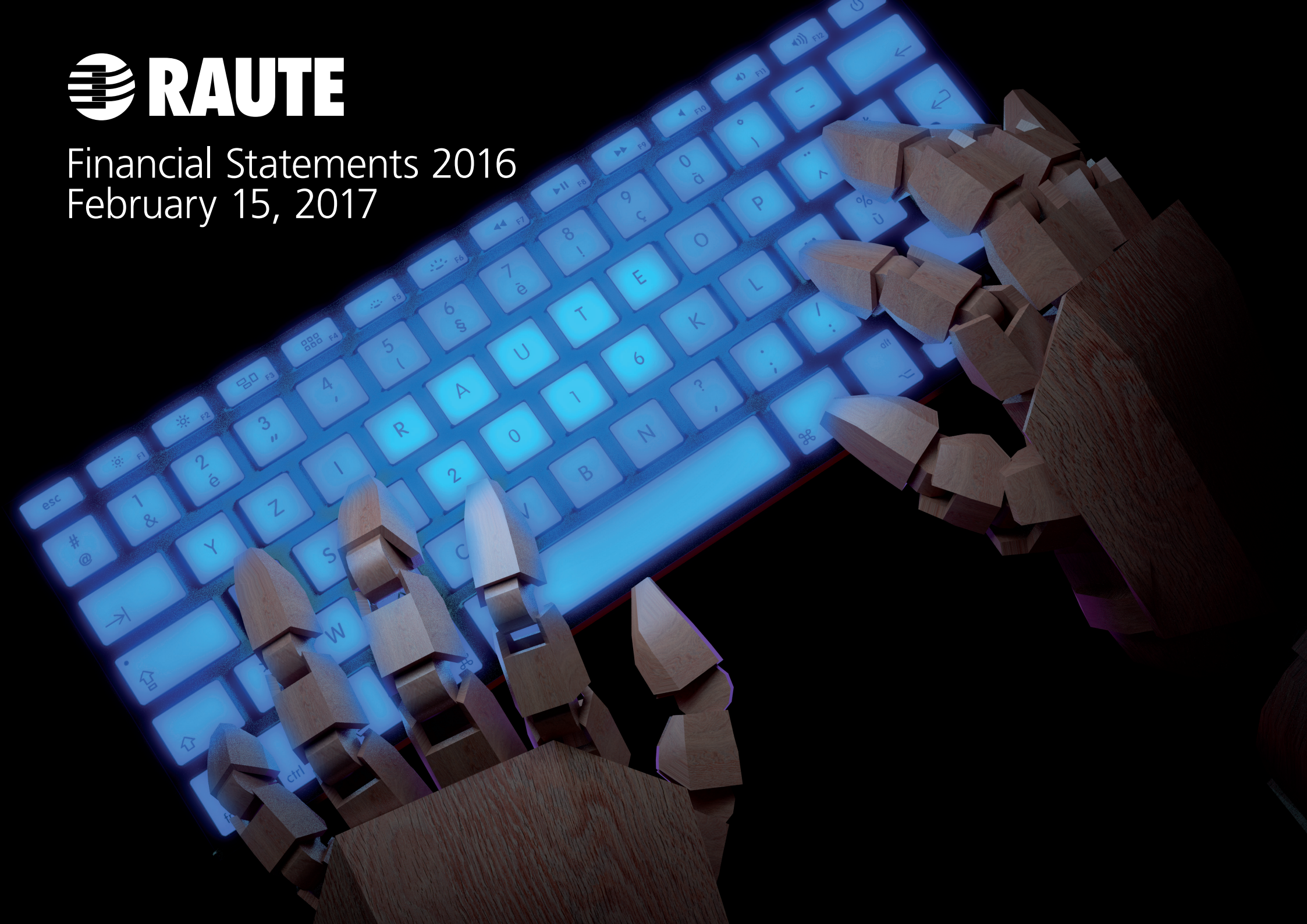




Financial Statements 2016
February 15, 2017



RAUTE CORPORATION – FINANCIAL STATEMENTS JANUARY 1 – DECEMBER 31, 2016

- The Group's net sales amounted to EUR 113.1 million (MEUR 127.3), down 11% on the comparison period. Order intake, at EUR 162 million (MEUR 145), increased 11%. The order book at the end of the year, EUR 106 million (MEUR 60), achieved a new record-high level.
- Operating profit amounted to EUR 8.6 million (MEUR 8.1), up 5%. The result before taxes was EUR 8.2 million (MEUR 8.1). Profit for the financial year was EUR 6.7 million (MEUR 6.7).
- Undiluted earnings per share were EUR 1.60 (EUR 1.65) and diluted earnings per share were EUR 1.59 (EUR 1.64).
- Fourth-quarter net sales amounted to EUR 36.0 million and the operating result was EUR 4.3 million. Order intake, at EUR 42 million, was at a good level.
- The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1.00 (EUR 0.80) per share be paid for the financial year 2016.
- Raute's net sales for 2017 are expected to grow and operating profit is anticipated to improve over the year 2016.

TAPANI KIISKI PRESIDENT AND CEO: WE BROKE LAST YEAR'S ORDER INTAKE RECORD!

Following the record-breaking year 2015, some expected that 2016 would mark a lull for Raute. To the contrary. During the past year, we achieved a new order intake record.

Due to the relatively low order intake beginning in summer 2015 and lasting approximately one year our order book fell, momentarily, in summer 2016 to a fairly low level. The situation changed entirely in the summer, however, when three major orders proceeded to the order phase and raised our order book to record levels. Despite this, we were not quite able to reach our targets in terms of net sales. We are, nevertheless, happy with 2016 as a whole and were able to start with a record-high order book for a second year running.

Economic development in our main market areas was still not favorable. The worst of the crisis has passed in Europe but uncertainty, in particular in Europe's banking sector, continues, impacting other areas as well. In North America, construction has begun to recover but still at a slower rate than expected. In South America, our key customers' previous investments have now found their place on the markets and, although the focus is on the future, the weak demand in the domestic markets is slowing new investment plans. The uncertainty around the path taken by China's economy and political tensions are resulting in concern in many market areas.

In 2016, a few large, capacity-generating mill-scale projects took off in

the plywood and LVL industry. We succeeded in winning the tenders in all of these. Each of the projects is being implemented by a familiar, long-term customer. We have our long-running cooperation with our customers, their success in business and confidence in the future to thank for these victories.

Over the past year, we made significant investments in new development projects. In terms of product development, the most vital role was held by digital services, which help boost our customers' operations and deepen our cooperation further. We also invested in improving our operations in production, information systems and office work.

We improved the capacity and service ability of our technology services by, for example, starting up two new service centers in connection with our customer mills. Our key personnel and competence development projects were the improvement of occupational safety, the setting in motion of a systematic mentoring program and business sustainability work.

The advancement of the previous year's major mill projects and being awarded more of these types of orders were our most important achievements in 2016. The positive development of our North American business and success of our machine vision technology with its new product launches were also particular causes for celebration. We succeeded in expanding our overall service concept by integrating services into our investment commodity deliveries. The above-mentioned

examples are an indication that we have made advances in achieving many of our strategic targets. In order to meet the needs of the emerging markets, we have developed new methods in order to achieve our strategic targets.

It is already clear that our business will take a positive trend in 2017 and we will achieve increased net sales and improve our operating profit. Our development projects to implement our strategy are moving forward and improving our operations even further. Demand is at a normal level, which is a good basis for growth in the current year. Our all-time highest order book provides us with the boost needed for a spectacular take-off. We have knowingly planned our work to ensure that we can provide our customers competitive delivery times also in 2017, both in terms of investments of various sizes and services. Our efforts are focused on strengthening our position particularly in projects involving individual production lines and machines and modernizations.

I would like to send out a heartfelt thank you for the past year: to Raute's customers for their invaluable cooperation and trust, to our personnel for their outstanding work and flexibility under the strongly fluctuating workload, to our shareholders for their continued confidence in us, and to all our other partners for their participation in furthering Raute's development and success.

FOURTH QUARTER OF 2016

Order intake and order book

The order intake, EUR 42 million (MEUR 16), was at a good level. Technology services accounted for EUR 14 million (MEUR 10) of the order intake.

The most significant new order was the approximately EUR 19 million order that took effect in early November, which consisted of machine lines and services linked to their installation and commissioning for a plywood mill to be built in Estonia. The machine lines will be delivered and the installation and commissioning of the plywood mill will begin in early 2018.

The order book, at EUR 106 million (MEUR 60), strengthened further during the final quarter by EUR 4 million to a new record-high level. An unusually large proportion of the order book is thus scheduled for 2018.

Net sales

Fourth-quarter net sales amounted to EUR 36.0 million (MEUR 39.5). Net sales increased 54 percent from the third quarter in line with the order book's timing. Technology services accounted for 36 percent (25%) of the quarter's net sales.

Result and profitability

Operating profit in the fourth quarter was EUR 4.3 million positive (MEUR 2.8 positive) and accounted for 11.9 percent (7.0%) of net sales. The result was EUR 3.6 million positive (MEUR 2.4). Undiluted earnings per share were EUR 0.86 (EUR 0.58) and diluted earnings per share were EUR 0.85 (EUR 0.57). Profitability improved in comparison with the previous quarters, which mainly resulted from increased net sales.

RAUTE CORPORATION – FINANCIAL STATEMENTS JANUARY 1–DECEMBER 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 projects and are thus highly affected by fluctuations in construction, housing-related consumption, international trade, and transportation.

During 2016, uncertainty about what direction global economic and financial market development will take continued. Construction activity remained at a low level in all market areas, including North America, where, however, the construction activity improved steadily but slower than predicted. The order books of Raute's customers remained short and the general market situation was not attractive in terms of the implementation of major investments.

Demand for wood products technology and technology services

Invitations to tender for projects were at a good level and trade negotiations took place at a brisk rate. However, relatively few individual machine line projects and modernizations started up. Several major mill-scale investments that had long been under negotiation proceeded to the order stage during the second half of the year.

In Europe, several major investment decisions were made concerning new plywood and LVL capacity. In Poland, an investment in an LVL mill's new line started up. In Finland, we started up the modernization of an LVL line and in Finland and Estonia, investments in birch veneer and plywood production lines.

In Russia, the economic and financial situation continued to be weak. The preparation of many investments continued to be active, however, and after several quiet years, a major birch plywood mill project started up.

In North America, plywood and LVL industry production investments were low and mainly targeted the modernization of existing softwood plywood capacity.

In South America, our key customers' previous investments have now found their place on the markets and although the focus is on the future, the weak demand in the domestic markets is slowing investment plans. No new major investment projects were started up. Replacement investments also remained at a low level.

Raute was the first western company to develop modern plywood manufacturing in China. Technological development has not, however, been as fast as expected and Raute's entry into the markets has been slower than hoped for.

In Southeast Asia, raw material availability, the harvesting limitations on natural forests and problems linked to the quality of plantation

wood limited the development of plywood production. Raute received few new orders in Southeast Asia in 2016. In Australia and New Zealand, the plywood and LVL product markets performed well, driven by the improvement in the local economy, construction markets and exports. No new major investments were started up. Raute's new orders to the area were modernization-type projects.

Demand for maintenance and spare parts services remained at a good level throughout the year. This bears testimony to the fact that the utilization rates of Raute's customers' production facilities remained good, for the most part.

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 order intake amounted to a record-high EUR 162 million (MEUR 145) during 2016. 57 percent of the new orders came from Europe (67%), 27 percent from Russia (10%), 11 percent from North America (15%), 3 percent from Asia-Pacific (5%) and 2 percent from South America (3%). Sometimes even strong fluctuations in the distribution of new orders between the various market areas are typical for project-focused business.

The order intake for project deliveries stood at EUR 118 million (MEUR 105) and increased on the previous year by 13 percent. In the third and fourth quarters, four major orders took effect, which included altogether five new capacity-generating projects valued at EUR 88 million in total. Four of the projects will be built in Europe and one in Russia.

Order intake in technology services amounted to EUR 44 million (MEUR 40), 8 percent more than in 2015. Growth in modernizations equaled 5 percent and in other technology services 12 percent.

At the end of 2016, the order book, EUR 106 million (MEUR 60), stood at a record-high level. An unusually large proportion of the order book is thus scheduled for 2018.

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

The Group's net sales in 2016 amounted to EUR 113.1 million (MEUR 127.3). Net sales declined by 11 percent on 2015. The decline in net sales resulted from a low volume of new orders within an approximately one-year period beginning in summer 2015 and lasting until summer 2016.

Net sales were generated by project deliveries related to the wood products technology business and by technology services.

Net sales for project deliveries totaled EUR 70 million (MEUR 85), down 18 percent from the previous year. Project deliveries accounted for 62 percent (67%) of total net sales. The plywood industry's share of the net sales of project deliveries was 66 percent (68%), while the LVL industry's share was 34 percent (32%).

At the end of 2016, the order book contained eight new major capacity-generating projects of which three projects took off in 2015 and have proceeded to the production ramp-up and final approval stage. A project involving the machines for an LVL mill in Germany, which started up in July 2012, was approved in June 2016. The two major orders received from Poland in 2014 were approved in June 2016.

Net sales for technology services totaled EUR 43 million (MEUR 42). Net sales grew 3 percent from the previous year and grew to 38 percent (33%) of total net sales. Maintenance and spare parts services increased by 6 percent on the previous year.

Europe's 2016 share of total net sales was 60 percent (66%), Russia's 17 percent (9%), North America's 15 percent (13%), Asia-Pacific's 5 percent (5%), and South America's 3 percent (7%).

RESULT AND PROFITABILITY

The Group's operating profit for 2016 was EUR 8.6 million positive (MEUR 8.1 positive) and accounted for 7.6 percent of net sales (6.4%). Other operating income for the reporting period includes project-business-related insurance compensation of EUR 0.9 million received in the first quarter. Otherwise, profitability reflected the level of net sales.

The Group's financial income and expenses totaled EUR -0.3 million (MEUR -0.0). The Group's profit before taxes was EUR 8.2 million positive (MEUR 8.1) and profit for the financial year EUR 6.7 million positive (MEUR 6.7). The Group's comprehensive income was EUR 7.5 million positive (MEUR 6.8).

Undiluted earnings per share were EUR 1.60 (EUR 1.65) and diluted earnings per share were EUR 1.59 (EUR 1.64). Return on investment was 25.3 percent (28.5%) and return on equity 20.9 percent (24.7%).

CASH FLOW AND BALANCE SHEET

The Group's financial position remained good throughout the year. At the end of the financial year, the Group's cash and cash equivalents exceeded interest-bearing liabilities by EUR 20.6 million (MEUR 5.0). At the end of the financial year gearing was -60 percent (-17%) and the equity ratio was 60 percent (59%).

The Group's cash and cash equivalents amounted to EUR 23.8 million (MEUR 6.5) at the end of 2016. The change in cash and cash equivalents in the financial year was EUR 17.2 million positive (MEUR 2.1 positive). Operating cash flow was EUR 21.2 million positive (MEUR 7.5 positive). Cash flow from investment activities was EUR 2.9 million negative (MEUR 2.3 negative). Cash flow from financing activities was EUR 1.2 million negative (MEUR 3.1 negative), including dividend payments of EUR 3.3 million, EUR 0.5 million in rights issues and EUR 1.6 million in the growth of short-term loans.

The Group's balance sheet total at the end of 2016 stood at EUR 69.8 million (MEUR 61.8). 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.

Interest-bearing liabilities amounted to EUR 3.1 million (MEUR 1.5) at the end of 2016.

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 21.6 million remained unused at the end of the financial year.

LOANS TO RELATED PARTIES AND OTHER LIABILITIES

Other liabilities are presented in the figures section of this report.

EVENTS DURING THE REPORTING PERIOD

Raute Corporation published stock exchange releases on the following events in 2016:

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
June 3, 2016	Notification pursuant to the Finnish Securities Markets Act, Chapter 9, Section 5 (flagging notification)
July 20, 2016	Raute received orders worth EUR 25 million to Finland
August 22, 2016	Raute received an order of over EUR 17 million to Poland
August 24, 2016	Raute received orders worth almost EUR 32 million to Russia
September 28, 2016	Issue of new shares of Raute Corporation without consideration to the company itself
November 9, 2016	Raute received orders worth EUR 19 million to Estonia.

RESEARCH AND DEVELOPMENT

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.

In 2016, the Group's research and development costs totaled EUR 2.9 million (MEUR 3.1) and 2.5 percent of net sales (2.4%).

Raute's new digital product family, Raute Insights, reached pilot production in 2016. The new G5 generation of veneer and sheet analyzers was also introduced to the markets, the architecture and performance of which enable the combination of a larger number of measurement variables than before and simultaneous analysis. In addition to greater speed and improved accuracy, the analyzers' new architecture, combined with digital Raute Insights products, allows the efficiency and quality of plywood and LVL production to be ramped up to a whole new level. Raute's new Smart Mill concept produces information on several interconnected production process stages. Using this information, customers can monitor and ensure that the plywood and LVL production corresponds with their targets and react to defects as early as possible. Several new modernization projects were introduced to the markets for meeting the development needs of existing mills and a service concept was developed for boosting Raute's leading position as a full-scope supplier.

INVESTMENTS

The Group's investments in 2016 totaled EUR 3.2 million (MEUR 2.5). The biggest single investment was the NC boring machine taken into use at the Nastola production unit in early 2016, the acquisition cost of which was spread out across 2015 and 2016. Other investments were linked to production management and technology services information systems, the modernization of business premises and various replacement investments. Investments in 2016 do not include capitalized development costs (MEUR 0.2).

DEVELOPMENT OF OPERATIONS

In 2016, the focus of strategic development projects was on improving sales. Measures for ensuring delivery capability and quality were continued. New operating methods and production management information systems have been used to simultaneously implement major delivery projects.

HUMAN RESOURCES

The Group's headcount at the end of 2016 was 643 (646). Finnish Group companies accounted for 72 percent (68%) of employees, Chinese companies for 12 percent (16%), North American companies for 13 percent (12%), and other sales and maintenance companies for 4 percent (4%).

Converted to full-time employees ("effective headcount"), the average number of employees during the financial year was 631 (614). Salaries and remunerations paid by the Group totaled EUR 30.1 million (MEUR 28.1). This figure does not include expenses resulting from the stock option and share incentive plans.

The Group continued to develop the competence of its personnel and increase their commitment to the company. A total of 3 percent (2%) of the payroll was invested in personnel training. The focal point for personnel development in 2016 was on competence development measures, which were implemented through a systematic mentoring program, among other things. Additionally, a business sustainability development program was initiated.

REMUNERATION

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

Performance Share Plan 2014–2018

The Group has a long-term share-based incentive plan for the Group's senior management for the years 2014 to 2018 based on performance. The plan has two valid share plans, which began in 2015 and 2016. In both plans, a year-long earnings period is followed by a two-year vesting period and the earnings criteria were the financial year's earnings per share and growth in net sales.

The plan beginning in 2015 covers altogether 11 persons belonging to the Group's senior management. The earnings criteria were the financial year's earnings per share and growth in net sales. The Board of Directors has confirmed the amounts of the personal bonuses to be paid for the 2015 earnings period on March 2, 2016, of which the portion to be paid in shares is altogether 14,523 series A shares. No shares or cash were issued under the plan in 2015. The vesting period ends at the beginning of 2018.

The plan beginning in 2016 covers altogether 12 persons belonging to the Group's senior management. The amounts of the personal bonuses will be fixed in March 2017. The vesting period will end at the beginning of 2019.

A total amount of EUR 46 thousand (EUR 377 thousand), has been recognized as expense for the share plans in 2016. A total amount of EUR 129 thousand was allocated into the invested non-restricted equity reserve.

SOCIETY AND THE ENVIRONMENT

Sustainability is one of the values that guide Raute's operations. Raute strives to systematically develop the environmental soundness of its products and services and to reduce the environmental impacts of its operations. The Group abides by the principles of good corporate citizenship, taking into consideration nature and its protection, and how society as a whole operates, while respecting local cultures and valuing diversity. Raute's Board of Directors has presented to the company the Code of Conduct which guides the personnel to act responsibly in accordance with Raute's values.

Raute's operations mainly affect the environment indirectly when the company's technology is used in the production processes of the plywood and LVL industry. Raute's technology enables customers to substantially reduce the environmental load caused by their operations through, for example, more efficient use of wood raw materials, additives and energy. Raute focuses particularly on developing the occupational safety of its products.

The Group's own operations do not involve considerable environmental risks that might have a direct impact on the Group's business operations or financial position. The Nastola main production units manage environmental matters in compliance with a certified environmental system. The operations and ethical principles of the partner and subcontractor network are also subjected to systematic inspection.

Raute aims to continuously improve occupational safety, reduce energy consumption, decrease the volume of waste, and develop the working environment.

SEASONAL FLUCTUATIONS IN BUSINESS

The Group's net sales and working capital fluctuate every quarter due to different types of project deliveries and their schedules. Business operations do not involve regular seasonal changes.

RISKS AND RISK MANAGEMENT

The Group's identified key risk areas relate to the nature of the business, the business environment, financing, damage or loss and information security. The fluctuations in demand resulting from economic cycles and delivery and technology risks have been identified as the Group's most significant 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. The most significant risks for Raute in the near term are related to major mill-scale projects that are in the implementation phase, in accordance with the schedule determined in the contract terms.

The Group has no ongoing legal proceedings or other disputes in progress that might materially affect the continuity of business operations, nor is the Board of Directors aware of any other legal risks related to the Group's operations that might have such an effect.

Business risks

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.

Deliveries and technology

The bulk of Raute's business operations consists of project deliveries, which expose the company to risks caused by customer-specific 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.

Emerging markets

Raute's objective is to increase its local business for example in China and Russia, where, besides opportunities, companies face risks typical for emerging markets.

Information security

Information security risks are managed according to a defined information security policy.

Human resources

Competence retention and development and ensuring 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.

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 through payment terms and by covering the unpaid sum with bank guarantees, letters of credit or other suitable securities. The Group's liquid assets are mainly held in banks in the Nordic countries. The credit losses recognized during the 2016 financial year amounted to EUR 0.2 million (MEUR 0.6).

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 included 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 made preparations for fluctuating working capital requirements and possible disturbances in the availability of money through long-term credit facility agreements with three Nordic banks.

Risks of damage or loss

Raute's most significant single risks concerning material damage and business interruption loss are a fire, a serious machine breakdown and information system breakdown or malfunction 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 Team 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, develops internal control and risk management procedures together with the operative leadership, and monitors compliance with risk management principles, operational policies and powers.

SHAREHOLDERS

The number of shareholders totaled 2,623 at the beginning of the year and 3,625 at the end of the financial year. Series K shares were held by 50 private individuals (50) at the end of the financial year. Nominee-registered shares accounted for 2.1 percent (3.3%) of shares. On June 2, 2016, the company received a flagging notification pursuant to the Finnish Securities Markets Act, Chapter 9, Section 5, according to which Göran Sundholm's holding of the total number of Raute Corporation's shares was less than 15 per cent when Raute Corporation's share capital increase was marked in the Trade Register on May 9, 2016. Göran Sundholm's holding of the company's shares was 14.98% and 2.71% of the votes after the flagging threshold was crossed. The Board of Directors, the President and CEO as well as the Executive Board held altogether 248,979 company shares, equaling 5.9 percent (5.6%) of the company shares and 11.2 percent (11.2%) of the votes on December 31, 2016.

AUDITORS

At Raute Corporation's Annual General Meeting on March 31, 2016, the authorized public accountants PricewaterhouseCoopers were chosen as auditor with Authorized Public Accountant Markku Launis as the principal auditor.

CORPORATE GOVERNANCE

In 2016, Raute Corporation complied with the Finnish Corporate Governance Code 2015 for listed companies issued by the Securities Market Association on October 1, 2015.

CORPORATE GOVERNANCE STATEMENT

Raute Corporation's Board of Directors has reviewed Raute Corporation's Corporate Governance Statement for 2016 according to chapter 7, section 7 of the Finnish Securities Markets Act and the Finnish Corporate Governance Code 2015 for listed companies issued by the Securities Market Association on October 1, 2015. The statement has been drawn up separately from the Report of the Board of Directors.

BOARD OF DIRECTORS AND PRESIDENT AND CEO

The Annual General Meeting elects the Chairman and Vice-Chairman for the Board of Directors, and 3–5 Board members.

At the Annual General Meeting held on March 31, 2016, Mr. Erkki Pehu-Lehtonen was elected Chairman of the Board of Raute Corporation, 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 Board of Directors appoints the President and CEO and confirms the terms of his or her employment, including fringe benefits.

Mr. Tapani Kiiski, Licentiate in Technology, continued as Raute Corporation's President and CEO. He was appointed as Raute Corporation's President and CEO on March 16, 2004. As agreed in the executive contract, the term of notice is six months, and the severance pay equals twelve months' salary.

Raute Corporation's Articles of Association do not grant any unusual authorizations to the Board of Directors, or to the President and CEO.

Any decisions on changes to the Articles of Association or an increase in share capital are made in compliance with the regulations of the effective Companies Act.

EXECUTIVE BOARD

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

SHARES

During 2016, a total of 80,231 new series A shares (96,480 shares) were subscribed for under the 2010 series A, 2010 series B and 2010 series C stock option rights.

The number of Raute Corporation's shares at the end of 2016 totaled 4,206,462 (4,111,708), of which 991,161 (991,161) were series K shares (ordinary share, 20 votes/share) and 3,215,301 (3,120,547) 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. In this kind of situation other holders of series K shares have the right to redeem the series K 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 RAUTE (RUTAV until January 16, 2017). During 2016, 987,608 shares were traded (1,094,902) worth altogether EUR 14.3 million (MEUR 13.1). The number of shares traded represents 31 percent (36%) of all listed series A shares. The average price of a series A share was EUR 14.50 (EUR 11.95). The highest closing price of the year was EUR 17.98 and the lowest EUR 12.06.

The company's market capitalization at the end of 2016 totaled EUR 70.2 million (MEUR 58.1), with series K shares valued at the closing price of series A shares, EUR 16.70 (EUR 14.12), on December 31, 2016.

Raute Corporation has signed a market making agreement with Nordea Bank Ab (publ) in compliance with the Liquidity Providing (LP) requirements issued by Nasdaq Helsinki Ltd.

On September 28, 2016, the company resolved on the issuance of new shares to the company itself without consideration so that, in spring 2017, it will have own shares held by the company available for the payment of the share rewards payable based on the company's share incentive plan 2015–2017. The 14,523 new series A shares were entered in the Trade Register on October 5, 2016 and admitted to public trading on October 6, 2016.

Other share-related information is presented in the figures section of this report.

RAUTE CORPORATION'S 2010 A, 2010 B AND 2010 C STOCK OPTIONS

In 2016, altogether 15,355 series A shares were subscribed for with Raute's series A 2010 stock options, 41,951 with series B stock options and 22,925 with series C stock options.

Raute Corporation's series B 2010 stock options are listed on Nasdaq Helsinki Ltd under the trading code RAUTEEW210 and series C 2010 stock options under the trading code RAUTEEW310. The subscription period ends for series B stock options on March 31, 2017 and for series C stock options on March 31, 2018. The subscription period for series A stock options ended on March 31, 2016.

At the end of 2016, altogether 16,449 series B stock options and 31,370 series C stock options had not been exercised. The subscription prices at the end of the year were EUR 7.13 for series B stock options and EUR 6.00 for series C stock options. The closing prices at the end of 2016 were EUR 9.10 for series B stock options and EUR 8.80 for series C stock options.

RAUTE'S 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.

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 dividends amounted to a total of EUR 3.3 million, of which series A shares accounted for EUR 2,509,597.60 and series K shares for EUR 792,928.80. The dividend payment date was April 12, 2016.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

The Annual General Meeting held on March 31, 2016 authorized the company's Board of Directors to decide on the repurchase of Raute Corporation series A shares with assets from the company's non-restricted equity and to decide on a directed issue of a maximum of 400,000 shares.

On September 28, 2016, Raute Corporation's Board of Directors resolved on the issuance of 14,523 new series A shares to the company itself without consideration, in accordance with Chapter 9, section 20 of the Companies Act. At the end of the financial year, the company controlled 14,523 of its own shares.

EVENTS AFTER THE FINANCIAL YEAR

Raute Corporation published stock exchange releases on the following events in 2017:

- January 2, 2017 Market-making for Raute Corporation transferred to Nordea Bank AB (publ)
- January 11, 2017 Raute Corporation's trading and issuer codes to change as from January 16, 2017
- February 6, 2017 Appointments committee's proposal regarding composition of Raute Corporation's Board of Directors.

PUBLICATION OF THE FINANCIAL STATEMENTS AND ANNUAL REPORT 2016

Raute Corporation's consolidated financial statements 2016 will be published on February 15, 2017. Raute Corporation's Corporate Governance Statement and the company's remuneration statement will be published at the same time with the financial statements. Raute Corporation's Annual Report 2016 will be published during week 9.

ANNUAL GENERAL MEETING 2017

Raute Corporation's Annual General Meeting for 2017 will be held at Lahti's Sibelius Hall on Tuesday March 28, 2017 at 6:00 p.m. A shareholder who wishes to include an issue in Raute Corporation's Annual General Meeting's agenda shall notify the company thereof in writing no later than February 21, 2017.

BOARD OF DIRECTORS' PROPOSAL CONCERNING PROFIT DISTRIBUTION, DIVIDEND EUR 1.00 PER SHARE

On December 31, 2016, the Parent company's distributable assets totaled EUR 24,376 thousand, of which EUR 8,702 thousand stands for the profit for the financial year 2016.

The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on March 28, 2017, that a dividend of EUR 1.00 per share be paid to holders of series A shares and series K shares for the financial year 2016, and that the remainder of distributable assets be transferred to equity.

On the date of the profit distribution proposal, the number of shares entitling to a dividend is 4,206,462 shares, which would amount to total dividends of EUR 4,206 thousand. Shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date for dividend payment March 30, 2017 are entitled to dividends. The dividend payment date would be April 6, 2017.

No essential changes have taken place in the company's financial position since the end of the financial year. The company has good liquidity, and in the Board of Directors' view, the proposed dividend does not pose a risk to solvency.

OUTLOOK FOR 2017

Raute's business operations are characterized by the sensitivity of investment commodity demand to cyclical fluctuations in the global economy and financial markets.

The development of the global economy and financial markets is still facing major uncertainty. The market situation for Raute's customer industries is expected to remain unpredictable.

Improvement investments in the plywood industry to ensure quality and cost competitiveness and to maintain market shares are expected to be at a normal level in 2017. Several large projects encompassing single production lines and new mills' entire production lines that are in the planning and negotiation phase are also pending. The strong growth in demand for technology services is expected to continue strong.

Thanks to its strong financial and market position and the development measures carried out, Raute is well positioned to respond to demand.

Based on the strong initial order book and the prevailing demand situation, Raute's net sales for 2017 are expected to grow and operating profit is anticipated to improve over the year 2016.

Consolidated statement of income

Financial Statements 2016
February 15, 2017

The figures for the financial year 2016 and 2015 presented in the tables section of the financial statements bulletin have been audited. The presented interim report figures have not been audited.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1 000)	Note	1.10.- 31.12.2016	1.10.- 31.12.2015	1.1.- 31.12.2016	1.1.- 31.12.2015
NET SALES	3,4,5	36 043	39 521	113 130	127 278
Change in inventories of finished goods and work in progress		-894	-1 254	150	-313
Other operating income		24	32	1 103	393
Materials and services		-17 041	-21 316	-54 849	-67 992
Employee benefits expense	13	-9 882	-8 935	-36 606	-34 310
Depreciation and amortization		-646	-296	-2 340	-2 125
Impairment		-	-1 370	-	-1 370
Other operating expenses		-3 313	-3 600	-12 030	-13 441
Total operating expenses		-30 881	-35 518	-105 825	-119 238
OPERATING PROFIT		4 292	2 781	8 558	8 120
% of net sales		11,9	7,0	7,6	6,4
Financial income		152	129	123	342
Financial expenses		-139	-72	-461	-343
Financial expenses, net		13	57	-338	-1
PROFIT BEFORE TAX		4 304	2 837	8 220	8 118
% of net sales		11,9	7,2	7,3	6,4
Income taxes		-689	-459	-1 536	-1 435
PROFIT FOR THE PERIOD		3 615	2 378	6 684	6 684
% of net sales		10,0	6,0	5,9	5,3
Profit for the period attributable to Equity holders of the Parent company		3 615	2 378	6 684	6 684
Earnings per share for profit attributable to Equity holders of the Parent company, EUR					
Undiluted earnings per share		0,86	0,58	1,60	1,65
Diluted earnings per share		0,85	0,57	1,59	1,64

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1 000)	Note	1.10.- 31.12.2016	1.10.- 31.12.2015	1.1.- 31.12.2016	1.1.- 31.12.2015
PROFIT FOR THE PERIOD		3 615	2 378	6 684	6 684
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					
Changes in the fair value of available-for-sale investments		259	-	259	-
Cash flow hedges		66	-21	66	8
Exchange differences on translating foreign operations		273	-97	534	88
Income taxes related to these items		-60	-	-60	-
Comprehensive income items for the period, net of tax		538	-118	799	98
COMPREHENSIVE PROFIT FOR THE PERIOD		4 153	2 260	7 483	6 782
Comprehensive profit for the period attributable to					
Equity holders of the Parent company		4 153	2 260	7 483	6 782
Shares, 1 000 pcs					
Adjusted average number of shares		4 191	4 091	4 167	4 051
Adjusted average number of shares diluted		4 235	4 139	4 210	4 079

ASSETS

(EUR 1 000)	Note	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Intangible assets	8	1 353	1 609
Property, plant and equipment	8	9 580	8 529
Other financial assets		748	490
Deferred tax assets		167	172
Total non-current assets		11 848	10 799
Current assets			
Inventories		9 674	9 577
Accounts receivables and other receivables	5	24 435	34 722
Income tax receivable		40	123
Cash and cash equivalents		23 769	6 538
Total current assets		57 918	50 960
TOTAL ASSETS		69 767	61 760

EQUITY AND LIABILITIES

(EUR 1 000)	Note	31.12.2016	31.12.2015
EQUITY AND LIABILITIES			
Equity attributable to Equity holders of the Parent company			
Share capital		8 256	8 223
Fair value reserve and other reserves		6 577	6 008
Exchange differences		842	308
Retained earnings		11 859	8 477
Profit for the period		6 684	6 684
Share of shareholders' equity that belongs to the owners of the Parent company		34 217	29 700
Total equity		34 217	29 700
Non-current liabilities			
Provisions		462	455
Deferred tax liability		192	241
Total non-current liabilities		653	696
Current liabilities			
Provisions		1 156	1 409
Current interest-bearing liabilities	9	3 136	1 535
Current advance payments received	5	13 069	11 024
Income tax liability		1 131	11
Trade payables and other liabilities		16 404	17 386
Total current liabilities		34 896	31 364
Total liabilities		35 549	32 059
TOTAL EQUITY AND LIABILITIES		69 767	61 760

Consolidated statement of cash flows

Financial Statements 2016
February 15, 2017

(EUR 1 000)	1.1.–31.12.2016	1.1.–31.12.2015
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from customers	123 974	122 089
Other operating income	1 103	371
Payments to suppliers and employees	-103 221	-114 092
Cash flow before financial items and taxes	21 856	8 368
Interest paid from operating activities	-111	-115
Dividends received from operating activities	114	97
Interest received from operating activities	3	5
Other financing items from operating activities	-251	105
Income taxes paid from operating activities	-374	-983
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	21 237	7 477
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	-3 019	-2 395
Proceeds from sale of property, plant and equipment and intangible assets	94	66
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	-2 925	-2 329
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	528	607
Proceeds from current borrowings	6 410	-
Repayments of current borrowings	-4 794	-
Repayments of non-current borrowings	-	-1 250
Dividends paid and repayment of equity	-3 303	-2 409
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	-1 158	-3 052
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	17 154	2 096
increas (+)/decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD*	6 538	4 431
NET CHANGE IN CASH AND CASH EQUIVALENTS	17 154	2 096
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	77	11
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD*	23 769	6 538
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET AT THE END OF THE PERIOD*		
Cash and cash equivalents	23 769	6 538
TOTAL	23 769	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	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	4 950	1 058	308	15 161	29 700	29 700
Comprehensive profit for the period							
Profit for the period	-	-	-	-	6 684	6 684	6 684
Other comprehensive income items:							
Changes in the fair value of available-for-sale investments	-	-	259	-	-	259	259
Hedging reserve	-	-	66	-	-	66	66
Exchange differences on translating foreign operations	-	-	-	534	-	534	534
Income taxes related to these items	-	-	-60	-	-	-60	-60
Total comprehensive profit for the period	-	-	265	534	6 684	7 483	7 483
Transactions with owners							
Share-options exercised	33	495	-	-	-	528	528
Equity-settled share-based transactions	-	-	-191	-	-	-191	-191
Dividends	-	-	-	-	-3 303	-3 303	-3 303
Total transactions with owners	33	495	-191	-	-3 303	-2 966	-2 966
EQUITY at Dec. 31, 2016	8 256	5 445	1 132	842	18 543	34 217	34 217

(EUR 1 000)	Share capital	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	5 339	662	220	10 083	24 334	24 334
Comprehensive profit for the period							
Profit for the period	-	-	-	-	6 684	6 684	6 684
Other comprehensive income items:							
Changes in the fair value of available-for-sale investments	-	-	-	-	-	-	-
Hedging reserve	-	-	8	-	-	8	8
Exchange differences on translating foreign operations	-	-	-	88	-	88	88
Income taxes related to these items	-	-	-	-	-	-	-
Total comprehensive profit for the period	-	-	8	88	6 684	6 780	6 780
Transactions with owners							
Share-options exercised	193	414	-	-	-	607	607
Equity-settled share-based transactions	-	-	389	-	-	389	389
Dividends and repayment of equity	-	-803	-	-	-1 606	-2 409	-2 409
Total transactions with owners	193	-389	389	-	-1 606	-1 413	-1 413
EQUITY at Dec. 31, 2015	8 223	4 950	1 058	308	15 161	29 700	29 700

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Raute Group is a globally operating technology and service company with core competence in selected wood products manufacturing processes. Raute's customers are companies operating in the wood products industry that manufacture veneer, plywood and LVL. Raute's full-service concept is based on product life-cycle management and include project deliveries and technology services. Raute's technology offering covers machinery and equipment for the customer's entire production process. In addition to a broad range of machines and equipment, Raute's solutions cover technology services ranging from spare parts deliveries to regular maintenance and equipment modernizations.

Raute's head office is located in Lahti (previously Nastola 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 Board of Directors has on February 15, 2017 reviewed the financial statements bulletin for January 1 - December 31, 2016, and approved it to be published. According to the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting arranged after the statements have been issued. The Annual General Meeting also has the opportunity to make changes to the financial statements.

2. Accounting principles

Raute Corporation's financial statements bulletin for January 1 - December 31, 2016 has been prepared in accordance with standard IAS 34 Interim Financial Reporting. The financial statements bulletin does not contain full notes and other information presented in the financial statements. Raute Corporation's financial statements with full notes will be published on February 15, 2017.

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

The impact of the new and revised standards has been presented in the annual financial statements for 2016. The adoption of these standards has not had an essential impact on the financial statements bulletin.

All of the figures presented in the financial statements bulletin 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.

When preparing the financial statements bulletin in compliance with International Financial Reporting Standards, the company management has made certain estimates and assumptions. In addition, the management has exercised its judgment in selecting and applying the accounting policies. The forward-looking estimates and assumptions have been based on management's best knowledge at the reporting date, and they comprise risks and uncertainties, therefore 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.

(EUR 1 000)	2016	2015
Wood products technology		
Net sales	113 130	127 278
Operating profit	8 558	8 120
Assets	69 767	61 760
Liabilities	35 549	32 059
Capital expenditure	3 224	2 506

(EUR 1 000)	2016	%	2015	%
Assets of the wood products technology segment by geographical location				
Finland	58 993	85	52 488	85
China	5 357	8	4 572	7
North America	4 077	6	3 655	6
Russia	990	1	732	1
South America	189	0	202	0
Other	161	0	112	0
TOTAL	69 767	100	61 760	100

(EUR 1 000)	2016	%	2015	%
Capital expenditure of the wood products technology segment by geographical location				
Finland	2 925	91	2 388	95
China	104	3	57	2
North America	181	6	61	2
Russia	9	0	-	-
South America	1	0	1	0
Other	4	0	-	-
TOTAL	3 224	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 have been 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 22 percent.

(EUR 1 000)	2016		2015	
Net sales by market area				
EMEA (Europe and Africa)	67 186	60	82 632	66
CIS (Russia)	19 928	17	11 841	9
NAM (North America)	16 829	15	16 962	13
APAC (Asia-Pacific)	5 361	5	6 906	5
LAM (South America)	3 826	3	8 937	7
TOTAL	113 130	100	127 278	100

Finland accounted for 22 percent (24 %) of net sales.

(EUR 1 000)	2016	2015
5. Long-term projects		
Specification of net sales		
Net sales by percentage of completion	89 231	104 251
Other net sales	23 899	23 027
TOTAL	113 130	127 278
Project revenues entered as income from currently undelivered long-term projects recognized by percentage of completion	114 461	112 329
Amount of long-term project revenues not yet entered as income (order book)	105 684	59 210
Balance sheet items of undelivered long-term projects		
Projects for which the value by percentage of completion exceeds advance payments invoiced		
- aggregate amount of costs incurred and recognized profits less recognized losses	90 806	72 948
- advance payments received	74 065	46 415
Gross amount due from customers	16 741	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	23 641	36 823
- advance payments received	35 980	46 294
Gross amount due to customers	12 339	9 471
Advance payments included in the current liabilities in the balance sheet		
Gross amount due to customers	12 339	9 471
Other advance payments received, not under percentage of completion	730	1 553
Total	13 069	11 024
Advance payments included in inventories in the balance sheet		
Advance payments paid for long-term projects	847	1 367
Total	847	1 367

	2016	2015
6. Number of personnel, persons		
Effective, on average	631	614
In books, on average	642	624
In books, at the end of the period	643	646
- of which personnel working abroad	183	205
7. Research and development costs		
Research and development costs for the period	-2 863	-3 092
Amortization of previously capitalized development costs	-227	-104
Development costs recognized as an asset in the balance sheet	-	220
Research and development costs entered as expense for the period	-3 090	-2 976
Impairment of previously capitalized development costs	-	-1 020
Research and development costs entered as expense for the period	-3 090	-3 996

	2016	2015
8. Changes in Intangible assets and in Property, plant and equipment		
Intangible assets		
Carrying amount at the beginning of the period	14 035	13 826
Exchange rate differences	-28	60
Additions	108	346
Disposals	-	-350
Reclassification between items	-724	152
Carrying amount at the end of the period	13 391	14 035
Accumulated depreciation and amortization at the beginning of the period	-12 426	-10 334
Exchange rate differences	18	-32
Accumulated depreciation and amortization of disposals and reclassifications	1 020	-
Depreciation and amortization for the period	-650	-690
Impairment	-	-1 370
Accumulated depreciation and amortization at the end of the period	-12 038	-12 426
Book value of Intangible assets, at the beginning of the period	1 609	3 492
Book value of Intangible assets, at the end of the period	1 353	1 609
Property, plant and equipment		
Carrying amount at the beginning of the period	45 463	43 944
Exchange rate differences	445	-458
Additions	3 116	2 160
Disposals	-66	-30
Reclassification between items	-301	-152
Carrying amount at the end of the period	48 657	45 463
Accumulated depreciation and amortization at the beginning of the period	-36 934	-36 014
Exchange rate differences	-458	502
Accumulated depreciation and amortization of disposals and reclassifications	5	-
Depreciation and amortization for the period	-1 690	-1 422
Accumulated depreciation and amortization at the end of the period	-39 077	-36 934
Book value of Property, plant and equipment, at the beginning of the period	8 529	7 930
Book value of Property, plant and equipment, at the end of the period	9 580	8 529

	31.12.2016	31.12.2015
9. Interest-bearing liabilities		
Partial payments of financial loans	3 136	1 535
TOTAL	3 136	1 535

Maturities of the interest-bearing financial liabilities at December 31, 2016

	Current	Non-current	Total
Financial loans	3 136	-	3 136
TOTAL	3 136	-	3 136

	31.12.2016	31.12.2015
10. Pledged assets and contingent liabilities		
On behalf of the Parent company		
Business mortgages	6 623	7 869
Financial loans	-	1 250
Business mortgages	-	1 250
Mortgage agreements on behalf of subsidiaries		
Financial loans	3 136	285
Other obligations	189	568
Business mortgages	3 377	881
Commercial bank guarantees on behalf of the Parent company and subsidiaries	17 793	11 546
Other own obligations		
Rental liabilities maturing within one year	926	903
Rental liabilities maturing in one to five years	756	1 301
Rental liabilities maturing later	1	-
Total	1 684	2 204

11. Related party transactions

No loans have been granted to the company's management.

At the end of the financial year, Raute Corporation had loan receivables from its subsidiary Raute Canada Ltd a total of EUR 2 114 thousand (EUR 992 thousand).

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

	31.12.2016	31.12.2015
12. Derivatives		
Nominal values of forward contracts in foreign currency		
Economic hedging		
- Related to the hedging of net sales	6 084	2 969
Hedge accounting		
- Related to the hedging of net sales	2 556	2 679
Fair values of forward contracts in foreign currency		
Economic hedging		
- Related to the hedging of net sales	-41	-89
Hedge accounting		
- Related to the hedging of net sales	-75	-47

13. Share-based payments

A total of 80 231 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, May 9, 2016, August 4, 2016 and November 3, 2016.

On December 31, 2016 the company's share capital is EUR 8 256 316 and the number of company's shares 4 206 462 pieces.

An expense of EUR 46 thousand (EUR 377 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 the profit for the financial year 2015

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 December 31, 2016, the fair value of the financial assets categorized at fair value on hierarchy level 3 was EUR 748 thousand.

The methods of fair value determination correspond with 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.-31.12.2016	1.1.-31.12.2015
CNY (Chinese yuan)	7,3594	6,9733
RUB (Russian rouble)	74,2224	68,0090
CAD (Canadian dollar)	1,4664	1,4177
USD (US dollar)	1,1066	1,1097
SGD (Singapore dollar)	1,5278	1,5251
CLP (Chilean peso)	748,7723	725,3048
Balance sheet, euros	31.12.2016	31.12.2015
CNY (Chinese yuan)	7,2983	7,0223
RUB (Russian rouble)	64,3000	80,6736
CAD (Canadian dollar)	1,4188	1,5116
USD (US dollar)	1,0541	1,0887
SGD (Singapore dollar)	1,5234	1,5417
CLP (Chilean peso)	702,2261	765,9751

17. The Board of Directors' proposal for dividend distribution and measures concerning the result of 2016

The Board of Directors will propose to Raute Corporation's Annual General Meeting 2017, to be held on March 28, 2017, that a dividend of EUR 1.00 per share be paid for the financial year 2016, and that the remainder of distributable funds be transferred to equity. At the date of the proposal for profit distribution, there is a total of 4,206,462 shares entitled for the dividend, i.e. the total amount of dividend would be EUR 4,206 thousand.

Financial development

Financial Statements 2016
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FINANCIAL DEVELOPMENT	31.12.2016	31.12.2015
Change in net sales, %	-11,1	35,4
Exported portion of net sales, %	78,3	76,3
Return on investment, (ROI), %	25,3	28,5
Return on equity, ROE, %	20,9	24,7
Interest-bearing net liabilities, EUR million	-20,6	-5,0
Equity ratio, %	60,4	58,5
Gearing, %	-60,3	-16,8
Gross capital expenditure, EUR million	3,2	2,5
% of net sales	2,8	2,0
Research and development costs, EUR million	2,9	3,1
% of net sales	2,5	2,4
Order book, EUR million	106	60
Order intake, EUR million	162	145

SHARE-RELATED DATA	2016	2015
Earnings per share, (EPS), undiluted, EUR	1,60	1,65
Earnings per share, (EPS), diluted, EUR	1,59	1,64
Equity to share, EUR	8,13	7,26
Dividend per series A share, EUR	1,00*	0,80
Dividend per series K share, EUR	1,00*	0,80
Dividend per profit, %	62,3*	48,4
Effective dividend return, %	6,0*	5,7
Price per earnings ratio, (P/E ratio)	10,41	8,55
<i>*The Board of Directors' proposal to the Annual General Meeting.</i>		
Development in share price (series A shares)		
Lowest share price for the period, EUR	12,06	7,17
Highest share price for the period, EUR	17,98	14,25
Average share price for the period, EUR	14,50	11,95
Share price at the end of the period, EUR	16,70	14,12
Market value of capital stock		
- Series K shares, EUR million*	16,6	14,0
- Series A shares, EUR million	53,7	44,1
Total, EUR million	70,2	58,1
<i>*Series K shares valued at the value of series A shares.</i>		
Trading of the company's shares (series A shares)		
Trading of shares, pcs	987 608	1 094 902
Trading of shares, EUR million	14,3	13,1
Number of shares		
- Series K shares, ordinary shares (20 votes, share)	991 161	991 161
- Series A shares (1 vote/share)	3 215 301	3 120 547
Total	4 206 462	4 111 708
Number of shares, weighted average, 1 000 pcs	4 167	4 051
Number of shares, diluted, 1 000 pcs	4 210	4 079
Number of shareholders	3 625	2 623

DEVELOPMENT OF QUARTERLY RESULTS

(EUR 1 000)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Rolling 1.1.2016- 31.12.2016	Rolling 1.1.2015- 31.12.2015
NET SALES	26 427	27 306	23 355	36 043	113 130	127 278
Change in inventories of finished goods and work in progress	917	60	67	-894	150	-313
Other operating income	962	73	46	24	1 103	393
Materials and services	-14 264	-13 513	-10 032	-17 041	-54 849	-67 992
Employee benefits expense	-9 131	-8 966	-8 627	-9 882	-36 606	-34 310
Depreciation and amortization	-515	-573	-605	-646	-2 340	-2 125
Impairment	-	-	-	-	-	-1 370
Other operating expenses	-3 009	-2 871	-2 838	-3 313	-12 030	-13 441
Total operating expenses	-26 919	-25 923	-22 103	-30 881	-105 825	-119 238
OPERATING PROFIT	1 386	1 516	1 364	4 292	8 558	8 120
% of net sales	5,2	5,6	5,8	11,9	7,6	6,4
Financial income	93	-52	-70	152	123	342
Financial expenses	-222	35	-134	-139	-461	-343
Financial expenses, net	-129	-17	-204	13	-338	-1
PROFIT BEFORE TAX	1 258	1 499	1 159	4 304	8 220	8 118
% of net sales	4,8	5,5	5,0	11,9	7,3	6,4
Income taxes	-353	-274	-219	-689	-1 536	-1 435
PROFIT FOR THE PERIOD	904	1 224	940	3 615	6 684	6 684
% of net sales	3,4	4,5	4,0	10,0	5,9	5,3
Attributable to						
Equity holders of the Parent company	904	1 224	940	3 615	6 684	6 684
Earnings per share, EUR						
Undiluted earnings per share	0,22	0,29	0,22	0,86	1,60	1,65
Diluted earnings per share	0,22	0,29	0,22	0,85	1,59	1,64
Shares, 1 000 pcs						
Adjusted average number of shares	4 124	4 147	4 192	4 191	4 167	4 051
Adjusted average number of shares diluted	4 151	4 189	4 201	4 235	4 210	4 079
	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Rolling 1.1.2016- 31.12.2016	Rolling 1.1.2015- 31.12.2015
FINANCIAL DEVELOPMENT QUARTERLY						
Order intake during the period, EUR million	13	16	92	42	162	145
Order book at the end of the period, EUR million	44	32	102	106	106	60

20 LARGEST SHAREHOLDERS AT DECEMBER 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	-	622 942	622 942	14,8	622 942	2,7
2. Mandatum Life Unit-Linked	-	131 196	131 196	3,1	131 196	0,6
3. Laakkonen Mikko Kalervo	-	119 919	119 919	2,9	119 919	0,5
4. Suominen Pekka	48 000	62 429	110 429	2,6	1 022 429	4,4
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	5,0
7. Suominen Tiina Sini-Maria	48 000	53 816	101 816	2,4	1 013 816	4,4
8. Relander Harald kuolinpesä	-	85 000	85 000	2,0	85 000	0,4
9. Keskiaho Kaija Leena	33 600	51 116	84 716	2,0	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	5,3
12. Mustakallio Marja Helena	46 740	16 047	62 787	1,5	950 847	4,1
13. Mustakallio Kari Pauli	60 480	500	60 980	1,4	1 210 100	5,3
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. Suominen Jukka Matias	24 960	27 964	52 924	1,3	527 164	2,3
17. Keskinäinen työeläkevakuutus- yhtiö Varma	-	51 950	51 950	1,2	51 950	0,2
18. Mustakallio Ulla Sinikka	49 740	-	49 740	1,2	994 800	4,3
19. Suominen Jussi Matias	48 000	-	48 000	1,1	960 000	4,2
20. Keskiaho Iita Marjaana	24 780	19 094	43 874	1,0	514 694	2,2
TOTAL	632 680	1 478 644	2 111 324	50,2	14 132 244	61,3

20 LARGEST SHAREHOLDERS AT DECEMBER 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 votes						
1. Särkijärvi Anna Riitta	60 480	22 009	82 489	2,0	1 231 609	5,3
2. Mustakallio Kari Pauli	60 480	500	60 980	1,4	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	5,0
5. Siivonen Osku Pekka	50 640	53 539	104 179	2,5	1 066 339	4,6
6. Suominen Pekka	48 000	62 429	110 429	2,6	1 022 429	4,4
7. Suominen Tiina Sini-Maria	48 000	53 816	101 816	2,4	1 013 816	4,4
8. Mustakallio Ulla Sinikka	49 740	-	49 740	1,2	994 800	4,3
9. Suominen Jussi Matias	48 000	-	48 000	1,1	960 000	4,2
10. Mustakallio Marja Helena	46 740	16 047	62 787	1,5	950 847	4,1
11. Mustakallio Risto Knut kuolinpesä	42 240	-	42 240	1,0	844 800	3,7
12. Keskiaho Kaija Leena	33 600	51 116	84 716	2,0	723 116	3,1
13. Sundholm Göran	-	622 942	622 942	14,8	622 942	2,7
14. Keskiaho Vesa Heikki	29 680	-	29 680	0,7	593 600	2,6
15. Keskiaho Juha-Pekka	27 880	5 816	33 696	0,8	563 416	2,4
16. Kirmo Lasse	27 645	2 967	30 612	0,7	555 867	2,4
17. Suominen Jukka Matias	24 960	27 964	52 924	1,3	527 164	2,3
18. Keskiaho Iita Marjaana	24 780	19 094	43 874	1,0	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	1 020 881	1 799 571	42,8	16 594 681	72,0

MANAGEMENT'S 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 holding at December 31, 2016						
The Board of Directors, The Group's President and CEO and Executive Board*	122 830	126 149	248 979	5,9	2 582 749	11,2
TOTAL	122 830	126 149	248 979	5,9	2 582 749	11,2

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

Nominee-registered shares at December 31, 2016	-	87 561	87 561	2,1	87 561	0,4
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RAUTE CORPORATION

Board of Directors

BRIEFING ON FEBRUARY 15, 2017 AT 2 P.M.:

A briefing will be organized for analysts, investors and the media on February 15, 2017 at 2 p.m. at Scandic Simonkenttä Hotel, Tapiola cabinet, Simonkatu 9, Helsinki. The financial statements will be presented by Mr. Tapani Kiiski, President and CEO, and Ms. Arja Hakala, CFO.

FINANCIAL RELEASES IN 2017:

Raute's half-year report and interim reports will be published as follows:

- January–March on Friday, April 28, 2017
- January–June on Tuesday August 1, 2017
- January–September on Tuesday October 31, 2017.

Raute Corporation's consolidated financial statements will be published on February 15, 2017. Raute Corporation's Annual Report 2016 will be published during week 9.

Raute Corporation's Annual General Meeting will be held in Lahti, at Sibelius Hall on Tuesday, March 28, 2017 at 6:00 p.m.

FURTHER INFORMATION:

Mr. Tapani Kiiski, President and CEO, Raute Corporation, mobile phone +358 400 814 148

Ms. Arja Hakala, CFO, Raute Corporation, 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. Its other production plants are in Kajaani, Finland, the Vancouver area of Canada and in the Shanghai area of China. Raute's net sales in 2016 were EUR 113.1 million. The Group's headcount at the end of 2015 was 643.

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



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