

# CEO's Review

Tapani Kiiski

Annual General Meeting on March 31, 2022

# Content of the review

- Raute in brief
- Value chain, trends and business environment
- Raute's strategy and solutions
- Financial review
- About the impacts of Russia's war



# Raute in brief

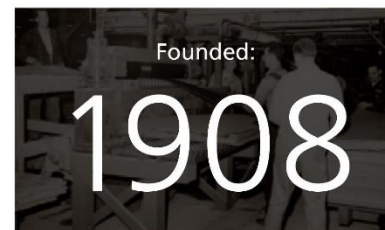




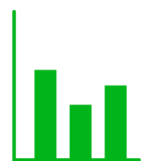
# Raute in brief

- Raute is a leading technology and service supplier in selected sectors of the wood product industry
- Only company in the world to provide its customers with technology solutions for the production of plywood, LVL and veneer to cover the whole production process
- Megatrends support demand for ecological and long-lasting wood products manufactured on Raute's machinery
- Digitalization creates new possibilities for Raute's product and service development

## Raute Company Facts



# Raute is a truly international company



Net sales from  
**41**  
countries



Customers in  
**52**  
countries



Service agreements for **52** mills  
in **16** countries

**1 424** maintenance commissions  
(2-4 weeks) for **120** customers,  
for **207** mills,  
in **26** different countries



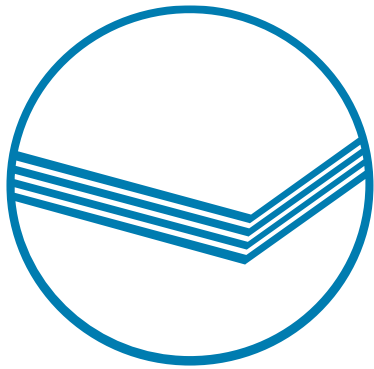
People from  
**> 10**  
nationalities  
working in the  
main unit



Of the personnel  
68 % in Europe,  
15 % in North America,  
10 % in China  
7 % in other countries

# Raute's key customer groups

Some **80 %**  
of project deliveries



## Plywood industry

- construction
- furniture
- transport
- material functions

Some **20 %**  
of project deliveries



## LVL industry

- load-bearing structures, beams, studs, I-beam flanges
- furniture, frames, stairs, etc.

**Veneer industry supplies veneer to  
plywood and LVL producers**

# Diversified customer base from large consolidated forest groups to small family businesses

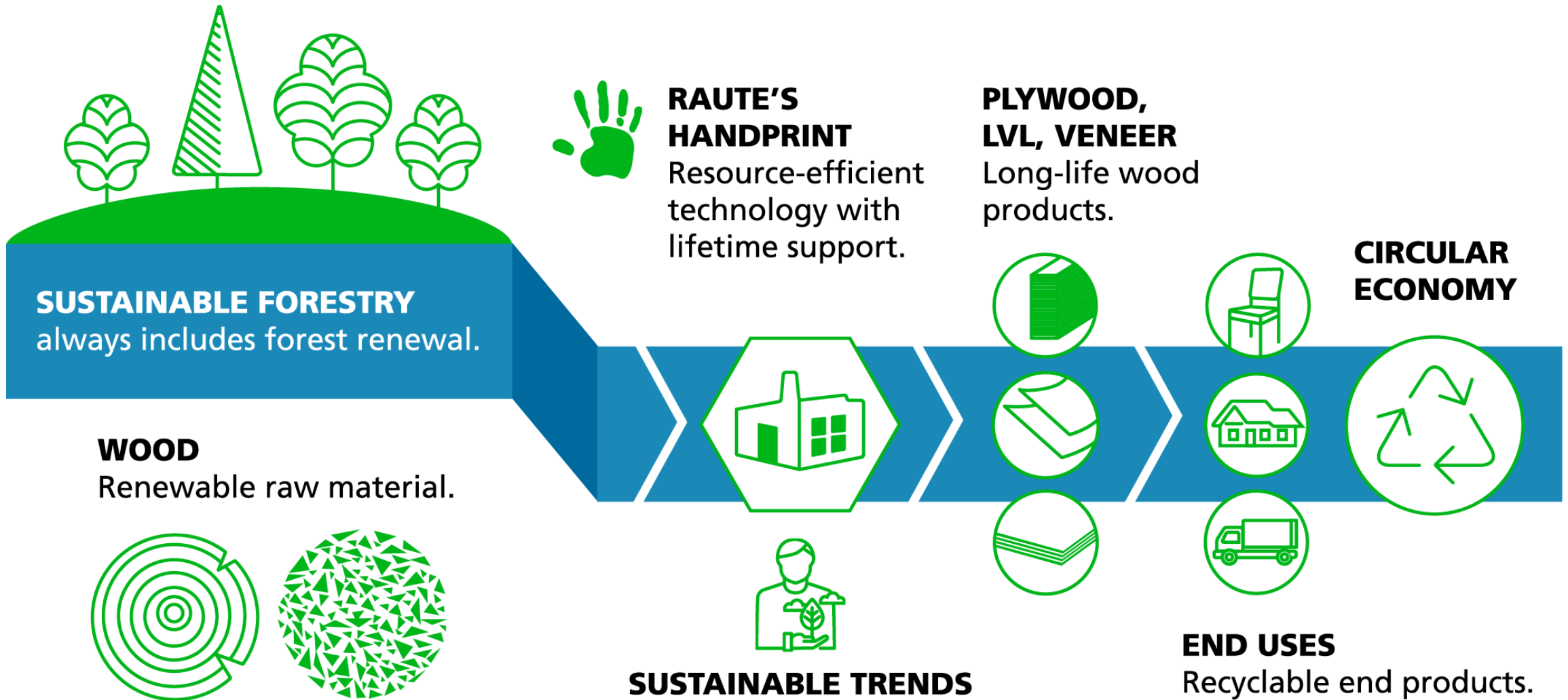


# Value chain, trends and business environment



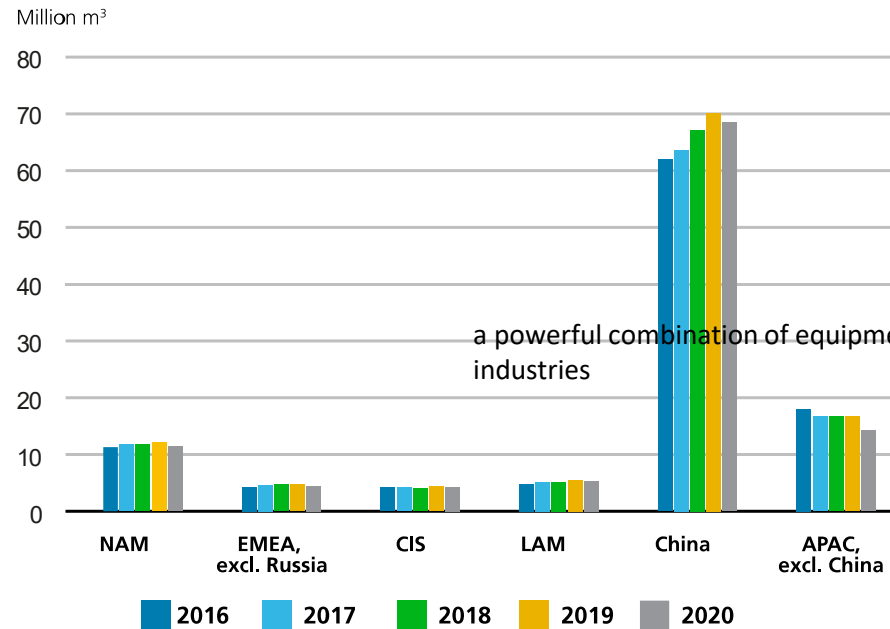


# Raute's role in the wood processing value chain



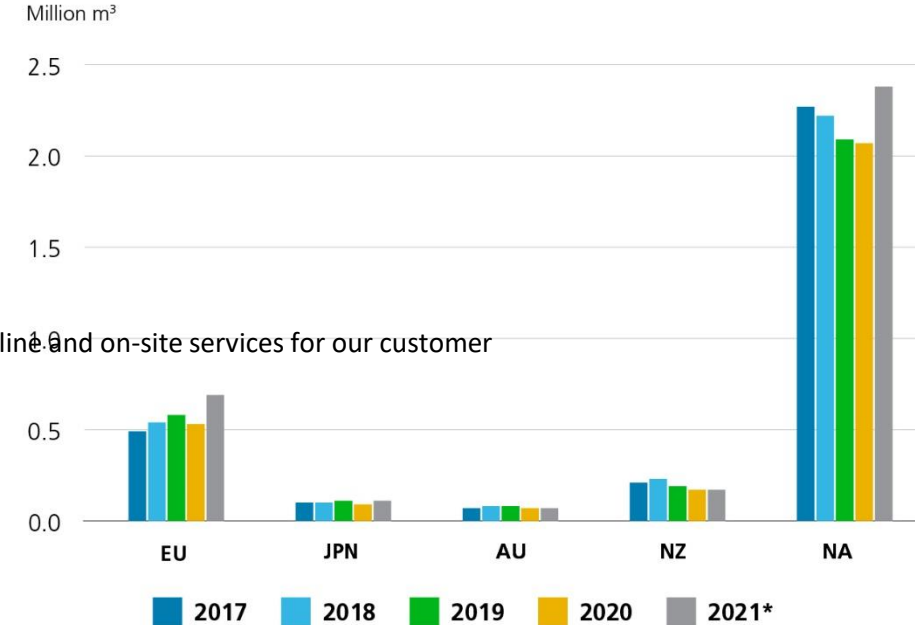
# Demand for wood products globally on the rise

Plywood production per region 2016–2020



\* EMEA = Europe, the Middle East and Africa \*\* CIS = Commonwealth of Independent States  
\*\*\* APAC = Asia Pacific

Structural LVL production (global) 2017–2021



\*estimated numbers

- Largest markets for Raute in Europe, Russia and North America
- Biggest potential for Raute in China
- Biggest market potential for Raute is in North America
- Strongest growth in Europe in recent years

# Long-term market outlook

## Demand

- Trends in wood construction in developed countries support increased demand for plywood and especially for LVL
- Developed economies will have modest growth and slowing economies are a concern
- Emerging economies in Asia and Africa will continue to create strong demand growth especially in plywood
- Global demand will continue to increase for both plywood and LVL products
- Covid-19 pandemic and its counter measures together with general geopolitics-related uncertainty in economy cause fluctuation in demand also for a longer period

## Supply

- Supply growth will be increasingly based on plantation timber and on processed or selected wood species
- Wood supply expected to increase in Russia and in parts of Europe. In Russia, the geopolitical situations prevents development
- Trade policy and disputes will cause uncertainty also in other markets
- In addition to raw material availability, labor availability is becoming a global problem, which leads to the increase of automation

# Raute's strategy and solutions

*" Our plan is to run the factory 24/7 so preventive maintenance plays a significant role. To ensure maximum uptime, it was important to work with a company like Raute who can also provide us with complete lifecycle services."*

**Mindaugas Kozinecas**

Production Development Director of VMG Group



# Create value in forest assets

Our **mission** gives the highest purpose for everything we do

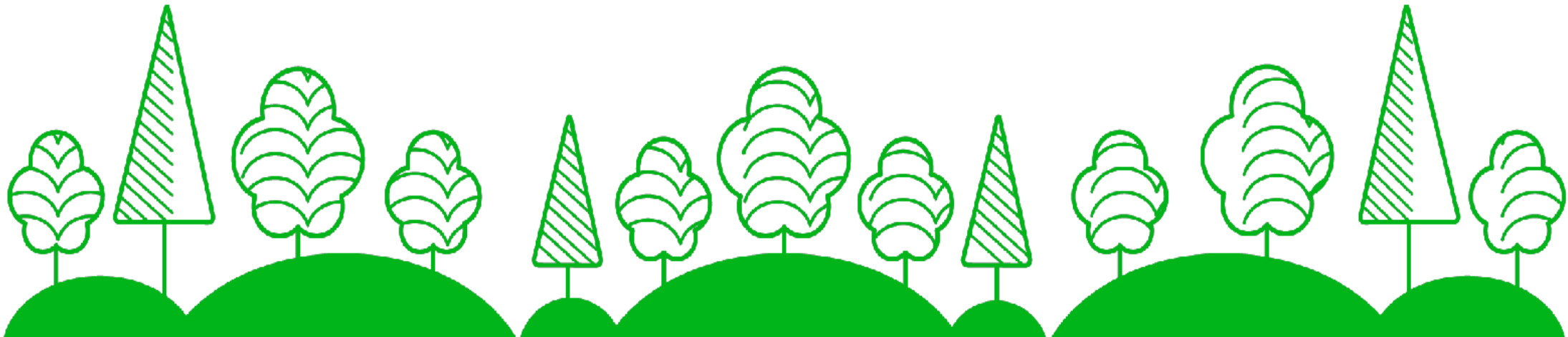
**CREATE VALUE  
IN FOREST ASSETS**

Our **value proposition** is our commitment to our customers

**PROFITABLE TECHNOLOGIES  
AND SERVICES FOR ALL  
CUSTOMER NEEDS**

Our **values** guide our operations

**CUSTOMER SUCCESS  
TRUST IN PEOPLE  
ACHIEVING TOGETHER  
RESPONSIBILITY**



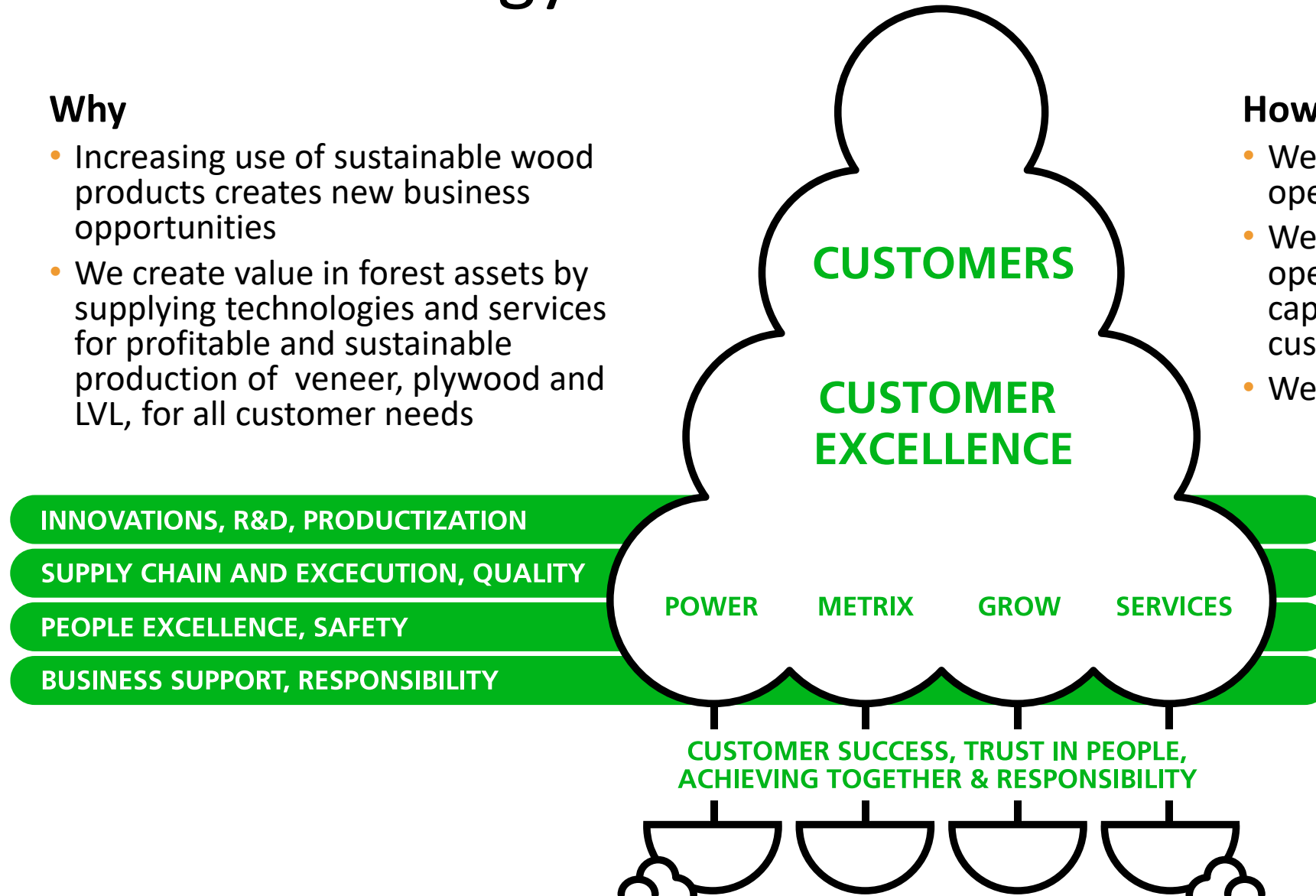
# Raute's strategy in brief

## Why

- Increasing use of sustainable wood products creates new business opportunities
- We create value in forest assets by supplying technologies and services for profitable and sustainable production of veneer, plywood and LVL, for all customer needs

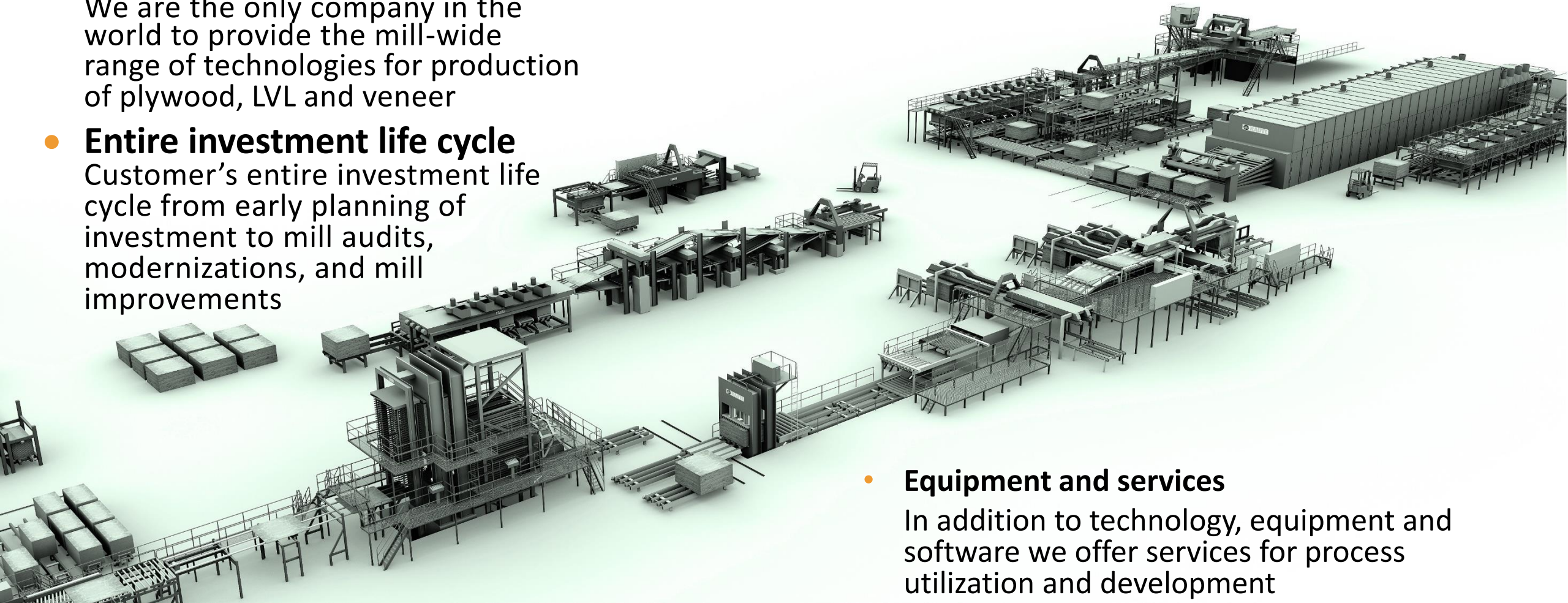
## How

- We develop systematically our operational excellence
- We improve continuously our operational processes and capability to meet the needs of our customers and the markets
- We digitalize production processes



# Mill-wide production process knowhow

- **Entire production process**  
We are the only company in the world to provide the mill-wide range of technologies for production of plywood, LVL and veneer
- **Entire investment life cycle**  
Customer's entire investment life cycle from early planning of investment to mill audits, modernizations, and mill improvements



- **Equipment and services**  
In addition to technology, equipment and software we offer services for process utilization and development



# Digitalization creates growth

- Intelligent production plays a crucial role in our strategy
  - › In addition to the optimization of individual processes, also simultaneous and crosswise optimization of several processes => entire process becomes more effective
  - › Better production optimization and increased product quality through more diversified equipment and process data
  - › Modern digital services, such as predictive maintenance services and value-based maintenance agreements
- Active cooperation with wood products industry companies and universities
- New opportunities to improve the efficiency and quality of our customers' mills
- Digitalization of our own processes boosts our operation and increases our quality
- Changes caused by the Covid-19 pandemic increase need and opportunities for digitalization





# Strategy implementation in 2021

Our strategic goals	Key actions in achieving these goals 2021
<b>Grow faster than the market</b>	<ul style="list-style-type: none"><li>• Good order intake with record-high order book at the end of 2021. Major orders included:<ul style="list-style-type: none"><li>• Orders worth EUR 30 million from VMG Group in Lithuania to provide production machinery for a complete LVL process</li><li>• Orders worth EUR 16 million from Segezha Group in Russia to provide new production lines and modernizations of existing lines to increase the veneer production capacity, and also production lines to further process plywood</li><li>• Orders worth EUR 18 million from Red October LLC in Russia to provide machines for all main production processes to a new birch plywood and veneer mill</li></ul></li><li>• Integration of Hiottu Oy following an acquisition to complement digital offering</li><li>• Continued investments in development and launches of new products, digitalization and marketing</li><li>• Continued efforts in China and other emerging markets</li></ul>
<b>Improve profitability</b>	<ul style="list-style-type: none"><li>• Developing internal processes and the way of working e.g. with the help of a major process and IT system development project, from which the new financial and CRM systems have already been successfully taken into use</li><li>• Active pricing management to mitigate rapid cost inflation related to raw materials, components, and freight</li></ul>
<b>Maintain strong balance sheet</b>	<ul style="list-style-type: none"><li>• Equity ratio 44,3 % (58,8)</li></ul>
<b>Competitive returns to investors</b>	<ul style="list-style-type: none"><li>• Authorize Board of Directors to resolve on a dividend payment of EUR 0 - 0,80* (0,80) per share</li><li>• 0 – 4,8 % effective dividend return (according to the share price on 25 March)</li></ul>

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

# Responsibility in 2021

- We joined the UN Global Compact Initiative.
- We continued to invest in digitalization and the enabling of remote work in our own work and in our customers' processes.
- We began using renewable electricity at our main production plant.
- Hiottu created a carbon footprint calculator service for our customer.
- Occupational safety development weakened despite our measures.
- Our carbon handprint grew, our emissions in proportion to production fell.



# Creating added value

- Demand for sustainably produced wood products grew, as did demand for their production processes.
- Practices learned during the pandemic changed our cooperation with our customers and suppliers.

**MEUR**

**142.2**

**Customers**

**91.4**

**– Suppliers**

**50.8**

**= Generated  
added value**

83.1% Personnel  
20.9% Public sector  
0.3% Creditors  
0–6.7% Shareholders (proposed dividend distribution)  
-4.3 – -11.0% Undistributed added value

# Financial review

*"One of the main reasons why we selected Raute as our partner was their ability to provide us with a broad range of technically advanced machinery and supporting services to cover all our needs."*

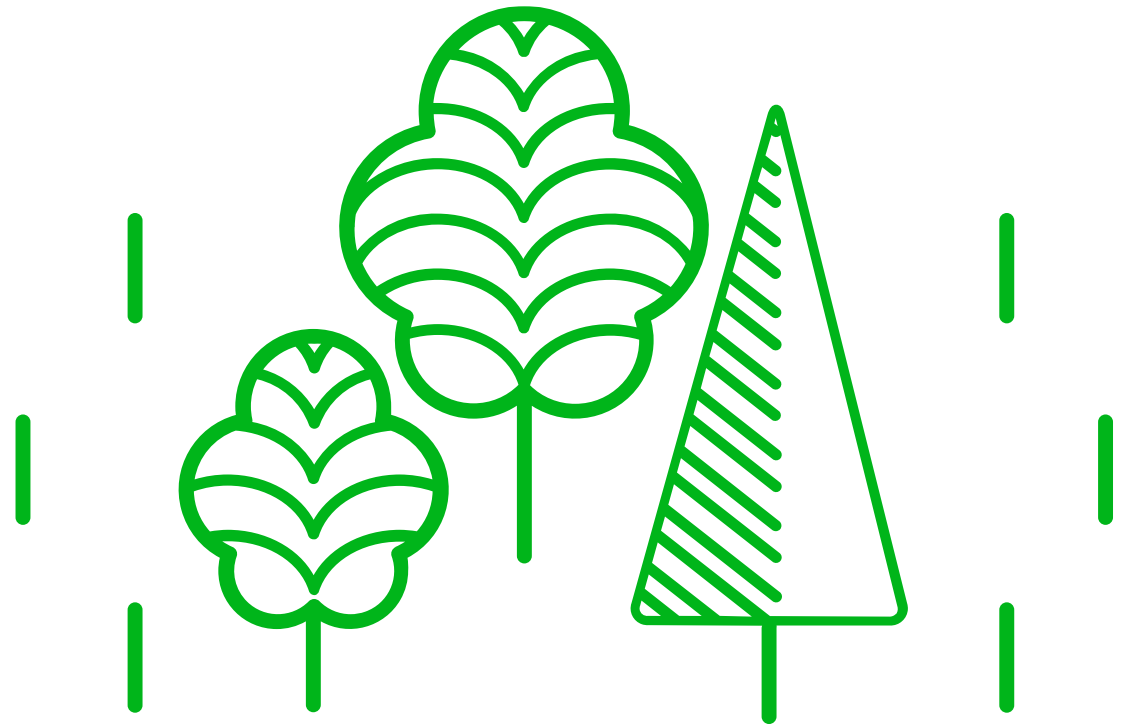
**Doug Pauze**

**President at Coastland Wood Industries Ltd**



# Business environment 2021

- Market situation improved despite of pandemic
  - Covid-19 pandemic is still harming in emerging markets
- Political situation will cause uncertainty in markets, especially in Russia
- Particularly strong demand in Russia. Europe and North America also have active demand. Less active in the so-called emerging markets.



# Raute and the markets

- Order intake at a record-high level
- Customers' market situation very good
- In 2021 three New Capacity project orders
- Demand of middle-sized individual lines and modernizations increased
- Market of spare parts was strong even though the market situation caused delivery problems

	2021
<b>Order intake, MEUR</b>	<b>203</b>
• Project deliveries	131
• Technology services	73
<b>Change-%</b>	<b>71%</b>
• Project deliveries	61%
• Technology services	93%

# Raute's year 2021 in brief

- Order book in record-high level
- Planned year-end spurt did not materialize
  - Temporary lockdown in Lahti mill and challenges in material deliveries caused transition of revenue to 2022
- Increase of material and transportation prices did have an impact to costs in last quarter
- IFRIC made an agenda decision concerning ERP project costs booking in cases the project has been executed as SaaS services and that decision impacted to Raute's results by 2,9 MEUR. The decision was retroactive and 0,9 MEUR has been booked to 2020 and 2,0 MEUR to 2021

Key figures	2021
<b>Net sales, MEUR</b>	<b>142,2</b>
• Project deliveries	87,8
• Technology services	54,4
Change-%	24 %
<b>Operating result</b>	<b>-2,2</b>
Operating result-%	-1,6 %
<b>Order book, MEUR</b>	<b>158</b>
Change, MEUR	+64

# Income statement, Balance sheet and Key ratios

Income statement, MEUR	2021	2020
Net sales	142,2	115,0
Operating result	-2,2	-2,8
Financial expenses, net	0,5	0,3
Result before tax	-1,8	-2,5
Income taxes	-0,0	0,6
Result for the financial year	-1,8	-1,8

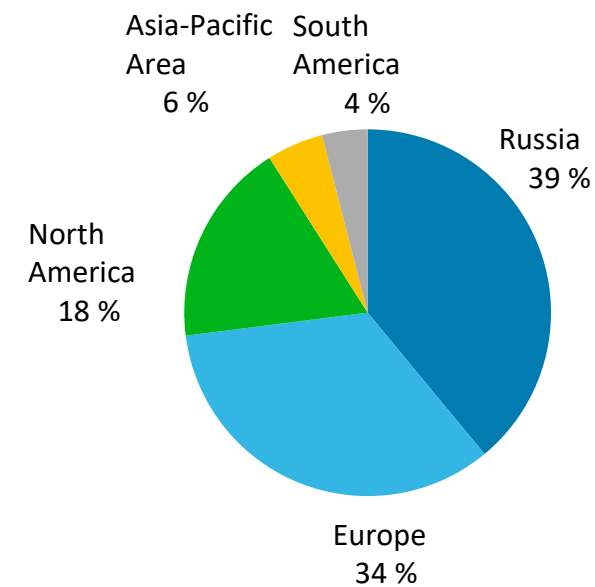
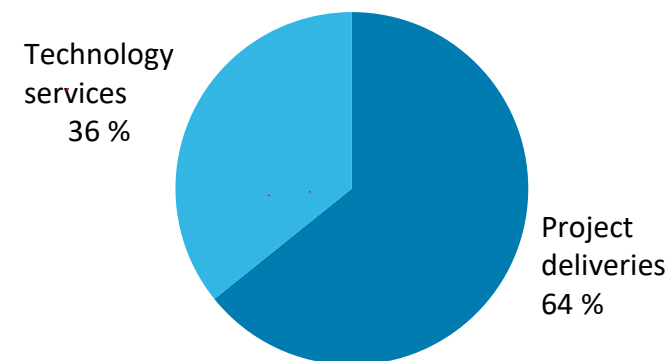
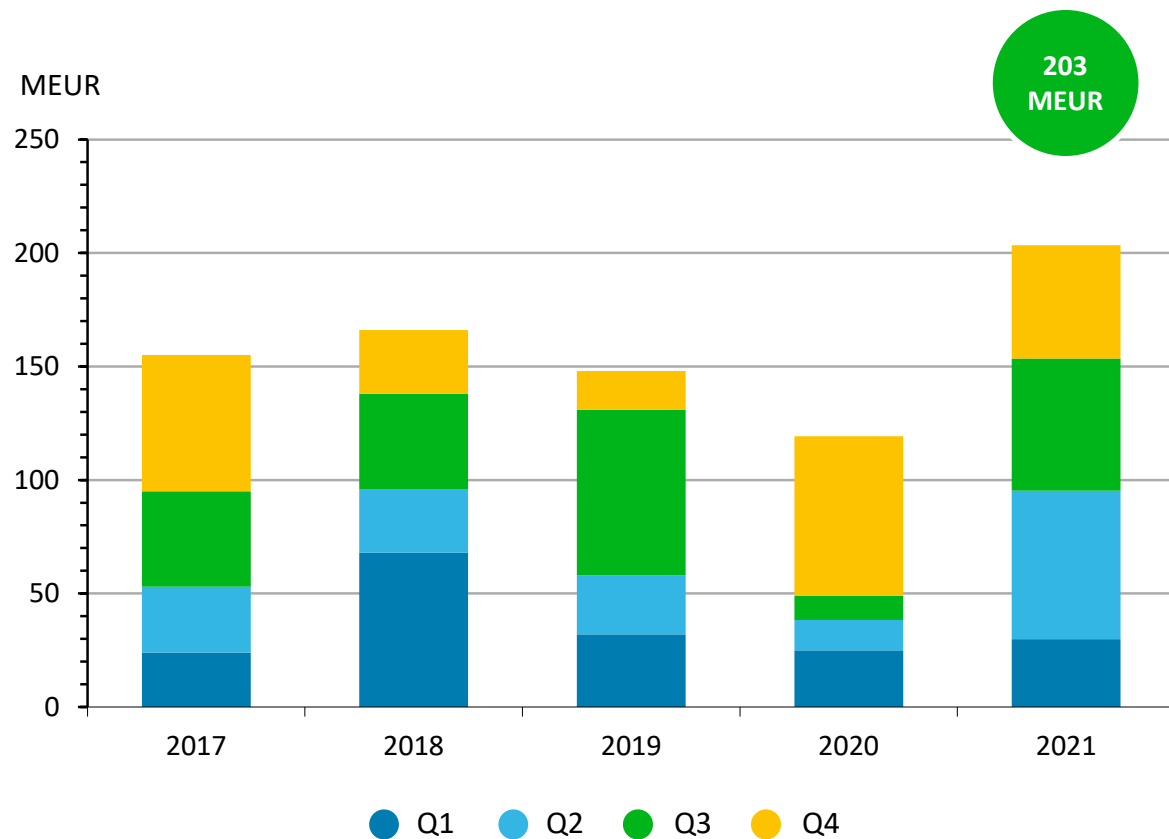
Key ratios	2021	2020
Earnings per share (EPS), undiluted, EUR	-0,42	-0,43
Cash flow from operating activities, MEUR	24,0	1,1
Return on investment (ROI), %	-2,7	-2,7
Return on equity (ROE), %	-4,8	-4,1
Gearing, %	-35,9	-9,8
Equity ratio, %	44,3	58,8
Personnel at the end of the period (in books)	802	751

Balance sheet, MEUR	31.12.2021	31.12.2020
Goodwill	1,7	1,7
Other intangible assets	6,4	3,3
Property, plant and equipment	11,5	10,9
Right-of-use assets	10,1	5,9
Other non-current assets	2,9	3,3
Inventories	22,0	15,0
Accounts receivables and other receivables	31,6	33,6
Cash and cash equivalents	24,5	11,6
<b>Total assets</b>	<b>110,7</b>	<b>85,4</b>

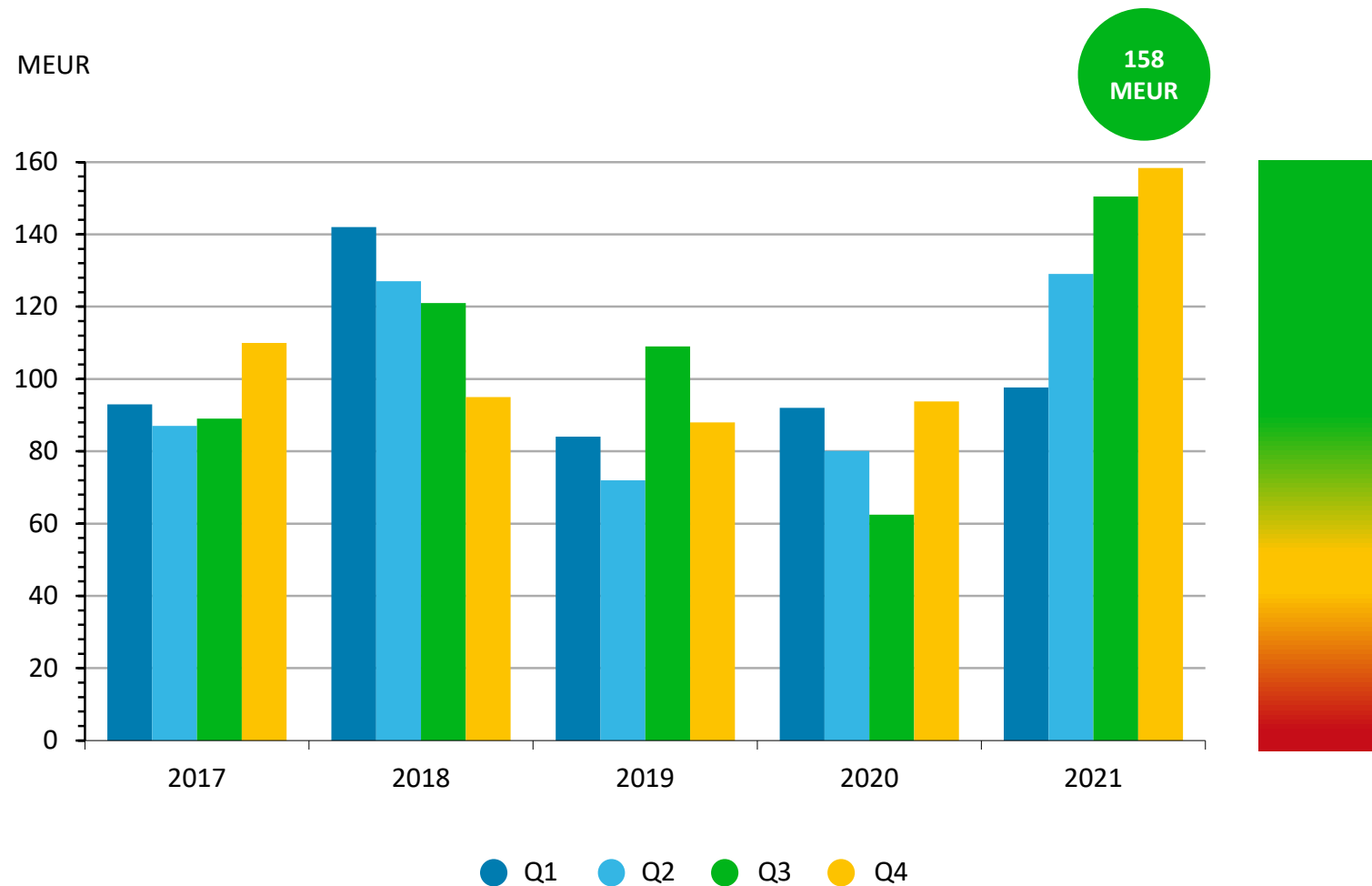
Equity	34,1	39,6
Non-current liabilities	8,9	4,9
Advance payments received	33,8	18,1
Current liabilities	33,9	22,8
<b>Total equity and liabilities</b>	<b>110,7</b>	<b>85,4</b>



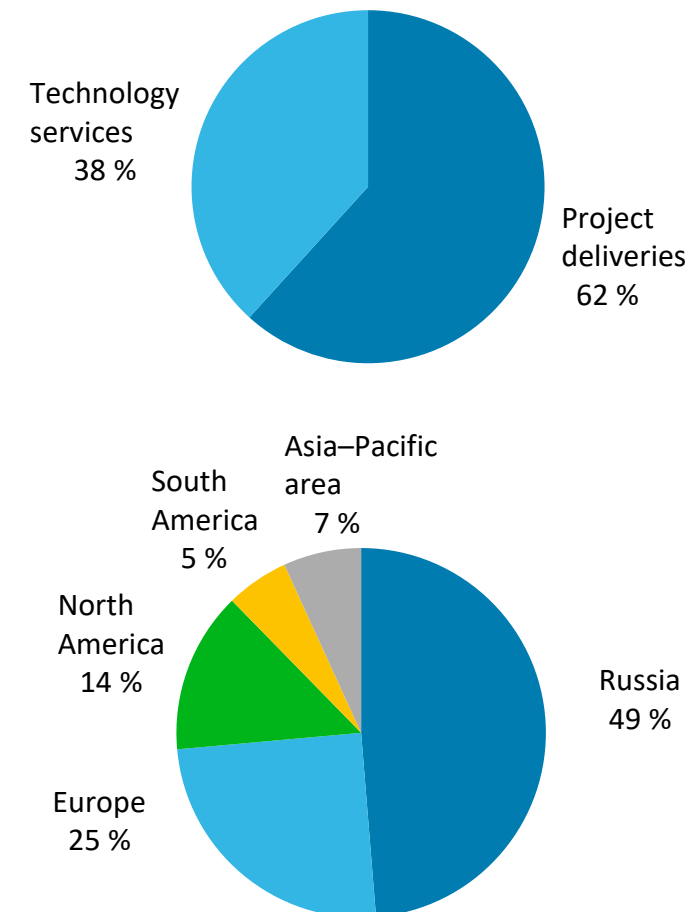
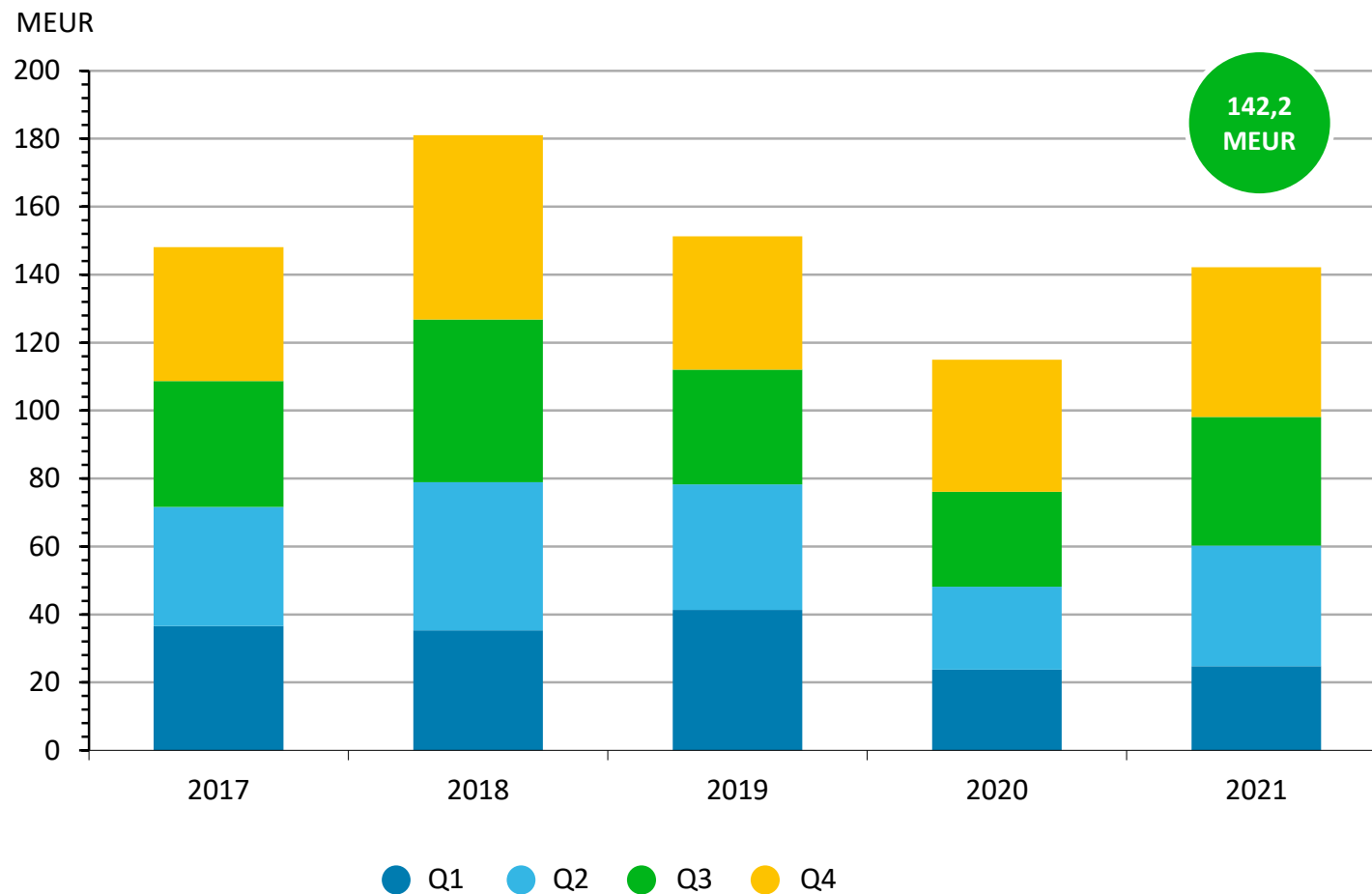
# Order intake



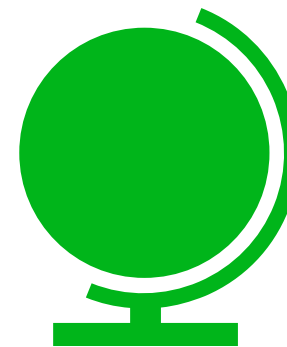
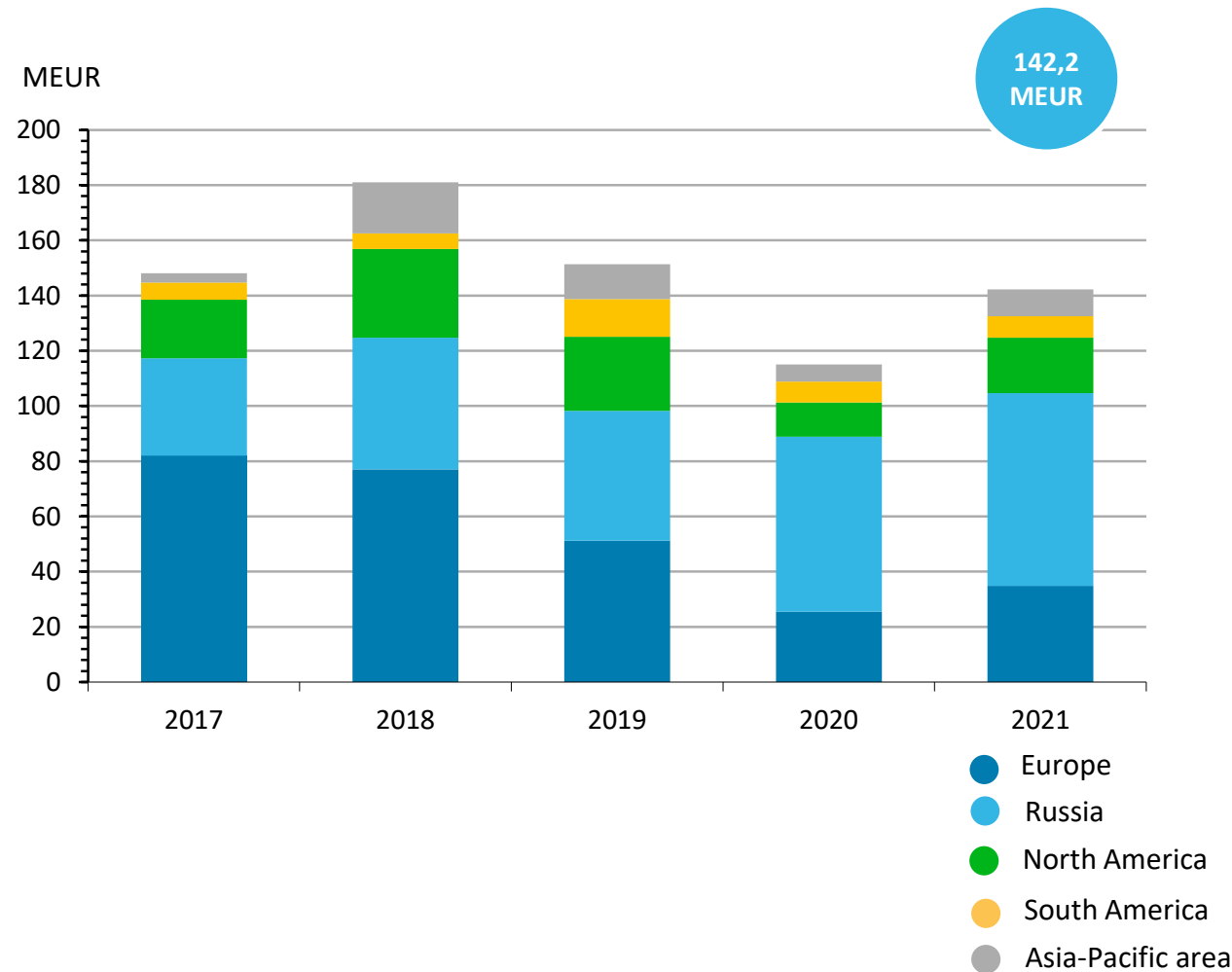
# Order book



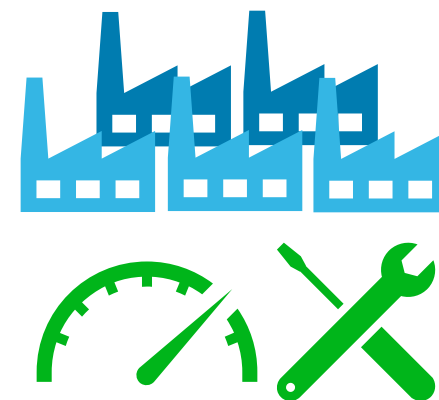
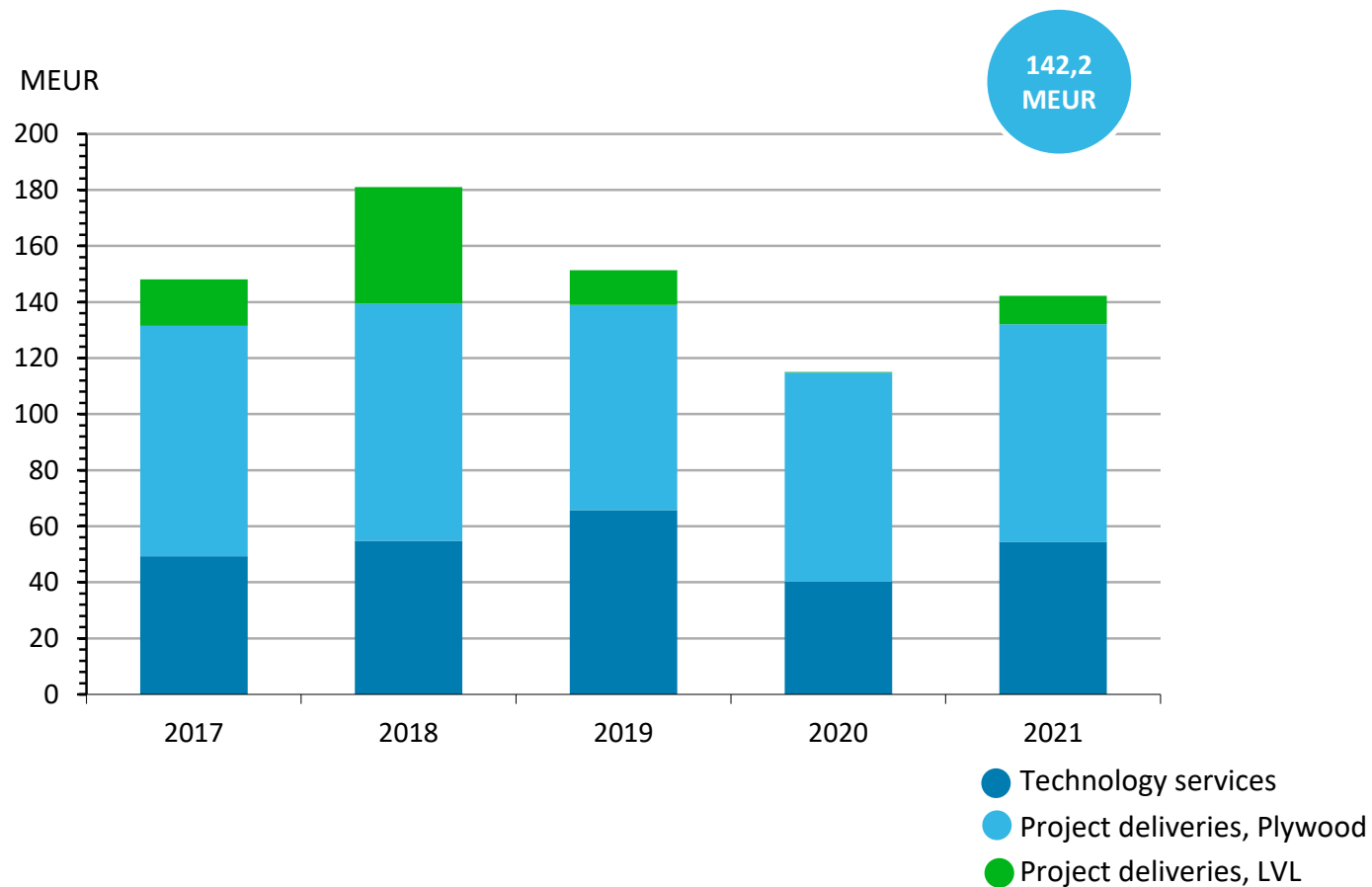
# Net sales



# Net sales development, Market areas

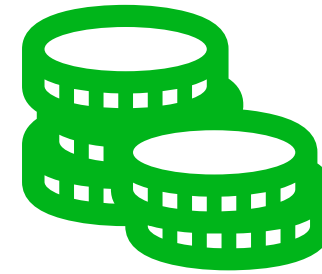
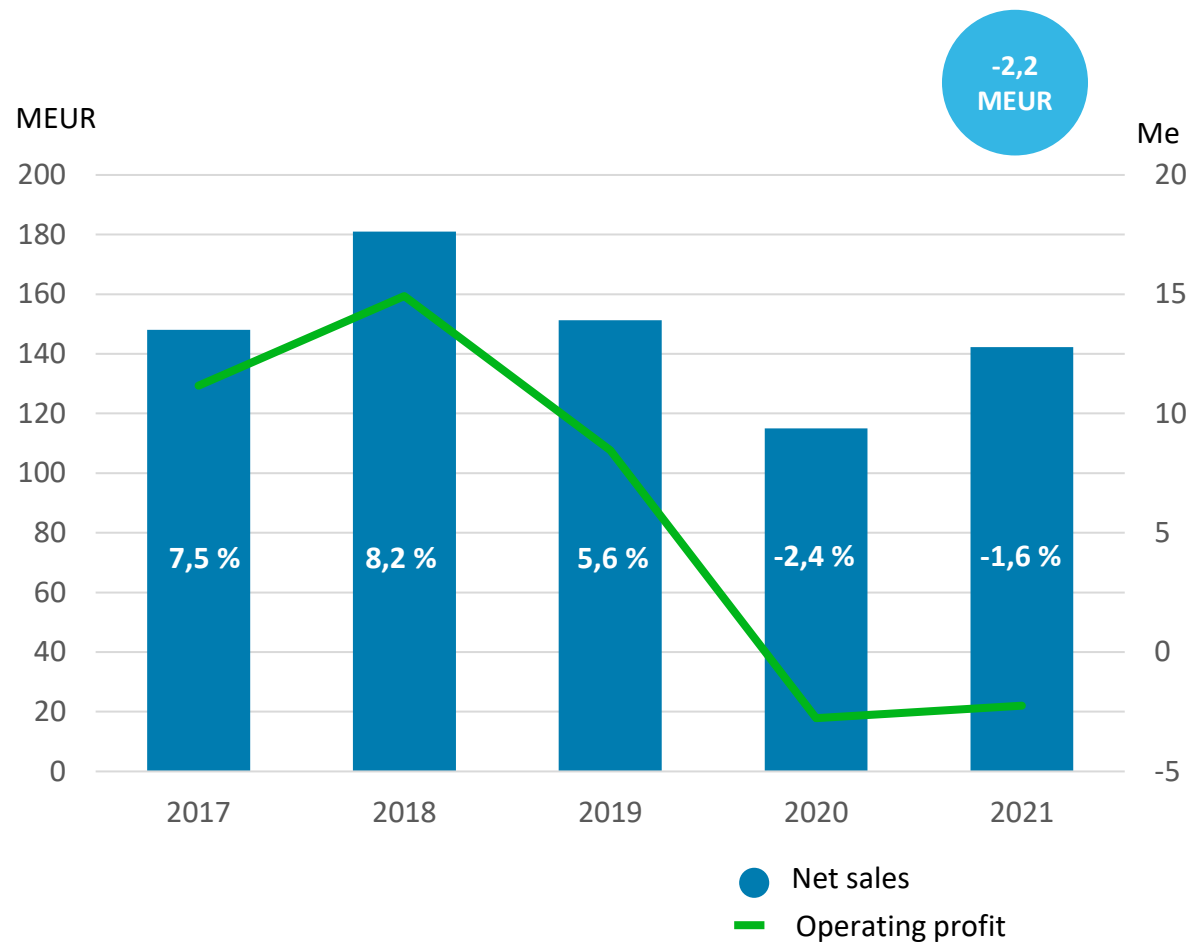


# Net sales development, Project deliveries and Technology services

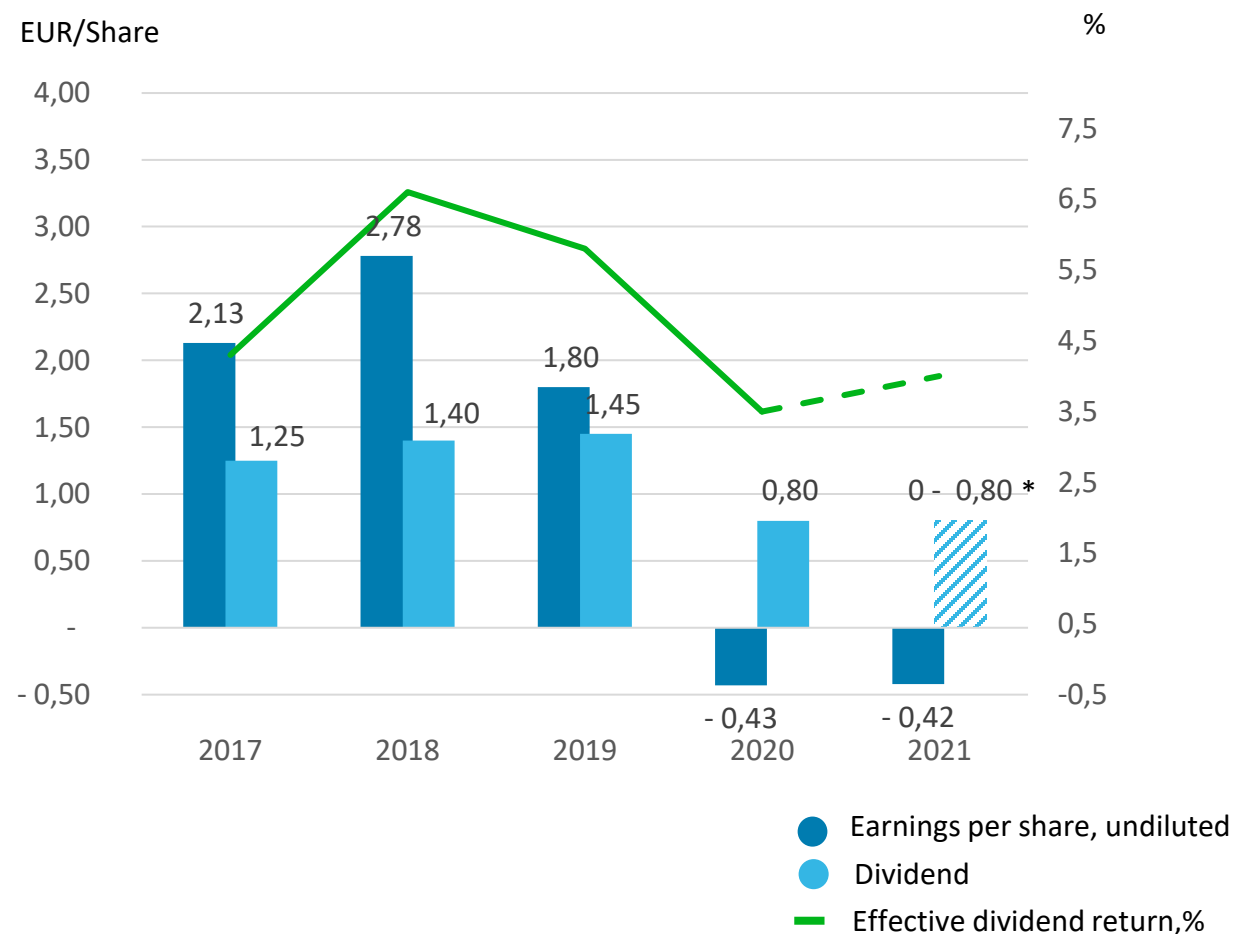




# Net sales and Operating profit



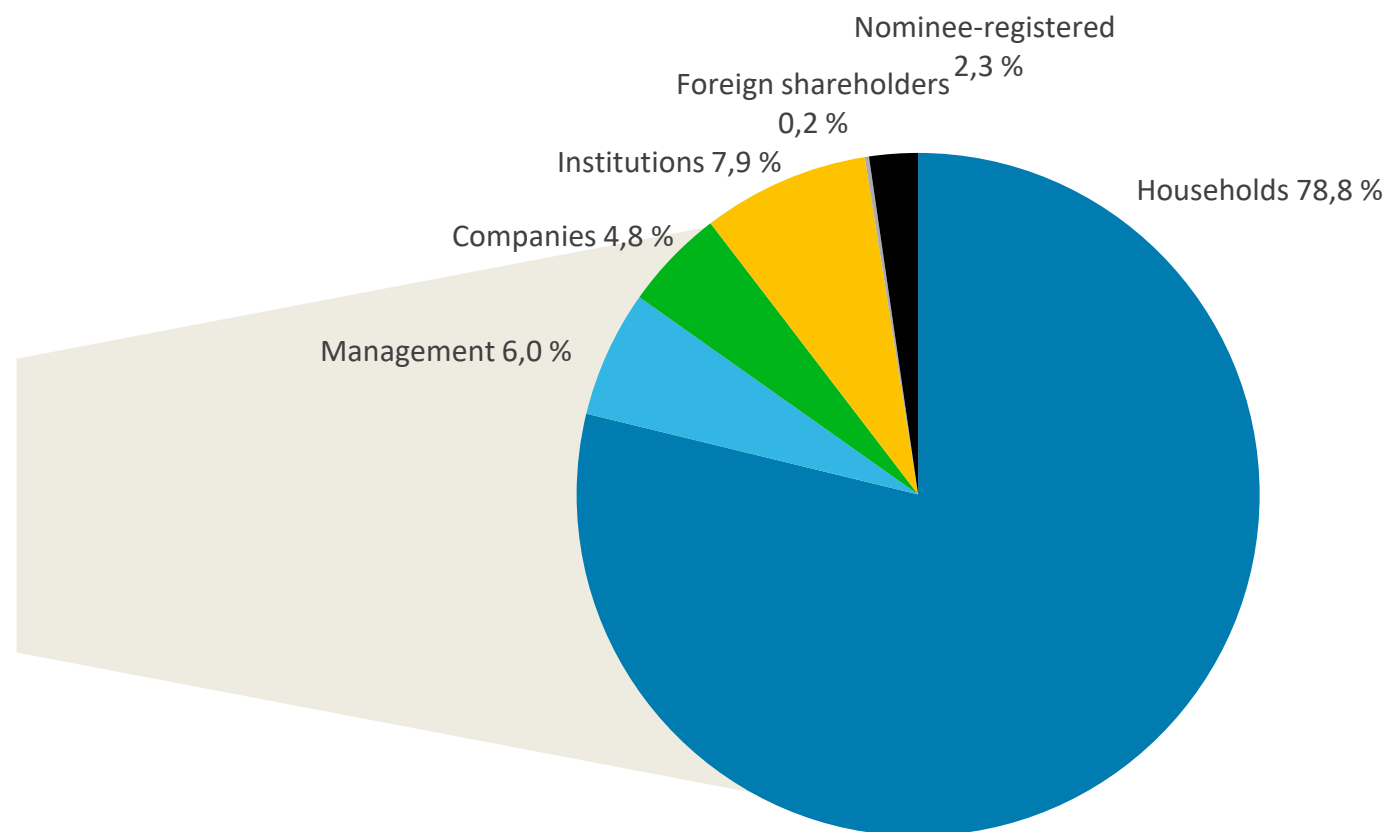
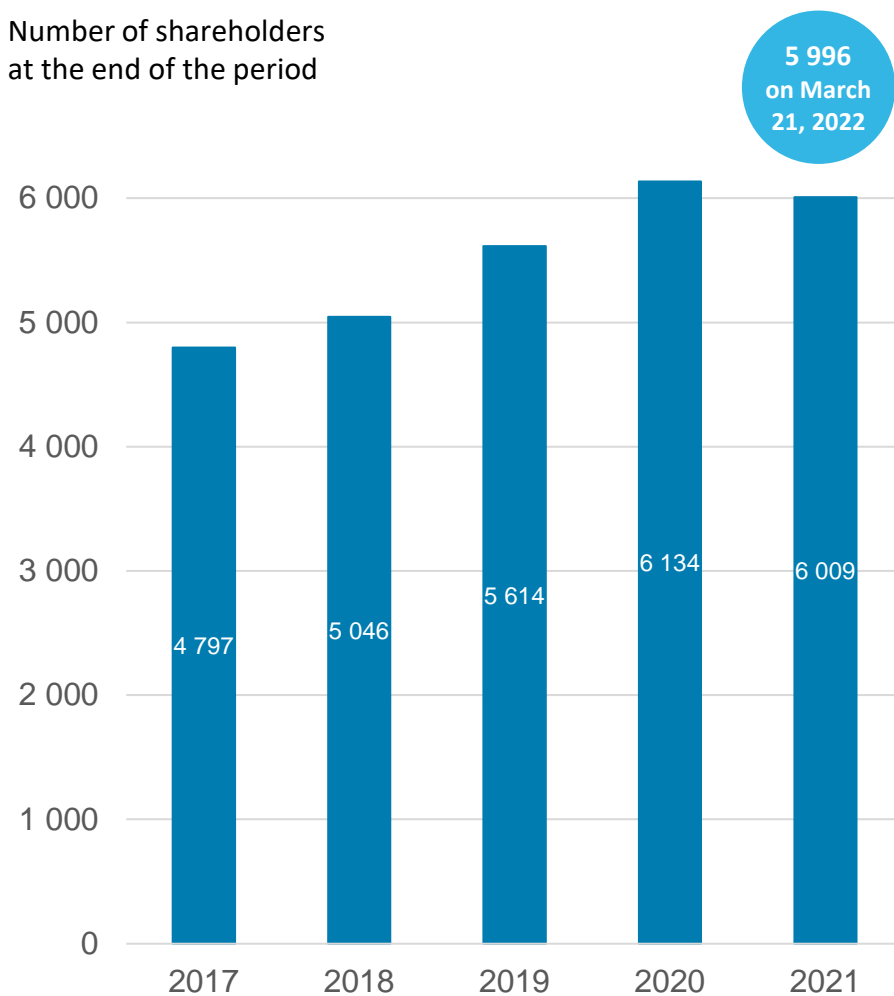
# Earnings per share and Dividend



- Board of Directors' proposal to the Annual General Meeting on March 31, 2022: Authorize the Board of Directors to resolve on a dividend payment of EUR 0 - 0,80 per share.

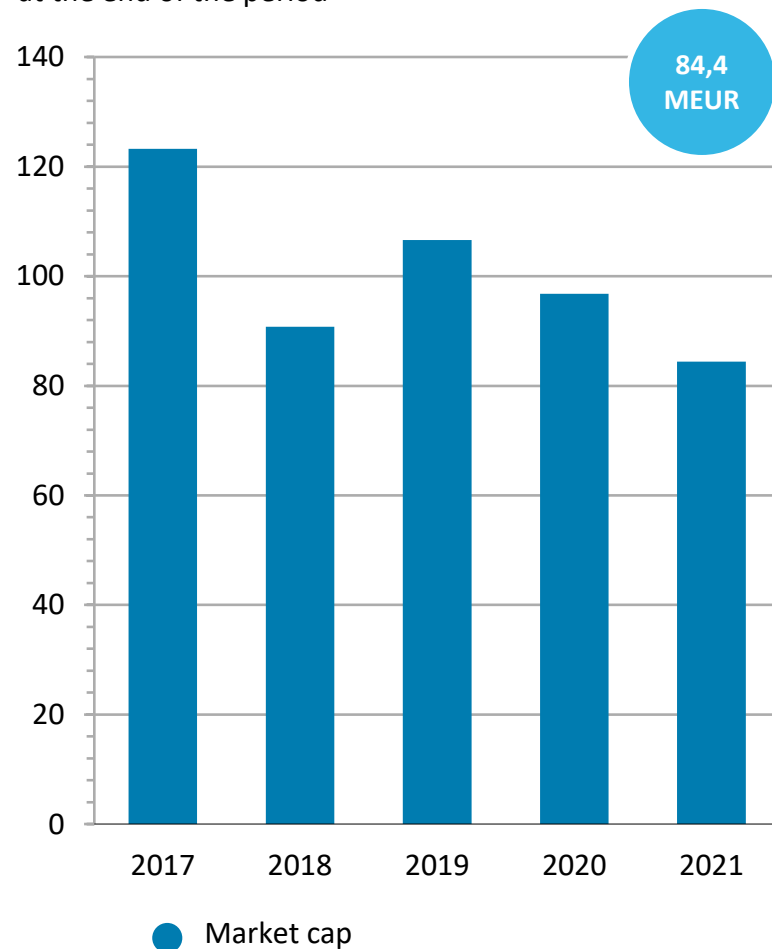
# Shareholders

Number of shareholders  
at the end of the period

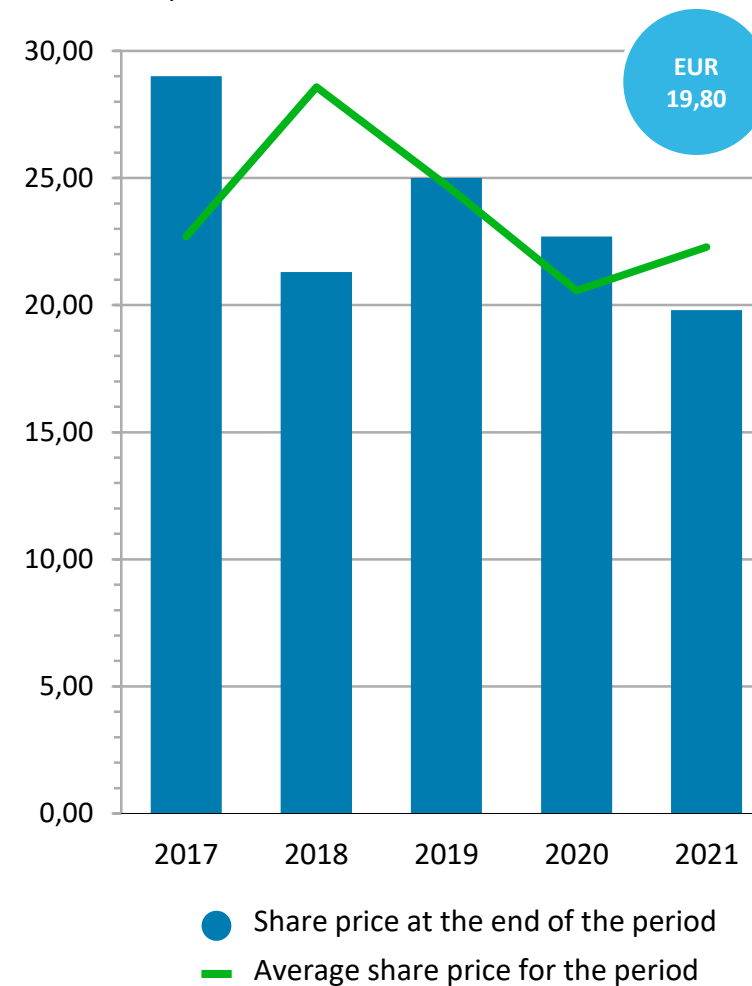


# Market cap and Share price

MEUR  
at the end of the period



EUR,  
at the end of the period



# Outlook for 2022

## Business environment

- Demand will continue to be brisk
  - Demand strongest in Europe and North America
- Due to the war started by Russia, the market outlook became uncertain
- Cost development is also causing uncertainty
- Demand for technology services will remain stable

## Raute

- Due to Russia's market expectations and the uncertainty of the order book's delivery and timing, the earnings guidance for 2022 was cancelled.
- Strong order book and brisk demand on other markets
- Covid-19 pandemic impacts will ease up



*One of the clear highlights of 2021 was our record-high number of new orders, totaling EUR 203 million, and the consequent order book of EUR 158 million at the year-end – also a record high. I’m especially proud of the repeat orders from our longterm customers. It indicates we have served these customers well.*

*I want to express my sincere thanks to our customers for their continued cooperation with us, to our shareholders for their trust in Raute’s business and especially to our personnel for their hard work and commitment during these exceptional times.*

Tapani Kiiski



# About the impacts of Russia's war



# Impacts of Russia's war on Raute, background and general

- During the growth following the collapse of the Soviet Union, Russia has been an important market for Raute, typically 20–30% of net sales.
- In the past few years the share has been larger, as much as 50%.
- The outlook on the Russian markets was still promising at the start of the year.
- Raute does not have major investments in Russia.
- Russian plywood likely to lose market share at least on Western markets => replacement products and producers?
- Russian wood may no longer be available to birch plywood producers in other countries => shifting to replacement raw materials is an opportunity for Raute.

# Our current Russian operations

- We condemn Russia's acts of war in Ukraine. We support Ukraine and the Ukrainians.
- We honor our commitments:
  - › We act in accordance with laws, statutes and similar, including sanctions imposed by various parties, both in Finland and in Russia.
  - › Our intention is to meet our commitments and we expect the same of other parties.
- We will examine deliveries to Russia in our order book separately for each customer and order. The implementation of some of the orders has been interrupted due to reorganization (incl. payment terms).
- We will not sign new agreements in Russia.
- Our personnel in Russia will complete commitments made before the war.

# Impacts of Russia's war on Raute

1. Immediate impact on the Russian markets
  - › Uncertainty and delays in delivering the order book
  - › Quantitative estimate very uncertain for now
2. Moving focus of operations
  - › To other markets, especially Europe and North America
  - › R&D and investments targeted to serve other markets
  - › More investments in emerging markets



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