

FINANCIAL STATEMENTS 2022



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The Group's net sales for 2022 were EUR 158.3 million (MEUR 142.2), up by 11 percent on the previous year. The Group's operating loss for 2022 was EUR 14.6 million (MEUR -2.2) and accounted for -9.2 percent (-1.6%) of the net sales. The Group's financial income and expenses totaled EUR 0.8 million (MEUR 0.5). The Group's result before taxes was EUR -13.8 million (MEUR -1.8). The result for the financial year was EUR -11.5 million (MEUR -1.8). The Group's comprehensive income was EUR -11.2 million (MEUR -2.1). Undiluted earnings per share were EUR -2.70 (EUR -0.42). Return on equity was -40.4 percent (-4.8%).

The Company publishes alternative performance measures (APMs). These performance measures are not defined in accordance with IFRS but provide complementary information to investors and company management about the company's financial position and development. In this report two new APMs are presented: Comparable EBITDA and EBITDA. The new APMs definitions can be found in the tables section of this report.

The company has decided to change its reporting segments in accordance with the new operative organization structure that has been effective since January 1, 2023. The new reporting segments are Wood Processing, Analyzers and Services. The segment figures with the new segment split are presented in this report (as additional information) for the reporting period as well as for the comparison period on a quarterly basis and are comparable.

In this report, figures in parentheses refer to corresponding figures for the previous financial years 2021 and 2020.

BUSINESS ENVIRONMENT

Raute's customers are the producers of veneer, plywood and LVL (Laminated Veneer Lumber). Their products are typically used in construction, housing-related consumption, international trade and transportation. Global megatrends have a marked impact on the future demand of these products, such as the increasing use of sustainable wood-based construction materials also in the high-rise buildings, the demand for veneer-based packaging materials and the targets to reduce the use of plastic materials. All these megatrends are indicating an increasing demand for wood-based materials in the future. This is also supported by the developing regulation.

Market situation and outlook in the global economy as well as the financial markets have become uncertain during last year. The military action by Russia and the resulting sanctions are affecting the situation. High inflation caused by the rise in raw material, energy and transport costs, and poor availability of certain materials and components increase uncertainty and weaken the outlook. These impacts have become also visible in demand for Raute's customers' products. Restrictions imposed due to the Covid-19 pandemic have been mostly lifted around the world, but the impact of Covid-19 can still be seen, especially in the Asian market. The raw material availability has started to limit our customers' production volumes, especially due to the lack of the Russian birch logs. The slowdown of the construction business and housing starts have slowed down the demand of the softwood plywood.

Demand for Raute's technology and services has been strong in the developed markets of Europe and North America. However, likelihood for economic downturn seems high on both of these markets. The disappearance of the Russian birch plywood and birch logs from the European market has caused some turbulence on the market, but at the same time it has also created increasing demand for Raute's solutions for production capacity increase within the European birch plywood producers. In Latin America demand is on a fairly good level, also as the availability of raw material in the market area is good. In Asia, demand was lower than in the developed markets, and the market continues to feel uncertain, still slowly recovering from the Covid-19 and reduced industry financing.

Investment activity among Raute's customers remained fairly good. The reporting period's order intake continued on a good level, but it did not include any large capacity orders. Demand for maintenance and spare parts services has been very good, indicating generally good capacity utilization rates of Raute's customers' production plants during the reporting period.

Update of the impacts of the Russian military actions on Raute's business operations in Russia

Raute condemns Russia's attack on Ukraine. The attack and resulting sanctions have had a significant impact on Raute's business operations in Russia as Raute had ongoing projects for several different Russian customers. On March 4, 2022, we announced that we stopped entering into new contracts with

Russian parties. Set sanctions prohibit several deliveries to Russia. With customers or deliveries that are not under sanctions, Raute is carrying out a controlled wind-down of existing agreements through completing or changing the scope of deliveries or terminating the contract. As a result of the wind-down activities, Raute's order book for Russian customers has significantly reduced during 2022 and was EUR 4 million at the end of the year, after risk reservations. The remaining order book includes risks in case the controlled wind-down of remaining contracts turns out not to be possible. Raute's assets in rubles in Russia were below one million euros on December 31, 2022, and the assets were mainly related to the local maintenance business in Russia. Raute has no currency hedging related to Russian ruble.

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, analyzers as well as consulting, training, reconditioned machinery and digital services.

Market situation has continued in a reasonable level leading to order intake during the reporting period at EUR 138 million (MEUR 203). The order intake consisted of individual production line project deliveries, modernizations and technology services.

Order intake 2022 includes 47 % from Europe (34), 37 % from North America (18), 8 % from Asia-Pacific (5), 6 % from South America (4) and 2 % from Russia (39). Sometimes even strong fluctuations in the distribution of new orders between the various market areas are typical for project-focused business. Order intake in Wood Processing decreased the most against previous year and was also relatively a smaller share of the overall order intake in 2022. Services has grown its relative share whereas Analyzers has remained flat.

The order book at the end of the reporting period was EUR 84 million (158), of which EUR 4 million was in orders from Russia.

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 an important role. The competitive edge provided by Raute plays a major role when customers select their cooperation partners. Raute's 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 158.3 million (2021: MEUR 142.2; 2020: MEUR 115.0). Net sales grew 11 percent on 2021. Sales include EUR 32.6 million from Russia. Sales to other markets have continued to grow and are 74 % above comparison period. The growth in net sales was strongest in Services.

Net sales for Wood Processing totaled EUR 108 million (MEUR 97), increase of 11 percent from the previous year. Services net sales amounted to EUR 36 million (MEUR 30) and Analyzers to EUR 15 million (MEUR 15). The plywood industry's share of the net sales of project deliveries was 73 percent (88%), while the LVL industry's share was 27 percent (12%).

Of the total net sales for 2022, Europe accounted for 43 percent (25%), North America for 24 percent (14%), South America for 6 percent (5%), Asia-Pacific for 6 percent (7%), and Russia for 21 percent (49%). Russia's share results from the order book in the Russian market after the adjustments from renegotiations with customers, within the limits set by the sanctions.

In 2022, net sales (FAS) of the parent company Raute Corporation totaled EUR 127.4 million (2021: MEUR 117.9; 2020: MEUR 96.3).

RESULT AND PROFITABILITY

Comparable EBITDA was burdened by the impacts of high inflation in purchase prices and freights, extra costs in China due to Covid-19 related lockdowns, as well as reserves for those Russian projects that are still ongoing, in the amount of EUR 6.3 million. The Group's operating loss for 2022 (IFRS) was EUR -14.6 million (MEUR -2.2) and accounted for -9.2 % (-1.6%) of net sales. The operating loss was further impacted by items effecting comparability, including the write-offs of terminated projects for Russian market and other costs related to the exit from Russia of approximately EUR 3.6 million, restructuring costs of EUR 2.0 million including production transfer, severance costs in China, redundancy costs from change negotiations in Finland and changes in the Group management, as well as costs of EUR 1.9 million related to the cloud-based ERP renewal project.

The Group's financial income and expenses totaled EUR 0.8 million (MEUR 0.5) driven by exchange gains. Result before taxes was EUR -13.8 million (MEUR -1.8). Taxes for the period were EUR 2.3 million, including a positive impact from recognizing deferred tax assets from tax losses. The result for the reporting period was EUR -11.5 million (MEUR -1.8). The Group's comprehensive income was EUR -11.2 million (MEUR -2.1).

Undiluted earnings per share were EUR -2.70 (-0.42). The return on investment was -29.9 % (-2.7%) and return on equity -40.4 % (-4.8%).

The operating loss (FAS) of the parent company Raute Corporation was EUR -10.7 million (2021: MEUR -3.8; 2020: MEUR -3.5). The operating loss was -8.4 percent of net sales (2021: -3.2%; 2020: -3.6%). The loss for the financial year (FAS) was EUR -8.4 million (2021: MEUR -2.7; 2020: MEUR -2.7).

CASH FLOW AND BALANCE SHEET

The Group's financial position has deteriorated during the year as a result of the discontinuation of a large part of ongoing order book and the resulting poor profitability. Need for working capital financing has also been increasing as the business transformation moves forward. At the end of the reporting period, gearing was 29.4 % (-35.9%), and the equity ratio was 36.6 % (44.3%).

The Group's cash and cash equivalents amounted to EUR 7.6 million (MEUR 24.4) at the end of the reporting period. Operating cash flow was EUR -13.4 million (MEUR 24.0). Cash flow from investment activities totaled EUR -6.5 million (MEUR -6.3). Cash flow from financing activities was EUR 2.9 million (MEUR -5.2).

The Group's balance sheet total at the end of 2022 was EUR 92.1 million (2021: MEUR 110.7; 2020: MEUR 85.4). 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.

Interest-bearing liabilities amounted to EUR 14.3 million (MEUR 12.2) at the end of 2022. The sum consisted of liabilities for right-of use assets and bank overdrafts in use.

As of the balance sheet date, the parent company Raute Corporation had long-term credit facility agreements with two Nordic banks totaling EUR 20.5 million, none of which were used during the reporting period. The main covenants of the credit facilities have been equity ratio and gearing. Available cash-pool limits granted by Raute's banks amounted to EUR 13 million, of which EUR 6.7 million was in use on the balance sheet date. On March 6, 2023, the parent company has signed an agreement with their main banks about renewing and replacing their current credit limit agreements and on determining the company's new credit limits.

At the end of the financial year, the equity ratio (FAS) of the parent company Raute Corporation was 36 percent (2021: 54%; 2020: 67%).

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 COSTS AND CAPITAL EXPENDITURE

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 measure-

ment and machine vision applications. New opportunities provided by digitalization are also an essential part of R&D activities.

In 2022, the Group's research and development costs totaled EUR 6.3 million (MEUR 4.9) and 4.0 percent of net sales (3.5%).

The Group's capital expenditure in 2022 totaled EUR 6.6 million (MEUR 6.3) and accounted for 4.2 percent (4.4%) of net sales. Key investments in the period were the extensive renewal project for our IT and ERP systems as well as set up of new production site in Changzhou, China.

During the financial year, the research and development costs (FAS) of the parent company Raute Corporation were EUR 5.6 million, representing 4.0 percent of net sales (2021: MEUR 4.8/4.1% of net sales; 2020: MEUR 4.8/5.0% of net sales). The capital expenditure of the parent company Raute Corporation totaled EUR 8.0 million (2021: MEUR 6.9; 2020: MEUR 4.0).

DEVELOPMENT OF OPERATIONS

Overall, our focus in 2022 has been on customer efficiency improvements and releasing production bottlenecks. We are seeing customers investing more and more in data platforms and automation. MillsIGHTS, our industry leading platform, provides the necessary information to enable concrete optimization work. In order to further strengthen our local performance services closer to customers, we have now also permanent service operations out of Italy, and we are in progress of opening an additional Service Center in Southeast Asia.

In November, we announced a change to our organization structure. As of January 1, 2023, Raute has had three business units: Wood Processing, Analyzers, and Services. The change is also reflected in the Executive Board composition and responsibility areas. The new structure will streamline our internal operations, put the customer in the center of everything we do and strengthen our ability to service customers more directly.

Raute has started a development program to improve competitiveness and profitability, the overall target of which is to reduce our annual cost base by some EUR 4-5 million and improve our margins.

At the moment, we are additionally carrying out a strategic development project to crystallize the growth strategy and development path for Raute going forward. At the same time, we are developing our ESG (Environmental, Social, Governance) agenda. We believe that for a company like Raute, sustainability is an inseparable part of our core strategy and should be integrated into everything we do. We also know that sustainability and sustainable manufacturing is becoming more important for our customers. We are in a good position to help our customers in executing their sustainability agendas and reaching their sustainability goals.

PERSONNEL AND OCCUPATIONAL SAFETY

The Group's headcount at the end of 2022 was 778 (2021: 802; 2020: 751). Finnish Group companies accounted for 68 percent (66%) of employees, North American companies for 16 percent (12%), Chinese companies for 10 percent (13%), and other sales and maintenance companies for 6 percent (9%).

In full-time-equivalent terms ("effective headcount"), the average number of employees during the financial year was 774 (780). Salaries and remunerations paid by the Group totaled EUR 44.0 million (2021: MEUR 37.9; 2020: MEUR 34.2). This figure does not include expenses resulting from the share incentive plans.

The Group is committed into investing in the competence development of its personnel to increase their engagement with the company. Approximately one percent (1%) of the payroll is invested in personnel training. Current training focuses on training for the needs of the new IT system.

Occupational safety has improved from 2021 continuing a longer-term downward trend. The total number of lost-time injuries YTD was seven. The accident frequency (LTIF) was 6.2 (9.0).

Converted to full-time employees, the average number of personnel employed by the parent company Raute Corporation in 2022 was 551 (2021: 531; 2020: 501). Salaries and remunerations paid by the parent company totaled EUR 28.5 million (2021: MEUR 26.9; 2020: MEUR 24.9).

REMUNERATION

The Annual General Meeting approved, on March 31, 2022, 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 FOR THE MANAGEMENT AND SELECTED KEY PERSONS VALID 2022

The Group management and key employees participate in the company's share-based long-term incentive plans. The purpose of the share-based incentive plans 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 plans are described in more detail on company's website www.raute.com.

Company's Performance Share Plan currently includes three 3-year performance periods, calendar years 2020-2022, 2021-2023 and 2022-2024. The performance targets of the Performance Share Plan 2020-2022 are Earnings Per Share with a weight of 50 percent and Total Shareholder Return proportionate to the selected peer group with a weight of 50 percent. The performance targets of the plans 2021-2023 and 2022-2024 are Absolute Total Shareholder Return with a weight of 70 percent and net sales with a weight of 30 percent.

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.

In addition to the Performance Share Plan, Board of Directors of the company has established a Restricted Share Program as a complementary share-based long-term incentive scheme for the company. The program consists of annually commencing individual share plans and the on-going first individual plan covers the years 2022-2024. The commencement of each individual plan is conditional on a separate decision of the Board of Directors.

The rewards payable based on the Performance Share Plan and on the Restricted Share Program will at the company's choice either be paid in listed A shares of Raute or in cash based on the value of the share reward at the time of payment. The payment of the reward is conditional on the individual's continued employment or service relationship with Raute.

In accordance with the ownership recommendation of the company abides by, the members of the company's Executive Board are expected to accrue and, after attaining, to retain in their ownership an amount of the company's shares that equals, for the CEO, his/her gross annual fixed salary, and for the other Executive Board members, their six months' gross fixed salary. The members of the Executive Board are expected to use 50 per cent of the net bonus he/she receives from the plan to accrue his/her share ownership until such ownership meets the recommended level.

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 2022, Raute's LTIF indicator (Lost Time Injury Frequency, i.e. lost-time injuries per million hours worked) improved clearly from 2021, and was 6.2 (9.0).

BUSINESS RISKS AND UNCERTAINTIES

Economic cycles, legislation or other regulation and political environment

Changes in the global economy and financial markets may have a negative impact on Raute's operations, performance, financial position and sources of capital.

Raute is subject to geopolitical and macroeconomic conditions, where currently prevailing high inflation and increasing interest rates may give cause to economic downturn. Such a downturn would likely impact Raute's operations and reduce underlying demand.

Raute's business and products can be affected directly or indirectly by legislation or other regulation such as sanctions. It is also possible that Raute is susceptible to litigation. The most important short-term risk for Raute continues to be Raute's remaining exposure to Russian customers. The controlled wind-down of the operations in Russia has continued and the risk position has further reduced during Q4. The remaining order book is still vulnerable to changes in regulation, sanctions, financial transactions and customer's ability to conclude the contracts. The changing sanctions result in uncertainty in our ability to operate in line with our contracts and recognize revenue from our order book in progress. A material part of Raute's technology and services has fallen under the scope of the sanctions.

Operations, 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. Other significant short-term risks for Raute are related to the price inflation and availability of raw materials, components and freights.

Raute makes important investments 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.

Raute has started a development program to improve end-to-end operational competitiveness and profitability and the aim is to achieve annual savings of some EUR 4-5 million by the end of 2023. The company is exposed to a risk of capturing the savings within the planned timeline. Restrictions resulting from the pandemic caused by Covid-19 may continue to have a negative impact on Raute's outlook also in the future, but to a lesser extent than in the past three years.

Raute's objective is to increase its local business in the developing geographical areas, where, besides opportunities, companies face risks typical to emerging markets.

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. Despite the human resources work and processes, Raute is exposed to risk of losing key personnel, and difficulties in hiring new talent to address new business challenges.

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. Termination of many contracts with Russian customers has put pressure on the company's short-term working capital financing.

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 its largest operational countries Finland and Canada. The credit losses recognized during the 2022 financial year amounted to EUR 2 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), 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 liquid funds through credit facility agreements with two Nordic banks. On March 6, 2023, the parent company has signed an agreement with their main banks about renewing and replacing their current credit limit agreements and on determining the company's new credit limits.

The financing risks, as well as the risk management objectives and procedures, are described in more detail on page 50 of the notes to the financial statements.

Cyber and information security, payment fraud

Raute's operations are dependent on the security and stable operation of its information and communication systems and software. Additionally, a successful management of cyber-attack risks is important. These risks are managed according to a defined information security policy.

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.

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

tion 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.

A short-term risk relates to the implementation of the new company-wide ERP-system, which has direct impact on Raute's daily operations and financial management. Delays in implementation and roll-out of the system or possible challenges in migrating data to new ERP systems could result in significant cost overruns for the ERP system implementation, as well as disruptions in the customer delivery projects, also resulting in deteriorating customer relationship.

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 reputation of the company

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.

SHAREHOLDERS

The number of shareholders totaled 6,009 at the beginning of the year and 5,785 at the end of the financial year. Series K shares were held by 55 private individuals (55) at the end of the financial year. Nominee-registered shares accounted for 2.0 percent (2.3) of shares. The company did not receive any flagging notifications in 2022.

The Board of Directors, the President and CEO as well as the Executive Board held altogether 140,277 company shares, equaling 3.1 % (6.0) of all the company shares and 8.9 % (11.6) of the votes on December 31, 2022.

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, 2022, the authorized public accounting company PricewaterhouseCoopers was chosen as auditor, with Authorized Public Accountant Markku Launis as the principal auditor.

CORPORATE GOVERNANCE

Raute Corporation complies with the Finnish Corporate Governance Code 2020 for listed companies issued by the Securities Market Association on September 19, 2019, except for the deviation from Recommendation 15 concerning the appointment of members to the Nomination Committee.

CORPORATE GOVERNANCE STATEMENT

Raute Corporation's Board of Directors has reviewed Raute Corporation's Corporate Governance Statement for 2022 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 2022 (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 2022 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, 2022, while Mr. Mika Mustakallio was elected Vice-Chair, and Mr. Joni Bask, Mr. Ari Harmaala, Mr. Petri Perttula, Mr. Ari Piik, 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 continued as Raute Corporation's President and CEO until April 30, 2022. He was appointed as Raute Corporation's President and CEO on March 16, 2004. As agreed in the executive contract, the term of notice was six months, and the severance pay equaled twelve months' salary.

Mr. Petri Strengell was appointed as Interim President and CEO on May 1, 2022, and he served in that position until September 30, 2022.

Mr. Mika Saariaho was appointed as Raute Corporation's President and CEO as of October 1, 2022. 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 as of 1 January 2023:

Mika Saariaho, President and CEO

Petri Strengell, Executive Vice President, Wood Processing – Wood Processing business unit

Jani Roivainen, Executive Vice President, Analyzers – Analyzers business unit

Kurt Bossuyt, Executive Vice President, Services – Services business unit

Jari Myrskyläinen, Chief Commercial Officer (CCO) – Sales & marketing, commercial excellence

Mia Könnilä, Chief People Officer (CPO) – Human resources, people development, health & safety

Minna Yrjönmäki, Chief Financial Officer (CFO) – Finance, ICT, IR, ESG, other business support

During the year 2022, the following persons have left the Executive Board, having served as members over different periods: Tapani Kiiski (March 16, 2004 – April 30, 2022), Tarja Järvinen (February 1, 2019 – May 5, 2022), Marko Hjelt (October 1, 2013–December 19, 2022), Mika Hyysti (October 1, 2013–November 28, 2022), Timo Kangas (October 1, 2004–November 28, 2022) and Jukka Siiriäinen (September 1, 2019–November 28, 2022).

SHARES

The number of Raute Corporation's shares at the end of 2022 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 2022, the number of shares traded was 613,077 (591,208), worth altogether EUR 7.5 million (13.2). The number of shares traded represents 19 % (18) of all listed series A shares. The average price of a series A share was EUR 12.29 (22.28). The highest closing price of the year was EUR 20.40 and the lowest was EUR 8.12.

The company's market capitalization at the end of 2022 totaled EUR 35.2 million (84.4), with series K shares valued at the closing price of series A shares, EUR 8.26 (19.80), on December 31, 2022.

DISTRIBUTION OF PROFIT FOR THE 2021 FINANCIAL YEAR

The Annual General Meeting on March 31, 2022 decided that no dividend be paid for the financial year 2021 by a resolution of the Annual General Meeting and that the distributable assets be transferred to equity. The Annual General Meeting, however, decided to authorize the Board of Directors to decide, at its discretion, on the payment of a total dividend of no more than EUR 0.80 per share for series A and K shares. The authorization is valid until the beginning of the company's following Annual General Meeting. Unless the Board of Directors, for a legitimate reason, decides otherwise, the possible dividend is paid in one installment during the validity of the authorization. The Board of Directors will make a separate decision on the payment of dividend. The company will disclose such decision separately and confirm the record date and the payment date for the dividend in connection thereof. The

dividend paid based on the Board of Directors' decision will be paid to shareholders who, on the record date for the dividend payment in question, are registered in the company's register of shareholders maintained by Euroclear Finland Ltd. The Board of Directors did not exercise the authorization in 2022.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

The Annual General Meeting held on March 31, 2022 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 2022.

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

ANNUAL GENERAL MEETING 2023

Raute Corporation's Annual General Meeting 2023 will be held at Lahti's Sibelius Hall on Thursday, March 30, 2023 at 6:00 p.m.

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

On December 31, 2022, the parent company Raute Corporation's distributable assets totaled EUR 17,522 thousand, of which EUR 8,414 thousand represents the loss for the financial year January 1 – December 31, 2022.

The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on March 30, 2023, that no dividend to be distributed.

GUIDANCE STATEMENT FOR 2023

Raute's 2023 net sales are expected to be above EUR 130 million and Comparable EBITDA margin to be above 4%.

CONSOLIDATED FINANCIAL STATEMENTS 2022

RAUTE CORPORATION
Consolidated Financial Statements
January 1–December 31, 2022

Raute Corporation's consolidated financial statements for January 1–December 31, 2022 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, 2022. The notes to the consolidated financial statements also comply with Finnish accounting legislation.

CONSOLIDATED STATEMENT OF INCOME

CONSOLIDATED STATEMENT OF INCOME

EUR 1,000	Note	1.1.– 31.12.2022	1.1.– 31.12.2021
Net sales	1, 28	158 324	142 212
Change in inventories of finished goods and work in progress		-4 501	-2 233
Other operating income	4	207	437
Materials and services	3	-91 084	-74 324
Employee benefits expense	5	-51 157	-44 517
Depreciation and amortization	14	-4 953	-4 315
Other operating expenses	6	-21 478	-19 504
Total operating expenses		-168 673	-142 661
Operating result		-14 642	-2 244
Financial income	17, 26	2 163	998
Financial expenses	17, 26	-1 335	-525
Financial expenses, net		828	472
Result before tax		-13 814	-1 772
Income taxes	7	2 301	-3
Result for the financial year		-11 513	-1 775
Result for the financial year attributable to Equity holders of the Parent company		-11 513	-1 775
Earnings per share for profit attributable to Equity holders of the Parent company, EUR			
Undiluted earnings per share		-2,70	-0,42
Diluted earnings per share		-2,70	-0,42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	1.1.– 31.12.2022	1.1.– 31.12.2021
Result for the financial year		-11 513	-1 775
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	20	-354	-416
Items that may be subsequently reclassified to profit or loss			
Hedging reserve, hedge accounting	20	196	-62
Exchange differences on translating foreign operations	20	391	56
Income taxes related to these items	20	72	83
Comprehensive income items for the period, net of tax		305	-339
Comprehensive result for the financial year		-11 208	-2 114
Comprehensive profit for the financial year attributable to Equity holders of the Parent company		-11 208	-2 114

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

EUR 1,000	Note	31.12.2022	31.12.2021
ASSETS			
Non-current assets			
Goodwill	9	1 714	1 714
Other intangible assets	10	9 388	6 400
Property, plant and equipment	12	11 242	11 489
Right of use assets	12, 13	7 456	10 064
Other financial assets		1 072	1 019
Deferred tax assets	8	4 843	1 853
Total non-current assets		35 715	32 538
Current assets			
Inventories	15	16 739	22 009
Accounts receivables and other receivables	2	31 959	31 629
Income tax receivable	2	23	143
Cash and cash equivalents	21, 25	7 618	24 357
Total current assets		56 339	78 138
TOTAL ASSETS		92 053	110 676

CONSOLIDATED BALANCE SHEET

EUR 1,000	Note	31.12.2022	31.12.2021
EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the Parent company			
Share capital	19, 21	8 256	8 256
Fair value reserve and other reserves	19	6 746	6 791
Exchange differences	19	939	548
Retained earnings	19	18 469	20 238
Result for the financial year	19	-11 513	-1 775
Total equity		22 897	34 064
Non-current liabilities			
Deferred tax liability	8	51	228
Lease liability	13	6 288	8 493
Provisions	4	119	207
Total non-current liabilities		6 458	8 928
Current liabilities			
Provisions	4	2 034	2 632
Current interest-bearing liabilities	23	6 729	2 071
Lease liability	13	1 293	1 549
Current advance payments received	16	29 551	33 764
Income tax liability	16	986	624
Trade payables and other liabilities	16	22 106	27 044
Total current liabilities		62 699	67 685
Total liabilities		69 156	76 612
TOTAL EQUITY AND LIABILITIES		92 053	110 676

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1.1.–31.12.2022	1.1.–31.12.2021
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from customers	149 058	160 037
Payments to suppliers and employees	-163 095	-135 940
Cash flow before financial items and taxes	-14 037	24 097
Interest paid from operating activities	-58	-147
Dividends received from operating activities	676	745
Interest received from operating activities	88	33
Other financing items from operating activities	290	-292
Income taxes paid from operating activities	-326	-433
Net cash flow from operating activities (A)	-13 367	24 003
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	-6 572	-6 297
Proceeds from sale of property, plant and equipment and intangible assets	57	-
Payment for the acquisition of a subsidiary, net of cash acquired	0	0
Net cash flow from investing activities (B)	-6 515	-6 297
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from current borrowings	6 729	0
Repayments of current borrowings	-2 071	0
Repayments of lease liability	-1 785	-1 752
Dividends paid	0	-3 411
Net cash flow from financing activities (C)	2 873	-5 163
Net change in cash and cash equivalents (A+B+C)	-17 009	12 543
increase (+)/decrease (-)		
Cash and cash equivalents at the beginning of the financial year	24 357	11 601
Net change in cash and cash equivalents	-17 009	12 543
Effects of exchange rate changes on cash	270	213
Cash and cash equivalents at the end of the financial year	7 618	24 357

Basis of preparation

The **cash flow statement** has been generated using the direct method. The **cash flow from operating activities** includes payment 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.

The **cash flow from investing activities** includes expenses incurred for the acquisition of intangible and tangible assets and expenses for the acquisition of other assets that can be capitalized. The item also includes capital gains from sale of these assets on accrual basis. c

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

Cash and cash equivalents comprise cash and cash equivalents which fall due in less than three months.

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

Repayments of lease agreements are included in the cash flow from financing activities. The payment of the interest expense on the lease agreements is included in the operating cash flow. Payments and rents related to short-term leases and low-value leases are included in operating cash flow. These agreements are not taken into account when determining lease liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Invested non-restricted equity reserve	Other reserves	Exchange differences	Retained earnings	To the equity holders of the Parent company	TOTAL EQUITY
EQUITY AT JAN. 1, 2022	8 256	5 711	1 080	548	18 469	34 064	34 064
Comprehensive result for the financial year							
Result for the financial year	-	-	-	-	-11 513	-11 513	-11 513
Other comprehensive income items:							
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	-354	-	-	-354	-354
Hedging reserve	-	-	196		-	196	196
Exchange differences on translating foreign operations	-	-	-	391	-	391	391
Income taxes related to these items	-	-	72	-	-	72	72
Total comprehensive items after taxes			-86	391	-	305	305
Total comprehensive result for the financial year	-	-	-86	391	-11 513	-11 208	-11 208
Transactions with owners							
Equity-settled share-based transactions	-	-	41	-	-	41	41
Dividends paid	-	-	-	-	-	-	-
Total transactions with owners	-	-	41	-	-	41	41
EQUITY at Dec. 31, 2022	8 256	5 711	1 034	939	6 956	22 897	22 897

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, COMPARISON YEAR

COMPARISON YEAR

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Invested non-restricted equity reserve	Other reserves	Exchange differences	Retained earnings	To the equity holders of the Parent company	TOTAL EQUITY
EQUITY AT JAN. 1, 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	-	-	-416	-	-	-416	-416
Hedging reserve	-	-	-62	-	-	-62	-62
Exchange differences on translating foreign operations	-	-	-	195	-139	56	56
Income taxes related to these items	-	-	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	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-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

General information

Approval of the Consolidated Financial Statements

On March 9, 2023, the board of Raute Oyj has approved these consolidated financial statements for the period January 1 - December 31, 2022 for publication. According to the Finnish Companies Act, shareholders have the opportunity to 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 technology and service company serving the wood products industry worldwide, whose core expertise is the manufacturing processes of selected wood products. Raute's customers are companies operating in the wood products industry, whose wood products include veneer, plywood, LVL and sawn timber.

Raute's full-service concept is based on product lifecycle 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 highest operating decision maker that is responsible for assigning resources to the operating segment and assessing its result. The Board monitors profitability with 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 Vancouver area in Canada, in Changzhou region in China, and in Pullman, Washington state, 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). A-series shares are listed 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.

The principle of preparing the income statement

The Board of Directors monitors profitability with 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.

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

The consolidated financial statements have been prepared according to the same accounting principles as in 2021, except for the adoption of new and revised standards. The effects of changes in the accounting standards have been presented on on page 21. No new material standards or interpretations have been adopted.

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 at the time of the review exercisable or convertible are considered when assess-

Preparation of consolidated financial statements

Raute Corporation's consolidated financial statements for January 1–December 31, 2022 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, 2022.

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.

ing whether the Group has control in the other company. In Raute Group, control is mainly 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 the Group gained over them 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 consid-

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Group companies

	Group's ownership interest and voting power, % in 2022	Group's ownership interest and voting power, % in 2021	Parent company's ownership interest and voting power, % in 2022	Parent company's ownership interest and voting power, % in 2021
Raute Oyj, Lahti, Finland (parent company)				
Raute Canada Ltd., Delta, B.C., Canada	100	100	100	100
Raute Inc., Delaware, USA	100	100	100	100
Raute US, Inc., Monroe, Louisiana, USA	100	100	-	-
RWS-Engineering Oy, Lahti, Finland	100	100	100	100
Raute Group Asia Pte Ltd., Singapore	100	100	100	100
Raute WPM Oy, Lahti, Finland	100	100	100	100
Raute Chile Ltda., Concepción, Chile	100	100	50	50
Raute Service LLC, St. Petersburg, Russia	100	100	-	-
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	100	100	100	100
Metriguard Technologies, Inc., Pullman, Washington, USA	100	100	-	-
Hiottu Oy, Oulu, Finland	100	100	80	80
Raute (Changzhou) Machinery Co., Ltd, Changzhou, China	100	100	100	100
Raute Service Indonesia, Indonesia	100	-	99	-

eration 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 profits 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 comprehensive income statement.

The consolidated financial statements have been presented in euros, 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 cur-

rency 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 the fiscal 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 have been presented in the table Exchange rates used in consolidation.

EXCHANGE RATES USED IN CONSOLIDATION OF SUBSIDIARIES

Income statement Jan. 1 - Dec. 31

euro	2022	2021
CNY	7,0802	7,6347
RUB	71,1407	87,2392
CAD	1,3704	1,4836
USD	1,0539	1,1835
SGD	1,452	1,589692
CLP	917,9417	897,3633
IDR	16519,82	

Balance sheet at Dec. 31

euros	2022	2021
CNY	7,3582	7,1947
RUB	78,43	85,3004
CAD	1,4444	1,4393
USD	1,0666	1,1326
SGD	1,43	1,5279
CLP	916,91	964,44
IDR	16519,82	

RELATED-PARTY TRANSACTIONS

Related-party transactions

Raute Group's related parties include the group's management. Raute Group's management consists of the board of directors, the CEO and the group's executive team. Compensation paid to related parties is presented in the following table:

EUR 1,000	2022	2021			
Salaries and remunerations of the President and CEO Mika Saariaho, President and CEO as of Oct 1, 2022			The CEO has the option of a performance bonus, which depends on the achievement of the goals set annually and is a maximum of 60% of the basic annual salary. The CEO's notice period is six months, and an amount equivalent to twelve months' salary is paid as severance pay.	Raute's Remuneration report 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 .	
Salaries and other short-term employee benefits	70	-			
Other long-term benefits	8	-			
Post-employment benefits	-	-			
Share-based payments	-	-			
TOTAL	78	-	Information about the long-term share-based incentive plan for top management is presented in Note Employee benefits, page 33.	On December 31, 2022, the Board of Directors and the Group's President and CEO and the Group's Executive Board held altogether 32,796 series A shares and 100,745 series K shares. The management's holding represents 3.1 percent of the company shares and 8.9 percent of the votes. The figures include the holdings of their own, minor children and control entities.	
Petri Strengell, President and CEO May 1-Sept 30, 2022			During the financial year, no share options have been granted to the management and Board of Directors.	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.	
Salaries and other short-term employee benefits	132	-			
Other long-term benefits	6	-			
Post-employment benefits	-	-			
Share-based payments	-	-			
TOTAL	138	-	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 2022 was EUR 86 thousand (EUR 58 thousand). Remunerations paid to the Board of Directors in the financial year 2022 do not include the statutory retirement obligation.		
Tapani Kiiski, President and CEO until Apr 30, 2022			EUR 1,000	2022	
Salaries and other short-term employee benefits	263	309			
Other long-term benefits	16	21			
Post-employment benefits	289	-			
Share-based payments	-	25			
TOTAL	568	355	Group Executive Board's employee benefits on an accrual basis		
Remuneration of the Parent company's Board of Directors Members of the Board of Directors			Salaries and other short-term employee benefits	1 350	1 295
Raitio Laura, Chair of the Board of Directors	48	48	Post-employment benefits	45	0
Mustakallio Mika, Vice-Chair of the Board of Directors	24	24	Share-based payments	-	30
Bask Joni, Board member	24	24	TOTAL	1 395	1 325
von Essen Patrick, Board member	24	24			
Harmaala Ari, Board member	24	24			
Perttula Petri, Board member as of March 31, 2022	16	-			
Piik Ari, Board member as of March 31, 2022	16	-			
Suominen Pekka, Board member until March 31, 2022	8	24			
TOTAL	184	168			

EVENTS DURING THE REPORTING PERIOD

Raute gave a profit warning on January 25, 2022. According to preliminary, unaudited information, Raute's operating profit for 2021 will be weaker than previously estimated due to the new agenda decision issued by IFRIC on IT cloud services.

Raute's Board of Directors decided on February 11, 2022 on the commencement of a new long-term incentive plan (LTI 2022–2024) for the Group's senior management and selected key persons. The new LTI plan is based on performance, share value and growth.

Raute's Board of Directors resolved on March 2, 2022 to withdraw its financial guidance for 2022, presented on February 11, 2022. Due to the uncertain situation, the Board of Directors did not present new guidance for 2022. The sanctions and financial transaction restrictions resulting from Russia's military actions in Ukraine were causing significant uncertainty in Raute's business operations in Russia.

Raute informed on March 4, 2022 that the company analyzes the prerequisite and obligations of each project execution and adjusts its operations according to the situation. Due to the prevailing uncertainty, the company decided not to make any new agreements with the Russian operators.

Additional information on the wind-down of Russian operations has been presented in page 25 Performance obligations to be satisfied over time.

Raute's President and CEO left his position by mutual agreement with the company as of April 30, 2022. The Board appointed Petri Strengell as the company's interim President and CEO effective May 1, 2022. Petri Strengell held the position as interim President and CEO until September 30, 22.

Raute's Executive Vice President, CFO and member of the Executive Board, Ms. Tarja Järvinen, decided to leave the company on May 5, 2022. Ms. Minna Yrjönmäki was appointed interim Executive Vice President, CFO and member of the Executive Board as of May 9, 2022.

On May 24, 2022 Raute's Board of Directors appointed Mika Saariaho as the new President and CEO. He took over the position on October 1, 2022. He joined Raute from Metso Outotec Corporation where he held the position of Senior Vice President, with responsibility for the crusher wears business.

Raute informed on June 22, 2022 that the company books provisions for write-offs related to Russian business and strengthens its development program to improve competitiveness and profitability. The Board of Directors also issued revised financial guidance for 2022. The Board of Directors now expects Raute's 2022 operating profit to stay significantly negative and below last year's level. Raute's operating profit for 2021 was EUR -2.2 million.

On July 27, 2022 the Board of Directors decided on the establishment of a Restricted Share Programme (also "RSP") as a complementary share-based long-term incentive scheme for the company. The RSP structure is targeted to individually selected key employees of Raute Corporation and its group.

On August 23, 2022 Raute initiated change negotiations in compliance with the Act on Co-operation within Undertakings concerning the salaried and senior salaried employees in Finland. Based on the negotiations, the headcount in Finland reduced by over 40 people by the end of the year as a result of change negotiations, transfer of business, retirements and other measures.

Raute disclosed on November 28, 2022 that the company enters a new phase in its strategic journey to create value in forest assets. To better address the current operational and strategic development plans, Raute changes its organization structure. The new structure strengthens Raute's ability to service customers and streamlines internal operations. The change is also reflected in the Executive Board composition and responsibility areas.

During the financial year, there were changes in the composition of the Executive Board in addition to the change of President and CEO and CFO. Mr. Mika Hyysti, Mr. Timo Kangas, and Mr. Jukka Siiriäinen left the Executive Board on November 28, 2022, and Mr. Marko Hjelt on December 19, 2022. Ms. Mia Könnilä, Chief People Officer, was appointed as a new member of the Executive Board as of December 19, 2022, and Mr. Jari Myyryläinen, Chief Commercial Officer, as of January 1, 2023.

EVENTS AFTER THE REPORTING PERIOD

On January 10, 2023 the company announced the appointment of Ville Halttunen as new Chief Financial Officer.

The company has decided to change its reporting segments in accordance with the new operative organization structure that has

been effective since January 1, 2023. The new reporting segments are Wood Processing, Analyzers and Services. The segment figures with the new segment split are presented in this release for the reporting period as well as for the comparison period on a quarterly basis.

After the reporting period the Group has signed a new financing agreement with two Nordic Banks, which will replace the previous credit facility agreements. According to the new agreement the amount of committed revolving credit facility (RCF) is MEUR 12.0 and a total of MEUR 40 of non-commensurable guarantee limit.

The committed MEUR 12 revolving credit facility is valid until 31.1.2025, assuming that the company will arrange and raise equity of MEUR 12 through a share issue by 30.6.2023, otherwise the limit will be valid until 31.3.2024. The committed revolving credit facility has conditions related to the amount of the limit, e.g., in terms of the funds received in the share issue and the significant advances received, so that the maximum amount of the revolving credit facility may decrease by MEUR 7.0, after which the available amount of the committed revolving credit facility will be MEUR 5.0.

The unaffiliated guarantee facility consists of two MEUR 20 guarantee limits, one of which is available for domestic projects and the other for foreign projects.

The pricing of the revolving credit facility is based on the EURIBOR rate plus the margin, which changes based on the amount of equity received in the share issue. The margin ranges from 3.5% to 10.0%. The portion of the credit lines used shall be renewed when the interest period expires or repaid.

Covenants in the new financing agreement

The special terms related to the financial key figures of the new financing agreement, i.e., covenants, are minimum EBITDA, minimum liquidity and equity ratio.

Covenants under the new financing agreement will be reported to the lender monthly for minimum liquidity and quarterly for minimum EBITDA and equity ratio. For minimum liquidity and equity ratio, the first testing date is April 30, 2023 and for minimum EBITDA June 30, 2023. If the covenant conditions are not met, the creditor can demand an accelerated repayment of the existing limits and terminate the financing agreement.

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Based on management judgement, there is no material uncertainty involved related to the continuity of operations, therefore the financial statements have been prepared based on continuity of business. Development of the Group's business operations is influenced by e.g. future results and profitability and the availability of financing. The group's management have estimated future years' turnover, results and profitability, investment needs, financial situation and working capital needs taking into account the actions taken in 2022 including the winddown of Russian operations, reorganisations and related change negotiations and credit limit agreements agreed after the review period.

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:

Notes that have the greatest impact on the figures presented in the financial statements

- Reservations, page 30, Note 4
- Employment benefits, page 33
- Group goodwill, page 37, Note 9
- Other intangible assets, page 38, Note 10

Notes that contain a significant risk that the book values of assets and liabilities will change substantially during the next accounting period

- Amount of performance obligations to be satisfied over time, page 25, Note 1
- Accounts receivable – Assets based on customer contracts, page 29, Note 2
- Income taxes, page 35, Note 7
- Research and development expenses, page 40, Note 11
- Financial assets, pages 58 and 59, Note 24

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

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

IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The 1 January 2023 amendments also deferred the application date of IFRS 17 to 1 January 2023.

The IASB further amended the standard in December 2021. Many insurers will apply both IFRS 17 and IFRS 9 for the first time for annual reporting periods beginning on or after 1 January 2023. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in some one-time classification differences in the comparative information presented on initial application of IFRS 17. The amendment applies when entities initially apply IFRS 17. Such entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information.

The transition option (classification overlay) is available for:

- entities that first apply IFRS 17 and IFRS 9 at the same time and that choose to restate comparative information applying IFRS 9. These entities could apply the classification overlay to financial assets derecognised in the comparative period (that is, financial assets to which IFRS 9 is not applied).
- entities that first apply IFRS 17 and IFRS 9 at the same time and that do not restate comparative information applying IFRS 9. These entities could apply the classification overlay to any financial asset in the comparative period.
- entities that have applied IFRS 9 before they apply IFRS 17. For these entities, the classification overlay relates only to the application of paragraph C29 of IFRS 17 and can be applied only to financial assets derecognised in the comparative period.

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 specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future.

In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations—transactions for which companies recognize both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. 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 Policies and Errors: Disclosure of Accounting policies and Definition of Accounting Estimates

- The IASB amended IAS 1 to require companies to disclose their material accounting policy information rather than their significant accounting policies (definition and illustrative examples provided). Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.
- The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. Revised standard will not be expected to have a significant impact on Raute Corporation's consolidated financial statements. Revised standard

will not be expected to have a significant impact on Raute Corporation's consolidated financial statements.

Classification of Liabilities as Current or Non-current- Amendments to IAS 1 Non-Current Liabilities with Covenants –Amendments to IAS 1

In January 2020, the Board issued the amendments 'Classification of liabilities as current or non-current' to IAS 1 (2020 amendments). The Board further issued, in October 2022, amendments 'Non-Current Liabilities with Covenants' to IAS 1 (2022 amendments).

According to IAS 1, to classify a liability as non-current, an entity must have the right to defer settlement of the liability for at least twelve months after the reporting period. The amendments clarify that:

- the classification of financial liabilities as current or non-current is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendment may affect the classification of group's liabilities which were previously classified based on management's intentions. and
- the settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash or other economic resources or the entity's own equity instruments unless the settlement option is classified as equity. The amendment may impact the presentation of the group's certain convertible instruments.

The right to defer the settlement of a loan by 12 months from the reporting period is commonly conditional to compliance with covenants. The 2022 amendments clarify that covenants of loan arrangements which an entity must comply with only after the reporting date do not affect the classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

The 2022 amendments introduce additional disclosure requirements on loans which contain covenants.

The amendments shall 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.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

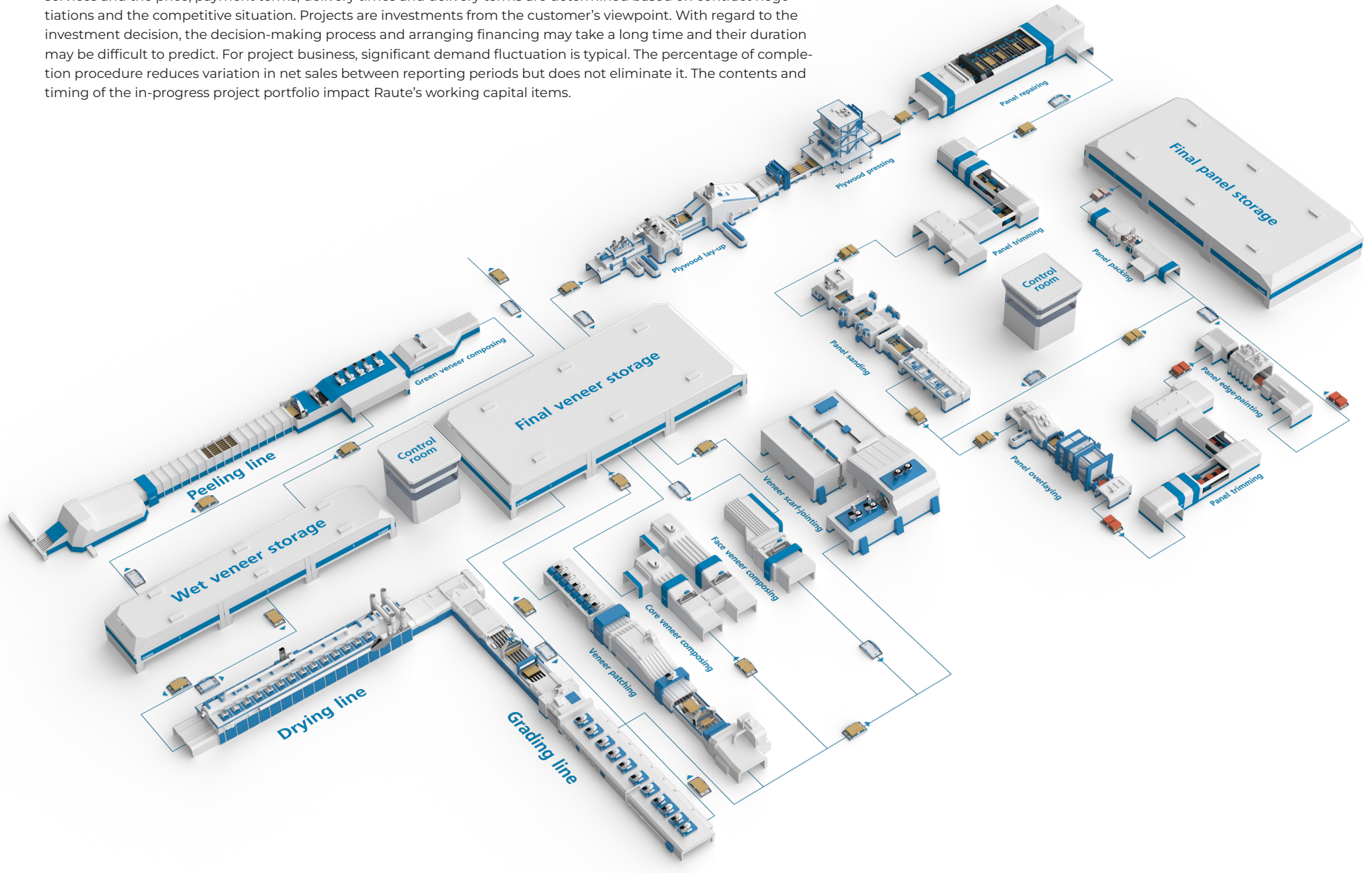
The IASB has issued narrow-scope amendments to requirements for sale and leaseback transactions in IFRS 16 explaining how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Other standards and interpretations effective January 1, 2023 or later

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

Project business

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



NET SALES

Note 1

EUR 1,000	2022	%	2021	%
NET SALES				
Net sales by market area				
EMEA (Europe and Africa, excluding Finland)	52 050	33	23 474	17
EMEA (Finland)	16 494	10	11 377	8
NAM (North America)	38 353	24	20 063	14
CIS (Russia)	32 601	21	69 779	49
LAM (South America)	9 598	6	7 816	5
APAC (Asia-Pacific)	9 229	6	9 703	7
TOTAL	158 324	100	142 212	100

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

PERFORMANCE OBLIGATIONS TO BE SATISFIED OVER TIME

EUR 1,000	2022	2021
Specification of net sales		
Performance obligations to be satisfied over time	116 720	102 981
Performance obligations to be satisfied at a point in time	41 605	39 231
TOTAL	158 324	142 212
Amount of performance obligations to be satisfied over time not yet entered as income (order book)	76 296	150 786
Balance sheet items of undelivered projects		
Projects where value according to the degree of fulfillment exceeds the invoiced advances		
- aggregate amount of costs incurred and recognized profits less recognized losses	65 504	62 861
- advance payments received	48 556	47 787
Current customer contract assets	16 948	15 074
Projects where the invoiced advances exceed the value according to the degree of completion		
- aggregate amount of costs incurred and recognized profits less recognized losses	163 196	77 096
- advance payments received	186 965	106 910
Current customer contract liabilities	23 769	29 814
Advance payments included in current liabilities in the balance sheet		
Current customer contract liabilities	23 769	29 814
Other advance payments received	5 782	3 950
Total	29 551	33 764

**Raute does not present information when the performance obligation is part of a contract with an initial expected duration of no more than one year

***From the items included in the debt based on customer contracts at the beginning of the financial year, EUR 6,574 thousand (13,787 thousand) have been recorded as sales revenue during the financial year. Due to the wind-down of operations in Russia and the termination of projects not started, Raute returned to customers during the 2022 fiscal year EUR 5,153 thousand of the advance payments received by December 31, 2021.

Russian business wind-down

Russia invaded Ukraine in February 2022, causing great damage to the world economy. The attack and the resulting sanctions implemented have had a significant impact on Raute's business in Russia, as Raute had ongoing projects for several different customers in Russia. When the war started in February, more than half of Raute's 2022 order backlog consisted of projects to be implemented in Russia. Russia's share of Raute's 2022 financial year's turnover was EUR 32.6 million. After the end of February, Raute has not signed any new contracts with Russian customers and has gradually wind-down Russian business. The wind-down of operations significantly reduced Raute's order backlog during 2022. At the end of the year 2022 Russia's share of Raute's order backlog was 4 million euros, which is based on the estimated delivery capacity. The remaining order backlog involves still risks. After the attack and the sanctions implemented, Raute has managed project-related risks mainly with the prepayments in euros paid by customers to the parent company, so that the work related to the projects has been carried out from the portions covered by the prepayments. Raute has no receivables related to the revenue generated from these projects on December 31, 2022.

As a result of the attack and the implementation of the sanctions, contract scopes of ongoing projects of Raute's Russian customers have been changed, projects have been suspended and projects that have not started have been terminated. Due to terminations and changes in the scope of projects, 0.6 million euros of revenue generated in 2021 based on percentage of completion method, was reversed, and due to terminations of projects not started, Raute returned 5.2 million euros advance payments to the customers. As a result of changes in the anticipated scope of the projects, the revenue based on completion method was reduced by 6.3 million euros. Due to the contract amendments done with customers and termination of contracts, the order backlog decreased by 37.7 million euros. In 2022, the terminations of the projects have caused costs of 2.9 million euros, of which the corresponding income was not received. The write-down of the maintenance spare parts warehouse in Russia and the cancellation of maintenance and analyzer orders had a cost effect of 0.7 million euros.

Raute's assets in Russia on 31 December 2022 are mainly related to the maintenance business in Russia. Raute has a subsidiary in Russia, of which no decision to divest has been made. The subsidiary has approximately 23 employees. Raute's ruble-denominated assets in Russia were less than one million euros on December 31, 2022, including cash assets of 0.2 million euros, rented office space and tangible assets, such as tools and computers.

Basis of preparation

Net sales include revenues recorded from the sale of project deliveries and technology services, as well as raw materials and equipment in the amount of consideration to which the group expects to be entitled in return for the goods or services delivered to the customer. The entered compensation amount takes into account the fixed transaction price adjusted by indirect taxes and variable compensation, such as discounts and penalties expected to be realized such as late fees. 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 from 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 analyzed whether control of the goods or service subject to the performance obligation is transferred over time or at a point in time.

The main part of the net sales is comprised of project deliveries and modernization projects belonging to the Technology Services are classified as performance obligations to be fulfilled over time. The principles of preparation of the performance obligations to be fulfilled over time has been presented on page 27.

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.

Revenues from service maintenance and other expert services, such as consulting, training and digital services, is recognized as net sales for the period in which the service has been provided. Performance obligation of maintenance and other expert services is fulfilled over time as the customer receives and consumes the benefit at the same time as the service is performed. Revenues from other services is recognized in net sales for the period in which the service is provided.

Performance obligations to be fulfilled at a point in time include e.g. individual standard product deliveries and spare parts. Performance obligations related to the product and spare part deliveries are recognized as income based on the delivery terms.

Revenues from the sale of spare parts and other goods, as well as from standard product deliveries, i.e. from small and short-term projects, is recognized in full after the transfer of control to the customer. The control is considered transferred when the Group no longer has the right of possession or other control related to the product. In the sale of spare parts and goods, revenue is recognized at the moment when the goods have been delivered to the customer on the agreed terms of delivery.

The delivery terms used in the Group are based on Incoterms 2010 delivery clauses, which are presented in the official rules published by the International Chamber of Commerce for the interpretation of trade terms.

For small and short-term projects, revenue is recognized when the customer has accepted the delivery.

Raute grants its customers guarantees that certify that the product or project complies with the agreed requirements. The warranty period begins when the customer has accepted the project. Raute's warranties are either 12 months or 24 months long. The estimated costs during the warranty period are presented in the warranty reservations.

Raute does not adjust the transaction price with the effect of the time value of money if the time between receiving the payment and fulfilling the performance obligation is a maximum of one year. In the financial period 2022 and the comparison period, the Group has not had customer contracts from which the effect of a significant financial component would have been adjusted.

Raute does not record sales commissions or other possible additional costs resulting from obtaining the contract as an asset in the balance sheet, if the asset would be recorded as an expense within one year at the most, but are recorded as an expense at the time of completion.

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. As a rule, project deliveries and modernization sized and customized to the buyer's needs form a single performance obligation. If one contractual entity (e.g. mill-scale delivery) includes sub-entities (e.g. production lines) from which the buyer can benefit separately and according to the terms of the contract, the sub-assemblies can be separated from the rest of the contractual entity, they have been treated as separate projects.

The company applies the percentage of completion method as a revenue recognition principle in performance obligations to be fulfilled over time, so that the fulfillment rate is determined as the ratio of the project's realized expenses to the project's estimated total expenses, including estimates of the risks included in the contracts, adjusted by typical forecast refinements for similar contracts.

The estimates are based on previous experience with similar projects, and in addition, the estimates take into account the special features of each project. If the final result of the customer contract to be recognized based on percentage of completion has not been reliably assessed, the expenses arising from the project have been recorded as expenses for the same accounting period in which they were incurred, and the income

from the project has only been recorded up to the amount when the amount of money corresponding to the realized expenses is available

When it is likely that the total costs needed to complete the project will exceed total contract revenue, the expected loss is immediately recorded as expense and provision as a loss-making project. If the net sales of performance obligation to be satisfied over time recognized by percentage of completion (incurred costs and recognized profits) is 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 Short-term advance payments received. The unpaid part of the purchase price is presented in trade receivables, when only the passage of time is required for the payment to be due.

The scope and price of the contract can be changed during the project. At Raute, a contract change is typically caused by the customer increasing the scope of the contract with an additional contract. If the contract is changed and the increase cannot be separated from the partially completed and already revenue-generating part of the project, the contract change is treated as part of the existing contract so that the effect of the change increases the transaction price and total expenses.

Management judgement and key uncertainties related to estimates

The percentage of completion method is based on estimates of the expected project. Raute updates the cost forecasts of unfinished projects monthly in connection with reporting. The cost estimation is based on a project-specific calculation that identifies and defines different types of costs. The cost estimation is already prepared during the bidding phase of the project, and the estimation is updated monthly. Determining and updating the estimated total costs at the time of reporting requires estimates of the development of the total costs needed to complete the project. These estimates are based on Raute's previous experience with similar projects, and in addition, the estimates consider the special features of each project based on the best available information. Realized expenses in proportion to total estimated expenses describes, according to the management's discretion, in the most reliable and best verifiable way how Raute produces a deliverable, i.e., a project or service, when transferring it to the customer's control. If the estimates of the final result of the project have changed, the estimates related to the project have been changed in the period when the change was known or could be estimated for the first time.

The recognition of sales revenue requires the determination of the sales revenue from the customer contract, i.e. the transaction price. The variable compensation is included in the transaction price in such a way that it is very likely that a significant reversal of the recorded sales revenue will not have to be made later, when the uncertainty related to the variable compensation is resolved.

At Raute, variable compensation is typically penalty-type discounts and incentives, and in some projects, payment posts, if the conditions for their payment cannot be assessed as very likely to be met. In addition, in some projects of Russian customers, Raute has reduced the transaction price for those installments whose payment conditions are not estimated to be met due to export restrictions related to sanctions.

ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

Note 2

EUR 1,000	2022	2021
ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES		
Accounts receivables	6 579	9 101
Customer contract assets	16 948	15 074
Accrued income and prepaid expenses	3 121	2 688
Derivative contract receivables	196	-129
Value added tax receivables	3 483	3 356
Other receivables	1 655	1 683
TOTAL	31 982	31 772
Substantial items included in accrued income and prepaid expenses		
Accrued employee related expenses	14	14
Income tax receivable	23	143
Accrued purchase invoices	2 007	1 889
Other accrued income and prepaid expenses	1 077	643
TOTAL	3 121	2 688

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 on impairments related to assets based on accounts receivables is presented in Note no. 18 Derivatives. The fair values of the receivables are presented in Note no. 24 Financial assets.

Key uncertainties related to estimates requiring management judgment

The management has assessed the ability of customers and other counterparties to meet their ability to settle the commercial receivables and payment obligations related to loans. Despite the changed market situation caused by the Russian offensive w the management estimates that the receivables do not include any significant risk concentrations at the balance sheet date.

Basis of preparation

Trade receivables are receivables that arise from products or services sold to customers in the ordinary course of business. The receivable is presented in trade receivables when only the passage of time is required for the payment to be due. Sales and other revenue is recognized in accounts receivable at the original receivable amount. Current accounts receivables are valued at the amount of the original receivable and their book value is equal with their fair value. The payment terms of customer contracts are primarily based on the percentage of completion of the project, specified in the customer contract, the service level performed, the payment schedule or the goal agreed in the contract. The payment term is 30 days on average.

Assets based on customer contracts are presented as the amount by which the revenue generated according to the stage of completion of an individual customer contract to be recognized over time exceeds the amount of the advance payment received, but for which there is still no sales invoice. The balance sheet values of accounts receivable and assets based on customer contracts are presented in note no. Financial assets.

The credit risk related to the accounts receivables has been estimated according to the standard IFRS 9 based on evaluation of the validity period 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 for determination based on age distribution and a credit risk characteristic. The expected credit loss is based on historical credit loss amounts, considering the individual estimates for each claim. Estimated impairment losses have been recognized through profit or loss. During the accounting period, the value of the accounts receivable on the balance sheet has been reduced by 261 thousand euros based on the expected credit loss.

If the amount of the impairment loss decreases in any subsequent financial year and deduction may be considered to be 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 176 thousand (EUR 19 thousand) negative due to the increase in credit loss allowance previously recognized. Impairments are recognized to the item Other operating expenses in the income statement. The information of credit losses on the accounts receivables has been presented in Note no. Impairment of financial assets.

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 and contractual obligations arising later 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 or counterparty risk materializes when a customer or other counterparty is unable to fulfill its commitments to the Group. Receivables related to accounts receivables and current customer contract assets are written off the balance sheet 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 based on customer-specific analysis. Credit risks related to contractual counterparties of project deliveries are managed for established suppliers and customers by advance payment terms and/or by expecting bank guarantees or confirmed letters of credit for the unpaid purchase price. 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 6.3 percent (36%) of the accounts receivables and the customer contract assets recorded in the balance sheet and 1.3 percent (24%) of the order backlog at the end of the financial year. A main part of the receivables was related to established counterparties and custom-

ers. During the financial year, a credit loss amounting to EUR 2 thousand (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.

MATERIALS AND SERVICES – PROVISIONS

Note 3

EUR 1,000	2022	2021
MATERIALS AND SERVICES		
Purchases during the financial year	-79 498	-62 438
Change in inventories, materials and supplies	2 390	1 564
External services	-13 975	-13 450
TOTAL	-91 084	-74 324

Note 4

EUR 1,000	2022	2021
PROVISIONS		
Warranty provisions		
Book value at Jan. 1	1 499	2 216
Additions	1 686	1 514
Decrease	-1 414	-2 145
Exchange differences	-	-87
Book value at Dec. 31	1 771	1 499
Other provisions		
Book value at Jan. 1	1 340	1 390
Additions	526	800
Decrease	-1 484	-849
Book value at Dec. 31	382	1 340
TOTAL	2 153	2 839
from which		
- non-current	119	207
- current	2 034	2 632

Basis of preparation

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

The change in inventory includes the change in materials and raw materials.

Basis of preparation

A **provision** has been recognized when the Group has had a present legal or constructive obligation based on an earlier event at the time of financial statement and it has been probable that the fulfillment of the obligation will require a later payment, and when the amount of this obligation can be reliably estimated.

A provision related to warranty obligations is recognized through profit or loss when revenue from a long-term project, service or spare part including a warranty clause is recognized. The amount of the warranty provision is estimated at the beginning of the project, and it is based on experience-based information about the realization of warranty expenses. The unused provision has been recognized as income at the end of the warranty period and expiry of the warranty obligations. The

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. The price risk of steel is managed by regular price variation analysis and monitoring. 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 monitored and managed with fixed-price energy supply contracts.

At the balance sheet date, there were no derivatives hedging **price risk** that would have affect the result.

warranty provisions for customer contracts that will be realized over time are included in the projected total costs of the project. Provision for a loss-making contract has been recognized when the estimated total production costs exceed the contract value.

Other mandatory provisions consist of cost overrun and subsequent work costs known to the projects.

Typically for project business, the amount of reservations varies each year.

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

In assessing the amount of warranties and other provisions, management's experience-based estimates of the warranty cost of the products, considering the specific product and contract risks.

PERSONNEL AND PERSONNEL COSTS

Note 5

	2022	2021
NUMBER OF PERSONNEL		
Employed at Dec. 31, persons		
Workers	240	204
Office staff	538	598
TOTAL	778	802
Personnel working abroad	246	255
Effective, on average, persons		
Workers	212	202
Office staff	562	578
TOTAL	774	780
Personnel working abroad, effective, on average	223	249
On average, persons		
Workers	234	203
Office staff	595	585
TOTAL	829	788
Personnel working abroad, on average	270	252

EUR 1,000	2022	2021
EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	-44 034	-37 917
Share-based payments	0	-61
Pension contributions	-5 691	-5 502
Other personnel costs	-1 433	-1 037
TOTAL	-51 157	-44 517

Basis of preparation

Wages and salaries include basic salaries with fringe benefits, profit and performance rewards (performance-based bonuses) and long-term incentive schemes recorded on an accrual basis during the financial year. Information on share-based payments is disclosed in page 33 Share-based incentive schemes.

Performance-based bonus systems based on annual targets

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

In the performance bonus systems of the CEO, the rest of the group's management team, and key personnel, the basis for payment of the bonus is the result and the personal goals set for the whole year related to the task. The CEO's maximum remuneration from the performance bonus system is 60% of the annual salary and the rest of the group's management team is 40% of the annual salary.

In the performance bonus system for other personnel, the basis for payment of the bonus is the Group's profit and targets set for the unit's performance, quality and operations. Part of the performance bonuses for the entire staff is 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 expense and debt to be recorded from performance-based reward systems based on annual goals are based on calculations of rewards based on valid contracts. In evaluating the amount of performance bonuses, the management has used estimates of the achievement levels of the targets related to the results, quality and operations of individuals and different groups of individuals.

Pension plans

Pension plans have been classified as 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 payment obligations. 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. Payments made to defined contribution pension plans are recognized in the income statement as an expense for the period in which they were due. The Finnish statutory employment pension scheme and the pension plans of foreign subsidiaries are classified as defined contribution plans.

SHARE-BASED INCENTIVE PLANS

Share-based payment plan for senior management

The Group's management and key personnel are covered by the company's share-based long-term incentive plan. The system consists of a performance-based share reward system (Performance Share Plan "PSP") as the main structure and a conditional share reward system (Restricted Share Program "RSP") as a supplementary share reward system. The purpose of the plan is to align the objectives of the owners and management to develop the company's value and to commit the management and key personnel to the company and to the achievement of the company's strategic goals by offering them a competitive long-term incentive plan. The incentive plan is described in detail on company's website www.raute.com.

The impact of the share-based incentive plan on the result of the financial year was EUR 41 thousand (EUR 0 thousand positive). During the financial year, the estimate of the shares to be earned has changed and the conditions of the ongoing performance-based share program have not been met. At the end of the financial year, EUR 41 thousand (EUR 0 thousand) was allocated to the equity item "Other reserves" from the share-based incentive schemes in force.

Share-based incentive plans in force 2022

(PSP Plan 2020–2022, PSP Plan 2021–2023, PSP Plan 2022–2024 and RSP 2022–2024)

The company's performance-based, long-term incentive plan based on share value and growth includes three three-year earning periods, calendar years 2020–2022, 2021–2023 and 2022–2024. The performance indicators of the Performance Share Plan 2020–2022 are Earnings Per Share with a weight of 50 percent and Total Return of

Raute's A series shares with a weight of 50 percent. The performance indicators of the plans 2021–2023 and 2022–2024 are Absolute Total Shareholder Return on Raute's A series shares (Absolute TSR) with a weight of 70 percent and net sales target, which is weighted 30 percent.

The company's Board of Directors decides separately on when each plan commences, the length of the earning period, the performance targets, the persons entitled to the program and the earning opportunity. In addition to the performance-based incentive plan based on share value and growth, the company has decided on July 21, 2022 to establish a conditional share bonus system as a supplementary share-based long-term incentive system. The program consists of individual programs starting annually, and the ongoing first individual program RSP 2022–2024 covers the years 2022–2024. The commencement of each individual plan is conditional on a separate decision of the Board of Directors.

The rewards payable based on the Performance Share Plan and on the Restricted Share Program will at the company's choice either be paid in listed A shares of Raute or in cash based on the value of the share reward at the time of payment. The payment of the reward is conditional on the individual's continued employment or service relationship with Raute.

In accordance with the ownership recommendation of the company abides by, the members of the company's Executive Board are expected to accrue and, after attaining, to retain in their ownership an amount of the company's shares that equals, for the CEO, his/her gross annual fixed salary, and for the other Executive Board members, their six months' gross fixed salary. The members of the Executive

Board are expected to use 50 per cent of the net bonus he/she receives from the plan to accrue his/her share ownership until such ownership meets the recommended level.

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 the right is expected to arise during the earnings period.

An estimate of the shares to be earned is evaluated on each balance sheet date. If the estimate changes in later periods, the change is adjusted to the income statement to the period in which the change is detected. The counter account for the portion of share-based reward systems that is paid in shares is the invested unrestricted equity fund.

Granted share bonuses

	PSP Plan 2022–2024	PSP Plan 2021–2023
Grant date	Feb 10, 2022	Feb 11, 2021
Fair value at grant date	19.45	22.60
Granted shares, pcs	38 860	33 160
Granted share bonuses		RSP 2022–2024
Grant date		July 21, 2022
Fair value at grant date		12.34
Granted shares, pcs		72 000

Management's accounting judgments

The management has estimated the performance level which is the basis of the bonuses and the number of people entitled to the bonuses at the end of the vesting period. On the balance sheet date, the management has estimated the number of shares earned from the share-based incentive plan.

OTHER OPERATING INCOME AND EXPENSES

Note 6

EUR 1,000	2022	2021
OTHER OPERATING INCOME		
Capital gain on sale of fixed assets	57	37
Other	150	401
TOTAL	207	437

EUR 1,000	2022	2021
OTHER OPERATING EXPENSES		
Indirect production expenses	-3 634	-3 886
Renting expenses	-697	-458
Sales and marketing expenses	-1 660	-1 841
Credit losses and change in provision of credit losses	-454	-50
Administration expenses	-6 857	-6 723
Loss on disposal of fixed assets	-282	-
Voluntary social expenses	-1 294	-1 309
Premises and real estate expenses	-1 351	-1 116
Travel expenses	-1 606	-862
Outsourced services	-2 989	-2 594
Vehicle expenses	-149	-117
Other expenses	-507	-548
TOTAL	-21 478	-19 504

Auditors' remunerations

Authorized Public Accountants PricewaterhouseCoopers Oy (Finland)

Audit expenses, statutory	-157	-119
Audit expenses, other assignments according to the Audit Act	-	-
Audit expenses, other services	-29	-8
Audit expenses, tax services	-	-
Total	-186	-127

Authorized Public Accountants PricewaterhouseCoopers (Global)

Audit expenses, statutory	-14	-12
Audit expenses, other assignments according to the Audit Act	-	-
Audit expenses, other services	-	-
Audit expenses, tax services	-	-
Total	-14	-12

Basis of preparation

Income not included in net sales, such as rental income, insurance compensations and capital gains, is recognized in other operating income. Rental income is recognized in equal installments for the rental period.

Basis of preparation

In other business expenses, the profit-affecting items belonging to the business are recognized by expense category. Other individual items included in the income statement, such as direct purchases, inventory changes and personnel costs, are presented in connection with the information about the corresponding item in the income statement.

Lease agreements, which include the right to use the leased asset, are recorded in the right-of-use asset in the balance sheet. Information about lease agreements is presented in note number 13 Lease agreements.

The Parent company's auditor during the financial year was the Authorized Public Accountants PricewaterhouseCoopers Oy. The statutory audit fee includes the audit fees related to the audit of the current financial year. Other expert services and tax advice include fees for other services performed by the audit firm recognized on an accrual basis for the accounting period. The fees do not include travel costs and fees payable to the authorities arising from auditing or other assignments.

INCOME TAXES

Note 7

EUR 1,000	2022	2021
INCOME TAXES		
Consolidated income statement		
Current tax based on the taxable result of the financial year	-758	-549
Current tax of previous financial years	-57	75
Deferred taxes	3 116	471
TOTAL	2 301	-3
Reconciliation of the relationship between realized tax expense and theoretical accounting result using the Finnish tax rate of 20.0 percent		
Result before taxes	-13 814	-1 772
Tax effect of the following items:		
Taxes calculated using the Finnish tax rate, 20.0 %	2 763	354
Effect of differences in tax rates of foreign subsidiaries	-325	-125
Non-taxable income	135	104
Non-deductible costs in taxation	-112	-9
Taxes from the previous financial years	-57	75
Utilization of previously unrecognized tax losses	0	0
Unrecognized tax assets from the losses of foreign subsidiaries	-665	0
Other items	562	-402
Income taxes in the consolidated income statement	2 301	-3
Effective tax rate, %	16,7 %	-0,1 %

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 is calculated from the 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 may receive special tax deductions related to certain new investments 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 of the period.

Deferred taxes are recognized on 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 unused tax losses.

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 in the future, against which temporary differences can be utilized. The conditions for recording a deferred tax asset have been assessed on the end date of each reporting period. Deferred tax assets and liabilities have been offset to the extent that there is an enforceable right to offset current tax liabilities based on taxable income for the financial year and tax assets based on taxable income for the financial year, and where the deferred tax assets and liabilities relate to the same taxation authority.

Key uncertainties related to estimates requiring management judgement

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 the 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 preparation estimates used in the estimates at the end of the financial year may differ from the actual ones, in which case changes in tax assets have been recognized as expenses in the income statement.

DEFERRED TAX ASSETS AND LIABILITIES

Note 8

DEFERRED TAX ASSETS AND LIABILITIES

EUR 1,000	1.1.2022	Entered through profit or loss	Entered in comprehensive income statement	Recognized in share-holders' equity	31.12.2022
Intercompany inventory profit	34	-22	-	-	12
Provisions	160	145	-	-	305
Employee benefits	0	0	-	-	0
Tax losses and credits unused	1 567	2118	-	-	3 685
Other temporary differences	288	749	0	-	1 037
Deferred tax assets, total	2 048	2 990	0	-	5 038
Offset from deferred tax liabilities	-196		-	-	-196
Deferred tax assets, net	1 853				4 843

COMPARISON YEAR

EUR 1,000	1.1.2021	Entered through profit or loss	Entered in comprehensive income statement	Recognized 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

The amount of deferred tax asset recognized in Raute Group's balance sheet on December 31, 2022 was 4.8 million. The amount consists of parent company Raute Oyj's confirmed losses for the years 2020 and 2021 and the calculated tax receivable for the year 2022.

Deferred tax assets is recognized up to the extent that future return expectations are estimated to generate taxable income against which the temporary difference can be utilized. The losses of the above-mentioned years have arisen for many reasons, e.g. write-downs related to the decline of business in Russia, restructuring of operations in Finland and China, demand changes

DEFERRED TAX LIABILITIES

EUR 1,000	1.1.2022	Entered through profit or loss	Entered in comprehensive income statement	Recognized in share-holders' equity	31.12.2022
Financial assets at fair value	-41	0	0	-71	-112
Effect of Group consolidation	274	43	-	-	317
Other temporary differences	192	-149	0	-	43
Deferred tax liabilities, total	424	-106	0	-71	247
Offset to deferred tax assets	-196				-196
Deferred tax liabilities, net	228				51

COMPARISON YEAR

EUR 1,000	1.1.2021	Entered through profit or loss	Entered in comprehensive income statement	Recognized 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

caused by the Covid-19 pandemic and later the effects of high cost inflation on purchase prices and the costs of the ERP system project. A measure program has been launched to improve profitability. The estimates on which the amount of future taxable income is based include management's views on future cash flow, including the amount of turnover, operating expenses and financing costs. Raute Group's ability to generate taxable income also depends on the general state of the world economy as well as factors related to financing, competitiveness and regulation, which are beyond Raute Group's control.

A deferred tax asset of EUR 665 thousand has not been recognized for the losses of the foreign subsidiaries from the fiscal year 2022.

GROUP GOODWILL

Note 9

EUR 1,000	2022	2021
GOODWILL		
Goodwill at the beginning of the year	1 714	1 714
Increases	0	0
Total	1 714	1 714

Basis of preparation

Goodwill is the amount by which the acquisition cost has exceeded the fair value of the group's share of the acquired company's identifiable assets and liabilities at the time of acquisition. Identifiable assets acquired in connection with the business acquisition are presented in the balance sheet item Other tangible assets. These items are depreciated during their economic life.

The Group's goodwill is valued at the original acquisition cost less impairment losses. Regular depreciation is not recorded on the Group's goodwill. The Group's goodwill is tested annually and always if any indication of impairment exists.

Impairment testing

For the impairment testing, the goodwill is allocated in accordance with the group's structure to the cash-generating units (CGUs), where the business is located. Goodwill is allocated to CGUs according to which business unit the goodwill is monitored. The recoverable amount of the CGU is determined by using value-in-use calculations, which require the use of assumptions.

The cash flows estimate in the calculations are based on the management's judge-

ment and the budgets approved by the management. The discount rate for the calculations is based on the weighted average cost of capital (WACC) in the business area.

A possible goodwill impairment loss is immediately recognized in the income statement. The previously recorded goodwill impairment loss is not reversed.

The management has evaluated the key assumptions of impairment testing at the time of closing the financial statements. When estimating the amount of future cash flow and the discount rate, management has assessed the effects of the corona pandemic on the operating environment. Based on these estimates, no significant changes have been made in the group due to the corona pandemic. The recoverable amount of the cash-generating unit is based on the unit's budget and forecasts for three years approved by the management. The discount rate used in the calculations is 14.4% (before taxes). The assumptions used in the cash flow estimates regarding the development of future operations are based on the management's estimates at the time of the financial statements. During the fiscal year, no impairment losses have been recorded in the income statement.

OTHER INTANGIBLE ASSETS

Note 10

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, 2022	0	2 688	11 776	1 678	16 142
Exchange rate differences	-		4		4
Additions	17	326	268	3 330	3 942
Reclassification between items	1 602	-1 602	1 030	-1 030	0
Acquisition cost at Dec. 31, 2022	1 620	1 412	13 078	3 978	20 088
Accumulated depreciation and amortization at Jan. 1, 2022	0		-9 743	0	-9 743
Exchange rate differences	-	-	4	-	4
Accumulated depreciation of deductions and transfers	-	-	77	-	77
Depreciation and amortization for the financial year	-408	-	-500	-	-908
Impairments	-	-	-128	-	-128
Reclassification between items	-	-	-	-	0
Accumulated depreciation and amortization at Dec. 31, 2022	-408	0	-10 291	0	-10 699
Book value at Dec. 31, 2022	1 211	1 412	2 787	3 978	9 388

COMPARISON YEAR 2021

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	12 491
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	-12 884
Exchange rate differences	-	-	-26		-26
Depreciation and amortization for the financial year	-	-	-520		-520
Impairments	-	-	-		0
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

Basis of preparation

Other intangible assets include software licenses, patents, capitalized development costs, and other intangible rights. Other intangible assets have been capitalized in the balance sheet when it has been probable that the expected financial benefit resulting from the asset will benefit the company over several years (depreciation period) and the acquisition cost of the asset can be determined reliably. Intangible assets acquired through a business combination have been recognized at fair value at the date of acquisition.

At other times, the cost of other intangible assets is recognized as an expense at the time of its occurrence. Other intangible assets have been capitalized and recognized as an expense on a straight-line basis in accordance with the plan in the income statement over their economic 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 the design of new or more advanced products and experimental equipment manufactured for the purpose of testing them have been capitalized and presented in the balance sheet as intangible assets from the moment the product is technically feasible, can be commercially exploited and is expected to provide future economic benefits. Capitalized development costs include those material, labor and testing costs that are directly attributable to bringing the product to its intended use. Capitalized development costs have been valued in the

balance sheet after initial recognition cost less accumulated depreciation and amortization. Development costs recognized as an expense for previous financial years are not capitalized later.

Other intangible asset has been capitalized in the balance sheet at the original acquisition cost when it has been probable that the expected financial benefit resulting from the asset will accrue to the company over several years (depreciation period) and the acquisition cost of the asset can be determined reliably.

Impairment of intangible assets

Depreciable assets have been examined for impairment whenever events or changes in circumstances have suggested that the carrying amount of the assets may not be recovered. Recoverable amount is the fair value of the asset less the cost of disposal or its higher value in use. Value in use is the present value of the cash flows from an asset that the asset is assumed to generate. For estimating impairment, assets are grouped at the lowest levels at which cash flows can be separately identified.

The amount by which the carrying amount of an asset exceeded its recoverable amount is recognized in the income statement as an impairment loss. The impairment loss recognized in prior periods for assets other than goodwill in intangible assets has been reassessed at each balance sheet date. An impairment loss has been reversed if there has been a change in the circumstances or in the estimates used to determine the recoverable amount of an asset. However, the impairment loss has not been reversed beyond the carrying amount of the asset without the impairment loss being recognized.

Management's accounting judgments

The expected economic useful lives of the items presented in intangible assets in the balance sheet have been reviewed on each balance sheet date. If they deviate significantly from previous estimates, the depreciation plan has been updated to reflect the new impact times.

For each asset, it has been assessed whether there are indications of impairment as set out in the accounting policy. If the carrying amount of the asset has exceeded the estimated recoverable fair value of the estimated assets, the impairment is recognized in the income statement. A previous write-down may be reversed if it can be demonstrated that the circumstances have significantly improved.

The valuations are sensitive to assumptions about future expected returns and discount rates. The discount rate reflects the estimated market-expected rate, considering the time value of money and the specific risks associated with the asset in question, for which adjustments have not been made to the estimated cash flows. The **discount rate** is determined based on the average weighted cost of capital, which describes the total cost of equity and debt, considering the specific risks associated with the assets. The discount rate used in the calculations is 14.4% before tax.

RESEARCH AND DEVELOPMENT COSTS

Note 11

EUR 1,000	2022	2021
RESEARCH AND DEVELOPMENT COSTS		
Research and development costs for the financial year*	-5 647	-5 257
Amortization of previously capitalized research and development costs	-649	-
Development costs recognized as an asset in the balance sheet	-	338
Research and development costs recognized as an expense for the financial year	-6 295	-4 919
Impairments of capitalized development costs		-
Research and development costs recognized as an expense for the financial year	-6 295	-4 919

*Research and development expenses consist of the expenses of numerous R&D projects that do not meet the criteria for activation.

Basis of preparation

Research cost and those development costs that do not meet the capitalization criteria have been recognized as operating expenses before operating result.

Depreciation is started when the asset is ready for use, i.e. when it is in such a location and condition that it can function as intended by the management. Depending on the estimated lifetime of the product, the useful life of development costs is 3–10 years, during which time capitalized development costs are recognized as an expense on a straight-line basis.

PROPERTY, PLANT AND EQUIPMENT

Note 12

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	Assets in progress	Total
Acquisition cost at Jan. 1, 2022	386	12 642	13 471	36 995	974	889	65 357
Exchange rate differences	-	36	68	-67		5	43
Additions	-	6	948	2 174	44	406	3 578
Disposals/impairments	-	-11	-672	-494	-	-444	-1 621
Reclassification between items	-			28	34	-63	0
Acquisition cost at Dec. 31, 2022	386	12 674	13 814	38 636	1 053	793	67 357
Accumulated depreciation and amortization at Jan. 1, 2022	-	-9 379	-4 500	-30 357	-663	-	-44 899
Exchange rate differences	-		-6	21		-	16
Accumulated depreciation and amortization of disposals and reclassifications	-			149	-	-	149
Depreciation and amortization for the financial year	-	-358	-1 852	-1 668	-47	-	-3 925
Accumulated depreciation and amortization at Dec. 31, 2022	-	-9 737	-6 358	-31 855	-710	-	-48 660
Book value at Dec. 31, 2022	386	2 937	7 456	6 783	343	794	18 698

COMPARISON YEAR

EUR 1,000	Land and water	Buildings and structures	Buildings and structures, right-of-use	Machinery and equipment	Other tangible assets	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

Basis of preparation

Tangible fixed assets are valued at acquisition cost less accumulated depreciation and impairment. The acquisition cost includes the purchase price, cash and taxes paid on them. When the tangible fixed asset has been manufactured in-house, it also includes, in addition to the items mentioned above, a share of the Group's fixed costs. Ordinary repair and maintenance costs of fixed assets are recognized through profit or loss as incurred. Any costs incurred in restoring to the original state are taken into account in IFRS accounting as part of the acquisition cost.

Tangible assets have been depreciated on straight-line basis during the estimated economic life as follows:

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

The right-of-use assets are depreciated during the term of lease agreement.

The residual values and economic lives of the assets are reviewed at the end 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. Capital gains and losses from the disposal of tangible assets are recognized through profit or loss.

RIGHT-OF-USE ASSETS

Note 13

EUR 1,000	2022	2021
LEASE CONTRACTS		
Right-of-use assets, changes		
Booking value at the beginning of the period	8 970	5 917
Exchange rate differences	72	153
Additions	948	5 770
Disposals	-672	-
Depreciations and impairments	-1 862	-1 775
Booking value at the end of the period	7 456	10 063
Liabilities		
Lease liability, long-term	6 288	8 493
Lease liability, short-term	1 293	1 549
Lease liability, total	7 581	10 042
Items recognized in the income statement		
Depreciation of the fixed assets, buildings	-1 862	-1 775
Interest expenses included in the financial items	-85	-48

Information of off-balance sheet pledges and contingent liabilities have been presented in Note no. 27 Pledged assets and contingent liabilities.

Basis of preparation

Raute Group has leased warehouse and production facilities for the use of its business. The lease agreements for the premises and production facilities leased by the Raute Group are recorded in the balance sheet.

Leases that include the right to use a leased asset are recorded in the balance sheet under **Right-of-use assets**. An asset is recognized based on the right to use the asset and a lease liability based on the obligation to make lease payments. Fixed assets related to the lease contracts are depreciated during the lease period of the lease contract. If the lease contract is valid until further notice, a contract term of 5 years has been used in the calculations.

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. Interest arising from the lease liability has been recognized in the income statement under financial expenses.

If the existing lease agreement changes or the estimates used in the calculation of lease liability and the right to fixed assets change, the fixed asset item and lease liability are revalued at the discount rate applicable at the time of calculation. If the lease under the agreement is index-linked, the lease liability and the fixed asset are revalued at the time of the change in rent.

Short-term leases with an expected lease term not exceeding 12 months have been treated as off-balance-sheet lease liabilities and the rent payments associated with these leases have been recognized as an expense in the income statement at the lease period.

Leases relating to **low-value leases** have been treated as off-balance-sheet lease liabilities, regardless of whether the lease is long-term or short-term. The operating rents based on these leases have been recognized as an expense in the income statement in accordance with the lease period.

Leases for short-term leases and low-value assets are presented as an off-balance-sheet item in lease liabilities in Note 27 Collateral and Contingent Liabilities. The rents of short-term and low-value assets in 2022 amounted to EUR 697 thousand (EUR 455 thousand), which consisted entirely of low-value assets.

DEPRECIATION AND AMORTIZATION

Note 14

EUR 1,000	2022	2021
DEPRECIATION AND AMORTIZATION		
Depreciation and amortization by class of assets		
Intangible assets		
- Capitalized development costs	-408	-
- Other intangible assets	-620	-528
Property, plant and equipment		
- Buildings and structures	-369	-397
- Buildings, right-of-use assets	-1 862	-1 704
- Machinery and equipment	-1 647	-1 640
- Other tangible assets	-47	-46
TOTAL	-4 953	-4 315

INVENTORIES

Note 15

EUR 1,000	2022	2021
INVENTORIES		
Materials and supplies	11 183	8 828
Work in progress	3 198	5 011
Other inventories	310	1 593
Advance payments paid	2 049	6 578
TOTAL	16 739	22 010

Basis of preparation

Inventories are valued at or lower net realizable value. The valuation of the stock of materials and raw materials is made using the method of weighted average price. The cost of finished and work in progress products comprises direct material and production costs and the portion of indirect production costs and depreciation allocated to products at a normal operational capacity excluding financial expenses. The net realizable value is the estimated selling price to be obtained in the ordinary course of business less the estimated cost of completion of the product and the cost of sale. The value of inventories considers impairment due to obsolescence.

Risk management

Advance payments made to suppliers and subcontractors at the balance sheet date carry the risk that the counterparty will not be able to fulfill its 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 delivery, as well as by requiring certain suppliers to provide prepayment collateral. At the balance sheet date, unsecured advance payments amounted to EUR 2.0 million (EUR 6.6 million).

CURRENT PAYABLES

Note 16

EUR 1,000	2022	2021
TRADE PAYABLES AND OTHER PAYABLES		
Current interest-free liabilities in the balance sheet		
Advance payments received	29 551	33 764
Trade payables	12 591	14 541
Accrued expenses and prepaid income	7 811	10 146
Derivatives	80	16
Income tax liability	986	624
Other liabilities	1 594	2 341
TOTAL	52 612	61 432
Substantial items included in accrued expenses and prepaid income		
Accrued project expenses related to customer contracts	697	743
Accrued employee related expenses	7 381	6 866
Financial expenses	-	-
Redemption obligation of the subsidiary acquisition	231	231
Other accrued expenses and prepaid income	-499	2 306
TOTAL	7 811	10 146

Advance payments received, EUR 29,551 thousand (EUR 33,764 thousand), include advance payments received from performance obligations to be satisfied over time in the amount of EUR 23,769 thousand (EUR 29,814 thousand).

Basis of preparation

The Group's trade payables, derivatives, income tax liabilities and other liabilities include liabilities arising from goods and services delivered prior to the financial year-end. Liabilities are unsecured and mature for payment within 12 months of the end of the reporting period. The carrying amount of items corresponds to their fair value at the closing date.

EXCHANGE RATE GAINS AND LOSSES

Note 17

EUR 1,000	2022	2021
EXCHANGE RATE GAINS AND LOSSES (NET)		
Included in net sales	269	21
Included in financial income and expenses	426	78
Included in other comprehensive income items	391	56
TOTAL	1 086	155

Basis of preparation

Foreign currency transactions in separate financial statements have been converted into functional currency at the exchange rates prevailing on the dates of the transactions. In practice, an exchange rate has been used that corresponds approximately to the exchange rate at the time of the event. Monetary items denominated in foreign currencies have been converted to the functional currency at the exchange rates prevailing at the end of the financial year. Non-monetary items denominated in foreign currencies, measured at fair values, have been converted to the functional currency at the exchange rates prevailing on the date on which the fair value is determined. Otherwise, non-monetary items are valued at the course on the day of the event.

Gains and losses arising from operations denominated in foreign currencies and changes in monetary items are recognized in the income statement. Foreign exchange gains and losses on transactions are presented on net in the corresponding items above operating result. Exchange gains and losses related to cash and cash equivalents, loans and other financial assets and liabilities are presented in the financial income and expenses of the income statement.

Comprehensive income statement items

include changes in the fair value of currency derivatives that meet the conditions for cash flow hedging. In addition, this item includes the translation difference arising from a net investment in a foreign subsidiary.

Note 18

EUR 1,000	2022	2021
DERIVATIVES		
Nominal values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	11 926	1 212
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	-	-
- Related to the hedging of net sales	-	8 052
Fair values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	117	-41
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	-	-
- Related to the hedging of net sales	-	-128
EUR 1,000	2022 Nominal value	2021 Nominal value
CONTRACTUAL MATURITIES OF HEDGE ACCOUNTING DERIVATIVES		
Economic hedging		
Under one year	10 881	1 212
TOTAL	10 881	1 212
EUR 1,000	2022	2021
CHANGES IN HEDGE RESERVES		
Hedge reserves Jan., 1	-62	-
Additions to hedge accounting (through comprehensive income)	196	-62
Transferred to profit or loss (from comprehensive income items)	-	-
From hedge accounting to economic hedging	-	-
Deferred tax at Group's tax rate 20%	-	83
Hedge reserve at Dec., 31	134	21

Basis of preparation

In accordance with its financial policy, the Group has used currency derivative contracts to hedge exchange rate risks related to future transactions of commercial transactions and financial items. At the time of the adoption of each derivative contract it is determined in which assets or liability recognized in the balance sheet, or highly probable forecasted transaction (cash flow hedge) it protects.

Hedge accounting has been applied when the derivative meets the conditions set for hedge accounting. The decision on the application of hedge accounting is made for each contract separately at the time of the contract. Each hedging derivative protects certain assets and liabilities, binding contracts, or future binding transactions. The hedging relationship between the hedging instrument and the hedged item, as well as the risk management objectives and strategy for hedging transactions, are 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.

Management of financing risks

The objective 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 to ensure sufficient liquidity in all market conditions. The Group has a financing policy approved by the parent company's Board of Directors, which defines the thresholds that guide its operations, the financial and hedging instruments to be used and the acceptable counterparties. The Group's financial risks are managed by the parent company's finance function, which is responsible for identifying, assessing and hedging financial risks in cooperation with the operational units. The Group's CFO is responsible for the finance function. The Board of Directors regularly monitors the extent of financial risks through, for example, the net foreign exchange position, the age distribution and hedging rate of receivables, and cash flow forecasts.

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 risk is 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 identified as credit loss risk of the counterparty risks and currency risks from market risks. The Group is also exposed to liquidity and refinancing risks.

The supplementary information related to the financial risks is presented in the supplementary information items as follows:

- Customer credit risks, Note no. 29 Accounts receivables and customer contract assets
- Counterparty risks, Note no. 29 Accounts receivables and customer contract assets
- Price risks, Note no. 3 Materials and services
- Currency risks, Note no. 50 Risk Management – Currency risks
- Interest risks, Note no. 23 Financial liabilities.

Events after the reporting period

After the reporting period the Group has signed a new financing agreement with two Nordic Banks, which will replace the previous credit facility agreements. According to the new agreement the amount of committed revolving credit facility (RCF) is MEUR 12.0 and a total of MEUR 40 of non-commensurable guarantee limit.

The committed MEUR 12 revolving credit facility is valid until 31.1.2025, assuming that the company will arrange and raise equity of MEUR 12 through a share issue by 30.6.2023, otherwise the limit will be valid until 31.3.2024. The committed revolving credit facility has conditions related to the amount of the limit, e.g., in terms of the funds received in the share issue and the significant advances received, so that the maximum amount of the revolving credit facility may decrease by MEUR 7.0, after which the available amount of the committed revolving credit facility will be MEUR 5.0.

The unaffiliated guarantee facility consists of two MEUR 20 guarantee limits, one of which is available for domestic projects and the other for foreign projects.

The pricing of the revolving credit facility is based on the EURIBOR rate plus the margin, which changes based on the amount of equity received in the share issue. The margin ranges from 3.5% to 10.0%. The portion of the credit lines used shall be renewed when the interest period expires or repaid..

Covenants in the new financing agreement

The special terms related to the financial key figures of the new financing agreement, i.e., covenants, are minimum EBITDA, minimum liquidity and equity ratio.

Covenants under the new financing agreement will be reported to the lender monthly for minimum liquidity and quarterly for minimum EBITDA and equity ratio. For minimum liquidity and equity ratio, the first testing date is April 30, 2023 and for minimum EBITDA June 30, 2023. If the covenant conditions are not met, the creditor can demand an accelerated repayment of the existing limits and terminate the financing agreement.

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 results 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 2022, 59 percent (76%) of the Group's net sales were generated outside the euro zone. The Group uses Group company's functional currency as the primary trading currency, of which the most significant is the euro. The proportion of the net sales sold in a currency other than the Group's home currency was 12 percent (6%) of the group's turnover in 2022.

As a general rule, the Group's operative units hedge their foreign currency denominated payments based on binding sales contracts of more than 100 thousand euros from the moment the contracts take effect. Currency forward contracts are used to hedge operative sales payments.

As a rule, the Group hedges the internal trading of more than 100 thousand euros with forward contracts. The most significant individual currency risk related to purchasing arises from the Parent company's internal purchases from a subsidiary operating in China. The trading currency in these purchase agreements is the euro but the Group's costs are determined in Chinese yuan. Primarily, cash flows accumulating from unhedged 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 mutually binding contracts are generally not hedged. Currency clauses are used to hedge against currency risks during the quotation period. Currency risks related to preliminary sales contracts are hedged on case-by-case basis with currency option contracts. The nominal value of forward contracts protecting transactions at the time of closing the accounts was EUR 11.9 million (MEUR 9) and the fair value was EUR 117 thousand positive (EUR 127 thousand negative).

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

At the end of the financial year 2022, no forward contracts were related to the hedging of the Group's financing items.

At the balance sheet date, the Group had no forward contract receivables or liabilities, which do not meet the hedge accounting criteria.

The Group applies 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 enters into a derivative contract with an external counterparty which is defined as a hedging instrument in hedge accounting. Subsidiaries use internal derivatives to hedge the transactions defined as the hedged items. The total amounts of the valuation gains and losses for derivatives are presented in Note no. 18 Derivatives

The Group regularly monitors **transaction risks** by the main currency pairs. Net currency positions take into account the known future currency flows related to binding contracts from the balance sheet date onwards, as well as the derivative contracts intended to hedge them, regardless on which financial year the risk exposure 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 euros for each currency pair other than for the Russian ruble, for which the aim is to keep the net currency position at less than one million euros. The Group's net currency position and the portion of it included in the balance sheet at the reporting date (Net balance sheet risk) are presented in by currency pairs in the following table:

	Net currency position		Net balance sheet risk	
EUR 1,000	2022	2021	2022	2021
CNY/EUR	969	13	379	2 921
RUB/EUR	600	497	600	497
CAD/EUR	1 574	490	2 460	4 257
USD/EUR	4 868	982	5 313	1 594

Cash flows related to binding contracts included in the net currency position EUR 1,110 thousand is hedged from the CAD/EUR currency pair and EUR 5,641 thousand from the USD/EUR currency pair.

The Group has foreign subsidiaries whose equity is in a currency other than the Parent company's functional currency. These investments in foreign subsidiaries expose the Group to translation risk. The currency risks related to the conversion of the foreign subsidiaries' net investments into the Group's home currency, the euro, is not hedged. The Group's subsidiaries' non-euro denominated equity was altogether EUR 12,899 thousand on December 31, 2022 (EUR 13,845 thousand euros). Non-euro-denominated equity is broken down by currency in the following table:

Subsidiaries' equity, non-euro-denominated		
EUR 1,000	2022	2021
CNY	-74	2 393
RUB	779	1 103
CAD	3 868	3 334
USD	7 043	6 381
Other	1 283	633
Total	12 899	13 845

The sensitivity analysis of exchange rate transaction risk, i.e. the effect of a reasonable and possible exchange rate change on the Group's profit or loss after tax on December 31, 2022 is presented in the following table:

Effect on profit after tax

EUR 1,000		2022	2021
CNY +/- 30%	+/-	15	59
RUB +/- 30%	+/-	2	161
CAD +/-30%	+/-	280	78
USD +/- 30%	+/-	-	305

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 assumed to be +/-30 percent from the reporting date based on the prevailing uncertainty in the financial market development. Other factors have been assumed to remain unchanged.

EQUITY

Note 19

EUR 1,000

SHARE CAPITAL

	2022	2021
Share capital at Jan. 1	8 526	8 256
Share capital at Dec. 31	8 526	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	1 080	1 477
Fair value reserve	-313	-416
Hedging reserve, hedge accounting	196	-62
Deferred taxes related to these items	72	83
Other reserves at Dec. 31	1 034	1 080

EXCHANGE RATE DIFFERENCES

Exchange rate differences at Jan. 1	548	353
Exchange rate differences on translating foreign operations	391	195
Exchange rate differences at Dec. 31	939	548

RETAINED EARNINGS

Retained earnings at Jan. 1	18 469	23 794
Dividends	-	-3 411
Profit for the financial year	-11 513	-1 775
Exchange differences on translating foreign operations	-	-139
Retained earnings at Dec. 31	6 956	18 469

TOTAL EQUITY	22 897	34 064
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Basis of preparation

Series K and series A shares held by third parties have been presented in share capital. Expenditure related to issuance or acquisitions of own, equity-based instruments are presented as a deduction from equity.

The **invested non-restricted equity reserve** includes other equity investments and the share subscription price to the extent that it is not subscribed to the share capital according to the specific decision.

Other reserves include a revaluation fund created from fair value appreciation, granted share-based remuneration settled in shares and a fund for hedging instruments.

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 during which the shareholders have approved the dividend to be distributed.

The Annual General Meeting held on March 31, 2022 decided according to the proposal of the Board of Directors that no dividend be paid for the financial year 2021 by a resolution of the Annual General Meeting and that the distributable assets be transferred to equity. However, the Annual General Meeting decided to authorize the Board of Directors to decide, at its discretion, on the payment of a total dividend of no more than EUR 0.80 per share for series A and K shares. The authorization is valid until the beginning of the company's following Annual General Meeting. The Board of Directors did not exercise the authorization in during the fiscal year 2022.

OTHER COMPREHENSIVE INCOME ITEMS

Note 20

EUR 1,000	2022	2021
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	-354	-416
Items that may be subsequently reclassified to profit or loss		
Hedging reserve, hedge accounting	196	-62
Exchange differences on translating foreign operations	391	56
Deferred taxes related to these items	72	83
Total	659	77
TOTAL OTHER COMPREHENSIVE INCOME ITEMS	305	-339

Basis of preparation

Other comprehensive income 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 items of the Raute Group included exchange rate gains and losses arising from translating the financial statements of the foreign units, the share of gains and losses resulting from hedging instruments in cash flow hedges, the gains and losses recognized from the valuation of financial assets that are valued or classified as at fair value through other comprehensive income items, and the current tax effects based on the taxable income for the period and deferred taxes related to these items.

SHARES AND SHARE CAPITAL

Note 21

Shares, 1,000 pcs		2022	2021
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 January 1, 2021 to December 31, 2022	Share capital EUR	Number of series K shares	Number of series A shares
Share capital at Jan. 1, 2021	8 256 316	991 161	3 272 033
Share capital at Dec. 31, 2022	8 256 316	991 161	3 272 033

Raute Corporation has two series of shares, series K and series A.

Share-related key figures are presented on page 90 of the financial statements.

Capital structure management

The objective of the Group's capital structure management is an efficient capital structure that secures the Group's operational preconditions in the capital market. The Group's Parent company's credit rating deteriorated during the year 2022 due to e.g. write-downs caused by the discontinued Russian projects. The credit rating throughout the comparison year 2021 was good. The Group's capital structure is monitored by the equity ratio index, for which a strategic target level has been set. During the financial year 2022 the Group's goal was to maintain the equity ratio at a level of over 40 percent, but due to write-downs affecting the profit, this was not achieved. At the end of the financial year, the equity ratio was 35 percent (44%).

UNDILUTED EARNINGS PER SHARE

Note 22

	2022	2021
UNDILUTED EARNINGS PER SHARE		
Share of result that belongs to the owners of the Parent company, EUR 1,000	-11 513	-1 775
Weighted average number of shares, 1,000 pcs	4 263	4 263
Earnings per share, EUR	-2,70	-0,42

Basis of preparation

Undiluted earnings per share is calculated by dividing the profit for the financial year attributable to the shareholders of the Parent company by the weighted average of outstanding shares during the financial year.

FINANCIAL LIABILITIES

Note 23

EUR 1,000	2022	2021
CURRENT INTEREST-BEARING LIABILITIES		
Financial liabilities recognized at amortized cost		
Partial payments of financial loans	-	2 071
Account limit used	6 729	
TOTAL	6 729	2 071
Distribution of the Group's current loans by currencies		
- Euro (EUR)	100 %	
- Chinese yuan (CNY)		100 %
The weighted averages of effective interest rates of current interest-bearing loans		
Partial payments of financial loans	3,77 %	4,63 %

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 31.12.2022	Carrying amount 31.12.2021
Carrying amounts of financial liabilities		
Financial liabilities at fair value through profit or loss		
- Derivative contracts	80	16
Financial liabilities recognized at amortized cost		
- Financial loans	-	2 071
- Account limit	6 729	-
- Trade payables and other liabilities	12 591	14 541
- Accrued expenses and prepaid income	231	231
Total	19 632	16 859

EUR 1,000	Level 1	Level 2	Level 3	Total
Hierarchy levels				
Financial liabilities at fair value through profit or loss				
- Derivative contracts	-	80	-	80
Total	-	80	-	80

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 valued at amortized cost and financial liabilities valued at fair value through profit or loss according to the IFRS 9 standard. Financial liabilities are initially recognized in the books at fair value. Later, financial liabilities, with the exception of derivative liabilities, have been valued at amortized cost using the effective interest method. Short-term financial liabilities are debts where the Group has no unconditional right to defer the payment of the debt to for at least 12 months after the reporting date.

The installments due during the next fiscal year of the financial loan are presented in the current liabilities.

Collateral and liabilities for the Group's loans are presented in Note no. 27 Pledged assets and contingent liabilities.

In the consolidated balance sheet, a lease contract liability has been entered based on the obligation to make lease payments. The lease liability is valued at the current value of the rents which are to be paid in the future according to the contract, but which

have not been paid at the at the time of valuation. The discount rate used in valuation calculations is 1.0%. The interest expense on the lease liability is recognized in the Financial expenses item in the income statement. The lease liability is included in the item Interest-bearing liabilities in the consolidated balance sheet. At the balance sheet date December 31, 2022, the amount of the Group's lease liabilities was EUR 7,581 thousand (EUR 10,042 thousand), of which EUR 1,293 thousand was current lease liability (EUR 1,549 thousand) and EUR 6,288 thousand (EUR 8,493 thousand) was non-current lease liability.

Risk management

The Group's interest rate risk results from financial liabilities. The Group's objective is to hedge against interest rate risk of debt capital with fixed-rate loans, interest rate derivative instruments and sufficient amount of liquid assets. The Group takes out loans with either with a fixed interest rate or variable interest rate. The variable interest rate loans expose the Group's cash flow to interest rate risk.

MATURITIES OF FINANCIAL LIABILITIES

MATURITIES OF FINANCIAL LIABILITIES

EUR 1,000 euroa	2023	2024	2025	2026	2027	2028	2029–	Total cash flows based on contracts	Book value
Not included in derivative liabilities									
Bank loans	6 842								6 729
Lease liabilities	1 507	1 395	1 424	1 420	1 165	1 055	1 340	9 306	7 581
Accounts payable and other liabilities	12 591								12 591
Total	20 940	1 395	1 424	1 420	1 165	1 055	1 340	9 306	26 901

MATURITIES OF FINANCIAL LOANS

EUR 1,000 euroa	2022	2023	2024	2025	2026	2027	2028–	Total cash flows based on contracts	Book value
Not included in derivative liabilities									
Bank loans	2 102								2 071
Lease liabilities	2 023	1 489	1 384	1 414	1 411	1 168	2 418	11 308	10 042
Accounts payable and other liabilities	14 541								14 541
Total	18 666	1 489	1 384	1 414	1 411	1 168	2 418	11 308	26 654

FINANCIAL LOANS AND LEASE DEBT

1 000 euroa	Loans	Use of account limit	Lease agreements
Jan. 1, 2021	1 857	-	5 917
Financing cash flows			
– Lease debt repayments			-1 752
– Not cash flow impacted expenses	214		5 898
Dec. 31, 2021	2 071	-	10 063
Jan. 1, 2022	2 071	-	8 970
Financing cash flows			
Lease debt repayments			-1 785
Use of account limit		6 729	
Repayment of loans	-2 071		
Non-cash flow related changes			396
Dec. 31, 2022	-	6 729	7 581

EUR 1,000	2022	2021
NET LIABILITIES		
Financial loans maturing within one year	6 729	2 071
Lease liability at the end of the financial year	7 581	10 063
Deducted: Financial assets at the end of the period	-7 618	-24 357
Net liabilities	6 692	-12 223

FINANCIAL ASSETS

Note 24

EUR 1,000	2022	2021
FINANCIAL ASSETS		
Financial assets at the beginning of the period	24 357	11 601
Change in financial assets	-17 009	12 543
Exchange rate differences from financial assets	270	213
Financial assets at the end of the period	7 618	24 357

EUR 1,000	2022	2021
OTHER FINANCIAL ASSETS		
Unquoted share investments	616	970
Total	616	970

EUR 1,000	Carrying amount 31.12.2022	Carrying amount 31.12.2021
Carrying amounts of financial assets		
Financial assets at fair value through profit or loss		
- Derivative contracts	-	-168
Financial assets at fair value through other comprehensive income		
- Unquoted share investments	616	970
Financial assets at amortized cost		
- Account receivables and other receivables	6 775	8 972
- Cash and cash equivalents	7 618	24 357
Total	15 008	34 131

EUR 1,000	Level 1	Level 2	Level 3	Total
Hierarchy levels				
Financial assets at fair value through other comprehensive income				
- Unquoted share investments	-	-	616	616
Financial assets at fair value through profit or loss				
- Derivative contracts	-	-	-	-
Total	-	-	616	616

Basis of preparation

Financial assets are classified in accordance with the IFRS 9 Financial Instruments standard into financial assets recognized at fair value through profit and loss, financial assets valued at fair value through other comprehensive income items, and financial assets valued at amortized costs.

The classification has been made based on the purpose of the acquisition and nature of the cash flow in conjunction with the original acquisition. Financial assets have been written off the balance sheet when the contractual right to cash flows or when the risks and returns of the financial asset have been transferred to a significant outside the Group. Financial assets maturing within 12 months are included in current assets.

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 fair values of **derivative contracts which do not fulfill the conditions of hedge accounting** have been determined using market values for corresponding contracts and maturity on the balance sheet date. Gains and losses resulting from changes in fair value are recognized in the income statement in the financial period during which they incurred. The nominal values of currency forward contracts are presented in Note No. 18 Derivatives.

Financial assets valued at amortized cost

include accounts receivables, accrued receivables, assets based on customer contracts and other receivables. Due to the short-term nature of the receivables, their original book value corresponds to their fair value of the receivable. The discounting effect is not significant considering the maturity of the receivables. At the time of closing the accounts do not include significant risk clusters.

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.

IMPAIRMENT OF FINANCIAL ASSETS

Expected credit loss risk

Dec. 31, 2022	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 %	
Book value of accounts receivables								
Gross carrying amount of accounts receivables, EUR 1 000	5 307	1 252	526	113	220	190	210	
Assets based on an agreement	16 948							
Loss allowance, EUR 1 000	0	0	0	1	2	47	210	261

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 %	
Book value of accounts receivables								
Gross carrying amount of accounts receivables, EUR 1 000	4 276	765	111	454	192	149	41	
Assets based on an agreement	15 074							
Loss allowance, EUR 1 000	0	0	0	5	2	37	41	85

EUR 1,000	2022	2021	2020
The reconciliation of loss allowance for the Accounts receivables			
Amounts restated through opening retained earnings			
Opening loss allowance	85	66	115
Change in the expected credit loss during the financial year	176	19	49
Closing loss allowance at the end of the financial year	261	85	66
Losses recognized during the financial year	2		

Impairment of financial assets

The credit loss risk related to the accounts receivables has been estimated according to the standard IFRS 9 based on evaluation of the validity period expected for accounts receivables at the balance sheet date. Raute Group has applied a simplified approach allowed for recognition of credit losses of accounts receivables, because accounts receivables do not contain significant financing component. According to the simplified approach, the expected credit loss for the entire validity period of the trade receivables is recognized. The risk of credit loss at the beginning of the contracts is reduced by advance payments.

The accounts receivables are grouped for determination based on aging distribution. The expected credit loss is based on historical credit loss amounts taking into account possible customer-specific individual estimates. Information on the expected credit loss risk is presented in the table Expected credit loss risk. Anticipated impairment losses have been recognized through profit or loss. If the amount of the impairment loss decreases in any subsequent financial year and the deduction may be considered to be related to an event after the recognition of impairment, the recognized loss is reversed through profit or loss.

During the accounting period, the value of trade receivables on the balance sheet has been reduced by 261 thousand euros. If the amount of the impairment loss decreases in any subsequent financial year and the reduction can be considered to be related to an event after the impairment was recognized, the recognized loss is reversed through profit or loss.

The impairment model has no effect on other financial assets or on financial assets recognized at fair value through profit or loss in accordance with IFRS 9 standard, because at the time of fair value measurement the expected credit losses have already been taken into account.

CASH AND CASH EQUIVALENTS

Note 25

EUR 1,000	2022	2021
CASH AND CASH EQUIVALENTS		
Cash and bank accounts	7 618	24 357
TOTAL	7 618	24 357

Basis of preparation

Cash and cash equivalents comprise cash in hand, current bank deposits and other liquid short-term investments with maturity 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 are presented net if the Group has a contractual legal set-off right to pay or otherwise eliminate the amount due to the creditor in whole or in part. Financial assets are written off the balance sheet when the contractual right to cash flows expires or the Group has substantially transferred risks and income outside the Group.

Risk management

Counterparty risk of investment activities

The financing instrument contracts that the Group has concluded with banks and financial institutions involve the risk that the counterparty will not be able to fulfill its obligations according to the contract. In investment activities and when concluding derivative contracts, only those parties with a good credit rating and who meet the other terms and conditions defined in the financing policy are accepted as counterparties. When making investments, derivative contracts and loan agreements, the Group applies counterparty-specific maximum amounts to avoid risk clusters. On the balance sheet date, the funds related to the Group's cash management were in bank accounts. Liquid assets in financial institutions outside the euro zone were EUR 7.2 million (MEUR 9.4) 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 vary even 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 secure the Group's liquidity. Good liquidity is maintained primarily through efficient working capital and cash management. In the long term, the risk related to the availability and price financing is managed by utilizing various of sources of financing. Investments are made mainly in current deposits or marketable euro-denominated investments with good credit rating. Investments are required to exhibit sufficient liquidity. The Group had interest-bearing net liabilities in the consolidated financial statements of December 31, 2022 amounting to EUR 6.7 million (MEUR 2.1).

The Group's cash and cash equivalents totaled EUR 7.6 million (MEUR 24.4) at the end of the financial year. The Group has made preparations for fluctuating working capital requirements and possible disturbances in the availability of money with non-current credit limit agreements worth EUR 11.5 million with two Nordic banks. At the end of the financial year, EUR 11.5 million (EUR 20.5 million) of the limits were unused. In addition, the Group has bank account limits of EUR 15 million, of which EUR 6.7 million was used at the end of the financial year.

Event after the reporting period

After the reporting period the Group has signed a new financing agreement with two Nordic Banks, which will replace the previous credit facility agreements. According to the new agreement the amount of committed revolving credit facility (RCF) is MEUR 12.0 and a total of MEUR 40 of non-commensurable guarantee limit.

The committed MEUR 12 revolving credit facility is valid until 31.1.2025, assuming that the company will arrange and raise equity of MEUR 12 through a share issue by 30.6.2023, otherwise the limit will be valid until 31.3.2024. The committed revolving credit facility has conditions related to the amount of the limit, e.g., in terms of the funds received in the share issue and the significant advances received, so that the maximum amount of the revolving credit facility may decrease by MEUR 7.0, after which the available amount of the committed revolving credit facility will be MEUR 5.0.

The unaffiliated guarantee facility consists of two MEUR 20 guarantee limits, one of which is available for domestic projects and the other for foreign projects.

The pricing of the revolving credit facility is based on the EURIBOR rate plus the margin, which changes based on the amount of equity received in the share issue. The margin ranges from 3.5% to 10.0%. The portion of the credit lines used shall be renewed when the interest period expires or repaid.

Covenants in the new financing agreement

The special terms related to the financial key figures of the new financing agreement, i.e., covenants, are minimum EBITDA, minimum liquidity and equity ratio.

Covenants under the new financing agreement will be reported to the lender monthly for minimum liquidity and quarterly for minimum EBITDA and equity ratio. For minimum liquidity and equity ratio, the first testing date is April 30, 2023 and for minimum EBITDA June 30, 2023. If the covenant conditions are not met, the creditor can demand an accelerated repayment of the existing limits and terminate the financing agreement.

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 no. 23 Financial liabilities.

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.

FINANCIAL INCOME AND EXPENSES

Note 26

EUR 1,000	2022	2021
FINANCIAL EXPENSES, NET		
Financial income		
Interest income from receivables	88	33
Dividend income	676	746
Exchange rate gains from financial liabilities	1 398	219
Other financial income	1	0
Total financial income	2 163	998
Financial expenses		
Interest expenses on financial loans recognized at amortized cost	-58	-196
Exchange rate losses on other financial items	-972	-141
Other financial expenses	-304	-189
Total financial expenses	-1 335	-525
Financial expenses, net	828	472

Basis of preparation

Interest income is recognized as income for the financial year in which it was generated, according to the effective interest method. Dividend income is recognized as income for the financial year when the right to receive the dividend payment has 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 are recognized as an expense for the financial year in which they belong to, based on the interest liability determined in the financial loan contract. **Other interest expenses** are recognized as expense in the financial year in which they were incurred.

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

PLEDGED ASSETS AND CONTINGENT LIABILITIES

Note 27

EUR 1,000

2022

2021

Commercial bank guarantees are given to a customer, if required, against an advance payment made by the customer

Mortgage agreements on behalf of subsidiaries

Financial loans	-	2 071
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Total credit arrangements	-	2 071
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Commercial bank guarantees on behalf of the Parent company and subsidiaries

7 781

15 344

Other own obligations

Rental liabilities maturing within one year	220	87
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Rental liabilities maturing in one to five years	261	88
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Total	481	175
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SEGMENT INFORMATION

Note 28

EUR 1,000	2022	%	2021	%
SEGMENT INFORMATION				
Wood products technology				
Net sales	158 324		142 212	
Operating profit	-14 642		-2 244	
Assets	92 053		110 676	
Liabilities	69 156		76 612	
Capital expenditure	7 520		6 297	
Assets of the wood products technology segment by geographical location				
Finland	71 508	77	82 413	74
North America	12 339	13	15 903	14
China	6 606	7	9 772	9
Russia	428	0	1 916	2
South America	382	0	297	0
Other	790	1	374	0
Total	92 053	100	110 676	100
Capital expenditure of the wood products technology segment by geographical location				
Finland	6 189	82	5 308	84
North America	158	2	215	3
China	1 135	15	756	12
Russia	0	0	11	0
South America	23	0	5	0
Other	14	0	2	0
Total	7 520	100	6 297	100

Basis of preparation

Operations of Raute Group are entirely part of 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 with the operating profit key figures.

Due to Raute's business model, operational nature and administrative the management structure, the operating segment to be reported as wood product technology segment is comprised of the entire 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.

SEGMENT INFORMATION ACCORDING TO THE NEW REPORTING MODEL

EVENTS AFTER THE REPORTING PERIOD – SEGMENT INFORMATION ACCORDING TO THE NEW REPORTING MODEL

From the beginning of 2023 Raute Group will report according to the new segment model. Raute Group's operations fall into three segments: Wood Processing, Services and Analyzers. The highest operational decision-maker responsible for allocating resources to the operating segment and evaluating its results is Raute Corporation's Board of Directors.

Based on Raute's business model, nature of operations and management structure, the combined data of the three segments is consistent with the data of the entire group. Raute Corporation's Board of Directors does not monitor the assets and liabilities on the segment level, therefore investments, assets and liabilities are presented only at the group level. In segment reporting, the principles of preparation of consolidated financial statements are followed. Raute Group's segments do not have inter-segment sales.

Additional information on the new segment split available on page 93.

EUR 1,000	31.12.2022	31.12.2021
SEGMENT INFORMATION		
Wood Processing		
Net sales	108 024	97 357
EBITDA	-16 065	-5 834
Comparable EBITDA	-10 258	-4 861
Services		
Net sales	35 767	30 108
EBITDA	4 323	4 461
Comparable EBITDA	5 572	4 771
Analyzers		
Net sales	14 532	14 747
EBITDA	2 053	3 444
Comparable EBITDA	2 428	3 569
SEGMENTS TOTAL		
Net sales	158 323	142 212
EBITDA	-9 689	2 071
Comparable EBITDA	-2 258	3 479

PARENT COMPANY'S FINANCIAL STATEMENTS, FAS

RAUTE CORPORATION

Financial statements January 1 – December 31, 2022

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

Basis of preparation

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

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

PARENT COMPANY'S INCOME STATEMENT, FAS

PARENT COMPANY'S INCOME STATEMENT

EUR 1,000	Note	1.1.–31.12.2022	1.1.–31.12.2021
NET SALES	1	127 392	117 878
Change in inventories of finished goods and work in progress		-2 303	-140
Other operating income	7	339	767
Materials and supplies	3	-81 723	-71 529
Personnel expenses	6	-33 500	-32 013
Depreciation and amortization	12	-2 522	-2 258
Other operating expenses	8	-18 403	-16 489
Total operating expenses		-136 147	-122 288
OPERATING RESULT		-10 718	-3 784
Financial income and expenses	16	373	709
RESULT BEFORE APPROPRIATIONS AND TAXES		-10 345	-3 075
Appropriations		-208	-370
Income taxes	9	2 140	732
RESULT FOR THE FINANCIAL YEAR		-8 414	-2 713

PARENT COMPANY'S BALANCE SHEET, FAS

PARENT COMPANY'S BALANCE SHEET

EUR 1,000	Note	31.12.2022	31.12.2021	EUR 1,000	Note	31.12.2022	31.12.2021
ASSETS			SHAREHOLDERS' EQUITY AND LIABILITIES				
Non-current assets			Shareholders' equity				
Intangible assets	10	14 328	8 843	Share capital	14	8 256	8 256
Tangible assets	11	8 769	9 110	Fair value reserve and other reserves	14	5 711	5 711
Investments	13	14 122	13 563	Retained earnings	14	22 031	24 547
Total non-current assets		37 219	31 515	Profit for the financial year	14	-8 414	-2 713
Current assets			Total shareholders' equity				
Inventories	4	14 784	19 785	Appropriations		1 631	1 422
Deferred tax assets		3 686	1 554				
Current receivables	2	27 027	21 778	Obligatory provisions	5	1 029	2 572
Cash and cash equivalents		5 239	18 941				
Total current assets		50 737	62 057	Liabilities			
TOTAL ASSETS		87 956	93 572	Current liabilities	15	57 712	53 776
				Total liabilities		57 712	53 776
				TOTAL LIABILITIES		87 956	93 572

PARENT COMPANY'S CASH FLOW STATEMENT, FAS

PARENT COMPANY'S CASH FLOW STATEMENT

EUR 1,000	1.1.–31.12.2022	1.1.–31.12.2021
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	111 392	134 961
Proceeds from other operating income	339	767
Payments of operating expenses	-123 811	-114 942
Cash flow before financial items and taxes	-12 079	20 786
Interest paid from operating activities	-25	10
Dividends received from operating activities	676	746
Interest received from operating activities	13	52
Other financing items from operating activities	-100	-191
Income tax paid	147	-179
Net cash flow from operating activities (A)	-11 368	21 225
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-7 951	-6 945
Purchase of subsidiary shares	-1 110	-2 813
Repayments of loan receivables from Group companies	-	761
Net cash flow from investing activities (B)	-9 061	-8 998
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from current borrowings	6 729	-
Dividends paid	-	-3 411
Net cash flow from financing activities (C)	6 729	-3 411
Net change in cash and cash equivalents (A+B+C)	-13 701	8 816
increase (+)/decrease (-)		
Cash and cash equivalents at the beginning of the year	18 941	10 125
Net change in cash and cash equivalents	-13 701	8 816
Effect of exchange rate changes on cash	0	0
Cash and cash equivalents at the end of the year	5 239	18 941

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Note 1

EUR 1,000	2022	%	2021	%
NET SALES				
Net sales by market area				
CIS (Russia)	30 523	24	66 672	57
EMEA (Eurooppa ja Afrikka)	67 254	53	33 744	29
LAM (South America)	7 937	6	7 641	6
APAC (Asia-Pacific)	5 970	5	4 912	4
NAM (North America)	15 708	12	4 908	4
TOTAL	127 392	100	117 878	100

Basis of preparation

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

EUR 1,000	2022	2021
Specification of net sales		
Net sales by percentage of completion	99 397	92 677
Other net sales	27 995	25 201
TOTAL	127 392	117 878
Amount of performance obligations to be satisfied over time not yet entered as income (order book)		
	56 067	134 253
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	58 374	54 997
- advance payments received	43 173	41 631
Current customer contract assets	15 201	13 366
Projects in which advance payments invoiced exceed the value by percentage of completion		
- aggregate amount of costs incurred and recognized profits less recognized losses	149 208	72 301
- advance payments received	158 612	98 446
Current customer contract liabilities	9 404	26 145
Advance payments included in the current liabilities in the balance sheet		
Current customer contract liabilities	9 404	26 145
Other advance payments received, not under percentage of completion	15 710	1 083
TOTAL	25 114	27 227

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Note 1

CURRENT RECEIVABLES

EUR 1,000	2022	2021
Current receivables from Group companies		
Loan receivables	0	0
Accounts receivables	2 418	1 389
Other receivables	0	0
Total from Group companies	2 418	1 389
Current receivables from others		
Accounts receivables	3 716	2 052
Accrued income and prepaid expenses	17 433	14 927
Other receivables	3 461	3 409
Total from others	24 610	20 389
TOTAL	27 027	21 778
Substantial items included in accrued income		
Current customer contract assets according to the percentage of completion method	15 219	13 362
Income tax receivable	0	140
Other accrued income	2 214	1 426
TOTAL	17 433	14 927

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.

Note 3

MATERIALS AND SERVICES

EUR 1,000	2022	2021
Purchases during the financial year	-67 265	-56 837
Change in inventories, materials and supplies, other inventories	1 081	1 105
External services	-15 539	-15 797
TOTAL	-81 723	-71 529

NOTE 4

INVENTORIES

EUR 1,000	2022	2021
Materials and supplies	6 296	5 348
Work in progress	2 386	3 856
Finished products	753	1 408
Advance payments received for long-term projects	5 349	9 173
TOTAL	14 784	19 785

During the financial year, EUR 293 thousand (EUR 106 thousand) were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price.

Note 5

OBLIGATORY PROVISIONS

EUR 1,000	2022	2021
Warranty provisions		
Book value at Jan. 1	1 435	1 847
Additions	865	1 447
Decrease	-1 466	-1 859
Book value at Dec. 31	834	1 435
Other obligatory provisions		
Book value at Jan. 1	1 137	1 195
Additions	258	762
Decrease	-1 200	-820
Book value at Dec. 31	195	1 137
TOTAL	1 029	2 572

Note 6

PERSONNEL EXPENSES

EUR 1,000	2022	2021
Wages and salaries	-30 389	-28 325
Pension costs	-4 866	-4 784
Fixed share-based employee payments	0	-61
Other personnel expenses	-1 094	-939
Capitalized personnel expenses	2 849	2 096
TOTAL	-33 500	-32 013
PERSONNEL		
Employed at Dec. 31, persons		
Workers	146	152
Office staff	386	395
TOTAL	532	547
Personnel working abroad at Dec. 31	4	3
Effective, on average, persons		
Workers	149	150
Office staff	402	381
TOTAL	551	531
Personnel working abroad, effective, on average	4	3
On average, persons		
Workers	150	150
Office staff	408	385
TOTAL	558	535
Personnel working abroad, on average	4	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.

Note 7

OTHER OPERATING INCOME

EUR 1,000	2022	2021
Other operating income from Group companies	259	479
Capital gain on non-current assets	56	37
Other operating income	36	164
Insurance compensations	-12	88
TOTAL	339	767

Basis of preparation

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

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

OTHER OPERATING EXPENSES

EUR 1,000	2022	2021
Indirect production costs	-1 827	-2 442
Sales and marketing costs	-3 931	-3 725
Administration costs	-5 688	-5 517
Other costs	-6 957	-4 804
TOTAL	-18 403	-16 489

Note 8

OTHER OPERATING EXPENSES

EUR 1,000	2022	2021
Auditor's remunerations		
Authorized Public Accountants Pricewaterhouse-Coopers Oy (Finland)		
Audit expenses, statutory	-157	-88
Audit expenses, other assignments according to the Audit Act	-	-
Audit expenses, other services	-29	-
Audit expenses, tax services	-	-
TOTAL	-186	-88

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.

OTHER LEASES

EUR 1,000	2022	2021
Raute Corporation as a lessee		
Minimum rents paid on the basis of other non-cancellable leases:		
- Within one year	558	513
- After a period of more than one year and less than five years	686	352
TOTAL	1 245	865

Note 9

INCOME TAXES

EUR 1,000	2022	2021
Income taxes from operations	-	-
Current tax of previous financial years	8	72
Deferred tax assets	2 132	660
TOTAL	2 140	732

Basis of preparation

Deferred taxes are recorded on temporary differences between the accounting value and the tax value. The company's balance sheet includes a total of 3,685 deferred tax receivables (EUR 1,554 thousand) recorded from tax losses. The deferred tax receivable is recorded in the balance sheet in the amount of the estimated probable receivable..

Note 10

INTANGIBLE ASSETS

	Development expenses	Unfinished development expenses	Intangible rights	Goodwill	Other intangible assets	Advance payments	Total
Acquisition cost at Jan. 1, 2022	0	0	4 044	662	7 629	6 428	18 762
Additions	41	664	98	-	130	5 485	6 418
Disposals	-	-	-4	-	-124	-	-128
Reclassification between items	443	735	-	-	1 328	-2 506	0
Acquisition cost at Dec. 31, 2022	484	1 399	4 138	662	8 963	9 407	25 052
Accumulated amortization and depreciation at Jan. 1, 2022	0	0	-2 948	-311	-6 661	-	-9 920
Write-down	-	-	1	-	-	-	1
Depreciation for the financial year	-77	-	-210	-66	-529	-	-882
Depreciation of disposals and transfers	-	-	-	-	77	-	77
Reclassification between items	-	-	-	-	-	-	0
Accumulated amortization and depreciation at Dec. 31, 2022	-77	0	-3 157	-377	-7 113	-	-10 724
Book value at Dec. 31, 2022	407	1 399	981	284	1 850	9 407	14 328
Book value at Dec. 31, 2021	0	0	1 097	351	967	6 428	8 842

Basis of preparation

Research and development expenses

Research expenses are recorded as expenses on an accrual basis, i.e. at the time the expenses are incurred.

The company's development expenses have been capitalized in accordance with KPL § 5:8. The company capitalizes development costs to intangible assets on the balance sheet if they are expected to generate income in several financial years. The company has capitalized the development costs that have been incurred immediately by making the commodity ready for its intended use. The company capitalizes an intangible asset as a development expense when the completion of the asset is technically feasible in such a way that the asset is available or can be sold, the company has the ability, intention and resources to complete the asset and use it or sell it, according to the company's assessment, the asset has a probable economic benefit that can be demonstrated, and the company is able to reliably determine the expenses resulting from the intangible asset during its development phase.

There are uncertainties associated with the values related to the capitalized development expenses in the balance sheet, and it is possible that the expected return from the development projects will change as circumstances change. The value of capitalized development costs on the balance sheet may decrease if the expected financial benefit changes. If the expected yield of the commodity recorded in the balance sheet falls below the balance sheet value, i.e. the sum of the capitalized unremoved development costs, the balance sheet value of the development expenditure is adjusted with a write-down to match the expected yield.

Note 11

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, 2022	218	11 544	33 909	765	108	46 543
Additions	-	-	741	42	749	1 533
Disposals	-	-11	-371	-	-	-382
Reclassification between items	-	-	-	34	-63	0
Acquisition cost at Dec. 31, 2022	218	11 533	34 307	842	794	47 694
Accumulated depreciation and amortization at Jan. 1, 2022	-	-8 636	-28 338	-459	-	-37 433
Depreciation and amortization for the financial year	-	-357	-1 239	-44	-	-1 640
Depreciation of disposals and transfers	-	-	149	-	-	149
Reclassification between items	-	-	-	-	-	0
Accumulated depreciation and amortization at Dec. 31, 2022	-	-8 993	-29 428	-503	-	-38 924
Book value at Dec. 31, 2022	218	2 540	4 879	338	794	8 769
Book value at Dec. 31, 2021	218	2 908	5 571	347	820	9 110

Note 12

DEPRECIATION AND AMORTIZATION

EUR 1,000	2022	2021
Depreciation and amortization of intangible assets	-882	-584
Depreciation and amortization of tangible assets	-1 640	-1 674
TOTAL	-2 522	-2 258

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.

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

Intangible rights	10 years
Goodwill	10 years
Other intangible assets	3-10 years
Buildings and structure	25-40 years
Machinery and equipment	4-12 years
Other tangible assets	3-10 years
Development expenses	3-10 years

note 13

NON-CURRENT INVESTMENTS

EUR 1,000	Shares, Group companies	Shares, Others	Total
Acquisition cost at Jan. 1, 2022	17 683	1479	19 162
Additions	1110	10	1 120
Disposals	-	-	0
Acquisition cost at Dec. 31, 2022	18 793	1 489	20 283
Accumulated impairments at Jan. 1, 2022	-5 297	-303	-5 600
Impairments	-	-561	-561
Accumulated impairments at Dec. 31, 2022	-5 297	-864	-6 161
Book value at Dec. 31, 2022	13 496	626	14 122
Book value at Dec. 31, 2021	12 386	1 176	13 563

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	80	696
Raute (Changzhou) Machinery Co.. Ltd, Changzhou, China	100	3 260
Raute Chile Ltda., Concepción, Chile	50	15
Raute Service Indonesia	99	664
TOTAL		13 496
Other shares		
PHP Holding Oy	521	479
Esys Oy	600	42
DIMECC OY	50	50
Other		54
TOTAL		626

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Note 14

SHAREHOLDERS' EQUITY

EUR 1,000	2022	2021
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	24 547	30 632
Changes during the financial year		
- Profit from the previous year	-2 713	-2 674
- Dividends	0	-3 411
- Derivatives recorded in equity during the financial year	196	-
Retained earnings at Dec. 31	22 031	24 547
Result for the financial year	-8 414	-2 713
SHAREHOLDERS' EQUITY AT DEC. 31	27 584	35 801
Distributable funds		
Retained earnings at Dec. 31	22 031	24 547
Result for the financial year	-8 414	-2 713
Invested non-restricted equity reserve	5 711	5 711
Items deductible from distributable funds		-
Development costs	-1 806	
Distributable funds at Dec. 31	17 522	27 546
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

Note 15

LIABILITIES

EUR 1,000	2022	2021
Current liabilities		
Current liabilities to Group companies		
- Advance payments received	13 011	7 178
- Accounts payable	3 602	3 297
- Accrued expenses and prepaid income	-	-
- Other current liabilities	5 404	4 365
Total to Group companies	22 017	14 840
Current liabilities to others		
- Advance payments received	12 103	20 050
- Accounts payable	8 038	11 213
- Accrued expenses and prepaid income	7 014	5 952
- Other liabilities	1 811	1 721
Total to others	28 966	38 935
TOTAL	50 983	53 776
Interest-bearing liabilities		
- Current other liabilities	6 729	4 365
TOTAL	6 729	4 365
Substantial items included in accrued expenses and prepaid income		
- Accrued personnel expenses	6 498	5 906
- Accrued project expenses	-	-
- Income tax liability	-	-
- Financial accruals	80	16
- Other accrued expenses	436	30
TOTAL	7 014	5 952

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

Note 16

FINANCIAL INCOME AND EXPENSES

EUR 1,000	2022	2021
Dividend income		
From others	676	746
Total	676	746
Other interest and financial income		
From Group companies	0	27
From others	153	132
Total	153	159
Total financial income	829	904
Interest and other financial expenses		
To Group companies	0	0
To others	-456	-195
Total	-456	-195
Total financial expenses	-456	-195
Financial income and expenses, net	373	709
Exchange rate losses (-) included in total financial income and expenses	-83	157

Note 17

DERIVATIVES

EUR 1,000	2022	2021
Nominal values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	11 926	1 212
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	0	0
- Related to the hedging of net sales	0	6 783
Fair values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	117	-41
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	0	0
- Related to the hedging of net sales	0	-182

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.

Note 18

PLEDGED ASSETS AND CONTINGENT LIABILITIES

EUR 1,000	2022	2021
Mortgage agreements on behalf of subsidiaries		
Financial loans	-	2 071
Other obligations	-	-
Other credit guarantee arrangements	-	2 071
Commercial bank guarantees on behalf of the Parent company and subsidiaries	7 781	15 344

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

FINANCIAL STATEMENTS DECEMBER 31, 2022

Common accounting document types used

Financial statements

General journal and general ledger

Accounts payable and accounts receivable

Description of voucher group

Bank vouchers

Purchase invoices

Sales invoices

Transactions of purchase and sales invoices

Fixed asset register

Salary vouchers

Memo vouchers

Voucher group

10

81

30, 31, 34, 35 and 36

12 and 80

55, 56, 64, 65, 66, 67 and 68

11, 15, 19, 20, 21, 22, 23, 25,
48, 49, 50, 51, 52, 53 and 54

Documents' means of storing

Separately bound, in paper

In electronic format

In electronic format

Vouchers' means of storing

In electronic format

In electronic format

In electronic format

In electronic format

In electronic format

In electronic format

In electronic format

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

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 17,522 thousand of which the loss for the financial year is EUR 8,414 thousand and the balance sheet amounts to EUR 87,956 thousand.

The Board of Directors proposes to Raute Corporation's Annual General Meeting 2023, to be held on March 30, 2023, that no dividend be paid for the financial year 2022.

Lahti, March 9, 2023

Laura Raitio
Chair of the Board

Mika Mustakallio

Joni Bask

Ari Harmaala

Petri Perttula

Ari Piik

Patrick von Essen

Mika Saariaho
President and CEO

Auditor's note

A report on the audit performed has been issued today.

Lahti, March 9, 2023

PricewaterhouseCoopers Oy
Authorized Public Accountants

Markku Launis
Authorized Public Accountant

AUDITOR'S REPORT (Translation of the Finnish Original)

To the Annual General Meeting of Raute Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

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

What we have audited

We have audited the financial statements of Raute Oyj (business identity code 0149072-6) for the year ended 31 December 2022. The financial statements comprise:

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



- Overall group materiality: EUR 1,6 million, which represents approximately 1% of net sales
- 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
- Valuation of deferred tax assets

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

Materiality

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

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

AUDITOR'S REPORT (Translation of the Finnish Original)

Overall group materiality EUR 1,6 million (previous year EUR 1,42 million)

How we determined it Approximately 1% of 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. 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.

AUDITOR'S REPORT

(Translation of the Finnish Original)

Valuation of deferred tax assets

See the note to the consolidated financial statements deferred tax assets and liabilities and the parent company's note income taxes

The amount of deferred tax assets in the group's balance sheet on December 31, 2022 is approximately EUR 4,8 million and EUR 3,7 million in the parent company's balance sheet. Deferred tax assets are mainly related to the carry forward tax losses of the parent company.

Valuation of deferred tax asset was a key audit matter because when assessing the recoverability of deferred tax assets management prepares forecasts that involve significant assumptions and judgement.

We evaluated the accounting principles related to the recording of deferred tax assets against IFRS standards for the consolidated financial statements and against the Finnish Accounting Act for the parent company's financial statements. We evaluated the management's forecasts regarding the recoverability of deferred tax assets, for example the projected profitability of the business.

We also considered the adequacy and appropriateness of the disclosures presented in the consolidated financial statements and the parent company's notes.

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.

AUDITOR'S REPORT (Translation of the Finnish Original)

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 13 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises in 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 9 March 2023

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 January-31 December 2022 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 Management

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 Management 1, which requires the firm to design, implement and operate a system of quality management including policies or 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 December 2022 comply, in all material respects, with the minimum requirements as set out in 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 9 March 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)



DEVELOPMENT OF GROUP RESULT AND KEY RATIOS

DEVELOPMENT OF QUARTERLY RESULTS

The presented interim figures have not been audited.

EUR 1,000	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
NET SALES	45 685	41 775	29 590	41 274	44 100	37 900	35 453	24 759
Change in inventories of finished goods and work in progress	-1 199	-3 348	663	-617	-343	-3 787	904	993
Other operating income	112	28	68	-1	236	22	11	168
Materials and services	-23 601	-19 581	-24 038	-23 864	-23 866	-18 187	-19 649	-12 622
Employee benefits expense	-13 119	-11 553	-14 388	-12 097	-12 424	-8 435	-12 358	-11 300
Depreciation, amortization and impairments	-1 212	-1 215	-1 278	-1 248	-1 136	-1 096	-1 110	-973
Other operating expenses	-6 154	-4 690	-5 709	-4 925	-6 051	-4 691	-4 984	-3 778
Total operating expenses	-44 086	-37 039	-45 413	-42 135	-43 480	-32 409	-38 100	-28 673
OPERATING RESULT	512	1 416	-15 092	-1 478	516	1 726	-1 732	-2 753
% of net sales	1,1	3,4	-51,0	-3,6	1,2	4,6	-4,9	-11,1
Financial income	1 639	-175	-173	872	176	74	541	207
Financial expenses	-817	141	-107	-552	-111	-72	-175	-167
Financial expenses, net	822	-34	-280	320	65	2	366	39
RESULT BEFORE TAX	1 334	1 382	-15 372	-1 158	581	1 728	-1 366	-2 714
% of net sales	2,9	3,3	-51,9	-2,8	1,3	4,6	-3,9	-11,0
Income taxes	34	-131	2 458	-60	169	-526	391	-37
TOTAL RESULT FOR THE PERIOD	1 368	1 251	-12 914	-1 218	750	1 202	-975	-2 751
% of net sales	3,0	3,0	-43,6	-3,0	1,7	3,2	-2,8	-11,1
Attributable to								
Equity holders of the Parent company	1 368	1 251	-12 914	-1 218	750	1 202	-975	-2 751
Undiluted earnings per share, euros	0,32	0,29	-3,03	-0,29	0,18	0,28	-0,23	-0,65
Diluted earnings per share, euros	0,32	0,29	-3,03	-0,29	0,18	0,28	-0,23	-0,65
Adjusted average number of shares, 1 000 pcs	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	4 263	4 263	4 263	4 263
FINANCIAL DEVELOPMENT QUARTERLY								
Order intake during the period, EUR million	28	34	40	36	50	58	65	30
Order book at the end of the period, EUR million	84	94	104	152	158	150	129	98

KEY RATIOS DESCRIBING THE GROUP'S FINANCIAL DEVELOPMENT

	2022	2021	2020	2019	2018
Net sales	158 324	142 212	114 994	151 297	180 993
Change in net sales, %	11,3	23,7	-24,0	-16,4	22,2
Exported portion of net sales	141 830	130 548	108 267	133 535	153 180
% of net sales	89,6	91,8	94,2	88,3	84,6
Operating profit	-14 642	-2 244	-2 770	8 454	14 922
% of net sales	-9,2	-1,6	-2,4	5,6	8,2
Result before tax	-13 814	-1 772	-2 455	9 253	14 912
% of net sales	-8,7	-1,2	-2,1	6,1	8,2
Result for the financial year	-11 513	-1 775	-1 819	7 687	11 836
% of net sales	-7,3	-1,2	-1,6	5,1	6,5
Return on investment (ROI), %	-29,9	-2,7	-2,7	18,1	34,6
Return on equity (ROE), %	-40,4	-4,8	-4,1	16,0	27,6
Balance sheet total**	92 053	110 676	85 428	90 651	96 382
Interest-bearing net liabilities**	6 721	-12 244	-3 863	-13 923	-12 295
% of net sales	4,2	-8,6	-3,4	-9,2	-6,8
Non-interest-bearing liabilities	56 735	64 065	37 740	32 635	48 793
Equity ratio, %**	36,6	44,3	58,8	62,9	61,7
Gearing, %**	29,4	-35,9	-9,8	-28,1	-26,4
Gross capital expenditure	6 572	6 297	4 258	2 956	4 384
% of net sales	4,2	4,4	3,7	2,0	2,4
Research and development costs	6 295	4 919	4 260	4 419	3 735
% of net sales	4,0	3,5	3,7	2,9	2,1
Order book, EUR million	84	158	94	88	95
Order intake, EUR million	138	203	119	148	167
Personnel at Dec. 31	778	802	751	778	772
Personnel, effective, on average	774	780	743	761	725
Personnel, on average	829	788	760	784	748
Dividend	0*	0	3 411	6 182	5 968

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 90 and the calculation of share-related data in connection with the share-related data, on page 90.

* 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 year 2018 have not been restated.

CALCULATION OF KEY RATIOS

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

SHARE-RELATED DATA AND CALCULATION

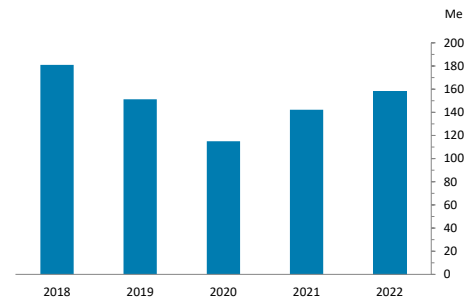
	2022	2021	2020	2019	2018		
Earnings per share, (EPS), undiluted, EUR	-2,70	-0,42	-0,43	1,80	2,78	Earnings per share, undiluted, euros	Profit (loss) for the financial year
Earnings per share, (EPS), diluted, EUR	-2,70	-0,42	-0,43	1,79	2,76		Equity issue-adjusted average number of shares during the financial year
Equity to share, EUR	5,12	8,12	9,29	11,61	10,82	Earnings per share, diluted, euros	Diluted profit (loss) for the financial year
Dividend per series A share, EUR	.*	-	0,80	1,45	1,40		Diluted equity issue-adjusted average number of shares during the financial year
Dividend per series K share, EUR	.*	-	0,80	1,45	1,40		Share of shareholders' equity belonging to the owners of the Parent company
Dividend per profit, %	.*	-	-186,0	80,4	50,4	Equity to share, euros	Undiluted number of shares at the end of the financial year
Effective dividend return, %	.*	-	3,5	5,8	6,6		Distributed dividend for the financial year
Price/earnings ratio (P/E ratio)	-3,06	-47,14	-52,79	13,86	7,67		Undiluted number of shares at the end of the financial year
Development in share price (series A share)						Dividend per series A share, euros	Distributed dividend for the financial year
Lowest share price for the financial year, EUR	8,12	19,50	17,40	20,00	20,50		Undiluted number of shares at the end of the financial year
Highest share price for the financial year, EUR	20,40	24,90	27,40	28,70	34,90		Distributed dividend for the financial year
Average share price for the financial year, EUR	12,29	22,28	20,57	24,71	28,58	Dividend per series K share, euros	Undiluted number of shares at the end of the financial year
Share price at the end of the financial year, EUR	8,26	19,80	22,70	25,00	21,30		Dividend per share
Market value of capital stock at Dec. 31, EUR thousand***	35 214	84 411	96 775	106 580	90 806	Dividend per profit, %	Earnings per share x 100
Trading of the company's shares (series A shares)						Effective dividend return, %	Dividend per share x 100
Shares traded during the financial year, 1 000 pcs	613	591	680	503	880		Closing share price at the end of the financial year
% of the number of series A shares	19	18	21	15,4	26,9	Price/earnings ratio (P/E ratio)	Closing share price at the end of the financial year
Total number of shares (undiluted)							Earnings per share
Issue-adjusted weighted average number of shares	4 263 194	4 263 194	4 263 194	4 263 194	4 259 525	Average share price for the financial year, euros	Total EUR value of series A shares traded during the financial year
Issue-adjusted number of shares at the end of the financial year	4 263 194	4 263 194	4 266 933	4 286 991	4 290 433		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 turnover (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.

*Board of Directors' proposal to the Annual General Meeting 2023.

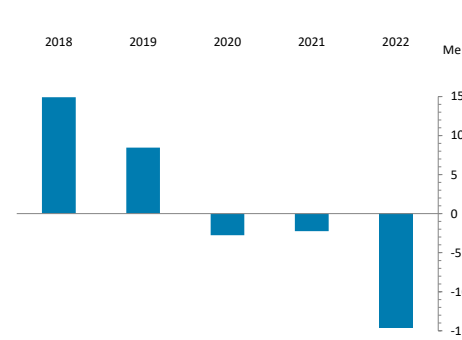
** The Annual General Meeting 2022 authorized the Board of Directors to decide on the payment of a total dividend of no more than EUR 0.80 per share for series A and K shares.

***Series K shares valued at the value of series A shares.

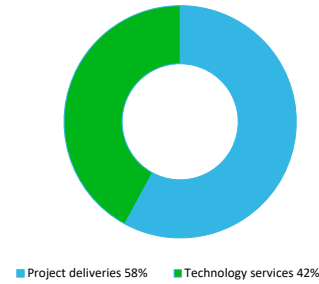
Net sales development



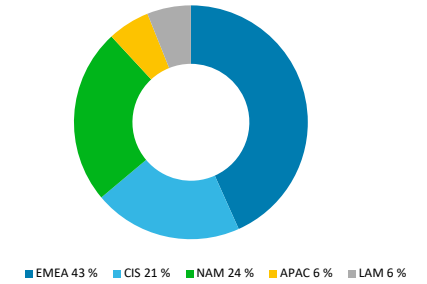
Operating profit development



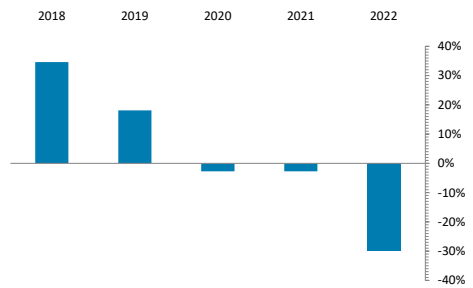
Net sales Project deliveries vs. Technology services



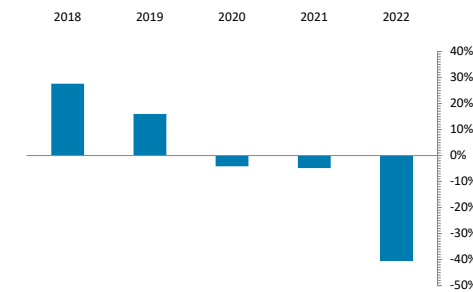
Net sales by market areas



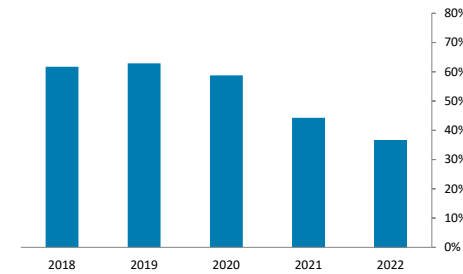
Return on investment (ROI)



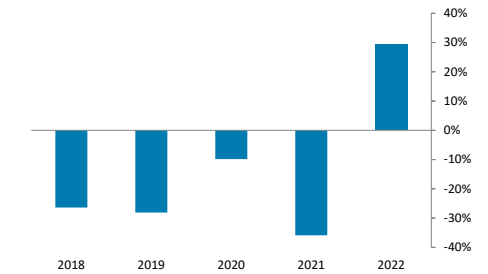
Return on equity (ROE)



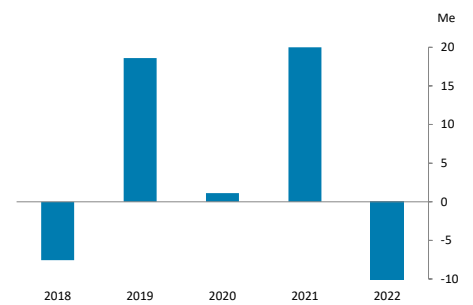
Equity ratio



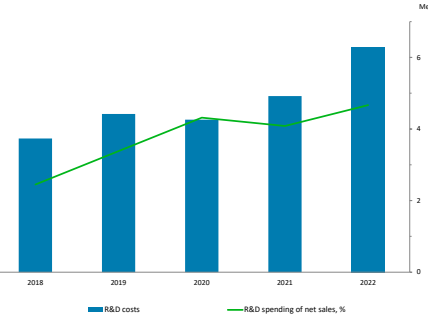
Gearing



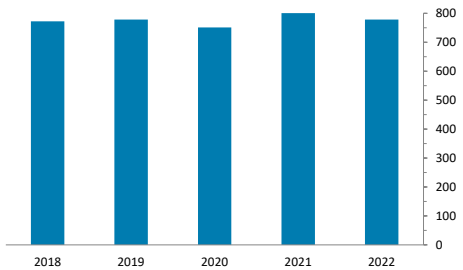
Operating cash flow



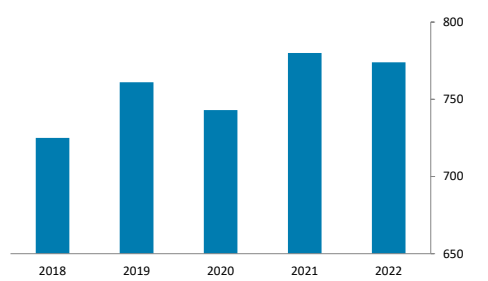
Investment in the future



Personnel at Dec. 31



Personnel, effective, on average



KEY FIGURES

KEY FIGURES	31.12.2022	31.12.2021
Change in net sales, %	11,3	23,7
Exported portion of net sales, %	89,6	91,8
EBITDA	-9,7	2,1
Comparable EBITDA EUR million	-2,3	3,5
Comparable EBITDA %	-1,4	2,4
Operating profit, EUR million	-14,6	-2,2
Operating profit, % of net sales	-9,2	-1,6
Return on investment, (ROI), %	-29,9	-2,7
Return on equity, (ROE), %	-40,4	-4,8
Interest-bearing net liabilities, EUR million	6,7	-12,2
Gearing, %	29,4	-35,9
Equity ratio, %	36,6	44,3
Gross capital expenditure, EUR million	6,6	6,3
% of net sales	4,2	4,4
Research and development costs, EUR million	6,3	4,9
% of net sales	4,0	3,5
Order book, EUR million	84	158
Order intake, EUR million	138	203

In addition to IFRS key figures, Raute Group publishes certain commonly used financial key figures (alternative key figures). The calculation formulas for the key figures are presented in the annual Financial Statement. The company has adopted two new key figures in this financial statements release. The formula of these key figures is presented below.

The EBITDA and comparable EBITDA formulas for the new indicators are:

EBITDA is the net amount that is formed when other revenue from business operations is added to the net sales, and the purchase costs are subtracted, adjusted by the change of the purchase costs of finished and work-in-progress products, adjusted by costs arising from manufacturing for own use, and the expenses arising from employee benefits and other business expenses subtracted.

The calculation formula for the new key figure Comparable EBITDA is:
Comparable EBITDA = EBITDA + items affecting comparability

MEUR	2022	2021
Comparable EBITDA	-2,3	3,5
Costs related to controlled exit of Russian business	-3,5	
Restructuring costs	-2,0	
Costs related to new ERP system	-1,9	-1,4
Total items affecting comparability	-7,4	-1,4
EBITDA	-9,7	2,1
Depreciations	-4,9	-4,3
Operating profit	-14,6	-2,2

ADDITIONAL INFORMATION ON THE NEW SEGMENT SPLIT

EVENTS AFTER THE REPORTING PERIOD – COMPARABLE EBITDA ACCORDING TO THE NEW SEGMENT SPLIT

	2022				2021			
	Wood Processing	Services	Analyzers	Group total	Wood Processing	Services	Analyzers	Group total
EUR 1,000								
EBITDA	-16 065	4 323	2 053	-9 689	-5 834	4 461	3 444	2 071
Items affecting comparability	5 807	1 249	375	7 431	973	310	125	1 408
COMPARABLE EBITDA	-10 258	5 572	2 428	-2 258	-4 861	4 771	3 569	3 479

EVENTS AFTER THE REPORTING PERIOD – QUARTERLY INFORMATION ACCORDING TO THE NEW SEGMENT SPLIT

EUR 1,000	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
SEGMENT INFORMATION								
Net sales, quarterly	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Wood Processing	33 305	27 075	17 123	30 521	31 066	26 487	23 249	16 554
Services	8 676	9 949	9 234	7 909	8 020	7 439	8 420	6 229
Analyzers	3 703	4 751	3 233	2 844	5 013	3 974	3 784	1 976
Total	45 685	41 775	29 590	41 274	44 100	37 900	35 453	24 759
Comparable EBITDA, quarterly	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Wood Processing	891	1 862	-11 886	-1 125	-1 224	507	-2 026	-2 118
Services	660	2 656	1 266	990	1 260	1 507	1 373	631
Analyzers	1 102	1 520	-239	45	2 102	1 045	533	-111
Total	2 653	6 038	-10 859	-90	2 138	3 059	-120	-1 598
Items affecting comparability, quarterly	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Wood Processing	-694	-2 740	-2 272	-100	-337	-164	-346	-127
Services	-116	-616	-491	-27	-108	-52	-110	-41
Analyzers	-120	-52	-191	-13	-43	-21	-44	-16
Total	-929	-3 408	-2 955	-140	-487	-237	-500	-184
EBITDA, quarterly	Q4/2022	Q3/2022	Q2/2022	Q1/2022	Q4/2021	Q3/2021	Q2/2021	Q1/2021
Wood Processing	197	-879	-14 158	-1 225	-1 560	343	-2 372	-2 245
Services	544	2 041	775	963	1 153	1 455	1 263	590
Analyzers	983	1 469	-431	32	2 059	1 024	488	-127
Total	1 724	2 630	-13 814	-230	1 651	2 822	-620	-1 782

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 2022, a total of 613,077 Raute Corporation's series A shares were traded (591,208 pieces). The total value of trading was EUR 7.5 million (MEUR 13.2). The highest share price was EUR 20.40 (EUR 24.90) and the lowest EUR 8.12 (EUR 19.50). At the end of the year 2022, the share price was EUR 8.26 (EUR 19.80). The average price was EUR 12.29 (EUR 22.28). The company's market capitalization at the end of the financial year was EUR 35.2 million (MEUR 84.4), with series K shares valued at the closing price of series A shares on December 31, 2022.

Board authorizations

The Annual General Meeting on March 31, 2022 authorized the Board to decide on the repurchase of a maximum of 400,000 Raute Corporation's series A shares using assets from the company's non-restricted equity, which would lead to a decrease in the company's distributable assets.

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

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

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

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

By the authority granted to the Board at the Annual General Meeting on March 31, 2022 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, 2022, the company had no valid share issues.

Share-based payment plan 2020–2024

Information is presented on page 33.

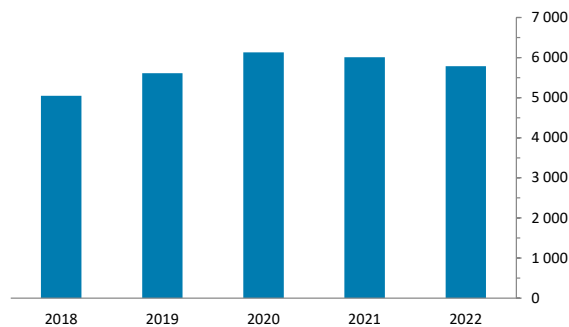
DISTRIBUTION OF OWNERSHIP

ENTIRE CAPITAL STOCK

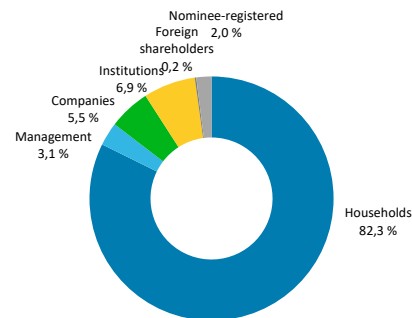
Series A and series K shares by shareholder category at Dec. 31, 2022	Number of share holders	%	Number of shares	%	Number of voting rights	%
Households	5 529	95,6	3 640 393	85,4	22 472 452	97,3
Financial and insurance institutions	21	0,4	191 908	4,5	191 908	0,8
Companies	181	3,1	233 724	5,5	233 724	1,0
Non-profit institutions	20	0,3	50 034	1,2	50 034	0,2
Public institutions	1	0,0	51 950	1,2	51 950	0,2
Foreign shareholders	24	0,5	9 868	0,2	9 868	0,0
Nominee-registered	9	0,2	85 317	2,0	85 317	0,4
Total	5 785	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, 2022	Number of share holders	%	Number of shares	%	Number of voting rights	%
1-500	5 101	88,2	623 615	14,6	659 145	2,9
501-500	352	6,1	272 274	6,4	272 274	1,2
1 001-5 000	249	4,3	538 293	12,6	862 471	3,7
5 001-10 000	31	0,5	211 799	5,0	791 299	3,4
10 001-20 000	17	0,3	236 768	5,6	2 010 399	8,7
20 001-30 000	8	0,1	206 805	4,9	2 232 775	9,7
30 001-40 000	6	0,1	207 593	4,9	2 232 043	9,7
40 001-50 000	3	0,1	130 574	3,1	1 513 394	6,6
50 001-60 000	7	0,1	379 359	8,9	3 104 719	13,4
60 001-	11	0,2	1 456 114	34,2	9 416 734	40,8
Total	5 785	100,0	4 263 194	100,0	23 095 253	100,0

Number of shareholders at December 31



Shareholding at December 31, 2022



DISTRIBUTION OF OWNERSHIP

SERIES A SHARES

Series A shares by shareholder category at Dec. 31, 2022	Number of share holders	%	Number of shares	%	Number of voting rights	%
Households	5 508	95,6	2 649 232	81,0	2 649 232	81,0
Financial and insurance institutions	21	0,4	191 908	5,9	191 908	5,9
Companies	181	3,1	233 724	7,1	233 724	7,1
Non-profit institutions	20	0,3	50 034	1,5	50 034	1,5
Public institutions	1	0,0	51 950	1,6	51 950	1,6
Foreign shareholders	24	0,4	9 868	0,3	9 868	0,3
Nominee-registered	9	0,2	85 317	2,6	85 317	2,6
Total	5 764	100,0	3 272 033	100,0	3 272 033	100,0

Series A shares by number of shares at Dec. 31, 2022	Number of share holders	%	Number of shares	%	Number of voting rights	%
1-500	5 095	88,4	622 359	19,0	622 359	19,0
501-1 000	354	6,1	274 212	8,4	274 212	8,4
1 001-5 000	249	4,3	540 384	16,5	540 384	16,5
5 001-10 000	34	0,6	229 714	7,0	229 714	7,0
10 001-20 000	11	0,2	162 078	5,0	162 078	5,0
20 001-30 000	6	0,1	148 669	4,5	148 669	4,5
30 001-40 000	2	0,0	70 500	2,2	70 500	2,2
40 001-50 000	4	0,1	175 553	5,4	175 553	5,4
50 001-60 000	5	0,1	258 096	7,9	258 096	7,9
60 001-	4	0,1	790 468	24,2	790 468	24,2
Total	5 764	100,0	3 272 033	100,0	3 272 033	100,0

SERIES K SHARES

Series K shares by shareholder category at Dec. 31, 2022	Number of share holders	%	Number of shares	%	Number of voting rights	%
Households	55	100,0	991 161	100,0	19 823 220	100,0
Total	55	100,0	991 161	100,0	19 823 220	100,0

Series K shares by number of shares at Dec. 31, 2022	Number of share holders	%	Number of shares	%	Number of voting rights	%
1-500	10	18,2	2 250	0,2	45 000	0,2
501-1 000	0	0,0	-	0,0	-	0,0
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

LARGEST SHAREHOLDERS

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2022 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 Wilhelm	-	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

MANAGEMENT'S SHAREHOLDING AT DECEMBER 31, 2022

The Board of Directors, the President and CEO as well as the Executive Board held altogether 32,796 series A shares and 100,745 series K shares at December 31, 2022.

Management's shareholding equals 3.1 percent of the company shares and 8.9 percent of the votes. The figures include the holding of their own, minor children and control entities.

NOMINEE REGISTERED SHARES AT DECEMBER 31, 2022

Nominee-registered shares accounted for 2.0 percent (2.3%) of the total shares.

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2022 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

NUMBER OF SHAREHOLDERS AT DECEMBER 31, 2022

The number of shareholders totaled 5,785 (6,009) at the end of the year 2022. Series K shares were owned by 55 (55) private individuals at the end of the financial year.



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