

Investor Newsletter

August 16, 2018

Raute Corporation – Half-Year Report January 1–June 30, 2018

- The Group's net sales, EUR 78.9 million (MEUR 71.6), increased 10% on the comparison period. Order intake was EUR 96 million (MEUR 52).
- Operating profit was EUR 5.9 million (MEUR 4.0), showing growth of 48% on the comparison period. The result before taxes was EUR 6.0 million (MEUR 4.1).
- Undiluted earnings per share were EUR 1.09 (EUR 0.69) and diluted earnings per share were EUR 1.08 (EUR 0.69).
- Net sales for the second quarter were EUR 43.7 million and operating profit was EUR 3.2 million. Order intake was EUR 28 million. The order book at the end of the reporting period came to EUR 127 million (MEUR 87), a significant proportion of which is scheduled for 2019 and a smaller fraction for 2020.
- Raute's net sales and operating profit for 2018 are expected to be at the previous year's level.



Tapani Kiiski, President and CEO: Q2 in line with expectations

The second quarter was good, in line with our expectations, both for net sales and the operating profit. Net sales came to approximately EUR eight million more than in the first quarter. Our result also improved thanks to net sales, as we predicted. A strong order book and its timing played a part in this development. Even large quarter-on-quarter fluctuations are normal for Raute's project business and we will continue to experience similar movements over the second half of the year.

Demand for our technology and services continues to be strong. Demand is still focused on the traditional industrialized markets and especially on Europe. On the emerging markets, demand is looking up but still clearly leans towards more simple and inexpensive technology.

Our order intake in Q2 was lower than in the first quarter. The EUR 28 million order intake is still quite an achievement considering the lack of mill projects. Our order intake in technology services fell short of our target due to the postponement of some major modernization projects. The good market situation is causing some of our customers to invest in new equipment rather than modernizing their old equipment.

Due to high net sales and a normal order intake level, our order book fell to EUR 127 million. Despite the decline, this is a good level and our order book remains strong. A major proportion of it is scheduled for next year and a small fraction for 2020. We have succeeded in further increasing our production capacity and are able to serve our customers with reasonable delivery times. Strong economic growth in Finland is beginning to manifest itself as cost pressure and increasing challenges in terms of the availability of resources. Our goal is to preemptively minimize any harm that could result for our customers and our business. The uncertainty that has recently spread to global trade policies has not, so far, made its mark on our customers' operations. Even during this period of heavy workload and brisk demand, we will continue to invest in developing new technologies, our service business and our presence and offering on the emerging markets.

H1's realized net sales and operating profit, strong order book and continued active demand reinforce our outlook for the whole year and provide insight into the next year also. We are well on the way to reaching our goals for this year. Raute's net sales and operating profit for 2018 are expected to be at the previous year's level.

BUSINESS ENVIRONMENT

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.

The situation in the global economy and the financial markets in the first half of 2018 did not change considerably with respect to Raute or Raute's customer base. The positive development has continued in the key market areas, despite the growing political uncertainty and its expansion to global trade policies. Construction activity is continuing to improve in many market areas but the level is still relatively low despite the general economic development.

Demand for wood products technology and technology services

Thanks to the good economic and market situation, investment activity among Raute's customers has remained high. Enquiry activity for new capacity projects and larger projects involving replacement and efficiency-boosting investments has remained brisk, and trade is being actively negotiated.

Demand is especially strong in industrialized market areas, Europe, North America and Russia. In the emerging markets of Asia, China included, and in South America, demand has not been as strong, and is even focusing more and more on products that use simpler and less expensive technology.

Demand for maintenance and spare parts services remained at a good level, which is an indication of the good capacity utilization rates of Raute's customers' production plants.

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, which has recently expanded to global trade policies. During the reporting period, there were no essential changes in the business risks described in the 2017 Board of Directors' Report and Financial Statements.

The most significant risks for Raute in the near term are related to the completion of the very high order book, and especially the major mill-scale projects that are in the implementation phase, in accordance with the schedule determined in the contract terms, and the sufficiency and availability of skilled resources.

OUTLOOK FOR 2018

Due to the scheduling of the order book, Raute's net sales and operating profit for 2018 are expected to be at the previous year's level.

RAUTE'S FINANCIAL RELEASES IN 2019

Raute Corporation will publish a release on its **financial statements for 2018 on Thursday, February 14, 2019.**

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

- Interim report January–March on **Friday, May 3, 2019**
- Half-year report January–June on **Wednesday, July 31, 2019**
- Interim report January–September on **Wednesday, October 30, 2019.**

Raute Corporation's **Annual General Meeting** is scheduled to be held in Lahti on **Tuesday, April 2, 2019.**

CALENDAR 2018

October 2 - October 31, 2018

Closed window

October 31, 2018

Interim report January - September.

ENTITIES MONITORING RAUTE

Inderes Oy / Antti Viljakainen

Op Financial Group / Pekka Spolander

Other entities also occasionally draw up reports on Raute.

Raute is not responsible for the estimates presented in analyses or reports.



Follow us online:



www.raute.com

