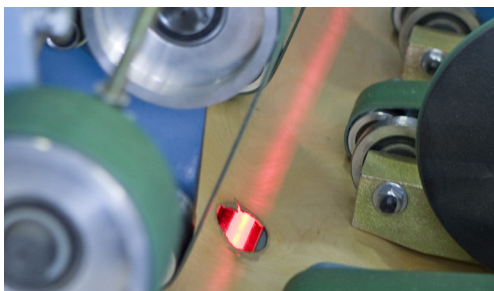


# 2011

Financial statements 2011  
14 February 2012



## RAUTE CORPORATION - FINANCIAL STATEMENTS JANUARY 1–DECEMBER 31, 2011

- The Group's net sales, EUR 74.3 million (MEUR 62.9), increased 18% on the comparison year. Order intake was EUR 77 million (MEUR 72).
- Operating result amounted to EUR -0.7 million (MEUR -3.1, excluding the MEUR 4.4 gain from a real estate sale). Result before taxes was EUR -1.1 million (MEUR +1.1).
- Undiluted earnings per share were EUR -0.27 (EUR +0.29).
- Fourth quarter net sales were EUR 14.9 million and operating result was EUR -1.1 million. Order intake was EUR 31 million and the order book stood at EUR 36 million (MEUR 33) at the end of the reporting period.
- The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.30 per share be paid for the financial year 2011.
- In 2012 net sales will increase significantly on the comparison year and the operating profit will be clearly positive.

### TAPANI KIISKI, PRESIDENT AND CEO: 2012 STARTS OFF WITH SATISFACTORY ORDER BOOK

The year 2011 began with expectations of continued 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.

2011 began well for Raute also. The order book was satisfactory at the beginning of the year and we received more new orders. Following the positive start to the year, the economic outlook began to grow more uncertain and our customers started to defer their investment decisions. After a six month wait, we finally received our first significant new orders in November from Estonia and in December from Chile. In terms of new orders, Russia became our largest market area in 2011.

Our fourth quarter was challenging. The continued low order intake resulted in low net sales, bringing down the positive operating result achieved by the end of September into the negative for the whole of 2011.

The development of our technology services was positive throughout the year which reflects the improved utilization rates of our customer industries. Our order intake and net sales grew dramatically. Modernization products tapped into significant markets in Russia.

The profitability of our operations excluding non-recurring items improved in 2011 from the previous year, however we fell short of our targets. Our profitability during the first part of the year was weakened by additional costs resulting from delays in the start-ups of certain project deliveries. Our profitability also suffered due to strong fluctuations in demand. Therefore, there is still a need for us to enhance our operations and further their flexibility.

All of us here at Raute have worked hard to implement our strategy and we are already beginning to see results. In addition to the significant growth in technology services, the emerging markets now account for a larger share of our sales. Raute's traditional high technology solutions are still a significant part of our operations, however the highest relative growth was seen in our solutions directed at the emerging markets. We also started up new projects in order to serve this market segment. Both 2010 statistics concerning the wood product industry, and our own observations of our customer base from last year, support our perception that the shift in the markets' focus towards new production countries is continuing and accelerating. Within the space of five years, China's plywood production has grown by a volume that equals the production of the world's second largest production area, North America, at its height.

This year commenced with a satisfactory order book. With market demand development resting on an uncertain foundation, the new EUR 50 million order for plywood mill machinery to Chile which was received last week will have a significant effect on our outlook for the year. Our continual efforts to understand our customers' needs and strengthen the factors affecting the success of their operations, as well as the development of our own operations and personnel, will bring us results regardless of the development of the market outlook. My strongest expectations for the rest of the year are focused on the emerging markets in Russia and Asia, as well as the continuation of the positive development in technical services.

A heartfelt thank you to Raute's customers for their continued confidence in us and invaluable cooperation, to the personnel for their outstanding work in the face of growing challenges and to our shareholders and all our other partners for their role in furthering Raute's development.

## FOURTH QUARTER OF 2011

### Order intake and order book

The order intake during the fourth quarter amounted to EUR 31 million (MEUR 26), of which technology services accounted for EUR 8 million (MEUR 7). The most significant new orders were the more than EUR 6 million in orders for machinery and equipment for a veneer mill in Estonia and more than EUR 16 million in orders for machinery for a plywood mill in Chile. These orders did not have a significant effect on net sales in 2011.

The order book increased in the fourth quarter of the year by EUR 15 million and stood at EUR 36 million (MEUR 33) at year-end.

### Net sales

Fourth-quarter net sales were EUR 14.9 million (MEUR 13.4). The low level of net sales can be attributed to the low order intake during the third and fourth quarters.

Technology services accounted for 36 percent (30%) of the company's net sales.

### Result and profitability

The operating profit for the final quarter was EUR 1.1 million in the negative (MEUR 2.3 negative) and accounted for -8 percent (-17%) of net sales. The negative operating profit was caused by low net sales. The result was EUR 1.0 million negative (MEUR 1.9 negative), and earnings per share were EUR -0.25 (EUR -0.47).

### Financing

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. The loan will be repaid in equal installments every six months starting in June 2013 and ending in December 2016. The measures did not affect covenant levels.

## RAUTE CORPORATION – FINANCIAL STATEMENTS JANUARY 1– DECEMBER 31, 2011

### 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 life-cycle 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 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 amounting to 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 totaled EUR 74.3 million (MEUR 62.9), up by 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%).

## RESULT AND PROFITABILITY

The Group's operating profit for 2011 was EUR 0.7 million in the negative (MEUR 1.3 in the negative excluding a MEUR 4.4 gain from a real estate sale) and -1 percent of net sales (+2%). The profitability of operations excluding non-recurring items improved from the previous year due to the growth in net sales and a lighter cost structure resulting from earlier operational reorganization measures. 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 due to strong fluctuations in demand.

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 positive) and the result for the financial year was EUR 1.1 million in the negative (MEUR 1.2 positive). The Group's comprehensive income totaled EUR 1.1 million in the negative (MEUR 1.1 positive).

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%).

## **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 (-40%) and equity ratio 47 percent (51%).

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 (MEUR 53.0). 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 financial year, 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.

## **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 figures section of this report.

## **EVENTS DURING THE REPORTING PERIOD**

Raute Corporation published stock exchange releases on the following events:

January 20, 2011 Raute to have over EUR 12 million in orders from Russia.

April 13, 2011 Raute Corporation's 2011 Annual General Meeting was held in April.

September 26, 2011 Petri Lakka appointed member of Raute Group's Executive Board.

October 25, 2011 Raute's profit outlook for the full year 2011 weakened.

November 16, 2011 Raute to have over EUR 6 million in orders from Estonia.

December 16, 2011 Raute to have over EUR 16 million in orders from Chile.

## **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 (MEUR 1.8) and 2.7 percent of net sales (2.9%) 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 (MEUR 2.2). 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 (EUR 41 thousand).

## **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 (438). Salaries and remunerations paid by the Group totaled EUR 20.9 million (MEUR 19.5).

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.

## **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. The terms and conditions of the stock option scheme are available on the company's website.

## **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 units manage 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.

## **SEASONAL FLUCTUATIONS IN BUSINESS**

The Group's net sales and working capital fluctuate every quarter due to different types of project deliveries and their schedules. Business operations do not involve regular seasonal changes.

## 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.

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

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

Raute has no separate internal auditing organization. The Controller function oversees the annual internal control plan 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.

### **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. An outline of Raute Corporation's corporate governance principles and the company's remuneration statement are presented on the company's website at [www.raute.com](http://www.raute.com).

### **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 and is published on the company's website together with the Annual Report and 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 Corporations 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.

Other share-related information is presented in the figures section of this report.

## 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 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 at Lahti's Sibelius Hall on Monday April 16, 2012 at 6:00 p.m. A shareholder who wishes to include an issue in Raute Corporation's Annual General Meeting's agenda shall notify the company thereof in writing no later than March 9, 2012.

## PUBLISHING OF THE 2011 ANNUAL REPORT AND FINANCIAL STATEMENTS

Raute Corporation's Annual Report and consolidated financial statements 2011 will be published during week 11.

## 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.

## SUMMARY OF FINANCIAL STATEMENTS AND NOTES

The figures for the financial years 2010 and 2011 presented in the figures section of the financial statement release have been audited. The presented interim financial report figures have not been audited.

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (EUR 1 000)</b>	<b>Note</b>	<b>1.10.-31.12. 2011</b>	<b>1.10.-31.12. 2010</b>	<b>1.1.-31.12. 2011</b>	<b>1.1.-31.12. 2010</b>
<b>NET SALES</b>	3, 4, 5	<b>14 934</b>	<b>13 396</b>	<b>74 323</b>	<b>62 867</b>
<b>Change in inventories of finished goods and work in progress</b>		<b>-1 225</b>	<b>815</b>	<b>-184</b>	<b>351</b>
<b>Other operating income</b>		<b>23</b>	<b>10</b>	<b>168</b>	<b>4 580</b>
Materials and services		-5 561	-7 395	-39 404	-32 679
Expenses from employee benefits	15	-6 437	-6 418	-24 019	-23 467
Depreciation and amortization		-518	-574	-2 128	-2 250
Other operating expenses		-2 336	-2 166	-9 494	-8 091
<b>Total operating expenses</b>		<b>-14 853</b>	<b>-16 554</b>	<b>-75 045</b>	<b>-66 487</b>
<b>OPERATING PROFIT</b>		<b>-1 121</b>	<b>-2 333</b>	<b>-738</b>	<b>1 311</b>
<b>% of net sales</b>		<b>-8</b>	<b>-17</b>	<b>-1</b>	<b>2</b>
Financial income		-60	266	705	728
Financial expenses		-10	-338	-1 093	-917
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>-1 190</b>	<b>-2 406</b>	<b>-1 126</b>	<b>1 122</b>
<b>% of net sales</b>		<b>-8</b>	<b>-18</b>	<b>-2</b>	<b>2</b>
Income taxes	7	170	538	30	36
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>-1 020</b>	<b>-1 868</b>	<b>-1 095</b>	<b>1 158</b>
<b>% of net sales</b>		<b>-7</b>	<b>-14</b>	<b>-1</b>	<b>2</b>
<b>Other comprehensive income items:</b>					
Exchange differences on translating foreign operations		57	28	23	-20
Cash flow hedging		19	-27	19	-19
Income tax related to cash flow hedges		-5	7	-5	5
<b>Comprehensive income items for the period, net of tax</b>		<b>71</b>	<b>8</b>	<b>37</b>	<b>-34</b>
<b>COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD</b>		<b>-949</b>	<b>-1 860</b>	<b>-1 058</b>	<b>1 124</b>
<b>Profit (loss) for the period attributable to Equity holders of the Parent company</b>		<b>-1 020</b>	<b>-1 868</b>	<b>-1 095</b>	<b>1 158</b>
<b>Comprehensive profit (loss) for the period attributable to Equity holders of the Parent company</b>		<b>-949</b>	<b>-1 860</b>	<b>-1 058</b>	<b>1 124</b>
<b>Earnings per share for profit (loss) attributable to Equity holders of the Parent company, EUR</b>					
Undiluted earnings per share		-0,25	-0,47	-0,27	0,29
Diluted earnings per share		-0,25	-0,47	-0,27	0,29
<b>Shares, 1 000 pcs</b>					
Adjusted average number of shares		4 005	4 005	4 005	4 005
Adjusted average number of shares diluted		4 005	4 005	4 005	4 005

<b>CONSOLIDATED BALANCE SHEET (EUR 1 000)</b>	<b>Note</b>	<b>31.12. 2011</b>	<b>31.12. 2010</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	1 433	1 341
Property, plant and equipment	9	8 226	8 913
Other financial assets		789	497
Receivables		549	-
Deferred tax assets		1 601	1 849
<b>Total</b>		<b>12 598</b>	<b>12 599</b>
<b>Current assets</b>			
Inventories		5 059	4 574
Accounts receivables and other receivables	5	9 298	11 770
Income tax receivable		37	-
Cash and cash equivalents		25 674	24 090
<b>Total</b>		<b>40 067</b>	<b>40 435</b>
<b>TOTAL ASSETS</b>		<b>52 666</b>	<b>53 034</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity attributable to Equity holders of the Parent company</b>			
Share capital		8 010	8 010
Share premium		6 498	6 498
Other reserves	15	187	36
Exchange differences		23	35
Retained earnings		8 447	8 490
Profit (loss) for the period		-1 095	1 158
<b>Share of shareholders' equity that belongs to the owners of the Parent company</b>		<b>22 069</b>	<b>24 227</b>
<b>Total shareholders' equity</b>		<b>22 069</b>	<b>24 227</b>
<b>Non-current liabilities</b>			
Provisions		123	57
Deferred tax liabilities		-	337
Non-current interest-bearing liabilities	11	10 937	10 000
<b>Total</b>		<b>11 060</b>	<b>10 394</b>
<b>Current liabilities</b>			
Provisions		697	612
Pension obligations		98	91
Current interest-bearing liabilities	11	4 340	4 439
Advance payments received	5	5 589	5 243
Current tax liabilities		416	-
Trade and other payables		8 399	8 028
<b>Total</b>		<b>19 537</b>	<b>18 413</b>
<b>Total liabilities</b>		<b>30 597</b>	<b>28 807</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>52 666</b>	<b>53 034</b>

<b>CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1 000)</b>	<b>1.1.-31.12. 2011</b>	<b>1.1.-31.12. 2010</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Proceeds from sales	64 268	57 338
Proceeds from other operating income	168	121
Payments of operating expenses	-62 322	-63 416
<b>Cash flow before financial items and taxes</b>	<b>2 113</b>	<b>-5 957</b>
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
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>2 531</b>	<b>-6 114</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Capital expenditure in tangible and intangible assets	-1 589	-2 067
Purchases of assets-for-sale as investments	-293	-11
Proceeds from sale of tangible and intangible assets	133	6 448
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>-1 748</b>	<b>4 370</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Decrease of non-current and current receivables	1 000	2 000
Increase of current liabilities	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	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>846</b>	<b>-2 316</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>1 629</b>	<b>-4 060</b>
increase (+)/decrease (-)		
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR*</b>	<b>24 090</b>	<b>27 900</b>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR*</b>	<b>-45</b>	<b>251</b>
<b>CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET AT THE END OF THE FINANCIAL YEAR</b>		
Cash and cash equivalents	25 674	24 090
<b>TOTAL</b>	<b>25 674</b>	<b>24 090</b>

\*Cash and cash equivalents comprise assets at fair value through profit and loss, as well as cash and bank receivables, which will be due within the following three months' period.

<b>CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>					
<b>(EUR 1 000)</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Exchange rate diff.</b>	<b>Retained earnings</b>
<b>EQUITY Jan. 1, 2011</b>	<b>8 010</b>	<b>6 498</b>	<b>36</b>	<b>35</b>	<b>9 648</b>
Profit (loss) for the period	-	-	-	-	-1 095
Other comprehensive income items:					
Exchange differences on translating foreign operations	-	-	-	-12	-
Cash flow hedging, net of tax	-	-	14	-	-
<b>Total comprehensive profit (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>-12</b>	<b>-1 095</b>
Dividend paid	-	-	-	-	-1 201
Equity-settled share-based transactions	-	-	137	-	-
Reclassifications between items	-	-	-	-	-
<b>EQUITY Dec. 31, 2011</b>	<b>8 010</b>	<b>6 498</b>	<b>187</b>	<b>23</b>	<b>7 351</b>

<b>CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continue)</b>		
<b>(EUR 1 000)</b>	<b>To the owners of the Parent company</b>	<b>EQUITY TOTAL</b>
<b>EQUITY Jan. 1, 2011</b>	<b>24 227</b>	<b>24 227</b>
Profit (loss) for the period	-1 095	-1 095
Other comprehensive income items:		
Exchange differences on translating foreign operations	-12	-12
Cash flow hedging, net of tax	14	14
<b>Total comprehensive profit (loss) for the period</b>	<b>-1 093</b>	<b>-1 093</b>
Dividend paid	-1 201	-1 201
Equity-settled share-based transactions	137	137
Reclassifications between items	-	-
<b>EQUITY Dec. 31, 2011</b>	<b>22 069</b>	<b>22 069</b>

<b>CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY</b>					
<b>(EUR 1 000)</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other funds</b>	<b>Exchange rate diff.</b>	<b>Retained earnings</b>
<b>EQUITY Jan. 1, 2010</b>	<b>8 010</b>	<b>6 498</b>	<b>294</b>	<b>55</b>	<b>8 196</b>
Profit (loss) for the period	-	-	-	-	1 158
Other comprehensive income items:					
Exchange differences on translating foreign operations	-	-	-	-20	-
Cash flow hedging, net of tax	-	-	-14	-	-
<b>Total comprehensive profit (loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-14</b>	<b>-20</b>	<b>1 158</b>
Dividend paid	-	-	-	-	-
Equity-settled share-based transactions	-	-	50	-	-
Reclassifications between items	-	-	-294	-	294
<b>EQUITY Dec. 31, 2010</b>	<b>8 010</b>	<b>6 498</b>	<b>36</b>	<b>35</b>	<b>9 648</b>

<b>CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (continue)</b>		
<b>(EUR 1 000)</b>	<b>To the owners of the Parent company</b>	<b>EQUITY TOTAL</b>
<b>EQUITY Jan. 1, 2010</b>	<b>23 053</b>	<b>23 053</b>
Profit (loss) for the period	1 158	1 158
Other comprehensive income items:		
Exchange differences on translating foreign operations	-20	-20
Cash flow hedging, net of tax	-14	-14
<b>Total comprehensive profit (loss) for the period</b>	<b>1 124</b>	<b>1 124</b>
Dividend paid	-	-
Equity-settled share-based transactions	50	50
Reclassifications between items	-	-
<b>EQUITY Dec. 31, 2010</b>	<b>24 227</b>	<b>24 227</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

Raute is a technology and service company that operates worldwide. Raute's customers are companies operating in the wood products industry that manufacture veneer, plywood and LVL (Laminated Veneer Lumber). 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 is a Finnish public limited liability company, Raute Corporation, established in accordance with Finnish law (Business ID FI01490726). Its series A shares are quoted on NASDAQ OMX Helsinki Ltd., under Industrials. Raute Corporation is domiciled in Lahti, Finland. The address of its registered office is Rautetie 2, FI-15550 Nastola, Finland, and its postal address is P.O. Box 69, FI-15551 Nastola, Finland.

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

Raute Corporation's Board of Directors has on February 14, 2012 reviewed the consolidated financial statement for January 1 - December 31, 2011, and approved it to be published in compliance with this release.

### 2. Accounting principles

Raute Corporation's financial statement release January 1 - December 31, 2011 has been prepared in accordance with standard IAS 34 Interim Financial Reporting. The financial statement release does not contain full notes and other information presented in the financial statements. Financial statements with full notes will be published in compliance with Annual report 2011, which will be published in week 11.

Raute Corporation's consolidated financial statements for January 1 - December 31, 2011 have been prepared in accordance with international financial statement standards (International Financial Reporting Standards, IFRS) as adopted by the European Union, and 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 complementing IFRS regulations.

The consolidated financial statements have been prepared according to the same accounting principles as those applied in 2010, except for the following standards, amended standards and interpretations which the Group has applied as of January 1, 2011:

- IAS 24 Related Party Disclosures, revised
- IAS 32 Classification of Rights Issues, amendment
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- IFRIC 14 Prepayments of a Minimum Funding Requirement, amendment
- Annual Improvements to standards and interpretations.

The new standards, amendments and interpretations do not have any impact on the consolidated financial statements.

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

The preparation of financial statements according to IFRS standards requires management to use estimates and assumptions in the process of applying the accounting principles. Because estimates and assumptions are based on management's best knowledge at the reporting date, they comprise risks and uncertainties. The actual results may therefore differ from these estimates.

### 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.

	<b>31.12.</b>		<b>31.12.</b>
<b>Wood products technology</b>	<b>2011</b>		<b>2010</b>
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

<b>Assets of the wood products technology segment by geographical location</b>	<b>31.12.</b>		<b>31.12.</b>	
	<b>2011</b>	%	<b>2010</b>	%
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
<b>TOTAL</b>	<b>52 666</b>	<b>100</b>	<b>53 034</b>	<b>100</b>

<b>Capital expenditure of the wood products technology segment by geographical location</b>	<b>31.12.</b>		<b>31.12.</b>	
	<b>2011</b>	%	<b>2010</b>	%
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	-	-
<b>TOTAL</b>	<b>1 885</b>	<b>100</b>	<b>2 224</b>	<b>100</b>

#### 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.

<b>Net sales by market area</b>	<b>1.1.-31.12.</b>		<b>1.1.-31.12.</b>	
	<b>2011</b>	%	<b>2010</b>	%
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
<b>TOTAL</b>	<b>74 323</b>	<b>100</b>	<b>62 867</b>	<b>100</b>



<b>5. Long-term projects</b>	<b>31.12. 2011</b>	<b>31.12. 2010</b>
<b>Net sales</b>		
Net sales by percentage of completion	58 760	51 860
Other net sales	15 563	11 007
<b>TOTAL</b>	<b>74 323</b>	<b>62 867</b>
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
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	4 711
Projects for which advance payments invoiced exceeds the value by percentage of completion		
- aggregate amount of costs incurred and recognized profits less recognized losses	28 445	18 936
- advance payments received	33 704	23 315
Gross amount due to customers	5 259	4 379
Specification of combined asset and liability items		
Advance payments paid	101	147
Advance payments received included in inventories in the balance sheet	101	147
<b>6. Number of personnel, persons</b>	<b>31.12. 2011</b>	<b>31.12. 2010</b>
Effective, on average	457	438
In books, on average	475	512
In books, at the end of period	464	495
- of which personnel working abroad	117	129
<b>7. Income taxes</b>		
<p>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 the previous years and the change in deferred taxes. Current tax based on the taxable income is calculated on taxable income using the tax rate in force in each country. Taxes are recognized in the income statement, except to the extent that it relates to the items recognized in other comprehensive income or directly in equity. In that case, the tax is also recognized in other comprehensive income or directly in equity, respectively.</p> <p>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 recognized to the extent that it is probable that taxable profits will be available against which temporary differences can be utilized.</p>		
<b>8. Research and development costs</b>	<b>31.12. 2011</b>	<b>31.12. 2010</b>
Research and development costs for the financial year	2 020	1 849
Amortization of previously capitalized development costs	262	395
Development costs recognized as an asset in the balance sheet	-209	-41
Research and development costs entered as expenses for the financial year	2 072	2 203

<b>9. Changes in Intangible assets and in Property, plant and equipment</b>	<b>31.12. 2011</b>	<b>31.12. 2010</b>
<b>Intangible assets</b>		
Carrying amount at the beginning of the financial year	11 759	11 462
Exchange rate differences	16	71
Additions	609	151
Other reclassifications between items	63	75
<b>Carrying amount at the end of the financial year</b>	<b>12 447</b>	<b>11 759</b>
Accumulated depreciation and amortization at the beginning of the financial year	-10 420	-9 631
Exchange rate differences	-8	-16
Other reclassifications between items	18	-
Depreciation for the financial year	-604	-771
<b>Accumulated depreciation and amortization at the end of the financial year</b>	<b>-11 013</b>	<b>-10 420</b>
<b>Book value of intangible assets, at the beginning of the financial year</b>	<b>1 341</b>	<b>1 831</b>
<b>Book value of intangible assets, at the end of the financial year</b>	<b>1 433</b>	<b>1 341</b>
<b>Property, plant and equipment</b>		
Carrying amount at the beginning of the financial year	43 714	42 022
Exchange rate differences	117	1 696
Additions	983	2 060
Disposals	-67	-1 989
Other reclassifications between items	-285	-75
<b>Carrying amount at the end of the financial year</b>	<b>44 463</b>	<b>43 714</b>
Accumulated depreciation and amortization at the beginning of the financial year	-34 801	-31 755
Exchange rate differences	-96	-1 568
Other reclassifications between items	202	-
Depreciation for the financial year	-1 541	-1 478
<b>Accumulated depreciation and amortization at the end of the financial year</b>	<b>-36 236</b>	<b>-34 801</b>
<b>Book value of Property, plant and equipment, at the beginning of the financial year</b>	<b>8 913</b>	<b>10 267</b>
<b>Book value of Property, plant and equipment, at the end of the financial year</b>	<b>8 226</b>	<b>8 913</b>

#### 10. Related party transactions

Raute Group's related parties consist of Board members, President and CEO, Executive Board and Raute Corporation's Sickness Fund. Based on the authorization given by the Annual General Meeting, the Board of Directors of Raute Corporation has granted stock options to the management. The main items of the terms and conditions of the stock option plan 2010 and the effect of issued options on the profit (loss) for the financial year have been presented in Note 15. Group management's other employee benefits are published in compliance with Annual report 2011 in week 11.

<b>11. Interest-bearing liabilities</b>	<b>31.12. 2011</b>	<b>31.12. 2010</b>
Non-current interest-bearing liabilities recognized at amortized cost	10 937	10 000
Current interest-bearing liabilities	4 340	4 439
<b>TOTAL</b>	<b>15 277</b>	<b>14 439</b>

#### Maturities of the interest-bearing financial liabilities

Financial liability	Current	Non-current	Total
Pension loans (TyEL)	2 000	2 000	4 000
Loans from financial institutions	2 240	8 937	11 177
Other loans	100	-	100
<b>Total</b>	<b>4 340</b>	<b>10 937</b>	<b>15 277</b>

During the financial year, Raute Corporation drew out a financial institution loan in the amount of 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 interest-bearing currency-denominated loan are hedged with an interest rate and currency swap agreement. The euro-base financial loan has a fixed interest rate.

<b>12. Other lease liabilities</b>	<b>31.12.</b>	<b>31.12.</b>
<b>Group as lessee</b>	<b>2011</b>	<b>2010</b>
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
<b>TOTAL</b>	<b>2 426</b>	<b>2 406</b>

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

### 13. Pledged assets and contingent liabilities

Raute Group has non-current credit regulation agreements worth EUR 5 million (MEUR 10) of which EUR 5 million (MEUR 10) were unused on December 31, 2011. The unused credit limit is secured by a EUR 3 million business mortgage.

Raute Corporation has a EUR 10 million (MEUR 10) domestic commercial paper program, which allows it to issue commercial papers maturing in less than one year. The program is arranged by Nordea Bank Finland Plc.

	<b>31.12.</b>	<b>31.12.</b>
	<b>2011</b>	<b>2010</b>
<b>Pledged assets on behalf of the Parent company</b>		
Loans from financial institutions	<b>11 177</b>	-
- Business mortgages	<b>6 700</b>	-
Pension loans (TyEL)	<b>4 000</b>	14 000
- Business mortgages	<b>1 200</b>	6 700
- Pledged assets	-	1 000
- Credit insurance agreements	<b>2 800</b>	4 900
Other loans	<b>100</b>	100
- Real estate mortgages	<b>101</b>	134
Commercial bank guarantees on behalf of the Parent company and subsidiaries	<b>18 472</b>	10 154
Mortgage agreements on behalf of subsidiaries		
Loans from financial institutions	<b>240</b>	227
- Business mortgages	<b>240</b>	200
- Counter guarantees	-	3 100
<b>Other lease liabilities</b>	<b>2 426</b>	2 406

### 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 its subsidiary Raute Service LLC EUR 355 thousand (EUR 355 thousand) and from Raute Canada Ltd. EUR 1 152 thousand (EUR 0 thousand). Raute Corporation had a EUR 100 thousand (EUR 100 thousand) liability to Raute Sickness Fund.

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

<b>14. Currency derivatives and hedging instruments</b>	<b>31.12. 2011</b>	<b>31.12. 2010</b>
Currency derivatives are used for hedging purposes.		
<b>Nominal values of forward contracts in foreign currency</b>		
Economic hedging		
- Related to financing	1 211	189
- Related to hedging of net sales	637	283
<b>Fair values of forward contracts in foreign currency</b>		
Economic hedging		
- Related to financing	-32	-
- Related to the hedging of net sales	4	2
<b>Interest rate and currency swap agreements</b>		
- Nominal value	5 937	-
- Fair value	-285	-

#### 15. Share-based payments

The fair value of the options granted according to the 2010 stock option plan is recognized as an expense in the income statement during the earning period of the options. The options granted during the financial year 2010 are measured at fair value at their grant date. Based on the authorization given by the Annual General Meeting the Board of Directors of Raute Corporation has granted 80,000 stock options marked with symbol 2010 B to the Group's key persons during the financial year 2011. The granted options have been valued at fair value upon the grant date.

The conditions of the option systems granted during the financial period are:

Arrangement	Stock option
Grant date	May 31, 2011
Options granted	75,000 pcs
Subscription price	EUR 9.83
Share price at the grant date	EUR 10.50
Exercise period	3 years
Subscription period	March 1, 2014 to March 31, 2017
Settlement	Shares
Arrangement	Stock option
Grant date	September 26, 2011
Options granted	5,000 pcs
Subscription price	EUR 9.83
Share price at the grant date	EUR 7.33
Exercise period	3 years
Subscription period	March 1, 2014 to March 31, 2017
Settlement	Shares

An expense of EUR 137 thousand was recognized for the options in the income statement during the financial year.

#### 16. Exchange rates used

<b>Income statement, euros</b>	<b>1.1.-31.12. 2011</b>	<b>1.1.-31.12. 2010</b>
USD (US dollar)	1,3917	1,3268
CAD (Canadian dollar)	1,3756	1,3665
SGD (Singapore dollar)	1,7491	1,8080
CLP (Chilean peso)	672,0723	675,8537
RUB (Russian rouble)	40,8797	40,2780
CNY (Chinese yuan)	8,9958	8,9805
<hr/>		
<b>Balance sheet, euros</b>	<b>31.12. 2011</b>	<b>31.12. 2010</b>
USD (US dollar)	1,2939	1,3362
CAD (Canadian dollar)	1,3215	1,3322
SGD (Singapore dollar)	1,6819	1,7136
CLP (Chilean peso)	680,1710	626,1104
RUB (Russian rouble)	41,7650	40,8200
CNY (Chinese yuan)	8,3499	8,7873

**17. The Board of Directors' proposal for dividend distribution and measures concerning the result**

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 financial 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. 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.

<b>GROUP KEY RATIOS</b>	<b>1.1.-31.12. 2011</b>	<b>1.1.-31.12. 2010</b>
Return on investment (ROI), %	-0,1	5,1
Return on equity (ROE), %	-4,7	4,9
Gearing, %	-47,1	-39,8
Equity ratio, %	46,9	50,7
Order book, EUR million	36	33
Order intake, EUR million	77	72
Exported portion of net sales, %	88,0	91,9
Change in net sales, %	18,2	71,6
Gross capital expenditure, EUR million	1,9	2,2
% of net sales	2,5	3,5
Research and development costs, EUR million	2,0	1,8
% of net sales	2,7	2,9
Earnings per share (EPS), EUR		
- undiluted	-0,27	0,29
- diluted	-0,27	0,29
Equity to share, EUR	5,51	6,05
Dividend per share series K shares, EUR	0,30*	0,30
Dividend per share series A shares, EUR	0,30*	0,30
Dividend per profit, %	-109,7*	103,8
Effective dividend return, %	4,8*	3,1
Share price at the end of the financial year, EUR	6,20	9,70
Number of shares		
- weighted average, 1 000 pcs	4 005	4 005
- diluted, 1 000 pcs	4 005	4 005

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

**Calculation of key ratios**

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

DEVELOPMENT OF QUARTERLY RESULTS (EUR 1 000)	Q 1 2011	Q 2 2011	Q 3 2011	Q 4 2011	Rolling 1.1.2011 — 31.12.2011	Rolling 1.1.2010 — 31.12.2010
<b>NET SALES</b>	<b>14 627</b>	<b>23 136</b>	<b>21 626</b>	<b>14 934</b>	<b>74 323</b>	<b>62 867</b>
<b>Change in inventories of finished goods and work in progress</b>	<b>95</b>	<b>723</b>	<b>223</b>	<b>-1 225</b>	<b>-184</b>	<b>351</b>
<b>Other operating income</b>	<b>32</b>	<b>68</b>	<b>45</b>	<b>23</b>	<b>168</b>	<b>4 580</b>
Materials and services	-7 067	-13 891	-12 885	-5 561	-39 404	-32 679
Expenses from employee benefits	-6 047	-6 137	-5 397	-6 437	-24 019	-23 467
Depreciation and amortization	-542	-538	-530	-518	-2 128	-2 250
Other operating expenses	-2 540	-2 547	-2 071	-2 336	-9 494	-8 091
<b>Total operating expenses</b>	<b>-16 196</b>	<b>-23 113</b>	<b>-20 883</b>	<b>-14 853</b>	<b>-75 045</b>	<b>-66 487</b>
<b>OPERATING PROFIT</b>	<b>-1 442</b>	<b>814</b>	<b>1 011</b>	<b>-1 121</b>	<b>-738</b>	<b>1 311</b>
<b>% of net sales</b>	<b>-10</b>	<b>4</b>	<b>5</b>	<b>-8</b>	<b>-1</b>	<b>2</b>
Financial income	211	313	242	-60	705	728
Financial expenses	-318	-362	-403	-10	-1 093	-917
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>-1 550</b>	<b>764</b>	<b>850</b>	<b>-1 190</b>	<b>-1 126</b>	<b>1 122</b>
<b>% of net sales</b>	<b>-11</b>	<b>3</b>	<b>4</b>	<b>-8</b>	<b>-2</b>	<b>2</b>
Income taxes	285	-244	-180	170	30	36
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>-1 265</b>	<b>520</b>	<b>670</b>	<b>-1 020</b>	<b>-1 095</b>	<b>1 158</b>
<b>% of net sales</b>	<b>-9</b>	<b>2</b>	<b>3</b>	<b>-7</b>	<b>-1</b>	<b>2</b>
<b>Attributable to</b>						
Equity holders of the Parent company	-1 265	520	670	-1 020	-1 095	1 158
<b>Earnings per share, EUR</b>						
Undiluted earnings per share	-0,32	0,13	0,17	-0,25	-0,27	0,29
Diluted earnings per share	-0,32	0,13	0,17	-0,25	-0,27	0,29
<b>Shares, 1 000 pcs</b>						
Adjusted average number of shares	4 005	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	4 005



<b>LARGEST SHAREHOLDERS AT DECEMBER 31, 2011</b>	<b>Number of series K shares (20 votes per share)</b>	<b>Number of series A shares (1 vote per share)</b>	<b>Total number of shares</b>
1. Sundholm Göran	-	624 798	624 798
2. Mandatum Henkivakuutusosakeyhtiö	-	181 900	181 900
3. Sijoitusrahasto Alfred Berg Small Cap Finland	-	142 628	142 628
4. Suominen Jussi Matias	48 000	74 759	122 759
5. Mustakallio Kari Pauli	60 480	58 000	118 480
6. Suominen Pekka	48 000	62 429	110 429
7. Suominen Tiina Sini-Maria	48 000	62 316	110 316
8. Siivonen Osku Pekka	50 640	53 539	104 179
9. Kirmo Kaisa Marketta	50 280	41 826	92 106
10. Mustakallio Mika Tapani	56 180	29 670	85 850
11. Keskiaho Kaija Leena	33 600	51 116	84 716
12. Särkijärvi Anna Riitta	60 480	22 009	82 489
13. Mustakallio Ulla Sinikka	47 240	30 862	78 102
14. Relander Harald Bertel	-	65 000	65 000
15. Sijoitusrahasto Nordea Suomi Small Cap	-	63 489	63 489
16. Mustakallio Marja Helena	43 240	18 162	61 402
17. Särkijärvi-Martinez Anu Riitta	12 000	43 256	55 256
18. Särkijärvi Timo	12 000	43 256	55 256
19. Kirmo Lasse	30 000	24 110	54 110
20. Suominen Jukka Matias	24 960	27 964	52 924
<b>TOTAL</b>	<b>625 100</b>	<b>1 721 089</b>	<b>2 346 189</b>
Share of total amount of shares, %	63,1	57,1	58,6
Share of total voting rights, %	63,1	57,1	62,3
Nominee-registered		59 202	59 202
Other shareholders	366 061	1 233 306	1 599 367
<b>TOTAL</b>	<b>991 161</b>	<b>3 013 597</b>	<b>4 004 758</b>
<b>MANAGEMENT'S SHAREHOLDING</b>	<b>151 470</b>	<b>136 049</b>	<b>287 519</b>
Share of total amount of shares, %	15,3	4,5	7,2
Share of total voting rights, %	15,3	4,5	13,9

SHARE INFORMATION	31.12. 2011	31.12. 2010
<b>Number of shares</b>		
- Series K shares, ordinary shares (20 votes/share)	991 161	991 161
- Series A shares (1 vote/share)	3 013 597	3 013 597
<b>Total</b>	<b>4 004 758</b>	<b>4 004 758</b>
<b>Trading of the company's shares (series A shares)</b>		
Trading of shares, pcs	522 287	646 052
Trading of shares, EUR million	4,3	5,2
<b>Share price of the series A shares</b>		
At the end of the financial year, EUR	6,20	9,70
Highest price during the financial year, EUR	11,55	10,10
Lowest price during the financial year, EUR	6,05	7,24
Average price during the financial year, EUR	8,57	8,21
<b>Market value of capital stock</b>		
- Series K shares, EUR million*	6,1	9,6
- Series A shares, EUR million	18,7	29,2
<b>Total, EUR million</b>	<b>24,8</b>	<b>38,8</b>

\*Series K shares valued at the value of series A shares at the end of the financial year.

RAUTE CORPORATION  
Board of Directors

PRESS CONFERENCE ON FEBRUARY 14, 2012 AT 2 P.M.:

A press conference will be organized for analysts, investors and the media on February 14, 2012 at 2 p.m. at Scandic Simonkenttä Hotel, Roba cabinet, Simonkatu 9, Helsinki. The financial statements will be presented by Mr. Tapani Kiiski, President and CEO, and Ms. Arja Hakala, CFO.

FINANCIAL RELEASES IN 2012:

Raute's interim reports will be published as follows:

- January–March on Friday May 4, 2012
- January–June on Tuesday July 31, 2012
- January–September on Tuesday October 30, 2012.

Raute Corporation's consolidated financial statements and Annual Report 2011 will be published during week 11.

Raute Corporation's Annual General Meeting will be held in Lahti, at Sibelius Hall on Monday, April 16, 2012 at 6:00 p.m.

FURTHER INFORMATION:

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DISTRIBUTION:

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

RAUTE IN BRIEF:

Raute is a technology and service company that operates worldwide. Raute's customers are companies operating in the wood products industry that manufacture veneer, plywood and LVL (Laminated Veneer Lumber). The technology offering covers machinery and equipment for the entire production process. As a supplier of mill-scale projects Raute is a global market leader both in the plywood and LVL industries. Additionally, Raute's full-service concept includes 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. Raute's net sales in 2011 were EUR 74.3 million. The Group's headcount at the end of 2011 was 464.

More information about the company can be found at [www.raute.com](http://www.raute.com).