

Investor Newsletter

November 11, 2020

Raute Corporation – Interim Report January 1–September 30, 2020

(published on October 29, 2020)

The complete interim report is available on the company's website at www.raute.com.

- The Group's net sales, EUR 76.1 million (MEUR 112.0), decreased 32.1% from the comparison period. Order intake was EUR 49 million (MEUR 130).
- Operating result amounted to EUR -2.7 million (MEUR 6.6), down 141% on the comparison period. The result before taxes was EUR -2.3 million (MEUR 6.7).
- Earnings per share were EUR -0.54 (EUR 1.27), and diluted earnings per share were EUR -0.54 (EUR 1.26).
- Net sales for the third quarter were EUR 27.9 million and operating result was EUR 1.3 million. Order intake was EUR 11 million in the third quarter. The order book at the end of the reporting period amounted to EUR 62 million (MEUR 109).
- 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 negotiation efforts in summer were rewarded with a major order in October

Our third-quarter net sales were low, but our result was nevertheless positive. The low net sales can be attributed to a large extent to the more difficult delivery of installation supervision, commissioning and maintenance services caused by the travel restrictions. In our North American locations, we were forced to continue our adaptation measures for several weeks. In this respect, the situation in our locations in Finland and China was better.

Uncertainty caused by the coronavirus pandemic continued to have a strong effect on our customers' investment decisions and thus on our order intake. Our order book remains, however, on a good level. Q1's relatively good order intake included orders that had, for the most part, been negotiated almost fully before the start of the corona crisis. In Q2 and Q3, many of our customers put off their plans and orders, based on the uncertainty of their market situations. The number of actual cancellations was low, however, so when the situation settles, I anticipate that the postponed projects may restart, perhaps even at short notice.

In early October, we successfully concluded long and, due to the circumstances, exceptional negotiations and confirmed an order worth almost EUR 55 million to Russia. As a result, our outlook for 2021 clearly strengthened, but the transaction will not have an impact on this year's outlook. There is generally active demand and project planning in Russia. China was the only market area in which activity has returned to a somewhat normal level. Our mill in China was operating normally and our customers' projects continued to move forward. Nevertheless, this did not result in major orders in Q3. Project preparation is also active in Europe and North America, but decision-making is exceptionally uncertain.

As we have consolidated in our main locations the kind of expertise that is often required for special maintenance, project installation supervision and commissioning, the travel restrictions inconvenienced us and our customers globally. In spite of this, we successfully carried out a variety

of these services with the help of remote work arrangements. In my estimate, the restrictions will unfortunately persist, and this is why we will increase our local resources where possible and invest in performing these services remotely. The overall impact of the coronavirus pandemic on our net sales and especially our operating profit can be characterized as substantial.

The impact of the coronavirus pandemic on the market development highlights the importance of our strategic goals – growing the emerging market share, developing the technology service business and investing in digitalization. We will thus continue to focus on product development, marketing and digitalization. Our strong balance sheet, market position and long-standing customer accounts are important competitive advantages and enablers of this type of long-term work. We will succeed when our personnel, customers and other partners work together and we will come out of this crisis as a stronger and more agile Raute.

It is clear that our targeted net sales and operating profit for this year will not be met in these conditions. We would like to repeat our estimate given on April 24th: our net sales will fall and operating profit will weaken clearly year-on-year.

Outlook for 2020

Regardless of the strong order book, we forecast that Raute's net sales will fall in 2020 from the previous year's level as a result of uncertainty in demand and the order intake for the remainder 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.

On October 16, 2020 Raute announced a major order worth EUR 55 million to Russia. The received order will not have an effect on Raute's profit outlook for 2020, but it will improve and strengthen the 2021 outlook.

Raute received orders worth approximately EUR 55 million to Russia

(published on October 16, 2020)

Raute Corporation has received orders worth approximately EUR 55 million from LLC Plitwood to Russia. The scope of orders includes all machinery and equipment for the production process of an entire plywood mill and also services related to the installation, commissioning and production start-up of the mill.

The machinery and equipment will be delivered to a green field plywood mill to be set up in the Vologda area. The city of Vologda is situated 650 kilometers east of St. Petersburg. The annual capacity of the new mill will be approximately 180 000 cubic meters birch plywood. The ordered machinery and equipment will be delivered during the end of the year 2021 and beginning of the year 2022. The production in the plywood mill will start during the year 2022. The equipment will be engineered and produced in Raute's units in Nastola, Shanghai and Kajaani, and also in the company's partnership network. This order is one of the biggest single orders ever in Raute's history.

LLC Plitwood is a company established in 2017 for this project. Its principal owners are AO CHFMK (Cherepovets Plywood-Furniture Plant) and LLC VLP (Group of Companies "Vologodskiy lesopromyshlenniki" – Vologda forest industry enterprises). Even though the company is new, it has more than 60 years' strong experience in wood processing and plywood industry in its background.

Raute's experience in resource-efficient technology, delivery capability and the company's local presence and service network in the Russian market had an influence when selecting the supplier. The scope of the order serves as a proof of Raute's leading know how on the plywood production process.

The work resulting now in this order was already started in 2019 with the quotation process. However, main part of the work was done during the corona pandemic. Due to the exceptional circumstances we were forced to carry out the negotiations almost entirely through remote connections, what becomes to both concerning the technical solutions and contractual terms. Succeeding in that required excellent flexibility from all those involved in this both at Plitwood and Raute. Further, succeeding in this shows that the "digital leap" forced by the pandemic is reality also for Raute and Raute's customer base.

The orders now received have no impact on Raute's outlook for 2020 but improve and strengthen outlook for 2021. Raute's net sales for 2020 are expected to decrease compared to 2019 and operating profit is expected to weaken clearly year-on-year.

Follow us online

www.raute.com



The new FAME ecosystem puts Finland at the top of the world in 3D printing – Raute is one of the founding members

DIMECC Ltd., the leading innovation platform in the Finnish manufacturing industry, has launched an industrial ecosystem that will increase the role of 3D printing and bring together Finnish players in the field.

The FAME ecosystem (Finnish Additive Manufacturing Ecosystem) will create an open 3D printing experimental center in Vaasa at the Smart Technology Hub, modular 3D printing training in Lappeenranta from the engineering level to the doctoral level, and raise Finland to the world's leading countries in 3D printing utilization, sales and know-how. FAME involves more than 20 companies as founding members. FAME is open for companies of all types and sizes to join.

Raute is one of the founding members. At Raute, currently 3D printing is utilized to parts which we haven't been able to manufacture before. With the help of FAME ecosystem we aim to speed up the wider use of 3D printing. In a long run, the target is to be able to release the engineers from traditional manufacturing limits to reach for optimal solutions for demand.



Financial releases in 2021

Raute Corporation will publish a release on its financial statements for 2020 on Friday, February 12, 2021.

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

- Interim report January–March on Thursday, April 29, 2021
- Half-year report January–June on Friday, July 23, 2021
- Interim report January–September on Friday, October 22, 2021.

Raute Corporation's Annual General Meeting is scheduled to be held in Lahti on Wednesday March 31, 2021.

