

Raute Corporation Annual General Meeting 2016

The background image shows a man with glasses and a red headset, smiling, in a factory setting. He is wearing an orange and blue work shirt. In the foreground, there is a large, complex mechanical part, possibly a mold or a part of a machine, with various colored components (yellow, green, black).

31 March 2016
Tapani Kiiski, President and CEO

2015 - A record breaking year

Business environment 2015

Strategy

Financial statements 2015

Outlook

Raute as an investment

Business environment 2015



Raute's business today

Wood products industry

- Plywood and LVL industry's market some 40 billion a year
- Investments in veneer, plywood and LVL production technology are some EUR 600 (-750) million a year in "normal" market and financial situation
- For Raute there is "unlimited" market for maintenance

Raute's customers

- Veneer industry
- Plywood industry
- LVL industry

Raute adds value to its customers' business by supplying solutions for manufacturing wood products in a profitable and environmentally sustainable way.

Plywood consumption 2014

Total 94.1 million m3

| | |
|--------------|-------------|
| Construction | 38 % |
| Furniture | 26 % |
| Flooring | 5 % |
| Total | 69 % |

| | |
|--------------------|-------------|
| Packaging | 9 % |
| Transport vehicles | 7 % |
| Total | 16 % |

| | |
|---------------|-------------|
| Others | 15 % |
|---------------|-------------|

Raute is a technology and services company that serves the wood products industry globally.

Raute's solutions

Project deliveries:

- Mill-scale projects, separate production lines, machinery and equipment
- Automation, machine vision, measuring

Technology services:

- Modernizations
- Maintenance and spare parts
- Production support services

67%

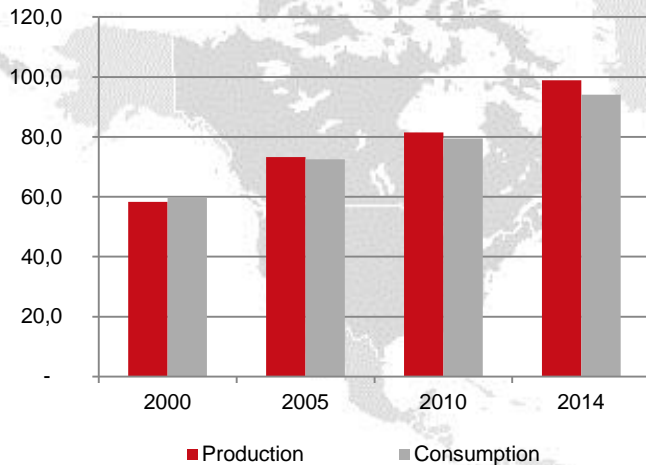
of net sales
(2015)

33%

of net sales
(2015)

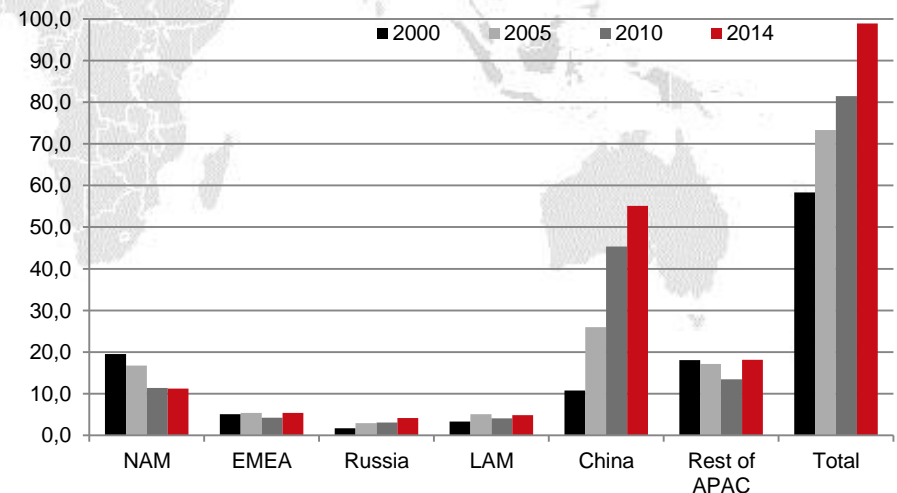
Plywood production and consumption

Plywood production and consumption in 2000, 2005, 2010, and 2014 (million m³)

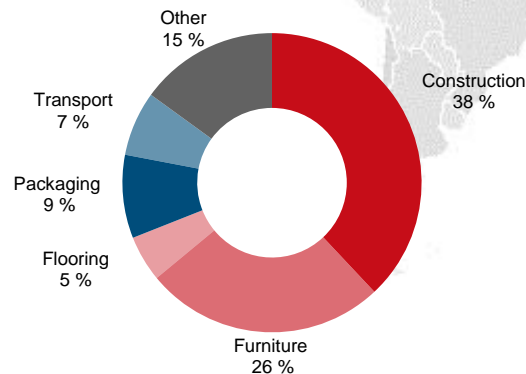


| Year | Production (million m3) | Consumption (million m3) |
|------|----------------------------|-----------------------------|
| 2000 | 58,4 | 59,6 |
| 2005 | 73,3 | 72,5 |
| 2010 | 81,5 | 79,4 |
| 2014 | 98,9 | 94,1 |

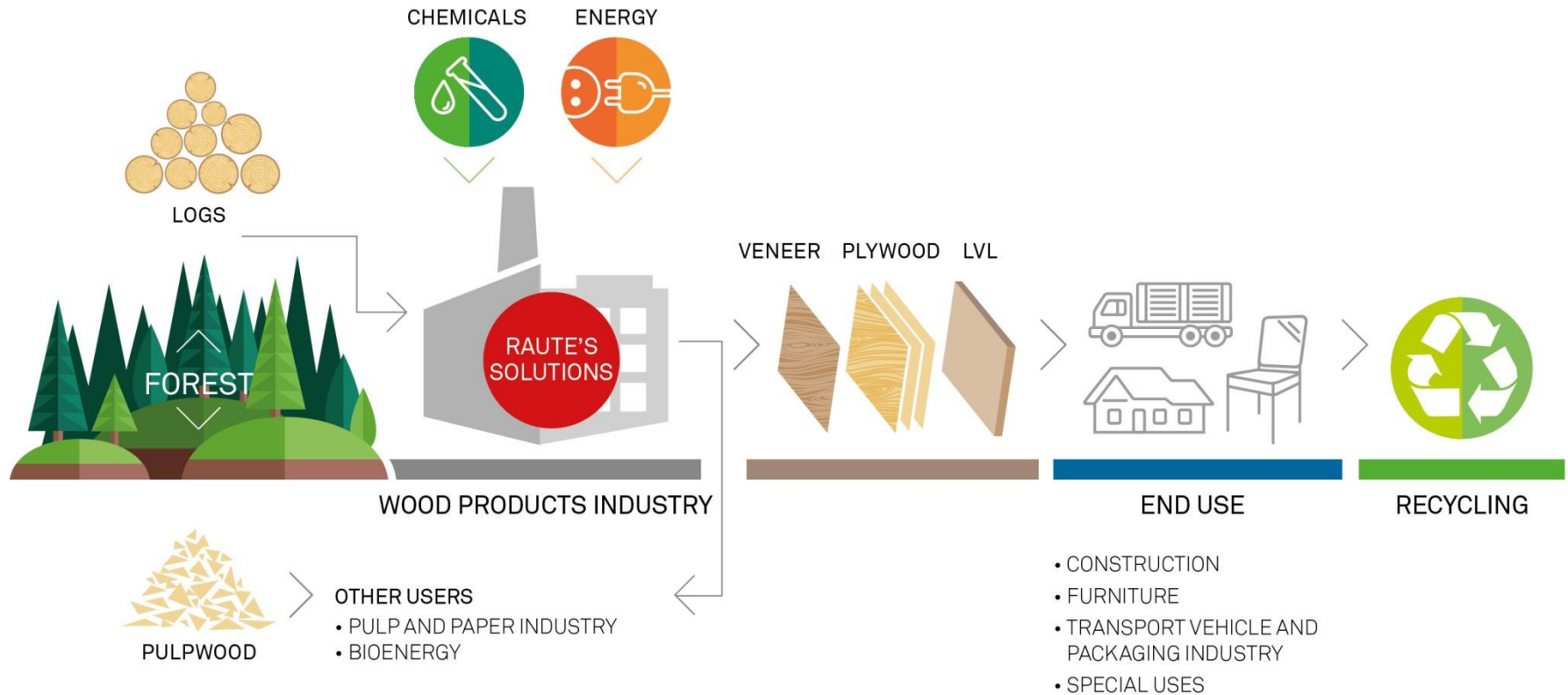
Plywood production by market area 2000, 2005, 2010, and 2014 (1,000 m³)



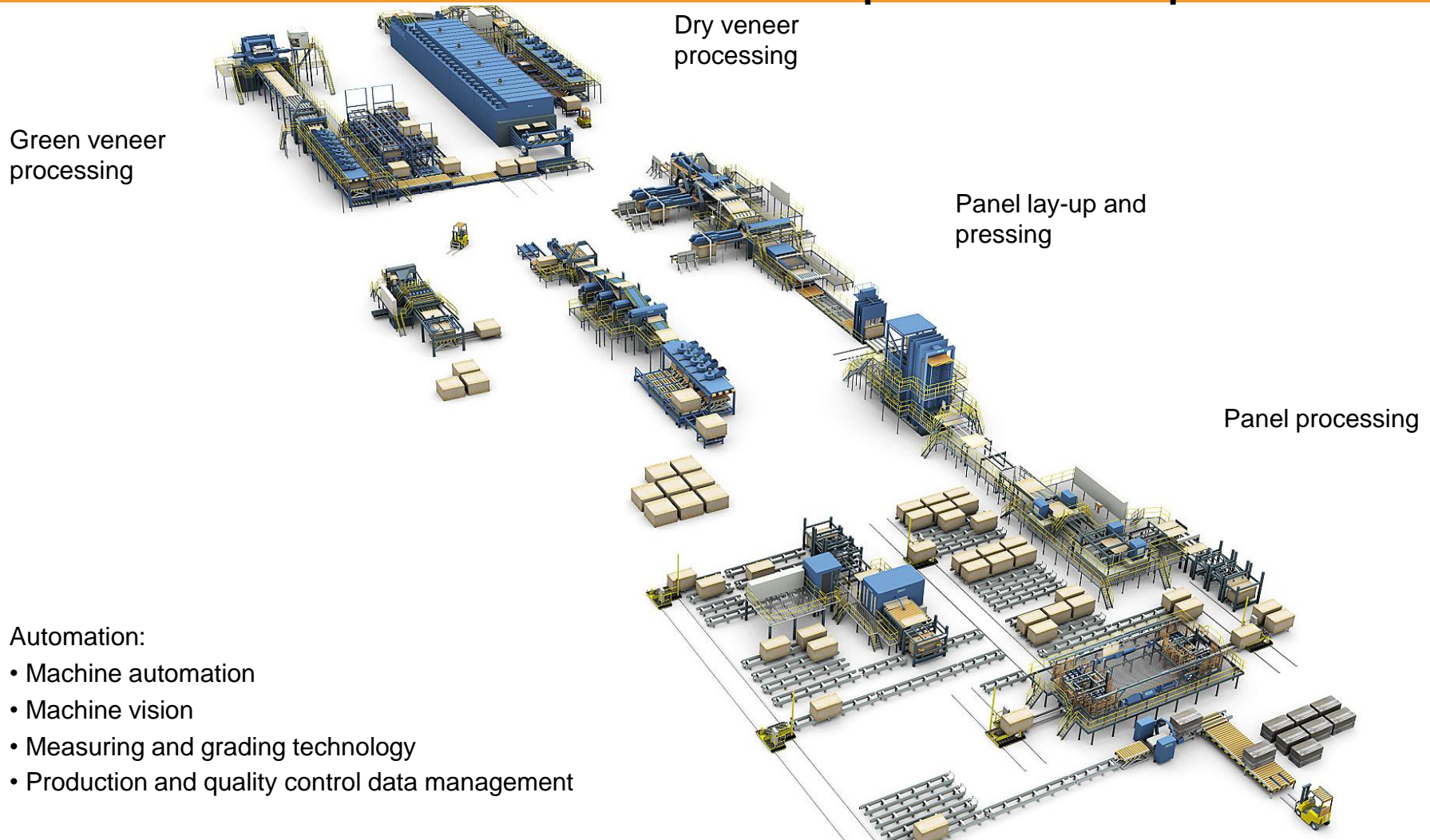
Plywood consumption by end-use category 2014
Total 94.1 million m³



Raute is a part of the wood-processing value chain



Raute's solutions encompass the entire production process...



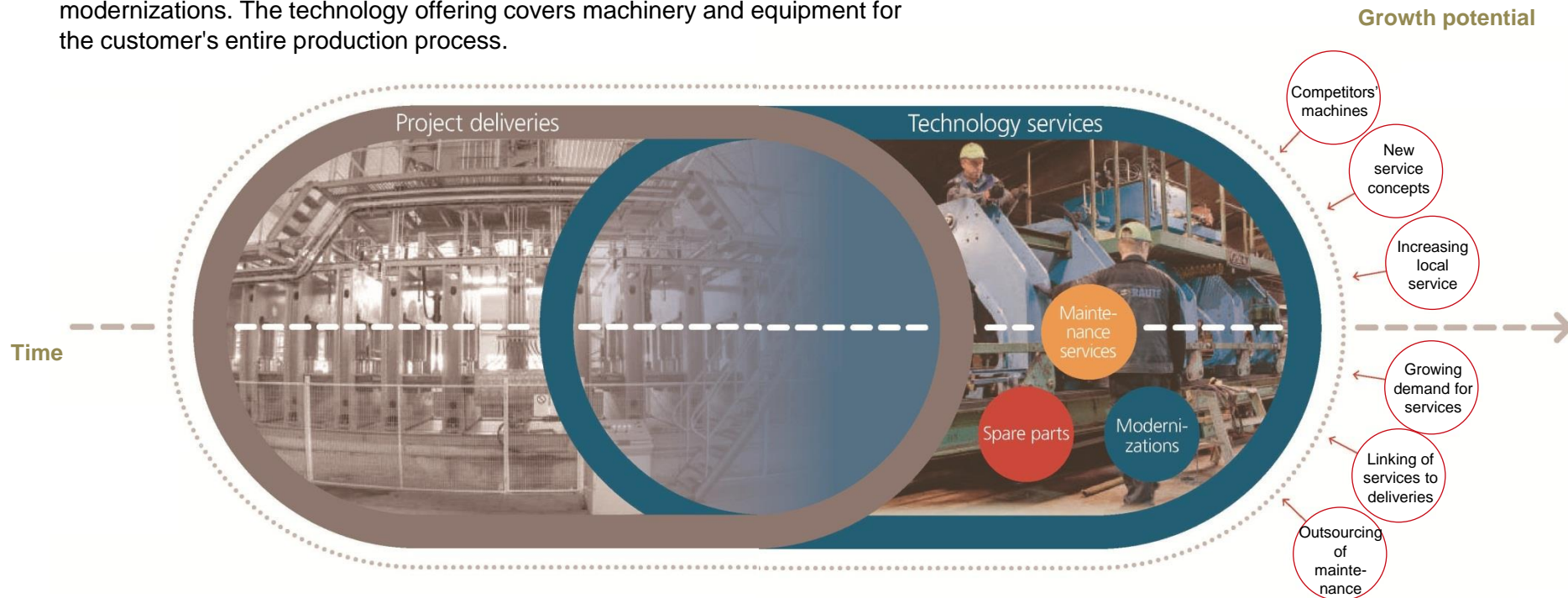
Automation:

- Machine automation
- Machine vision
- Measuring and grading technology
- Production and quality control data management

Log handling → Peeling → Drying → Veneer handling → Lay-up → Pressing → Panel / billet handling → Plywood / LVL

...life-cycle of the investment

Our full-service concept consists of project deliveries and technology services. Project deliveries include projects that consist of individual machines or production lines all the way to deliveries that cover the machines and devices needed for the production processes of entire mills. Technology services range from spare parts deliveries to regular maintenance and equipment modernizations. The technology offering covers machinery and equipment for the customer's entire production process.



Life-cycle cooperation

Raute supports customers throughout the life-cycle of their investment through a wide range of technology and services. Raute sees growth potential particularly in technology services

Focus on emerging markets

North America

The world's largest LVL production area and the world's second largest plywood manufacturing area. The economy is growing. Construction remains at a low level.

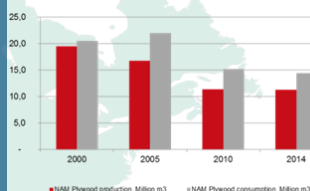
Investments focus on modernization projects to boost efficiency and replacement investments.

To strengthen its position through automation expertise

- Comprehensive strategic investments of customer industries and technology services.



11%



Europe and Africa

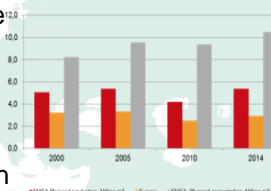
Developed market with a generally high level of production technology.

The biggest operator. The objective is to maintain the leading position and to deepen cooperation with customers in order to boost their production processes in the long term.

► Production efficiency and quality improvements.



5%



Russia

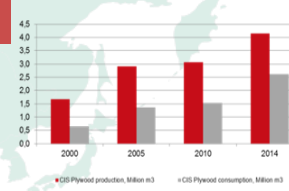
Large raw material reserves and developing economy. Excellent competitiveness in the export markets.

The market leader

- Extensive forest resources and developing economy. Technology services.



4%



South America

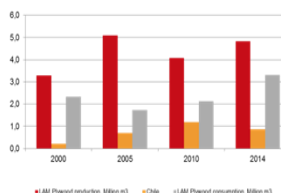
One of the biggest and most potential growth areas in plywood production.

Strong position in Chile and deliveries to Brazil.

- Structure of local forest plantations, abundant plantation forest resources and investments in products with a high value added.



5%



China

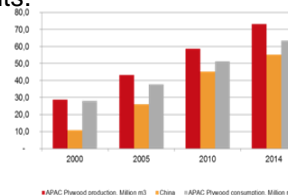
The world's largest producer of plywood. Production mostly based on manual labor, simple technology and local machine suppliers.

To become a significant operator.

- Higher quality requirements.



56%



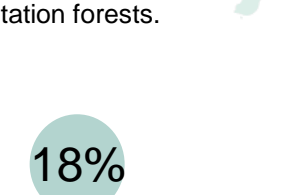
Rest of the Asia-Pacific area

Strong shift from natural forests to plantations.

The strength: Processing of raw material from small-diameter plantation trees.

- New growth of plywood production enabled by plantation forests.

18%



Changes as opportunities

Europe

- Developing current capacity

Africa

- Local further processing of wood

Russia

- Upgrading production technology
- Exploiting forest resources
- Export products

Trends

- Renewable wood as raw material on rise
- Environmental awareness to increase and regulations to tighten
- More cost-efficient manufacturing methods necessary to face tightening competition
- Energy prices up
- Emerging markets to play a greater role

Asia-Pacific area

- Plantation forest resources
- In China, increased quality requirements and “industrialization”

South America

- Plantation forest resources
- Modernization

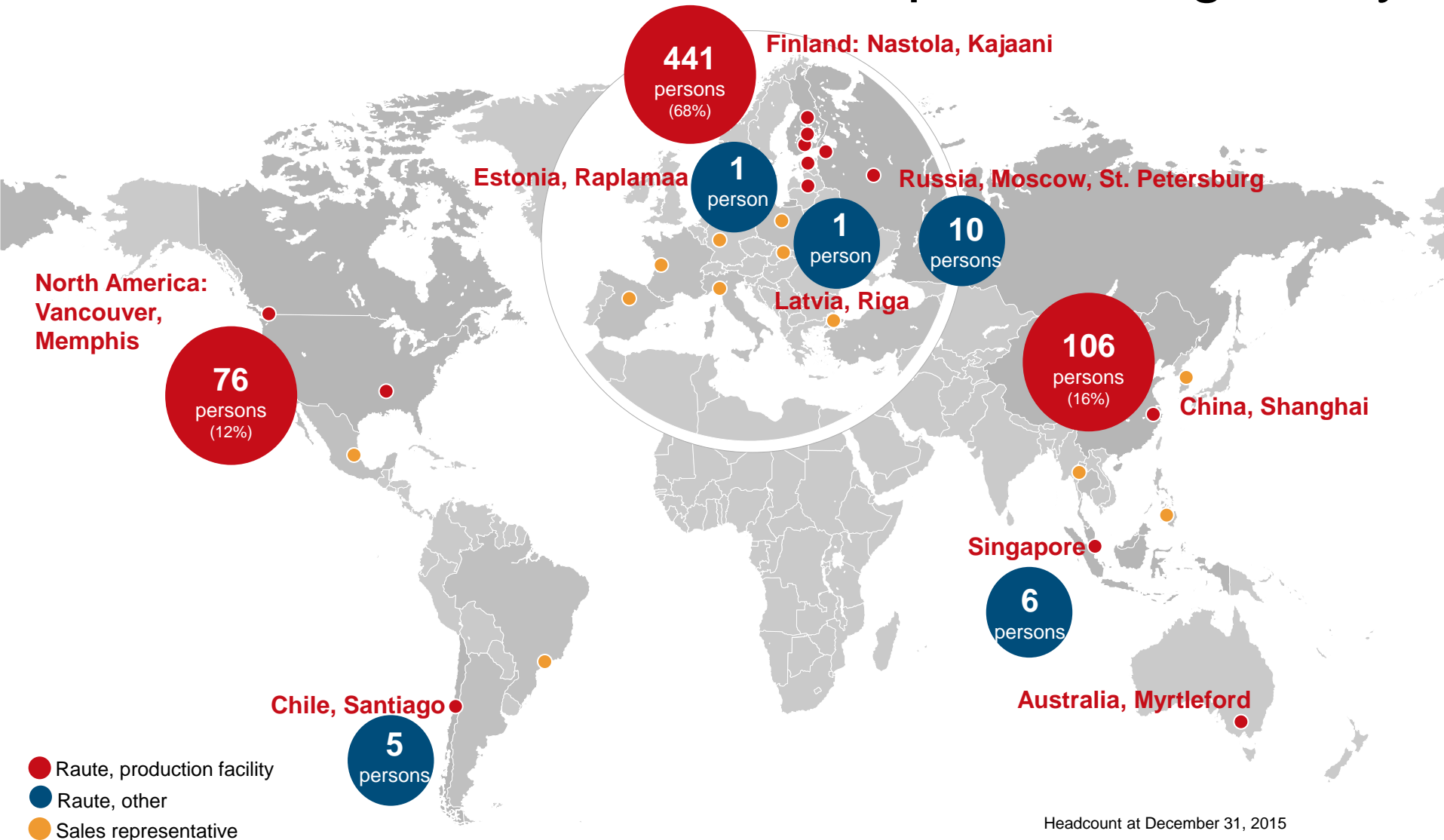
North America

- Replacement investments, when economy recovers

From Raute's perspective

- Increasing use of wood boosts demand for wood products technology
- Emerging markets to play a greater role
- Raute must identify individual customer needs and be able to offer, in addition to state-of-the-art technology, solutions where automation is not a decisive factor in creating a competitive edge. Technology services to increase their share, especially in traditional markets

Local presence globally



Headcount at December 31, 2015

Strategy



Profitable solutions for all customer needs



Megatrends

Climate change

- Increasing popularity of renewable raw materials and products
- Environmental awareness increasing
- Increasing importance of energy efficiency as price of energy rises
- Environmentally sound processes
- Emissions decline

Global economic development

- Focus of overall demand shifting increasingly towards the emerging markets
- As the standard of living rises, investments in construction and housing will increase
- Quality and ergonomic demands and an increase in costs enhance the significance of automation also on the emerging markets

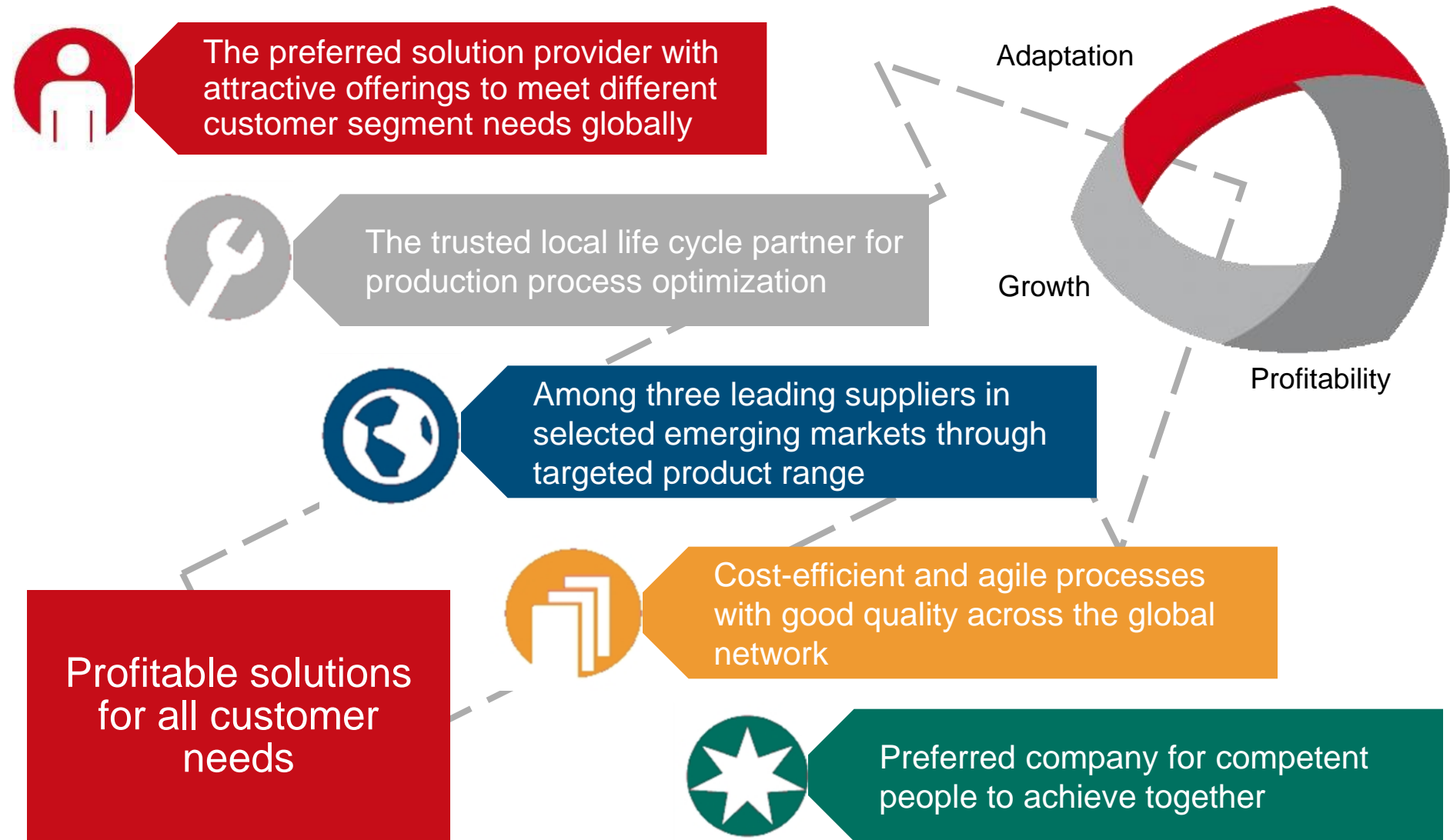
Availability of natural resources

- Competitiveness of wood-based construction products improving
- Use of plantation wood as raw material on the rise
- More efficient use of raw materials and additives
- More efficient use of oil-based additives, and especially glue and overlays
- More efficient utilization of process by-products

Technological development

- More efficient use of raw material and other production factors
- Increasing willingness to invest in more efficient production processes
- Production facilities become larger
- Demand for expert services grows as automation and digitalization increase
- Increasing use of further-processed wood products
- Standardization and quality requirements for products increase

Profitable solutions for all customer needs



Strategy implementation in 2015



Customer needs

- Measurement of veneer density combined with visual imaging has elevated the grading of dry veneer to a new level.
- Composing of green veneer has improved the efficiency of raw material use.
- First machine-vision-based modernizations of veneer composers carried out
- Latest machine vision technology delivered to customers that use hardwood
- Competitors' equipment modernized with machine vision technology
- Entry into Asian and South American markets through machine vision technology.



Technology services

- Service business strengthened through increased local presence according to planned priorities in Europe, North America and Asia
- Spare parts and small project delivery capability strengthened
- IoT-based remote services launched together with customers.



Emerging markets

- Dragon product family, targeted at emerging markets, expanded with eight-foot peeler and veneer dryer
- Local organization strengthened and improved to correspond with the challenges linked to the Chinese markets and the development of the Dragon product family.



Cost-efficiency and quality

- Continued improvement of quality and occupational safety
- Continued maintenance and standardization of the product base and development of tools to support tendering and engineering
- Development of management model
- New IT system launched to support project management and issue management
- Manufacture of parts begun at Chinese plant
- Production investments started up at Nastola plant.



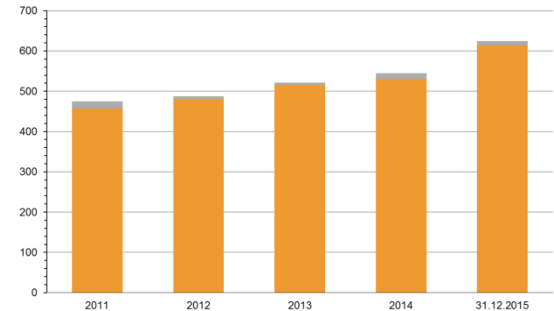
Hunger for success and personnel

- Competence surveys of Finnish personnel carried out and development plans drawn up
- Comprehensive mentoring program launched for ensuring continuity of product expertise
- Raute's employer image strengthened through communications.

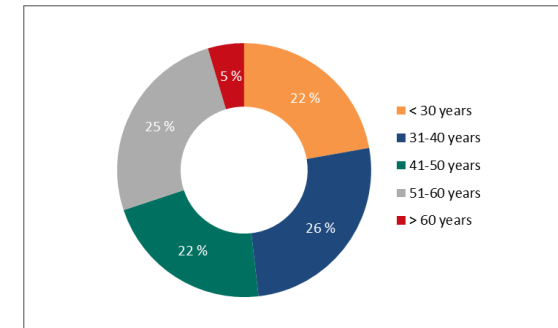
Personnel creates the prerequisites for success

- The priorities of personnel development have been the identification of critical competencies and the closing of skill gaps.
- We carried out measures for the development of supervisory work identified through the 360 assessment implemented at the end of 2014.
- Training was carried out in many areas according to identified needs.
- We strengthened our local business resources in Europe, North America and Asia.
- At our Chinese unit we strengthened the local organization so that it can take charge of sales and production management in upcoming years.
- In our biggest overseas units we adopted Group-wide HR management principles.

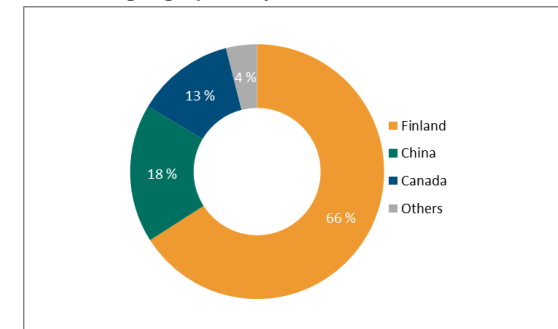
Personnel 2011- 2015



Age of personnel 2015



Personnel geographically 2015



Financial Statements

1 January – 31 December 2015



Year of successes

- Record-high:
 - order intake
 - net sales
 - operating result
- In 2015, three new capacity-generating mill-scale projects were started up.
- Raute managed to get 92% of production machinery orders in these projects, two of them as a whole. Our competitiveness is strong!
- We succeeded in increasing our net sales 35%. Our delivery capability and flexibility of capacity are good!
- Our operating profit tripled to 6.4%.
- If opportunities exist in the markets, our competitiveness, delivery capability and capability to make a good result are OK!



Business environment

- Uncertainty in global economy and financial markets continued
 - Uncertainty reflects also in the market outlook of plywood and LVL industries in all Raute's market areas.
- Unusually, altogether three major mill-scale capacity-generating projects were begun in Europe in 2015.
- Demand for maintenance and spare parts services remained at a good level through the year.
 - Utilization rates of Raute's customers' production facilities remained, for the most part, good.

2015

- A record in order intake: three major orders in March - April.
- Net sales up 35%
 - Initial order book, volume of order intake and timing of the order book.
- Operating profit more than tripled
 - Increase in net sales and operational development measures implemented
 - MEUR 1.2 impairment from discontinuing a development project.
 - MEUR 0.6 credit losses.

| MEUR | 2015 | 2014 |
|------------------|--------------|------|
| Net sales | 127,3 | 94,0 |
| Operating result | 8,1 | 2,6 |
| Order intake | 145 | 112 |
| Order book, | 60 | 44 |
| change | +16 | |

Progress in major projects

- Altogether six major capacity-generating projects were at the installation and commissioning phase during the year, and they have proceeded according to the timetable set by the customer
- The final approval of the order received in July 2012 for the delivery of LVL mill machinery to Germany has been further delayed due to changes made in the production process.
- The two major orders received from Poland in 2014 progressed to production use and ramping up of production.
- The three new major orders received in 2015 progressed as planned to the machine and equipment delivery phase and installation phase.



Europe

- Unusually, altogether three major mill-scale capacity-generating projects were begun in Europe in 2015.

North America

- The demand focused on smaller modernization projects and other technology services.

Russia

- The political uncertainty resulting from the crises in Ukraine and Syria, the weak economic development resulting from low oil and raw material prices, the weakening of the ruble and the difficulty of securing financing due to the economic sanctions have caused investment decisions to be postponed.

South America

- Raute's customers continued to focus on ramping up the capacity of the large plywood mill investments they made a few years ago and finding markets for their new production capacity. No new major investment projects were started up.

Asia

- The weakening of China's economic development slowed down decision-making concerning a number of pending projects. This also impacted the rest of Asia and even the entire world.

Income statement, Balance sheet and Key figures

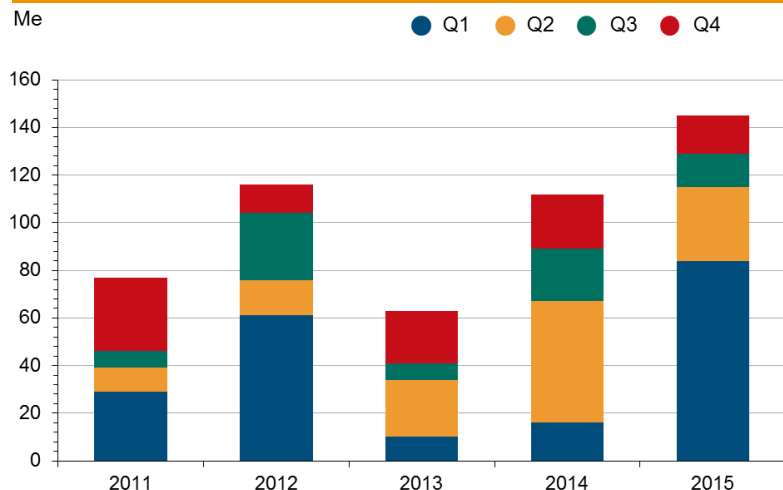
| Income statement, MEUR | 2015 | 2014 |
|-------------------------------|-------|------|
| Net sales | 127,3 | 94,0 |
| Operatign profit | 8,1 | 2,6 |
| Financial income and expenses | -0,0 | 0,2 |
| Profit before tax | 8,1 | 2,8 |
| Income tax | -1,4 | -0,4 |
| Profit for the period | 6,7 | 2,4 |

| Key figures | 2015 | 2014 |
|-------------------------------|-------|------|
| Earning per share, EUR | 1,65 | 0,59 |
| Operating cash flow, MEUR | 7,5 | -1,9 |
| Return on investment (ROI), % | 28,5 | 10,9 |
| Gearing, % | -16,8 | -6,9 |
| Return on equity, % | 58,5 | 55,8 |
| Personnel, in books | 646 | 587 |

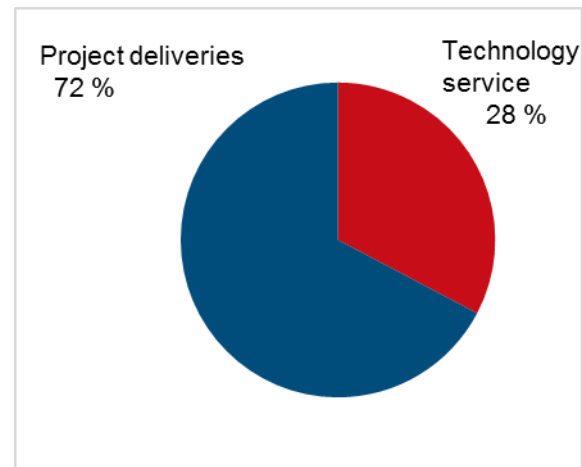
| Balance sheet, MEUR | 31.12.2015 | 31.12.2014 |
|--|-------------|-------------|
| Intangible assets | 1,6 | 3,5 |
| Property, plant and equipment | 8,5 | 7,9 |
| Other non-current assets | 0,7 | 0,7 |
| Inventories | 9,6 | 7,9 |
| Accounts receivables and other receivables | 34,8 | 28,3 |
| Cash and cash equivalents | 6,5 | 4,4 |
| Total assets | 61,8 | 52,6 |
| Equity | 29,7 | 24,3 |
| Non-current liabilities | 0,7 | 1,8 |
| Advance payments received | 11,0 | 9,1 |
| Current liabilities | 20,3 | 17,4 |
| Total equity and liabilities | 61,8 | 52,6 |

Record-high amount of orders

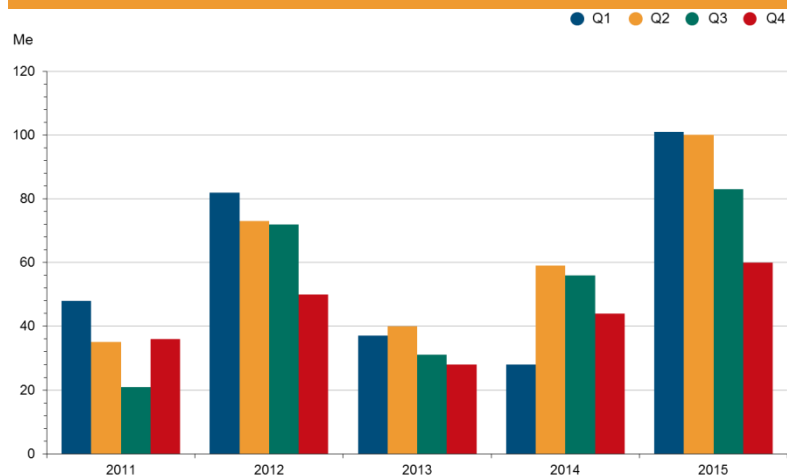
Order intake 2011 - 2015



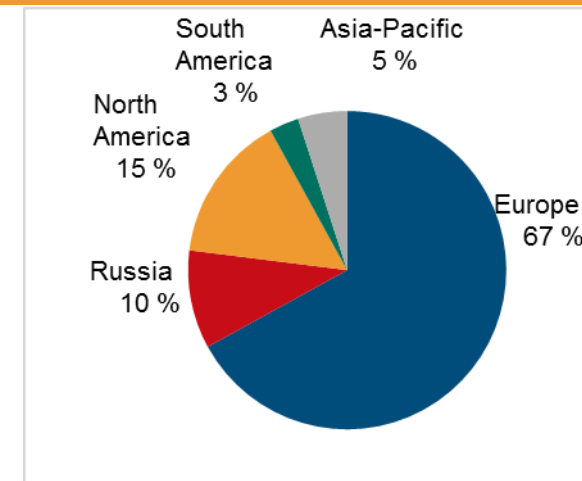
Order intake 2015



Order book 2011 - 2015

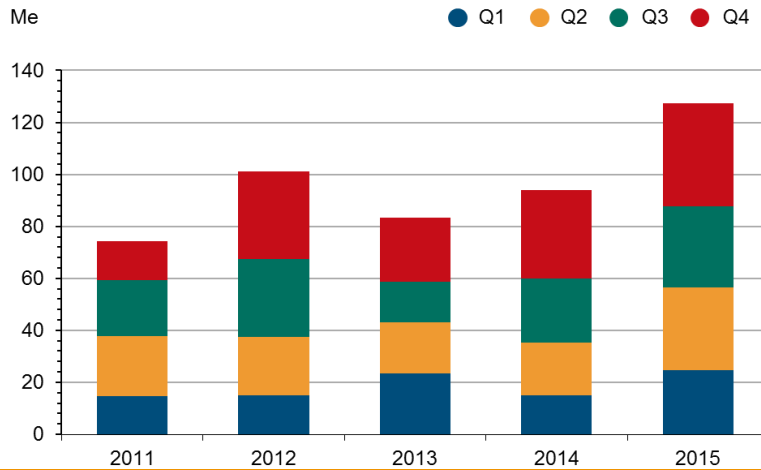


Order intake 2015 by market areas

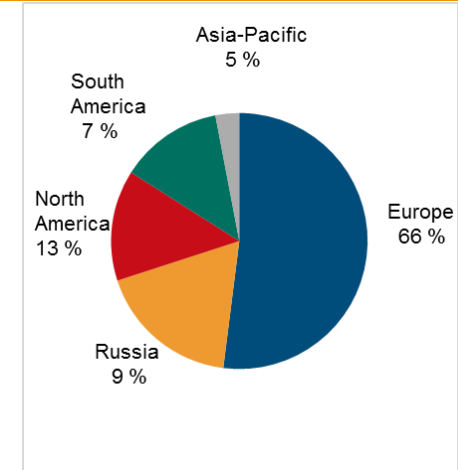


Strong growth

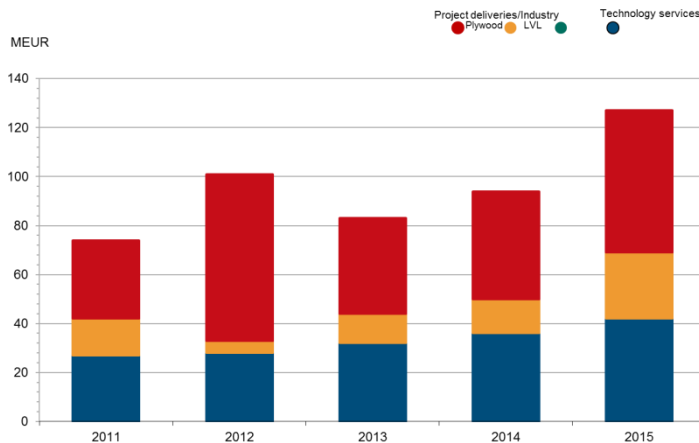
Net sales 2011 - 2015



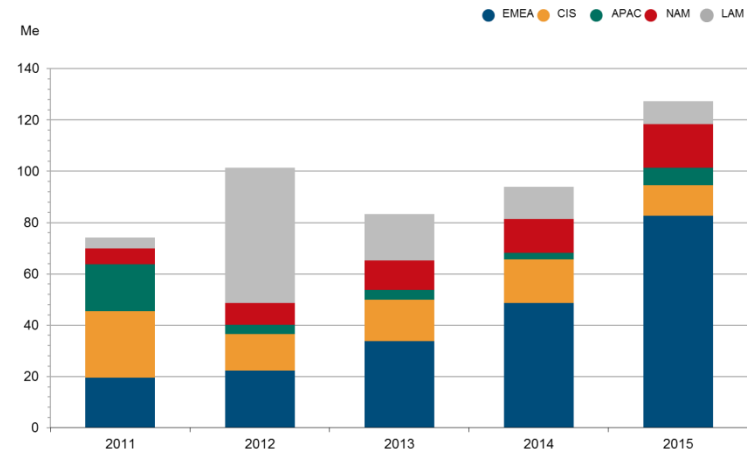
Net sales 2015 by market areas



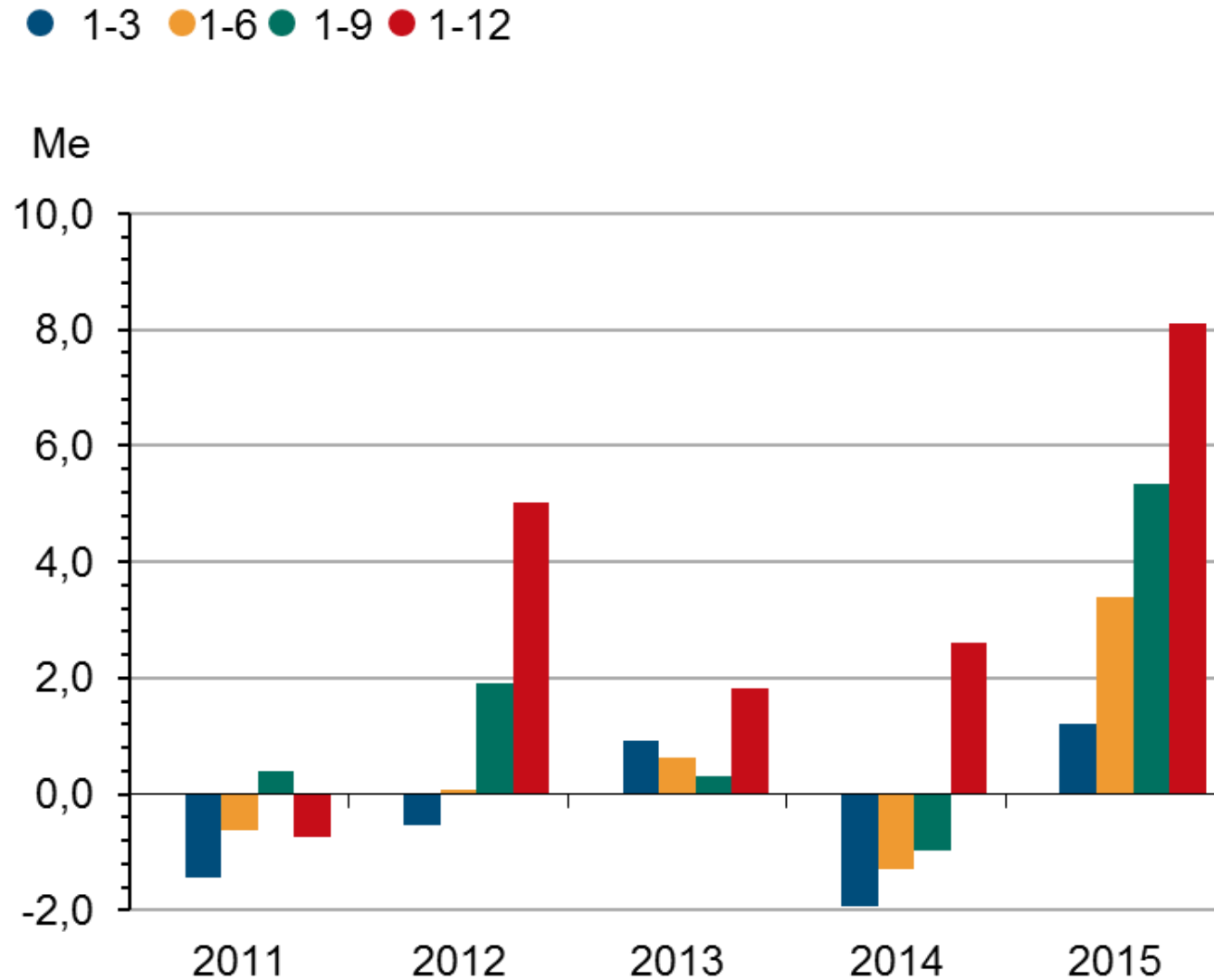
Project deliveries and technology services



Net sales 2011–2015 by market areas

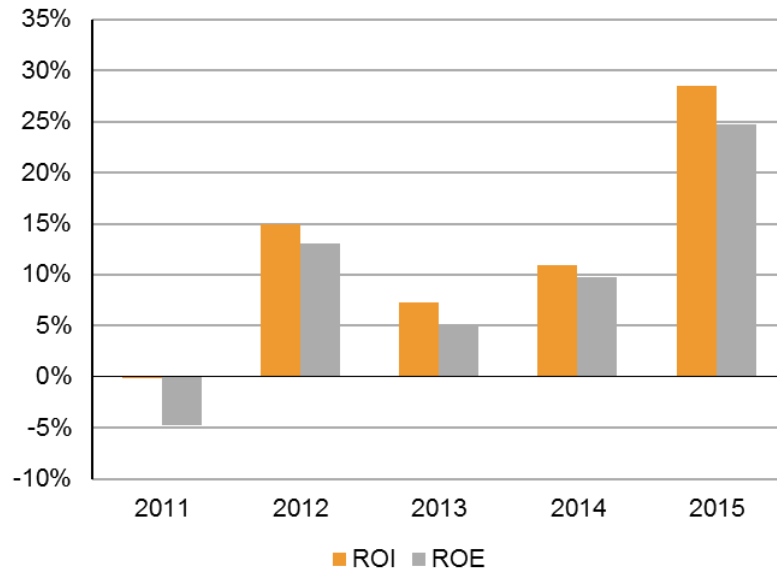


Smooth result development

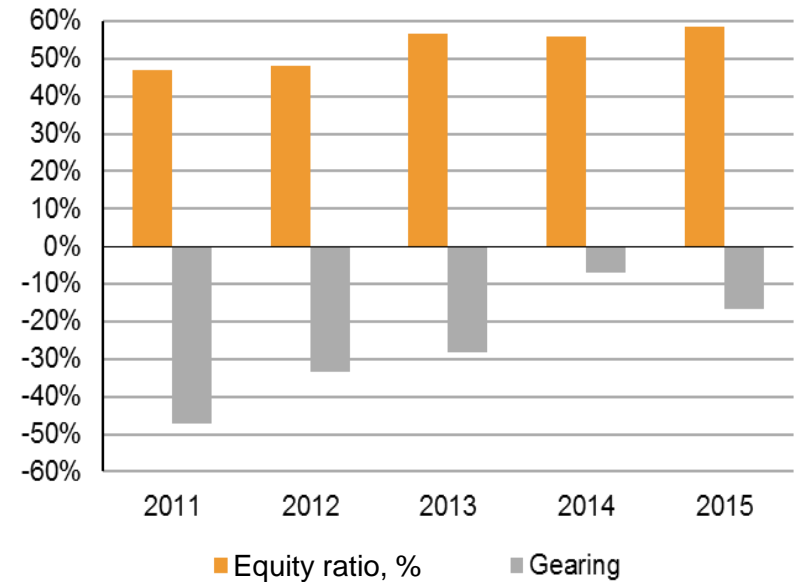


Strong balance sheet

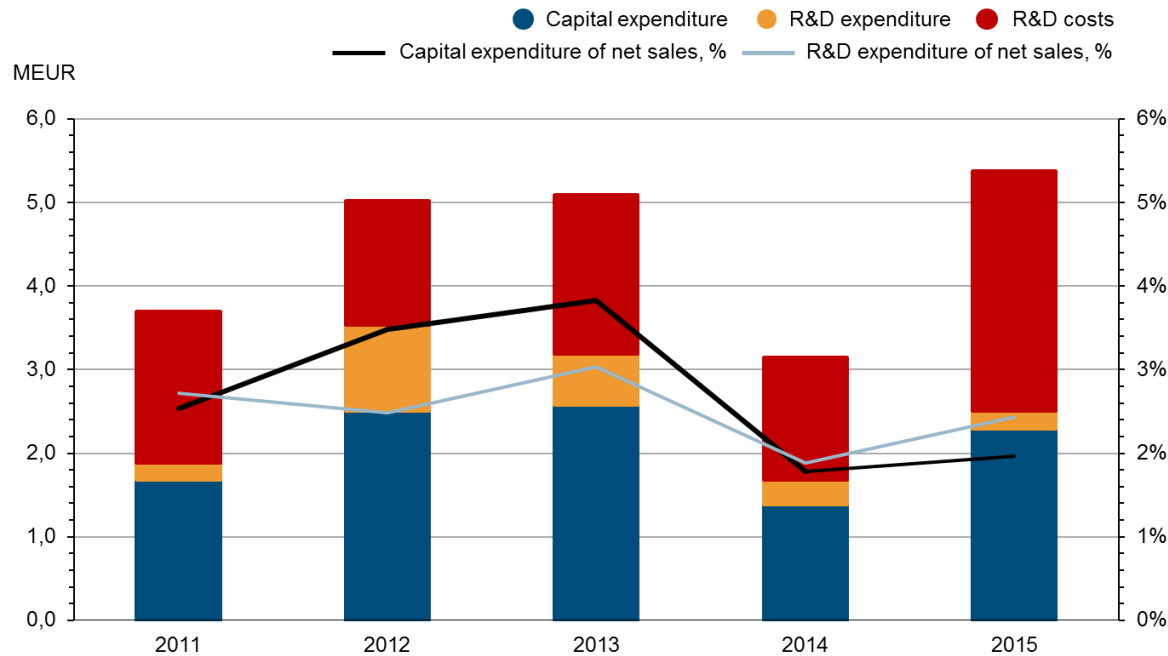
Return on investment (ROI)
Return on equity (ROE)



Equity ratio, %
Gearing, %



Confidence in the future



Outlook



Outlook 2016



"In my view, we will be able to maintain, this year, the level of net sales and operating profit we have achieved.

Our order book declined after last summer but remains at a strong level.

Our customers in many market areas are preparing investments of different sizes.

I am also confident that our input into emerging markets will generate growth in the current year. Despite the slowdown in China's economic growth the country remains by far the biggest producer of plywood.

As regards our technology services, we will return to a path of stronger growth."

Business environment

- Uncertainty continues in the global economy and financing markets
 - Further uncertainty also in the development of the market situation of plywood and LVI industries
 - However, several mill-scale and production line investment projects in planning phase.
- Raute estimates that the improvements investments among its customers will be at a reasonable level in 2016
 - Demand for technology services continues strong.

Raute

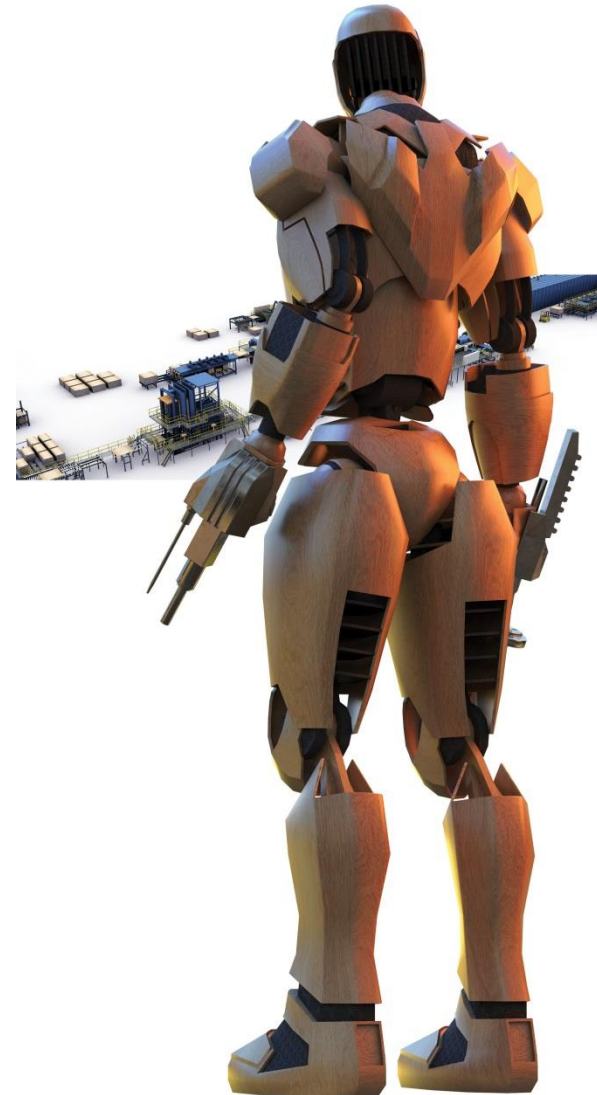
- Three major deliveries started up in 2015 are in installation and commissioning phase.
- Raute's net sales and operating profit for 2016 are expected to remain at the same level as in 2015
 - Good opening order book
 - Forecasted development of market situation.
- New orders will likely focus on the second half of the year.

Raute as an investment



Higher shareholder value

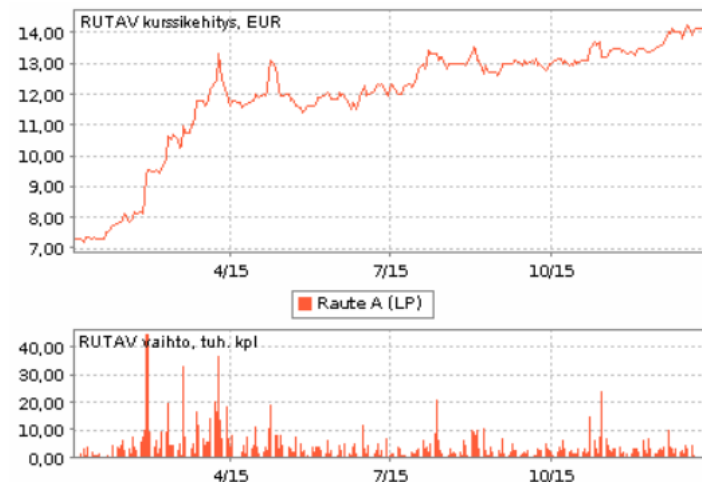
- Clearly defined strategy and regular evaluation and adjustment of it according to changes in the business environment
- Reaction and adaptation to changing market conditions and trends of the industry and the environing world
- Solid and long-term ownership
- Impeccable corporate governance and communication
 - Predictability
- Stock exchange quotation
- Long-term dividend policy



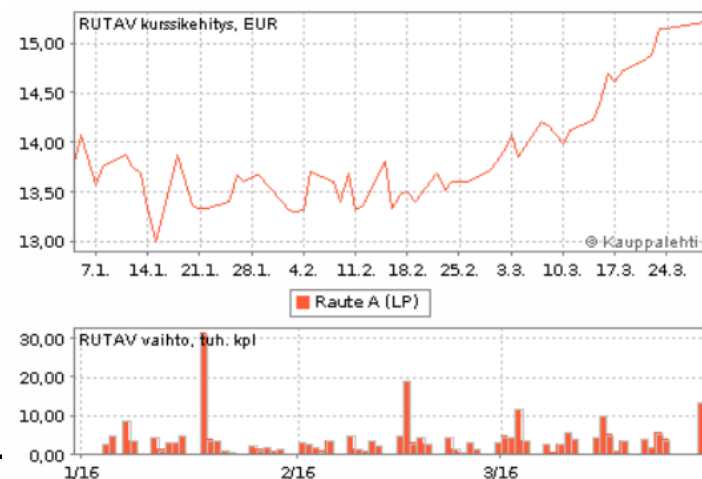
Investor Relations

- Stock exchange releases in 2015
 - March 5, 2015: Raute received an order worth EUR 30 million to Finland
 - March 24, 2015: Decisions of Raute's Annual General Meeting
 - March 25, 2015: Change in Raute's Executive Board
 - March 25, 2015: Raute received a new order worth EUR 31 million to Estonia - Profit outlook improved
 - March 26, 2015: Raute Corporation applies for listing of its 2010 stock options
 - April 24, 2015: Raute received a new order worth EUR 13 million to Estonia
 - December 21, 2015: Antti Laulainen appointed member of Raute Group's Executive Board.
- Altogether six IR events (private investors, exhibitions, one-to-one -meetings)
- Three media excursions to Nastola
- Raute material distribution some 7,100 pcs
- Investor letters (7 pcs), distribution approximately 440 pcs/letter
- 30 - 50 private investors participated in events
- Number of shareholders 2,839 (as of March 17, 2016).

Share price development (RUTAV) and turnover 2015

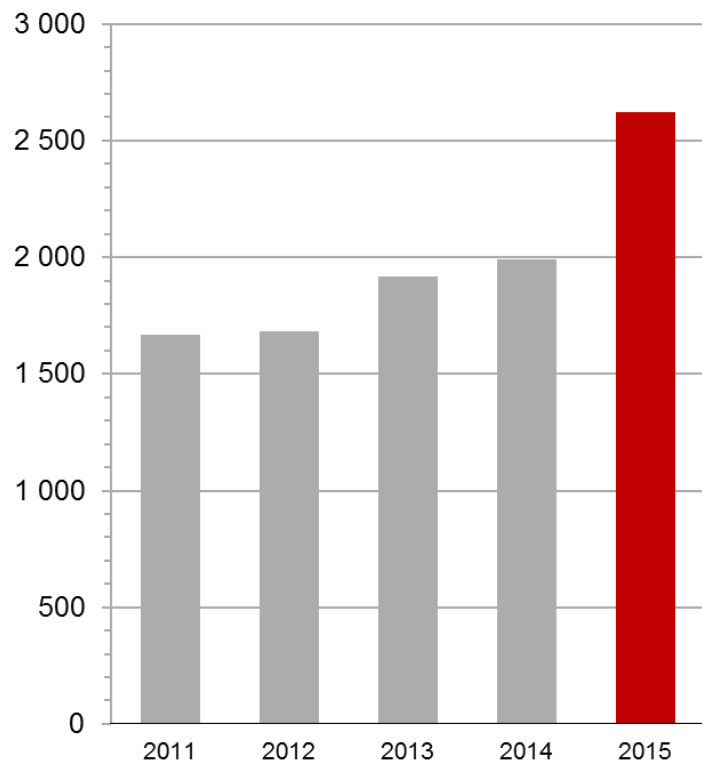


Share price development (RUTAV) and turnover 2016

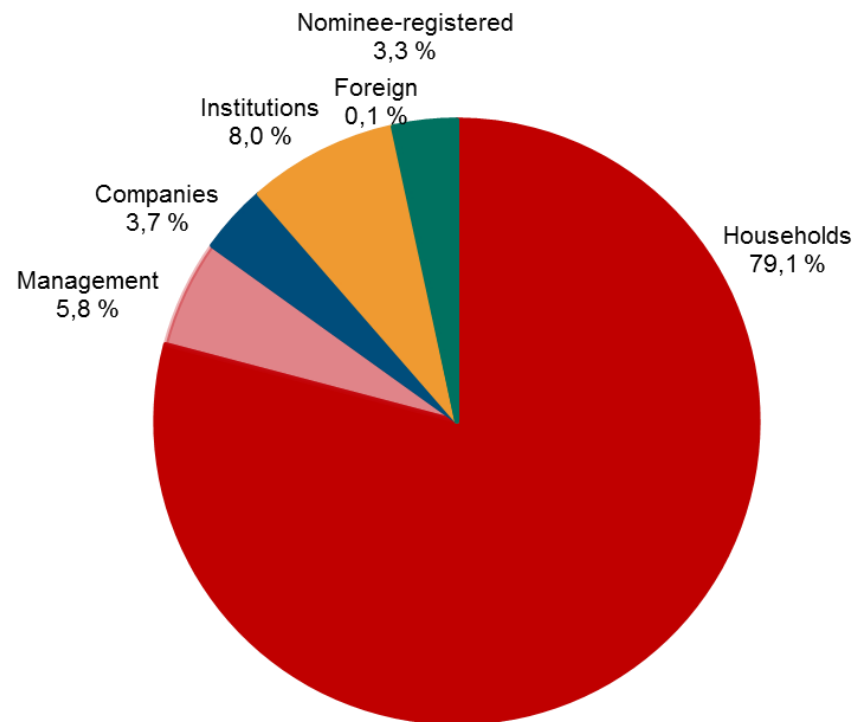


Shareholders

Number of shareholders at Dec. 31

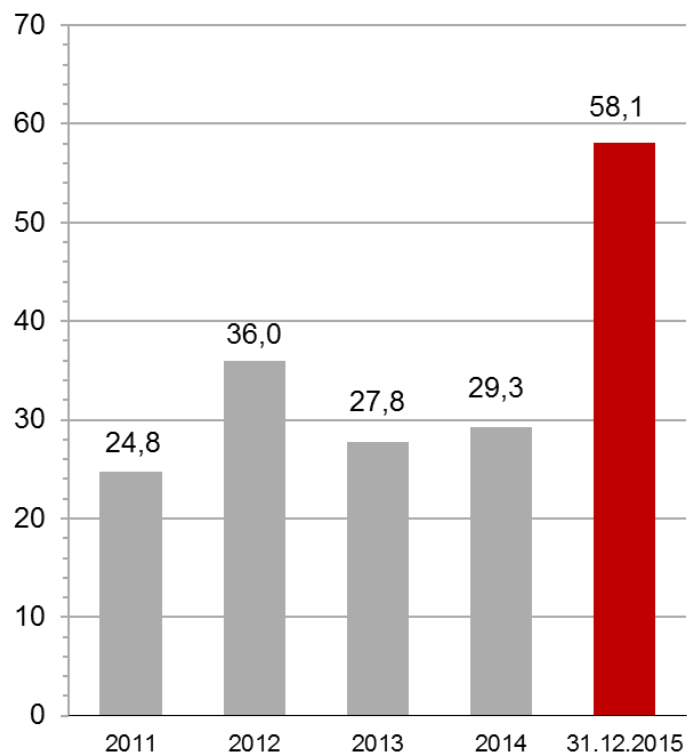


Ownership at Dec. 31, 2015

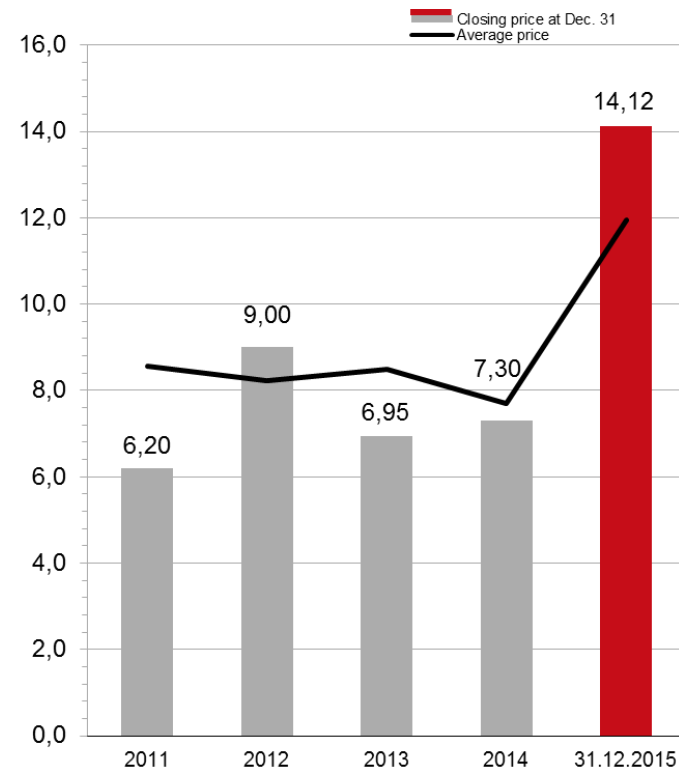


Market cap

Market cap, MEUR

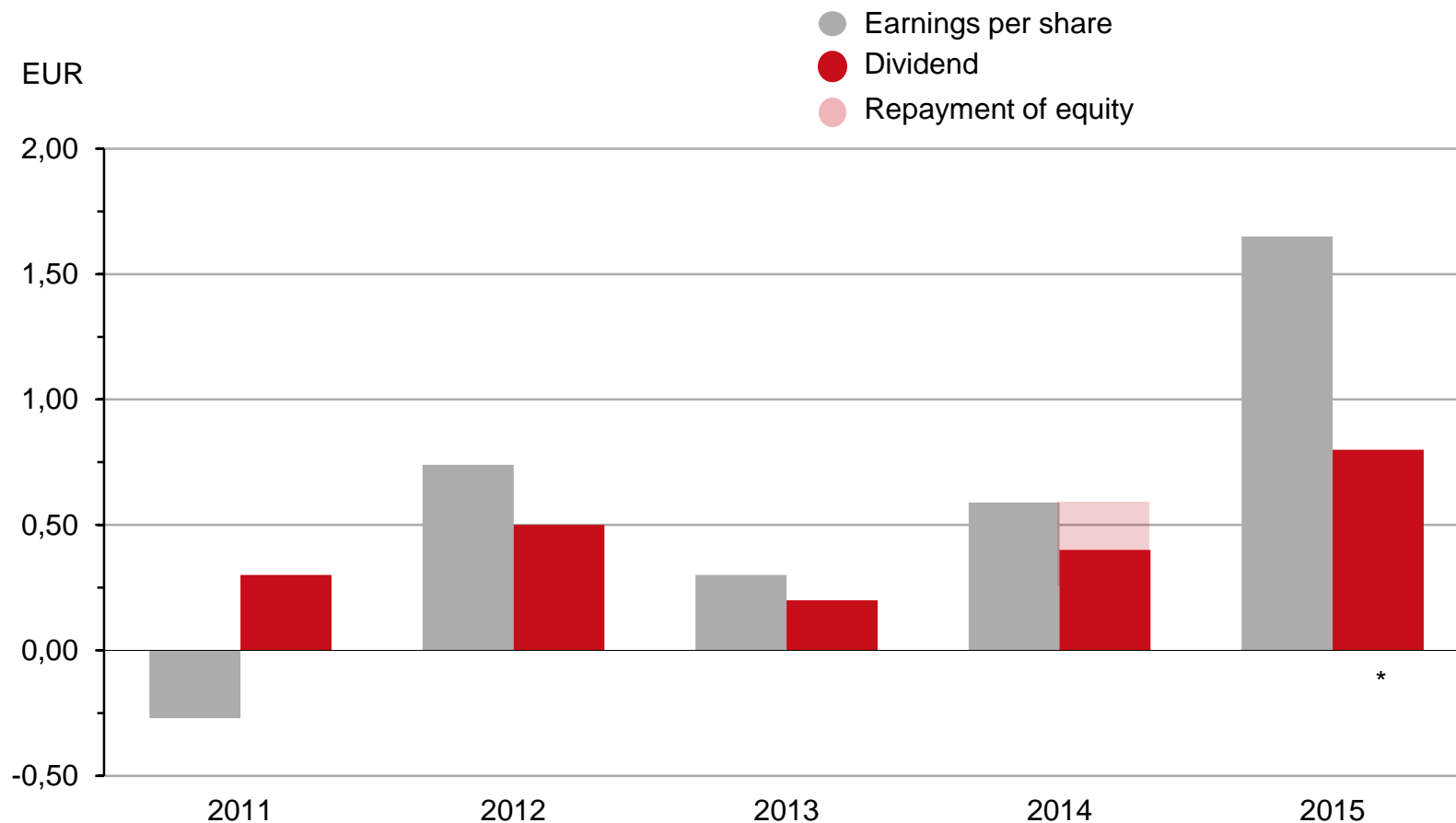


Share price, EUR



Series K shares valued at the value of series A shares

Earnings per share



*Board of Directors' proposal to the AGM on March 31, 2016.

Thank you for your interest and
trust in Raute!

Questions?