

2
0
1
9

**FINANCIAL
STATEMENTS**



CONTENTS

3 REPORT OF THE BOARD OF DIRECTORS

FINANCIAL STATEMENTS

9	Consolidated financial statements 2019	33	Deferred tax assets and liabilities
10	General information and Insider management	34	Group goodwill
11	Consolidated statement of income	35	Other intangible assets
12	Consolidated statement of comprehensive income	36	Research and development costs
13	Consolidated balance sheet	37	Property, plant and equipment
14	Consolidated statement of cash flows	38	Depreciation and amortization
15	Consolidated statement of changes in shareholders' equity	39	Right-of-use assets
16	Consolidated statement of changes in shareholders' equity, comparison year	40	Inventories
17	Accounting principles of the consolidated financial statements	41	Current payables
18	Changes in accounting standards	42	Exchange rate gains and losses
19	New and revised standards	43	Derivatives
20	Financing risks- Critical accounting judgments of the management	44	Risk management- Currency risks
21	Notes to the consolidated financial statements	45	Equity
22	Net sales	46	Other comprehensive income items
23	Performance obligations to be satisfied over time	47	Shares and share capital
24	Accounts receivables- Current customer contract assets	48	Earnings per share
25	Accounts receivables and other receivables	49	Financial liabilities
26	Materials and services- Provisions	50	Maturities of financial liabilities
27	Employee benefits	51	Financial assets
29	Management's employee benefits	52	Impairment of financial assets
30	Other operating income and expenses	53	Cash and cash equivalents
31	Lease agreements	54	Liquidity risk- Covenants
32	Income taxes	55	Financial income and expenses
		56	Pledged assets and contingent liabilities
		57	Segment information

58 Parent company's financial statements, FAS

59	Parent company's income statement, FAS
60	Parent company's balance sheet, FAS
61	Parent company's cash flow statement, FAS
62	Notes of the Parent company's financial statements
70	List of the Parent company's common accounting document types, voucher groups and means of storing
71	The Board of Directors' proposal and the Auditor's note
72	Auditor's Report (Translation of the Finnish original)

76 DEVELOPMENT OF GROUP RESULT AND KEY RATIOS

77	Development of quarterly results
78	Key ratios describing the Group's financial development
79	Calculation of key ratios
80	Share-related data and calculation

81 SHARES AND SHAREHOLDERS

82	Market capitalization and shareholders
83	Distribution of ownership
85	Largest shareholders

(English translation of Financial Statements 2019)

REPORT OF THE BOARD OF DIRECTORS

The Group's net sales for 2019 totaled EUR 151.3 million (MEUR 181.0), down by 16 percent from 2018. The Group's operating profit fell 43 percent from the previous year and stood at EUR 8.5 million (MEUR 14.9). The Group's financial income and expenses totaled EUR 0.8 million positive (MEUR 0.0). The result before taxes was EUR 9.3 million positive (MEUR 14.9). Profit for the financial year was EUR 7.7 million (MEUR 11.8). Comprehensive income was EUR 9.3 million positive (MEUR 12.1). Undiluted earnings per share were EUR 1.80 (EUR 2.78) and diluted earnings per share were EUR 1.80 (EUR 2.76). Return on equity was 16.0 percent (27.6%).

In this report, figures in parentheses refer to corresponding figures for the previous years 2018 and 2017.

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. We expect that the trend-like growth in wood construction will create demand for our customers and indirectly for Raute, strengthening our long-term growth opportunities.

Throughout 2019, the situation in the global economy and the financial markets deteriorated steadily.

Many of Raute's established and traditional customers have invested heavily during the past few years. As demand among this traditional customer base remained at a lower level than in previous years, the demand for our technology shifted towards new and different types of customer accounts.

Overall, although investment activity among Raute's customers has weakened from what it was in recent years, it remained at a reasonable level. Enquiry activity for new capacity projects and larger projects involving replacement and efficiency-boosting investments remained at a good level, and contracts were actively negotiated.

ORDER INTAKE AND ORDER BOOK

Raute serves the wood products industry with a full-service concept that is based on technology solutions covering 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 increased market uncertainty was reflected in the volume of new orders received by Raute, which would have been very low without the single large order from Russia. The order intake during 2019 was, however, at a good level and amounted to EUR 148 million (MEUR 167). One of our biggest successes in 2019 was the booking of a contract with the Russian Segezha Group for the entire set of production machinery for their plywood mill in the making. The value of the order was some EUR 58 million, making it the biggest single order in Raute's history. In the emerging markets, we secured orders from new customers in Asia and South America.

Of new orders, 60 percent came from Russia (18%), 14 percent from Europe (46%), 12 percent from North America (15%), 8 percent from South America (7%) and 6 percent from Asia-Pacific (14%). Sometimes even strong fluctuations in the distribution of new orders between the various market areas are typical for project-focused business. The fourth quarter accounted for EUR 17 million of the order intake.

Order intake in technology services amounted to EUR 50 million (MEUR 61), 18 percent down from the comparison period, due to the low volume of major investment-type modernization projects.

At the end of 2019, the order book, EUR 88 million (MEUR 95), remained strong. The majority of the order book has already been scheduled for 2020 and a portion for 2021.

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 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 151.3 million (2018: MEUR 181.0; 2017: MEUR 148.1). Net sales declined by 16 percent on 2018. The decline in net sales resulted from a decline in the order intake volume and its scheduling for year-end.

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 86 million (MEUR 126), down 32 percent from the previous year. Project deliveries accounted for 57 percent of total net sales (70%). The plywood industry's share of the net sales of project deliveries was 85 percent (67%), while the LVL industry's share was 15 percent (33%).

Net sales for technology services totaled EUR 66 million (MEUR 55). Net sales grew 20 percent from the previous year to 43 percent (30%) of total net sales, due to a decline in project deliveries and an increase in demand for technology services.

Of the total net sales for 2019, Europe accounted for 34 percent (43%), Russia for 31 percent (26%), North America for 18 percent (18%), South America for 9 percent (3%), and Asia-Pacific for 8 percent (10%). Finland accounted for 12 percent (15%) of net sales.

In 2019, net sales (FAS) of the parent company Raute Corporation totaled EUR 120.4 million (2018: MEUR 152.7; 2017: MEUR 130.0).

REPORT OF THE BOARD OF DIRECTORS

RESULT AND PROFITABILITY

In 2019, the Group's operating profit (IFRS) totaled EUR 8.5 million positive (2018: MEUR 14.9; 2017: MEUR 11.2) and 5.6 percent of net sales (2018: 8.2%; 2017: 7.5%). Operating profit fell 43 percent, largely due to a decline in net sales and unforeseen additional costs resulting from the high workload in 2018 and only surfacing during the past year.

The Group's financial income and expenses totaled EUR +0.8 million (MEUR -0.0). The Group's profit before taxes was EUR 9.3 million positive (MEUR 14.9) and profit for the financial year was EUR 7.7 million positive (MEUR 11.8). The Group's comprehensive income was EUR 9.3 million positive (MEUR 12.1).

Undiluted earnings per share were EUR 1.80 (EUR 2.78) and diluted earnings per share were EUR 1.79 (EUR 2.76). Return on investment was 18.1 percent (34.6%) and return on equity 16.0 percent (27.6%).

The operating profit (FAS) of the parent company Raute Corporation was EUR 5.0 million positive (2018: MEUR 10.9; 2017: MEUR 11.7). The operating profit amounted to 4.2 percent of net sales (2018: 7.1%; 2017: 9.0%). Profit for the financial year (FAS) was EUR 4.5 million positive (2018: MEUR 19.7; 2017: MEUR 9.2).

CASH FLOW AND BALANCE SHEET

The Group's financial position remained good throughout the year. At the end of the financial year, the Group's cash and cash equivalents exceeded interest-bearing liabilities by EUR 13.9 million (MEUR 12.3). At the end of the financial year, gearing was -28.1 percent (-26.4%). Gearing adjusted without the lease assets arising from the adoption of the IFRS 16 standard was -43.0 percent. At the end of the financial year, the equity ratio was 62.9 percent (61.7%). The equity ratio, excluding the impacts of the adoption of the IFRS 16 standard, was 69.0 percent.

The Group's cash and cash equivalents amounted to EUR 22.4 million (MEUR 13.4) at the end of 2019. The change in cash and cash equivalents in the financial year was EUR 9.0 million positive. Operating cash flow was EUR 18.6 million positive (MEUR 7.6 negative).

Cash flow from investment activities was EUR 3.2 million negative (MEUR 4.2 negative). Cash flow from financing activities was EUR 6.5 million negative (MEUR 5.6 negative), including dividend payments of EUR 6.0 million.

The Group's balance sheet total at the end of 2019 stood at EUR 90.7 million (2018: MEUR 96.4; 2017: MEUR 87.0).

Interest-bearing liabilities amounted to EUR 8.4 million (MEUR 1.1) at the end of 2019. The increase is mainly due to the recognition of right-of-use assets under IFRS 16.

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 22.0 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 72 percent (2018: 68%; 2017: 64%).

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 2019, the Group's research and development costs totaled EUR 4.4 million (2018: MEUR 3.7; 2017: MEUR 3.2) and were 2.9 percent of net sales (2018: 2.1%; 2017: 2.2%).

During the financial year, the research and development costs (FAS) of the parent company Raute Corporation were EUR 4.1 million, representing 3.4 percent of net sales (2018: MEUR 3.6/2.4% of net sales; 2017: MEUR 3.2/2.4% of net sales).

INVESTMENTS

The Group's investments in 2019 totaled EUR 3.0 million (2018: MEUR 4.4; 2017: MEUR 7.0). The investments include EUR 0.2 million in capitalized development costs (2018: MEUR 0.3; 2017: MEUR 0.1). Gross capital expenditure during the reporting period, before non-recurring insurance settlements related to investments, amounted to EUR 3.6 million. Gross investments include EUR 0.9 million that was recorded during the reporting period and which is part of a replacement investment, the total amount of which is EUR 1.4 million. The company has received non-recurring insurance settlements for this investment.

The investments of the parent company Raute Corporation totaled EUR 2.6 million (2018: MEUR 3.5; 2017: MEUR 4.4).

DEVELOPMENT OF OPERATIONS

Meeting our new customers' requirements was one the reasons why we renewed our management structure in 2019. The new structure strengthens the implementation of our strategy, supports us in achieving our growth targets and helps us in meeting the different customer needs. After the renewal, our business is divided into four areas based on different customer needs: Power market, Growth market, Basic services and Metrix. The contents of these business areas are presented in more detail on our website www.raute.com. The implemented organizational change does not impact Raute's segment reporting. Raute's entire business still consists of a single segment serving the wood products industry.

Our goal is to become the preferred supplier for a growing number of customers in more and more market areas, as well as in the emerging markets, and maintain our strong position in the developed markets. We believe this new operating model will help us reach this goal.

Raute is the leading technology supplier in the wood products sector, and digital solutions play a crucial role in our strategy. We continuously develop new digital solutions such as computer vision

REPORT OF THE BOARD OF DIRECTORS

and other analyzers, as well as systems to enable remote monitoring and control in order to add value to our customers' processes and to enable them to thrive. By digitalizing our own processes, we can increase the efficiency of our operations and improve quality.

HUMAN RESOURCES

The Group's headcount at the end of 2019 was 778 (2018: 772; 2017: 704). Finnish Group companies accounted for 67 percent (65%) of employees, North American companies for 17 percent (19%), Chinese companies for 10 percent (10%), and other sales and maintenance companies for 6 percent (6%).

Converted to full-time employees ("effective headcount"), the average number of employees during the financial year was 761 (2018: 725; 2017: 660). Salaries and remunerations paid by the Group totaled EUR 38.4 million (2018: MEUR 38.8; 2017: MEUR 33.6). 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. Three percent (3%) of the payroll was invested in personnel training. In 2019, our key focal areas 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. Competence-development activities were implemented through, among other things, a systematic mentor program and training organized based on identified needs. The use of the RauteACADEMY online learning environment was expanded further.

Converted to full-time employees, the average number of personnel employed by the parent company Raute Corporation in 2019 was 502 (2018: 489; 2017: 461). Salaries and remunerations paid by the parent company totaled EUR 26.8 million (2018: MEUR 28.0; 2017: MEUR 24.8).

REMUNERATION

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

SHARE-BASED INCENTIVE PLANS

A total of EUR 211 thousand (EUR 257 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 331 thousand (EUR 763 thousand) was allocated to the invested non-restricted equity reserve.

Share-based incentive plan 2017–2021

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 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 rewards based on both parts will be paid in the spring of 2021 if the performance targets set by the

Board of Directors are achieved. Eleven persons belonging to Raute Group's top management, including the members of the Executive Board, are entitled to participate in the LTI 2018–2020 system.

LTI Plan 2019–2021 commenced at the start of 2019. The plan consists of two parts. The first part consists of a three-year earnings period. Its weight is 50 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 50 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any rewards based on both parts will be paid in the spring of 2022 if the performance targets set by the Board of Directors are achieved. Eleven persons belonging to Raute Group's top management, including the members of the Executive Board, are entitled to participate in the LTI 2019–2021 system.

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.

We want to help our customers create value in forest assets through our resource-efficient technology and supporting services. Most of the products manufactured using our machinery are recyclable and the carbon stored in wood products has positive climate impacts. Increasing the use of sustainably produced wood in construction, for example, is among the most important means of achieving global climate targets.

Continuously improving work safety is one of the key points in our corporate responsibility agenda. In 2019, Raute's LTIF indicator (Lost Time Injury Frequency, i.e. lost-time injuries per million hours worked) developed positively, reaching a figure of 13.6 (23.7).

REPORT OF THE BOARD OF DIRECTORS

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 development of the market situation.

Restrictions resulting from the epidemic caused by the coronavirus in China will weaken Raute's outlook, but for the time being the impact is impossible to assess. The instability of the Finnish labor market and the uncertainty of the operating environment affect the investment appetite of Raute's customers and the company's operations, and possibly its credibility as a reliable supplier.

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 investment commodities' 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 customized 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.

Information 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 2019 financial year amounted to EUR 0 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 20 of the notes to the financial statements.

Risks of damage or loss

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-

REPORT OF THE BOARD OF DIRECTORS

miss situations. Occupational safety and ergonomics are under continuous development.

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

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 Presi-

dents 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 5,046 at the beginning of the year and 5,614 at the end of the financial year. Series K shares were held by 54 private individuals (54) at the end of the financial year. Nominee-registered shares accounted for 3.5 percent (5.3%) of shares. The company did not receive any flagging notifications in 2019.

The Board of Directors, the President and CEO as well as the Executive Board held altogether 259,929 company shares, equaling 6.1 percent (6.1%) of the company shares and 11.6 percent (11.6%) of the votes on December 31, 2019.

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 April 2, 2019, the authorized public accounting company PricewaterhouseCoopers was chosen as auditor with Authorized Public Accountant Markku Launis as the principal auditor.

CORPORATE GOVERNANCE

In 2019, Raute Corporation complied 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 2019 according to chapter 7, section 7 of the Finnish Securities Markets Act and the

Finnish Corporate Governance Code 2020 for listed companies issued by the Securities Market Association on September 19, 2019. 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 2019 (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.

Ms. Laura Raitio was elected Chair of Raute Corporation's Board at the Annual General Meeting held on April 2, 2019, while Mr. Mika Mustakallio was elected Vice-Chair, and Mr. Joni Bask, Mr. Ari Harmaala, 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

REPORT OF THE BOARD OF DIRECTORS

Kurt Bossuyt, Group Vice President, Basic Services – Basic Services market

Marko Hjelt, Group Vice President, Human Resources – People excellence, safety

Mika Hyysti, Group Vice President, CTO – Innovations, products and services, and R&D

Tarja Järvinen, Group Vice President, CFO – Finance, ICT, other business support

Timo Kangas, Group Vice President, Power – Power market

Jani Roivainen, Group Vice President, Metrix – Metrix market

Jukka Siiriäinen, Group Vice President, Grow – Grow market

Petri Strengell, Group Vice President, COO – Supply chain and quality.

Olli-Pekka Vanhanen held the position of Group Vice President, Finance, CFO until February 1, 2019 before transferring to 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 2019 totaled 4,263,194 (4,263,194), of which 991,161 (991,161) were series K shares (ordinary share, 20 votes/share) and 3,272,033 (3,272,033) 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 Article 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 2019, 503,305 shares were traded (879,655) worth altogether EUR 12.4 million (MEUR 25.1). The number of shares traded represents 15 percent (27%) of all listed

series A shares. The average price of a series A share was EUR 24.71 (EUR 28.58). The highest closing price of the year was EUR 28.70 and the lowest EUR 20.00.

The company's market capitalization at the end of 2019 totaled EUR 106.6 million (MEUR 90.8), with series K shares valued at the closing price of series A shares, EUR 25.00 (EUR 21.30), on December 31, 2019.

DISTRIBUTION OF PROFIT FOR THE 2018 FINANCIAL YEAR

The Annual General Meeting held on April 2, 2019 decided to pay a dividend of EUR 1.40 per share for the financial year 2018. The total amount of dividends is EUR 6.0 million, with series A shares accounting for EUR 4,580,846.20 and series K shares for EUR 1,387,625.40. The dividend payment date was April 11, 2019.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

The Annual General Meeting held on April 2, 2019 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 2019.

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

EVENTS AFTER THE FINANCIAL YEAR

Raute Corporation published a stock exchange release on the following event in 2020:

February 12, 2020 New plan for Raute's top management long-term incentive plan, LTI 2020-2022, commences.

ANNUAL GENERAL MEETING 2020

Raute Corporation's Annual General Meeting for 2020 will be held at Lahti.

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

On December 31, 2019, the parent company Raute Corporation's distributable assets totaled EUR 42,525 thousand, of which EUR 4,539 thousand represents the profit for the financial year 2019.

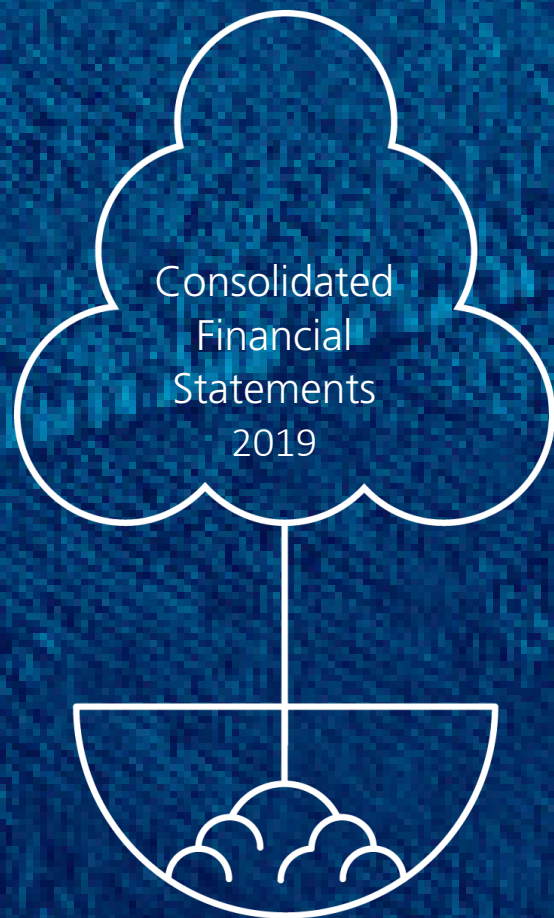
The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on March 31, 2020, that a dividend of EUR 1.45 per share be paid to holders of series A and K shares for the financial year 2019, and that the remainder of distributable assets be transferred to equity.

On the date of the profit distribution proposal, the number of shares entitling to a dividend is 4,263,194 shares, which would amount to total dividends of EUR 6,182 thousand. Shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date for dividend distribution, April 2, 2020, are entitled to dividends. The dividend payment date would be April 9, 2020.

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

OUTLOOK FOR 2020

Due to the high order book and relatively good demand, we estimate that Raute's net sales in 2020 will remain at the level of the preceding year. We expect the operating profit to weaken from last year due to shifting markets and the costs related to adapting to these and due to investments in marketing, product development and digitalization.



RAUTE CORPORATION
Consolidated Financial Statements
January 1 – December 31, 2019

Raute Corporation's consolidated financial statements for January 1–December 31, 2019 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, 2019. The notes to the consolidated financial statements also comply with Finnish accounting legislation.

GENERAL INFORMATION AND INSIDER MANAGEMENT

General information

Adoption of the Consolidated Financial Statements

These consolidated financial statements for the period between January 1 and December 31, 2019 were authorized for issue by Raute Corporation's Board of Directors at its meeting on February 13, 2020. 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, re-conditioned 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, 2019 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, 2019.

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.

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME

EUR 1,000	1.1.– 31.12.2019	1.1.– 31.12.2018
NET SALES	22	180 993
Change in inventories of finished goods and work in progress	-2 030	3 069
Other operating income	30	692
Materials and services	26	-103 781
Employee benefits expense	27	-46 944
Depreciation and amortization	38	-2 487
Impairments	35	-38
Other operating expenses	30	-16 582
Total operating expenses	-141 156	-169 832
OPERATING PROFIT	8 454	14 922
Financial income	55	346
Financial expenses	55	-356
Financial expenses, net	799	-10
PROFIT BEFORE TAX	9 253	14 912
Income taxes	32	-3 076
PROFIT FOR THE FINANCIAL YEAR	7 687	11 836
Profit for the financial year attributable to Equity holders of the Parent company	7 687	11 836
Earnings per share for profit attributable to Equity holders of the Parent company, EUR		
Undiluted earnings per share	48	2,78
Diluted earnings per share	48	2,76
Shares, 1 000 pcs		
Adjusted average number of shares	48	4 260
Adjusted average number of shares, diluted	48	4 290

Basis of preparation

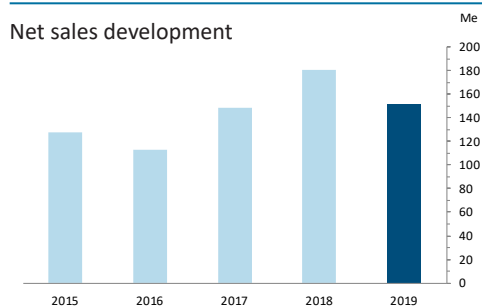
The Board of Directors monitors profitability through the key figure **Operating profit**. The Group has defined operating profit as follows: Operating profit is the net sum calculated by adding other operating income to net sales; deducting purchase expenses that have been adjusted by changes in inventories 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

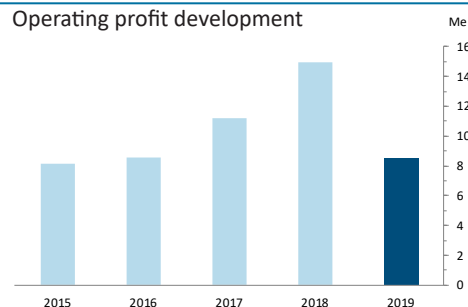
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Page	1.1.– 31.12.2019	1.1.– 31.12.2018
PROFIT FOR THE FINANCIAL YEAR		7 687	11 836
Items that may be subsequently reclassified to profit or loss			
Changes in the fair value of financial assets at fair value through other comprehensive income	46	1 565	-
Hedging reserve, hedge accounting	46	283	-73
Exchange differences on translating foreign operations	46	-66	356
Income taxes related to these items	46	-178	10
Comprehensive income items for the period, net of tax		1 604	293
COMPREHENSIVE PROFIT FOR THE FINANCIAL YEAR		9 291	12 129
Comprehensive profit for the financial year attributable to			
Equity holders of the Parent company		9 291	12 129

Net sales development



Operating profit development



CONSOLIDATED BALANCE SHEET

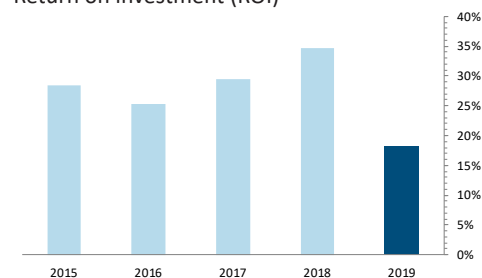
CONSOLIDATED BALANCE SHEET

EUR 1,000	Page	31.12.2019	31.12.2018
ASSETS			
Non-current assets			
Goodwill	34	1 035	1 035
Other intangible assets	35	2 655	2 500
Property, plant and equipment	37	10 854	11 612
Right of use assets	39	6 936	-
Other financial assets	51	2 741	1 185
Deferred tax assets	33	13	35
Total non-current assets		24 235	16 368
Current assets			
Inventories	40	12 360	14 383
Accounts receivables and other receivables	25	30 981	52 256
Income tax receivable	25	715	-
Cash and cash equivalents	53	22 360	13 375
Total current assets		66 417	80 014
TOTAL ASSETS		90 651	96 382

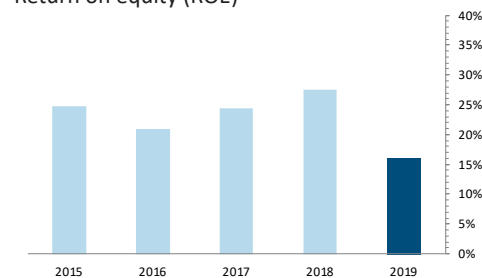
CONSOLIDATED BALANCE SHEET

EUR 1,000	Page	31.12.2019	31.12.2018
EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the Parent company			
Share capital	45	8 256	8 256
Fair value reserve and other reserves	45	8 505	7 164
Exchange differences	45	949	1 015
Retained earnings	45	24 106	18 239
Profit for the financial year	45	7 687	11 836
Total equity		49 502	46 509
Non-current liabilities			
Lease liability	39	5 495	-
Deferred tax liability	33	77	-
Provisions	26	543	605
Total non-current liabilities		6 115	605
Current liabilities			
Current interest-bearing liabilities	49	1 502	1 079
Lease liability	39	1 441	-
Current advance payments received	41	12 005	21 006
Income tax liability	41	903	992
Trade payables and other liabilities	41	16 597	24 595
Provisions	26	2 587	1 595
Total current liabilities		35 034	49 268
Total liabilities		41 149	49 872
TOTAL EQUITY AND LIABILITIES		90 651	96 382

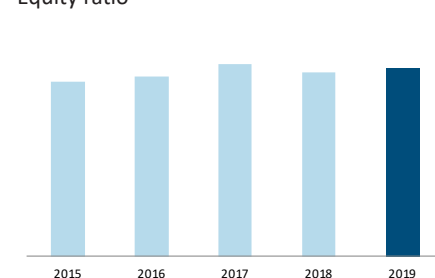
Return on investment (ROI)



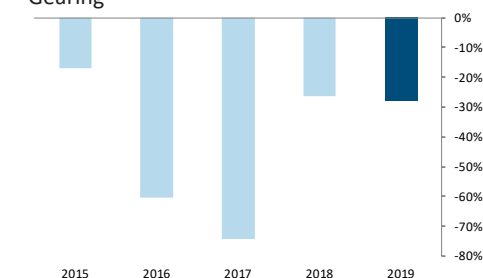
Return on equity (ROE)



Equity ratio



Gearing



CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	Page	1.1.– 31.12.2019	1.1.– 31.12.2018
CASH FLOW FROM OPERATING ACTIVITIES			
Proceeds from customers		167 313	164 339
Other operating income		248	611
Payments to suppliers and employees		-146 690	-170 127
Cash flow before financial items and taxes		20 872	-5 177
Interest paid from operating activities		-67	-119
Dividends received from operating activities	55	814	249
Interest received from operating activities		22	20
Other financing items from operating activities		-194	48
Income taxes paid from operating activities		-2 846	-2 584
Net cash flow from operating activities (A)		18 602	-7 562
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		-3 319	-3 612
Business transaction		-	-769
Proceeds from sale of property, plant and equipment and intangible assets		68	230
Proceeds from sale of investments		88	-
Net cash flow from investing activities (B)		-3 162	-4 151
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	45	-	59
Proceeds from current borrowings		1 506	1 093
Repayments of current borrowings		-1 087	-1 427
Repayments of lease liability		-931	-
Dividends paid	45	-5 968	-5 320
Net cash flow from financing activities (C)		-6 480	-5 595
Net change in cash and cash equivalents (A+B+C)		8 960	-17 309
increase (+)/decrease (-)			
Cash and cash equivalents at the beginning of the financial year	53	13 375	30 724
Net change in cash and cash equivalents	53	8 960	-17 309
Effects of exchange rate changes on cash		26	-40
Cash and cash equivalents at the end of the financial year		22 360	13 375

Non-cash transactions in operating activities

EUR 1,000	2019	2018
Depreciation, amortization and impairments	-3 854	-2 525
Employee benefits	-211	-275
Exchange rate differences	120	273
Derivatives	224	-283
TOTAL	-3 721	-2 810

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.

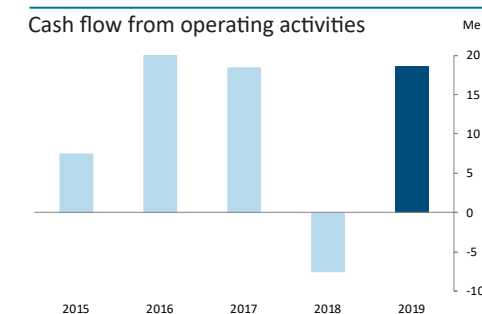
Cash flow from investing activities includes the purchase of intangible and tangible assets and expenses of other activated assets. The item also includes proceeds from sale of these assets on accrual basis.

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.

Raute Group has adopted the standard IFRS 16 Leases starting on January 1, 2019. Repayments of lease contracts are allocated to the cash flow from financing activities. The payment of the interest expense on the lease liability is allocated to the cash flow from operating activities. Payments and rents of the short-term lease contracts and low-value lease contracts are included in the cash flow of the operating activities. These contracts will not be taken into account when determining the lease liability.



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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 Jan. 1, 2019	8 256	5 711	1 453	1 015	30 075	46 509	46 509
Comprehensive profit for the financial year							
Profit for the financial year	-	-	-	-	7 687	7 687	7 687
Other comprehensive income items:							
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	1 565	-	-	1 565	1 565
Hedging reserve	-	-	283	-	-	283	283
Exchange differences on translating foreign operations	-	-	-	-66	-	-66	-66
Income taxes related to these items	-	-	-178	-	-	-178	-178
Total comprehensive profit for the financial year	-	-	1 669	-66	7 687	9 290	9 290
Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-
Transactions with owners							
Equity-settled share-based transactions	-	-	-329	-	-	-329	-329
Dividends paid	-	-	-	-	-5 968	-5 968	-5 968
Total transactions with owners	-	-	-329	-	-5 968	-6 298	-6 298
EQUITY at Dec. 31, 2019	8 256	5 711	2 794	949	31 794	49 502	49 502

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, COMPARISON YEAR

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, 2018	8 256	5 652	1 504	659	23 623	39 694	39 694
Changes in accounting principles, IFRS 15	-	-	-	-	-322	-322	-322
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:							
Changes in the fair value of available-for-sale investments	-	-	-	-	-	-	-
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 paid	-	-	-	-	-5 320	-5 320	-5 320
Total transactions with owners	-	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

ACCOUNTING PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 2018, except for the adoption of new and revised standards. The effects of changes in the accounting standards have been presented on page 18.

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 have 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 rec-

Group companies	Group's ownership interest and voting power, %	Parent company's ownership interest and voting
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	-

ognized in the other comprehensive income items. The translation differences arising from the 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 Sickness Fund.

EXCHANGE RATES USED IN CONSOLIDATION

Income statement

EUR	2019	2018
CNY	7,7339	7,8074
RUB	72,4593	74,0551
CAD	1,4857	1,5302
USD	1,1196	1,1815
SGD	1,5272	1,5928
CLP	786,2516	757,0688

Balance sheet at Dec. 31

EUR	2019	2018
CNY	7,8205	7,8751
RUB	69,9563	79,7153
CAD	1,4598	1,5605
USD	1,1234	1,1450
SGD	1,5111	1,5591
CLP	832,3500	795,4900

CHANGES IN ACCOUNTING STANDARDS

CHANGES IN ACCOUNTING STANDARDS

IFRS 16 Leases

Raute Group has adopted the standard IFRS 16 Leases starting on January 1, 2019. Raute Group has rented warehouses and production facilities for business use. As a result of the implementation of the standard change, part of the leases of premises and production facilities leased by Raute Group has been recognized in the balance sheet. The standard change also affects the income statement as the associated rental costs included in the other operating expenses is replaced with the interest expense and depreciations. In transition has been applied the simplified retrospective approach and comparative information has not been restated.

The leases that include the right-of-use of the leased asset have been recognized in the item Right-of-use asset in the balance sheet. Assets related to the lease contracts are depreciated during the lease period of the lease contract. If the lease contract is valid indefinitely, the Contract term has been specified by a contract.

The lease liability has been recognized as a liability based on the obligation to pay lease rent. The lease liability has been recognized based on the present value of those rents which are to be paid in the future according to the contract, but which has not been paid at the recognition date. The incremental loan rate has been used as a discount rate which was 1 per cent on the date of transition. The interest expense on the lease liability has been recognized in the income statement item financial expenses. The lease liability has been included in the item Interest-bearing liabilities in the consolidated balance sheet.

If the existing lease contract changes or the assumptions to be used in the calculation of the lease contract liability and the right-of use asset, the fixed asset and the lease liability shall be reval-

uated with the discount rate at the time of calculation. If the provided contract rent has been tied to the index, the lease contract and the fixed asset shall be revaluated again at the time of the lease change.

Raute Group has applied the exemptions of the standard at the time of the adoption, for the short-term leases and low-value assets. The short-term lease contracts with expected lease period no longer than 12 months, has been accounted for as off-balance sheet leases and the rent expenses of these contracts have been recognized in the income statement as incurred according to the rental period. Lease contracts in which the lease assets are of low value have been accounted for as off-balance sheet leases, regardless of whether the contract is a non-current or current. The rent expenses of these contracts have been recognized as an expense to the income statement according to the rental period.

The adoption of the standard increased the amount of the Group's interest-bearing liabilities by EUR 6 936 thousand. The adoption of the standard did not have a significant impact on the operating profit. The operating profit grew EUR 26 thousand. The depreciations grew EUR 1 389 thousand during the financial period due to the adoption of the standard and correspondingly rent expenses decreased EUR 1 415 thousand. The leases based on extension options that are relatively certain to be exercised in Raute Group have been included in the lease liability.

The adoption of the standard increased the Group's cash flow from operating activities as the repayments of lease contracts are allocated to the cash flow from financing activities. The payment of the interest expense on the lease liability is allocated to the cash flow from operating activities.

The adoption of the IFRS 16 standard has no impact on the contracts where Raute Group operates as a lessor. The rental income is recognized in the income statement according to the rental period.

Other published standards and interpretations adopted as of January 1, 2019

Other published standards applicable from January 1, 2019 has not a significant impact on Raute Corporation's consolidated financial statements.

NEW AND REVISED STANDARDS

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.

Conceptual Framework of Financial reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes of the standard are:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

Other standards and interpretations effective January 1, 2020 or later

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

FINANCING RISKS – CRITICAL ACCOUNTING JUDGMENTS OF THE MANAGEMENT

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 Group CFO is responsible for the financing operations. 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 credit risk 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 24
- Counterparty risks, note Accounts receivables and customer contract assets, page 24
- Price risks, note Materials and services, page 26
- Currency risks, note Risk Management – Currency risks, page 44
- Interest risks, note Financial liabilities, page 49.

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.

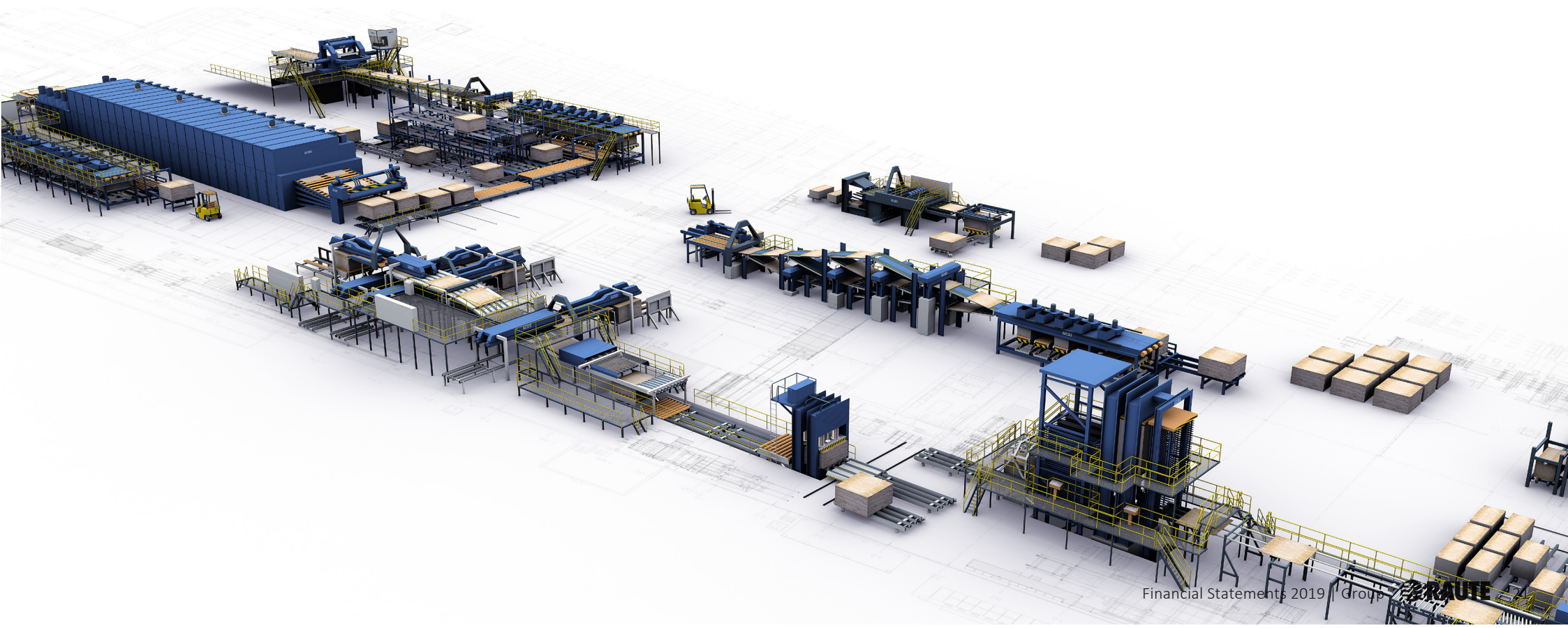
The judgments the management has used, when applying the accounting policies and which has the most significant impact on the financial statements, has been presented in the note it concerns. The management estimations have been presented in:

- Note Performance obligation to be satisfied over time, page 23
- Note Accounts receivables and customer contract assets, page 24
- Note Accounts receivables and other receivables, page 25
- Note Provisions, page 26
- Note Employee benefits, page 27 and 28
- Note Income taxes, page 32
- Note Group goodwill, page 34
- Note Other intangible assets, page 35
- Note Research and development costs, page 36
- Note Financial assets, page 51 and 52.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.



NET SALES

EUR 1,000	2019	%	2018	%
NET SALES				
Net sales by market area				
EMEA (Europe and Africa)	51 173	34	76 968	43
CIS (Russia)	47 060	31	47 757	26
NAM (North America)	26 852	18	32 168	18
LAM (South America)	13 580	9	5 662	3
APAC (Asia-Pacific)	12 632	8	18 438	10
TOTAL	151 297	100	180 993	100

Finland accounted for 12 percent (15%) of net sales

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.

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 23.

incurred have been recognized as expenses on performance basis. Performance obligation 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.

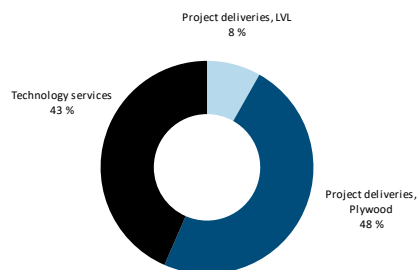
Revenues from the **sale of spare parts and other goods**, as well as small and short-term projects, have been recognized in full when the significant risks and rewards have been transferred to the buyer and the Group no longer has right of possession of and control over the product. This generally means 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.

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

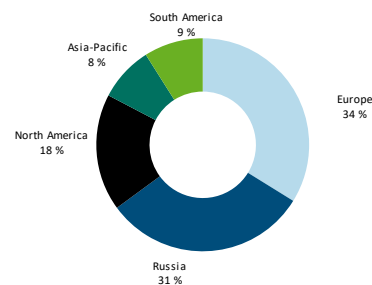
Project deliveries and modernizations related to technology services include both product and service sales, so the breakdown of the Group's net sales into purely product and service sales cannot be reliably presented.

Net sales

Technology services vs. Project deliveries



Net sales by market area



PERFORMANCE OBLIGATIONS TO BE SATISFIED OVER TIME

EUR 1,000	2019	2018
Specification of net sales		
Performance obligations to be satisfied over time	108 861	149 460
Performance obligations to be satisfied at a point in time	42 436	31 533
TOTAL	151 297	180 993
Project revenues entered as income from performance obligations to be satisfied over time currently undelivered	127 400	202 848
Amount of performance obligations to be satisfied over time not yet entered as income (order book)	84 246	88 037
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	89 878	140 536
- advance payments received	72 185	99 313
Current customer contract assets	17 694	41 223
Projects in which advance payments invoiced exceed the value by percentage of completion		
- aggregate amount of costs incurred and recognized profits less recognized losses	38 366	60 676
- advance payments received	43 253	78 602
Current customer contract liabilities	4 887	17 926
Advance payments included in current liabilities in the balance sheet		
Current customer contract liabilities	4 887	17 926
Other advance payments received	7 118	3 080
Total	12 005	21 006
Advance payments of the customer contract included in inventories in the balance sheet		
Advance payments paid	602	1 017
Total	602	1 017

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 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 which can be reliably determined and 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 asset 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 13,078 thousand (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 2019 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.

ACCOUNTS RECEIVABLES – CURRENT CUSTOMER CONTRACT ASSETS

EUR 1,000	2019	2018
ACCOUNTS RECEIVABLES AND CURRENT CUSTOMER CONTRACT ASSETS IN THE BALANCE SHEET		
Accounts receivables excluding credit loss provision	9 604	6 015
Current customer contract assets	17 693	41 223
TOTAL	27 297	47 238
Customer receivables	2019	2018
Accounts receivables excluding credit loss provision	9 604	6 015
Invoiced outstanding advance payments	18 655	14 029
Total	28 259	20 044
Age distribution of customer receivables	2019	2018
Undue	26 311	17 984
Overdue 0–29 days	1 190	1 409
Overdue 30–60 days	245	197
Overdue over 60 days	513	456
Total	28 259	20 044

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 9,604 thousand (EUR 6,015 thousand) are non-interest bearing. The average terms of payment are 30 days.

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 51. 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 115 thousand has been recognized for expected credit loss allowance on accounts receivables during the financial year.

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. The impact of the impairments of expected credit loss allowance on accounts receivable was EUR 43 thousand positive due to the decrease in credit loss allowance previously recognized. Impairments have been recognized to the item Other operating expenses in the income statement. The information of credit losses on the accounts receivables has been presented in the note Impairment of financial assets, page 52.

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 and current customer contract assets 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 1 percent (24%) of the accounts receivables and the customer contract assets recorded in the balance sheet and 49 percent (17%) 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 0 thousand has been recognized as an expense. No significant credit risk clusters were recognized in the accounts receivables at the balance sheet date.

ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

EUR 1,000	2019	2018
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES		
Accounts receivables	9 489	5 857
Customer contract assets	17 693	41 223
Accrued income and prepaid expenses	1 875	1 331
Derivative contract receivables	124	155
Other receivables	2 515	3 689
TOTAL	31 696	52 256
Substantial items included in accrued income and prepaid expenses		
Accrued employee related expenses	24	28
Income tax receivable	715	-
Other accrued income and prepaid expenses	1 135	1 303
TOTAL	1 875	1 331

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 24. Basis of preparation of derivative contracts has been presented in the note Derivatives, page 43. Fair values of the receivables have been presented in the note Financial assets, page 51.

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.

MATERIALS AND SERVICES – PROVISIONS

EUR 1,000	2019	2018
MATERIALS AND SERVICES		
Purchases during the financial year	-66 241	-88 762
Change in inventories, materials and supplies	357	-49
External services	-10 197	-14 969
TOTAL	-76 081	-103 781

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	2019	2018
PROVISIONS		
Warranty provisions		
Book value at Jan. 1	1 956	1 900
Additions	2 451	1 511
Decrease	- 1 900	-1 462
Exchange differences	6	6
Book value at Dec. 31	2 513	1 956
Other provisions		
Book value at Jan. 1	244	186
Additions	533	154
Decrease	-159	-96
Book value at Dec. 31	618	244
TOTAL	3 131	2 200
from which		
- non-current	543	605
- current	2 587	1 595

Basis of preparation

A provision has been recognized when the Group has a present legal or constructive obligation as a result of the 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.

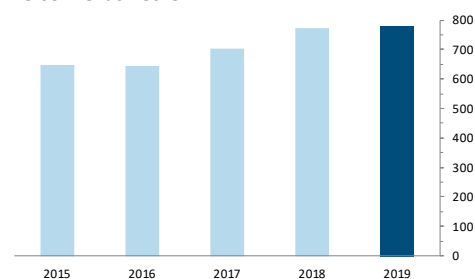
Management's critical accounting judgments and key sources of estimation uncertainty

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.

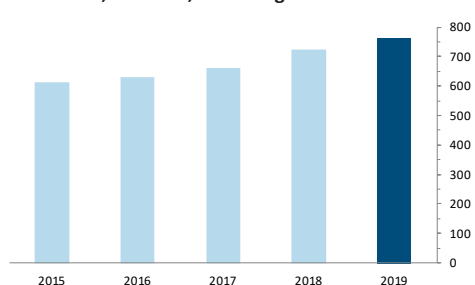
EMPLOYEE BENEFITS

	2019	2018
NUMBER OF PERSONNEL		
Employed at Dec. 31, persons		
Workers	223	234
Office staff	555	538
TOTAL	778	772
Personnel working abroad	260	267
Effective, on average, persons		
Workers	225	223
Office staff	536	502
TOTAL	761	725
Personnel working abroad, effective, on average	260	240
On average, persons		
Workers	230	228
Office staff	554	520
TOTAL	784	748
Personnel working abroad, on average	265	245
EUR 1,000	2019	2018
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	-38 433	-38 750
Share-based payments	-211	-621
Pension contributions	-5 211	-5 904
Other personnel costs	-1 937	-1 668
TOTAL	-45 793	-46 944

Personnel at Dec. 31



Personnel, effective, on average



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.

EMPLOYEE BENEFITS

Share-based payment plan for senior management

Raute Group's share-based plans include two longterm 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 211 thousand (EUR 257 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 331 thousand (EUR 763 thousand) has been allocated to the invested non-restricted equity reserve.

Share-based incentive plan 2017–2021 (LTI Plan 2017–2019, LTI Plan 2018–2020, LTI Plan 2019–2021)

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 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 consisted of a one-year earnings period and the subsequent two-year vesting period. The performance targets were earnings per share (EPS) and growth in net sales. The plan covered, at the end of the financial year, altogether 11 persons and the bonuses earned were totaled 23,382 of the company's series A shares.

LTI Plan 2018–2020

LTI Plan 2018–2020 commenced at the start of 2018. The plan consists 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 rewards based on both parts will be paid in the spring 2021 as Raute's series A shares, less the amount needed to cover the taxes and tax-like payments resulting from the shares. Eleven persons were entitled to participate in the LTI 2018–2020 system.

LTI Plan 2019–2021

LTI Plan 2019–2021 commenced at the start of 2019. The plan consists of two parts. The first part consists of a three-year earnings period. Its weight is 50 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 50 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any rewards based on both parts will be paid in the spring of 2022 if the performance targets set by the Board of Directors are achieved. Eleven persons belonging to Raute Group's top management, including the members of the Executive Board, are entitled to participate in the LTI 2019–2021 system.

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 2019–2021	LTI Plan 2018–2020
Grant date	20.12.2018	29.3.2018
Fair value at grant date	22,50	30,06
Granted shares, pcs	16 800	15 400

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.

MANAGEMENT'S EMPLOYEE BENEFITS

EUR 1,000	2019	2018
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	397
Post-employment benefits	65	74
Share-based payments	-	67
TOTAL	462	538
Remuneration of the Parent company's Board of Directors		
Members of the Board of Directors		
Raitio Laura, Chair of the Board as of April 2, 2019	39	20
Mustakallio Mika, Vice-Chair of the Board	23	20
Suominen Pekka, Member of the Board	23	20
Bask Joni, Member of the Board	23	20
von Essen Patrick, Member of the Board	23	20
Harmaala Ari, Member of the Board as of April 2, 2019	16	-
Pehu-Lehtonen Erkki, Chair of the Board until April 2, 2019	13	40
TOTAL	159	140
Group Executive Board's employee benefits on an accrual basis		
Salaries and other short-term employee benefits	1 192	1 189
Post-employment benefits	207	243
Share-based payments	-	79
TOTAL	1 399	1 510

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.

No payments have 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 the retirement or the amount of retirement allowance have not been agreed on. The statutory pension cost in the financial year 2019 was EUR 65 thousand (EUR 74 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, 2019, the **Board of Directors and the Group's President and CEO** and the Group's Executive Board held altogether 132,039 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.

OTHER OPERATING INCOME AND EXPENSES

EUR 1,000	2019	2018
OTHER OPERATING INCOME		
Insurance compensations	174	527
Capital gain on sale of fixed assets	16	38
Other	154	126
TOTAL	343	692

EUR 1,000	2019	2018
OTHER OPERATING EXPENSES		
Indirect production expenses	-4 016	-4 446
Renting expenses	-418	-1 548
Sales and marketing expenses	-3 192	-2 577
Credit losses and change in provision of credit losses	43	-28
Administration expenses	-2 950	-2 666
Changes in the fair value of currency forward contracts	145	-178
Other expenses	-5 041	-5 140
TOTAL	-15 428	-16 582

Auditors' remunerations

Authorized Public Accountants PricewaterhouseCoopers Oy (Finland)

Audit expenses, statutory	-57	-43
Audit expenses, other assignments according to the Audit Act	-	-2
Audit expenses, other services	-2	-4
Audit expenses, tax services	-3	-3
Total	-62	-52

Authorized Public Accountants PricewaterhouseCoopers (Global)

Audit expenses, statutory	-14	-11
Audit expenses, other assignments according to the Audit Act	-	-
Audit expenses, other services	-	-
Audit expenses, tax services	-	-
Total	-14	-11

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.

Basis of preparation

Raute Group has adopted the standard IFRS 16 Leases starting on January 1, 2019. Raute Group has rented warehouses and production facilities for business use. As a result of the implementation of the standard change, part of the leases of premises and production facilities leased by Raute Group has been recognized in the balance sheet. The leases that include the right-of-use of the leased asset have been recognized in the item Right-of-use asset in the balance sheet. The transition has been adopted by applying the simplified approach and comparative information has not been restated.

The effects adopting the standard have been presented in the Note Lease agreements, page 31.

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.

LEASE AGREEMENTS

EUR 1,000	2019	2018
LEASE AGREEMENT		
Group as a lessee		
Minimum rents paid on the basis of other non-cancellable leases:		
- Within one year	95	1 513
- After a period of more than one year and less than five years	56	2 629
TOTAL	151	4 143

Basis of preparation

Raute Group has rented warehouses and production facilities for business use. Raute Group has adopted the standard **IFRS 16 Leases** starting on January 1, 2019. The transition has been adopted by applying the simplified retrospective approach and comparative information has not been restated.

As a result of the implementation of the standard change, part of the leases of premises and production facilities leased by Raute Group has been recognized in the balance sheet. The asset based on the right-of-use of the leased asset and a lease liability based on the obligation to pay lease rent has been recognized to the Group balance sheet as of January 1, 2019.

The leases that include the right-of-use of the leased asset have been recognized in the item Right-of-use asset in the balance sheet. Assets related to the lease contracts are depreciated during the lease period of the lease contract. If the lease contract is valid indefinitely, the Contract term has been specified by contract.

If the existing lease contract changes or the assumptions to be used in the calculation of the lease contract liability and the right-of use asset, the fixed asset and the lease liability shall be revaluated with the discount rate at the time of calculation. If the provided contract rent has been tied to the index, the lease contract and the fixed asset shall be revaluated again at the time of the lease change.

Raute Group has applied the exemptions of the standard at the time of the adoption, for the short-term leases and low-value assets. The **short-term lease contracts** with expected lease period no longer than 12 months, has been accounted for as off-balance sheet leases and the rent expenses of these contracts have been recognized in the income statement as incurred according to the rental period. Lease contracts in which the lease assets are of low value have been accounted for as off-balance sheet leases, regardless of whether the contract is a non-current or current. The rent expenses of these contracts have been recognized as an expense to the income statement according to the rental period. Short-term lease contracts and lease contracts in which the **lease assets are of low value** have been accounted for as off-balance sheet leases in the Note Pledged assets and contingent liabilities, page 56.

INCOME TAXES

EUR 1,000	2019	2018
INCOME TAXES		
Consolidated income statement		
Current tax based on the taxable profit of the financial year	-1 413	-2 743
Current tax of previous financial years	-25	-53
Deferred taxes	-127	-279
TOTAL	-1 565	-3 076
Reconciliation of the relationship between realized tax expense and theoretical accounting result using the Finnish tax rate of 20.0 percent		
Profit before taxes	9 253	14 912
Tax effect of the following items:		
Taxes calculated using the Finnish tax rate, 20.0 %	-1 851	-2 982
Effect of differences in tax rates of foreign subsidiaries	198	-96
Non-taxable income	184	252
Non-deductible costs in taxation	-172	-483
Taxes from the previous financial years	-25	-53
Utilization of previously unrecognized tax losses	104	357
Unrecognized tax assets from the losses of foreign subsidiaries	-	-
Other items	-5	-70
Consolidated tax expense	-1 565	-3 076
Effective tax rate, %	16,9 %	20,6 %

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. Deferred tax assets and liabilities have been offset in the extent that there is an enforceable right to offset current tax liabilities based on taxable income for the financial year and tax assets based on taxable income for the financial year, and where the deferred tax assets and liabilities relate to the same taxation authority.

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 AND LIABILITIES

DEFERRED TAX ASSETS

EUR 1,000	1.1.2019	Entered through profit or loss	Entered in comprehensive income statement	Recognized in shareholders' equity	31.12.2019
Intercompany inventory profit	37	154	-	-	191
Provisions	248	-85	-	-	163
Employee benefits	1	9	-	-	10
Tax losses and credits unused	-	-	-	-	0
Other temporary differences	162	-151	-4	-	7
Deferred tax assets, total	443	-73	-4	-	371
Offset from deferred tax liabilities	-408	46	4	-	-358
Deferred tax assets, net	35	-27	0	-	13

COMPARISON YEAR

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	-	162
Deferred tax assets, total	754	-282	-25	-	443
Offset from deferred tax liabilities	-315	-93	-	-	-408
Deferred tax assets, net	410	-375	0	-	35

No deferred tax asset (EUR 1 thousand) has been recognized from **losses of foreign subsidiaries from the financial year 2019**.

A deferred tax asset of EUR 379 thousand (EUR 573 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	1.1.2019	Entered through profit or loss	Entered in comprehensive income statement	Recognized in shareholders' equity	31.12.2019
Financial assets at fair value	140	-	140	-	280
Effect of Group consolidation	192	-65	-	-	127
Other temporary differences	77	-81	34	-	30
Deferred tax liabilities, total	408	-146	174	-	436
Offset to deferred tax assets	-408	46	4	-	-358
Deferred tax liabilities, net	0	-100	178	-	77

COMPARISON YEAR

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	-	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

GROUP GOODWILL

EUR 1,000	2019	2018
GOODWILL		
Goodwill Metriguard Technologies, Inc.	1 035	1 035
Total	1 035	1 035

Basis of preparation

The goodwill recognized in the consolidated balance sheet has been generated in the business acquisition from Metriguard, Inc on April 3, 2017. 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 three 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

OTHER INTANGIBLE ASSETS

EUR 1,000	Development costs	Other intangible assets	Development costs in progress	Total
Acquisition cost at Jan. 1, 2019	4 640	10 346	398	15 384
Exchange rate differences	-	2	-	2
Additions	-	85	-	85
Reclassification between items	-4 640	447	-49	-4 242
Acquisition cost at Dec. 31, 2019	0	10 880	349	11 229
Accumulated depreciation and amortization at Jan. 1, 2019	-4 640	-8 206	-38	-12 884
Exchange rate differences	-	-1	-	-1
Depreciation and amortization for the financial year	-	-477	-	-477
Impairments	-	-	-	0
Reclassification between items	4 640	109	38	4 787
Accumulated depreciation and amortization at Dec. 31, 2019	0	-8 574	0	-8 574
Book value at Dec. 31, 2019	0	2 306	349	2 655

COMPARISON YEAR

EUR 1,000	Development 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

Basis of preparation

Other intangible assets include computer software licences, patents, capitalized development costs and other intangible rights. 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. Intangible assets acquired in a business acquisition have been recognized at fair value at the acquisition date. In other cases the expenditure from intangible assets has been recognized as an expense when incurred.

Other 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.

Impairment of intangible assets

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.

RESEARCH AND DEVELOPMENT COSTS

EUR 1,000	2019	2018
RESEARCH AND DEVELOPMENT COSTS		
Research and development costs for the financial year	-4 419	-3 735
Amortization of previously capitalized development costs	-	-125
Development costs recognized as an asset in the balance sheet	163	275
Research and development costs recognized as an expense before impairments for the financial year	-4 256	-3 585
Impairments of capitalized development costs	-	-38
Research and development costs recognized as an expense for the financial year	-4 256	-3 623

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.

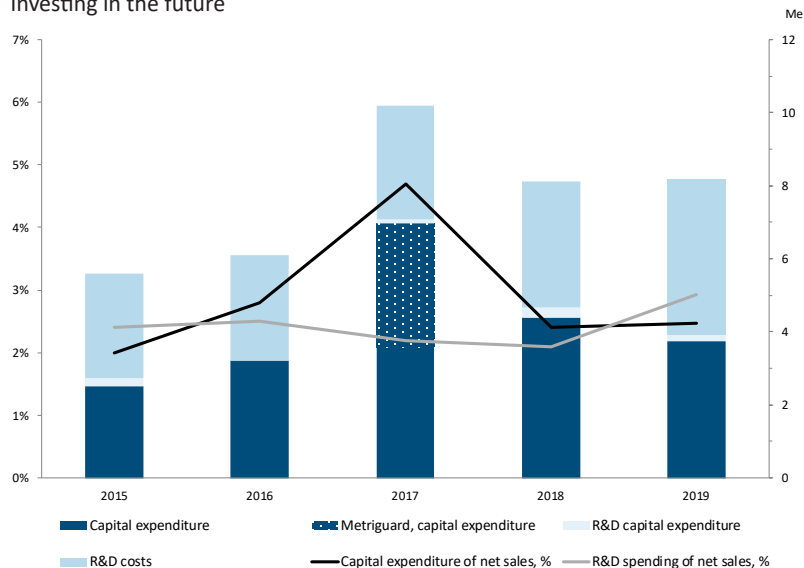
Management's accounting judgments

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%.

Investing in the future



PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance pay- ments and assets in progress	Total
Acquisition cost at Jan. 1, 2019	386	11 815	39 041	749	1 398	53 391
Exchange rate differences	-	-	599	12	-	611
Additions	-	-	747	-	1 774	2521
Disposals	-	-	-779	-	-	-779
Reclassification between items	-	353	1 718	116	-2 743	-556
Acquisition cost at Dec. 31, 2019	386	12 168	41 325	878	429	55 188
Accumulated depreciation and amortization at Jan. 1, 2019	-	-8 147	-33 131	-501	-	-41 778
Exchange rate differences	-	-	-536	-11	-	-546
Accumulated depreciation and amortization of disposals and reclassifications	-	-	17	-	-	17
Depreciation and amortization for the financial year	-	-424	-1 553	-49	-	-2 026
Accumulated depreciation and amortization at Dec. 31, 2019	-	-8 571	-35 203	-561	-	-44 334
Book value at Dec. 31, 2019	386	3 597	6 123	318	429	10 854

COMPARISON YEAR

EUR 1,000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance pay- ments 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, 2018	-	-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

DEPRECIATION AND AMORTIZATION

EUR 1,000	2019	2018
DEPRECIATION AND AMORTIZATION		
Depreciation and amortization by class of assets		
Intangible assets		
- Capitalized development costs	-	-125
- Other intangible assets	-477	-472
Property, plant and equipment		
- Buildings and structures	-424	-394
- Buildings, right-of-use assets	-1 389	-
- Machinery and equipment	-1 553	-1 460
- Other tangible assets	-49	-37
TOTAL	-3 892	-2 487

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 the 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.

Right-of-use assets are depreciated during the lease period of the lease contract.

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.

RIGHT-OF-USE ASSETS

EUR 1,000	2019
LEASE CONTRACTS	
Reconciliation calculation of lease liabilities	
Operating lease commitments of right-of-use contracts on December 31, 2018	4 143
Short-term lease contracts	-135
Low value lease contracts	-92
Currency differences and other changes	192
Increases under IFRS 16 implementation on January 1, 2019	3 283
Lease liability on January 1, 2019	7 390
Right-of-use assets, changes	
Booking value at the beginning of the period	7 391
Exchange rate differences	191
Additions	743
Depreciations and impairments	-1 389
Booking value at the end of the period	6 936
Liabilities	
Lease liability, non-current	5 495
Lease liability, current	1 441
Lease liability, total	6 936
Items recognized in the income statement	
Depreciation of the fixed assets, buildings	-1 389
Interest expenses included in the financial items	-26
Expenses related to the short-term lease contracts and low-value assets	-418

Basis of preparation

Raute Group has adopted the standard IFRS 16 Leases starting on January 1, 2019. Raute Group has rented warehouses and production facilities for business use. As a result of the implementation of the standard change, part of the leases of premises and production facilities leased by Raute Group has been recognized in the balance sheet. The standard change also affects the income statement as the associated rental costs included in the other operating expenses is replaced with the interest expense and depreciations. In transition has been applied the simplified retrospective approach and comparative information has not been restated.

The leases that include the right-of-use of the leased asset have been recognized in the item **Right-of-use asset** in the balance sheet. Assets related to the lease contracts are depreciated during the lease period of the lease contract. If the lease contract is valid indefinitely, the Contract term has been specified by a contract.

The **lease liability** has been recognized as a liability based on the obligation to pay lease rent. The lease liability has been recognized based on the present value of those rents which are to be paid in the future according to the contract, but which has not been paid at the recognition date. The incremental loan rate has been used as a discount rate which was 1 per cent on the date of transition. The interest expense on the lease liability has been recognized in the income statement item financial expenses. The lease liability has been included in the item Interest-bearing liabilities in the consolidated balance sheet.

If the existing lease contract changes or the assumptions to be used in the calculation of the lease contract liability and the right-of use asset, the fixed asset and the lease liability shall be revaluated with the discount rate at the time

of calculation. If the provided contract rent has been tied to the index, the lease contract and the fixed asset shall be revaluated again at the time of the lease change.

Raute Group has applied the exemptions of the standard at the time of the adoption, for the short-term leases and low-value assets. The short-term lease contracts with expected lease period no longer than 12 months, has been accounted for as off-balance sheet leases and the rent expenses of these contracts have been recognized in the income statement as incurred according to the rental period. Lease contracts in which the lease assets are of low value have been accounted for as off-balance sheet leases, regardless of whether the contract is a non-current or current. The rent expenses of these contracts have been recognized as an expense to the income statement according to the rental period.

The adoption of the standard increased the amount of the Group's interest-bearing liabilities by EUR 6 936 thousand. The adoption of the standard did not have a significant impact on the operating profit. The operating profit grew EUR 26 thousand. The depreciations grew EUR 1 389 thousand during the financial period due to the adoption of the standard and correspondingly rent expenses decreased EUR 1 415 thousand. The leases based on extension options that are relatively certain to be exercised in Raute Group have been included in the lease liability.

The adoption of the standard increased the Group's cash flow from operating activities as the repayments of lease contracts are allocated to the cash flow from financing activities. The payment of the interest expense on the lease liability is allocated to the cash flow from operating activities.

INVENTORIES

EUR 1,000	2019	2018
INVENTORIES		
Materials and supplies	7 053	6 769
Work in progress	3 626	5 769
Other inventories	1 079	829
Advance payments paid	602	1 017
TOTAL	12 360	14 383

During the financial year, EUR 70 thousand (EUR 629 thousand) have been 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 acquisition cost or 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 0.6 million in unsecured paid advance payments (EUR 1.0 million).

CURRENT PAYABLES

EUR 1,000	2019	2018
TRADE PAYABLES AND OTHER PAYABLES		
Current interest-free liabilities in the balance sheet		
Advance payments received	12 005	21 006
Trade payables	6 852	13 261
Accrued expenses and prepaid income	7 834	10 046
Derivatives	61	373
Income tax liability	903	992
Other liabilities	1 850	915
TOTAL	29 504	46 594
Substantial items included in accrued expenses and prepaid		
Accrued project expenses related to customer contracts	668	703
Accrued employee related expenses	6 775	8 119
Financial expenses	66	26
Other accrued expenses and prepaid income	324	1 198
TOTAL	7 834	10 046

Advance payments received, EUR 12,005 thousand (EUR 21,006 thousand), include advance payments received from performance obligations to be satisfied over time in the amount of EUR 4,887 thousand (EUR 17,926 thousand).

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 corresponds to the fair value at the closing date.

EXCHANGE RATE GAINS AND LOSSES

EUR 1,000	2019	2018
EXCHANGE RATE GAINS AND LOSSES (NET)		
Included in net sales	-65	-159
Included in financial income and expenses	160	-5
Included in other comprehensive income items	-66	356
TOTAL	29	192

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.

DERIVATIVES

EUR 1,000	2019	2018
DERIVATIVES		
Nominal values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	1 578	5 723
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	801	961
- Related to the hedging of net sales	6 432	7 369
Fair values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	7	-200
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	15	-35
- Related to the hedging of net sales	47	-120

EUR 1,000	2019 Nominal value	2018 Nominal value
CONTRACTUAL MATURITIES OF HEDGE ACCOUNTING DERIVATIVES		
Economic hedging		
Under one year	1 578	5 723
TOTAL	1 578	5 723

EUR 1,000	2019	2018
CHANGES IN HEDGE RESERVES		
Hedge reserves Jan., 1	143	15
Additions to hedge accounting (through comprehensive income)	117	174
Transferred to profit or loss (from comprehensive income)	-143	-15
From hedge accounting to economic hedging	-	1
Deferred tax at Group's tax rate 20%	-34	-32
Hedge reserve at Dec., 31	83	143

Basis of preparation

The Group has according to its finance policy used 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.

Derivatives which do not meet the criteria of hedge accounting, have been classified as held-for-sale. Derivatives classified as these contracts have been accounted for at fair value through profit or loss in the other operating income or expenses.

Exchange rate losses EUR 179 (15 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 gains EUR 224 thousand (losses EUR 135 thousand) have been recognized in profit or loss.

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 – CURRENCY RISKS

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 2019 amount of 67 percent (59%) 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 12 percent (9%) during the year 2019.

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 9 million (MEUR 14) and the fair value EUR 69 thousand negative (EUR 355 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 2019, 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 these forward contracts and current customer contract assets had an EUR 120 thousand positive effect on the Group's operating profit (EUR 120 thousand) at the reporting date. The nominal values of the derivatives have been presented in the note Derivatives, page 43.

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 ac-

counting. 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 43.

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	
	2019	2018	2019	2018
CNY/EUR	60	437	-289	18
RUB/EUR	87	-135	87	-135
CAD/EUR	-261	1 255	199	3 667
USD/EUR	488	1 180	1 012	1 402

Cash flows related to binding contracts included in the net currency position have been hedged EUR 78 thousand in the CAD/EUR currency pair and EUR 302 thousand in the USD/EUR currency pair.

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 9,909 thousand on December 31, 2019 (EUR

6,230 thousand). Non-euro-denominated equities are detailed according to currency in the following table:

Subsidiaries' equity, non-euro-denominated		
EUR 1,000	2019	2018
CNY	696	313
RUB	470	203
CAD	2 894	507
USD	5 343	4 804
Other	506	404

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, 2019 is presented in the following table:

Effect on profit after tax			
EUR 1,000		2019	2017
CNY +/- 30%	+/-	114	-184
RUB +/- 30%	+/-	72	25
CAD +/- 30%	+/-	706	-1 077
USD +/- 30%	+/-	134	-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.

EQUITY

EUR 1,000	2019	2018
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	5 711	5 652
Exercised stock options	-	59
Invested non-restricted equity reserve at Dec. 31	5 711	5 711
Other reserves at Jan. 1	1 453	1 504
Changes in accounting principles, IFRS 2	-	117
Other reserves at Jan. 1, restated	1 453	1 621
Fair value reserve	1 565	-
Hedging reserve, hedge accounting	283	-73
Equity-settled share-based payments	-329	257
Deferred taxes related to these items	-178	10
Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings	-	-362
Other reserves at Dec. 31	2 794	1 453
EXCHANGE RATE DIFFERENCES		
Exchange rate differences at Jan. 1	1 015	659
Exchange rate differences on translating foreign operations	-66	356
Exchange rate differences at Dec. 31	949	1 015
RETAINED EARNINGS		
Retained earnings at Jan. 1	30 075	23 197
Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings	-	362
Dividends	-5 968	-5 320
Profit for the financial year	7 687	11 836
Retained earnings at Dec. 31	31 794	30 075
TOTAL EQUITY	49 502	46 509

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.

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 April 2, 2019 decided to pay a dividend of EUR 1.40 per share for the financial year 2018. The total amount of dividends was EUR 5,968,471.60 with series A shares accounting for EUR 4,580,846.20 and series K shares for EUR 1,387,625.40. The dividend payment date was April 11, 2019.

OTHER COMPREHENSIVE INCOME ITEMS

EUR 1,000	2019	2018
OTHER COMPREHENSIVE INCOME ITEMS		
Changes in the fair value of financial asset at fair value through other comprehensive income	1 565	-
Hedging reserve, hedge accounting	283	-73
Exchange differences on translating foreign operations	-66	356
Deferred taxes related to these items	-178	10
TOTAL	1 604	293

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 gains and losses 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 current tax effects based on the taxable income for the period and deferred taxes related to these items.

SHARES AND SHARE CAPITAL

Shares, 1,000 pcs		2019	2018
Series K shares (ordinary shares)	20 votes/share	991	991
Series A shares	1 vote/share	3 272	3 272
Total shares at Dec. 31		4 263	4 263
Own shares at Jan. 1		0	9
Acquisition of own shares		-	-
Disposal of own shares		-	-9
Own shares at Dec. 31		0	0
Reconciliation of the number of shares, 1,000 pcs			
Number of shares at Jan. 1		4 263	4 249
Exercised stock options		-	14
Number of shares at Dec. 31		4 263	4 263

Changes in share capital from Jan. 1, 1994 to Dec. 31, 2019	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, 2019	8 256 316	991 161	3 272 033

Raute Corporation has two series of shares, series K and series A. Share-related data is presented on page 80 of the financial statements.

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 2019, as well as in the comparison year 2018, 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 2019 the target value of the equity ratio was over 40 percent. At the end of the financial year, the equity ratio was 63 percent (62%) and gearing -28 percent (-26%).

EARNINGS PER SHARE

	2019	2018
Undiluted earnings per share		
Share of profit that belongs to the owners of the Parent company, EUR 1,000	7 687	11 836
Weighted average number of shares, 1,000 pcs	4 263	4 260
Earnings per share, EUR	1,80	2,78
Diluted earnings per share		
Share of profit that belongs to the owners of the Parent company, EUR 1,000	7 687	11 836
Diluted weighted average number of shares, 1,000 pcs	4 287	4 290
Diluted earnings per share, EUR	1,79	2,76
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	4 263	4 260
Share-based payments, 1,000 pcs	24	31
The weighted average number of shares used when calculating the diluted earnings per share, 1,000 pcs	4 287	4 290

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 23,797 pieces (30,908 pieces) on calculating the diluted number of shares.

FINANCIAL LIABILITIES

EUR 1,000	2019	2018
CURRENT INTEREST-BEARING LIABILITIES		
Financial liabilities recognized at amortized cost		
Partial payments of financial loans	1 502	1 079
TOTAL	1 502	1 079
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	4,93 %	5,07 %

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 31.12.2019	Carrying amount 31.12.2018
Carrying amounts of financial liabilities		
Financial liabilities at fair value through profit or loss		
- Derivative contracts	61	373
Financial liabilities recognized at amortized cost		
- Financial loans	1 502	1 079
- Trade payables and other liabilities	20 706	35 182
- Accrued expenses and prepaid income	7 834	10 046
Total	30 103	46 681

EUR 1,000	Level 1	Level 2	Level 3	Total
Hierarchy levels				
Financial liabilities at fair value through profit or loss				
- Derivative contracts	-	61	-	61
Total	-	61	-	61

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.

Partial payments of the financial loan in the following financial year have been presented in the current liabilities. The Group's financial liabilities include a financial loan of a foreign subsidiary totaling EUR 1.5 million (MEUR 1.1) 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 56.

The adoption of the standard increased the amount of the Group's interest-bearing liabilities by EUR 6 936 thousand. The lease liability has been recognized as a liability based on the obligation to pay lease rent. The lease liability has been recognized based on the present value of those rents which are to be paid in the future according to the contract, but which has not been paid at the recognition date. The incremental loan rate has been used as a discount rate which was 1 per cent on the date of transition. The interest expense on the lease liability has been recognized in the income statement item financial expenses. The lease liability has been included in the item Interest-bearing liabilities in the consolidated balance sheet. The adoption of the standard increased the amount of the Group's interest-bearing liabilities by EUR 6 936 thousand, of which EUR 1 441 was current lease liability and 5 496 thousand was non-current lease liability.

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.

FINANCIAL ASSETS

EUR 1,000	Carrying amount 31.12.2019	Carrying amount 31.12.2018
Carrying amounts of financial assets		
Financial assets at fair value through profit or loss		
- Derivative contracts	124	155
Financial assets at fair value through other comprehensive income		
- Unquoted share investments	2 741	1 185
Financial assets at amortized cost		
- Account receivables and other receivables	30 856	52 101
- Cash and cash equivalents	22 360	13 375
Total	56 083	66 816

The balance sheet item Accounts receivables and other receivables includes current customer contract assets of performance obligations to be satisfied over time EUR 17,6933 thousand (EUR 41,223 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	-	-	2 741	2 741
Financial assets at fair value through profit or loss				
- Derivative contracts	-	124	-	124
Total	-	124	2 741	2 866

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	2019	2018
OTHER FINANCIAL ASSETS		
Unquoted share investments	2 741	1 185
Total	2 741	1 185

Unquoted share investments include mainly shares of PHP Holding Oy, which has a balance sheet value of EUR 2 605 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 recog-

nized 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 have been incurred. Nominal values of currency derivative contracts have been disclosed in the note Derivatives, page 43.

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 the 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 clusters.

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.

IMPAIRMENT OF FINANCIAL ASSETS

Expected credit loss risk

	Not due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	>360 days	Total
Dec. 31, 2019								
Expected loss rates, %	0 %	0	1 %	3 %	5 %	25 %	100 %	
Gross carrying amount of accounts receivables, EUR 1 000	7 323	891	184	65	237	129	65	
Loss allowance, EUR 1 000	2	1	1	2	12	32	65	115

	Not due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	>360 days	Total
Dec. 31, 2018								
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

EUR 1,000	2019	2018
The reconciliation of loss allowance for the Accounts receivables		
Amounts restated through opening retained earnings	158	130
Opening loss allowance	158	130
Change in the expected credit loss during the financial year	-43	28
Closing loss allowance at the end of the financial year	115	158

Impairment of financial assets

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. The information of the expected credit loss has been presented in the table Expected credit loss risk. Estimated impairment losses have been recognized through profit or loss. 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.

An impairment of EUR 115 thousand has been recognized for expected credit loss allowance on accounts receivables during the financial year. Previously recognized losses of the expected credit losses of accounts receivables have been reversed, and the total impact to the profit is EUR 43 thousand positive. 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.

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.

CASH AND CASH EQUIVALENTS

EUR 1,000	2019	2018
CASH AND CASH EQUIVALENTS		
Cash and bank accounts	22 360	13 375
TOTAL	22 360	13 375
Cash and cash equivalents in cash flow statement		
Cash and cash equivalents	22 360	13 375
TOTAL	22 360	13 375

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 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 clusters. 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 2.3 million (MEUR 2.2) at the balance sheet date.

LIQUIDITY RISK - COVENANTS

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 made mainly in current deposits or marketable euro-based investments with a good credit rating. Investments are required to exhibit sufficient liquidity. The Group did not have interest-bearing net liabilities in the consolidated financial statements of December 31, 2019 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 22.4 million (MEUR 13.4) at the end of the financial 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 22.0 million (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.

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 49.

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 2019 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.

FINANCIAL INCOME AND EXPENSES

EUR 1,000	2019	2018
FINANCIAL EXPENSES, NET		
Financial income		
Interest income from receivables	10	11
Dividend income	814	249
Capital gains from available-for-sale investments	80	-
Exchange rate gains from financial liabilities	182	77
Other financial income	13	9
Total financial income	1 099	346
Financial expenses		
Interest expenses on financial loans recognized at amortized cost	-65	-90
Exchange rate losses on other financial items	-22	-82
Other financial expenses	-213	-183
Total financial expenses	-300	-356
Financial expenses, net	799	-10

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.

PLEGGED ASSETS AND CONTINGENT LIABILITIES

EUR 1,000	2019	2018
Mortgage agreements on behalf of subsidiaries		
Financial loans	1 502	1 079
Other obligations	991	116
Other credit guarantee arrangements	2 493	1 195
Commercial bank guarantees on behalf of the Parent company and subsidiaries	17 767	25 925
Other own obligations		
Rental liabilities maturing within one year	95	1 513
Rental liabilities maturing in one to five years	56	2 629
Total	151	4 143

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 867 thousand (EUR 961 thousand).

Raute Corporation has given a counter guarantee of EUR 1 502 thousand (EUR 1 079 thousand) for the loan of a foreign subsidiary. Raute Corporation has given a commercial counter guarantee of EUR 991 thousand (EUR 116 thousand) on behalf of a foreign subsidiary.

SEGMENT INFORMATION

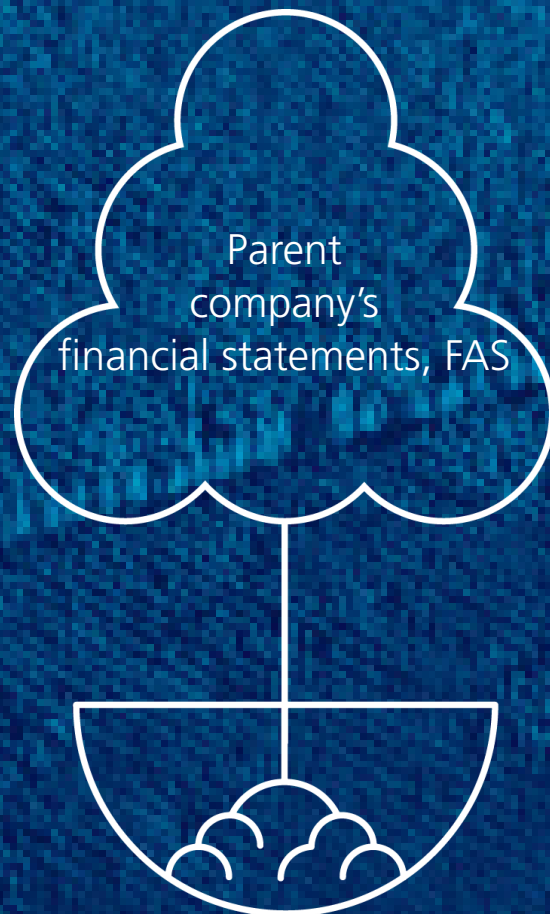
EUR 1,000	2019	%	2018	%
SEGMENT INFORMATION				
Net sales	151 297		180 993	
Operating profit	8 454		14 922	
Assets	90 651		96 382	
Liabilities	41 149		49 872	
Capital expenditure	2 956		4 384	
Assets of the wood products technology segment by geographical location				
Finland	75 882	84	83 494	87
North America	8 397	9	7 850	8
China	4 378	5	3 635	4
Russia	1 662	2	1 038	1
South America	194	0	224	0
Other	138	0	141	0
Total	90 651	100	96 382	100
Capital expenditure of the wood products technology segment by geographical location				
Finland	2 751	93	3 508	80
North America	81	3	707	16
China	48	2	99	2
Russia	26	1	46	1
South America	26	1	22	1
Other	24	1	2	0
Total	2 956	100	4 384	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, 2019

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, FAS

PARENT COMPANY'S INCOME STATEMENT

euros	1.1.–31.12.2019	1.1.–31.12.2018
NET SALES	120 372 575,64	152 747 027,67
Change in inventories of finished goods and work in progress	-722 149,32	2 741 906,57
Other operating income	547 306,12	922 237,05
Materials and supplies	-66 584 690,83	-95 561 653,15
Personnel expenses	-32 135 803,95	-34 340 820,68
Depreciation and amortization	-2 068 432,53	-1 938 570,37
Other operating expenses	-14 381 243,16	-13 661 037,83
Total operating expenses	-115 170 170,47	-145 502 082,03
OPERATING PROFIT	5 027 561,97	10 909 089,35
Financial income and expenses	919 542,86	11 381 164,80
PROFIT BEFORE APPROPRIATIONS AND TAXES	5 947 104,83	22 290 254,15
Appropriations	-432 780,00	-342 746,00
Income taxes	-975 438,88	-2 256 748,14
PROFIT FOR THE FINANCIAL YEAR	4 538 885,95	19 690 760,01

PARENT COMPANY'S BALANCE SHEET, FAS

PARENT COMPANY'S BALANCE SHEET

euros	31.12.2019	31.12.2018
ASSETS		
Non-current assets		
Intangible assets	2 937 956,06	2 623 816,24
Tangible assets	8 881 172,79	9 429 750,87
Investments	10 053 300,87	10 061 783,87
Total non-current assets	21 872 429,72	22 115 350,98
Current assets		
Inventories	10 344 806,00	10 576 435,12
Deferred tax assets	140 240,11	90 398,69
Current receivables	25 975 368,94	50 315 663,88
Cash and cash equivalents	21 668 261,36	12 492 968,50
Total current assets	58 128 676,41	73 475 466,19
TOTAL ASSETS	80 001 106,13	95 590 817,17

PARENT COMPANY'S BALANCE SHEET

euros	31.12.2019	31.12.2018
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	5 711 120,18
Retained earnings	32 274 869,54	18 552 581,13
Profit for the financial year	4 538 885,95	19 690 760,01
Total shareholders' equity	50 781 191,67	52 210 777,32
Appropriations	775 526,00	342 746,00
Obligatory provisions	2 822 661,88	2 057 359,20
Liabilities		
Current liabilities	25 621 726,58	40 979 934,65
Total liabilities	25 621 726,58	40 979 934,65
TOTAL LIABILITIES	80 001 106,13	95 590 817,17

PARENT COMPANY'S CASH FLOW STATEMENT, FAS

PARENT COMPANY'S CASH FLOW STATEMENT

euros	1.1.–31.12.2019	1.1.–31.12.2018
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	134 176 857,94	135 230 268,74
Proceeds from other operating income	402 532,24	621 568,87
Payments of operating expenses	-117 252 843,84	-143 146 908,20
Cash flow before financial items and taxes	17 326 546,34	-7 295 070,59
Interest paid from operating activities	-2 197,88	-22 595,24
Dividends received from operating activities	814 430,00	248 966,05
Interest received from operating activities	314 215,10	22 343,99
Other financing items from operating activities	-129 113,50	-301 891,90
Income tax paid	-2 338 858,04	-2 479 053,21
Net cash flow from operating activities (A)	15 985 022,02	-9 827 300,90
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-2 760 358,13	-2 695 428,20
Business transaction	-	-568 430,26
Proceeds from sale of tangible and intangible assets	57 800,38	230 536,01
Purchase of other investments	-	-16 384,00
Proceeds from sale of investments	88 200,00	-
Loans granted to Group companies	-1 783 018,63	-896 057,35
Repayments of loan receivables from Group companies	3 459 827,28	1 119 137,61
Net cash flow from investing activities (B)	-937 549,10	-2 826 626,19
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	58 711,25
Dividends paid	-5 968 471,60	-5 320 473,75
Net cash flow from financing activities (C)	-5 968 471,60	-5 261 762,50
Net change in cash and cash equivalents (A+B+C)	9 079 001,32	-17 915 689,59
increase (+)/decrease (-)		
Cash and cash equivalents at the beginning of the year	12 492 968,50	30 331 321,27
Net change in cash and cash equivalents	9 079 001,32	-17 915 689,59
Effect of exchange rate changes on cash	96 291,54	77 336,82
Cash and cash equivalents at the end of the year	21 668 261,36	12 492 968,50

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

EUR 1,000	2019	%	2018	%
NET SALES				
Net sales by market area				
EMEA (Europe and Africa)	50 900	42	76 768	50
CIS (Russia)	45 488	38	46 445	30
LAM (South America)	12 259	10	5 278	3
APAC (Asia-Pacific)	7 903	7	16 815	11
NAM (North America)	3 823	3	7 441	5
TOTAL	120 373	100	152 747	100

Basis of preparation

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

EUR 1,000	2019	2018
Specification of net sales		
Net sales by percentage of completion	93 583	132 388
Other net sales	26 790	20 359
TOTAL	120 373	152 747
Project revenues entered as income from currently undelivered projects recognized by percentage of completion	111 798	184 917
Amount of performance obligations to be satisfied over time not yet entered as income (order book)	78 801	76 099
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	80 294	130 158
- advance payments received	65 150	90 734
Current customer contract assets	15 144	39 423
Projects in which advance payments invoiced exceed the value by percentage of completion		
- aggregate amount of costs incurred and recognized profits less recognized losses	31 503	54 759
- advance payments received	38 086	66 922
Current customer contract liabilities	6 583	12 164
Advance payments included in the current liabilities in the balance sheet		
Current customer contract liabilities	6 583	12 164
Other advance payments received, not under percentage of completion	2 941	6 342
TOTAL	9 524	18 506
Advance payments of the customer contracts included in inventories in the balance sheet		
Advance payments paid of the customer contracts	1 615	1 082
TOTAL	1 615	1 082

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

CURRENT RECEIVABLES

EUR 1,000	2019	2018
Current receivables from Group companies		
Loan receivables	1 139	1 087
Accounts receivables	1 199	1 405
Other receivables	13	238
Total from Group companies	2 351	2 731
Current receivables from others		
Accounts receivables	4 882	3 912
Accrued income and prepaid expenses	16 656	40 463
Other receivables	2 086	3 210
Total from others	23 624	47 585
TOTAL	25 975	50 316
Substantial items included in accrued income		
Current customer contract assets according to the percentage of completion method	15 145	39 423
Income tax receivable	701	-
Other accrued income	810	1 040
TOTAL	16 656	40 463

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 credit risk clusters at the balance sheet date.

MATERIALS AND SERVICES

EUR 1,000	2019	2018
Purchases during the financial year	-55 574	-80 333
Change in inventories, materials and supplies	-42	158
External services	-10 969	-15 386
TOTAL	-66 585	-95 562

INVENTORIES

EUR 1,000	2019	2018
Materials and supplies	4 473	4 515
Work in progress	3 858	4 581
Other inventories	398	398
Advance payments	1 615	1 082
TOTAL	10 345	10 576

During the financial year, EUR 56 thousand (EUR 254 thousand) were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price.

OBLIGATORY PROVISIONS

EUR 1,000	2019	2018
Warranty provisions		
Book value at Jan. 1	1 813	1 793
Additions	2 219	1 375
Decrease	-1 828	-1 355
Book value at Dec. 31	2 204	1 813
Other obligatory provisions		
Book value at Jan. 1	244	186
Additions	533	154
Decrease	-159	-96
Book value at Dec. 31	618	244
TOTAL	2 822	2 057

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

PERSONNEL EXPENSES

EUR 1,000	2019	2018
Wages and salaries	-26 762	-28 006
Pension costs	-4 403	-5 195
Fixed share-based employee payments	-	-343
Other personnel expenses	-970	-796
TOTAL	-32 136	-34 341
PERSONNEL		
Employed at Dec. 31, persons		
Workers	159	165
Office staff	361	344
TOTAL	520	509
Personnel working abroad at Dec. 31	2	4
Effective, on average, persons		
Workers	158	163
Office staff	344	326
TOTAL	502	489
Personnel working abroad, effective, on average	2	4
On average, persons		
Workers	162	167
Office staff	358	341
TOTAL	520	508
Personnel working abroad, on average	2	4

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	2019	2018
Other operating income from Group companies	289	311
Insurance compensations	174	527
Other operating income	69	58
Capital gain on non-current assets	12	30
Allowances received	2	-3
TOTAL	547	922

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	2019	2018
Indirect production costs	-3 707	-4 045
Sales and marketing costs	-3 678	-2 786
Administration costs	-2 423	-2 886
Credit losses from others	-	-76
Other costs	-4 573	-3 868
TOTAL	-14 381	-13 661

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 4 061 thousand (EUR 3 605 thousand).

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

OTHER OPERATING EXPENSES

EUR 1,000	2019	2018
Auditor's remunerations		
Authorized Public Accountants PricewaterhouseCoopers Oy (Finland)		
Audit expenses, statutory	-57	-43
Audit expenses, other assignments according to the Audit Act	-	-2
Audit expenses, other services	-2	-4
Audit expenses, tax services	-3	-3
TOTAL	-62	-52

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 3 thousand (EUR 2 thousand).

OTHER LEASES

EUR 1,000	2019	2018
Raute Corporation as a lessee		
Minimum rents paid on the basis of other non-cancellable leases:		
- Within one year	340	303
- After a period of more than one year and less than five years	826	1 031
TOTAL	1 166	1 334

INCOME TAXES

EUR 1,000	2019	2018
Income taxes from operations	-1 024	-2 316
Current tax of previous financial years	-2	6
Deferred tax assets	50	53
TOTAL	-975	-2 257

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.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

INTANGIBLE ASSETS

EUR 1,000	Intangible rights	Goodwill	Other intangible assets	Advance payments	Total
Acquisition cost at Jan. 1, 2019	3 795	662	6 366	-	10 824
Additions	84	-	2	187	272
Reclassification between items	-	-	556	-	556
Acquisition cost at Dec. 31, 2019	3 879	662	6 924	187	11 652
Accumulated amortization and depreciation at Jan. 1, 2019	-2 316	-113	-5 771	-	-8 200
Depreciation for the financial year	-225	-66	-223	-	-514
Accumulated amortization and depreciation at Dec. 31, 2019	-2 541	-179	-5 994	-	-8 714
Book value at Dec. 31, 2019	1 338	483	930	187	2 938
Book value at Dec. 31, 2018	1 480	549	595	-	2 624

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, 2019	218	10 706	28 940	569	1 398	41 831
Additions	-	-	542	-	1 774	2 316
Disposals	-	-	-755	-	-	-755
Reclassification between items	-	353	1 718	116	-2 743	-556
Acquisition cost at Dec. 31, 2019	218	11 059	30 445	686	430	42 837
Accumulated depreciation and amortization at Jan. 1, 2019	-	-7 475	-24 574	-352	-	-32 401
Depreciation and amortization for the financial year	-	-353	-1 173	-28	-	-1 554
Accumulated depreciation and amortization at Dec. 31, 2019	-	-7 828	-25 747	-380	-	-33 955
Book value at Dec. 31, 2019	218	3 231	4 698	305	430	8 882
Book value at Dec. 31, 2018	218	3 231	4 365	217	1 398	9 430

Book value for production machinery was EUR 3 443 thousand (EUR 3 095 thousand) at the end of the financial year.

DEPRECIATION AND AMORTIZATION

EUR 1,000	2019	2018
Depreciation and amortization of intangible assets	-514	-511
Depreciation and amortization of tangible assets	-1 554	-1 428
TOTAL	-2 068	-1 939

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 have been presented under the item Depreciation and amortization in the income statement. **Gains and losses** on disposal of tangible assets have been presented in other operating income or expenses.

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

NON-CURRENT INVESTMENTS

EUR 1,000	Shares, Group companies	Shares, Others	Total
Acquisition cost at Jan. 1, 2019	14 174	1488	15 662
Disposals	-	-8	-8
Acquisition cost at Dec. 31, 2019	14 174	1 479	15 654
Accumulated impairments at Jan. 1, 2019	-5 297	-303	-5 599
Impairments	-	-	-
Accumulated impairments at Dec. 31, 2019	-5 297	-303	-5 599
Book value at Dec. 31, 2019	8 877	1 176	10 053
Book value at Dec. 31, 2018	8 877	1 185	10 062

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	500	42
FIMECC OY	50	50
Other		44
TOTAL		1 176

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

SHAREHOLDERS' EQUITY

EUR 1,000	2019	2018
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	5 711	5 652
Exercised stock options	-	59
Invested non-restricted equity reserve at Dec. 31	5 711	5 711
Retained earnings at Jan. 1	18 553	14 711
Changes during the financial year		
- Profit from the previous year	19 691	9 162
- Dividends	-5 968	-5 320
Retained earnings at Dec. 31	32 275	18 553
Profit for the financial year	4 539	19 691
SHAREHOLDERS' EQUITY AT DEC. 31	50 781	52 211
Distributable funds		
Retained earnings at Dec. 31	32 275	18 553
Profit for the financial year	4 539	19 691
Invested non-restricted equity reserve	5 711	5 711
Distributable funds at Dec. 31	42 525	43 954
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	3 272
Shares, 1,000 pcs	4 263	4 263
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	2019	2018
Current liabilities		
Current liabilities to Group companies		
- Advance payments received	3 032	4 449
- Accounts payable	1 239	1 197
- Accrued expenses and prepaid income	-	111
- Other current liabilities	1 877	152
Total to Group companies	6 148	5 908
Current liabilities to others		
- Advance payments received	6 492	14 058
- Accounts payable	5 639	11 380
- Accrued expenses and prepaid income	5 692	8 881
- Other liabilities	1 650	754
Total to others	19 473	35 072
TOTAL	25 622	40 980
Interest-bearing liabilities		
- Current other liabilities	1 877	152
TOTAL	1 877	152
Substantial items included in accrued expenses and prepaid income		
- Accrued personnel expenses	5 323	6 978
- Accrued project expenses	91	119
- Income tax liability	-	613
- Accrued investments	-	680
- Other accrued expenses	278	491
TOTAL	5 692	8 881

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

FINANCIAL INCOME AND EXPENSES

EUR 1,000	2019	2018
Dividend income		
From others	814	249
Total	814	249
Other interest and financial income		
From Group companies	181	312
Reversed impairment on investments in Group companies	-	7 508
Reversed impairment on loan receivables from Group companies	-	2 945
From others	130	783
Total	310	11 547
Total financial income	1 125	11 796
Interest and other financial expenses		
To Group companies	-83	-151
Impairments, investments in Group companies	-	-
To others	-122	-264
Total	-205	-415
Total financial expenses	-205	-415
Financial income and expenses, net	920	11 381
Exchange rate losses (-) included in total financial income and expenses	-87	-26

At the end of the financial year, Raute Corporation had loan receivables from its Group company Metriguard Technologies, Inc. a total of EUR 867 thousand (EUR 961 thousand).

DERIVATIVES

EUR 1,000	2019	2018
Nominal values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	1 578	
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	801	961
- Related to the hedging of net sales	3 859	5 095
Fair values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	7	-200
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	15	-35
- Related to the hedging of net sales	47	-154

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	2019	2018
Mortgage agreements on behalf of subsidiaries		
Financial loans	1 502	1 079
Other obligations	991	116
Other credit guarantee arrangements	2 493	1 195
Commercial bank guarantees on behalf of the Parent company and subsidiaries	17 767	25 925

"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.

LIST OF THE PARENT COMPANY'S COMMON ACCOUNTING DOCUMENT TYPES, VOUCHER GROUPS AND MEANS OF STORAGING

FINANCIAL STATEMENTS DECEMBER 31, 2019

Common accounting document types used	Documents' means of storing
Financial statements	Separately bound, in paper
General journal and general ledger	In electronic format
Accounts payable and accounts receivable	In electronic format

Description of voucher group	Voucher group	Vouchers' means of storing
Bank vouchers	10	In paper
Purchase invoices	81, 83, 85, 86, 87 and 88	In electronic format
Sales invoices	30, 31, 34, 35 and 36	In paper
Transactions of purchase and sales invoices	70, 72 and 80	In electronic format
Fixed asset register		In paper
Salary vouchers	55, 56, 65, 66, 67 and 68	In paper
Memo vouchers	11, 15, 20, 21, 22 and 25	In paper
Automatic contra entries of memo vouchers	58, 59 and 98	In electronic format
Imputed and entries of cost accounting	28 and 29	In electronic format (29) and in paper (28)

THE BOARD OF DIRECTORS' PROPOSAL AND THE AUDITOR'S NOTE

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 42,524,875.67 of which the profit for the financial year is EUR 4,538,885.95 and the balance sheet amounts to EUR 80,001,106.13.

The Board of Directors will propose to the Annual General Meeting 2020 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 1.45 per share to be distributed as dividend, i.e. a total of	EUR 6,181,631.30
- Retained in equity	EUR 36,343,244.37
Total	EUR 42,524,875.67.

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 13, 2020

Laura Raitio
Chair of the Board

Mika Mustakallio

Joni Bask

Ari Harmaala

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 13, 2020

PricewaterhouseCoopers Oy
Authorized Public Accountants

Markku Launis
Authorized Public Accountant

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

Auditor's Report (Translation of the Finnish Original)

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 2019. 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 1,5 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 judgements; 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

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

Overall group materiality	EUR 1,5 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 the audit of the group

Revenue recognition of project deliveries and modernization projects

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

The main part of net sales is comprised of project 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. Percentage of completion has been measured on a cost basis as the relation of actual project costs to the estimated total project costs.

The revenue recognition of project 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.

Our audit procedures focused on the revenue recognition of project deliveries and modernization projects, as they include management judgment. The revenue recognition of project 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.

This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

How our audit addressed the key audit matter

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:

- 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
- 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.
- 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.
- We also considered the appropriateness of the related disclosures provided in the notes to the consolidated financial statements.

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

Responsibilities of the Board of Directors and the President and CEO for the Financial Statements

The Board of Directors and the President and CEO 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 President and CEO 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 President and CEO 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 President and CEO'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.

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

Other Reporting 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 10 years.

Other Information

The Board of Directors and the President and CEO 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 13 February 2020

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Launis

Authorised Public Accountant (KHT)

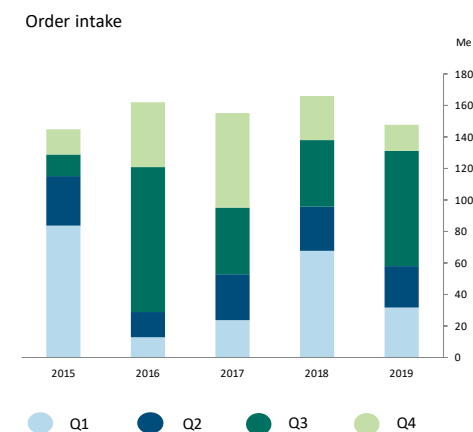
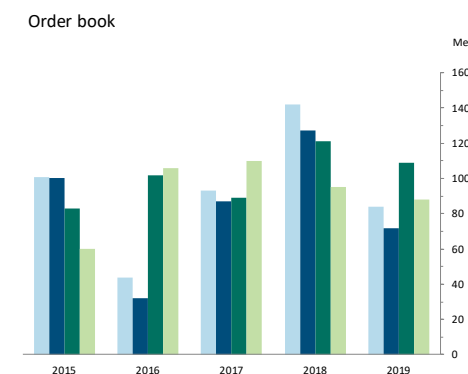
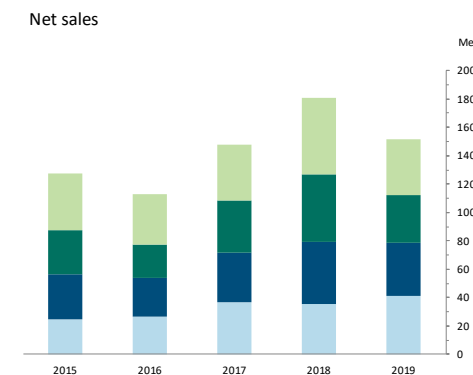


DEVELOPMENT OF QUARTERLY RESULTS

The presented interim figures have not been audited.

EUR 1,000	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
NET SALES	39 258	33 749	36 981	41 309	54 166	47 888	43 667	35 272
Change in inventories of finished goods and work in progress	208	-1 310	-1 818	890	-335	600	1 574	1 230
Other operating income	170	-47	109	112	197	137	293	65
Materials and services	-20 852	-15 166	-16 900	-23 163	-31 996	-27 339	-26 271	-18 174
Employee benefits expense	-12 172	-10 751	-11 152	-11 718	-12 813	-11 316	-11 568	-11 246
Depreciation, amortization and impairments	-889	-941	-1 034	-989	-623	-617	-635	-650
Other operating expenses	-3 915	-3 824	-3 848	-3 842	-5 185	-3 751	-3 903	-3 743
Total operating expenses	-37 829	-30 682	-32 933	-39 712	-50 617	-43 024	-42 377	-33 813
OPERATING PROFIT	1 807	1 709	2 338	2 599	3 410	5 602	3 156	2 754
% of net sales	4,6	5,1	6,3	6,3	6,3	11,7	7,2	7,8
Financial income	777	6	109	206	40	9	72	225
Financial expenses	-59	-47	-136	-58	-75	-109	-107	-64
Financial expenses, net	719	-41	-27	148	-35	-100	-36	160
PROFIT BEFORE TAX	2 526	1 668	2 311	2 747	3 375	5 502	3 121	2 914
% of net sales	6,4	4,9	6,3	6,6	6,2	11,5	7,1	8,3
Income taxes	-266	-263	-424	-612	-480	-1 189	-748	-659
TOTAL PROFIT FOR THE PERIOD	2 260	1 405	1 887	2 135	2 895	4 313	2 372	2 256
% of net sales	5,8	4,2	5,1	5,2	5,3	9,0	5,4	6,4
Attributable to								
Equity holders of the Parent company	2 260	1 405	1 887	2 135	2 895	4 313	2 372	2 256
Undiluted earnings per share, euros	0,53	0,33	0,44	0,50	0,68	1,01	0,56	0,53
Diluted earnings per share, euros	0,53	0,33	0,44	0,50	0,67	1,01	0,55	0,53
Adjusted average number of shares, 1 000 pcs	4 263	4 263	4 263	4 233	4 263	4 263	4 263	4 248
Adjusted average number of shares, diluted, 1 000 pcs	4 287	4 300	4 299	4 262	4 294	4 290	4 284	4 267
FINANCIAL DEVELOPMENT QUARTERLY								
Order intake during the period, EUR million	17	73	26	32	28	42	28	68
Order book at the end of the period, EUR million	88	109	72	84	95	121	127	142

Quarterly development



KEY RATIOS DESCRIBING THE GROUP'S FINANCIAL DEVELOPMENT

	2019	2018	2017	2016	2015
Net sales	151 297	180 993	148 064	113 130	127 278
Change in net sales, %	-16,4	22,2	30,9	-11,1	35,4
Exported portion of net sales	133 535	153 180	122 249	88 612	97 113
% of net sales	88,3	84,6	82,6	78,3	76,3
Operating profit	8 454	14 922	11 171	8 558	8 120
% of net sales	5,6	8,2	7,5	7,6	6,4
Profit before tax	9 253	14 912	11 120	8 220	8 118
% of net sales	6,1	8,2	7,5	7,3	6,4
Profit for the financial year	7 687	11 836	8 979	6 684	6 684
% of net sales	5,1	6,5	6,1	5,9	5,3
Return on investment (ROI), %	18,1	34,6	29,5	25,3	28,5
Return on equity (ROE), %	16,0	27,6	24,4	20,9	24,7
Balance sheet total**	90 651	96 382	87 006	69 767	61 760
Interest-bearing net liabilities**	-13 923	-12 295	-29 311	-20 633	-5 003
% of net sales	-9,2	-6,8	-19,8	-18,2	-3,9
Non-interest-bearing liabilities	32 635	48 793	45 428	31 760	28 421
Equity ratio, %**	62,9	61,7	64,3	60,4	58,5
Gearing, %**	-28,1	-26,4	-74,4	-60,3	-16,8
Gross capital expenditure	2 956	4 384	6 962	3 224	2 506
% of net sales	2,0	2,4	4,7	2,8	2,0
Research and development costs	4 419	3 735	3 237	2 863	3 092
% of net sales	2,9	2,1	2,2	2,5	2,4
Order book, EUR million	88	95	110	106	60
Order intake, EUR million	148	167	155	162	145
Personnel at Dec. 31	778	772	704	643	646
Personnel, effective, on average	761	725	660	631	614
Personnel, on average	784	748	682	642	624
Dividend	6 182*	5 968	5 320	4 220	3 303

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

**The adoption of IFRS 16 standard has had an impact on the key ratios for the interim reporting period 2019. The figures for the comparison periods have not been restated.

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 presented 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 79 and the calculation of share-related data in connection with the share-related data, on page 80.

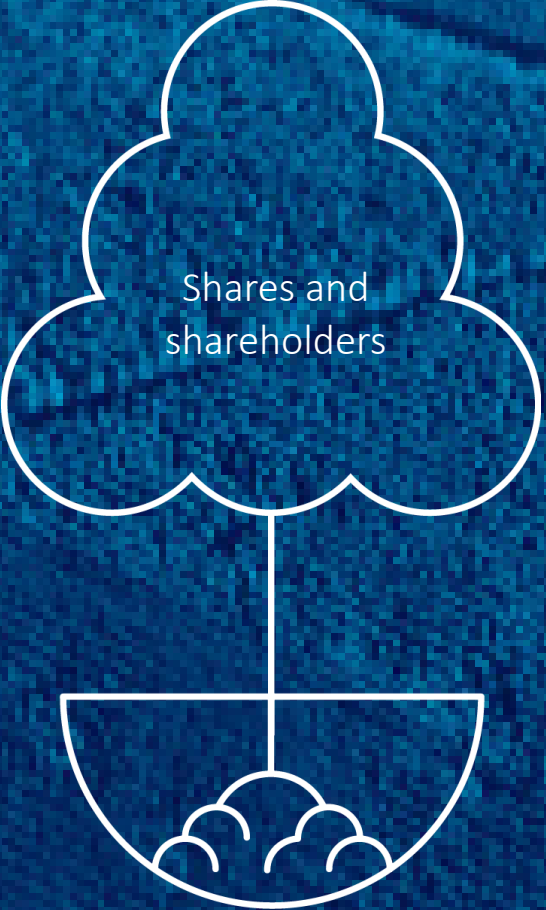
CALCULATION OF KEY RATIOS

Change in net sales, %	$\frac{\text{Net sales of the financial year} - \text{net sales of the previous financial year}}{\text{Net sales}} \times 100$
Exported portion of net sales	Exported portion of materials and services sold from Finland
Exported portion of net sales, %	$\frac{\text{Exported portion}}{\text{Net sales of the financial year}} \times 100$
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.
Operating profit, % of net sales	$\frac{\text{Operating profit}}{\text{Net sales of the financial year}} \times 100$
Profit before tax, % of net sales	$\frac{\text{Profit before tax}}{\text{Net sales of the financial year}} \times 100$
Profit for the financial year, %	$\frac{\text{Profit for the financial year}}{\text{Net sales of the financial year}} \times 100$
Return on investment (ROI), %	$\frac{\text{Profit before tax} + \text{financial expenses}}{\text{Shareholders' equity} + \text{interest-bearing financial liabilities (average of the financial year)}} \times 100$
Return on equity (ROE), %	$\frac{\text{Profit for the financial year}}{\text{Shareholders' equity (average of the financial year)}} \times 100$
Interest-bearing net liabilities	Interest-bearing liabilities ./ (cash and cash equivalents + financial assets at fair value through profit or loss)
Interest-bearing net liabilities, % of net sales	$\frac{\text{Interest-bearing liabilities} - \text{./ (cash and cash equivalents} + \text{financial assets at fair value through profit or loss)}}{\text{Net sales}} \times 100$

Non-interest-bearing liabilities	Provisions + current advance payments received + income tax liability + trade payables and other liabilities
Equity ratio, %	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total} - \text{./ advance payments received}} \times 100$
Gearing, %	$\frac{\text{Interest-bearing net financial liabilities}}{\text{Shareholders' equity}} \times 100$
Gross capital expenditure	Gross capital expenditure includes additions in intangible and tangible assets.
Gross capital expenditure, % of net sales	$\frac{\text{Gross capital expenditure}}{\text{Net sales of the financial year}} \times 100$
Research and development costs	Research and development costs include materials and supplies, working hours and other operating costs
Research and development costs, % of net sales	$\frac{\text{Research and development costs}}{\text{Net sales of the financial year}} \times 100$
Order book, EUR million	Binding sales contracts received but not yet delivered as far the orders have not been recognized in net sales.
Order intake, EUR million	Binding sales contracts entered into force during the financial year according to the latest net sales estimate.
Personnel, effective, average	Average of the effective number of employed personnel at the end of the calendar months of the financial year.
Personnel, average	Average of the number of employed personnel at the end of calendar months.

SHARE-RELATED DATA AND CALCULATION

	2019	2018	2017	2016	2015	
Earnings per share, (EPS), undiluted, EUR	1,80	2,78	2,13	1,60	1,65	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	1,79	2,76	2,11	1,59	1,64	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	11,61	10,82	9,27	8,13	7,26	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	1,45*	1,40	1,25	1,00	0,80	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	1,45*	1,40	1,25	1,00	0,80	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, %	80,4*	50,4	58,8	62,3	48,4	Dividend per profit, % $\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$
Effective dividend return, %	5,8*	6,6	4,3	6,0	5,7	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)	13,86	7,67	13,65	10,41	8,55	Price/earnings ratio (P/E ratio) $\frac{\text{Closing share price at the end of the financial year}}{\text{Earnings per share}}$
Development in share price (series A share)						
Lowest share price for the financial year, EUR	20,00	20,50	16,84	12,06	7,17	
Highest share price for the financial year, EUR	28,70	34,90	30,52	17,98	14,25	
Average share price for the financial year, EUR	24,71	28,58	22,70	14,50	11,95	
Share price at the end of the financial year, EUR	25,00	21,30	29,00	16,70	14,12	
Market value of capital stock at Dec. 31, EUR thousand**	106 580	90 806	123 228	70 248	58 057	
Trading of the company's shares (series A shares)						
Shares traded during the financial year, 1 000 pcs	503	880	846	988	1 095	
% of the number of series A shares	15,4	26,9	26,0	30,7	35,1	
Total number of shares (undiluted)						
Issue-adjusted weighted average number of	4 263 194	4 259 525	4 225 082	4 166 966	4 051 034	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	4 286 991	4 290 433	4 249 248	4 206 462	4 111 708	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 $\frac{\text{Average of the number of shares at the end of calendar months of the financial year.}}{\text{Average of the issue-adjusted number of shares at the end of calendar months of the financial year.}}$						
Number of shares, average, diluted						



MARKET CAPITALIZATION AND SHAREHOLDERS

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.

In 2019, a total of 503,305 Raute Corporation's series A shares were traded (879,655 pieces). The total value of trading was EUR 12.4 million (MEUR 25.1). The highest share price was EUR 28.70 (EUR 34.90) and the lowest EUR 20.00 (EUR 20.50). At the end of the year 2019, the share price was EUR 25.00 (EUR 21.30). The average price was EUR 24.71 (EUR 28.58). The company's market capitalization at the end of the financial year was EUR 106.6 million (MEUR 90.8), with series K shares valued at the closing price of series A shares on December 31, 2019.

Share-based payment plan 2017–2021

Information is presented in note Employee benefits, page 28.

Board authorizations

The Annual General Meeting on April 2, 2019 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 April 2, 2019 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, 2019, the company had no valid share issues.

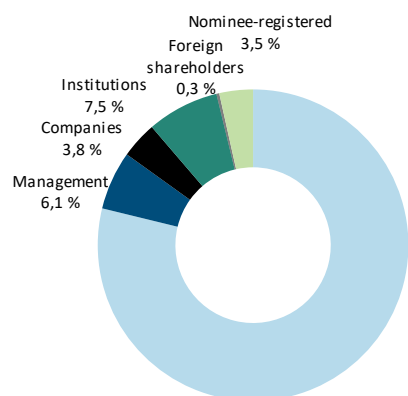
DISTRIBUTION OF OWNERSHIP

ENTIRE CAPITAL STOCK

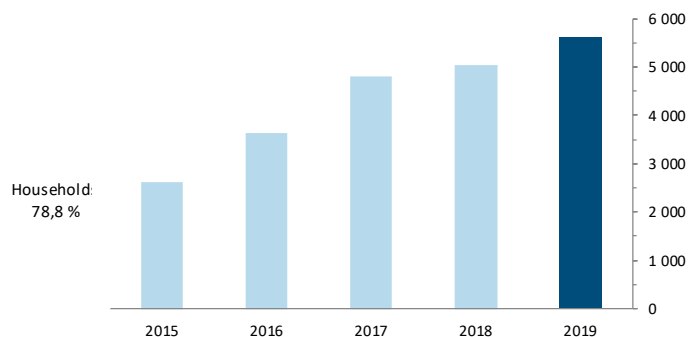
Series A and series K shares by shareholder category at Dec. 31, 2019	Number of shareholders		Number of shares		Number of voting rights	
		%		%		%
Households	5 357	95,4	3 620 139	84,9	22 452 198	97,2
Financial and insurance institutions	17	0,3	188 282	4,4	188 282	0,8
Companies	189	3,4	162 656	3,8	162 656	0,7
Non-profit institutions	22	0,4	78 122	1,8	78 122	0,3
Public institutions	1	0,0	51 950	1,2	51 950	0,2
Foreign shareholders	19	0,3	13 300	0,3	13 300	0,1
Nominee-registered	9	0,2	148 745	3,5	148 745	0,6
Total	5 614	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, 2019	Number of shareholders		Number of shares		Number of voting rights	
		%		%		%
1-1 000	5 304	94,5	923 490	21,7	959 020	4,2
1 001-5 000	239	4,3	505 818	11,9	758 176	3,3
5 001-10 000	20	0,4	137 496	3,2	726 116	3,1
10 001-20 000	14	0,2	201 051	4,7	1 654 342	7,2
20 001-30 000	8	0,1	202 265	4,7	2 611 275	11,3
30 001-40 000	7	0,1	238 566	5,6	2 263 016	9,8
40 001-50 000	3	0,1	132 574	3,1	1 515 394	6,6
50 001-60 000	8	0,1	433 193	10,2	3 158 553	13,7
60 001-	11	0,2	1 488 741	34,9	9 449 361	40,9
Total	5 614	100,0	4 263 194	100,0	23 095 253	100,0

Shareholding at December 31, 2019



Number of shareholders



DISTRIBUTION OF OWNERSHIP

SERIES A SHARES

Series A shares by shareholder category at Dec. 31, 2019	Number of share-holders		Number of shares		Number of voting rights	
		%		%		%
Households	5 336	95,4	2 628 978	80,3	2 628 978	80,3
Financial and insurance institutions	17	0,3	188 282	5,8	188 282	5,8
Companies	189	3,4	162 656	5,0	162 656	5,0
Non-profit institutions	22	0,4	78 122	2,4	78 122	2,4
Public institutions	1	0,0	51 950	1,6	51 950	1,6
Foreign shareholders	19	0,3	13 300	0,4	13 300	0,4
Nominee-registered	9	0,2	148 745	4,5	148 745	4,5
Total	5 593	100,0	3 272 033	100,0	3 272 033	100,0

Series A shares by by number of shares at Dec. 31, 2019	Number of share-holders		Number of shares		Number of voting rights	
		%		%		%
1–1 000	5 298	94,7	923 002	28,2	923 002	28,2
1 001–5 000	242	4,3	520 781	15,9	520 781	15,9
5 001–10 000	21	0,4	143 573	4,4	143 573	4,4
10 001–20 000	10	0,2	150 501	4,6	150 501	4,6
20 001–30 000	5	0,1	123 969	3,8	123 969	3,8
30 001–40 000	3	0,1	101 473	3,1	101 473	3,1
40 001–50 000	4	0,1	175 553	5,4	175 553	5,4
50 001–60 000	6	0,1	312 451	9,5	312 451	9,5
60 001–	4	0,1	820 730	25,1	820 730	25,1
Total	5 593	100,0	3 272 033	100,0	3 272 033	100,0

SERIES K SHARES

Series K shares by shareholder category at Dec. 31, 2019	Number of share-holders		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 by number of shares at Dec. 31, 2019	Number of share-holders		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	10	18,5	137 940	13,9	2 758 800	13,9
20 001–30 000	7	13,0	169 910	17,1	3 398 200	17,1
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

LARGEST SHAREHOLDERS

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2019 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	-	500 000	500 000	11,7	500 000	2,2
2. Mandatum Henkivakuutus- osakeyhtiö	-	138 382	138 382	3,2	138 382	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. Keskiaho 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	-	60 480	1,4	1 209 600	5,2
12. Mustakallio Marja Helena	46 740	12 547	59 287	1,4	947 347	4,1
13. Mustakallio Ulla Sinikka	47 740	7 790	55 530	1,3	962 590	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 työeläkevakuu- tusyhtiö 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. Keskiaho Ilta Marjaana	24 780	19 094	43 874	1,0	514 694	2,2
Total	635 200	1 326 618	1 961 818	46,0	14 030 618	60,8

MANAGEMENT'S SHAREHOLDING AT DECEMBER 31, 2019

The Board of Directors, the President and CEO as well as the Executive Board held altogether 132,039 series A shares and 127,890 series K shares at December 31, 2019, 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, 2019

Nominee-registered shares accounted for 3.5 percent (5.3%) of the total shares.

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2019 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	-	60 480	1,4	1 209 600	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	7 790	55 530	1,3	962 590	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. Keskiaho 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	-	32 975	0,8	659 500	2,9
14. Keskiaho Vesa Heikki	29 680	-	29 680	0,7	593 600	2,6
15. Keskiaho 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. Keskiaho Ilta Marjaana	24 780	19 094	43 874	1,0	514 694	2,2
18. Sundholm Göran	-	500 000	500 000	11,7	500 000	2,2
19. Kultanen Leea Annikka	21 595	8 031	29 626	0,7	439 931	1,9
20. Piik Ari	20 855	418	21 273	0,5	417 518	1,8
Total	777 160	898 585	1 675 745	39,3	16 441 785	71,2

NUMBER OF SHAREHOLDERS AT DECEMBER 31, 2019

The number of shareholders totaled 5,614 (5,046) at the end of the year 2019. Series K shares were owned by 54 (54) private individuals at the end of the financial year.



Raute Corporation
Rautetie 2
P.O. Box 69, FI-15551 Nastola, Finland
Tel. +358 3 829 11
Fax +358 3 829 3200
ir@raute.com

Follow us online:

www.raute.com | Twitter: [@rautemachinery](https://twitter.com/rautemachinery), [@RauteOyj](https://twitter.com/RauteOyj) | LinkedIn: [Raute Oyj](https://www.linkedin.com/company/RauteOyj) | Youtube: www.youtube.com/RauteMachinery | Facebook: [Raute Corporation](https://www.facebook.com/RauteCorporation) | Instagram: [@rautecorporation](https://www.instagram.com/rautecorporation)