
| Financial expenses | | |
| Interest expenses on financial loans recognized at amortized cost | -90 | -191 |
| Exchange rate losses on other financial items | -82 | -83 |
| Other financial expenses | -183 | -137 |
| Total financial expenses | -356 | -411 |
| Financial expenses, net | -10 | -51 |

Basis of preparation

Interest income has been recognized as income in the financial year in which it has arisen. Dividend income has been recognized as income in the financial year when the right to receive the dividend payment has been established.

Foreign exchange gains arise from the valuation of the Group's foreign currency cash and cash equivalents and financial liabilities.

Interest expenses from financial liabilities have been recognized as expense in the financial year in which they belong to based on the interest liability determined in the financial loan contract.

Other interest expenses have been recognized as expense in the financial year in which they have arisen.

Foreign exchange losses arise from the valuation of the Group's foreign currency cash and cash equivalents and financial liabilities.

| EUR 1,000 | 2018 | 2017 |
|--|---------------|--------|
| On behalf of the Parent company | | |
| Business mortgages | - | 8 274 |
| Mortgage agreements on behalf of subsidiaries | | |
| Financial loans | 1 079 | 1 413 |
| Other obligations | 116 | 313 |
| Business mortgages | - | 1 726 |
| Other credit guarantee arrangements | 1 195 | - |
| Commercial bank guarantees on behalf of the Parent company and subsidiaries | 25 925 | 25 728 |
| Other own obligations | | |
| Rental liabilities maturing within one year | 1 513 | 1 297 |
| Rental liabilities maturing in one to five years | 2 629 | 2 773 |
| Total | 4 143 | 4 070 |

Loans and guarantees on behalf of the related party

The Parent company Raute Corporation had loan receivables from its subsidiary Metriguard Technologies, Inc. a total of EUR 961 thousand (EUR 1 032 thousand).

Raute Corporation has given a counter guarantee of EUR 1 079 thousand (EUR 1 413 thousand) for the loan of a foreign subsidiary. Raute Corporation has given a commercial counter guarantee of EUR 116 thousand (EUR 99 thousand) on behalf of a foreign subsidiary.

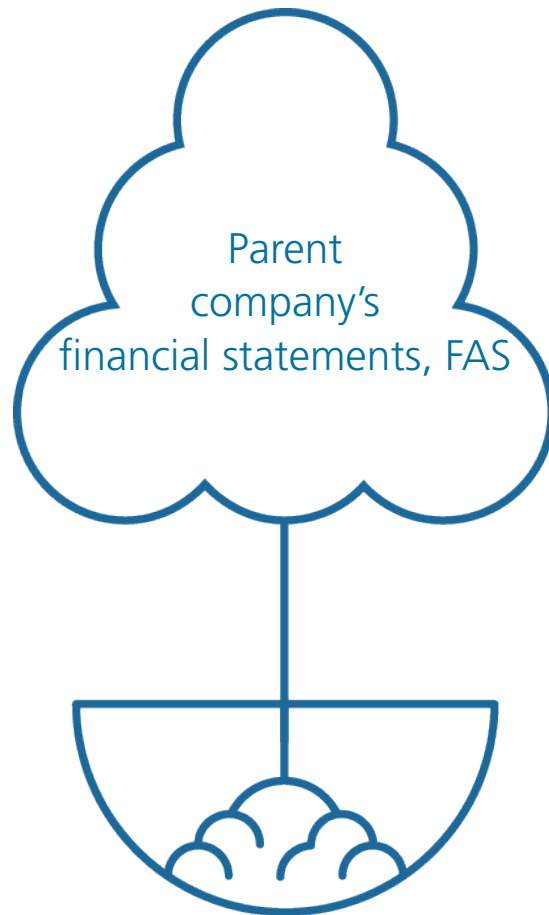
| EUR 1,000 | 2018 | % | Restated 2017 | % |
|---|---------------|------------|------------------|------------|
| SEGMENT INFORMATION | | | | |
| Wood products technology | | | | |
| Net sales | 180 993 | | 148 064 | |
| Operating profit | 14 922 | | 11 171 | |
| Assets | 96 382 | | 87 006 | |
| Liabilities | 49 872 | | 47 634 | |
| Capital expenditure | 4 384 | | 6 962 | |
| Assets of the wood products technology segment by geographical location | | | | |
| Finland | 83 494 | 87 | 77 541 | 89 |
| North America | 7 850 | 8 | 5 693 | 7 |
| China | 3 635 | 4 | 2 511 | 3 |
| Russia | 1 038 | 1 | 1 007 | 1 |
| South America | 224 | 0 | 128 | 0 |
| Other | 141 | 0 | 127 | 0 |
| Total | 96 382 | 100 | 87 006 | 100 |
| Capital expenditure of the wood products technology segment by geographical location | | | | |
| Finland | 3 508 | 80 | 4 283 | 62 |
| North America | 707 | 16 | 2 663 | 38 |
| China | 99 | 2 | - | - |
| Russia | 46 | 1 | 13 | 0 |
| South America | 22 | 1 | 1 | 0 |
| Other | 2 | 0 | 1 | 0 |
| Total | 4 384 | 100 | 6 962 | 100 |

Basis of preparation

Operations of Raute Group belong to the wood products technology segment. Raute Corporation's Board of Directors is the chief operating decision maker that is responsible for assigning resources to the operating segment and assessing its result. The Board monitors profitability through the operating profit key figures.

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.

The division into operating segments is based on the Group's internal decision-making order and is consistent with the financial reports submitted to the chief operating decision maker. Segment reporting follows the principles of presentation of the consolidated financial statements.



RAUTE CORPORATION Financial statements January 1 – December 31, 2018

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

Basis of preparation

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

Other than euro-denominated transactions have been recognized at the exchange rate effective on the transaction date. Receivables and liabilities denominated in other than euro-based currencies have been translated into euro at the average rate of the balance sheet date, except for business operations where the associated currency risk has been hedged by a currency derivative contract. These items have been measured at the value hedged through the derivative contract. Advances paid and received have been recognized in the balance sheet at the exchange rate effective on the payment date. Exchange gains and losses related to changes in the exchange rates have been recognized through profit or loss.

PARENT COMPANY'S INCOME STATEMENT

| euros | 1.1.–31.12.2018 | 1.1.–31.12.2017 |
|---|------------------------|-----------------|
| NET SALES | 152 747 027,67 | 129 993 776,94 |
| Change in inventories of finished goods and work in progress | 2 741 906,57 | 636 019,00 |
| Other operating income | 922 237,05 | 336 743,05 |
| Materials and supplies | -95 561 653,15 | -75 246 701,21 |
| Personnel expenses | -34 340 820,68 | -30 576 856,82 |
| Depreciation and amortization | -1 938 570,37 | -1 900 894,13 |
| Other operating expenses | -13 661 037,83 | -11 541 364,39 |
| Total operating expenses | -145 502 082,03 | -119 265 816,55 |
| OPERATING PROFIT | 10 909 089,35 | 11 700 722,44 |
| Financial income and expenses | 11 381 164,80 | -27 259,73 |
| PROFIT BEFORE APPROPRIATIONS AND TAXES | 22 290 254,15 | 11 673 462,71 |
| Appropriations | -342 746,00 | - |
| Income taxes | -2 256 748,14 | -2 511 000,30 |
| PROFIT FOR THE FINANCIAL YEAR | 19 690 760,01 | 9 162 462,41 |

PARENT COMPANY'S BALANCE SHEET

| euros | 31.12.2018 | 31.12.2017 |
|---------------------------------|----------------------|---------------|
| ASSETS | | |
| Non-current assets | | |
| Intangible assets | 2 623 816,24 | 2 889 716,81 |
| Tangible assets | 9 429 750,87 | 7 845 393,77 |
| Investments | 10 061 783,87 | 1 839 802,15 |
| Total non-current assets | 22 115 350,98 | 12 574 912,73 |
| Current assets | | |
| Inventories | 10 576 435,12 | 7 558 857,86 |
| Deferred tax assets | 90 398,69 | 37 220,39 |
| Current receivables | 50 315 663,88 | 30 624 745,52 |
| Cash and cash equivalents | 12 492 968,50 | 30 331 321,27 |
| Total current assets | 73 475 466,19 | 68 552 145,04 |
| TOTAL ASSETS | 95 590 817,17 | 81 127 057,77 |

PARENT COMPANY'S BALANCE SHEET

| euros | 31.12.2018 | 31.12.2017 |
|---|----------------------|---------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| Shareholders' equity | | |
| Share capital | 8 256 316,00 | 8 256 316,00 |
| Fair value reserve and other reserves | 5 711 120,18 | 5 652 408,93 |
| Retained earnings | 18 552 581,13 | 14 710 592,47 |
| Profit for the financial year | 19 690 760,01 | 9 162 462,41 |
| Total shareholders' equity | 52 210 777,32 | 37 781 779,81 |
| Appropriations | 342 746,00 | - |
| Obligatory provisions | 2 057 359,20 | 1 979 039,84 |
| Liabilities | | |
| Current liabilities | 40 979 934,65 | 41 366 238,12 |
| Total liabilities | 40 979 934,65 | 41 366 238,12 |
| TOTAL LIABILITIES | 95 590 817,17 | 81 127 057,77 |

PARENT COMPANY'S CASH FLOW STATEMENT

| euros | 1.1.–31.12.2018 | 1.1.–31.12.2017 |
|---|-----------------------|-----------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Proceeds from sales | 135 230 268,74 | 135 947 843,21 |
| Proceeds from other operating income | 621 568,87 | 283 168,30 |
| Payments of operating expenses | -143 146 908,20 | -115 720 492,50 |
| Cash flow before financial items and taxes | -7 295 070,59 | 20 510 519,01 |
| Interest paid from operating activities | -22 595,24 | -25 815,72 |
| Dividends received from operating activities | 248 966,05 | 119 954,00 |
| Interest received from operating activities | 22 343,99 | 502 322,27 |
| Other financing items from operating activities | -301 891,90 | -50 837,52 |
| Income tax paid | -2 479 053,21 | -2 887 940,02 |
| Net cash flow from operating activities (A) | -9 827 300,90 | 18 168 202,02 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Capital expenditure in tangible and intangible assets | -2 695 428,20 | -2 349 969,91 |
| Business transaction | -568 430,26 | -1 546 555,22 |
| Proceeds from sale of tangible and intangible assets | 230 536,01 | 108 977,63 |
| Payment for acquisition of subsidiary | - | -6 285 787,97 |
| Purchase of other investments | -16 384,00 | - |
| Proceeds from sale of investments | - | 182 400,00 |
| Loans granted to Group companies | -896 057,35 | -1 031 798,14 |
| Repayments of loan receivables from Group companies | 1 119 137,61 | 5 248 711,11 |
| Net cash flow from investing activities (B) | -2 826 626,19 | -5 674 022,50 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of share capital | 58 711,25 | 207 201,37 |
| Proceeds from current borrowings | - | 3 000 000,00 |
| Repayments of current borrowings | - | -3 000 000,00 |
| Dividends paid | -5 320 473,75 | -4 219 711,00 |
| Net cash flow from financing activities (C) | -5 261 762,50 | -4 012 509,63 |
| Net change in cash and cash equivalents (A+B+C) | -17 915 689,59 | 8 481 669,89 |
| increase (+)/decrease (-) | | |
| Cash and cash equivalents at the beginning of the year | 30 331 321,27 | 22 144 932,16 |
| Net change in cash and cash equivalents | -17 915 689,59 | 8 481 669,89 |
| Effect of exchange rate changes on cash | 77 336,82 | -295 280,78 |
| Cash and cash equivalents at the end of the year | 12 492 968,50 | 30 331 321,27 |

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

| EUR 1,000 | 2018 | % | 2017 | % |
|---------------------------------|----------------|------------|---------|-----|
| NET SALES | | | | |
| Net sales by market area | | | | |
| EMEA (Europe and Africa) | 76 768 | 50 | 82 296 | 63 |
| CIS (Russia) | 46 445 | 30 | 34 827 | 27 |
| APAC (Asia-Pacific) | 16 815 | 11 | 2 822 | 2 |
| NAM (North America) | 7 441 | 5 | 4 062 | 3 |
| LAM (South America) | 5 278 | 3 | 5 986 | 5 |
| TOTAL | 152 747 | 100 | 129 994 | 100 |

Finland accounted for 18 percent (20%) of the Parent company's net sales.

Basis of preparation

The revenue recognition related to net sales corresponds to the accounting principles of the Group consolidated financial statements.

| EUR 1,000 | 2018 | 2017 |
|---|----------------|---------|
| Specification of net sales | | |
| Net sales by percentage of completion | 132 388 | 110 896 |
| Other net sales | 20 359 | 19 098 |
| TOTAL | 152 747 | 129 994 |
| Project revenues entered as income from currently undelivered projects recognized by percentage of completion | | |
| | 184 917 | 129 804 |
| Amount of performance obligations to be satisfied over time not yet entered as income (order book) | | |
| | 76 099 | 88 168 |
| The balance sheet items of the undelivered projects | | |
| Projects in which the value by percentage of completion exceeds advance payments invoiced | | |
| - aggregate amount of costs incurred and recognized profits less recognized losses | 130 158 | 84 998 |
| - advance payments received | 90 734 | 64 882 |
| Current customer contract assets | 39 423 | 20 117 |
| Projects in which advance payments invoiced exceed the value by percentage of completion | | |
| - aggregate amount of costs incurred and recognized profits less recognized losses | 54 759 | 44 805 |
| - advance payments received | 66 922 | 63 973 |
| Current customer contract liabilities | 12 164 | 19 168 |
| Advance payments included in the current liabilities in the balance sheet | | |
| Current customer contract liabilities | 12 164 | 19 168 |
| Other advance payments received, not under percentage of completion | 6 342 | 2 534 |
| TOTAL | 18 506 | 21 702 |
| Advance payments of the customer contracts included in inventories in the balance sheet | | |
| Advance payments paid | 1 082 | 965 |
| TOTAL | 1 082 | 965 |

CURRENT RECEIVABLES

| EUR 1,000 | 2018 | 2017 |
|---|---------------|---------------|
| Current receivables from Group companies | | |
| Loan receivables | 1 087 | 2 029 |
| Accounts receivables | 1 405 | 985 |
| Other receivables | 238 | - |
| Total from Group companies | 2 731 | 3 014 |
| Current receivables from others | | |
| Accounts receivables | 3 912 | 6 530 |
| Accrued income and prepaid expenses | 40 463 | 20 724 |
| Other receivables, non-interest-bearing | 3 210 | 356 |
| Total from others | 47 585 | 27 610 |
| TOTAL | 50 316 | 30 625 |
| Substantial items included in accrued income | | |
| Current customer contract assets according to the percentage of completion method | 39 423 | 20 117 |
| Other accrued income | 1 040 | 607 |
| TOTAL | 40 463 | 20 724 |

Basis of preparation

Receivables in the balance sheet include accounts receivables and other receivables. Receivables have been valued at original carrying amount or at the lower disposal price. Accounts receivables in the balance sheet do not include significant concentration.

MATERIALS AND SERVICES

| EUR 1,000 | 2018 | 2017 |
|---|----------------|----------------|
| Purchases during the financial year | -80 333 | -63 929 |
| Change in inventories, materials and supplies | 158 | -204 |
| External services | -15 386 | -11 114 |
| TOTAL | -95 562 | -75 247 |

INVENTORIES

| EUR 1,000 | 2018 | 2017 |
|---|---------------|--------------|
| Materials and supplies | 4 515 | 4 357 |
| Work in progress | 4 581 | 1 639 |
| Other inventories | 398 | 598 |
| Advance payments for long-term projects | 1 082 | 965 |
| TOTAL | 10 576 | 7 559 |

During the financial year, EUR 254 thousand (EUR 98 thousand) were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price.

OBLIGATORY PROVISIONS

| EUR 1,000 | 2018 | 2017 |
|------------------------------------|--------------|--------------|
| Warranty provisions | | |
| Book value at Jan. 1 | 1 793 | 1 511 |
| Additions | 1 375 | 1 693 |
| Decrease | -1 355 | -1 411 |
| Book value at Dec. 31 | 1 813 | 1 793 |
| Other obligatory provisions | | |
| Book value at Jan. 1 | 186 | 48 |
| Additions | 154 | 186 |
| Decrease | -96 | -48 |
| Book value at Dec. 31 | 244 | 186 |
| TOTAL | 2 057 | 1 979 |

PERSONNEL EXPENSES

| EUR 1,000 | 2018 | 2017 |
|---|----------------|----------------|
| Wages and salaries | -28 006 | -24 801 |
| Pension costs | -5 195 | -4 164 |
| Fixed share-based employee payments | -343 | -286 |
| Other personnel expenses | -796 | -1 129 |
| TOTAL | -34 341 | -30 577 |
| PERSONNEL | | |
| Employed at Dec. 31, persons | | |
| Workers | 165 | 164 |
| Office staff | 344 | 323 |
| TOTAL | 509 | 487 |
| Personnel working abroad at Dec. 31 | 4 | 5 |
| Effective, on average, persons | | |
| Workers | 163 | 157 |
| Office staff | 326 | 304 |
| TOTAL | 489 | 461 |
| Personnel working abroad, effective, on average | 4 | 5 |
| On average, persons | | |
| Workers | 167 | 162 |
| Office staff | 341 | 319 |
| TOTAL | 508 | 481 |
| Personnel working abroad, on average | 4 | 5 |

Basis of preparation

Statutory pension coverage of Raute Corporation has been arranged through an external pension insurance company. Pension expenses have been recognized as expenses according to accrual over time.

OTHER OPERATING INCOME

| EUR 1,000 | 2018 | 2017 |
|---|------------|------------|
| Insurance compensations | 527 | 11 |
| Other operating income from Group companies | 311 | 280 |
| Other operating income | 58 | 26 |
| Capital gain on non-current assets | 30 | 16 |
| Allowances received | -3 | 4 |
| TOTAL | 922 | 337 |

Basis of preparation

Revenue not included in net sales has been recognized in the other operating income. Lease income included in the other operating income has been recognized as income on a straight-line basis for the lease term.

OTHER OPERATING EXPENSES

| EUR 1,000 | 2018 | 2017 |
|---------------------------|----------------|----------------|
| Indirect production costs | -4 045 | -3 089 |
| Sales and marketing costs | -2 786 | -2 819 |
| Administration costs | -2 886 | -2 304 |
| Credit losses from others | -76 | -3 |
| Other costs | -3 868 | -3 326 |
| TOTAL | -13 661 | -11 541 |

Basis of preparation

Research and development costs have been recognized as expenses in the income statement in the year they incurred. During the financial year research and development costs have been recognized in the income statement in the amount of EUR 3 605 thousand (EUR 3 169 thousand).

OTHER OPERATING EXPENSES

| EUR 1,000 | 2018 | 2017 |
|--|------------|-------------|
| Auditor's remunerations | | |
| Authorized Public Accountants PricewaterhouseCoopers Oy (Finland) | | |
| Audit expenses, statutory | -43 | -40 |
| Audit expenses, other assignments according to the Audit Act | -2 | -2 |
| Audit expenses, other services | -4 | -93 |
| Audit expenses, tax services | -3 | -5 |
| TOTAL | -52 | -140 |

The Parent company's **auditor** during the financial year was Authorized Public Accountants PricewaterhouseCoopers Oy. Statutory audit fee includes audit fees for current financial year auditing. Other services and tax services include audit fees for other services recognized on accrual basis during the financial year. Fees do not include travel costs and fees payable to the authorities arising from auditing or other assignments. Travel expenses paid to the auditors during the financial year totaled EUR 2 thousand (EUR 6 thousand).

OTHER LEASES

| EUR 1,000 | 2018 | 2017 |
|--|--------------|------------|
| Raute Corporation as a lessee | | |
| Minimum rents paid on the basis of other non-cancellable leases: | | |
| - Within one year | 303 | 149 |
| - After a period of more than one year and less than five years | 1 031 | 29 |
| TOTAL | 1 334 | 178 |

INCOME TAXES

| EUR 1,000 | 2018 | 2017 |
|---|---------------|---------------|
| Income taxes from operations | -2 316 | -2 548 |
| Current tax of previous financial years | 6 | 9 |
| Deferred tax assets | 53 | 28 |
| TOTAL | -2 257 | -2 511 |

Basis of preparation

The income taxes in the income statement include the current tax based on the taxable income, as well as tax adjustments for previous years.

Current tax based on the taxable income of the financial year has been calculated on taxable income using the tax rate in force.

Deferred taxes have been recognized for temporary differences between the accounting and taxation value.

INTANGIBLE ASSETS

| EUR 1,000 | Intangible rights | Goodwill | Other intangible assets | TOTAL |
|---|-------------------|-------------|-------------------------|---------------|
| Acquisition cost at Jan. 1, 2018 | 3 737 | 662 | 6 180 | 10 579 |
| Additions | 59 | - | 67 | 126 |
| Reclassification between items | - | - | 119 | 119 |
| Acquisition cost at Dec. 31, 2018 | 3 795 | 662 | 6 366 | 10 824 |
| Accumulated amortization and depreciation at Jan. 1, 2018 | -2 090 | -47 | -5 552 | -7 689 |
| Depreciation for the financial year | -226 | -66 | -218 | -511 |
| Accumulated amortization and depreciation at Dec. 31, 2018 | -2 316 | -113 | -5 771 | -8 200 |
| Book value at Dec. 31, 2018 | 1 480 | 549 | 595 | 2 624 |
| Book value at Dec. 31, 2017 | 1 647 | 615 | 628 | 2 890 |

Basis of preparation

The **Goodwill** recognized in the Parent company's balance sheet has been generated in the business acquisition from Metriguard, Inc. The identifiable other intangible assets acquired have been presented in the balance sheet item Other intangible assets. These items shall be depreciated over their useful life.

Tangible and intangible assets have been recognized in the balance sheet at original cost less accumulated depreciation, with the exception of tangible assets and shares, which have been subject to impairment. Variable costs arising from the acquisition and production of a product have been included in the carrying amount.

The carrying values of intangible assets with limited useful lives have been reviewed at each reporting date. If the value of an asset has decreased significantly the **impairment** has been transferred to the income statement.

TANGIBLE ASSETS

| EUR 1,000 | Land and water | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments and assets in progress | TOTAL |
|---|----------------|--------------------------|-------------------------|-----------------------|---|----------------|
| Acquisition cost at Jan. 1, 2018 | 218 | 9 990 | 27 170 | 367 | 1 073 | 38 819 |
| Additions | - | - | 822 | - | 2 512 | 3 335 |
| Disposals | - | - | -204 | - | - | -204 |
| Reclassification between items | - | 716 | 1 150 | 203 | -2 187 | -119 |
| Acquisition cost at Dec. 31, 2018 | 218 | 10 706 | 28 940 | 569 | 1 398 | 41 831 |
| Accumulated depreciation and amortization at Jan. 1, 2018 | - | -7 152 | -23 485 | -336 | - | -30 973 |
| Depreciation and amortization for the financial year | - | -323 | -1 089 | -16 | - | -1 428 |
| Accumulated depreciation and amortization at Dec. 31, 2018 | - | -7 475 | -24 574 | -352 | - | -32 401 |
| Book value at Dec. 31, 2018 | 218 | 3 231 | 4 365 | 217 | 1 398 | 9 430 |
| Book value at Dec. 31, 2017 | 218 | 2 838 | 3 685 | 31 | 1 073 | 7 845 |

Book value for production machinery was EUR 3,095 thousand (EUR 2,478 thousand) at the end of the financial year.

DEPRECIATION AND AMORTIZATION

| EUR 1,000 | 2018 | 2017 |
|--|---------------|--------|
| Depreciation and amortization of intangible assets | -511 | -550 |
| Depreciation and amortization of tangible assets | -1 428 | -1 351 |
| TOTAL | -1 939 | -1 901 |

Depreciations of tangible assets and amortizations of intangible assets according to a plan have been recorded with the straight-line method over the expected economic lives of the assets as follows:

| | |
|--------------------------|-------------|
| Intangible rights | 10 years |
| Goodwill | 10 years |
| Other intangible assets | 3–10 years |
| Buildings and structures | 25–40 years |
| Machinery and equipment | 4–12 years |
| Other tangible assets | 3–10 years. |

Depreciations and amortizations have been recorded from the beginning of the month in which the asset has been taken into use. Residual expenditures on decommissioning and disposal of tangible assets are presented under the item Depreciation and amortization in the income statement. **Gains and losses** on disposal of tangible assets are presented in other operating income or expenses.

NON-CURRENT INVESTMENTS

| EUR 1,000 | Shares, Group companies | Shares, Others | Total |
|---|-------------------------------|-------------------|----------------|
| Acquisition cost at Jan. 1, 2018 | 14 174 | 773 | 14 947 |
| Additions | - | 1 040 | 1 040 |
| Disposals | - | -326 | -326 |
| Acquisition cost at Dec. 31, 2018 | 14 174 | 1 488 | 15 662 |
| Accumulated impairments at Jan. 1, 2018 | -12 805 | -303 | -13 107 |
| Impairments | 7 508 | - | 7 508 |
| Accumulated impairments at Dec. 31, 2018 | -5 297 | -303 | -5 599 |
| Book value at Dec. 31, 2018 | 8 877 | 1 185 | 10 062 |
| Book value at Dec. 31, 2017 | 1 369 | 471 | 1 840 |

SHARES OWNED BY THE COMPANY

| | Holding and voting rights, % | Book value, EUR 1,000 |
|--|------------------------------------|----------------------------------|
| Subsidiaries | | |
| Raute Canada Ltd., Delta, B.C., Canada | 100 | 7 592 |
| Raute Inc., Delaware, USA | 100 | 1 058 |
| RWS-Engineering Oy, Lahti, Finland | 100 | 203 |
| Raute WPM Oy, Lahti, Finland | 100 | 9 |
| Raute Group Asia Pte Ltd., Singapore | 100 | 0 |
| Raute (Shanghai) Machinery Co., Ltd, Shanghai, China | 100 | 0 |
| Raute Chile Ltda., Santiago, Chile | 50 | 15 |
| TOTAL | | 8 877 |
| Other shares | | |
| | Number of shares, pcs | Book value, EUR 1,000 |
| PHP Holding Oy | 521 | 1 040 |
| Esys Oy | 600 | 51 |
| FIMECC OY | 50 | 50 |
| Muut | | 44 |
| TOTAL | | 1 185 |

SHAREHOLDERS' EQUITY

| EUR 1,000 | 2018 | 2017 |
|--|---------------|--------|
| Share capital at Jan. 1 | 8 256 | 8 256 |
| Share capital at Dec. 31 | 8 256 | 8 256 |
| Invested non-restricted equity reserve at Jan. 1 | 5 652 | 5 445 |
| Exercised stock options | 59 | 207 |
| Invested non-restricted equity reserve at Dec. 31 | 5 711 | 5 652 |
| Retained earnings at Jan. 1 | 14 711 | 10 229 |
| Changes during the financial year | | |
| - Profit from the previous year | 9 162 | 8 702 |
| - Dividends | -5 320 | -4 220 |
| Retained earnings at Dec. 31 | 18 553 | 14 711 |
| Profit for the financial year | 19 691 | 9 162 |
| SHAREHOLDERS' EQUITY AT DEC. 31 | 52 211 | 37 782 |
| Distributable funds | | |
| Retained earnings at Dec. 31 | 18 553 | 14 711 |
| Profit for the financial year | 19 691 | 9 162 |
| Invested non-restricted equity reserve | 5 711 | 5 652 |
| Distributable funds at Dec. 31 | 43 954 | 29 525 |
| Shares of the company | | |
| Series K shares (ordinary shares, 20 votes/share), 1,000 pcs | 991 | 991 |
| Series A shares (1 vote/shares), 1,000 pcs | 3 272 | 3 258 |
| Shares, 1,000 pcs | 4 263 | 4 249 |
| Book counter value of the share | 1,94 | 1,94 |
| Total book counter value, 1 000 pcs | 8 256 | 8 256 |

LIABILITIES

| EUR 1,000 | 2018 | 2017 |
|--|---------------|--------|
| Current liabilities | | |
| Current liabilities to Group companies | | |
| - Advance payments received | 4 449 | 1 938 |
| - Accounts payable | 1 197 | 349 |
| - Accrued expenses and prepaid income | 111 | 425 |
| - Other current liabilities | 152 | 3 729 |
| Total to Group companies | 5 908 | 6 440 |
| Current liabilities to others | | |
| - Advance payments received | 14 058 | 19 764 |
| - Accounts payable | 11 380 | 6 102 |
| - Accrued expenses and prepaid income | 8 881 | 8 500 |
| - Other liabilities | 754 | 560 |
| Total to others | 35 072 | 34 926 |
| TOTAL | 40 980 | 41 366 |
| Interest-bearing liabilities | | |
| - Current other liabilities | 152 | 3 729 |
| TOTAL | 152 | 3 729 |
| Substantial items included in accrued expenses and prepaid income | | |
| - Accrued personnel expenses | 6 978 | 6 343 |
| - Accrued project expenses | 119 | 231 |
| - Income tax liability | 613 | 782 |
| - Accrued investments | 680 | 542 |
| - Other accrued expenses | 491 | 603 |
| TOTAL | 8 881 | 8 500 |

FINANCIAL INCOME AND EXPENSES

| EUR 1,000 | 2018 | 2017 |
|---|---------------|--------|
| Dividend income | | |
| From others | 249 | 120 |
| Total | 249 | 120 |
| Other interest and financial income | | |
| From Group companies | 312 | 679 |
| Reversed impairment on investments in Group companies | 7 508 | - |
| Reversed impairment on loan receivables from Group companies | 2 945 | 4 383 |
| From others | 783 | 236 |
| Total | 11 547 | 5 298 |
| Total financial income | 11 796 | 5 418 |
| Interest and other financial expenses | | |
| To Group companies | -151 | - |
| Impairments, investments in Group companies | - | -5 245 |
| To others | -264 | -201 |
| Total | -415 | -5 445 |
| Total financial expenses | -415 | -5 445 |
| Financial income and expenses, net | 11 381 | -27 |
| Exchange rate gains (+) / losses (-) included in total financial income | -26 | -57 |

Raute Corporation's result was improved by a reversal of impairment for financing loan receivable EUR 2,495 thousand (EUR 4,383 thousand). At the end of the financial year, Raute Corporation had loan receivables from its Group company Metriguard Technologies, Inc. a total of EUR 961 thousand (EUR 1,032 thousand). At the end of the financial year Raute Corporation has recognized a reversal of impairment for investments in a foreign subsidiary a total of EUR 7,508 thousand (EUR 0 thousand).

DERIVATIVES

| EUR 1,000 | 2018 | 2017 |
|--|-------|--------|
| Nominal values of forward contracts in foreign currency | | |
| Economic hedging | | |
| - Related to financing | 961 | 492 |
| - Related to the hedging of net sales | 5 095 | 2 189 |
| Hedge accounting | | |
| - Related to the hedging of net sales | 5 723 | 12 716 |
| Fair values of forward contracts in foreign currency | | |
| Economic hedging | | |
| - Related to financing | -35 | 52 |
| - Related to the hedging of net sales | -154 | 22 |
| Hedge accounting | | |
| - Related to the hedging of net sales | -200 | -18 |

Basis of preparation

The company's derivatives include foreign currency derivative contracts. Currency derivatives are used to hedge against currency risks related to currency cash flow.

PLEGGED ASSETS AND CONTINGENT LIABILITIES

| EUR 1,000 | 2018 | 2017 |
|--|---------------|--------|
| On behalf of the Parent company | | |
| Business mortgages | - | 8 274 |
| Mortgage agreements on behalf of subsidiaries | | |
| Financial loans | 1 079 | 1 413 |
| Other obligations | 116 | 313 |
| Business mortgages | - | 1 726 |
| Other credit guarantee arrangements | 1 195 | - |
| Commercial bank guarantees on behalf of the Parent company and subsidiaries | 25 925 | 25 728 |

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

FINANCIAL STATEMENTS DECEMBER 31, 2018

Common accounting document types used

Financial statements

General journal and general ledger

Accounts payable and accounts receivable

Documents' means of storing

Separately bound, in paper

In electronic format

In electronic format

Description of voucher group

Bank and cash vouchers

Purchase invoices

Sales invoices

Transactions of purchase and sales invoices

Fixed asset register

Salary vouchers

Memo vouchers

Automatic contra entries of memo vouchers

Imputed and entries of cost accounting

Voucher group

10, 11 and 15

81, 83, 85, 86, 87 and 88

30, 31, 34, 35 and 36

70, 72 and 80

65, 66, 67 and 68

6, 20, 21, 22 and 25

98

28 and 29

Vouchers' means of storing

In paper

In electronic format

In paper

In electronic format

In paper

In paper

In paper

In electronic format

In electronic format and in paper (28)

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

The Parent company's distributable funds total EUR 43,954,461.32 of which the profit for the financial year is EUR 19,690,760.01 and the balance sheet amounts to EUR 95,590,817.17.

The Board of Directors will propose to the Annual General Meeting 2019 that the distributable funds will be used in the following way based on the total amount of shares entitled for the dividend at the date of the proposal for dividend distribution, i.e. 4,263,194 shares:

| | | |
|---|-----|---------------|
| - EUR 1.40 per share to be distributed as dividend, i.e. a total of | EUR | 5,968,471.60 |
| - Retained in equity | EUR | 37,985,989.72 |
| Total | EUR | 43,954,461.32 |

No material changes have taken place in the company's financial position after the end of the financial year. The company has good liquidity, and the proposed profit distribution does not pose a risk to solvency.

Lahti, February 14, 2019

Erkki Pehu–Lehtonen
Chairman of the Board

Mika Mustakallio

Joni Bask

Laura Raitio

Pekka Suominen

Patrick von Essen

Tapani Kiiski
President and CEO

Auditor's note

A report on the audit performed has been issued today.

Lahti, February 14, 2019

PricewaterhouseCoopers Oy
Authorized Public Accountants

Markku Launis
Authorized Public Accountant

To the Annual General Meeting of Raute Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of Raute Oyj (business identity code 0149072-6) for the year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note Other operating expenses to the Financial Statements.

Our Audit Approach

Overview



- We have applied an overall group materiality of EUR 1,8 million.
- We have audited parent company and its subsidiaries in Finland and Canada. In addition, we have performed group level procedures over specific consolidated accounts and analytical procedures to assess unusual movements across all entities.
- Revenue recognition of project deliveries and modernization projects

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

| | |
|--|---|
| Overall group materiality | EUR 1,8 million |
| How we determined it | Net sales |
| Rationale for the materiality benchmark applied | We chose net sales as the benchmark because, in our view, the performance of the Group is most commonly measured by using this criteria, and it is a generally accepted benchmark. We chose net sales as the benchmark as we considered that this provides us with a consistent year-on-year basis for determining materiality. |

How we tailored our group audit scope

The group audit scope was tailored to take into account the structure of the Group and the size, complexity and risk of individual subsidiaries. Using this criteria we selected companies into our audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

| Key audit matter in of the group | How our audit addressed the key audit matter |
|--|---|
| <p><i>Revenue recognition of project deliveries and modernization projects</i></p> <p><i>Refer to accounting principles of the consolidated financial statements and notes net sales and performance obligations to be satisfied over time in the consolidated financial statements</i></p> <p>The main part of net sales is comprised of projects deliveries and modernizations projects, which are treated as performance obligations to be satisfied over time. The group applies the percentage of completion method as a revenue recognition principle in performance obligations over time.</p> <p>Percentage of completion has been measured on a cost basis as the relation of actual project costs to the estimated total project costs.</p> <p>The revenue recognition of projects deliveries and modernization projects includes significant management judgments, which have a direct impact on the revenue and profit of the financial year. The most important judgment relates to the estimated total revenues as well as estimated material, subcontracting and labour costs.</p> <p>Our audit procedures focused on the revenue recognition of projects deliveries and modernization projects, as they include management judgment. The revenue recognition of projects deliveries and modernization projects includes management judgment in a form of estimates affecting both on the amount of revenue being recognized and profitability of the projects.</p> | <p>Our revenue testing included both testing of the company's controls, as well as substantive audit procedures targeted at selected project deliveries and modernization projects. Our substantive procedures included the following but was not limited to:</p> <p>We have verified, by sampling new contracts signed during the accounting period, that the revenue recognition method applied was appropriate based on the terms of the arrangement</p> <p>We have tested by sample, that estimated revenues are based on signed contracts and that new projects have been processed in accordance with Raute's decision making policy.</p> <p>We have assessed reliability of the expected expenses for projects by comparing expenses of unfinished projects in the previous year-end to the final outcome. We have had discussions with relevant personnel about uncertainty relating to the estimated total expenses of the projects. We have read minutes from monthly project meetings into which the changes in expected expenses are documented by project. We have tested the arithmetic of the spreadsheets with which the percentage of completion and revenue to be recognized for projects is calculated.</p> <p>We also considered the appropriateness of the related disclosures provided in the notes to the consolidated financial statements.</p> |
| <p>We have no key audit matters to report with respect to our audit of the parent company financial statements.</p> | |
| <p>There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.</p> | |

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reportin Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 31 March 2010. Our appointment represents a total period of uninterrupted engagement of 9 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Lahti 14 February 2019

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Launis

Authorised Public Accountant (KHT)



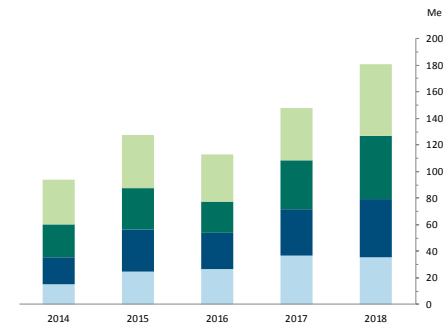
Development of quarterly results

The presented interim report figures have not been audited.

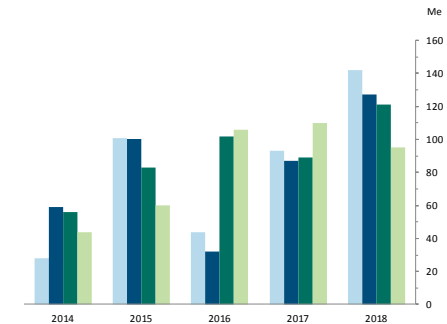
| EUR 1,000 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Restated Q4 2017 | Restated Q3 2017 | Restated Q2 2017 | Restated Q1 2017 |
|---|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|
| NET SALES | 54 166 | 47 888 | 43 667 | 35 272 | 39 367 | 37 049 | 35 058 | 36 589 |
| Change in inventories of finished goods and work in progress | -335 | 600 | 1 574 | 1 230 | 943 | -187 | 806 | 492 |
| Other operating income | 197 | 137 | 293 | 65 | -190 | 167 | 91 | 28 |
| Materials and services | -31 996 | -27 339 | -26 271 | -18 174 | -21 183 | -19 386 | -19 405 | -20 747 |
| Employee benefits expense | -12 813 | -11 316 | -11 568 | -11 246 | -11 437 | -9 495 | -10 347 | -9 756 |
| Depreciation and amortization | -585 | -617 | -635 | -650 | -702 | -654 | -660 | -618 |
| Impairments | -38 | - | - | - | - | - | - | - |
| Other operating expenses | -5 185 | -3 751 | -3 903 | -3 743 | -3 738 | -3 381 | -4 223 | -3 311 |
| Total operating expenses | -50 617 | -43 024 | -42 377 | -33 813 | -37 060 | -32 916 | -34 634 | -34 432 |
| OPERATING PROFIT | 3 410 | 5 602 | 3 156 | 2 754 | 3 060 | 4 113 | 1 320 | 2 678 |
| % of net sales | 6,3 | 11,7 | 7,2 | 7,8 | 7,8 | 11,1 | 3,8 | 7,3 |
| Financial income | 40 | 9 | 72 | 225 | 5 | 19 | 17 | 318 |
| Financial expenses | -75 | -109 | -107 | -64 | -39 | -121 | -145 | -105 |
| Financial expenses, net | -35 | -100 | -36 | 160 | -34 | -102 | -127 | 212 |
| PROFIT BEFORE TAX | 3 375 | 5 502 | 3 121 | 2 914 | 3 026 | 4 011 | 1 192 | 2 890 |
| % of net sales | 6,2 | 11,5 | 7,1 | 8,3 | 7,7 | 10,8 | 3,4 | 7,9 |
| Income taxes | -480 | -1 189 | -748 | -659 | -328 | -647 | -377 | -790 |
| TOTAL PROFIT FOR THE PERIOD | 2 895 | 4 313 | 2 372 | 2 256 | 2 698 | 3 364 | 815 | 2 101 |
| % of net sales | 5,3 | 9,0 | 5,4 | 6,4 | 6,9 | 9,1 | 2,3 | 5,7 |
| Attributable to | | | | | | | | |
| Equity holders of the Parent company | 2 895 | 4 313 | 2 372 | 2 256 | 2 698 | 3 364 | 815 | 2 101 |
| Undiluted earnings per share, euros | 0,68 | 1,01 | 0,56 | 0,53 | 0,64 | 0,80 | 0,19 | 0,50 |
| Diluted earnings per share, euros | 0,67 | 1,01 | 0,55 | 0,53 | 0,63 | 0,79 | 0,19 | 0,49 |
| Adjusted average number of shares, 1 000 pcs | 4 263 | 4 263 | 4 263 | 4 248 | 4 240 | 4 229 | 4 225 | 4 205 |
| Adjusted average number of shares, diluted, 1 000 pcs | 4 294 | 4 290 | 4 284 | 4 267 | 4 274 | 4 259 | 4 242 | 4 249 |
| FINANCIAL DEVELOPMENT QUARTERLY | | | | | | | | |
| Order intake during the period, EUR million | 28 | 42 | 28 | 68 | 60 | 42 | 29 | 24 |
| Order book at the end of the period, EUR million | 95 | 121 | 127 | 142 | 110 | 89 | 87 | 93 |

Development quarterly

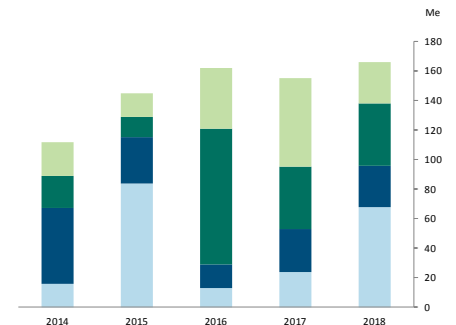
Net sales



Order book



Order intake



● Q1 ● Q2 ● Q3 ● Q4

| | 2018 | Restated 2017 | 2016 | 2015 | 2014 |
|----------------------------------|----------------|------------------|---------|---------|--------|
| Net sales | 180 993 | 148 064 | 113 130 | 127 278 | 94 021 |
| Change in net sales, % | 22,2 | 30,9 | -11,1 | 35,4 | 12,9 |
| Exported portion of net sales | 153 180 | 122 249 | 88 612 | 97 113 | 88 696 |
| % of net sales | 84,6 | 82,6 | 78,3 | 76,3 | 94,3 |
| Operating profit | 14 922 | 11 171 | 8 558 | 8 120 | 2 605 |
| % of net sales | 8,2 | 7,5 | 7,6 | 6,4 | 2,8 |
| Profit before tax | 14 912 | 11 120 | 8 220 | 8 118 | 2 810 |
| % of net sales | 8,2 | 7,5 | 7,3 | 6,4 | 3,0 |
| Profit for the financial year | 11 836 | 8 979 | 6 684 | 6 684 | 2 361 |
| % of net sales | 6,5 | 6,1 | 5,9 | 5,3 | 2,5 |
| Return on investment (ROI), % | 34,6 | 29,5 | 25,3 | 28,5 | 10,9 |
| Return on equity (ROE), % | 27,6 | 24,4 | 20,9 | 24,7 | 9,8 |
| Balance sheet total | 96 382 | 87 006 | 69 767 | 61 760 | 52 646 |
| Interest-bearing net liabilities | -12 295 | -29 311 | -20 633 | -5 003 | -1 669 |
| % of net sales | -6,8 | -19,8 | -18,2 | -3,9 | -1,8 |
| Non-interest-bearing liabilities | 48 793 | 45 428 | 31 760 | 28 421 | 22 795 |
| Equity ratio, % | 61,7 | 64,3 | 60,4 | 58,5 | 55,8 |
| Gearing, % | -26,4 | -74,4 | -60,3 | -16,8 | -6,9 |
| Gross capital expenditure | 4 384 | 6 962 | 3 224 | 2 506 | 1 675 |
| % of net sales | 2,4 | 4,7 | 2,8 | 2,0 | 1,8 |
| Research and development costs | 3 735 | 3 237 | 2 863 | 3 092 | 1 767 |
| % of net sales | 2,1 | 2,2 | 2,5 | 2,4 | 1,9 |
| Order book, EUR million | 95 | 110 | 106 | 60 | 44 |
| Order intake, EUR million | 167 | 155 | 162 | 145 | 112 |
| Personnel at Dec. 31 | 772 | 704 | 643 | 646 | 587 |
| Personnel, effective, on average | 725 | 660 | 631 | 614 | 530 |
| Personnel, on average | 748 | 682 | 642 | 624 | 545 |
| Dividend | 5 968* | 5 320 | 4 220 | 3 303 | 1 606 |
| Repayment of equity | -.* | - | - | - | 803 |

Raute Group uses key ratios and alternative performance measures (APM's) to describe the income, operational financial result, capital structure, return on equity, financial position and cash flows.

The purpose of the key ratios and APMs is to give the readers an overview of the Group's financial position and help in analyzing the financial statements and evaluating the development of the operations.

The key ratios have been derived from the consolidated financial statements or are based on items present-

ed in the financial statements which have been prepared in accordance with the accounting standards.

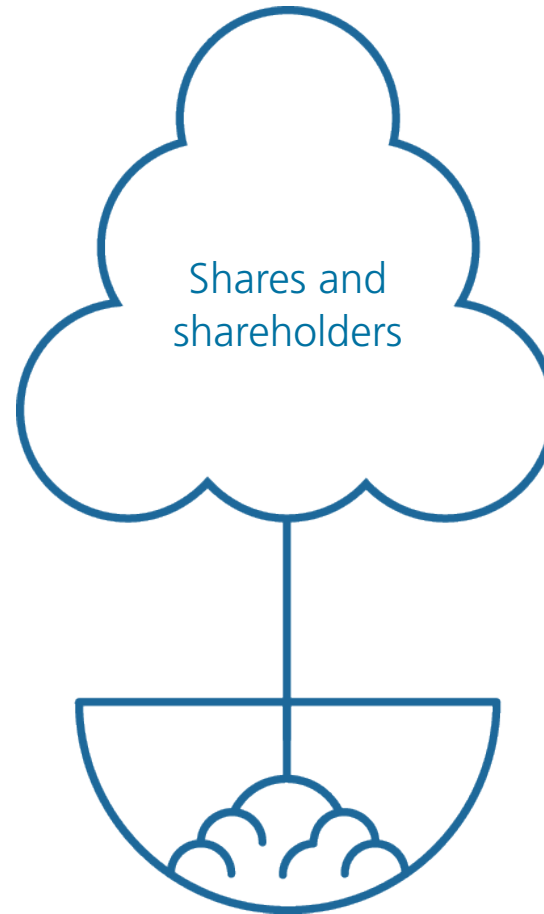
If there is a change in the accounting principles of the Group during a certain financial year, the figures of the comparison years are restated to correspond to those accounting principles in force for the current year.

The calculation of the key figures and the alternative performance measures has been presented on page 77 and the calculation of share-related data in connection with the share-related data, on page 78.

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

| | | | |
|---|---|---|--|
| Change in net sales, % | $\frac{\text{Net sales of the financial year} - \text{net sales of the previous financial year}}{\text{Net sales}} \times 100$ | Equity ratio, % | $\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{advance payments received}} \times 100$ |
| Exported portion of net sales | Exported portion of materials and services sold from Finland | Gearing, % | $\frac{\text{Interest-bearing net financial liabilities}}{\text{Shareholders' equity}} \times 100$ |
| Exported portion of net sales, % | $\frac{\text{Exported portion}}{\text{Net sales of the financial year}} \times 100$ | Gross capital expenditure | Gross capital expenditure includes additions in intangible and tangible assets. |
| Operating profit | Operating profit is the net sum calculated by adding other operating income to net sales, deducting purchase expenses that have been adjusted by changes in inventories of finished goods and work in progress and by expenses from production for own use; and by deducting expenses from employee benefits, depreciation and possible impairment losses, as well as other operating expenses. | Gross capital expenditure, % of net sales | $\frac{\text{Gross capital expenditure}}{\text{Net sales of the financial year}} \times 100$ |
| Operating profit, % of net sales | $\frac{\text{Operating profit}}{\text{Net sales of the financial year}} \times 100$ | Research and development costs | Research and development costs include materials and supplies, working hours and other operating costs |
| Profit before tax, % of net sales | $\frac{\text{Profit before tax}}{\text{Net sales of the financial year}} \times 100$ | Research and development costs, % of net sales | $\frac{\text{Research and development costs}}{\text{Net sales of the financial year}} \times 100$ |
| Profit for the financial year, % of net sales | $\frac{\text{Profit for the financial year}}{\text{Net sales of the financial year}} \times 100$ | Order book, EUR million | Binding sales contracts received but not yet delivered as far the orders have not been recognized in net sales. |
| Return on investment (ROI), % | $\frac{\text{Profit before tax} + \text{financial expenses}}{\text{Shareholders' equity} + \text{interest-bearing financial liabilities (average of the financial year)}} \times 100$ | Order intake, EUR million | Binding sales contracts entered into force during the financial year according to the latest net sales estimate. |
| Return on equity (ROE), % | $\frac{\text{Profit for the financial year}}{\text{Shareholders' equity (average of the financial year)}} \times 100$ | Number of personnel at 31 Dec. | Number of employed personnel at the end of the financial year. |
| Interest-bearing net liabilities | Interest-bearing liabilities /. (cash and cash equivalents + financial assets at fair value through profit or loss) | Personnel, effective, average | Average of the effective number of employed personnel at the end of the calendar months of the financial year. |
| Interest-bearing net liabilities, % of net sales | $\frac{\text{Interest-bearing liabilities} - \text{. (cash and cash equivalents} + \text{financial assets at fair value through profit or loss)}}{\text{Net sales}} \times 100$ | Personnel, average | Average of the number of employed personnel at the end of calendar months. |
| Non-interest-bearing liabilities | Provisions + current advance payments received + income tax liability + trade payables and other liabilities | Dividend distribution | Dividend distribution confirmed or proposed for the financial year. |
| | | Repayment of equity | Repayment of equity from the non-restricted equity reserve confirmed or proposed for the financial year. |

| | 2018 | Restated 2017 | 2016 | 2015 | 2014 | | |
|---|------------------|------------------|-----------|-----------|-----------|---|---|
| Earnings per share, (EPS), undiluted, EUR | 2,78 | 2,13 | 1,60 | 1,65 | 0,59 | Earnings per share, undiluted, euros | $\frac{\text{Profit (loss) for the financial year}}{\text{Equity issue-adjusted average number of shares during the financial year}}$ |
| Earnings per share, (EPS), diluted, EUR | 2,76 | 2,11 | 1,59 | 1,64 | 0,59 | Earnings per share, diluted, euros | $\frac{\text{Diluted profit (loss) for the financial year}}{\text{Diluted equity issue-adjusted average number of shares during the financial year}}$ |
| Equity to share, EUR | 10,82 | 9,27 | 8,13 | 7,26 | 6,06 | Equity to share, euros | $\frac{\text{Share of shareholders' equity belonging to the owners of the Parent company}}{\text{Undiluted number of shares at the end of the financial year}}$ |
| Dividend per series A share, EUR | 1,40* | 1,25 | 1,00 | 0,80 | 0,40 | Dividend per series A share, euros | $\frac{\text{Distributed dividend for the financial year}}{\text{Undiluted number of shares at the end of the financial year}}$ |
| Dividend per series K share, EUR | 1,40* | 1,25 | 1,00 | 0,80 | 0,40 | Dividend per series K 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, % | 50,4* | 58,8 | 62,3 | 48,4 | 68,0 | Dividend per profit, % | $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$ |
| Effective dividend return, % | 6,6* | 4,3 | 6,0 | 5,7 | 5,5 | 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) | 7,67 | 13,65 | 10,41 | 8,55 | 12,42 | Price/earnings ratio (P/E ratio) | $\frac{\text{Closing share price at the end of the financial year}}{\text{Earnings per share}}$ |
| Repayment of equity from invested non-restricted equity reserve, EUR | -* | - | - | - | 0,20 | | |
| Development in share price (series A share) | | | | | | | |
| Lowest share price for the financial year, EUR | 20,50 | 16,84 | 12,06 | 7,17 | 6,90 | | |
| Highest share price for the financial year, EUR | 34,90 | 30,52 | 17,98 | 14,25 | 8,60 | | |
| Average share price for the financial year, EUR | 28,58 | 22,70 | 14,50 | 11,95 | 7,69 | | |
| Share price at the end of the financial year, EUR | 21,30 | 29,00 | 16,70 | 14,12 | 7,30 | | |
| Market value of capital stock at Dec. 31, EUR thousand** | 90 806 | 123 228 | 70 248 | 58 057 | 29 311 | | |
| Trading of the company's shares (series A shares) | | | | | | | |
| Shares traded during the financial year, 1 000 pcs | 880 | 846 | 988 | 1 095 | 594 | | |
| % of the number of series A shares | 26,9 | 26,0 | 30,7 | 35,1 | 20,0 | | |
| Total number of shares (undiluted) | | | | | | | |
| Issue-adjusted weighted average number of shares | 4 259 525 | 4 225 082 | 4 166 966 | 4 051 034 | 4 009 777 | Average share price for the financial year, euros | $\frac{\text{Total EUR value of series A shares traded during the financial year}}{\text{Average number of series A shares traded during the financial year}}$ |
| Issue-adjusted number of shares at the end of the financial year | 4 290 433 | 4 249 248 | 4 206 462 | 4 111 708 | 4 015 228 | Market value of capital stock at Dec. 31, EUR 1,000** | $\text{Number of shares (series A and series K shares) at the end of the financial year} \times \text{closing price of the share at the end of the financial year}$ |
| The deferred tax liabilities have been included in the calculation of the key ratios. | | | | | | | |
| *Board of Directors' proposal to the Annual General Meeting. | | | | | | | |
| **Series K shares valued at the value of series A shares. | | | | | | | |
| | | | | | | Share turnover (series A shares) during the financial year | $\frac{\text{Total number of series A shares traded during the financial year}}{\text{Average number of series A shares during the financial year}} \times 100$ |
| | | | | | | Number of shares, average | $\frac{\text{Average of the number of shares at the end of calendar months of the financial year.}}$ |
| | | | | | | Number of shares, average, diluted | $\frac{\text{Average of the issue-adjusted number of shares at the end of calendar months of the financial year.}}$ |



Raute Corporation

Raute is a financially sound Small Cap company with a strong family background. The company's series A shares are listed on Nasdaq Helsinki Ltd.

Raute operates globally and has a leading position in its field.

Market capitalization and trading

Raute Corporation's series A shares are listed on the Nasdaq Helsinki Ltd in the Industrials sector. The trading code is RAUTE. The market making agreement in compliance with the Liquidity Providing (LP) requirements issued by Nasdaq Helsinki Ltd between Raute Corporation and Nordea Bank AB (publ) has expired on December 8, 2018

In 2018, a total of 879,655 Raute Corporation's series A shares were traded (845,672 pieces). The total value of trading was EUR 25.1 million (MEUR 19.2). The highest share price was EUR 34.90 (EUR 30.52) and the lowest EUR 20.50 (EUR 16.84). At the end of the year 2018, the share price was EUR 21.30 (EUR 29.00). The average price was EUR 28.58 (EUR 22.70). The company's market capitalization at the end of the financial year was EUR 90.8 million (MEUR 123.2), with series K shares valued at the closing price of series A shares on the last listing day December 28, 2018.

Share-based payment plan 2014–2018 and 2017–2022

Information is presented in note Employee benefits, page 27.

Board authorizations

The Annual General Meeting on March 22, 2018 authorized the Board to decide on the repurchase of a maximum of 400,000 Raute Corporation's series A shares using assets from the company's non-restricted equity, which would lead to a decrease in the company's distributable assets.

The authorization entitles the Board to acquire the company's series A shares to be used for the development of the company's capital structure, as consideration for funding or carrying out any acquisitions or other arrangements, or to be otherwise disposed of or cancelled.

The purchase consideration paid for shares purchased by virtue of the authorization shall be based on the price of the series A share in public trading so that the minimum price of acquired shares is the lowest market price quoted in public trading during the term of validity of the authorization and the maximum price, correspondingly, the highest market price quoted in public trading during the term of validity of the authorization.

The authorization includes the right to acquire shares other than in proportion to the holdings of the shareholders. A targeted repurchase of the company's own shares can take place, for example, by acquiring shares in public trading in markets where, according to regulations, the company is permitted to engage in the trade of its own shares. Repurchasing shares in public trading as mentioned above or otherwise in a targeted way, requires that the company has a weighty financial reason to do so.

Series K shares can be converted to series A shares in accordance with Article 3 of Raute Corporation's Articles of Association. The Board of Directors will decide on the other conditions related to share repurchases.

By the authority granted to the Board at the Annual General Meeting on March 22, 2018 the Board can decide on an issue of Raute Corporation's series A shares, as well as on all of the related conditions, including the recipients and the sum of consideration to be paid. The Board of Directors may decide to issue either new shares or company shares held by Raute. The maximum number of shares that can be issued is 400,000 series A shares. As proposed, the authorization can be used to fund or carry out acquisitions or other arrangements or for other purposes decided by the Board of Directors.

The authorizations are valid until the end of the next Annual General Meeting.

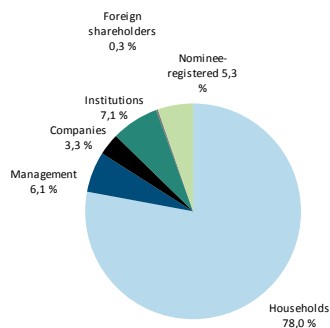
On December 31, 2018, the company had no valid share issues.

ENTIRE CAPITAL STOCK

| Series A and series K shares by shareholder category at Dec. 31, 2018 | Number of shareholders | | Number of shares | | Number of voting rights | |
|---|------------------------|--------------|------------------|--------------|-------------------------|--------------|
| | | % | | % | | % |
| Households | 4 820 | 95,5 | 3 583 956 | 84,1 | 22 416 015 | 97,1 |
| Financial and insurance institutions | 16 | 0,3 | 171 529 | 4,0 | 171 529 | 0,7 |
| Companies | 167 | 3,3 | 139 682 | 3,3 | 139 682 | 0,6 |
| Non-profit institutions | 17 | 0,3 | 77 423 | 1,8 | 77 423 | 0,3 |
| Public institutions | 1 | 0,0 | 51 950 | 1,2 | 51 950 | 0,2 |
| Foreign shareholders | 17 | 0,4 | 12 112 | 0,3 | 12 112 | 0,0 |
| Nominee-registered | 8 | 0,2 | 226 542 | 5,3 | 226 542 | 1,0 |
| Total | 5 046 | 100,0 | 4 263 194 | 100,0 | 23 095 253 | 100,0 |

| Series A and series K shares by number of shares at Dec. 31, 2018 | Number of shareholders | | Number of shares | | Number of voting rights | |
|---|------------------------|--------------|------------------|--------------|-------------------------|--------------|
| | | % | | % | | % |
| 1-1 000 | 4 740 | 93,9 | 863 627 | 20,3 | 899 157 | 3,9 |
| 1 001-5 000 | 236 | 4,7 | 487 848 | 11,4 | 740 206 | 3,2 |
| 5 001-10 000 | 19 | 0,4 | 130 868 | 3,1 | 719 488 | 3,1 |
| 10 001-20 000 | 13 | 0,3 | 183 587 | 4,3 | 1 671 648 | 7,2 |
| 20 001-30 000 | 9 | 0,2 | 229 024 | 5,4 | 2 603 264 | 11,3 |
| 30 001-40 000 | 6 | 0,1 | 209 413 | 4,9 | 2 233 863 | 9,7 |
| 40 001-50 000 | 2 | 0,0 | 91 874 | 2,2 | 1 474 694 | 6,4 |
| 50 001-60 000 | 9 | 0,2 | 493 447 | 11,6 | 3 218 807 | 13,9 |
| 60 001- | 12 | 0,2 | 1 573 506 | 36,9 | 9 534 126 | 41,3 |
| Total | 5 046 | 100,0 | 4 263 194 | 100,0 | 23 095 253 | 100,0 |

Shareholding at December 31, 2018



SERIES A SHARES

| Series A shares by shareholder category at Dec. 31, 2018 | Number of shareholders | | Number of shares | | Number of voting rights | |
|--|------------------------|--------------|------------------|--------------|-------------------------|--------------|
| | | % | | % | | % |
| Households | 4 801 | 95,5 | 2 592 795 | 79,2 | 2 592 795 | 79,2 |
| Financial and insurance institutions | 16 | 0,3 | 171 529 | 5,2 | 171 529 | 5,2 |
| Companies | 167 | 3,3 | 139 682 | 4,3 | 139 682 | 4,3 |
| Non-profit institutions | 17 | 0,3 | 77 423 | 2,4 | 77 423 | 2,4 |
| Public institutions | 1 | 0,0 | 51 950 | 1,6 | 51 950 | 1,6 |
| Foreign shareholders | 17 | 0,3 | 12 112 | 0,4 | 12 112 | 0,4 |
| Nominee-registered | 8 | 0,2 | 226 542 | 6,9 | 226 542 | 6,9 |
| Total | 5 027 | 100,0 | 3 272 033 | 100,0 | 3 272 033 | 100,0 |

| Series A shares by number of shares at Dec. 31, 2018 | Number of shareholders | | Number of shares | | Number of voting rights | |
|--|------------------------|--------------|------------------|--------------|-------------------------|--------------|
| | | % | | % | | % |
| 1-1 000 | 4 734 | 94,2 | 863 221 | 26,4 | 863 221 | 26,4 |
| 1 001-5 000 | 241 | 4,8 | 507 318 | 15,5 | 507 318 | 15,5 |
| 5 001-10 000 | 19 | 0,4 | 129 155 | 3,9 | 129 155 | 3,9 |
| 10 001-20 000 | 10 | 0,2 | 142 214 | 4,3 | 142 214 | 4,3 |
| 20 001-30 000 | 6 | 0,1 | 150 012 | 4,6 | 150 012 | 4,6 |
| 30 001-40 000 | 2 | 0,0 | 70 500 | 2,2 | 70 500 | 2,2 |
| 40 001-50 000 | 3 | 0,1 | 134 853 | 4,1 | 134 853 | 4,1 |
| 50 001-60 000 | 7 | 0,1 | 369 765 | 11,3 | 369 765 | 11,3 |
| 60 001- | 5 | 0,1 | 904 995 | 27,7 | 904 995 | 27,7 |
| Total | 5 027 | 100,0 | 3 272 033 | 100,0 | 3 272 033 | 100,0 |

SERIES K SHARES

| Series K shares by shareholder category at Dec. 31, 2018 | Number of shareholders | | Number of shares | | Number of voting rights | |
|--|------------------------|--------------|------------------|--------------|-------------------------|--------------|
| | | % | | % | | % |
| Households | 54 | 100,0 | 991 161 | 100,0 | 19 823 220 | 100,0 |
| Total | 54 | 100,0 | 991 161 | 100,0 | 19 823 220 | 100,0 |

| Series K shares by number of shares at Dec. 31, 2018 | Number of shareholders | | Number of shares | | Number of voting rights | |
|--|------------------------|--------------|------------------|--------------|-------------------------|--------------|
| | | % | | % | | % |
| 1-1 000 | 10 | 18,5 | 2 250 | 0,2 | 45 000 | 0,2 |
| 1 001-5 000 | 8 | 14,8 | 21 551 | 2,2 | 431 020 | 2,2 |
| 5 001-10 000 | 6 | 11,1 | 32 100 | 3,2 | 642 000 | 3,2 |
| 10 001-20 000 | 11 | 20,4 | 158 795 | 16,0 | 3 175 900 | 16,0 |
| 20 001-30 000 | 6 | 11,1 | 149 055 | 15,0 | 2 981 100 | 15,0 |
| 30 001-40 000 | 3 | 5,6 | 99 550 | 10,0 | 1 991 000 | 10,0 |
| 40 001-50 000 | 5 | 9,3 | 238 480 | 24,1 | 4 769 600 | 24,1 |
| 50 001-60 000 | 2 | 3,7 | 106 320 | 10,7 | 2 126 400 | 10,7 |
| 60 001- | 3 | 5,6 | 183 060 | 18,5 | 3 661 200 | 18,5 |
| Total | 54 | 100,0 | 991 161 | 100,0 | 19 823 220 | 100,0 |

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2018 BY NUMBER OF SHARES

| | Number of series K shares | Number of series A shares | Total number of shares | % of total shares | Total number of votes | % of voting rights |
|--|---------------------------|---------------------------|------------------------|-------------------|-----------------------|--------------------|
| 1. Sundholm Göran | - | 494 546 | 494 546 | 11,6 | 494 546 | 2,1 |
| 2. Mandatum Life Unit-Linked | - | 131 396 | 131 396 | 3,1 | 131 396 | 0,6 |
| 3. Laakkonen Mikko Kalervo | - | 119 919 | 119 919 | 2,8 | 119 919 | 0,5 |
| 4. Suominen Pekka | 48 000 | 62 429 | 110 429 | 2,6 | 1 022 429 | 4,4 |
| 5. Siivonen Osku Pekka | 50 640 | 53 539 | 104 179 | 2,4 | 1 066 339 | 4,6 |
| 6. Kirmo Kaisa Marketta | 55 680 | 48 341 | 104 021 | 2,4 | 1 161 941 | 5,0 |
| 7. Suominen Tiina Sini-Maria | 48 000 | 52 856 | 100 856 | 2,4 | 1 012 856 | 4,4 |
| 8. Keskiäho Kaija Leena | 33 600 | 51 116 | 84 716 | 2,0 | 723 116 | 3,1 |
| 9. Mustakallio Mika Tapani | 62 100 | 21 170 | 83 270 | 2,0 | 1 263 170 | 5,5 |
| 10. Särkijärvi Anna Riitta | 60 480 | 22 009 | 82 489 | 1,9 | 1 231 609 | 5,3 |
| 11. Mustakallio Kari Pauli | 60 480 | 500 | 60 980 | 1,4 | 1 210 100 | 5,2 |
| 12. Mustakallio Marja Helena | 46 740 | 12 547 | 59 287 | 1,4 | 947 347 | 4,1 |
| 13. Mustakallio Ulla Sinikka | 47 740 | 10 730 | 58 470 | 1,4 | 965 530 | 4,2 |
| 14. Särkijärvi Anu Riitta | 12 000 | 43 256 | 55 256 | 1,3 | 283 256 | 1,2 |
| 15. Särkijärvi Timo Juha | 12 000 | 43 256 | 55 256 | 1,3 | 283 256 | 1,2 |
| 16. Suominen Jukka Matias | 24 960 | 27 964 | 52 924 | 1,2 | 527 164 | 2,3 |
| 17. Keskinäinen työeläkevakuutus-yhtiö Varma | - | 51 950 | 51 950 | 1,2 | 51 950 | 0,2 |
| 18. Relander Pär-Gustaf | - | 51 000 | 51 000 | 1,2 | 51 000 | 0,2 |
| 19. Suominen Jussi | 48 000 | - | 48 000 | 1,1 | 960 000 | 4,2 |
| 20. Keskiäho Ilta Marjaana | 24 780 | 19 094 | 43 874 | 1,0 | 514 694 | 2,2 |
| Total | 635 200 | 1 317 618 | 1 952 818 | 45,8 | 14 021 618 | 60,7 |

MANAGEMENT'S SHAREHOLDING AT DECEMBER 31, 2018

The Board of Directors, the President and CEO as well as the Executive Board held altogether 131,668 series A shares and 127,890 series K shares at December 31, 2018, equaling 6.1 percent of the company shares and 11.6 percent of the votes. The figures include the holding of their own, minor children and control entities.

NOMINEE-REGISTERED SHARES AT DECEMBER 31, 2018

Nominee-registered shares accounted for 5.3 percent (4.0%) of the total shares.

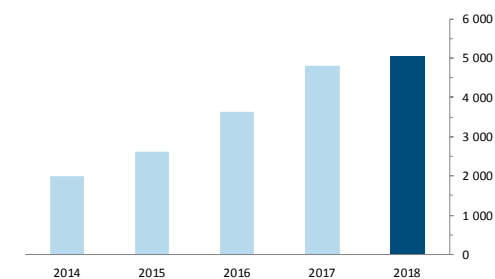
20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2018 BY NUMBER OF VOTES

| | Number of series K shares | Number of series A shares | Total number of shares | % of total shares | Total number of votes | % of voting rights |
|--------------------------------|---------------------------|---------------------------|------------------------|-------------------|-----------------------|--------------------|
| 1. Mustakallio Mika Tapani | 62 100 | 21 170 | 83 270 | 2,0 | 1 263 170 | 5,5 |
| 2. Särkijärvi Anna Riitta | 60 480 | 22 009 | 82 489 | 1,9 | 1 231 609 | 5,3 |
| 3. Mustakallio Kari Pauli | 60 480 | 500 | 60 980 | 1,4 | 1 210 100 | 5,2 |
| 4. Kirmo Kaisa Marketta | 55 680 | 48 341 | 104 021 | 2,4 | 1 161 941 | 5,0 |
| 5. Siivonen Osku Pekka | 50 640 | 53 539 | 104 179 | 2,4 | 1 066 339 | 4,6 |
| 6. Suominen Pekka | 48 000 | 62 429 | 110 429 | 2,6 | 1 022 429 | 4,4 |
| 7. Suominen Tiina Sini-Maria | 48 000 | 52 856 | 100 856 | 2,4 | 1 012 856 | 4,4 |
| 8. Mustakallio Ulla Sinikka | 47 740 | 10 730 | 58 470 | 1,4 | 965 530 | 4,2 |
| 9. Suominen Jussi | 48 000 | - | 48 000 | 1,1 | 960 000 | 4,2 |
| 10. Mustakallio Marja Helena | 46 740 | 12 547 | 59 287 | 1,4 | 947 347 | 4,1 |
| 11. Keskiäho Kaija Leena | 33 600 | 51 116 | 84 716 | 2,0 | 723 116 | 3,1 |
| 12. Mustakallio Hanna Leena | 32 975 | 5 565 | 38 540 | 0,9 | 665 065 | 2,9 |
| 13. Mustakallio Jukka Jeremias | 32 975 | 1 820 | 34 795 | 0,8 | 661 320 | 2,9 |
| 14. Keskiäho Vesa Heikki | 29 680 | - | 29 680 | 0,7 | 593 600 | 2,6 |
| 15. Keskiäho Juha-Pekka | 27 880 | 5 716 | 33 596 | 0,8 | 563 316 | 2,4 |
| 16. Suominen Jukka Matias | 24 960 | 27 964 | 52 924 | 1,2 | 527 164 | 2,3 |
| 17. Keskiäho Ilta Marjaana | 24 780 | 19 094 | 43 874 | 1,0 | 514 694 | 2,2 |
| 18. Sundholm Göran | - | 494 546 | 494 546 | 11,6 | 494 546 | 2,1 |
| 19. Kultanen Leea Annikka | 21 595 | 8 031 | 29 626 | 0,7 | 439 931 | 1,9 |
| 20. Molander Sole | 20 160 | - | 20 160 | 0,5 | 403 200 | 1,7 |
| Total | 776 465 | 897 973 | 1 674 438 | 39,3 | 16 427 273 | 71,1 |

NUMBER OF SHAREHOLDERS AT DECEMBER 31, 2018

The number of shareholders totaled 5,046 (4,797) at the end of the year 2018. Series K shares were owned by 54 (55) private individuals at the end of the financial year.

Number of shareholders





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