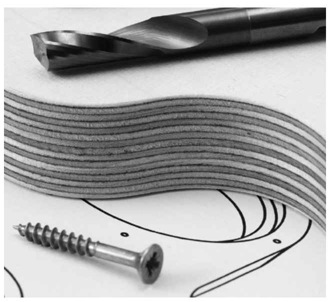
RAUTE

2010

Financial statements 2010



RAUTE

Contents

(English translation of Financial statements 2010)

Board of Directors' report 2010

The Group's net sales in the financial year 2010 totaled EUR 62.9 million (MEUR 36.6), up 72 percent from the previous year. The increase in net sales resulted from the improved outlook for the customer industries. The Group's operating profit was EUR 1.3 million in the positive (MEUR -9.7). The result benefited from a EUR 4.4 million gain from a real estate sale. Financial income and expenses amounted to EUR -0.2 million (MEUR -0.2). The result before tax was EUR 1.1 million positive (MEUR -9.9). Comprehensive income totaled EUR 1.1 million (MEUR -8.4). Undiluted and diluted earnings per share were EUR 0.29 (EUR -2.03). Return on equity was 5 percent (-28%).

In this report, figures in parentheses refer to corresponding figures for the previous years 2009 and 2008.

BUSINESS ENVIRONMENT

Market situation in customer industries

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

During 2010, the world economy already emerged from the downturn, even though permanent recovery from the economic crisis has been slow and burdened by uncertainty. Demand for wood products used in investment commodities continued to suffer from the weak situation and poor outlook for construction, housing-related consumption, international trade and transportation. Demand for veneer, plywood and LVL remained at a relatively low level in all market areas that are important to Raute. However, demand picked up from the previous year. The most successful mills managed to improve their capacity utilization rates, whereas some mills were still adjusting their production volumes to the lower demand, particularly during the early half of the year, by shortening their workweek and implementing shutdowns of varied duration. The mills with the poorest profitability and the lowest efficiency remained shut down.

Demand for wood products technology and technology services

Only after a delay will Raute see the effects of a recovering global economy on the demand for Raute's products and the company's net sales. Due to the low demand for wood products, uncertain market outlook and low utilization rate of the existing capacity, investment activity in the plywood industry remained at a low level in all market areas. Many investment decisions on projects under planning and negotiation were further deferred. Investments in the LVL industry, which is dependent on construction industry activity, remained at a low level in all market areas, with the exception of Asia. The challenges of the financing markets in the emerging markets that are important to Raute and the conditions of long-term financing continued to restrict the investments of Raute's customers.

Demand for technology services picked up towards the end of the year, but still remained at a lower level than normal as a result of a decline in the production capacity utilization ratio.

ORDER INTAKE AND ORDER BOOK

Raute's business consists of providing project deliveries and technology services to the wood products industry. Project deliveries encompass complete mills, production lines, and individual machines and equipment. Technology services include maintenance, spare parts services, equipment modernizations, consulting, training, and reconditioned machinery.

The order intake during 2010, EUR 72 million (MEUR 35), was at a good level, considering the market situation. 53 percent of orders received came from the Asia-Pacific area, 25 from Europe, 12 percent from North America, 7 percent from Russia and 3 percent from other market areas. The proportion of technology services in the order intake in 2010 was EUR 19 million (MEUR 16).

Raute received three orders for mill-scale deliveries during 2010: almost all of the production lines of a plywood mill in the Asia-Pacific area, the machinery of an LVL line in Malaysia and all of the production lines of an LVL mill in China. Other significant orders received by Raute were a veneer dryer to the United States, a peeling line to Russia, a veneer drying line to Latvia and a peeling line to Romania.

The order book at the end of the year amounted to EUR 33 million (MEUR 22).

COMPETITIVE POSITION

Raute's competitive position has remained good. Raute will be very competitive when demand recovers. Customers appreciate the supplier's comprehensive competence and strong technology development in their strategic investments aimed at ensuring their ability to deliver and provide service. The competitive edge provided by Raute's technology plays an important role when customers select their suppliers. Raute's strong financial position also enhances its credibility and improves its competitive position as an executor of long-term investment projects.

NET SALES

The Group's net sales (IFRS) totaled EUR 62.9 million (2009: MEUR 36.6; 2008: MEUR 98.5), up by 72 percent from 2009. The increase in net sales resulted from the improved outlook for the customer industries.

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

Net sales for project deliveries totaled EUR 44 million (MEUR 22), up 100 percent from the previous year, accounting for 70 percent (60%) of total net sales. The plywood industry's share of the net sales for project deliveries was 95 percent (98%), while the LVL industry's share was 5 percent (0%).

Net sales for technology services totaled EUR 19 million (MEUR 15), up 29 percent from the previous year, accounting for 30 percent (40%) of net sales. The increase in net sales resulted from improved utilization rates in the plywood and LVL industries.

Russia's share of total net sales in 2010 was 30 percent (31%), Asia-Pacific's 29 percent (7%), Europe's 22 percent (45%), North America's 15 percent (7%), and South America's 4 percent (11%). Finland accounted for 8 percent (17%) of net sales.

In 2010, the net sales (FAS) of the Parent company Raute Corporation totaled EUR 54.5 million (2009: MEUR 31.4; 2008: MEUR 87.7).

RESULT AND PROFITABILITY

The Group's operating profit for 2010 was EUR 1.3 million in the positive (2009: MEUR -9.7; 2008: MEUR 6.3) and 2 percent of net sales (2009: -26%; 2008: 6%). Profitability improved substantially from the previous year thanks to increased net sales and operational reorganization measures. In addition, the result benefited from a EUR 4.4 million gain from a real estate sale.

The operating result from operative activities for the financial year was EUR 3.1 million in the negative. The operating profit for the financial year includes one-time costs totaling EUR 1.2 million from the transfer of production operations from Jyväskylä to the main production plant in Nastola, the relocation of the Canadian unit and the adaptation measures carried out in the Finnish units.

The Group's financial income and expenses totaled EUR -0.2 million (MEUR -0.2). The Group's profit before tax was EUR 1.1 million in the positive (MEUR 9.9 negative) and profit for the financial year EUR 1.2 million in the positive (MEUR 8.1 negative). The Group's comprehensive income totaled EUR 1.1 million in the positive (MEUR -8.4).

Undiluted earnings per share were EUR 0.29 (EUR -2.03) and diluted earnings per share were EUR 0.29 (EUR -2.03). Return on investment was 5 percent (-22%) and return on equity 5 percent (-28%).

The operating profit (FAS) of the Parent company Raute Corporation was EUR 0.6 million in the positive (2009: MEUR -6.8; 2008: MEUR +6.5). The operating profit equaled 1 percent of net sales (2009: -22%; 2008: +7%). The profit for the financial year (FAS) was EUR 0.3 million in the positive (MEUR 8.3 in the negative). The result included a EUR 1.2 million non-recurring revenue related to receivables from subsidiaries.

CASH FLOW AND BALANCE SHEET

The Group's financial position remained good throughout the year. At the end of the financial year, the Group's cash and cash equivalents exceeded interest-bearing liabilities by EUR 9.7 million (MEUR 9.4). At the end of the financial year, gearing was -40 percent (2009: -41%; 2008: -31%) and equity ratio 51 percent (2009: 46%; 2008: 61%).

The Group's cash and cash equivalents, including financial assets recognized at fair value through profit or loss, stood at EUR 24.1 million (MEUR 27.9) at the end of the financial year. The change in cash and cash equivalents in the financial year was EUR 3.8 million negative (MEUR +6.8). Operating cash flow was EUR 6.1 million in the negative (MEUR +5.6) due to the increase in net working capital. Cash flow from investments was EUR 4.4 million positive (MEUR -0.9), including the prices received from real estate sales in the amount of EUR 6.0 million. Cash flow from financing activities was EUR 2.3 million negative (MEUR +2.1), including TyEL loan instalments of EUR 4.0 million (MEUR 2.0).

The Group's balance sheet total at the end of the year stood at EUR 53.0 million (2009: MEUR 57.4; 2008: MEUR 60.2) Other fluctuations in balance sheet items and the key figures based on them are the result of 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 14.4 million (MEUR 18.5) at the end of the financial year, with TyEL loans accounting for EUR 14.0 million (MEUR 18.0). The TyEL loans have fixed interest rates.

The Parent company Raute Corporation has a EUR 10 million commercial paper program, which allows the company to issue commercial papers maturing in less than one year. The company also has unused bilateral credit regulation agreements worth EUR 10 million with two different Nordic banks.

At the end of the financial year, the equity ratio (FAS) of the Parent company Raute Corporation was 51 percent (2009: 45%; 2008: 61%).

LOANS TO RELATED PARTIES AND OTHER LIABILITIES

On December 31, 2010, the Parent company Raute Corporation had loan receivables from its subsidiary Raute Service LLC in the amount of EUR 355 thousand. Raute Corporation had EUR 100 thousand in liabilities to the Raute Sickness Fund. Other liabilities are described in the notes to the financial statements.

RESEARCH AND DEVELOPMENT COSTS AND CAPITAL EXPENDITURE

Raute's goal is to be the leading technology supplier in its field, and to invest strongly in the continuous research and development of plywood and LVL manufacturing technology, in particular, and the supporting automation and instrumentation applications, such as machine vision. In 2010, the Group's research and development costs totaled EUR 1.8 million (2009: MEUR 2.5; 2008: MEUR 4.4) and 2.9 percent of net sales (2009: 6.7%; 2008: 4.4%). R&D focused on the development of a plywood puttying line that utilizes machine vision and robot technology, the improvement of the energy efficiency of machinery and equipment and modernization solutions.

The Group's investments during the financial year totaled EUR 2.2 million (2009: MEUR 1.1; 2008: MEUR 3.2) and were mainly targeted at reorganization and developing production in the Canadian unit. The investments include capitalized development costs worth EUR 41 thousand (EUR 125 thousand).

During the financial year, the research and development costs (FAS) of the Parent company Raute Corporation were EUR 1.8 million, representing 3.4 percent of net sales (2009: MEUR 2.5/ 7.9% of net sales; 2008: MEUR 3.5/ 4.0% of net sales). Investments totaled EUR 0.5 million (2009: MEUR 0.9; 2008: MEUR 2.0).

DEVELOPMENT OF OPERATIONS

During the spring, the Jyväskylä unit's production operations were transferred to Nastola. Other operations related to panel handling technology, such as planning and local maintenance services, remain in Jyväskylä. The objective is to increase the efficiency of operations and to improve profitability as the difficult market situation drags on.

Raute's Canadian unit moved to newly leased facilities in the Vancouver area that are better configured to serve the needs of the current operational model. In conjunction with the relocation, production investments were carried out to improve productivity and shorten delivery times.

The Group's Finnish units introduced a new version of the ERP system during the second quarter, aiming mainly at more efficient project planning.

Raute Corporation's quality system was re-audited, and it was awarded the latest ISO 2001:2008 quality certificate in September.

PERSONNEL

The Group's headcount at the end of 2010 was 495 (524). Finnish Group companies accounted for 74 percent (77%) of employees, North American companies for 14 percent (14%), Chinese companies for 9 percent (6%), and other sales and maintenance companies for 3 percent (3%).

The number of personnel was adjusted during the financial year by 15 percent (23%) and the Group's entire personnel was affected by temporary lay-offs of varied duration and other adjustment arrangements. Converted to full-time employees ("effective headcount"), the average number of employees during the financial year was 438 (2009: 419; 2008: 569). Wages and salaries paid by the Group totaled EUR 19.5 million (2009: MEUR 18.6; 2008: MEUR 23.8).

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

Converted to full-time employees, the average number of personnel employed by the Parent company Raute Corporation in 2010 was 319 (2009: 303; 2008: 394). Wages and salaries paid by the Parent company totaled EUR 14.7 million (2009: MEUR 13.9; 2008: MEUR 17.0).

REMUNERATION

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

On March 31, 2010 the Annual General Meeting decided on the issuance of a maximum of 240,000 stock options. In compliance with this authorization by the Annual General Meeting, the Board of Directors issued a total of 80,000 stock options marked with the symbol 2010 A to the Group's key personnel on May 5, 2010. The share subscription period for 2010 A stock options will be from March 1, 2013 to March 31, 2016 and the exercise price EUR 7.64, dividend adjusted.

SOCIETY AND THE ENVIRONMENT

The environment is one of the values that guide Raute's operations. Raute strives to systematically develop the environmental soundness of its products and services and to reduce the environmental impacts of its operations. The Group abides by the principles of good corporate citizenship, taking into consideration nature and its protection, and how society as a whole operates, while respecting local cultures.

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

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

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

RISKS AND RISK MANAGEMENT

The Group's identified main risk areas relate to the nature of the business, the business environment, financing, and damage or loss. The fluctuation in demand resulting from economic cycles and delivery and technology risks have been identified as the Group's most significant business risks. The pick-up of economic activity increases the short-term risk arising from the sufficiency of the subcontracting capacity and price level in Finland and neighbouring areas.

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

Business risks

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

DELIVERIES AND TECHNOLOGY
The bulk of Raute's business operations consists of project deliveries, which expose the company to risks caused by customized solutions related to each customer's end product, production methods or raw materials. At the quotation and negotiation phase, the company has to take risks relating to the promised performance figures and make estimates of implementation costs. The functionality and capacity of new solutions produced as a result of development work cannot be fully verified until the solutions can be tested under production conditions in conjunction with the customer deliveries.

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

EMERGING MARKETS
Raute's objective is to increase its local business in China and Russia, among others, where, besides opportunities, companies face risks typical for emerging markets. Information security risks are managed according to a defined information security policy.

HUMAN RESOURCES
Competence retention and development and ensuring the sufficiency of human resources are particularly important in cyclical business. Continuity is ensured by monitoring the development of the age structure, implementing systematic human resources management and investing in well-being at work.

Financing risks

The most significant financing risks in the Group's international business operations are default risks and currency risks related to counterparties. The Group is also exposed to liquidity, interest and price risks.

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

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

The Group has braced for fluctuations in the working capital tied up in project operations and possible disturbances in the availability of money by taking out a non-current TyEL loan. The company's loans have fixed interest rates. The Group's interest risks are mainly related to the return on liquid assets.

The financing risks, as well as the risk management objectives and procedures, are described in more detail in note 38 to the financial statements.

Risks of damage or loss

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

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

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

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

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

Organizing risk management

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

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

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

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

GROUP STRUCTURE

No changes took place in the Group's legal structure during 2010.

SHAREHOLDERS

The number of shareholders totaled 1,820 at the beginning of the year and 1,787 at the end of the year. Series K shares are held by 50 private individuals (46). Management held 7.1 percent (4.9%) of the company shares and 13.3 percent (9.1%) of the votes. Nominee-registered shares accounted for 2.1 percent (2.3%) of shares.

On April 22, 2010, the company gave a flagging notification concerning the increase of Göran Sundholm's ownership share to 15.02 percent of the total number of the company' shares.

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, 2010, the authorized public accounting company PricewaterhouseCoopers was chosen as auditor with Authorized Public Accountant Janne Rajalahti as the principal auditor.

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE STATEMENT

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

BOARD OF DIRECTORS AND PRESIDENT AND CEO

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

At Raute Corporation's Annual General Meeting on March 31, 2010, Mr. Erkki Pehu-Lehtonen was elected Chairman of the Board, Ms. Sinikka Mustakallio Vice-Chairman and Mr. Risto Hautamäki, Mr. Ilpo Helander, Mr. Mika Mustakallio and Mr. Pekka Suominen as Board members.

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

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

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

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

EXECUTIVE BOARD

Mr. Tapani Kiiski continued as Chairman of the Group's Executive Board, and the Executive Board also included Ms. Arja Hakala, CFO; Mr. Petri Strengell, Group Vice President, Technology and Operations; Mr. Timo Kangas, Group Vice President, Technology Services; and Mr. Bruce Alexander, Group Vice President, North American Business Operations, and President of Raute's North American companies.

SHARES

The number of Raute Corporations shares at the end of 2010 totaled 4,004,758, of which 991,161 were series K shares (ordinary share, 20 votes/share) and 3,013,597 series A shares (1 vote/share). The shares have a nominal value of two euros. Series K and A shares grant equal rights to dividends and company assets.

Series K shares can be converted to series A shares under the terms described in section 3 of the Articles of Association. If a series K share is transferred to a new owner who has not previously held series K shares, the new owner shall report this to the Board of Directors in writing and without delay. The other shareholders of the K series have the right to redeem the share under the terms described in Article 4 of the Articles of Association.

Raute Corporation's series A shares are listed on NASDAQ OMX Helsinki Ltd. The trading code is RUTAV. A total of 646,052 shares (454,798) worth EUR 5,248 thousand (EUR 3,316) was traded in 2010. The number of shares traded represents 21 percent (15%) of all listed series A shares. The average price of a series A share was EUR 8.21 (EUR 7.29). The highest rate of the year was EUR 10.10 and the lowest EUR 7.24.

The company's market capitalization at the end of 2010 totaled EUR 38.8 million (MEUR 29.9), with series K shares valued at the closing price of series A shares, EUR 9.70 (EUR 7.47), on December 31, 2010.

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

DIVIDEND FOR THE YEAR 2009

Raute Corporation's Annual General Meeting held on March 31, 2010 decided that no dividend be paid for 2009 and that the loss for the financial year be transferred to retained earnings.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

On March 31, 2010, the Annual General Meeting authorized the Board of Directors to decide on the repurchase of Raute Corporation's series A shares with the company's distributable assets and to decide on a directed issue of a maximum of 400,000 of the company's series A shares. The authorization was not exercised in 2010.

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

EVENTS AFTER THE FINANCIAL YEAR

In January, Raute Corporation received orders worth over EUR 12 million from Russia. The orders include, among others, two state-of-the-art peeling lines and two drying lines to be delivered to the town of Bratsk in Siberia by the end of 2011.

ANNUAL GENERAL MEETING 2011

Raute Corporation's Annual General Meeting will be held in Lahti on Wednesday April 13, 2011.

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

According to the financial statements 2010, distributable assets total EUR 7,726 thousand.

The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on April 13, 2011, that a dividend of EUR 0.30 per share be paid for series A and series K shares, and that the remainder of distributable assets be transferred to equity. The proposed record date for dividend payments is April 18, 2011 and the dividend payment date is April 27, 2011.

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

OUTLOOK FOR 2011

The uncertainty related to the development of the world economy and financial markets still continues despite growth outlook in the emerging markets. The market situation for Raute's customer industries is expected to remain uncertain. There is no certainty of demand for wood products reaching the pre-recession level on a permanent basis.

Demand for investments and services in the wood products industry are not expected to reach their pre-recession level on a permanent basis in the near future. However, upgrade investments in the plywood industry to ensure quality and maintain market shares are likely to increase. Small players are investing in the maintenance of necessary production facilities. Single mill-scale investment projects are being planned in several market areas, but their implementation and timing are uncertain.

Thanks to its strong financial position, market position and the implemented development efforts, Raute's capacity to survive the economic slowdown and respond to growing demand as markets recover is good. The implemented adaptation measures have led to a lighter cost structure and business is more profitable than before even in a difficult market situation.

Raute's business operations are characterized by the sensitivity of investment demand to fluctuations in the global economy and the financing markets. Thanks to a strengthened order book and projects under negotiation, net sales for 2011 will increase from the previous year. The operating result is expected to be positive.

Consolidated statement of comprehensive income

EUR 1 000		1.1–31.12.2010	1.1–31.12.2009
Note			
2, 3, 4	**NET SALES**	**62 867**	36 638
5	**Other operating income**	**4 580**	153
	Change in inventories of finished goods and work in progress	**351**	795
6	Materials and services	**-32 679**	-15 695
7	Expenses from employee benefits	**-23 467**	-22 047
10, 17, 18	Depreciation and amortization	**-2 250**	-2 670
11	Other operating expenses	**-8 091**	-6 869
	Total operating expenses	**-66 487**	-47 281
	OPERATING PROFIT (LOSS)	**1 311**	-9 695
12, 13	Financial income	**728**	356
12, 13	Financial expenses	**-917**	-551
	PROFIT (LOSS) BEFORE TAX	**1 122**	-9 890
14	Income taxes	**36**	1 749
	PROFIT (LOSS) FOR THE FINANCIAL YEAR	**1 158**	-8 141
	Other comprehensive income items:		
	Exchange differences on translating foreign operations	**-20**	-228
	Cash flow hedging	**-19**	-
	Income tax related to cash flow hedges	**5**	-
	Other comprehensive income items for the financial year, net of tax	**-34**	-228
	COMPREHENSIVE PROFIT (LOSS) FOR THE FINANCIAL YEAR	**1 124**	-8 369
	Profit (loss) for the financial year attributable to		
	Equity holders of the Parent company	**1 158**	-8 141
	Comprehensive profit (loss) for the financial year attributable to		
	Equity holders of the Parent company	**1 124**	-8 369
	Earnings per share for profit (loss) attributable to Equity holders of the Parent company, EUR		
15	Undiluted earnings per share	**0.29**	-2.03
15	Diluted earnings per share	**0.29**	-2.03
	Shares, 1 000 pcs		
	Adjusted average number of shares	**4 005**	4 003
	Adjusted average number of shares diluted	**4 005**	4 003

Consolidated balance sheet

EUR 1 000 Note		31.12.2010	31.12.2009
	ASSETS		
	Non-current assets		
17	Intangible assets	**1 341**	1 831
18	Property, plant and equipment	**8 913**	10 267
19	Other financial assets	**497**	486
20	Receivables	**-**	1 000
28	Deferred tax assets	**1 849**	1 741
	Total	**12 599**	15 325
	Current assets		
21	Inventories	**4 574**	4 330
22	Accounts receivables and other receivables	**11 770**	9 832
23	Cash and cash equivalents	**24 090**	27 900
	Total	**40 435**	42 062
	TOTAL ASSETS	**53 034**	57 387
	SHAREHOLDERS' EQUITY AND LIABILITIES		
	Equity attributable to Equity holders of the Parent company		
24	Share capital	**8 010**	8 010
24	Share premium	**6 498**	6 498
24	Other reserves	**36**	294
24	Exchange differences	**35**	55
	Retained earnings	**8 490**	16 337
	Profit (loss) for the financial year	**1 158**	-8 141
	Share of shareholders' equity that belongs to owners of the Parent company	**24 227**	23 053
	Total shareholders' equity	**24 227**	23 053
	Non-current liabilities		
27	Provisions	**57**	182
28	Deferred tax liabilities	**337**	271
29	Non-current interest-bearing liabilities	**10 000**	14 318
	Total	**10 394**	14 771
	Current liabilities		
27	Provisions	**612**	1 325
31	Pension obligations	**91**	143
30	Current interest-bearing liabilities	**4 439**	4 215
32	Advance payments received	**5 243**	7 222
32	Trade and other payables	**8 028**	6 658
	Total	**18 413**	19 563
	Total liabilities	**28 807**	34 334
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**53 034**	57 387

Consolidated statement of cash flows

EUR 1 000	**1.1–31.12.2010**	1.1–31.12.2009
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	**57 338**	50 988
Proceeds from other operating income	**121**	85
Payments of operating expenses	**-63 416**	-46 020
Cash flow before financial items and taxes	**-5 957**	5 053
Interests and other operating financial expenses paid	**-650**	-486
Interests and other income received	**394**	423
Dividends received	**118**	79
Income taxes paid	**-18**	550
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**-6 114**	5 619
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	**-2 067**	-1 034
Purchases of assets-for-sale as investments	**-11**	-
Proceeds from sale of tangible and intangible assets	**6 448**	79
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**4 370**	-955
CASH FLOW FROM FINANCING ACTIVITIES		
Increase of non-current and current receivables	**-**	-3 000
Decrease of non-current and current receivables	**2 000**	-
Repayments of current borrowings	**-228**	-125
Increase of non-current borrowings	**-**	10 200
Repayments of non-current borrowings	**-4 088**	-2 000
Repurchase of own shares	**-**	-138
Dividends paid	**-**	-2 803
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**-2 316**	2 134
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**-4 060**	6 798
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR*	**27 900**	21 109
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	**251**	-7
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR*	**24 090**	27 900
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET AT THE END OF THE FINANCIAL YEAR		
Cash and cash equivalents	**24 090**	27 900
TOTAL	**24 090**	27 900

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

Consolidated statement of changes in shareholders' equity

EUR 1 000	Note	Share capital	Share premium	Other reserves	Exchange rate differences	Retained earnings	To the owners of the Parent company	EQUITY TOTAL
EQUITY at Jan. 1, 2009		**8 010**	**6 498**	**287**	**283**	**19 242**	**34 321**	**34 321**
Comprehensive profit (loss) for the financial year								
Profit (loss) for the financial year		-	-	-	-	-8 141	-8 141	**-8 141**
Other comprehensive income items:								
Exchange differences on translating foreign operations		-	-	-	-228	-	-228	**-228**
Cash flow hedging, net of tax		-	-	-	-	-	-	-
Total comprehensive profit (loss) for the financial year		**-**	**-**	**-**	**-228**	**-8 141**	**-8 369**	**-8 369**
Transactions with owners								
Repurchase of own shares	25	-	-	-	-	-138	-138	**-138**
Repurchase of own shares, tax effect		-	-	-	-	36	36	**36**
Equity-settled share-based transactions	26	-	-	7	-	-	7	**7**
Dividend paid		-	-	-	-	-2 803	-2 803	**-2 803**
Total transactions with owners		**-**	**-**	**7**	**-**	**-2 905**	**-2 898**	**-8 464**
EQUITY at Dec. 31, 2009		**8 010**	**6 498**	**294**	**55**	**8 196**	**23 053**	**23 053**
EQUITY at Jan. 1, 2010		**8 010**	**6 498**	**294**	**55**	**8 196**	**23 053**	**23 053**
Comprehensive profit (loss) for the financial year								
Profit (loss) for the financial year		-	-	-	-	1 158	1 158	1 158
Other comprehensive income items:								
Exchange differences on translating foreign operations		-	-	-	-20	-	-20	-20
Cash flow hedging, net of tax		-	-	-14	-	-	-14	-14
Total comprehensive profit (loss) for the financial year		**-**	**-**	**-14**	**-20**	**1 158**	**1 124**	**1 124**
Transactions with owners								
Repurchase of own shares	25	-	-	-	-	-	-	-
Repurchase of own shares, tax effect		-	-	-	-	-	-	-
Equity-settled share-based transactions	26	-	-	50	-	-	50	50
Reclassifications between items		-	-	-294	-	294	-	-
Dividend paid		-	-	-	-	-	-	-
Total transactions with owners		**-**	**-**	**-244**	**-**	**294**	**50**	**50**
EQUITY at Dec. 31, 2010		**8 010**	**6 498**	**36**	**35**	**9 648**	**24 227**	**24 227**

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

General information

Raute Group ('Group') is a globally operating technology corporation that manufactures complete mills, production lines and single machines for the veneer, plywood and LVL industries. Raute's technology offering covers the customers' entire production process, ranging from raw material processing to the finishing and packaging of end products. Additionally, Raute's full-service concept includes technology services, such as maintenance, spare parts services, equipment modernizations, consulting, training and sales of reconditioned machinery. The Group has production units in Finland, Canada and China. The company's sales network has a global reach.

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

These consolidated financial statements for the period between January 1 and December 31, 2010 were authorized for issue by Raute Corporation's Board of Directors at its meeting on February 15, 2011. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at the shareholders' meeting arranged after the statements have been issued. The shareholders' meeting also has the opportunity to make changes to the financial statements.

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

Basis of preparation

Raute Corporation's consolidated financial statements for January 1–December 31, 2010 have been prepared in accordance with international financial statement standards (International Financial Reporting Standards, IFRS). Preparations have complied with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, effective on December 31, 2010. IFRS refers to the standards and their interpretations that have been approved for application within the EU in the Finnish Accounting Act and regulations issued under it in accordance with the procedures laid down in EU regulation No 1606/2002. The notes to the consolidated financial statements also comply with Finnish accounting legislation.

Raute Corporation's consolidated financial statements have been prepared under the historical cost convention, except for items measured at fair value, which are available-for-sale financial assets, financial assets and liabilities recognized at fair value through profit or loss and derivative financial instruments. Investments presented in available-for-sale financial assets whose fair value cannot be determined have, however, been measured at original cost. Cash-settled share-based transactions have been recognized at fair value at the grant date.

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

The consolidated financial statements have been prepared according to the same accounting principles as those applied in 2009, except for the following standards, amended standards and interpretations which the Group has applied as of January 1, 2010:

• IFRS 3 Business Combinations, revised. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group had no business arrangements during the financial year 2010 where this standard should be applied.

• IAS 27 Consolidated and Separate Financial Statements, revised. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognized in profit or loss. No changes in interest incurred in the Group during the financial year 2010 which the amended standard should have impact on.

• IFRIC 16 Net Investment in a Foreign Operation. IFRIC 16 clarifies the accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. This means that the hedge of a net investment in a foreign operation is related to differences in the functional currency, not in the presentation currency. Also, the holder of a hedging instrument may be any Group company. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. The Group did not have any hedges of a net investment in a foreign operation during the financial year 2010.

IASB published changes to 12 standards or interpretations in April 2009 as part of the annual Improvements to IFRSs project. The following presentation includes the most relevant changes, which were adopted by the Group in 2010, but did not have significant impact on the Group during the financial year 2010:

• IFRS 2 scope of IFRS, amendment. The amendment is to confirm that in addition to business combinations as defined by revised standard IFRS 3, contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2.

• IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, amendment. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

• IFRS 8 Operating Segments, amendment. The amendment clarifies that an entity is required to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision-maker. In addition, minor textual amendment has been amended to the standard.

• IAS 1 Presentation of Financial Statements, amendment. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the financial year) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

• IAS 7 Statement of Cash Flow, amendment. The amendment is to require that only expenditures that result in a recognized asset in the balance sheet can be classified as investing activities.

• IAS 17 Leases, amendment. The amendment deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating using the general principles of IAS 17.

• IAS 18 Revenue, amendment. Additional guidance added to the appendix to IAS 18 regarding the determination as to whether an entity is acting as a principal or an agent.

• IAS 36 Impairment of Assets, amendment. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment as defined in IFRS 8 (that is, before the aggregation of segments with similar economic characteristics permitted by the standard).

• IAS 38 Intangible Assets, amendment. The amendment clarifies the guidance regarding accounting of fair value for intangible assets acquired in a business combination. According to the amendment combining intangible assets to one asset item is allowed, if their useful life is the same.

• IAS 38 Intangible Assets, amendment. The amendment clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.

• IAS 39 Financial Instruments: Recognition and Measurement, amendment. The amendment clarifies that pre-payment options, the exercise price of which compensates the lender for loss of interest by reducing the economic loss from reinvestment risk, should be considered closely related to the host debt contract.

• IAS 39 Financial Instruments: Recognition and Measurement, amendment. The amendment to the scope exemption in paragraph 2(g) of IAS 39 clarifies that: (a) IAS 39 does not apply to binding (forward) contracts between an acquirer and a vendor in a business combination to buy an acquiree at a future date and that the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (b) the exemption should not be applied to option contracts that on exercise will result in control of an entity, nor by analogy to investments in associated and similar transactions.

• IAS 39 Financial Instruments: Recognition and Measurement, amendment. The amendment clarifies that gains and losses from a cash flow hedging instrument, when hedging future cash flows, should be reclassified from equity to profit or loss for the financial year in the financial year when the hedged forecast cash flow affects the profit or loss for the financial year.

• IFRIC 9 Reassessment of Embedded Derivatives, amendment. The amendment to the scope paragraph of IFRIC 9 clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

• IFRIC 16 Hedges of a Net Investment in a Foreign Operation, amendment. The amendment states that in a hedge of a net investment in foreign operation, qualifying hedging instruments may be held by an entity or entities within the group. Before the amendment, the hedging instrument could not be held by the foreign operation. An assumption is that the designation, documentation and effectiveness testing satisfy the requirements of IAS 39.

The following new standards, interpretations and amendments to existing standards and interpretations are in effect for the financial year 2010 or later, but they do not have an impact on the result or the balance of the Group or the financial statement presentation:

• IFRIC 9 Reassessment of Embedded Derivatives on Reclassification and IAS 39 Financial Instruments: Recognition and Measurement, amendment. The amendments clarify that on reclassification of a financial asset out of the category of fair value through profit or loss, all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.

• IFRIC 12 Service Concession Arrangements. The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.

• IFRIC 15 Agreements for the Construction of Real Estate. The interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of standard IAS 11 Construction Contracts or IAS 18 Revenue, and when revenue from the construction should be recognized.

• IFRIC 17 Distribution of Non-cash Assets to Owners. The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

• IFRIC 18 Transfers of Assets from Customers. The interpretation clarifies the requirements of IFRS standards for agreements in which an entity receives from a customer an item of property, plant and equipment or cash to be invested in an item that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services.

• IAS 39 Eligible Hedged Items, amendment to standard. The amendment prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

• IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions, amendment to standard. The amendment to IFRS 2 clarifies that an entity that receives goods or services from its suppliers must apply IFRS 2 even though the entity has no obligation to make the required share-based cash payments.

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

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

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

Segment reporting

Raute Group has one operating segment. Operations belonged to the wood products technology segment. The division into operating segments is based on the Group's internal decision-making order and organizational structure, and is consistent with the financial report submitted to the highest operative decision-making body. The Group's Executive Board has been appointed the highest operative decision-making body that is responsible for assigning resources to the operating segment and assessing its result. Segment reporting follows the principles of preparation of the consolidated financial statements.

Preparation of consolidated financial statements

The consolidated financial statements include the Parent company Raute Corporation and its subsidiaries in which the Parent company holds, directly or indirectly, over 50 percent of the votes or in which it exercises control otherwise. Subsidiaries are all such companies (including units founded for a special purpose) for which the Group has the right to decide on the financial and operating principles. Usually this is based on share ownership that represents more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control in the other company. Subsidiaries are fully consolidated in the consolidated financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations are entered using the acquisition method. The consideration paid for the acquisition of a subsidiary is determined as the fair value of the transferred assets, liabilities incurred and own equity shares issued by the Group. The consideration transferred includes the fair value of the asset or liability that results from the contingent consideration arrangement. Expenditure related to the acquisition is recognized as an expense when it is incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed by the business combination, are measured at the acquisition-date fair value. Non-controlling interests acquired are recognized by acquisition either at fair value or at an amount that reflects non-controlling interest's proportionate share of the acquiree's net assets.

The aggregate amount by which the transferred consideration, the non-controlling interests acquired and the fair value of the previously owned interest exceed the Group's share of the fair value of the acquired net assets, shall be recognized as goodwill in the balance sheet. If the aggregate of the consideration, the non-controlling interests and the previously owned interests is smaller than the fair value of the acquired net assets, and it is a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

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

The allocation of the profit or loss for the period to the equity holders of the Parent company and to the non-controlling interests has been presented in connection with the statement of comprehensive income. The consolidated financial statements do not include any non-controlling interests at the balance sheet date on December 31, 2010.

Transactions in foreign currency

The consolidated financial statements have been presented in euro, which is the Parent company's functional and presentation currency.

The figures concerning the profit or loss and financial position of the companies combined under the consolidated financial statements have been measured in the currency of the economic environment in which that company mainly operates ('functional currency').

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

Gains and losses from foreign currency transactions and translation of monetary items have been recognized in the financial statements, except in the case of cash flow hedging, which is recognized in the other items of the comprehensive income items. Exchange rate gains and losses from transactions have been presented in the income statement under other operating expenses. Exchange rate gains and losses related to cash and cash equivalents, loans and other financial assets and liabilities have been presented in the income statement under financial income or expenses.

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

Revenue recognition

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

Revenue and costs from long-term projects (project deliveries and modernizations in technology services) have been recognized based on the percentage of completion as soon as it has been possible to assess the end result reliably. Percentage of completion is measured on a cost basis as the relation of actual project costs to the estimated total project costs. When it is probable that the total costs needed to complete the contract will exceed total contract revenue, the expected loss has been recognized as an expense immediately. If the result of a long-term project cannot be reliably estimated, the project costs have been recognized as an expenditure in the period in which they have been incurred, and project revenue has been recognized only to the extent of project costs that are likely to be recovered. Costs related to projects that have not yet been recognized in revenue have been recognized as long-term projects in progress under inventories. During the financial year 2010 and the comparison period, the Group had no financial costs allocated to the long-term projects entered in the balance sheet. Net sales recognized on the basis of percentage of completion have been allocated to advance payments from customers, and the amount that exceeds the advance payments received has been presented under accounts receivables and other receivables in the balance sheet.

If a contractual entity (e.g. mill-scale delivery) includes sub-entities (e.g. production lines) with determined contract terms and conditions and with risks, rewards and control of ownership transferred to the buyer separately from the rest of the contractual entity, they have been treated as separate long-term projects.

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

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

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

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

Non-current assets held for sale and discontinued operations

Non-current assets held for sale have been classified as held for sale if the amount corresponding to the carrying amount of the asset will accrue from the disposal of the asset. The asset is measured at the lower of carrying amount or fair value, less costs to sell. Depreciation of these assets has ended at the date of classification.

A separate major line of business which can be clearly distinguished from other operations in terms of property and result and which is part of a single disposal plan is treated as a discontinued operation. The consolidated financial statements do not include any assets classified as non-current assets held for sale and discontinued operations at the reporting date on December 31, 2010.

Income taxes

The taxes in the consolidated income statement include the taxes corresponding to the Group companies taxable profit for the financial year, as well as tax adjustments for previous years and the change in deferred taxes. Current tax based on the taxable income is calculated on taxable income using the tax rate in force in each country. The taxes on income and expenses presented in the components of the comprehensive income have been presented in the income statement under the item in question.

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

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

Financial assets and liabilities

Financial assets have been classified as financial assets at fair value through profit and loss, loans and other receivables and available-for-sale financial assets. Financial liabilities have been classified as financial liabilities at fair value through profit or loss and other financial liabilities. Classification is made based on the purpose of acquisition in conjunction with the original acquisition. An item in financial assets is assigned to the 'financial assets at fair value through profit or loss', if it is held for trading. All purchases and sales of financial assets have been recognized on the transaction date.

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

Loans and other receivables are assets with fixed or determinable payments that are not quoted in an active market and which the company does not hold for trading. Loan and other receivables have been measured at amortized cost using the effective interest method. They have been presented in non-current financial assets under accounts receivables and other receivables in the balance sheet if they mature over 12 months from the balance sheet date. Otherwise they have been presented in current financial assets.

Sales and other revenue have been recognized in accounts receivables at the original receivable amount. Current accounts receivables are measured at the original receivable amount. Non-current accounts receivables are measured at their present value discounted at the effective interest rate.

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

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

Financial liabilities have been recognized at fair value based on the purchase consideration at the grant date. They have been measured at amortized cost using the effective interest method. Financial liabilities are included in current and non-current liabilities and they may be interest-bearing or non-interest-bearing.

The fair values of all financial instruments in the balance sheet are based on market values. The fair values have been presented in the note number 37 to the financial statements.

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

Derivative financial instruments and hedge accounting

The Group uses currency derivative contracts hedging against currency risks of commercial transactions and currency derivative contracts hedging against currency risks of financing items to hedge against currency risks related to future transactions. Derivative contracts have been classified as cash flow hedging or fair value hedging at the date of acquisition. Hedging of assets or liabilities recognized in the balance sheet or business payments in foreign currency related to binding fixed-price commercial contracts have been considered as fair value hedging. Hedging against a risk that is related to on-balance sheet loans or cash and cash equivalents has been considered as cash flow hedging.

The derivative financial instruments have been recognized in the balance sheet at their acquisition cost at the contract date. Derivative contracts, irrespective of the items hedged, have been measured at fair value at the balance sheet date. The fair values of derivative contracts have been determined using the market values at the balance sheet date.

Fair value hedge accounting in compliance with the IAS 39 standard is applied to derivative contracts that meet the criteria for hedge accounting and that are considered efficient both before or afterwards. During the financial year 2010, Raute Group adopted the hedge accounting system as defined in the IAS 39 standard. Changes in fair values for these derivative contracts are recognized in the other items of the comprehensive income. Accrued hedging gains and losses are recognized in net sales or expenses in the same period as the firm commitments that are the object of hedge accounting are recognized in the income statement. The gain or loss of a matured hedging instrument is in the equity hedge reserve on the balance sheet until the external sales of the Group is realized. The fair values of the derivatives used in hedging are presented in the note number 37 to the financial statements. The changes in the hedge reserve that are included in equity, which have been recognized in the other items of the comprehensive income, are presented in the note number 24 to the financial statements.

When a cash flow hedge instrument matures, it is sold, or when the criteria of hedge accounting in accordance with the IAS 39 standard are not met, the profit or loss of the hedge instrument remains in equity until a fixed-price contract or a sale realizes. If a fixed-price contract or a predicted sale is not expected to be realized, the profit or loss resulting from the hedging instrument in equity is immediately recognized in the income statement in financial income and expenses.

The changes in the value of the derivatives that do not meet the IAS 39 standard criteria for hedge accounting have been presented in the income statement items before operating profit and the changes in financing derivatives have been presented in financing income or expenses. The fair values of financing derivatives have been set off against each other for the financing derivatives with a right of mutual set-off.

The derivatives have been presented as accrued expenses or receivables in non-current assets or liabilities in the balance sheet when the remaining hedged item is more than 12 months from the reporting date. Otherwise the derivative has been presented as accrued expenses or receivables under current assets or liabilities in the balance sheet.

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

Intangible assets

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

RESEARCH AND DEVELOPMENT COSTS

Research costs have been recognized as an expense in the income statement. Development costs incurred in planning new or more advanced products and in manufacturing test machinery for testing them has been recognized as intangible assets in the balance sheet from the moment the product can be produced technologically, utilized commercially, and future financial benefit is expected from it. Capitalized product development costs include the material, work and testing costs incurred directly from completing the product for the intended purpose. Development costs previously recognized as an expense are not capitalized at a later date. Amortization of capitalized product development costs is started when the product is ready for use. The useful life of development costs is three years, during which time capitalized assets have been recognized as an expense on a straight-line basis. Capitalized costs for in-progress product development are tested annually for impairment. If the carrying amount of an asset exceeds the estimated recoverable amount, it is immediately reduced to correspond to the recoverable amount. After they have been originally recognized, capitalized product development costs are measured at acquisition cost less accumulated amortization and impairment.

OTHER INTANGIBLE ASSETS

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

Amortization is not recognized for other intangible assets with an indefinite useful life. The other intangible assets with a finite useful life have been recorded in the balance sheet and recognized in the income statement as an expense based on the straight-line depreciation method over their useful life as follows:

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

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

Property, plant and equipment

All property, plant and equipment is measured at acquisition cost less accumulated depreciation and impairment. The acquisition cost includes the purchase price, cash and other discounts, import duties and fixed taxes. When a property, plant or equipment is manufactured inhouse, it also includes, in addition to the above-mentioned items, a share of the Group's fixed costs. Ordinary property, plant and equipment repair and maintenance costs have been recognized through profit or loss as incurred. Possible costs incurred in restoring to original state have been taken into account in IFRS accounting as part of the acquisition cost. Raute Corporation's consolidated financial statements of December 31, 2010, including the comparison data, do not include property, plant or equipment for which costs capitalized in the future should be taken into account.

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

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

The residual value and useful lives of assets are reviewed at the last day of each reporting period and are changed if necessary. If the carrying amount of an asset exceeds the estimated recoverable amount, it is immediately reduced to correspond to the recoverable amount.

Tangible fixed assets are classified in the balance sheet as held for sale and depreciation of their balance sheet value through profit and loss has been discontinued according to the standard IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, when the decision to sell the asset has been made and its use in business operations has ceased. Raute Corporation's consolidated financial statements of December 31, 2010, including the comparison data, do not include property, plant or equipment classified as held for sale. Gains and losses on decommissioning and disposal of property, plant and equipment have been recognized through profit or loss.

Public contributions

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

Impairment of non-financial assets

Regular amortizations are not recognized for the Group's intangible assets with an indefinite useful life, but they are tested annually for impairment. Assets that are subject to the amortization are reviewed for impairment always when events or changes in circumstances provide indications that it may be impossible to recover the carrying amount of the assets. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. The value in use is the present value of the expected recoverable cash flows from the asset. For the assessment of impairment, the assets are classified at the lowest levels at which the cash flows can be separately identified.

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

Leases

GROUP AS LESSEE

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

GROUP AS LESSOR

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

Inventories

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

Provisions

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

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

Employee benefits

PENSION OBLIGATIONS

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

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

SHARE-BASED INCENTIVE PLAN (2006)

The earnings period of the share-based incentive plan (2006) targeted at Raute Corporation's Executive Board and other key employees ended on December 31, 2008. The rewards were paid partly in shares and partly in cash in the 2009 financial year. The number of shares transferred and cash-based payments on December 31, 2009 were based on the actual values at the transfer date on March 27, 2009. The shares are subject to a two-year transfer prohibition, which ends on March 28, 2011.

SHARE-BASED PAYMENTS

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

The expense determined at the option grant date is based on the Group's estimate of the number of options expected to vest at the end of the vesting period. The estimated number of final options is estimated at each reporting date. Any changes to the estimates are entered in the income statement and in equity. When stock options are used, money payments received on the basis of share subscription are recognized in equity, adjusted for any transaction costs. Information on share-based compensations is presented in the note number 26 to the financial statements.

OBLIGATIONS WHEN MAKING DISMISSALS

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

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

Share capital

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

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

Dividend

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

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group uses the following definition: operating profit is the net sum calculated by adding other operating income to net sales; deducting purchase expenses that have been adjusted by changes in inventories of finished goods and work in progress and by expenses from production for own use; and by deducting expenses from employee benefits, depreciation and possible impairment losses, as well as other operating expenses. All other income statement items are presented under operating profit.

Earnings per share

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

Diluted earnings per share have been calculated by adjusting the average of outstanding shares by the dilutive effect of share options. Diluted earnings per share are calculated using the treasury stock method. In addition to the weighted average of outstanding shares, the divisor includes additional shares from the presumed exercise of options. The exercise of options is not taken into account in the calculation of earnings per share if the exercise price of the options exceeds the average market price of shares during the period. Options have a dilutive effect if the average market price of the shares exceeds the exercise price of the options. Share options have a dilutive effect when the subscription price of the share options is lower than the fair value of the share. The effect of options included in Raute Corporation's consolidated financial statements of 31 December 2010 is presented in the note number 14 to the financial statements. The options do not have a dilutive effect on the key figures of earnings per share included in the data for the comparison year 2009.

Critical accounting judgments and key sources of estimation uncertainty

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

INTANGIBLE RIGHTS

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

LONG-TERM PROJECTS

The percentage of completion method is based on estimates of expected project revenue and expenses, as well as on reliable measurement of project progress. Should the estimates of the project outcome change, the recognized revenue and profit is adjusted in the period in which the change first becomes known and can be estimated.

WARRANTY PROVISION

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

RECEIVABLES

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

INCOME TAXES

The management has also made estimates pertaining to the period's income taxes and deferred tax assets and liabilities. Criteria for recognition and measurement of deferred tax assets are estimated at the balance sheet date. The management estimates how likely it is for the Group's companies to have future recoverable taxable income against which unused tax losses can be utilized. The preparatory estimates used for the estimates at the balance sheet date can differ from the actual figures, in which case changes in tax assets have been recognized as expenses in the income statement.

EMPLOYEE BENEFITS

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

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

The following are the standards, interpretations or amendments to the existing standards and interpretations that have been published but were not effective on the financial year starting on 1 January 2010 and have not been applied prematurely:

- IAS 24 Related Party Disclosures, revised.

- IAS 32 Classification of Rights Issues, amendment.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

- IFRIC 14 Prepayments of a Minimum Funding Requirement, amendment.

The Group management estimates that the amended standards will not have any significant impact on the Group's future financial statements.

IASB published in July 2010 improvements to seven standards or interpretations as part of their Annual Improvements. The EU has not yet endorsed the improvements to be applied in the EU. The Group will apply the amendments following the EU's approval. The Group management is currently assessing the impact of the amendments on the consolidated financial statements, and an estimate of the potential impacts on the consolidated financial statements will be presented in the accounting principles for financial years starting after 1 January 2011.

EUR 1 000	2010	%	2009	%

2 SEGMENT INFORMATION

Operational segment

Continuing operations of Raute Group belong to the wood products technology segment.

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

Wood products technology

	2010	2009
Net sales	**62 867**	36 638
Operating profit	**1 311**	-9 695
Assets	**53 034**	57 387
Liabilities	**28 807**	34 334
Capital expenditure	**2 224**	1 095

Assets of the wood products technology segment by geographical location

	2010	%	2009	%
Finland	**44 006**	**83**	53 448	94
China	**4 129**	**8**	858	1
North America	**3 730**	**7**	1 950	3
Russia	**880**	**2**	948	2
South America	**160**	**0**	88	0
Others	**129**	**0**	95	0
TOTAL	**53 034**	**100**	57 387	100

Capital expenditure of the wood products technology segment by geographical location

	2010	%	2009	%
Finland	**590**	**27**	1 071	98
China	**7**	**0**	3	0
North America	**1 606**	**72**	18	2
Russia	**-**	**-**	2	0
South America	**21**	**1**	-	-
Others	**-**	**-**	1	0
TOTAL	**2 224**	**100**	1 095	100

3 PROCEEDS FROM SALES

The main part of the net sales is comprised of project deliveries and modernization services related to wood processing technology that are treated as long-term projects. The rest of the net sales is comprised of technology services provided to the wood products industry (spare parts and maintenance services as well as services provided to the development of customers' business).

A significant part of the Group's net sales (project deliveries and modernization in technology services) includes both product and service sales. Breakdown of the Group's net sales into purely product and service sales cannot be presented reliably.

In 2010, the Group had two customers (2), whose net sales temporarily exceeded 10 percent of the Group's net sales due to the nature of project business.

EUR 1 000		2010	%	2009	%
	Net sales by market area				
	Russia	**18 627**	**30**	11 237	31
	Asia-Pacific	**18 442**	**29**	2 241	7
	North America	**9 551**	**15**	2 549	7
	Rest of Europe	**8 805**	**14**	10 415	28
	Finland	**5 094**	**8**	6 172	17
	South America	**2 212**	**4**	3 853	11
	Others	**136**	**0**	171	1
	TOTAL	**62 867**	**100**	36 638	100
4	**LONG-TERM PROJECTS**				
	Net sales				
	Net sales by percentage of completion	**51 860**		26 990	
	Other net sales	**11 007**		9 648	
	TOTAL	**62 867**		36 638	
	Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	**50 784**		27 184	
	Amount of long-term project revenues not yet entered as income (order book)	**31 799**		20 976	
	Specification of combined asset and liability items				
	Advance payments paid	**147**		389	
	Advance payments received included in inventories in the balance sheet	**147**		389	
	Accrued income corresponding to revenues by percentage of completion	**51 200**		27 306	
	Advance payments received from project customers	**-46 490**		-24 060	
	Project receivables included in current assets in the balance sheet	**4 710**		3 246	
	Advance payments received in the balance sheet	**5 243**		7 222	
5	**OTHER OPERATING INCOME**				
	Capital gain on sale of fixed assets	**4 459**		68	
	Other	**121**		85	
	TOTAL	**4 580**		153	
6	**MATERIALS AND SERVICES**				
	Materials and supplies				
	- Purchases during the financial year	**30 824**		14 472	
	- Change in inventories	**343**		361	
	External services	**1 512**		862	
	TOTAL	**32 679**		15 695	
7	**EXPENSES FROM EMPLOYEE BENEFIT**				
	Wages and salaries	**19 473**		18 591	
	Pension contributions				
	- Defined contribution plans	**2 595**		2 560	
	- Defined benefit plans	**-52**		-7	
	Share-based payments settled in shares	**-**		6	
	Share-based payments settled in cash	**-**		9	
	Other personnel costs	**1 450**		889	
	TOTAL	**23 467**		22 047	

EUR 1 000		2010	2009
	Information on management's employee benefits and loans is presented in the note number 33 to the financial statements. Information on the share-based payments is presented in the note number 26 to the financial statements.		
8	**NUMBER OF PERSONNEL**		
	Employed at Dec. 31, persons		
	Workers	**158**	172
	Office staff	**337**	352
	TOTAL	**495**	524
	- of which personnel working abroad	**129**	120
	Effective, on average, persons		
	Workers	**134**	112
	Office staff	**304**	307
	TOTAL	**438**	419
	- of which personnel working abroad	**120**	109
	Average, persons		
	Workers	**165**	175
	Office staff	**347**	367
	TOTAL	**512**	542
	- of which personnel working abroad	**128**	116
9	**RESEARCH AND DEVELOPMENT COSTS ENTERED AS EXPENSE FOR THE FINANCIAL YEAR**		
	Research and development costs for the financial year	**1 849**	2 470
	Amortization of previously capitalized costs	**395**	599
	Development costs recognized as assets in the balance sheet	**-41**	-125
	Research and development costs entered as expense for the financial year	**2 203**	2 943
	Total research and development costs	**1 849**	2 470
	% of net sales	**2.9**	6.7
	Research and development costs have been recognized in operating expenses prior to operating profit.		
10	**DEPRECIATION AND AMORTIZATION**		
	Depreciation and amortization by class of assets		
	Intangible assets		
	- Capitalized development costs	**395**	533
	- Other intangible assets	**377**	471
	Tangible assets		
	- Buildings and structures	**339**	457
	- Machinery and equipment	**1 125**	1 138
	- Other tangible assets	**14**	5
	TOTAL	**2 250**	2 604
	Impairments by class of assets		
	Intangible assets		
	- Capitalized development costs	**-**	66
	TOTAL	**-**	66
	TOTAL DEPRECIATION AND AMORTIZATION	**2 250**	2 670

EUR 1 000		2010	2009
11	**OTHER OPERATING EXPENSES**		
	Indirect production expenses	**1 415**	1 311
	Renting expenses	**744**	600
	Sales and marketing expenses	**1 236**	1 192
	Administration expenses	**2 455**	1 956
	Other expenses	**2 240**	1 811
	TOTAL	**8 091**	6 869
	Auditors' remunerations		
	Authorized Public Accountants Company PricewaterhouseCoopers Oy		
	Annual audit, statutory	**74**	-
	Tax services	**39**	19
	Other services	**7**	9
	TOTAL	**120**	28
	Authorized Public Accountant Ernst & Young Corporation		
	Annual audit, statutory	**41**	81
	Tax services	**-**	42
	Other services	**3**	2
	TOTAL	**44**	125
12	**FINANCIAL INCOME AND EXPENSES**		
	Financial income		
	Interest income on loans and receivables	**396**	275
	Dividend income from available-for-sale investments	**118**	79
	Other financial income	**214**	3
	TOTAL	**728**	356
	Financial expenses		
	Interest expenses on financing loans recognized at amortized cost	**-497**	-303
	Losses from sales of available-for-sale investments	**-**	-13
	Exchange rate losses of financing loans	**-51**	-62
	Other financial expenses	**-369**	-174
	TOTAL	**-917**	-551
	Financial income and expenses	**-189**	-195
	Other comprehensive income items		
	Cash flow hedging	**-14**	-
	Exchange rate differences	**-20**	-228
	TOTAL	**-34**	-228
13	**EXCHANGE RATE GAINS AND LOSSES (NET)**		
	Included in net sales	**-61**	18
	Included in operating expenses	**64**	-12
	Included in financial income and expenses	**27**	-60
	Included in other comprehensive income items	**-20**	-228
	TOTAL	**10**	-282
14	**INCOME TAXES**		
	Consolidated income statement		
	Current tax	**-107**	-41
	Current tax of previous financial years	**27**	54
	Deferred taxes (note number 28)	**116**	1 736
	TOTAL	**36**	1 749

EUR 1 000	2010	2009
Consolidated statement of comprehensive income		
Deferred tax related to items recognized directly to equity during the year:		
Acquisition of own shares, conveyed as reward payment on March 27, 2009	**-**	36
Hedge accounting	**5**	-
TOTAL	**5**	36
Reconciliation of the relationship between realized tax expense and theoretical accounting result using Finnish tax rate of 26 percent		
Profit before taxes	**1 122**	-9 890
Tax effects of the following items:		
Taxes calculated using the Finnish tax rate, 26%	**-292**	2 571
Effect of differences in tax rates of foreign subsidiaries	**1**	-59
Non-deductible income	**31**	-21
Non-deductible costs in taxation	**-12**	72
Taxes from the previous financial years	**27**	54
Utilization of previously unrecognized tax losses	**349**	-
Unrecognized tax assets from the losses of foreign subsidiaries	**-97**	-876
Other items	**29**	8
Consolidated tax expense	**36**	1 749
Effective tax rate, %	**-3.2**	17.7

15 EARNINGS PER SHARE

Undiluted earnings per share		
Share of profit that belongs to the owners of the Parent company	**1 158**	-8 141
Weighted average number of shares, 1 000 shares	**4 005**	4 003
Earnings per share, EUR	**0.29**	-2.03

Diluted earnings per share

For the calculation of diluted earnings per share, share options calculation is done to determine the number of shares that could have been acquired at fair value (the average annual market share price) based on the monetaray value of the subscription rights attached to outstanding share options. This number of shares is compared with the number of shares that would have been issued assuming the exercise of the share options. Share options did not have diluted effect on calculation of earnings per share during the financial year 2010.

Diluted earnings per share		
Share of profit that belongs to the owners of the Parent company	**1 158**	-8 141
Diluted weighted average number of shares, 1 000 shares	**4 005**	4 003
Diluted earnings per share, EUR	**0.29**	-2.03

16 DIVIDEND PER SHARE

The Board of Directors will propose to Raute Corporation’s Annual General Meeting, to be held on April 13, 2011, that a dividend of EUR 0.30 per share be paid for 2010, that is, a total EUR 1 201 thousand, and that the remainder, EUR 6 525 thousand be transferred to equity.

17 INTANGIBLE ASSETS

EUR 1 000	Development costs	Long-term expenditure and intangible rights*	TOTAL
Intangible assets 2009			
Carrying amount at Jan. 1, 2009	**3 841**	**7 735**	**11 575**
Exchange rate differences	-	-19	-19
Additions	125	303	429
Disposals	-	-495	-495
Other reclassifications between items	-28	-	-28
Carrying amount at Dec. 31, 2009	**3 939**	**7 524**	**11 462**
Accumulated amortization at Jan. 1, 2009	**-2 644**	**-6 450**	**-9 094**
Exchange rate differences	28	6	34
Accumulated depreciation and amortization related to disposals	-	495	495
Amortization for the financial year	-599	-466	-1 065
Accumulated amortization at Dec. 31, 2009	**-3 215**	**-6 415**	**-9 631**
Book value at Jan. 1, 2009	**1 197**	**1 285**	**2 482**
Book value at Dec. 31, 2009	**723**	**1 109**	**1 831**
Intangible assets 2010			
Carrying amount at Jan. 1, 2010	**3 939**	**7 524**	**11 462**
Exchange rate differences	-	71	71
Additions	41	111	151
Disposals	-	-	-
Other reclassifications between items	-	75	75
Carrying amount at Dec. 31, 2010	**3 980**	**7 780**	**11 759**
Accumulated amortization at Jan. 1, 2010	**-3 215**	**-6 415**	**-9 631**
Exchange rate differences	-	-16	-16
Accumulated depreciation and amortization related to disposals	-	-	-
Amortization for the financial year	-395	-377	-771
Accumulated amortization at Dec. 31, 2010	**-3 610**	**-6 808**	**-10 420**
Book value at Jan. 1, 2010	**723**	**1 109**	**1 831**
Book value at Dec. 31, 2010	**370**	**969**	**1 341**

*Long-term expenditure and intangible rights include patents, computer software and product rights.

The value of capitalized research and development costs recognized in the balance sheet was decreased EUR 66 thousand during the comparision year 2009. The changes in the market situation have affected in expected recoverable cash flows in the comparison year.

18 PROPERTY, PLANT AND EQUIPMENT

EUR 1 000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Assets in progress and advance payments	TOTAL
Property, plant and equipment 2009						
Carrying amount at Jan. 1, 2009	**982**	**13 259**	**25 731**	**385**	**124**	**40 480**
Exchange rate differences	63	247	592	-1	-	901
Additions	6	11	183	-	466	666
Disposals	-4	-	-20	-1	-	-25
Other reclassifications between items	-	48	35	-	-84	-
Carrying amount at Dec. 31, 2009	**1 048**	**13 565**	**26 521**	**383**	**507**	**42 022**
Accumulated depreciation at Jan. 1, 2009	**-**	**-7 775**	**-21 176**	**-353**	**-**	**-29 304**
Exchange rate differences	-	-233	-602	-	-	-834
Depreciation for the financial year	-	-462	-1 149	-6	-	-1 617
Accumulated depreciation at Dec. 31, 2009	**-**	**-8 470**	**-22 926**	**-359**	**-**	**-31 755**
Book value at Jan. 1, 2009	**982**	**5 484**	**4 555**	**31**	**124**	**11 175**
Book value at Dec. 31, 2009	**1 048**	**5 094**	**3 594**	**23**	**507**	**10 267**
Property, plant and equipment 2010						
Carrying amount at Jan. 1, 2010	**1 048**	**13 565**	**26 521**	**383**	**507**	**42 022**
Exchange rate differences	79	304	1 305	8	-	1 696
Additions	362	-	1 305	234	159	2 060
Disposals	-1 090	-873	-26	-	-	-1 989
Other reclassifications between items	-	-	568	-	-643	-75
Carrying amount at Dec. 31, 2010	**399**	**12 996**	**29 673**	**625**	**23**	**43 714**
Accumulated depreciation at Jan. 1, 2010	**-**	**-8 470**	**-22 926**	**-359**	**-**	**-31 755**
Exchange rate differences	-	-302	-1 252	-13	-	-1 568
Depreciation for the financial year	-	-339	-1 125	-14	-	-1 478
Accumulated depreciation at Dec. 31, 2010	**-**	**-9 111**	**-25 304**	**-386**	**-**	**-34 801**
Book value at Jan. 1, 2010	**1 048**	**5 094**	**3 594**	**23**	**507**	**10 267**
Book value at Dec. 31, 2010	**399**	**3 884**	**4 365**	**241**	**23**	**8 913**

EUR 1 000	2010	2009
19 OTHER FINANCIAL ASSETS		
Available-for-sale investments		
Unquoted share investments	**497**	486
TOTAL	**497**	486

Realized sales losses have not been recognized in financial items from available-for-sale investments during the financial year and comparison year 2009.

Unquoted shares are recognized at cost deducted with possible impairments, since their fair value cannot be determined reliably.

EUR 1 000	2010	2009
20 NON-CURRENT RECEIVABLES		
Other receivables	-	1 000
TOTAL	-	1 000

Other receivables include interest-bearing collateral guarantees, which shall be discharged over 12 months from the reporting date. Deferred tax receivables are presented in the note number 28 to the financial statements.

EUR 1 000	2010	2009
21 INVENTORIES		
Materials and supplies	**2 051**	2 049
Work in progress	**1 972**	1 621
Other inventories	**405**	271
Advance payments	**147**	389
TOTAL	**4 574**	4 330

During the financial year, EUR 408 thousand (EUR 401 thousand) were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price.

EUR 1 000	2010	2009
22 ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES		
Current receivables		
- Accounts receivables	**4 800**	2 712
- Accrued income from customers recognized according to percentage of completion	**4 710**	3 246
- Accrued income	**337**	897
- Derivative contract receivables	**25**	90
- Other receivables	**1 899**	2 887
TOTAL	**11 770**	9 832

Balance sheet values correspond best to the amount of money that is the maximum amount of credit risk without taking into consideration the fair value of collaterals, in such a case where other contract parties are not able to fulfill their obligations related to financial instruments. Accounts receivables are non-interest-bearing with average terms of payment of 30 days. Age analysis of accounts receivables is presented in the note number 38 to the financial statements. Accrued income from customers recognized according to percentage of completion relating to long-term projects with binding sales contracts, which is an item comparable to accounts receivables, is presented as financial assets in the note number 37 to the financials statements.

Impairment of accounts receivables has been recorded, if there is evidence that the Group will not receive payment for overdue receivables. Impairment of accounts receivables of EUR 79 thousand (EUR 0 thousand) has been recognized at the reporting date. Impairments are presented in the item Other operating expenses in income statement.

Other receivables include interest-bearing collateral guarantees of EUR 1 000 thousand (EUR 2 000 thousand), which shall be discharged over 12 months from the reporting date.

The credit risks related to receivables at the reporting date are presented in the note number 38 to the financial statements. The fair values of receivables are presented in the note number 37 to the financial statements.

EUR 1 000	2010	2009
Substantial items included in accrued income		
- Periodizing of personnel costs	**78**	386
- Other accrued income and prepaid expenses	**259**	511
TOTAL	**337**	897

EUR 1 000	2010	2009
23 CASH AND CASH EQUIVALENTS		
Cash and bank accounts	**4 196**	2 987
Bank deposits	**19 895**	24 913
TOTAL	**24 090**	27 900
Cash and cash equivalents in the statement of cash flows		
Cash and cash equivalents	**24 090**	27 900
TOTAL	**24 090**	27 900
24 NOTES TO EQUITY		
Reconciliation of the number of shares, 1 000 pcs		
Number of shares at Jan. 1	**4 005**	4 005
Number of shares at Dec. 31	**4 005**	4 005
Nominal value, EUR	**2.00**	2.00
Total shareholders' equity, EUR thousand	**8 010**	8 010
Series K shares (20 votes/share)	**991**	991
Series A shares (1 vote/share)	**3 014**	3 014

The minimum share capital is EUR 5 000 000 and the maximum share capital is EUR 20 000 000. All issued shares are paid in full.
As a result of the share subscriptions made with the outstanding stock options, Raute Corporation's share capital can increase with a maximum of EUR 480 000.

Share premium

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

	2010	2009
Share premium at Jan. 1	**6 498**	6 498
Share premium at Dec. 31	**6 498**	6 498

Other reserves

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

	2010	2009
Other reserves at Jan. 1	**294**	287
Reclassifications between items	**-294**	-
Equity settled share-based payments	**50**	7
Cash flow hedging, hedge accounting	**-14**	-
Other reserves at Dec. 31	**36**	294

Exchange rate differences

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

	2010	2009
Exchange rate differences at Jan. 1	**55**	283
Exchange rate differences on translating foreign operations	**-20**	-228
Exchange rate differences at Dec. 31	**35**	55

25 OWN SHARES

During the financial year the company did not repurchase own shares. During the comparison year the company repurchased a total of 18,900 of its own shares under the authorization given by the Annual General Meeting on April 2, 2008. The acquisition price of the shares was the stock exchange price at the time of the acquisition. The company conveyed the shares on March 27, 2009, to persons of the share-based incentive plan. The acquisition of the shares did not have any significant impact on the holdings and voting rights in the company.

26 SHARE-BASED PAYMENTS

Share-based incentive plan (2006)

The earning period of the share-based incentive plan (2006), resolved by the Board of Raute Corporation on March 22, 2006, ended on December 31, 2008. The maximum total reward was 65,000 Raute's series A shares and a cash amount for income tax payment equivalent to the value of the shares, in the maximum. A person must own the earned shares until March 28, 2011.

During the comparison year 2009, Raute Corporation repurchased a total of 18,900 of the company's own shares under the authorization given by the Annual General Meeting on April 2, 2008. The shares were acquired using the company's unrestricted equity at the market price at the time of trading in public trading on the NASDAQ OMX Helsinki Ltd exchange at the share price on the day of trading, in accordance with the rules and regulations concerning the purchase of a company's own shares in public trading. The acquisition price of the repurchased shares totaled EUR 138 thousand in the financial year 2009. The company conveyed on March 27, 2009 a total of 18,900 shares held by the company to 17 key persons of the Group's share-based incentive plan (2006) as reward payment.

In the comparison year 2009, the portions paid in shares and cash had a total impact of EUR 15 thousand on Raute Group's operating result for the comparison year. The cost impact of the portion that was paid in shares was EUR 6 thousand and the portion paid in cash EUR 9 thousand.

2010 stock option plan

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

The share subscription periods for stock options are as follows:

- 2010 A; March 1, 2013–March 31, 2016
- 2010 B; March 1, 2014–March 31, 2017
- 2010 C; March 1, 2015–March 31, 2018

In compliance with authorization by the Annual General Meeting, Raute Corporation's Board of Directors issued a total of 80,000 option rights marked with the symbol 2010 A to the Group's key personnel on February 10, 2010. Ten persons are covered by the option plan.

Key terms and conditions of the option arrangement:

- Nature of arrangement	stock options
- Grant date	May 5, 2010
- Number of stock options granted	80,000
- Price, EUR	7.64
- Share market value at grant date, EUR	7.90
- Term, years	3
- Subscription period	March 1, 2013–March 31, 2016
- Realization	in shares

According to the terms and conditions of the option plan, the shares cannot be sold before a minimum of two years have passed since they were transferred. The option right ceases if the employment contract with the Group is terminated due to a reason specified in the terms and conditions of the option plan before the end of the earning period.

A fair value has been determined for the options issued using the Black-Scholes model. The granted options are measured at fair value at their grant date May 5, 2010. The fair value of an option right has been recognized as an expense in the comprehensive income statement during the earning period. During the financial year January 1–December 31, 2010 the impact of the options on the comprehesive income statement is EUR 50 thousand. The weighted average assumptions used in the pricing model are described in the table below.

Variables used in the pricing model:

- Share price at grant date, EUR	7.90
- Price, EUR	7.64
- Volatility, %	30

- Employee departure estimate, %	0
- Expected period of validity of option, years	6
- Risk-free interest rate, %	2.07
- Number of persons	10

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

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

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

EUR 1 000	**2010**	2009
27 PROVISIONS		
Warranty provisions		
Book value at Jan. 1	**1 353**	2 111
Additions	**2**	1 154
Used amounts	**-803**	-1 928
Cancelled unused amounts	**-**	-
Exchange rate differences	**7**	15
Book value at Dec. 31	**558**	1 353
Losses from long-term projects in order book		
Book value at Jan. 1	**155**	429
Additions	**-**	25
Decreases	**-44**	-300
Book value at Dec. 31	**111**	155
TOTAL	**669**	1 507
from which		
- long-term	**57**	182
- short-term	**612**	1 325

28 DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

EUR 1 000		Entered through profit or loss	Entered in comprehensive income statement	Recognized in shareholders' equity	
Deferred tax assets	**Jan. 1, 2009**				**Dec. 31, 2009**
Intercompany inventory profit	16	10	-	-	27
Provisions	112	-78	-	-	34
Employee benefits	45	-8	-	-	37
Tax losses and credits unused	0	1 798	-	-	1 798
Other temporary differences	161	-113	-	-	48
Deferred tax assets, total	334	1 610	-	-	1 943
Offset from deferred tax liability		-202	-	-	-202
Deferred tax assets, net		**1 408**	**-**	**-**	**1 741**
Deferred tax assets	**Jan. 1, 2010**				**Dec. 31, 2010**
Intercompany inventory profit	27	-4	-	-	**23**
Provisions	34	21	-	-	**55**
Employee benefits	37	-14	-	-	**24**
Tax losses and credits unused	1 798	-78	-	-	**1 720**
Other temporary differences	48	-15	5	-	**38**
Deferred tax assets, total	1 943	-90	5	-	**1 860**
Offset from deferred tax liability	-202	191	-	-	**-11**
Deferred tax assets, net	**1 741**	**102**	**5**	**-**	**1 849**

EUR 1 000		Entered through profit or loss	Entered in comprehensive income statement	Recognized in shareholders' equity	
Deferred tax liabilities	**Jan. 1, 2009**				**Dec. 31, 2009**
Depreciation differences and other provisions	-	-	-	-	-
Effects of Group consolidation	397	-126	-	-	271
Other temporary differences	202	-	-	-	202
Deferred tax liability, total	599	-126	-	-	473
Offset to deferred tax assets		-202	-	-	-202
Deferred tax liabilities, net		**-328**	**-**	**-**	**271**
Deferred tax liabilities	**Jan. 1, 2010**				**Dec. 31, 2010**
Depreciation differences and other provisions	-	11	-	-	**11**
Effects of Group consolidation	271	-18	-	-	**253**
Other temporary differences	202	-118	-	-	**84**
Deferred tax liability, total	473	-125	-	-	**348**
Offset to deferred tax assets	-202	191	-	-	**-11**
Deferred tax liabilities, net	**271**	**66**	**-**	**-**	**337**

Deferred tax liabilities and deferred tax assets are deducted from each other, if there is a right to set off tax liabilities from the taxable income of the financial year against tax assets from the taxable income of the financial year and, if deferred taxes are related to the same tax collector. During the financial year 2010, a deferred tax liability of EUR 11 thousand (EUR 202 thousand) has been deducted from the unused tax losses and credits.

The Parent company Raute Corporation has recognized a deferred tax receivable of EUR 1 798 thousand relating to the tax losses carried forward in the comparison year 2009. Tax losses shall probably be recognized against future tax receivables in the expiration time of 10 years. Deferred tax asset of EUR 138 thousand (EUR 900 thousand) is recognized from losses of foreign subsidiaries from the financial year 2010. There is some uncertainty related to usability of deferred tax assets. Deferred tax liability is not recognized from undistributed earnings of foreign subsidiaries, since the assets are permanently reinvested.

EUR 1 000	**2010**	2009
29 NON-CURRENT INTEREST-BEARING LIABILITIES		
Non-current financial liabilities recognized at amortized cost		
- Bank loans	**-**	202
- Pension loans (TyEL)	**10 000**	14 000
- Tekes loan	**-**	115
TOTAL	**10 000**	14 318

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

The Tekes loan has an annual interest rate of 1.0 percent (1.0%). The annual interest rate of the other bank loan is 5.6 percent (5.6%). Foreign subsidiary has a EUR 0.2 million financial loan from a financial institute approved by the Parent company. The collateral given for the loan is a mortgage agreement given by the Parent company.

Maturities, non-current and current liabilities total

Financial liability	Under 1 year	1–5 years
Pension loan (TyEL)	4 000	10 000
Other loans	439	-
Total	**4 439**	**10 000**

EUR 1 000	2010	2009
30 CURRENT INTEREST-BEARING LIABILITIES		
Partial payments of non-current loans	**4 000**	4 115
Other current interest-bearing loans	**439**	100
TOTAL	**4 439**	4 215
Distribution of the Group's current loans by currencies		
- EUR, %	**95**	100
- Chinese yuan, %	**5**	-
The weighted averages of effective interest rates of current interest-bearing liabilities were:		
Partial payments of non-current loans, %	**2.90**	2.90
Other current interest-bearing loans, %	**1.00**	1.00
Fair values of financial liabilities are presented in the note number 37 to the financial statements.		
31 PENSION OBLIGATIONS		
Raute Corporation's voluntary supplement to pension coverage has been treated in accounting as a defined benefit plan. The current employees' voluntary supplementary pension insurances have been arranged through the Sampo Life Insurance Company.		
Defined benefit pension plans		
Items recognized in the balance sheet		
Present value of funded obligations	**343**	333
Fair value of assets included in the plan	**371**	338
Surplus (-) / deficit (+)	**-28**	-5
Unrecognized actuarial gains and losses	**119**	148
Net liabilities in the balance sheet	**91**	143
Items entered in income statement, income (-) / expenses (+)		
Costs based on the work performance in the financial year	**18**	16
Interest costs	**16**	21
Expected return on plan assets	**-16**	-20
Net acturial gains or losses recognized in the financial year	**-13**	-13
Settlements of the obligations	**-26**	-3
Total, included in personnel expenses	**-21**	1
Realized income from the plan assets, expenses (+) / income (-)	**2**	15
Changes in defined benefit pension plan obligation during the financial year		
Defined benefit obligation at Jan. 1	**333**	406
Current service cost	**18**	16
Interest costs	**16**	21
Actuarial gains (-) / losses (+)	**-5**	-10
Benefits paid	**-**	-90
Curtailments	**-19**	-
Settlements of the obligations	**-**	-10
Defined benefit obligation at Dec. 31	**343**	333

EUR 1 000	2010	2009
Changes in fair value of plan assets during the financial year		
Opening fair value of plan assets at Jan. 1	**338**	394
Expected return on plan assets	**16**	20
Actuarial gains (-) / losses (+)	**-14**	-5
Employer contributions	**31**	30
Benefits paid	**-**	-90
Settlements of the obligations	**-**	-11
Fair value of plan assets at Dec. 31	**371**	338
Key actuarial assumptions		
Finland		
- Discount rate, %	**4.3**	4.5
- Expected rate of return on plan assets, %	**4.5**	4.5
- Rate of future salary increases, %	**3.0**	2.5
- Rate of inflation, %	**2.0**	2.0
- Employees turnover assumption, %	**1.0**	1.0

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

EUR 1 000	31.12.2010	31.12.2009	31.12.2008	31.12.2007	31.12.2006
Present value of defined benefit obligation	**367**	353	406	333	343
Fair value of plan assets	**-328**	-364	-394	-338	-371
Surplus (-) / deficit (+) in the plan	**39**	-11	12	-5	-28
Experience adjustments on plan liabilities	**0**	-29	63	-45	-23
Experience adjustments on plan assets	**0**	1	-16	-5	-14

EUR 1 000	2010	2009

32 ADVANCE PAYMENTS RECEIVED, TRADE AND OTHER PAYABLES

Advance payments received EUR 5 243 thousand (EUR 7 222 thousand) comprise of advance payments received from long-term projects.

	2010	2009
Current liabilities in the balance sheet		
- Trade payables	**3 126**	1 649
- Accrued expenses and prepaid income	**4 366**	4 554
- Other liabilities	**534**	455
TOTAL	**8 026**	6 658
Substantial items included in accrued expenses and prepaid income		
- Accrued project expenses related to long-term projects	**103**	295
- Accrued employee related expenses	**3 794**	3 190
- Financial expenses	**181**	-
- Other accrued expenses and prepaid income	**288**	1 069
TOTAL	**4 366**	4 554

33 RELATED PARTY TRANSACTIONS

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

Group companies	Group's ownership interest and voting power, %	Parent company's ownership interest and voting power, %
Raute Corporation, Lahti, Finland (Parent company)		
Raute Canada Ltd., Delta, B.C., Canada	100	100
Raute Inc., Delaware, USA	100	100
Raute US, Inc., Rossville, Tennessee, USA	100	-
RWS-Engineering Oy, Lahti, Finland	100	100
Raute Group Asia Pte Ltd., Singapore	100	100
Raute WPM Oy, Lahti, Finland	100	100
Raute Chile Ltda., Chile	100	50
Raute Service LLC, St. Petersburg, Russia	100	-
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	100	100
Raute (Shanghai) Trading Co., Ltd, Shanghai, China	100	100

EUR 1 000		**2010**	2009
Group management's employee benefits			
Salaries and other short-term employee benefits		**969**	850
Share-based payments		**-**	93
TOTAL		**969**	943
No special conditions concerning retirement or the amount of retirement have been agreed on with the Board members and the President and CEO.			
Salaries and remunerations of the President and CEO and the Board of Directors of the Parent company			
President and CEO			
Kiiski, Tapani	President and CEO	**225**	294
TOTAL		**225**	294
Members of the Board of Directors			
Pehu-Lehtonen, Erkki	Chairman of the Board	**40**	27
Mustakallio, Sinikka	Vice-Chairman of the Board	**20**	18
Rytilahti, Jarmo	Chairman of the Board until April 2, 2009	**-**	10
Hautamäki, Risto	Member of the Board	**20**	13
Helander, Ilpo	Member of the Board	**20**	18
Mustakallio, Mika	Member of the Board	**20**	18
Suominen, Pekka	Member of the Board as of March 31, 2010	**15**	-
Mustakallio, Panu	Member of the Board until March 31, 2010	**5**	18
Wiitakorpi, Jorma	Member of the Board until April 2, 2009	**-**	3
TOTAL		**140**	127

Management ownership

The company's Board of Directors, President and CEO and Presidents of the subsidiaries owned a total of 138,049 series A shares and 144,470 series K shares at December 31, 2010. Management's ownership corresponds to 7.1 percent of the shares in the company and 13.3 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.

Loans and guarantees on behalf of the related party

No loans are granted to the company's management. On December 31, 2010, the Parent Company Raute Corporation had loan receivables from its subsidiary Raute Service LLC EUR 355 thousand (EUR 355 thousand). Raute Corporation had a EUR 100 thousand (EUR 110 thousand) liability to Raute Corporation's Sickness Fund. During the comparison year 2009 Raute Corporation wrote off loan receivables from Raute Canada Ltd. in the amount of EUR 3,761 thousand. Raute Corporation has given a counter guarantee of EUR 200 thousand for the loan of the foreign subsidiary and a EUR 3,100 mortgage agreement on behalf of the subsidiary. No pledges or other commitments have been given on behalf of the company's management and shareholders.

Sickness Fund

Raute Group has an insurance fund, which pays its members additional benefits on top of compensations paid according to the Sickness Insurance Act. Raute's Sickness Fund covers personnel in Raute Corporation and its domestic subsidiaries as well as personnel of the former subsidiary Lahti Precision Oy. Raute's Sickness Fund has deposited its assets in Raute Corporation. The amount of deposits was EUR 100 thousand on December 31, 2010 (EUR 100 thousand) and 1.2 percent (1.5%) of interest was paid to it.

EUR 1 000		2010	2009
34	**OTHER LEASES AND OPERATING LEASE LIABILITIES**		
	Group as lessee		
	Minimum rents paid on the basis of other non-cancellable leases:		
	- Within one year	**547**	576
	- After the period of more than one and less than five years	**1 157**	1 080
	- More than five years	**701**	782
	TOTAL	**2 406**	2 438

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

Group as lessor

The Group has rented out the office and plant facilities that it does not need. The facilities have been classified as tangible fixed assets in the financial statements. Lease income has been recognized in other operating income in the financial statements and totaled EUR 22 thousand (EUR 21 thousand) in 2010.

		2010	2009
35	**CURRENCY DERIVATIVES**		
	Currency derivatives are used for hedging purposes.		
	Nominal values of forward contracts in foreign currency		
	Economic hedging		
	- Related to financing	**189**	661
	- Related to the hedging of net sales	**283**	1 615
	Fair values of forward contracts in foreign currency		
	Economic hedging		
	- Related to financing	**-**	-35
	- Related to the hedging of net sales	**2**	98

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

		2010	2009
36	**PLEDGED ASSETS AND CONTINGENT LIABILITIES**		
	Pledged assets on behalf of the Group		
	Pension loans (TyEL)	**14 000**	18 000
	- Business mortgages	**6 700**	6 700
	- Pledged assets	**1 000**	3 000
	- Credit insurance agreements	**4 900**	5 600
	Other	**100**	100
	- Real estate mortgages	**134**	134

EUR 1 000	2010	2009
Commercial bank guarantees on behalf of the Parent company and subsidiaries	**10 154**	7 125
Mortgage agreements on behalf of subsidiaries - Counter guarantees	**3 327**	200

Other own obligations

Pledges on behalf of the company's management and shareholders are presented in the note number 33 to the financial statement.

37 OTHER FINANCIAL INSTRUMENT DATA

EUR 1 000	Note	Carrying amount Dec. 31, 2010	Fair value Dec. 31, 2010	Carrying amount Dec. 31, 2009	Fair value Dec. 31, 2009
Financial assets					
Financial assets at fair value through profit or loss					
Unquoted share investments	19	497	497	486	486
Loans and other receivables					
Non-current deposits	20	-	-	1 000	1 000
Current deposits	22	1 000	1 000	2 000	2 000
Accounts receivables and other receivables*	22	10 770	10 770	7 832	7 832
Cash and cash equivalents	23	24 090	24 090	27 900	27 900
TOTAL		**36 357**	**36 357**	**39 218**	**39 218**
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Currency derivates	35	139	139	-	-
- of which under hedge accounting	35	19	19	-	-
Financial liabilities recognized at amortized cost					
Bank and other financial loans	29–30	14 439	14 439	18 533	18 533
Trade and other payables	32	3 520	3 520	2 104	2 104
Accrued expenses	32	4 366	4 366	4 554	4 554
TOTAL		**22 464**	**22 464**	**25 191**	**25 191**
Financial instruments by category					
Loans and receivables		35 861	35 861	38 731	38 731
Available-for-sale financial assets		497	497	486	486
Financial liabilities at fair value through profit or loss		139	139	-	-
Financial liabilities recognized at amortized cost		22 325	22 325	25 191	25 191

*Balance sheet item Accounts receivabels and other receivables includes accrued income of EUR 4,710 thousand from customers' long-term projects corresponding to revenues by percentage of completion (EUR 3,246 thousand).

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

Other investments

Available-for-sale financial assets mainly consist of investments in unquoted shares. Unquoted shares have been valued at cost less potential impairment since their value cannot be determined reliably. There are no active market for unquoted shares. The Group has so far no intention to abandon these investment.

Accounts receivables and other receivables

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

Derivates, hedge accounting applied

The effective portions of changes in the fair values of derivative instruments determined as cash flow hedging, amounting to EUR -14 thousand (0 thousand), have been recognized in equity hedge reserve and in other comprehensive income items. Hedged transactions are estimated to mature in different dates during the following 12 months. Gains and losses matured in the equity hedge reserve are transferred to the comprehensive income statement when firm commitments are recognized to the income statement. During the financial year 2010, no ineffective portion was connected to the cash flow hedging.

Gains and losses from cash flow hedging, items derecognized from equity and presented in adjustment of the sales revenue of the financial year, as well as hedge result recognized to adjust the cost of acquistion, are presented in the consolidated statement of changes in shareholders' equity.The nominal values of outstanding forward contracts are presented in the note number 35 to the financial statements.

Derivates, hedge accounting not applied
The fair values of derivative instruments have been determined using the market values of the contracts determined to the similar period at the balance sheet date. The fair values correspond prices, which the Group should pay or receive, if the derivative contract was terminated.

Bank and other loans
The fair values of liabilities correspond the carrying value in the balance sheet.

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

Financial assets and liabilities that are measured at fair value
Financial instruments at fair value are categorized according to standard IFRS 7. Instruments included in level 1 are traded in active markets. The fair values of these instruments are based on the quoted market prices at the balance sheet date. The fair value of the instruments included in level 2 is based on the price available from the market data but instruments are not traded in an active market.The fair value of the instruments included in level 3 is not based on the observable market data but is partly based on the measurement base which requires estimates and assumptions from the management.

EUR 1 000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Available-for-sale financial assets	-	-	497	497
TOTAL	**-**	**-**	**497**	**497**
Derivatives at fair value				
- Derivative liabilities	-	159	-	159
TOTAL	**-**	**159**	**-**	**159**

38 MANAGEMENT OF FINANCING RISKS

The Group is exposed to financing risks which have been classified as market, counterparty and liquidity risks. The key risk areas of the Group's international business operations have been recognized as credit risks of the counterparty risks and currency risks of the market risks. The Group is also exposed to liquidity risks as well as interest and price risks, which are part of market risks.

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

MARKET RISKS
Market risks include currency, interest and price risks. Currency risks are further divided into transaction and translation risks. Raute Corporation's consolidated financial statements of December 31, 2010 and those of the comparison year do not include equity and interest fund investments.

Currency risks
The Group operates in international markets and is thus exposed to currency risks resulting from changes in currency exchange rates. The Group's currency risks consist of foreign currency denominated sales and purchases as well

as balance sheet items (transaction risks) and investments in foreign subsidiaries (translation risks). The Group's main currency is the euro. Most significant currency risks result from the Canadian dollar (CAD) and US dollar (USD). Other currencies which are monitored to ensure the competitiveness and operations of the Group are the Russian rouble (RUB) and the Chinese yuan (CNY).

The distribution of the Group's sales varies annually according to market area. In 2010, 87 percent (39%) of net sales were generated outside the euro zone. The Group primarily uses each Group company's functional currency as the primary trading currency, of which the most important is the euro.

The Group's operative units hedge foreign currency denominated accounts receivables based on binding sales contracts through the Parent company's financing unit when the contracts take effect. Currency forward contracts are used to hedge sales payments operatively. Primarily, cash flows accumulating from unhedged accounts receivables in the same currency are used in the hedging of currency risks related to procurement contracts. Future cash flows, which are not based on binding sales contracts, are usually not hedged with derivative contracts. Currency clauses are used to hedge against currency risks during the quotation period. Depending on the case, currency risks related to preliminary sales contracts are hedged with currency option contracts. The value of forward contracts used to hedge business operations was EUR 0.3 million (MEUR 1.6) at the balance sheet date.

The Group can reduce the temporary effect on the operating profit related to the fair value of derivative contracts resulting from changes in exchange rates by applying, in accordance with the IAS 39 standard, hedge accounting to the derivatives connected to binding, fixed-price sales contracts. The Group's Parent company concludes, with an external counterparty, a derivative contract which is defined as a hedging instrument in hedge accounting. Subsidiaries use internal derivatives to hedge transactions defined as hedged items. The unrealized valuation gains and losses from derivatives used for hedging have been recognized in other comprehensive income items and the equity hedge reserve. The total amounts of the valuation gains and losses have been presented above in the note number 37 to the financial statements.

The internal loans taken out by the Group companies and their deposits are mainly in the functional currency of the subsidiary in question. The net currency exchange risks of internal loans are hedged with forward contracts, with the exception of equity loans. The Group's external loans are in each company's functional currency. The Group did not have any forward contracts related to the hedging of the Group's internal financing on December 31, 2010. At the end of the comparison year 2009, the nominal value of forward contracts in Canadian dollars stood at EUR 3.3 million.

The forward contract receivables and liabilities related to financial hedging of sales payments, to which hedge accounting is not applied, equal the currency risk to the Group at the reporting date. This currency risk is recognized in profit or loss when the value of the forward contracts exceeds the income recognition of the respective binding sales contracts. The measurement of the forward contracts and the percentage of completion receivables had a EUR 118 thousand negative effect on the Group's operating profit (EUR +90 thousand) during the financial year which ended on December 31, 2010.

Transaction risks

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

Group transaction risks

	Net currency position		**Net balance sheet risk**	
EUR 1 000	**2010**	**2009**	**2010**	**2009**
USD/EUR	6	183	6	183
CAD/EUR	-54	374	-19	402
USD/CAD	780	295	447	972

Translation risks

The Group has foreign subsidiaries and is exposed to translation risks. The currency risks related to the conversion of the foreign subsidiaries' net investments to the Group's home currency, the euro, have not been hedged. The Group's subsidiaries' non-euro-denominated equities equaled altogether EUR -8,213 thousand on December 31, 2010 (EUR -9,835 thousand). Net investments are detailed according to currency in the table 'Net investments in subsidiaries by currency'.

Net investments in subsidiaries by currency

	Net investments in subsidiaries	
EUR 1 000	**2010**	**2009**
USD	17	17
CAD	84	821
CNY	493	493
RUB	355	355
Others	15	15

Sensitivity analysis

The table 'Sensitivity analysis of main currencies' presents a sensitivity analysis in the main currency pairs on the transaction risk, i.e. the effect of reasonable potential changes in the exchange rates on the Group's profit or loss before tax and on equity on December 31, 2010 and at the comparison date. The foreign currency denominated receivables and liabilities recognized in the balance sheet on the reporting date, as well as the currency derivative contracts and net investments in subsidiaries, have been taken into account in the effect of exchange rate changes on the balance sheet fair values. In the analysis, the change in exchange rate has been estimated to be +/-10 percent from the reporting date, and other factors are estimated to remain unchanged.

Sensitivity analysis of main currencies

	Effect on profit before tax				Efffect on equity			
EUR 1 000		2010		2009		2010		2009
USD +/- 10%	+/-	6	+/-	12	+/-	93	+/-	111
CAD +/- 10%	+/-	335	+/-	238	+/-	232	+/-	392
RUB +/- 10%	+/-	5	+/-	11	+/-	80	+/-	9
CNY +/- 10%	+/-	57	+/-	35	+/-	9	+/-	44

Interest risk

No significant interest risks were included in the Group's cash and cash equivalents and loans during the financial year 2010 or the comparison year. On the reporting date, cash and cash equivalents were invested in fixed interest rate accounts and money-market deposits. The Group's loans have fixed interest rates. The interest risk connected to the balance sheet's derivative contracts and other fair values has been low.

The Group's objective is to hedge against interest risks related to liabilities through fixed-interest rate loans and sufficient liquid assets. In the present uncertain financial market situation, the Group is avoiding investment instruments which involve significant interest or price risks. For the Group, the most significant effect of the change in interest rate levels focuses on the future returns from liquid assets. In a normal financial market situation, the Group invests its cash and cash equivalents in money-market funds as well as fixed-interest funds and is thus exposed to price risks arising from the changes in the market prices of listed fixed-interest funds. No interest rate derivatives or investments in fixed-interest funds were included in the financial statements of December 31, 2010 or the comparison year.

Price risk

The raw materials used by the Group are reprocessed steel products, other raw materials, components, and commodities; it is not possible to actively hedge against their market price risk with derivatives, and their price risk is a part of the business risk. The price risk of steel is managed by regularly analyzing and following the price fluctuation. The price risk of components is reduced by making blanket agreements with suppliers. The price risk of the electric power used in the Group's production processes is followed and managed through fixed-price contracts. At the balance sheet date, there were no derivatives hedging price risk that would affect the profit or loss in the consolidated financial statements.

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

COUNTERPARTY RISK

The Group's most significant counterparty risks are customer credit risks related to contractual counterparties in the project business and counterparty risks related to the Group's investment activities.

The maximum amount of credit risk at the balance sheet date is the book value of financial assets. At the end of the financial year the maximum amount of credit risk on December 31, 2010 was EUR 36.4 million (MEUR 39.2).

Customer credit risk

Default risks related to contractual counterparties in project deliveries are managed by expecting bank guarantees or confirmed letters of credit for customer payments, and by accelerated payment terms with long-term customers approved by the Board of Directors. Default risks related to technology services are managed by regularly monitoring the maximum amounts of the customer-specific receivables and customers' payment behavior. As a result of the general economic downturn, the risk level for unhedged receivables is expected to be slightly higher than normal. Accounts receivables do not include significant default risks at the balance sheet date.

The maximum default 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 55 percent (33%) of the accounts receivables and the percentage of completion receivables recorded in the balance sheet and 19 percent (16%) of the order book at the end of the financial year.

The age analysis of accounts receivables and invoiced advance payments of binding sales contracts is shown in the table 'Age distribution of accounts receivables'. The advance payments presented in the table are invoiced payments connected to binding contracts which are not included in the assets of the balance sheet at the balance sheet date. At the end of the financial year, no overdue accounts receivables resulting from counterparties' permanent insolvency were known to exist. The credit losses recognized during the financial year amounted to EUR 0.1 million. During the comparison year 2009, a profit of EUR 0.1 million was generated through the recovery of previously recognized credit losses.

Age distribution of accounts receivables

EUR 1 000	2010	2009
Accounts receivables	4 800	2 712
Advance payments invoiced	880	1 020
TOTAL	**5 680**	**3 731**
Neither past due nor impaired	4 256	1 871
Overdue 0–29 days	567	761
Overdue 30–60 days	221	211
Overdue more than 60 days	635	888
TOTAL	**5 680**	**3 731**

Counterparty risk for investment activities

The financing instrument contracts that the Group has concluded with banks and financial institutions involve the risk that the counterparty is not able to fulfill its obligations according to the contract. In investment activities and when concluding derivative contracts, those parties which have a good credit rating and which meet the other terms and conditions defined by the financing policy are accepted as counterparties. When making investments, or derivative and loan agreements, the Group applies counterparty-specific upper limits to avoid risk concentrations. On the balance sheet date, the investments related to the Group's cash management were in Nordic banks. The liquid assets in financial institutions outside the euro zone were EUR 4.0 million (MEUR 3.0) at the balance sheet date.

LIQUIDITY RISKS

The minimum amounts of cash and cash equivalents, current investments, and available credit liabilities have been defined in the Group's financing policy to ensure the Group's liquidity. Good liquidity is maintained primarily through efficient working capital and cash management. In the long term, risks related to the availability and pricing of funding are managed by using a variety of sources for financing. Investments are required to exhibit sufficient liquidity. The Group did not have interest-bearing net liabilities in the consolidated financial statements of 31 December 2010 or the comparison year. The cash and cash equivalents available to the Group are sufficient to cover the Group's short-term financing needs.

The Group's cash and cash equivalents totaled EUR 24.1 million (MEUR 27.9) at the end of the financial year. Due to the nature of the Group's project business, required financing and the amount of liquid assets also fluctuate in the short term. Predicting working capital requirements is made especially challenging by new orders which have individual payment terms and involve uncertainties related to delivery schedules. The Group has made preparations for fluctuating working capital requirements and possible disturbances in the availability of money by a EUR 14 million TyEL loan portfolio (MEUR 18). Investments are made primarily in short-term deposits or marketable euro-denominated investments with good credit rating.

The Group's financial liabilities include trade payables, derivative liabilities and interest-bearing liabilities. Trade payables are due within less than a month on average. The maturity of the Group's interest-bearing financing loans is presented in the table 'Repayment of interest-bearing loans based on loan contracts and cash flows from financial expenses and cash flows from other financial liabilities on December 31, 2010'.

Repayment of interest-bearing loans based on loan contracts and cash flows from financial expenses and cash flows from other financial liabilities on December 31, 2010.

EUR 1 000	2011	2012	2013	2014	2015	Total
TyEL-loans						
Repayments	4 000	4 000	4 000	2 000	-	14 000
Financial expenses	478	330	180	50	-	1 038
Total	**4 478**	**4 330**	**4 180**	**2 050**	**-**	**15 038**
Other loans						
Repayments	443	-	-	-	-	443
Financial expenses	14	-	-	-	-	14
Total	**457**	**-**	**-**	**-**	**-**	**457**
Trade payables						
Repayments	3 126	-	-	-	-	3 126
Financial expenses	-	-	-	-	-	-
Total	**3 126**	**-**	**-**	**-**	**-**	**3 126**
Accrued expenses and prepaid income						
Repayments	4 366	-	-	-	-	4 366
Financial expenses	-	-	-	-	-	-
Total	**4 366**	**-**	**-**	**-**	**-**	**4 366**

In addition, bank credit limits and Raute Corporation's EUR 10 million (MEUR 10) domestic commercial paper program, which allows it to issue commercial papers maturing in less than one year, secure the Group's liquidity. The company also has bilateral non-current credit regulation agreements worth EUR 10 million (MEUR 10), of which EUR 10 million (MEUR 8) could be used as credit limits on December 31, 2010. The unused credit limit is secured by a corporate mortgage of EUR 3 million.

CAPITAL STRUCTURE MANAGEMENT

The objective of the Group's capital structure management is an effective capital structure that secures the Group's operational preconditions on the capital market. Soliditet Finland ranked the Group's Parent company in the highest AAA ranking category throughout 2010, as well as in the comparison year 2009.

The Group's capital structure is followed using the equity ratio, which has been set a strategic target value. During the financial year 2010, the Group's target was to maintain the equity ratio at over 40 percent.

The Group has set in its loan and credit contracts, as well as in the security agreements related to them, the following key covenants:
- equity ratio to be over 31 percent and
- gearing to be under +100 percent.

At the end of the financial year, the equity ratio was 50.7 percent (46.0%) and gearing -39.8 percent (-40.6%). During the financial year and the comparison year, the Group met the conditions of the covenants.

39 EXCHANGE RATES USED IN CONSOLIDATION OF THE SUBSIDIARIES

Income statement	2010 EUR	2009 EUR
USD	**1.3268**	1.3933
CAD	**1.3665**	1.5852
SGD	**1.8080**	2.0230
CLP	**675.8537**	776.0007
RUB	**40.2780**	44.1391
CNY	**8.9805**	9.5160

Balance sheet	2010 EUR	2009 EUR
USD	**1.3362**	1.4406
CAD	**1.3322**	1.5128
SGD	**1.7136**	2.0194
CLP	**626.1104**	734.0420
RUB	**40.8200**	43.1540
CNY	**8.7873**	9.9777

EUR 1 000	2010	2009
40 ADJUSTMENTS TO OPERATING CASH FLOW		
Non-cash transactions in operating activities		
Depreciations and amortizations	**-2 250**	-2 670
Employee benefits	**52**	-8
Impairments	**-**	-13
Exchange rate differences	**-198**	-282
TOTAL	**-2 396**	-2 972

41 EVENTS AFTER THE BALANCE SHEET DATE

Raute Corporation received over EUR 12 million in orders from Russia (stock exchange release on January 20, 2011). These orders are not included in order book at December 31, 2010.

Parent company's income statement, FAS

EUR Note		1.1–31.12.2010	1.1–31.12.2009
2, 3	**NET SALES**	**54 541 881.48**	31 355 663.80
	Change in inventories of finished goods and work in progress	**-295 998.32**	683 443.44
4	**Other operating income**	**2 229 416.64**	431 251.25
5	Materials and services	**-29 644 679.29**	-14 509 818.73
6	Personnel expenses	**-17 982 415.90**	-16 842 067.83
8, 13	Depreciation, amortization and impairment charges	**-1 741 200.23**	-1 912 053.83
9	Other operating expenses	**-6 552 042.92**	-5 977 676.29
	Total operating expenses	**-55 920 338.34**	-39 241 616.68
	OPERATING PROFIT (LOSS)	**554 961.46**	-6 771 258.19
	Financial income and expenses		
10	Income from investments in other non-current assets	**118 006.00**	78 905.00
10	Interest and other financial income	**472 605.18**	342 428.84
10	Impairments from investments in non-current assets	**-**	-3 774 357.62
10	Intrerest and other financial expenses	**-738 989.66**	-488 722.31
	Total financial income and expenses	**-148 378.48**	-3 841 746.09
	PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAX	**406 582.98**	-10 613 004.28
11	**Appropriations**	**-40 616.97**	418 073.66
12	**Income taxes**	**-66 789.86**	1 851 477.45
	PROFIT (LOSS) FOR THE FINANCIAL YEAR	**299 176.15**	-8 343 453.17

Parent company's balance sheet, FAS

EUR Note		**31.12.2010**	31.12.2009
	ASSETS		
	Non-current assets		
13	Intangible assets	**902 544.01**	1 254 853.90
13	Tangible assets	**6 246 131.87**	8 063 109.55
14	Investments	**1 672 347.77**	2 397 292.61
	Non-current assets total	**8 821 023.65**	11 715 256.06
	Current assets		
5, 15	Inventories	**3 319 616.14**	3 359 386.03
16	Non-current receivables	**1 720 287.59**	2 798 447.20
16	Current receivables	**12 198 097.22**	9 814 741.35
	Cash and cash equivalents	**20 404 620.00**	27 415 432.24
	Current assets total	**37 642 620.95**	43 388 006.82
	TOTAL ASSETS	**46 463 644.60**	55 103 262.88
	LIABILITIES		
	Shareholders' equity		
17	Share capital	**8 009 516.00**	8 009 516.00
17	Share premium	**6 498 341.93**	6 498 341.93
17	Retained earnings	**7 426 809.19**	15 770 262.36
17	Profit (loss) for the financial year	**299 176.15**	-8 343 453.17
	Shareholders' equity total	**22 233 843.27**	21 934 667.12
18	**Appropriation reserve**	**40 616.97**	-
19	**Obligatory provisions**	**659 808.05**	1 430 153.48
	Liabilities		
20	Non-current liabilities	**10 000 000.00**	14 115 400.00
20	Current liablities	**13 529 376.31**	17 623 042.28
	Liabilities total	**23 529 376.31**	31 738 442.28
	TOTAL LIABILITIES	**46 463 644.60**	55 103 262.88

Parent company's cash flow statement, FAS

EUR	1.1–31.12.2010	1.1–31.12.2009
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	**46 744 323.00**	44 486 162.82
Proceeds from other operating income	**2 171 254.00**	363 454.42
Payments of operating expenses	**-53 338 165.19**	-38 923 990.92
Cash flow before financial items and taxes	**-4 422 588.19**	5 925 626.32
Interests paid and payments of other operating financial expenses	**-748 874.00**	-477 062.69
Interests received from operating activities	**438 327.00**	496 818.33
Dividends received from operating activities	**118 006.00**	78 905.00
Income tax paid	**11 370.00**	561 603.81
Cash flow before extraordinary items	**-4 603 759.19**	6 585 890.77
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	**-4 603 759.19**	6 585 890.77
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	**-536 638.00**	-946 725.31
Purchases of available-for-sale investments	**-12 099.05**	-
Proceeds from sale of tangible and intangible assets	**930 902.00**	77 381.96
Loans granted to subsidiaries	**-**	-1 770 917.97
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	**382 164.95**	-2 640 261.32
CASH FLOW FROM FINANCING ACTIVITIES		
Repurchase of own shares	**-**	-138 497.52
Changes in non-current and current receivables	**2 000 000.00**	-3 000 000.00
Increase of current liabilities	**2 383.00**	1 084 271.02
Repayments of current liabilities	**-866 027.00**	-147 137.32
Increase of non-current liabilities	**-**	10 000 000.00
Repayments of non-current liabilities	**-4 115 400.00**	-2 000 000.00
Dividends paid	**-**	-2 803 330.60
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	**-2 979 044.00**	2 995 305.58
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**-7 200 638.24**	6 940 935.03
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	**27 415 432.24**	20 507 425.87
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**189 826.00**	32 928.66
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**20 404 620.00**	27 415 432.24

Notes to the Parent company's financial statements

1 ACCOUNTING PRINCIPLES

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

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

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

Fixed assets
Tangible and intangible assets have been recognized in the balance sheet at original cost less accumulated depreciation, with the exception of some property items, which have been revaluated, and shares, which have been subject to impairment. Variable costs arising from the acquisition and production of a product have been included in the carrying amount. Depreciations of tangible and intangible assets have been recorded with the straight-line method over the expected economic lives of the assets as follows:

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

Depreciations are recorded from the beginning of the month in which the asset was taken into use. Residual expenditures on decommissioning and disposal of property, plant and equipment are presented under depreciation, amortization and impairment in the income statement. Gains and losses on disposal of property, plant and equipment are presented in other operating income or expenses.

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

The Group's derivatives include currency derivative contracts. Currency derivatives are used for hedging related to changes in foreseen cash flows in foreign currency. Currency derivative contracts have not been measured at fair value in the Parent company. The fair values of currency derivative contracts have been presented in the note number 22 to the financial statements.

Acquisition and transfer of the company's own shares
During the financial year, the company has not acquired or disposed its own shares. In the comparison year, the acquisitions of the company's own shares have been recognized in the balance sheet under earnings at the acquisition price, which is made up of the market price of the shares at the acquisition date and other costs arising from the acquisition. The shares were transferred as part of the payments under the share-based incentive plan (2006) during the financial year 2009 and the transfer was recognized in the acquisition price through loss and profit.

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

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

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

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

On the financial year's unconfirmed tax loss, deferred tax receivables have been recognized to the extent that it is probable that taxable profits will be available against which temporary differences can be utilized. The deferred tax liability included in the depreciation difference has been presented in the note number 18 to the financial statements.

EUR 1 000		2010	%	2009	%
2	**NET SALES BY MARKET AREA**				
	Asia-Pacific	**18 787**	**34**	2 235	7
	Russia	**17 735**	**33**	9 904	32
	Rest of Europe	**8 805**	**16**	10 348	33
	Finland	**5 049**	**9**	4 607	15
	North America	**2 060**	**4**	265	1
	South America	**1 970**	**4**	3 831	12
	Others	**136**	**0**	166	1
	TOTAL	**54 542**	**100**	31 356	100
3	**REVENUE RECOGNITION METHOD BASED ON PERCENTAGE OF COMPLETION**				
	Net sales by percentage of completion	**47 442**		25 362	
	Other net sales	**7 100**		5 994	
	TOTAL	**54 542**		31 356	
	Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	**45 387**		25 754	
	Amount of long-term project revenues not yet entered as income (order book)	**26 021**		19 227	
	Specification of combined asset and liability items				
	Advance payments paid	**301**		-	
	Advance payments included in inventories in the balance sheet	**301**		-	
	Accrued income corresponding to revenues by percentage of completion	**45 578**		25 856	
	Advance payments received from project customers	**-39 354**		-22 596	
	Project receivables included in current receivables in the balance sheet	**6 224**		3 260	
4	**OTHER OPERATING INCOME**				
	Capital gain on sale of property, plant and equipment	**58**		68	
	Other income from Group companies	**2 068**		326	
	Other operating income	**104**		38	
	TOTAL	**2 229**		431	
5	**MATERIALS AND SERVICES**				
	Materials and supplies				
	- Purchases during the financial year	**27 914**		13 036	
	- Change in inventories	**79**		209	
	External services	**1 652**		1 266	
	TOTAL	**29 645**		14 510	
6	**PERSONNEL EXPENSES**				
	Wages and salaries	**14 660**		13 887	
	Pension costs	**2 372**		2 285	
	Other personnel expenses	**950**		670	
	TOTAL	**17 982**		16 842	
	Salaries and remunerations of Directors				
	President and CEO				
	Kiiski, Tapani — President and CEO	**225**		294	

EUR 1 000		2010	2009
Members of the Board of Directors			
Pehu-Lehtonen, Erkki	Chairman of the Board	**40**	27
Mustakallio, Sinikka	Vice-Chairman of the Board	**20**	18
Rytilahti, Jarmo	Chairman of the Board until April 2, 2009	-	10
Hautamäki, Risto	Member of the Board	**20**	13
Helander, Ilpo	Member of the Board	**20**	18
Mustakallio, Mika	Member of the Board	**20**	18
Suominen, Pekka	Member of the Board as of March 31, 2010	**15**	-
Mustakallio, Panu	Member of the Board until March 31, 2010	**5**	18
Wiitakorpi, Jorma	Member of the Board until April 2, 2009	**-**	3
TOTAL		**365**	421

The Annual General Meeting resolved on March 31, 2010 to issue a maximum of 240,000 stock options. Based on the authorization given by the Annual General Meeting the Board of Directors of Raute Corporation has granted 80,000 stock options marked with the symbol 2010 A to the Group's key persons. The granted options have been valued at fair value upon the grant May 5, 2010. The fair value of the stock option is recognized as an expense in the comprehensive income statement during the earning period. During the financial year, an amount of EUR 50 thousand has been recognized as an expense in the comprehensive income statement related to stock options.

The main terms and conditions of the stock option system are presented in the note number 26 to financial statements.

		2010	2009
7	**PERSONNEL**		
	Employed at Dec. 31, persons		
	Workers	**130**	148
	Office staff	**238**	260
	TOTAL	**368**	408
	- of which personnel working abroad	**2**	4
	Average, persons		
	Workers	**140**	151
	Office staff	**247**	262
	TOTAL	**387**	413
	- of which personnel working abroad	**3**	5
	Effective, on average, persons		
	Workers	**110**	92
	Office staff	**209**	211
	TOTAL	**319**	303
	- of which personnel working abroad	**3**	5
8	**DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES**		
	Depreciation and amortization from tangible and intangible assets	**1 741**	1 912
	TOTAL	**1 741**	1 912
9	**OTHER OPERATING EXPENSES**		
	Indirect production costs	**1 278**	1 171
	Sales and marketing costs	**1 721**	1 662
	Administration costs	**1 386**	1 382
	Other costs	**2 167**	1 762
	TOTAL	**6 552**	5 978

EUR 1 000		2010	2009
	Auditor's remunerations		
	Authorized Public Accountants PricewaterhouseCoopers Oy		
	Annual audit, statutory	**30**	-
	Tax services	**15**	18
	Other services	**7**	9
	TOTAL	**52**	27
	Authorized Public Accountant Ernst & Young Corporation		
	Annual audit, statutory	**21**	47
	Tax services	**-**	18
	Other services	**3**	2
	TOTAL	**24**	67
10	**FINANCIAL INCOME AND EXPENSES**		
	Income from investments in other non-current assets		
	Dividends	**118**	79
	TOTAL	**118**	79
	Other interest and financial income		
	From Group companies	**48**	69
	From others	**425**	273
	TOTAL	**473**	342
	Total financial income	**591**	421
	Impairments from investments in non-current assets		
	From Group companies	**-**	3 761
	From others	**-**	13
	TOTAL	**-**	3 774
	Interest and other financial expenses		
	To others	**739**	489
	TOTAL	**739**	489
	Total financial income and expenses	**-148**	-3 842
	Exchange rate gains (+) / losses (-) included in total financial income and expenses	**-18**	-22
11	**APPROPRIATIONS**		
	Difference in planned and taxed depreciations	**-41**	418
	TOTAL	**-41**	418
12	**INCOME TAXES**		
	From operations, current financial year	**-82**	-10
	From operations, previous financial years	**27**	63
	Change in deferred taxes	**-12**	1 798
	TOTAL	**-67**	1 851

13 NON-CURRENT ASSETS

EUR 1 000	Development costs	Intangible rights	Other long-term expenditure	TOTAL
Intangible assets				
Carrying amount at Jan. 1, 2010	**679**	**1 156**	**4 326**	**6 162**
Additions	-	91	19	111
Disposals	-	-	-	-
Reclassifications between items	-	-	75	75
Carrying amount at Dec. 31, 2010	**679**	**1 248**	**4 421**	**6 347**
Accumulated amortization at Jan. 1, 2010	**-419**	**-743**	**-3 745**	**-4 907**
Amortization for the financial year	-216	-76	-247	-538
Accumulated amortization at Dec. 31, 2010	**-634**	**-818**	**-3 992**	**-5 445**
Book value at Dec. 31, 2010	**45**	**429**	**428**	**903**
Book value at Dec. 31, 2009	**260**	**414**	**581**	**1 255**

EUR 1 000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Assets in progress and advance payments	TOTAL
Tangible assets						
Carrying amount at Jan. 1, 2010	**297**	**9 073**	**19 549**	**336**	**507**	**29 762**
Additions	-	-	267	-	159	426
Disposals	-66	-873	-26	-	-	-965
Reclassifications between items	-	-	568	-	-643	-75
Carrying amount at Dec. 31, 2010	**231**	**8 201**	**20 358**	**336**	**23**	**29 148**
Accumulated depreciation at Jan. 1, 2010	**-**	**-5 034**	**-16 349**	**-316**	**-**	**-21 699**
Depreciation for the financial year	-	-255	-944	-4	-	-1 203
Accumulated depreciation at Dec. 31, 2010	**-**	**-5 289**	**-17 293**	**-320**	**-**	**-22 902**
Book value at Dec. 31, 2010	**231**	**2 912**	**3 064**	**16**	**23**	**6 246**
Book value at Dec. 31, 2009	**297**	**4 039**	**3 200**	**20**	**507**	**8 063**
Book value for production machinery						
Dec. 31, 2010			**2 449**			
Dec. 31, 2009			**2 485**			

14 NON-CURRENT INVESTMENTS

EUR 1 000	Shares, Group companies	Shares, others	Receivables, Group companies	TOTAL
Carrying amount at Jan. 1, 2010	**6 987**	**484**	**10 402**	**17 873**
Additions	-	12	-	12
Disposals	-	-	-737	-737
Carrying amount at Dec. 31, 2010	**6 987**	**497**	**9 665**	**17 148**
Accumulated impairments at Jan. 1, 2010	**-6 166**	**-**	**-9 310**	**-15 476**
Additions	-	-	-	-
Accumulated impairments at Dec. 31, 2010	**-6 166**	**-**	**-9 310**	**-15 476**
Book value at Dec. 31, 2010	**821**	**497**	**355**	**1 672**
Book value at Dec. 31, 2009	**821**	**484**	**1 092**	**2 397**

Shares owned by the company are presented in the note number 23 to the financial statements.

EUR 1 000	2010	2009
15 INVENTORIES		
Materials and supplies	**1 487**	1 565
Work in progress	**1 431**	1 556
Other inventories	**101**	238
Advance payments	**301**	-
TOTAL	**3 320**	3 359
16 SPECIFICATION OF RECEIVABLES		
Non-current receivables		
Non-current receivables from Group companies		
- Loan receivables	**355**	1 092
Total from Group companies	**355**	1 092
Non-current receivables from others		
Deferred tax receivable	**1 720**	1 798
Other receivables	**-**	1 000
Total from others	**1 720**	2 798
TOTAL	**2 075**	3 890
Current receivables		
Current receivables from Group companies		
- Accounts receivables	**742**	1 228
- Accrued income and prepaid expenses	**2**	4
Total from Group companies	**744**	1 232
Current receivables from others		
- Accounts receivables	**3 522**	1 952
- Accrued income	**4 732**	3 961
- Other receivables, interest-bearing	**1 000**	2 000
- Other receivables, non-interest-bearing	**469**	669
Total from others	**9 723**	8 583
TOTAL	**10 467**	9 815
Substantial items included in accrued income		
- Project receivables entered according to percentage of completion	**6 224**	3 260
- Other accrued income	**241**	705
TOTAL	**6 465**	3 966
17 SHAREHOLDERS' EQUITY		
Share capital at Jan. 1	**8 010**	8 010
Share capital at Dec. 31	**8 010**	8 010
Share premium at Jan. 1	**6 498**	6 498
Share premium at Dec. 31	**6 498**	6 498
Retained earnings at Jan. 1	**15 771**	14 227
Changes during the financial year		
- Profit (loss) from the previous year	**-8 343**	4 485
- Dividends	**-**	-2 803
- Repurchase of own shares	**-**	-138
Retained earnings at Dec. 31	**7 427**	15 771
Profit (loss) for the financial year	**299**	-8 343
SHAREHOLDERS' EQUITY AT DEC. 31	**22 234**	21 935

EUR 1 000		2010	2009
	Distributable funds		
	Retained earnings at Dec. 31	**7 427**	15 771
	Profit (loss) for the financial year	**299**	-8 343
	Distributable funds at Dec. at 31	**7 726**	7 427
	Shares of the company		
	Shares, 1 000 pcs	**4 005**	4 005
	Nominal value, EUR	**2.00**	2.00
	Total nominal value, 1 000 EUR	**8 010**	8 010
	Serie K shares (ordinary shares, 20 votes/share), 1 000 pcs	**991**	991
	Serie A shares (1 vote/share), 1 000 pcs	**3 014**	3 014
18	**APPROPRIATION RESERVE**		
	The appropriation reserve consists of accumulated depreciation difference of EUR 40 thousand (0), including deferred tax liabilities of EUR 10 thousand.		
19	**PROVISIONS**		
	Estimated warranty accruals at Jan. 1	**1 301**	1 988
	Amendment during the financial year	**-752**	-687
	Estimated warranty accruals at Dec. 31	**549**	1 301
	Provision for loss/overheads from long-term projects in order book at Jan. 1	**51**	87
	Amendment during the financial year	**-19**	-36
	Provision for loss/overheads from long-term projects in order book at Dec. 31	**32**	51
	Other obligatory provisions at Jan. 1	**78**	341
	Amendment during the financial year	**0**	-263
	Other obligatory provisions at Dec. 31	**78**	78
	TOTAL	**659**	1 430
20	**SPECIFICATION OF LIABILITIES**		
	Non-current liabilities		
	Non-current liabilities to others		
	- Pension loans (TyEL)	**10 000**	14 000
	- Tekes loan	**-**	115
	TOTAL	**10 000**	14 115
	Non-current liabilities do not include items falling due after five years or later.		
	Current liabilities		
	Current liabilities to Group companies		
	- Advances received	**2 125**	-
	- Accounts payable	**423**	489
	- Accrued expenses and prepaid income	**3**	-
	- Other liabiliites	**414**	1 453
	Total to Group companies	**2 965**	1 941

EUR 1 000	2010	2009
Current liabilities to others		
- Pension loans	**4 000**	4 000
- Advance payments received	**734**	6 609
- Accounts payable	**1 845**	1 390
- Accrued expenses and prepaid income	**3 384**	3 103
- Other current liabilities	**601**	581
Total to others	**10 565**	15 682
TOTAL	**13 529**	17 623
Interest-bearing liabilities		
- Non-current	**10 000**	14 115
- Current	**4 215**	4 215
TOTAL	**14 215**	18 331
Substantial items included in accrued expenses and prepaid income		
- Accrued project expenses	**54**	132
- Accrued employee related expenses	**3 059**	2 761
- Other accrued expenses	**274**	210
TOTAL	**3 387**	3 103

21 OTHER LEASES

Raute Corporation as lessee

	2010	2009
Minimum rents paid on the basis of other non-cancellable leases:		
- Within one year	**192**	266
- After the period of more than one and less than five years	**177**	279
- More than five years	**5**	-
TOTAL	**374**	545

Raute Corporation as lessor

Raute Corporation has rented out separate office and plant facilities. In the financial statements, these facilities are a part of buildings which are classified as tangible fixed assets. Lease income has been recognized in other operating income in the income statement and totaled EUR 22 thousand (EUR 21 thousand).

22 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	2010	2009
On behalf of Parent company		
Pension loans (TyEL)	**14 000**	18 000
- Business mortgages	**6 700**	6 700
- Pledged assets	**1 000**	3 000
- Credit insurance agreements	**4 900**	5 600
Other	**100**	100
- Real estate mortgages	**134**	134
Commercial bank guarantees on behalf of the Parent company and subsidiaries	**10 154**	7 125
Mortgage agreements on behalf of subsidiaries		
- Counter guarantees	**3 327**	200
Leasing and rent liabilities		
- Within one year	**199**	241
- After the period of more than one and less than five years	**190**	211
- More than five years	**5**	-

EUR 1 000	2010	2009
Forward contracts in foreign currency		
- Nominal value, related to internal items	**189**	661
- Fair value, internal	**0**	-35

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

Other own obligations

Letter of Guarantee engagements have been issued on behalf of certain subsidiaries. No pledges or other commitments have been given on behalf of the management and shareholders. No loans are granted to the management and shareholders.

23 SHARES OWNED BY THE COMPANY

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

Other shares	**Number of shares**	**Book value, EUR 1 000**
Lahden Seudun Puhelin Oy	1 717	326
Electrosys Oy	600	51
FIMECC OY	50	50
PHP Holding Oy	112	19
Finnish Wood Research Oy	10	10
Others		41
TOTAL		**497**

Key ratios describing the Group's financial development

EUR 1 000	**2010**	2009	2008	2007	2006
Net sales	**62 867**	36 638	98 466	110 799	106 206
Change in net sales, %	**71.6**	-62.8	-11.1	4.3	-2.2
Exported portion of net sales	**57 773**	30 466	82 666	96 759	95 789
% of net sales	**91.9**	83.2	84.0	87.3	90.2
Operating profit (loss)	**1 311**	-9 695	6 341	8 607	4 513
% of net sales	**2.1**	-26.5	6.4	7.8	4.2
Profit (loss) before tax	**1 122**	-9 890	6 880	8 976	4 887
% of net sales	**1.8**	-27.0	7.0	8.1	4.6
Profit (loss) for the financial year	**1 158**	-8 141	4 723	6 601	3 632
% of net sales	**1.8**	-22.2	4.8	6.0	3.4
Return on investment (ROI), %	**5.1**	-21.6	19.4	29.2	18.6
Return on equity (ROE), %	**4.9**	-28.4	14.0	21.1	13.1
Balance sheet total	**53 034**	57 387	60 180	54 800	68 472
Interest-bearing net liabilities	**-9 651**	-9 366	-10 653	-10 794	-23 539
% of net sales	**-15.4**	-25.6	-10.8	-9.7	-22.2
Non-interest bearing liabilities	**14 368**	15 801	15 402	21 116	38 696
Equity ratio, %	**50.7**	46.0	60.5	70.3	60.1
Gearing, %	**-39.8**	-40.6	-31.0	-32.5	-80.3
Gross capital expenditure	**2 224**	1 095	3 242	1 869	1 852
% of net sales	**3.5**	3.0	3.3	1.7	1.7
Research and development costs*	**1 849**	2 470	4 375	3 969	3 765
% of net sales	**2.9**	6.7	4.4	3.6	3.5
Order book, EUR million	**33**	22	24	56	77
Order intake, EUR million	**72**	35	67	90	132
Personnel at Dec. 31	**495**	524	573	570	540
Personnel, effective, on average	**438**	419	569	560	546
Personnel, average	**512**	542	585	575	547
Dividend	**0.30****	0	2 803	4 005	2 803

*Comparison years 2006–2009 have been changed to correspond the presentation used from the beginning of the financial year 2009.

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

Share-related data

	2010	2009	2008	2007	2006
Earnings per share, EUR	**0.29**	-2.03	1.18	1.65	0.94
Equity to share, EUR	**6.05**	5.76	8.57	8.29	7.32
Dividend per share, EUR	**0.30***	0.00	0.70	1.00	0.70
Dividend per profit, %	**103.8**	0.0	59.4	60.7	74.5
Effective dividend yield, %	**3.1**	0.0	10.9	7.0	5.5
Price/earnings ratio (P/E ratio)	**33.55**	-3.67	5.43	8.71	13.68
Development in share price (series A shares)					
Lowest share price for the financial year, EUR	**7.24**	6.50	6.24	12.40	11.60
Highest share price for the financial year, EUR	**10.10**	8.90	15.20	15.45	17.60
Average share price for the financial year, EUR	**8.21**	7.29	12.37	13.85	14.03
Share price at Dec. 31, EUR	**9.70**	7.47	6.40	14.35	12.85
Market value of capital stock at Dec. 31, EUR thousand **	**38 846**	29 916	25 630	57 468	51 461
Trading in the company's shares (series A shares)					
Shares traded during the financial year, 1 000 shares	**646**	455	393	981	1 088
% of the number of series A shares	**21.4**	15.1	13.0	32.5	36.1
Issue-adjusted weighted average number of shares	**4 004 758**	4 003 183	4 004 758	4 004 758	3 866 561
Issue-adjusted number of shares at the end of the financial year	**4 004 758**	4 004 758	4 004 758	4 004 758	4 004 758

The deferred tax liabilities have been included in the calculation of the key ratios.

*Board of Directors' proposal to the Annual General Meeting.
**Series K shares valued at the value of series A shares.

Calculation of key ratios

Return on investment (ROI), % =

$$\frac{\text{Profit (loss) before tax + financial expenses}}{\text{Shareholders' equity + interest-bearing financial liabilities (average of the financial year)}} \times 100$$

Return on equity (ROE), % =

$$\frac{\text{Profit (loss) for the financial year}}{\text{Shareholders' equity (average of the financial year)}} \times 100$$

Interest-bearing net liabilities = Interest-bearing liabilities ./. (cash and cash equivalents + financial assets at fair value through profit or loss)

Equity ratio, % =

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total ./. advances received}} \times 100$$

Earnings per share, undiluted, euros =

$$\frac{\text{Profit (loss) for the financial year}}{\text{Equity issue-adjusted average number of shares during the financial year}}$$

Earnings per share, diluted, euros =

$$\frac{\text{Diluted profit (loss) for the financial year}}{\text{Diluted equity issue-adjusted average number of shares}}$$

Equity to share, euros =

$$\frac{\text{Share of shareholders' equity belonging to the owners of the Parent company}}{\text{Undiluted number of shares at the end of the financial year}}$$

Dividend per share, euros =

$$\frac{\text{Distributed dividend for the financial year}}{\text{Undiluted number of shares at the end of the financial year}}$$

Dividend per profit, % =

$$\frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

Effective dividend return, % =

$$\frac{\text{Dividend per share}}{\text{Closing share price at the end of the financial year}} \times 100$$

Price/earnings ratio (P/E ratio) =

$$\frac{\text{Closing share price at the end of the financial year}}{\text{Earnings per share}}$$

Trend in share turnover, in volume and percentage figures (series A shares) = The trend in turnover of shares is given as the number of shares traded during the financial year and as the percentage of the average undiluted number of traded shares relative to issued share stock during the financial year.

Market value of capital stock = Undiluted number of shares at the end of the financial year (series A + series K shares) x closing price of the share on the last day of the financial year

Gearing, % =

$$\frac{\text{Interest-bearing net financial liabilities}}{\text{Shareholders' equity}} \times 100$$

Shares and shareholders

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

SHARE CAPITAL AT DEC. 31, 2010

Shares	Voting rights	Nominal value EUR/share	Number of shares 1 000 pcs	Total nominal value EUR 1 000
Series K shares (ordinary shares)	20 votes/shares	2.00	991	1 982
Series A shares	1 vote/share	2.00	3 014	6 027
Total shares at Dec. 31, 2010			**4 005**	**8 010**

Changes in share capital from Jan. 1, 1994 to Dec. 31, 2010	Share capital EUR	Number of series K shares	Number of series A shares
Share capital at Jan. 1, 1994	**5 359 073**	**1 054 600**	**2 124 240**
Issue of share capital Sep. 21, 1994	1 069 285		635 768
Conversion of series K shares into series A shares 1998		-14 000	14 000
Decrease of share capital (premium fund) June 30, 2000	-12 648		
Increase of share capital, capitalization issue June 30, 2000	1 213 506		
Conversion of series K shares into series A shares 2003		-44 539	44 539
Conversion of series K shares into series A shares 2004		-4 900	4 900
Registration of shares with options Jan. 1 – Dec. 31, 2006	380 300		190 150
Share capital at Dec. 31, 2010	**8 009 516**	**991 161**	**3 013 597**

Shares and share capital

Raute Corporation's shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd. As of December 31, 2010, Raute's paid up and registered share capital amounted to EUR 8,009,516.00. The capital stock totaled 4,004,758 shares, of which 991,161 were series K shares (ordinary share, 20 votes/share), and 3,013,597 were series A shares (1 vote/share). The shares have a nominal value of EUR 2.00. Series K shares can be converted to series A shares under the terms described in section 3 of the Articles of Association. If a series K share is transferred to a new owner who does not previously hold series K shares, other shareholders of the K series have the right to redeem the share under the terms described in section 4 of the Articles of Association.

Market capitalization and trade

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

In 2010, a total of 646,052 of Raute Corporation's series A shares were traded (454,798). The total value of trading was EUR 5.2 million (MEUR 3.3). The highest share price was EUR 10.10 (EUR 8.90) and the lowest EUR 7.24 (EUR 6.50). At the end of the year, the share price was EUR 9.70 (EUR 7.47). The average price was EUR 8.21 (EUR 7.29). The company's market capitalization at the end of the financial year was EUR 38.8 million (MEUR 29.9), with series K shares valued at the closing price of series A shares on December 31, 2010.

Shareholders

The number of shareholders totaled 1,820 at the beginning of the year and 1,787 at the end of the financial year. Series K shares were owned by 50 (46) private individuals. The combined share ownership of the Board of Directors and the President and CEO and their minor children and the corporations under their authority on December 31, 2010 was 276,931 Raute's shares, which corresponds to 6.9 percent (4.8%) of the company's combined series A and K shares and 13.2 percent (9.1%) of the votes. Nominee-registered shares accounted for 2.1 percent (2.3%) of shares. On April 22, 2010, the company gave a flagging notification concerning the increase of Göran Sundholm's ownership share to 15.0 percent of the total number of the company's shares.

Board authorizations

The Annual General Meeting held on March 31, 2010 authorized the Board to decide on the repurchase of a maximum of 400,000 of Raute Corporation's series A shares with assets from the company's non-restricted equity, such that the repurchase would reduce the company's distributable assets. The number of shares is less than ten percent (10%) of the company's overall shares. Under the authority granted to it, the Board may repurchase the company's own series A shares to be used for the development of the company's capital structure, as consideration for funding or carrying out acquisitions or other arrangements, or to be otherwise disposed of or cancelled.

The consideration to be paid for the shares repurchased based on the authorization granted must be based on the public trading price of the company's series A share, such that the minimum price of the repurchased shares is the lowest listed market price in public trading during the validity of the authorization. Correspondingly, the maximum price is the highest listed market price in public trading during the validity of the authorization.

The authorization includes the right to acquire shares other than in proportion to the holdings of the shareholders. A targeted repurchase of the company's own shares can take place, for example, by purchasing shares in public trading in markets where, according to the regulations, the company is permitted to engage in the trade of its own shares. Repurchasing shares in public trading as mentioned above or otherwise in a targeted way, requires that the company has a weighty financial reason to do so. Series K shares can be converted to series A shares, in accordance with Article 3 of Raute Corporation's Articles of Association. The Board of Directors will decide on the other conditions related to share repurchases.

By the authority granted to the Board at the Annual General Meeting held on March 31, 2010, the Board can decide on a directed issue of Raute Corporation's series A shares, as well as on all of the related terms and conditions, including the recipients and the sum of consideration to be paid. The Board of Directors may decide to issue either new shares or company shares held by Raute. The maximum number of shares that can be issued is 400,000 series A shares. As proposed, the authorization will be used to fund or carry out acquisitions or other arrangements or for other purposes decided by the Board of Directors.

The authorizations are valid until the end of the next Annual General Meeting, at the latest until May 31, 2011. By the end of the financial year, the Board had not yet used the authorizations granted to it at the 2010 AGM.

No decisions on share issues were made during the financial year, nor were any convertible bonds issued. The company did not possess company shares or hold them as security at the end of the financial year.

As of December 31, 2010, the company had no valid share issues or share- or option-based incentive plans.

Share-based incentive plan 2006

On March 22, 2006 the Board of Directors of Raute Corporation approved a share-based incentive plan for the strategy period 2006–2008. The reward from the plan was based on the Group's operating profit for 2006–2008 and on the Board of Directors' assessment of the success of the strategy. The incentive plan encompassed the Group's Executive Board (5 members) and 12 other key employees. The rewards were paid partly in shares and partly in cash in the financial year 2009. The cash portion was intended for the payment of taxes and tax-related costs. The shares are subject to a two-year transfer prohibition, which ends on March 28, 2011.

Option-based incentive plan 2010

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

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

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

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

Insider issues

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

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

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

DISTRIBUTION OF OWNERSHIP BY SHAREHOLDER CATEGORY AT DEC. 31, 2010

Series A and series K shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	1 657	92.7	3 350 045	83.7	22 182 104	97.1
Financial and insurance institutions	5	0.3	221 862	5.5	221 862	1.0
Foreign shareholders	6	0.3	92 450	2.3	92 450	0.4
Non-profit institutions	10	0.6	21 451	0.5	21 451	0.1
Public institutions	2	0.1	60 350	1.5	60 350	0.3
Companies	105	5.9	173 806	4.3	173 806	0.8
Nominee-registered	2	0.1	84 794	2.1	84 794	0.4
Total	**1 787**	**100.0**	**4 004 758**	**100.0**	**22 836 817**	**100.0**

DISTRIBUTION OF SERIES A SHARE OWNERSHIP AT DEC. 31, 2010

Series A shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	1 640	92.7	2 358 884	78.3	2 358 884	78.3
Financial and insurance institutions	5	0.3	221 862	7.4	221 862	7.4
Foreign shareholders	6	0.3	92 450	3.1	92 450	3.1
Non-profit institutions	10	0.6	21 451	0.7	21 451	0.7
Public institutions	2	0.1	60 350	2.0	60 350	2.0
Companies	105	5.9	173 806	5.8	173 806	5.8
Nominee-registered	2	0.1	84 794	2.8	84 794	2.8
Total	**1 770**	**100.0**	**3 013 597**	**100.0**	**3 013 597**	**100.0**

Series A shares by number of shares	Number of shareholders	%	Number of shares	%	Number of voting rights	%
1–1 000	1 554	87.8	485 636	16.1	485 636	16.1
1 001–5 000	159	9.0	333 702	11.1	333 702	11.1
5 001–10 000	21	1.2	151 577	5.0	151 577	5.0
10 001–50 000	23	1.3	621 657	20.6	621 657	20.6
50 001–100 000	12	0.7	819 592	27.2	819 592	27.2
100 001–	1	0.1	601 433	20.0	601 433	20.0
Total	**1 770**	**100.0**	**3 013 597**	**100.0**	**3 013 597**	**100.0**

DISTRIBUTION OF SERIES K SHARE OWNERSHIP AT DEC. 31, 2010

Series K shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	50	100.0	991 161	100.0	19 823 220	100.0
Total	**50**	**100.0**	**991 161**	**100.0**	**19 823 220**	**100.0**

Series K shares by number of shares	Number of shareholders	%	Number of shares	%	Number of voting rights	%
1–1 000	8	16.0	2 490	0.3	49 800	0.3
1 001–5 000	2	4.0	7 429	0.7	148 580	0.7
5 001–10 000	11	22.0	64 793	6.5	1 295 860	6.5
10 001–50 000	25	50.0	694 569	70.1	13 891 380	70.1
50 001–100 000	4	8.0	221 880	22.4	4 437 600	22.4
Total	**50**	**100.0**	**991 161**	**100.0**	**19 823 220**	**100.0**

20 LARGEST SHAREHOLDERS AT DEC. 31, 2010

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		601 433	601 433	15.0	601 433	2.6
2. Suominen, Jussi Matias	48 000	74 759	122 759	3.1	1 034 759	4.5
3. Mustakallio, Kari Pauli	60 480	60 009	120 489	3.0	1 269 609	5.6
4. Suominen, Pekka	48 000	62 429	110 429	2.8	1 022 429	4.5
5. Suominen, Tiina Sini-Maria	48 000	62 316	110 316	2.8	1 022 316	4.5
6. Siivonen, Osku Pekka	50 640	53 539	104 179	2.6	1 066 339	4.7
7. Mandatum Henkivakuutusosakeyhtiö		96 900	96 900	2.4	96 900	0.4
8. Kirmo, Kaisa Marketta	50 280	41 826	92 106	2.3	1 047 426	4.6
9. Lisboa De Castro Palacios Hietala, M.		85 000	85 000	2.1	85 000	0.4
10. Keskiaho, Kaija Leena	33 600	51 116	84 716	2.1	723 116	3.2
11. Mustakallio, Mika Tapani	49 180	34 670	83 850	2.1	1 018 270	4.5
12. Särkijärvi, Anna Riitta	60 480	22 009	82 489	2.1	1 231 609	5.4
13. Mustakallio, Ulla Sinikka	47 240	30 862	78 102	2.0	975 662	4.3
14. Sijoitusrahasto Alfred Berg Small Cap F.		76 000	76 000	1.9	76 000	0.3
15. Mustakallio, Marja Helena	43 240	20 162	63 402	1.6	884 962	3.9
16. Relander, Harald Bertel		61 350	61 350	1.5	61 350	0.3
17. Kirmo, Lasse	30 000	26 200	56 200	1.4	626 200	2.7
18. Särkijärvi-Martinez, Anu Riitta	12 000	43 256	55 256	1.4	283 256	1.2
19. Särkijärvi, Timo	12 000	43 256	55 256	1.4	283 256	1.2
20. Suominen, Jukka Matias	24 960	27 964	52 924	1.3	527 164	2.3
Total	**618 100**	**1 575 056**	**2 193 156**	**54.8**	**13 937 056**	**61.0**

By number of votes	Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
1. Mustakallio, Kari Pauli	60 480	60 009	120 489	3.0	1 269 609	5.6
2. Särkijärvi, Anna Riitta	60 480	22 009	82 489	2.1	1 231 609	5.4
3. Siivonen, Osku Pekka	50 640	53 539	104 179	2.6	1 066 339	4.7
4. Kirmo, Kaisa Marketta	50 280	41 826	92 106	2.3	1 047 426	4.6
5. Suominen, Jussi Matias	48 000	74 759	122 759	3.1	1 034 759	4.5
6. Suominen, Pekka	48 000	62 429	110 429	2.8	1 022 429	4.5
7. Suominen, Tiina Sini-Maria	48 000	62 316	110 316	2.8	1 022 316	4.5
8. Mustakallio, Mika Tapani	49 180	34 670	83 850	2.1	1 018 270	4.5
9. Mustakallio, Ulla Sinikka	47 240	30 862	78 102	2.0	975 662	4.3
10. Mustakallio, Kai Henrik	47 420	4 594	52 014	1.3	952 994	4.2
11. Mustakallio, Marja Helena	43 240	20 162	63 402	1.6	884 962	3.9
12. Mustakallio, Risto Knut kuolinpesä	42 240		42 240	1.1	844 800	3.7
13. Keskiaho, Kaija Leena	33 600	51 116	84 716	2.1	723 116	3.2
14. Kirmo, Lasse	30 000	26 200	56 200	1.4	626 200	2.7
15. Sundholm, Göran		601 433	601 433	15.0	601 433	2.6
16. Keskiaho, Juha-Pekka	27 440	9 500	36 940	0.9	558 300	2.4
17. Suominen, Jukka Matias	24 960	27 964	52 924	1.3	527 164	2.3
18. Keskiaho, Marjaana	24 780	21 500	46 280	1.2	517 100	2.3
19. Molander, Sole	20 000		20 000	0.5	400 000	1.8
20. Kultanen, Leea Annikka	19 789	4 050	23 839	0.6	399 830	1.8
Total	**775 769**	**1 208 938**	**1 984 707**	**49.6**	**16 724 318**	**73.2**

The number of nominee-registered shares at Dec. 31, 2010 was 84,794 pieces (90,564 pcs).

Management's shareholding at Dec. 31, 2010
The Board of Directors, the Group's President and CEO, and Presidents of subsidiaries owned a total of 138,049 series A shares and 144,470 series K shares. Management's shareholding corresponds to 7.1 percent of the company's shares and 13.3 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.

Public insiders' shareholding at Dec. 31, 2010
The company's public insiders owned a total of 145,049 series A shares and 144,470 series K shares. Public insiders' shareholding corresponds to 7.2 percent of the company's shares and 13.3 percent of the associated total voting rights. The figures include the holdings of their own, minor children and control entities.

The Board of Directors' proposal for profit distribution, signatures for the Board of Directors' report and financial statements and the Auditor's note

The Parent company's distributable assets total EUR 7 725 985.34, of which the profit for the financial year is EUR 299 176.15 and the balance sheet amounts to EUR 46 463 644.60.

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

- EUR 0.30 per share distributed as dividend, i.e. a total of	EUR	1 201 427.40
- Retained in equity	EUR	6 524 557.94
	EUR	7 725 985.34

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

Nastola, February 15, 2011

Erkki Pehu-Lehtonen
Chairman of the Board

Sinikka Mustakallio   Risto Hautamäki   Ilpo Helander

Mika Mustakallio   Pekka Suominen

Tapani Kiiski
President and CEO

Auditor's note

The Auditor's report has been issued today.

Helsinki, February 15, 2011

PricewaterhouseCoopers Oy

Janne Rajalahti
Authorized Public Accountant

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

FINANCIAL STATEMENTS DECEMBER 31, 2010

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

Description of accounting journals	Accounting journal	Journal's means of storaging
Bank and cash vouchers	10, 11 and 15	In paper
Purchase invoices	81, 82, 85 and 86	In electronic format
Sales invoices	30, 31, 32, 35, 37 and 38	In paper
Transactions of purchase and sales invoices	70, 71 and 80	In electronic format
Fixed asset register		Printed list
Salary entries	65–67	In paper
Memo vouchers	6, 19, 20, 21, 22, 24 and 25	In paper
Automatic contra entries of memo vouchers	97 and 98	In electronic format
Imputed and entries of cost accounting	26–29, 39 and 89	In electronic format and in paper (28, 39, 89)

Development of quarterly results

EUR 1 000	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
NET SALES	**62 867**	**13 396**	**19 490**	**19 546**	**10 435**
Other operating income	**4 580**	10	4 431	120	18
Change in inventories of finished goods and work in progress	**351**	815	-45	-87	-332
Materials and services	**-32 679**	-7 395	-11 001	-10 612	-3 671
Expenses from employee benefits	**-23 467**	-6 418	-5 450	-6 211	-5 387
Depreciation and amortization	**-2 250**	-574	-580	-459	-637
Other operating expenses	**-8 091**	-2 166	-1 913	-2 194	-1 817
Total operating expenses	**-66 487**	**-16 554**	**-18 944**	**-19 476**	**-11 512**
OPERATING PROFIT (LOSS)	**1 311**	**-2 333**	**4 932**	**103**	**-1 391**
% of net sales	**2**	-17	25	1	-13
Financial income	**728**	266	-98	185	376
Financial expenses	**-917**	-338	21	-256	-344
PROFIT (LOSS) BEFORE TAX	**1 122**	**-2 406**	**4 855**	**33**	**-1 359**
% of net sales	**2**	-18	25	0	-13
Income taxes	**36**	538	-755	-156	409
TOTAL PROFIT (LOSS) FOR THE PERIOD	**1 158**	**-1 868**	**4 100**	**-123**	**-950**
% of net sales	**2**	-14	21	-1	-9
Attributable to					
Equity holders of the Parent company	**1 158**	-1 868	4 100	-123	-950
Earnings per share, EUR					
Undiluted earnings per share	**0.29**	-0.47	1.02	-0.03	-0.24
Diluted earnings per share	**0.29**	-0.47	1.02	-0.03	-0.24
Shares, 1 000 pcs					
Adjusted average number of shares	**4 005**	4 005	4 005	4 005	4 005
Adjusted average number of shares, diluted	**4 005**	4 005	4 005	4 005	4 005

Auditor's Report

To the Annual General Meeting of Raute Corporation
We have audited the accounting records, the financial statements, the Board of Directors' report and the administration of Raute Corporation for the year ended 31 December, 2010. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Board of Directors' report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and the Board of Directors' report that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the Board of Directors' report.

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

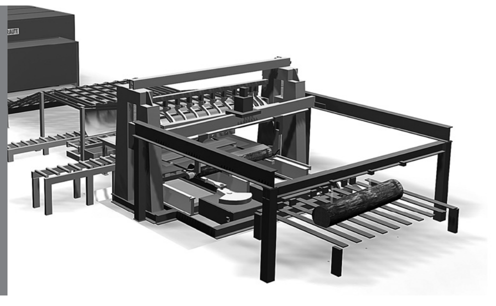
Opinion on the Consolidated Financial Statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

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

Helsinki, 15 February 2011

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant



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