

Investor Newsletter

May 12, 2020

Raute Corporation – Interim Report January 1–March 31, 2020

This is a summary of Raute's Interim financial report January 1 – March 31, 2020. The complete report is attached to this release as a pdf file and is also available on the company's website at www.raute.com.

- The Group's first-quarter net sales, EUR 23.8 million (MEUR 41.3), declined 42.4% on the comparison period.
- Operating result, EUR-3.0 million (MEUR 2.6), declined 215%. The result before taxes was EUR-2.9 million (MEUR 2.7).
- Earnings per share were EUR-0.52 (EUR 0.50), and diluted earnings per share were EUR-0.52 (EUR 0.50).
- Order intake, at EUR 25 million (MEUR 32), was satisfactory. The order book at the end of the reporting period stood at EUR 92 million (MEUR 84).
- On April 24, 2020, Raute changed its guidance for 2020. Raute's net sales for 2020 are expected to decrease compared to 2019 and operating profit is expected to weaken clearly year-on-year.

TAPANI KIISKI, PRESIDENT AND CEO: OUR FUTURE PLANS WILL GET US THROUGH THE PANDEMIC

2020 began with low net sales and a negative result. Our net sales declined on the comparison period as expected and significantly due to the timing of our order book.

Net sales fell and the operating profit declined also due to the postpone of schedules for a few projects, for reasons attributable to the customers, and due to the coronavirus pandemic, which caused the several weeks long shutdown of our Chinese plant and the travel restrictions affecting our field operations. Also the industrial action in Finland early on in the year caused difficulties for the carrying out of maintenance services. The impacts of the pandemic on our operations in the first quarter were limited, but not insignificant.

Regardless of the increase in the uncertainty resulting from the coronavirus, we succeeded in achieving a relatively good order intake and our order book remained strong. The majority of the orders we received came from projects that had been negotiated long before the coronavirus pandemic escalated into a global crisis and from there into a rapid deceleration of the economy. The starting up of our customers' investment projects indicates that they consider the impacts of the pandemic on their business to be limited and temporary, for now at least.

The escalation of the coronavirus epidemic, which had started in January, into a global pandemic has impacted and will continue to impact the global economy and our market situation to an extent and for a period of time that are currently difficult, if not impossible, to predict. Visibility, even into the near future of our business, is poor. Predicting the order intake is exceptionally difficult and our customers' investment decisions involve considerable uncertainty in terms of both implementation and timing. Risks related to the availability of components and assuring the flow of production have risen. Guaranteeing successful field operations is also especially difficult both when it comes to the installation and commissioning of project deliveries and maintenance operations. It is clear that we will not reach our targeted and previously predicted net sales and operating profit this year. We would like

to repeat our estimate given on April 24th: our net sales will decline and operating profit will weaken clearly year-on-year.

In this situation, our strong balance sheet, market position and long-standing customer accounts are important competitive advantages and enablers of long-term work. We are doing our utmost to minimize the impacts of the unprecedented situation and continue our planned investments in product development, marketing and digitalization to ensure our success in the post-coronavirus world. We will succeed when our personnel, customers and other partners work together.

Market situation in customer industries

Raute's customers in the plywood and LVL (Laminated Veneer Lumber) industries are engaged in the manufacture of wood products used in investment projects and are thus highly affected by fluctuations in construction, housing-related consumption, international trade and transportation. We expect that the trend-like growth in wood construction will create demand for our customers and indirectly for Raute, strengthening our long-term growth opportunities.

In Q1, the situation and outlook in the global economy and the financial markets deteriorated significantly due to increased uncertainty. The weakening of the outlook was accelerated by the escalating uncertainty caused by the coronavirus pandemic at the end of the first quarter.

OUTLOOK FOR 2020

On April 24, 2020, Raute changed its guidance for 2020 net sales and operating profit. Regardless of the high order book and moderately good volume of order intake in Q1, we forecast that Raute's net sales will decline in 2020 from the previous year's level as a result of uncertainty in demand and the order intake for the rest of the year. We expect the operating profit to clearly weaken from last year, as disclosed earlier, due to a shift in the markets and the costs for adapting to this, and due to investments in marketing, product development and digitalization and falling net sales.

Local agreement concluded at Raute concerning flexibility of working hours – Temporary layoffs in production terminated

On April 29, 2020 Raute concluded a local agreement with the blue collar workers at the plant concerning implementation of at most 80 hours' flexibility in working hours. The agreement is valid for one year. Additionally has been agreed that white collar employees working in Technology services can be transferred to work in the production while the maintenance work cannot be done because of the travelling and other restrictions caused by the Covid-19 pandemic.

It was also agreed that simultaneously with the above-mentioned agreements coming into force, the temporary layoffs in the production, announced on August 22, 2019, will be terminated on April 30, 2020. The good order book in the production enables termination of the temporary layoffs at least till the end of 2020. Despite the level of the order book, potential problems in the component or material availability may cause need for adaptation. However, we estimate that the agreed 80-hours' flexibility in working hours is sufficient to cover that kind of fluctuations.

Upcoming events

May 27, 2020 at 5 p.m. Finnish time

President and CEO Tapani Kiiski's presentation of Raute as an investment can be watched online on May 27, 2020 starting at 5 p.m. Finnish time using [this link>>](#). The presentation will be held in Finnish. You can also find the link on the company's website at www.raute.com > Investors > Calendar.

Participants can send in advance questions related to the topic to the email address ir@raute.com on May 27, 2020 until 5.30 p.m., after which President and CEO Tapani Kiiski will answer the sent questions in the live presentation up until around 6 p.m.

The presentation material will be available at www.raute.com > Investors > Publications on May 27, 2020 at 5 p.m. once the live stream presentation starts. A recording of the presentation will be available on the company's website as from May 28, 2020.

June 24–July 23, 2020

Silent period from June 24 to July 23, 2020

July 23, 2020

Half-year report January 1–June 30, 2020

Raute and its personnel donated funds to Päijät-Häme central hospital for a new breathing machine

"Thanks to the proposal made by Raute's personnel we challenged the whole Raute personnel to raise money to purchase a breathing machine for Päijät-Häme central hospital in Lahti. Naturally, the matter mostly concerned our personnel at Nastola because the donation was for Päijät-Häme central hospital. The company further committed itself to add to the total amount a sum that is triple the amount raised by the personnel", says Tapani Kiiski and concludes "We of course hope that it won't be needed because of the covid-19 but it's always good to be prepared.

"I tried to come up with a way how Raute could help. As an employee my first thought was to find a way to help the employees in the frontline. As a technology company it was difficult to find a way to help but finally an idea of purchasing a breathing machine came to my mind. I had the courage to suggest my idea forward as I knew other Rauteans are with me in this kind of matters. It was also a pleasant surprise to see how the company was ready to support the fundraiser", comments Jari Maltolahti, the man behind this great idea.

The result of the fundraising campaign, consisting of both the personnel's and the company's contribution, totalled 39,940 euros. The donation was delivered virtually in the presence of the representatives from the hospital and Raute: Marina Erhola (CEO), Tuomo Nieminen (Medical Director), Risto Kuosa (Head of the Department of Anesthesia and Intensive Care), and Katja Patronen (Communications Director) from Welfare District of Päijät-Häme. From Raute's side attended Tapani Kiiski and Jari Maltolahti.

