

# Investor Newsletter

March 2, 2020

## Raute Corporation – Financial statements January 1 – December 31, 2019

- The Group's net sales EUR 151.3 million (MEUR 181.0) fell by 16% on the comparison year. Order intake, at EUR 148 million (MEUR 167), was at a good level, although it fell 11%. The order book at the end of the year, EUR 88 million (MEUR 95), was also strong despite a decline year-on-year.
- Operating profit amounted to EUR 8.5 million (MEUR 14.9), down 43%. The result before taxes was EUR 9.3 million (MEUR 14.9). Profit for the financial year was EUR 7.7 million (MEUR 11.8).
- Undiluted earnings per share were EUR 1.80 (EUR 2.78) and diluted earnings per share were EUR 1.79 (EUR 2.76).
- Fourth-quarter net sales amounted to EUR 39.3 million and the operating result was EUR 1.8 million. Order intake was EUR 17 million.
- The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1.45 (EUR 1.40) per share be paid for the financial year 2019.
- Raute's net sales for 2020 are expected to remain at the same level as in 2019 and operating profit is expected to weaken compared to 2019.

### Tapani Kiiski, President and CEO: A Year of Change

In 2019, uncertainty in the global economy and in our customers' markets increased. Many of our traditional customers were still digesting major investments made in the past few years. As a result, our demand focused on major new capacity projects, minor improvements, as well as services. Mid-sized projects accounted for a low share of demand, which made it more difficult to forecast order intake and caused larger variations in our order intake volumes.

We started the year with a strong order book and high hopes to continue the strong development we had enjoyed for the past several years. The market change and unforeseen challenges with some deliveries surfacing during 2019, caused by the previous year's record-high workload, made us fall short of our expectations and targets in terms of revenue and profits. This was a disappointment. Based on these experiences, we are developing models and risk management for the projects' implementation. We can be satisfied with the strong development of our spare parts and technology services business and new orders from the emerging markets in Asia and South America.

Our markets are changing. In the future, plywood and LVL industries are expected to have modest growth in the developed markets. At the same time, the emerging economies are forecasted to continue strong demand growth. The results of this were seen already in 2019, when we were able to secure orders from several new customers, especially in the emerging markets. These companies have a different way of operating. Their priorities in terms of investments' size, technology, quality and scope of services differ from the more traditional players. In order to meet the requirements of these new customers, we have to constantly develop our product and service offering and the way we do business. We will make significant investments in this new market situation, through product development and marketing measures during 2020. We will also strongly focus on the digital transformation of our own operations. Digitalization creates new opportunities in developing our technology services and measurement system business (Metric). Due to the costs of these investments, our profitability will, unfortunately, weaken temporarily.

The global economic situation remains uncertain, despite the weak signals in recent months indicating a decrease in the risk of recession. In addition, uncertainty in terms of profitability development



will result from China's coronavirus epidemic and Finland's difficult labor market situation. The megatrends that are the foundation for Raute's technology and services demand, including the mitigation of climate change through wood construction, are strengthening.

2019 was a year of change for Raute. And the change will continue. Our challenge will be to reposition ourselves in the new market situation. In 2020, we want to finalize the implementation of the new management structure, maintain and strengthen our leading position in our traditionally strong markets as a leading supplier of technology as well as strengthen our standing in the emerging markets through a suitable offering and grow our technology services business. I believe we are in a good position to do all this.

I would like to express my sincerest thanks for the past year to Raute's customers for their invaluable cooperation and trust, to our personnel for their good work and strong commitment in an environment of varying workloads, to our shareholders for their continued confidence in us, and to all our other partners for their contribution to furthering Raute's development and progress.

**Raute's Financial statements January 1 - December 31, 2019 as a whole is available at [www.raute.com](http://www.raute.com).**

## New plan for Raute's top management Long-term Incentive Plan, LTI 2020-2022, commences

(Stock exchange release on February 12, 2020)

The company's Board of Directors has decided on the commencement of a new individual plan (LTI 2020-2022) within the performance and share based long-term incentive program for the top management, decided on February 15, 2017.

The LTI 2020–2022 plan consists of a three-year earnings period based on two performance targets. One of the two performance targets is the Relative Total Shareholder Return (Relative TSR) of the series A share of Raute relative to a selected peer group and its weight is 50 per cent. The other performance target is the Earnings Per Share (EPS) and its weight similarly 50 per cent. Any rewards based on the performance targets will be paid in the spring of 2023 provided that the performance targets set by the Board of Directors are achieved. Twelve persons belonging to Raute Group's top management are entitled to participate in the LTI 2020–2022 plan.

If the performance targets set for the plan commencing at the beginning of 2020 are fully achieved, the maximum aggregate amount of rewards paid based on the plan is approximately 18,770 series A shares of the company and their estimated value approximately EUR 0.5 million, estimated based on the average share price on the trading day preceding this release. The total amount of rewards means their gross amount before the withholding of the applicable payroll tax.

Raute's long-term incentive scheme consists of three-year plans that begin every year. The commencement of each individual plan is conditional on a separate decision of the company's Board of Directors. The purpose of the plan is to align the objectives of the owners and management in order to develop the company's value, and to commit management to achieving the company's strategic goals by offering a competitive long-term incentive plan. The establishment of the long-term incentive scheme was announced with a release on February 15, 2017 and more up-to-date information is given in the Remuneration Statement published on the company's website.

## Financial releases in 2020

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

- Interim report January–March on Wednesday, April 29, 2020
- Half-year report January–June on Thursday, July 23, 2020
- Interim report January–September on Thursday, October 29, 2020

## Raute's Annual Report 2019 published

Raute's Annual Report for 2019 has been published in Finnish and English on the company's website at [www.raute.com](http://www.raute.com).

The printed Annual Report can be ordered by email from [ir@raute.com](mailto:ir@raute.com).



Annual Report and other reports for the year 2019 are available at Annual Report 2019 webpage which you can access through this [link>>>](#).

## Annual General Meeting March 31, 2020

Raute Corporation's Annual General Meeting will be held at Lah-ti Fair Centre on Tuesday, March 31, 2020 at 6:00 p.m. Notice to the Annual General Meeting has been published on February 27, 2020. You can read the whole notice through this [link>>>](#).

Raute Corporation's Appointments Committee has informed that it will propose to the Annual General Meeting convening on 31 March 2020 that the number of the Board members is six. The Appointments Committee proposes that Ms. Laura Raitio, Lic.Tech. (Forest products technology), be re-elected as Chair of the Board of Directors, Mr. Mika Mustakallio, M.Sc. (Econ.), be re-elected as Vice-Chair of the Board of Directors and Mr. Joni Bask, M.Sc. (Eng.), Mr. Ari Harmaala, Engineer, Construction technology, Mr. Pekka Suominen, M. Sc. (Econ.), and Mr. Patrick von Essen, M.Sc. (Eng.) be re-elected as members of the Board of Directors.

The Appointments Committee further proposes that the remunerations to the Board members shall continue to be 48,000 euros to the Chair of the Board and 24,000 euros to the Board members for the term of office.

Raute Corporation's Appointments Committee consists of Chair of the Board Ms. Laura Raitio, Vice-Chair Mr. Mika Mustakallio and Board member Mr. Pekka Suominen.

## Analysts monitoring Raute

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Evli Research/Joonas Ilvonen. Link to Evli Research [analysis\\_data\\_base>>>](#).

If the link does not work, please copy it to your browser: <https://www.evli.com/erp-analyyisikirjasto#raute>

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

