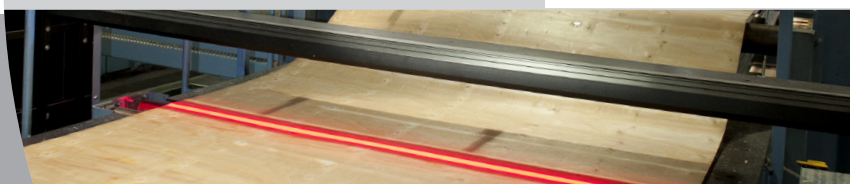


Financial statements 2013



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(English translation of Financial statements 2013)

Report of the Board of Directors

The Group's net sales for 2013 totaled EUR 83.3 million (MEUR 101.3), down by 18 percent from 2012. No new production line or mill-scale projects were started up in 2013 and net sales from new capacity-generating deliveries were down from the previous year. The Group's operating profit was EUR 1.8 million positive (MEUR +5.0). Financial income and expenses totaled EUR -0.2 million (MEUR -0.3). The result before taxes was EUR 1.6 million positive (MEUR +4.8). Comprehensive income was EUR 1.2 million positive (MEUR +3.2). Undiluted earnings per share were EUR 0.30 (EUR +0.75) and diluted earnings per share were EUR 0.30 (EUR +0.74). Return on equity was 5.0 percent (13.1%).

In this report, figures in parentheses refer to corresponding figures for the previous years 2012 and 2011.

BUSINESS ENVIRONMENT

Market situation in customer industries

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

The uncertainty related to the global economy and financial markets continued in 2013. For Raute's customer industries, the market situation continued to be uncertain in several market areas.

Demand for wood products technology and technology services

In 2013, no major capacity-increasing projects were initiated by Raute's customers. Investments were focused on relatively small machine and equipment investments and modernizations. Several large projects encompassing single production lines and mill-scale deliveries that are in the planning and negotiation phase were pending and in the negotiation phase throughout the year but the requirements for making the investment decisions, i.e. trust in the permanence of demand and the availability of funding, did not yet materialize.

Demand for maintenance and spare parts services continued at a good level. This bears testimony to the fact that the utilization rates of Raute's customers' production facilities remained good.

ORDER INTAKE AND ORDER BOOK

Raute serves the wood products industry with a full-service concept based on service that encompasses the entire life cycle of the delivered equipment. Raute's business consists of project deliveries and technology services. Project deliveries comprise complete production machinery for new mills, production lines and individual machines and equipment. Additionally, Raute's full-service concept includes

comprehensive technology services ranging from spare parts deliveries to regular maintenance and equipment modernizations as well as consulting, training and reconditioned machinery.

The order intake for 2013 stood at EUR 63 million (MEUR 116). The order intake decreased by 45 percent on the previous year as a result of a lack of capacity-generating mill projects. The order intake grew or remained on a par with the previous year's level in all market areas when comparing 2013 with the previous year minus any new capacity-generating orders. North America achieved the largest relative growth.

35 percent of the new orders came from Europe (31%), 25 percent from North America (6%), 23 percent from Russia (12%), 13 percent from South America (48%) and 4 percent from Asia-Pacific (3%). The strong fluctuations in the distribution of new orders between the various market areas are typical for project-focused business.

The order intake for project deliveries stood at EUR 29 million (MEUR 89) and decreased from the previous year by 68 percent. No new orders related to building new production capacity were received (MEUR 66). A significant proportion of new orders were focused on drying technology and the further processing of dry veneer.

The order intake for technology services stood at EUR 34 million (MEUR 27). The 29 percent increase in order intake mainly resulted from modernization orders from Europe and North America. Spare parts and maintenance services remained at the previous year's good level.

COMPETITIVE POSITION

Raute's competitive position has remained strong. Raute's solutions help customers in securing their delivery and service capabilities throughout the life cycle of the equipment or service offered by Raute. In such investments, the supplier's overall expertise and extensive and diverse technology offering play a key role. The competitive edge provided by Raute is also a major draw when customers select their cooperation partners. Raute's strong financial position and its long-term dedication to serving selected customer industries also enhance its credibility and improve its competitive position as a company that carries out long-term investment projects.

NET SALES

The Group's net sales (IFRS) totaled EUR 83.3 million (2012: MEUR 101.3; 2011: MEUR 74.3). Net sales declined by 18 percent on 2012. The decline resulted from the low order intake in project deliveries and from the scheduling of our order book.

Net sales were generated by project deliveries related to

the wood products technology business and by technology services.

Net sales for project deliveries totaled EUR 51 million (MEUR 73), down 30 percent from the previous year. Net sales remained below those of the previous year in terms of project deliveries related to the construction of new plywood production capacity. Project deliveries accounted for 62 percent of total net sales (72%). The plywood industry's share of the net sales for project deliveries was 77 percent (93%), while the LVL industry's share was 23 percent (7%).

Net sales for technology services totaled EUR 32 million (MEUR 28). Net sales grew 13 percent from the previous year and accounted for 38 percent (28%) of total net sales. The increase in net sales was predominantly the result of modernizations.

Europe's share of total net sales in 2013 was 40 percent (22%), South America's 22 percent (52%), Russia's 19 percent (14%), North America's 14 percent (8%), and Asia-Pacific's 5 percent (4%). Finland accounted for 6 percent (6%) of the Group's net sales.

In 2013, the net sales (FAS) of the Parent company Raute Corporation totaled EUR 73.0 million (2012: MEUR 92.9; 2011: MEUR 64.4).

RESULT AND PROFITABILITY

The Group's operating profit (IFRS) for 2013 was EUR 1.8 million positive (2012: MEUR +5.0; 2011: MEUR -0.7) and 2 percent of net sales (2012: +5%; 2011: -1%). The profitability of operations declined from the previous year due to a decrease in net sales.

The Group's financial income and expenses totaled EUR -0.2 million (MEUR -0.3). The Group's profit before tax was EUR 1.6 million positive (MEUR +4.8) and profit for the financial year was EUR 1.2 million positive (MEUR +3.0). Comprehensive income for the Group was EUR 1.2 million positive (MEUR +3.2).

Undiluted earnings per share were EUR 0.30 (EUR +0.75) and diluted earnings per share were EUR 0.30 (EUR +0.74). Return on investment was 7 percent (15%) and return on equity 5 percent (+13%).

The operating profit (FAS) of the Parent company Raute Corporation was EUR 2.0 million positive (2012: MEUR +6.0; 2011: MEUR -0.0). The operating profit accounted for 3 percent (2012: 6%; 2011: 0%) of net sales. The profit for the financial year (FAS) was EUR 1.3 million positive (MEUR 2.8 positive).

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 6.7 million (MEUR 8.1). At the end of the financial year gearing was -28 percent (2012: -34%; 2011: -47%) and equity ratio 57 percent (2012: 48%; 2011: 47%).

The Group's cash and cash equivalents stood at EUR 12.7 million (MEUR 19.5) at the end of the financial year. The change in cash and cash equivalents during the financial year was EUR 6.8 million negative (MEUR 6.2 negative). Operating cash flow was EUR 3.7 million positive (MEUR 1.9 positive). Cash flow from investment activities totaled EUR 3.2 million negative (MEUR 2.9 negative). Cash flow from financing activities was EUR 7.4 million negative (MEUR 5.2 negative), including dividend payments of EUR 2.0 million (MEUR 1.2 million) and debt repayments of EUR 5.4 million.

The Group's balance sheet total at the end of the year stood at EUR 48.8 million (2012: MEUR 63.1; 2011: MEUR 52.7). Fluctuations in balance sheet working capital items and the key figures based on them are due to differences in the timing of customer payments and the cost accumulation from project deliveries, which is typical of the project business.

Interest-bearing liabilities amounted to EUR 6.0 million (MEUR 11.5) at the end of the financial period, with current interest-bearing liabilities accounting for EUR 3.5 million (MEUR 5.6).

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 Parent company Raute Corporation is prepared for future working capital needs and has concluded long-term credit facility agreements with three Nordic banks totaling EUR 23.0 million. The main covenants for the credit facility are an equity ratio of >30% and gearing of <100%. Of the credit facility, EUR 16.9 million remained unused at the end of the financial period.

At the end of the financial year, the equity ratio (FAS) of the Parent company Raute Corporation was 56 percent (2012: 45%; 2011: 47%).

LOANS TO RELATED PARTIES AND OTHER LIABILITIES

On December 31, 2013, the Parent company Raute Corporation had loan receivables from its subsidiaries Raute Service LLC in the amount of EUR 355 thousand, Raute (Shanghai) Machinery Co., Ltd in the amount of EUR 550 thousand and Raute Canada Ltd. in the amount of EUR 682 thousand. Other liabilities are presented in the notes to the financial statements.

RESEARCH AND DEVELOPMENT COSTS AND CAPITAL EXPENDITURE

Raute's goal is to be the leading technology supplier in its field, and to invest strongly in continuous research and development, particularly in plywood and LVL manufacturing technology and the supporting by-product handling,

automation and instrumentation applications, especially machine vision.

In 2013, the Group's research and development costs totaled EUR 2.5 million (2012: MEUR 2.5; 2011: MEUR 2.0) and 3.0 percent of net sales (2012: 2.5%; 2011: 2.7%). In 2013, Raute continued to invest strongly in expanding its newest technology offering to meet the needs of the plywood and LVL industries and the supporting automation and instrumentation applications, especially machine vision. Additionally, the development of products designed for the emerging markets was continued.

The Group's investments during the financial year totaled EUR 3.2 million (2012: MEUR 3.5; 2011: MEUR 1.9). The majority of investments were related to productional investments at the mills in Nastola, Finland, and in China. Investments include EUR 0.6 million in capitalized development costs (2012: MEUR 1.0; 2011: MEUR 0.2).

During the financial year, the research and development costs (FAS) of the Parent company Raute Corporation were EUR 2.7 million, representing 3.7 percent of net sales (2012: MEUR 2.4 / 2.6% of net sales; 2011: MEUR 2.0 / 3.1% of net sales). Investments totaled EUR 1.7 million (2012: MEUR 2.2; 2011: MEUR 1.6).

DEVELOPMENT OF OPERATIONS

The development of production and delivery capabilities continued at the new plant in China where increasing the company's own production capacity enables better control over the quality and delivery times of the components and equipment manufactured in China.

The service ability and profitability of technology services were developed at Raute's Canadian unit through the implementation of new organizational and operating models.

PERSONNEL

The Group's headcount at the end of 2013 was 534 (503). Finnish Group companies accounted for 73 percent (74%) of employees, Chinese companies for 14 percent (11%), North American companies for 10 percent (11%), and other sales and service companies for 3 percent (4%).

Converted to full-time employees ("effective headcount"), the average number of employees during the financial year was 515 (2012: 480; 2011: 457). Salaries and remunerations paid by the Group totaled EUR 22.7 million (2012: MEUR 23.7; 2011: MEUR 19.9).

The Group continued to develop the competence of its personnel and increase their commitment to the company. 3 percent (2%) of the payroll was invested in personnel training. The "Great Place to Work" project was used to develop Raute as a work community and work environment. The objective of the "Särmä" (Edge) project, which spanned

the entire year, is to get Raute's entire personnel to commit even more strongly to Raute's customer promise and the better quality of products, services and operations.

At the end of 2013, decisions based on the co-determination negotiations were made to adapt Raute's operations to the lower order book level and the predicted low order intake in early 2014 as well as to the productional and financial situation resulting from these. The temporary lay-offs of personnel at the company's Nastola and Jyväskylä units for a maximum of 90 days began in December. The number of lay-offs and their timing will be decided based on order book development and the work load.

Converted to full-time employees, the average number of personnel employed by the Parent company Raute Corporation in 2013 was 375 (2012: 357; 2011: 338). Salaries and remunerations paid by the Parent company totaled EUR 17.6 million (2012: MEUR 17.9; 2011: MEUR 15.6).

REMUNERATION

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

The Annual General Meeting held on March 31, 2010 resolved to issue a maximum of 240,000 stock options. In compliance with this authorization by the Annual General Meeting, the Board of Directors issued a total of 33,200 stock options to the Group's key personnel during 2013. Of the stock options transferred earlier, altogether 11,700 stock options were returned to the company during 2013. The Group's key personnel held on December 31, 2013 a total of 80,000 stock options marked with the symbol 2010 A, 80,000 stock options marked 2010 B and 80,000 stock options marked 2010 C. The subscription period for stock options marked with the symbol 2010 A began on March 1, 2013. Stock options have not been exercised to subscribe for shares until December 31, 2013. The terms and conditions of the stock option scheme are available on the company's website.

SOCIETY AND THE ENVIRONMENT

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

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

The Group's own operations do not involve considerable environmental risks that might have a direct impact on the Group's business operations or financial position. The Nas-tola main production units manage environmental matters in compliance with a certified environmental system. The operations and ethical principles of the partner and sub-contractor 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 key 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 uncertainty related to the development of the global economy and financial markets maintains short-term risks. The most significant risks for Raute are related to the development of net sales and profitability.

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

Business risks

Impact of economic cycles on business operations

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

Deliveries and technology

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

Raute invests heavily in product development. The developmental phase for new technologies involves the risk that the project will not lead to a technologically or commercially acceptable solution. The functionality and capacity of new solutions produced as a result of development work

cannot be fully verified until the solutions can be tested under production conditions in conjunction with the customer deliveries.

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

Emerging markets

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

Human resources

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

Financing risks

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

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

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

The Group has made preparations for fluctuating working capital requirements and possible disturbances in the availability of money through long-term credit facility agreements with three Nordic banks. The interest rate risk related to the company's variable interest rate loans is hedged with interest rate swaps. The Group's interest risks are mainly related to the return on liquid assets.

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

Risks of damage or loss

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

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

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

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

Global and local insurance programs are checked regularly as part of overall risk management. The objective is to use insurance policies to sufficiently hedge against all risks that are reasonable to handle through insurance due to economic 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 2013.

SHAREHOLDERS

The number of shareholders totaled 1,682 at the beginning of the year and 1,915 at the end of the year. Series K shares were held by 49 private individuals (49) at the end of the financial year. Nominee-registered shares accounted for 3.1 percent (3.3%) of shares. No flagging notifications were given to the company in 2013.

On December 31, 2013, the Board of Directors and the Group's President and CEO held altogether 226,959 company shares, totaling 5.7 percent (5.7%) of the company shares and 11.2 percent (11.2%) of the votes. The figures include the holdings of their own, minor children and control entities.

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

AUDITORS

At Raute Corporation's Annual General Meeting on April 8, 2013, the authorized public accounting company Price-waterhouseCoopers was chosen as auditor with Authorized Public Accountant Janne Rajalahti as the principal auditor.

CORPORATE GOVERNANCE

Raute Corporation complies with the Finnish Corporate Governance Code 2010 for listed companies issued by the Securities Market Association on June 15, 2010.

Raute deviates from the Code's recommendation 22 on appointing members to the Appointments Committee in that one member to the Committee is elected from outside the Board of Directors, as per the company's Administrative Instructions, from among the representatives of major shareholders who have significant voting rights. The Board views this exception as justified, taking into consideration the company's ownership structure and the possibility to consider the expectations of major shareholders as early as in the preparation phase of selecting members of the Board of Directors.

Raute deviates from recommendation 9 on the number, composition and competence of the directors in that the company does not have both genders represented on the Board. When seeking new members, the Appointments Committee was unable to find any available female candidates fulfilling the criteria set for the members of the Board of Directors.

CORPORATE GOVERNANCE STATEMENT

Raute Corporation's Board of Directors has handled Raute Corporation's Corporate Governance Statement for 2013 according to chapter 7, section 7 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 Report of the Board of Directors.

BOARD OF DIRECTORS AND PRESIDENT AND CEO

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

At Raute Corporation's Annual General Meeting on April 8, 2013, Mr. Erkki Pehu-Lehtonen was elected Chairman of the Board, Mr. Mika Mustakallio Vice-Chairman and Mr. Joni Bask, Mr. Risto Hautamäki, Mr. Ilpo Helander 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 twelve months' salary.

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

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

EXECUTIVE BOARD

Raute's Board of Directors appointed two new members to its Executive Board as of October 1, 2013. Raute Group's Executive Board and the members' areas of responsibility:

- Tapani Kiiski, President and CEO, Chairman – Sales,
- Arja Hakala, Group Vice President, Finance, CFO – Finance and administration,
- Marko Hjelt, Group Vice President, Human Resources – Human resources and competence development (as of October 1, 2013),
- Mika Hyysti, Group Vice President, Technology – Technology, products and R&D (as of October 1, 2013),
- Timo Kangas, Group Vice President, Customer Care – Customer relationships and marketing, market area EMEA,
- Petri Lakka, Group Vice President, Technology Services – Technology services,
- Petri Strengell, Group Vice President, Operations – Project deliveries and operations.

SHARES

The number of Raute Corporation's shares at the end of 2013 totaled 4,004,758, of which 991,161 were series K shares (ordinary share, 20 votes/share) and 3,013,597 series A shares (1 vote/share). The shares have a nominal value of 2 euros. Series K and A shares confer equal rights to dividends and company assets.

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

Raute Corporation's series A shares are listed on NASDAQ OMX Helsinki Ltd. The trading code is RUTAV. During 2013, 513,699 shares were traded (302,096) worth altogether EUR 4.4 million (MEUR 2.4). The number of shares traded represents 17 percent (10%) of all listed series A shares. The average price of a series A share was EUR 8.49 (EUR 8.22). The highest closing price of the year was EUR 9.33 (EUR 9.24) and the lowest EUR 6.88 (EUR 6.18).

The company's market capitalization at the end of 2013 totaled EUR 27.8 million (MEUR 36.0), with series K shares valued at the closing price of series A shares, EUR 6.95 (EUR 9.00), on December 31, 2013.

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

DIVIDENDS FOR THE 2012 FINANCIAL YEAR

The Annual General Meeting held on April 8, 2013 decided to pay a dividend of EUR 0.50 per share for the financial year 2012. The dividends amounted to a total of EUR 2.0 million, of which series A shares accounted for EUR 1,506,798.50 and series K shares for EUR 495,580.50. The dividend payment date was April 18, 2013.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

The Annual General Meeting held on April 8, 2013 authorized the company's Board of Directors to decide on the repurchase of Raute Corporation series A shares with assets from the company's non-restricted equity and to decide on a directed issue of a maximum of 400,000 shares. The Board of Directors did not exercise the authorization in 2013. The company did not possess company shares at the end of the financial period or hold them as security.

ANNUAL GENERAL MEETING 2014

Raute Corporation's Annual General Meeting will be held in Lahti on Monday March 31, 2014.

THE BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION, DIVIDEND EUR 0.20 PER SHARE

The Parent company's distributable funds at December 31, 2013 total EUR 13,804 thousand, of which the profit for the financial year January 1 – December 31, 2013 is EUR 1,312 thousand.

The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on March 31, 2014 that a dividend of EUR 0.20 per share be paid for series A shares and series K shares for the financial year 2013, and that the remainder of distributable funds be transferred to equity.

At the date of the proposal for profit distribution, there are a total of 4,004,758 shares entitled for the dividend, i.e. the total amount of dividends would be EUR 801 thousand. The dividend would be paid to a shareholder registered in the company's shareholders' register held by Euroclear Finland Ltd on the record date for dividend distribution, April 3, 2014. The payment date would be April 10, 2014.

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 Director's view, the proposed dividend does not pose a risk to solvency.

THE BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION FROM THE NON-RESTRICTED EQUITY RESERVE, REPAYMENT OF CAPITAL EUR 0.30 PER SHARE

The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on March 31, 2014 that the Annual General Meeting would resolve to distribute EUR 0.30 per share from the non-restricted equity reserve as repayment of equity. The repayment of non-restricted equity would be paid to a shareholder registered in the company's shareholders' register held by Euroclear Finland Ltd on the record date April 3, 2014. The payment date would be April 10, 2014.

OUTLOOK FOR 2014

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

The development of the global economy and financial markets is still facing major uncertainty and the market situation for Raute's customer industries is expected to remain unpredictable.

However, improvement investments in the plywood industry to ensure quality and cost competitiveness and to maintain market shares are expected to be at a reasonable level in the near future, provided that the economic uncertainty does not spiral into a new crisis. Several large projects encompassing single production lines and mill-scale deliveries that are in the planning and negotiation phase are also pending.

Thanks to its strong financial and market position and the development measures carried out, Raute is well positioned to respond to demand once the markets recover.

In the prevailing global economic and financial market situation, Raute will have opportunities in 2014 to achieve growth in project deliveries especially in Europe, Russia and Asia. The strong growth in technology services is expected to continue. Based on the order book and ongoing negotiations, Raute's net sales are expected to grow in 2014 and operating profit is anticipated to improve over the year 2013.

Consolidated statement of comprehensive income

EUR 1,000		1.1.-31.12.2013	1.1.-31.12.2012
Note			
4, 5	NET SALES	83,274	101,273
	Change in inventories of finished goods and work in progress	-954	500
6	Other operating income	295	1,423
7	Materials and services	-40,711	-55,725
8	Employee benefits expense	-27,417	-28,761
11	Depreciation and amortization	-2,174	-1,968
12	Other operating expenses	-10,485	-11,720
	Total operating expenses	-80,787	-98,174
	OPERATING PROFIT (LOSS)	1,828	5,022
13	Financial income	735	482
13	Financial expenses	-974	-738
	PROFIT (LOSS) BEFORE TAX	1,589	4,766
15	Income taxes	-394	-1,781
	PROFIT (LOSS) FOR THE FINANCIAL YEAR	1,196	2,985
	Other comprehensive income items:		
	Items that will not be reclassified to profit or loss		
	Remeasurement of defined benefit obligations	84	110
	Items that may be subsequently reclassified to profit or loss		
	Exchange differences on translating foreign operations	-83	80
	Other comprehensive income items for the financial year, net of tax	1	190
	COMPREHENSIVE PROFIT (LOSS) FOR THE FINANCIAL YEAR	1,196	3,175
	Profit (loss) for the financial year attributable to		
	Equity holders of the Parent company	1,196	3,175
	Comprehensive profit (loss) for the financial year attributable to		
	Equity holders of the Parent company	1,196	3,175
	Earnings per share for profit (loss) attributable to Equity holders of the Parent company, EUR		
16	Undiluted earnings per share	0.30	0.75
16	Diluted earnings per share	0.30	0.74
	Shares, 1 000 pcs		
	Adjusted average number of shares	4,005	4,005
	Adjusted average number of shares diluted	4,013	4,008

Consolidated balance sheet

EUR 1,000	31.12.2013	31.12.2012	
Note			
ASSETS			
Non-current assets			
18	Intangible assets	3,574	3,204
19	Property, plant and equipment	8,396	7,892
20	Other financial assets	500	789
28	Deferred tax assets	96	38
	Total	12,565	11,922
Current assets			
21	Inventories	5,047	7,130
22	Accounts receivables and other receivables	18,329	24,438
22	Income tax receivable	183	37
23	Cash and cash equivalents	12,658	19,548
	Total	36,218	51,154
	TOTAL ASSETS	48,783	63,076
EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the Parent company			
24	Share capital	8,010	8,010
24	Fair value reserve and other reserves	7,061	6,862
24	Exchange differences	20	103
24	Retained earnings	7,327	6,260
	Profit (loss) for the financial year	1,196	2,985
	Share of shareholders' equity that belongs to the owners of the Parent company	23,613	24,220
	Total equity	23,613	24,220
Non-current liabilities			
27	Provisions	460	56
28	Deferred tax liability	423	174
29	Non-current interest-bearing liabilities	2,500	5,866
31	Pension obligations	4	-
	Total	3,387	6,096
Current liabilities			
27	Provisions	775	1,134
30	Current interest-bearing liabilities	3,481	5,594
32	Advance payments received	7,099	12,776
32	Trade payables and other liabilities	10,428	13,255
	Total	21,783	32,759
	Total liabilities	25,170	38,856
	TOTAL EQUITY AND LIABILITIES	48,783	63,076

Consolidated statement of cash flows

EUR 1,000	1.1.-31.12.2013	1.1.-31.12.2012
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from customers	76,836	90,385
Other operating income	295	1,423
Payments to suppliers and employees	-73,187	-89,379
Cash flow before financial items and taxes	3,944	2,429
Interests paid from operating activities	-364	-529
Dividends received from operating activities	180	118
Interests received from operating activities	122	269
Other financing items from operating activities	153	-275
Income taxes paid from operating activities	-329	-75
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	3,704	1,938
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	-3,226	-3,055
Proceeds from sale of property, plant and equipment and intangible assets	53	160
Purchase of other investments	-3	-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	-3,176	-2,895
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of current borrowings	-2,100	-
Repayments of non-current borrowings	-3,250	-4,000
Dividends paid	-2,002	-1,201
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	-7,352	-5,201
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	-6,825	-6,159
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR*	19,548	25,674
NET CHANGE IN CASH AND CASH EQUIVALENTS	-6,825	-6,159
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	-66	33
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR*	12,658	19,548
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET AT THE END OF THE FINANCIAL YEAR		
Cash and cash equivalents	12,658	19,548
TOTAL	12,658	19,548

*Cash and cash equivalents comprise 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 Invested non-restricted equity reserve	Other reserves	Exchange rate differences	Retained earnings	To the owners of the Parent company	EQUITY TOTAL	
EQUITY at Jan. 1, 2012		8,010	6,498	0	187	23	7,351	22,069	22,069
Comprehensive profit (loss) for the financial year									
Profit (loss) for the financial year		-	-	-	-	-	2,985	2,985	2,985
Other comprehensive income items:									
Remeasurement of defined benefit obligations	31						110	110	110
Exchange differences on translating foreign operations		-	-	-	-	80	-	80	80
Total comprehensive profit (loss) for the financial year		-	-	-	-	80	3,095	3,175	3,175
Transactions with owners									
Equity-settled share-based transactions									
Equity-settled share-based transactions	26	-	-	-	177	-	-	177	177
Reclassifications between items		-	-6,498	6,498	-	-	-	0	0
Dividends paid		-	-	-	-	-	-1,201	-1,201	-1,201
Total transactions with owners		-	-	6,498	177	-	-1,201	-1,024	-1,024
EQUITY at Dec. 31, 2012, ADJUSTED		8,010	0	6,498	364	103	9,245	24,220	24,220
EQUITY at Jan. 1, 2013, ADJUSTED		8,010	0	6,498	364	103	9,245	24,220	24,220
Comprehensive profit (loss) for the financial year									
Profit (loss) for the financial year		-	-	-	-	-	1,196	1,196	1,196
Other comprehensive income items:									
Remeasurement of defined benefit obligations	31						84	84	84
Exchange differences on translating foreign operations		-	-	-	-	-83	-	-83	-83
Total comprehensive profit (loss) for the financial year		-	-	-	-	-83	1,280	1,196	1,196
Transactions with owners									
Equity-settled share-based transactions									
Equity-settled share-based transactions	26	-	-	-	199	-	-	199	199
Reclassifications between items		-	-	-	-	-	-	-	-
Dividends paid		-	-	-	-	-	-2,002	-2,002	-2,002
Total transactions with owners		-	-	-	199	-	-2,002	-1,803	-1,803
EQUITY at Dec. 31, 2013		8,010	-	6,498	563	20	8,522	23,613	23,613

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES OF THE CONSOLIDATED FINANCIAL STATEMENTS

General information

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

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

These consolidated financial statements for the period between January 1 and December 31, 2013 were authorized for issue by Raute Corporation's Board of Directors at its meeting on February 13, 2014. 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, 2013 have been prepared in accordance with the International Financial Reporting Standards, IFRS, accepted for application in the EU. Preparations have complied with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, effective on December 31, 2013. 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 contracts.

The figures presented in these consolidated financial statements are in thousand euro, unless otherwise stated.

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

The consolidated financial statements have been prepared according to the same accounting principles as in 2012, with the exception of the following new standards, interpretations and amendments to existing standards which the Group has applied as of January 1, 2013:

- IAS 1 Financial Statement presentation standard regarding the presentation of the other comprehensive income. Other comprehensive income items presented have been reclassified on the basis of whether they are potentially transferred to profit or loss subsequently as a reclassification adjustments.
- IAS 19 Employee benefits. According to revised standard actuarial gains and losses are immediately recognized to equity in other comprehensive income in the period in which they arise. Past service costs are recognized as an expense in income at the period earliest: when the change or curtailment of the plan has been due or the Group has been recognized the costs arising from reorganization or benefits related to post-employment. A net interest cost of the net defined benefit liability (or asset) replaces the interest expense and expected return of plan assets, which has been recognized in the income statement and presented in the employee benefits expenses.
- IFRS 7 Financial instruments: Disclosures. Amendment on asset and liability upsetting. The amendment includes additional disclosures to facilitate the netting arrangements of financial instruments including master netting arrangements or similar agreements. The disclosures in these amendments are required for financial assets and liabilities that are set off in Group's consolidated financial statement.
- IFRS 13 Fair value measurement. The standard provide a precise definition of fair value and a single source for the fair value measurement and disclosure requirements. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied when its use has already been permitted or required by other standard. The standard has been expanded the disclosures of the items not classified as financial assets at fair value.

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

closed under "Critical accounting judgments and key sources of estimation uncertainty".

Preparation of consolidated financial statements

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

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

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

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

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 fair value measurement. Otherwise non-monetary items have been measured using the rate prevailing at the date of transaction.

Gains and losses from foreign currency transactions and translation of monetary items have been recognized in the financial statements. Translation differences on monetary items have been recognized in other comprehensive income items as qualifying cash flow hedges. Exchange rate gains and losses from transactions have been presented in the corresponding items above the operating profit or loss. Exchange rate gains and losses related to cash and cash equivalents, loans and other financial assets and liabilities have been presented in the income statement under financial income or expenses.

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

The exchange rates used for the consolidation of subsidiaries are presented in the notes to the consolidated income statement and balance sheet, note number 38 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.

Project deliveries and modernizations in technology services have been treated and recognized based on the percentage of completion except the projects which do not obtain the classification requirements of long term projects.

Revenue and cost from long-term projects has been recognized as an income and expense as soon as the outcome has been reliably estimated. 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 incurred that are likely to be recovered. Costs related to projects that have not yet been recognized in revenue have been recognized as long-term projects in progress under inventories. If the incurred costs and recognized profits are larger than the amount invoiced for the project, the difference has been recognized in the accounts receivables and other receivables balance sheet item. If the incurred costs and recognized profit are smaller than the amount invoiced for the project, the difference has been recognized in the trade and other payables item. During the financial year 2013 and the comparison period, the Group had no financial costs allocated to the long-term projects entered in the balance sheet.

Changes to the project, requirements concerning additional charges and incentives have been taken into account in the project income to the extent that can be reliably determined and which has been agreed upon with the customer. If a contractual entity (e.g. mill-scale delivery) includes sub-entities (e.g. production lines) with determined contract terms and conditions and with risks, rewards and control of ownership transferred to the buyer separately from the rest of the contractual entity, they have been treated as separate long-term projects.

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

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

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

Interest income 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.

Royalty income has been recognized on an accrual basis in accordance with the substance of the relevant agreements.

Income taxes

The taxes in the consolidated income statement include the current tax based on the Group companies' taxable income, as well as tax adjustments for previous years and the change in deferred taxes. Current tax based on the taxable income has been calculated on taxable income using the tax rate in force in each coun-

try. Taxes have been recognized in the income statement, except when they are related to other comprehensive income items or recognized directly in equity. In which case the tax has also correspondingly been recognized in other comprehensive income items or directly in equity.

Deferred taxes have been calculated for all temporary differences in accounting and taxation. Deferred tax has been determined using tax rates that have been enacted or substantively enacted by the balance sheet date and have been expected to apply when the related deferred tax asset shall be realized or the deferred tax liability shall be settled. The principal temporary differences arise from the amortization of tangible fixed assets and tax losses carried forward unused.

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

Financial assets

Financial assets have been classified as financial assets at fair value through profit and loss, loans and other receivables and available-for-sale financial assets. Classification has been made based on the purpose of acquisition in conjunction with the original acquisition. Financial assets are derecognized from the balance sheet when the contractual right to receive cash flows has expired or the Group has substantially transferred risks and income outside the Group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss have been acquired for trading. All purchases and sales of financial assets have been recognized on the transaction date.

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

Loan and other receivables

Loan 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. The Group's loan and other receivables also include the balance sheet's accounts receivables and other receivables as well as cash and cash equivalents. Loans and other receivables have been measured at amortized cost using the effective interest method and they have been presented in non-current assets if they mature over 12 months from the balance sheet date. Otherwise they have been presented in current assets. Only substantial transaction costs are counted for when measuring the acquisition cost.

Sales and other revenue have been recognized in accounts receivables at the original receivable amount. Current accounts receivables have been measured at the original receivable amount. Accounts receivables are classified as non-current financial assets if they mature over 12 months from the balance sheet date. Cash and cash equivalents comprise cash in hand, current bank deposits and other highly liquid short-term investments with original maturities of three months or less. Bank overdrafts are included in current interest-bearing liabilities. Credit accounts related to Group accounts are included in current interest-bearing liabilities and presented net if the Group has a contractual legal right of set-off concerning full or partial payment or elimination of an amount to the lender. Financial assets are derecognized when the contractual right to cash flows expires or the Group has substantially transferred risks and income outside the Group.

Available-for-sale financial assets

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

Impairment of financial assets

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

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

the impairment was recognized, the impairment loss is reversed through profit or loss.

Financial liabilities

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

All of the fair values of financial assets and liabilities in the balance sheet are based on market values at the reporting date. The fair values have been presented in the note number 37 to the financial statements.

Derivative financial instruments

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 financial instruments have been recognized in the balance sheet at their fair value at the contract date and are later remeasured at fair value. The fair values of derivative contracts have been determined using the market values at the balance sheet date. Gains and losses from fair value measurement are treated as determined by the purpose of the derivatives.

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

The fair values of the derivatives used in hedging are presented in note number 35 to the financial statements. The derivatives have been presented as accrued expenses or receivables in non-current assets or liabilities in the balance sheet when the remaining hedged item is more than 12 months from the reporting date. Otherwise the derivative has been presented as accrued expenses or receivables under current assets or liabilities in the balance sheet.

Hedge accounting

The decision to apply hedge accounting is made separately for each contract at the contract date. Hedge accounting has not been applied in the financial statements of the year 2013 and the comparison period.

In hedge accounting, the hedging relationship between the hedged item and the hedging instrument and risk management objectives and strategies for hedging transactions are documented when the hedging relationship is created. Each hedging derivative is set to hedge certain assets and liabilities,

binding contracts or future transactions. Both when starting hedging and after hedging has begun the Group documents an estimate of whether the change in the fair value of the hedging instrument effectively corresponds to the changes in the fair values of the hedged cash flows or other hedged items.

The effects on results of changes in the value of derivatives that are eligible for hedge accounting and that are effective hedging instruments are presented consistent with the hedged item. When derivative contracts are entered into, the Group assigns them to hedge against a certain risk which relates to an asset or liability recognized in the balance sheet or a highly probable forecast transaction (cash flow hedging).

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

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

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

Intangible assets

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

Research and development costs

Research costs have been recognized as an expense in the income statement. Development costs incurred in planning new or more advanced products and in manufacturing test machinery for testing them has been recognized as intangible assets in the balance sheet from the moment the product can be produced technologically, utilized commercially, and future financial benefit is expected from it. Capitalized product development costs include the material, work and testing expenditure incurred directly from completing the product for the intended purpose. Development

costs previously recognized as an expense is not capitalized at a later date.

Amortization of capitalized product development costs is started when the product is ready for use. The useful life of development costs is three years, during which time capitalized assets have been recognized as an expense on a straight-line basis. Capitalized costs for product development in progress 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 asset has been recognized in the balance sheet at original cost when it is probable that the expected future financial benefit attributable to the assets will flow to the entity over a period of several years (amortization period) and the cost of the assets can be measured reliably.

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

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

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

Property, plant and equipment

All property, plant and equipment is measured at acquisition cost less accumulated depreciation and impairment. The acquisition cost includes the purchase price, cash and other discounts, import duties and fixed taxes. When a property, plant or equipment is manufactured in-house, it also includes, in addition to the above-mentioned items, a share of the Group's fixed costs. Ordinary property, plant and equipment repair and maintenance costs have been recognized through profit or loss as incurred. Possible costs incurred in restoring to original state have been taken into account in IFRS accounting as part of the acquisition cost. Raute Corporation's consolidated financial statements of December 31, 2013, including the comparison data, do not include property, plant or equipment for which costs capitalized in the future should be taken into account.

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

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

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

Public contributions

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

Impairment of non-financial assets

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

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

Leases

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.

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 pro-

duction 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. The Group has applied IAS 19 standard amendment as of January 1, 2013. The amount of the obligation has been calculated yearly by the independent actuaries. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation has been determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds. These loans with the interest rate, has been denominated in the currency in which the benefits will be paid. The loans have terms to maturity approximating to the terms of the related pension obligation. Period service cost (pension cost) and a net interest of a net defined benefit liability has been recognized in the comprehensive income statement

and presented in the employee benefit expense. Items related to rereasurement of the net defined benefit liability (or assets), as actuarial gains and losses and the return on plan assets, has been recognized in the other comprehensive income items at the financial year they occur. The impact of the amended standard IAS 19 has been presented in the note number 40 to the financial statements.

Share-based payments

The Group has a valid Stock Option Plan. In 2010, 2011 and 2012 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 has been 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 has been estimated at each reporting date. Any changes to the estimates are entered in the income statement and in equity. When stock options have been used, money payments received on the basis of share subscription have been recognized in equity, adjusted for any transaction costs. Information on share-based payments is presented in the note number 26 to the financial statements.

Employee termination benefits

Items settled in the case of employee termination 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.

Profit-based bonuses

An expense and a liability for profit-based bonuses are based on a formula that has taken into consideration the operating profit after certain adjustments. A provision has been recognized when the Group has a contractual obligation or where there has been a past practice that has been created a constructive obligation.

Share capital

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

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

Dividend

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

Operating profit

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

Critical accounting judgments and key sources of estimation uncertainty

When preparing the consolidated financial statements in compliance with International Financial Reporting Standards, the company management has made certain estimates and assumptions. In addition, the management has exercised its judgment in selecting and applying the accounting policies. These estimates and assumptions have affected the assets and liabilities in the Group's balance sheet, the disclosure of commitments and possible assets in the consolidated financial statements, and income and expenses for the period. Because the estimates have been based on management's best knowledge at the reporting date, actual results may differ from these estimates. The management is not, by the time the financial statements were to be published, aware of any major uncertainties concerning the estimates on the reporting date or any key assumptions concerning the future, on the basis of which there would be a considerable risk of a substantial change in the carrying values of assets and liabilities during the next financial year. The key items where the estimates have been used are as follows:

Estimated impairment

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

Long-term projects

The percentage of completion method is based on estimates of expected project revenue and expenses, as well as on reliable

measurement of project progress. Should the estimates of the project outcome change, the recognized revenue and profit is adjusted in the period in which the change first becomes known and can be estimated.

Warranty provision

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

Receivables

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

Commercialization of new technology

The management has estimated the risk related to the commercialization and first-delivery projects of new technology. At the balance sheet date, there were four new products in the commercialization phase of new technology. At the balance sheet date December 31, 2013, the balance sheet items of the products in the commercialization phase formed a risk of EUR 2.8 million.

Income taxes

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

Employee benefits

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

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

The following are the standards, interpretations or amendments to the existing standards and interpretations that have been published by IASB but were not effective on the financial year starting on January 1, 2013. The Group will apply them beginning on the date that each standard and interpretation comes into effect, or, if the date of entry into force is a date other than the first day of the financial year, beginning at the start of the financial year following the date of entry into force.

- IFRS 9 Financial Instruments (effective on financial periods beginning on or after January 1, 2015). IFRS 9 is the first phase of a larger project which aims at replacing IAS 39 with a new standard. The multiple classification and measure-

ment methods have been retained, but simplified. Financial assets are classified into two main categories based on the measurement: those measured at amortized cost and those measured at fair value. Classification depends on the entity's business model and contractual cash flow characteristics. The IAS 39 guidelines concerning derecognition and hedge accounting will remain effective. The EU has not yet endorsed the standard for use in the EU.

- IFRS 10 Consolidated Financial Statements (effective on the financial period beginning on January 1, 2014). This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS 11 Joint Arrangements (effective on the financial period beginning on January 1, 2014). This standard focuses on the rights and obligations of joint arrangements in accounting, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. The standard additionally requires a single method for the reporting of joint ventures, the equity method, and proportional consolidation of joint ventures is no longer allowed.
- IFRS 12 Disclosure of Interests in Other Entities (effective on the financial period beginning on January 1, 2014). The standard includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, special purpose vehicles and other off balance sheet vehicles.
- IAS 27 (revised 2011) Separate Financial Statements (effective on the financial period beginning on January 1, 2014). This revised standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised 2011) Associates and joint ventures (effective on the financial period beginning on January 1, 2014). Revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.
- IAS 32 Financial instruments: presentation change on asset and liability offsetting (effective on the financial period beginning on January 1, 2014). An amendment clarifies the presentation requirements for offsetting financial assets and liabilities and will increase the application guidance.
- IAS 36 (amendment) Impairment of assets (effective on the financial period beginning on January 1, 2014 or after the fiscal year beginning). The amendment addresses the disclosure of information about the cash generating unit when an impairment loss has been recognized.
- IAS 39 Financial instruments: recognition and measurement (amendment). The amendment provides hedge accounting when derivative agreements is novated to a central counterparty. The hedge accounting can be continued assuming there are no other changes to the hedging relationship.

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

2 MANAGEMENT OF FINANCING RISKS

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

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

Market risk

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

Currency risks

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

The Group's main currency is the euro. The most significant currency risks result from the following currencies:

- Chinese yuan (CNY)
- Russian ruble (RUB)
- Canadian dollar (CAD)
- US dollar (USD).

The distribution of the Group's sales varies annually according to market area. In 2013, 60 percent (85%) 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 un-

hedged 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 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 3.0 million (MEUR 1.8) at the balance sheet date.

The Group can reduce the temporary effect on the operating profit related to the fair value of derivative contracts resulting from changes in exchange rates by applying hedge accounting to the derivatives connected to binding, fixed-price sales contracts. The Group's Parent company concludes, with an external counterparty, a derivative contract which is defined as a hedging instrument in hedge accounting. Subsidiaries use internal derivatives to hedge transactions defined as hedged items. The total amounts of the valuation gains and losses for derivatives have been presented in the note 35 to the financial statements.

The internal loans taken out by the Group companies and their deposits are mainly in the functional currency of the subsidiary in question. The currency exchange risks of internal loans are hedged with forward contracts, with the exception of equity loans and working capital loans, the repayments of which are paid from the forecasted unhedged currency flows of sales in the same currency. Forward contracts related to the hedging of the Group's internal financing had a nominal value of EUR 1.3 million (MEUR 2.1) at the end of the financial year 2013.

The Parent company Raute Corporation has a currency-denominated loan in the amount of SEK 17.6 million (SEK 35.3 million). The currency-denominated loan's currency risk is hedged with a currency swap agreement. The subsidiaries' loans from external financial institutions are in each company's functional currency.

The forward contract receivables and liabilities related to business payments and denominated in foreign currency, to which hedge accounting is not applied, increase the currency risk to the Group at the balance sheet date. This currency risk is recognized in profit or loss when the value of the forward contracts exceeds the income recognition of the respective binding sales contracts. The measurement of the forward contracts and the percentage of completion receivables had a EUR 3 thousand negative effect on the Group's operating profit (EUR -12 thousand) at the reporting date. The nominal values of derivatives related to financing are presented in the note 35 of the financial statements.

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 other than for the Russian ruble, for which the aim is to keep the net currency position at less than EUR 1 million. The Group's net currency position and its portion

included in the balance sheet at the reporting date (Net balance sheet risk) is presented in currency pairs in the following table:

EUR 1,000	Net currency position		Net balance sheet risk	
	2013	2012	2013	2012
CNY/EUR	-421	191	-862	-1,384
RUB/EUR	-948	-1,193	-948	-1,193
CAD/EUR	45	-801	45	-814
USD/EUR	423	191	-1,916	-34

Table: Group transaction risks

Translation risks

The Group is exposed to translation risks. The Group has foreign subsidiaries which have equities in currencies other than the Parent company's functional currency. The currency risks related to the conversion of the foreign subsidiaries' net investments to the Group's home currency, the euro, have not been hedged. The Group's subsidiaries' non-euro-denominated equities equaled altogether EUR -8,223 thousand on December 31, 2013 (EUR -9,784 thousand). Net investments are detailed according to currency in the following table:

EUR 1,000	2013	2012
CNY	1,489	875
RUB	355	355
CAD	84	84
USD	17	17
Other	15	15

Table: Net investments in subsidiaries by currency

Sensitivity analysis

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, 2013 and at the comparison date, is presented in the following table:

EUR 1,000	Effect on profit after tax					
	2013		2012			
CNY	+/-	15 %	+/-	64	+/-	37
RUB	+/-	15 %	+/-	39	+/-	7
CAD	+/-	15 %	+/-	66	+/-	312
USD	+/-	15 %	+/-	2	+/-	2

Table: Sensitivity analysis

All foreign currency receivables and liabilities as well as the currency derivative contracts, recognized in the balance sheet on the reporting date, have been taken into account in the sensitivity analysis. In the analysis, the change in exchange rate has been estimated to be +/-15 percent from the reporting date. Other factors are estimated to remain unchanged.

Interest risk

The Group's interest risk results from non-current liabilities. The Group's objective is to hedge against interest risks related to liabilities through fixed-interest rate loans, interest rate derivative instruments and sufficient liquid assets. The Group takes out

loans with either fixed interest rates or floating interest rates. The floating interest rate loans expose the Group's cash flow to interest risk. The Group has a floating rate loan in Swedish krona. The Group has used an interest rate swap to hedge against the interest risk resulting from the floating interest rate loan. No hedge accounting has been applied to the interest rate swap hedging the loan. At the end of the financial year, 63 percent of the Group's loans were fixed-interest rate and 37 percent floating interest rate loans. On the last day of the financial year, the Group had an open interest rate swap, based on which the Group has received an average of 2.81 percent in fixed interest and paid 2.61 in floating interest.

In the Group, the fluctuating interest level mainly influences the arising return level of liquid assets. In the uncertain financial market situation, the Group is avoiding investment instruments which involve significant interest or price risks. No investments in interest funds were included in the financial statements of December 31, 2013 or the comparison year. On the reporting date, cash and cash equivalents were invested in fixed interest rate accounts.

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 stable financial market situation, the Group may invest 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 fund or other investments held for sale.

Counterparty risk

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

Credit risk and other counterparty risks

Credit risks or counterparty risks are realized when the customer or other counterparty is unable to fulfill its commitments to the Group. The maximum amount of credit risk at the balance sheet date is the book value of financial assets. At the end of the financial period on December 31, 2013 the maximum amount of credit risk was EUR 31.0 million (MEUR 44.0).

Credit risks related to contractual counterparties in project deliveries are managed by expecting bank guarantees or confirmed letters of credit for customer payments, and by accelerated payment terms with long-term customers approved by the Board

of Directors. Credit risks related to technology services are managed by regularly monitoring the customer-specific amounts of receivables and customers' payment behavior. As a result of the general uncertainty related to the development of the global economy, financial markets and the customers' market situation the risk level for unhedged receivables is expected to be stabilized at a slightly higher level than before the recession.

The maximum credit risk relating to customers' solvency is the amount of receivables relating to binding sales contracts that are not covered by bank guarantees, letters of credit or other securities. Received bank guarantees and letters of credit covered 30 percent (16%) of the accounts receivables and the percentage of completion receivables recorded in the balance sheet and 5 percent (25%) of the order book at the end of the financial year. The credit losses recognized during the financial year amounted to EUR 0.5 million (MEUR 1.6). No significant credit risk clusters were recognized in the accounts receivables at the balance sheet date.

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

EUR 1,000	2013	2012
Accounts receivables in the balance sheet	3,887	4,107
Invoiced outstanding advance payments	373	3,740
TOTAL	4,260	7,847

Table: Customer receivables

EUR 1,000	2013	2012
Neither past due nor impaired	2,819	5,625
Overdue 0-29 days	403	472
Overdue 30-60 days	247	120
Overdue more than 60 days	790	1,630
TOTAL	4,260	7,847

Table: Age distribution of customer receivables

Counterparty risk for investment activities

The financing instrument contracts that the Group has concluded with banks and financial institutions involve the risk that the counterparty is not able to fulfill its obligations according to the contract. In investment activities and when concluding derivative contracts, only those parties which have a good credit rating

and which meet the other terms and conditions defined by the financing policy are accepted as counterparties. When making investments, or derivative and loan agreements, the Group applies counterparty-specific upper limits to avoid risk concentrations. On the balance sheet date, the investments related to the Group's cash management were in Nordic banks. The liquid assets in financial institutions outside the euro zone were EUR 2.8 million (MEUR 2.0) at the balance sheet date.

Liquidity risks

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

The minimum amounts of cash and cash equivalents, current investments, and available credit liabilities have been defined in the Group's financing policy to ensure the Group's liquidity. Good liquidity is maintained primarily through efficient working capital and cash management. In the long term, risks related to the availability and pricing of funding are managed by using a variety of sources for financing. Investments are required to exhibit sufficient liquidity. The Group did not have interest-bearing net liabilities in the consolidated financial statements of December 31, 2013 or in the comparison year. The cash and cash equivalents available to the Group are sufficient to cover the Group's short-term financing needs.

The Group's cash and cash equivalents totaled EUR 12.6 million (MEUR 19.5) at the end of the financial year. The Group has made preparations for fluctuating working capital requirements and possible disturbances in the availability of money with non-current credit limit agreements worth EUR 23.0 million with three Nordic banks. At the end of the financial year, EUR 16.9 million was unused of the limit.

Investments are made mainly in current deposits or in secondary marketable euro-based investments with a good credit rating.

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

EUR 1,000	2014	2015	2016	2017	2018	Total
Loans from financial institutions						
Repayments	3,490	1,250	1,250	-	-	5,990
Financial expenses	192	85	36	-	-	313
Total	3,682	1,335	1,286	-	-	6,303

EUR 1,000						
Trade payables						
Repayments	7,556	-	-	-	-	7,556
Financial expenses	-	-	-	-	-	-
Total	7,556	-	-	-	-	7,556

EUR 1,000						
Accrued expenses and prepaid income						
Repayments	5,001	-	-	-	-	5,001
Financial expenses	-	-	-	-	-	-
Total	5,001	-	-	-	-	5,001

EUR 1,000						
Derivatives						
Repayments	71	-	-	-	-	71
Financial expenses	-	-	-	-	-	-
Total	71	-	-	-	-	71

Table: Maturity analysis

In addition, bank credit limits and Raute Corporation's EUR 10 million (MEUR 10) domestic commercial paper program, which allows the Group to issue commercial papers maturing in less than one year, secure the Group's liquidity. Nordea Bank Finland Plc is the arranger of the program.

Capital structure management

The objective of the Group's capital structure management is an effective capital structure that secures the Group's operational preconditions on the capital market. The Group's Parent company's credit ranking throughout 2013, as well as in the comparison year 2012, was good.

The Group's capital structure is followed using the equity ratio, which has been set a strategic target value. During the financial year 2013 the target value of the equity ratio was over 40 per-

cent. At the end of the financial year, the equity ratio was 56.6 percent (48.0%) and gearing -28.3 percent (-33.5%).

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 not less than 30 percent and
- gearing to be under +100 percent.

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

During the financial year 2013 and the comparison year, the Group met the conditions of the covenants and reached the set target value of equity ratio.

EUR 1,000	2013	%	2012	%
3 SEGMENT REPORTING				
Operational segment				
Continuing operations of Raute Group belong to the wood products technology segment. Raute Corporation's Board of Directors is the chief operating decision maker that is responsible for assigning resources to the operating segment and assessing its result. The Board monitors profitability through the operating profit key figures.				
Due to Raute's business model, operational nature and administrative structure, the operational segment to be reported as wood products technology segment is comprised of the whole Group and the information on the segment is consistent with that of the Group.				
The division into operating segments is based on the Group's internal decision-making order and is consistent with the financial reports submitted to the chief operating decision maker. Segment reporting follows the principles of presentation of the consolidated financial statements.				
Wood products technology				
Net sales	83,274		101,273	
Operating profit (loss)	1,828		5,031	
Assets	48,783		63,076	
Liabilities	25,170		38,856	
Capital expenditure	3,188		3,529	
Assets of the wood products technology segment by geographical location				
Finland	40,492	83	53,620	85
North America	3,914	8	3,437	5
China	2,925	6	4,406	7
Russia	1,114	2	1,257	2
South America	198	0	199	0
Others	140	0	158	0
TOTAL	48,783	100	63,076	100
Capital expenditure of the wood products technology segment by geographical location				
Finland	2,324	73	2,980	84
North America	15	0	6	0
China	837	26	517	15
Russia	3	0	1	0
South America	1	0	22	1
Others	8	0	2	0
TOTAL	3,188	100	3,529	100

EUR 1,000	2013	%	2012	%
4 NET SALES				
The main part of the net sales is comprised of project deliveries related to wood products technology and modernizations in technology services, which are treated as long-term projects. The rest of the net sales is comprised of technology services provided to the wood products industry such as spare parts and maintenance services as well as services provided to the development of customers' business.				
Project deliveries and modernizations related to technology services include both product and service sales, making it impossible to give a reliable presentation of the breakdown of the Group's net sales into purely product and service sales.				
Large delivery projects can temporarily increase the shares of various customers of the Group's net sales to more than ten percent. At the end of the financial year 2013, the Group had two customers (2), whose customized share of the Group's net sales temporarily exceeded ten percent. The total share of both customers was 14 percent.				
Net sales by market area				
EMEA (Europe and Africa)	33,697	40	22,179	22
LAM (South America)	18,020	22	52,588	52
CIS (Russia)	16,291	19	14,454	14
NAM (North America)	11,432	14	8,469	8
APAC (Asia-Pacific)	3,834	5	3,583	4
TOTAL	83,274	100	101,273	100
Finland accounted for 6 percent (6%) of net sales.				
5 LONG-TERM PROJECTS				
Net sales				
Net sales by percentage of completion	66,214		85,267	
Other net sales	17,060		16,006	
TOTAL	83,274		101,273	
Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	86,534		89,601	
Amount of long-term project revenues not yet entered as income (order book)	27,770		49,040	
Balance sheet items of uncompleted projects				
Projects for which the value of percentage of completion exceeds advance payments invoiced				
- aggregate amount of costs incurred and recognized less recognized losses	65,872		64,872	
- advance payments received	53,619		48,372	
Gross amount due to customers	12,253		16,499	
Projects for which advance payments invoiced exceed the value by percentage of completion				
- aggregate amount of costs incurred and recognized profits less recognized losses	20,467		27,890	
- advance payments received	26,953		40,394	
Gross amount due to customers	6,486		12,504	

EUR 1,000	2013	2012
Advance payments included in the current liabilities in the balance sheet		
Gross amount due to customers	6,486	12,504
Other advance payments received, not under percentage of completion	613	272
TOTAL	7,099	12,776
Specification of combined asset and liability items		
Advance payments paid	101	1,021
Advance payments included in inventories in the balance sheet	101	1,021
6 OTHER OPERATING INCOME		
Capital gain on sale of fixed assets	11	21
Project guarantee compensation received	-	1,246
Insurance compensation received	121	-
Other	163	156
TOTAL	295	1,423
7 MATERIALS AND SERVICES		
Materials and supplies		
- Purchased during the financial year	-36,229	-51,275
- Change in inventories	-74	632
External services	-4,408	-5,082
TOTAL	-40,711	-55,725
8 EMPLOYEE BENEFITS EXPENSE		
Wages and salaries	-22,697	-23,750
Stock options granted	-199	-177
Pension contributions		
- Defined contribution plans	-3,184	-3,233
- Defined benefit plans	2	8
Other personnel costs	-1,339	-1,601
TOTAL	-27,417	-28,752
Information on management's employee benefits and loans has been presented in the note number 33. Information on the share-based payments has been presented in the note number 26.		
9 NUMBER OF PERSONNEL		
Employed at Dec. 31, persons		
Workers	160	150
Office staff	374	353
TOTAL	534	503
	148	132
Effective, on average, persons		
Workers	151	146
Office staff	364	334
TOTAL	515	480
- of which personnel working abroad	141	132
Average, persons		
Workers	155	150
Office staff	367	338
TOTAL	522	488
- of which personnel working abroad	141	132

EUR 1,000	2013	2012
10 RESEARCH AND DEVELOPMENT COSTS		
Research and development costs for the financial year	-2,523	-2,516
Amortization of capitalized development costs	-405	-126
Development costs recognized as an asset in the balance sheet	615	1,024
Research and development costs entered as expense for the financial year	-2,313	-1,618
Total research and development costs	-2,523	-2,516
% of net sales	3.0	2.5
Research and development costs have been recognized in operating expenses prior to operating profit.		
11 DEPRECIATION AND AMORTIZATION		
Depreciation and amortization by class of assets		
Intangible assets		
- Capitalized development costs	-405	-126
- Other intangible assets	-377	-348
Property, plant and equipment		
- Buildings and structures	-319	-323
- Machinery and equipment	-1,071	-1,144
- Other tangible assets	-2	-27
TOTAL	-2,174	-1,968
12 OTHER OPERATING EXPENSES		
Indirect production expenses	-2,410	-2,504
Renting expenses	-1,198	-1,144
Sales and marketing expenses	-1,767	-1,574
Credit losses	-534	-1,564
Administration expenses	-1,704	-1,833
Other expenses	-2,872	-3,101
TOTAL	-10,485	-11,720
Auditors' remunerations		
Authorized Public Accounting Company PricewaterhouseCoopers		
Annual audit	-55	-48
Tax services	-7	-22
Other services	-13	-45
TOTAL	-75	-115
13 FINANCIAL INCOME AND EXPENSES		
Financial income		
Interest income and receivables	39	248
Dividend income from available-for-sale investments	180	118
Exchange rate gains from financial liabilities, net	190	47
Exchange rate gains from other financial items	245	36
Other financial income	81	32
TOTAL	735	482

EUR 1,000	2013	2012
Financial expenses		
Interest expenses on financing loans recognized at amortized cost	-334	-498
Exchange rate losses from financing loans	0	-117
Interest rate swap agreements, fair value adjustments	-42	281
Exchange rate losses from other financial items	-161	-331
Impairment losses on available-for-sale investments	-293	-
Other financial expenses	-144	-73
TOTAL	-974	-738
Financial income and expenses, net	-238	-256
Interest expenses have been adjusted by fair value changes related to the risk hedged with currency and interest rate swap agreements. The reduction is EUR 84 thousand (EUR 175 thousand).		
Other comprehensive income items		
Remeasurement of defined benefit obligations	84	110
Exchange rate differences	-83	80
TOTAL	1	190
14 EXCHANGE RATE GAINS AND LOSSES (NET)		
Included in net sales	-16	32
Included in operating expenses	0	51
Included in financial income and expenses	275	-364
Included in other comprehensive income items	-83	80
TOTAL	176	-202
15 INCOME TAXES		
Consolidated income statement		
Current tax based on the taxable profit of the financial year	-364	-16
Current tax of previous financial years	-2	-14
Deferred taxes (note number 28)	-28	-1,728
TOTAL	-394	-1,759
Reconciliation of the relationship between realized tax expense and theoretical accounting result using the Finnish tax rate of 24.5 percent		
Profit before taxes	1,589	4,775
Tax effect of the following items:		
Taxes calculated using the Finnish tax rate, 24.5%	-389	-1,170
Effect of differences in tax rates of foreign subsidiaries	-1	3
Non-deductible income	44	119
Non-deductible costs in taxation	-14	-18
Taxes from the previous financial years	-2	-14
Utilization of previously unrecognized tax losses	-65	0
Unrecognized tax assets from the losses of foreign subsidiaries	-119	-391
Re-measurement of deferred tax - change in the Finnish income tax rate	45	-
Other items	107	-287
Consolidated tax expense	-394	-1,759
Effective tax rate, %	24.8	36.8

EUR 1,000	2013	2012
16 EARNINGS PER SHARE		
Undiluted earnings per share		
Undiluted earnings per share have been calculated based on the weighted average of outstanding shares during the financial year. Undiluted earnings per share is calculated by dividing the period's profit of loss attributable to equity holders of the Parent company by the weighted average of outstanding shares in the period.		
Share of profit that belongs to the owners of the Parent company, EUR 1,000	1,196	2,985
Weighted average number of shares, 1,000 pcs	4,005	4,005
Earnings per share, EUR	0.30	0.75
Diluted earnings per share		
Diluted earnings per share have been calculated by adjusting the average of outstanding shares by the dilutive effect of the share options. The exercise of options is not taken into account in the calculation of earnings per share if the exercise price of the options exceeds the average market price of shares during the period. Share options have dilutive effect if the exercise price of the share options is lower than the fair value of the share.		
For the calculation of diluted earnings per share, share options calculation is done to determine the number of shares that could have been acquired at fair value (the average annual market share price) based on the monetary value of the subscription rights attached to outstanding share options. This number of shares is compared with the number of shares that would have been issued assuming the exercise of the share options.		
At the balance sheet date, December 31, 2013, the stock options had a diluted effect of 8,211 pieces on calculating the diluted earnings per share.		
Share of profit that belongs to the owners of the Parent company, EUR 1,000	1,196	2,985
Diluted weighted average number of shares, 1,000 pcs	4,013	4,008
Diluted earnings per share, EUR	0.30	0.74

17 DIVIDEND PER SHARE

In the financial year 2013, Raute Corporation paid a dividend of EUR 0.50 per share, that is, a total EUR 2,002 thousand.

The Board of Directors will propose to Raute Corporation's Annual General Meeting 2014, to be held on March 31, 2014, that a dividend of EUR 0.20 per share be paid for the financial year 2013, and that the remainder of distributable funds be transferred to equity. At the date of the proposal for profit distribution, there are a total of 4,004,758 shares entitled for the dividend, i.e. the total amount of dividends would be EUR 800,951.60.

The Board of Directors will propose to the Annual General Meeting that the Annual General Meeting would resolve to distribute EUR 0.30 per share from the invested non-restricted equity reserve as repayment of equity.

18 INTANGIBLE ASSETS

EUR 1,000	Development costs	Other intangible assets	Development costs in progress	Advance payments	TOTAL
Intangible assets 2013					
Carrying amount at Jan. 1, 2013	3,478	9,368	1,054	118	14,019
Exchange rate differences	-	-8	-	-2	-10
Additions	311	218	304	719	1,552
Reclassifications between items	-	-1,353	-	-835	-2,188
Carrying amount at Dec. 31, 2013	3,789	8,225	1,358	0	13,372
Accumulated depreciation and amortization at Jan. 1, 2013					
	-3,317	-7,497	-	-	-10,815
Exchange rate differences	-	7	-	-	7
Accumulated depreciation and amortization of disposals and reclassifications	-	1,791	-	-	1,791
Depreciation and amortization for the financial year	-405	-377	-	-	-782
Accumulated depreciation and amortization at Dec. 31, 2013	-3,722	-6,077	-	-	-9,799
Book value at Dec. 31, 2013	67	2,148	1,358	0	3,574
Intangible assets 2012					
Carrying amount at Jan. 1, 2012	4,065	8,260	123	-	12,447
Exchange rate differences	-	7	-	-	7
Additions	93	1,056	1,023	118	2,198
Reclassifications between items	-587	45	-92	-	-634
Carrying amount at Dec. 31, 2012	3,478	9,368	1,054	118	14,019
Accumulated depreciation and amortization at Jan. 1, 2012					
	-3,871	-7,144	-	-	-11,014
Exchange rate differences	-	-5	-	-	-5
Accumulated depreciation and amortization of disposals and reclassifications	679	-	-	-	679
Depreciation and amortization for the financial year	-126	-348	-	-	-474
Accumulated depreciation and amortization at Dec. 31, 2012	-3,317	-7,497	-	-	-10,815
Book value at Dec. 31, 2012	161	1,871	1,054	118	3,204

The carrying amount of a capitalized product development in progress is tested using the value-in-use calculations. The determinations of the value are sensitive to the assumptions related to the future expected profit and discount rates. The discount rate describes the estimated expected rate in the market including the time-value of money and the specific risks relating to relevant assets. Readjustments related to these risks have not been adjusted to the estimated cash flows.

The discount rate has been estimated using the weighted average cost of capital and reflects the total cost of equity and liabilities including the specific risks relating to the relevant assets. The discount rate used for the calculations is 10.9 percent. During the financial year 2013, an impairment loss of EUR 311 thousand has been recognized on the capitalized development costs in progress.

19 PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land and water	Buildings and structures	Machinery and equip- ment	Other tangible assets	Assets in prog- ress and advance payments	TOTAL
Property, plant and equipment 2013						
Carrying amount at Jan. 1, 2013	386	9,593	30,447	648	600	41,673
Exchange rate differences	-	-	-919	-29	-	-947
Additions	-	-	469	-	1,165	1,634
Disposals	-	-	-43	-	-1	-44
Reclassifications between items	-	127	1,302	-43	-1,032	354
Carrying amount at Dec. 31, 2013	386	9,720	31,255	576	732	42,670
Accumulated depreciation and amortization at Jan. 1, 2013						
Exchange rate differences	-	-6,060	-27,283	-439	-	-33,782
Accumulated depreciation and amortization of disposals and reclassifications	-	-	-	43	-	44
Depreciation and amortization for the financial year	-	-319	-1,071	-2	-	-1,392
Accumulated depreciation and amortization at Dec. 31, 2013	-	-6,379	-27,507	-388	-	-34,274
Book value at Dec. 31, 2013	386	3,341	3,749	188	732	8,396
Property, plant and equipment 2012						
Carrying amount at Jan. 1, 2012	386	13,075	30,135	645	223	44,463
Exchange rate differences	-	15	69	4	-	88
Additions	-	4	611	-	716	1,331
Disposals	-	-	-370	-	-	-370
Reclassifications between items	-	-3,502	2	-	-341	-3,839
Carrying amount at Dec. 31, 2012	386	9,593	30,447	648	600	41,673
Accumulated depreciation and amortization at Jan. 1, 2012						
Exchange rate differences	-	-9,442	-26,384	-410	-	-36,236
Accumulated depreciation and amortization of disposals and reclassifications	-	3,722	299	-	-	4,019
Depreciation and amortization for the financial year	-	-323	-1,144	-27	-	-1,494
Accumulated depreciation and amortization at Dec. 31, 2012	-	-6,060	-27,282	-439	-	-33,782
Book value at Dec. 31, 2012	386	3,532	3,165	209	600	7,892

EUR 1,000	2013	2012
20 OTHER FINANCIAL ASSETS		
Available-for-sale investments		
Unquoted share investments	789	789
Additions	3	-
Disposals	-293	-
TOTAL	500	789
<p>The fair values of financial assets have been presented in the note number 37 to the financial statements.</p> <p>Realized sales losses have not been recognized from available-for-sale investments during the financial year 2013 or the comparison period. The book value for the financial year 2013 has been deducted with impairments of total EUR 293 thousand.</p>		
21 INVENTORIES		
Materials and supplies	3,335	3,461
Work in progress	1,016	1,982
Other inventories	595	666
Advance payments	101	1,021
TOTAL	5,047	7,130
<p>During the financial year, EUR 144 thousand (EUR 478 thousand) were recognized in expenses, reducing the carrying amount of inventories to correspond to the disposal price.</p>		
22 ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES		
Current receivables		
- Accounts receivables	3,887	4,107
- Receivables according to percentage of completion from customers' long-term projects	12,253	16,499
- Accrued income and prepaid expenses	863	2,170
- Derivative contract receivables	130	17
- Other receivables	1,380	1,671
TOTAL	18,513	24,464

Balance sheet values correspond the amount of money that is the maximum amount of credit risk without taking into consideration the fair value of collaterals, in such a case where other contract parties are not able to fulfill their obligations related to financial instruments. Accounts receivables of EUR 3,887 thousand are non-interest-bearing with average terms of payment of 30 days. Age analysis of accounts receivables is presented in the note number 2 to the financial statements.

Receivables according to percentage of completion from customers' long-term projects with binding sales contracts is an item comparable to accounts receivables. Accounts receivables and receivables according to percentage of completion have been presented as financial asset in the note number 37 to the financial 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 534 thousand (EUR 1,564 thousand) has been recognized during the financial year. Impairments are presented in the item "Other operating expenses" in income statement.

The credit risks related to receivables at the balance sheet date have been presented in the note number 2 to the financial statements. The fair values of receivables have been presented in the note number 37 to the financial statements.

EUR 1,000	2013	2012
Substantial items included in accrued income		
- Periodizing of personnel costs	49	52
- Guarantee compensation receivables	-	1,246
- Income tax receivable	183	37
- Other accrued income and prepaid expenses	631	834
TOTAL	863	2,170
23 CASH AND CASH EQUIVALENTS		
Cash and bank accounts	12,658	14,548
Bank deposits	-	5,000
TOTAL	12,658	19,548
Cash and cash equivalents in cash flow statement		
Cash and cash equivalents	12,658	19,548
TOTAL	12,658	19,548
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 1,000	8,010	8,010
Series K shares (20 votes/share)	991	991
Series A shares (1 vote/share)	3,014	3,014
<p>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 granted stock options, Raute Corporation's share capital can increase with a maximum of EUR 480,000.</p>		
Invested non-restricted equity reserve		
Invested non-restricted equity reserve includes other equity investments and the share subscription price unless not recognized to the equity based on an explicit resolution.		
Invested non-restricted equity reserve at Jan. 1	6,498	-
Reclassifications between items	-	6,498
Invested non-restricted equity reserve at Dec. 31	6,498	6,498
Other reserves		
Other reserves include granted share-based remuneration settled in shares.		
Other reserves at Jan. 1	364	187
Equity settled share-based payments	199	177
Other reserves at Dec. 31	563	364
Exchange rate differences		
Exchange rate differences include exchange differences arising from translation of foreign subsidiaries' financial statements as well as gains and losses arising from hedging of net investments in subsidiaries.		
Exchange rate differences at Jan. 1	103	23
Exchange rate differences on translating foreign operations	-83	80
Exchange rate differences at Dec. 31	20	103

25 OWN SHARES

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

26 SHARE-BASED PAYMENTS

The stock options were, in deviation from the shareholders' pre-emptive rights, 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 stock options are intended to form a part of the incentive and commitment program of the key personnel. The stock options shall be issued free of charge. 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 option rights are marked with the symbols 2010 A, 2010 B and 2010 C. 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 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 total of 11,700 options were returned to Raute Corporation during the financial year. The return is based on the terms of stock option plan.

In compliance with authorization by the Annual General Meeting, Raute Corporation's Board of Directors issued a total of 33,200 option rights marked with the symbol 2010 A, 2010 B and 2010 C to the Group's key personnel during the financial year 2013. A fair value for the options issued during the financial year has been determined using the Black-Scholes model. The granted options are measured at fair value at their grant date. The fair value of an option right has been recognized as an expense in the comprehensive income statement during the earning period. During the financial year 2013 the impact of the options on the comprehensive income statement was EUR 199 thousand (EUR 177 thousand). The weighted average assumptions used in the pricing model in the financial years 2013 and 2012 are described in the following table.

Variables used in the pricing model

	2010 A	2010 B	2010 C
- Share price at grant date, EUR	7.90-9.12	7.33-10.50	7.55-9.12
- Price at transfer date, EUR	7.64	9.83	8.40
- Volatility	30	30	30
- Employee departure estimate, %	0	0	0
- Period of validity of options at transfer date, years	3 - 6	4 - 6	5 - 6
- Risk-free interest rate, %	2.07	2.07	2.07
- Number of persons	10	24	27

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		2013	2012
27	PROVISIONS		
	Warranty provisions		
	Book value at Jan. 1	934	742
	Additions	1,046	822
	Decrease	-782	-630
	Book value at Dec. 31	1,198	934
	Losses from long-term projects in order book		
	Book value at Jan. 1	255	819
	Decrease	-219	-564
	Book value at Dec. 31	36	255
	TOTAL	1,234	1,189
	from which		
	- non-current	460	56
	- current	775	1,134

28 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

EUR 1,000		Entered through profit or loss	Entered in comprehensive income statement	Recognized in shareholders' equity	
		Jan. 1, 2012			Dec. 31, 2012
Deferred tax assets					
	Intercompany inventory profit	40	-9	-	32
	Provisions	44	29	-	72
	Employee benefits	26	11	-22	15
	Tax losses and credits unused	1,806	-1,605	-	201
	Other temporary differences	0	67	-	67
	Deferred tax assets, total	1,917	-1,508	-22	387
	Offset from deferred tax liabilities	-313	-34	-	-347
	Deferred tax assets, net	1,601	-1,542	-22	38
Deferred tax assets					
		Jan. 1, 2013			Dec. 31, 2013
	Intercompany inventory profit	32	-3	-	28
	Provisions	72	-62	-	11
	Employee benefits	15	-27	22	10
	Tax losses and credits unused	201	-105	-	96
	Other temporary differences	67	-46	-	21
	Deferred tax assets, total	387	-244	22	165
	Offset from deferred tax liabilities	-347	281	-	-66
	Deferred tax assets, net	38	37	22	96

A deferred tax asset of EUR 142 thousand (EUR 397 thousand) has been recognized from losses of foreign subsidiaries from the financial year 2013. A deferred tax asset of EUR 1,740 thousand (EUR 2,107 thousand) has been unrecognized from loss carry-forwards of foreign subsidiaries. It is probable that no taxable income, against which the losses can be utilized, shall be available to the Group before the expiry date of the losses.

Deferred tax liability has not been recognized from undistributed earnings of foreign subsidiaries. The assets have been permanently reinvested.

EUR 1,000		Entered in			Dec. 31, 2012
		Entered through profit or loss	comprehensive income statement	Recognized in shareholders' equity	
	Deferred tax liabilities	Jan. 1, 2012			
	Effect of Group consolidation	236	-17	-	219
	Other temporary differences	77	225	-	302
	Deferred tax liabilities	313	208	-	521
	Offset to deferred tax assets	-313	-34	-	-347
	Deferred tax liabilities, net	0	174	-	174
	Deferred tax liabilities	Jan. 1, 2013			Dec. 31, 2013
	Effect of Group consolidation	219	-51	-	322
	Other temporary differences	302	20	-	302
	Deferred tax liabilities	521	-31	-	490
	Offset to deferred tax assets	-347	281	-	-66
	Deferred tax liabilities, net	174	249	-	423

Deferred tax liabilities and deferred tax assets have been deducted from each other, if there has been a right to set off tax liabilities from the taxable income of the financial year against tax assets from the taxable income of the financial year, if deferred taxes are related to the same tax jurisdiction. During the financial year 2013, a deferred tax liability of EUR 281 thousand (EUR 34 thousand) has been deducted from the unused tax losses and credits.

EUR 1,000		2013	2012
29	NON-CURRENT INTEREST-BEARING LIABILITIES		
	Non-current financial liabilities recognized at amortized cost		
	- Loans from financial institutions	2,500	5,866
	TOTAL	2,500	5,866
	Maturities of the interest-bearing financial liabilities		
	Financial liability	Current	Non-current
	- Loans from financial institutions	3,481	5,866
	Total	3,481	5 866

The average interest rate of the loans from financial institutions is 3.85 percent (3.77%).

Loans from financial institutions include a loan from financial institutions in the amount of SEK 17.6 million and a euro-based loan from financial institutions in the amount of EUR 3.8 million.

The interest rate and currency risks of the currency-denominated loan are hedged with an interest rate and currency swap agreement. Partial payments of loans from financing institutions maturing during the following financial year are presented in current liabilities.

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

Fair values of non-current financial liabilities have been presented in the note number 37 to the financial statements.

EUR 1,000	2013	2012
30 CURRENT INTEREST-BEARING LIABILITIES		
Partial payments of non-current loans	3,481	5,494
Other current interest-bearing liabilities	-	100
TOTAL	3,481	5,594
Distribution of the Group's current loans by currencies		
- Swedish krona (SEK)	36%	36%
- Euro (EUR)	57%	60%
- Chinese yuan (CNY)	7%	4%
The weighted averages of effective interest rates of current interest-bearing liabilities		
Partial payments of non-current loans	3.88%	3.63%
Other current interest-bearing liabilities	-	1.0%
Fair values of current financial liabilities are presented in the note number 37 to the financial statements.		
31 PENSION OBLIGATIONS		
<p>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 Mandatum Life Insurance Company. The pension plan of foreign subsidiaries has been arranged according to the local legislation and are defined as contribution plan.</p> <p>The revised standard IAS 19 Employee benefits became mandatory as of January 1, 2013. According to revised standard actuarial gains and losses has been recognized immediately. Raute Corporation has adjusted the figures of the comparison year 2012 according to the revised standard. The effects of the changes to the income statement and balance sheet as at the year 2012 has been presented to the notes number 40 to the financial statements. The adjustments did not have impact on the net change in cash and cash equivalents in the consolidated statement of cash flows.</p>		
Net liability in the balance sheet, defined benefit plan	109	367
Present value of unfunded obligations	-105	-378
Pension asset (+) / liability (-), defined benefit plan	4	-11
Pension costs recognized in comprehensive income statement		
Current service costs	2	-9
Benefit-related interest expense	-1	-
Remeasurement	-84	-110
Pension costs recognized in comprehensive income statement (+) cost / (-) income	-84	-119
Changes in the fair value of plan assets		
Opening defined benefit obligation	367	358
Current service cost	3	-
Interest expenses	16	9
Actuarial gains and losses	-251	-
Settlements	-26	-
Closing defined benefit obligations	109	367

EUR 1,000	2013	2012
Changes in the fair value of plan assets		
Opening defined benefit obligation	378	370
Interest expenses	17	18
Actuarial gains (+) and losses (-)	-170	-
Contribution paid	-100	-10
Settlements	-21	-
Closing defined benefit obligations	105	378
Actuarial assumptions		
- Discount rate, %	2.6	4.3
- Inflation, %	1.7	2.0
- Future salary increase, %	3.3	3.5

Assumptions regarding life expectancy have been set based on the actuarial advice in accordance with published statistics and experience in Finland.

Sensitivity of the defined benefit

obligation to the changes in actuarial assumptions	Change in defined benefit obligation	Change in plan assets	Change in defined benefit obligation	Change in plan assets
Discount rate, +0.5 percent point	-4	-4	-3.95%	-3.62%
Life expectancy, + 1 year in	1	1	0.55%	1.32%
Change in benefit increase, +0.5 percent point	4	0	3.39%	0.00%
Insurance company's bonus index, +0.5 percent point	0	4	0.00%	4.29%

EUR 1,000	2013	2012
32 ADVANCE PAYMENTS RECEIVED, TRADE AND OTHER PAYABLES		
Current liabilities in the balance sheet		
- Advance payments received	7,099	12,776
- Trade payables	4,055	6,943
- Accrued expenses and prepaid income	5,001	5,189
- Derivatives	71	33
- Income tax liability	5	-
- Other liabilities	1,297	1,087
TOTAL	17,527	26,029
Substantial items included in accrued expenses and prepaid income		
- Accrued project expenses related to long-term projects	344	52
- Accrued employee related expenses	4,210	4,816
- Financial expenses	26	33
- Other accrued expenses and prepaid income	421	288
TOTAL	5,001	5,189

Advance payments received, EUR 7,099 thousand (EUR 12,776 thousand) include advance payments from long-term projects in the amount of EUR 6,486 thousand (EUR 12,504 thousand).

33 RELATED PARTY TRANSACTIONS

Raute Group's management consists of the Board of Directors, President and CEO and Executive Board. The Group's related parties consist of, in addition to Raute Group's management, subsidiaries 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 Land Ltd., Delta, B.C., Canada	100	-
Raute Inc., Delaware, USA	100	100
Raute US, Inc., Rossville, Tennessee, USA	100	-
RWS-Engineering Oy, Lahti, Finland	100	100
Raute Group Asia Pte Ltd., Singapore	100	100
Raute WPM Oy, Lahti, Finland	100	100
Raute Chile Ltda., Santiago, Chile	100	50
Raute Service LLC, St. Petersburg, Russia	100	-
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	100	100
Raute (Shanghai) Trading Co., Ltd, Shanghai, China	100	100

EUR 1,000	2013	2012
Salaries and remunerations of the President and CEO and Board of Directors of the Parent company		
President and CEO		
Kiiski, Tapani President and CEO	384	263
TOTAL	384	263
Members of the Board of Directors		
Pehu-Lehtonen, Erkki Chairman of the Board	40	37
Mustakallio, Mika Vice-Chairman of the Board	20	18
Hautamäki, Risto Member of the Board	20	18
Helander, Ilpo Member of the Board	20	18
Suominen, Pekka Member of the Board	20	18
Bask, Joni Member of the Board as of April 16, 2012	20	13
Mustakallio, Sinikka Member of the Board until April 16, 2012	-	5
TOTAL	140	128

The President and CEO has a possibility to have a profit-related bonus amounting to a maximum of six months' salary. The President and CEO's term of notice is six months, and the severance pay equals twelve months' salary.

Pension obligations of the President and CEO and the Board Members

The pension obligations of the President and CEO are determined according to the Employees Pensions Act. Other special conditions concerning retirement or the amount of retirement allowance have not been agreed on. The statutory pension cost in the financial year 2013 was EUR 64 thousand (EUR 44 thousand).

The pension obligations of the Board Members are based on Employee Pensions Act and include no special conditions concerning the amount of retirement allowance. The remunerations paid to the Board Members in the financial year 2013 have no statutory pension obligations.

EUR 1,000	2013	2012
Group management's employee benefits		
Salaries and other short-term employee benefits	1,284	1,397
Post-employment benefits	199	283
Share-based payments	110	97
TOTAL	1,593	1,777

Management's share-based payments

Granted stock options, pcs	136,200	109,500
- of which exercisable, pcs	49,500	0

The President and CEO and Executive Board members have been granted a total of 33,200 stock options marked with the symbols 2010 A, 2010 B and 2010 C entitling to subscribe or acquire a total of 33,200 shares. Members of the Board of Directors have not been granted stock options. The terms and conditions of the stock options have been described in the note number 26 to the financial statements.

Management interest

The company's Board of Directors, President and CEO and Executive Board members owned a total of 111,029 series A shares and 122,880 series K shares at December 31, 2013. Management's ownership corresponds to 5.8 percent of the shares in the company and 11.2 percent of associated total voting rights. The figures include the holdings of their own, minor children and control entities.

682 thousand (EUR 391 thousand). Raute Corporation has given a counter guarantee of EUR 240 thousand (EUR 244 thousand) for the loan of the foreign subsidiary. Raute Corporation had no commercial counter guarantees on behalf of subsidiaries at December 31, 2013. No pledges or other commitments have been given on behalf of the company's management and shareholders.

Loans and guarantees on behalf of the related party

No loans are granted to the company's management. On December 31, 2013 the Parent Company Raute Corporation had loan receivables from the subsidiary Raute Service LLC EUR 355 thousand (EUR 355 thousand), from Raute (Shanghai) Machinery Co. Ltd EUR 550 thousand, and from Raute Canada Ltd. EUR

Sickness Fund

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

EUR 1,000	2013	2012
34 OTHER LEASE AGREEMENTS		
Group as lessee		
Minimum rents paid on the basis of other non-cancellable leases:		
- Within one year	845	868
- After the period of more than one year and less than five years	2,398	2,682
- More than five years	185	519
TOTAL	3,428	4,069

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. Other lease agreements of property, plant and equipment have been classified as other lease agreements which are not finance leases.

EUR 1,000	2013	2012
35 DERIVATIVES		
Nominal values of forward contracts in foreign currency		
Economic hedging		
- Related to financing	1,311	2,093
- Related to the hedging of net sales	2,967	1,763
Fair values of forward contracts in foreign currency		
Economic hedging		
- Related to financing	-3	-8
- Related to the hedging of net sales	24	18
Interest rate and currency swap agreement		
- Nominal value	1,991	4,117
- Fair value	-42	-4
The nominal value is the value of underlying instruments converted into euros using the exchange rate of the balance sheet date. The fair value is the profit generated, if the derivatives position would have been closed to the market price on the balance sheet date.		
36 PLEDGED ASSETS AND CONTINGENT LIABILITIES		
On behalf of the Parent company		
Business mortgages	3,946	-
Loans from financial institutions	5,741	9,117
- Business mortgages	5,750	6,700
Pension loans (TyEL)	-	2,000
- Business mortgages	-	600
- Credit insurance agreements	-	1,400
Other liabilities	-	100
- Real estate mortgages	-	101
Mortgage agreements on behalf of subsidiaries		
- Loans from financial institutions	240	244
- Other obligations	64	-
- Business mortgages	304	244
Commercial bank guarantees on behalf of the Parent company and subsidiaries	1,484	39,600
Other own obligations		
Rental liabilities maturing within one year	845	868
Rental liabilities maturing in one to five years	2,398	2,682
Rental liabilities maturing later	185	519
Total	3,428	4,069

37 CARRYING AMOUNTS AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

EUR 1,000	Note	Carrying amount Dec. 31, 2013	Fair value Dec. 31, 2013	Carrying amount Dec. 31, 2012	Fair value Dec. 31, 2012
Financial assets					
Financial assets at fair value through profit or loss					
Available-for-sale financial assets	20	500	500	789	789
Loans and other receivables					
Derivative contracts	22	130	130	17	17
Accounts receivables and other receivables*	22	18,329	18,329	24,447	24,447
Cash and cash equivalents	23	12,658	12,658	19,548	19,548
TOTAL		31,617	31,617	44,801	44,801
Financial liabilities					
Financial liabilities at fair value through profit or loss					
Derivative contracts	32	71	71	32	32
Financial liabilities recognized at amortized cost					
Financial loans	29, 30	5,981	5,981	11,461	11,461
Trade payables and other liabilities	32	12,451	12,451	8,063	8,063
Accrued expenses and prepaid income	32	5,001	5,001	5,189	5,189
TOTAL		23,503	23,503	24,746	24,746
Financial instruments by category					
Loans and receivables		31,117	31,117	44,012	44,012
Available-for-sale financial assets		500	500	789	789
Financial liabilities at fair value through profit or loss		71	71	32	32
Financial liabilities recognized at amortized cost		23,432	23,432	24,713	24,713

*The balance sheet item Accounts receivables and other receivables includes percentage of completion receivables from customers' long-term projects in the amount of EUR 6,489 thousand (EUR 12,504 thousand).

Other financial assets

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

Accounts receivables and other receivables

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

Derivatives

The fair values of derivative instruments have been determined using the market values of the contract determined to the similar period at the balance sheet date. The nominal values of currency derivative contracts have been disclosed in the note number 35 to the financial statements.

The quotation of the counterparty has been used to determine the fair value of interest rate swap agreement. The fair values correspond prices, which the Group should pay or receive, if the derivative contract was terminated at the balance sheet date. The nominal value of interest rate swap agreement have been disclosed in the note number 35 to the financial statements.

Loans from financial institutions and other loans

Fair values of liabilities correspond the carrying value in the balance sheet.

Trade payables and other liabilities

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 ac-

tive markets. The fair values of these instruments are based on the quoted market prices at the balance sheet date. The fair value of the instruments included in level 2 is based on the price available from the market data but instruments are not traded in an active market. The fair value of the instruments included in level 3 is not based on the observable market data but is based on the estimates from the management, such as latest transactions and company market data available. Any single estimate has no material effect on the total amount of the fair value.

EUR 1,000	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Available-for-sale financial assets	-	-	500	500
- Derivative contract	-	130	-	130
TOTAL	-	130	500	630
Financial liabilities at fair value through profit or loss				
- Derivative liabilities	-	71	-	71
TOTAL	-	71	-	71

38 EXCHANGE RATES USED IN CONSOLIDATION OF SUBSIDIARIES

Income statement	2013	2012	Balance sheet	2013	2012
	EUR	EUR		EUR	EUR
CNY	8.1655	8.1096	CNY	8.3248	8.1809
RUB	42.3248	39.9238	RUB	45.3246	40.3295
CAD	1.3685	1.2848	CAD	1.4671	1.3137
USD	1.3282	1.2856	USD	1.3791	1.3194
SGD	1.6618	1.6062	SGD	1.7414	1.6111
CLP	658.1306	624.7032	CLP	725.0943	625.1146

EUR 1,000	2013	2012
39 ADJUSTMENTS TO OPERATING CASH FLOW		
Non-cash transactions in operating activities		
Depreciation and amortization	-2,174	-1,968
Employee benefits	-199	-177
Exchange rate differences	275	-234
Profit or loss from change in fair value of financial assets through profit or loss	-339	272
TOTAL	-2,437	-2,108

40 EFFECTS OF ADOPTING THE AMENDED IAS 19 STANDARD

According to the revised standard actuarial gains and losses related to defined benefit plans will be recognized immediately. Net interest expense or income of the net defined benefit liability or receivable has been defined using the discount rate estimated in the beginning of the financial year. Expected return on plan assets will not be recognized. The effect of the adjustment in the figures of the year 2012 has been presented in the following tables:

Effect of the amended accounting principle in the comparison information of the comprehensive income statement

EUR 1,000	Previously presented 31.12.2012	Adjustment	Adjusted 31.12.2012
NET SALES	101,273	-	101,273
Change in inventories of finished goods and work in progress	500	-	500
Other operating income	1,423	-	1,423
Materials and services	-55,725	-	-55,725
Employee benefits expense	-28,752	-9	-28,761
Depreciation and amortization	-1,968	-	-1,968
Other operating expenses	-11,720	-	-11,720
Total operating expenses	-98,165	-9	-98,174
OPERATING PROFIT (LOSS)	5,031	-9	5,022
Financial income	482	-	482
Financial expenses	-738	-	-738
PROFIT (LOSS) BEFORE TAX	4,775	-9	4,766
Income taxes	-1,759	-22	-1,781
PROFIT (LOSS) FOR THE FINANCIAL YEAR	3,016	-31	2,985
Other comprehensive income items:			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit obligations	-	110	110
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations	80	-	80
Other comprehensive income items for the financial year, net of tax	80	110	190
COMPREHENSIVE PROFIT (LOSS) FOR THE FINANCIAL YEAR	3,096	79	3,175
Profit (loss) for the financial year attributable to			
Equity holders of the Parent company	3,016	-31	2,985
Comprehensive profit (loss) for the financial year attributable to			
Equity holders of the Parent company	3,096	79	3,175
Earnings per share for profit (loss) attributable to Equity holders of the Parent company, EUR			
Undiluted earnings per share	0.75		0.75
Diluted earnings per share	0.75		0.74

Effect of the amended accounting principle in the comparison information of the balance sheet

EUR 1,000	Previously presented 1.1.-31.12.2012	Adjustment	Adjusted 1.1.-31.12.2012
ASSETS			
Non-current assets			
Intangible assets	3,204	-	3,204
Property, plant and equipment	7,892	-	7,892
Other financial assets	789	-	789
Deferred tax assets	60	-22	38
Total	11,944	-22	11,922
Current assets			
Inventories	7,130	-	7,130
Accounts receivables and other receivables	24,427	11	24,438
Income tax receivable	37	-	37
Cash and cash equivalents	19,548	-	19,548
Total	51,143	11	51,154
TOTAL ASSETS	63,087	-11	63,076
EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the Parent company			
Share capital	8,010	-	8,010
Fair value reserve and other reserves	6,862	-	6,862
Exchange differences	103	-	103
Retained earnings	9,166	79	9,245
Share of shareholders' equity that belongs to the owners of the Parent company	24,141	79	24,220
Total equity	24,141	79	24,220
Non-current liabilities			
Provisions	56	-	56
Deferred tax liabilities	174	-	174
Non-current interest-bearing liabilities	5,866	-	5,866
Pension obligations	90	-90	-
Total	6,186	-90	6,096
Current liabilities			
Provisions	1,134	-	1,134
Current interest-bearing liabilities	5,594	-	5,594
Advance payments received	12,776	-	12,776
Trade payables and other liabilities	13,255	-	13,255
Total	32,759	-	32,759
Total liabilities	38,946	-90	38,856
TOTAL EQUITY AND LIABILITIES	63,087	-11	63,076

Parent company's income statement, FAS

EUR		1.1.-31.12.2013	1.1.-31.12.2012
Note			
2,3	NET SALES	73,004,191.35	92,933,013.33
	Change in inventories of finished goods and work in progress	-79,183.30	-570,022.00
4	Other operating income	377,909.61	1,552,554.59
5	Materials and supplies	-39,715,799.16	-54,664,178.81
6	Personnel expenses	-21,411,383.01	-21,887,193.41
8	Depreciation, amortization and impairment charges	-1,381,630.17	-1,462,036.18
9	Other operating expenses	-8,829,635.57	-9,941,885.85
	Total operating expenses	-71,338,447.91	-87,955,294.25
	OPERATING PROFIT (LOSS)	1,964,469.75	5,960,251.67
10	Financial income and expenses	-281,531.57	-1,520,346.37
	PROFIT (LOSS) BEFORE TAXES	1,682,938.18	4,439,905.30
11	Income taxes	-371,348.11	-1,621,455.99
	PROFIT (LOSS) FOR THE FINANCIAL YEAR	1,311,590.07	2,818,449.31

Parent company's balance sheet, FAS

EUR		31.12.2013	31.12.2012
Note			
	ASSETS		
	Non-current assets		
12	Intangible assets	1,800,641.28	1,705,001.79
13	Tangible assets	5,831,684.20	5,645,517.64
14	Investments	2,316,073.61	1,991,935.50
	Total non-current assets	9,948,399.09	9,342,454.93
	Current assets		
5, 15	Inventories	3,781,791.08	6,884,568.24
16	Non-current receivables	1,586,616.50	745,500.11
16	Deferred tax assets	-	201,305.48
16	Current receivables	16,252,754.70	23,590,353.55
	Cash and cash equivalents	11,376,591.90	18,125,792.32
	Total current assets	32,997,754.18	49,547,519.70
	TOTAL ASSETS	42,946,153.27	58,889,974.63
	SHAREHOLDERS' EQUITY AND LIABILITIES		
	Shareholders' equity		
17	Share capital	8,009,516.00	8,009,516.00
17	Other reserves	6,498,341.93	6,498,341.93
17	Retained earnings	5,994,000.16	5,177,929.85
17	Profit (loss) for the financial year	1,311,590.07	2,818,449.31
	Total shareholders' equity	21,813,448.16	22,504,237.09
19	Obligatory provisions	1,200,906.53	1,160,063.23
	Liabilities		
20	Non-current liabilities	2,500,000.00	5,867,201.43
20	Current liabilities	17,431,798.58	29,358,472.88
	Total liabilities	19,931,798.58	35,225,674.31
	TOTAL LIABILITIES	42,946,153.27	58,889,974.63

Parent company's cash flow statement, FAS

EUR	1.1.-31.12.2013	1.1.-31.12.2012
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from sales	71,618,694.23	85,703,774.08
Proceeds from other operating income	315,028.91	1,511,678.86
Payments of operating expenses	-67,728,447.71	-86,546,771.97
Cash flow before financial items and taxes	4,205,275.43	668,680.97
Interest paid from operating activities	-342,429.47	-508,885.14
Dividends received from operating activities	180,360.00	118,414.66
Interests received from operating activities	172,560.43	328,416.79
Other operating finance costs	-6,994.79	-128,866.01
Income tax paid	-332,510.52	-16,949.72
Cash flow before extraordinary items	3,876,261.08	460,811.55
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	3,876,261.08	460,811.55
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure in tangible and intangible assets	-1,729,557.18	-1,478,370.17
Proceeds from sale of tangible and intangible assets	53,373.39	40,300.00
Purchase of subsidiary shares	-613,638.11	-382,087.73
Purchases of available-for-sale investments	-3,000.00	-
Loans granted	-1,083,005.47	-
Repayments of loan receivables	165,040.48	-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	-3,210,786.89	-1,820,157.90
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of current liabilities	-2,100,000.00	-
Increase (+) / decrease (-) of current receivables	-	62,100.27
Repayments of non-current liabilities	-3,250,000.00	-4,000,000.00
Dividends paid	-2,002,379.00	-1,201,427.40
Group contributions, received and paid	-	18,000.00
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	-7,352,379.00	-5,121,327.13
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	-6,686,904.89	-6,480,673.49
increase (+) / decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	18,125,792.32	24,607,191.62
NET CHANGE IN CASH AND CASH EQUIVALENTS	-6,686,904.89	-6,480,673.49
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-62,295.53	-725.82
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11,376,591.90	18,125,792.32

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. These items have been measured at the value hedged through the derivative contract. Advances paid and received have been recognized in the balance sheet at the exchange rate effective on the payment date. 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 recognized into accrued expenses or receivables. Other exchange gains and losses related to changes in the exchange rates have been recognized through profit or loss.

Non-current assets

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

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

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

Financial assets, financial liabilities and derivatives

Financial assets have been measured at the lower of acquisition cost or likely disposal price.

Financial liabilities include both currency-dominated and euro-based loans. The interest rate and currency risks of the currency-denominated loan are hedged with an interest rate and currency swap agreement. The euro-based loan has a fixed interest rate.

The Company's derivatives include currency derivative contracts. Currency derivatives are used for hedging related to changes in cash flows in foreign currency. Currency derivative contracts have not been measured at fair value in the Parent company. The fair values of currency derivative contracts have been presented in the note number 23 to the financial statements.

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.

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.

The deferred tax receivable of the comparison year has been calculated for the temporary differences of taxation and financial statements using the tax rate for the following year confirmed at the reporting date. The financial statements and the financial statements of the comparison year do not include any depreciation difference with recognizable deferred tax liability.

EUR 1,000	2013	%	2012	%
2 NET SALES BY MARKET AREA				
EMEA (Europe and Africa)	33,792	46	22,209	24
LAM (Latin America)	17,825	24	52,388	56
CIS (Russia)	15,634	21	14,290	15
NAM (North America)	2,903	4	1,195	1
APAC (Asia-Pacific)	2,851	4	2,851	3
TOTAL	73,004	100	92,933	100
Finland accounted for 7 percent (7%) of the Parent company's net sales.				
3 LONG-TERM PROJECTS				
Net sales by percentage of completion	62,067		81,034	
Other net sales	10,937		11,899	
TOTAL	73,004		92,933	
Project revenues entered as income from currently undelivered long-term project recognized by percentage of completion	83,383		87,025	
Amount of long-term project revenues not yet entered as income (order book)	22,983		47,875	
Projects for which the value by percentage of completion exceeds advance payments invoiced				
- aggregate amount of costs incurred and recognized profits	64,882		59,111	
- advance payments received	54,189		43,146	
Gross amount due from customers	10,693		15,965	
Projects for which advance payments invoiced exceed the value by percentage of completion				
- aggregate amount of costs incurred and recognized profits less recognized losses	18,501		27,914	
- advance payments received	22,664		40,330	
Gross amount due to customers	4,163		12,416	
Advance payments included in the current liabilities in the balance sheet				
Gross amount due to customers	4,163		12,416	
Other advance payments received, not under percentage of completion	129		33	
TOTAL	4,292		12,449	
Specification of combined asset and liability items				
Advance payments paid	105		3,120	
Advance payments included in inventories	105		3,120	
4 OTHER OPERATING INCOME				
Capital gain on non-current assets	11		21	
Other income from Group companies	149		158	
Project guarantee compensation received	-		1,246	
Insurance compensations received	121		82	
Other operating income	97		45	
TOTAL	378		1,553	

EUR 1,000		2013	2012
5	MATERIALS AND SERVICES		
	Materials and supplies		
	- Purchases during the financial year	-34,817	-49,835
	- Change in inventories	-8	567
	External services	-4,890	-5,396
	TOTAL	-39,716	-54,664
6	PERSONNEL EXPENSES		
	Wages and salaries	-17,571	-17,857
	Pension costs	-2,839	-2,978
	Other personnel expenses	-1,002	-1,053
	TOTAL	-21,411	-21,887
	The salaries, remunerations, pension obligations and employee benefits of the President and CEO, Board members and the Group Management have been presented in the note number 33 to the financial statements.		
	Based on the authorization given by the Annual General Meeting, the Board of Directors of Raute Corporation has granted stock options to the Group's key personnel. The main information of the stock option system is presented in the note number 26 to the Raute Group's consolidated financial statements.		
7	PERSONNEL		
	Employed at Dec. 31, persons		
	Workers	134	127
	Office staff	254	246
	TOTAL	388	373
	- of which personnel abroad	2	2
	Effective, on average, persons		
	Workers	133	131
	Office staff	251	236
	TOTAL	384	367
	- of which personnel abroad	2	1
	Effective, on average, persons		
	Workers	128	126
	Office staff	247	231
	TOTAL	375	357
	- of which personnel abroad	2	2
8	DEPRECIATION, AMORTIZATION AND IMPAIRMENT CHARGES		
	Depreciation and amortization from intangible assets	-312	-293
	Depreciation and amortization from tangible assets	-1,069	-1,170
	TOTAL	-1,382	-1,462

EUR 1,000		2013	2012
9	OTHER OPERATING EXPENSES		
	Indirect production costs	-2,160	-2,310
	Sales and marketing costs	-2,197	-1,957
	Administration costs	-1,428	-1,604
	Credit losses	-533	-1,561
	Other costs	-2,512	-2,510
	TOTAL	-8,830	-9,942
	Auditor's remunerations		
	Authorized Public Accountants PricewaterhouseCoopers		
	Annual audit, statutory	-43	-37
	Annual audit, other services	-13	-22
	Tax services	-7	-45
	TOTAL	-62	-104
10	FINANCIAL INCOME AND EXPENSES		
	Dividend income	180	118
	TOTAL	180	118
	Other interest and financial income		
	From Group companies	55	92
	From others	350	331
	TOTAL	405	423
	Total financial income	586	542
	Interest and other financial expenses		
	To Group companies	-5	-4
	Impairments of non-current investments	-293	-
	To others	-527	-2,363
	TOTAL	-825	-2,367
	Fair value changes of derivatives	-42	305
	Total financial expenses	-867	-2,062
	Financial income and expenses, net	-282	-1,520
	Exchange rate gains (+) / losses (-) included in total financial income and expenses	153	-239
11	INCOME TAXES		
	Income taxes from operations	-334	-
	From operations, previous financial years	-	-17
	Change in deferred tax receivables	-37	-1,604
	TOTAL	-371	-1,621

12 INTANGIBLE ASSETS							
EUR 1,000		Intangible rights	Intangible assets	TOTAL			
	Carrying amount at Jan. 1, 2013	2,246	4,844	7,091			
	Additions	73	141	214			
	Reclassifications between items	-	194	194			
	Carrying amount at Dec. 31, 2013	2,319	5,180	7,499			
	Accumulated depreciation at Jan. 1, 2013	-1,011	-4,374	-5,386			
	Depreciation and amortization for the financial year	-101	-211	-312			
	Accumulated depreciation and amortization at Dec. 31, 2013	-1,113	-4,585	-5,698			
	Book value at Dec. 31, 2013	1,206	594	1,801			
	Book value at Dec. 31, 2012	1,235	470	1,705			
13 TANGIBLE ASSETS							
EUR 1,000	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Assets in progress and advance payments	TOTAL	
	Carrying amount at Jan. 1, 2013	218	8,483	21,261	355	600	30,916
	Additions	-	0	328	-	1,165	1,493
	Disposals	-	-	-43	-	-1	-44
	Reclassifications between items	-	127	710	-	-1,032	-194
	Carrying amount at Dec. 31, 2013	218	8,611	22,256	355	732	32,172
	Accumulated depreciation at Jan. 1, 2013	-	-5,786	-19,158	-326	-	-25,271
	Depreciation for the financial year	-	-251	-817	-2	-	-1,069
	Accumulated depreciation at Dec. 31, 2013	-	-6,037	-19,975	-328	-	-26,340
	Book value at Dec. 31, 2013	218	2,573	2,282	27	732	5,832
	Book value at Dec. 31, 2012	218	2,697	2,102	29	600	5,646
	Book value for production machinery						
	Dec. 31, 2013	1,519					
	Dec. 31, 2012	1,341					
14 NON-CURRENT INVESTMENTS							
EUR 1,000		Shares, Group companies	Shares, Others	TOTAL			
	Carrying amount at Jan. 1, 2013	7,369	789	8,158			
	Additions	614	3	617			
	Carrying amount at Dec. 31, 2013	7,983	792	8,775			
	Accumulated impairments at Jan. 1, 2013	-6,166	-	-6,166			
	Additions	-	-293	-293			
	Accumulated impairments at Dec. 31, 2013	-6,166	-293	-6,459			
	Book value at Dec. 31, 2013	1,817	500	2,317			
	Book value at Dec. 31, 2012	1,203	789	1,992			

Shares owned by the company are presented in the note number 24 to the financial statements.

EUR 1,000	2013	2012
15 INVENTORIES		
Materials and supplies	2,901	2,909
Work in progress	704	760
Other inventories	73	95
Advance payments	105	3,120
TOTAL	3,782	6,885
16 SPECIFICATION OF RECEIVABLES		
Non-current receivables		
Non-current receivables from Group companies		
- Loan receivables	1,587	746
Total from Group companies	1,587	746
Non-current receivables from others		
- Deferred tax receivables	-	201
Total from others	-	201
TOTAL	-	947
Current receivables		
Current receivables from Group companies		
- Accounts receivables	1,156	1,638
- Accrued income and prepaid expenses	226	28
- Other receivables	31	32
Total from Group companies	1,413	1,699
Current receivables from others		
- Accounts receivables	2,694	2,942
- Accrued income and prepaid expenses	11,153	17,979
- Other receivables, non-interest-bearing	992	970
Total from others	14,839	21,892
TOTAL	16,252	23,590
Substantial items included in accrued income		
- Project receivables entered according to percentage of completion	10,498	15,965
- Guarantee compensation receivables	-	1,246
- Income tax receivables	163	-
- Other accrued income	492	768
TOTAL	11,153	17,979
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
Reclassifications between items	-	-6,498
Share premium at Dec. 31	-	-
Invested non-restricted equity reserve at Jan. 1	6,498	-
Reclassifications between items	-	6,498
Invested non-restricted equity reserve at Dec. 31	6,498	6,498

EUR 1,000	2013	2012
Retained earnings at Jan. 1	5,178	6,525
Changes during the financial year		
- Profit (loss) from the previous year	2,818	-145
- Dividends	-2,002	-1,201
Retained earnings at Dec. 31	5,994	5,178
Profit (loss) for the financial year	1,312	2,818
SHAREHOLDERS' EQUITY AT DEC. 31	21,813	22,504
Distributable funds		
Retained earnings at Dec. 31	5,994	5,178
Profit (loss) for the financial year	1,312	2,818
Invested non-restricted equity reserve	6,498	6,498
Distributable funds at Dec. 31	13,803	14,494
Shares of the company		
Shares, 1,000 pcs	4,005	4,005
Nominal value, EUR	2,00	2,00
Total nominal value, 1,000 EUR	8,010	8,010
Series K shares (ordinary shares, 20 votes/share), 1,000 pcs	991	991
Series A shares (1 vote/shares), 1,000 pcs	3,014	3,014
18 APPROPRIATION RESERVE		
Raute Corporation's balance sheet included no accumulated depreciation difference at the balance sheet date December 31, 2013.		
19 OBLIGATORY PROVISIONS		
Warranty provisions		
Book value at Jan. 1	905	733
Additions	1,012	793
Disposals	-752	-621
Book value at Dec. 31	1,165	905
Estimated warranty costs include non-current provisions EUR 460 thousand (EUR 56 thousand).		
Losses from long-term projects in order book		
Book value at Jan. 1	92	37
Amendment during the financial year	-80	55
Book value at Dec. 31	12	92
Other obligatory provisions		
Book value at Jan. 1	163	40
Amendment during the financial year	-139	123
Book value at Dec. 31	24	163
TOTAL	1,201	1,160

EUR 1,000		2013	2012
20	LIABILITIES		
	Non-current liabilities		
	Non-current liabilities to others		
	- Loans from financial institutions	2,500	5,867
	TOTAL	2,500	5,867
	Non-current liabilities presented in Raute Corporation's financial statements do not include items maturing after five years or later.		
	Current liabilities		
	Current liabilities to Group companies		
	- Advance payments received	97	94
	- Accounts payable	135	254
	- Accrued expenses and prepaid income	-	3
	- Other current liabilities	1,456	411
	Total to Group companies	1,689	762
	Current liabilities to others		
	- Loans from financial institutions	3,241	3,250
	- Pension loans (TyEL)	-	2,000
	- Advance payments received	4,195	12,355
	- Accounts payable	3,185	5,951
	- Accrued expenses and prepaid income	4,473	4,469
	- Other current liabilities	649	571
	Total to others	15,743	28,596
	TOTAL	17,432	29,358
	Interest-bearing liabilities		
	- Non-current	2,500	5,867
	- Current	4,697	5,761
	TOTAL	7,197	11,628
	Substantial items included in accrued expenses and prepaid income		
	- Accrued personnel expenses	3,732	4,161
	- Accrued project expenses	325	38
	- Other accrued expenses	417	270
	TOTAL	4,473	4,469
21	OTHER LEASES		
	Raute Corporation as lessee		
	Minimum rents paid on the basis of other non-cancellable leases:		
	- Within one year	239	230
	- After a period of more than one year and less than five years	339	300
	TOTAL	578	530

EUR 1,000	2013	2012
22 PLEDGED ASSETS AND CONTINGENT LIABILITIES		
On behalf of Parent company		
Business mortgages	3,946	-
Loans from financial institutions	5,741	9,117
Business mortgages	5,750	6,700
Pension loans (TyEL)	-	2,000
Business mortgages	-	600
Credit insurance agreements	-	1,400
Other liabilities	-	100
Real estate mortgages	-	101
Mortgage agreements on behalf of subsidiaries		
Loans from financial institutions	240	244
Other obligations	64	-
Business mortgages	304	244
Commercial bank guarantees on behalf of the Parent company and subsidiaries	1,484	39,600
<p>"Letters of Guarantee" engagements have been issued on behalf of certain subsidiaries. No other pledges or other contingent liabilities have been given on behalf of the management or shareholders. No loans are granted to the management and shareholders.</p>		
23 DERIVATIVES		
Nominal values of forward contracts in foreign currency		
Economic hedging		
- Related to internal financing	1,311	2,093
- Related to the hedging of net sales	2,774	1,763
Fair values of forward contracts in foreign currency		
Economic hedging		
- Related to internal financing	-3	-8
- Related to the hedging of net sales	24	18
Interest rate and currency swap agreement		
- Nominal value	1,991	4,117
- Fair value	-42	-4

24 SHARES OWNED BY THE COMPANY

Subsidiaries	Holding and voting right	Book value, EUR 1,000
Raute (Shanghai) Machinery Co., Ltd, Shanghai, China	100	1,394
RWS-Engineering Oy, Lahti, Finland	100	203
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 WPM Oy, Lahti, Finland	100	9
Raute Group Asia Pte Ltd., Singapore	100	0
Raute Chile Ltda., Santiago, Chile	50	15
TOTAL		1,817
Other shares	Number of shares, pcs	Book value, EUR 1,000
Lahden Seudun Puhelin Oy	1,717	326
Ahkera Smart Tech Ltd	143,914	0
Esys Oy	600	51
FIMECC Oy	50	50
PHP Holding Oy	112	19
Finnish Wood Research Oy	10	10
Other		44
TOTAL		500

Key ratios describing the Group's financial development

EUR 1,000	2013	2012	2011	2010	2009
Net sales	83,274	101,273	74,323	62,867	36,638
Change in net sales, %	-17.8	36.3	18.2	71.6	-62.8
Exported portion of net sales	78,436	95,099	65,432	57,773	30,466
% of net sales	94.2	93.9	88.0	91.9	83.2
Operating profit (loss)	1,828	5,022	-738	1,311	-9,695
% of net sales	2.2	5.0	-1.0	2.1	-26.5
Profit (loss) before tax	1,589	4,766	-1,126	1,122	-9,890
% of net sales	1.9	4.7	-1.5	1.8	-27.0
Profit (loss) for the financial year	1,196	2,985	-1,095	1,158	-8,141
% of net sales	1.4	3.0	-1.5	1.8	-22.2
Return on investment (ROI), %	7.3	15.0	-0.1	5.1	-21.6
Return on equity (ROE), %	5.0	13.1	-4.7	4.9	-28.4
Balance sheet total	48,783	63,076	52,666	53,034	57,387
Interest-bearing net liabilities	-6,677	-8,087	-10,397	-9,651	-9,366
% of net sales	-8.0	-8.0	-14.0	-15.4	-25.6
Non-interest-bearing liabilities	18,302	27,235	15,320	14,368	15,801
Equity ratio, %	56.6	48.0	46.9	50.7	46.0
Gearing, %	-28.3	-33.5	-47.1	-39.8	-40.6
Gross capital expenditure	3,189	3,529	1,885	2,224	1,095
% of net sales	3.8	3.5	2.5	3.5	3.0
Research and development costs	2,523	2,516	2,020	1,849	2,470
% of net sales	3.0	2.5	2.7	2.9	6.7
Order book, EUR million	28	50	36	33	22
Order intake, EUR million	63	116	77	72	35
Personnel at Dec. 31	534	503	464	495	524
Personnel, effective, on average	515	480	457	438	419
Personnel, average	522	488	475	512	542
Dividend	801*	2,002	1,201	1,201	0
Repayment of capital	1,201*	0	0	0	0

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

Share-related data

	2013	2012	2011	2010	2009
Earnings per share, EUR	0.30	0.75	-0.27	0.29	-2.03
Equity to share, EUR	5.90	6.03	5.51	6.05	5.76
Dividend per series A share, EUR	0.20*	0.50	0.30	0.30	0.00
Dividend per series K share, EUR	0.20*	0.50	0.30	0.30	0.00
Dividend per profit, %	66.7*	66.4	-109.7	103.8	0.0
Effective dividend return, %	2.9*	5.6	4.8	3.1	0.0
Price/earnings ratio (P/E ratio)	23.3	11.95	-22.67	33.55	-3.67
Repayment of capital from invested non-restricted equity reserve, EUR	0.30*	0.00	0.00	0.00	0.00
Development in share price (series A share)					
Lowest share price for the financial year, EUR	6.88	6.18	6.05	7.24	6.50
Highest share price for the financial year, EUR	9.33	9.24	11.55	10.10	8.90
Average share price for the financial year, EUR	8.49	8.22	8.57	8.21	7.29
Share price at Dec. 31, EUR	6.95	9.00	6.20	9.70	7.47
Market value of capital stock at Dec. 31, EUR thousand**	27,833	36,043	24,829	38,846	29,916
Trading in the company's shares (series A shares)					
Shares traded during the financial year, 1,000 pcs	514	302	522	646	455
% of the number of series A shares	17.0	10.0	17.3	21.4	15.1
Issue-adjusted weighted average number of shares	4,004,758	4,004,758	4,004,758	4,004,758	4,003,183
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)
Gearing, % =	$\frac{\text{Interest-bearing net financial liabilities}}{\text{Shareholders' equity}} \times 100$
Equity ratio =	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total /. advance payments received}} \times 100$
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 =	$\frac{\text{Diluted profit (loss) for the financial year}}{\text{Diluted equity issue-adjusted average number of shares during the financial year}}$
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

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, 2013

Shares	Voting rights	Nominal value EUR/shares	Number of shares 1,000 pcs	Total nominal value EUR 1,000
Series K shares (ordinary shares)	20 votes/share	2.00	991	1,982
Series A shares	1 vote/share	2.00	3,014	6,027
Total shares at Dec. 31, 2013			4,005	8,010

Changes in share capital from Jan. 1, 1994 to Dec. 31, 2013	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, 2013	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, 2013, Raute's paid up and registered share capital amounted to EUR 8,009,516.00. The capital stock totalled 4,004,758 shares, of which 991,161 were series K shares (ordinary share, 20 votes/share), and 3,013,597 were series A shares (1 vote/share). The shares have a nominal value of EUR 2.00. Series K shares can be converted to series A shares under the terms described in section 3 of the Articles of Association. If a series K share is transferred to a new owner who does not previously hold series K shares, other shareholders of the K series have the primary right and the company has the secondary right to redeem the share under the terms described in section 4 of the Articles of Association.

Market capitalization and trade

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

In 2013, a total of 513,699 Raute Corporation's series A shares were traded (302,096 pcs). The total value of trading was EUR 4.4 million (MEUR 2.4). The highest share price was EUR 9.33 (EUR 9.24) and the lowest EUR 6.88 (EUR 6.18). At the end of the year 2013, the share price was EUR 6.95 (EUR 9.00). The average price was EUR 8.49 (EUR 8.22). The company's market capitalization at the end of the financial year was EUR 27.8 million (MEUR 36.0), with series K shares valued at the closing price of series A shares on December 31, 2013.

Shareholders

The number of shareholders totalled 1,682 at the beginning of the year 2013 and 1,915 at the end of the financial year. Series K shares were owned by 49 (49) private individuals at the end of the financial year.

Board authorizations

The Annual General Meeting on April 8, 2013 authorized the Board to decide on the repurchase of a maximum of 400,000 Raute Corporation's series A shares using assets from the company's non-restricted equity, which would lead to a decrease in the company's distributable assets.

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

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

The authorization includes the right to acquire shares other than in proportion to the holdings of the shareholders. A targeted repurchase of the company's own shares can take place, for example, by acquiring shares in public trading in markets where, according to regulations, the company is permitted to engage in the trade of its own shares. Re-

purchasing shares in public trading as mentioned above or otherwise in a targeted way, requires that the company has a weighty financial reason to do so.

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

By the authority granted to the Board at the Annual General Meeting on April 8, 2013, the Board can to decide on an issue of Raute Corporation's series A shares, as well as on all of the related conditions, including the recipients and the sum of consideration to be paid. The Board of Directors may decide to issue either new shares or company shares held by Raute. The maximum number of shares that can be issued is 400,000 series A shares. As proposed, the authorization can be used to fund or carry out acquisitions or other arrangements or for other purposes decided by the Board of Directors.

The authorizations are valid until the end of the next Annual General Meeting. By the end of the financial year, the Board had not yet used the authorizations granted to it at the 2013 Annual General Meeting.

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, 2013, the company had no valid share issues or share- or option-based incentive plans.

Option-based incentive plan 2010

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

The share subscription price for the stock options is determined based on the trade volume weighted average quotation of the share of Raute Corporation in continuous trading, rounded off to the nearest cent, on the NASDAQ OMX Helsinki Ltd. For stock options 2010 A the subscription price was determined during the two month period immediately following the announcement day of the financial statements for the year 2009, i.e. February 12, 2010 – April 11, 2010, for stock options 2010 B during the two month period immediately following the announcement day of the finan-

cial statements for the year 2010, i.e. February 16, 2011 – April 15, 2011 and for stock options 2010 C during the two month period immediately following the announcement day of the financial statements for the year 2011, i.e. February 15, 2012 – April 14, 2012. From the share subscription price is 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 is 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. Stock options have not been exercised to subscribe for shares until December 31, 2013.

At the end of the financial year, the Group's key personnel held altogether 80,000 of the company's series A stock options, 80,000 series B stock options and 80,000 series C stock options.

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

Insider issues

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

Raute Corporation's insiders comprise public insiders, permanent company-specific insiders and project-specific insiders in accordance with the Finnish Securities Markets Act. The company's public insiders include the Board of Directors, the President and CEO, the Executive Board, 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, receive or 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, 2013

Series A and series K shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	1,796	93.8	3,323,334	83.0	22,155,393	97.0
Financial and insurance institutions	6	0.3	331,502	8.3	331,502	1.5
Foreign shareholders	2	0.1	2,500	0.1	2,500	0.0
Non-profit institutions	10	0.5	22,464	0.6	22,464	0.1
Public institutions	2	0.1	60,350	1.5	60,350	0.3
Companies	94	4.9	140,229	3.5	140,229	0.6
Nominee-registered	5	0.3	124,379	3.1	124,379	0.5
Total	1,915	100.0	4,004,758	100.0	22,836,817	100.0

DISTRIBUTION OF SERIES A SHARES OWNERSHIP AT DEC. 31, 2013

Series A shares by shareholder category	Number of shareholders	%	Number of shares	%	Number of voting rights	%
Households	1,779	93.7	2,332,173	77.4	2,332,173	77.4
Financial and insurance institutions	6	0.3	331,502	11.0	331,502	11.0
Foreign shareholders	2	0.1	2,500	0.1	2,500	0.1
Non-profit institutions	10	0.5	22,464	0.7	22,464	0.7
Public institutions	2	0.1	60,350	2.0	60,350	2.0
Companies	94	5.0	140,229	4.7	140,229	4.7
Nominee-registered	5	0.3	124,379	4.1	124,379	4.1
Total	1,898	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	1,679	88.5	495,156	16.4	495,156	16.4
1 001- 5 000	164	8.6	338,423	11.2	338,423	11.2
5 001-10 000	21	1.1	156,363	5.2	156,363	5.2
10 001- 50 000	23	1.2	595,899	19.8	595,899	19.8
50 001-100 000	8	0.4	506,109	16.8	506,109	16.8
100 001-	3	0.2	921,647	30.6	921,647	30.6
Total	1,898	100.0	3,013,597	100.0	3,013,597	100.0

DISTRIBUTION OF SERIES K SHARES OWNERSHIP AT DEC. 31, 2013

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

Series K shares by number of shares	Number of shareholders	%	Number of shares	%	Number of voting rights	%
1- 1 000	9	18.4	3 260	0.3	65,200	0.3
1 001- 5 000	5	10.2	15,706	1.6	314,120	1.6
5 001-10 000	6	12.2	32,100	3.2	642,000	3.2
10 001- 50 000	23	46.9	607,395	61.3	12,147,900	61.3
50 001-100 000	6	12.2	332,700	33.6	6,654,000	33.6
Total	49	100.0	991,161	100.0	19,823,220	100.0

20 LARGEST SHAREHOLDERS AT DEC. 31, 2013

	Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
By number of shares						
1. Sundholm Göran	-	624,398	624,398	15.6	624,398	2.7
2. Mandatum Life Unit-Linked	-	181,900	181,900	4.5	181,900	0.8
3. Laakkonen Mikko	-	115,349	115,349	2.9	115,349	0.5
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. Kirmo Kaisa Marketta	50,280	41,826	92,106	2.3	1,047,426	4.6
8. Mustakallio Kari Pauli	60,480	31,458	91,938	2.3	1,241,058	5.4
9. Mustakallio Mika Tapani	57,580	29,270	86,850	2.2	1,180,870	5.2
10. Keskiaho Kaija Leena	33,600	51,116	84,716	2.1	723,116	3.2
11. Särkijärvi Anna Riitta	60,480	22,009	82,489	2.1	1,231,609	5.4
12. Relander Harald	-	75,000	75,000	1.9	75,000	0.3
13. Sijoitusrahasto Alfred Berg Small Cap Finland	-	75,000	75,000	1.9	75,000	0.3
14. Mustakallio Marja Helena	43,240	16,047	59,287	1.5	880,847	3.9
15. Mustakallio Ulla Sinikka	53,240	2,300	55,540	1.4	1,067,100	4.7
16. Särkijärvi Timo	12,000	43,256	55,256	1.4	283,256	1.2
17. Särkijärvi-Martinez Anu Riitta	12,000	43,256	55,256	1.4	283,256	1.2
18. Suominen Jukka Matias	24,960	27,964	52,924	1.3	527,164	2.3
19. Mustakallio Kai Henrik	47,420	4,594	52,014	1.3	952,994	4.2
20. Keskinäinen työeläkevakuutusyhtiö Varma	-	51,950	51,950	1.3	51,950	0.2
Total	601,920	1,614,977	2,216,897	55.4	13,653,377	59.8

	Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
By number of votes						
1. Mustakallio Kari Pauli	60,480	31,458	91,938	2.3	1,241,058	5.4
2. Särkijärvi Anna Riitta	60,480	22,009	82,489	2.1	1,231,609	5.4
3. Mustakallio Mika Tapani	57,580	29,270	86,850	2.2	1,180,870	5.2
4. Mustakallio Ulla Sinikka	53,240	2,300	55,540	1.4	1,067,100	4.7
5. Siivonen Osku Pekka	50,640	53,539	104,179	2.6	1,066,339	4.7
6. Kirmo Kaisa Marketta	50,280	41,826	92,106	2.3	1,047,426	4.6
7. Suominen Pekka	48,000	62,429	110,429	2.8	1,022,429	4.5
8. Suominen Tiina Sini-Maria	48,000	62,316	110,316	2.8	1,022,316	4.5
9. Suominen Jussi	48,000	-	48,000	1.2	960,000	4.2
10. Mustakallio Kai Henrik	47,420	4,594	52,014	1.3	952,994	4.2
11. Mustakallio Marja Helena	43,240	16,047	59,287	1.5	880,847	3.9
12. Mustakallio Risto Knut kuolinpesä	42,240	-	42,240	1.1	844,800	3.7
13. Keskiaho Kaija Leena	33,600	51,116	84,716	2.1	723,116	3.2
14. Sundholm Göran	-	624,398	624,398	15.6	624,398	2.7
15. Keskiaho Juha-Pekka	27,880	7,491	35,371	0.9	565,091	2.5
16. Suominen Jukka Matias	24,960	27,964	52,924	1.3	527,164	2.3
17. Keskiaho Marjaana	24,780	21,500	46,280	1.2	517,100	2.3
18. Kirmo Lasse	25,000	4,013	29,013	0.7	504,013	2.2
19. Keskiaho Vesa Heikki	23,030	-	23,030	0.6	460,600	2.0
20. Kultanen Leea Annikka	22,405	8,031	30,436	0.8	456,131	2.0
Total	791,255	1,070,301	1,861,556	46.5	16,895,401	74.0

MANAGEMENT'S AND PUBLIC INSIDERS' SHAREHOLDING AND NOMINEE-REGISTERED 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
Management's holding at Dec. 31, 2013						
Board of Directors, the Group's President and CEO and Executive Board*	122,880	111,029	233,909	5.8	2,568,629	11.2
Public insiders' holding at Dec. 31, 2013	122,880	111,029	233,909	5.8	2,568,629	11.2
Nominee-registered shares at Dec. 31, 2013	-	124,379	124,379	3.1	124,379	0.5

*The figures include the holdings of their own, minor children and control entities.

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

The Parent company's distributable funds total EUR 13,803,932.16, of which the profit for the financial year is EUR 1,311,590.07 and the balance sheet amounts to EUR 42,946,153.27.

The Board of Directors will propose to the Annual General Meeting 2014 that the distributable funds will be used in the following way based on the total amount of shares entitled for the dividend at the date of the proposal for dividend distribution, i.e. 4,004,758 shares:

- EUR 0.20 per share to be distributed as dividend, i.e. total of	EUR	800,951.60
- Retained in equity	EUR	13,002,980.56
	EUR	<u>13,803,932.16</u>

The Board of Directors will also propose to the Annual General Meeting that from the invested non-restricted equity of EUR 6,498,341.93

- EUR 0.30 per share to be distributed as repayment of capital, i.e. total of	EUR	1,201,427.40
- Retained in equity	EUR	5,296,914.53
	EUR	<u>6,498,341.93</u>

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 13, 2014

Erkki Pehu-Lehtonen
Chairman of the Board

Mika Mustakallio

Joni Bask

Risto Hautamäki

Ilpo Helander

Pekka Suominen

Tapani Kiiski
President and CEO

Auditor's note

The Auditor's report has been issued today.

Nastola, February 13, 2014

PricewaterhouseCoopers Oy
Authorized Public Accountants

Janne Rajalahti
Authorized Public Accountant

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

FINANCIAL STATEMENTS DECEMBER 31, 2013

Common document types used

Balance sheet book
 General journal and general ledger
 Accounts payable and accounts receivable

Documents' means of storing

Separately bound, in paper
 In electronic format
 In electronic format

Description of accounting journals

Bank and cash vouchers
 Purchase invoices
 Sales invoices
 Transactions of purchase and sales invoices
 Fixed asset register
 Salary entries
 Memo vouchers
 Automatic contra entries of memo vouchers
 Imputed and entries of cost accounting

Accounting journal

10, 11 and 15
 81, 82, 85, 86 and 87
 30, 31, 34 and 35
 70, 71, 72 and 80

 65, 66, 67 and 68
 6, 19, 20, 21, 22 and 25
 98
 28 and 29

Journal's means of storing

In paper
 In electronic format
 In paper
 In electronic format
 In paper
 In paper
 In paper
 In electronic format
 In electronic format and in paper (28)

Development of quarterly results

EUR 1,000	Q1 2013	Q2 2013	Q3 2013	Q4 2013*	Total 2013
NET SALES	23,386	19,766	15,610	24,512	83,274
Change in inventories of finished goods and work in progress	364	-610	-37	-672	-954
Other operating income	20	15	102	158	295
Materials and services	-12,979	-8,906	-7,304	-11,521	-40,711
Employee benefits expense	-6,871	-7,190	-5,969	-7,387	-27,417
Depreciation and amortization	-479	-619	-597	-479	-2,174
Other operating expenses	-2,532	-2,740	-2,115	-3,098	-10,485
Total operating expenses	-22,862	-19,456	-15,984	-22,486	-80,787
OPERATING PROFIT (LOSS)	909	-286	-309	1,513	1,828
% of net sales	4	-1	-2	6	2
Financial income	400	72	53	210	735
Financial expenses	-224	-75	-161	-513	-974
PROFIT (LOSS) BEFORE TAX	1,085	-289	-417	1,210	1,589
% of net sales	5	-1	-3	5	2
Income taxes	-246	96	51	-294	-394
TOTAL PROFIT (LOSS) FOR THE PERIOD	839	-193	-366	916	1,196
% of net sales	4	-1	-2	4	1
Attributable to					
Equity holders of the Parent company	839	-193	-366	916	1,196
Earnings per share EUR					
Undiluted earnings per share	0.21	-0.05	-0.09	0.23	0.30
Diluted earnings per share	0.21	-0.05	-0.09	0.23	0.30
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	4,017	4,013	4,010	4,013	4,013

*Applying the revised standard IAS 19 Employee benefits has no material effects. The effects are in the fourth quarter of the year 2013 and comparison year.

Auditor's report

To the Annual General Meeting of Raute Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Raute Corporation for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the President and CEO

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

Auditor's Responsibility

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

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

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

Opinion on the Consolidated Financial Statements

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

Opinion on the Company's Financial Statements and the Report of the Board of Directors

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

Nastola, 13 February 2014
PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant



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