

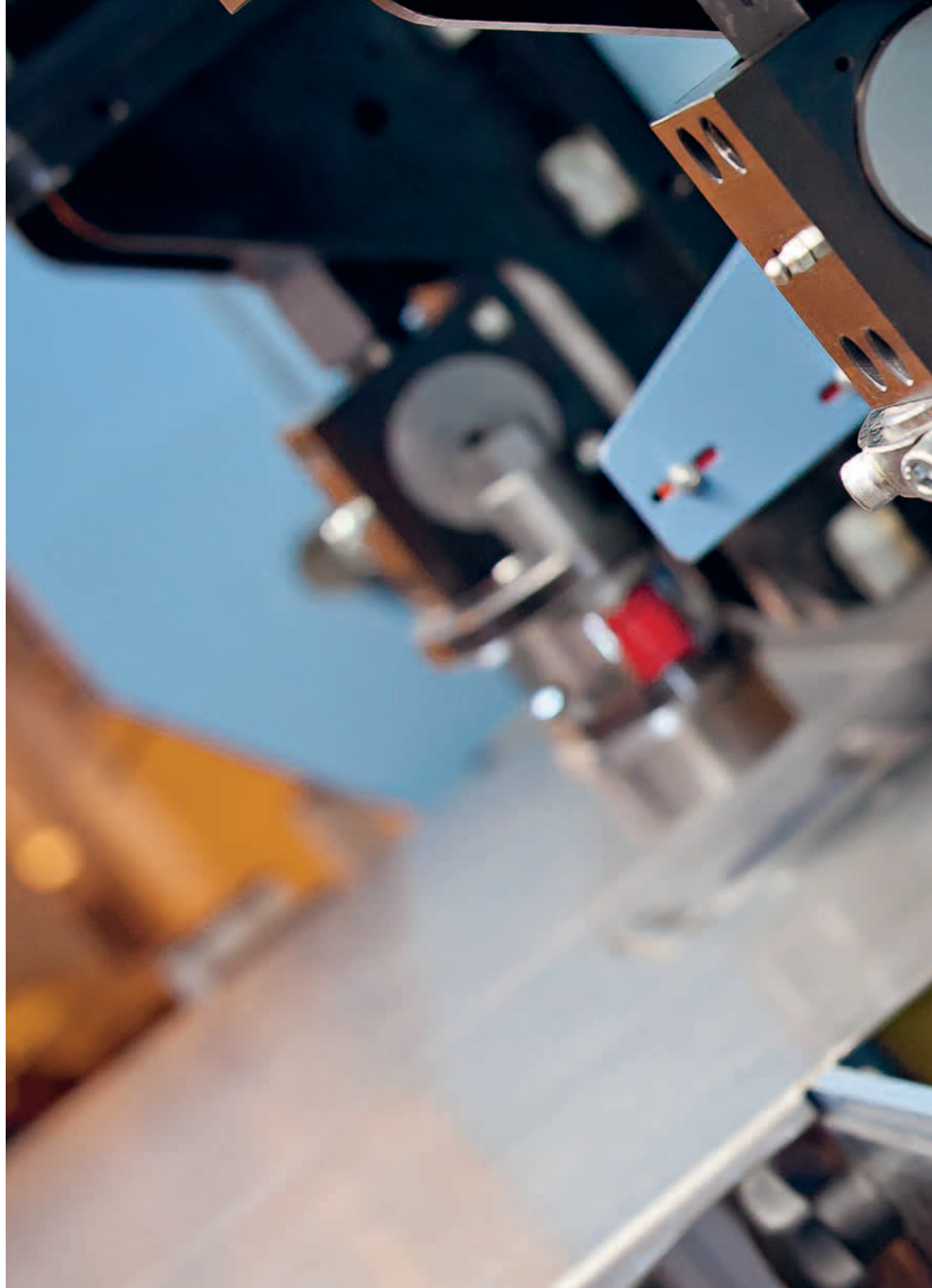


## **RAUTE**

### **AS PART OF THE WOOD- PROCESSING VALUE CHAIN**

**RAUTE** serves the wood products industry globally and is part of the wood-processing value chain. Raute adds value to its customers' business by supplying solutions for the profitable and environmentally sustainable production of wood products.

**RAUTE** is a financially sound Small Cap company with a family background. Its series A shares are quoted on the NASDAQ OMX Helsinki Ltd.





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# 2012 IS SOLID PROOF OF RAUTE'S DELIVERY AND PERFORMANCE CAPABILITIES

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**REVIEW BY  
THE PRESIDENT  
AND CEO  
TAPANI KIISKI**

**IN 2012**, we operated in a highly uncertain economic and market environment. The insecurity related to the global economic and money-market trend was upheld by the risks associated with the growing debts of certain European countries and by the fears of a slowdown in economic growth in Asian countries and especially China. For Raute's customers, the uncertain market situation persisted in several market areas.

Despite the general market situation in the wood panel industry, 2012 was a clear improvement on the past few years for Raute. We kicked off 2012 with a satisfactory order book. In February, we received new orders worth more than EUR 50 million for machinery and equipment for the reconstruction of the Paneles Arauco plywood mill that had burned down in Chile in

early January. Receiving the order within such a short time following the fire is powerful proof of our long-standing customer relationship with Paneles Arauco and their confidence in us. In July, we received a machinery order valued at EUR 14 million for an LVL mill in Germany.

Our biggest challenge in 2012 was an order book with a clear emphasis on the second part of the year. After a fairly modest EUR 15 million in the first quarter, our net sales gained momentum towards the end of the year, achieving a record high of nearly EUR 34 million in the final quarter. Profitability improved towards the end of the year, hand in hand with growing net sales. We were thus able to prove that our ability to deliver has remained good despite the recession.

Heading into 2013, we still face an uncertain



**RAUTE CAN LOOK FORWARD TO STRONG COMPETITIVENESS ONCE OUR CUSTOMERS' FAITH IN THE FUTURE IS RESTORED AND THEY BEGIN TO IMPLEMENT THEIR PLANNED INVESTMENTS.**

market situation. The economic outlook is not expected to improve in the near future. Construction activity in the main markets of our customers is expected to remain at a low level. This means that our customers have no need for significant capacity-increasing investments. Various projects are, however, in the planning and preparation phase. My strongest expectations this year are focused on the emerging markets in Russia and Asia. The outlook for North America has also improved from the extremely low level of the previous few years, and new projects are being planned in Europe. We believe that technology services will take off on a growth trajectory, following a year of muted activity.

Raute can look forward to strong competitiveness once our customers' faith in the future is

restored and they begin to implement their planned investments. The escalation of the eurozone debt crisis into a full-scale recession still presents a potential threat to the positive development. A strong initial order book provides Raute with a good foundation for achieving the same level of net sales and operating profit this year as in 2012.

I would like to send out a heartfelt thank you to Raute's customers for their invaluable cooperation and trust, to our personnel for their outstanding work and flexibility in the face of ever-changing challenges, to our shareholders for their continued confidence in us, and to our other partners for their role in furthering Raute's development and success.

## RAUTE'S YEAR 2012

- MARKET SITUATION FOR CUSTOMERS STILL UNCERTAIN
- 2012 A CLEAR IMPROVEMENT ON THE PAST FEW YEARS
- ORDER BOOK FOCUSED ON THE SECOND PART OF THE YEAR THE BIGGEST CHALLENGE
- GOOD ABILITY TO DELIVER DESPITE THE RECESSION
- STRONGEST EXPECTATIONS ON THE EMERGING MARKETS IN RUSSIA AND ASIA
- TECHNOLOGY SERVICES RETURNING TO A GROWTH TRAJECTORY
- STRONG INITIAL ORDER BOOK A GOOD FOUNDATION FOR 2013

# PROFITABLE SOLUTIONS

**RAUTE IS** a technology and services company that serves the wood products sector worldwide. Its core competence lies in wood products manufacturing processes. Customers use Raute's production technology to process wood into veneer, plywood and LVL (Laminated Veneer Lumber), which are used mainly in construction and furniture and in the transport vehicle and packaging industries.

## STATE-OF-THE-ART TECHNOLOGY AND DIVERSE SERVICES

As an expert in customer processes and operations, Raute supports customers throughout the life-cycle of their investment.

Raute's solutions consist of project deliveries and technology services. Project deliveries include 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.

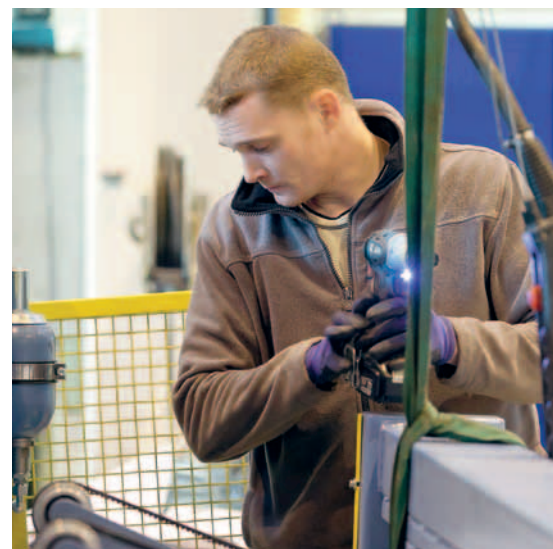
## GLOBAL MARKET LEADER

Raute is a global market leader in its biggest customer industry, the plywood industry and present in all market areas. Customers are served by 500 Raute professionals in nine countries. Raute's production units are located in Finland, Canada and China. The company's sales network has a global reach.

In the biggest customer industry, the plywood industry, Raute is the leading operator with a 15–20 percent market share. Raute's position in the LVL industry is also strong, as approximately half of the LVL manufactured in the world is produced on machines supplied by Raute. As a supplier of mill-scale projects Raute is a global market leader both in the plywood and LVL industries.

The increasing use of wood as a raw material boosts demand for Raute's products and services. The use of wood, a renewable raw material, increasing environmental awareness, efforts to improve energy efficiency and the growing role of emerging markets boost the attractiveness and competitiveness of Raute's solutions.

Raute's objective is to maintain its global market leadership and be one of the leading suppliers also in selected emerging markets.



KEY FIGURES	2012	2011
Net sales, MEUR	101.3	74.3
Growth, %	36.3	18.2
Earnings per share, EUR	0.75	-0.27
Balance sheet total, MEUR	63.1	52.7
Equity ratio, %	48.0	46.9
Interest-bearing net liabilities, MEUR	-8.1	-10.4
Personnel, average	488	475

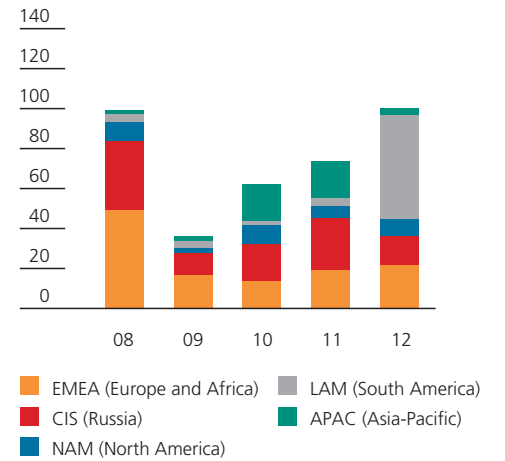


THE USE OF WOOD, A RENEWABLE RAW MATERIAL, INCREASING ENVIRONMENTAL AWARENESS, EFFORTS TO IMPROVE ENERGY EFFICIENCY AND THE GROWING ROLE OF EMERGING MARKETS BOOST THE ATTRACTIVENESS AND COMPETITIVENESS OF RAUTE'S SOLUTIONS.

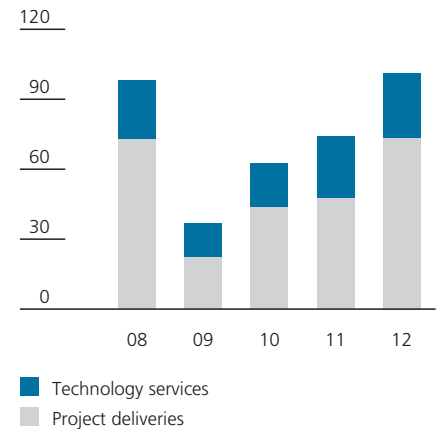


© Metisa Group

NET SALES BY MARKET AREA  
EUR million



NET SALES BY PRODUCT AREA  
EUR million



# RAUTE AS PART OF THE WOOD-PROCESSING VALUE CHAIN



SUSTAINABLE AND ENVIRONMENTALLY FRIENDLY, WOOD IS A SIGNIFICANT RENEWABLE RAW MATERIAL WHICH IS CONSTANTLY GAINING POPULARITY IN CONSTRUCTION, FOR EXAMPLE.



THE VALUE OF THE GLOBAL WOOD PRODUCTS INDUSTRY MARKET IS APPROXIMATELY EUR 150 BILLION. DEMAND AND PROFITABILITY ARE INFLUENCED BY THE GENERAL INCREASE IN THE STANDARD OF LIVING, CONSTRUCTION REGULATIONS, AVAILABILITY AND PRICE OF WOOD AND ECONOMIC CYCLES. THE INDUSTRY IS EXPERIENCING GROWTH PARTICULARLY IN THE EMERGING MARKETS.



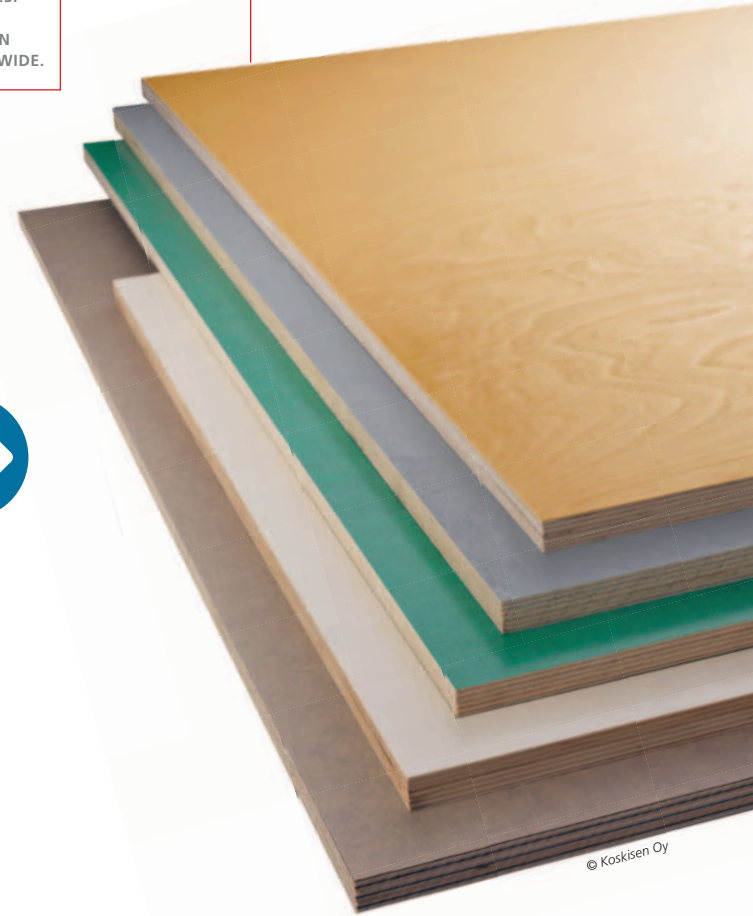


THE WOOD PRODUCTS INDUSTRY IS INVESTING IN PRODUCTION TECHNOLOGY IN ORDER TO BOOST PRODUCTION EFFICIENCY AND IMPROVE END-PRODUCT QUALITY. INVESTMENT ACTIVITY IS AT ITS HIGHEST LEVEL AT THE END OF A BUSINESS CYCLE. NEW PRODUCTION CAPACITY IS BEING CONSTRUCTED ESPECIALLY IN THE EMERGING MARKETS AND FOR LVL.

RAUTE SUPPLIES THE WOOD PRODUCTS INDUSTRY WITH MACHINERY AND EQUIPMENT FOR THE PROFITABLE AND ENVIRONMENTALLY SUSTAINABLE PRODUCTION OF WOOD PRODUCTS. WITH RAUTE'S SOLUTIONS, THE CUSTOMER CAN IMPROVE THE EFFICIENCY OF RAW MATERIAL USE AND LABOR PRODUCTIVITY, REDUCE THE CONSUMPTION OF ENERGY AND CHEMICALS, ENHANCE END-PRODUCT QUALITY AND MINIMIZE THE ENVIRONMENTAL LOAD THROUGHOUT THE ENTIRE LIFE CYCLE OF THE PRODUCTION MACHINERY.

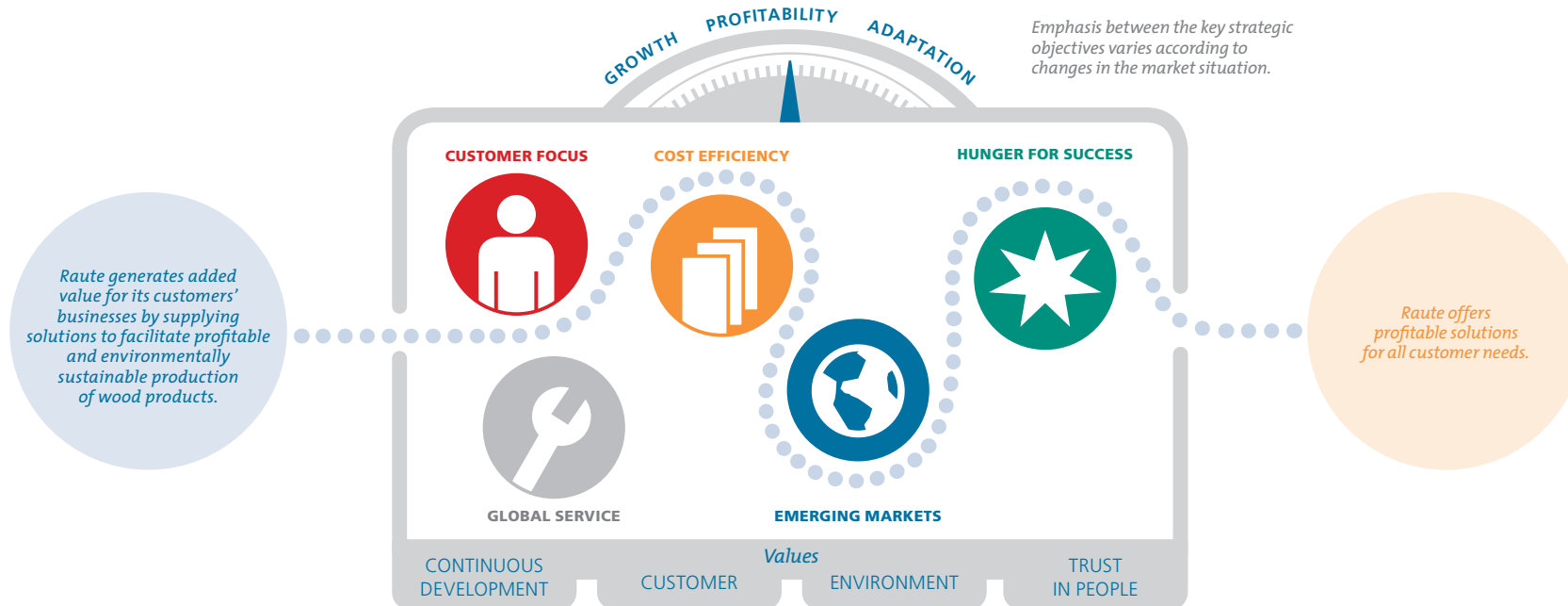


CUSTOMERS USE RAUTE'S SOLUTIONS TO PRODUCE VENEER, PLYWOOD AND LVL (LAMINATED VENEER LUMBER), WHICH ARE USED MAINLY IN CONSTRUCTION AND FURNITURE AND IN THE TRANSPORT VEHICLE AND PACKAGING INDUSTRIES. DEMAND FOR VENEER-BASED PRODUCTS IS ON THE INCREASE WORLDWIDE.



© Koskisen Oy

# PROFITABLE SOLUTIONS FOR ALL CUSTOMER NEEDS



**THE STRATEGY** boils down to the company's vision: Raute offers profitable solutions for all customer needs. Profitability is essential for both Raute's customers and Raute itself to be able to continue and develop their operations. The solutions integrate technology, equipment and the services necessary for their operation and the development of the entire process.

**PROFITABILITY, ADAPTATION TO CYCLICAL ECONOMIC FLUCTUATIONS AND GROWTH** Improving profitability, the ability to adjust better to economic cycle variations and controlled growth are Raute's main strategic goals. The financial goals are to grow faster than the markets, to remain financially sound and to offer investors competitive returns.

As the actual development is affected by the strong cyclic nature of demand as well as the timing of individual projects, no time-bound target values are disclosed for the financial key figures

### STRATEGIC CHOICES BASED ON TWO TREND-LIKE CHANGES

The focus of the entire market is shifting towards the emerging markets. However, they do not form a coherent whole. In China and India, most of the plywood production remains manual and simple. On the other hand, Russian and South American producers, for example, have reached a technological level that is near to that of developed markets.

The common denominator of the emerging markets from Raute's viewpoint is the cost structure of wood products and their production machinery: labor costs are low but raw material costs are high. Operating according to local practices and cost structure is important in the emerging markets, especially in China. Raute offers its customers not only high technology, but also solutions for conditions where automation has not yet become a significant competitive advantage.

The plywood and LVL industry's investments in the traditional western markets, with their high cost and price levels, will increasingly focus on projects to raise the efficiency of existing production capacity and improve competitiveness. Little new capacity is being constructed.

### STRATEGY IMPLEMENTED THROUGH ACTION

Customers and their needs are the most important driver of Raute's operations. A better understand-

ing of the individual needs of customers and production bottlenecks must be gained. This understanding needs to be translated into solutions that will help Raute to become the preferred supplier in the eyes of a growing number of customers and in various market areas. This can only be achieved when the product offering genuinely meets the customers' needs and helps them develop their own operations.

The share and importance of technology services is increasing as the markets change and technology develops. Technology development also makes it possible to extend the life cycle of basic equipment through modernizations. Raute's goal is to be the trusted partner of its customers throughout the life cycle of the investment. Raute will also focus on modernizing competitors' equipment with Raute's technology.

The emphasis being placed on environmental considerations is increasing within all of our operations. The use of renewable resources is favored in construction, for example, and, where applicable, also in transport vehicles.

Overall operations must be cost-efficient and price-competitive. Raute focuses on its core competence and improves its service capability by building an efficient and flexible partner network.

The prerequisites for Raute's success lie in its employees, driven by a hunger for success and committed to the company's goals. Even in difficult years, Raute invests in the occupational well-being and commitment of its employees. The priorities of competence development lie in customer service capabilities, solutions, emerging markets and cost-efficiency.

## IMPLEMENTING THE STRATEGY IN 2012

### CUSTOMER NEEDS

- PRODUCT DEVELOPMENT FOCUSED ON RAUTEPRO AND RAUTESELECT PRODUCT FAMILIES

### TECHNOLOGY SERVICES

- STRENGTHENED SERVICE BUSINESS ORGANIZATION
- MAINTENANCE CENTER ESTABLISHED IN LATVIA
- RESOURCES OF ST. PETERSBURG MAINTENANCE CENTER STRENGTHENED
- OPERATING METHODS DEVELOPED IN NORTH AMERICA

### EMERGING MARKETS

- INVESTMENTS MADE IN DEVELOPING PRODUCTS AIMED AT EMERGING MARKETS

### COST-EFFICIENCY AND QUALITY

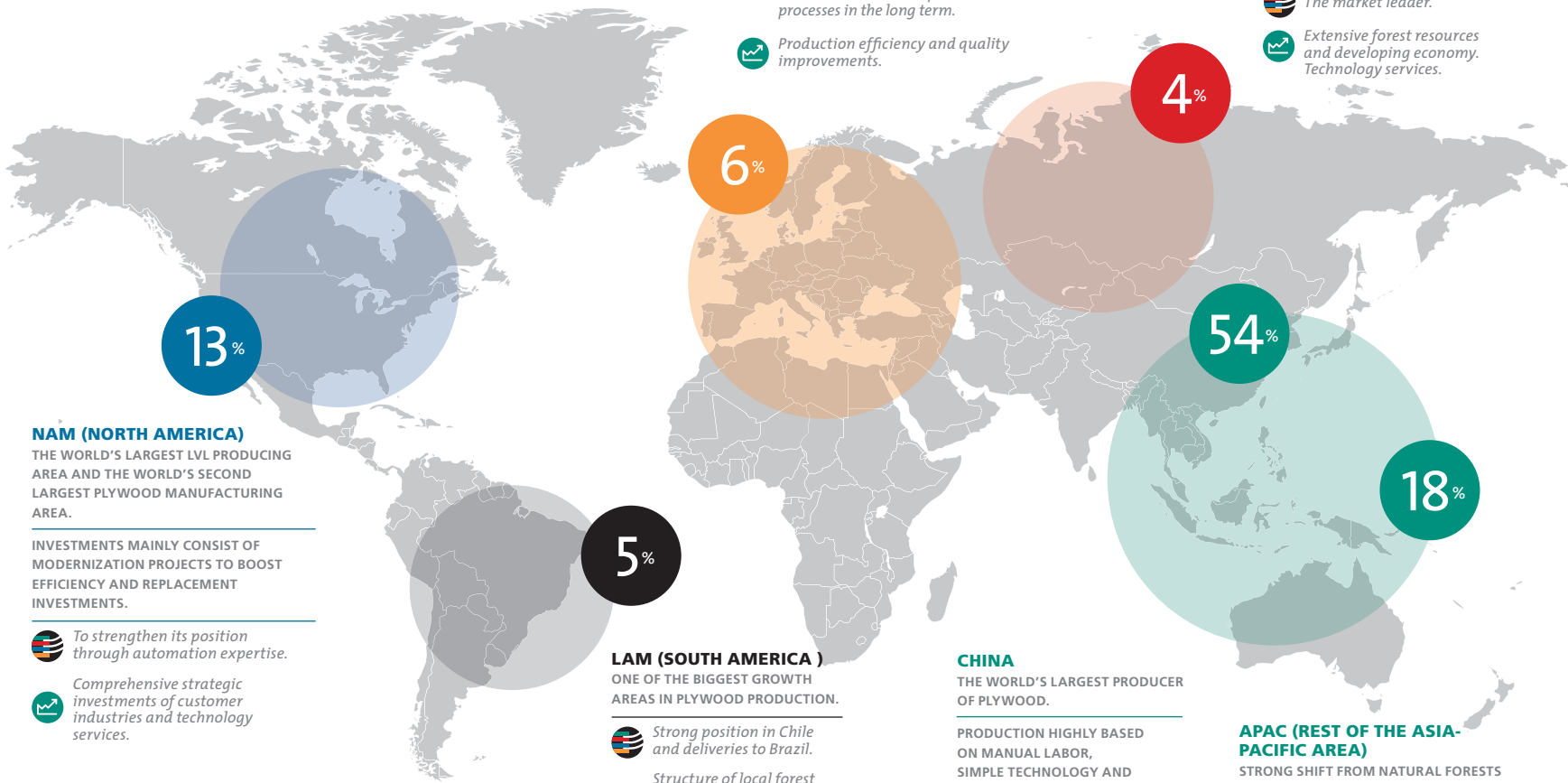
- ORGANIZATION-WIDE "SÄRMÄ" (EDGE) QUALITY DEVELOPMENT PROJECT INITIATED
- EXPANSION OF PARTNERSHIP NETWORKS TO NEW AREAS
- INCREASED PRODUCTION CAPACITY IN CHINA

### HUNGER FOR SUCCESS AND PERSONNEL

- WORK ENVIRONMENT AND PERSONNEL MANAGEMENT DEVELOPED THROUGH THE "GREAT PLACE TO WORK" PROJECT
- NEW INTRANET LAUNCHED TO IMPROVE THE SHARING OF INFORMATION WITHIN THE ORGANIZATION

# FOCUS ON EMERGING MARKETS

PLYWOOD PRODUCTION BY MARKET AREA 2011.



## NAM (NORTH AMERICA)

THE WORLD'S LARGEST LVL PRODUCING AREA AND THE WORLD'S SECOND LARGEST PLYWOOD MANUFACTURING AREA.

INVESTMENTS MAINLY CONSIST OF MODERNIZATION PROJECTS TO BOOST EFFICIENCY AND REPLACEMENT INVESTMENTS.


 To strengthen its position through automation expertise.

 Comprehensive strategic investments of customer industries and technology services.

 Raute's position  Growth opportunities

## EMEA (EUROPE AND AFRICA)

EUROPE IS A 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.

## LAM (SOUTH AMERICA)

ONE OF THE BIGGEST GROWTH AREAS IN PLYWOOD PRODUCTION.

 Strong position in Chile and deliveries to Brazil.

 Structure of local forest industry, abundant plantation wood resources and investments in products with a high degree of processing.

## CHINA

THE WORLD'S LARGEST PRODUCER OF PLYWOOD.

PRODUCTION HIGHLY BASED ON MANUAL LABOR, SIMPLE TECHNOLOGY AND LOCAL MANUFACTURERS.

 To become a significant operator.

 Higher quality requirements.

## CIS (RUSSIA)

LARGE RAW MATERIAL RESERVES AND DEVELOPING ECONOMY.


PLYWOOD EXPORT AND DOMESTIC DEMAND ON THE INCREASE.


 The market leader.

 Extensive forest resources and developing economy. Technology services.

## APAC (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. Strong shift from natural forests to plantations.

**THE TOTAL VALUE OF INVESTMENTS** in the veneer, plywood and LVL industry, which Raute serves globally, is estimated at an annual EUR 500–550 million in a normal economic situation. Raute's market share is around 15 to 20 percent of all of the machine investments in the industry.

The wood products industry is experiencing the strongest growth in Russia, Asia and South-America – all areas with abundant underutilized wood resources. The increase in production capacity in the traditional markets of North America and Europe has come to a halt.

In emerging markets, the criteria for production technology investments are different from those in developed markets, where the focus is on developing existing production capacity and improving competitiveness.

**EUROPE** is a developed market area where plywood manufacturers are focused on producing high value-added, high-quality end products. The markets for plywood are primarily in Europe, but special products are also exported to the US market, for example. The markets for LVL are worldwide.

However, a fair amount of new production capacity has been built in recent years and the technology level in plywood production is high. In addition to new investments, production efficiency and systematic maintenance have been a major focus.

In future, the recovery of construction in Europe may continue to create the need for new production capacity. The requirement of ecological soundness opens up opportunities to increase the share of wood construction. This drives demand for LVL, in particular. In addition, the structural change in

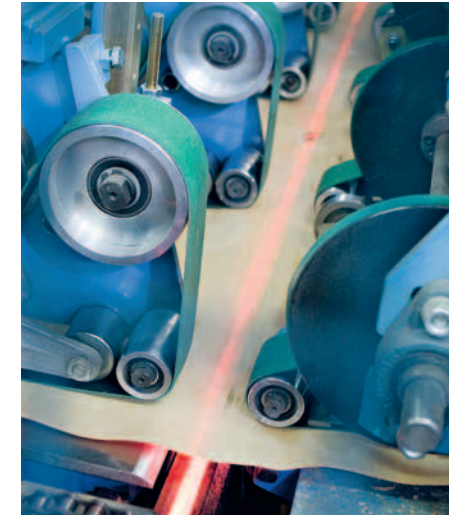
the mechanical wood-processing industry is creating new opportunities for development in the field.

Raute is the biggest operator in Europe. Its strengths include expertise in production technology suited to European conditions and raw materials as well as its recognizability and good reputation in the domestic market. Raute is seeking growth by strengthening its customer relationships, adding to the scope of its technology services and helping its customers to capitalize on the growth in wood construction.

**AFRICA** is a traditional supplier of round wood and the development of the plywood industry there has been slow. However, the restrictions on wood exports in some important producer countries have increased the need for local further processing of wood. Traditionally, the African markets have been dominated by European machine suppliers. In the future, customers and investors will adopt more efficient process technologies – a trend that will open up new opportunities for Raute.

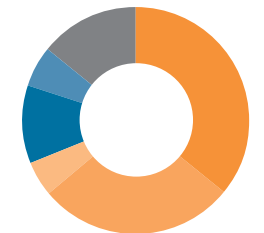
PLYWOOD PRODUCTION IN EUROPE (1,000 m<sup>3</sup>)

	2011	2010	2009
Finland	1,034	980	779
Italy	310	310	310
Baltic (Estonia, Latvia, Lithuania)	306	266	193
Spain	299	248	251
France	214	222	265
Poland	189	145	145
Sweden	84	84	80
Romania	66	64	60
Bulgaria	29	31	23
Portugal	24	20	19
Czech	22	19	22
Others	104	107	108
<b>Total</b>	<b>2,680</b>	<b>2,495</b>	<b>2,254</b>



THE TOTAL VALUE OF INVESTMENTS IN THE VENEER, PLYWOOD AND LVL INDUSTRY, IS ESTIMATED AT AN ANNUAL EUR 500–550 MILLION IN A NORMAL ECONOMIC SITUATION.

PLYWOOD CONSUMPTION BY END-USE CATEGORY 2011  
Total 81.6 million m<sup>3</sup>



Construction,	36%
furniture,	28%
flooring	5%
<b>Total</b>	<b>69%</b>
Packaging,	11%
transport	6%
<b>Total</b>	<b>17%</b>
Others	14%

Source: Indufor



**RUSSIA** is a strong plywood industry area which has long traditions in plywood production. Its large forest resources, low production costs and developing economy provide good opportunities to expand plywood production and make new mill investments.

Russian plywood manufacturers are developing new innovative products and tapping boldly into new markets. The country's plywood production has doubled over the past decade. Plywood exports and domestic demand for plywood are expected to increase during the next few years. Growth is driven by the advances in wood construction and increasing construction activity in the Moscow and St. Petersburg areas, in particular.

Raute is the leading supplier of plywood industry machinery, equipment and services in the Russian market. It is the only operator capable of delivering complete production facilities on its own. Thanks to a large installed base, demand for Raute's technology services is also set to increase, according to estimates.



**THE ASIA-PACIFIC AREA** has one of the world's most powerfully growing plywood industries. A large proportion of the plywood manufactured in the area is used locally. In addition, wood-based panels are exported to the Middle East, the US and Europe, for example. Production mainly relies on tropical tree species, but the use of small-diameter plantation trees is also gaining ground.

**CHINA** is the world's largest producer of plywood. Its plywood production has increased almost five-fold during the past decade. Production is expected to grow in the future too, although less intensively than in the past.

Plywood production in China is based on highly manual and simple technology. The industry is expected to develop rapidly during the next few years in terms of technology, as the quality demands imposed by export markets require more modern manufacturing processes. Demand for higher-quality plywood is also likely to increase in China's domestic market. The raw material used is largely imported wood, but plantation forests will play a more significant role in the future.

Raute was the first western company to develop modern plywood manufacturing in China. Investments in solutions targeted at the Chinese markets and a local presence provide Raute with an excellent basis for success.

**THE JAPANESE** market is characterized by expensive raw materials, a high level of production technology and strongly positioned local machinery suppliers. Despite the high level of production technology, Raute sees opportunities for supplying the markets with machine vision technology, for example.

**IN MALAYSIA AND INDONESIA**, plantation forests will enable plywood production growth in the coming years, and it is believed that the area's role as a plywood producer will increase. Due to the change in the raw material base, Raute expects the existing machine base to be rebuilt and modernized.

**IN INDIA**, the majority of plywood production continues to be highly manual and relies on simple technology. India's extensive eucalyptus and poplar plantations are not enough to meet increased raw material needs. This has prompted India to become a major importer of tropical wood from East Malaysia. Raute sees opportunities in

the area, as the products and solutions developed for the Chinese market can also be adapted to the needs of India's plywood industry.

PLYWOOD PRODUCTION IN ASIA-PACIFIC COUNTRIES (1,000 m<sup>3</sup>)

	2011	2010	2009
China	45,298	45,327	36,220
Malaysia	4,226	3,901	4,837
Indonesia	3,325	2,996	3,353
Japan	2,645	2,287	2,586
India	2,521	2,154	2,154
Republic of Korea	494	494	667
New Zealand	257	366	416
Australia	120	118	130
Others	1,181	1,116	1,119
<b>Total</b>	<b>60,067</b>	<b>58,759</b>	<b>51,482</b>

Source: Indufor/Faostat



RAUTE WAS THE FIRST WESTERN COMPANY TO DEVELOP MODERN PLYWOOD MANUFACTURING IN CHINA.



**SOUTH AMERICA** is one of the biggest growth areas in plywood production.

Growth opportunities are provided by the structure of the local forest industry, abundant plantation wood resources and investments made in products with a high degree of processing.

The largest plywood producers are Chile and Brazil. Raute is a major technology supplier in Chile, and sees potential in Brazil.

**IN CHILE**, the good profitability of plywood production builds confidence in growth over the next decade. New production capacity is being built, based on plantation forests suitable for plywood production. For the big forest industry companies operating in Chile, plywood manufacture is an important part of managing the optimal use of wood. Although plywood consumption is also on the increase in Chile, most of the plywood is still exported to North America and Europe. Raute's customer base includes the country's largest plywood manufacturers – such as Arauco and CMPC.

**BRAZIL** is the biggest plywood manufacturer in South America, but has been less successful than Chile. The technology in use is outdated, as import obstacles and the financial aids granted to local machinery manufacturers have eroded the competitiveness of the plywood industry and reduced investments in technology upgrades. In addition, Brazil's raw material resources are not as high quality as Chile's. The main export market for Brazilian plywood is Europe, but domestic demand has increased following the country's economic growth. Plywood manufacture is expected to be consolidated in the future, but total production is believed to remain at the current level.

Raute's most significant competitors in South America are local equipment manufacturers.

European and American competitors are also present in the area. Raute's objective is to maintain its leading position in constructing new capacity and to acquire new customers within the modernization and development projects of small and medium-sized plywood manufacturers.



**NORTH AMERICA** is the world's second largest plywood producer and the world's largest LVL producer.

The wood products industry in the area is highly consolidated, the top five companies producing 65 percent of the plywood and 85 percent of the LVL. Demand is primarily driven by the US economy, particularly housing construction.

Within a decade, plywood production has declined by half to some 11 million cubic meters.

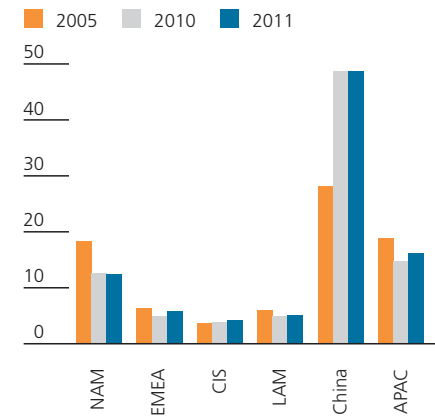
Investments in plywood production are also minimal, and mainly targeted at modernization projects. The consumption and production of plywood and LVL are not expected to grow until economic growth restarts and housing construction revives.

Local equipment manufacturers have a strong foothold on the markets. Competition with the small and specialized local operators for the limited number of investments is also tough.

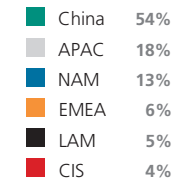
Raute's growth opportunities lie in the modernization of the existing machine base and in its automation expertise.

>> READ MORE ABOUT MARKETS ON RAUTE'S WEBSITE:  
WWW.RAUTE.COM

PLYWOOD PRODUCTION TREND BY MARKET AREA (million m<sup>3</sup>)



PLYWOOD PRODUCTION BY MARKET AREA 2011  
Total 84.2 million m<sup>3</sup>



Source: Indufor

## “Positive outlook for the wood products industry”

**CHANGING TRENDS** in the wood products industry, such as greater environmental awareness, growth in emerging markets, and the increasing use of wood as a raw material, are creating new business opportunities for companies in the industry.

“Wood products enjoy a strong position and market outlook in the forest industry compared to, for instance, the paper industry,” says **Lars-Göran Sandberg**, President and CEO of Timwood, a forest industry consulting company.

Increasing environmental awareness and ecological requirements are boosting the popularity of wood and wood products as construction raw materials. The environmental impacts of wood are considerably smaller than those of other construction materials, taking into consideration the impacts of the building’s life cycle on, for example, energy consumption, climate change and emissions.

Chair: Artek



Market growth is expected particularly in China, where there is a great need for new housing as a result of the population shift from the countryside to urban centers. In the US, too, where houses are traditionally wood-framed, the housing markets are beginning to recover after the recession. The growing popularity of home renovation and decoration in recent years has, in addition, led to an increase in the use of veneer-faced products and plywood.

“There is still, however, room for greater wood use in construction today. Growth potential exists especially in larger housing construction projects. Decision-makers must convince people of the advantages of building with wood, for example, by actively bringing to light the environmental and economic aspects of wood construction,” says Sandberg.

### EMERGING MARKETS INCREASING THEIR SHARE

International wood products trade is brisk right now, and the belief is that it will increase further in the future. The share of emerging markets is continuously growing.

“I believe that the focus of demand has permanently shifted from Europe and North America to the emerging markets, where both the standard of living and construction are on the rise. China in particular is a significant market area: in 2011 the country accounted for 60 percent of the global production of plywood and more than 50 percent

of MDF production,” Sandberg explains.

Despite these huge volumes, the Chinese markets face major challenges from a wood products technology supplier’s point of view. Among the biggest challenges are the availability and quality of the raw materials, as well as the low quality of the end product as a consequence of rudimentary production technology. When operating in emerging markets, it is important to take note of the investment capacity of local industry and to adjust operations to the prevailing conditions.

### CUSTOMERS SEEKING INCREASINGLY FINISHED PRODUCTS

Wood products industry customers want increasingly finished products that are tailored to their needs. Wood products are being manufactured in ever-larger production facilities, which sets the bar high for the cost-effective and efficient use of raw materials.

“Companies that are able to, through their own operations, save costs for their customers are the ones that enjoy the greatest success,” Sandberg says.

He believes the outlook for Raute is good. Both the plywood and LVL industries are well-established. “The price of sawn timber typically varies greatly in the US and in other countries. This makes LVL, which enjoys more stability both in terms of price level and quality, a more attractive option and opens up new business opportunities. I think the future looks very bright for Raute,” concludes Sandberg.

### TIMWOOD AB

- A FOREST INDUSTRY CONSULTING COMPANY
- CLIENTS INCLUDE FOREST AND WOOD PRODUCTS INDUSTRY COMPANIES, FOREST INDUSTRY INVESTORS, AND BIO-ENERGY PRODUCERS AND CUSTOMERS
- FOUNDED IN 1978
- HEAD OFFICE IN STOCKHOLM, SWEDEN, BRANCH OFFICE IN SEATTLE, USA

# RELIABLE TECHNOLOGY FOR A VARIETY OF NEEDS

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**RAUTEPRO SOLUTIONS** offer reliable technology suitable for industrial production. RautePro is the perfect solution particularly for the emerging markets and for customers who manufacture basic panels used in construction, furniture and logistics. Investments remain moderate as no great flexibility is required from the production machinery. A typical RautePro product is a basic machine or line including separate automated functions and often also the possibility to modernize the machine later on.

**RAUTESELECT SOLUTIONS** are especially designed for customers whose goal is high-quality products with flexibility in production and efficient use of raw materials. RauteSelect is the answer for customers with an annual production capacity of 20,000–60,000 cubic meters using several wood species as raw materials and producing several

panel sizes on the same production line. RauteSelect solutions can be retrofitted with new features and, through modernizations, they can be upgraded to the RauteSmart level. RauteSelect solutions include, e.g. semiautomatic lay-up lines where veneer handling is automated with the exception of the final positioning.

**RAUTESMART** represents the industry's latest and most efficient state-of-the-art technology. RauteSmart customers produce large volumes of end products and make efficient use of the latest automation, identification and measuring technologies. The investments can be maintained through modernizations and upgrades with the latest features stemming from Raute's R&D activities. Raute's flagship product is the RauteSmart veneer lathe, with a peeling speed of up to nearly 400 meters of veneer ribbon per minute.

# PRODUCT DEVELOPMENT SUPPORTS CUSTOMER PROCESSES

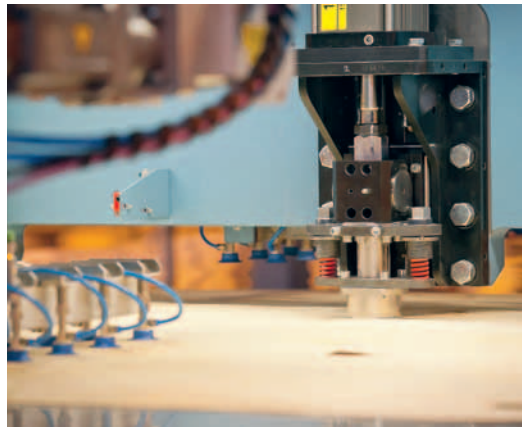
Info

**THE GOAL OF PRODUCT DEVELOPMENT** is to help customers improve their profitability and competitiveness. Raute's R&D investments amount to around 3–4 percent of net sales. R&D activities involve upgrading existing machinery and services or the creation of entirely new products and concepts.

New products and services are being created to meet the customers' needs in terms of maximizing the use of wood, reducing the consumption of glue and additives and cutting energy and labor costs as well as improving the quality of the end products. New technologies are tested in cooperation with customers in production conditions. New solutions are also being developed for the needs of the emerging markets.

R&D projects focus on occupational safety and ergonomics, the predictability and cost-efficiency of maintenance and the environmental friendliness of end products and their manufacturing processes.

In recent years, Raute's particular emphasis has been on development projects with a short payback time enabling the customers to improve the efficiency of their production processes without carrying out extensive investments. The productization of technology and automation solutions is implemented in a way that enables them to be widely utilized in the modernization of the current installed base.



## EXAMPLES OF INNOVATIONS IN 2012

### AUTOMATIC VENEER PATCHING LINE P2

- BETTER PATCHING QUALITY AND EXCELLENT PATCH PERMANENCE
- UNLIMITED CHOICE OF PATCH SHAPES
- MAINTENANCE DOES NOT REQUIRE SPECIALIZED TOOLS
- ADDS TO VENEER PATCHING CAPACITY

### RAUTEPRO LAY-UP LINE

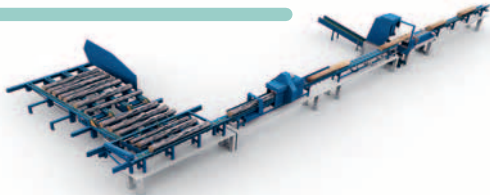
- STRIP GLUING IMPROVES FUNCTIONALITY AND ADDS TO GLUING CAPACITY
- SIGNIFICANTLY MINIMIZES THE CONSUMPTION OF GLUE COMPARED WITH APPLICATION WITH ROLLERS
- APPLICATION OF GLUE VERY EVEN IN DIFFERENT TEMPERATURES
- WASTE RESULTING FROM GLUING IS APPROXIMATELY HALVED

### MVA MOISTURE ANALYZER

- EXTREMELY PRECISE MEASUREMENT OF MOISTURE CONTENT THAT COVERS THE ENTIRE MOISTURE RANGE
- AUTOMATIC COMPENSATION FOR CHANGING ENVIRONMENTAL CONDITIONS
- THE EFFICIENT SORTING OF VENEERS DURING DRYING ENABLES A HIGHER FINAL MOISTURE CONTENT AND IMPROVES THE QUALITY OF THE VENEER

# PLYWOOD QUALITY AND PROCESS MANAGEMENT

## LOG HANDLING



ON THE LOG HANDLING LINE, THE LOGS ARE SOAKED, DEBARKED AND CUT INTO BLOCKS WHICH ARE TRANSFERRED ONTO THE PEELING LINE. THE SOAKING TEMPERATURE AFFECTS THE QUALITY OF THE VENEER WHICH IS TO BE PEELD



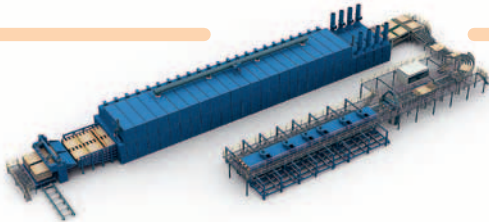
## PEELING



THE BLOCKS ARE PEELD INTO A VENEER RIBBON ON THE PEELING LINE. THE VENEER RIBBON IS CLIPPED INTO SHEETS AND RANDOMS, I.E. PIECES OF VENEER SMALLER THAN A FULL SHEET. THE SHEETS ARE SORTED ACCORDING TO SIZE AND MOISTURE CONTENT IN ORDER TO SPEED UP THE DRYING PROCESS



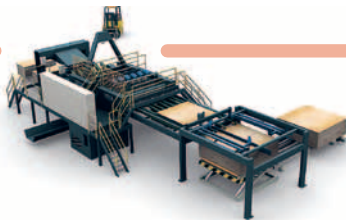
## DRYING



THE VENEERS ARE DRIED ON THE DRYING LINE AND SORTED ACCORDING TO SIZE, TECHNICAL AND VISUAL QUALITY, MOISTURE AND STRENGTH. SOME OF THE DRIED VENEERS ARE READY FOR LAY-UP, BUT SOME, USUALLY AROUND HALF, REQUIRE FURTHER PROCESSING BEFORE THEY CAN BE UTILIZED FOR PLYWOOD.



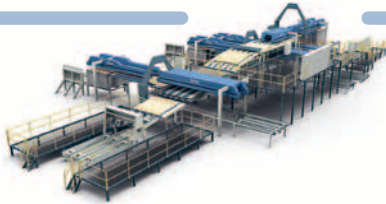
## VENEER HANDLING



SHORT VENEERS ARE JOINTED IF NECESSARY INTO LONGER SHEETS. NARROW OR DEFECTIVE VENEERS ARE COMPOSED INTO WIDER SHEETS ACCORDING TO THE DIMENSIONS REQUIRED FOR THE PLYWOOD BEING PRODUCED. THE APPEARANCE OF KNOTTED SHEETS IS IMPROVED THROUGH PATCHING, ALLOWING THEM TO BE USED AS SURFACE VENEERS. KNOT-FREE AND UNBLEMISHED VENEERS CAN ALSO BE USED AS SURFACE VENEERS WHEN THEY ARE COMPOSED INTO LARGE SHEETS.



## LAY-UP



THE VENEERS ARE FED THROUGH THE GLUE APPLICATOR IN AN ORDER BASED ON THE PLYWOOD STRUCTURE AND THEN LAID UP IN STACKS. THE VOLUME OF GLUE USED SIGNIFICANTLY AFFECTS THE QUALITY OF THE PLYWOOD AS WELL AS THE COSTS INVOLVED.



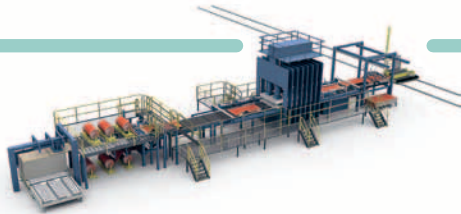
## PRESSING



THE LAID-UP STACKS ARE COLD PRESSED IN A PRE-PRESS. THE PRE-PRESSED PANELS ARE FED INTO A MULTI-DAYLIGHT HOT PRESS WHERE THE GLUE CURES. ONE PANEL IS FED INTO EACH DAYLIGHT AND THEY ARE PRESSED INTO PLYWOOD PANELS UNDER HIGH PRESSURE AND HEAT.



## PANEL HANDLING



THE PRESSED PANELS ARE FINISHED BY PUTTYING ANY DEFECTS, TRIMMING THE EDGES, AND BY SANDING THE SURFACES TO ACHIEVE SMOOTHNESS AND THE REQUIRED PANEL THICKNESS TOLERANCES. FOLLOWING THIS, THE PANELS ARE GRADED AND PACKAGED FOR TRANSPORTATION. IN FURTHER PROCESSING, OVERLAYS CAN BE PRESSED ONTO THE PANELS' SURFACE, DEPENDING ON THEIR END USE, OR THE PLYWOOD CAN BE SAWN INTO SPECIALTY-SIZED PANELS.



## PLYWOOD



PLYWOOD IS A PANEL MADE OF GLUED VENEERS, LAID-UP CROSS-WISE AND HOT PRESSED. PLYWOOD HAS A STRONG POSITION IN APPLICATIONS WHERE STRUCTURAL STRENGTH AND RESISTANCE TO MOISTURE, IMPACT RESISTANCE AND AN ATTRACTIVE APPEARANCE ARE REQUIRED. PLYWOOD IS USED ESPECIALLY IN CONSTRUCTION, FURNITURE AND IN THE TRANSPORT AND PACKAGING INDUSTRIES.

# IMPLEMENTATION OF A LARGE PROJECT

## CUSTOMER NEEDS

WE ASCERTAIN THE CUSTOMER'S OBJECTIVES.
WE ASSIST CUSTOMERS IN PROFITABILITY CALCULATIONS AND SUPPORT THEM IN THEIR INVESTMENT DECISIONS, FOR EXAMPLE THROUGH MARKET RESEARCH.
IF NECESSARY, WE PERFORM TESTS USING THE CUSTOMER'S RAW MATERIALS.
WE OFFER CUSTOMERS SOLUTIONS THAT BEST SUIT THEIR NEEDS.
THE NEGOTIATION PHASE CAN TAKE FROM A FEW MONTHS UP TO SEVERAL YEARS.



2 MONTHS

## NEW ORDER

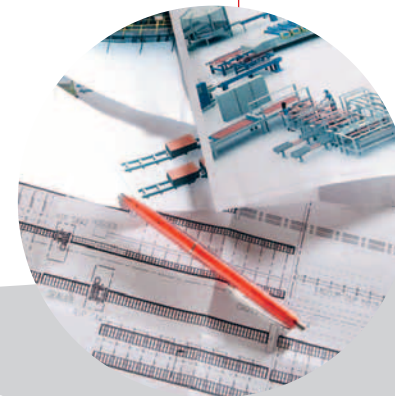
THE ORDER BECOMES EFFECTIVE ACCORDING TO THE TERMS OF THE SALES CONTRACT, TYPICALLY FROM THE TRANSFER OF THE ADVANCE PAYMENT AND LETTER OF CREDIT.
DELIVERY PERIOD BEGINS.
SELECTION OF THE PROJECT MANAGER AND THE PROJECT TEAM LEADERS: <ul style="list-style-type: none"> <li>• chief mechanical engineer</li> <li>• chief automation engineer</li> <li>• manufacturing designer</li> <li>• purchaser</li> <li>• person in charge of installation and commissioning.</li> </ul>
CONFIRMATION OF BUDGET AND TIMETABLE FOR THE EXECUTION.
DRAWING UP OF THE PRODUCTION PLAN FOR THE ENTIRE PROJECT EXECUTION.



2 MONTHS

## PLANNING

DRAWING UP OF THE LINE'S OPERATIONAL DESCRIPTION, WHICH PROVIDES IMPORTANT DATA FOR THE DESIGN PHASE.
DEFINITION OF CUSTOMER-SPECIFIC CHANGE REQUIREMENTS FOR MACHINES AND EQUIPMENT.
DRAWINGS AND PARTS LISTS, AUTOMATION PLANS AND PROGRAMS, OPERATING AND MAINTENANCE INSTRUCTIONS DRAWN UP FOR THE MACHINES AND EQUIPMENT CONTAINED IN THE DELIVERY.
DRAWING UP OF MATERIAL REQUIRED FOR THE CUSTOMER'S TRAINING.



## PRODUCTION

PURCHASING OF THE MATERIALS REQUIRED IN THE MACHINES AND EQUIPMENT.

RAUTE MANUFACTURES PART OF THE DELIVERY ITSELF AND COMMISSIONS PART OF IT THROUGH ITS PARTNERS.

RAUTE IS RESPONSIBLE FOR THE ASSEMBLY AND ELECTRIFICATION OF THE MACHINES AND EQUIPMENT.



2-4 MONTHS

THE IMPLEMENTATION OF A LARGE PROJECT AT RAUTE INVOLVES MANY STAGES.

1-2 MONTHS



### MAINTENANCE

RAUTE IS RESPONSIBLE FOR THE MAINTENANCE AND SPARE PARTS FOR THE MACHINES AND EQUIPMENT.

MACHINES AND EQUIPMENT INCLUDED IN THE MAINTENANCE CONTRACT ARE SERVICED REGULARLY.

1-3 MONTHS



### TRANSPORTATION AND INSTALLATION

THE MACHINES AND EQUIPMENT ARE PACKED IN FREIGHT CONTAINERS FOR TRANSPORTATION.

THE CONTAINERS ARE SHIPPED AND TRANSPORTED TO THE INSTALLATION SITE.

THE CUSTOMER'S INSTALLERS INSTALL THE MACHINES UNDER THE SUPERVISION OF RAUTE'S EXPERTS.

RAUTE OVERSEES THE INSTALLATION.

### START-UP

THE MACHINES ARE STARTED UP UNDER PRODUCTION CONDITIONS, USING LOCAL RAW MATERIALS.

THE CUSTOMER'S PERSONNEL RECEIVE TRAINING.

A SAFETY INSPECTION IS CARRIED OUT, IN ADDITION TO CAPACITY AND QUALITY TESTING.

THE WARRANTY PERIOD BEGINS.

1-2 MONTHS

### TESTING

THE KEY MACHINERY IS TESTED USING THE CUSTOMER'S RAW MATERIAL.

THE MACHINES ARE PRESENTED TO THE CUSTOMER'S PERSONNEL, FOLLOWED BY TRAINING.

2-5 MONTHS



# PERSONNEL CREATES PREREQUISITES FOR GREAT RESULTS



CUSTOMER WORK

PROJECT WORK

SUPERVISORY WORK

COMMUNICATION

WORK COMMUNITY SKILLS

## SÄRMÄ GIVES WORKING CULTURE AN EDGE

RAUTE'S OBJECTIVE IS CONTINUOUS LEARNING AND DEVELOPMENT. DURING 2012, A COMPREHENSIVE CHANGE PROJECT WAS LAUNCHED FOR DEVELOPING RAUTE'S WORKING METHODS AND CULTURE AND FOR ACHIEVING THE EVEN STRONGER COMMITMENT OF THE ENTIRE PERSONNEL TO THE CUSTOMER PROMISE AND TO THE QUALITY OF PRODUCTS, SERVICES AND OPERATIONS.

THE AIM IS TO DEVELOP OPERATIONS ACCORDING TO FIVE PRIORITIES. PROJECTS CONCERNING PERSONNEL MANAGEMENT INCLUDED THE DEVELOPMENT OF SUPERVISORY WORK AND WORK COMMUNITY SKILLS. OTHER AREAS INCLUDE CUSTOMER WORK, PROJECT WORK AND COMMUNICATIONS. RAUTE'S ENTIRE PERSONNEL ARE INVOLVED IN THE SÄRMÄ PROJECT, WHICH WILL CONTINUE IN 2013.



Info

**RAUTE'S EMPLOYEES**, hungry for success and committed to the company's goals, create the conditions needed for the company to succeed. The main goal of HR management is to support the implementation of our strategy and our competitiveness by ensuring sufficient levels of competence. Four principles steer the HR management: cooperation and participation, openness and dialogue, a good supervisor-subordinate relationship and continuous development.



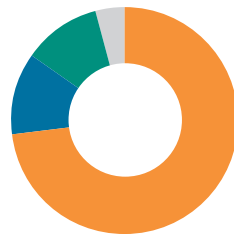
RAUTE'S OBJECTIVE IS TO BE A SOUGHT-AFTER WORKPLACE WHERE COMPETENT PEOPLE ACHIEVE GREAT RESULTS TOGETHER.

The implementation of the personnel strategy is assessed regularly through performance and development discussions and personnel surveys. At the same time, the personnel's understanding of the connection between their own tasks and Raute's strategy and objectives is ensured.

**CHALLENGING WORK IN FINLAND AND ABROAD**

Raute's product and service solutions as well as global project activities offer a variety of tasks for experts in both Finland and abroad. The company's personnel are made up of representatives from a number of different professions. The largest single group is the mechanical and automation >>

PERSONNEL GEOGRAPHICALLY



Finland	73.1%
China	11.8%
North America	11.0%
Others	4.1%

AGE OF PERSONNEL



< 30 years	15.7%
31-40 years	26.1%
41-50 years	23.4%
51-60 years	25.7%
> 60 years	9.1%

**PERSONNEL IN 2012**

- AT THE END OF 2012, THE GROUP EMPLOYED AN AVERAGE OF 488 PERSONS.
- THE PERSONNEL TURNOVER WAS 14.4 PERCENT.
- 73 PERCENT OF THE EMPLOYEES WORKED IN TASKS RELATED TO PROJECT DELIVERIES, 9 PERCENT IN TECHNOLOGY SERVICES, 8 PERCENT IN SALES AND MARKETING, AND 10 PERCENT IN MANAGEMENT AND ADMINISTRATION.

EDUCATION OF PERSONNEL



Vocational school	28.2%
College	26.9%
University of Applied Science	22.8%
University	12.6%
Basic education	9.5%



engineers who work on deliveries or in R&D as well as in the commissioning of production lines throughout the world.

In order to secure its future competitiveness, Raute will require both new experts and experienced wood product and wood technology professionals with an understanding of customer needs. Succeeding at work requires employees to have good social and language skills in addition to technical knowledge.

#### **CUSTOMER'S NEEDS DEFINE DIRECTION OF COMPETENCE DEVELOPMENT**

Raute's objective is continuous learning and development. Customer needs determine the direction of personnel development, both in customer service and technology and support functions. The focal points of competence development are defined according to the competence needs identified in the strategy.

Raute rewards its employees for good performance. In addition to the Group's result, the personal component of the bonus plan for employees also depends on the achievement of the objectives of their own team.

Raute invests in the overall development of the personnel's occupational well-being and in their commitment to the company. The emphasis in occupational health care is on preventive measures that maintain the ability to work.

#### **PERSONNEL DEVELOPMENT IN 2012**

- RECRUITMENT OF NEW EMPLOYEES THE FOCAL POINT OF PERSONNEL DEVELOPMENT
  - LOCAL SERVICE RESOURCES STRENGTHENED IN FINLAND, RUSSIA AND LATVIA, AMONG OTHERS
  - UNIT FOCUSING ON SPARE PARTS DELIVERIES ESTABLISHED IN LATVIA
- RECORD NUMBER OF FIXED-TERM AND TEMPORARY EMPLOYEES DUE TO A GOOD ORDER BOOK
- TRAINING ACCORDING TO IDENTIFIED NEEDS
- "GREAT PLACE TO WORK" PROJECT ONE OF THE MOST IMPORTANT PROGRAMS LAUNCHED DURING THE YEAR TO SUPPORT WELL-BEING AT WORK
  - OBJECTIVES: SUPPORT RAUTE'S STRATEGY, ENSURE THAT RAUTE REMAINS A COVETED WORK-PLACE ALSO IN THE FUTURE AND CREATE AN OPERATING MODEL FOR OCCUPATIONAL WELL-BEING FOR RAUTE
  - THE PROJECT WILL CONTINUE AS PART OF THE SÄRMÄ (EDGE) PROJECT IN 2013. SÄRMÄ'S OBJECTIVE: GET RAUTE'S ENTIRE PERSONNEL TO COMMIT EVEN MORE STRONGLY TO RAUTE'S CUSTOMER PROMISE AND THE QUALITY OF PRODUCTS, SERVICES AND OPERATIONS

# ENVIRONMENTALLY SUSTAINABLE PRODUCTION



**RAUTE'S SINGLE MOST IMPORTANT ECOLOGICAL ACHIEVEMENT** is to make it possible to produce wood products that are more environmentally friendly. Raute focuses on the key environmental effects of the wood products industry and helps its customers to operate in a more environmentally sustainable way by improving the efficiency of raw material use, reducing energy consumption and minimizing the use of chemicals, especially glue. Automation also improves occupational safety and ergonomics.

The environmental impact of Raute's operations mainly involves waste management for industrial sites, energy use, chemical management and safety. Raute's goal is to decrease the harmful effects resulting from its own operations, to create a continually improving work environment and to find the best and most efficient ways to manufacture products and provide services. The company is committed to the target of a nine percent improvement in energy savings by 2016, as outlined in the energy efficiency agreement of the Federation of Finnish Technology Industries.

Raute uses environmental and management systems to handle the environmental risks linked to its operations. The Nastola and Jyväskylä units have ISO-certified quality and environmental management systems. The operations and ethical principles of the comprehensive partner and subcontractor network are evaluated according to standardized criteria all around the world.



RAUTE'S GOAL IS TO DECREASE THE HARMFUL EFFECTS RESULTING FROM ITS OWN OPERATIONS, TO CREATE A CONTINUALLY IMPROVING WORK ENVIRONMENT AND TO FIND THE BEST AND MOST EFFICIENT WAYS TO MANUFACTURE PRODUCTS AND PROVIDE SERVICES.

## ENVIRONMENTAL IMPACTS 2012

DURING 2012, AN ENERGY ANALYSIS WAS CARRIED OUT AT RAUTE, BASED ON WHICH SUGGESTIONS FOR NEW ENERGY EFFICIENCY INVESTMENTS WERE PRESENTED FOR 2013. THE MEASURES WILL FOCUS ON THE MINIMIZING OF ELECTRICITY AND HEATING ENERGY CONSUMPTION BY IMPROVING THE ENERGY-EFFICIENCY OF LIGHTING AND VENTILATION.

INCREASED PRODUCTION VOLUMES ARE REFLECTED IN THE ENVIRONMENTAL IMPACTS.

ENVIRONMENTAL IMPACTS IN NASTOLA, FINLAND	2012	2011
VOC emissions	<b>&lt; 5 000 kg</b>	< 5 000 kg
Electricity consumption	<b>3,40 GWh</b>	3,24 GWh
Heating consumption	<b>4,12 GWh</b>	3,76 GWh
Water consumption	<b>2 950 m<sup>3</sup></b>	2 550 m <sup>3</sup>
Total waste (incl. recycled metal)	<b>645 t</b>	545 t
Recycling rate	<b>88%</b>	89%

# BUSINESS REVIEW 2012

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**IN 2012**, the uncertainty related to the global economic and money-market trend was upheld by the risks associated with the growing debts of certain European countries, the future of the euro and by the fears of a slowdown in economic growth in Asian countries.

## **UNCERTAINTY REFLECTED IN PLYWOOD AND LVL INDUSTRY INVESTMENTS**

For Raute's customers, the uncertain market situation persisted in several market areas.

The plywood and LVL industries' upgrade investments to ensure quality and cost competitiveness and to maintain market shares remained at a low level.

Two large mill-scale investments were launched in 2012. A plywood mill that was destroyed in a fire in Chile at the beginning of January will be reconstructed and a new LVL mill, which will use beech as its raw material, will be constructed in Germany. Raute will supply the main machinery for both projects.

The production facilities of the majority of Raute's customers were operating at good capacity utilization rates, which ensured a good level of demand for maintenance and spare parts services. Demand for technology services also developed

positively in North America, which is suffering from a difficult market situation.

## **CHILEAN PLYWOOD MILL DEAL CONCLUDED IN JUST ONE MONTH**

Raute's order intake in 2012 totaled EUR 116 million, up 51 percent from the previous year. Strong fluctuations in the distribution of new orders, typical of project business, could be observed between the various market areas.

In terms of new orders, South America became our largest market area. In early February, Raute's largest-ever order, worth more than EUR 50 million, for the machinery and equipment for rebuilding a plywood mill that had burned down in Chile entered into effect. Receiving the order within such a short time following the fire is powerful proof of our long-standing relationship with the customer and their confidence in us.

Europe's share of the order intake increased. The most significant order for 2012 became effective in July with a EUR 14 million order for the machinery for an LVL mill in Germany. The order intake for Russia and Asia remained at a low level.

The order intake for technology services remained on a par with last year's level. The number of modernization projects declined especially in

Russia. Net sales for spare parts and maintenance services increased by 10 percent on the previous year, reflecting the good capacity utilization rates of the production facilities.

## **ABILITY TO DELIVER PROVEN IN THIRD AND FINAL QUARTERS**

Measured by net sales, Raute's growth was 36 percent. The growth in net sales was boosted by large individual orders. Growth in technology services equaled 4 percent. The order book, with its emphasis on the second half of the year, proved that Raute's ability to deliver has remained good despite the recession.

Due to the timing of the order book, a large proportion of the net sales were generated during the third and final quarters. From a total of EUR 15 million in the first quarter of the year, net sales rose towards the end of the year to nearly EUR 34 million in the final quarter. The increase in net sales was made possible by our personnel's strong commitment to Raute's customer promise of delivery times, as well as by temporary additional resources and our partner network. Profitability improved towards the end of the year, hand in hand with growing net sales.



RAUTE'S NET SALES IN 2012 WERE EUR 101.3 MILLION. NET SALES GREW BY 36 PERCENT ON THE PREVIOUS YEAR. 72 PERCENT OF NET SALES WERE GENERATED BY PROJECT DELIVERIES AND 28 PERCENT BY TECHNOLOGY SERVICES.

### **STRATEGY-BASED DEVELOPMENT CONTINUES**

Raute continued to invest strongly in continuous research and development, particularly in plywood and LVL manufacturing technology and the supporting automation and instrumentation applications, especially machine vision. Additionally, the development of products designed for the emerging markets was continued.

A maintenance service center was established in Latvia, a key customer region, in order to improve the service capabilities of technology services.

The largest project in terms of developing production and delivery capabilities was the transfer of the Chinese plant into larger facilities at the end of the year. 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 largest single investments focused on technology acquisitions and product development in addition to acquisitions related to the new production plant in China.



# 2012 IN BRIEF

## BUSINESS ENVIRONMENT AND DEMAND

- The uncertainty surrounding the development of the global economy and money markets continued throughout the year.
- Uncertain market outlook for the wood products industry in several market areas.
  - Renovation investments at a low level.
- Capacity utilization rates of wood products industry remained good.
  - Demand for maintenance and spare parts services continued at a good level.

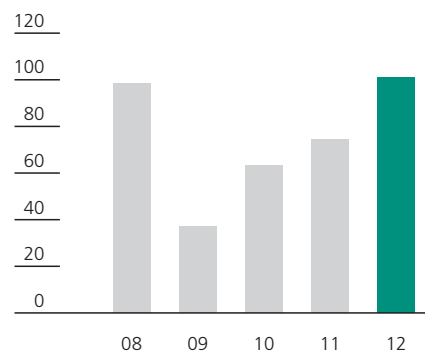
## RAUTE

- Major orders increased net sales.
  - Two significant mill-scale orders from Chile and Germany.
- Technology services at the previous year's level.
  - The number of modernizations declined, especially in Russia.
  - Maintenance and spare parts services increased by 10 percent.
- Profitability improved as a result of an increase in net sales and a lighter cost structure resulting from adaptation measures carried out in previous years.
- Delivery capabilities remained good despite the recession.

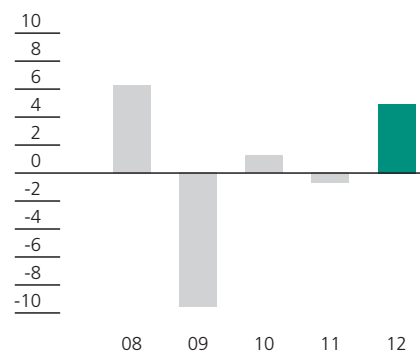
KEY FIGURES	2012	2011
Net sales, MEUR	101.3	74.3
Change, %	36.3	18.2
Exported portion of net sales, MEUR	95.1	65.4
Operating profit, MEUR	5.0	-0.7
Profit (loss) before tax, MEUR	4.8	-1.1
Return on investment (ROI), %	15.0	-0.1
Return on equity (ROE), %	13.1	-4.7
Equity ratio, %	48.0	46.9
Order book, MEUR	50	36
Order intake, MEUR	116	77
Earnings per share, EUR	0.75	-0.27
Equity to share, EUR	6.03	5.51
Dividend per share, EUR	0.50*	0.30
Dividend per profit, %	66.4*	-109.7
Personnel at Dec. 31	503	464
Personnel, average	488	475

\*Board of Directors' proposal to the AGM

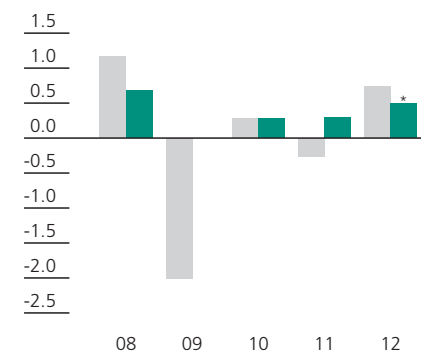
NET SALES  
EUR million



OPERATING PROFIT  
EUR million



EARNINGS/SHARE AND DIVIDEND  
EUR



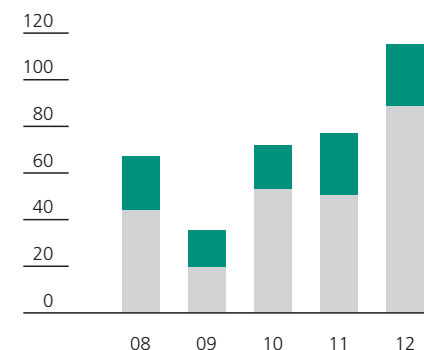
■ Earnings per share  
■ Dividend

\* Board of Directors' proposal to the AGM

# SUMMARY OF FINANCIAL STATEMENTS

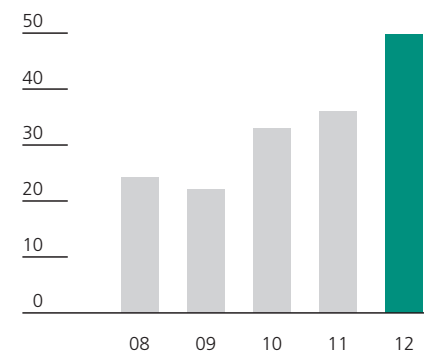
EUR 1,000	GROUP (IFRS)		PARENT COMPANY (FAS)	
	1.1.–31.12.2012	1.1.–31.12.2011	1.1.–31.12.2012	1.1.–31.12.2011
<b>INCOME STATEMENT</b>				
<b>Net sales</b>	<b>101,273</b>	74,323	<b>92,933</b>	64,444
Change in inventories of finished goods and work in progress	500	-184	-570	-106
Other operating income	1,423	168	1,553	267
Total operating expenses	-98,165	-75,045	-87,955	-64,637
<b>Operating profit (loss)</b>	<b>5,031</b>	-738	<b>5,960</b>	-32
Financial income and expenses	-256	-388	-1,520	-247
<b>Profit (loss) before tax</b>	<b>4,775</b>	-1,126	<b>4,440</b>	-280
Extraordinary items (FAS)	-	-	-	18
Appropriations (FAS)	-	-	-	41
Income taxes	-1,759	30	-1,621	76
<b>Profit (loss) for the financial year</b>	<b>3,016</b>	-1,095	<b>2,818</b>	-145
<b>BALANCE SHEET</b>				
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
<b>Assets</b>				
Non-current assets	11,944	12,598	9,342	8,487
Current assets	51,143	40,067	49,548	40,898
<b>Total assets</b>	<b>63,087</b>	52,666	<b>58,890</b>	49,385
<b>Shareholders' equity and liabilities</b>				
Total shareholders' equity	24,141	22,069	22,504	20,887
Total liabilities	38,946	30,597	36,386	28,498
<b>Total shareholders' equity and liabilities</b>	<b>63,087</b>	52,666	<b>58,890</b>	49,385
<b>CASH FLOW STATEMENT</b>				
	1.1.–31.12.2012	1.1.–31.12.2011	1.1.–31.12.2012	1.1.–31.12.2011
Operating activities	1,938	2,531	461	6,061
Investing activities	-2,895	-1,748	-1,820	-1,482
Financing activities	-5,201	846	-5,121	-382
<b>Net change in cash and cash equivalents</b>	<b>-6,159</b>	<b>1,629</b>	-6,481	4,198

ORDER INTAKE  
EUR million



Legend:  
■ Technology services  
■ Project deliveries

ORDER BOOK AT DEC. 31  
EUR million

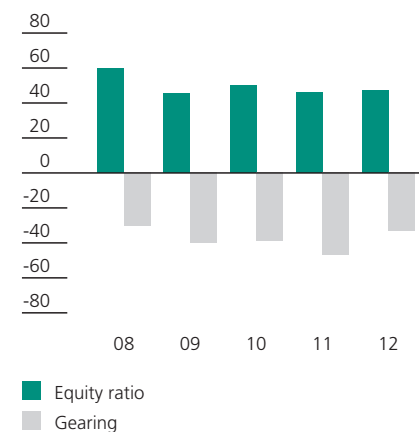


The complete consolidated statement of comprehensive income and balance sheet are presented in the financial statements which have been published as a separate electronic publication on the company's website at [www.raute.com](http://www.raute.com).

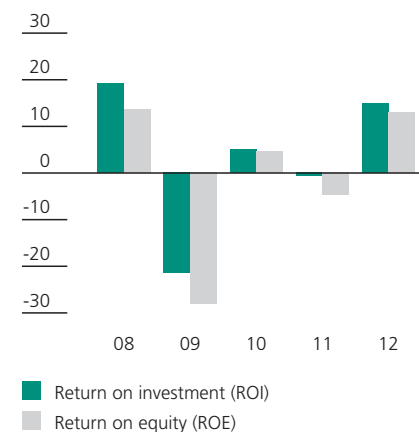
# FINANCIAL DEVELOPMENT

EUR 1,000	2012	2011	2010	2009	2008
Net sales	<b>101,273</b>	74,323	62,867	36,638	98,466
Change in net sales, %	<b>36.3</b>	18.2	71.6	-62.8	-11.1
Exported portion of net sales	<b>95,099</b>	65,432	57,773	30,466	82,666
% of net sales	<b>93.9</b>	88.0	91.9	83.2	84.0
Operating profit (loss)	<b>5,031</b>	-738	1,311	-9,695	6,341
% of net sales	<b>5.0</b>	-1.0	2.1	-26.5	6.4
Profit (loss) before tax	<b>4,775</b>	-1,126	1,122	-9,890	6,880
% of net sales	<b>4.7</b>	-1.5	1.8	-27.0	7.0
Profit (loss) for the financial year	<b>3,016</b>	-1,095	1,158	-8,141	4,723
% of net sales	<b>3.0</b>	-1.5	1.8	-22.2	4.8
Return on investment (ROI), %	<b>15.0</b>	-0.1	5.1	-21.6	19.4
Return on equity (ROE), %	<b>13.1</b>	-4.7	4.9	-28.4	14.0
Balance sheet total	<b>63,087</b>	52,666	53,034	57,387	60,180
Non-interest-bearing liabilities	<b>27,235</b>	15,320	14,368	15,801	15,402
Interest-bearing net liabilities	<b>-8,087</b>	-10,397	-9,651	-9,366	-10,653
% of net sales	<b>-8.0</b>	-14.0	-15.4	-25.6	-10.8
Equity ratio, %	<b>48.0</b>	46.9	50.7	46.0	60.5
Gearing, %	<b>-33.5</b>	-47.1	-39.8	-40.6	-31.0
Gross capital expenditure	<b>3,529</b>	1,885	2,224	1,095	3,242
% of net sales	<b>3.5</b>	2.5	3.5	3.0	3.3
Research and development costs	<b>2,516</b>	2,020	1,849	2,470	4,375
% of net sales	<b>2.5</b>	2.7	2.9	6.7	4.4
Order book, EUR million	<b>50</b>	36	33	22	24
Order intake, EUR million	<b>116</b>	77	72	35	67
Personnel, at Dec. 31	<b>503</b>	464	495	524	573
Personnel, effective, on average	<b>480</b>	457	438	419	569
Personnel, average	<b>488</b>	475	512	542	585

EQUITY RATIO AND GEARING  
%



RETURN ON INVESTMENT (ROI)  
AND RETURN ON EQUITY (ROE)  
%





# SHARE-RELATED DATA

	2012	2011	2010	2009	2008
Earnings per share, EUR	<b>0.75</b>	-0.27	0.29	-2.03	1.18
Equity to share, EUR	<b>6.03</b>	5.51	6.05	5.76	8.57
Dividend per share, EUR	<b>0.50*</b>	0.30	0.30	0.00	0.70
Dividend per profit, %	<b>66.4*</b>	-109.7	103.8	0.0	59.4
Effective dividend yield, %	<b>5.6*</b>	4.8	3.1	0.0	10.9
Price/earnings ratio (P/E ratio)	<b>11.95</b>	-22.67	33.55	-3.67	5.43

## Development in share price (series A shares)

	2012	2011	2010	2009	2008
Lowest share price for the financial year, EUR	<b>6.18</b>	6.05	7.24	6.50	6.24
Highest share price for the financial year, EUR	<b>9.24</b>	11.55	10.10	8.90	15.20
Average share price for the financial year, EUR	<b>8.22</b>	8.57	8.21	7.29	12.37
Share price at Dec. 31, EUR	<b>9.00</b>	6.20	9.70	7.47	6.40
Market value of capital stock at Dec. 31, EUR 1,000**	<b>36,043</b>	24,829	38,846	29,916	25,630

## Trading in the company's shares (series A shares)

	2012	2011	2010	2009	2008
Shares traded during the financial year, 1,000 shares	<b>302</b>	522	646	455	393
% of the number of series A shares	<b>10.0</b>	17.3	21.4	15.1	13.0

## Total number of shares

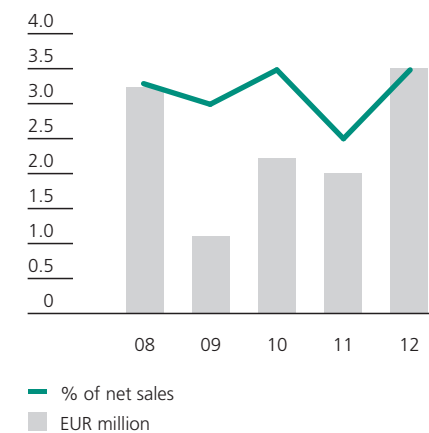
	2012	2011	2010	2009	2008
Issue-adjusted weighted average number of shares	<b>4,004,758</b>	4,004,758	4,004,758	4,003,183	4,004,758
Issue-adjusted number of shares at the end of the financial year	<b>4,004,758</b>	4,004,758	4,004,758	4,004,758	4,004,758

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

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

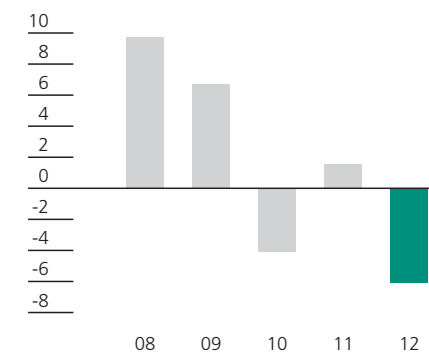
\*\*Series K shares valued at the value of series A shares.

## CAPITAL EXPENDITURE



## CONSOLIDATED CASH FLOW

EUR million



# CORPORATE GOVERNANCE

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**RAUTE CORPORATION'S** operations are based on compliance with the legislation in effect, the standards covered by the legislation, and ethically acceptable operating methods.

The Parent Company, Raute Corporation, is a Finnish public limited liability company which abides by the Finnish Companies Act, the Securities Markets Act, NASDAQ OMX Helsinki Ltd's rules, other regulations concerning publicly listed companies and Raute Corporation's Articles of Association in its decision-making and corporate governance. The company's Board of Directors has also issued Administrative Instructions for the company.

Raute Corporation complies with the Finnish Corporate Governance Code 2010 for listed companies. 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, when taking into consideration the company's ownership structure and the possibility to consider the expectations of major shareholders as early as in the preparation phase of electing 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. On April 16, 2012 the shareholders

proposed and the Annual General Meeting elected as Board members a group of persons consisting only of men.

Raute Corporation has drawn up a Corporate Governance Statement based on recommendation 54 of the Code and a remuneration statement based on recommendation 47.

Raute Corporation's Articles of Association, Administrative Instructions, Corporate Governance Statement and other information related to the company's governance and investor relations are available on Raute's website, [www.raute.com](http://www.raute.com). Information concerning the Group's administration and risk management is also included in the Report of the Board of Directors and Financial Statements.

## SHARES AND SHAREHOLDERS

Raute Corporation's shares are divided into ordinary shares (series K) and A shares (series A). The difference between the series is that a series K share entitles the holder to twenty (20) votes and a series A share to one (1) vote at General Meetings. The series A shares have been quoted on the NASDAQ OMX Helsinki Ltd since 1994. 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 has not previously held series K shares, other shareholders of the K series have the right to redeem the share under the terms described in section 4 of the Articles of Association.

## ANNUAL GENERAL MEETING

Raute's supreme decision-making body is the Annual General Meeting, where shareholders exercise their decision-making power and right to supervise and control the company's operations. Raute Corporation's Annual General Meeting is held in March–April, but no later than six months from the end of the financial year. The Annual General Meeting elects the Chairman and Vice-Chairman for the Board of Directors, and 3–5 Board members

The Annual General Meeting and an Extraordinary General Meeting shall be called by a notice published on the company's website and in a stock exchange release at the earliest three months and at the latest three weeks before the General Meeting, however, in any case no later than nine days before the record date for the General Meeting.

## BOARD OF DIRECTORS

The term of office of Raute Corporation's Board begins at the Annual General Meeting that elects the Board, and ends at the following Annual General Meeting. The majority of the Board members must be independent of the company, and at least two members of said majority must be independent of the company's major shareholders.

In addition to statutory tasks and those defined in the Articles of Association, the Board approves the company strategy and budget annually, and, based on management reports, regularly monitors the Group's financial status and draws up interim reports.

The Board carries out an annual self-evaluation of the work of the Board members and the Chairman of the Board. The Charter and tasks of the Board of Directors are described in more detail in the Administrative Instructions and Corporate Governance Statement available on the company's website.

In the Annual General Meeting on April 16, 2012, six members were elected to Raute Corporation's Board of Directors for the term of office 2012/2013. Mr. Erkki Pehu-Lehtonen was re-elected Chairman of the Board, Mr. Mika Mustakallio Vice-Chair, Mr. Risto Hautamäki, Mr. Ilpo Helander and Mr. Pekka Suominen as Board members and Mr. Joni Bask was elected as a new member.

Raute Corporation's Board has a Working Committee and an Appointments Committee which support the Board's work.

### **PRESIDENT AND CEO**

Raute Corporation's President and CEO manages the tasks assigned to Presidents and CEOs in accordance with the Finnish Companies Act, and also serves as the President and CEO of the Group and as Chairman of the Group's Executive Board.

Since March 16, 2004, Raute Corporation's President and CEO has been Tapani Kiiski (Licentiate in Technology). Kiiski is independent of major shareholders. Ms. Arja Hakala, M.Sc. (Econ.), MBA, Chief Financial Officer, was appointed deputy to the President and CEO on March 16, 2004.

### **BUSINESS ORGANIZATION AND THE GROUP'S EXECUTIVE BOARD**

Raute Group's Executive Board consists of the President and CEO, who acts as the Chairman, and of a variable number of members appointed by Raute Corporation's Board of Directors.

In 2012, the Group's Executive Board consisted of, in addition to Mr. Tapani Kiiski, President and CEO (Chair), the members Ms. Arja Hakala, CFO; Mr. Petri Lakka, Group Vice President, Technology Services; Mr. Petri Strengell, Group Vice President, Technology and Operations; Mr. Timo Kangas, Group Vice President, EMEA, and Mr. Bruce Alexander, Group Vice President, North American Operations, until October 24, 2012.

### **REMUNERATION**

Within Raute Group, remuneration consists of three components: the basic salary including fringe benefits, profit- and performance-related remuneration (bonuses), and long-term incentive plans. Depending on the employee's position, different combinations of the above-mentioned elements are applied. The company has made available on its website a remuneration statement according to recommendation 47 of the Finnish Corporate Governance Code 2010 for listed companies.

### **ORGANIZING RISK MANAGEMENT AND RISKS**

The organizing of risk management and risks are presented as a summary on pages 36–37 and in more detail on the company's website. The management of financing risks is described in the note number 2 to the consolidated financial statements.

### **AUDITING**

According to the Articles of Association, the company shall have at least one and at most two auditors and one deputy auditor. In the Annual General Meeting on April 16, 2012, the authorized public accounting company PricewaterhouseCoopers was chosen as auditor with Authorized Public Accountant Janne Rajalahti as the principal auditor for the term of office 2012/2013.

### **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.

### **COMMUNICATIONS**

Raute's investor communications seek to support the correct valuation of Raute's share by providing sufficient and relevant information on the company and its business environment to different investor groups simultaneously and fairly in order to ensure that capital market actors can form a well-grounded assessment of Raute as an investment. Raute publishes its financial reports (Annual Report, Financial Statements and Interim Reports) and stock exchange releases and notifications in both Finnish and English. Raute's investor communication policy, financial reports, releases and other information concerning Raute can be found on Raute's website.

# RISKS AND RISK MANAGEMENT

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**THE AIM OF RISK MANAGEMENT** is to further the achievement of strategic and other objectives by foreseeing and limiting substantial risks and the negative effects of occurred risks on business. Preventive risk management ensures the continuity of operations.

Risk management also includes recognizing, assessing and preparing for the risks related to business opportunities. The primary goal of crisis management is the safety of the personnel.

At Raute, the key risk areas identified by management relate to the nature of the business, the operating environment, financing, and damage or loss. Risk management is carried out as part of the management system.

## **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.

## **EMERGING MARKETS**

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

## **DELIVERIES AND TECHNOLOGY**

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

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.

## **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 used 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 braced for fluctuations in the working capital tied up in project operations and possible disturbances in the availability of money by taking out a long-term loan. 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.

## HUMAN RESOURCES

Competence retention and development and good management of 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.

## 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 economical or other reasons.

## ORGANIZING RISK MANAGEMENT

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

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

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

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

## CORPORATE GOVERNANCE STATEMENT

Raute Corporation's Board of Directors has handled Raute Corporation's Corporate Governance Statement according to chapter 2, section 6 of the Finnish Securities Markets Act and recommendation 54 of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association on June 15, 2010. The statement has been drawn up separately from the financial statements and is published on the company's website at [www.raute.com](http://www.raute.com).



THE MAIN UNIT IN NASTOLA HAS AN ISO-CERTIFIED ENVIRONMENTAL MANAGEMENT PROGRAM, WHOSE PRINCIPLES ARE ALSO ADHERED TO IN OTHER UNITS.

# BOARD OF DIRECTORS

## ERKKI PEHU-LEHTONEN



B. 1950, M.SC. (ENG.)  
CHAIRMAN OF THE BOARD 2009–  
MEMBER OF THE BOARD 2009–  
CHAIRMAN OF THE BOARD'S WORKING COMMITTEE  
AND APPOINTMENTS COMMITTEE  
INDEPENDENT OF THE COMPANY AND OF MAJOR SHAREHOLDERS

**ERKKI PEHU-LEHTONEN** WAS SENIOR ADVISER TO THE BOARD OF PÖYRY PLC IN 2008–2010 AND PÖYRY PLC'S PRESIDENT AND CEO IN 1999–2008. HE WAS PRESIDENT OF JAAKKO PÖYRY OY, A SUBSIDIARY OF PÖYRY PLC, IN 1996–1999 AND EXECUTIVE VICE PRESIDENT OF THE COMPANY IN 1994–1996. BEFORE JOINING THE PÖYRY GROUP, HE HELD TOP MANAGEMENT POSITIONS AT, AMONG OTHERS, NELES JAMESBURY, INC. AND VALMET PAPER MACHINERY INC.

### MAIN SIMULTANEOUS POSITIONS OF TRUST:

MEMBER OF THE BOARD:  
METSO CORPORATION 2010–

### RAUTE SHARES:

1,000 PCS SERIES A SHARES

## MIKA MUSTAKALLIO



B. 1964, M.SC. (ECON.), CEFA  
MEMBER OF THE BOARD 2004–  
VICE CHAIRMAN OF THE BOARD 2012–  
MEMBER OF THE BOARD'S WORKING COMMITTEE AND  
APPOINTMENTS COMMITTEE  
INDEPENDENT OF THE COMPANY, DEPENDENT ON MAJOR SHARE-  
HOLDERS

**MIKA MUSTAKALLIO** HAS BEEN PRESIDENT OF MORS SOFTWARE OY SINCE 2006 AND A BANK RISK MANAGEMENT SPECIALIST. SINCE 2001, AS AN ENTREPRENEUR, HE HAS BEEN CREATING INNOVATIVE REAL-TIME RISK MANAGEMENT SYSTEMS FOR BANKS. PRIOR TO THIS, IN 1995–2000, HE WORKED AT SVENSKA HANDELSBANKEN AS THE HEAD OF RISK CONTROL AND IN 1991–1995 AT PRICE WATERHOUSE AS A CONSULTANT.

### MAIN SIMULTANEOUS POSITIONS OF TRUST:

NONE

### RAUTE SHARES:

57,630 PCS SERIES K SHARES  
29,270 PCS SERIES A SHARES

## JONI BASK



B. 1975, M.SC. (ENG.)  
MEMBER OF THE BOARD 2012–  
INDEPENDENT OF THE COMPANY, DEPENDENT ON MAJOR SHARE-  
HOLDERS

**JONI BASK** WORKS FOR VARIAN MEDICAL SYSTEMS OY SINCE 2003 AND AS A TEAM LEADER OF THE PRODUCT DEVELOPMENT TEAM SINCE 2011.

### MAIN SIMULTANEOUS POSITIONS OF TRUST:

NONE

### RAUTE SHARES:

17,250 PCS SERIES K SHARES  
4,450 PCS SERIES A SHARES

## RISTO HAUTAMÄKI



B. 1945, M.SC. (ENG.)  
MEMBER OF THE BOARD 2009–  
MEMBER OF THE BOARD'S WORKING COMMITTEE  
INDEPENDENT OF THE COMPANY AND OF MAJOR SHAREHOLDERS

**RISTO HAUTAMÄKI** WAS PRESIDENT OF METSO PAPER IN 2005–2007, PRESIDENT AND CEO OF TAMFELT CORPORATION IN 1995–2005 AND PRESIDENT AND CEO OF VALMET PAPER MACHINERY INC. IN 1990–1994.

**MAIN SIMULTANEOUS POSITIONS OF TRUST:**  
NONE

**RAUTE SHARES:**  
1,000 PCS SERIES A SHARES

>> HOLDINGS OF RAUTE SHARES ON DECEMBER 31, 2012.  
THE FIGURES INCLUDE THEIR OWN HOLDINGS AS WELL AS  
THOSE OF THEIR MINOR CHILDREN AND CONTROL ENTITIES.

## ILPO HELANDER



B. 1942, M.SC. (ENG.)  
MEMBER OF THE BOARD 2008–  
INDEPENDENT OF THE COMPANY AND OF MAJOR SHAREHOLDERS

**ILPO HELANDER** WAS PRESIDENT AND CHAIRMAN OF THE BOARD OF OY ELECTROLUX AB AND SENIOR VICE PRESIDENT OF ELECTROLUX EUROPE IN 1991–2004. HIS AREAS OF RESPONSIBILITY WERE RUSSIA, BELARUS, THE BALTIC COUNTRIES, UKRAINE, AND KAZAKHSTAN.

**MAIN SIMULTANEOUS POSITIONS OF TRUST:**  
MEMBER OF THE BOARD:  
NEO INDUSTRIAL PLC 2007–  
REKA KUMI OY 2007–  
TEKNOS OY 2007–  
CT-LOGISTICS OY 2008–  
TALENT-CENTER OY 2010–

**RAUTE SHARES:**  
1,000 PCS SERIES A SHARES

## PEKKA SUOMINEN



B. 1976, M.SC. (ECON.)  
MEMBER OF THE BOARD 2010–  
INDEPENDENT OF THE COMPANY, DEPENDENT ON MAJOR SHAREHOLDERS

**PEKKA SUOMINEN** WAS BUSINESS MANAGER OF TALENTUM EVENTS OY IN 2007–2012.

**MAIN SIMULTANEOUS POSITIONS OF TRUST:**  
NONE

**RAUTE SHARES:**  
48,000 PCS SERIES K SHARES  
62,429 PCS SERIES A SHARES

**AUDITORS**  
PRICEWATERHOUSECOOPERS OY, WITH MR. JANNE RAJALAHTI  
(AUTHORIZED PUBLIC ACCOUNTANT) AS THE PRINCIPAL AUDITOR.

# EXECUTIVE BOARD

## TAPANI KIISKI



B. 1962, LICENTIATE IN TECHNOLOGY, M.SC. (ENG.)  
PRESIDENT AND CEO, MARCH 16, 2004–  
WITH THE COMPANY SINCE: 2002–  
MEMBER OF THE EXECUTIVE BOARD SINCE: MARCH 16, 2004

### EMPLOYMENT HISTORY:

RAUTE CORPORATION 2002–2004: VARIOUS POSITIONS SUCH AS TECHNOLOGY DIRECTOR, SALES DIRECTOR; KCI KONECRANES INTERNATIONAL PLC 1994–2002: VARIOUS POSITIONS, SUCH AS CIO; KONE CORPORATION, KONE CRANES 1985–1994: VARIOUS POSITIONS, SUCH AS R&D MANAGER, R&D DIRECTOR

### RAUTE SHARES AND STOCK OPTIONS:

4,500 PCS SERIES A SHARES  
21,000 PCS STOCK OPTIONS 2010 A  
10,000 PCS STOCK OPTIONS 2010 B  
10,000 PCS STOCK OPTIONS 2010 C

## ARJA HAKALA



B. 1957, M.SC. (ECON.), MBA  
GROUP VICE PRESIDENT, FINANCE, CHIEF FINANCIAL OFFICER, OCTOBER 8, 2003–  
DEPUTY TO PRESIDENT AND CEO, MARCH 16, 2004–  
WITH THE COMPANY SINCE: 1990–  
MEMBER OF THE EXECUTIVE BOARD SINCE: JANUARY 1, 2001

### EMPLOYMENT HISTORY:

RAUTE CORPORATION 1990–2003: ADMINISTRATIVE DIRECTOR; LUHTA OY 1985–1990: CONTROLLER

### RAUTE SHARES AND STOCK OPTIONS:

1,750 PCS SERIES A SHARES  
9,500 PCS STOCK OPTIONS 2010 A  
5,000 PCS STOCK OPTIONS 2010 B  
5,000 PCS STOCK OPTIONS 2010 C

## TIMO KANGAS



B. 1965, ENGINEER  
GROUP VICE PRESIDENT, EMEA, JANUARY 1, 2012  
WITH THE COMPANY SINCE: 2004–  
MEMBER OF THE EXECUTIVE BOARD SINCE: OCTOBER 1, 2004

### EMPLOYMENT HISTORY:

RAUTE CORPORATION 2004–2011: VARIOUS POSITIONS SUCH AS GROUP VICE PRESIDENT, TECHNOLOGY SERVICES, MAINTENANCE SERVICE MANAGER; YIT CORPORATION, 1999–2004: VARIOUS POSITIONS SUCH AS KEY ACCOUNT MANAGER, AREA MANAGER

### RAUTE SHARES AND STOCK OPTIONS:

750 PCS SERIES A SHARES  
9,500 PCS STOCK OPTIONS 2010 A  
5,000 PCS STOCK OPTIONS 2010 B  
5,000 PCS STOCK OPTIONS 2010 C



## PETRI LAKKA



B. 1965, LICENTIATE IN TECHNOLOGY, M.SC. (ENG.)  
GROUP VICE PRESIDENT, TECHNOLOGY SERVICES, JANUARY 1, 2012  
WITH THE COMPANY SINCE: 2011  
MEMBER OF THE EXECUTIVE BOARD SINCE: SEPTEMBER 26, 2011

### EMPLOYMENT HISTORY:

RAUTE CORPORATION 2011: GROUP VICE PRESIDENT, BUSINESS DEVELOPMENT; RAMBOLL FINLAND OY 2008–2011: DIRECTOR, INDUSTRY AND ENERGY DIVISION; METSO PAPER OY 1996–2008: VARIOUS POSITIONS, SUCH AS METSO PAPER SERVICE VICE PRESIDENT, R&D; SENIOR VICE PRESIDENT, MAINTENANCE SERVICES AND AREA VICE PRESIDENT, BOARD MACHINES SERVICES NORTH AMERICA; JAAKKO PÖYRY OY 1994–1996: PROCESS ENGINEER, PAPER MAKING

### RAUTE SHARES AND STOCK OPTIONS:

5,000 PCS STOCK OPTIONS 2010 B  
5,000 PCS STOCK OPTIONS 2010 C

## PETRI STRENGELL



B. 1962, M.SC. (ENG.)  
GROUP VICE PRESIDENT, TECHNOLOGY AND OPERATIONS,  
OCTOBER 11, 2004–  
WITH THE COMPANY SINCE: 1987–  
MEMBER OF THE EXECUTIVE BOARD SINCE: JUNE 1, 2004

### EMPLOYMENT HISTORY:

RAUTE CORPORATION 1987–2004: VARIOUS POSITIONS SUCH AS ENGINEERING MANAGER, PRODUCTION DIRECTOR

### RAUTE SHARES AND STOCK OPTIONS:

2,750 PCS SERIES A SHARES  
9,500 PCS STOCK OPTIONS 2010 A  
5,000 PCS STOCK OPTIONS 2010 B  
5,000 PCS STOCK OPTIONS 2010 C

**BRUCE ALEXANDER**, B. 1959, B.SC. (FOR.), MBA  
ACTED AS PRESIDENT OF RAUTE'S NORTH AMERICAN COMPANIES AND AS A MEMBER OF THE EXECUTIVE BOARD UNTIL OCTOBER 24, 2012. THE NORTH AMERICAN BUSINESS OPERATIONS HAVE BEEN INTEGRATED WITH THE TECHNOLOGY SERVICES BUSINESS SEGMENT, HEADED BY GROUP VICE PRESIDENT PETRI LAKKA, AS OF OCTOBER 24, 2012.

>> HOLDINGS OF RAUTE SHARES AND STOCK OPTIONS ON DECEMBER 31, 2012. THE FIGURES INCLUDE THEIR OWN HOLDINGS, AS WELL AS THOSE OF THEIR MINOR CHILDREN AND CONTROL ENTITIES.

# INFORMATION FOR SHAREHOLDERS

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## DIVIDEND POLICY

Raute exercises an active dividend policy. Its aim is to ensure competitive returns for its investors. Dividend payment takes into account future investment needs and the goal of maintaining a solid equity ratio. Due to the nature of the project business, the dividend is not directly tied to the annual result.

## PAYMENT OF DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.50 per share be paid for both series A and K shares. The date of payment is April 18, 2013 and the respective record date is April 11, 2013. Dividends will be paid to shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date.

## RAUTE SHARES

Raute Corporation has two series of shares. Series A shares have been quoted on the NASDAQ OMX Helsinki Ltd since 1994. Share quotations can be followed online at [www.raute.com](http://www.raute.com).

## SERIES A SHARE

- Trading code: RUTAV
- Number of shares: 3,013,597 pcs
- Votes/share: 1 vote

## SERIES K SHARE

- Number of shares: 991,161 pcs
- Votes/share: 20 votes

## PUBLISHING OF FINANCIAL INFORMATION

In all of its communications, Raute abides by the requirements of the Finnish Securities Markets Act and NASDAQ OMX Helsinki Ltd's rules for listed companies concerning accurate and simultaneous disclosure of information.

Raute publishes financial information (Annual Report, Financial Statements and Interim Reports) and stock exchange releases and notifications in both Finnish and English. Read more about Raute's investor communications policy on the company's website at [www.raute.com](http://www.raute.com).

The printed Annual Report will be mailed to the 200 largest shareholders and to others by request. Financial publications can also be ordered in print or as printouts by phone from +358 3 829 11 or by email from [ir@raute.com](mailto:ir@raute.com).



RAUTE IS A FINANCIALLY SOUND SMALL CAP COMPANY WITH A FAMILY BACKGROUND. RAUTE OPERATES GLOBALLY AND IS THE LEADER IN ITS FIELD.

In 2013 Raute Corporation will publish three interim reports as follows:

- January–March on Friday, April 26, 2013
- January–June on Tuesday, July 30, 2013
- January–September on Wednesday, October 30, 2013

Financial information materials, releases and other information on Raute can be found on Raute's website at [www.raute.com](http://www.raute.com).

## PERSONS RESPONSIBLE FOR INVESTOR RELATIONS

- Tapani Kiiski, President and CEO
  - Arja Hakala, CFO
- tel. +358 3 829 11  
email address: [ir@raute.com](mailto:ir@raute.com).

## ANALYST MONITORING RAUTE

Inderes Oy. In addition, other analysis companies occasionally draw up reports on the company. Raute is not liable for the estimates presented in the analysis.

LARGEST SHAREHOLDERS AT DEC. 31, 2012

BY NUMBER OF SHARES	NUMBER OF SERIES K SHARES	NUMBER OF SERIES A SHARES	TOTAL NUMBER OF SHARES	% OF TOTAL SHARES	TOTAL NUMBER OF VOTES	% OF VOTING RIGHTS
Sundholm Göran	-	624,398	624,398	15.6	624,398	2.7
Mandatum Henkivakuutusosakeyhtiö	-	181,900	181,900	4.5	181,900	0.8
Mustakallio Kari Pauli	60,480	56,900	117,380	2.9	1,266,500	5.5
Sijoitusrahasto Alfred Berg Small Cap Finland	-	116,671	116,671	2.9	116,671	0.5
Suominen Pekka	48,000	62,429	110,429	2.8	1,022,429	4.5
Suominen Tiina Sini-Maria	48,000	62,316	110,316	2.8	1,022,316	4.5
Siivonen Osku Pekka	50,640	53,539	104,179	2.6	1,066,339	4.7
Kirmo Kaisa Marketta	50,280	41,826	92,106	2.3	1,047,426	4.6
Mustakallio Mika Tapani	57,580	29,270	86,850	2.2	1,180,870	5.2
Keskiaho Kaija Leena	33,600	51,116	84,716	2.1	723,116	3.2
Särkijärvi Anna Riitta	60,480	22,009	82,489	2.1	1,231,609	5.4
Laakkosen Arvopaperi Oy	-	71,849	71,849	1.8	71,849	0.3
Relander Harald Bertel	-	70,900	70,900	1.8	70,900	0.3
Mustakallio Ulla Sinikka	53,240	15,862	69,102	1.7	1,080,662	4.7
Mustakallio Marja Helena	43,240	16,047	59,287	1.5	880,847	3.9
Särkijärvi Timo	12,000	43,256	55,256	1.4	283,256	1.2
Särkijärvi-Martinez Anu Riitta	12,000	43,256	55,256	1.4	283,256	1.2
Kirmo Lasse	30,000	24,110	54,110	1.4	624,110	2.7
Suominen Jukka Matias	24,960	27,964	52,924	1.3	527,164	2.3
Mustakallio Kai Henrik	47,420	4,594	52,014	1.3	952,994	4.2
<b>Total</b>	<b>631,920</b>	<b>1,620,212</b>	<b>2,252,132</b>	<b>56.2</b>	<b>14,258,612</b>	<b>62.4</b>

## ANNUAL GENERAL MEETING

Raute Corporation's Annual General Meeting will be held on **Monday, April 8, 2013 at 6 p.m. at Sibelius Hall, Ankkurikatu 7, Lahti, Finland.**

To be entitled to attend, shareholders must be registered in the shareholders' register maintained by Euroclear Finland Ltd on March 25, 2013.

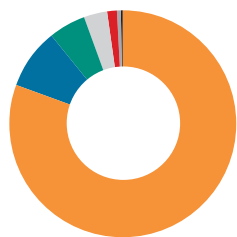
Shareholders with nominee-registered holdings are encouraged to request from their trustees the necessary instructions concerning registration in the Company's shareholders' register, letters of proxy, and registration at the meeting.

Shareholders who wish to attend the Annual General Meeting should register for it by 4:00 p.m. on Wednesday, April 3, 2013.

- by writing to Raute Corporation, P.O. Box 69, FI-15551 Nastola, Finland;
- by email to [eija.salminen@raute.com](mailto:eija.salminen@raute.com);
- by sending a fax to +358 3 829 3582 or
- by calling +358 3 829 3302, Ms. Eija Salminen.

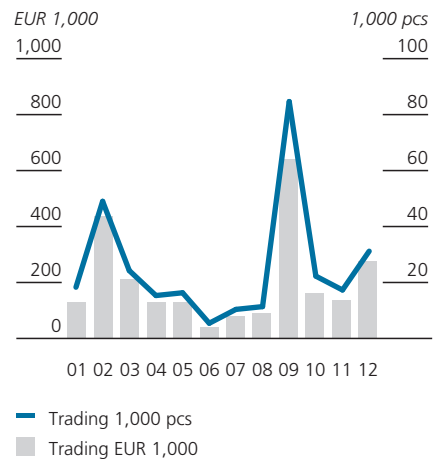
Any letters of proxy should be delivered as originals to the address Raute Corporation, Eija Salminen, P.O. Box 69, FI-15551 Nastola, Finland before the end of registration.

SHARE OWNERSHIP BY SHAREHOLDER CATEGORY AT DEC. 31, 2012

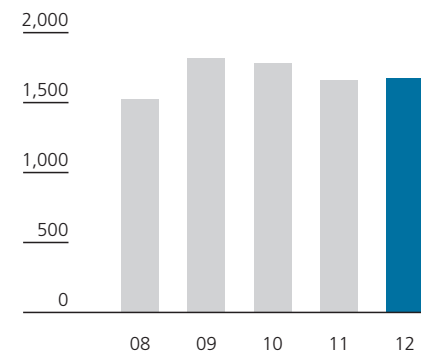


Households	80.7%
Financial and insurance institutions	8.7%
Companies	5.1%
Nominee-registered	3.3%
Public institutions	1.5%
Non-profit shareholders	0.5%
Foreign shareholders	0.2%

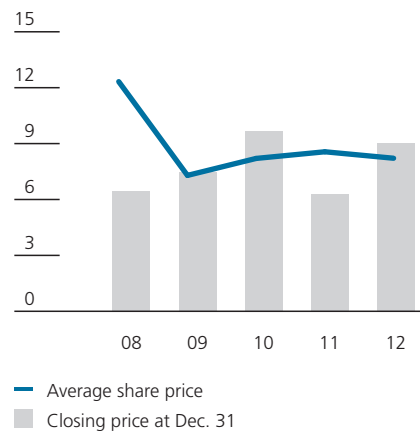
TRADING IN SERIES A SHARES 2012



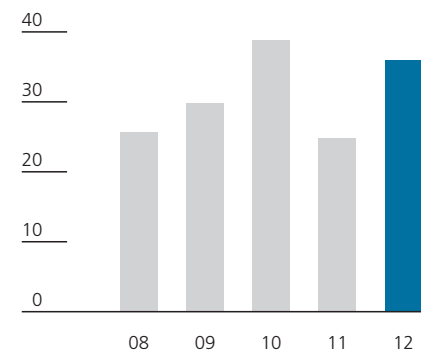
DEVELOPMENT OF THE NUMBER OF SHAREHOLDERS



DEVELOPMENT OF SHARE PRICE  
EUR



MARKET VALUE OF CAPITAL STOCK AT DEC. 31  
EUR million



Series K shares appreciated to the value of series A shares.

# CONTACTS

## **RAUTE CORPORATION HEAD OFFICE AND MAIN PRODUCTION PLANT**

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Annual Report 2012

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