

# Raute in 2008

Tapani Kiiski, President and CEO

Raute Corporation's Annual General Meeting  
April 2, 2009 at Congress Center Fellmanni, Lahti, Finland



# Raute's business operations, strategy and operating environment

## **Strategic targets:**

- Enhanced adaptation to cyclical economic fluctuations
  - Continuous improvement of profitability
  - Well managed growth

# Products, services and customer industries

## **Veneer-based wood products:**

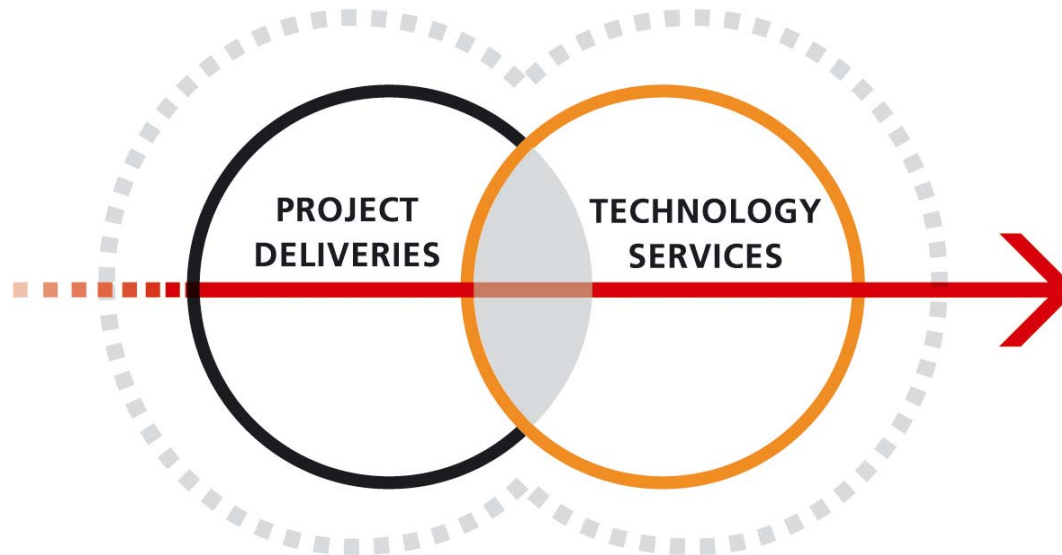
- Complete mills, production lines, machinery and equipment
- Automation, machine vision applications and measuring technology

## **Technology services:**

- Maintenance, spare parts and modernization services
- Consulting and business support services

## **Raute's customer industries:**

- Plywood and veneer industry
  - Decorative veneer industry
- LVL industry
  
- The customer industries manufacture wood-based panel products, which are mainly use in investment commodities
- The most important customers of the customer industries are the construction, transport, furniture and packaging industries



- ..... Full-scope service offering
- Project deliveries
  - Complete mills, production lines and single machines
  - Automation, machine vision and measuring technology
-

## Mission

We generate added value for our customers' businesses by supplying state-of-the-art technology and services to facilitate the profitable and environmentally sustainable production of wood products.

## Values

- The customer
- Trust in people
- Continuous development
- The environment

## Strategic competitive advantages

- Customer orientation
- Full-service concept
- Commitment to research and development work
- Quality
- Superior competence

## Strategic targets:

- Enhanced adaptation to cyclical economic fluctuations
- Continuous improvement of profitability
- Well managed growth

## Vision

We want to become the world's leading supplier of technology and services in our field.

# Implementing the strategy in 2008

## **Enhanced adaptation to cyclic, financial fluctuations:**

- Development of the partner network and investing in technology services has improved the ability to react to fluctuations in the economic cycle
  - The improved flexibility wasn't enough to compensate the strongly lowered demand
  - Operations in the North American unit were adapted in spring and in Finland during the last part of the year

## **Profitability:**

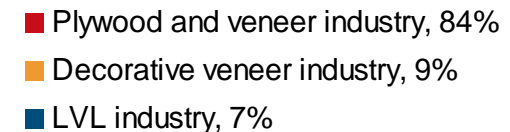
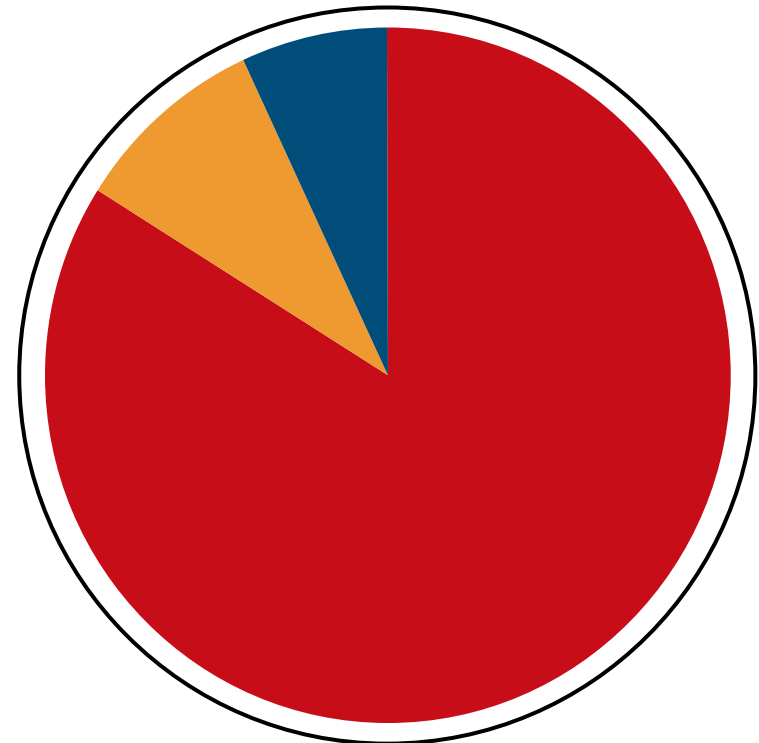
- Profitability on a good level during the three first quarters
  - Favorable product mix of the order book and good efficiency and quality of operations
- Due to the fast downturn of the market situation the operating profit of the last quarter was low and profitability weakened
  - The profitability objectives for the whole year were not met

## **Growth:**

- At the beginning of the year the order book and demand were on a good level. At the end of the year the order book and demand decreased to a low level
  - The growth objectives for the whole year were not met

# Machinery markets of the customer industries\*

- The machinery markets of Raute's customer industries is estimated to be around EUR 700 million, of which Raute's market share is around 10-15 percent
- Raute's market share of the plywood industry is around 15-20 percent. The size of the plywood industry machinery market is around EUR 550 million
- About half of the world's LVL production is made with machines delivered by Raute
- For Raute the technology service markets offer great potential



\* Wood product markets related to Raute's business operations

# Raute, the markets and potential

## North America

- The second largest plywood producing and largest LVL producing country in the world
- Local players control the equipment market
- Investments directed mainly at modernizations
- Raute has growth potential in comprehensive, strategic investments and technology services

## South America

- One of the largest growth areas of the plywood industry
- Opportunities are offered by the structure of the local forest industry, abundant forest plantation wood resources and investments made in products with a high degree of processing
- Raute has a strong position in Chile and promising deliveries to Brazil. Growth is expected to continue in the area

## Europe

- Important market area for Raute. the market has grown strongly in the last years
- In future the focus will be on projects targeted in enhancing production efficiency and quality

## Russia

- Strong market area where plywood production has doubled over the last last years
- Great wood raw material resources and a developing economy
- Raute has growth opportunities also in technology services

## China

- The largest plywood producing country in the world
- Production is based on old and manual labor intensive technology
- The higher demands on end product quality offers possibilities for Raute

## Rest of Asia, Australia and New Zealand

- Plantation forests enable the new growth of the plywood production
- Raute's strength is its technology for the production of small-diameter plantation wood



# Raute matches up to market potential

- Plywood production grows slowly - Raute has possibilities to grow its market share
  - New capacity to new areas and plantation forest resources.
    - Raute has strong references in the processing of plantation species
  - New demands emerge and technologies grow old
    - Tehnology development itself creates new demand for both new investments and modernizations
- During the "normal" cycle the LVL production has grown 10 percent annually
  - Raute has a strong position in the LVL industry, over 50 percent of the world's LVL production is made with machinery supplied by Raute
  - Growth opportunities in the expansion of LVL use in construction
- Potential in technology services, wide installed base creates growth opportunities, also the customers' need to enhance their operations
- Services for the entire life cycle of the customers' investment
- Concentration on solely serving the wood products industry

# Financial statements for 2008

# Year 2008: adapting to the difficult market situation



- The market situation of the **plywood industry** weakened strongly in the second half of the year
  - Market situation weak in North America for the whole year
- The market situation of the **LVL industry**, which is dependent on construction activity, is difficult due to the low level of construction
- Production capacity is adjusted to meet the lowered demand
- Prices have mainly remained at a normal level
  
- The downturn in the market situation and the financial crisis have reflected the investment decisions of the plywood, veneer and LVL industries, the demand has lowered
- Demand for technology services has lowered due to for example the low capacity utilization rates of the customers' mills

# Financial development

MEUR	1-12 2008	1-12 2007
Net sales	<b>98.5</b>	110.8
Operating profit	<b>6.3</b>	8.6
New orders:		
• Project deliveries	<b>44</b>	61
• Technology services	<b>23</b>	29
Order book	<b>24</b>	56

- New orders at a low level
  - Due to the weakened market situation of the customer industries and the effect of the financial crisis on investment decisions
- The good order book in the beginning of the year decreased to a low level during the second half of the year
- Net sales down 11%
  - Project deliveries down 10% due to the low level of new orders
  - Technology services down 14% due to the weak market situation especially in North America
- Operating profit down 26%
- The good profitability development in the first three quarters broke off due to the strong decrease in net sales in the fourth quarter

# Income statement and key figures

MEUR	2008	2007
<b>Net sales</b>	<b>98.5</b>	<b>110.8</b>
<b>Operating profit</b>	<b>6.3</b>	<b>8.6</b>
Financial income and expenses	0.5	0.4
<b>Profit before taxes</b>	<b>6.9</b>	<b>9.0</b>
Income tax	-2.2	-2.4
<b>Profit for the period</b>	<b>4.7</b>	<b>6.6</b>
Earnings per share, EUR	1.18	1.65
Operating cash flow	6.9	-10.2
Return on investment, % (ROI)	19.4	29.2
Gearing, %	-31.0	-32.5
Equity ratio, %	60.5	70.3
Personnel (in books)	573	570

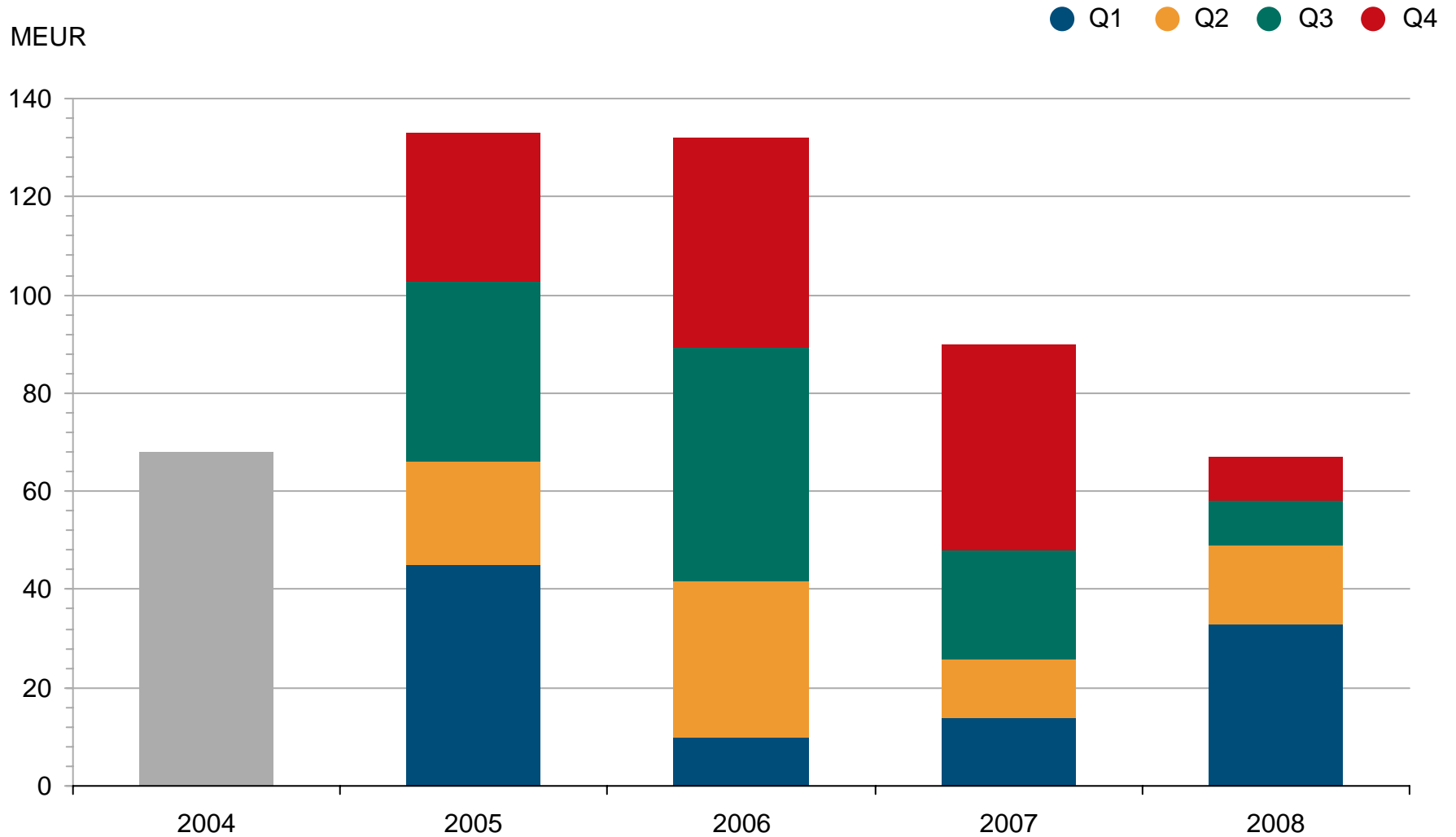
# Balance sheet

<b>MEUR</b>	<b>31.12.2008</b>	<b>31.12.2007</b>
Intangible	2.5	2.6
Tangible	11.2	11.0
Other non-current assets	0.8	0.7
Inventories	4.3	4.5
Receivables	20.3	24.7
Cash	21.1	11.3
<b>Assets</b>	<b>60.2</b>	<b>54.8</b>
Equity	34.3	33.2
Non-current liabilities	9.1	1.2
Customer deposits	3.5	7.6
Current assets	13.3	12.8
<b>Equity and liabilities</b>	<b>60.2</b>	<b>54.8</b>

# Cash flow statement

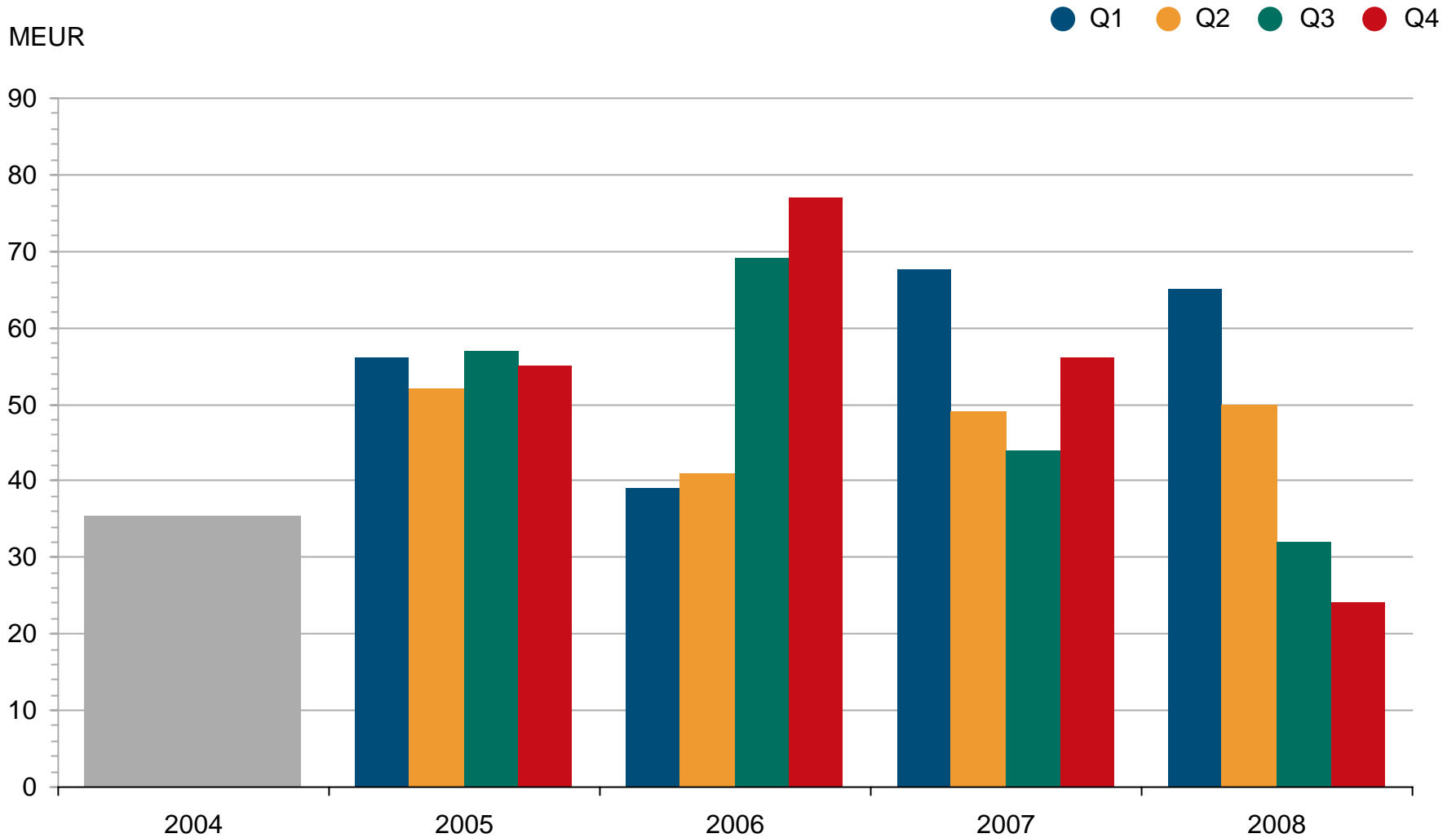
<b>MEUR</b>	<b>2008</b>	<b>2007</b>
Cash flow from operating activities	6,9	-10,2
Cash flow from investing activities	-3,1	-0,7
Cash flow from financing activities	6,0	-1,8
<b>Net change in cash and cash equivalents</b>	<b>9,8</b>	<b>-12,7</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>11,3</b>	<b>24,0</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>21,1</b>	<b>11,3</b>

# New orders

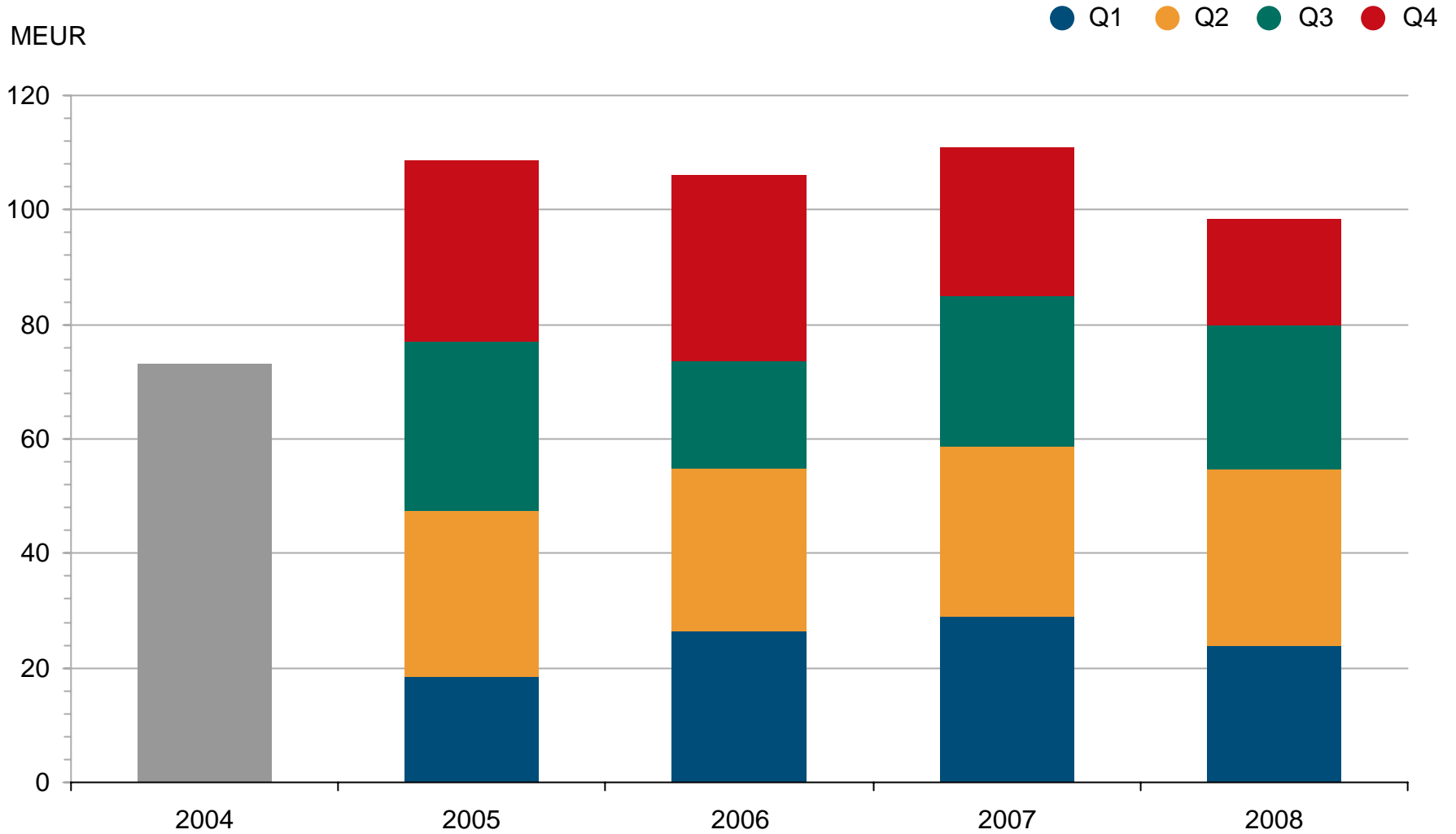




# Order book

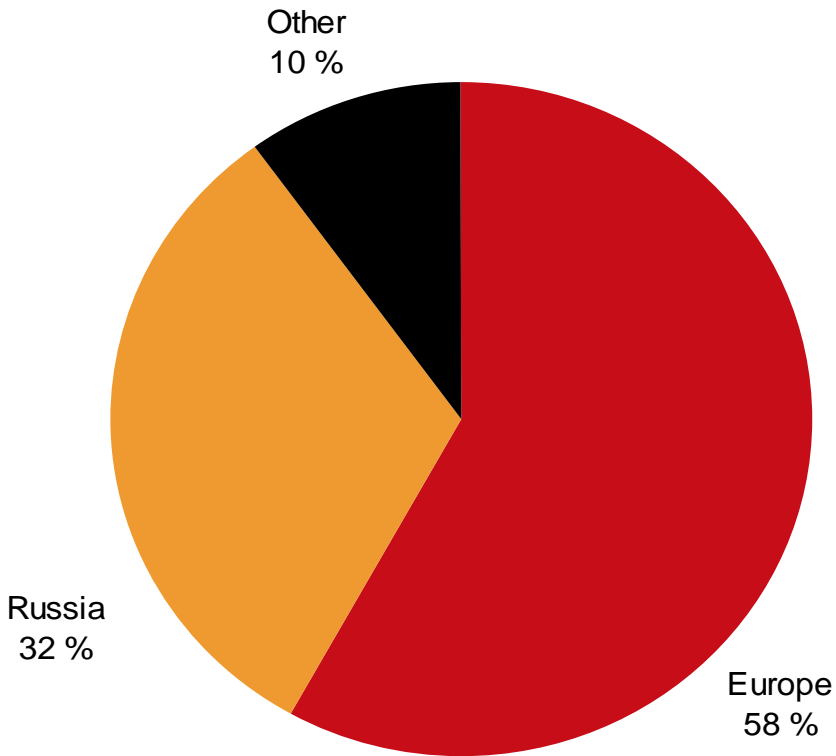


# Net sales

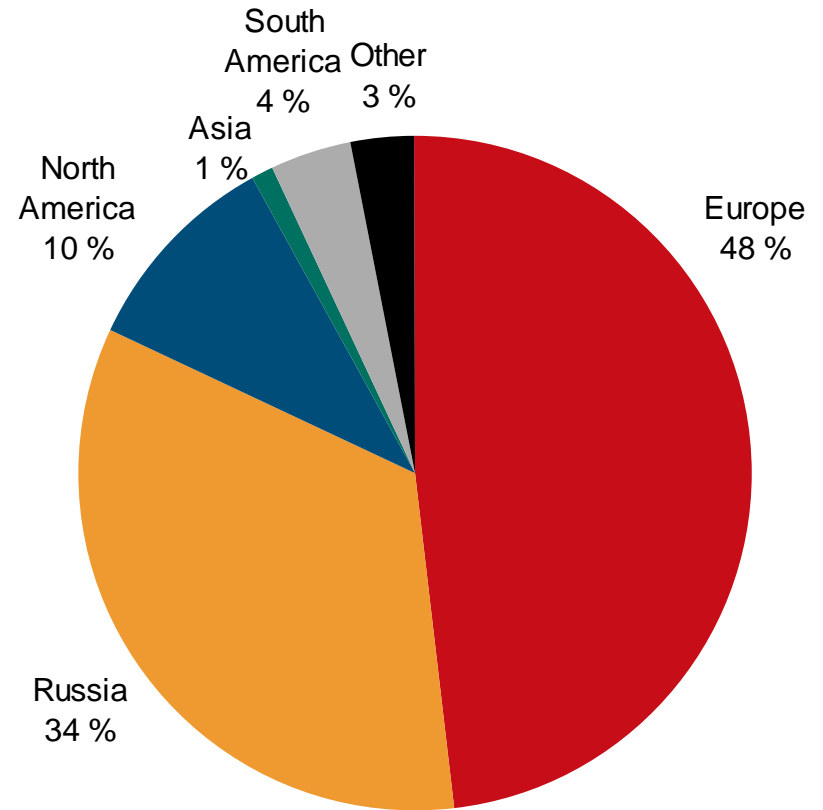


# Year 2008 by market area

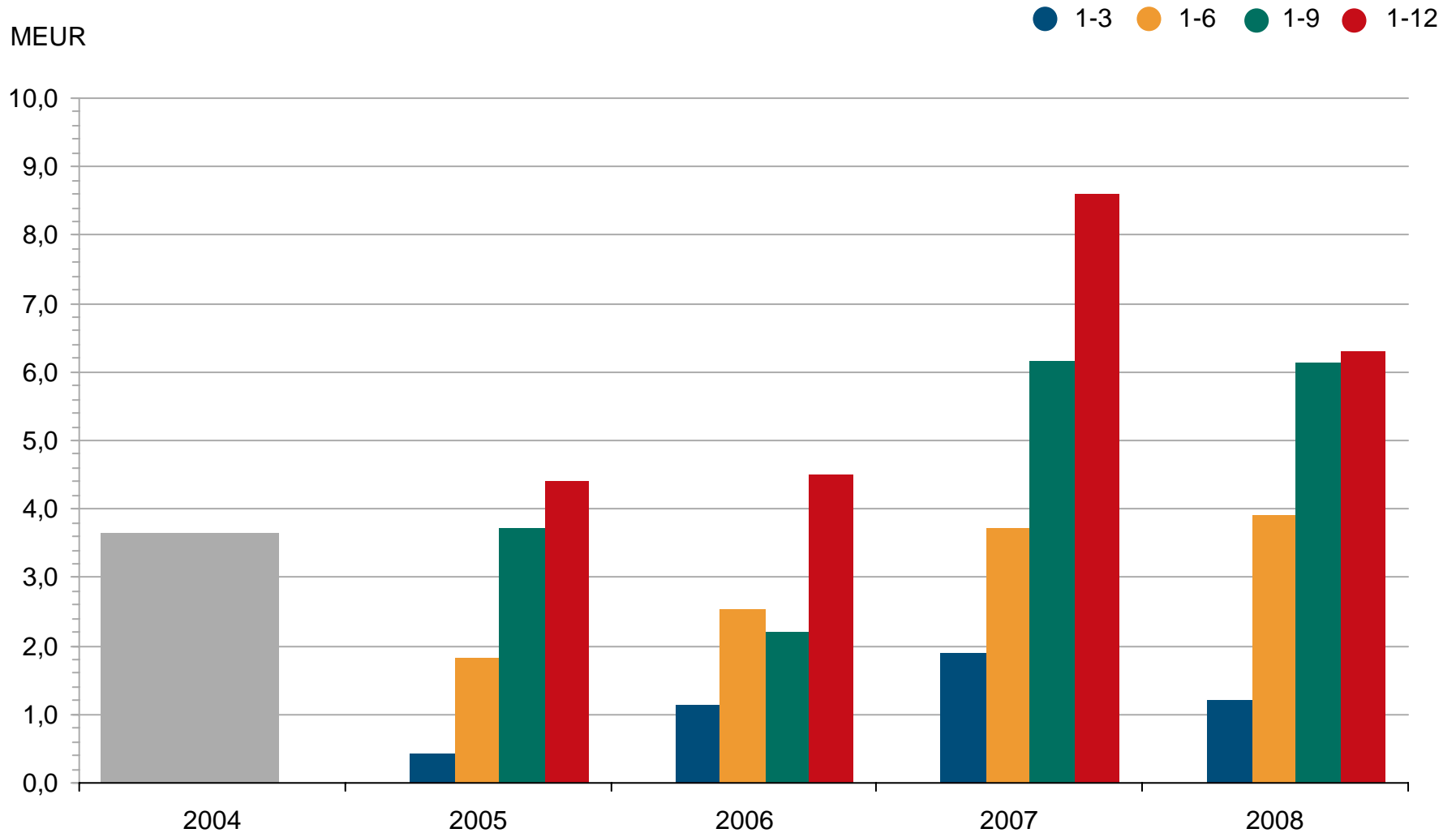
## New project orders



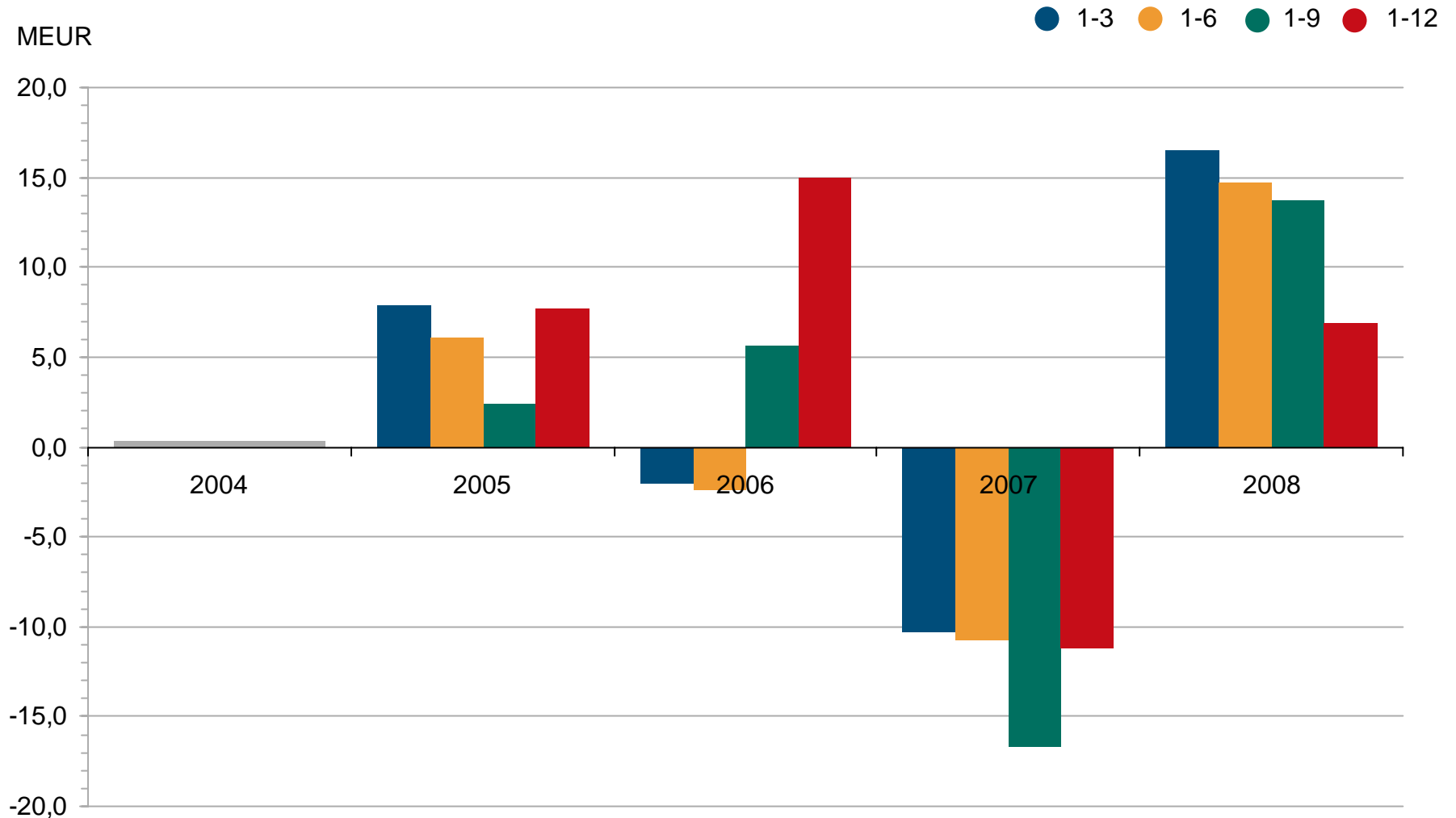
## Net sales



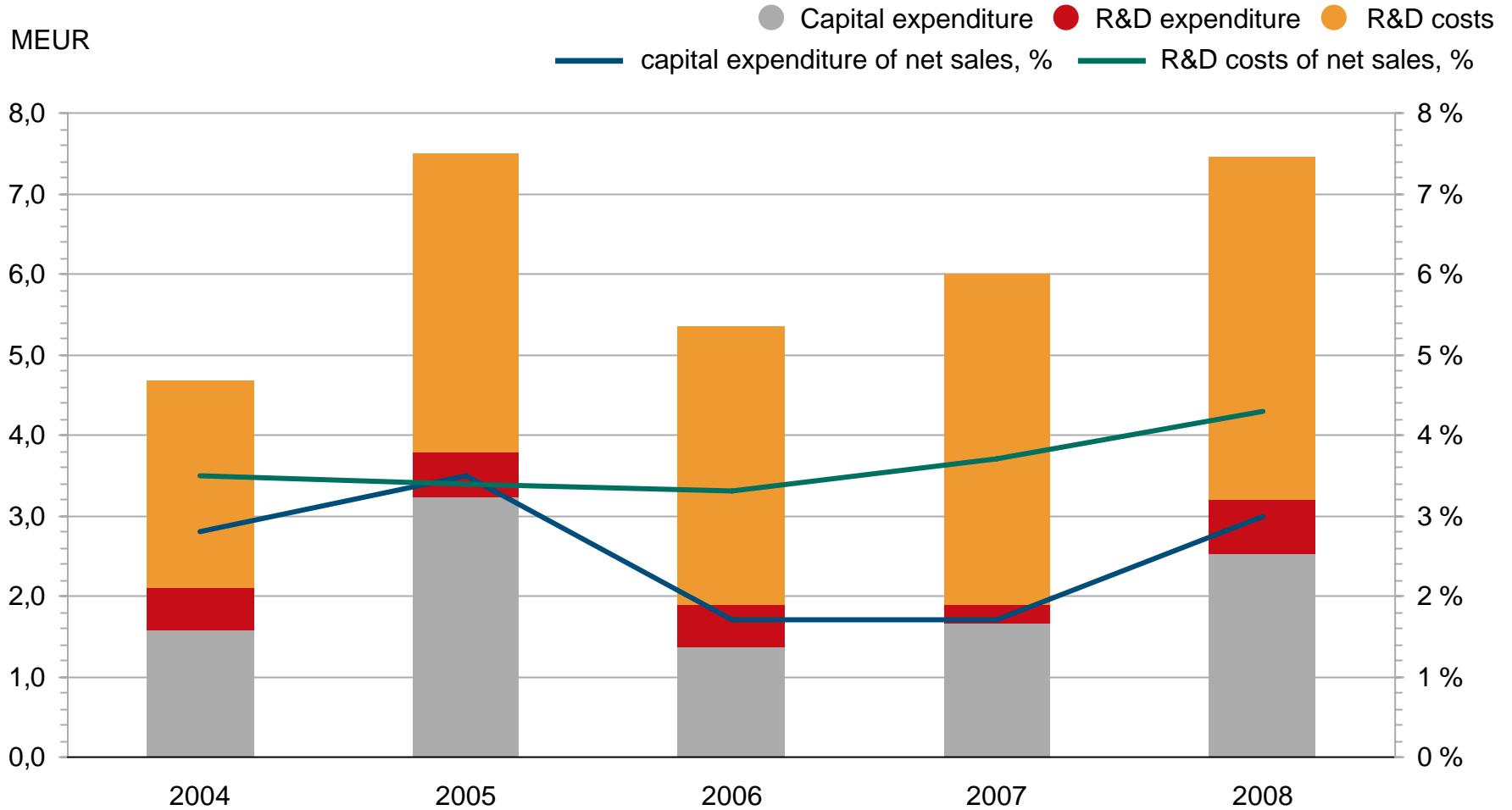
# Operating profit



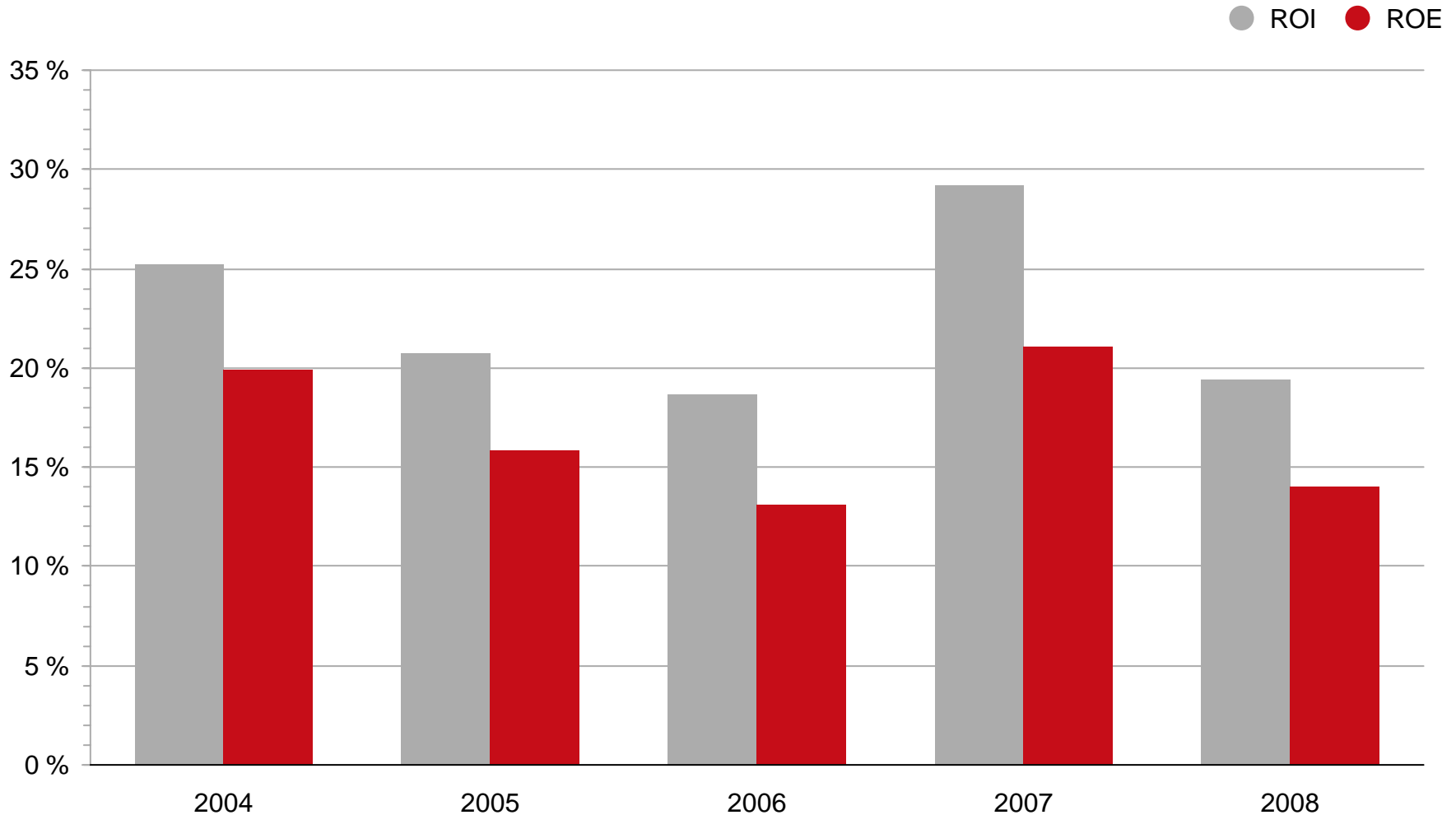
# Operating cash flow



# Investing in the future

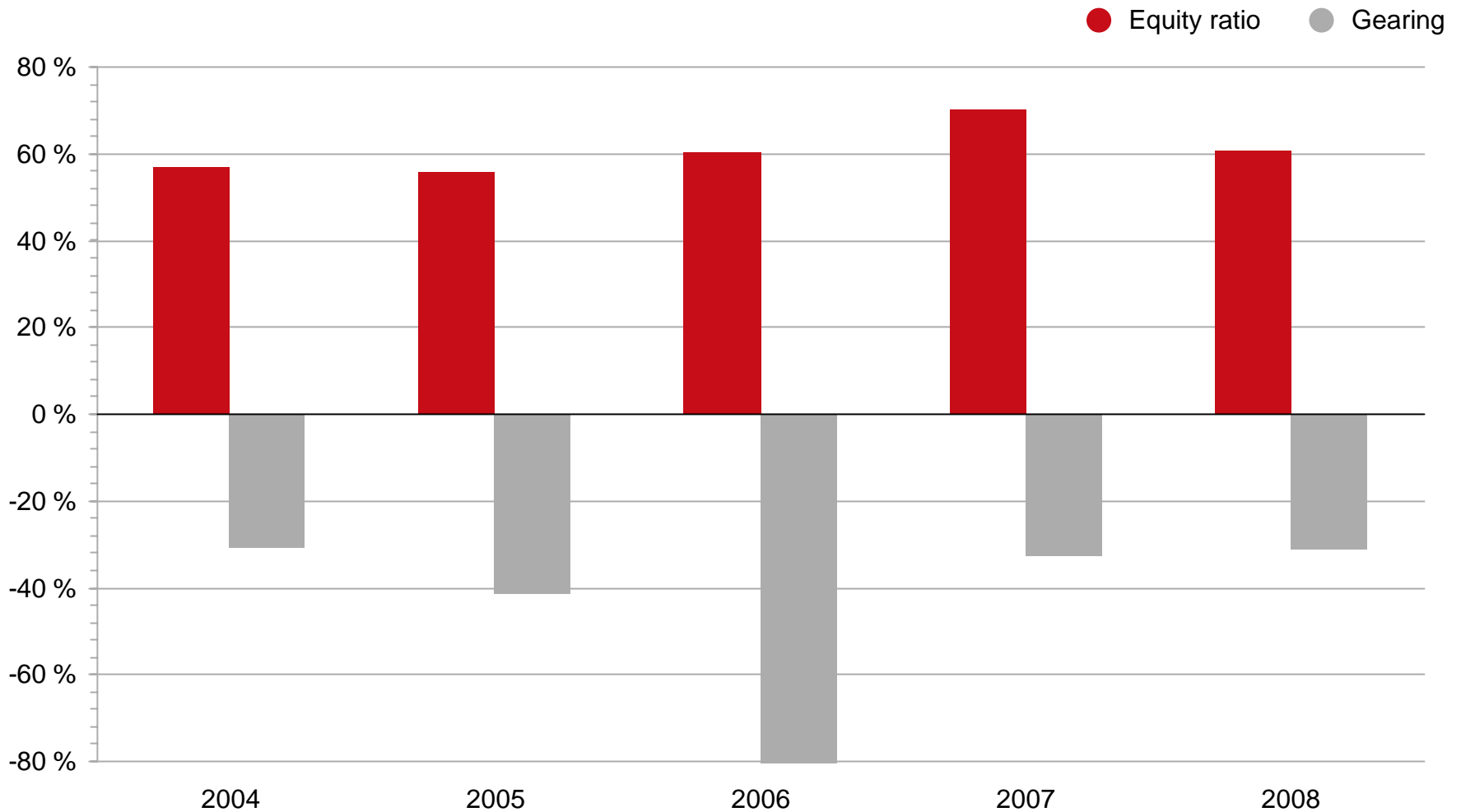


# Return on investment (ROI) Return on equity (ROE)



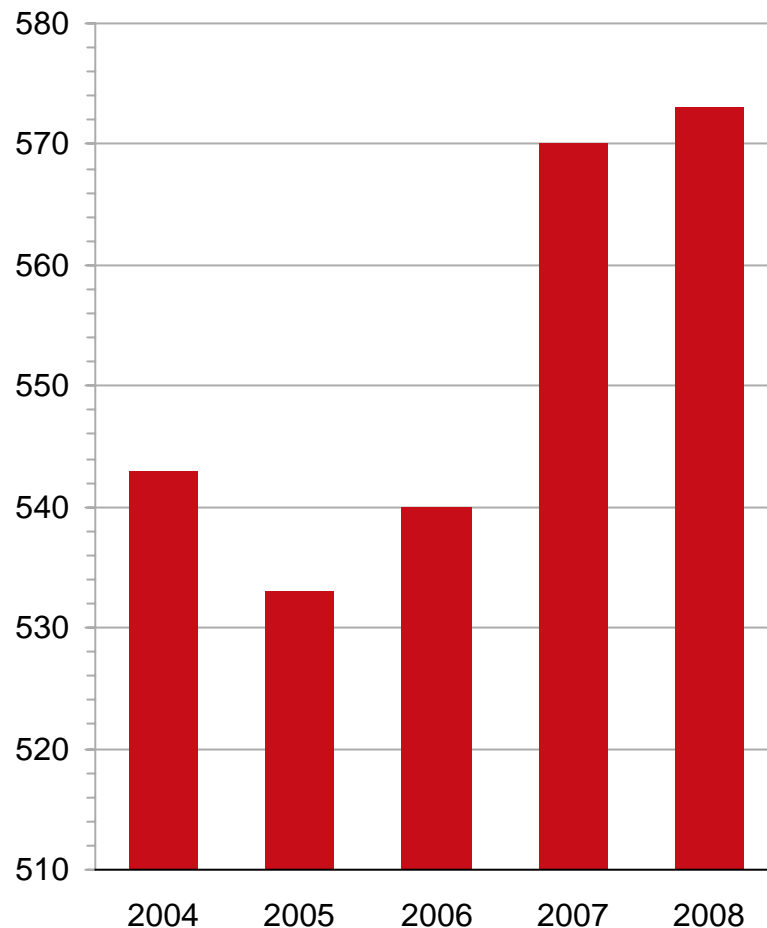
Year 2004 contains a MEUR 2,1 return from discontinuing operations

# Equity ratio and gearing





## Number of personnel at Dec. 31.



Personnel*	2008	2007	2006
Number of personnel	<b>550</b>	548	522
Average age	<b>45</b>	47	45
Women, %	<b>12</b>	12	12
Years of experience at Raute	<b>14</b>	14	14
Number of new employment contracts	<b>53</b>	71	44
Total turnover of employees, %	<b>11</b>	13	8
Training days/employee	<b>2</b>	3	2

\*Current employment contracts at Dec. 31.

# Strategiset focus areas in 2009

## **Adaptation to cyclic, economic fluctuations**

- 2006-2008 flexibility according to growing needs
- 2009 adjusting to the low demand
- Adjusting of the product and service offering to meet with the customers' possibilities and priorities
- Realization of the adjustment and development measures

## **Profitability**

- Normalizing of the order book
- Continuous improvement of the operations, enhanced quality and maintained productivity

## **Growth**

- New products and services
- Transition and establishment of the new customer service process

- Customer industries:
  - The difficult market situation is estimated to continue at least to the end of year 2009
  - The financial crisis has postponed investment decisions
    - New, also mill-scale in the planning phase, but their timing is uncertain
- Raute:
  - Order book on a low level
  - Demand for project deliveries and technology services on a weak level
    - The financial crisis and the difficult market situation in the customer industries have affected the investment activity, also for modernizations
    - The demand for maintenance and spare parts services has lowered due to the low capacity utilization rates of the customers' mills
  - The net sales and operating profit are expected to decline significantly
    - Achieving a positive result will be very challenging in the present market situation

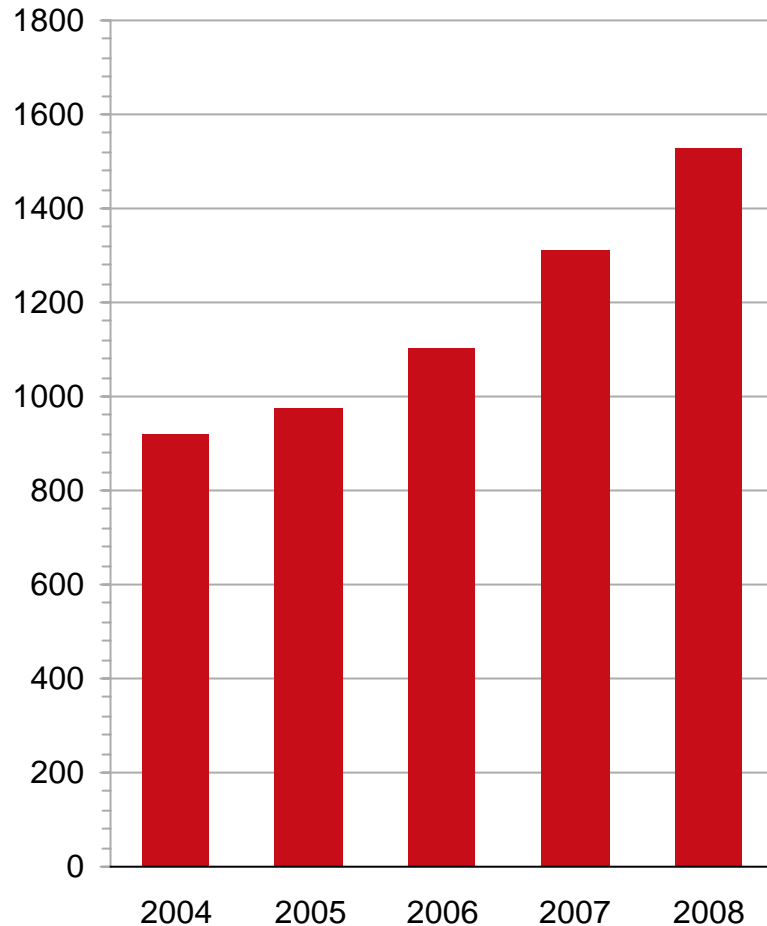
# Shareholder value

# Higher shareholder value

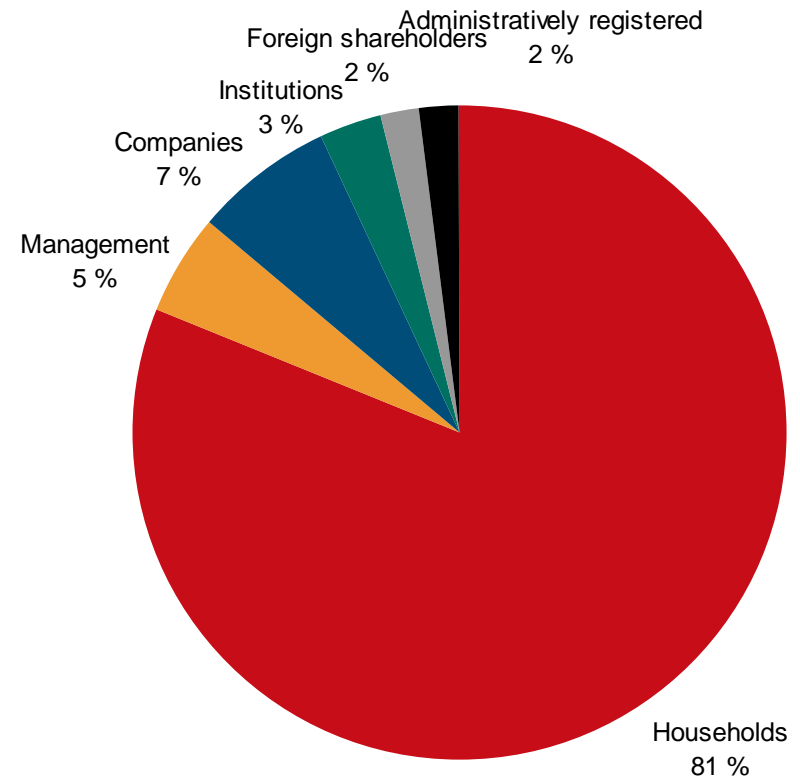
- Clearly defined strategy and regular review of it
- Reaction and adaptation to changing market conditions
- Solid and long term ownership
- Impeccable corporate governance and communication
  - Predictability
- Stock exchange quotation
- Dividend policy and solvency



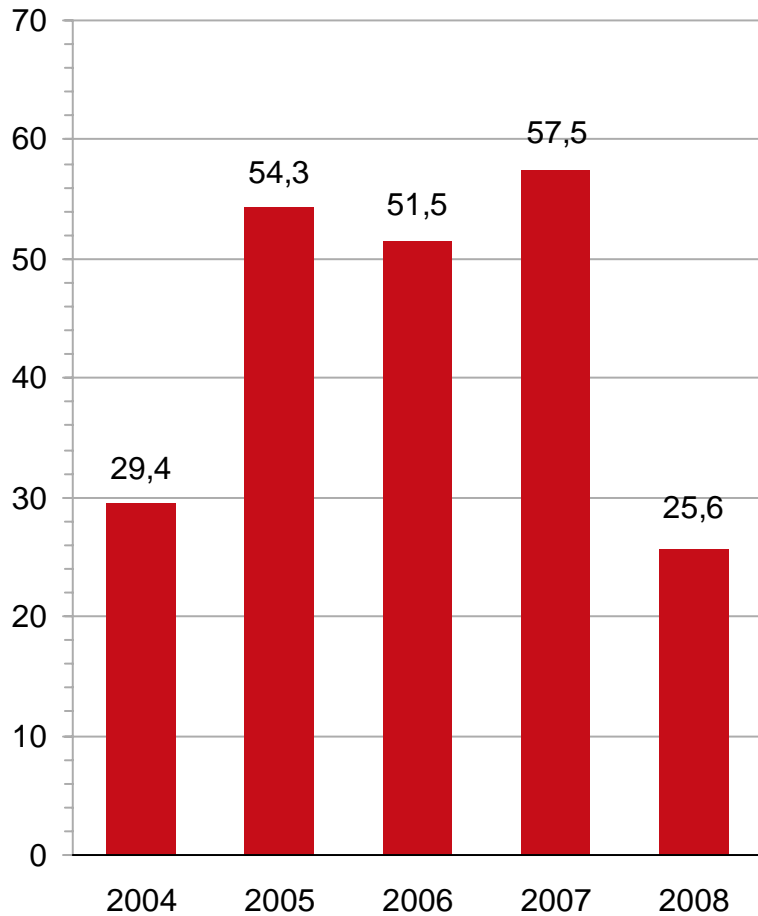
## Development of the number of shareholders



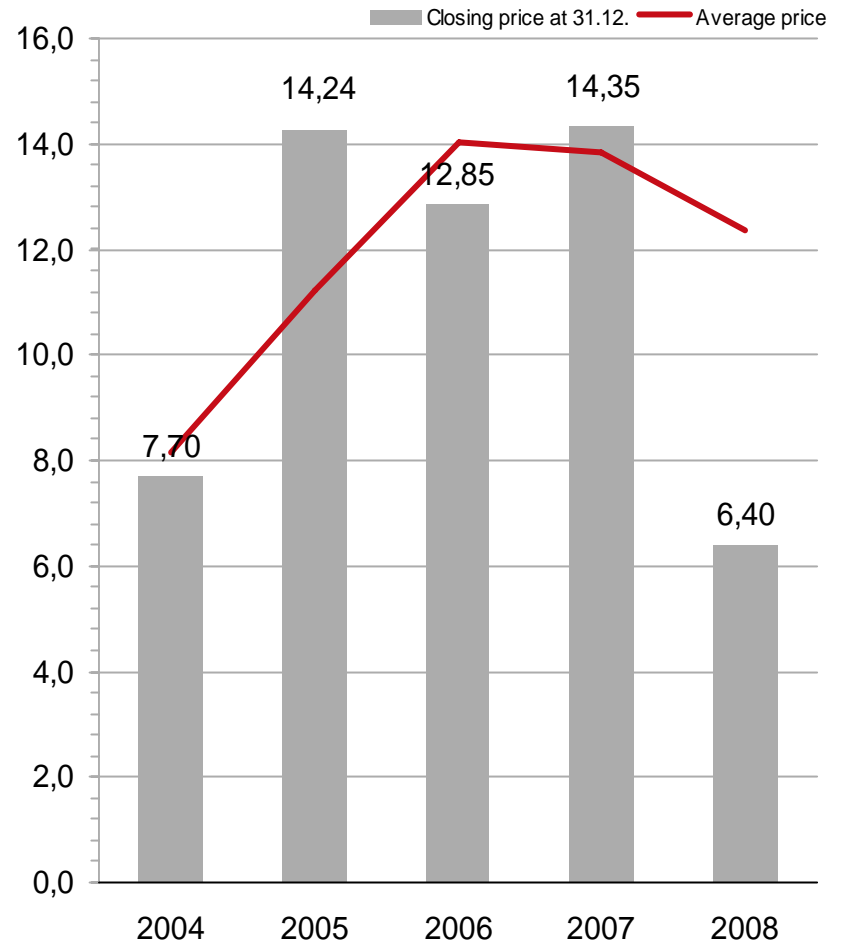
## Ownership at Dec. 31 2008



## Market value at Dec. 31, 2008, MEUR

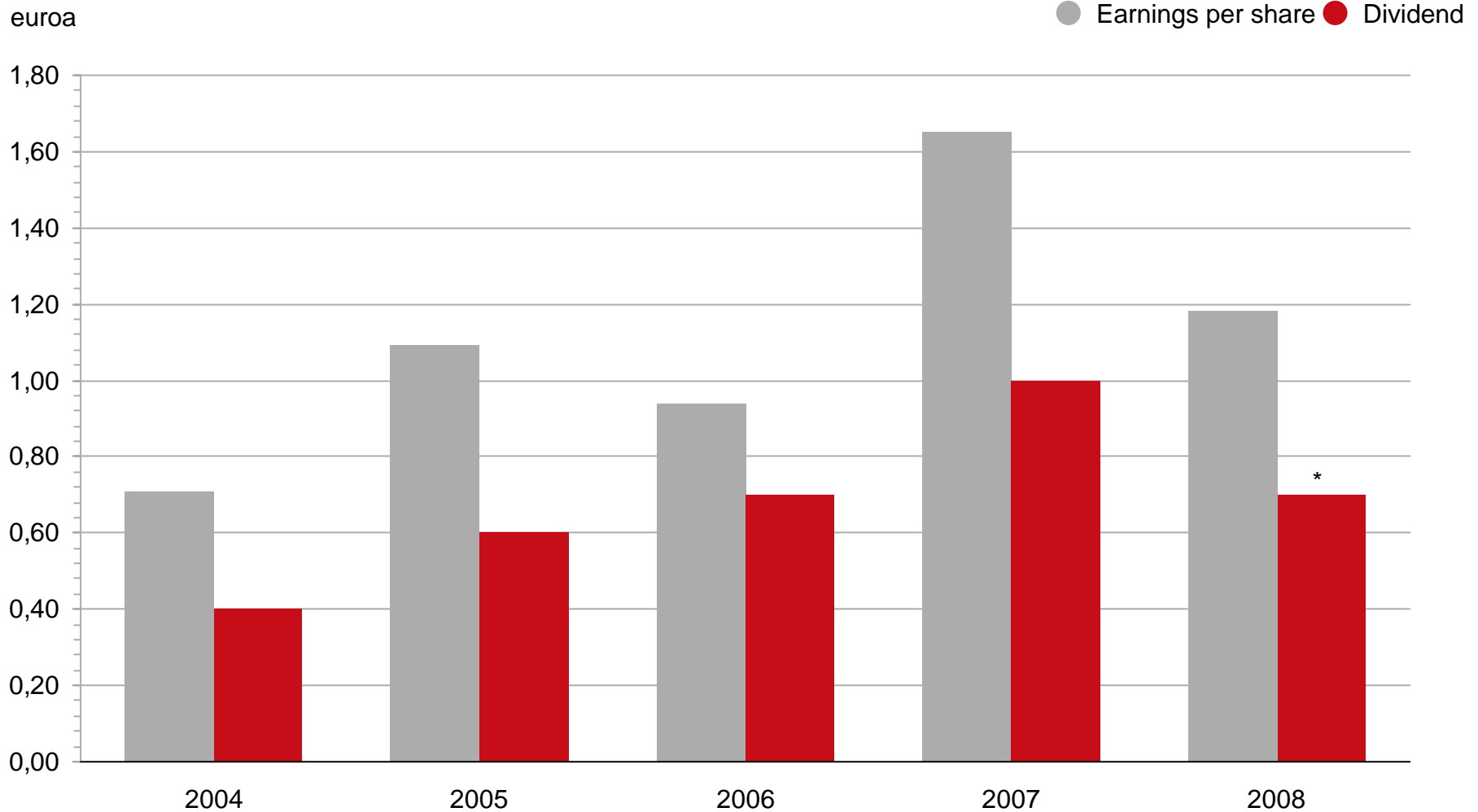


## Share price, EUR



Series K shares appreciated to the value of series A shares

# Earnings per share



\* Board of Directors' proposal to the AGM



Thank you for your interest!

