2011

Financial statements 2011



Contents

(English translation of Financial statements 2011)

Report of the Board of Directors

The Group's net sales in the financial year 2011 totaled EUR 74.3 million (MEUR 62.9), up 18 percent from the previous year. The growth in net sales resulted from the improved market outlook for customer industries and from investments in developing technology services. The Group's operating result was EUR 0.7 million in the negative (MEUR +1.3, including the MEUR 4.4 gain from a real estate sale). The financial income and expenses totaled EUR -0.4 million (MEUR -0.2). The result before tax was EUR 1.1 million in the negative (MEUR +1.1). Comprehensive income was EUR 1.1 million in the negative (MEUR +1.1). Undiluted and diluted earnings per share were EUR -0.27 (EUR +0.29). Return on equity was -5 percent (5%).

In this report, figures in parentheses refer to corresponding figures for the previous years 2010 and 2009.

BUSINESS ENVIRONMENT

Market situation in customer industries

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

The global markets in early 2011 promisingly continued the previous year's recovery from the economic downturn of 2008 and 2009. As the year progressed, however, the outlook turned decidedly bleaker, above all due to the uncertainty caused by the debt problems of a few eurozone countries.

The slow improvement taking place in Raute's customer industries during 2010 and early 2011 leveled off and declined somewhat towards the end of the year. Most of the plywood and LVL manufacturers still, however, operated at normal utilization rates.

The total volume of plywood production is expected to have continued its growth during 2011, but at a slower pace than the ten percent total growth achieved in 2010. The growth is largely attributable to plywood produced in emerging markets, mainly in China. Demand for wood products in North America continued to be very sluggish during the whole of 2011 as a result of the weak situation in the housing market and construction.

Demand for wood products technology and technology services

Demand for wood products technology and technology services reflected the changes taking place in the market situation of customer industries. The upswing in demand seen early in the year leveled out during the summer and in a few market areas demand fell again due to the risks relating to growing debt among European countries and in the United States. Demand focused on smaller projects and modernizations. The demand for spare parts and maintenance services was increased by capacity utilization rates which had improved from the previous year.

Several large projects encompassing single production lines and mill-scale deliveries under planning and negotiation were deferred. Customers will decide on and realize these projects only once they are confident that demand has recovered permanently and once financing for the projects can be arranged.

Production capacity has diminished in the European and North American markets and the focus was on developing the competitiveness of the remaining production capacity. China's plywood production growth was achieved through local, largely manual production. An investment decision was made in South America for doubling the capacity of a large plywood mill. In Russia, demand focused on development projects and modernizations for existing capacity.

ORDER INTAKE AND ORDER BOOK

Raute serves the wood products industry with a full-service concept based on service which encompasses the entire lifecycle of the installed machine base. Raute's business consists of project deliveries and technology services. Project deliveries encompass complete production machinery for new mills, production lines and individual machines and equipment. 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 and reconditioned machinery.

The order intake for 2011 was EUR 77 million (MEUR 72), up 7 percent from the previous year. 38 percent of the new orders came from Russia (7%), 26 percent from South America (3%), 26 percent from Europe (25%), 8 percent from North America (12%) and 2 percent from Asia-Pacific (53%). The strong fluctuations in the shares of the different areas reflect the nature of project business.

The order intake for project deliveries declined by 5 percent, with the majority of orders being placed during the first and final quarters of the year. The most significant orders received in 2011 were a EUR 12 million order for plywood mill machinery to Russia received in January, a EUR 6 million order for machinery and equipment for a veneer mill in Estonia received in November and a EUR 16 million order for machinery for a plywood mill in Chile received in December. Other significant orders received were peeling and drying lines to Lithuania.

The order intake in technology services increased by more than a third and their share of new orders was EUR 27 million (MEUR 19). Modernization products tapped into significant markets in Russia.

The order book at the end of 2011 amounted to EUR 36 million (MEUR 33).

COMPETITIVE POSITION

Raute's competitive position is good. Raute's solutions help customers in securing their ability to deliver and provide service throughout the life-cycle of the product. In such investments, the supplier's overall expertise and extensive and diverse technology offering play a key role. The competitive edge provided by Raute is also a major draw when customers select their cooperation partners. Raute's strong financial position also enhances its credibility and improves its competitive position as an executor of long-term investment projects.

NET SALES

The Group's net sales (IFRS) totaled EUR 74.3 million (2010: MEUR 62.9; 2009: MEUR 36.6), up 18 percent from 2010. The growth in net sales resulted from the improved market outlook for customer industries and from investments in developing technology services. Strong fluctuations in the order intake resulted in low net sales at the beginning and end of the year.

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

Net sales for project deliveries totaled EUR 47 million (MEUR 44), up 7 percent from the previous year, accounting for 63 percent (70%) of total net sales. The plywood industry's share of the net sales for project deliveries was 68 percent (95%), while the LVL industry's share was 32 percent (5%).

Net sales for technology services totaled EUR 27 million (MEUR 19), up 42 percent from the previous year, accounting for 37 percent (30%) of net sales. The increase in net sales resulted from improved utilization rates in the plywood and LVL industries as well as the efforts to develop technology services.

Of the total net sales for 2011, Russia accounted for 35 percent (30%), Europe for 26 percent (22%), Asia-Pacific for 25 percent (29%), North America for 8 percent (15%), and South America for 6 percent (4%). Finland accounted for 12 percent (8%) of net sales.

In 2011, the net sales (FAS) of the Parent company Raute Corporation totaled EUR 64.4 million (2010: MEUR 54.5; 2009: MEUR 31.4).

RESULT AND PROFITABILITY

The Group's operating profit (IFRS) for 2011 was EUR 0.7 million in the negative (2010: MEUR +1.3 including a MEUR 4.4 gain from a real estate sale; 2009: MEUR 9.7) and -1 percent of net sales (2010: +2%; 2009: -26%). The operating result remained negative largely due to additional costs incurred during the first quarter from the drawn-out implementation of some projects that were in the installation phase. Profitability was further weakened by costs resulting from the unevenly distributed order book.

The Group's financial income and expenses totaled EUR -0.4 million (MEUR -0.2). The Group's result before tax was EUR 1.1 million in the negative (MEUR +1.1) and the result for the financial year was EUR 1.1 million in the negative (MEUR +1.2). The Group's comprehensive income totaled EUR 1.1 million in the negative (MEUR +1.1).

Undiluted earnings per share were EUR -0.27 (EUR +0.29, including gain from a real estate sale) and diluted earnings per share were EUR -0.27 (EUR +0.29). Return on investment was 0 percent (+5%) and return on equity -5 percent (+5%).

The operating profit (FAS) of the Parent company Raute Corporation was EUR 0.0 million in the negative (2010: MEUR +0.6; 2009: MEUR -6.8). The operating profit equaled 0 percent of net sales (2010: 1%; 2009: -22%). The profit for the financial year (FAS) was EUR 0.1 million in the negative (MEUR +0.3).

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 10.4 million (MEUR 9.7). At the end of the financial year gearing was -47 percent (2010: -40%; 2009: -41%) and equity ratio 47 percent (2010: 51%; 2009: 46%).

The Group's cash and cash equivalents, including financial assets recognized at fair value through profit or loss, stood at EUR 25.7 million (MEUR 24.1) at the end of the financial year. The change in cash and cash equivalents in the financial year was EUR 1.6 million positive (MEUR -4.1). Operating cash flow was EUR 2.5 million positive due to the increase in working capital (MEUR -6.1). Cash flow from investments was EUR 1.7 million negative (MEUR +4.4, including the gain received from real estate sales in the amount of MEUR 6.0). Cash flow from financing activities was EUR 0.8 million positive (MEUR -2.3), including dividend payments of EUR 1.2 million (MEUR 0.0).

The Group's balance sheet total at the end of the year stood at EUR 52.7 million (2010: MEUR 53.0; 2009: MEUR 57.4). Other 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 project business.

Interest-bearing liabilities amounted to EUR 15.2 million (MEUR 14.4) at the end of the reporting period, with current interest-bearing liabilities accounting for EUR 4.3 million (MEUR 4.4).

Raute Corporation rearranged its financing during 2011. In February, the company replaced part of TyEL loans with a SEK 52.9 million bank loan which is hedged with an interest rate and currency swap agreement. Repayment will begin in May 2012 and end in November 2014. In December the company took out a non-current fixed-interest bank loan of EUR 5 million in order to prepare for future working capital requirements in an uncertain money market situation. Repayment will begin in June 2013 and end in December 2016. The measures did not affect covenant levels.

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 company also has unused bilateral credit facilities totaling EUR 5 million with a Nordic bank.

At the end of the financial year, the equity ratio (FAS) of the Parent company Raute Corporation was 47 percent (2010: 51%; 2009: 45%).

LOANS TO RELATED PARTIES AND OTHER LIABILITIES

On December 31, 2011, the Parent company Raute Corporation had loan receivables from its subsidiaries Raute Service LLC in the amount of EUR 355 thousand and Raute Canada Ltd. in the amount of EUR 1,211 thousand. Raute Corporation had EUR 100 thousand in liabilities to the Raute Sickness Fund. Other liabilities are presented in the notes to the financial statements.

RESEARCH AND DEVELOPMENT COSTS AND CAPITAL EXPENDITURE

Raute's goal is to be the leading technology supplier in its field, and to invest strongly in continuous research and development, particularly in plywood and LVL manufacturing technology and the supporting automation and instrumentation applications, especially machine vision.

In 2011, the Group's research and development costs totaled EUR 2.0 million (2010: MEUR 1.8; 2009: MEUR 2.5) and 2.7 percent of net sales (2010: 2.9%; 2009: 6.7%). In 2011, Raute continued to invest strongly in continuous research and development, particularly in plywood and LVL manufacturing technology and the supporting automation and instrumentation applications, especially machine vision. A new focus was on developing products aimed primarily at the emerging markets for the RautePro product family and the Chinese markets. New technology was also introduced in modernization products.

The Group's investments during the financial year totaled EUR 1.9 million (2010: MEUR 2.2; 2009: MEUR 1.1). The majority of investments in 2011 were focused on the development and maintenance of IT systems. The investments include capitalized development costs worth EUR 209 thousand (2010: EUR 41 thousand).

During the financial year, the research and development costs (FAS) of the Parent company Raute Corporation were EUR 2.0 million, representing 3.1 percent of net sales (2010: MEUR 1.8 / 3.4% of net sales; 2009: MEUR 2.5 / 7.9% of net sales). Investments totaled EUR 1.6 million (2010: MEUR 0.5; 2009: MEUR 0.9).

DEVELOPMENT OF OPERATIONS

The development of operations has been steered by the strategy. The account-based operating model was developed further and the know-how related to it was extended through comprehensive training. IT systems were developed in order to support reporting within the organization. The entire organization's resources were put to use in order to meet the growth in project deliveries and technology services. Local service ability was strengthened in Russia, Chile and Australia.

The majority of investments centered on the development and modernization of IT systems. Production operations at the Nastola main unit were further developed in order to boost productivity by taking into use the modernized key production machine and automatizing certain work stages.

Operating methods and tools for implementing projects were developed at the Chinese unit. New features were taken into use within the ERP system and the same version as in the Finnish unit was taken into use throughout the company.

PERSONNEL

The Group's headcount at the end of 2011 was 464 (495). Finnish Group companies accounted for 75 percent (84%) of employees, North American companies for 11 percent (14%), Chinese companies for 10 percent (9%), and other sales and maintenance companies for 4 percent (3%).

Converted to full-time employees ("effective headcount"), the average number of employees during the financial year was 457 (2010: 438; 2009: 419). Salaries and remunerations paid by the Group totaled EUR 20.9 million (2010: MEUR 19.5; 2009: MEUR 18.6).

The Group has continued to develop the competence of its personnel and increase their commitment to the company. 2 percent (1%) of the payroll was invested in personnel training.

Converted to full-time employees, the average number of personnel employed by the Parent company Raute Corporation in 2011 was 338 (2010: 319; 2009: 303). Salaries paid by the Parent company totaled EUR 15.6 million (2010: MEUR 14.7; 2009: MEUR 13.9).

REMUNERATION

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

The Annual General Meeting held on March 31, 2010 resolved to issue a maximum of 240,000 stock options. In compliance with the authorization granted by the Annual General Meeting, the Board of Directors issued a total of 80,000 stock options marked with the symbol 2010 B to the Group's key personnel on May 31, 2011 and September 26, 2011. The share subscription period for stock options 2010 B will be from March 1, 2014 to March 31, 2017 and the exercise price will be EUR 9.83. Earlier, on May 5, 2010, 80,000 stock options 2010 A were granted to key employees of the Group under this stock option scheme.

SOCIETY AND THE ENVIRONMENT

The environment is one of the values that guide Raute's operations. Raute strives to systematically develop the environmental soundness of its products and services and to reduce the environmental impacts of its 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.

Raute's operations mainly affect the environment indirectly when the company's technology is used in the production processes of the wood products industry. Raute's technology enables the wood products industry to substantially reduce the environmental load caused by its operations through, for example, more efficient use of wood raw materials, additives and energy.

The Group's own operations do not involve considerable environmental risks that might have a direct impact on the Group's business operations or financial position. The Nastola main production unit manages environmental matters in compliance with a certified environmental system. The operations and ethical principles of the partner and subcontractor network are also subjected to systematic inspection.

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

RISKS AND RISK MANAGEMENT

The Group's identified main risk areas relate to the nature of the business, the business environment, financing, and damage or loss. The fluctuation 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 global economic situation and the uncertainty concerning its development. Hazards related to the growing debt of some eurozone countries and the United States have led to mounting uncertainty about the development of the global economy and financial markets. The most significant risks for Raute are related to the development of net sales and profitability.

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

Business risks

Impact of economic cycles on business operations

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

Deliveries and technology

The bulk of Raute's business operations consists of project deliveries, which expose the company to risks caused by 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 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 in China and Russia, among others, where, besides opportunities, companies face risks typical for emerging markets. Information security risks are managed according to a defined information security policy.

Human resources

Competence retention and development and ensuring 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, interest and price risks.

The default risk relating to customers' solvency is managed by covering the unpaid sum with bank guarantees, letters of credit or other securities. The Group's liquid assets are mainly held in banks in the Nordic countries.

The Group's main currency is the euro. The most significant currency risks result from the following currencies: Canadian dollar (CAD), US dollar (USD), Russian ruble (RUB) and Chinese yuan (CNY). The main hedging instruments used are foreign currency forward contracts. 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 Group has braced for fluctuations in the working capital tied up in project operations and possible disturbances in the availability of money by taking out a long-term loan. The interest rate risk related to the company's variable interest rate loans is hedged with interest rate swaps. The Group's interest risks are mainly related to the return on liquid assets.

The financing risks, as well as the risk management objectives and procedures, are described in more detail in note 2 to the financial statements.

Risks of damage or loss

Raute's most significant single risks concerning material damage and business interruption loss are a fire or a serious machine or information system breakdown at the Nastola main unit, where the production, planning, financial, and ERP systems serving the Group's key technologies are centrally located.

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

Raute's production operations do not involve significant environmental risks. The main unit in Nastola has an ISO-certified environmental management program, whose principles are also adhered to in other units.

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.

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

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

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

GROUP STRUCTURE

No changes took place in the Group's legal structure during 2011.

SHAREHOLDERS

The number of shareholders totaled 1,787 at the beginning of the year and 1,667 at the end of the reporting period. Series K shares are held by 49 private individuals (50). Management (the Board of Directors, the Group's President and CEO, and Presidents of subsidiaries) held 7.2 percent (7.1%) of the company shares and 13.9 percent (13.3%) of the votes. Nominee-registered shares accounted for 1.5 percent (2.1%) of shares.

No flagging notifications were given to the company in 2011.

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 13, 2011, the authorized public accounting company PricewaterhouseCoopers was chosen as auditor with Authorized Public Accountant Janne Rajalahti as the principal auditor.

CORPORATE GOVERNANCE

Raute Corporation complies with the Finnish Corporate Governance Code 2010 for listed companies issued by the Securities Market Association on June 15, 2010. Raute deviates from the Code's recommendation 22 on appointing members to the Appointments Committee in that one member to the Committee is elected from outside the Board of Directors, as per the company's Administrative Instructions, from among the representatives of major shareholders who have significant voting rights. The Board views this exception as justified, taking into consideration the company's ownership structure and the possibility to consider the expectations of major shareholders as early as in the preparation phase of selecting members of the Board of Directors.

CORPORATE GOVERNANCE STATEMENT

Raute Corporation's Board of Directors has handled Raute Corporation's Corporate Governance Statement for 2011 according to chapter 2, section 6 of the Finnish Securities Markets Act and recommendation 54 of the Finnish Corporate Governance Code 2010 for listed companies issued by the Securities Market Association on June 15, 2010. The statement has been drawn up separately from the financial statements.

BOARD OF DIRECTORS AND PRESIDENT AND CEO

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

At Raute Corporation's Annual General Meeting on April 13, 2011, Mr. Erkki Pehu-Lehtonen, M.Sc. (Eng.), was elected as Chairman of the Board of Directors, Ms. Sinikka Mustakallio, Researcher, as Vice-Chairman, and Mr. Risto Hautamäki, M.Sc. (Eng.), Mr. Ilpo Helander, M.Sc. (Eng.), Mr. Mika Mustakallio, M.Sc. (Econ.), and Mr. Pekka Suominen, M.Sc. (Econ.) as members of the Board.

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 six 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

The Group's Executive Board consists of Mr. Tapani Kiiski, President and CEO (Chairman); Ms. Arja Hakala, CFO; Mr. Timo Kangas, Group Vice President, Technology Services; Mr. Petri Strengell, Group Vice President, Technology and Operations; Mr. Bruce Alexander, Group Vice President, North American Operations and, as of September 26, 2011, Mr. Petri Lakka, Group Vice President, Business Development.

Areas of responsibility within the Executive Board were changed on January 1, 2012, as of which date Timo Kangas functions as Group Vice President, EMEA and Petri Lakka as Group Vice President, Technology Services.

SHARES

The number of Raute Corporation's shares at the end of 2011 totaled 4,004,758, of which 991,161 were series K shares (ordinary share, 20 votes/share) and 3,013,597 series A shares (1 vote/share). The shares have a nominal value of 2 euros. Series K and A shares confer equal rights to dividends and company assets.

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

Raute Corporation's series A shares are listed on NASDAQ OMX Helsinki Ltd. The trading code is RUTAV. A total of 522,287 shares (646,052) worth EUR 4,289 thousand (EUR 5,248 thousand) was traded in 2011. The number of shares traded represents 17 percent (21%) of all listed series A shares. The average price of a series A share was EUR 8.57 (EUR 8.21). The highest rate of the year was EUR 11.55 and the lowest EUR 6.05.

The company's market capitalization at the end of 2011 totaled EUR 24.8 million (MEUR 38.8), with series K shares valued at the closing price of series A shares, EUR 6.20 (EUR 9.70), on December 31, 2011.

Raute Corporation has signed a market making agreement with Nordea Bank Finland Plc in compliance with the Liquidity Providing (LP) requirements issued by NASDAQ OMX Helsinki Ltd.

DIVIDENDS FOR THE 2010 FINANCIAL YEAR

The Annual General Meeting held on April 13, 2011 decided to pay a dividend of EUR 0.30 per share for the financial year 2010. The dividends amounted to a total of EUR 1.2 million, of which series A shares accounted for EUR 904,079.10 and series K shares for EUR 297,348.30.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

The Annual General Meeting held on April 13, 2011 authorized the company's Board of Directors to decide on the repurchase of Raute Corporation's series A shares with the company's distributable assets and to decide on a directed issue of a maximum of 400,000 shares. The Board of Directors did not exercise the authorization in 2011.

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

EVENTS AFTER THE FINANCIAL YEAR

On February 10, 2012, Raute Corporation received orders valued at over EUR 50 million from Paneles Arauco S.A. in Chile for plywood mill machinery and equipment. The machinery and equipment will be delivered mainly during the last part of the year 2012 for rebuilding the Nueva Aldea plywood mill which was destroyed in a fire in the beginning of January.

ANNUAL GENERAL MEETING 2012

Raute Corporation's Annual General Meeting will be held in Lahti on Monday April 16, 2012.

THE BOARD OF DIRECTORS' PROPOSAL FOR DIVIDEND DISTRIBUTION AND MEASURES CONCERNING THE RESULT

According to the financial statements 2011, distributable assets total EUR 6,379 thousand.

The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on April 16, 2012, that a dividend of EUR 0.30 per share be paid for series A shares and series K shares, and that the remainder of distributable assets be transferred to equity. The proposed record date for dividend payments is April 19, 2012 and the dividend payment date is April 26, 2012. 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 2012

Raute's business operations are characterized by the sensitivity of investment demand to cyclical fluctuations in the global economy and the financial markets.

Significant uncertainty is still associated with the development of the global economy and financial markets due to the hazards of growing debt among European countries and in the United States. The market situation for Raute's customer industries is expected to remain uncertain. However, upgrade investments in the plywood industry to ensure quality and maintain market shares will remain at a reasonable level in the near future, provided that the economic uncertainty does not spiral into a new crisis.

Production line and mill-scale investment projects are being planned in several market areas. The implementation and timing of the projects will depend on investors' confidence that the market for wood products will remain at a reasonable level and on the arrangement of financing for customer projects in some market areas.

Thanks to its strong financial and market position and the development measures it has carried out, Raute is well positioned to respond to growing demand once the markets recover. The implemented adaptation measures have led to a lighter cost structure and business is more profitable than before, even in a difficult market situation.

Due to a strong order book and projects in the negotiation phase, net sales in 2012 will increase significantly on the comparison year and the operating profit will be clearly positive.

Consolidated statement of comprehensive income

EUR 1,000 Note		**1.1–31.12.2011**	1.1–31.12.2010
4, 5	**NET SALES**	**74,323**	62 867
	Change in inventories of finished goods and work in progress	**-184**	351
6	**Other operating income**	**168**	4,580
7	Materials and services	**-39,404**	-32,679
8	Expenses from employee benefits	**-24,019**	-23,467
11	Depreciation and amortization	**-2,128**	-2,250
12	Other operating expenses	**-9,494**	-8,091
	Total operating expenses	**-75,045**	-66,487
	OPERATING PROFIT (LOSS)	**-738**	1,311
13	Financial income	**705**	728
13	Financial expenses	**-1,093**	-917
	PROFIT (LOSS) BEFORE TAX	**-1,126**	1,122
15	Income taxes	**30**	36
	PROFIT (LOSS) FOR THE FINANCIAL YEAR	**-1,095**	1,158
	Other comprehensive income items:		
	Exchange differences on translating foreign operations	**23**	-20
	Cash flow hedging	**19**	-19
	Income tax related to cash flow hedges	**-5**	5
	Other comprehensive income items for the financial year, net of tax	**37**	-34
	COMPREHENSIVE PROFIT (LOSS) FOR THE FINANCIAL YEAR	**-1,058**	1,124
	Profit (loss) for the financial year attributable to		
	Equity holders of the Parent company	**-1,095**	1,158
	Comprehensive profit (loss) for the financial year attributable to		
	Equity holders of the Parent company	**-1,058**	1,124
	Earnings per share for profit (loss) attributable to Equity holders of the Parent company, EUR		
16	Undiluted earnings per share	**-0.27**	0.29
16	Diluted earnings per share	**-0.27**	0.29
	Shares, 1,000 pcs		
	Adjusted average number of shares	**4,005**	4,005
	Adjusted average number of shares diluted	**4,005**	4,005

Consolidated balance sheet

EUR 1,000 Note		31.12.2011	31.12.2010
	ASSETS		
	Non-current assets		
18	Intangible assets	**1,433**	1,341
19	Property, plant and equipment	**8,226**	8,913
20	Other financial assets	**789**	497
21	Receivables	**549**	-
29	Deferred tax assets	**1,601**	1,849
	Total	**12,598**	12,599
	Current assets		
22	Inventories	**5,059**	4,574
23	Accounts receivables and other receivables	**9,298**	11,770
23	Income tax receivable	**37**	-
24	Cash and cash equivalents	**25,674**	24,090
	Total	**40,067**	40,435
	TOTAL ASSETS	**52,666**	53,034
	SHAREHOLDERS' EQUITY AND LIABILITIES		
	Equity attributable to Equity holders of the Parent company		
25	Share capital	**8,010**	8,010
25	Share premium	**6,498**	6,498
25	Other reserves	**187**	36
25	Exchange differences	**23**	35
	Retained earnings	**8,447**	8,490
	Profit (loss) for the financial year	**-1,095**	1,158
	Share of shareholders' equity that belongs to the owners of the Parent company	**22,069**	24,227
	Total shareholders' equity	**22,069**	24,227
	Non-current liabilities		
28	Provisions	**123**	57
29	Deferred tax liabilities	**-**	337
30	Non-current interest-bearing liabilities	**10,937**	10,000
	Total	**11,060**	10,394
	Current liabilities		
28	Provisions	**697**	612
32	Pension obligations	**98**	91
31	Current interest-bearing liabilities	**4,340**	4,439
33	Advance payments received	**5,589**	5,243
	Current tax liabilities	**416**	-
33	Trade and other payables	**8,399**	8,028
	Total	**19,537**	18,413
	Total liabilities	**30,597**	28,807
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**52,666**	53,034

Consolidated statement of cash flows

EUR 1,000	**1.1–31.12.2011**	1.1–31.12.2010
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	**64,268**	57,338
Proceeds from other operating income	**168**	121
Payments of operating expenses	**-62,322**	-63,416
Cash flow before financial items and taxes	**2,113**	-5,957
Interests and other operating financial expenses paid	**-346**	-650
Interests and other income received	**357**	394
Dividends received	**108**	118
Income taxes paid	**298**	-18
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**2,531**	-6,114
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in property, plant and equipment and intangible assets	**-1,589**	-2,067
Purchases of assets-for-sale as investments	**-293**	-11
Proceeds from sale of property, plant and equipment and intangible assets	**133**	6,448
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**-1,748**	4,370
CASH FLOW FROM FINANCING ACTIVITIES		
Decrease of non-current and current receivables	**1,000**	2,000
Increase of current borrowings	**163**	-
Repayments of current borrowings	**-115**	-228
Increase of non-current borrowings	**11,000**	-
Repayments of non-current borrowings	**-10,000**	-4,088
Dividends paid	**-1,201**	-
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**846**	-2,316
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**1,629**	-4,060
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR*	**24,090**	27,900
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	**-45**	251
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR*	**25,674**	24,090
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET AT THE END OF THE FINANCIAL YEAR		
Cash and cash equivalents	**25,674**	24,090
TOTAL	**25,674**	24,090

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

Consolidated statement of changes in shareholders' equity

EUR 1,000	Note	Share capital	Share premium	Other reserves	Exchange rate differences	Retained earnings	To the owners of the Parent company	EQUITY TOTAL
EQUITY at Jan. 1, 2010		**8,010**	**6,498**	**294**	**55**	**8,196**	**23,053**	**23,053**
Comprehensive profit (loss) for the financial year								
Profit (loss) for the financial year		-	-	-	-	1,158	1,158	1,158
Other comprehensive income items:								
Exchange differences on translating foreign operations		-	-	-	-20	-	-20	-20
Cash flow hedging, net of tax		-	-	-14	-	-	-14	-14
Total comprehensive profit (loss) for the financial year		**-**	**-**	**-14**	**-20**	**1,158**	**1,124**	**1,124**
Transactions with owners								
Equity-settled share-based transactions	27	-	-	50	-	-	50	50
Reclassification between items		-	-	-294	-	294	0	0
Dividend paid		-	-	-	-	-	-	-
Total transactions with owners		**-**	**-**	**-244**	**-**	**294**	**50**	**50**
EQUITY at Dec. 31, 2010		**8,010**	**6,498**	**36**	**35**	**9,648**	**24,227**	**24,227**
EQUITY at Jan. 1, 2011		**8,010**	**6,498**	**36**	**35**	**9,648**	**24,227**	**24,227**
Comprehensive profit (loss) for the financial year								
Profit (loss) for the financial year		-	-	-	-	-1,095	-1,095	-1,095
Other comprehensive income items:								
Exchange differences on translating foreign operations		-	-	-	-12	-	-12	-12
Cash flow hedging, net of tax		-	-	14	-	-	14	14
Total comprehensive profit (loss) for the financial year		**-**	**-**	**14**	**-12**	**-1,095**	**-1,093**	**-1,093**
Transactions with owners								
Equity-settled share-based transactions	27	-	-	137	-	-	137	137
Reclassification between items		-	-	-	-	-	-	-
Dividend paid		-	-	-	-	-1,201	-1,201	-1,201
Total transactions with owners		**-**	**-**	**137**	**-**	**-1,201**	**-1,064**	**-1,064**
EQUITY at Dec. 31, 2011		**8,010**	**6,498**	**187**	**23**	**7,351**	**22,069**	**22,069**

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

General information
Raute Group ('Group') is a globally operating technology and service company. Raute's customers are companies operating in the wood products industry that manufacture veneer, plywood and LVL. Raute's technology offering covers machinery and equipment for the entire production process. Raute's full-service concept is based on product life-cycle management. In addition to a broad range of machines and equipment, our solutions cover technology services ranging from spare parts deliveries to regular maintenance and equipment modernizations. Raute's head office is located in Nastola, Finland. Its other production plants are in the Vancouver area in Canada, in the Shanghai area in China, and in Kajaani, Finland. The company's sales network has a global reach.

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 OMX 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.

These consolidated financial statements for the period between January 1 and December 31, 2011 were authorized for issue by Raute Corporation's Board of Directors at its meeting on February 14, 2012. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at the shareholders' meeting arranged after the statements have been issued. The shareholders' meeting also has the opportunity to make changes to the financial statements.

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.

Basis of preparation
Raute Corporation's consolidated financial statements for January 1–December 31, 2011 have been prepared in accordance with the International Financial Reporting Standards, IFRS, 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, 2011. The notes to the consolidated financial statements also comply with Finnish accounting legislation. Raute Corporation's consolidated financial statements have been prepared under the historical cost convention, except for items measured at fair value, which are available-for-sale financial assets, financial assets and liabilities recognized at fair value through profit or loss and derivative financial instruments.

All of the figures presented in these consolidated financial statements are in thousand euro, unless otherwise stated.

Amendments to accounting principles of consolidated financial statements and information to be presented
The consolidated financial statements have been prepared according to the same accounting principles as in 2010, with the exception of the following new standards, interpretations and amendments to existing standards which the Group has applied as of January 1, 2011:

• Amendment IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective on financial periods beginning on or after February 1, 2010). The amendment addresses the accounting (classification) of the issue of options, subscription rights or other rights related to shares that are denominated in a currency other than the functional currency of the issuer. The amendment has not had an impact on the consolidated financial statements.

• IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective on financial periods beginning on or after July 1, 2010). The interpretation clarifies the accounting in the case that the company renegotiates the terms of its debt and, as a result of the negotiations, issues its equity instruments to the creditor in order to extinguish all or part of the financial liability. The interpretation has not affected the consolidated financial statements.

• Amendments to interpretation IFRIC 14 Prepayments of a Minimum Funding Requirement (effective on financial periods beginning on or after January 1, 2011). The amendment removes unintended consequences which have resulted from the interpretation IFRIC 14, IAS 19 The Limit and Defined Benefit Assets, Minimum Funding Requirements and their Interaction. Following the amendments, companies may enter certain voluntarily prepaid payments based on the minimum funding requirement as assets in the balance sheet. The amendment has not had an impact on the consolidated financial statements.

• The revised IAS 24 Related Party Disclosures (effective on financial periods beginning on or after January 1, 2011). The definition of a related party has been simplified and the requirements for certain government-related entities concerning notes to the financial statements have been amended. The revised standard has not had an impact on the consolidated financial statements.

• Improvements to International Financial Reporting Standards (May 2010, effective on financial periods beginning on or after July 1, 2010). Small and less urgent amendments to the standards are collected together and implemented once a year through the annual improvement process. The amendments involved in the project concern altogether seven standards. The effects of the amendments vary according to standards, but the amendments have not had a significant impact on the consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires management to make certain critical accounting estimates and to exercise its judgment in applying the Group's accounting policies. Because the forward-looking estimates and assumptions are based on management's best knowledge at the reporting date, they comprise risks and uncertainties. The actual results may differ from these estimates. Information about the estimates and judgment that the management has used and that are most critical to the figures in the financial statements are disclosed under "Critical accounting judgments and key sources of estimation uncertainty".

Preparation of consolidated financial statements
The consolidated financial statements include the Parent company Raute Corporation and its subsidiaries in which the Group has the right to decide on the financial and operational principles. Control is usually based on share ownership that represents more than 50 percent of the voting rights. 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. Subsidiaries are fully consolidated in the consolidated financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations are 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 own equity shares 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 acquired are recognized by acquisition either at fair value or at an amount that reflects non-controlling interest's proportionate share of the acquiree's net assets.

The aggregate amount by which the transferred consideration, the non-controlling interests acquired and the fair value of the previously owned interest exceed the Group's share of the fair value of the acquired net assets, shall be recognized as goodwill in the balance sheet. If the aggregate of the consideration, the non-controlling interests and the previously owned interests is smaller than the fair value of the acquired net assets, and it is a bargain purchase, the difference is recognized directly in the statement of comprehensive income. The consolidated financial statements do not include any goodwill at the balance sheet date on December 31, 2011.

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

The allocation of the profit or loss for the period to the equity holders of the Parent company and to the non-controlling interests has been presented in connection with the statement of comprehensive income. The consolidated financial statements do not include any non-controlling interests at the balance sheet date on December 31, 2011.

Transactions in foreign currency
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 economic environment in which that company mainly operates (functional currency).

Foreign currency transactions 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 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 financial statements, except in the case of cash flow hedging, which is recognized in the other items of the comprehensive income items. Exchange rate gains and losses from transactions have been presented in the income statement under other operating expenses. 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 financial income or expenses.

The income statements of foreign subsidiaries have been translated into euro using the weighted average exchange rates during the reporting period and balance sheets have been translated at the average rate on the balance sheet date. Translation of income and comprehensive income at different exchange rates in the income statement and in the balance sheet results in translation differences which have been recognized in the balance sheet under equity, the difference of which has been recognized in the items of the comprehensive income. 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 are presented in the notes to the consolidated income statement and balance sheet, note number 39 to the financial statements.

Revenue recognition

Net sales include revenue from the sale of products and 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.

Revenue and costs from long-term projects (project deliveries and modernizations in technology services) have been recognized based on the percentage of completion as soon as it has been possible to assess the end result reliably. Percentage of completion is measured on a cost basis as the relation of actual project costs to the estimated total project costs. 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 result of a long-term project cannot be reliably estimated, the project costs have been recognized as an expenditure in the period in which they have been incurred, and project revenue has been recognized only to the extent of project costs that are likely to be recovered. Costs related to projects that have not yet been recognized in revenue have been recognized as long-term projects in progress under inventories. If the incurred costs and recognized profits are larger than the amount invoiced for the project, the difference is recognized in the accounts receivables and other receivables balance sheet item. If the incurred costs and recognized profit are smaller than the amount invoiced for the project, the difference is recognized in the trade and other payables item. During the financial year 2011 and the comparison period, the Group had no financial costs allocated to the long-term projects entered in the balance sheet.

Changes to the project, requirements concerning additional charges and incentives have been taken into account in the project income to the extent that can be reliably determined and which has been agreed upon with the client. 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 long-term projects.

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 time-based maintenance contracts have been recognized as income for the maintenance contract period and the costs incurred have been recognized as expenses on performance basis. Revenues from other services have been recognized in net sales for the period in which the service has been provided.

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

Interest income is recognized as income in the period in which it has arisen. Dividend income has been recognized when the company paying dividends pays it.

Income taxes

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

Deferred taxes have been calculated for all temporary differences in accounting and taxation using the tax rates enacted by the reporting date. The principal temporary differences arise from the amortization of tangible fixed assets.

Deferred tax liabilities have been presented in full in the balance sheet. Deferred tax receivables have been presented to the extent that it is probable that taxable profits will be available against which temporary differences can be utilized.

Financial assets

Financial assets have been classified as financial assets at fair value through profit and loss, loans and other receivables and available-for-sale financial assets. Classification is made based on the purpose of acquisition in conjunction with the original acquisition.

Financial assets at fair value through profit or loss
An item in financial assets is assigned to the "Financial assets at fair value through profit or loss", if it is held for trading. All purchases and sales of financial assets have been recognized on the transaction date.

Shares and units as well as other securities have been classified as financial assets at fair value through profit or loss. Financial assets held for trading have mainly been acquired to generate profit from short-term changes in market price. Derivatives that do not meet the conditions for hedge accounting provided for in IAS 39 are classified as held for trading. Derivatives held for trading, as well as financial assets maturing within 12 months, are included in current assets. The items in this Group are measured at fair value. Gains and losses from changes in fair value have been recognized in the income statement under financial income and expenses and in the period in which they have arisen.

Loans and other receivables
Loans and other receivables are assets with fixed or determinable payments that are not quoted in an active market and which the company does not hold for trading. Loans and other receivables have been measured at amortized cost using the effective interest method and they have been presented in non-current financial assets if they mature over 12 months from the balance sheet date. Otherwise they have been presented in current financial assets. The Group's loans and other receivables also include the balance sheet's accounts receivables and other receivables as well as cash and cash equivalents.

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. Accounts receivables are classified as non-current financial assets if they mature over 12 months from the balance sheet date. 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.

Available-for-sale financial assets
Available-for-sale financial assets are assets not included in derivatives that have been expressly assigned to this group or that have not been classified into any other group. They are included in non-current assets unless the intention is to hold them less than 12 months from the balance sheet date, in which case they are included in current assets. Available-for-sale financial assets may consist of shares and interest-bearing investments. They have been measured at fair value or, where fair value cannot be reliably determined, at cost of acquisition. Changes in fair value of available-for-sale financial assets have been recognized in other items of the comprehensive income and they have been presented in the fair value reserve, including the tax effects. Accumulated changes in fair value are transferred from equity and recognized through profit or loss when the investment is sold or when its value has decreased in such a way that an impairment loss must be recognized for the investment. Permanent impairment of assets is always recognized directly in the income statement.

Impairment of financial assets
At the reporting date the Group assesses whether there is objective evidence of impairment of a financial asset or a group of financial assets. If the fair value of the Group's equity investment is significantly less than the acquisition cost and the time period defined by the Group, this is a sign of impairment of the available-for-sale share. If impairment has occurred, the losses accumulated in the fair value reserve are transferred to the income statement. Impairment losses of equity investments classified as available-for-sale assets have not been reversed through profit or loss, while the later reversal of impairment losses directed at interest-bearing instruments has been recognized through profit or loss.

The default risk related to accounts receivables is estimated on the basis of a comprehensive survey of accounts receivables carried out at the balance sheet date. Factors indicating impairment of accounts receivables include repeated failures or delays to pay, imminent bankruptcy or debt restructuring as a result of major financial difficulties of the debtor. Estimated impairment losses have been recognized in the income statement as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate. If an impairment loss decreases in a subsequent period, and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed through profit or loss.

Financial liabilities
Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial carrying amount of the financial assets at amortized cost. Later, financial liabilities, excluding derivative liabilities, have been measured at amortized cost using the effective interest method. Financial liabilities are included in non-current and current liabilities. Financial liabilities are classified as current unless the Group has the unconditional right to defer the payment of the debt to at least 12 months from the reporting date.

All of the fair values of financial assets and liabilities in the balance sheet are based on market values at the reporting date. The fair values have been presented in the note number 38 to the financial statements.

Derivative financial instruments and hedge accounting
The Group uses currency derivative contracts hedging against currency risks of commercial transactions and cur-

rency derivative contracts hedging against currency risks of financing items to hedge against currency risks related to future transactions. The decision to apply hedge accounting is made separately for each contract at the contract date.

In hedge accounting, the hedging relationship between the hedged item and the hedging instrument and risk management objectives and strategies for hedging transactions are documented when the hedging relationship is created. Each hedging derivative is set to hedge certain assets and liabilities, binding contracts or future transactions. Both when starting hedging and after hedging has begun the Group documents an estimate of whether the change in the fair value of the hedging instrument effectively corresponds to the changes in the fair values of the hedged cash flows or other hedged items.

The derivative financial instruments have been recognized in the balance sheet at their fair value at the contract date and are then remeasured at fair value. The fair values of derivative contracts have been determined using the market values at the balance sheet date. Gains and losses from fair value measurement are treated as determined by the purpose of the derivatives. The effects on results of changes in the value of derivatives that are eligible for hedge accounting and that are effective hedging instruments are presented consistent with the hedged item. When derivative contracts are entered into, the Group assigns them to hedge against a certain risk which relates to an asset or liability recognized in the balance sheet or a highly probable forecast transaction (cash flow hedging).

Changes in fair value in derivative contracts which meet the conditions of fair value hedging are recognized through profit or loss. Changes in the fair value of hedged asset or liability items, on the part of the hedged risk, are managed similarly. The Group does not have fair value hedged items at the reporting date.

The effective portion of changes in the fair value determined as cash flow hedging has been recognized in the items of the comprehensive income and presented in the equity hedge reserve item ‘Other funds’. The gains and losses in equity resulting from the hedge instrument have been transferred and recognized in profit or loss when the hedged item affects the profit or loss. The gains and losses from derivatives hedging a predicted sale in foreign currency are recognized as sales adjustments when the sale materializes. The hedge instrument’s ineffective portion of profit or loss is marked in the balance sheet item ‘Financial income and expenses’ when it is incurred.

When a cash flow hedge instrument matures, it is sold, or when the criteria of hedge accounting are no longer met, the profit or loss of the hedge instrument remains in equity until a predicted business transaction realizes. However, if the predicted hedged transaction is no longer expected to occur, the profit or loss in the equity is immediately recognized as profit or loss.

The changes in the value of the derivatives to which hedge accounting is not applied have been presented in the income statement items before operating profit and the changes in financing derivatives have been presented in financing income or expenses. The fair values of financing derivatives have been set off against each other for the financing derivatives with a right of mutual set-off.

The fair values of the derivatives used in hedging are presented in note number 36 to the financial statements. The changes in the hedge reserve that are included in equity, which have been recognized in the other items of the comprehensive income, are presented in note number 38 to the financial statements. The derivatives have been presented as accrued expenses or receivables in non-current assets or liabilities in the balance sheet when the remaining hedged item is more than 12 months from the reporting date. Otherwise the derivative has been presented as accrued expenses or receivables under current assets or liabilities in the balance sheet.

Intangible assets

An intangible asset has been recognized in the balance sheet when it is probable that the expected future financial benefit attributable to the asset will flow to the entity over a period of several years (amortization period) and the cost of the asset can be measured reliably. In other cases the expenditure from intangible assets has been recognized as an expense when incurred. Intangible assets include capitalized development costs and other intangible assets.

Research and development costs

Research costs have been recognized as an expense in the income statement. 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. Development costs previously recognized as an expense is not capitalized at a later date. Amortization of capitalized product development costs is started when the product is ready for use. The useful life of development costs is three years, during which time capitalized assets have been recognized as an expense on a straight-line basis. Capitalized costs for in-progress product development are tested annually for impairment. If the carrying amount of an asset exceeds the estimated recoverable amount, it is immediately reduced to correspond to the recoverable amount. After they have been originally recognized, capitalized product development costs are measured at acquisition cost less accumulated amortization and impairment.

Other intangible assets

Others intangible assets have 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.

Amortization is not recognized for other intangible assets with an indefinite useful life. The 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.

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

Property, plant and equipment

All property, plant and equipment is measured at acquisition cost less accumulated depreciation and impairment. The acquisition cost includes the purchase price, cash and other discounts, import duties and fixed taxes. When a property, plant or equipment is manufactured in-house, it also includes, in addition to the above-mentioned items, a share of the Group's fixed costs. Ordinary property, plant and equipment repair and maintenance costs have been recognized through profit or loss as incurred. Possible costs incurred in restoring to original state have been taken into account in IFRS accounting as part of the acquisition cost. Raute Corporation's consolidated financial statements of December 31, 2011, including the comparison data, do not include property, plant or equipment for which costs capitalized in the future should be taken into account.

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

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

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

Public contributions

Public contributions received as compensation for costs incurred have been recognized in the income statement in the period in which the right to receive the contribution arises. Contributions related to acquisitions of intangible and tangible fixed assets have been recognized as a decrease in the carrying amounts when the Group meets the eligibility criteria for the contribution and a decision granting the contribution is received.

Impairment of non-financial assets

Regular amortizations are not recognized for the Group's intangible assets with an indefinite useful life, but they are tested annually for impairment. Assets that are subject to the amortization are reviewed for impairment always when events or changes in circumstances provide 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 is recognized in the income statement as an impairment loss. An impairment loss recognized in previous periods for non-financial assets other than goodwill is reassessed at each balance sheet date. The recognition of an impairment loss is 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 shall not exceed the asset's carrying amount less impairment loss.

Leases

Group as lessee

Leases in which a significant portion of the risks and rewards incident to ownership are retained by the lessor have been treated as operating leases. Payments made under other leases have been recognized as an expense based on the lease period.

Group as lessor

The Group has rented out the office and plant facilities that it does not need. The facilities have been classified as tangible fixed assets in the financial statements. Rent income has been recognized in the income statement as income based on the rental period.

Inventories

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

The value of inventories includes impairment due to obsolescence.

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

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. In long-term projects recognized on the basis of percentage of completion, 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 exceed the benefits from the contract.

Employee benefits
Pension obligations
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. All other plans which do not meet these conditions have been classified as benefit pension plans. Contributions to defined contribution pensions 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.

Raute Corporation's voluntary supplement to pension coverage has been treated in accounting as a defined benefit plan. Obligations arising from the voluntary supplement to pension coverage have been recognized as expenses in the income statement on the basis of actuarial calculations over the employees' average remaining working lives.

Share-based payments
The Group has a valid Stock Option Plan. In 2010 and 2011 Raute Corporation granted stock options to key persons separately determined by the Board of Directors and to a wholly-owned subsidiary of Raute Corporation for further delivery to the key personnel of Raute Group. The granted stock options are measured at fair value at their grant date. The granted options are measured at fair value at their grant date using the Black-Scholes option pricing model. The fair values of the options granted to the personnel are recognized as an expense in the statement of comprehensive income under social security costs on a straight-line basis over the vesting period. The vesting period refers to a period of time during which all vesting conditions for achieving the right must be met. The counterpart entry of the expense entry is recognized in equity.

The expense determined at the option grant date is based on the Group's estimate of the number of options expected to vest at the end of the vesting period. The estimated number of final options is estimated at each reporting date. Any changes to the estimates are entered in the income statement and in equity. When stock options are used, money payments received on the basis of share subscription are recognized in equity, adjusted for any transaction costs. Information on share-based compensations is presented in the note number 27 to the financial statements.

Obligations when making dismissals
Items settled in the case of dismissals are recognized as expenses when the Group is set to irrevocably terminate workers' employment contracts. Other liabilities likely to arise on the basis of different codes relating to the benefits of dismissed persons have been estimated at the reporting date and recognized as an expense and liability.

Restructuring provision has been recognized and presented in the income statement in the cost item in which the costs are expected to be incurred, when the Group has drawn up a detailed plan for restructuring and has started to implement the plan or has announced it. In the case of dismissals, a provision for future unemployment pension contributions has been recognized in the Group's Finnish companies for persons whose age may later give rise to the employer company's obligation to pay unemployment contributions.

Share capital
Series K and series A shares held by third parties have been presented in share capital.

Expenditure related to equity issues or acquisitions have been presented as allowance for equity. When the Parent company repurchases equity instruments, their acquisition cost has been deducted from equity.

Dividend
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.

Operating profit
IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group uses the following definition: 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 pos-

sible impairment losses, as well as other operating expenses. All other income statement items are presented under operating profit before the profit for the reporting period.

Critical accounting judgments and key sources of estimation uncertainty

When preparing the consolidated financial statements in compliance with IFRS, the company management must make certain estimates and assumptions. In addition, the management must exercise its judgment in selecting and applying the accounting policies. These estimates and assumptions affect the assets and liabilities in the Group's balance sheet, the disclosure of commitments and possible assets in the consolidated financial statements, and income and expenses for the period. Because the estimates are based on management's best knowledge at the reporting date, actual results may differ from the estimates. 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 key items where the estimates have been used are as follows:

Estimated impairment

The Group's intangible assets have been tested for impairment. Other balance sheet assets have been assessed for indications of impairment as explained in the accounting principles above. The recoverable amounts of cash-generating entities have been determined based on value-in-use calculations, which require the use of estimates. Where the carrying amount of the asset exceeds the assets estimated recoverable amount or fair value, impairment has been recognized through profit and loss.

Long-term projects

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 and can be estimated.

Warranty provision

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

Receivables

The management has estimated customers' ability to remit the payment of such trade receivables, for which the company has not received any securities. The Group companies' ability to settle the trade receivables and payments related to the loans has been estimated by the management.

Income taxes

The management has also made estimates pertaining to the period's income taxes and deferred tax assets and liabilities. Criteria for recognition and measurement of deferred tax assets are estimated at the balance sheet date. 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.

Employee benefits

When calculating the Group's defined benefit pension plan, statistical and actuarial assumptions have been used, such as discount rate, expected income from the assets included in the pension plans and estimated future pay raises. The statistical assumptions used in the estimates can differ from the actual figures due to, among others, the general financial situation or the duration of the employees' working life.

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

The following are the standards, interpretations or amendments to the existing standards and interpretations that have been published by IASB but were not effective on the financial year starting on January 1, 2011. The Group will apply them beginning on the date that each standard and interpretation comes into effect, or, if the date of entry into force is a date other than the first day of the financial year, beginning at the start of the financial year following the date of entry into force.

- Amendment IFRS 7 Financial Instruments: Disclosures (effective on financial periods beginning on or after July 1, 2011). The amendment will promote the transparency in the reporting of transfer transactions of financial instruments and improve users' understanding of the risks involved in the transfer of financial instruments and the effects of those risks on the entity's financial position, especially when the securitization of financial assets is involved. The EU has not yet endorsed the amendment to be applied in the EU.

- Amendment IAS 12 Income taxes (effective on financial periods beginning on or after January 1, 2012). Earlier, IAS 12 required that the entity estimate which part of the carrying amount of a balance sheet item recognized at fair value is recoverable from continuing use (such as lease income) and which part from the sale of an asset. According to the amendment, the carrying amount of certain assets recognized at fair value is assessed to be recovered from the sale of an asset. The assessment applies to deferred tax arising from investment property, tangible assets and intangible assets measured using the fair value model or revaluation model. The EU has not yet endorsed the amendment to be applied in the EU.

- Amendment IAS 1 Presentation of Financial Statements (effective on financial periods beginning on or after July 1, 2012). The central amendment is the requirement to classify other comprehensive income items according to whether it will possibly be later transferred to profit or loss when certain conditions are fulfilled. The EU has not yet endorsed the amendment to be applied in the EU.

- Amendment IAS 19 Employment Benefits (effective on financial periods beginning on or after January 1, 2013). The amendments mean that actuarial gains and losses shall be immediately recognized in the statement of comprehensive income, in other words the so-called corridor method will be abandoned and financing costs will be classified based on net funding. The EU has not yet endorsed the amendment to be applied in the EU.

- IFRS 9 Financial Instruments (effective on financial periods beginning on or after January 1, 2013). IFRS 9 is the first phase of a larger project which aims at replacing IAS 39 with a new standard. The multiple classification and measurement methods have been retained, but simplified. Financial assets are classified into two main categories based on the measurement: those measured at amortized cost and those measured at fair value. Classification depends on the entity's business model and contractual cash flow characteristics. The IAS 39 guidelines concerning derecognition and hedge accounting will remain effective. The EU has not yet endorsed the standard for use in the EU.

- IFRS 10 Consolidated Financial Statements (effective on financial periods beginning on or after January 1, 2013). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess. The EU has not yet endorsed the standard for use in the EU.

- IFRS 11 Joint Arrangements (effective on financial periods beginning on or after January 1, 2013). This standard focuses on the rights and obligations of joint arrangements in accounting, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. The standard additionally requires a single method for the reporting of joint ventures, the equity method, and proportional consolidation of joint ventures is no longer allowed. The EU has not yet endorsed the standard for use in the EU.

- IFRS 12 Disclosure of Interests in Other Entities (effective on financial periods beginning on or after January 1, 2013). The standard includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, special purpose vehicles and other off balance sheet vehicles. The EU has not yet endorsed the standard for use in the EU.

- IFRS 13 Fair Value Measurement (effective on financial periods beginning on or after January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements. The use of fair value accounting is not extended but guidance is provided on how it should be applied where its use is already required or permitted by other standards. The EU has not yet endorsed the standard for use in the EU.

- IAS 27 (revised 2011) Separate Financial Statements (effective on financial periods beginning on or after January 1, 2013). This revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The EU has not yet endorsed the revised standard for use in the EU.

In the future, the above-mentioned standards, amended standards and interpretations may have an effect on the handling of future business transactions.

2 MANAGEMENT OF FINANCING RISKS

The Group, in its operations, is exposed to financing risks which have been classified into market, counterparty and liquidity risks. The key risk areas of the Group's international business operations have been recognized as default risks of the counterparty risks and currency risks of the market risks. The Group is also exposed to liquidity risks, as well as interest and price risks, which are part of market 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 approved by the Parent company, which defines the limiting values that guide operations, the adopted financial and hedging instruments, and the acceptable counterparties. The Parent company's financing unit is responsible for the management of financing risks, with a duty to identify, assess, and hedge financing risks in cooperation with operative units. The Board regularly monitors the extent of the financing risks based on, among others, the net currency position, the age distribution and the hedging of receivables as well as cash flow estimates and financial stress tests.

2.1. MARKET RISKS

Market risks include currency, interest and price risks. Currency risks are further divided into transaction and translation risks.

Currency risks

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), Russian ruble (RUB) and Chinese yuan (CNY).

The distribution of the Group's sales varies annually according to market area. In 2011, 74 percent (87%) of net sales were generated outside the euro zone. The Group primarily uses each Group company's functional currency as the primary trading currency, of which the most important is the euro.

The Group's operative units hedge foreign currency denominated accounts receivables 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. Primarily, cash flows accumulating from unhedged accounts receivables in the same currency are used in the hedging of currency risks related to procurement contracts. Future cash flows, which are not based on binding sales contracts, are usually not hedged with derivative contracts. 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 value of forward contracts used to hedge business operations was EUR 0.6 million (MEUR 0.3) at the balance sheet date.

The Group can reduce the temporary effect on the operating profit related to the fair value of derivative contracts resulting from changes in exchange rates by applying hedge accounting to the derivatives connected to binding, fixed-price sales contracts. The Group's Parent company concludes, with an external counterparty, a derivative contract which is defined as a hedging instrument in hedge accounting. Subsidiaries use internal derivatives to hedge transactions defined as hedged items. The total amounts of the valuation gains and losses for derivatives have been presented in the note 36 to the financial statements.

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 internal loans are hedged with forward contracts, with the exception of equity loans. Forward contracts related to the hedging of the Group's internal financing had a nominal value of EUR 1.2 million (MEUR 0) at the end of the financial year 2011.

The Parent company Raute Corporation has drawn out a currency-denominated loan in the amount of SEK 52.9 million. The currency-denominated loan's currency risk is hedged with a currency swap agreement. The subsidiaries' loans from external financial institutions are in each company's functional currency.

The forward contract receivables and liabilities related to business payments and denominated in foreign currency, to which hedge accounting is not applied, increase the currency risk to the Group at the balance sheet date. This currency risk is recognized in profit or loss when the value of the forward contracts exceeds the income recognition of the respective binding sales contracts. The measurement of the forward contracts and the percentage of completion receivables had a EUR 30 thousand negative effect on the Group's operating profit (EUR -118 thousand) at the reporting date. The nominal values of derivatives related to financing are presented in the note 36 of the financial statements.

Transaction risks

The Group regularly monitors transaction risks in the main currency pairs. Currency flows related to binding contracts, and derivate 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 effect. 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:

Group transaction risks

	Net currency position		Net balance sheet risk	
EUR 1,000	**2011**	2010	**2011**	2010
CAD/EUR	37	-54	29	-19
CNY/EUR	806	80	35	269
USD/EUR	-8	6	-8	6
RUB/EUR	-1,116	-945	-1,116	-945
USD/CAD	342	780	238	447

Translation risks

The Group is exposed to translation risks. The Group has foreign subsidiaries which have equities in currencies other than the Parent company's functional currency. The currency risks related to the conversion of the foreign subsidiaries' net investments to the Group's home currency, the euro, have not been hedged. The Group's subsidiaries' non-euro-denominated equities equaled altogether EUR -8,356 thousand on December 31, 2011 (EUR -8,213 thousand). Net investments are detailed according to currency in the following table:

Net investments in subsidiaries by currency

	Net investments in subsidiaries	
EUR 1,000	**2011**	2010
CAD	84	84
CNY	493	493
RUB	355	355
USD	17	17
Other	15	15

Sensitivity analysis

The table below presents 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 before tax and on equity on December 31, 2011 and at the comparison date. 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 +/-20 percent from the reporting date. Other factors are estimated to remain unchanged.

Sensitivity analysis

	Effect on profit after tax		Effect on equity	
EUR 1,000	2011	2010	2011	2010
CAD +/- 20 %	+/- 204	+/- 670	+/- 543	+/- 464
CNY +/- 20 %	+/- 59	+/- 115	+/- 45	+/- 18
RUB +/- 20 %	+/- 9	+/- 10	+/- 225	+/- 160
SEK +/- 20%	+/- 0	+/- 0	+/- 0	+/- 0
USD +/- 20 %	+/- 1	+/- 13	+/- 176	+/- 186

Interest risk

The Group's interest risk results from non-current 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. On the reporting date, cash and cash equivalents were invested in fixed interest rate accounts. 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. During the financial year, the Group has taken out a floating rate loan in Swedish krona. The Group has used an interest rate swap to hedge against the interest risk resulting from the floating interest rate loan. No hedge accounting has been applied to the interest rate swap hedging the loan. At the end of the financial year, 59 percent of the Group's loans were fixed-interest rate and 41 percent floating interest rate loans. On the last day of the financial year, the Group had an open interest rate swap, based on which the Group has received an average of 3.51 percent in fixed interest and paid 3.52 in floating interest.

In the uncertain financial market situation, the Group is avoiding investment instruments which involve significant interest or price risks. For the Group, the most significant effect of the change in interest rate levels focuses on the future returns from liquid assets. In a normal financial market situation, the Group invests its cash and cash equivalents in money-market funds as well as fixed-interest funds and is thus exposed to price risks arising from the changes in the market prices of listed fixed-interest funds. No investments in interest funds were included in the financial statements of December 31, 2011 or the comparison year.

Price risk

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.

In a normal financial market situation, the Group invests its cash and cash equivalents in equity funds as well as fixed-interest funds and is thus exposed to price risks arising from the changes in the market prices of listed funds. On the balance sheet date, there were no significant fund or other investments held for sale, the change of which in fair value price would essentially affect the Group's profit or loss.

2.2. COUNTERPARTY RISK

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.

Credit risk and other counterparty risks

Credit risks or counterparty risks are realized when the customer or other counterparty is unable to fulfill its commitments to the Group. The maximum amount of credit risk at the balance sheet date is the book value of financial assets. At the end of the financial period on December 31, 2011 the maximum amount of credit risk was EUR 35.0 million (MEUR 36.4).

Credit risks related to contractual counterparties in project deliveries are managed by expecting bank guarantees or confirmed letters of credit for customer payments, and by accelerated payment terms with long-term customers approved by the Board of Directors. Credit risks related to technology services are managed by regularly monitoring the maximum amounts of the customer-specific receivables and customers' payment behavior. As a result of the general uncertainty of the global economy and financial markets, in addition to European bank risk, the risk level for unhedged receivables is expected to be slightly higher than normal.

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 28 percent (55%) of the accounts receivables and the percentage of completion receivables recorded in the balance sheet and 4 percent (19%) of the order book at the end of the financial year. The credit losses recognized during the financial year amounted to EUR 0.5 million (MEUR 0.1). No significant credit risk clusters were recognized in the accounts receivables at the balance sheet date.

The outstanding advance payments presented in the table "Customer receivables" are invoiced payments connected to binding contracts which are not included in the assets of the balance sheet at the balance sheet date. The combined age analysis of accounts receivables and invoiced advance payments of binding sales contracts is shown in the following table "Age distribution of accounts receivables".

Customer receivables

EUR 1,000	2011	2010
Accounts receivables in the balance sheet	5,540	4,800
Invoiced outstanding advance payments	1,811	880
TOTAL	**7,350**	**5,680**

Age distribution of accounts receivables

EUR 1,000	2011	2010
Neither past due nor impaired	6,116	4,256
Overdue 0–29 days	565	567
Overdue 30–60 days	100	221
Overdue more than 60 days	569	635
TOTAL	**7,350**	**5,680**

Counterparty risk for investment activities

The financing instrument contracts that the Group has concluded with banks and financial institutions involve the risk that the counterparty is not able to fulfill its obligations according to the contract. In investment activities and when concluding derivative contracts, only those parties which have a good credit rating and which meet the other terms and conditions defined by the financing policy are accepted as counterparties. When making investments, or derivative and loan agreements, the Group applies counterparty-specific upper limits to avoid risk concentrations. On the balance sheet date, the investments related to the Group's cash management were in Nordic banks. The liquid assets in financial institutions outside the euro zone were EUR 1.3 million (MEUR 4.0) at the balance sheet date.

2.3. LIQUIDITY RISKS

Due to the nature of the Group's project business, required financing and the amount of liquid assets also fluctuate in the short term. Predicting working capital requirements is made especially challenging by new orders which have individual payment terms and involve uncertainties related to delivery schedules. The minimum amounts of cash and cash equivalents, current investments, and available credit liabilities have been defined in the Group's financing policy to ensure the Group's liquidity. Good liquidity is maintained primarily through efficient working capital and cash management. In the long term, risks related to the availability and pricing of funding are managed by using a variety of sources for financing. Investments are required to exhibit sufficient liquidity. The Group did not have interest-bearing net liabilities in the consolidated financial statements of December 31, 2011 or in the comparison year. The cash and cash equivalents available to the Group are sufficient to cover the Group's short-term financing needs.

The Group's cash and cash equivalents totaled EUR 25.7 million (MEUR 24.1) 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 a loan portfolio, which is made up of EUR 11 million in loans from financial institutions and a EUR 4 million TyEL loan (MEUR 14). Investments are made primarily in short-term deposits or marketable euro-denominated investments with good credit rating.

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

Maturity analysis

EUR 1,000	2012	2013	2014	2015	2016	Yhteensä
TyEL loans						
Repayments	2,000	2,000	-	-	-	4,000
Financial expenses	138	35	-	-	-	173
Total	**2,138**	**2,035**	**-**	**-**	**-**	**4,173**
Other loans						
Repayments	2,000	3,250	3,250	1,250	1,250	11,000
Financial expenses	403	317	195	91	38	1,043
Total	**2,403**	**3,567**	**3,445**	**1,341**	**1,288**	**12,043**
Trade payables						
Repayments	2,507	-	-	-	-	2,507
Financial expenses	-	-	-	-	-	-
Total	**2,507**	**-**	**-**	**-**	**-**	**2,507**
Accrued expenses and prepaid income						
Repayments	4,852	-	-	-	-	4,852
Financial expenses	-	-	-	-	-	-
Total	**4,852**	**-**	**-**	**-**	**-**	**4,852**

In addition, bank credit limits and 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, secure the Group's liquidity. Nordea Bank Finland Plc is the arranger of the program. The company has bilateral non-current credit regulation agreements worth EUR 5 million (MEUR 10), of which EUR 5 million (MEUR 10) could be used as credit limits on December 31, 2011.

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 2011, as well as in the comparison year 2010, 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 2011 the target value of the equity ratio was over 40 percent.

The Group has set in its loan and credit contracts, as well as in the security agreements related to them, the following key covenants:

- equity ratio to be over 31 percent and
- gearing to be 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.

At the end of the financial year, the equity ratio was 46.9 percent (50.7%) and gearing -47.1 percent (-39.8%). During the financial year 2011 and the comparison year, the Group met the conditions of the covenants.

EUR 1,000	2011	%	2010	%
3 SEGMENT INFORMATION				
Operational segment				
Continuing 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 figure.				
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.				
Wood products technology				
Net sales	**74,323**		62,867	
Operating profit (loss)	**-738**		1,311	
Assets	**52,666**		53,034	
Liabilities	**30,597**		28,807	
Capital expenditure	**1,885**		2,224	
Assets of the wood products technology segment by geographical location				
Finland	**46,196**	**88**	44,006	83
North America	**3,305**	**6**	3,730	7
China	**1,550**	**3**	4,129	8
Russia	**1,302**	**2**	880	2
South America	**170**	**0**	160	0
Others	**143**	**0**	129	0
TOTAL	**52,666**	**100**	53,034	100

EUR 1,000	2011	%	2010	%
Capital expenditure of the wood products technology segment by geographical location				
Finland	**1,824**	**97**	590	27
North America	**22**	**1**	1,606	72
China	**36**	**2**	7	0
Russia	**-**	**-**	-	-
South America	**2**	**0**	21	1
Others	**1**	**0**	-	-
TOTAL	**1,885**	**100**	2,224	100

4 NET SALES

The main part of the net sales is comprised of project deliveries related to wood products technology and modernizations in technology services, which are treated as long-term projects. The rest of the net sales is comprised of technology services provided to the wood products industry such as spare parts and maintenance services as well as services provided to the development of customers' business.

Project deliveries and modernization related to technology services include both product and service sales, making it impossible to give a reliable presentation of the breakdown of the Group's net sales into purely product and service sales.

Large delivery projects can temporarily increase the shares of various customers of the Group's net sales to more than ten percent. At the end of the financial year 2011, the Group had two (2) customers, whose share of the Group's net sales temporarily exceeded 10 percent. The share of the other customer was 16 percent and the other's 15 percent.

Net sales by market area	2011	%	2010	%
Russia	**26,026**	**35**	18,627	30
Asia-Pacific	**18,299**	**25**	18,442	29
Rest of Europe	**10,593**	**14**	8,805	14
Finland	**8,891**	**12**	5,094	8
North America	**6,090**	**8**	9,551	15
South America	**4,301**	**6**	2,212	4
Others	**124**	**0**	136	0
TOTAL	**74,323**	**100**	62,867	100

EUR 1,000	2011	2010
5 LONG-TERM PROJECTS		
Net sales		
Net sales by percentage of completion	**58,760**	51,860
Other net sales	**15,563**	11,007
TOTAL	**74,323**	62,867
Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	**45,250**	50,784
Amount of long-term project revenues not yet entered as income (order book)	**35,034**	31,799
Balance sheet items of uncompleted projects		
Projects for which the value by percentage of completion exceeds advance payments invoiced		
- aggregate amount of costs incurred and recognized profits less recognized losses	**16,805**	31,848
- advance payments received	**13,431**	27,137
Gross amount due from customers	**3,374**	4,710
Projects for which advance payments invoiced exceed the value by percentage of completionn		
- aggregate amount of costs incurred and recognized profits less recognized lossesä	**28,445**	18,936
- advance payments received	**33,704**	23,315
Gross amount due to customers	**5,259**	4,378
Specification of combined asset and liability items		
Advance payments paid	**101**	147
Advance payments received included in inventories in the balance sheet	**101**	147
Advance payments in the balance sheet		
Gross amount due to customers	**5,259**	4,378
Other advance payments received, not under percentage of completion	**330**	865
TOTAL	**5,589**	5,243
6 OTHER OPERATING INCOME		
Capital gain on sale of fixed assets	**71**	4,459
Other	**97**	121
TOTAL	**168**	4,580
7 MATERIALS AND SERVICES		
Materials and supplies		
- Purchases during the financial year	**-36,246**	-30,824
- Change in inventories	**719**	-343
External services	**-3,877**	-1,512
TOTAL	**-39,404**	-32,679

EUR 1,000		2011	2010
8	**EMPLOYEE BENEFIT EXPENSES**		
	Wages and salaries	**-20,044**	-19,473
	Pension contributions		
	- Defined contribution plans	**-2,817**	-2,595
	- Defined benefit plans	**-7**	52
	Other personnel costs	**-1,151**	-1,450
	TOTAL	**-24,019**	-23,467

Information on management's employee benefits and loans is presented in the note number 34. Information on the share-based payments is presented in the note number 27.

		2011	2010
9	**NUMBER OF PERSONNEL**		
	Employed at Dec. 31, persons		
	Workers	**146**	158
	Office staff	**318**	337
	TOTAL	**464**	495
	- of which personnel working abroad	**117**	129
	Effective, on average, persons		
	Workers	**145**	134
	Office staff	**312**	304
	TOTAL	**457**	438
	- of which personnel working abroad	**121**	120
	Average, persons		
	Workers	**152**	165
	Office staff	**323**	347
	TOTAL	**475**	512
	- of which personnel working abroad	**121**	128
10	**RESEARCH AND DEVELOPMENT COSTS**		
	Total research and development costs for the financial year	**-2,020**	-1,849
	Amortization of previously capitalized development costs	**-262**	-395
	Recognized as assets in the balance sheet	**209**	41
	Research and development costs entered as expense for the financial year	**-2,072**	-2,203
	Total research and development costs	**-2,020**	-1,849
	% of net sales	**2.7**	2.9

Research and development costs have been recognized in operating expenses prior to operating profit.

		2011	2010
11	**DEPRECIATION AND AMORTIZATION**		
	Depreciation and amortization by class of assets		
	Intangible assets		
	- Capitalized development costs	**-262**	-395
	- Other intangible assets	**-338**	-377
	Property, plant and equipment		
	- Buildings and structures	**-311**	-339
	- Machinery and equipment	**-1,191**	-1,125
	- Other tangible assets	**-27**	-14
	TOTAL	**-2,128**	-2,250

EUR 1,000	2011	2010
12 OTHER OPERATING EXPENSES		
Indirect production expenses	**-2,500**	-1,415
Renting expenses	**-726**	-744
Sales and marketing expenses	**-1,548**	-1,236
Administration expenses	**-2,044**	-2,455
Other expenses	**-2,677**	-2,240
TOTAL	**-9,494**	-8,091
Auditors' remunerations		
Authorized Public Accounting Company PricewaterhouseCoopers Oy		
Annual audit	**45**	74
Tax services	**11**	39
Other services	**2**	7
TOTAL	**59**	120
13 FINANCIAL INCOME AND EXPENSES		
Financial income		
Interest income on receivables	**277**	396
Dividend income from available-for-sale investments	**108**	118
Exchange rate gains from financial liabilities, net	**63**	-
Exchange rate gains from other financial items	**182**	212
Other financial income	**75**	2
TOTAL	**705**	728
Financial expenses		
Interest expenses on financing loans recognized at amortized cost	**-385**	-497
Exchange rate losses from financing loans	**-**	-51
Interest rate swap agreements, fair value adjustments	**-285**	-
Exchange rate losses from other financial items	**-239**	-185
Other financial expenses	**-183**	-184
TOTAL	**-1,093**	-917
Financial income and expenses, net	**-387**	-189
Interest expenses have been adjusted by fair value changes related to the risk hedged with currency and interest rate swap agreements, total EUR 177 thousand.		
Other comprehensive income items		
Cash flow hedging	**14**	-14
Exchange rate differences	**23**	-20
TOTAL	**37**	-34
14 EXCHANGE RATE GAINS AND LOSSES (NET)		
Included in net sales	**-47**	-61
Included in operating expenses	**-39**	64
Included in financial income and expenses	**6**	27
Included in other comprehensive income items	**23**	-20
TOTAL	**-57**	10
15 INCOME TAXES		
Consolidated income statement		
Current tax based on the taxable profit of the financial year	**-36**	-107
Current tax of previous financial years	**-28**	27
Change in deferred taxes (note number 29)	**94**	116
TOTAL	**30**	36

EUR 1,000	2011	2010
Consolidated statement of comprehensive income:		
Deferred tax related to items charged or credited directly to equity during the year:		
Hedge accounting	**-5**	5
TOTAL	**-5**	5
Reconciliation of the relationship between realized tax expense and theoretical accounting result using Finnish tax rate of 24.5 percent		
Profit before taxes	**-1,126**	1,122
Tax effects of following items:		
Taxes calculated using the Finnish tax rate, 24.5% (2010: 26%)	**276**	-292
Effect of differences in tax rates of foreign subsidiaries	**84**	1
Non-deductible income	**27**	31
Non-deductible costs in taxation	**-10**	-12
Taxes from the previous financial years	**-5**	27
Utilization of previously unrecognized tax losses	**6**	349
Unrecognized tax assets from the losses of foreign subsidiaries	**-303**	-97
Re-measurement of deferred tax - change in the Finnish tax rate	**-1**	-
Other items	**-44**	29
Consolidated tax expense	**30**	36
Effective tax rate, %	**2.7**	-3.2

16 EARNINGS PER SHARE

Undiluted earnings per share

Undiluted earnings per share have been calculated based on the weighted average of outstanding shares during the financial year. Undiluted earnings per share is calculated by dividing the period's profit or loss attributable to equity holders of the Parent company by the weighted average of outstanding shares in the period.

	2011	2010
Share of profit that belongs to the owners of the Parent company, EUR 1,000	**-1,095**	1,158
Weighted average number of shares, 1,000 pcs	**4,005**	4,005
Earnings per share, EUR	**-0.27**	0.29

Diluted earnings per share

Diluted earnings per share have been calculated by adjusting the average of outstanding shares by the dilutive effect of the share options. The exercise of options is not taken into account in the calculation of earnings per share if the exercise price of the options exceeds the average market price of shares during the period. Share options have dilutive effect if the exercise price of the share options is lower than the fair value of the share.

For the calculation of diluted earnings per share, share options calculation is done to determine the number of shares that could have been acquired at fair value (the average annual market share price) based on the monetary value of the subscription rights attached to outstanding share options. This number of shares is compared with the number of shares that would have been issued assuming the exercise of the share options.

Share options did not have diluted effect on calculation of earnings per share at the end of the financial year 2011.

	2011	2010
Share of profit that belongs to the owners of the Parent company, EUR 1,000	**-1,095**	1,158
Diluted weighted average number of shares, 1,000 pcs	**4,005**	4,005
Diluted earnings per share, EUR	**-0.27**	0.29

17 DIVIDEND PER SHARE

In the financial year 2011, Raute Corporation paid a dividend of EUR 0.30 per share, that is, a total EUR 1,201 thousand.

The Board of Directors will propose to Raute Corporation's Annual General Meeting 2012, to be held on April 16, 2012, that a dividend of EUR 0.30 per share be paid for series A and series K shares for the finacial year 2011, that is, a total of EUR 1,201 thousand, and that the remainder, EUR 5,178 thousand, be retained to the equity.

18 INTANGIBLE ASSETS

EUR 1,000	Development costs	Other intangible assets*	TOTAL
Intangible assets 2010			
Carrying amount at Jan. 1, 2010	**3,939**	**7,524**	**11,462**
Exchange rate differences	-	71	71
Additions	41	111	151
Other reclassifications between items	-	75	75
Carrying amount at Dec. 31, 2010	**3,980**	**7,780**	**11,759**
Accumulated depreciation and amortization at Jan. 1, 2010	**-3,215**	**-6,415**	**-9,631**
Exchange rate differences	-	-16	-16
Reclassifications between items	-	-	-
Depreciation and amortization for the financial year	-395	-377	-771
Accumulated depreciation and amortization at Dec. 31, 2010	**-3,610**	**-6,808**	**-10,420**
Book value at Jan. 1, 2010	**723**	**1,109**	**1,831**
Book value at Dec. 31, 2010	**370**	**969**	**1,341**
Intangible assets 2011			
Carrying amount at Jan. 1, 2011	**3,980**	**7,780**	**11,759**
Exchange rate differences	-	16	16
Additions	209	400	609
Other reclassifications between items	-	63	63
Carrying amount at Dec. 31, 2011	**4,188**	**8,259**	**12,447**
Accumulated depreciation and amortization at Jan. 1, 2011	**-3,610**	**-6,808**	**-10,420**
Exchange rate differences	-	-8	-8
Reclassifications between items	-	18	18
Depreciation and amortization for the financial year	-262	-342	-604
Accumulated depreciation and amortization at Dec. 31, 2011	**-3,871**	**-7,140**	**-11,013**
Book value at Jan. 1, 2011	**370**	**969**	**1,341**
Book value at Dec. 31, 2011	**317**	**1,118**	**1,433**

*Other intangible assets include patents, computer software and product rights.

19 PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Assets in progress and advance payments	TOTAL
Property, plant and equipment 2010						
Carrying amount at Jan. 1, 2010	**1,048**	**13,565**	**26,521**	**383**	**507**	**42,022**
Exchange rate differences	79	304	1,305	8	-	1,696
Additions	362	-	1,305	234	159	2,060
Disposals	-1,090	-873	-26	-	-	-1,989
Other reclassifications between items	-	-	568	-	-643	-75
Carrying amount at Dec. 31, 2010	**399**	**12,996**	**29,673**	**625**	**23**	**43,714**
Accumulated depreciation and amortization at Jan. 1, 2010	**-**	**-8,470**	**-22,926**	**-359**	**-**	**-31,755**
Exchange rate differences	-	-302	-1,252	-13	-	-1,568
Reclassifications between items	-	-	-	-	-	-
Depreciation for the financial year	-	-339	-1,125	-14	-	-1,478
Accumulated depreciation and amortization at Dec. 31, 2010	**-**	**-9,111**	**-25,304**	**-386**	**-**	**-34,801**
Book value at Jan. 1, 2010	**1,048**	**5,094**	**3,594**	**23**	**507**	**10,267**
Book value at Dec. 31, 2010	**399**	**3,886**	**4,365**	**241**	**23**	**8,913**
Property, plant and equipment 2011						
Carrying amount at Jan. 1, 2011	**399**	**12,996**	**29,673**	**625**	**23**	**43,714**
Exchange rate differences	-	21	93	3	-	117
Additions	-	42	624	19	298	983
Disposals	-13	-	-54	-	-	-67
Other reclassifications between items	-	16	-201	-2	-98	-285
Carrying amount at Dec. 31, 2011	**386**	**13,075**	**30,135**	**645**	**223**	**44,463**
Accumulated depreciation and amortization at Jan. 1, 2011	**-**	**-9,111**	**-25,304**	**-386**	**-**	**-34,801**
Exchange rate differences	-	-21	-74	-1	-	-96
Reclassifications between items	-	-	200	2	-	202
Depreciation for the financial year	-	-311	-1,203	-28	-	-1,541
Accumulated depreciation and amortization at Dec. 31, 2011	**-**	**-9 442**	**-26,384**	**-410**	**-**	**-36,236**
Book value at Jan. 1, 2011	**399**	**3,886**	**4,365**	**241**	**23**	**8,913**
Book value at Dec. 31, 2011	**386**	**3,632**	**3,750**	**235**	**224**	**8,226**

EUR 1,000		2011	2010
20	**OTHER FINANCIAL ASSETS**		
	Available-for-sale investments		
	Unquoted share investments	**789**	497
	TOTAL	**789**	497

Realized sales losses have not been recognized from available-for-sale investments during the financial year and comparison year 2010. Unquoted shares are recognized at cost deducted with possible impairments, since their fair value cannot be determined reliably.

		2011	2010
21	**NON-CURRENT RECEIVABLES**		
	Accounts receivables	**549**	-
	TOTAL	**549**	-
22	**INVENTORIES**		
	Materials and supplies	**2,860**	2,051
	Work in progress	**1,831**	1,972
	Other inventories	**267**	405
	Advance payments	**101**	147
	TOTAL	**5,059**	4,574

During the financial year, EUR 218 thousand (EUR 408 thousand) were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price.

		2011	2010
23	**ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES**		
	Current receivables		
	- Accounts receivables	**4,990**	4,800
	- Accrued income from customers recognized according to percentage of completion	**3,374**	4,710
	- Accrued income	**283**	337
	- Derivative contract recevables	**-**	25
	- Other receivables	**651**	1,899
	TOTAL	**9,298**	11,770

Balance sheet values correspond the amount of money that is the maximum amount of credit risk without taking into consideration the fair value of collaterals, in such a case where other contract parties are not able to fulfill their obligations related to financial instruments. Accounts receivables of EUR 3,396 thousand are non-interest-bearing with average terms of payment of 30 days. The amount of interest-bearing accounts receivables was EUR 2,143 thousand at the balance sheet date, of which EUR 549 thousand is included in non-current accounts receivables. Age analysis of accounts receivables is presented in the note number 2 to the financial statements.

Accrued income from customers recognized according to percentage of completion relating to long-term projects with binding sales contracts, which is an item comparable to accounts receivables. Items are presented as financial asset in the note numero 38 to the financials statements.

Impairment of accounts receivables has been recorded, if there is evidence that the Group will not receive payment for overdue receivables. Impairment of accounts receivables of EUR 524 thousand (EUR 79 thousand) has been recognized during the financial year January 1 to December 31, 2011. Impairments are presented in the item "Other operating expenses" in income statement.

"Other receivables" in figures of the comparison year include interest-bearing collateral guarantees of EUR 1,000 thousand, which were discharged during the financial year 2011. The credit risks related to receivables at the balance sheet date are presented in the note number 2 to the financial statements. The fair values of receivables are presented in the note number 38 to the financial statements.

EUR 1,000	2011	2010
Substantial items included in accrued income		
- Periodizing of personnel costs	**34**	78
- Other accrued income and prepaid expenses	**250**	259
TOTAL	**283**	337

EUR 1,000		2011	2010
24	**CASH AND CASH EQUIVALENTS**		
	Cash and bank accounts	**1,608**	4,196
	Bank deposits	**24,066**	19,895
	TOTAL	**25,674**	24,090
	Cash and cash equivalents in cash flow statement		
	Cash and cash equivalents	**25,674**	24,090
	TOTAL	**25,674**	24,090
25	**NOTES TO EQUITY**		
	Reconciliation of the number of shares, 1,000 pcs		
	Number of shares at Jan. 1	**4,005**	4,005
	Number of shares at Dec. 31	**4,005**	4,005
	Nominal value, EUR	**2.00**	2.00
	Total shareholders' equity, EUR thousand	**8,010**	8,010
	Series K shares (20 votes/share)	**991**	991
	Series A shares (1 vote/share)	**3,014**	3,014

The minimum share capital is EUR 5,000,000 and the maximum share capital is EUR 20,000,000. All issued shares are paid in full. As a result of the share subscriptions made with the outstanding stock options, Raute Corporation's share capital can increase with a maximum of EUR 320,000.

Share premium

The share premium includes the value paid for shares in connection with a rights issue that exceeds the nominal value.

	2011	2010
Share premium at Jan. 1	**6,498**	6,498
Share premium at Dec. 31	**6,498**	6,498

Other reserves

Other reserves include granted share-based remuneration settled in shares and the effective portions of the changes in fair value of cash flow hedging instruments.

	2011	2010
Other reserves at Jan. 1	**36**	294
Reclassification between items	**-**	-294
Equity settled share-based payments	**137**	50
Cash flow hedging, hedge accounting	**14**	-14
Other reserves at Dec. 31	**187**	36

Exchange rate differences

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

	2011	2010
Exchange rate differences at Jan. 1	**35**	55
Exchange rate differences on translating foreign operations	**-12**	-20
Exchange rate differences at Dec. 31	**23**	35

26 OWN SHARES

The company did not purchase or repurchase own shares during the financial year and comparison year. The company did not hold own shares at the end of the financial year.

27 SHARE-BASED PAYMENTS

2010 stock option plan

On March 31, 2010 the Annual General Meeting decided on the issuance of a maximum of 240,000 stock options. The stock options shall, in deviation from the shareholders' preemptive rights, be offered to key personnel of Raute Group separately determined by the Board of Directors and to a wholly-owned subsidiary of Raute Corporation for further delivery to the key personnel of Raute Group. The weighty financial reason for the company to issue the options is that the stock options are intended to form a part of the incentive and commitment program of the key personnel. Each stock option entitles the subscription for or acquisition of one series A share of Raute Corporation at a price and time determined in the terms and conditions of the option plan. The stock options shall be issued free of charge. The option rights are marked with the symbols 2010 A, 2010 B and 2010 C, and each lot contains 80,000 option rights. The share capital of Raute Corporation may, as a result of the share subscriptions made with the stock options, increase by a maximum of EUR 480,000.

The share subscription periods for stock options are as follows:
- 2010 A March 1, 2013–March 31, 2016
- 2010 B March 1, 2014–March 31, 2017
- 2010 C March 1, 2015–March 31, 2018

In compliance with authorization by the Annual General Meeting, Raute Corporation's Board of Directors issued a total of 80,000 option rights marked with the symbol 2010 B to the Group's key personnel during the financial year 2011. Ten persons are covered by the option plan.

Key terms and conditions of the granted option arrangement:

- Nature of arrangement	stock options
- Grant date	May 31, 2011
- Number of stock options granted	75,000
- Price, EUR	9.83
- Share market value at grant date, EUR	10.50
- Term, years	3
- Subscription period	March 1, 2014–March 31, 2017
- Realization	in shares

- Nature of arrangement	stock options
- Grant date	September 26, 2011
- Number of stock options granted	5,000
- Price, EUR	9.83
- Share market value at grant date, EUR	7.33
- Term, years	3
- Subscription period	March 1, 2014–March 31, 2017
- Realization	in shares

The option right ceases if the employment contract with the Group is terminated due to a reason specified in the terms and conditions of the option plan before the end of the earning period.

A fair value for the options issued during the financial year has been determined using the Black-Scholes model. The granted options are measured at fair value at their grant date. The fair value of an option right has been recognized as an expense in the comprehensive income statement during the earning period. During the financial year 2011 the impact of the options on the comprehensive income statement was EUR 137 thousand (EUR 50 thousand). The weighted average assumptions used in the pricing model are described in the table below.

Variables used in the pricing model	2010 A	2010 B
- Share price at grant date, EUR	7.90	10.50
- Price, EUR	7.64	7.33-9.83
- Volatility, %	30	30
- Employee departure estimate, %	0	0
- Expected period of validity of option, years	6	6
- Risk-free interest rate, %	2.07	2.07
- Number of persons	10	10

Expected volatility has been determined on the basis of the Parent company's history of stock price changes using daily observations for a period corresponding to the option's six year maturity. The determined volatility has been changed, because, due to modest trading during the period, historic volatility is not considered to be fully reflected in the option's value. Due to modest trading, selling transactions have a negative influence on the share price.

Option rights are intended for the Group's key persons. The employee departure estimate used in the pricing model is based on the average period of employment of the personnel group in question, until the condition is met.

A risk-free interest rate has been determined for the term of the option on the basis of the interest at the estimated subscription date.

EUR 1,000	2011	2010
28 PROVISIONS		
Warranty provisions		
Book value at Jan. 1	**558**	1,353
Additions	**674**	226
Used amounts	**-490**	-1,028
Exchange rate differences	**-**	7
Book value at Dec. 31	**742**	558
Losses from long-term projects in order book		
Book value at Jan. 1	**111**	155
Decrease	**-34**	-44
Book value at Dec. 31	**77**	111
TOTAL	**819**	669
from which		
- non-current	**123**	57
- current	**697**	612

29 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

EUR 1,000		Entered through profit or loss	Entered in comprehensive income statement	Recognized in shareholders' equity	
Deferred tax assets	**1.1.2010**				**31.12.2010**
Intercompany inventory profit	27	-4	-	-	23
Provisions	34	21	-	-	55
Employee benefits	37	-14	-	-	24
Tax losses and credits unused	1,798	-78	-	-	1,720
Other temporary differences	48	-15	5	-	38
Deferred tax assets, total	1,943	-90	5	-	1,859
Offset from deferred tax liabilities	-202	191	-	-	-11
Deferred tax assets, net	**1,741**	**102**	**5**	**-**	**1,849**
Deferred tax assets	**1.1.2011**				**31.12.2011**
Intercompany inventory profit	23	17	-	-	40
Provisions	55	-11	-	-	44
Employee benefits	24	1	-	-	26
Tax losses and credits unused	1,720	85	-	-	1,806
Other temporary differences	38	-32	-5	-	0
Deferred tax assets, total	1,859	60	-5	-	1,917
Offset from deferred tax liabilities	-11	-302	-	-	-313
Deferred tax assets, net	**1,849**	**-242**	**-5**	**-**	**1,601**
Deferred tax liabilities	**1.1.2010**				**31.12.2010**
Depreciation differences and other provisions	-	11	-	-	11
Effects of Group consolidation	271	-18	-	-	253
Other temporary differences	202	-118	-	-	84
Deferred tax liabilities, total	473	-125	-	-	348
Offset to deferred tax assets	-202	191	-	-	-11
Deferred tax liabilities, net	**271**	**66**	**-**	**-**	**337**

EUR 1,000		Entered through profit or loss	Entered in comprehensive income statement	Recognized in shareholders' equity	
Deferred tax liabilities	**1.1.2011**				**31.12.2011**
Depreciation differences and other provisions	11	-11	-	-	0
Effects of Group consolidation	253	-17	-	-	236
Other temporary differences	84	-7	-	-	77
Deferred tax liabilities, total	348	-35	-	-	313
Offset to deferred tax assets	-11	-302	-	-	-313
Deferred tax liabilities, net	**337**	**-337**	**-**	**-**	**0**

Deferred tax liabilities and deferred tax assets are deducted from each other, if there is a right to set off tax liabilities from the taxable income of the financial year against tax assets from the taxable income of the financial year, if deferred taxes are related to the same tax juridiction. During the financial year 2011, a deferred tax liability of EUR 302 thousand (EUR 11 thousand) has been deducted from the unused tax losses and credits.

The Parent company Raute Corporation has recognized in the balance sheet deferred tax assets of EUR 1,806 thousand (EUR 1,798 thousand) which consists of unused tax losses carried forward. According to the management's estimates, it is probable that the company shall recognize taxable income so that the deferred tax assets entered in the balance sheet may be recognized against future tax receivables within the expiration time. A deferred tax asset of EUR 303 thousand (EUR 138 thousand) is recognized from losses of foreign subsidiaries from the financial year 2011. There is some uncertainty related to usability of deferred tax assets. Deferred tax liability is not recognized from undistributed earnings of foreign subsidiaries. The assets are permanently reinvested.

30 NON-CURRENT INTEREST-BEARING LIABILITIES

Maturities of the interest-bearing financial liabilities

Financial liability	Current	Non-current
- Loans from financial institutions	2,240	8,937
- Pension loan (TyEL)	2,000	2,000
- Other loans	100	-
Total	**4,340**	**10,937**

EUR 1,000	**2011**	2010
Non-current financial liabilities recognized at amortized cost		
- Loans from financial institutions	**8,937**	-
- Pension loan (TyEL)	**2,000**	10,000
- Other loans	-	-
TOTAL	**10,937**	10,000

The TyEL loans have a fixed interest rate and the annual interest rate is 2.95 percent (2.89%). The collaterals given for the loans are a credit guarantee granted by a credit insurance company without a counter guarantee requirement or a bank guarantee.

The average interest rate of the loans form financial institutions is 3.72 percent (5.60%).

Loans from financial institutions include a loan from financial institutions in the amount of SEK 52.9 million which Raute Corporation drew out during the financial year and a euro-base loan from financial institutions in the amount of EUR 5.0 million. The interest rate and currency risks of the currency-denominated loan are hedged with an interest rate and currency swap agreement.

A foreign subsidiary has a EUR 0.2 million financial loan from a financial institution approved by the Parent Company. The collateral given for the loan is a mortgage agreement given by the Parent company.

Fair values of non-current financial liabilities have been presented in the note number 38 to the financial statements.

EUR 1,000	2011	2010
31 CURRENT INTEREST-BEARING LIABILITIES		
Partial payments of non-current loans	**4,240**	4,000
Other current interest-bearing loans	**100**	439
TOTAL	**4,340**	4,439
Distribution of the Group's current loans by currencies		
- Swedish krona %	**46**	-
- EUR, %	**48**	95
- Chinese yuan, %	**6**	5
The weighted averages of effective interest rates of current interest-bearing liabilities		
Partial payments of non-current loans, %	**3.37**	2.90
Other current interest-bearing loans, %	**1.00**	1.00

Fair values of current financial liabilities are presented in the note number 38 to the financial statements.

EUR 1,000	2011	2010
32 PENSION OBLIGATIONS		

Raute Corporation's voluntary supplement to pension coverage has been treated in accounting as a defined benefit plan. The current employees' voluntary supplementary pension insurances have been arranged through the Sampo Life Insurance Company.

	2011	2010
Defined benefit pension plans		
Items recognized in the balance sheet		
Present value of funded obligations	**358**	343
Fair value of assets included in the plan	**370**	371
Surplus (+) / deficit (-)	**-12**	-28
Unrecognized actuarial gains and losses	**110**	119
Net liabilities in the balance sheet	**98**	91
Items entered in income statement, income (-) / expenses (+)		
Costs based on the work performance in the financial year	**-**	18
Interest cost	**15**	16
Expected return on plan assets	**-16**	-16
Net acturial gains or losses recognized in the financial year	**-9**	-13
Settlements of the obligations	**-**	-26
Total, included in personnel expenses	**-10**	-21
Realized income from the plan assets, expenses (+) /income (-)	**-**	2
Changes in defined benefit pension plan obligation during the financial year		
Defined benefit obligation at Jan. 1	**343**	333
Current service cost	**-**	18
Interest cost	**15**	16
Actuarial gains (-) / losses (+)	**-**	-5
Benefits paid	**-**	-
Curtailments	**-**	-19
Settlements of the obligations	**-**	-
Defined benefit obligation at Dec. 31	**358**	343

EUR 1,000	2011	2010
Changes in fair value of plan assets during the financial year		
Opening fair value of plan assets at Jan. 1	**371**	338
Expected return on plan assets	**16**	16
Actuarial gains (-) / losses (+)	**-**	-14
Employer contributions	**-17**	31
Benefits paid	**-**	-
Settlements of the obligations	**-**	-
Fair value of plan assets at Dec. 31	**370**	371
Key actuarial assumptions:		
Finland		
- Discount rate, %	**4.3**	4.3
- Expected rate of return on plan assets, %	**4.5**	4.5
- Rate of future salary increases, %	**3.0**	3.0
- Rate of Inflation, %	**2.0**	2.0
- Employees turnover assumption, %	**1.0**	1.0

Financial position of pension plan during the financial year and previous four years

EUR 1,000, Dec. 31	2011	2010	2009	2008	2007
Present value of defined benefit obligation	**358**	343	333	406	353
Fair value of plan assets	**-370**	-371	-338	-394	-364
Surplus (-) / deficit (+) in the plan	**-12**	-28	-5	12	-11
Experience adjustments on plan liabilities	**-**	-23	-45	63	-29
Experience adjustments on plan on plan assets	**-**	-14	-5	-16	1

EUR 1,000	2011	2010
33 ADVANCE PAYMENTS RECEIVED, TRADE AND OTHER PAYABLES		
Advance payments received EUR 5,589 thousand (EUR 5,243 thousand) comprise of advance payments received from long-term projects.		
Current liabilities in the balance sheet		
- Trade payables	**2,507**	3,126
- Accrued expenses and prepaid income	**4,852**	4,366
- Derivatives	**317**	-
- Other liabilities	**722**	534
TOTAL	**8,399**	8,026
Substantial items included in accrued expenses and prepaid income		
- Accrued project expenses related to long-term projects	**867**	103
- Accrued employee related expenses	**3,630**	3,794
- Financial expenses	**60**	181
- Other accrued expenses and prepaid income	**295**	288
TOTAL	**4,852**	4,366

34 RELATED PARTY TRANSACTIONS

Raute Group's related parties consist of subsidiaries, Board members, President and CEO, Executive Board and Raute Corporation's Sickness Fund.

Group companies	Group's ownership interest and voting power, %	Parent company's ownership interest and voting power, %
Raute Corporation, Lahti, Finland (Parent company)		
Raute Canada Ltd., Delta, B.C., Canada	100	100
Raute Inc., Delaware, USA	100	100
Raute US , Inc., Rossville, Tennessee, 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
Raute (Shanghai) Trading Co., Ltd, Shanghai, China	100	100

EUR 1,000		2011	2010
Group management's employee benefits			
Salaries and other short-term employee benefits		**1,137**	969
Share-based payments		**-**	-
TOTAL		**1,137**	969
The contracts of the members of the Board of Directors and the President and CEO do not include any special conditions concerning retirement or the amount of retirement.			
Salaries and remunerations of the President and CEO and Board of Directors of the Parent company			
President and CEO			
Kiiski, Tapani	President and CEO	**265**	225
TOTAL		**265**	225
Members of the Board of Directors			
Pehu-Lehtonen, Erkki	Chairman of the Board	**40**	40
Mustakallio, Sinikka	Vice-Chairman of the Board	**20**	20
Hautamäki, Risto	Member of the Board	**20**	20
Helander, Ilpo	Member of the Board	**20**	20
Mustakallio, Mika	Member of the Board	**20**	20
Suominen, Pekka	Member of the Board as of March 31, 2010	**20**	15
Mustakallio, Panu	Member of the Board until March 31, 2010	**-**	5
TOTAL		**140**	140

Management interest
The company's Board of Directors, President and CEO and Presidents of the subsidiaries owned a total of 136,049 series A shares and 151,470 series K shares at December 31, 2011. Management's ownership corresponds to 7.2 percent of the shares in the company and 13.9 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.

Loans and guarantees on behalf of the related party
No loans are granted to the company's management. On December 31, 2011 the Parent Company Raute Corporation had loan receivables from the subsidiary Raute Service LLC EUR 355 thousand (EUR 355 thousand) and Raute Canada Ltd. EUR 1,152 thousand (EUR 0 thousand). Raute Corporation had a EUR 100 thousand (EUR 100 thousand) liability to Raute Corporation's Sickness Fund. Raute Corporation has given a counter guarantee of EUR 240 thousand for the loan of the foreign subsidiary and EUR 2,209 thousand commercial counter guarantee on behalf of the subsidiary. No pledges or other commitments have been given on behalf of the company's management and shareholders.

Sickness Fund
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 the personnel of Raute Corporation and the personnel of Raute Corporation's former subsidiary Lahti Precision Oy. Raute's Sickness Fund has deposited its assets in Raute Corporation. The amount of deposits was EUR 100 thousand at Dec. 31, 2011 (EUR 100 thousand) and 1.25 percent (1.2%) of interest was paid to it.

EUR 1,000	2011	2010
35 OTHER LEASE AGREEMENTS		
Group as lessee		
Minimum rents paid on the basis of other non-cancellable leases:		
- Within one year	**546**	547
- After the period of more than one and less than five years	**1,358**	1,157
- More than five years	**523**	701
TOTAL	**2,426**	2,406

The Group has rented in a part of office and production premises. The rental agreements are made for the time being or for the fixed-term. The agreements made for the fixed-term include an option to extend the rental period after the date of initial expiration.

Group as lessor

The Group has rented out a part of office facilities. The facilities have been classified in property, plant and equipment in the financial statements. Lease income has been recognized in other operating income in the financial statements and totaled EUR 13 thousand (EUR 22 thousand) in 2011.

36 CURRENCY DERIVATIVES

Currency derivatives are used for hedging purposes.

EUR 1,000	2011	2010
Nominal values of forward contracts in foreign currency		
Economic hedging		
- Related to financing	**1,211**	189
- Related to the hedging of net sales	**637**	283
Fair values of forward contracts in foreign currency		
Economic hedging		
- Related to financing	**-32**	-
- Related to the hedging of net sales	**4**	2
Interest rate and currency swap agreements		
- Nominal value	**5,937**	-
- Fair value	**-285**	-

The nominal value is the value of underlying instruments converted into euros using the exchange rate of the balance sheet date. The fair value is the profit generated, if the derivatives position would have been closed to the market price on the balance sheet date.

37 PLEDGED ASSETS AND CONTINGENT LIABILITIES

EUR 1,000	2011	2010
On behalf of the Group		
Loans from financial institutions	**11,177**	-
- Business mortgages	**6,700**	-
Pension loans (TyEL)	**4,000**	14,000
- Business mortgages	**1,200**	6,700
- Pledged assets	-	1,000
- Credit insurance agreements	**2,800**	4,900
Other loans	**100**	100
- Real estate mortgages	**101**	134

EUR 1,000	2011	2010
Commercial bank guarantees on behalf of the Parent company and subsidiaries	**18,472**	10,154
Mortgage agreements on behalf of subsidiaries		
Loans from financial institutions	**240**	227
- Business mortgages	**240**	200
- Counter guarantees	-	3,100

Other own obligations
Pledges on behalf of the company's management and shareholders are presented in the note number 34 to the financial statement.

38 CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

EUR 1,000	Note	Carrying amount Dec. 31, 2011	Fair value Dec. 31, 2011	Carrying amount Dec. 31, 2010	Fair value Dec. 31, 2010
Financial assets					
Financial assets at fair value through profit or loss					
Unquoted share investments	20	789	789	497	497
Loans and other receivables					
Current deposits	23	-	-	1,000	1,000
Derivative financial receivables	23	2	2	-	-
- of which cash flow hedge designated	36	2	2	-	-
Accounts receivables and other receivables*	23	9,882	9,882	10,770	10,770
Cash and cash equivalents	24	25,674	25,674	24,090	24,090
TOTAL		**36,347**	**36,347**	**36,357**	**36,357**
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Currency derivates	36	317	317	139	139
- of which used for cash flow hedge	36	-	-	19	19
- of which cash flow hedge designated	36	317	317	-	-
Financial liabilities recognized at amortized cost					
Financial loans	30-31	15,277	15,277	14,439	14,439
Trade and other payables	33	3,228	3,228	3,520	3,520
Accrued expenses	33	5,268	5,268	4,366	4,366
TOTAL		**24,090**	**24,090**	**22,464**	**22,464**
Financial instruments by category					
Loans and receivables		35,556	35,556	35,861	35,861
Available-for-sale financial assets		789	789	497	497
Financial liabilities at fair value through profit or loss		317	317	139	139
Financial liabilities recognized at amortized cost		23,773	23,773	22,325	22,325

*Balance sheet item "Accounts receivables and other receivables" includes accrued income of EUR 3,374 thousand from customers' long-term projects corresponding to revenues by percentage of completion (EUR 4,710 thousand).

The table shows the fair values and carrying amounts of each financial item as carried in the balance sheet. The Group's principles of fair value determination related to financial instruments are described below.

Other investments
Available-for-sale financial assets mainly consist of investments in unquoted shares. Investments in unquoted shares have been valued at cost less potential impairment since their value cannot be determined reliably. There are no active market for unquoted shares and until further notice the Group has no intention to abandon these investment.

Accounts receivables and other receivables
The original carrying value of the receivables corresponds their fair value. Discounting has no material effect when maturity is taken into account. Accounts receivables in the balance sheet do not include significant concentration of risks at the balance sheet date.

Derivatives, hedge accounting applied
The effective portions of changes in the fair values of derivative instruments determined as cash flow hedging have been recognized in the hedging reserve in equity and in other comprehensive income items. Gains and losses recognized in the hedging reserve in equity have been transferred to the comprehensive income statement when hedged, firm commitments are recognized to the income statement. Gains and losses from hedged transactions, amounting to EUR 14 thousand, have been transferred from the equity hedge to the comprehensive income statement during the financial year. During the financial year 2011 and comparison year, no ineffective portion was connected to the cash flow hedging.

Gains and losses from cash flow hedging, items derecognized from equity and presented in adjustment of the sales revenue of the financial year as well as hedge result recognized to adjust the cost of acquisition, are presented in the consolidated statement of changes in shareholders' equity. The nominal values of outstanding forward contracts are presented in the note number 36 to the financial statements.

Derivates, hedge accounting not applied
The fair values of derivative instruments have been determined using the market values of the contract determined to the similar period at the balance sheet date. The quotation of the counterparty has been used to determine the fair value of interest rate swap agreement. The fair values correspond prices, which the Group should pay or receive, if the derivative contract was terminated. The nominal value of interest rate swap agreement has been disclosed in the note number 36 to the financial statements.

Loans from financial institutions and other loans
Fair values of liabilities correspond the carrying value in the balance sheet.

Trade payables and other payables
The carrying value of trade payables and other payables corresponds their fair value. Discounting has no material effect when maturity is taken into account.

Financial assets and liabilities that are measured at fair value
Financial instruments at fair value are categorized according to standard IFRS 7. 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 partly based on the measurement base which requires estimates and assumptions from the management.

EUR 1,000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Available-for-sale financial assets	-	-	789	789
- Derivative agreements	-	2	-	2
TOTAL	**-**	**2**	**789**	**791**
Derivatives at fair value				
- Derivative liabilities	-	317	-	317
TOTAL	**-**	**317**	**-**	**317**

39 EXCHANGE RATES USED IN CONSOLIDATION OF THE SUBSIDIARIES

Income statement	2011 EUR	2010 EUR
USD	**1.3917**	1.3268
CAD	**1.3756**	1.3665
SGD	**1.7491**	1.8080
CLP	**672.0723**	675.8537
RUB	**40.8797**	40.2780
CNY	**8.9958**	8.9805

Balance sheet	2011 EUR	2010 EUR
USD	**1.2939**	1.3362
CAD	**1.3215**	1.3322
SGD	**1.6819**	1.7136
CLP	**680.1710**	626.1104
RUB	**41.7650**	40.8200
CNY	**8.3499**	8.7873

EUR 1,000	2011	2010
40 ADJUSTMENTS TO OPERATING CASH FLOW		
Non-cash transactions in operating activities		
Depreciations and amortizations	**-2,128**	-2,250
Employee benefits	**-137**	52
Exchange rate differences	**182**	-198
Profit or loss from change in fair value of financial assets through profit or loss	**-317**	-
TOTAL	**-2,400**	-2,396

41 EVENTS AFTER THE BALANCE SHEET DATE

On February 10, 2012, Raute Corporation published a stock exchange release on receiving over 50 million in orders. These orders are not included in the December 31, 2011 order book.

Parent company's income statement, FAS

EUR Note		1.1–31.12.2011	1.1–31.12.2010
2, 3	**NET SALES**	**64,443,847.33**	54,541,881.48
	Change in inventories of finished goods and work in progress	**-106,037.65**	-295,998.32
4	**Other operating income**	**266,896.71**	2,229,416.64
5	Materials and services	**-36,182,925.02**	-29,644,679.29
6	Personnel expenses	**-19,077,145.27**	-17,982,415.90
8	Depreciation, amortization and impairment charges	**-1,526,611.65**	-1,741,200.23
9	Other operating expenses	**-7,850,477.47**	-6,552,042.92
	Total operating expenses	**-64,637,159.41**	-55,920,338.34
	OPERATING PROFIT (LOSS)	**-32,453.02**	554,961.46
10	**Financial income and expenses**	**-247,357.35**	-148,378.48
	PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS	**-279,810.37**	406,582.98
11	**Extraordinary items**	**18,000.00**	-
	PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	**-261,810.37**	406,582.98
12	**Appropriations**	**40,616.97**	-40,616.97
13	**Income taxes**	**75,992.71**	-66,789.86
	PROFIT (LOSS) FOR THE FINANCIAL YEAR	**-145,200.69**	299,176.15

Parent company's balance sheet, FAS

EUR Note		31.12.2011	31.12.2010
	ASSETS		
	Non-current assets		
14	Intangible assets	**1,056,299.28**	902,544.01
15	Tangible assets	**5,820,981.47**	6,246,131.87
16	Investments	**1,609,847.77**	1,672,347.77
	Non-current assets total	**8,487,128.52**	8,821,023.65
	Current assets		
5, 17	Inventories	**3,784,238.45**	3,319,616.14
18	Non-current receivables	**3,920,713.77**	1,720,287.59
18	Current receivables	**8,585,457.89**	12,198,097.22
	Cash and cash equivalents	**24,607,191.62**	20,404,620.00
	Current assets total	**40,897,601.73**	37,642,620.95
	TOTAL ASSETS	**49,384,730.25**	46,463,644.60
	LIABILITIES		
	Shareholders' equity		
19	Share capital	**8,009,516.00**	8,009,516.00
19	Share premium	**6,498,341.93**	6,498,341.93
19	Retained earnings	**6,524,557.94**	7,426,809.19
19	Profit (loss) for the financial year	**-145,200.69**	299,176.15
	Shareholders' equity total	**20,887,215.18**	22,233,843.27
20	**Appropriation reserve**	**-**	40,616.97
21	**Obligatory provisions**	**810,948.63**	659,808.05
	Liabilities		
22	Non-current liabilities	**10,937,051.17**	10,000,000.00
22	Current liablities	**16,749,515.27**	13,529,376.31
	Liabilities total	**27,686,566.44**	23,529,376.31
	TOTAL LIABILITIES	**49,384,730.25**	46,463,644.60

Parent company's cash flow statement, FAS

EUR	1.1–31.12.2011	1.1–31.12.2010
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	**68,384,649.76**	46,744,323.00
Proceeds from other operating income	**266,896.71**	2,171,254.00
Payments of operating expenses	**-62,628,093.56**	-53,338,165.19
Cash flow before financial items and taxes	**6,023,452.91**	-4,422,588.19
Interests paid and payments of other operating finance costs	**-447,059.52**	-748,874.00
Interests received from operating activities	**385,753.58**	438,327.00
Dividends received from operating activities	**108,350.00**	118,006.00
Income tax paid	**-9,398.10**	11,370.00
Cash flow before extraordinary items	**6,061,098.87**	-4,603,759.19
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**6,061,098.87**	-4,603,759.19
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	**-1,322,516.60**	-536,638.00
Purchases of available-for-sale investments	**-292,500.00**	-12,099.05
Proceeds from sale of tangible and intangible assets	**133,305.31**	930,902.00
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**-1,481,711.29**	382,164.95
CASH FLOW FROM FINANCING ACTIVITIES		
Increase of non-current and current receivables	**-**	2,000,000.00
Increase of current liabilities	**-**	2,383.00
Repayments of current liabilities	**-180,420.33**	-866,027.00
Increase of non-current liabilities	**11,000,000.00**	-
Repayments of non-current liabilities	**-10,000,000.00**	-4,115,400.00
Dividends paid	**-1,201,427.40**	-
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**-381,847.73**	-2,979,044.00
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**4,197,539.85**	-7,200,638.24
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**20,404,620.00**	27,415,432.24
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**5,031.77**	189,826.00
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**24,607,191.62**	20,404,620.00

Notes to the Parent company's financial statements

1 ACCOUNTING PRINCIPLES

The accounting principles of the Parent company's financial statements are 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).

Foreign currency items
Other than euro-denominated transactions have been recognized at the exchange rate effective on the transaction date. Receivables and liabilities denominated in other currencies have been translated into euro at the average rate of the balance sheet date, except for business operations where the associated currency risk is hedged by a currency derivative contract. The 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. The exchange rate gains or losses, resulting from the extension of forward exchange contracts, hedging accounts receivables against changes in currency exchange rates, have been capitalized into accrued expenses or receivables. Other exchange gains and losses related to changes in the exchange rates have been recognized through profit or loss.

Non-current assets
Tangible and intangible assets have been recognized in the balance sheet at original cost less accumulated depreciation, with the exception of some property items, which have been revaluated, 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. Depreciations of tangible assets and amortizations of intangible assets have been recorded with the straight-line method over the expected economic lives of the assets as follows:

Other intangible assets	3–10 years
Buildings and structures	25–40 years
Machinery and equipment	4–12 years
Other assets	3–10 years.

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

Financial assets, financial liabilities and derivatives
Financial assets have been measured at the lower of acquisition cost or likely disposal price.

The Group's derivatives include currency derivative contracts. Currency derivatives are used for hedging related to changes in cash flows in foreign currency. Currency derivative contracts have not been measured at fair value in the Parent company. The fair values of currency derivative contracts have been presented in the note number 24 to the financial statements.

During the financial year, Raute Corporation has drawn out a financial institution loan SEK 52.9 million and a financial institution loan in the amount of EUR 5.0 million. The interest rate and currency risks of the currency-denominated loan are hedged with an interest rate and currency swap agreement. The euro-base loan has a fixed interest rate.

Research and development costs
Research and development costs have been recognized as expenses in the income statement in the year in which they are incurred.

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

Financial income and expenses
Permanent impairment of loan receivables and shares has been presented in the income statement under financial expenses.

Income taxes
Income taxes presented in the income statement include direct taxes for the financial year and tax adjustments for previous years. Current tax based on the taxable income of the financial year is calculated on taxable income using the tax rate in force.

On the financial year's unconfirmed tax loss, deferred tax receivables have been recognized to the extent that it is probable that taxable profits will be available against which temporary differences can be utilized. The deferred tax liability included in the depreciation difference has been presented in the note number 20 to the financial statements.

EUR 1,000		2011	%	2010	%
2	**NET SALES BY MARKET AREA**				
	Russia	**25,013**	**39**	17,735	33
	Asia-Pacific	**15,022**	**23**	18,787	34
	Rest of Europe	**10,593**	**16**	8,805	16
	Finland	**9,148**	**14**	5,049	9
	South America	**4,064**	**6**	1,970	4
	North America	**480**	**1**	2,060	4
	Others	**124**	**0**	136	0
	TOTAL	**64,444**	**100**	54,542	100
3	**LONG-TERM PROJECTS**				
	Net sales by percentage of completion	**53,429**		47,442	
	Other net sales	**11,015**		7,100	
	TOTAL	**64,444**		54,542	
	Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	**41,550**		45,387	
	Amount of long-term project revenues not yet entered as income (order book)	**32,654**		26,021	
	Projects for which the value by percentage of completion exceeds advance payments invoiced				
	- aggregate amount of costs incurred and recognized profits less recognized losses	**13,277**		28,946	
	- advance payments received	**10,332**		22,721	
	Gross amount due from customers	**2,945**		6,224	
	Projects for which advance payments invoiced exceed the value by percentage of completion				
	- aggregate amount of costs incurred and recognized profits less recognized losses	**28,273**		16,441	
	- advance payments received	**33,335**		19,185	
	Gross amount due to customers	**5,062**		2,744	
	Specification of combined asset and liability items				
	Advance payments paid	**16**		301	
	Advance payments included in inventories	**16**		301	
	Advance payments in the balance sheet				
	Gross amount due to customers	**5,062**		2,744	
	Other advance payments received, not under percentage of completion	**527**		865	
	TOTAL	**5,589**		3,609	
4	**OTHER OPERATING INCOME**				
	Capital gain on sale of property, plant and equipment	**71**		58	
	Other income from Group companies	**115**		2,068	
	Other operating income	**81**		104	
	TOTAL	**267**		2,229	
5	**MATERIALS AND SERVICES**				
	Materials and supplies				
	- Purchases during the financial year	**-33,030**		-27,914	
	- Change in inventories	**857**		-79	
	External services	**-4,009**		-1,652	
	TOTAL	**-36,183**		-29,645	

EUR 1,000		2011	2010
6 PERSONNEL EXPENSES			
Wages and salaries		**-15,619**	-14,660
Pension costs		**-2,621**	-2,372
Other personnel expenses		**-837**	-950
TOTAL		**-19,077**	-17,982
Salaries and remunerations of Directors			
President and CEO			
Kiiski, Tapani	President and CEO	**265**	225
Members of the Board of Directors			
Pehu-Lehtonen, Erkki	Chairman of the Board as of April 2, 2009	**40**	40
Mustakallio, Sinikka	Vice-Chairman of the Board	**20**	20
Hautamäki, Risto	Member of the Board	**20**	20
Helander, Ilpo	Member of the Board	**20**	20
Mustakallio, Mika	Member of the Board	**20**	20
Suominen, Pekka	Member of the Board as of March 31, 2010	**20**	15
Mustakallio, Panu	Member of the Board until March 31, 2010	**-**	5
TOTAL		**405**	365

Based on the authorization given by the Annual General Meeting, the Board of Directors of Raute Corporation has granted stock options to the Group's key personnel. The main terms and conditions of the stock option system are presented in the note number 27 to the Raute Group's financial statements.

	2011	2010
7 PERSONNEL		
Employed at Dec. 31, persons		
Workers	**126**	130
Office staff	**221**	238
TOTAL	**347**	368
- of which personnel working abroad	**1**	2
Average, persons		
Workers	**127**	140
Office staff	**226**	247
TOTAL	**353**	387
- of which personnel working abroad	**1**	3
Effective, on average, persons		
Workers	**122**	110
Office staff	**216**	209
TOTAL	**338**	319
- of which personnel working abroad	**1**	3
8 DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES		
Depreciation and amortization from tangible and intangible assets	**-1,527**	-1,741
TOTAL	**-1,527**	-1,741
9 OTHER OPERATING EXPENSES		
Indirect production costs	**-1,820**	-1,278
Sales and marketing costs	**-1,860**	-1,721
Administration costs	**-1,394**	-1,386
Other costs	**-2,777**	-2,167
TOTAL	**-7,850**	-6,552

EUR 1,000		2011	2010
	Auditor's remunerations		
	Authorized Public Accountants PricewaterhouseCoopers Oy		
	Annual audit, statutory	**-32**	-30
	Tax services	**-11**	-15
	Other services	**-2**	-7
	TOTAL	**-45**	-52
10	**FINANCIAL INCOME AND EXPENSES**		
	Dividend income	**108**	118
	TOTAL	**108**	118
	Other interest and financial income		
	From Group companies	**47**	48
	From others	**472**	425
	TOTAL	**519**	473
	Total financial income	**628**	591
	Interest and other financial expenses		
	To others	**-558**	-739
	TOTAL	**-558**	-739
	Fair value of derivatives	**-317**	-
	Total financial expenses	**-875**	-739
	Financial income and expenses, net	**-247**	-148
	Exchange rate gains (+) / losses (-) included in total financial income and expenses	**87**	-18
11	**EXTRAORDINARY ITEMS**		
	Extraordinary income		
	Group contribution	**18**	-
	TOTAL	**18**	-
12	**APPROPRIATIONS**		
	Difference in planned and taxed depreciations	**41**	-41
	TOTAL	**41**	-41
13	**INCOME TAXES**		
	From operations, current financial year	**-9**	-82
	From operations, previous financial years	**-**	27
	Change in deferred taxes	**85**	-12
	TOTAL	**76**	-67

14 INTANGIBLE ASSETS

EUR 1,000	Development costs	Intangible rights	Other long-term expenditure	TOTAL
Carrying amount at Jan. 1, 2011	**679**	**1,248**	**4,421**	**6,347**
Additions	-	130	270	400
Reclassifications between items	-	-	82	82
Carrying amount at Dec. 31, 2011	**679**	**1,378**	**4,772**	**6,829**
Accumulated depreciation at Jan. 1, 2011	**-634**	**-818**	**-3,992**	**-5,445**
Depreciation for the financial year	-45	-90	-193	-328
Accumulated depreciation at Dec. 31, 2011	**-679**	**-909**	**-4,185**	**-5,773**
Book value at Dec. 31, 2011	**0**	**469**	**587**	**1,056**
Book value at Dec. 31, 2010	**45**	**429**	**428**	**903**

15 TANGIBLE ASSETS

EUR 1,000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Assets in progress and advance payments	TOTAL
Carrying amount at Jan. 1, 2011	**231**	**8,201**	**20,358**	**336**	**23**	**29,148**
Additions	-	42	563	19	298	923
Disposals	-13	-	-54	-	-	-67
Reclassifications between items	-	16	-	-	-98	-82
Carrying amount at Dec. 31, 2011	**218**	**8,259**	**20,866**	**355**	**224**	**29,922**
Accumulated depreciation at Jan. 1, 2011	**-**	**-5,289**	**-17,293**	**-320**	**-**	**-22,902**
Reclassifications between items	-	-	-	-	-	-
Depreciation for the financial year	-	-242	-953	-4	-	-1,199
Accumulated depreciation at Dec. 31, 2011	**-**	**-5,531**	**-18,246**	**-323**	**-**	**-24,101**
Book value at Dec. 31, 2011	**218**	**2,727**	**2,620**	**32**	**224**	**5,821**
Book value at Dec. 31, 2010	**231**	**2,912**	**3,064**	**16**	**23**	**6,246**
Book value for production machinery						
Dec. 31, 2011			**1,817**			
Dec. 31, 2010			**2,449**			

16 NON-CURRENT INVESTMENTS

EUR 1,000	Shares, Group companies	Shares, others	Receivables, Group companies	TOTAL
Carrying amount at Jan. 1, 2011	**6,987**	**497**	**9,665**	**17,149**
Additions	-	293	2,363	2,655
Disposals	-	-	-1,152	-1,152
Carrying amount at Dec. 31, 2011	**6,987**	**789**	**10,876**	**18,652**
Accumulated impairments at Jan. 1, 2011	**-6,166**	**-**	**-9,310**	**-15,476**
Additions	-	-	-	-
Accumulated impairments at Dec. 31, 2011	**-6,166**	**-**	**-9,310**	**-15,476**
Book value at Dec. 31, 2011	**821**	**789**	**1,566**	**3,176**
Book value at Dec. 31, 2010	**821**	**497**	**355**	**1,673**

Shares owned by the company are presented in the note number 25 to the financial statements.

EUR 1,000		2011	2010
17	**INVENTORIES**		
	Materials and supplies	**2,332**	1,487
	Work in progress	**1,324**	1,431
	Other inventories	**112**	101
	Advance payments	**16**	301
	TOTAL	**3,784**	3,320
18	**SPECIFICATION OF RECEIVABLES**		
	Non-current receivables		
	Non-current receivables from Group companies		
	- Loan receivables	**1,566**	355
	Total from Group companies	**1,566**	355
	Non-current receivables from others		
	- Accounts receivables	**549**	-
	- Deferred tax receivable	**1,806**	1,720
	Total from others	**2,355**	1,720
	TOTAL	**3,921**	2,075
	Current receivables		
	Current receivables from Group companies		
	- Accounts receivables	**936**	742
	- Accrued income and prepaid expenses	**141**	2
	- Other receivables	**2**	-
	Total from Group companies	**1,079**	744
	Current receivables from others		
	- Accounts receivables	**3,940**	3,522
	- Accrued income	**3,057**	4,732
	- Other receivables, interest-bearing	**-**	1,000
	- Other receivables, non-interest-bearing	**509**	469
	Total from others	**7,506**	9,723
	TOTAL	**8,585**	10,467
	Substantial items included in accrued income		
	- Contribution receivables	**18**	-
	- Project receivables entered according to percentage of completion	**2,945**	6,224
	- Other accrued income	**236**	241
	TOTAL	**3,199**	6,465
19	**SHAREHOLDERS' EQUITY**		
	Share capital at Jan. 1	**8,010**	8,010
	Share capital at Dec. 31	**8,010**	8,010
	Share premium at Jan. 1	**6,498**	6,498
	Share premium at Dec. 31	**6,498**	6,498
	Retained earnings at Jan. 1	**7,427**	15,771
	Changes during the financial year		
	- Profit (loss) from the previous year	**299**	-8,343
	- Dividends	**-1,201**	-
	Retained earnings at Dec. 31	**6,525**	7,427
	Profit (loss) for the financial year	**-145**	299
	SHAREHOLDERS' EQUITY AT DEC. 31	**20,887**	22,234

EUR 1,000		2011	2010
	Distributable funds		
	Retained earnings at Dec. 31	**6,525**	7,427
	Profit (loss) for the financial year	**-145**	299
	Distributable funds at Dec. 31	**6,380**	7,726
	Shares of the company		
	Shares, 1,000 pcs	**4,005**	4,005
	Nominal value, EUR	**2.00**	2.00
	Total nominal value, 1,000 EUR	**8,010**	8,010
	Series K shares (ordinary shares, 20 votes/share), 1,000 pcs	**991**	991
	Series A shares (1 vote/share), 1,000 pcs	**3,014**	3,014
20	**APPROPRIATION RESERVE**		
	The appropriation reserve of the comparison year consists of accumulated depreciation difference of EUR 40 thousand, including deferred tax liabilities of EUR 10 thousand.		
21	**OBLIGATORY PROVISIONS**		
	Estimated warranty accruals at Jan. 1	**549**	1,301
	Additions	**673**	238
	Disposals	**-489**	-991
	Estimated warranty accruals at Dec. 31	**733**	549
	Provision for loss/overheads from long-term projects in order book at Jan. 1	**32**	51
	Amendment during the financial year	**5**	-19
	Provision for loss/overheads from long-term projects in order book at Dec. 31	**37**	32
	Other obligatory provisions at Jan. 1	**78**	78
	Amendment during the financial year	**-38**	0
	Other obligatory provisions at Dec. 31	**40**	78
	TOTAL	**811**	659
22	**SPECIFICATION OF LIABILITIES**		
	Non-current liabilities		
	Non-current liabilities to others		
	- Loans from financial institutions	**8,937**	-
	- Pension loans (TyEL)	**2,000**	10,000
	TOTAL	**10,937**	10,000
	Non-current liabilities do not include items falling due after five years of later.		
	Current liabilities		
	Current liabilities to Group companies		
	- Advances received	**-**	2,125
	- Accounts payable	**133**	423
	- Accrued expenses and prepaid income	**-**	3
	- Other liabiliites	**349**	414
	Total to Group companies	**482**	2,965

EUR 1,000	2011	2010
Current liabilities to others		
- Loans from financial institutions	**2,000**	-
- Pension loans (TyEL)	**2,000**	4,000
- Advance payments received	**5,175**	734
- Accounts payable	**2,296**	1,845
- Accrued expenses and prepaid income	**3,770**	3,384
- Other current liabilities	**1,026**	601
Total to others	**16,267**	10,565
TOTAL	**16,750**	13,529
Interest-bearing liabilities		
- Non-current	**10,937**	10,000
- Current	**4,449**	4,215
TOTAL	**15,386**	14,215
Substantial items included in accrued expenses and prepaid income		
- Accrued project expenses	**253**	54
- Accrued personnel expenses	**3,220**	3,059
- Other accrued expenses	**298**	274
TOTAL	**3,770**	3,387

23 OTHER LEASES

Raute Corporation as lessee

Minimum rents paid on the basis of other non-cancellable leases:		
- Within one year	**165**	192
- After the period of more than one and less than five years	**365**	177
- More than five years	**-**	5
TOTAL	**530**	374

Raute Corporation as lessor

Raute Corporation has rented out separate office facilities. In the financial statements, these facilities are a part of buildings which are classified as tangible assets. Lease income has been recognized in other operating income in the income statement and totaled EUR 13 thousand (EUR 22 thousand).

24 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Pledges and contingent liabilities have been given to guarantee liabilities and commitments

On behalf of Parent company		
Loans from financial institutions	**11,177**	-
- Business mortgages	**6,700**	-
Pension loans (TyEL)	**4,000**	14,000
- Business mortgages	**1,200**	6,700
- Pledged assets	**-**	1,000
- Credit insurance agreements	**2,800**	4,900
Other loans	**100**	100
- Real estate mortgages	**101**	134
Commercial bank guarantees on behalf of the Parent company and subsidiaries	**17,526**	10,154

EUR 1,000	2011	2010
Mortgage agreements on behalf of subsidiaries		
Loans from financial institutions	**240**	227
- Business mortgages	**240**	200
- Counter guarantees	**-**	3,100
Leasing and rent liabilities	**2,426**	2,406
Nominal values of forward contracts in foreign currency		
- Nominal value, internal forward contracts	**1,211**	189
- Fair value, internal	**-32**	-
Interest rate and currency swap agreements		
- Nominal value	**5,937**	-
- Fair value	**-285**	-

The nominal value is the value of underlying instruments converted into euros using the exchange rate of balance sheet date. The market value is the profit generated, if the derivatives position would have been closed to the market price on the balance sheet date.

Other own obligations

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

25 SHARES OWNED BY THE COMPANY

Subsidiaries	Holding and voting right, %	Book value, EUR 1,000
RWS-Engineering Oy, Lahti, Finland	100	203
Raute WPM Oy, Lahti, Finland	100	9
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	100	398
Raute (Shanghai) Trading Co., Ltd, Shanghai, China	100	95
Raute Canada Ltd., Delta, B.C., Canada	100	84
Raute Inc., Delaware, USA	100	17
Raute Chile Ltda., Santiago, Chile	50	15
Raute Group Asia Pte Ltd., Singapore	100	0
TOTAL		**821**

Other shares	Number of shares, pcs	Book value, EUR 1,000
Lahden Seudun Puhelin Oy	1,717	326
Electrosys Oy	600	51
FIMECC OY	50	50
PHP Holding Oy	112	19
Finnish Wood Research Oy	10	10
Ahkera Smart Tech Ltd		293
Others		41
TOTAL		**789**

Key ratios describing the Group's financial development

EUR 1,000	**2011**	2010	2009	2008	2007
Net sales	**74,323**	62,867	36,638	98,466	110,799
Change in net sales, %	**18.2**	71.6	-62.8	-11.1	4.3
Exported portion of net sales	**65,432**	57,773	30,466	82,666	96,759
% of net sales	**88.0**	91.9	83.2	84.0	87.3
Operating profit (loss)	**-738**	1,311	-9,695	6,341	8,607
% of net sales	**-1.0**	2.1	-26.5	6.4	7.8
Profit (loss) before tax	**-1,126**	1,122	-9,890	6,880	8,976
% of net sales	**-1.5**	1.8	-27.0	7.0	8.1
Profit (loss) for the financial year	**-1,095**	1,158	-8,141	4,723	6,601
% of net sales	**-1.5**	1.8	-22.2	4.8	6.0
Return on investment (ROI), %	**-0.1**	5.1	-21.6	19.4	29.2
Return on equity (ROE), %	**-4.7**	4.9	-28.4	14.0	21.1
Balance sheet total	**52,666**	53,034	57,387	60,180	54,800
Interest-bearing net liabilities	**-10,397**	-9,651	-9,366	-10,653	-10,794
% of net sales	**-14.0**	-15.4	-25.6	-10.8	-9.7
Non-interest bearing liabilities	**15,320**	14,368	15,801	15,402	21,116
Equity ratio, %	**46.9**	50.7	46.0	60.5	70.3
Gearing, %	**-47.1**	-39.8	-40.6	-31.0	-32.5
Gross capital expenditure	**1,885**	2,224	1,095	3,242	1,869
% of net sales	**2.5**	3.5	3.0	3.3	1.7
Research and development costs*	**2,020**	1,849	2,470	4,375	3,969
% of net sales	**2.7**	2.9	6.7	4.4	3.6
Order book, EUR million	**36**	33	22	24	56
Order intake, EUR million	**77**	72	35	67	90
Personnel at Dec. 31	**464**	495	524	573	570
Personnel, effective, on average	**457**	438	419	569	560
Personnel, average	**475**	512	542	585	575
Dividend	**1,201****	1,201	0	2,803	4,005

*Comparison years 2007-2009 have been changed to correspond the presentation used from the beginning of the financial year 2009.

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

Share-related data

	2011	2010	2009	2008	2007
Earnings per share, EUR	**-0.27**	0.29	-2.03	1.18	1.65
Equity to share, EUR	**5.51**	6.05	5.76	8.57	8.29
Dividend per share, EUR	**0.30***	0.30	0.00	0.70	1.00
Dividend per profit, %	**-109.7***	103.8	0.0	59.4	60.7
Effective dividend yield, %	**4.8***	3.1	0.0	10.9	7.0
Price/earnings ratio (P/E ratio)	**-22.67**	33.55	-3.67	5.43	8.71
Development in share price (series A shares)					
Lowest share price for the financial year, EUR	**6.05**	7.24	6.50	6.24	12.40
Highest share price for the financial year, EUR	**11.55**	10.10	8.90	15.20	15.45
Average share price for the financial year, EUR	**8.57**	8.21	7.29	12.37	13.85
Share price at Dec. 31, EUR	**6.20**	9.70	7.47	6.40	14.35
Market value of capital stock at Dec. 31, EUR thousand**	**24,829**	38,846	29,916	25,630	57,468
Trading in the company's shares (series A shares)					
Shares traded during the financial year, 1,000 pcs	**522**	646	455	393	981
% of the number of series A shares	**17.3**	21.4	15.1	13.0	32.5
Issue-adjusted weighted average number of shares	**4,004,758**	4,004,758	4,003,183	4,004,758	4,004,758
Issue-adjusted number of shares at the end of the financial year	**4.004,758**	4,004,758	4,004,758	4,004,758	4,004,758

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.

Calculation of key ratios

Return on investment (ROI), % =	Profit (loss) before tax + financial expenses Shareholders’ equity + interest-bearing financial liabilities (average of the financial year)	x 100
Return on equity (ROE), % =	Profit (loss) for the financial year Shareholders’ equity (average of the financial year)	x 100
Interest-bearing net liabilities =	Interest-bearing liabilities ./. (cash and cash equivalents + financial assets at fair value through profit or loss)	
Gearing, % =	Interest-bearing net financial liabilities Shareholders’ equity	x 100
Equity ratio, % =	Shareholders’ equity Balance sheet total ./. advance payments received	x 100
Earnings per share, undiluted, euros =	Profit (loss) for the financial year Equity issue-adjusted average number of shares during the financial year	
Earnings per share, diluted, euros =	Diluted profit (loss) for the financial year Diluted equity issue-adjusted average number of shares during the financial year	
Equity to share, euros =	Share of shareholders’ equity belonging to the owners of the Parent company Undiluted number of shares at the end of the financial year	
Dividend per share, euros =	Distributed dividend for the financial year Undiluted number of shares at the end of the financial year	
Dividend per profit, % =	Dividend per share Earnings per share	x 100
Effective dividend return, % =	Dividend per share Closing share price at the end of the financial year	x 100
Price/earnings ratio (P/E ratio) =	Closing share price at the end of the financial year Earnings per share	
Trend in share turnover in volume and percentage figures (series A shares) =	The trend in turnover of shares is given as the number of shares traded during the financial year and as the percentage of the average undiluted number of traded shares relative to issued share stock during the financial year.	
Market value of capital stock =	Undiluted number of shares at the end of the financial year (series A + series K shares) x closing price of the share on the last day of the financial year	

Shares and shareholders

>> Real-time information on Raute's shares and shareholders can be found on the company's website at www.raute.com.

SHARE CAPITAL AT DEC. 31, 2011

Shares	Voting rights	Nominal value EUR/share	Number of shares 1,000 pcs	Total nominal value EUR 1,000
Series K shares (ordinary shares)	20 votes/share	2.00	991	1,982
Series A shares	1 vote/share	2.00	3,014	6,027
Total shares at Dec. 31, 2011			**4,005**	**8,010**

Changes in share capital from Jan. 1, 1994 to Dec. 31, 2011	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 Jan. 1. – Dec. 31, 2006	380,300		190,150
Share capital at Dec. 31, 2011	**8,009,516**	**991,161**	**3,013,597**

Shares and share capital

Raute Corporation's shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd. As of December 31, 2011, Raute's paid up and registered share capital amounted to EUR 8,009,516.00. The capital stock totaled 4,004,758 shares, of which 991,161 were series K shares (ordinary share, 20 votes/share), and 3,013,597 were series A shares (1 vote/share). The shares have a nominal value of EUR 2.00. Series K shares can be converted to series A shares under the terms described in section 3 of the Articles of Association. If a series K share is transferred to a new owner who does not previously hold series K shares, other shareholders of the K series have the primary right and the company has the secondary right to redeem the share under the terms described in section 4 of the Articles of Association.

Market capitalization and trade

Raute Corporation's series A shares are listed on the NASDAQ OMX Helsinki Ltd in the Industrials sector. The trading code is RUTAV. Raute Corporation has signed a market making agreement with Nordea Bank Finland Plc in compliance with the Liquidity Providing (LP) requirements issued by NASDAQ OMX Helsinki Ltd.

In 2011, a total of 522,287 Raute Corporation's series A shares were traded (646,052 pcs). The total value of trading was EUR 4.3 million (MEUR 5.2). The highest share price was EUR 11.55 (EUR 10.10) and the lowest EUR 6.05 (EUR 7.24). At the end of the year 2011, the share price was EUR 6.20 (EUR 9.70). The average price was EUR 8.57 (EUR 8.21). The company's market capitalization at the end of the reporting period was EUR 24.8 million (MEUR 38.8), with series K shares valued at the closing price of series A shares on December 31, 2011.

Shareholders

The number of shareholders totaled 1,787 at the beginning of the year 2011 and 1,667 at the end of the financial year. Series K shares were owned by 49 (50) private individuals at the end of the financial year. The combined share ownership of the Board of Directors and the President and CEO and their minor children and the corporations under their authority on December 31, 2011 was 281,931 Raute's shares, which corresponds to 7.0 percent (6.9%) of the company's combined series A and K shares and 13.8 percent (13.2%) of the votes. Nominee-registered shares accounted for 1.5 percent (2.1%) of shares.

Board authorizations

The Annual General Meeting on April 13, 2011authorized the Board to decide on the repurchase of a maximum of 400,000 of Raute Corporation's series A shares with assets from the company's non-restricted equity, such that the repurchase would reduce the company's distributable assets. The number of shares is less than ten percent (10%) of the company's overall shares.

Under the authority granted to it, the Board may repurchase the company's own series A shares to be used for the development of the company's capital structure, as consideration for funding or carrying out acquisitions or other arrangements, or to be otherwise disposed of or cancelled.

The consideration to be paid for the shares repurchased based on the authorization granted must be based on the public trading price of the company's series A share, such that the minimum price of the repurchased shares is the lowest listed market price in public trading during the validity of the authorization. Correspondingly, the maximum price is the highest listed market price in public trading during the 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 purchasing shares in public trading in markets where, according to the 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 13, 2011, the Board can decide on a directed issue of Raute Corporation's series A shares, as well as on all of the related terms and 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 will 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, at the latest until May 31, 2012. By the end of the financial year, the Board had not yet used the authorizations granted to it at the 2011 AGM.

No decisions on share issues were made during the financial year, nor were any convertible bonds issued. The company did not possess company shares or hold them as security at the end of the financial year. As of December 31, 2011, the company had no valid share issues or share- or option-based incentive plans.

Option-based incentive plan 2010
The Annual General Meeting held on March 31, 2010 resolved to issue stock options to the key personnel of Raute Group. In deviation from the shareholders' pre-emptive rights, the stock options were offered to key personnel of Raute Group separately determined by the Board of Directors and to a wholly-owned subsidiary of Raute Corporation for further delivery to the key personnel of Raute Group. The maximum total number of stock options is 240,000. Stock options entitle the subscription for a total maximum of 240,000 of Raute Corporation's series A shares and the share capital of Raute Corporation may, as a result of the share subscriptions made with the stock options, increase with a maximum of EUR 480,000. Each stock option entitles the subscription for one (1) series A share. Of the stock options, a maximum of 80,000 shall be marked with the symbol 2010 A, a maximum of 80,000 shall be marked with the symbol 2010 B and a maximum of 80,000 shall be marked with the symbol 2010 C. The stock options shall be issued free of charge.

The share subscription price for the stock options shall be determined based on the trade volume weighted average quotation of the share of Raute Corporation in continuous trading, rounded off to the nearest cent, on the NASDAQ OMX Helsinki Ltd. For stock options 2010 A the subscription price was determined during the two month period immediately following the announcement day of the financial statements for the year 2009, i.e. February 12, 2010 – April 11, 2010, and for stock options 2010 B during the two month period immediately following the announcement day of the financial statements for the year 2010, i.e. February 16, 2011 – April 15, 2011. For stock options 2010 C the subscription price will be determined during the two month period immediately following the announcement day of the financial statements for the year 2011. From the share subscription price shall be deducted the amount of the dividend or distribution of funds from the distributable equity fund decided after the beginning of the period for determination of the subscription price but before share subscription. Out of the share subscription price the amount equaling the nominal value of the share will be entered into the share capital and the exceeding amount into the invested non-restricted equity fund.

The share subscription period for stock options 2010 A will be from March 1, 2013 to March 31, 2016, for stock options 2010 B from March 1, 2014 to March 31, 2017 and for stock options 2010 C from March 1, 2015 to March 31, 2018.

The terms and conditions of the stock option system have been published on the Company's website at www.raute.com.

Insider issues
Raute Corporation follows the Guidelines for Insiders issued by NASDAQ OMX 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 Corporation's insiders comprise public insiders, permanent company-specific insiders and project-specific insiders in accordance with the Finnish Securities Markets Act. The company's public insiders include the Board of Directors, the President and CEO, the Executive Board, the Presidents of subsidiaries, and auditors. The company's permanent company-specific insiders include those persons employed by the company or persons performing work for the company on the basis of some other contract who, by virtue of their positions or tasks, have access to insider information on a regular basis. A project-specific insider register is set up if the person responsible for the project considers that the publication of the project may have a significant impact on the value of the company's shares.

The information on insiders subject to disclosure requirements is kept available in the NetSire system maintained by Euroclear Finland Ltd. The insider registers of issuers are available for public display at Euroclear Finland Ltd, Urho Kekkosen katu 5 C, FI-00100, Helsinki. In addition, the public information on the insiders is available on Raute Corporation's website at www.raute.com.

DISTRIBUTION OF OWNERSHIP BY SHAREHOLDER CATEGORY AT DEC. 31, 2011

Series A and series K shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	1,552	93.1	3,293,815	82.2	22,125,874	96.9
Financial and insurance institutions	4	0.2	393,290	9.8	393,290	1.7
Foreign shareholders	3	0.2	5,600	0.1	5,600	0.0
Non-profit institutions	8	0.5	20,501	0.5	20,501	0.1
Public institutions	2	0.1	60,350	1.5	60,350	0.3
Companies	94	5.6	172,000	4.3	172,000	0.8
Nominee-registered	4	0.2	59,202	1.5	59,202	0.3
Total	**1,667**	**100.0**	**4,004,758**	**100.0**	**22,836,817**	**100.0**

DISTRIBUTION OF SERIES A SHARE OWNERSHIP AT DEC. 31, 2011

Series A shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	1,537	93.0	2,302,654	76.4	2,302,654	76.4
Financial and insurance institutions	4	0.2	393,290	13.1	393,290	13.1
Foreign shareholders	3	0.2	5,600	0.2	5,600	0.2
Non-profit institutions	8	0.5	20,501	0.7	20,501	0.7
Public institutions	2	0.1	60,350	2.0	60,350	2.0
Companies	94	5.7	172,000	5.7	172,000	5.7
Nominee-registered	4	0.2	59,202	2.0	59,202	2.0
Total	**1,652**	**100.0**	**3,013,597**	**100.0**	**3,013,597**	**100.0**

Series A shares by number of shares	Number of shareholders	%	Number of shares	%	Number of voting rights	%
1– 1,000	1,455	88.1	447,273	14.8	447,273	14.8
1,001– 5,000	141	8.5	292,299	9.7	292,299	9.7
5,001–10,000	22	1.3	159,938	5.3	159,938	5.3
10,001– 50,000	21	1.3	565,078	18.8	565,078	18.8
50,001–100,000	10	0.6	599,683	19.9	599,683	19.9
100,001–	3	0.2	949,326	31.5	949,326	31.5
Total	**1,652**	**100.0**	**3,013,597**	**100.0**	**3,013,597**	**100.0**

DISTRIBUTION OF SERIES K SHARE OWNERSHIP AT DEC. 31, 2011

Series K shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	49	100.0	991,161	100.0	19,823,220	100.0
Total	**49**	**100.0**	**991,161**	**100.0**	**19,823,220**	**100.0**

Series K shares by number of shares	Number of shareholders	%	Number of shares	%	Number of voting rights	%
1– 1,000	5	10.2	2,230	0.2	44,600	0.2
1,001– 5,000	7	14.3	18,566	1.9	371,320	1.9
5,001–10,000	8	16.3	43,640	4.4	872,800	4.4
10,001– 50,000	24	49.0	648,665	65.4	12,973,300	65.4
50,001–100,000	5	10.2	278,060	28.1	5,561,200	28.1
Total	**49**	**100.0**	**991,161**	**100.0**	**19,823,220**	**100.0**

20 LARGEST SHAREHOLDERS AT DEC. 31, 2011

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	-	624,798	624,798	15.6	624,798	2.7
2. Mandatum Henkivakuutusosakeyhtiö	-	181,900	181,900	4.5	181,900	0.8
3. Sijoitusrahasto Alfred Berg Small Cap F.	-	142,628	142,628	3.6	142,628	0.6
4. Suominen, Jussi Matias	48,000	74,759	122,759	3.1	1,034,759	4.5
5. Mustakallio, Kari Pauli	60,480	58,000	118,480	3.0	1,267,600	5.6
6. Suominen, Pekka	48,000	62,429	110,429	2.8	1,022,429	4.5
7. Suominen, Tiina Sini-Maria	48,000	62,316	110,316	2.8	1,022,316	4.5
8. Siivonen, Osku Pekka	50,640	53,539	104,179	2.6	1,066,339	4.7
9. Kirmo, Kaisa Marketta	50,280	41,826	92,106	2.3	1,047,426	4.6
10. Mustakallio, Mika Tapani	56,180	29,670	85,850	2.1	1,153,270	5.1
11. Keskiaho, Kaija Leena	33,600	51,116	84,716	2.1	723,116	3.2
12. Särkijärvi, Anna Riitta	60,480	22,009	82,489	2.1	1,231,609	5.4
13. Mustakallio, Ulla Sinikka	47,240	30,862	78,102	2.0	975,662	4.3
14. Relander, Harald Bertel	-	65,000	65,000	1.6	65,000	0.3
15. Sijoitusrahasto Nordea Suomi Small Cap	-	63,489	63,489	1.6	63,489	0.3
16. Mustakallio, Marja Helena	43,240	18,162	61,402	1.5	882,962	3.9
17. Särkijärvi-Martinez, Anu Riitta	12,000	43,256	55,256	1.4	283,256	1.2
18. Särkijärvi, Timo	12,000	43,256	55,256	1.4	283,256	1.2
19. Kirmo, Lasse	30,000	24,110	54,110	1.4	624,110	2.7
20. Suominen, Jukka Matias	24,960	27,964	52,924	1.3	527,164	2.3
Total	**625,100**	**1,721,089**	**2,346,189**	**58.6**	**14,223,089**	**62.3**

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, Kari Pauli	60,480	58,000	118,480	3.0	1,267,600	5.6
2. Särkijärvi, Anna Riitta	60,480	22,009	82,489	2.1	1,231,609	5.4
3. Mustakallio, Mika Tapani	56,180	29,670	85,850	2.1	1,153,270	5.1
4. Siivonen, Osku Pekka	50,640	53,539	104,179	2.6	1,066,339	4.7
5. Kirmo, Kaisa Marketta	50,280	41,826	9,106	2.3	1,047,426	4.6
6. Suominen, Jussi Matias	48,000	74,759	122,759	3.1	1,034,759	4.5
7. Suominen, Pekka	48,000	62,429	110,429	2.8	1,022,429	4.5
8. Suominen, Tiina Sini-Maria	48,000	62,316	110,316	2.8	1,022,316	4.5
9. Mustakallio, Ulla Sinikka	47,240	30,862	78,102	2.0	975,662	4.3
10. Mustakallio, Kai Henrik	47,420	4,594	52,014	1.3	952,994	4.2
11. Mustakallio, Marja Helena	43,240	18,162	61,402	1.5	882,962	3.9
12. Mustakallio Risto Knut kuolinpesä	42,240	-	42,240	1.1	844,800	3.7
13. Keskiaho, Kaija Leena	33,600	51,116	84,716	2.1	723,116	3.2
14. Sundholm, Göran	-	624,798	624,798	15.6	624,798	2.7
15. Kirmo, Lasse	30,000	24,110	54,110	1.4	624,110	2.7
16. Keskiaho, Juha-Pekka	27,440	9,500	36,940	0.9	558,300	2.4
17. Suominen, Jukka Matias	24,960	27,964	52,924	1.3	527,164	2.3
18. Keskiaho, Marjaana	24,780	21,500	46,280	1.2	517,100	2.3
19. Kultanen, Leea Annikka	22,405	8,031	30,436	0.8	456,131	2.0
20. Molander, Sole	20,160	-	20,160	0.5	403,200	1.8
Total	**785,545**	**1,225,185**	**2,010,730**	**50.2**	**16,936,085**	**74.2**

The number of nominee-registered shares at Dec. 31, 2011 was 59,202 pieces (84,794 pcs).

Management's shareholding at Dec. 31, 2011

The Board of Directors, the Group's President and CEO, and Presidents of subsidiaries owned a total of 136,049 series A shares and 151,470 series K shares. Management's shareholding corresponds to 7.2 percent of the company's shares and 13.9 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.

Public insiders' shareholding at Dec. 31, 2011

The company's public insiders owned a total of 141,299 series A shares and 151,470 series K shares. Public insiders' shareholding corresponds to 7.3 percent of the company's shares and 13.9 percent of the associated total voting rights. The figures include the holdings of their own, minor children and control entities.

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 6,379,357.25, of which the loss for the financial year is EUR 145,200.69 and the balance sheet amounts to EUR 49,384,730.25.

The Board of Directors proposes to the Annual General Meeting that the distributable funds be used in the following way:

- EUR 0.30 per share distributed as dividend, i.e. total of	EUR 1,201,427.40
- Retained in equity	EUR 5,177,929.85
	EUR 6,379,357.25

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.

Nastola, February 14, 2012

Erkki Pehu-Lehtonen
Chairman of the Board

Sinikka Mustakallio
Risto Hautamäki
Ilpo Helander

Mika Mustakallio
Pekka Suominen

Tapani Kiiski
President and CEO

Auditor's note

The Auditor's report has been issued today.

Helsinki, February 14, 2012

PricewaterhouseCoopers Oy
Authorized Public Accountants

Janne Rajalahti
Authorized Public Accountant

List of the Parent company's common document types, accounting journal types and means of storaging

FINANCIAL STATEMENTS DECEMBER 31, 2011

Common document types used		**Documents' means of storaging**
Balance sheet book		Separately bound
General journal and general ledger		In electronic format
Accounts payable and accounts receivable		In electronic format

Description of accounting journals	**Accounting journal**	**Journal's means of storaging**
Bank and cash vouchers	10-11 and 15	In paper
Purchase invoices	81-82, 85-86	In electronic format
Sales invoices	30-35, 37-38	In paper
Transactions of purchase and sales invoices	70-72 and 80	In electronic format
Fixed asset register		Printed list
Salary entries	65-67	In paper
Memo vouchers	6, 19-22, 24-25	In paper
Automatic contra entries of memo vouchers	97-98	In electronic format
Imputed and entries of cost accounting	26-29, 39 and 89	In electronic format and in paper (28, 39, 89)

Development of quarterly results

EUR 1,000	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Total 2011
NET SALES	**14,627**	**23,136**	**21,626**	**14,934**	**74,323**
Change in inventories of finished goods and work in progress	**95**	**723**	**223**	**-1,225**	**-184**
Other operating income	**32**	**68**	**45**	**23**	**168**
Materials and services	-7,067	-13,891	-12,885	-5,561	**-39,404**
Expenses from employee benefits	-6,047	-6,137	-5,397	-6,437	**-24,019**
Depreciation and amortization	-542	-538	-530	-518	**-2,128**
Other operating expenses	-2,540	-2,547	-2,071	-2,336	**-9,494**
Total operating expenses	**-16,196**	**-23,113**	**-20,883**	**-14,853**	**-75,045**
OPERATING PROFIT (LOSS)	**-1,442**	**814**	**1,011**	**-1,121**	**-738**
% of net sales	**-10**	**4**	**5**	**-8**	**-1**
Financial income	211	313	242	-60	**705**
Financial expenses	-318	-362	-403	-10	**-1,093**
PROFIT (LOSS) BEFORE TAX	**-1,550**	**764**	**850**	**-1,190**	**-1,126**
% of net sales	**-11**	**3**	**4**	**-8**	**-2**
Income taxes	285	-244	-180	170	**30**
TOTAL PROFIT (LOSS) FOR THE PERIOD	**-1,265**	**520**	**670**	**-1,020**	**-1,095**
% of net sales	**-9**	**2**	**3**	**-7**	**-1**
Attributable to					
Equity holders of the Parent company	-1,265	520	670	-1,020	**-1,095**
Earnings per share, EUR					
Undiluted earnings per share	-0.32	0.13	0.17	-0.25	**-0.27**
Diluted earnings per share	-0.32	0.13	0.17	-0.25	**-0.27**
Shares, 1,000 pcs					
Adjusted average number of shares	4,005	4,005	4,005	4,005	**4,005**
Adjusted average number of shares, diluted	4,014	4,012	4,005	4,005	**4,005**

Auditor's Report

To the Annual General Meeting of Raute Corporation
We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Raute Corporation for the year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO
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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the President and CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the President and CEO are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the Consolidated Financial Statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Nastola, 14 February 2012
PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant

www.raute.com