



INTERIM REPORT | January 1 – March 31, 2016
April 29, 2016

RAUTE CORPORATION – INTERIM REPORT JANUARY 1 – MARCH 31, 2016

- The Group's first quarter net sales, EUR 26.4 million (MEUR 24.6), increased 7% on the comparison period.
- Operating profit was EUR 1.4 million (MEUR 1.2). The result before taxes was EUR 1.3 million (MEUR 1.4).
- Earnings per share were EUR 0.22 (EUR 0.27).
- Order intake, at EUR 13 million (MEUR 84), was low. The order book at the end of the reporting period amounted to EUR 44 million (MEUR 101).
- Raute's net sales and operating profit for 2016 are expected to remain at the same level as in 2015.

TAPANI KIISKI, PRESIDENT AND CEO: SLUGGISH START TO THE YEAR

We can be reasonably satisfied with the net sales and operating profit for the first quarter, which are in line with our estimates based on the order book at the beginning of the year. We were thus successful in executing the projects in our order book mainly as planned.

The volume of order intake was a clear disappointment to us. The economy at large continued to improve slightly in our main markets, but it did not result in a tangible boost for us. In this regard, the situation has changed very little compared to the past few quarters. In my view, our customers' market situation has remained reasonably good, judging from the demand for our spare parts and active planning of production-related investments by many of our customers.

The overall market situation for LVL and plywood machinery is very interesting. The activity of our customers is, in many market areas, at a higher level than last year. We are receiving large numbers of requests for quotations and are of course making offers accordingly. Customer activity in planning their investments is even more evident in the picking up of contract negotiations.

As a result, our sales personnel have been exceptionally busy in the first months of the year, yet the making of actual investment decisions and commercial contracts has been further postponed. It is difficult to find a common denominator for the delays. Apparently, economic and financial market uncertainties have an impact in many cases, and geopolitical tensions and their results also play a role.

We estimated at the very beginning of the year that new orders would focus on the latter half of the year, but we did not expect the beginning of the year to be quite so quiet. The postponement of our customers projects, the resulting low order intake and declining order book increase pressure and challenges relating to the success of our current financial year. Due to the fact that our customers are actively planning investment projects, more of which have emerged in the first months of the year, I am confident that our earlier estimate for the entire year of 2016 will be realized: our net sales and operating profit will reach last year's level. It will require, however, hard work and successes by us and our partners and customers.

RAUTE CORPORATION – INTERIM REPORT JANUARY 1 – MARCH 31, 2016

BUSINESS ENVIRONMENT

Market situation in customer industries

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

The situation in the global economy and the financial markets in the early months of 2016 did not change considerably with respect to Raute or Raute's customer base.

Europe's economy has continued to strengthen slightly. Russia's development has remained weak and according to market data, Russian plywood manufacturers have reduced their prices on the European and Asian markets to compensate for a weakening in domestic demand. China's measures to strengthen its economy have still not materialized as increased investments among Raute's customers. The domestic markets of major South American countries were weak. In part due to weaker currencies, Chilean and Brazilian plywood manufacturers have increased their exports to Europe and North America, which will tighten competition in these markets.

Construction activity has remained at a low level in all market areas, including North America, where the economy in general continues its positive growth and construction shows signs of steady recovery. Due to the market situation described above, Raute's customers' order books have remained short, which has not made for an attractive environment for implementing investments.

Demand for wood products technology and technology services

The demand for Raute's technology and services was conflicting during the period under review. Invitations to tender for projects and even active negotiations were relatively high in number, but very few of these translated into decisions and orders. Demand for spare parts and services remained at a good level.

ORDER INTAKE AND ORDER BOOK

Raute serves the wood products industry with a full-service concept based on service that encompasses the entire life cycle of the delivered equipment. Raute's business consists of project deliveries and technology services. Project deliveries encompass projects from individual machine or production line deliveries to deliveries of all the machines and equipment belonging to a mill's production process. Additionally, Raute's full-service concept includes comprehensive technology services ranging from spare parts deliveries to regular maintenance and equipment modernizations, as well as consulting, training and reconditioned machinery.

The first-quarter order intake was very low, amounting to EUR 13 million (MEUR 84). Of the new orders, 53 percent came from Europe (85%), 18 percent from North America (10%), 12 percent from Russia (3%), 11 percent from South America (1%) and 6 percent from Asia-Pacific (1%). The strong fluctuation by quarter in the distribution of new orders between the various market areas is typical for project-focused business.

Order intake in technology services amounted to EUR 9 million (MEUR 10), 4 percent down from the comparison period.

The order book weakened during the first quarter by EUR 16 million, amounting to EUR 44 million at the end of the period (MEUR 101). The order book at the end of the reporting period was at a reasonable level despite the low order intake. At the comparison date March 31, 2015, the order book was at a record high due to the high order intake volume in the first quarter of 2015.

COMPETITIVE POSITION

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

NET SALES

Net sales for the reporting period, EUR 26.4 million (MEUR 24.6), were up 7 percent on the first quarter of 2015.

Of the total net sales for the reporting period, Europe accounted for 61 percent (61%), North America for 16 percent (14%), Russia for 14 percent (10%), Asia-Pacific for 6 percent (5%), and South America for 3 percent (10%).

Technology services accounted for 33 percent (41%) of the Group's total net sales and amounted to EUR 9 million (MEUR 10). Net sales for technology services decreased 14 percent over the comparison period due to the low number of new modernization orders towards the end of 2015.

RESULT AND PROFITABILITY

Operating profit was EUR 1.4 million positive (MEUR 1.2 positive) and accounted for 5 percent of net sales (5%). Other operating income for the reporting period includes insurance compensation of EUR 0.9 million, relating to the project business.

The result before taxes for the reporting period was EUR 1.3 million positive (MEUR 1.4 positive). The result for the reporting

period was EUR 0.9 million positive (MEUR 1.1 positive). Earnings per share (undiluted) were EUR 0.22 (EUR 0.27).

CASH FLOW AND BALANCE SHEET

The Group's financial position remained good. At the end of the reporting period, gearing was -21 percent (-44%) and the equity ratio 56 percent (53%). Fluctuations in balance sheet working capital items and the key figures based on them are due to differences in the timing of customer payments and the cost accumulation from project deliveries, which is typical of the project business.

The Group's cash and cash equivalents amounted to EUR 9.2 million (MEUR 13.1) at the end of the reporting period. Operating cash flow was EUR 1.9 million positive (MEUR 9.0 positive). Cash flow from investment activities was EUR 1.0 million negative (MEUR 0.4 negative). Cash flow from financing activities was EUR 1.8 million positive (MEUR 0.0).

Interest-bearing liabilities amounted to EUR 3.2 million (MEUR 2.8) at the end of the reporting period.

The parent company Raute Corporation has a EUR 10 million commercial paper program, which allows the company to issue commercial papers maturing in less than one year.

The parent company Raute Corporation is prepared for future working capital needs and has long-term credit facility agreements with three Nordic banks totaling EUR 23.0 million. The main covenants for the credit facility are an equity ratio of >30% and gearing of <100%. Of the credit facility, EUR 20.3 million remained unused at the end of the reporting period.

EVENTS DURING THE REPORTING PERIOD

Raute Corporation published stock exchange releases on the following events:

- | | |
|------------------|--|
| January 18, 2016 | Advance information on Raute Group's 2015 net sales and operating profit |
| March 31, 2016 | Decisions of Raute's Annual General Meeting. |

RESEARCH AND DEVELOPMENT COSTS AND CAPITAL EXPENDITURE

Raute is a leading technology supplier for the plywood and LVL industries and focuses strongly on the development of increasingly efficient, productive and environmentally friendly manufacturing technology and supporting measurement and machine vision applications. Opportunities provided by digitalization are also an essential part of R&D activities.

Research and development costs in the reporting period amounted to EUR 0.8 million (MEUR 0.4), representing 2.9 percent of net sales (1.8%).

Capital expenditure during the period came to EUR 1.0 million (MEUR 0.5) and accounted for 3.6 percent (1.9%) of net sales.

PERSONNEL

The number of the Group's personnel declined by 9, and totaled 637 (595) at the end of the reporting period. Group companies outside Finland accounted for 32 percent (32%) of employees.

Converted to full-time employees ("effective headcount"), the average number of employees was 632 (585) during the reporting period.

SHARES

The number of Raute Corporation's shares at the end of the reporting period totaled 4,128,158, of which 991,161 were series K shares (ordinary share, 20 votes/share) and 3,136,997 series A shares (1 vote/share). Series K and A shares confer equal rights to dividends and company assets.

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

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

The company's market capitalization at the end of the reporting period was EUR 62.9 million (MEUR 47.4), with series K shares valued at the closing price of series A shares on March 31, 2016, i.e. EUR 15.24 (EUR 11.80).

STOCK OPTIONS

At the end of the reporting period, altogether 54,040 of the company's series 2010 B stock options and 49,280 series C stock options were unexercised. The subscription period for Raute Corporation's series A stock options ended on March 31, 2016.

Raute Corporation's series 2010 B stock options are listed on Nasdaq Helsinki Ltd under the trading code RUTAVEW210 and series 2010 C stock options under the trading code RUTAVEW310. The subscription period for series B stock options is March 1, 2014 to March 31, 2017 and the subscription period for series C stock options is March 1, 2015 to March 31, 2018. The respective subscription prices were EUR 7.13 and EUR 6.00 and the closing prices at the end of the reporting period were EUR 5.80 and EUR 7.50.

REMUNERATION

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

Share-based incentive plan 2014–2018

The Group has a valid long-term share-based incentive plan based on performance for the years 2014–2018. The plan includes three separate share plans commencing in 2014, 2015 and 2016. Each plan will span three years. Any share-based reward accrued through the incentive plan shall be paid as series A shares. The value of the reward is based on the development of share price.

SHAREHOLDERS

The number of shareholders stood at 2,623 at the beginning of the year and at 2,881 at the end of the reporting period. Series K shares were held by 50 private individuals (50) at the end of the reporting period. Nominee-registered shares accounted for 3.2 percent (3.2%) of shares. The company did not receive any flagging notifications during the reporting period.

The Board of Directors, the President and CEO as well as the Executive Board held altogether 237,879 company shares, equaling 5.8 percent (5.8%) of the company shares and 11.2 percent (11.2%) of the votes at the end of the reporting period.

CORPORATE GOVERNANCE

As of January 1, 2016, Raute Corporation complies with the Finnish Corporate Governance Code 2015 for listed companies issued by the Securities Market Association on October 1, 2015.

EXECUTIVE BOARD

Antti Laulainen (M.Sc, Eng.) was appointed Group Vice President, Technology Services and Sales Management and as member of Raute Group's Executive Board as of March 14, 2016.

Raute Group's Executive Board and the members' areas of responsibility as of March 14, 2016:

- Tapani Kiiski, President and CEO, Chairman – Sales
- Arja Hakala, Group Vice President, Finance, CFO – Finance and administration
- Marko Hjelt, Group Vice President, Human Resources – Human resources and competence development
- Mika Hyysti, Group Vice President, Technology – Technology, products and R&D
- Timo Kangas, Group Vice President, EMEA – Market area EMEA
- Antti Laulainen, Group Vice President, Technology Services and Sales Management – Technology services and sales management
- Petri Strengell, Group Vice President, Supply Chain – Sourcing and production.

ANNUAL GENERAL MEETING 2016

Raute Corporation's Annual General Meeting was held on March 31, 2016. The Annual General Meeting adopted the financial statements for 2015, discharged those accountable from liability and resolved to distribute a dividend of EUR 0.80 per share.

The Annual General Meeting elected the company's Board of Directors for a term that expires at the end of the Annual General Meeting of 2017. Mr. Erkki Pehu-Lehtonen was elected Chairman of the Board, Mr. Mika Mustakallio Vice-Chair, and Mr. Joni Bask, Ms. Päivi Leiwo, Mr. Pekka Suominen, and Mr. Patrick von Essen were elected as Board members.

The authorized public accounting company PricewaterhouseCoopers was chosen as auditor, with Authorized Public Accountant Markku Launis as the principal auditor.

The Annual General Meeting decided that the remuneration paid to the Chairman of the Board will continue to be EUR 40,000 and to the Vice-Chairman of the Board and Board members EUR 20,000 for the term of office and that the Board members' traveling expenses will be compensated in accordance with the company's travel policy. The auditors' remuneration will be paid on the basis of reasonable invoicing as approved by the company.

The Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's series A shares with assets from the company's non-restricted equity and an issue of a maximum of 400,000 of these shares.

The Annual General Meeting also decided to amend article 2 of the Articles of Association so that the regulations concerning the company's minimum and maximum share capital and the par value of the share were removed.

More detailed information on the decisions of the Annual General Meeting can be found in the stock exchange release issued on March 31, 2016.

DISTRIBUTION OF PROFIT FOR THE 2015 FINANCIAL YEAR

The Annual General Meeting held on March 31, 2016 decided to pay a dividend of EUR 0.80 per share for the financial year 2015. The total amount of dividends is EUR 3.3 million, series A shares accounting for EUR 2,509,597.60 and series K shares for EUR 792,928.80. The dividend payment date was April 12, 2016.

EVENTS AFTER THE REPORTING PERIOD

Board of Directors and Board Committees

The Board of Directors elected by Raute Corporation's Annual General Meeting on March 31, 2016 has held a constitutive meeting.

Based on the evaluation of independence by the Board of Directors, Chairman Mr. Erkki Pehu-Lehtonen and members Mr.

Joni Bask, Mr. Patrick von Essen, Ms. Päivi Leiwo, and Mr. Pekka Suominen are independent of the company. The Chairman of the Board (Mr. Erkki Pehu-Lehtonen) and two Board members (Mr. Patrick von Essen and Ms. Päivi Leiwo) are independent of major shareholders.

Raute Corporation's Board of Directors has an Appointments Committee. The Appointments Committee is chaired by Mr. Erkki Pehu-Lehtonen and its members are Mr. Mika Mustakallio and Mr. Pekka Suominen. The tasks of the Audit Committee and the Working Committee are handled by the Board of Directors.

BUSINESS RISKS

Risks in the near term continue to be driven by the uncertainty relating to the global economic situation and the development of the financial markets, as well as by international political instability. During the reporting period, there were no essential changes in the business risks described in the 2015 Board of Directors' Report and Financial Statements.

The most significant risks for Raute in the near term are related to major mill-scale projects, which are in the implementation phase, in accordance with the schedule determined in contract terms, and the development of the order intake.

OUTLOOK FOR 2016

Based on the existing order book and the prevailing market situation, Raute's net sales and operating profit for 2016 are expected to remain at the same level as in 2015.

TABLES SECTION OF THE INTERIM REPORT

The figures for the financial year 2015 presented in the tables section of the interim report have been audited.
The presented interim financial report figures have not been audited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME				
(EUR 1,000)	Note	1.1.–31.3.2016	1.1.–31.3.2015	1.1.–31.12.2015
NET SALES	3,4,5	26 427	24 606	127 278
Change in inventories of finished goods and work in progress		917	312	-313
Other operating income		962	40	393
Materials and services		-14 264	-11 856	-67 992
Employee benefits expense	13	-9 131	-8 140	-34 310
Depreciation and amortization		-515	-548	-2 125
Impairment		-	-	-1 370
Other operating expenses		-3 009	-3 211	-13 441
Total operating expenses		-26 919	-23 754	-119 238
OPERATING PROFIT (LOSS)		1 386	1 204	8 120
% of net sales		5	5	6
Financial income		93	266	342
Financial expenses		-222	-112	-343
PROFIT (LOSS) BEFORE TAX		1 258	1 359	8 118
% of net sales		5	6	6
Income taxes		-353	-276	-1 435
PROFIT (LOSS) FOR THE PERIOD		904	1 083	6 684
% of net sales		3	4	5
Other comprehensive income items:				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligations		-	-	2
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translating foreign operations		240	221	88
Cash flow hedges		171	-	8
Comprehensive income items for the period, net of tax		411	221	98
COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD		1 315	1 304	6 782
Profit (loss) for the period attributable to				
Equity holders of the Parent company		904	1 083	6 684
Comprehensive profit (loss) for the period attributable to				
Equity holders of the Parent company		1 315	1 304	6 782
Earnings per share for profit (loss) attributable to Equity holders of the Parent company, EUR				
Undiluted earnings per share		0,22	0,27	1,65
Diluted earnings per share		0,22	0,27	1,64
Shares, 1 000 pcs				
Adjusted average number of shares		4 124	4 015	4 051
Adjusted average number of shares diluted		4 151	4 043	4 079

CONSOLIDATED BALANCE SHEET				
(EUR 1,000)				
	Note	31.3.2016	31.3.2015	31.12.2015
ASSETS				
Non-current assets				
Intangible assets	8	1 521	3 532	1 609
Property, plant and equipment	8	9 039	7 987	8 529
Other financial assets		490	500	490
Deferred tax assets		176	189	172
Total non-current assets		11 227	12 209	10 799
Current assets				
Inventories		10 014	8 521	9 577
Accounts receivables and other receivables	5	27 581	19 839	34 722
Income tax receivable		122	-	123
Cash and cash equivalents		9 176	13 081	6 538
Total current assets		46 893	41 441	50 960
TOTAL ASSETS		58 120	53 650	61 760
EQUITY AND LIABILITIES				
Equity attributable to Equity holders of the Parent company				
Share capital		8 256	8 031	8 223
Rights issue		4	-	-
Fair value reserve and other reserves		6 348	5 298	6 008
Exchange differences		548	441	308
Retained earnings		11 859	8 477	8 477
Profit (loss) for the period		904	1 083	6 684
Share of shareholders' equity that belongs to the owners of the Parent company		27 919	23 329	29 700
Total equity		27 919	23 329	29 700
Non-current liabilities				
Non-current provisions		410	323	455
Deferred tax liability		150	4	241
Non-current interest-bearing liabilities	9	-	1 250	-
Pension obligations		-	2	-
Total non-current liabilities		560	1 579	696
Current liabilities				
Current provisions		1 125	1 927	1 409
Current interest-bearing liabilities	9	3 187	1 546	1 535
Current advance payments received	5	8 663	9 289	11 024
Income tax liability		313	472	11
Trade payables and other liabilities		16 353	15 508	17 386
Total current liabilities		29 640	28 743	31 364
Total liabilities		30 200	30 321	32 059
TOTAL EQUITY AND LIABILITIES		58 120	53 650	61 760

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR 1,000)	1.1.–31.3.2016	1.1.–31.3.2015	1.1.–31.12.2015
CASH FLOW FROM OPERATING ACTIVITIES			
Proceeds from customer	29 249	29 551	122 089
Other operating income	962	40	371
Payments to suppliers and employees	-28 126	-21 501	-114 092
Cash flow before financial items and taxes	2 085	8 090	8 368
Interest paid from operating activities	-15	-12	-115
Dividends received from operating activities	93	78	97
Interests received from operating activities	-	1	5
Other financing items from operating activities	-175	186	105
Income taxes paid from operating activities	-112	614	-983
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	1 876	8 956	7 477
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	-1 013	-427	-2 395
Proceeds from sale of property, plant and equipment and intangible assets	1	26	66
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	-1 012	-400	-2 329
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	111	-	607
Proceeds from current borrowings	1 660	-	-
Repayments of non-current borrowings	-	-	-1 250
Dividends paid and repayment of equity	-	-	-2 409
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	1 772	0	-3 052
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	2 636	8 555	2 096
increase (+)/decrease (-)			
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD*	6 538	4 431	4 431
NET CHANGE IN CASH AND CASH EQUIVALENTS	2 636	8 555	2 096
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	3	95	11
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	9 176	13 081	6 538
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET AT THE END OF THE PERIOD*			
Cash and cash equivalents	9 176	13 081	6 538
TOTAL	9 176	13 081	6 538

*Cash and cash equivalents comprise cash and bank receivables, which will be due within the following three months' period.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Share capital	Share issue	Invested non-restricted equity reserve	Other reserves	Exchange differences	Retained earnings	To the owners of the Parent company	TOTAL
EQUITY at Jan. 1, 2016	8 223	0	4 950	1 058	308	15 161	29 700	29 700
Comprehensive profit (loss) for the period								
Profit (loss) for the period	-	-	-	-	-	904	904	904
Other comprehensive income items:								
Hedging reserve	-	-	-	171	-	-	171	171
Exchange differences on translating foreign operations	-	-	-	-	240	-	240	240
Total comprehensive profit (loss) for the period	0	0	0	171	240	904	1 315	1 315
Transactions with owners								
Share-options exercised	33	4	74	-	-	-	111	111
Equity-settled share-based transactions	-	-	-	95	-	-	95	95
Dividends and repayment of equity	-	-	-	-	-	-3 303	-3 303	-3 303
Total transactions with owners	33	4	74	95	0	-3 303	-3 096	-3 096
EQUITY at March 31, 2016	8 256	4	5 024	1 324	548	12 763	27 919	27 919

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Share capital	Share issue	Invested non-restricted equity reserve	Other reserves	Exchange differences	Retained earnings	To the owners of the Parent company	TOTAL
EQUITY at Jan. 1, 2015	8 031	0	5 339	662	220	10 083	24 334	24 334
Comprehensive profit (loss) for the period								
Profit (loss) for the period	-	-	-	-	-	1 083	1 083	1 083
Other comprehensive income items:								
Hedging reserve	-	-	-	-	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	221	-	221	221
Total comprehensive profit (loss) for the period	0	0	0	0	221	1 083	1 304	1 304
Transactions with owners								
Share-options exercised	-	-	-	-	-	-	-	-
Equity-settled share-based transactions	-	-	-	100	-	-	100	100
Dividends and repayment of equity	-	-	-803	-	-	-1 606	-2 409	-2 409
Total transactions with owners	0	0	-803	100	0	-1 606	-2 309	-2 309
EQUITY at March 31, 2015	8 031	0	4 536	762	441	9 560	23 329	23 329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

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

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

Raute Corporation's consolidated financial statement information is available online at www.raute.com or at the head office of the Parent company, Rautetie 2, FI-15550 Nastola, Finland.

Raute Corporation's Board of Directors has on April 29, 2016 reviewed the Interim financial report for January 1 – March 31, 2016, and approved it to be published in compliance with this release.

2. Accounting principles

Raute Corporation's Interim financial report for January 1 – March 31, 2016 has been prepared in accordance with standard IAS 34 Interim Financial Reporting. The Interim financial report does not contain full notes and other information presented in the financial statements, and therefore the Interim financial report should be read in conjunction with the Financial statements published for 2015.

Raute Corporation's Interim financial report for January 1 – March 31, 2016 has been prepared in accordance with the International Financial Reporting Standards, IFRS, accepted for application in the EU. Preparations have complied with the IAS and IFRS standards, as well as SIC and IFRIC interpretations, effective on March 31, 2016. The notes to the Interim financial statements also comply with Finnish accounting legislation.

The Interim financial report has been prepared according to the same accounting principles as those applied in the Annual financial statement for 2015.

All of the figures presented in the Interim financial report are in thousand euro, unless otherwise stated. Due to the rounding of the figures in the financial statement tables, the sums of figures may deviate from the sum total presented in the table. Figures in parentheses refer to the corresponding figures in the comparison period.

The preparation of Interim financial report in conformity with IFRS standards requires management to make certain critical accounting estimates and to exercise its judgment in applying the Group's accounting policies. Because the forward-looking estimates and assumptions are based on management's best knowledge at the reporting date, the actual results may differ from these estimates.

3. Segment information

Operational segment

Continuing operations of Raute Group belong to the wood products technology segment.

Due to Raute's business model, operational nature and administrative structure, the operational segment to be reported as wood products technology segment is comprised of the whole Group and the information on the segment is consistent with that of the Group. Segment reporting follows the principles of presentation of the consolidated financial statements.

Wood products technology	31.3.2016	31.3.2015	31.12.2015
Net sales	26 427	24 606	127 278
Operating profit (loss)	1 386	1 204	8 120
Assets	58 120	53 650	61 760
Liabilities	30 200	30 321	32 059
Capital expenditure	961	476	2 506

Assets of the wood products technology segment by geographical location	31.3.2016	%	31.3.2015	%	31.12.2015	%
Finland	48 331	83	42 165	79	52 488	85
China	4 594	8	5 042	9	4 572	7
North America	4 164	7	5 072	9	3 655	6
Russia	727	1	959	2	732	1
South America	179	0	220	0	202	0
Other	124	0	192	0	112	0
TOTAL	58 120	100	53 650	100	61 760	100

Capital expenditure of the wood products technology segment by geographical location	31.3.2016	%	31.3.2015	%	31.12.2015	%
Finland	877	91	441	93	2 388	95
China	19	2	25	5	57	2
North America	64	7	10	2	61	2
Russia	-	-	-	-	-	-
South America	1	0	-	-	1	0
Other	-	-	-	-	-	-
TOTAL	961	100	476	100	2 506	100

4. Net sales

The main part of the net sales is comprised of project deliveries and modernizations in technology services, which are treated as long-term projects. The rest of the net sales is comprised of technology services provided to the wood products industry such as spare parts and maintenance services as well as services provided to the development of customers' business.

Project deliveries and modernizations related to technology services include both product and service sales, making it impossible to give a reliable presentation of the breakdown of the Group's net sales into purely product and service sales.

Large delivery projects can temporarily increase the shares of various customers of the Group's net sales to more than ten percent. At the end of the period, the Group had two customers (2), whose customized share of the Group's net sales temporarily exceeded ten percent. The sales share of the customers was 52 percent.

Net sales by market area	1.1.–31.3.2016	%	1.1.–31.3.2015	%	1.1.–31.12.2015	%
EMEA (Europe and Africa)	16 248	61	14 897	61	82 632	66
NAM (North America)	4 102	16	3 358	14	16 962	13
CIS (Russia)	3 659	14	2 576	10	11 841	9
APAC (Asia-Pacific)	1 527	6	1 245	5	6 906	5
LAM (South America)	890	3	2 531	10	8 937	7
TOTAL	26 427	100	24 606	100	127 278	100

Finland accounted for 23 percent (27 %) of net sales.

5. Long-term projects	31.3.2016	31.3.2015	31.12.2015
Net sales			
Net sales by percentage of completion	22 291	19 165	104 251
Other net sales	4 136	5 441	23 027
TOTAL	26 427	24 606	127 278
Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	127 590	70 030	112 329
Amount of long-term project revenues not yet entered as income (order book)	43 322	99 970	59 210
Projects for which the value by percentage of completion exceeds advance payments invoiced			
- aggregate amount of costs incurred and recognized profits less recognized losses	83 911	58 928	72 948
- advance payments received	64 306	47 421	46 415
Gross amount due from customers	19 605	11 507	26 533
Projects for which advance payments invoiced exceed the value by percentage of completion			
- aggregate amount of costs incurred and recognized profits less recognized losses	43 679	11 060	36 823
- advance payments received	52 202	19 754	46 294
Gross amount due to customers	8 523	8 694	9 471
Advance payments included in the current liabilities in the balance sheet			
Gross amount due to customers	8 523	8 694	9 471
Other advance payments received, not under percentage of completion	140	595	1 553
Total	8 663	9 289	11 024
Specification of combined asset and liability items			
Advance payments paid	791	642	1 367
Advance payments included in inventories in the balance sheet	791	642	1 367
6. Number of personnel, persons	31.3.2016	31.3.2015	31.12.2015
Effective, on average	632	585	614
In books, on average	641	592	624
In books, at the end of the period	637	595	646
- of which personnel working abroad	203	190	205
7. Research and development costs	31.3.2016	31.3.2015	31.12.2015
Research and development costs for period	-757	-438	-3 092
Amortization of previously capitalized development costs	-57	-70	-104
Development costs recognized as an asset in the balance sheet	-	57	220
Research and development costs entered as expense for the period	-814	-451	-2 976
Impairment of previously capitalized development costs	-	-	-1 020
Research and development costs entered as expense for the period	-814	-451	-3 996

8. Changes in Intangible assets and in Property, plant and equipment	31.3.2016	31.3.2015	31.12.2015
Intangible assets			
Carrying amount at the beginning of the period	14 035	13 826	13 826
Exchange rate differences	-21	90	60
Additions	44	74	346
Disposals	-	-	-350
Reclassification between items	34	102	152
Carrying amount at the end of the period	14 091	14 092	14 035
Accumulated depreciation and amortization at the beginning of the period			
Accumulated depreciation and amortization at the beginning of the period	-12 426	-10 334	-10 334
Exchange rate differences	14	-50	-32
Depreciation and amortization for the period	-158	-176	-690
Impairments	-	-	-1 370
Accumulated depreciation and amortization at the end of the period	-12 570	-10 560	-12 426
Book value of Intangible assets, at the beginning of the period	1 609	3 492	3 492
Book value of Intangible assets, at the end of the period	1 521	3 532	1 609
Property, plant and equipment			
Carrying amount at the beginning of the period	45 463	43 944	43 944
Exchange rate differences	145	391	-458
Additions	917	402	2 160
Disposals	-	-14	-30
Reclassification between items	-34	-102	-152
Carrying amount at the end of the period	46 491	44 621	45 463
Accumulated depreciation and amortization at the beginning of the period			
Accumulated depreciation and amortization at the beginning of the period	-36 934	-36 014	-36 014
Exchange rate differences	-160	-248	502
Depreciation and amortization for the period	-358	-372	-1 422
Accumulated depreciation and amortization at the end of the period	-37 452	-36 633	-36 934
Book value of Property, plant and equipment, at the beginning of the period	8 529	7 930	7 930
Book value of Property, plant and equipment, at the end of the period	9 039	7 987	8 529
9. Interest-bearing liabilities			
31.3.2016			
Non-current interest-bearing liabilities recognized at amortized cost	-	1 250	-
Current interest-bearing liabilities	3 187	1 546	1 535
TOTAL	3 187	2 796	1 535
Maturities of the interest-bearing financial liabilities at March 31, 2016			
Financial liability	Current	Non-current	Total
Loans from financial institutions	3 187	-	3 187
Total	3 187	-	3 187

10. Pledged assets and contingent liabilities	31.3.2016	31.3.2015	31.12.2015
On behalf of the Parent company			
Business mortgages	7 869	6 771	7 869
Loans from financial institutions	1 250	2 500	1 250
Business mortgages	1 250	2 500	1 250
Mortgage agreements on behalf of subsidiaries			
Loans from financial institutions	1 660	296	285
Other obligations	548	433	568
Business mortgages	881	729	881
Commercial bank guarantees on behalf of the Parent company and subsidiaries	10 207	15 434	11 546
Other own obligations			
Rental liabilities maturing within one year	859	828	903
Rental liabilities maturing in one to five years	1 047	1 886	1 301
Total	1 906	2 714	2 204

11. Related party transactions

No loans are granted to the company's management.

No pledges have been given or other commitments made on behalf of the company's management and shareholders.

12. Derivatives	31.3.2016	31.3.2015	31.12.2015
Nominal values of forward contracts in foreign currency			
Economic hedging			
- Related to financing	-	252	-
- Related to the hedging of net sales	2 771	4 258	2 969
Hedge accounting			
- Related to the hedging of net sales	2 562	-	2 679
Fair values of forward contracts in foreign currency			
Economic hedging			
- Related to financing	-	-48	-
- Related to the hedging of net sales	-22	-156	-89
Hedge accounting			
- Related to the hedging of net sales	113	-	-47

13. Share-based payments

A total of 16 450 Raute's series A shares have been subscribed for with Raute's stock options 2010 A, 2010 B and 2010 C during the reporting period. The new shares have been registered in the Trade Register on February 24, 2016.

The company's share capital is EUR 8 256 316 and the number of company's shares 4 128 158 pieces.

An expense of EUR 95 thousand was recognized for the share rewards to the income statement during the reporting period.

During the interim period, no share rewards were delivered based on the long-term share-based incentive program 2014–2018 directed to the top management.

14. Distribution of profit for the 2015 financial year

Raute Corporation's Annual General Meeting held on March 31, 2016, decided, according to the Board of Directors' proposal, to distribute a dividend of EUR 0,80 per share to be paid for series A and K shares, a total of EUR 3 303 thousand. The dividend payment date was April 12, 2016.

15. Financial assets and liabilities that are measured at fair value

At the end of the reporting period March, 31, 2016, the fair value of the financial assets categorized at fair value on hierarchy level 3 was EUR 500 thousand. The methods of fair value determination correspond the valuation principles presented in the Annual financial statements for 2015. There were no transfers between the hierarchy levels 1 and 2 during the reporting period.

16. Exchange rates used

Income statement, euros	1.1.–31.3.2016	1.1.–31.3.2015	1.1.–31.12.2015
CNY (Chinese yuan)	7,2482	7,0284	6,9733
RUB (Russian rouble)	82,4730	71,0867	68,0090
CAD (Canadian dollar)	1,5154	1,3966	1,4177
USD (US dollar)	1,1018	1,1270	1,1097
SGD (Singapore dollar)	1,5468	1,5280	1,5251
CLP (Chilean peso)	774,0937	703,1988	725,3048

Balance sheet, euros	31.3.2016	31.3.2015	31.12.2015
CNY (Chinese yuan)	7,2220	6,7623	7,0223
RUB (Russian rouble)	76,3051	62,4400	80,6736
CAD (Canadian dollar)	1,4738	1,3738	1,5116
USD (US dollar)	1,1385	1,0759	1,0887
SGD (Singapore dollar)	1,5304	1,4774	1,5417
CLP (Chilean peso)	757,1601	681,2526	765,9751

FINANCIAL DEVELOPMENT	31.3.2016	31.3.2015	31.12.2015
Change in net sales, %	7,4	63,8	35,4
Exported portion of net sales, %	76,8	91,4	76,3
Return on investment (ROI), %	19,0	19,4	28,5
Return on equity, ROE, %	12,6	18,2	24,7
Interest-bearing net liabilities, EUR million	-6,0	-10,3	-5,0
Gearing, %	-21,4	-44,1	-16,8
Equity ratio, %	56,5	52,6	58,5
Gross capital expenditure, EUR million	1,0	0,5	2,5
% of net sales	3,6	1,9	2,0
Research and development costs, EUR million	0,8	0,4	3,1
% of net sales	2,9	1,8	2,4
Order book, EUR million	44	101	60
Order intake, EUR million	13	84	145

SHARE-RELATED DATA	31.3.2016	31.3.2015	31.12.2015
Earnings per share, (EPS), undiluted, EUR	0,22	0,27	1,65
Earnings per share, (EPS), diluted, EUR	0,22	0,27	1,64
Equity to share, EUR	6,77	5,81	7,26
Dividend per series A share, EUR	-	-	0,80
Dividend per series K share, EUR	-	-	0,80
Dividend per profit, %	-	-	48,4
Effective dividend return, %	-	-	5,7
Repayment of equity from invested non-restricted equity reserve, EUR	-	-	-
Development in share price (series A shares)			
Lowest share price for the period, EUR	13,00	7,17	7,17
Highest share price for the period, EUR	15,30	13,59	14,25
Average share price for the period, EUR	14,01	10,62	11,95
Share price at the end of the period, EUR	15,24	11,80	14,12
Market value of capital stock			
- Series K shares, EUR million*	15,1	11,7	14,0
- Series A shares, EUR million	47,8	35,7	44,1
Total, EUR million	62,9	47,4	58,1

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

Trading of the company's shares (series A shares)			
Trading of shares, pcs	268 601	438 872	1 094 902
Trading of shares, EUR million	3,8	4,7	13,1
Number of shares			
- Series K shares, ordinary shares (20 votes, share)	991 161	991 161	991 161
- Series A shares (1 vote/share)	3 136 997	3 024 067	3 120 547
Total	4 128 158	4 015 228	4 111 708
Number of shares, weighted average, 1 000 pcs	4 124	4 015	4 051
Number of shares, diluted, 1 000 pcs	4 151	4 043	4 139
Number of shareholders	2 881	2 054	2 623

DEVELOPMENT OF QUARTERLY RESULTS						
	Q2	Q3	Q4	Q1	Rolling	Rolling
(EUR 1,000)	2015	2015	2015	2016	1.4.2015– 31.3.2016	1.4.2014– 31.3.2015
NET SALES	31 759	31 391	39 521	26 427	129 099	103 607
Change in inventories of finished goods and work in progress	-532	1 161	-1 254	917	292	1 916
Other operating income	314	7	32	962	1 314	87
Materials and services	-16 197	-18 623	-21 316	-14 264	-70 400	-56 434
Employee benefits expense	-8 878	-8 357	-8 935	-9 131	-35 301	-30 280
Depreciation and amortization	-716	-565	-296	-515	-2 092	-2 101
Impairment	-	-	- 1 370	-	- 1 370	-
Other operating expenses	-3 529	-3 102	-3 600	-3 009	-13 239	-11 064
Total operating expenses	-29 320	-30 646	-35 518	-26 919	-122 403	-99 879
OPERATING PROFIT (LOSS)	2 222	1 912	2 781	1 386	8 301	5 730
% of net sales	7	6	7	5	6	6
Financial income	-10	-42	129	93	169	667
Financial expenses	-61	-99	-72	-222	-453	-300
PROFIT (LOSS) BEFORE TAX	2 151	1 772	2 837	1 258	8 017	6 097
% of net sales	7	6	7	5	6	6
Income taxes	-400	-300	-459	-353	-1 512	-1 070
PROFIT (LOSS) FOR THE PERIOD	1 750	1 472	2 378	904	6 505	5 027
% of net sales	6	5	6	3	5	5
Attributable to						
Equity holders of the Parent company	1 750	1 472	2 378	904	6 505	5 027
Earnings per share, EUR						
Undiluted earnings per share	0,43	0,36	0,58	0,22	1,58	1,25
Diluted earnings per share	0,43	0,36	0,58	0,22	1,58	1,25
Shares, 1 000 pcs						
Adjusted average number of shares	4 025	4 053	4 091	4 124	4 124	4 015
Adjusted average number of shares diluted	4 036	4 065	4 139	4 151	4 128	4 043
	Q2	Q3	Q4	Q1	Rolling	Rolling
FINANCIAL DEVELOPMENT QUARTERLY	2015	2015	2015	2016	1.4.2015– 31.3.2016	1.4.2014– 31.3.2015
Order intake during the period, EUR million	31	14	16	13	74	180
Order book at the end of the period, EUR million	100	83	60	44	44	101

20 LARGEST SHAREHOLDERS AT MARCH 31, 2016

	Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
By number of shares						
1. Sundholm Göran Wilhelm	-	623 423	623 423	15,1	623 423	2,7
2. Mandatum Life Unit-Linked	-	182 635	182 635	4,4	182 635	0,8
3. Laakkonen Mikko	-	119 919	119 919	2,9	119 919	0,5
4. Suominen Pekka	48 000	62 429	110 429	2,7	1 022 429	4,5
5. Siivonen Osku Pekka	50 640	53 539	104 179	2,5	1 066 339	4,6
6. Kirmo Kaisa Marketta	55 680	48 341	104 021	2,5	1 161 941	5,1
7. Suominen Tiina Sini-Maria	48 000	54 316	102 316	2,5	1 014 316	4,4
8. Relander Harald Bertel	-	85 000	85 000	2,1	85 000	0,4
9. Keskiäho Kaija Leena	33 600	51 116	84 716	2,1	723 116	3,1
10. Mustakallio Mika Tapani	57 580	26 270	83 850	2,0	1 177 870	5,1
11. Särkijärvi Anna Riitta	60 480	22 009	82 489	2,0	1 231 609	5,4
12. Mustakallio Kari Pauli	60 480	500	60 980	1,5	1 210 100	5,3
13. Mustakallio Marja Helena	43 240	16 047	59 287	1,4	880 847	3,8
14. Särkijärvi Timo Juha	12 000	43 256	55 256	1,3	283 256	1,2
15. Särkijärvi-Martinez Anu Riitta	12 000	43 256	55 256	1,3	283 256	1,2
16. Mustakallio Ulla Sinikka	53 240	-	53 240	1,3	1 064 800	4,6
17. Suominen Jukka Matias	24 960	27 964	52 924	1,3	527 164	2,3
18. Keskinäinen työeläkevakuutusyhtiö Varma	-	51 950	51 950	1,3	51 950	0,2
19. Suominen Jussi Matias	48 000	-	48 000	1,2	960 000	4,2
20. Keskiäho Ilta Marjaana	24 780	19 094	43 874	1,1	514 694	2,2
TOTAL	632 680	1 531 064	2 163 744	52,4	14 184 664	61,8

	Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
By number of votes						
1. Särkijärvi Anna Riitta	60 480	22 009	82 489	2,0	1 231 609	5,4
2. Mustakallio Kari Pauli	60 480	500	60 980	1,5	1 210 100	5,3
3. Mustakallio Mika Tapani	57 580	26 270	83 850	2,0	1 177 870	5,1
4. Kirmo Kaisa Marketta	55 680	48 341	104 021	2,5	1 161 941	5,1
5. Siivonen Osku Pekka	50 640	53 539	104 179	2,5	1 066 339	4,6
6. Mustakallio Ulla Sinikka	53 240	-	53 240	1,3	1 064 800	4,6
7. Suominen Pekka	48 000	62 429	110 429	2,7	1 022 429	4,5
8. Suominen Tiina Sini-Maria	48 000	54 316	102 316	2,5	1 014 316	4,4
9. Suominen Jussi Matias	48 000	-	48 000	1,2	960 000	4,2
10. Mustakallio Marja Helena	43 240	16 047	59 287	1,4	880 847	3,8
11. Mustakallio Risto Knut kuolinpesä	42 240	-	42 240	1,0	844 800	3,7
12. Keskiäho Kaija Leena	33 600	51 116	84 716	2,1	723 116	3,1
13. Sundholm Göran Wilhelm	-	623 423	623 423	15,1	623 423	2,7
14. Keskiäho Vesa Heikki	29 680	-	29 680	0,7	593 600	2,6
15. Keskiäho Juha-Pekka	27 880	5 816	33 696	0,8	563 416	2,5
16. Kirmo Lasse Antti	27 645	3 167	30 812	0,7	556 067	2,4
17. Suominen Jukka Matias	24 960	27 964	52 924	1,3	527 164	2,3
18. Keskiäho Ilta Marjaana	24 780	19 094	43 874	1,1	514 694	2,2
19. Kultanen Leea Annikka	22 405	8 031	30 436	0,7	456 131	2,0
20. Molander Sole	20 160	-	20 160	0,5	403 200	1,8
TOTAL	778 690	1 022 062	1 800 752	43,6	16 595 862	72,3

MANAGEMENT'S AND PUBLIC INSIDERS' SHAREHOLDING AND NOMINEE-REGISTERED SHARES

	Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
Management's and Public insiders' holding at March 31, 2016						
The Board of Directors, The Group's President and CEO and Executive Board*	122 830	115 049	237 879	5,8	2 571 649	11,2
TOTAL	122 830	115 049	237 879	5,8	2 571 649	11,2

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

Nominee-registered shares at March 31, 2016	-	131 040	131 040	3,2	131 040	0,6
--	---	---------	---------	-----	---------	-----

RAUTE CORPORATION
 Board of Directors

BRIEFING ON APRIL 29, 2016 AT 2 P.M.:

A briefing will be organized for analysts, investors and the media on April 29, 2016 at 2 p.m. at Scandic Simonkenttä Hotel, Tapiola cabinet, Simonkatu 9, Helsinki. The interim report will be presented by Mr. Tapani Kiiski, President and CEO, and Ms. Arja Hakala, CFO.

NEXT INTERIM REPORT:

Raute Corporation's interim report January 1–June 30, 2016 will be published on Wednesday, July 27, 2016.

FURTHER INFORMATION:

Mr. Tapani Kiiski, President and CEO, Raute Corporation, tel. +358 3 829 3500, mobile phone +358 400 814 148
 Ms. Arja Hakala, CFO, Raute Corporation, tel. +358 3 829 3293, mobile phone +358 400 710 387

DISTRIBUTION:

Nasdaq Helsinki Ltd, main media, www.raute.com

RAUTE IN BRIEF:

Raute is a technology and service company that operates worldwide. Raute's customers are companies operating in the wood products industry that manufacture veneer, plywood and LVL (Laminated Veneer Lumber). The technology offering covers machinery and equipment for the customer's entire production process. As a supplier of mill-scale projects, Raute is a global market leader both in the plywood and LVL industries. Additionally, Raute's full-service concept includes technology services ranging from spare parts deliveries to regular maintenance and equipment modernizations. Raute's head office is located in the Nastola area of Lahti, Finland. The company's other production plants are in Kajaani, Finland, the Vancouver area of Canada and in the Shanghai area of China. Raute's net sales in 2015 were EUR 127.3 million. The Group's headcount at the end of 2015 was 646.

More information about the company can be found at www.raute.com.



RAUTE CORPORATION
Rautetie 2
P. O. Box 69, FI-15551 Nastola, Finland
Tel. +358 3 829 11
Fax +358 3 829 3200
ir@raute.com

Follow us online:
www.raute.com
Twitter: @rautemachinery, @RauteCorp
LinkedIn: Raute Oyj
Youtube: www.youtube.com/RauteMachinery
Facebook: Raute Corporation
Instagram: @raute_corporation