2021

Financial Statements

RAUTE

English translation of the Financial Statements 2021

The Group's net sales for 2021 totaled EUR 142.2 million (MEUR 115.0), up by 24 percent on the previous year. The Group's operating profit improved 21 percent from the previous year and stood at EUR –2.2 million (MEUR –2.8). The Group's financial income and expenses totaled EUR 0.5 million positive (MEUR 0.3). The Group's profit before taxes was EUR 1.8 million negative (MEUR –2.5). Profit for the financial year was EUR –1.8 million (MEUR –1.8). The Group's comprehensive income was EUR 2.1 million negative (MEUR –3.6). Undiluted earnings per share were EUR –0.42 (EUR –0.43), and diluted earnings per share EUR –0.42 (EUR –0.43). Return on equity was -4.8 percent (–4.1%).

In this report, figures in parentheses refer to corresponding figures for the previous financial years 2020 and 2019.

BUSINESS ENVIRONMENT

Raute's customers in the veneer, plywood and LVL (Laminated Veneer Lumber) industries are engaged in the manufacture of wood products used in investment projects and are thus affected by fluctuations in construction, housing-related consumption, international trade, and transportation. We expect that the trend-like growth in wood construction will create demand for our customers and indirectly for Raute, strengthening our long-term growth opportunities.

As a result of the exceptional volatility in the market situation caused by the Covid-19 pandemic, many of our customers, particularly in traditional, developed markets, initially put the brakes on their investments, and then, during the past year, accelerated them and cleared their investment backlog. This development was further strengthened by the strong demand for wood products. In contrast, emerging markets have not made similar progress in recovering from the pandemic. Demand for Raute's products and services has thus remained low in these markets. Demand overall was at a good level last year. The planning of mill-scale projects is also moving forward in several market areas.

Investment activity among Raute's customers has strengthened compared to the previous year. The order intake during the period under review was very good. Even without the reported new capacity projects, which are one-off in nature, the number of new orders was good.

Demand was particularly high in Russia. However, forecasting the realization and timing of large projects is difficult. The pandemic continued to have a major impact on the emerging markets of Asia and South America, which were quiet. Also in China, the pandemic-related precautionary measures continued, hampering the progress of projects, in addition to which the general economic development was slower than usual. Demand continued to be active in Europe and North America, and the order intake was at a good level.

Demand for maintenance and spare parts services remained good, which is an indication of the generally good capacity utilization rates of Raute's customers' production plants. In our estimation, without the travel restrictions related to the pandemic, sales of maintenance services would have been even stronger than they were.

ORDER INTAKE AND ORDER BOOK

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

The improvement in the market situation was reflected in the volume of new orders Raute received. The order intake during 2021 was at a record-high level and amounted to EUR 203 million (MEUR 119). The order intake consisted of three large projects to create new capacity, two of which were entirely new mills and one involved the expansion of an existing mill, and a number of medium-sized and small single production line project deliveries and modernizations. The order for an LVL plant worth EUR 30 million to Lithuania and the growth in the number of modernization orders can be considered 2021's biggest successes.

Of new orders, 39 percent came from Russia (62%), 34 percent from Europe (19%), 18 percent from North America (10%), 5 percent from Asia-Pacific (5%) and 4 percent from South America (4%). Sometimes even strong fluctuations in the distribution of new orders between the various market areas are typical for project-focused business.

The order intake for technology services amounted to EUR 73 million (MEUR 38), growing 93 per cent from the comparison period, thanks especially to an increase in modernization orders. The order book at the end of 2021 amounted to a record EUR 158 million (MEUR 94). The majority of the order book is scheduled for 2022, but the volume scheduled for 2023 is also exceptionally large.

COMPETITIVE POSITION

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

NET SALES

The Group's net sales (IFRS) totaled EUR 142.2 million (2020: MEUR 115.0; 2019: MEUR 151.3). Net sales grew 24 percent on 2020. The net sales growth was in line with the company's plans, with the exception of some minor shifts in revenue recognition during the latter part of the year.

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

Net sales for project deliveries totaled EUR 88 million (MEUR 75), up 17 percent from the previous year. Project deliveries accounted for 62 percent (65%) of total net sales. The plywood industry's share of the net sales of project deliveries was 88.5 percent (99.7%), while the LVL industry's share was 11.5 percent (0.3%).

Net sales for technology services totaled EUR 54 million (MEUR 40). Net sales grew 35 percent from the previous year to 38 percent (35%) of total net sales, driven by a sharp increase in demand for technology services and especially larger modernizations.

Of the total net sales for 2021, Russia accounted for 49 percent (55%), Europe for 25 percent (22%), North America for 14 percent (11%), South America for 5 percent (7%), and Asia-Pacific for 7 percent (5%). Finland accounted for 8 percent (6%) of the Group's net sales.

In 2021, net sales (FAS) of the parent company Raute Corporation totaled EUR 117.9 million (2020: MEUR 96.3; 2019: MEUR 120.4).

RESULT AND PROFITABILITY

In 2021, the Group's operating profit (IFRS) totaled EUR 2.2 million negative (2020: MEUR –2.8; 2019: MEUR 8.5) and –1.6 percent of net sales (2020: –2.4%; 2019: 5.6%). The operating profit was impacted by the recognition change due to the agenda decision made by IFRIC concerning the accounting practice for SaaS. In accordance with the analysis carried out by the company based on the decision, the company recognized EUR 2.0 million for 2021 through profit and loss and EUR 0.9 million for 2020 retroactively from the balance sheet's retained earnings. As reported earlier, Raute invests in digitalization, and the project to be implemented includes a SaaS ERP system. The result was also impacted by the delays in the availability of raw materials and components in project deliveries, and higher material costs. The restrictions that were introduced on travel and our Chinese and North American plants' operations due to the Covid-19 pandemic also caused our result to fall more than expected as the pandemic persisted.

The Group's financial income and expenses totaled EUR +0.5 million (MEUR +0.3). The Group's result before taxes was EUR 1.8 million negative (MEUR –2.5) and the result for the reporting period was EUR 1.8 million negative (MEUR –1.8). The Group's comprehensive income was EUR 2.1 million negative (MEUR –3.6).

Undiluted earnings per share were EUR –0.42 (EUR –0.43), and diluted earnings per share EUR –0.42 (EUR –0.43). The return on investment was –2.7 percent (–2.7%) and return on equity –4.8 percent (–4.1%).

The operating profit (FAS) of the parent company Raute Corporation was EUR 3.8 million negative (2020: MEUR –3.5; 2019: MEUR 5.0). The operating profit was -3.2 percent of net sales (2020: –3.6%; 2019: 4.2%). The profit for the financial year (FAS) was EUR 2.7 million negative (2020: MEUR –2.7; 2019: MEUR 4.5).

CASH FLOW AND BALANCE SHEET

The Group's financial position remained strong throughout the year. At the end of the financial year, the Group's cash and cash equivalents exceeded interest-bearing liabilities by EUR 12.2 million (MEUR 3.9). At the end of the financial year, gearing was –35.9 percent (–9.8%), and the equity ratio was 44.3 percent (58.8%).

The Group's cash and cash equivalents amounted to EUR 24.4 million (MEUR 11.6) at the end of 2021. The change in cash and cash equivalents in the financial year was EUR 12.5 million positive. Operating cash flow was EUR 24.0 million positive (MEUR 1.1 positive). Cash flow from investment activities was EUR 6.3 million negative (MEUR 3.9 negative). Cash flow from financing activities was EUR 5.2 million negative (MEUR 7.2 negative), including dividend payments of EUR 3.4 million.

The Group's balance sheet total at the end of 2021 stood at EUR 110.7 million (2020: MEUR 85.4; 2019: MEUR 90.7).

Interest-bearing liabilities amounted to EUR 12.2 million (MEUR 7.7) at the end of 2021. This sum consists almost entirely of liabilities for right-of-use assets. The increase in liabilities during the reporting period is due to fixed asset liabilities for a new mill in China.

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. Raute has no commercial papers on the markets.

The parent company Raute Corporation is prepared for future working capital needs and has long-term credit facility agreements with two Nordic banks totaling EUR 20.5 million. The main covenants of the credit facilities are an equity ratio of >30% and gearing of <80%. Of the credit facilities, EUR 20.5 million remained unused at the end of the financial year.

At the end of the financial year, the equity ratio (FAS) of the parent company Raute Corporation was 54 percent (2020: 67%; 2019: 72%).

LOANS TO RELATED PARTIES AND OTHER LIABILITIES

Other liabilities are presented in the figures section of this report, in the notes to the financial statements.

RESEARCH AND DEVELOPMENT

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

In 2021, the Group's research and development costs totaled EUR 4.9 million (2020: MEUR 4.3; 2019: MEUR 4.4) and 3.5 percent of net sales (2020: 3.7%; 2019: 2.9%), including the research and development costs of Raute's own products.

During the financial year, the research and development costs (FAS) of the parent company Raute Corporation were EUR 4.8 million, representing 4.1 percent of net sales (2020: MEUR 4.8/5.0% of net sales; 2019: MEUR 4.1/3.4% of net sales).

INVESTMENTS

The Group's investments in 2021 totaled EUR 6.3 million (2020: MEUR 3.5; 2019: MEUR 3.0). The largest single investment was the continuation of the project to renew our IT systems.

The most important investments in 2021 were an investment in a machine tool at our Lahti production plant and the development of processes and on-premise software licenses related to a system project mentioned elsewhere.

The investments of the parent company Raute Corporation totaled EUR 6.9 million (2020: MEUR 4.0; 2019: MEUR 2.6).

DEVELOPMENT OF OPERATIONS

In 2021, we completed the rollout of our management system that was renewed in 2019. The main objective of the renewal is to respond to our customers' new expectations, while enhancing the implementation of our strategy and helping us to achieve our growth targets. After the renewal, our business was divided into four areas based on different customer needs: Power, Grow, Services and Metrix. The contents of these business areas are presented in more detail on our website www.raute.com. The implemented organizational change does not impact Raute's segment reporting. Raute's entire business still consists of a single segment serving the wood products industry.

Our goal is to be the preferred supplier for a growing number of customers in the emerging markets while at the same time maintaining our strong position in the developed markets.

Raute is the leading technology supplier in the wood products sector, and digital solutions play a crucial role in our strategy. We continuously develop new digital solutions such as machine vision and other analyzers, as well as systems to enable remote monitoring and control in order to add value to our customers' processes and to enable them to thrive. By digitalizing our own processes, we can increase the efficiency of our operations and improve quality.

HUMAN RESOURCES

The Group's headcount at the end of 2021 was 802 (2020: 751; 2019: 778). Finnish Group companies accounted for 66 percent (66%) of employees, North American companies for 12 percent (16%), Chinese companies for 13 percent (11%), and other sales and maintenance companies for 9 percent (7%).

Converted to full-time employees ("effective headcount"), the average number of employees during the financial year was 780 (2020: 743; 2019: 761). Salaries and remunerations paid by the Group totaled EUR 37.9 million (2020: MEUR 34.2; 2019: MEUR 38.4). This figure does not include expenses resulting from the share incentive plans.

The Group continued to develop the competence of its personnel and increase their commitment to the company. Approximately one percent (1%) of the payroll was invested in personnel training. Our key focal areas in HR development were training to meet the needs of the new IT system project, the improvement of leadership and the organization-wide strengthening of our highly responsible operating culture that strives for first-class quality. Competence-development activities were implemented through, among other things, a systematic mentor program and training organized based on identified needs. Use of the RauteACADEMY online learning environment was continued.

Occupational safety was weaker during the reporting period compared to 2020. The number of accidents leading to an absence from work amounted to 13. The LTIF figure was 9.0 (the full-year figure for 2020 was 7.9). In April, we reported that there was a tragic fatal accident at our project installation site in China.

Converted to full-time employees, the average number of personnel employed by the parent company Raute Corporation in 2021 was 531 (2020: 501; 2019: 502). Salaries and remunerations paid by the parent company totaled EUR 26.9 million (2020: MEUR 24.9; 2019: MEUR 26.8).

REMUNERATION

The Annual General Meeting approved, on March 31, 2021, the Remuneration Report for Governing Bodies proposed by the Board of Directors. The resolution is advisory.

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

SHARE-BASED INCENTIVE PLANS

The impact of the share-based incentive plans on the result for the financial year was EUR 0 thousand (EUR 118 thousand positive). During the financial year, the estimate of earned shares changed, and the conditions of the three ongoing programs were not met. EUR 0 thousand (EUR 85 thousand) was allocated to the equity item "Other reserves" from the share-based incentive plans in force at the end of the financial year.

Share-based incentive plan 2017–2023

In February 2017, the Board of Directors of Raute Corporation resolved to implement a new performance-based, share-value-based, long-term incentive plan for the Group's senior management. The purpose of the plan is to align the objectives of the owners and management in order to develop the company's value, and to commit management to achieving the company's strategic goals by offering a competitive long-term incentive plan.

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

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

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

LTI Plan 2020–2022 commenced at the start of 2020. The plan consists of two parts. The first part consists of a three-year earnings period. Its weight is 50 per cent of the whole plan and the performance target is Total Shareholder Return (TSR) proportionate to the selected peer group. The second part consists of a one-year earnings period and the subsequent two-year vesting period. Its weight is 50 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any rewards based on both parts will be paid in the spring of 2023 if the performance targets set by the Board of Directors are achieved. Eleven persons belonging to Raute Group's senior management, including the members of the Executive Board, are entitled to participate in the LTI 2020–2022 plan.

LTI Plan 2021–2023 commenced at the start of 2021. The program consists of a three-year earnings period, with two performance indicators applied. The first performance indicator is the Absolute Total Shareholder Return (TSR) on Raute's A series share, and its weight is 70 percent. The second performance indicator is the net sales target, with a weight of 30 percent. Any possible rewards based on both performance indicators will be paid after the three-year plan ends and the financial statements have been completed, in spring of 2024, provided that the performance targets set by the Board of Directors have been achieved. The rewards will be paid in Raute's series A shares or in cash, or as a combination thereof. Eleven persons belonging to Raute Group's senior management are entitled to participate in the LTI 2021–2023 plan.

SOCIETY AND THE ENVIRONMENT

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

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

Continuously improving work safety is one of the key points in our corporate responsibility agenda. In 2021, Raute's LTIF indicator (Lost Time Injury Frequency, i.e. lost-time injuries per million hours worked) weakened slightly from 2020, and we reached a figure of 9.0 (7.9).

RISKS AND RISK MANAGEMENT

The Group's identified key risk areas relate to the nature of the business, the business environment, financing, damage or loss and information security. The fluctuations in demand resulting from economic cycles and delivery and technology risks have been identified as the Group's most significant business risks.

Risks in the near term continue to be driven by the uncertainty relating to the global economic situation and the development of the financial markets, as well as by international political instability especially related to the Russian markets. In addition to the political risk, the most significant risks for Raute in the near term are related to the price development and, to some extent, availability of raw materials, components and freight.

Restrictions resulting from the pandemic caused by the coronavirus will have a negative impact on Raute's outlook also in the future, but the extent and duration of the impact are still impossible to assess.

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

Business risks

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

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

Raute invests heavily in product development. The developmental phase for new technologies involves the risk that the project will not lead to a technologically or commercially acceptable solution. The functionality and capacity of new solutions produced as a result of development work cannot be fully verified until the solutions can be tested under production conditions in conjunction with the first customer deliveries.

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

Emerging markets

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

The company's reputation

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

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

Payment fraud

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

Information security

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

Human resources

Competence retention and development and 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, refinancing, interest rate and price risks.

The default risk relating to customers' solvency is managed through payment terms and by covering the unpaid sum with bank guarantees, letters of credit or other suitable securities. The Group's liquid assets are mainly held in banks in the Nordic countries. The credit losses recognized during the 2021 financial year amounted to EUR 7 thousand (EUR 0 thousand).

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

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

The financing risks, as well as the risk management objectives and procedures, are described in more detail on page 54 of the notes to the financial statements.

Risks of damage or loss

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

Raute's most significant single risks concerning material damage and business interruption loss are a fire, a serious machine breakdown and an IT system breakdown or malfunction at the main production unit in Lahti, where the production, planning, financial, and ERP systems serving the Group's key technologies are centrally located. Precautions against such risks have been taken by means of back-up systems and insurance policies, but, despite precautions, the serious realization of such a risk would cause significant damage to Raute's operations.

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

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

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

Organization of risk management

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

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

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

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

SHAREHOLDERS

The number of shareholders totaled 6,134 at the beginning of the year and 6,009 at the end of the financial year. Series K shares were held by 55 private individuals (54) at the end of the financial year. Nominee-registered shares accounted for 2.3 percent (2.2%) of shares. The company did not receive any flagging notifications in 2021.

The Board of Directors, the President and CEO as well as the Executive Board held altogether 256,059 company shares, equaling 6.0 percent (6.0%) of all the company shares and 11.6 percent (11.6%) of the votes on December 31, 2021.

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

AUDITORS

At Raute Corporation's Annual General Meeting on March 31, 2021, the authorized public accounting company PricewaterhouseCoopers was chosen as auditor, with Authorized Public Accountant Markku Launis as the principal auditor.

CORPORATE GOVERNANCE

In 2021, Raute Corporation has complied with the Finnish Corporate Governance Code 2020 for listed companies issued by the Securities Market Association on September 19, 2019.

CORPORATE GOVERNANCE STATEMENT

Raute Corporation's Board of Directors has reviewed Raute Corporation's Corporate Governance Statement for 2020 drawn up in accordance with Chapter 7, Section 7 of the Finnish Securities Markets Act and the Finnish Corporate Governance Code 2021 for listed companies issued by the Securities Market Association on September 19, 2019. The statement has been drawn up separately from the Report of the Board of Directors.

NON-FINANCIAL STATEMENT

Raute Corporation's Board of Directors has addressed Raute Corporation's non-financial statement for 2021 (in accordance with Directive 2014/95/EU of the European Parliament and Council) as a statement separate from the Report of the Board of Directors.

REMUNERATION REPORT FOR GOVERNING BODIES

Raute Corporation's Board of Directors has addressed Raute Corporation's 2020 remuneration report for governing bodies, drawn up in accordance with Chapter 7, Section 7 of the Finnish Securities Markets Act and the Finnish Corporate Governance Code 2020 for listed companies issued by the Finnish Securities Market Association on September 19, 2019. The remuneration report is published in connection with the financial statements.

BOARD OF DIRECTORS AND PRESIDENT AND CEO

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

Ms. Laura Raitio was elected Chair of Raute Corporation's Board at the Annual General Meeting held on March 31, 2021, while Mr. Mika Mustakallio was elected Vice-Chair, and Mr. Joni Bask, Mr. Ari Harmaala, Mr. Pekka Suominen, and Mr. Patrick von Essen were elected as Board members.

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

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

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

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

EXECUTIVE BOARD

Raute Group's Executive Board and the members' areas of responsibility:
Tapani Kiiski, President and CEO, Chair – Sales
Kurt Bossuyt, Executive Vice President, Services – Services market
Marko Hjelt, Executive Vice President, Human Resources – People excellence, safety
Mika Hyysti, Executive Vice President, CTO – Innovations, products and services, and R&D
Tarja Järvinen, Executive Vice President, CFO – Finance, ICT and other business support, sustainability
Timo Kangas, Executive Vice President, Power – Power market
Jani Roivainen, Executive Vice President, Metrix – Metrix market
Jukka Siiriäinen, Executive Vice President, Grow – Grow market
Petri Strengell, Executive Vice President, COO – Supply chain and quality

SHARES

The number of Raute Corporation's shares at the end of 2021 totaled 4,263,194 (4,263,194), of which 991,161 (991,161) were series K shares (ordinary share, 20 votes/share) and 3,272,033 (3,272,033) were series A shares (1 vote/share). Series K and A shares confer equal rights to dividends and company assets.

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

Raute Corporation's series A shares are listed on Nasdaq Helsinki Ltd. The trading code is RAUTE. In 2021, the number of shares traded was 591,208 (680,073), worth altogether EUR 13.2 million (MEUR 14.0). The number of shares traded represents 18 percent (21%) of all listed series A shares. The average price of a series A share was EUR 22.28 (EUR 20.57). The highest closing price of the year was EUR 24.90 and the lowest was EUR 19.20.

The company's market capitalization at the end of 2021 totaled EUR 84.4 million (MEUR 96.8), with series K shares valued at the closing price of series A shares, EUR 19.80 (EUR 22.70), on December 31, 2021.

DISTRIBUTION OF PROFIT FOR THE 2020 FINANCIAL YEAR

The Annual General Meeting held on March 31, 2021, decided to pay a dividend of EUR 0.80 per share for the financial year 2020. The total amount of dividends is EUR 3,410,555.20, with series A shares accounting for EUR 2,617,626.40 and series K shares for EUR 792,928.80. The dividend payment date was April 13, 2021.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

The Annual General Meeting held on March 31, 2021 authorized the company's Board of Directors to decide on the repurchase of Raute Corporation series A shares with assets from the company's non-restricted equity and to decide on a directed issue of a maximum of 400,000 shares. The Board of Directors did not exercise the authorization in 2021.

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

ANNUAL GENERAL MEETING 2022

Raute Corporation's Annual General Meeting 2022 will be held at Lahti's Sibelius Hall on Thursday, March 31, 2022 at 6:00 p.m. A shareholder who wishes to include an issue in the agenda of Raute Corporation's Annual General Meeting shall notify the company thereof in writing no later than February 18, 2022.

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

On December 31, 2021, the parent company Raute Corporation's distributable assets totaled EUR 27,545 thousand, of which EUR 2,713 thousand represents the loss for the financial year January 1 – December 31, 2021.

The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on March 31, 2022, that a dividend of EUR 0.80 per share be paid to holders of series A and K shares for the financial year 2021, and that the remainder of distributable assets be transferred to equity.

On the date of the profit distribution proposal, the number of shares entitling to a dividend is 4,263,194 shares, which would amount to total dividends of EUR 3,411 thousand. Shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date for dividend distribution, April 4, 2022, are entitled to dividends. The dividend payment date would be April 11, 2022.

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 2022

Due to the strong order book, active demand and further alleviated impacts of the coronavirus pandemic, Raute's 2022 net sales are expected to grow and operating profit is expected to improve from 2021.

Consolidated Financial Statements

RAUTE CORPORATION
Consolidated Financial Statements

January 1 – December 31, 2021

Raute Corporation's consolidated financial statements for January 1–December 31, 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations released accepted for application in the EU. Preparations have complied with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, effective on December 31, 2021. The notes to the consolidated financial statements also comply with Finnish accounting legislation.

General information

Adoption of the Consolidated Financial Statements

These consolidated financial statements for the period between January 1 and December 31, 2021 were authorized for issue by Raute Corporation's Board of Directors at its meeting on February 18, 2022. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting arranged after the statements have been issued. The Annual General Meeting also has the opportunity to make changes to the financial statements.

Business and operational segments

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

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

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

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

Parent company

Raute Group's Parent company, Raute Corporation, is a Finnish public limited liability company established in accordance with Finnish law (Business ID FI01490726). Its series A shares are quoted on Nasdaq Helsinki Ltd, under Industrials. Raute Corporation is domiciled in Lahti. The address of its registered office is Rautetie 2, FI-15550 Nastola, and its postal address is P.O. Box 69, FI-15551 Nastola.

Insider management

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

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

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

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

Preparation of consolidated financial statements

Raute Corporation's consolidated financial statements for January 1 – December 31, 2021 have been prepared in accordance with the International Financial Reporting Standards, IFRS, accepted for application in the European Union. Preparations have complied with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, effective on December 31, 2021.

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

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

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

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

CONSOLIDATED STATEMENT OF INCOME

EUR 1,000	Page	1.1.–31.12.2021	1.1.–31.12.2020
NET SALES	27, 28	**142 212**	114 994
Change in inventories of finished goods and work in progress		**-2 233**	3 128
Other operating income	38	**437**	201
Materials and services	33	-74 324	-64 102
Employee benefits expense	34	-44 517	-39 365
Depreciation and amortization	48	-4 315	-4 039
Other operating expenses	38	-19 504	-13 587
Total operating expenses		**-142 661**	-121 093
OPERATING RESULT		**-2 244**	-2 770
Financial income	65	998	736
Financial expenses	65	-525	-421
Financial expenses, net		**472**	315
RESULT BEFORE TAX		**-1 772**	-2 455
Income taxes	39	**-3**	636
RESULT FOR THE FINANCIAL YEAR		**-1 775**	-1 819
Result for the financial year attributable to			
Equity holders of the Parent company		-1 775	-1 819
Earnings per share for profit attributable to Equity holders of the Parent company, EUR			
Undiluted earnings per share	58	-0,42	-0,43
Diluted earnings per share	58	-0,42	-0,43
Shares, 1 000 pcs			
Adjusted average number of shares	57, 58	4 263	4 263
Adjusted average number of shares, diluted	58	4 263	4 267

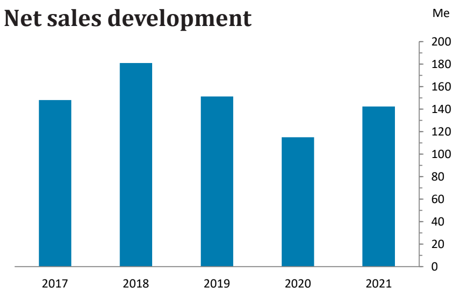
Basis of preparation

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

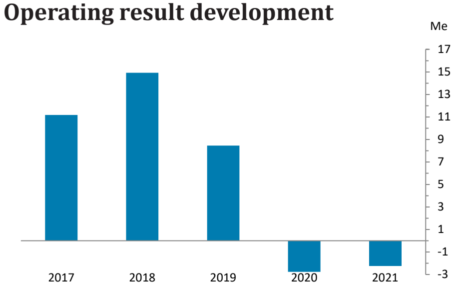
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Page	1.1.– 31.12.2021	1.1.– 31.12.2020
RESULT FOR THE FINANCIAL YEAR		**-1 775**	-1 819
Other comprehensive income items			
Items that will not be reclassified to profit or loss			
Changes in the fair value of financial assets att fair value through other comprehensive income	61	**-416**	-1 355
Items that may be subsequently reclassified to profit or loss			
Hedging reserve, hedge accounting		**-62**	-117
Exchange differences on translating foreign operations		**56**	-596
Income taxes related to these items		**83**	272
Comprehensive income items for the period, net of tax		**-339**	-1 796
COMPREHENSIVE RESULT FOR THE FINANCIAL YEAR		**-2 114**	-3 615
Comprehensive profit for the financial year attributable to			
Equity holders of the Parent company		**-2 114**	-3 615

Net sales development



Operating result development



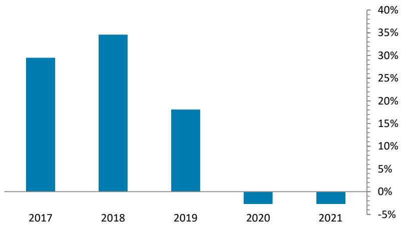
CONSOLIDATED BALANCE SHEET

EUR 1,000	Page	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Goodwill	41	**1 714**	1 714
Other intangible assets	42	**6 400**	3 295
Property, plant and equipment	45	**11 489**	10 903
Right of use assets	47	**10 064**	5 917
Other financial assets	61	**1 019**	1 435
Accounts receivables	30	**-**	640
Deferred tax assets	40	**1 853**	1 242
Total non-current assets		**32 538**	25 146
Current assets			
Inventories	49	**22 009**	15 041
Accounts receivables and other receivables	32	**31 629**	33 635
Income tax receivable	32	**143**	6
Cash and cash equivalents	63	**24 357**	11 601
Total current assets		**78 138**	60 282
TOTAL ASSETS		**110 676**	85 428

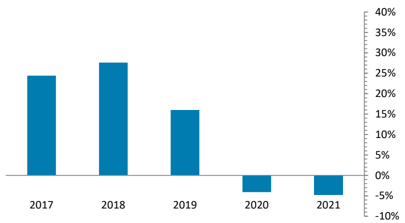
CONSOLIDATED BALANCE SHEET

EUR 1,000	Page	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the Parent company			
Share capital	55	**8 256**	8 256
Fair value reserve and other reserves	55, 57	**6 791**	7 188
Exchange differences	55	**548**	353
Retained earnings	55	**20 238**	25 613
Result for the financial year		**-1 775**	-1 819
Total equity		**34 064**	39 587
Non-current liabilities			
Lease liability	40	**228**	-
Deferred tax liability	47	**8 493**	4 496
Provisions	33	**207**	363
Total non-current liabilities		**8 928**	4 859
Current liabilities			
Provisions	33	**2 632**	3 244
Current interest-bearing liabilities	59	**2 071**	1 857
Lease liability	47	**1 549**	1 385
Current advance payments received	28, 50	**33 764**	18 144
Income tax liability	50	**624**	412
Trade payables and other liabilities	50	**27 044**	15 940
Total current liabilities		**67 685**	40 982
Total liabilities		**76 612**	45 840
TOTAL EQUITY AND LIABILITIES		**110 676**	85 428

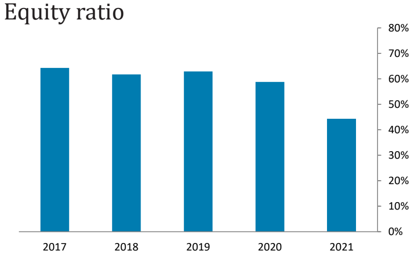
Return on invesment (ROI)



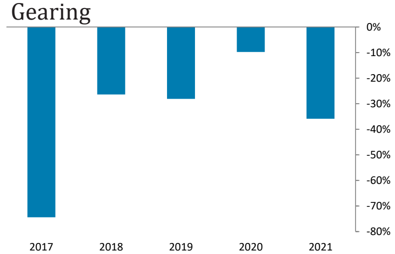
Return on equity



Equity ratio



Gearing



CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	Page	1.1.– 31.12.2021	1.1.– 31.12.2020
CASH FLOW FROM OPERATING ACTIVITIES			
Proceeds from customers		**160 037**	117 538
Payments to suppliers and employees		**-135 940**	-117 135
Cash flow before financial items and taxes		**24 097**	403
Interest paid from operating activities		**-147**	-98
Dividends received from operating activities	65	**745**	640
Interest received from operating activities		**33**	22
Other financing items from operating activities		**-292**	-274
Income taxes paid from operating activities		**-433**	434
Net cash flow from operating activities (A)		**24 003**	1 127
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		**-6 297**	-3 602
Proceeds from sale of property, plant and equipment and intangible assets		**-**	193
Payment for the acquisition of a subsidiary, net of cash acquired		**-**	-512
Net cash flow from investing activities (B)		**-6 297**	-3 920
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**-**	1 857
Proceeds from current borrowings		**-**	-1 502
Repayments of lease liability		**-1 752**	-1 411
Dividends paid	55	**-3 411**	-6 182
Net cash flow from financing activities (C)		**-5 163**	-7 238
Net change in cash and cash equivalents (A+B+C)	63	**12 543**	-10 032
increase (+)/decrease (-)			
Cash and cash equivalents at the beginning of the financial year	63	**11 601**	22 361
Net change in cash and cash equivalents		**12 543**	-10 032
Effects of exchange rate changes on cash		**213**	-728
Cash and cash equivalents at the end of the financial year		**24 357**	11 601

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

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

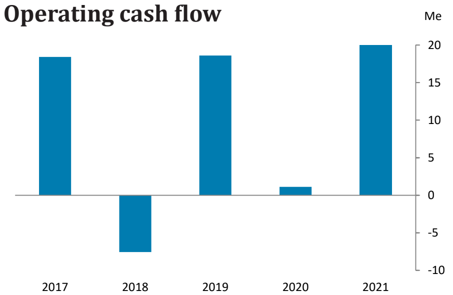
Cash flow from financing activities includes the share capital changes in cash, dividends paid to shareholders during the period as well as proceeds and repayments of loans.

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

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

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

Operating cash flow



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Page	Share capital	Invested non-restricted equity reserve	Other reserves	Exchange differences	Retained earnings	To the equity holders of the Parent company	TOTAL EQUITY
EQUITY AT JAN. 1, 2021		**8 256**	**5 711**	**1 476**	**353**	**23 793**	**39 587**	**39 587**
Comprehensive result for the financial year								
Result for the financial year		-	-	-	-	-1 775	-1 775	-1 775
Other comprehensive income items:								
Changes in the fair value of financial assets at fair value through other comprehensive income	55	-	-	-416	-	-	-416	-416
Hedging reserve	52, 55	-	-	-62		-	-62	-62
Exchange differences on translating foreign operations	55	-	-	-	195	-139	56	56
Income taxes related to these items	55	-	-	83	-	-	83	83
Total comprehensive items after taxes				-395	195	-139	-339	-339
Total comprehensive result for the financial year		**-**	**-**	**-395**	**195**	**-1 914**	**-2 114**	**-2 114**
Transactions with owners								
Equity-settled share-based transactions	55	-	-		-	-	-	-
Dividends paid	55	-	-	-	-	-3 411	-3 411	-3 411
Total transactions with owners		**-**	**-**	**0**	**-**	**-3 411**	**-3 411**	**-3 411**
EQUITY at Dec. 31, 2021		**8 256**	**5 711**	**1 080**	**548**	**18 469**	**34 064**	**34 064**

COMPARISON YEAR
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Page	Share capital	Invested non-restricted equity reserve	Other reserves	Exchange differences	Retained earnings	To the equity holders of the Parent company	TOTAL EQUITY
EQUITY at Jan. 1, 2020		**8 256**	**5 711**	**2 794**	**949**	**31 794**	**49 502**	**49 502**
Comprehensive result for the financial year								
Result for the financial year		-	-	-	-	-1 819	-1 819	-1 819
Other comprehensive income items:								
Changes in the fair value of financial assets at fair value through other comprehensive income	55	-	-	-1 355	-	-	-1 355	-1 355
Hedging reserve	52, 55	-	-	-117		-	-117	-117
Exchange differences on translating foreign operations	55	-	-	-	-596		-596	-596
Income taxes related to these items	55	-	-	272	-	-	272	272
Total comprehensive result for the financial year		**-**	**-**	**-1 200**	**-596**	**-1 819**	**-3 615**	**-3 615**
Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings		-	-	-	-	-	-	-
Transactions with owners								
Equity-settled share-based transactions	55	-	-	-118	-	-	-118	-118
Dividends paid	55	-	-	-	-	-6 182	-6 182	-6 182
Total transactions with owners		**-**	**-**	**-118**	**-**	**-6 182**	**-6 299**	**-6 299**
EQUITY at Dec. 31, 2020		**8 256**	**5 711**	**1 476**	**353**	**23 793**	**39 587**	**39 587**

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

The consolidated financial statements are drawn up according to the same accounting principles as in 2020, except for the adoption of new and revised standards. The effects of changes in the accounting standards have been presented on page 19.

Preparation of consolidated financial statements

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

Business combinations have been entered using the acquisition method. The consideration paid for the acquisition of a subsidiary is determined as the fair value of the transferred assets, liabilities incurred and equity interests issued by the Group. The consideration transferred contains the fair value of the asset or liability that results from the contingent consideration arrangement. Expenditure related to the acquisition is recognized as an expense when it is incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed by the business combination, have been measured at the acquisition-date fair value. Non-controlling interests have not been recognized in business combinations.

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

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

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

Financial statements in foreign currency

The income statements of foreign subsidiaries have been translated into euro using the weighted average exchange rates during the financial year and balance sheets have been translated at the average rate on the balance sheet date. Translation of income and comprehensive income at different exchange rates in the income statement and in the balance sheet results in translation differences which have been recognized in the balance sheet under equity, the difference of which has been recognized in the other comprehensive income items. The translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and from the translation of equity items accumulated after the acquisition have been recognized in the other items of the comprehensive income. On partial or full disposal of a subsidiary, the accumulated translation differences have been recognized through profit or loss as part of the gains or losses from disposal.

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

Related party transactions

Raute Group's related party consists of Group management. Raute Group's management consists of the Board of Directors, President and CEO and the Group's Executive Board. In addition, Raute's Sickness Fund in included in Raute Group's related party.

Group companies	**Group's ownership interest and voting power, %**	**Parent company's ownership interest and voting power, %**
Raute Oyj, Lahti, Finland (Parent company)		
Raute Canada Ltd., Delta, B.C., Canada	100	100
Raute Inc., Delaware, USA	100	100
Raute US, Inc., Monroe, Louisiana, USA	100	-
RWS-Engineering Oy, Lahti, Finland	100	100
Raute Group Asia Pte Ltd., Singapore	100	100
Raute WPM Oy, Lahti, Finland	100	100
Raute Chile Ltda., Concepción, Chile	100	50
Raute Service LLC, St. Petersburg, Russia	100	-
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	100	100
Metriguard Technologies, Inc., Pullman, Washington, USA	100	-
Hiottu Oy, Oulu, FInland	100	80
Raute (Changzhou) Machinery Co., Ltd, Changzhou, China	100	100

EXCHANGE RATES USED IN CONSOLIDATION OF SUBSIDIARIES

Income statement Jan. 1 - Dec. 31

euros	**2021**	2020
CNY	**7,6347**	7,8708
RUB	**87,2392**	82,6454
CAD	**1,4836**	1,5294
USD	**1,1835**	1,1413
SGD	**1,589692**	1,5736
CLP	**897,3633**	902,5383

Balance sheet at Dec. 31

EUR	**2020**	2019
CNY	**7,1947**	8,0225
RUB	**85,3004**	91,4671
CAD	**1,4393**	1,5633
USD	**1,1326**	1,2271
SGD	**1,5279**	1,6218
CLP	**964,44**	870,6600

In April 2021, the International Financial Reporting Interpretations Committee (IFRIC) issued a final agenda decision on the accounting for the costs of configuring and customizing cloud systems (IAS 38 Intangible Assets).

Based on IAS 38 (Intangible Assets) and the IFRIC (IFRS Interpretations Committee) final decision of April 2021 on the accounting treatment of configuration and customization costs for cloud services, the Group has analyzed whether the costs incurred in connection with the implementation of the cloud service meet the criteria for IAS 38. Based on the analysis, the Group has changed the accounting principle for expenses incurred in connection with the introduction of cloud services. The change in accounting policy has been implemented retrospectively, ie comparative information for 2020 has been restated as if the new accounting principle had always been applied.

The change in accounting policy had an effect on the following items in the income statement and balance sheet for the comparison period 2020:

CONSOLIDATED STATEMENT OF INCOME EUR 1,000	After the change in the accounting standard 1.1.-31.12.2020	Before the change in the accounting standard 1.1.-31.12.2020	Change
NET SALES	**114 994**	**114 994**	**0**
Change in inventories of finished goods and work in progress	**3 128**	**3 128**	
Other operating income	**201**	**201**	
Materials and services	-64 102	-64 102	
Employee benefits expense	-39 365	-39 089	-276
Depreciation and amortization	-4 039	-4 039	
Other operating expenses	-13 587	-12 945	-642
Total operating expenses	**-121 093**	**-120 175**	**-918**
OPERATING RESULT	**-2 770**	**-1 852**	**-918**
Financial income	736	736	
Financial expenses	-421	-421	
Financial expenses, net	**315**	**315**	**0**
RESULT BEFORE TAX	**-2 455**	**-1 537**	**-918**
Income taxes	**636**	**636**	
RESULT FOR THE FINANCIAL YEAR	**-1 819**	**-901**	**-918**
Result for the financial year attributable to			
Equity holders of the Parent company	-1 819	-901	-918
Earnings per share for profit attributable to Equity holders of the Parent company, EUR			
Undiluted earnings per share	-0,43	-0,21	-0,22
Diluted earnings per share	-0,43	-0,21	-0,22
Shares, 1 000 pcs			
Adjusted average number of shares	4 263	4 263	
Adjusted average number of shares, diluted	4 267	4 267	

CONSOLIDATED BALANCE SHEET EUR 1,000 EUR 1,000	After the change in the accounting standard 31.12.2021	Before the change in the accounting standard 31.12.2021	Effect
ASSETS			
Non-current assets			
Goodwill	1 714	1 714	
Other intangible assets	3 295	4 213	-918
Property, plant and equipment	10 903	10 903	
Right of use assets	5 917	5 917	
Other financial assets	1 435	1 435	
Accounts receivables	640	640	
Deferred tax assets	1 242	1 242	
Total non-current assets	**25 146**	**26 064**	-918
Current assets			
Inventories	15 041	15 041	
Accounts receivables and other receivables	33 635	33 635	
Income tax receivable	6	6	
Cash and cash equivalents	11 601	11 601	
Total current assets	**60 282**	**60 282**	0
TOTAL ASSETS	**85 428**	**86 347**	-918

CONSOLIDATED BALANCE SHEET EUR 1,000 EUR 1,000	After the change in the accounting standard 31.12.2021	Before the change in the accounting standard 31.12.2021	Effect
EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the Parent company			
Share capital	8 256	8 256	
Fair value reserve and other reserves	7 187	7 187	
Exchange differences	353	353	
Retained earnings	25 612	25 612	0
Result for the financial year	-1 819	-901	-918
Total equity	**39 587**	**40 506**	-918
Non-current liabilities			
Lease liability	-	-	
Deferred tax liability	4 496	4 496	
Provisions	363	363	
Total non-current liabilities	**4 859**	**4 859**	0
Current liabilities			
Provisions	3 244	3 244	
Current interest-bearing liabilities	1 857	1 857	
Lease liability	1 385	1 385	
Current advance payments received	18 144	18 144	
Income tax liability	412	412	
Trade payables and other liabilities	15 940	15 940	
Total current liabilities	**40 982**	**40 982**	0
Total liabilities	**45 841**	**45 841**	
TOTAL EQUITY AND LIABILITIES	**85 428**	**86 347**	-918

The change in accounting policy had an effect on the following items in the income statement and balance sheet for the financial year 2021:

CONSOLIDATED STATEMENT OF INCOME EUR 1,000	After the change in the accounting standard 1.1.-31.12.2021	Before the change in the accounting standard 1.1.-31.12.2021	Change
NET SALES	**142 212**	**142 212**	**0**
Change in inventories of finished goods and work in progress	**-2 233**	**-2 233**	
Other operating income	**437**	**437**	
Materials and services	-74 324	-74 324	
Employee benefits expense	-44 517	-43 994	-523
Depreciation and amortization	-4 315	-4 315	
Other operating expenses	-19 504	-18 016	-1 488
Total operating expenses	**-142 661**	**-140 650**	**-2 011**
OPERATING RESULT	**-2 244**	**-234**	**-2 011**
Financial income	998	998	
Financial expenses	-525	-525	
Financial expenses, net	**472**	**472**	**0**
RESULT BEFORE TAX	**-1 772**	**238**	**-2 011**
Income taxes	**-3**	**-3**	
RESULT FOR THE FINANCIAL YEAR	**-1 775**	**235**	**-2 011**
Result for the financial year attributable to			
Equity holders of the Parent company	-1 775	235	-2 010
Earnings per share for profit attributable to Equity holders of the Parent company, EUR			
Undiluted earnings per share	-0,42	0,06	-0,47
Diluted earnings per share	-0,42	0,06	-0,47
Shares, 1 000 pcs			
Adjusted average number of shares	4 263	4 263	
Adjusted average number of shares, diluted	4 263	4 263	

CONSOLIDATED BALANCE SHEET EUR 1,000	After the change in the accounting standard 31.12.2021	Before the change in the accounting standard 31.12.2021	Effect
ASSETS			
Non-current assets			
Goodwill	1 714	1 714	
Other intangible assets	6 400	9 329	-2 929
Property, plant and equipment	11 489	11 489	
Right of use assets	10 064	10 064	
Other financial assets	1 019	1 019	
Accounts receivables	-	-	
Deferred tax assets	1 853	1 853	
Total non-current assets	**32 538**	**35 467**	-2 929
Current assets			
Inventories	22 009	22 009	
Accounts receivables and other receivables	31 629	31 629	
Income tax receivable	143	143	
Cash and cash equivalents	24 357	24 357	
Total current assets	**78 138**	**78 138**	0
TOTAL ASSETS	**110 676**	**113 605**	**-2 929**

CONSOLIDATED BALANCE SHEET EUR 1,000	After the change in the accounting standard 31.12.2021	Before the change in the accounting standard 31.12.2021	Effect
EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the Parent company			
Share capital	8 256	8 256	
Fair value reserve and other reserves	6 791	6 791	
Exchange differences	548	548	
Retained earnings	20 238	21 156	-918
Result for the financial year	-1 775	235	-2 010
Total equity	**34 064**	**36 992**	-2 929
Non-current liabilities			
Lease liability	228	228	
Deferred tax liability	8 493	8 493	
Provisions	207	207	
Total non-current liabilities	**8 928**	**8 928**	0
Current liabilities			
Provisions	2 632	2 632	
Current interest-bearing liabilities	2 071	2 071	
Lease liability	1 549	1 549	
Current advance payments received	33 764	33 764	
Income tax liability	624	624	
Trade payables and other liabilities	27 044	27 044	
Total current liabilities	**67 685**	**67 685**	0
Total liabilities	**76 612**	**76 612**	
TOTAL EQUITY AND LIABILITIES	**110 676**	**113 605**	**-2 929**

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

Classification of Liabilities as Current or Non-current – Amendments to IAS 1
The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.
They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs related to produced items that are not part of output from the entity's ordinary activities. The revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3
Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting. The exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levies were added to the standard. The amendments also confirm that contingent assets should not be recognized at the acquisition date. Revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Amendment IFRS 17 Insurance Contracts
IFRS 17 was published in May 2017, and it is to replace IFRS 4 Insurance Contracts. The standard requires a current measurement approach in which estimates are updated for each reporting period. The measurement of contracts is based on the following items: discounted probability-weighted cash flows; explicit risk adjustment; and a contractual service margin that represents the unearned profit in the contract and is recognized as income during the coverage period. According to the standard, changes in discount rates can be recognized either through profit or loss or in other comprehensive income items. The choice is likely to be affected by how insurers treat their financial assets in accordance with IFRS 9. IFRS 17 includes an optional simplified approach, a premium allocation approach, that can be applied to the liability for remaining coverage arising from short-term contracts. Such contracts are often provided by non-life insurers. The amended standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Onerous Contracts – Cost of Fulfilling a Contract, Amendments to IAS 37
The amendment clarifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract and that these consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. Before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Annual Improvements to IFRS Standards 2018–2020
IFRS 9 Financial Instruments – The amendment clarifies which fees an entity should include when it applies the 10 per cent test in assessing whether to derecognize a financial liability. The revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

IFRS 16 Leases – The amendment to Illustrative Example 13 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise. The revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

IAS 41 Agriculture – The amendment removes the requirement to exclude taxation cash flows when measuring fair value. This amendment aims to ensure consistency with the requirement to use an after-tax discount rate to discount cash flows when measuring fair value. The revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure of Accounting Policies and Definition of Accounting Estimates
The amendments will help entities: to improve accounting policy information provided for notes to the financial statements so as to offer more useful information to investors and other primary users of financial statements; and to distinguish changes in accounting policies from changes in accounting estimates. The revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Amendments to IAS 12 Income Taxes; Deferred Tax related to Assets and Liabilities arising from a Single Transaction

IAS 12 prescribes how an entity should treat income taxes in its accounting, including deferred taxes, which describe the amounts of taxes payable and recoverable by the entity in the future. In certain circumstances, entities do not recognize deferred tax on initial recognition of an asset or liability in the balance sheet. Previously, it was not clear whether this exemption applied to transactions such as leases and decommissioning obligations – transactions for which entities recognize both an asset and a liability. The amendments clarify that the exemption is not applied to such transactions and that entities are required to recognize deferred tax assets and liabilities related to such transactions. The amendments aim to reduce differences in the reporting of leases and decommissioning obligations. The revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Other standards and interpretations effective January 1, 2022 or later

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

Management of financing risks

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

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

The additional information related to the financing risks has been presented in the additional information items as follows:
- Customer credit risks, note Accounts receivables and customer contract assets, page 30
- Counterparty risks, note Accounts receivables and customer contract assets, page 31
- Price risks, note Materials and services, page 33
- Currency risks, note Risk Management – Currency risks, page 53
- Interest risks, note Financial liabilities, page 59.

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

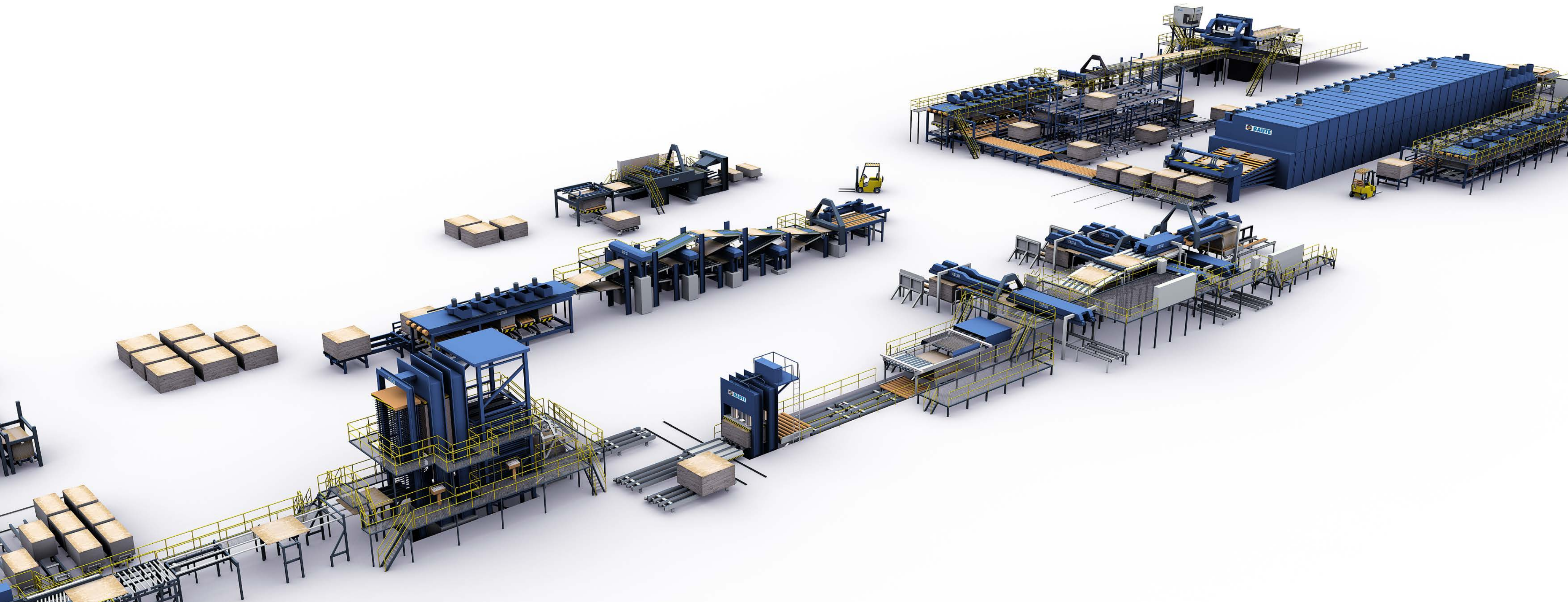
When preparing the consolidated financial statements in compliance with International Financial Reporting Standards, the company management has made certain estimates and assumptions. In addition, the management has exercised its judgment in selecting and applying the accounting policies. These estimates and assumptions have affected the assets and liabilities in the Group’s balance sheet, the disclosure of commitments and possible assets in the consolidated financial statements, and income and expenses for the financial year.

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

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

The judgments the management has used, when applying the accounting policies and which has the most significant impact on the financial statements, has been presented in the note it concerns. The management estimations have been presented in:
- Note Performance obligation to be satisfied over time, page 29
- Note Accounts receivables and customer contract assets, page 30
- Note Accounts receivables and other receivables, page 32
- Note Provisions, page 33
- Note Employee benefits, page 34 and 35
- Note Income taxes, page 39
- Note Group goodwill, page 41
- Note Other intangible assets, page 43
- Note Research and development costs, page 41
- Note Financial assets, page 61 and 62.

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

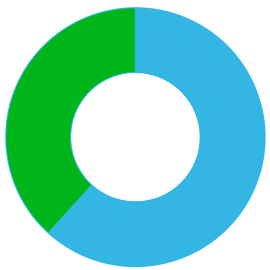


EUR 1,000	**2021**	**%**	2020	%
NET SALES				
Net sales by market area				
CIS (Russia)	**69 779**	**49**	63 411	55
EMEA (Europe and Africa)	**34 851**	**25**	25 495	22
NAM (North America)	**20 063**	**14**	12 339	11
LAM (South America)	**7 816**	**5**	7 625	7
APAC (Asia–Pacific)	**9 703**	**7**	6 125	5
TOTAL	**142 212**	**100**	114 994	100

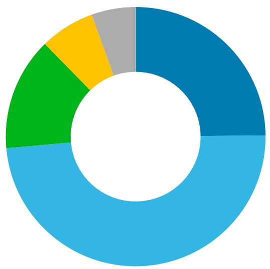
Finland accounted for 8 percent (6%) of net sales.

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

Net sales
Technology services vs. Project deliveries



Net sales by market area



Basis of preparation

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

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

The main part of the net sales is comprised of **project deliveries and modernization projects**, which have been treated as performance obligations to be satisfied over time. The basis of preparation of the performance obligations to be satisfied over time has been presented on page 29.

Revenues from **service and other expert services**, such as consulting, training and digital services, have been recognized in net sales for the period in which the service has been provided. Revenues from time-based maintenance contracts have been recognized as income for the maintenance contract period and the costs incurred have been recognized as expenses on performance basis. Performance obligation of maintenance and other expert services shall be satisfied over time when the customer receives and consumes the benefit at the same time as the service is performed. Revenues from other services have been recognized in net sales for the period in which the service has been provided.

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

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

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

EUR 1,000	2021	2020
Specification of net sales		
Performance obligations to be satisfied over time	**102 981**	81 966
Performance obligations to be satisfied at a point in time	**39 231**	33 028
TOTAL	**142 212**	114 994
Project revenues entered as income from performance obligations to be satisfied over time currently undelivered	**140 394**	118 179
Amount of performance obligations to be satisfied over time not yet entered as income (order book)	**150 786**	85 997
Balance sheet items of undelivered projects		
Projects in which the value by percentage of completion exceeds advance payments invoiced		
- aggregate amount of costs incurred and recognized profits less recognized losses	**62 861**	97 047
- advance payments received	**47 787**	76 066
Current customer contract assets	**15 074**	20 981
Projects in which advance payments invoiced exceed the value by percentage of completion		
- aggregate amount of costs incurred and recognized profits less recognized losses	**77 096**	25 257
- advance payments received	**106 910**	39 768
Current customer contract liabilities	**29 814**	14 511
Advance payments included in current liabilities in the balance sheet		
Current customer contract liabilities	**29 814**	14 511
Other advance payments received	**3 950**	3 633
Total	**33 764**	18 144
Advance payments of the customer contract included in inventories in the balance sheet		
Advance payments paid	**6 578**	1 023
Total	**6 578**	1 023

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

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

Revenue and cost from long-term projects has been recognized as an income and expense according to the percentage of completion as soon as the outcome of the performance has been reliably estimated, both expenses and income. The estimates have been based on previous experience of similar business transactions and the special features of each project have been considered. Changes to the project, requirements concerning additional charges and incentives have been taken into account in the project income and expenses to the extent which can be reliably determined and has been agreed upon with the customer. If the result of a performance obligations to be satisfied over time cannot be reliably estimated, the project costs have been recognized as an expenditure in the same financial year in which they have been incurred and the project revenue has been recognized only to the extent of project costs incurred that are likely to be recovered.

When it is probable that the total costs needed to complete the contract will exceed total contract revenue, the expected loss has been recognized as an expense immediately. If the net sales of performance obligation to be satisfied over time recognized by percentage of completion (incurred costs and recognized profits) are larger than the amount of advance payment received for the project, the difference has been recognized as a current customer contract asset in the balance sheet item Accounts receivables and other receivables. If the net sales of performance obligation to be satisfied over time recognized by percentage of completion (incurred costs and recognized profits) are minor than the amount of advance payment received for the project, the difference has been recognized as a current customer contract liability in the balance sheet item Accounts payable and other liabilities. At the beginning of the financial year, a sales income of EUR 13,787 thousand (4,446 thousand) has been recognized for items included in the current customer contract liabilities.

When the risks and responsibilities of the project have been essentially transferred to the counterparty on the contract, the customer contract has been recognized entirely as an income, unpaid contract price has been presented in accounts receivables and the estimated project warranty costs as a warranty reserve. During the financial year 2021 and the comparison period, the Group has had no financial costs allocated to the long-term projects entered in the balance sheet.

Management's critical accounting judgments and key sources of estimation uncertainty
The percentage of completion method is based on estimates of expected project revenue and expenses, as well as on reliable measurement of project progress. Should the estimates of the project outcome change, the recognized revenue and profit is adjusted in the period in which the change first becomes known or can be estimated.

EUR 1,000	2021	2020
ACCOUNTS RECEIVABLES AND CURRENT CUSTOMER CONTRACT ASSETS IN THE BALANCE SHEET		
Accounts receivables excluding credit loss provision	**11 317**	7 698
Current customer contract assets	**15 074**	20 981
TOTAL	**26 391**	28 679

Customer receivables	2021	2021
Accounts receivables excluding credit loss provision	**11 317**	7 698
Invoiced outstanding advance payments	**12 992**	6 609
Total	**24 309**	14 307

Age distribution of customer receivables	2021	2021
Undue	**21 156**	12 596
Overdue 0–29 days	**1 549**	578
Overdue 30–60 days	**505**	281
Overdue over 60 days	**1 099**	852
Total	**24 309**	14 307

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

Basis of preparation
Sales and other revenue have been recognized in **accounts receivables** at the original receivable amount. Current accounts receivables have been measured at the original receivable amount and their book value is equal with their fair value. The payment terms for customer contracts are based primarily to the percentage of completion of the project, performance of the service, payment schedule or the contractual target determined in a customer contract. Accounts receivables of EUR 11,317 thousand (EUR 7,698 thousand) are non-interest bearing. The average terms of payment are 30 days.

Current customer contract assets are a balance sheet item comparable to accounts receivables. As an asset is recognized the amount with which the individual, performance obligations to be satisfied over time entered as an income according to the percentage of completion method exceeds the amount of advance payment received. The carrying amounts of receivables have been presented in the note Financial assets, page 61. Customer contract receivables have been presented in this note as a financial asset.

Management's critical accounting judgments and key sources of estimation uncertainty
The management has estimated customer's ability to remit the payment of such accounts receivables, for which the company has not received any guarantee for the payment or any other securities. The Group companies' ability to settle the accounts receivables and ayments has been estimated by the management.

The credit risk related to the accounts receivables has been estimated according to the standard IFRS 9 on the basis of evaluation of the lifetime expected for accounts receivables at the balance sheet date. Raute Group has applied the simplified approach allowed for recognition of credit losses of accounts receivables, because accounts receivables do not contain significant financing component. The accounts receivables have been grouped based on an aging distribution and a credit risk characteristics. The expected credit loss is based on historical credit loss amounts taking into account individual estimates in the accounts receivables. Estimated impairment losses have been recognized through profit or loss. An impairment of EUR 85 thousand has been recognized for expected credit loss allowance on accounts receivables during the financial year.

If the amount of the impairment loss will decrease in any subsequent financial year and deduction may be considered related to the recognition of impairment after the event, the recognized loss is reversed through profit or loss. The impact of the impairments of expected credit loss allowance on accounts receivable was EUR 19 thousand negative due to the increase in credit loss allowance previously recognized. Impairments have been recognized to the item Other operating expenses in the income statement. The information of credit losses on the accounts receivables has been presented in the note Impairment of financial assets, page 62.

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

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

The maximum credit risk relating to customers' solvency is the amount of receivables relating to binding sales contracts that are not covered by bank guarantees, letters of credit or other securities. Received bank guarantees and letters of credit covered 36 percent (58%) of the accounts receivables and the customer contract assets recorded in the balance sheet and 24 percent (56%) of the order book at the end of the financial year. A main part of the receivables was related to established counterparties and customers. During the financial year, a credit loss amounting to EUR 0 thousand has been recognized as an expense. No significant credit risk clusters were recognized in the accounts receivables at the balance sheet date.

EUR 1,000	2021	2020
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES		
Accounts receivables	**9 101**	8 272
Customer contract assets	**15 074**	20 981
Accrued income and prepaid expenses	**2 688**	2 329
Derivative contract receivables	**-129**	30
Other receivables	**5 039**	2 668
TOTAL	**31 772**	34 280
Substantial items included in accrued income and prepaid expenses		
Accrued employee related expenses	**14**	16
Income tax receivable	**143**	6
Other accrued income and prepaid expenses	**2 531**	2 308
TOTAL	**2 688**	2 329

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

Information of credit losses related to the accounts receivables and customer contract assets as well as exposal to credit risk and counterparty risk has been presented in the note Account receivables and customer contract assets, page 30. Basis of preparation of derivative contracts has been presented in the note Derivatives, page 52. Fair values of the receivables have been presented in the note Financial assets, page 61.

Management's accounting judgments and key sources of estimation uncertainty
Management has monitored the customers' and other counterparties' ability to settle the commercial receivables and payment obligations related to loans. Despite the changed market situation caused by the coronavirus pandemic the management estimates that the receivables do not include any significant risk concentrations at the balance sheet date.

EUR 1,000	2021	2020
MATERIALS AND SERVICES		
Purchases during the financial year	**-62 438**	-58 328
Change in inventories, materials and supplies	**1 564**	-108
External services	**-13 450**	-5 667
TOTAL	**-74 324**	-64 102

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

Change in inventories includes material and raw material inventory change.

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

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

EUR 1,000	2021	2020
PROVISIONS		
Warranty provisions		
Book value at Jan. 1	**2 216**	2 513
Additions	**1 514**	2 267
Decrease	**-2 145**	-2 530
Exchange differences	**-87**	-34
Book value at Dec. 31	**1 499**	2 216
Other provisions		
Book value at Jan. 1	**1 390**	618
Additions	**800**	2 023
Decrease	**-849**	-1 251
Book value at Dec. 31	**1 340**	1 390
TOTAL	**2 839**	3 606
from which		
- non-current	**207**	363
- current	**2 632**	3 244

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

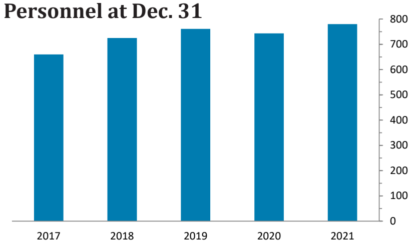
A provision related to warranty obligations has been recognized through profit or loss when revenue from a long-term project, service or spare part including a warranty clause has been recognized. The amount of the warranty provision is estimated at the beginning of the project based on past experience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

Management's critical accounting judgments and key sources of estimation uncertainty
The amount of warranty provisions has been estimated on the basis of the management's experience from product costs in the warranty period, taking into consideration special product risks.

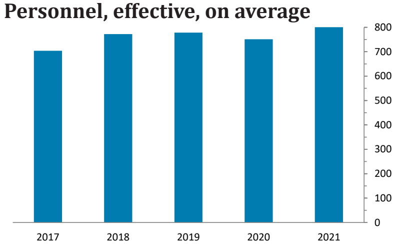
	2021	2020
NUMBER OF PERSONNEL		
Employed at Dec. 31, persons		
Workers	**204**	205
Office staff	**598**	546
TOTAL	**802**	751
Personnel working abroad	**255**	250
Effective, on average, persons		
Workers	**202**	207
Office staff	**578**	536
TOTAL	**780**	743
Personnel working abroad, effective, on average	**249**	245
On average, persons		
Workers	**203**	211
Office staff	**585**	549
TOTAL	**788**	760
Personnel working abroad, on average	**252**	251

EUR 1,000	2021	2020
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	**-37 917**	-34 305
Share-based payments	**-61**	118
Pension contributions	**-5 502**	-4 562
Other personnel costs	**-1 037**	-1 116
Business cost support received (Covid19)	**-**	500
TOTAL	**-44 517**	-39 365

Personnel at Dec. 31



Personnel, effective, on average



Basis of preparation
Wages and salaries

Wages and salaries include the basic salaries with fringe benefits, a profit and performance benefits (performance-based bonuses) and long-term incentive schemes. Information on-share-based payments has been disclosed in note Employee benefits, page 36.

Performance-based bonus systems based on annual targets

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

The payment of bonuses within the performance-based bonus systems for the President and CEO, the Group's Executive Board and key personnel is dependent on the profit and task-related personal targets determined for the entire year. The maximum amount of the bonus from the performance-based bonus system is 60% of the annual basic salary for the President and CEO and 40% of the annual basic salary for other Executie Board members.

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

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

Management's critical accounting judgments

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

Pension plans

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

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

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

Share-based payment plan for senior management
Raute Group's share-based plans include two long-term performance share-based payment plans for the Group's senior management. The purpose of the plan is to align the objectives of the owners and management in order to develop the company's value, and to commit management to achieving the company's strategic goals by offering a competitive long-term incentive plan.

The impact of the share-based incentive plans on the result for the financial year was EUR 0 thousand (EUR 118 thousand positive). During the financial year, the estimate of earned shares changed, and the conditions of three of the programs were not met. The amount entered in previous financial periods as a cost has been adjusted in the income statement for the current financial period. EUR 0 thousand (EUR 85 thousand) was allocated to the equity item "Other reserves" from the share-based incentive plans in force at the end of the financial year.

Share-based incentive plan 2019–2023
(LTI Plan 2019–2021, LTI Plan 2020-2022, LTI Plan 2021-2023)
On February 15, 2017, the Board of Directors of Raute Corporation resolved to implement a new performance-based, share-value-based, long-term incentive plan for the Group's senior management.

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

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

LTI Plan 2020–2022
LTI Plan 2020–2022 commenced at the start of 2020. The plan consists of two parts. The first part consists of a three-year earnings period. Its weight is 50 per cent of the whole plan and the performance target is Total Shareholder Return (TSR) proportionate to the selected peer group. The second part consists of a one-year earnings period and the subsequent two-year vesting period. Its weight is 50 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any rewards based on both parts will be paid in the spring of 2023 if the performance targets set by the Board of Directors are achieved. Eleven persons belonging to Raute Group's senior management, including the members of the Executive Board, are entitled to participate in the LTI 2020–2022 plan.

LTI Plan 2021–2023
LTI 2021–2023 commenced at the start of 2021. The plan covers an earnings period of three years, with two performance indicators applied. The first performance indicator is the Absolute Total Shareholder Return (Absolute TSR) on Raute's A series share, and its weight is 70 percent. The second performance indicator is the net sales target, with a weight of 30 percent. Any possible rewards based on both performance indicators will be paid after the three-year plan ends and the financial statements have been completed, in spring of 2024, provided that the performance targets set by the Board of Directors have been achieved. The potential rewards will be paid in Raute's series A shares or in cash, or as a combination thereof. Eleven persons belonging to Raute Group's senior management are entitled to participate in the LTI 2021–2023 plan.

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

Granted share bonuses

	LTI Plan 2021–2023	LTI Plan 2020–2022
Grant date	11.2.2021	12.2.2020
Fair value at grant date	22,60	26,48
Granted shares, pcs	33 120	18 770

Management's accounting judgments
Management has estimated the performance level which is the basis of the bonuses and the amount of the eligible persons at the end of the vesting period. At the balance sheet date, the management has estimated the amount of shares earned from the share-based incentive plan.

EUR 1,000	2021	2020
Salaries and remunerations of the President and CEO and Board of Directors of the Parent company		
Tapani Kiiski, President and CEO		
Salaries and other short-term employee benefits	**330**	335
Post-employment benefits		53
Share-based payments	**25**	197
TOTAL	**355**	585
Remuneration of the Parent company's Board of Directors		
Members of the Board of Directors		
Raitio Laura, Chair of the Board of Directors	**48**	48
Mustakallio Mika, Vice-Chair of the Board of Directors	**24**	24
Suominen Pekka, member of the Board of Directors	**24**	24
Bask Joni, member of the Board of Directors	**24**	24
von Essen Patrick, member of the Board of Directors	**24**	24
Harmaala Ari, member of the Board of Directors	**24**	24
TOTAL	**168**	168
Group Executive Board's employee benefits on an accrual basis		
Salaries and other short-term employee benefits	**1 295**	1 342
Post-employment benefits	**0**	194
Share-based payments	**30**	251
TOTAL	**1 325**	1 787

The **President and CEO** has a possibility to have a profit-related bonus amounting to a maximum of 60% of his annual basic salary. The amount of the prefit-related bonus depends on the annual targets. The President and CEO's term of notice is six months, and the severance pay equals twelve months' salary.

Information on the share-based payment plan for senior mangement has been disclosed in note Employee benefits, page 36. During the financial year, the management and the Board of Directors has not been granted share options.

Pension obligations of the President and CEO and the Board Members are determined according to the Employees Pensions Act. Other special conditions concerning the retirement or the amount of retirement allowance have not been agreed on. The statutory pension cost in the financial year 2021 was EUR 58 thousand (EUR 53 thousand). Remunerations paid to the Board of Directors do not include the statutory retirement obligation.

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

On December 31, 2021, the **Board of Directors and the Group's President and CEO and the Group's Executive Board** held altogether 128,169 series A shares and 127,890 series K shares. The management's holding represents 6.0 percent of the company shares and 11.6 percent of the votes. The figures include the holdings of their own, minor children and control entities.

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

EUR 1,000	2021	2020
OTHER OPERATING INCOME		
Capital gain on sale of fixed assets	**37**	80
Other	**401**	121
TOTAL	**437**	201

EUR 1,000	2021	
OTHER OPERATING EXPENSES		
Indirect production expenses	**-3 886**	-2 617
Renting expenses	**-458**	-418
Sales and marketing expenses	**-1 841**	-1 470
Credit losses and change in provision of credit losses	**-50**	36
Administration expenses	**-6 723**	-4 005
Changes in the fair value of currency forward contracts	**0**	0
Other expenses	**-6 545**	-5 113
TOTAL	**-19 504**	-13 587
Auditors' remunerations		
Authorized Public Accountants Pricewaterhouse-Coopers Oy (Finland)		
Audit expenses, statutory	**-119**	-66
Audit expenses, other assignments according to the Audit Act	**-**	-
Audit expenses, other services	**-8**	-
Audit expenses, tax services	**-**	-
Total	**-127**	-66
Authorized Public Accountants Pricewaterhouse-Coopers (Global)		
Audit expenses, statutory	**-12**	-12
Audit expenses, other assignments according to the Audit Act		-
Audit expenses, other services		-
Audit expenses, tax services		
Total	**-12**	-12

Basis of preparation

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

Basis of preparation

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

Raute Group has adopted the standard IFRS 16 Leases starting on January 1, 2019. Raute Group has rented warehouses and production facilities for business use. As a result of the implementation of the standard change, part of the leases of premises and production facilities leased by Raute Group has been recognized in the balance sheet. The leases that include the right-of-use of the leased asset have been recognized in the item Right-of-use asset in the balance sheet. The transition has been adopted by applying the simplified approach and comparative information has not been restated. The effects adopting the standard have been presented in the Note Lease agreements, page 47.

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

EUR 1,000	2021	2020
INCOME TAXES		
Consolidated income statement		
Current tax based on the taxable result of the financial year	**-549**	-413
Current tax of previous financial years	**75**	-220
Deferred taxes	**471**	1 269
TOTAL	**-3**	636
Reconciliation of the relationship between realized tax expense and theoretical accounting result using the Finnish tax rate of 20.0 percent		
Result before taxes	**-1 772**	-1 537
Tax effect of the following items:		
Taxes calculated using the Finnish tax rate, 20.0 %	**354**	307
Effect of differences in tax rates of foreign subsidiaries	**-125**	288
Non-taxable income	**104**	334
Non-deductible costs in taxation	**-9**	-91
Taxes from the previous financial years	**75**	-220
Utilization of previously unrecognized tax losses	**0**	0
Unrecognized tax assets from the losses of foreign subsidiaries	**0**	-150
Other items	**-402**	168
Consolidated tax expense	**-3**	636
Effective tax rate, %	**-0,1 %**	41,4 %

Basis of preparation

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

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

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

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

Deferred tax assets have been recognized to the extent that it is probable that taxable profits will be available against which temporary differences can be utilized. The recognition of deferred tax assets has been estimated at each reporting date. The undistributed profits of foreign subsidiaries are not recognized as deferred tax liabilities. Deferred tax assets and liabilities have been offset in the extent that there is an enforceable right to offset current tax liabilities based on taxable income for the financial year and tax assets based on taxable income for the finandial year, and where the deferred tax assets and liabilities relate to the same taxation authority.

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

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

DEFERRED TAX ASSETS AND LIABILITIES

EUR 1,000	1.1.2021	Entered through profit or loss	Entered in compre-hensive income state-ment	Re-cognized in share-holders' equity	31.12.2021
Intercompany inventory profit	55	-21	-	-	34
Provisions	150	10	-	-	160
Employee benefits	0	0	-	-	0
Tax losses and credits unused	940	627	-	-	1 567
Other temporary differences	294	-5	0		288
Deferred tax assets, total	1 438	610	0	-	2 048
Offset from deferred tax liabilities	-196		-	-	-196
Deferred tax assets, net	**1 242**				**1 853**

COMPARISON YEAR

EUR 1,000	1.1.2020	Entered through profit or loss	Entered in compre-hensive income state-ment	Re-cognized in share-holders' equity	31.12.2020
Intercompany inventory profit	191	-136	-	-	55
Provisions	163	-13	-	-	150
Employee benefits	10	-10	-	-	0
Tax losses and credits unused	0	940	-	-	940
Other temporary differences	20	274	-		294
Deferred tax assets, total	384	1 055	0	-	1 438
Offset from deferred tax liabilities	-371	-	-	-	-196
Deferred tax assets, net	**13**				**1 242**

Deferred tax assets in the parent company Raute Corporation has been recognized to the extent that future return expectations are estimated to generate taxable income, and against which the temporary difference can be utilized. The assumptions for recognizing deferred tax assets have been estimated at the end of each reporting period.

DEFERRED TAX LIABILITIES

1 000 euroa	1.1.2021	Entered through profit or loss	Entered in compre-hensive income state-ment	Re-cognized in share-holders' equity	31.12.2021
Financial assets at fair value	42	0	0	-83	-41
Effect of Group consolidation	106	168	-	-	274
Other temporary differences	50	0	0	142	192
Deferred tax liabilities, total	196	168	0	59	424
Offset to deferred tax assets	-196				-196
Deferred tax liabilities, net	**0**				**228**

COMPARISON YEAR

EUR 1,000	1.1.2020	Entered through profit or loss	Entered in compre-hensive income state-ment	Re-cognized in share-holders' equity	31.12.2020
Financial assets at fair value	280	-238	-	-	42
Effect of Group consolidation	127	-21	-	-	106
Other temporary differences	30	54	-34	-	50
Deferred tax liabilities, total	436	-205	-34	-	196
Offset to deferred tax assets	-358	-	-	-	-196
Deferred tax liabilities, net	**77**				**0**

A deferred tax asset (EUR 151 thousand) has been unrecognized from **losses of foreign subsidiaries from the financial year 2021.**

A deferred tax asset of EUR 510 thousand (EUR 359 thousand) has been unrecognized from **loss carry-forwards of foreign subsidiaries.** It is probable that no taxable income, against which the losses can be utilized, shall be available to the Group before the expiry date of the losses.

BUSINESS ACQUISITION 2020

EUR 1,000	**June 16, 2020**
Purchase consideration	
Cash paid	696
Conditional redemption liability	231
Total purchase consideration	**927**
Fair values of the acquisition	
Tangible assets	29
Sales receivables and other receivables	363
Trade payables and other payables	-139
Deferred tax liability	-4
Net identifiable assets acquired	**249**
Goodwill	**679**

Basis of preparation

Raute Corporation acquired no businesses in the financial year 2021.

Raute Corporation signed on June 16, 2020 an agreement on the acquisition of the majority of the share capital in Oulu-based Hiottu Oy. Hiottu is a company offering software services with special knowhow in various machine vision solutions and other system solutions for demanding industrial environment. Hiottu's services include software consulting and project management, machine vision programming and systems, industrial programming, and web programming. Hiottu's business will be continued as a separate limited company in Oulu and all employees will continue in the company as former employees. Hiottu Oy's financial information will be reported as part of Raute's wood products technology segment.

The acquisition is carried out as a share transaction, after which Raute holds 80 percent of the company shares. Business acquisition has been paid in cash. The terms of acquiring the minority holding through an additional agreement after a transition period have been agreed on in the terms and conditions of the agreement. Based on the redemption obligation the conditional redemption liability in the amount of EUR 231 thousand has been recognized at the date of acquisition. The redemption liability has been presented in the balance sheet item Accrued liabilities.

Based on the seller's transferring obligation and purchaser's redemption obligation Hiottu Oy has been fully consolidated into the Group from the date of acquisition. Transferred consideration, redemption liability as well as the acquired identifiable assets and liabilities of the company has been valued at fair value at the time of acquisition. In the acquisition the fair values of the balance sheet items recognized are preliminary. Acquisition-related costs have been recognized in item Other operating expenses in the income statement.

The cash flow effect of the business transaction at the acquisition date was EUR 696 thousand.

EUR 1,000	2021	2020
GOODWILL		
Goodwill at the beginning of the year	**1 714**	1 035
Increases	**0**	679
Total	**1 714**	1 714

Basis of preparation
The goodwill is the amount over which the acquisition cost has exceeded the fair values of identified acquired assets and liabilities. Net identifiable other intangible assets acquired has been presented in the balance sheet item Other tangible assets. These items shall be depreciated over their useful life.

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

Impairment testing
For the impairment test the goodwill is allocated to the cash generating units (CGUs) of the group structure, in which the business is located. Goodwill is allocated to cash-generating units according to the business unit in which the goodwill is monitored.

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

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

The management has estimated the assumptions for the impairment testing at the balance sheet date. When estimating the amount of future cash flow and the discount rate, management has assessed the effects of the corona pandemic in the operating environment. Based on these estimates no significant changes has been made based on Corona-pandemic. The recoverable amount of the cash generating unit is based on the budget accepted by the management and for forecasts for three years. The discount rate used in calculations is 8.6% before taxes. The assumptions used in the cash flow estimates for future operations are based on management estimates at the balance sheet date. During the financial year impairment has not been recognized to the consolidated income statement.

OTHER INTANGIBLE ASSETS

EUR 1,000	Development costs	Development costs in progress	Other intangible assets	Advance payments and assets in progress	Total
Acquisition cost at Jan. 1, 2021	**0**	**1 133**	**11 277**	**81**	**12 492**
Exchange rate differences	-		14		14
Additions	-	1 555	322	1 597	3 474
Reclassification between items			163		163
Acquisition cost at Dec. 31, 2021	**0**	**2 688**	**11 776**	**1 678**	**16 144**
Accumulated depreciation and amortization at Jan. 1, 2021	**0**	**0**	**-9 197**	**0**	**-9 197**
Exchange rate differences	-		-26		-26
Depreciation and amortization for the financial year	-		-520		-520
Reclassification between items					0
Accumulated depreciation and amortization at Dec. 31, 2021	**0**	**0**	**-9 743**	**0**	**-9 743**
Book value at Dec. 31, 2021	**0**	**2 688**	**2 033**	**1 678**	**6 400**

COMPARISON YEAR

EUR 1,000	Development costs	Development costs in progress	Other intangible assets	Advance payments and assets in progress	Total
Acquisition cost at Jan. 1, 2020	**0**	**349**	**10 880**		**11 229**
Exchange rate differences	-	-	10		10
Additions	-	971	113	81	1 166
Reclassification between items	-	-187	274		87
Acquisition cost at Dec. 31, 2020	**0**	**1 133**	**11 277**	**81**	**12 492**
Accumulated depreciation and amortization at Jan. 1, 2020	**0**	**0**	**-8 574**	**0**	**-8 574**
Exchange rate differences	-	-	4		4
Depreciation and amortization for the financial year	-	-	-540		-540
Reclassification between items	-	-	-87		-87
Accumulated depreciation and amortization at Dec. 31, 2020	**0**	**0**	**-9 197**	**0**	**-9 197**
Book value at Dec. 31, 2020	**0**	**1 133**	**2 080**	**81**	**3 295**

Basis of preparation

Other intangible assets include computer software licences, patents, capitalized development costs and other intangible rights. An intangible asset has been recognized in the balance sheet when it is probable that the expected future financial benefit attributable to the asset will flow to the entity over a period of several years (amortization period) and the cost of the asset can be measured reliably. Intangible assets acquired in a business acquisition have been recognized at fair value at the acquisition date. In other cases the expenditure from intangible assets has been recognized as an expense when incurred.

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

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

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

An other intangible asset has been recognized in the balance sheet at original cost when it is probable that the expected future financial benefit attributable to the assets will flow to the entity over a period of several years (amortization period) and the cost of the assets can be measured reliably.

Impairment of intangible assets

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

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

Management's accounting judgments

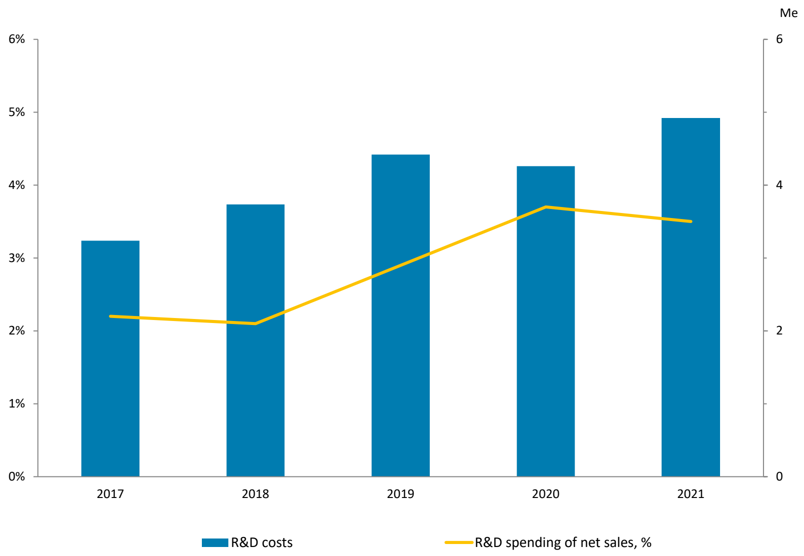
The expected useful lives of the items in the intangible assets in the balance sheet have been reviewed at each reporting date. If they differ considerably from previous estimates, the amortization plan is updated in accordance with the new expected useful lives.

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

The valuations are sensitive to the assumptions involving future expected returns and discount rates. The **discount rate** describes the estimated interest rate expected on the markets, taking into account the time value of money and the special risks pertaining to the asset in question, the related adjustments for which have not been made to the estimated cash flows. The discount rate is defined using the average weighted capital cost, which describes the total equity and borrowing costs, taking into account the special risks linked to the assets. The discount rate used in calculations is 8.6%.

EUR 1,000	**2021**	2020
RESEARCH AND DEVELOPMENT COSTS		
Research and development costs for the financial year	**-5 257**	-4 627
Development costs recognized as an asset in the balance sheet	**338**	367
Research and development costs recognized as an expense for the financial year	**-4 919**	-4 260

Investing in the future



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

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

PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land and water	Buildings and structures	Buildings and structures, right-of-use	Machinery and equipment	Other tangible assets	Advance payments and assets in progress	Total
Acquisition cost at Jan. 1, 2021	**386**	**12 475**	**8 645**	**40 354**	**955**	**820**	**63 635**
Exchange rate differences	-		156	249	16	45	466
Additions	-	178	5 770	1 806	3	837	8 593
Disposals	-	-32	0	-88	-	-	-120
Reclassification between items	-	21	0	-5 326	-	-812	-6 118
Acquisition cost at Dec. 31, 2021	**386**	**12 642**	**14 570**	**36 995**	**974**	**889**	**66 456**
Accumulated depreciation and amortization at Jan. 1, 2021	**-**	**-8 950**	**-2 728**	**-34 536**	**-601**	**-**	**-46 815**
Exchange rate differences	-	-	-3	-159	-16	-	-178
Accumulated depreciation and amortization of disposals and reclassifications	-	-32	-	5 927	-	-	5 895
Depreciation and amortization for the financial year	-	-397	-1 775	-1 589	-46	-	-3 808
Accumulated depreciation and amortization at Dec. 31, 2021	**-**	**-9 379**	**-4 506**	**-30 357**	**-663**	**-**	**-44 905**
Book value at Dec. 31, 2021	**386**	**3 262**	**10 063**	**6 638**	**311**	**889**	**21 552**

COMPARISON YEAR

EUR 1,000	Land and water	Buildings and structures	Buildings and structures, right-of-use	Machinery and equipment	Other tangible assets	Advance payments and assets in progress	Total
Acquisition cost at Jan. 1, 2020	**386**	**12 168**	**8 322**	**41 326**	**878**	**429**	**63 509**
Exchange rate differences	-	-723	-379	-2 341	-2	-26	-3 471
Additions	-	13	702	1 042	-	1 316	3 073
Disposals	-	-	-	-113	-	-	-113
Reclassification between items	-	275	-	440	79	-899	-105
Acquisition cost at Dec. 31, 2020	**386**	**11 732**	**8 645**	**40 354**	**955**	**820**	**62 892**
Accumulated depreciation and amortization at Jan. 1, 2020	**-**	**-8 571**	**-1 386**	**-35 203**	**-560**	**-**	**-45 720**
Exchange rate differences	-	743	40	2 232	10	-	3 025
Accumulated depreciation and amortization of disposals and reclassifications	-	-	-	64	-	-	64
Depreciation and amortization for the financial year	-	-379	-1 382	-1 630	-51	-	-3 442
Accumulated depreciation and amortization at Dec. 31, 2020	**-**	**-8 207**	**-2 728**	**-34 536**	**-601**	**-**	**-46 072**
Book value at Dec. 31, 2020	**386**	**3 525**	**5 917**	**5 818**	**354**	**820**	**16 820**

Basis of preparation

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

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

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

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

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

EUR 1,000	2021	2020
LEASE CONTRACTS		
Right-of-use assets, changes		
Booking value at the beginning of the period	**5 917**	6 936
Exchange rate differences	**153**	-327
Additions	**5 770**	666
Depreciations and impairments	**-1 775**	-1 382
Booking value at the end of the period	**10 063**	5 917
Liabilities		
Lease liability, non-current	**8 493**	4 496
Lease liability, current	**1 549**	1 385
Lease liability, total	**10 042**	5 881
Items recognized in the income statement		
Depreciation of the fixed assets, buildings	**-1 775**	-1 382
Interest expenses included in the financial items	**-48**	-29
Expenses related to the short-term lease contracts and low-value assets	**-455**	-534

The information of off-balance sheet pledges and contingent liabilities have been presented in note Pledged assets and contingent liabilities, page 67.

Basis of preparation

Raute Group has rented warehouses and production facilities as well as machines and equipment for business use. Raute Group has adopted the standard **IFRS 16 Leases** starting on January 1, 2019. As a result of the implementation of the standard change, part of the leases of premises and production facilities leased by Raute Group has been recognized in the balance sheet.

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

The **lease liability** has been recognized as a liability based on the obligation to pay lease rent. The leases based on extension options that are relatively certain to be exercised in Raute Group have been included in the lease liability. The lease liability has been recognized based on the present value of those rents which are to be paid in the future according to the contract, but which has not been paid at the recognition date. The incremental loan rate has been used as a discount rate which was 1,4 per cent. The interest expense on the lease liability has been recognized in the income statement item financial expenses. The lease liability has been included in the item Interest-bearing liabilities in the consolidated balance sheet.

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

The **short-term lease contracts** with expected lease period no longer than 12 months, has been accounted for as off-balance sheet leases and the rent expenses of these contracts have been recognized in the income statement as incurred according to the rental period.

Lease contracts in which the lease assets are of low value have been accounted for as off-balance sheet leases, regardless of whether the contract is a non-current or current. The rent expenses of these contracts have been recognized as an expense to the income statement according to the rental period. Leases of short-term leases and low-value assets are presented as an off-balance sheet item in lease liabilities in pledged assets and contingent liabilities, page 67.

EUR 1,000	**2021**	2020
DEPRECIATION AND AMORTIZATION		
Depreciation and amortization by class of assets		
Intangible assets		
- Other intangible assets	**-528**	-649
Property, plant and equipment		
- Buildings and structures	**-397**	-379
- Buildings, right-of-use assets	**-1 704**	-1 382
- Machinery and equipment	**-1 640**	-1 577
- Other tangible assets	**-46**	-51
TOTAL	**-4 315**	-4 039

EUR 1,000	**2021**	2020
VAIHTO-OMAISUUS		
Aineet ja tarvikkeet	**8 828**	6 461
Keskeneräiset tuotteet	**5 011**	5 793
Muu vaihto-omaisuus	**1 593**	1 765
Maksetut ennakkomaksut	**6 578**	1 023
YHTEENSÄ	**22 010**	15 041

During the financial year EUR 230 thousand (EUR 785 thousand) have been recognized in expenses recuding the carrying amount of inventories to correspond to the disposal price.

Basis of preparation

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

Risk management

Advance payments made to suppliers and subcontractors at the reporting date involve a risk of the counterparty not being able to fulfil their contractual obligations and return the advance payment. The risk is managed by examining the size of the subcontractors' risk position and the physical progress of the task and by demanding collateral for the advance payments from specific suppliers. At the reporting date, there was EUR 6.6 million in unsecured paid advance payments (EUR 1.0 million).

EUR 1,000	**2021**	2020
TRADE PAYABLES AND OTHER PAYABLES		
Current interest-free liabilities in the balance sheet		
Advance payments received	**33 764**	18 144
Trade payables	**14 541**	6 534
Accrued expenses and prepaid income	**10 146**	7 833
Derivatives	**16**	138
Income tax liability	**624**	412
Other liabilities	**2 341**	1 436
TOTAL	**61 432**	34 496
Substantial items included in accrued expenses and prepaid income		
Accrued project expenses related to customer contracts	**743**	846
Accrued employee related expenses	**6 866**	6 393
Financial expenses	**-**	66
Redemption obligation of the subsidiary acquisition	**231**	231
Other accrued expenses and prepaid income	**2 306**	297
TOTAL	**10 146**	7 833

Advance payments received, EUR 33,764 thousand (EUR 18,144 thousand), include advance payments received from performance obligations to be satisfied over time in the amount of EUR 29,814 thousand (EUR 14,511 thousand).

Basis of preparation

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

EUR 1,000	2021	2020
EXCHANGE RATE GAINS AND LOSSES (NET)		
Included in net sales	**21**	164
Included in financial income and expenses	**78**	-109
Included in other comprehensive income items	**56**	-596
TOTAL	**155**	-541

Basis of preparation

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

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

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

EUR 1,000	2021	2020
DERIVATIVES		
Nominal values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	**1 212**	320
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	**0**	733
- Related to the hedging of net sales	**8 052**	1 805
Fair values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	**-41**	-2
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	**0**	-

EUR 1,000	2021 Nominal value	2020 Nominal value
CONTRACTUAL MATURITIES OF HEDGE ACCOUNTING DERIVATIVES		
Economic hedging		
Under one year	**1 212**	320
TOTAL	**1 212**	320

EUR 1,000	2021	2020
CHANGES IN HEDGE RESERVES		
Hedge reserves Jan., 1	**0**	83
Additions to hedge accounting (through comprehensive income)	**-62**	-
Transferred to profit or loss (from comprehensive income items)	**0**	-117
From hedge accounting to economic hedging	**-**	-
Deferred tax at Group's tax rate 20%	**83**	34
Hedge reserve at Dec., 31	**21**	0

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

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

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

Exchange rate losses EUR 0 (EUR 124 thousand) have been recognized in the income statement for the derivatives classified under hedge accounting.

Exchage rate losses EUR 178 thousand (EUR 62 thousand gain) have been recognized in profit or loss for the derivatives that do not meet hedge accounting criteria.

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

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

The Group's main currency is the euro. The most significant currency risks result from the following currencies:
- Canadian dollar (CAD)
- US dollar (USD)
- Chinese yuan (CNY)
- Russian rouble (RUB).

The distribution of the Group's sales varies annually according to market area. In 2021, 76 percent (80%) of the Group's net sales were generated outside the euro zone. The Group primarily uses Group company's functional currency as the primary trading currency, of which the most important is the euro. The proportion of the net sales sold in another currency than the Group's home currency was 6 percent (7%) during the year 2021.

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

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

Future cash flows, which are not based on contracts binding both parties, are usually not hedged. Currency clauses are used to hedge against currency risks during the quotation period. Depending on the case, currency risks related to preliminary sales contracts are hedged with currency option contracts. The nominal value of forward contracts used to hedge business operations was EUR 9 million (MEUR 3) and the fair value EUR 127 thousand negative (EUR 31 thousand) at the balance sheet date.

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

At the end of the financial year 2021, no forward contracts were related to the hedging of the Group's financing. The subsidiaries' loans from external financial institutions were in each company's functional currency.

The forward contract receivables and liabilities related to the economic hedging of sales currency payments, which do not meet the hedge accounting criteria, form a profit affecting currency risk to the Group at the balance sheet date to the extent that value of the hedged contracts exceeds the net sales recognized from the respective binding sales contracts. The measurement of these forward contracts and current customer contract assets had an EUR 127 thousand negative effect on the Group's operating profit (EUR 31 thousand positive) at the reporting date. The nominal values of the derivatives have been presented in the note Derivatives, page 52.

The Group applies the hedge accounting to the currency derivative contracts when the change in the fair value of a contract may have a significant temporary effect on the Group's operating profit due to the change in exchange rates. The Group's Parent company concludes, with an external counterparty, a derivative contract which is defined as a hedging instrument in hedge accounting. Subsidiaries use internal derivatives to hedge transactions defined as hedged items. The total amounts of the valuation gains and losses for derivatives have been presented in the note Derivatives, page 52.

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

	Net currency position		**Net balance sheet risk**	
EUR 1,000	**2021**	2020	**2021**	2020
CNY/EUR	**13**	-44	**2 921**	-94
RUB/EUR	**497**	26	**497**	26
CAD/EUR	**490**	123	**4 257**	550
USD/EUR	**982**	2 937	**1 594**	2 675

Cash flows related to binding contracts included in the net currency position have been hedged EUR 3,646 thousand in the CAD/EUR currency pair and EUR 277 thousand in the USD/EUR currency pair.

The Group has foreign subsidiaries which have equities in currencies other than the Parent company's functional currency. The currency risks related to the conversion of the foreign subsidiaries' net investments to the Group's home currency, the euro, have not been hedged. The Group's subsidiaries' non-euro-denominated equities equalled altogether EUR 13,845 thousand on December 31, 2021 (EUR 8,564 thousand). Non-euro-denominated equities are detailed according to currency in the following table:

Subsidiaries' equity, non-euro-denominated		
EUR 1,000	**2021**	2020
CNY	**2 393**	-304
RUB	**1 103**	529
CAD	**3 334**	2 830
USD	**6 381**	4 907
Other	**633**	603
Total	**13 845**	8 564

A sensitivity analysis in the main currency pairs on the transaction risk, i.e. the effect of reasonable potential changes in the exchange rates on the Group's profit or loss after tax on December 31, 2021 is presented in the following table:

Effect on profit after tax

EUR 1,000		**2021**	2020
CNY +/- 30%	+/-	**59**	82
RUB +/- 30%	+/-	**161**	14
CAD +/-30%	+/-	**78**	51
USD +/- 30%	+/-	**305**	-295

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

EUR 1,000	2021	2020
SHARE CAPITAL		
Share capital at Jan. 1	**8 256**	8 256
Share capital at Dec. 31	**8 256**	8 256
FAIR VALUE RESERVE AND OTHER RESERVES		
Invested non-restricted equity reserve at Jan. 1	**5 711**	5 711
Invested non-restricted equity reserve at Dec. 31	**5 711**	5 711
Other reserves at Jan. 1	**1 477**	2 794
Fair value reserve	**-416**	-1 355
Hedging reserve, hedge accounting	**-62**	-117
Equity-settled share-based payments	**-**	-118
Deferred taxes related to these items	**83**	272
Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings	**-**	-
Other reserves at Dec. 31	**1 080**	1 477
EXCHANGE RATE DIFFERENCES		
Exchange rate differences at Jan. 1	**353**	949
Exchange rate differences on translating foreign operations	**195**	-596
Exchange rate differences at Dec. 31	**548**	353
RETAINED EARNINGS		
Retained earnings at Jan. 1	**23 794**	31 794
Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings	**-**	-
Dividends	**-3 411**	-6 182
Profit for the financial year	**-1 775**	-1 819
Exchange differences on translating foreign operations	**-139**	-
Retained earnings at Dec. 31	**18 469**	23 793
TOTAL EQUITY	**34 064**	39 587

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

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

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

Exchange rate differences include exchange differences arising from translation of foreign subsidiaries financial statements.

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

The Annual General Meeting held on March 31, 2021 decided to pay a dividend of EUR 0.80 per share for the financial year 2020. The total amount of dividends was EUR 3.4 million with series A shares accounting for EUR 2,617,626.40 and series K shares for EUR 792,928.80. The dividend payment date was April 13, 2021.

EUR 1,000	2021	2020
OTHER COMPREHENSIVE INCOME ITEMS		
Items that will not be reclassified to profit or loss		
Changes in the fair value of financial asset at fair value through other comprehensive income	**-416**	-1 355
Items that may be subsequently reclassified to profit or loss		
Hedging reserve, hedge accounting	**-62**	-117
Exchange differences on translating foreign operations	**56**	-596
Deferred taxes related to these items	**83**	272
Total	**77**	-441
TOTAL OTHER COMPREHENSIVE INCOME ITEMS	**-339**	-1 796

Basis of preparation

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

Shares, 1,000 pcs		2021	2020
Series K shares (ordinary shares)	20 votes/share	**991**	991
Series A shares	1 vote/share	**3 272**	3 272
Total shares at Dec. 31		**4 263**	4 263
Own shares at Jan. 1		**0**	0
Own shares at Dec. 31		**0**	0
Reconciliation of the number of shares, 1,000 pcs			
Number of shares at Jan. 1		**4 263**	4 263
Number of shares at Dec. 31		**4 263**	4 263

Changes in share capital from Jan. 1, 1994 to Dec. 31, 2021	Share capital EUR	Number of series K shares	Number of series A shares
Share capital at Jan. 1, 1994	**5 359 073**	**1 054 600**	**2 124 240**
Issue of share capital Sep. 21, 1994	1 069 285	-	635 768
Conversion of series K shares into series A shares 1998	-	-14 000	14 000
Decrease of share capital (premium fund) June 30, 2000	-12 648	-	-
Increase of share capital, capitalization issue June 30, 2000	1 213 506	-	-
Conversion of series K shares into series A shares 2003	-	-44 539	44 539
Conversion of series K shares into series A shares 2004	-	-4 900	4 900
Registration of shares with options 2006	380 300	-	190 150
Share subscriptions with series 2010 stock options 2014	20 940	-	10 470
Share subscriptions with series 2010 stock options 2015	192 960	-	96 480
Directed issue of shares to the company itself 2016	-	-	14 523
Share subscriptions with series 2010 stock options 2016	32 900	-	80 231
Directed issue of shares to the company itself 2017	-	-	8 913
Share subscriptions with series 2010 stock options 2017	-	-	33 873
Share subscriptions with series 2010 stock options 2018	-	-	13 946
Share capital at Dec. 31, 2021	**8 256 316**	**991 161**	**3 272 033**

Raute Corporation has two series of shares, series K and series A. Series K and Series A shares have an equal right to dividends and company assets.

Share-related data is presented on page 90 of the financial statements.

Capital structure management

The objective of the Group's capital structure management is an effective capital structure that secures the Group's operational preconditions on the capital market. The Group's Parent company's credit ranking throughout 2021, as well as in the comparison year 2020, 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 2021 the target value of the equity ratio was over 40 percent. At the end of the financial year, the equity ratio was 44.3 percent (58.8%) and gearing -35.9 percent (-9.8%).

	2021	2020
Undiluted earnings per share		
Share of result that belongs to the owners of the Parent company, EUR 1,000	**-1 775**	-1 819
Weighted average number of shares, 1,000 pcs	**4 263**	4 263
Earnings per share, EUR	**-0,42**	-0,43
Diluted earnings per share		
Share of result that belongs to the owners of the Parent company, EUR 1,000	**-1 775**	-1 819
Diluted weighted average number of shares, 1,000 pcs	**4 263**	4 267
Diluted earnigs per share, EUR	**-0,42**	-0,43
The weighted average number of shares used as divider when calculating the diluted earnings per share		
The weighted average number of shares used as divider when calculating the diluted earnings per share, 1,000 pcs	**4 263**	4 263
Share-based payments, 1,000 pcs	**-**	4
The weighted average number of shares used when calculating the diluted earnings per share, 1,000 pcs	**4 263**	4 267

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

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

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

EUR 1,000	2021	2020
CURRENT INTEREST-BEARING LIABILITIES		
Financial liabilities recognized at amortized cost		
Partial payments of financial loans	**2 071**	1 857
TOTAL	**2 071**	1 857
Distribution of the Group's current loans by currencies		
- Chinese yuan (CNY)	**100 %**	100 %
The weighted averages of effective interest rates of current interest-bearing loans		
Partial payments of financial loans	**4,63 %**	4,89 %

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

EUR 1,000	Carrying amount 31.12.2021	Carrying amount 31.12.2020
Carrying amounts of financial liabilities		
Financial liabilities at fair value through profit or loss		
- Derivative contracts	**16**	138
Financial liabilities recognized at amortized cost		
- Financial loans	**2 071**	1 857
- Trade payables and other liabilities	**50 592**	26 114
- Accrued expenses and prepaid income	**10 146**	7 833
Total	**62 825**	35 942

EUR 1,000	Level 1	Level 2	Level 3	Total
Hierarchy levels				
Financial liabilities at fair value through profit or loss				
- Derivative contracts	-	16	-	16
Total	-	16	-	**16**

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

Basis of preparation

Financial liabilities have been classified as financial liabilities at amortized cost and as financial liabilities at fair value through profit or loss according to the standard IFRS 9 Financial instruments. Financial liabilities are initially recognized at fair value. Transaction costs have been included in the initial carrying amount of the financial liabilities at amortized cost. Later, financial liabilities, excluding derivative liabilities, have been measured at amortized cost using the effective interest method. Current financial liabilities are debts where the Group has no unconditional right to defer the payment of the debt to at least 12 months from the reporting date.

Partial payments of the financial loan in the following financial year have been presented in the current liabilities.

The Group's financial liabilities include a financial loan of a foreign subsidiary totaling EUR 2.1 million (MEUR 1.9) from a financial institution approved by the Parent company. The loan is secured by a counter guarantee from the Parent company. The Group's pledges and contingent liabilities have been presented in note Pledged assets and contingent liabilities, page 66.

The lease liability has been recognized as a liability based on the obligation to pay lease rent. The lease liability has been recognized based on the present value of those rents which are to be paid in the future according to the contract, but which has not been paid at the recognition date. The incremental loan rate has been used as a discount rate which was 1.0 percent on the date of transition. The interest expense on the lease liability has been recognized in the income statement item financial expenses. The lease liability has been included in the item Interest-bearing liabilities in the consolidated balance sheet. At the balance sheet date December 31, 2021, the amount of the Group's lease liabilities was EUR 10,042 thousand (EUR 5,881 thousand), of which EUR 1,549 was current lease liability (EUR 1,385 thousand) and EUR 8,493 thousand (EUR 4,496 thousand) was non-current lease liability.

Risk management

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

Maturities of financial liabilities at Dec. 31, 2021

EUR 1,000	2022
Financial loans	
Repayments	2 071
Financial expenses	96
Total	**2 167**
Trade payables	
Repayments	14 541
Financial expenses	-
Total	**14 541**
Accrued expenses and prepaid income	
Repayments	10 162
Financial expenses	-
Total	**10 162**
Derivatives	
Cash outflow	-8 856
Cash inflow	9 026
Total	**170**

Maturities of financial liabilities, comparison year

EUR 1,000	2021
Financial loans	
Repayments	1 857
Financial expenses	47
Total	**1 904**
Trade payables	
Repayments	6 534
Financial expenses	-
Total	**6 534**
Accrued expenses and prepaid income	
Repayments	7 833
Financial expenses	-
Total	**7 833**
Derivatives	
Cash outflow	-2 150
Cash inflow	2 124
Total	**-26**

MATURITIES OF LEASE LIABILITIES AT DEC. 31, 2021

EUR 1,000	1 year	1-5 years	more than 5 years
Repayments	1 826	5 762	96
Financial expenses	48	151	5
Total	**1 874**	**5 913**	**100**

EUR 1,000	2021	2020
FINANCIAL LOANS		
Financial loans at the beginning of the period	**1 857**	1 502
Proceed from financial loans	**214**	1 857
Repayments of financial loans	**-**	-1 502
Financial loans maturing within one year	**2 071**	1 857
LEASE LIABILITY		
Lease liability at the beginning of the year*	**5 917**	6 936
Change in lease liability	**4 146**	-1 055
Lease liability at the end of the financial year	**10 063**	5 881
FINANCIAL ASSETS		
Financial assets at the beginning of the period	**11 601**	22 360
Change in financial assets	**12 779**	-10 638
Exchange rate differences from financial assets	**-24**	-121
Financial assets at the end of the period	**24 357**	11 601
NET LIABILITIES		
Financial loans maturing within one year	**2 071**	1 857
Lease liability at the end of the financial year	**10 063**	5 881
Deducted: Financial assets at the end of the period	**-24 357**	-11 601
Net liabilities	**-12 223**	-3 863

* Raute has adopted the standard IFRS 16 as of January 1, 2019.

EUR 1,000	Carrying amount 31.12.2021	Carrying amount 31.12.2020
Carrying amounts of financial assets		
Financial assets at fair value through profit or loss		
- Derivative contracts	**-168**	30
Financial assets at fair value through other comprehensive income		
- Unquoted share investments	**970**	1 387
Financial assets at amortized cost		
- Account receivables and other receivables	**31 629**	34 323
- Cash and cash equivalents	**24 357**	11 601
Total	**56 788**	47 341

The balance sheet item Accounts receivables and other receivables includes current customer contract assets of performance obligations to be satisfied over time EUR 15,074 thousand (EUR 20,981 thousand).

EUR 1,000	Level 1	Level 2	Levl 3	Total
Hierarchy levels				
Financial assets at fair value through other comprehensive income				
- Unquoted share investments	-	-	970	**970**
Financial assets at fair value through profit or loss				
- Derivative contracts	-	-168	-	**-168**
Total	-	-168	970	**802**

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

EUR 1,000	2021	2020
OTHER FINANCIAL ASSETS		
Unquoted share investments	**970**	1 387
Total	**970**	1 387

Basis of preparation

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

Derivative contracts which do not fulfill the conditions of the hedge accounting have been classified as **financial assets at fair value through profit or loss**. All purchases and sales of financial assets have been recognized on the transaction date.

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

The fair value of the **derivative contracts which do not fulfill the conditions of hedge accounting** have been determined using the market values for corresponding contracts and maturity at the balance sheet date. Gains and losses from fair value measurement has been recognized in the income statement at the financial period they have been incurred. Nominal values of currency derivative contracts have been disclosed in the note Derivatives, page 52.

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

Expected credit loss risk

Dec. 31, 2021	Not due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	>360 days	Total
Expected loss rates, %	0 %	0	0 %	1 %	1 %	25 %	100 %	
Gross carrying amount of accounts receivables, EUR 1 000	4 276	765	111	454	192	149	41	
Loss allowance, EUR 1 000	**0**	**0**	**0**	**5**	**2**	**37**	**41**	**85**

Dec. 31, 2020	Not due	1-30 days	31-60 days	61-90 days	91-180 days	181-360 days	>360 days	Total
Expected loss rates, %	0 %	0	0 %	1 %	1 %	25 %	100 %	
Gross carrying amount of accounts receivables, EUR 1 000	6 502	578	235	371	127	56	47	
Loss allowance, EUR 1 000	**0**	**0**	**0**	**4**	**1**	**14**	**47**	**66**

EUR 1,000	**2021**	2020
The reconsilidation of loss allowance for the Accounts receivables		
Amounts restated through opening retained earnings		
Opening loss allowance	**66**	115
Change in the expected credit loss during the financial year	**19**	-49
Closing loss allowance at the end of the financial year	**85**	66

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

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

An impairment of EUR 85 thousand has been recognized for expected credit loss allowance on accounts receivables during the financial year. Previously recognized losses of the expected credit losses of accounts receivables have been reversed, and the total impact to the profit is EUR 49 thousand positive. If the amount of the impairment loss will decrease in any subsequent financial year and deduction may be considered related to the recognition of impairment after the event, the recognized loss is reversed through profit or loss.

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

EUR 1,000	2021	2020
CASH AND CASH EQUIVALENTS		
Cash and bank accounts	**24 357**	11 601
TOTAL	**24 357**	11 601
Cash and cash equivalents in cash flow statement		
Cash and cash equivalents	**24 357**	11 601
TOTAL	**24 357**	11 601

Basis of preparation

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

Risk management

Counterparty risk for investment activities

The financing instrument contracts that the Group has concluded with banks and financial institutions involve the risk that the counterparty is not able to fulfill its obligations according to the contract. In investment activities and when concluding derivative contracts, only those parties which have a good credit rating and meet the other terms and conditions defined by the financing policy are accepted as counterparties. When making investments, or derivative and loan agreements, the Group applies counterparty-specific upper limits to avoid risk clusters. On the balance sheet date, the investments assets related to the Group's cash management were in bank accounts. The liquid assets in financial institutions outside the euro zone were EUR 9.4 million (MEUR 2.8) at the balance sheet date.

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

The minimum amounts of cash and cash equivalents, current investments, and available credit liabilities have been defined in the Group's financing policy to ensure the Group's liquidity. Good liquidity is maintained primarily through efficient working capital and cash management. In the long term, risks related to the availability and pricing of funding are managed by using a variety of sources for financing. Investments are made mainly in current deposits or marketable euro-based investments with a good credit rating. Investments are required to exhibit sufficient liquidity. The Group did not have interest-bearing net liabilities in the consolidated financial statements of December 31, 2021 or in the comparison year. The cash and cash equivalents available to the Group and credit limit agreements are sufficient to cover the Group's short-term financing needs.

The Group's cash and cash equivalents totaled EUR 24.4 million (MEUR 11.6) at the end of the financial year. The Group has made preparations for fluctuating working capital requirements and possible disturbances in the availability of money with non-current credit limit agreements worth EUR 20.5 million with two Nordic banks. At the end of the financial year, EUR 20.5 million (EUR 23.0 million) was unused of the limit. The current credit limit agreements terminate in the year 2024. In addition, the Group has unused bank account limits of EUR 15 million.

The Group's financial liabilities include trade payables, derivative liabilities and interest-bearing liabilities. Trade payables are due within less than a month on average. Repayment of interest-bearing loans based on the Group's loan contracts and cash flows from financial expenses related to them and cash flows from other financial liabilities are presented in note Financial liabilities, page 59.

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

Credit facility agreements covenants
The Group has set in its loan and credit contracts, as well as in the security agreements related to them, the following specific conditions of key ratios, so called covenants:
- equity ratio at least 30 percent and
- gearing under +100 percent.

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

During the financial year 2021 and the comparison year, the Group met the conditions of the covenants and reached the set target value of equity ratio.

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

EUR 1,000	2021	2020
FINANCIAL EXPENSES, NET		
Financial income		
Interest income from receivables	**33**	22
Dividend income	**746**	640
Capital gains from available-for-sale investments	**-**	-
Exchange rate gains from financial liabilities	**219**	74
Other financial income	**0**	-
Total financial income	**998**	736
Financial expenses		
Interest expenses on financial loans recognized at amortized cost	**-196**	-100
Exchange rate losses on other financial items	**-141**	-193
Other financial expenses	**-189**	-128
Total financial expenses	**-525**	-421
Financial expenses, net	**472**	315

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

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

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

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

EUR 1,000	**2021**	2020
Mortgage agreements on behalf of subsidiaries		
Financial loans	**2 071**	1 857
Other obligations	**-**	-
Other credit guarantee arrangements	**2 071**	1 857
Commercial bank guarantees on behalf of the Parent company and subsidiaries	**15 344**	29 752
Other own obligations		
Rental liabilities maturing within one year	**87**	106
Rental liabilities maturing in one to five years	**88**	23
Total	**175**	129

EUR 1,000	**2021**	**%**	2020	%
SEGMENT INFORMATION				
Wood products technology				
Net sales	**142 212**		114 994	
Operating profit	**-2 244**		-1 852	
Assets	**110 676**		85 428	
Liabilities	**76 612**		45 840	
Capital expenditure	**6 297**		3 563	
Assets of the wood products technology segment by geographical location				
Finland	**82 413**	**74**	69 239	84
North America	**15 903**	**14**	8 939	10
China	**9 772**	**9**	5 382	4
Russia	**1 916**	**2**	1 312	2
South America	**297**	**0**	260	0
Other	**374**	**0**	296	0
Total	**110 676**	**100**	85 428	100
Capital expenditure of the wood products technology segment by geographical location				
Finland	**5 308**	**84**	3 458	97
North America	**215**	**3**	41	1
China	**756**	**12**	52	1
Russia	**11**	**0**	4	0
South America	**5**	**0**	6	0
Other	**2**	**0**	1	0
Total	**6 297**	**100**	3 563	100

Basis of preparation

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

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

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

Parent company's financial statements, FAS

RAUTE CORPORATION
Financial statements January 1 – December 31, 2021

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

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

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

PARENT COMPANY'S INCOME STATEMENT

euros	1.1.–31.12.2021	1.1.–31.12.2020
NET SALES	**117 877 797,88**	96 266 190,93
Change in inventories of finished goods and work in progress	**-140 486,34**	940 967,81
Other operating income	**767 367,27**	862 505,42
Materials and supplies	**-71 529 043,79**	-56 089 890,37
Personnel expenses	**-32 012 719,34**	-30 446 449,03
Depreciation and amortization	**-2 257 769,42**	-2 309 378,01
Other operating expenses	**-16 488 917,58**	-12 740 170,10
Total operating expenses	**-122 288 450,13**	-101 585 887,51
OPERATING RESULT	**-3 783 771,32**	-3 516 223,35
Financial income and expenses	**709 116,71**	497 278,63
RESULT BEFORE APPROPRIATIONS AND TAXES	**-3 074 654,61**	-3 018 944,72
Appropriations	**-370 066,92**	-276 779,00
Income taxes	**731 711,65**	621 447,28
RESULT FOR THE FINANCIAL YEAR	**-2 713 009,88**	-2 674 276,44

PARENT COMPANY'S BALANCE SHEET

euros	**31.12.2021**	31.12.2020
ASSETS		
Non-current assets		
Intangible assets	**8 842 500,38**	4 129 252,40
Tangible assets	**9 109 858,57**	9 306 160,94
Investments	**13 562 503,70**	10 749 300,87
Total non-current assets	**31 514 862,65**	24 184 714,21
Current assets		
Inventories	**19 784 744,65**	12 619 590,93
Deferred tax assets	**1 553 935,35**	893 922,41
Current receivables	**21 777 794,64**	31 654 316,09
Cash and cash equivalents	**18 940 687,62**	10 124 511,26
Total current assets	**62 057 162,26**	55 292 340,69
TOTAL ASSETS	**93 572 024,91**	79 477 054,90

PARENT COMPANY'S BALANCE SHEET

euros	**31.12.2021**	31.12.2020
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	**8 256 316,00**	8 256 316,00
Fair value reserve and other reserves	**5 711 120,18**	5 711 120,18
Retained earnings	**24 547 292,55**	30 632 124,19
Profit for the financial year	**-2 713 009,88**	-2 674 276,44
Total shareholders' equity	**35 801 718,85**	41 925 283,93
Appropriations	**1 422 371,92**	1 052 305,00
Obligatory provisions	**2 572 271,08**	3 041 179,79
Liabilities		
Current liabilities	**53 775 663,06**	33 458 286,18
Total liabilities	**53 775 663,06**	33 458 286,18
TOTAL LIABILITIES	**93 572 024,91**	79 477 054,90

PARENT COMPANY'S CASH FLOW STATEMENT

euros	1.1.–31.12.2021	1.1.–31.12.2020
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	**134 961 173,77**	98 363 385,42
Proceeds from other operating income	**767 367,27**	564 482,42
Payments of operating expenses	**-114 942 217,37**	-101 647 360,44
Cash flow before financial items and taxes	**20 786 323,67**	-2 719 492,60
Interest paid from operating activities	**10 009,04**	-3 945,94
Dividends received from operating activities	**745 800,00**	639 750,00
Interest received from operating activities	**52 397,31**	25 466,52
Other financing items from operating activities	**-191 066,42**	-152 386,32
Income tax paid	**-178 598,49**	631 354,35
Net cash flow from operating activies (A)	**21 224 865,11**	-1 579 253,99
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	**-6 945 451,21**	-3 589 772,28
Proceeds from sale of tangible and intangible assets	**-**	163 562,49
Purchase of subsidiary shares	**-2 813 202,83**	-696 000,00
Repayments of loan receivables from Group companies	**760 520,49**	218 112,63
Net cash flow from investing activities (B)	**-8 998 133,55**	-3 904 097,16
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	**-3 410 555,20**	-6 181 631,30
Net cash flow from financing activities (C)	**-3 410 555,20**	-6 181 631,30
Net change in cash and cash equivalents (A+B+C)	**8 816 176,36**	-11 664 982,45
increase (+)/decrease (-)		
Cash and cash equivalents at the beginning of the year	**10 124 511,26**	21 668 261,36
Net change in cash and cash equivalents	**8 816 176,36**	-11 664 982,45
Effect of exchange rate changes on cash	**0,00**	121 232,35
Cash and cash equivalents at the end of the year	**18 940 687,62**	10 124 511,26

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

EUR 1,000	2021	%	2020	%
NET SALES				
Net sales by market area				
CIS (Russia)	**66 672**	**57**	61 344	64
EMEA (Eurooppa ja Afrikka)	**33 744**	**29**	50 900	42
LAM (South America)	**7 641**	**6**	5 728	6
APAC (Asia–Pacific)	**4 912**	**4**	3 008	3
NAM (North America)	**4 908**	**4**	888	1
TOTAL	**117 878**	**100**	96 266	100

Finland accounted for 9 percent (7%) of net sales

Basis of preparation

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

EUR 1,000	2021	2020
Specification of net sales		
Net sales by percentage of completion	**92 677**	74 656
Other net sales	**25 201**	21 610
TOTAL	**117 878**	96 266
Project revenues entered as income from currently undelivered projects recognized by percentage of completion	**127 298**	108 766
Amount of performance obligations to be satis-fied over time not yet entered as income (order book)	**134 253**	84 583
Balace sheet items of undelivered projects		
Projects in which the value by percentage of completion exceeds advance payments invoiced		
- aggregate amount of costs incurred and recognized profits less recognized losses	**54 997**	90 938
- advance payments received	**41 631**	70 422
Current customer contract assets	**13 366**	20 516
Projects in which advance payments invoiced exceed the value by percentage of completion		
- aggregate amount of costs incurred and recognized profits less recognized losses	**72 301**	17 829
- advance payments received	**98 446**	31 591
Current customer contract liabilities	**26 145**	13 762
Advance payments included in the current liabilities in the balance sheet		
Current customer contract liabilities	**26 145**	13 762
Other advance payments received, not under percentage of completion	**1 083**	2 672
TOTAL	**27 227**	16 434
Advance payments of the customer contracts included in inventories in the balance sheet		
Advance payments paid of the customer contracts	**9 173**	3 212
TOTAL	**9 173**	3 212

CURRENT RECEIVABLES

EUR 1,000	2021	2020
Current receivables from Group companies		
Loan receivables	**0**	800
Accounts receivables	**1 389**	1 315
Other receivables	**0**	24
Total from Group companies	**1 389**	2 139
Current receivables from others		
Accounts receivables	**2 052**	5 367
Accrued income and prepaid expenses	**14 927**	21 832
Other receivables	**3 409**	2 317
Total from others	**20 389**	29 516
TOTAL	**21 778**	31 654
Substantial items included in accrued income		
Current customer contract assets according to the percentage of completion method	**13 362**	20 516
Income tax receivable	**140**	-
Other accrued income	**1 426**	1 316
TOTAL	**14 927**	21 832

Basis of preparation
Receivables in the balance sheet include accounts receivables and other receivables. Receivables have been valued at original carrying amount or at the lower disposal price. Accounts receivables in the balance sheet do not include significant credit risk clusters at the balance sheet date.

MATERIALS AND SERVICES

EUR 1,000	2021	2020
Purchases during the financial year	**-56 837**	-49 503
Change in inventories, materials and supplies, other inventories	**1 105**	-263
External services	**-15 797**	-6 323
TOTAL	**-71 529**	-56 090

INVENTORIES

EUR 1,000	2021	2020
Materials and supplies	**5 348**	4 210
Work in progress	**3 856**	3 908
Finished products	**1 408**	1 290
Advance payments received for long-term projects	**9 173**	3 212
TOTAL	**19 785**	12 620

During the financial year, EUR 106 thousand (EUR 329 thousand) were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price.

OBLIGATORY PROVISIONS

EUR 1,000	2021	2020
Warranty provisions		
Book value at Jan. 1	**1 847**	2 204
Additions	**1 447**	2 064
Decrease	**-1 859**	-2 422
Book value at Dec. 31	**1 435**	1 847
Other obligatory provisions		
Book value at Jan. 1	**1 195**	618
Additions	**762**	1 828
Decrease	**-820**	-1 251
Book value at Dec. 31	**1 137**	1 195
TOTAL	**2 572**	3 041

PERSONNEL EXPENSES

EUR 1,000	2021	2020
Wages and salaries	**-26 883**	-24 936
Pension costs	**-4 784**	-4 151
Fixed share-based employee payments	**-61**	-474
Other personnel expenses	**-285**	-886
TOTAL	**-32 013**	-30 446
PERSONNEL		
Employed at Dec. 31, persons		
Workers	**152**	150
Office staff	**395**	354
TOTAL	**547**	504
Personnel working abroad at Dec. 31	**3**	3
Effective, on average, persons		
Workers	**150**	149
Office staff	**381**	352
TOTAL	**531**	501
Personnel working abroad, effective, on average	**3**	3
On average, persons		
Workers	**150**	152
Office staff	**385**	361
TOTAL	**535**	512
Personnel working abroad, on average	**3**	3

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

OTHER OPERATING INCOME

EUR 1,000	2021	2020
Allowances received	**-**	500
Other operating income from Group companies	**479**	247
Capital gain on non-current assets	**37**	80
Other operating income	**164**	35
Insurance compensations	**88**	-
TOTAL	**767**	863

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

OTHER OPERATING EXPENSES

EUR 1,000	2021	2020
Indirect production costs	**-2 442**	-2 075
Sales and marketing costs	**-3 725**	-2 946
Administration costs	**-5 517**	-4 146
Other costs	**-4 804**	-3 572
TOTAL	**-16 489**	-12 740

Basis of preparation
Research and development costs have been recognized as expenses in the income statement in the year they incurred. During the financial year research and development costs have been recognized in the income statement in the amount of EUR 4 787 thousand (EUR 4 845 thousand.

OTHER OPERATING EXPENSES

EUR 1,000	2021	2020
Auditor's remunerations		
Authorized Public Accountants Pricewaterhouse-Coopers Oy (Finland)		
Audit expenses, statutory	**-88**	-66
Audit expenses, other assignments according to the Audit Act	**-**	-
Audit expenses, other services	**-**	-
Audit expenses, tax services	**-**	-
TOTAL	**-88**	-66

The Parent company's **auditor** during the financial year was Authorized Public Accountants PricewaterhouseCoopers Oy. Statutory audit fee includes audit fees for current financial year auditing. Other services and tax services include audit fees for other services recognized on accrual basis during the financial year. Fees do not include travel costs and fees payable to the authorities arising from auditing or other assignments. During the financial year, EUR 0 thousand (EUR 3 thousand) was paid as travel costs to the auditor.

OTHER LEASES

EUR 1,000	2021	2020
Raute Corporation as a lessee		
Minimum rents paid on the basis of other non-cancellable leases:		
- Within one year	**513**	357
- After a period of more than one year and less than five years	**352**	533
TOTAL	**865**	890

INCOME TAXES

EUR 1,000	2021	2020
Income taxes from operations	**-**	-
Current tax of previous financial years	**72**	-132
Deferred tax assets	**660**	754
TOTAL	**732**	621

Basis of preparation

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

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

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

INTANGIBLE ASSETS

EUR 1,000	Intan-gible rights	Goodwill	Other intangi-ble assets	Advance payments	Total
Acquisition cost at Jan. 1, 2021	**3 944**	**662**	**7 246**	**1604**	**13 456**
Additions	102	-	219	4824	5 145
Reclassification between items	-2	-	163	0	161
Acquisition cost at Dec. 31, 2021	**4 044**	**662**	**7 629**	**6 428**	**18 762**
Accumulated amortization and depreciation at Jan. 1, 2021	**-2 755**	**-245**	**-6 327**	**-**	**-9 328**
Depreciation for the financial year	-205	-66	-313	-	-584
Reclassification between items	12	-	-21	-	-9
Accumulated amortization and depreciation at Dec. 31, 2021	**-2 948**	**-311**	**-6 661**	**-**	**-9 920**
Book value at Dec. 31, 2021	**1 097**	**351**	**967**	**6 428**	**8 842**
Book value at Dec. 31, 2020	1 189	417	919	1604	4 129

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

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

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

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

TANGIBLE ASSETS

EUR 1,000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and assets in progress	Total
Acquisition cost at Jan. 1, 2021	**218**	**11 382**	**31 774**	**765**	**820**	**44 958**
Additions	-	178	1522	-	100	1 800
Disposals	-	-	-88	-	-	-88
Reclassification between items	-	-16	701		-812	-127
Acquisition cost at Dec. 31, 2021	**218**	**11 544**	**33 909**	**765**	**108**	**46 543**
Accumulated depreciation and amortization at Jan. 1, 2021	**-**	**-8 207**	**-27 027**	**-417**	**-**	**-35 651**
Depreciation and amortization for the financial year	-	-397	-1 223	-42	-	-1 662
Reclassification between items		-32	-88			-120
Accumulated depreciation and amortization at Dec. 31, 2021	**-**	**-8 636**	**-28 338**	**-459**	**-**	**-37 433**
Book value at Dec. 31, 2021	**218**	**2 907**	**5 571**	**306**	**108**	**9 110**
Book value at Dec. 31, 2020	218	3 175	4 747	347	820	9 307

DEPRECIATION AND AMORTIZATION

EUR 1,000	2020	2019
Depreciation and amortization of intangible assets	**-584**	-613
Depreciation and amortization of tangible assets	**-1 674**	-1 696
TOTAL	**-2 258**	-2 309

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

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

NON-CURRENT INVESTMENTS

EUR 1,000	Shares, Group companies	Shares, Others	Total
Acquisition cost at Jan. 1, 2021	**14 870**	**1479**	**16 349**
Additions	2813		2 813
Disposals	-	-	0
Acquisition cost at Dec. 31, 2021	**17 683**	**1 479**	**19 162**
Accumulated impairments at Jan. 1, 2021	**-5 297**	**-303**	**-5 599**
Impairments	-	-	-
Accumulated impairments at Dec. 31, 2021	**-5 297**	**-303**	**-5 599**
Book value at Dec. 31, 2021	**12 386**	**1 176**	**13 563**
Book value at Dec. 31, 2020	9 573	1 176	10 749

SHARES OWNED BY THE COMPANY

	Holding and voting rights, %	Book value, EUR 1,000
Subsidiaries		
Raute Canada Ltd., Delta, B.C., Canada	100	5 751
Raute Inc., Delaware, USA	100	2 899
RWS-Engineering Oy, Lahti, Finland	100	203
Raute WPM Oy, Lahti, Finland	100	9
Raute Group Asia Pte Ltd., Singapore	100	0
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	100	0
Hiottu Oy, Oulu, Finland	100	696
Raute (Changzhou) Machinery Co.. Ltd, Changzhou, China	100	2 813
Raute Chile Ltda., Concepción, Chile	50	15
TOTAL		**12 386**

Other shares	Number of shares, pcs	Book value, EUR 1,000
PHP Holding Oy	521	1 040
Esys Oy	600	42
DIMECC OY	50	50
Other		44
TOTAL		**1 176**

SHAREHOLDERS' EQUITY

EUR 1,000	2021	2020
Share capital at Jan. 1	**8 256**	8 256
Share capital at Dec. 31	**8 256**	8 256
Invested non-restricted equity reserve at Jan. 1	**5 711**	5 711
Invested non-restricted equity reserve at Dec. 31	**5 711**	5 711
Retained earnings at Jan. 1	**30 632**	32 275
Changes during the financial year		
- Profit from the previous year	**-2 674**	4 539
- Dividends	**-3 411**	-6 182
Retained earnings at Dec. 31	**24 547**	30 632
Result for the financial year	**-2 713**	-2 674
SHAREHOLDERS' EQUITY AT DEC. 31	**35 801**	41 925
Distributable funds		
Retained earnings at Dec. 31	**24 547**	30 632
Result for the financial year	**-2 713**	-2 674
Invested non-restricted equity reserve	**5 711**	5 711
Items deductible from distributable funds	**-**	-500
Distributable funds at Dec. 31	**27 546**	33 169
Shares of the company		
Series K shares (ordinary shares, 20 votes/share), 1,000 pcs	**991**	991
Series A shares (1 vote/shares), 1,000 pcs	**3 272**	3 272
Shares, 1,000 pcs	**4 263**	4 263
Book counter value of the share	**1,94**	1,94
Total book counter value, 1 000 pcs	**8 256**	8 256

LIABILITIES

EUR 1,000	2021	2020
Current liabilities		
Current liabilities to Group companies		
- Advance payments received	**7 178**	3 214
- Accounts payable	**3 297**	1 722
- Accrued expenses and prepaid income	**-**	-
- Other current liabilities	**4 365**	1 823
Total to Group companies	**14 840**	6 759
Current liabilities to others		
- Advance payments received	**20 050**	13 221
- Accounts payable	**11 213**	6 701
- Accrued expenses and prepaid income	**5 952**	6 140
- Other liabilities	**1 721**	638
Total to others	**38 935**	26 699
TOTAL	**53 776**	33 458
Interest-bearing liabilities		
- Current other liabilities	**4 365**	1 823
TOTAL	**4 365**	1 823
Substantial items included in accrued expenses and prepaid income		
- Accrued personnel expenses	**5 906**	5 709
- Accrued project expenses	**-**	-
- Income tax liability	**-**	111
- Financial accruals	**16**	138
- Other accrued expenses	**30**	182
TOTAL	**5 952**	6 140

FINANCIAL INCOME AND EXPENSES

EUR 1,000	2021	2020
Dividend income		
From others	**746**	640
Total	**746**	640
Other interest and financial income		
From Group companies	**27**	34
From others	**132**	4
Total	**159**	38
Total financial income	**904**	678
Interest and other financial expenses		
To Group companies	**0**	-68
To others	**-195**	-113
Total	**-195**	-181
Total financial expenses	**-195**	-181
Financial income and expenses, net	**709**	497
Exchange rate losses (-) included in total financial income and expenses	**157**	-19

DERIVATIVES

EUR 1,000	2021	2020
Nominal values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	**1 212**	320
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	**0**	733
- Related to the hedging of net sales	**6 783**	1 170
Fair values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	**-41**	-2
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	**0**	0
- Related to the hedging of net sales	**-182**	23

Basis of preparation

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

PLEDGED ASSETS AND CONTINGENT LIABILITIES

EUR 1,000	2021	2020
Mortgage agreements on behalf of subsidiaries		
Financial loans	**2 071**	1 857
Other obligations	**-**	-
Other credit guarantee arrangements	**2 071**	1 857
Commercial bank guarantees on behalf of the Parent company and subsidiaries	**15 344**	29 752

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

FINANCIAL STATEMENTS DECEMBER 31, 2021

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

Description of voucher group	Voucher group	Vouchers' means of storaging
Bank vouchers	10	In electronic format
Purchase invoices	81	In electronic format
Sales invoices	30, 31, 34, 35 and 36	In paper
Transactions of purchase and sales invoices	12 and 80	In electronic format
Fixed asset register		In electronic format
Salary vouchers	55, 56, 64, 65, 66, 67 and 68	In electronic format
Memo vouchers	11, 15, 19, 20, 21, 22, 23, 25, 48, 49, 50, 51, 52, 53 and 54	In electronic format

THE BOARD OF DIRECTORS' PROPOSAL FOR RESULT 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 27,545,402.85 of which the loss for the financial year is 2,713,009.88 and the balance sheet amounts to EUR 93,572,024.91.

The Board of Directors will propose to the Annual General Meeting 2022 that the distributable funds will be used in the following way based on the total amount of shares entitled for the dividend at the date of the proposal for dividend distribution, i.e. 4,263,194 shares:

- EUR 0.80 per share to be distributed as dividend, i.e. a total of	EUR 3,410,555.20
- Retained in equity	EUR 24,134,847.65
Total	EUR 27 545 402.85

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

Lahti, February 18, 2022

Laura Raitio
Chair of the Board

Mika Mustakallio   Joni Bask   Ari Harmaala   Pekka Suominen   Patrick von Essen

Tapani Kiiski
President and CEO

Auditor's note

A report on the audit performed has been issued today.

Lahti, February 18, 2022

PricewaterhouseCoopers Oy
Authorized Public Accountants

Markku Launis
Authorized Public Accountant

To the Annual General Meeting of Raute Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

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

What we have audited

We have audited the financial statements of Raute Oyj (business identity code 0149072-6) for the year ended 31 December 2021. The financial statements comprise:

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

Basis for Opinion

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

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

Independence

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

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

Our Audit Approach

Overview

- We have applied an overall group materiality of EUR 1,42 million

- We have audited parent company and its subsidiaries in Finland and Canada. In addition, we have performed group level procedures over specific consolidated accounts and analytical procedures to assess unusual movements across all entities.

- Revenue recognition of project deliveries and modernization projects
- Accounting for costs incurred in connection with the introduction of the IT cloud service

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

Materiality

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

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

Overall group materiality	EUR 1,42 million
How we determined it	Net sales
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, the performance of the Group is most commonly measured by using this criteria, and it is a generally accepted benchmark. We chose net sales as the benchmark as we considered that this provides us with a consistent year-on-year basis for determining materiality.

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

Key Audit Matters

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

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

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

Accounting for costs incurred in connection with the introduction of the IT cloud service

See notes to the consolidated financial statements Changes in accounting standards

In previous financial years, the Group has applied the accounting principle in which the costs of introducing IT cloud services have been capitalized in full.

In April 2021, the IFRIC issued an agenda decision on the accounting treatment of configuration and customization costs for IT cloud services.

The Group has analyzed IFRIC's agenda decision and identified the need to change its previous accounting policy regarding the capitalization of the costs of implementing IT cloud services. Expenses previously capitalized in intangible assets totaled EUR 2.9 million, of which EUR 2.0 million for the financial year 2021 and EUR 0.9 million retrospectively for the financial year 2020.

Our audit focused on the principle of accounting for and applying the expenses incurred in connection with the introduction of the IT cloud service, as it involves estimates based on management's judgment that affect both the amount of expenses for the financial year and the comparative period 2020 and the resulting intangible assets.

Our testing of costs incurred in connection with the introduction of the IT cloud service included substantive audit procedures. Our substantive procedures included the following but was not limited to:

- We assessed whether the accounting policy applied by the Group is in accordance with IAS 38 and the IFRIC agenda decision issued in April 2021.
- We interviewed the management of the company and the project management to gain an understanding of the costs incurred in connection with introduction of the IT cloud service.
- We assessed whether the expenses incurred in connection with the implementation have been treated in the consolidated financial statements in accordance with IAS 38 and IFRIC agenda decision issued in April 2021.
- For the selected sample, we tested whether the capitalized expenses incurred in connection with the introduction of the IT cloud service during the financial year and the previous financial year are based on invoices received from third parties and verified in accordance with the Group's approval policy or expenses incurred within the Group, which are verified by a document certifying the transaction and personal hourly accounting.
- We assessed the appropriateness of the estimates made by management.
- We also considered the appropriateness of the related disclosures provided in the notes to the consolidated financial statements.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

- As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 31 March 2010. Our appointment represents a total period of uninterrupted engagement of 12 years.

Other Information

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

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

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

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements

- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

Lahti 18 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

Independent Auditor's Reasonable Assurance Report on Raute Oyj's ESEF Financial Statements (Translation of the Finnish Original)

To the Management of Raute Oyj

We have been engaged by the Management of Raute Oyj (business identity code 0149072-6) (hereinafter also "the Company") to perform a reasonable assurance engagement on the Company's consolidated IFRS financial statements for the financial year 1.1.-31.12.2021 in European Single Electronic Format ("ESEF financial statements").

Management's Responsibility for the ESEF Financial Statements

The Management of Raute Oyj is responsible for preparing the ESEF financial statements so that they comply with the requirements as specified in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF requirements"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of ESEF financial statements that are free from material noncompliance with the ESEF requirements, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion on the ESEF financial statements based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the ESEF financial statements are free from material noncompliance with the ESEF requirements.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the ESEF financial statements compliance with the ESEF requirements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material noncompliance of the ESEF financial statements with the ESEF requirements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Company's preparation of the ESEF financial statements.

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

Opinion

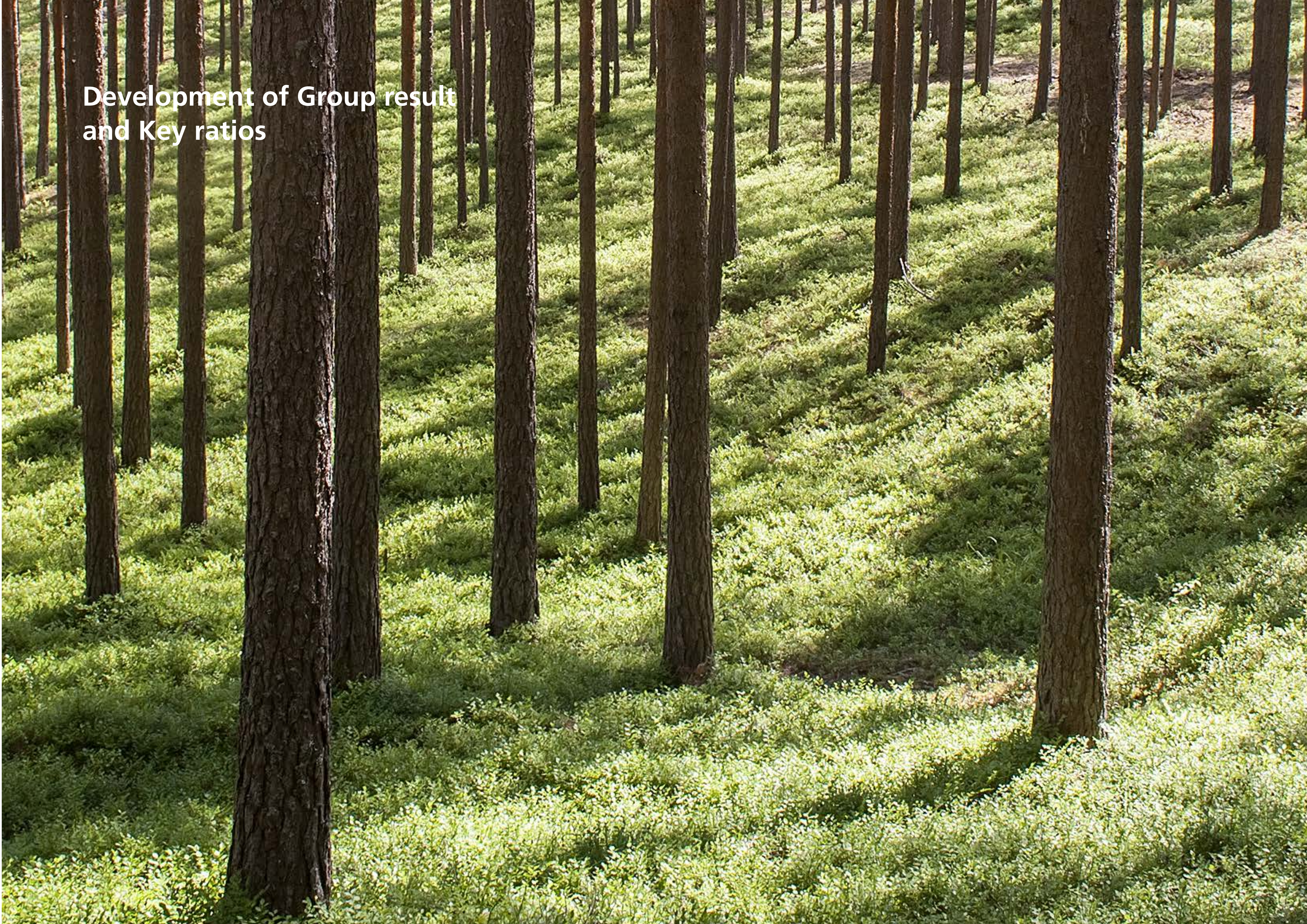
In our opinion, Raute Oyj's ESEF financial statements for the financial year ended 31.12.2021 comply, in all material respects, with the ESEF requirements.

Our reasonable assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except for Raute Oyj for our work, for this report, or for the opinion that we have formed.

Lahti 18 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)



Development of Group result and Key ratios

The presented interim figures have not been audited.

EUR 1,000	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Adjusted Q4 2020	Adjusted Q3 2020	Adjusted Q2 2020	Adjusted Q1 2020	Published Q4 2020	Published Q3 2020	Published Q2 2020	Published Q1 2020
NET SALES	**44 100**	**37 900**	**35 453**	**24 759**	**38 934**	**27 905**	**24 377**	**23 779**	**38 934**	**27 905**	**24 377**	**23 779**
Change in inventories of finished goods and work in progress	**-343**	**-3 787**	**904**	**993**	**3 992**	**76**	**-318**	**-622**	**3 992**	**76**	**-318**	**-622**
Other operating income	**236**	**22**	**11**	**168**	**85**	**50**	**-19**	**85**	**85**	**50**	**-19**	**85**
Materials and services	-23 866	-18 187	-19 649	-12 622	-27 244	-14 634	-11 938	-10 286	-27 244	-14 634	-11 938	-10 286
Employee benefits expense	-12 424	-8 435	-12 358	-11 300	-10 044	-8 388	-9 468	-11 464	-9 866	-8 334	-9 441	-11 448
Depreciation, amortization amd impairments	-1 136	-1 096	-1 110	-973	-999	-1 141	-937	-962	-999	-1 141	-937	-962
Other operating expenses	-6 051	-4 691	-4 984	-3 778	-4 468	-2 720	-2 811	-3 588	-4 053	-2 594	-2 747	-3 550
Total operating expenses	**-43 480**	**-32 409**	**-38 100**	**-28 673**	**-42 756**	**-26 883**	**-25 154**	**-26 300**	**-42 162**	**-26 702**	**-25 064**	**-26 246**
OPERATING RESULT	**516**	**1 726**	**-1 732**	**-2 753**	**255**	**1 148**	**-1 114**	**-3 058**	**849**	**1 329**	**-1 024**	**-3 005**
% of net sales	**1,2**	**4,6**	**-4,9**	**-11,1**	**0,7**	**4,1**	**-4,6**	**-12,9**	**2,2**	**4,8**	**-4,2**	**-12,6**
Financial income	176	74	541	207	96	5	465	170	96	5	465	170
Financial expenses	-111	-72	-175	-167	-163	-71	-133	-54	-163	-71	-133	-54
Financial expenses, net	**65**	**2**	**366**	**39**	**-67**	**-66**	**332**	**117**	**-67**	**-66**	**332**	**117**
RESULT BEFORE TAX	**581**	**1 728**	**-1 366**	**-2 714**	**188**	**1 082**	**-783**	**-2 941**	**782**	**1 263**	**-692**	**-2 888**
% of net sales	**1,3**	**4,6**	**-3,9**	**-11,0**	**0,5**	**3,9**	**-3,2**	**-12,4**	**2,0**	**4,5**	**-2,8**	**-12,1**
Income taxes	169	-526	391	-37	631	-483	-165	653	631	-483	-165	653
TOTAL RESULT FOR THE PERIOD	**750**	**1 202**	**-975**	**-2 751**	**819**	**599**	**-948**	**-2 288**	**1 412**	**780**	**-857**	**-2 235**
% of net sales	**1,7**	**3,2**	**-2,8**	**-11,1**	**2,1**	**2,1**	**-3,9**	**-9,6**	**3,6**	**2,8**	**-3,5**	**-9,4**
Attributable to												
Equity holders of the Parent company	750	1 202	-975	-2 751	819	599	-948	-2288	1 412	780	-857	-2 235
Undiluted earnings per share, euros	0,18	0,28	-0,23	-0,65	0,19	0,14	-0,22	-0,54	0,33	0,18	-0,20	-0,52
Diluted earnings per share, euros	0,18	0,28	-0,23	-0,65	0,19	0,14	-0,22	-0,53	0,33	0,18	-0,20	-0,52
Adjusted average number of shares, 1 000 pcs	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263	4 263
Adjusted average number of shares, diluted, 1 000 pcs	4 263	4 263	4 263	4 263	4 267	4 284	4 283	4 281	4 267	4 284	4 283	4 281

FINANCIAL DEVELOPMENT QUARTERLY

Order intake during the period, EUR million	50	58	65	30	70	11	13	25	70	11	13	25
Order book at the end of the period, EUR million	158	150	129	98	94	62	80	92	94	62	80	92

	2021	2020	2019	2018	2017
Net sales	**142 212**	114 994	151 297	180 993	148 064
Change in net sales, %	**23,7**	-24,0	-16,4	22,2	30,9
Exported portion of net sales	**130 548**	108 267	133 535	153 180	122 249
% of net sales	**91,8**	94,2	88,3	84,6	82,6
Operating profit	**-2 245**	-2 770	8 454	14 922	11 171
% of net sales	**-1,6**	-2,4	5,6	8,2	7,5
Result before tax	**-1 772**	-2 455	9 253	14 912	11 120
% of net sales	**-1,2**	-2,1	6,1	8,2	7,5
Result for the financial year	**-1 775**	-1 819	7 687	11 836	8 979
% of net sales	**-1,2**	-1,6	5,1	6,5	6,1
Return on investment (ROI), %	**-2,7**	-2,7	18,1	34,6	29,5
Return on equity (ROE), %	**-4,8**	-4,1	16,0	27,6	24,4
Balance sheet total**	**110 676**	85 428	90 651	96 382	87 006
Interest-bearing net liabilities**	**-12 244**	-3 863	-13 923	-12 295	-29 311
% of net sales	**-8,6**	-3,4	-9,2	-6,8	-19,8
Non-interest-bearing liabilities	**64 065**	37 740	32 635	48 793	45 428
Equity ratio, %**	**44,3**	58,8	62,9	61,7	64,3
Gearing, %**	**-35,9**	-9,8	-28,1	-26,4	-74,4
Gross capital expenditure	**6 297**	4 258	2 956	4 384	6 962
% of net sales	**4,4**	3,7	2,0	2,4	4,7
Research and development costs	**4 919**	4 260	4 419	3 735	3 237
% of net sales	**3,5**	3,7	2,9	2,1	2,2
Order book, EUR million	**158**	94	88	95	110
Order intake, EUR million	**203**	119	148	167	155
Personnel at Dec. 31	**802**	751	778	772	704
Personnel, effective, on average	**780**	743	761	725	660
Personnel, on average	**788**	760	784	748	682
Dividend	**3 411***	3 411	6 182	5 968	5 320

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

***Raute Group has adopted IFRS 16 standard as of financial year 2019. The figures for the comparison years 2017-2018 have not been restated.*

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

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

The key ratios have been derived from the consolidated financial statements or are based on items presented in the financial statements which have been prepared in accordance with the accounting standards. If there is a change in the accounting principles of the Group during a certain financial year, the figures of the comparison years are restated to correspond to those accounting principles in force for the current year.

The calculation of the key figures and the alternative performance measures has been presented on page 88 and the calculation of share-related data in connection with the share-related data, on page 89.

CALCULATION OF KEY RATIOS

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

	2021	2020	2019	2018	2017
Earnings per share, (EPS), undiluted, EUR	**-0,42**	-0,43	1,80	2,78	2,13
Earnings per share, (EPS), diluted, EUR	**-0,42**	-0,43	1,79	2,76	2,11
Equity to share, EUR	**8,12**	9,29	11,61	10,82	9,27
Dividend per series A share, EUR	**0.80***	0,80	1,45	1,40	1,25
Dividend per series K share, EUR	**0.80***	0,80	1,45	1,40	1,25
Dividend per profit, %	**-190.5***	-186.0	80,4	50,4	58,8
Effective dividend return, %	**4.0***	3,5	5,8	6,6	4,3
Price/earnings ratio (P/E ratio)	**-47,14**	-52,79	13,86	7,67	13,65
Development in share price (series A share)					
Lowest share price for the financial year, EUR	**19,50**	17,40	20,00	20,50	16,84
Highest share price for the financial year, EUR	**24,90**	27,40	28,70	34,90	30,52
Average share price for the financial year, EUR	**22,28**	20,57	24,71	28,58	22,70
Share price at the end of the financial year, EUR	**19,80**	22,70	25,00	21,30	29,00
Market value of capital stock at Dec. 31, EUR thousand**	**84 411**	96 775	106 580	90 806	123 228
Trading of the company's shares (series A shares)					
Shares traded during the financial year, 1 000 pcs	**591**	680	503	880	846
% of the number of series A shares	**18**	21	15,4	26,9	26,0
Total number of shares (undiluted)					
Issue-adjusted weighted average number of shares	**4 263 194**	4 263 194	4 263 194	4 259 525	4 225 082
Issue-adjusted number of shares at the end of the financial year	**4 263 194**	4 266 933	4 286 991	4 290 433	4 249 248

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.*

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 series A share, euros	Distributed dividend for the financial year / Undiluted number of shares at the end of the financial year	
Dividend per series K 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	
Average share price for the financial year, euros	Total EUR value of series A shares traded during the financial year / Average number of series A shares traded during the financial year	
Market value of capital stock at Dec. 31, EUR 1,000**	Number of shares (series A and series K shares) at the end of the financial year x closing price of the share at the end of the financial year	
Share tunover (series A shares) during the financial year	Total number of series A shares traded during the financial year / Average number of series A shares during the financial year	x 100
Number of shares, average	Average of the number of shares at the end of calendar months of the financial year.	
Number of shares, average, diluted	Average of the issue-adjusted number of shares at the end of calendar months of the financial year.	

Shares and shareholders

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

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

Market capitalization and trading
Raute Corporation's series A shares are listed on the Nasdaq Helsinki Ltd in the Industrials sector. The trading code is RAUTE.

In 2021, a total of 591,208 Raute Corporation's series A shares were traded (680,073 pieces). The total value of trading was EUR 13.2 million (MEUR 14.0). The highest share price was EUR 24.90 (EUR 27.40) and the lowest EUR 19.50 (EUR 17.40). At the end of the year 2021, the share price was EUR 19.80 (EUR 22.70). The average price was EUR 22.28 (EUR 20.51). The company's market capitalization at the end of the financial year was EUR 84.4 million (MEUR 96.8), with series K shares valued at the closing price of series A shares on December 31, 2021.

Board authorizations
The Annual General Meeting on March 31, 2021 authorized the Board to decide on the repurchase of a maximum of 400,000 Raute Corporation's series A shares using assets from the company's non-restricted equity, which would lead to a decrease in the company's distributable assets.

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

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

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

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

By the authority granted to the Board at the Annual General Meeting on April 2, 2019 the Board can decide on an issue of Raute Corporation's series A shares, as well as on all of the related conditions, including the recipients and the sum of consideration to be paid. The Board of Directors may decide to issue either new shares or company shares held by Raute. The maximum number of shares that can be issued is 400,000 series A shares. As proposed, the authorization can be used to fund or carry out acquisitions or other arrangements or for other purposes decided by the Board of Directors.

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

On December 31, 2021, the company had no valid share issues.

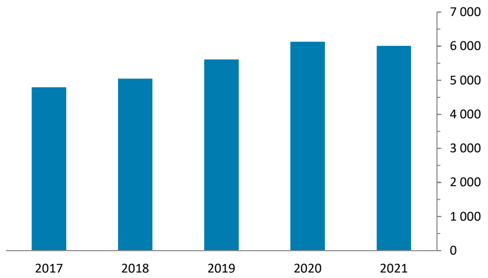
Share-based payment plan 2019–2023
Information is presented in note Employee benefits, page 36.

ENTIRE CAPITAL STOCK

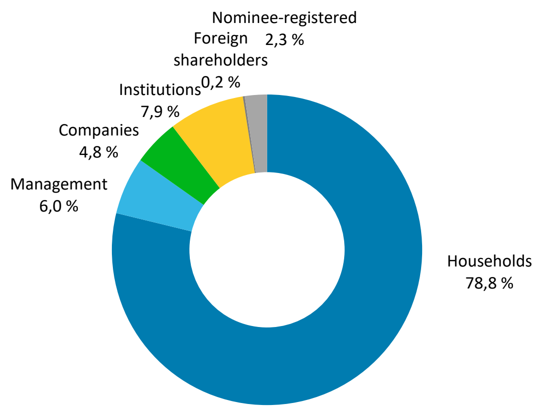
Series A and series K shares by shareholder category at Dec. 31, 2021	Number of sharehol-ders	%	Number of shares	%	Number of voting rights	%
Households	5 744	95,6	3 613 427	84,8	22 445 486	97,5
Financial and insurance institutions	22	0,4	207 518	4,9	207 518	0,9
Companies	191	3,2	203 548	4,8	203 548	0,9
Non-profit institutions	21	0,3	79 020	1,9	79 020	0,3
Public institutions	1	0,0	51 950	1,2	51 950	0,2
Foreign shareholders	21	0,3	8 492	0,2	8 492	0,0
Nominee-registered	9	0,1	99 239	2,3	99 239	0,4
Total	**6 009**	**100,0**	**4 263 194**	**100,0**	**23 095 253**	**100,0**

Series A and series K shares by number of shares at Dec. 31, 2021	Number of sharehol-ders	%	Number of shares	%	Number of voting rights	%
1–1 000	5 683	94,6	930 096	21,8	965 626	4,2
1 001–5 000	247	4,1	516 574	12,1	840 752	3,6
5 001–10 000	29	0,5	217 954	5,1	897 774	3,9
10 001–20 000	14	0,2	194 200	4,6	1 867 511	8,1
20 001–30 000	9	0,2	228 220	5,4	2 254 190	9,8
30 001–40 000	6	0,1	207 593	4,9	2 232 043	9,7
40 001–50 000	3	0,1	132 574	3,1	1 515 394	6,6
50 001–60 000	7	0,1	379 359	8,9	3 104 719	13,4
60 001–	11	0,2	1 456 624	34,2	9 417 244	40,8
Total	**6 009**	**100,0**	**4 263 194**	**100,0**	**23 095 253**	**100,0**

Number of shareholders at December 31



Shareholdeing at December 31, 2021



SERIES A SHARES

Series A shares by shareholder category at Dec. 31, 2021	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	5 722	95,6	2 622 266	80,1	2 622 266	80,1
Financial and insurance institutions	22	0,4	207 518	6,3	207 518	6,3
Companies	191	3,2	203 548	6,2	203 548	6,2
Non-profit institutions	21	0,4	79 020	2,4	79 020	2,4
Public institutions	1	0,0	51 950	1,6	51 950	1,6
Foreign shareholders	21	0,4	8 492	0,3	8 492	0,3
Nominee-registered	9	0,2	99 239	3,0	99 239	3,0
Total	**5 987**	**100,0**	**3 272 033**	**100,0**	**3 272 033**	**100,0**

Series A shares by number of shares at Dec. 31, 2020	Number of shareholders	%	Number of shares	%	Number of voting rights	%
1–1 000	3 315	55,4	147 816	4,5	147 816	4,5
1 001–5 000	1 997	33,4	495 139	15,1	495 139	15,1
5 001–10 000	366	6,1	286 653	8,8	286 653	8,8
10 001–20 000	248	4,1	523 945	16,0	523 945	16,0
20 001–30 000	30	0,5	221 199	6,8	221 199	6,8
30 001–40 000	22	0,4	548 207	16,8	548 207	16,8
40 001–50 000	6	0,1	321 035	9,8	321 035	9,8
50 001–	3	0,1	728 039	22,3	728 039	22,3
Total	**5 987**	**100,0**	**3 272 033**	**100,0**	**3 272 033**	**100,0**

SERIES K SHARES

Series K shares by shareholder category at Dec. 31, 2020	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	55	100,0	991 161	10,0	19 823 220	100,0
Total	**55**	**100,0**	**991 161**	**10,0**	**19 823 220**	**100,0**

Series K shares by number of shares at Dec. 31, 2020	Number of shareholders	%	Number of shares	%	Number of voting rights	%
1–1 000	10	18,2	2 250	0,2	45 000	0,2
1 001–5 000	8	14,5	21 551	2,2	431 020	2,2
5 001–10 000	7	12,7	40 680	4,1	813 600	4,1
10 001–20 000	11	20,0	149 520	15,1	2 990 400	15,1
20 001–30 000	6	10,9	149 750	15,1	2 995 000	15,1
30 001–40 000	3	5,5	99 550	10,0	1 991 000	10,0
40 001–50 000	5	9,1	238 480	24,1	4 769 600	24,1
50 001–60 000	2	3,6	106 320	10,7	2 126 400	10,7
60 001–	3	5,5	183 060	18,5	3 661 200	18,5
Total	**55**	**100,0**	**991 161**	**100,0**	**19 823 220**	**100,0**

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2021 BY NUMBER OF SHARES

		Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
1.	Sundholm Göran	-	500 000	500 000	11,7	500 000	2,2
2.	Laakkonen Mikko Kalervo	-	119 919	119 919	2,8	119 919	0,5
3.	Suominen Pekka	48 000	62 429	110 429	2,6	1 022 429	4,4
4.	Mandatum Henkivakuutusosakeyhtiö	-	108 120	108 120	2,5	108 120	0,5
5.	Siivonen Osku Pekka	50 640	53 539	104 179	2,4	1 066 339	4,6
6.	Kirmo Kaisa Marketta	55 680	48 341	104 021	2,4	1 161 941	5,0
7.	Suominen Tiina Sini-Maria	48 000	51 001	99 001	2,3	1 011 001	4,4
8.	Keskiaho Kaija Leena	33 600	51 116	84 716	2,0	723 116	3,1
9.	Mustakallio Mika Tapani	62 100	21 170	83 270	2,0	1 263 170	5,5
10.	Särkijärvi Anna Riitta	60 480	22 009	82 489	1,9	1 231 609	5,3
11.	Mustakallio Kari Pauli	60 480	-	60 480	1,4	1 209 600	5,2
12.	Mustakallio Marja Helena	46 740	12 547	59 287	1,4	947 347	4,1
13.	Särkijärvi Anu Riitta	12 000	43 256	55 256	1,3	283 256	1,2
14.	Särkijärvi Timo Juha	12 000	43 256	55 256	1,3	283 256	1,2
15.	Mustakallio Ulla Sinikka	47 740	5 946	53 686	1,3	960 746	4,2
16.	Suominen Jukka Matias	24 960	27 964	52 924	1,2	527 164	2,3
17.	Keskinäinen työeläkevakuutusyhtiö Varma	-	51 950	51 950	1,2	51 950	0,2
18.	Relander Pär-Gustaf	-	51 000	51 000	1,2	51 000	0,2
19.	Suominen Jussi	48 000	-	48 000	1,1	960 000	4,2
20.	Keskiaho Ilta Marjaana	24 780	19 094	43 874	1,0	514 694	2,2
Total		**635 200**	**1 292 657**	**1 927 857**	**45,2**	**13 996 657**	**60,6**

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2021 BY NUMBER OF VOTES

		Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
1.	Mustakallio Mika Tapani	62 100	21 170	83 270	2,0	1 263 170	5,5
2.	Särkijärvi Anna Riitta	60 480	22 009	82 489	1,9	1 231 609	5,3
3.	Mustakallio Kari Pauli	60 480	0	60 480	1,4	1 209 600	5,2
4.	Kirmo Kaisa Marketta	55 680	48 341	104 021	2,4	1 161 941	5,0
5.	Siivonen Osku Pekka	50 640	53 539	104 179	2,4	1 066 339	4,6
6.	Suominen Pekka	48 000	62 429	110 429	2,6	1 022 429	4,4
7.	Suominen Tiina Sini-Maria	48 000	51 001	99 001	2,3	1 011 001	4,4
8.	Mustakallio Ulla Sinikka	47 740	5 946	53 686	1,3	960 746	4,2
9.	Suominen Jussi	48 000	0	48 000	1,1	960 000	4,2
10.	Mustakallio Marja Helena	46 740	12 547	59 287	1,4	947 347	4,1
11.	Keskiaho Kaija Leena	33 600	51 116	84 716	2,0	723 116	3,1
12.	Mustakallio Hanna Leena	32 975	5 565	38 540	0,9	665 065	2,9
13.	Mustakallio Jukka Jeremias	32 975	0	32 975	0,8	659 500	2,9
14.	Keskiaho Vesa Heikki	29 680	0	29 680	0,7	593 600	2,6
15.	Keskiaho Juha-Pekka	27 880	5 716	33 596	0,8	563 316	2,4
16.	Suominen Jukka Matias	24 960	27 964	52 924	1,2	527 164	2,3
17.	Keskiaho Ilta Marjaana	24 780	19 094	43 874	1,0	514 694	2,2
18.	Sundholm Göran Wilhelm	0	500 000	500 000	11,7	500 000	2,2
19.	Kultanen Leea Annikka	21 595	8 031	29 626	0,7	439 931	1,9
20.	Piik Ari Aarne Juhani	20 855	418	21 273	0,5	417 518	1,8
Total		**777 160**	**894 886**	**1 672 046**	**39,2**	**16 438 086**	**71,2**

MANAGEMENT’S SHAREHOLDING AT DECEMBER 31, 2021

The Board of Directors, the President and CEO as well as the Executive Board held altogether 128,169 series A shares and 127,890 series K shares at December 31, 2021.

Management’s hareholding equals 6.0 percent of the company shares and 11.6 percent of the votes. The figures include the holding of their own, minor children and control entities.

NOMINEE-REGISTERED SHARES AT DECEMBER 31, 2021

Nominee-registered shares accounted for 2.3 percent (2.2%) of the total shares.

NUMBER OF SHAREHOLDERS AT DECEMBER 31, 2021

The number of shareholders totaled 6,009 (6,134) at the end of the year 2021. Series K shares were owned by 55 (54) private individuals at the end of the financial year.

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