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**FINANCIAL STATEMENTS
RELEASE**

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 (Metrix). 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.

FOURTH QUARTER OF 2019

Order intake and order book

The order intake in the fourth quarter, EUR 17 million (MEUR 28) was lower than expected due to the low volume of mid-sized single production line orders.

Technology services accounted for EUR 13 million (MEUR 19) of the order intake and fell short of the previous year's level due to a lack of major modernizations.

The order book declined during the final quarter by EUR 21 million, but nevertheless ended the period at a strong EUR 88 million (MEUR 95).

Net sales

Fourth-quarter net sales were good and amounted to EUR 39.3 million (MEUR 54.2), although they failed to reach the previous year's extremely high level. Technology services accounted for EUR 15.2 million (MEUR 16.6) and 39 percent (31%) of the quarter's net sales. Result and profitability

Operating profit in the fourth quarter was EUR 1.8 million positive (MEUR 3.4 positive) and accounted for 4.6 percent (6.3%) of net sales. The result was weakened by unforeseen costs resulting from 2018's record-high workload, which surfaced during 2019.

The profit was EUR 2.3 million positive (MEUR 2.9). Undiluted earnings per share were EUR 0.53 (EUR 0.68) and diluted earnings per share were EUR 0.53 (EUR 0.67).

RAUTE CORPORATION – FINANCIAL STATEMENTS JANUARY 1–DECEMBER 31, 2019

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. 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.

Throughout 2019, the situation in the global economy and the financial markets deteriorated steadily.

Demand for wood products technology and technology services

Many of Raute's established and traditional customers have invested heavily during the past few years. As demand among this traditional customer base remained at a lower level than in previous years, the demand for our technology shifted towards new and different types of customer accounts.

Overall, although investment activity among Raute's customers has weakened from what it was in recent years, it remained at a reasonable level. Enquiry activity for new capacity projects and larger projects involving replacement and efficiency-boosting investments remained at a good level, and contracts were actively negotiated.

There was active demand especially in Russia, although forecasting the realization and timing of projects was difficult. In the emerging markets of Asia, China included, demand continued to pick up. Interest in Raute's offering grew in these markets. This development did not, however, result in a significant order intake, but in the future we see strong opportunities for us.

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

ORDER INTAKE AND ORDER BOOK

Raute serves the wood products industry with a full-service concept that is based on technology solutions covering the customer's entire production process and services throughout their life cycle. 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, reconditioned machinery and digital services.

The increased market uncertainty was reflected in the volume of new orders received by Raute, which would have been very low without the single large order from Russia. The order intake during 2019 was, however, at a good level and amounted to EUR 148 million (MEUR 167). One of our biggest successes in 2019 was the booking of a contract with the Russian Segezha Group for the entire set of production machinery for their plywood mill in the making. The value of the order was some EUR 58 million, making it the biggest single order in Raute's history. In the emerging markets, we secured orders from new customers in Asia and South America.

Of new orders, 60 percent came from Russia (18%), 14 percent from Europe (46%), 12 percent from North America (15%), 8 percent from South America (7%) and 6 percent from Asia-Pacific (14%). Sometimes even strong fluctuations in the distribution of new orders between the various market areas are typical for project-focused business. The fourth quarter accounted for EUR 17 million of the order intake.

Order intake in technology services amounted to EUR 50 million (MEUR 61), 18 percent down from the comparison period, due to the low volume of major investment-type modernization projects.

At the end of 2019, the order book, EUR 88 million (MEUR 95), remained strong. The majority of the order book has already been scheduled for 2020 and a portion for 2021.

COMPETITIVE POSITION

Raute's competitive position has remained unchanged and is strong. Raute's solutions help customers in securing their delivery and service capabilities throughout the life cycle of the production process or a part thereof. 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 2019 amounted to EUR 151.3 million (MEUR 181.0). Net sales declined by 16 percent on 2018. The decline in net sales resulted from a decline in the order intake volume and its scheduling for year-end.

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 86 million (MEUR 126), down 32 percent from the previous year. Project deliveries accounted for 57 percent of total net sales (70%). The plywood industry's share of the net sales of project deliveries was 85 percent (67%), while the LVL industry's share was 15 percent (33%).

Net sales for technology services totaled EUR 66 million (MEUR 55). Net sales grew 20 percent from the previous year to 43 percent (30%) of total net sales, due to a decline in project deliveries and an increase in demand for technology services.

Of the total net sales for 2019, Europe accounted for 34 percent (43%), Russia for 31 percent (26%), North America for 18 percent (18%), South America for 9 percent (3%), and Asia-Pacific for 8 percent (10%).

RESULT AND PROFITABILITY

The Group's operating profit for 2019 was EUR 8.5 million positive (MEUR 14.9 positive) and accounted for 5.6 percent of net sales (8.2%). Operating profit fell 43 percent, largely due to a decline in net sales and unforeseen additional costs resulting from the high workload in 2018 and only surfacing during the past year.

The Group's financial income and expenses totaled EUR +0.8 million (MEUR -0.0). The Group's profit before taxes was EUR 9.3 million positive (MEUR 14.9) and profit for the financial year was EUR 7.7 million positive (MEUR 11.8). The Group's comprehensive income was EUR 9.3 million positive (MEUR 12.1).

Undiluted earnings per share were EUR 1.80 (EUR 2.78) and diluted earnings per share were EUR 1.79 (EUR 2.76). Return on investment was 18.1 percent (34.6%) and return on equity 16.0 percent (27.6%).

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 13.9 million (MEUR 12.3). At the end of the financial year, gearing was -28.1 percent (-26.4%). Gearing adjusted without the lease assets arising from the adoption of the IFRS 16 standard was -43.0 percent. At the end of the financial year, the equity ratio was 62.9 percent (61.7%). The equity ratio, excluding the impacts of the adoption of the IFRS 16 standard, was 69.0 percent.

The Group's cash and cash equivalents amounted to EUR 22.4 million (MEUR 13.4) at the end of 2019. The change in cash and cash equivalents in the financial year was EUR 9.0 million positive. Operating cash flow was EUR 18.6 million positive (MEUR 7.6 negative). Cash flow from investment activities was EUR 3.2 million negative (MEUR 4.2 negative). Cash flow from financing activities was EUR 6.5 million negative (MEUR 5.6 negative), including dividend payments of EUR 6.0 million.

The Group's balance sheet total at the end of 2019 stood at EUR 90.7 million (MEUR 96.4). 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 8.4 million (MEUR 1.1) at the end of 2019. The increase is mainly due to the recognition of right-of-use assets under IFRS 16.

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 four Nordic banks totaling EUR 23.0 million. The main covenants of the credit facilities are an equity ratio of >30% and gearing of <100%. Of the credit facilities, EUR 22.0 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 2019:

January 2, 2019 Third plan for Raute's top management remuneration system, LTI 2019-2021, takes off

January 15, 2019 Positive profit warning: Raute Corporation's 2018 net sales and operating profit will increase clearly compared to 2017

March 28, 2019 Raute received orders worth over EUR 12 million to Russia

April 2, 2019 Decisions of Raute Corporation's Annual General Meeting 2019

June 25, 2019 Raute's profit outlook for 2019 weakened

August 7, 2019 Raute signed an engineering contract for a birch plywood mill to a Russian customer

August 8, 2019 Raute to initiate cooperation negotiations

August 22, 2019 Cooperation negotiations concluded at Raute

August 28, 2019 Raute strengthens its strategy implementation – Changes to Executive Board

October 1, 2019 Raute received orders worth approximately EUR 58 million to Russia. The transaction took effect on September 30, 2019 at the end of day.

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, safe 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 2019, the Group's research and development costs totaled EUR 4.4 million (MEUR 3.7) and were 2.9 percent of net sales (2.1%).

INVESTMENTS

The Group's investments in 2019 totaled EUR 3.0 million (MEUR 4.4). The investments include EUR 0.2 million in capitalized development costs (MEUR 0.3). Gross capital expenditure during the reporting period, before non-recurring insurance settlements related to investments, amounted to EUR 3.6 million. Gross investments include EUR 0.9 million that was recorded during the reporting period and which is part of a replacement investment, the total amount of which is EUR 1.4 million. The company has received non-recurring insurance settlements for this investment.

DEVELOPMENT OF OPERATIONS

Meeting our new customers' requirements was one of the reasons why we renewed our management structure in 2019. The new structure strengthens the implementation of our strategy, supports us in achieving our growth targets and helps us in meeting the different customer needs. After the renewal, our business is divided into four areas based on different customer needs: Power market, Growth market, Basic Services and Metrix. The contents of these business areas are presented in more detail on our website www.raute.com. The implemented organizational change does not impact Raute's segment reporting. Raute's entire business still consists of a single segment serving the wood products industry.

Our goal is to become the preferred supplier for a growing number of customers in more and more market areas, as well as in the emerging markets, and maintain our strong position in the developed markets. We believe this new operating model will help us reach this goal.

Raute is the leading technology supplier in the wood products sector, and digital solutions play a crucial role in our strategy. We continuously develop new digital solutions such as computer vision and other analyzers, as well as systems to enable remote monitoring and control in order to add value to our customers' processes and to enable them to thrive. By digitalizing our own processes, we can increase the efficiency of our operations and improve quality.

HUMAN RESOURCES

The Group's headcount at the end of 2019 was 778 (772). Finnish Group companies accounted for 67 percent (65%) of employees, North American companies for 17 percent (19%), Chinese companies for 10 percent (10%), and other sales and maintenance companies for 6 percent (6%).

Converted to full-time employees ("effective headcount"), the average number of employees during the financial year was 761 (725). Salaries and remunerations paid by the Group totaled EUR 38.4 million (MEUR 38.8). 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. Three percent (3%) of the payroll was invested in personnel training. In 2019, our key focal areas in HR development were the improvement of leadership and the organization-wide strengthening of our high-

ly responsible operating culture that strives for first-class quality. Competence-development activities were implemented through, among other things, a systematic mentor program and training organized based on identified needs. The use of the RauteACADEMY online learning environment was expanded further.

REMUNERATION

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

SHARE-BASED INCENTIVE PLANS

A total of EUR 211 thousand (EUR 257 thousand) was recognized as an expense for the share-based incentive plans during the financial year. From the share plans in force at the end of the financial year, EUR 331 thousand (EUR 763 thousand) was allocated to the invested non-restricted equity reserve.

Share-based incentive plan 2017–2021

In February 2017, the Board of Directors of Raute Corporation resolved to implement a new performance-based, share-value-based, long-term incentive plan for the Group's senior management. 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 Performance Share Plan is made up of three three-year plans that begin every year. A single plan may consist of either a three-year earnings period or a one-year earnings period and the subsequent two-year vesting period. The possible bonus earned by virtue of a single plan shall be paid at the end of the three-year plan in question. The earnings opportunity is limited such that the value of the bonus, at the time of payment, to be paid to a participant based on a single three-year plan can be no more than double the value of the maximum earnings opportunity allocated to him/her when the plan commenced.

The company's Board of Directors decides separately on when each plan commences, the length of its earnings period, the performance targets, the persons entitled to participate in the plan and the earnings opportunity.

LTI Plan 2018–2020 commenced at the start of 2018. The plan is made up of two parts. The first part consists of a three-year earn-

ings period. Its weight is 80 per cent of the whole plan and the performance target is Total Shareholder Return (TSR) proportionate to the selected peer group. The second part consists of a one-year earnings period and the subsequent two-year vesting period. Its weight is 20 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any rewards based on both parts will be paid in the spring of 2021 if the performance targets set by the Board of Directors are achieved. Eleven persons belonging to Raute Group's top management, including the members of the Executive Board, are entitled to participate in the LTI 2018–2020 system.

LTI Plan 2019–2021 commenced at the start of 2019. The plan consists of two parts. The first part consists of a three-year earnings period. Its weight is 50 per cent of the whole plan and the performance target is Total Shareholder Return (TSR) proportionate to the selected peer group. The second part consists of a one-year earnings period and the subsequent two-year vesting period. Its weight is 50 per cent of the whole plan and the performance target is Earnings Per Share (EPS). Any rewards based on both parts will be paid in the spring of 2022 if the performance targets set by the Board of Directors are achieved. Eleven persons belonging to Raute Group's top management, including the members of the Executive Board, are entitled to participate in the LTI 2019–2021 system.

SOCIETY AND THE ENVIRONMENT

Responsibility is one of the values that guide Raute's operations. Raute aims to systematically develop its products and services to be environmentally sound while also reducing the environmental impacts of its own 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.

We want to help our customers create value in forest assets through our resource-efficient technology and supporting services. Most of the products manufactured using our machinery are recyclable and the carbon stored in wood products has positive climate impacts. Increasing the use of sustainably produced wood in construction, for example, is one important way of achieving global climate targets.

Continuously improving work safety is one of the key points in our corporate responsibility agenda. In 2019, Raute's LTIF indicator (Lost Time Injury Frequency, i.e. lost-time injuries per million hours worked) developed positively, reaching a figure of 13.6 (23.7).

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 the development of the market situation.

Restrictions resulting from the epidemic caused by the coronavirus in China will weaken Raute's outlook, but for the time being the impact is impossible to assess. The instability of the Finnish labor market and the uncertainty of the operating environment affect the investment appetite of Raute's customers and the company's operations, and possibly its credibility as a reliable supplier.

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 investment commodities' 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, developing products for customer segments in which the Group has a weaker market position, 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 customized 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 first 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 to emerging markets.

The company's reputation

Raute is at risk of being part of a business chain that involves corruption, bribery or money laundering without its knowledge, even though it regularly inspects its business partners with respect to, for example, international sanction lists and export restrictions. The realization of these risks may result in legal consequences, and the company's reputation and financial position may suffer.

It is possible that players who do not respect Raute's principles related to human rights or the basic rights of employees operate in the international supply chain. Such cases may damage the com-

pany's reputation and interrupt the supply chain if the infraction is severe enough to warrant an end to the co-operation.

Payment fraud

Raute is repeatedly exposed to the risk of payment fraud. The company faces the risk of a fraud attempt bypassing the payment transaction control points and damaging the company financially.

Information security

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

Human resources

Competence retention and development and good management of 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 2019 financial year amounted to EUR 0 thousand (EUR 3 thousand).

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 prepared for fluctuating working capital requirements and possible disturbances in the availability of money

through long-term credit facility agreements with four Nordic banks.

Risks of damage or loss

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 most significant single risks concerning material damage and business interruption loss are a fire, a serious machine breakdown and an IT system breakdown or malfunction at the Nastola main production unit, where the production, planning, financial, and ERP systems serving the Group's key technologies are centrally located. Precautions against such risks have been taken by means of back-up systems and insurance policies, but, despite precautions, the serious realization of such a risk would cause significant damage to Raute's operations.

Raute's production operations do not have significant direct environmental impacts. The main production unit in Nastola is situated in a groundwater zone. A chemical or fuel leak in a groundwater zone could cause environmental damage, financial costs and disturbances in production. The Nastola main unit has an ISO-certified environmental system in place, and special attention has been paid to chemical safety. Other units also aim to adhere to the principles of the environmental system.

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.

Organization of 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 Board 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 5,046 at the beginning of the year and 5,614 at the end of the financial year. Series K shares were held by 54 private individuals (54) at the end of the financial year. Nominee-registered shares accounted for 3.5 percent (5.3%) of shares. The company did not receive any flagging notifications in 2019.

The Board of Directors, the President and CEO as well as the Executive Board held altogether 259,929 company shares, equaling 6.1 percent (6.1%) of the company shares and 11.6 percent (11.6%) of the votes on December 31, 2019.

AUDITORS

At Raute Corporation's Annual General Meeting on April 2, 2019, the authorized public accounting company PricewaterhouseCoopers was chosen as auditor with Authorized Public Accountant Markku Launis as the principal auditor.

CORPORATE GOVERNANCE

Raute Corporation's Corporate Governance Statement and the company's remuneration statement will be published at the same time as the financial statements.

CORPORATE GOVERNANCE STATEMENT

Raute Corporation's Board of Directors has reviewed Raute Corporation's Corporate Governance Statement for 2019 according to chapter 7, section 7 of the Finnish Securities Markets Act and the Finnish Corporate Governance Code 2020 for listed companies issued by the Securities Market Association on September 19, 2019. The statement has been drawn up separately from the Report of the Board of Directors.

NON-FINANCIAL STATEMENT

Raute Corporation's Board of Directors has addressed Raute Corporation's non-financial statement for 2019 (in accordance with Directive 2014/95/EU of the European Parliament and Council) as a statement separate 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.

Ms. Laura Raitio was elected Chair of Raute Corporation's Board at the Annual General Meeting held on April 2, 2019, while Mr. Mika Mustakallio was elected Vice-Chair, and Mr. Joni Bask, Mr. Ari Harmaala, 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 are:

Tapani Kiiski, President and CEO, Chairman – Sales

Kurt Bossuyt, Group Vice President, Basic Services – Basic Services market

Marko Hjelt, Group Vice President, CHRO – People excellence, safety

Mika Hyysti, Group Vice President, CTO – Innovations, products and services, and R&D

Tarja Järvinen, Group Vice President, CFO – Finance, ICT, other business support

Timo Kangas, Group Vice President, Power – Power market

Jani Roivainen, Group Vice President, Metrix – Metrix market

Jukka Siiriäinen, Group Vice President, Grow – Grow market

Petri Strengell, Group Vice President, COO – Supply chain and quality.

Olli-Pekka Vanhanen held the position of Group Vice President, Finance, CFO until February 1, 2019 before transferring to another employer. On the same date, Ms. Tarja Järvinen started as the Group Vice President, Finance, CFO.

SHARES

The number of Raute Corporation's shares at the end of 2019 totaled 4,263,194 (4,263,194), of which 991,161 (991,161) were series K shares (ordinary share, 20 votes/share) and 3,272,033 (3,272,033) 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 Article 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. In 2019, 503,305 shares were traded (879,655) worth altogether EUR 12.4 million (MEUR 25.1). The number of shares traded represents 15 percent (27%) of all listed series A shares. The average price of a series A share was EUR 24.71

(EUR 28.58). The highest closing price of the year was EUR 28.70 and the lowest EUR 20.00.

The company's market capitalization at the end of 2019 totaled EUR 106.6 million (MEUR 90.8), with series K shares valued at the closing price of series A shares, EUR 25.00 (EUR 21.30), on December 31, 2019.

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

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 2018 FINANCIAL YEAR

The Annual General Meeting held on April 2, 2019 decided to pay a dividend of EUR 1.40 per share for the financial year 2018. The total amount of dividends is EUR 6.0 million, with series A shares accounting for EUR 4,580,846.20 and series K shares for EUR 1,387,625.40. The dividend payment date was April 11, 2019.

AUTHORIZATION OF REPURCHASE AND DISPOSAL OF OWN SHARES

The Annual General Meeting held on April 2, 2019 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. The Board of Directors did not exercise the authorization in 2019.

The company did not possess company shares at the end of the financial period or hold them as security.

EVENTS AFTER THE FINANCIAL YEAR

Raute Corporation published a stock exchange release on the following event in 2020:

February 12, 2020 New plan for Raute's top management long-term incentive plan, LTI 2020-2022, commences

PUBLICATION OF THE FINANCIAL STATEMENTS AND ANNUAL REPORT 2019

Raute Corporation's consolidated financial statements 2019 will be published on February 13, 2020. Raute Corporation's Annual Report 2019 will be published the week of February 24th.

ANNUAL GENERAL MEETING 2020

Raute Corporation's Annual General Meeting for 2020 will be held at Lahti Fair Centre on Tuesday March 31, 2020 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 20, 2020.

BOARD OF DIRECTORS' PROPOSAL CONCERNING PROFIT DISTRIBUTION, DIVIDEND EUR 1.45 PER SHARE

On December 31, 2019, the parent company Raute Corporation's distributable assets totaled EUR 42,525 thousand, of which EUR 4,539 thousand represents the profit for the financial year 2019.

The Board of Directors will propose to Raute Corporation's Annual General Meeting, to be held on March 31, 2020, that a dividend of EUR 1.45 per share be paid to holders of series A and K shares for the financial year 2019, 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 4,263,194 shares, which would amount to total dividends of EUR 6,182 thousand. Shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd on the record date for dividend distribution, April 2, 2020, are entitled to dividends. The dividend payment date would be April 9, 2020.

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 2020

Due to the high order book and relatively good demand, we estimate that Raute's net sales in 2020 will remain at the level of the preceding year. We expect the operating profit to weaken from last year due to shifting markets and the costs related to adapting to these and due to investments in marketing, product development and digitalization.

CONSOLIDATED STATEMENT OF INCOME

Raute Corporation's Board of Directors has on February 13, 2020 reviewed the financial statements release for January 1 – December 31, 2019, 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.

The figures for the financial year 2019 and 2018 presented in the tables section of the financial statements release have been audited. The presented interim report figures have not been audited.

CONSOLIDATED STATEMENT OF INCOME

EUR 1,000	1.10.– 31.12.2019	1.10.– 31.12.2018	1.1.– 31.12.2019	1.1.– 31.12.2018
NET SALES	39 258	54 166	151 297	180 993
Change in inventories of finished goods and work in progress	208	-335	-2 030	3 069
Other operating income	170	197	343	692
Materials and services	-20 852	-31 996	-76 081	-103 781
Employee benefits expense	-12 172	-12 813	-45 793	-46 944
Depreciation and amortization	-889	-585	-3 854	-2 487
Impairments	-	-38	-	-38
Other operating expenses	-3 915	-5 185	-15 428	-16 582
Total operating expenses	-37 829	-50 617	-141 156	-169 832
OPERATING PROFIT	1 807	3 410	8 454	14 922
% of net sales	4,6	6,3	5,6	8,2
Financial income	777	40	1 099	346
Financial expenses	-59	-75	-300	-356
Financial expenses, net	719	-35	799	-10
PROFIT BEFORE TAX	2 526	3 375	9 253	14 912
% of net sales	6,4	6,2	6,1	8,2
Income taxes	-266	-480	-1 565	-3 076
PROFIT FOR THE PERIOD	2 260	2 895	7 687	11 836
% of net sales	5,8	5,3	5,1	6,5
Profit for the period attributable to Equity holders of the Parent company	2 260	2 895	7 687	11 836
Earnings per share for profit attributable to Equity holders of the Parent company, EUR				
Undiluted earnings per share	0,53	0,68	1,80	2,78
Diluted earnings per share	0,53	0,67	1,79	2,76

CONSOLIDATED STATEMENT OF INCOME

EUR 1,000	1.10.– 31.12.2019	1.10.– 31.12.2018	1.1.– 31.12.2019	1.1.– 31.12.2018
PROFIT FOR THE PERIOD	2 260	2 895	7 687	11 836
Muut laajan tuloksen erät:				
Items that may be subsequently reclassified to profit or loss				
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	1 565	-
Hedging reserve, hedge accounting	-64	-119	283	-73
Exchange differences on translating foreign operations	-74	414	-66	356
Income taxes related to these items	0	68	-178	10
Comprehensive income items for the period, net of tax	-137	363	1 604	293
COMPREHENSIVE PROFIT FOR THE PERIOD	2 122	3 258	9 291	12 129
Comprehensive profit for the financial year attributable to				
Equity holders of the Parent company	2 122	3 258	9 291	12 129
Shares, 1 000 pcs				
Adjusted average number of shares	4 263	4 263	4 263	4 260
Adjusted average number of shares, diluted	4 287	4 294	4 287	4 290

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

EUR 1,000	31.12.2019	31.12.2018
ASSETS		
Non-current assets		
Goodwill	1 035	1 035
Other intangible assets	2 655	2 500
Property, plant and equipment	10 854	11 612
Right of use assets	6 936	-
Other financial assets	2 741	1 185
Deferred tax assets	13	35
Total non-current assets	24 235	16 368
Current assets		
Inventories	12 360	14 583
Accounts receivables and other receivables	30 981	52 256
Income tax receivable	715	-
Cash and cash equivalents	22 360	13 375
Total current assets	66 417	80 214
TOTAL ASSETS	90 651	96 382

CONSOLIDATED BALANCE SHEET

EUR 1,000	31.12.2019	31.12.2018
EQUITY AND LIABILITIES		
Equity attributable to Equity holders of the Parent company		
Share capital	8 256	8 256
Fair value reserve and other reserves	8 505	7 164
Exchange differences	949	1 015
Retained earnings	24 106	18 239
Profit for the financial year	7 687	11 836
Total equity	49 502	46 509
Non-current liabilities		
Lease liability	5 495	-
Deferred tax liability	77	-
Provisions	543	605
Total non-current liabilities	6 115	605
Current liabilities		
Current interest-bearing liabilities	1 502	1 079
Lease liability	1 441	-
Current advance payments received	12 005	21 006
Income tax liability	903	992
Trade payables and other liabilities	16 597	24 595
Provisions	2 587	1 595
Total current liabilities	35 034	49 268
Total liabilities	41 149	49 872
TOTAL EQUITY AND LIABILITIES	90 651	96 382

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1.1.–31.12.2019	1.1.–31.12.2018
CASH FLOW FROM OPERATING ACTIVITIES		
Proceeds from customers	167 313	164 339
Other operating income	248	611
Payments to suppliers and employees	-146 690	-170 127
Cash flow before financial items and taxes	20 872	-5 177
Interest paid from operating activities	-67	-119
Dividends received from operating activities	814	249
Interest received from operating activities	22	20
Other financing items from operating activities	-194	48
Income taxes paid from operating activities	-2 846	-2 584
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	18 602	-7 562
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	-3 319	-3 612
Business transaction	-	-769
Proceeds from sale of property, plant and equipment and intangible assets	68	230
Proceeds from sale of investments	88	-
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	-3 162	-4 151
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	59
Proceeds from current borrowings	1 506	1 093
Repayments of current borrowings	-1 087	-1 427
Repayments of lease liability	-931	-
Dividends paid	-5 968	-5 320
NET CASH FLOW FROM FINANCING ACTIVITIES (C)	-6 480	-5 595
Net change in cash and cash equivalents (A+B+C)	8 960	-17 309
increase (+)/decrease (-)		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	13 375	30 724
NET CHANGE IN CASH AND CASH EQUIVALENTS	8 960	-17 309
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	26	-40
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	22 360	13 375
CASH AND CASH EQUIVALENTS IN THE BALANCE SHEET AT THE END OF THE FINANCIAL YEAR*		
Cash and cash equivalents	22 360	13 375
TOTAL	22 360	13 375

*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

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 equity holders of the Parent company	TOTAL EQUITY
EQUITY at Jan. 1, 2019	8 256	5 711	1 453	1 015	30 075	46 509	46 509
Comprehensive profit for the financial year							
Profit for the financial year	-	-	-	-	7 687	7 687	7 687
Other comprehensive income items:							
Changes in the fair value of financial assets at fair value through other comprehensive income	-	-	1 565	-	-	1 565	1 565
Hedging reserve	-	-	283	-	-	283	283
Exchange differences on translating foreign operations	-	-	-	-66	-	-66	-66
Income taxes related to these items	-	-	-178	-	-	-178	-178
Total comprehensive profit for the financial year	-	-	1 669	-66	7 687	9 290	9 290
Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-
Transactions with owners							
Equity-settled share-based transactions	-	-	-329	-	-	-329	-329
Dividends paid	-	-	-	-	-5 968	-5 968	-5 968
Total transactions with owners	-	-	-329	0	-5 968	-6 298	-6 298
EQUITY at Dec. 31, 2019	8 256	5 711	2 794	949	31 794	49 502	49 502

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY, COMPARISON YEAR

COMPARISON YEAR, RESTATED

EUR 1,000	Share capital	Invested non-restricted equity reserve	Other reserves	Exchange differences	Retained earnings	To the equity holders of the Parent company	TOTAL EQUITY
EQUITY at Jan. 1, 2018	8 256	5 652	1 504	659	23 623	39 694	39 694
Changes in accounting principles, IFRS 15	-	-	-	-	-322	-322	-322
Changes in accounting principles, IFRS 9	-	-	-	-	-104	-104	-104
Changes in accounting principles, IFRS 2	-	-	117	-	-	117	117
EQUITY at Jan. 1, 2018 , RESTATED	8 256	5 652	1 621	659	23 197	39 385	39 385
Comprehensive profit for the financial year							
Profit for the financial year	-	-	-	-	11 836	11 836	11 836
Other comprehensive income items:							
Changes in the fair value of available-for-sale investments							
Hedging reserve	-	-	-73	-	-	-73	-73
Exchange differences on translating foreign operations	-	-	-	356	-	356	356
Income taxes related to these items	-	-	10	-	-	10	10
Total comprehensive profit for the financial year	-	-	-63	356	11 836	12 129	12 129
Transfer of gain on disposals of equity investments at fair value through other comprehensive income to retained earnings	-	-	-362	-	362	0	0
Transactions with owners							
Share-options exercised	-	59	-	-	-	59	59
Equity-settled share-based transactions	-	-	257	-	-	257	257
Dividends paid	-	-	-	-	-5 320	-5 320	-5 320
Total transactions with owners	-	59	257	0	-5 320	-5 005	-5 005
EQUITY at Dec. 31, 2018	8 256	5 711	2 068	1 015	30 075	46 509	46 509

NOTES

NOTES TO THE FINANCIAL STATEMENTS RELEASE

General information

Raute Group is a globally operating technology and service company serving the wood products industry, with core competence in selected wood products manufacturing processes. Raute's customers are companies operating in the wood products industry that manufacture veneer, plywood, LVL and sawn timber.

Raute's full-service concept is based on product life-cycle management and includes 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 as well as consulting, training, reconditioned machinery and digital services.

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.

All of the figures presented in the Financial statements release 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.

Basis of preparation

Raute Corporation's Financial statements release for January 1 – December 31, 2019 has been prepared in accordance with standard IAS 34 Interim Financial Reporting.

The Financial statements release 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 13, 2020.

Raute Corporation's Financial statements release for January 1 – December 31, 2019 has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations released accepted for application in the European Union. The Financial statements release has been drawn up according to the same accounting principles as in the Consolidated financial statements for 2018, except for the adoption of IFRIC interpretations and a new standard IFRS 16 Leases, effective as of January 1, 2019.

When preparing the Financial statements release in compliance with International Financial Reporting Standards, the company management has made 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.

IFRS standards that have been published and will be valid in future financial periods

Standards for future periods will not be expected to have a significant impact on Raute Corporation's Consolidated financial statements.

Changes in accounting standards

Raute Group has adopted the standard **IFRS 16 Leases** as of January 1, 2019. Raute Group has rented warehouses and production facilities for business use. As a result of the implementation of the standard change, part of the leases of premises and production facilities leased by Raute Group has been recognized in the balance sheet. The standard change also affects the income statement as the associated rental costs included in the other operating expenses is replaced with the interest expense and depreciations. In transition has been applied the simplified retrospective approach and comparative information has not been restated.

The leases that include the right-of-use of the leased asset have been recognized in the balance sheet item Right-of-use asset. The lease liability has been recognized as a liability based on the obligation to pay lease rent. The lease liability has been recognized based on the present value of those rents which are to be paid in the future according to the contract, but which has not been paid at the recognition date. The incremental loan rate has been used as a discount rate which was 1 per cent on the date of transition. The interest expense on the lease liability has been recognized in the income statement item financial expenses. The lease liability has been included in the item Interest-bearing liabilities in the consolidated balance sheet. Assets related to the lease contracts have been depreciated during the lease period of the lease contract. If the lease contract is valid indefinitely, the Contract term has been specified by a contract.

If the existing lease contract changes or the assumptions to be used in the calculation of the lease contract liability and the right-of use asset, the fixed asset and the lease liability shall be revaluated with the discount rate at the time of calculation. If the provided contract rent has been tied to the index, the lease contract and the fixed asset shall be revaluated again at the time of the lease change.

Raute Group has applied the exemptions of the standard at the time of the adoption, for the short-term leases and low-value assets. The short-term lease contracts with expected lease period no longer than 12 months, has been accounted for as off-balance sheet leases and the rent expenses of these contracts have been recognized in the income statement as incurred according to the rental period. Lease contracts in which the lease assets are of low value have been accounted for as off-balance sheet leases, regardless of whether the contract is a non-current or current. The rent expenses of these contracts have been recognized as an expense to the income statement according to the rental period.

The adoption of the standard increased the amount of the Group's interest-bearing liabilities by EUR 6 936 thousand. The adoption of the standard did not have a significant impact on the operating profit. The operating profit grew EUR 26 thousand. The depreciations grew EUR 1 389 thousand during the financial period due to the adoption of the standard and correspondingly rent expenses decreased EUR 1 415 thousand.

The adoption of the standard increased the Group's cash flow from operating activities as the repayments of lease contracts are allocated to the cash flow from financing activities. The payment of the interest expense on the lease liability is allocated to the cash flow from operating activities. The adoption of the IFRS 16 standard has no impact on the contracts where Raute Group operates as a lessor. The rental income is recognized in the income statement according to the rental period.

Other published standards applicable from January 1, 2019 has not a significant impact on Raute Corporation's consolidated financial statements.

EUR 1,000	2019	2018
Right-of-use assets, changes		
Carrying amount at the beginning of the financial year	7 391	-
Exchange rate differences	191	-
Additions	743	-
Depreciations and impairments	-1 389	-
Carrying amount at the end of the financial year	6 936	-

EUR 1,000	2019	2018
Lease liability		
Lease liability at the beginning of the financial year*	7 390	-
Change in lease liability	-454	-
Lease liability at the end of the financial year	6 936	-

*Raute Group has adopted the standard IFRS 16 Leases as of January 1, 2019. In transition has been applied the simplified retrospective approach and comparative information has not been restated.

EUR 1,000	2019	2018
Liabilities		
Lease liability, non-current	5 495	-
Lease liability, current	1 441	-
Lease liability, total	6 936	-

Net sales

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. 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.

EUR 1,000	2019	%	2018	%
Net sales by market area				
EMEA (Europe and Africa)	51 173	34	76 968	43
CIS (Russia)	47 060	31	47 757	26
NAM (North America)	26 852	18	32 168	18
LAM (South America)	13 580	9	5 662	3
APAC (Asia-Pacific)	12 632	8	18 438	10
TOTAL	151 297	100	180 993	100

Finland accounted for 12 percent (15%) of net sales.

EUR 1,000	2019	2018
Specification of net sales		
Performance obligations to be satisfied over time	108 861	149 460
Performance obligations to be satisfied at a point in time	42 436	31 533
TOTAL	151 297	180 993
Project revenues entered as income from performance obligations to be satisfied over time currently undelivered	127 400	202 848
Amount of performance obligations to be satisfied over time not yet entered as income (order book)	84 246	88 037
Projects in which the value by percentage of completion exceeds advance payments invoiced		
- aggregate amount of costs incurred and recognized profits less recognized losses	89 878	140 536
- advance payments received	72 185	99 313
Current customer contract assets	17 694	41 223
Projects in which advance payments invoiced exceed the value by percentage of completion		
- aggregate amount of costs incurred and recognized profits less recognized losses	38 366	60 676
- advance payments received	43 253	78 602
Current customer contract liabilities	4 887	17 926
Advance payments included in current liabilities in the balance sheet		
Current customer contract liabilities	4 887	17 926
Other advance payments received	7 118	3 080
Total	12 005	21 006
Advance payments of the customer contract included in inventories in the balance sheet		
Advance payments paid	602	1 017
Total	602	1 017

	2019	2018
Number of personnel		
Effective, on average, persons	761	725
On average, persons	784	748
In books at the end of the financial year, persons	778	772
Personnel working abroad at the end of the financial year	260	267
Personnel working abroad, %	33,4	34,6

Pledges on behalf of the company's management

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

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

EUR 1,000	2019	2018
Research and development costs		
Research and development costs for the financial year	-4 419	-3 735
Amortization of previously capitalized development costs	-	-125
Development costs recognized as an asset in the balance sheet	163	275
Research and development costs recognized as an expense before impairments for the financial year	-4 256	-3 585
Impairments of capitalized development costs	-	-38
Research and development costs recognized as an expense for the financial year	-4 256	-3 623

EUR 1,000	2019	2018
Other intangible assets		
Acquisition cost at the beginning of the financial year	15 384	14 799
Exchange rate differences	2	-1
Additions	85	468
Reclassification between items	-4 242	119
Acquisition cost at the end of the financial year	11 229	15 384
Accumulated depreciation and amortization at the beginning of the financial year	-12 884	-12 250
Exchange rate differences	-1	1
Accumulated depreciation and amortization of disposals and reclassifications	-477	-
Impairments	-	-38
Depreciation and amortization for the financial year	4 787	-597
Accumulated depreciation and amortization at the end of the financial year	-8 574	-12 884
Book value of Other intangible assets, at the beginning of the financial year	2 500	2 548
Book value of Other intangible assets, at the end of the financial year	2 655	2 500
Property, plant and equipment		
Acquisition cost at the beginning of the financial year	53 391	50 134
Exchange rate differences	611	-316
Additions	2 521	3 916
Disposals	-779	-225
Reclassification between items	-556	-119
Acquisition cost at the end of the financial year	55 188	53 391
Accumulated depreciation and amortization at the beginning of the financial year	-41 778	-40 186
Exchange rate differences	-546	294
Accumulated depreciation and amortization of disposals and reclassifications	17	4
Depreciation and amortization for the financial year	-2 026	-1 890
Accumulated depreciation and amortization at the end of the financial year	-44 334	-41 778
Book value of Property, plant and equipment, at the beginning of the financial year	11 612	9 948
Book value of Property, plant and equipment, at the end of the financial year	10 854	11 612

Financial assets

At the end of the financial year December 31, 2019, the fair value of the financial assets categorized at fair value hierarchy level 3 was EUR 2,741 thousand. The item includes the investments in unquoted shares which have been classified as financial assets at fair value through other comprehensive income. Derivative contracts have been classified as financial assets and liabilities at fair value through profit or loss. The fair value of these derivative contracts is based on the price available from the market data, but instruments are not traded in an active market. At the end of the financial year December 31, 2019, the fair value of the derivative contracts classified as financial assets was EUR 124 thousand and the fair value of the derivative contracts classified as financial liability EUR 61 thousand. The Group's interest-bearing liabilities include a lease liability amount of EUR 6,936 due to the adoption of the standard IFRS 16 Leases, at the balance sheet date.

EUR 1,000	31.12.2019	31.12.2018
Financial liabilities		
Non-current interest-bearing liabilities		
Lease liability	5 495	-
TOTAL	5 495	-
Current interest-bearing liabilities		
Partial payments of financial loans	1 502	1 079
Lease liability	1 441	-
TOTAL	2 943	1 079

Interest-bearing financial liabilities are due within the next 12 months.

EUR 1,000	31.12.2019	31.12.2018
Derivatives		
Nominal values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	1 578	5 723
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	801	961
- Related to the hedging of net sales	6 432	7 369
Fair values of forward contracts in foreign currency		
Hedge accounting		
- Related to the hedging of net sales	7	-200
Derivatives which do not meet the criteria of hedge accounting		
- Related to financing	15	-35
- Related to the hedging of net sales	47	-120

EUR 1,000	31.12.2019	31.12.2018
Pledged assets and contingent liabilities		
Mortgage agreements on behalf of subsidiaries		
Financial loans	1 502	1 079
Other obligations	991	116
Other credit guarantee arrangements	2 493	1 195
Commercial bank guarantees on behalf of the Parent company and subsidiaries	17 767	25 925
Off-balance sheet leases		
Rental liabilities maturing within one year	95	1 513
Rental liabilities maturing in one to five years	56	2 629
Total	151	4 143

Share-based payments

An expense of EUR 211 thousand was recognized for the share rewards to the income statement during the financial year.

No share rewards have been paid based on the long-term performance share-based incentive plan for the Group's senior management during the financial year.

Distribution of the profit for the financial year 2018

Raute Corporation's Annual General Meeting was held on April 2, 2019. The Annual General Meeting decided, according to the Board of Directors' proposal, to distribute a dividend of EUR 1.40 per share to be paid for series A and K shares, a total of EUR 5,968 thousand. The dividend payment date was April 11, 2019.

Segment information

Continuing operations of Raute Group belong to the wood products technology segment. Raute Corporation's Board of Directors is the chief operating decision maker that is responsible for assigning resources to the operating segment and assessing its result.

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	31.12.2019	31.12.2018
Wood products technology		
Net sales	151 297	180 993
Operating profit	8 454	14 922
Assets	90 651	96 382
Liabilities	41 149	49 872
Capital expenditure	2 956	4 384

EUR 1,000	31.12.2019	%	31.12.2018	%
Assets of the wood products technology segment by geographical location				
Finland	75 882	84	83 494	87
North America	8 397	9	7 850	8
China	4 378	5	3 635	4
Russia	1 662	2	1 038	1
South America	194	0	224	0
Other	138	0	141	0
Total	90 651	100	96 382	100

EUR 1,000	31.12.2019	%	31.12.2018	%
Capital expenditure of the wood products technology segment by geographical location				
Finland	2 751	93	3 508	80
North America	81	3	707	16
China	48	2	99	2
Russia	26	1	46	1
South America	26	1	22	1
Other	24	1	2	0
Total	2 956	100	4 384	100

Exchange rates used in the consolidation of subsidiaries

Income statement, euros	1.1.–31.12.2019	1.1.–31.12.2018
CNY (Chinese yuan)	7,7339	7,8074
RUB (Russian rouble)	72,4593	74,0551
CAD (Canadian dollar)	1,4857	1,5302
USD (US dollar)	1,1196	1,1815
SGD (Singapore dollar)	1,5272	1,5928
CLP (Chilean peso)	786,2516	757,0688
Balance sheet, euros	31.12.2019	31.12.2018
CNY (Chinese yuan)	7,8205	7,8751
RUB (Russian rouble)	69,9563	79,7153
CAD (Canadian dollar)	1,4598	1,5605
USD (US dollar)	1,1234	1,1450
SGD (Singapore dollar)	1,5111	1,5591
CLP (Chilean peso)	832,3500	795,4900

The Board of Directors' proposal for dividend distribution and measures concerning the result of 2019

The Board of Directors will propose to Raute Corporation's Annual General Meeting 2020, to be held on March 31, 2020, that a dividend of EUR 1.45 per share be paid for the financial year 2019, and that the remainder of the distributable funds be retained in equity.

At the date of the proposal for profit distribution, there is a total of 4,263,194 shares entitled for the dividend, i.e. the total amount of dividends is EUR 6,182 thousand.

FINANCIAL DEVELOPMENT

FINANCIAL DEVELOPMENT	31.12.2019	31.12.2018
Change in net sales, %	-16,4	22,2
Exported portion of net sales, %	88,3	84,6
Operating profit, % of net sales	5,6	8,2
Return on investment, (ROI), %	18,1	34,6
Return on equity, (ROE), %	16,0	27,6
Interest-bearing net liabilities, EUR million*	-13,9	-12,3
Gearing, %*	-28,1	-26,4
Equity ratio, %*	62,9	61,7
Gross capital expenditure, EUR million	3,0	4,4
% of net sales	2,0	2,4
Research and development costs, EUR million	4,4	3,7
% of net sales	2,9	2,1
Order book, EUR million	88	95
Order intake, EUR million	148	167

*The adoption of IFRS 16 standard has had an impact on the key ratios for the financial year 2019. The figures for the comparison year have not been restated.

In addition to IFRS Key ratios, Raute Group publishes some commonly used financial key ratios (alternative performance measures). Calculation of key ratios has been presented in the annual financial statements.

SHARE-RELATED DATA	2019	2018
Earnings per share, (EPS), undiluted, EUR	1,80	2,78
Earnings per share, (EPS), diluted, EUR	1,79	2,76
Equity to share, EUR	11,61	10,82
Dividend per series A share, EUR	1,45*	1,40
Dividend per series K share, EUR	1,45*	1,40
Dividend per profit, %	80,4*	50,4
Effective dividend return, %	5,8*	6,6
Price/earnings ratio (P/E ratio)	13,86	7,67
<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	20,00	20,50
Highest share price for the period, EUR	28,70	34,90
Average share price for the period, EUR	24,71	28,58
Share price at the end of the period, EUR	25,00	21,30
Market value of capital stock		
- Series K shares, EUR million*	24,8	21,1
- Series A shares, EUR million	81,8	69,7
Total, EUR million	106,6	90,8
<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	503 305	879 655
Trading of shares, EUR million	12,4	25,1
Number of shares		
- Series K shares, ordinary shares (20 votes/share)	991 161	991 161
- Series A shares (1 vote/share)	3 272 033	3 272 033
Total	4 263 194	4 263 194
Number of shares, weighted average, 1 000 pcs	4 263	4 260
Number of shares, diluted, 1 000 pcs	4 287	4 290
Number of shareholders	5 614	5 046

DEVELOPMENT OF QUARTERLY RESULTS

DEVELOPMENT OF QUARTERLY RESULTS

EUR 1,000	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Rolling 1.1.2019– 31.12.2019	Rolling 1.1.2018– 31.12.2018
NET SALES	41 309	36 981	33 749	39 258	151 297	180 993
Change in inventories of finished goods and work in progress	890	-1 818	-1 310	208	-2 030	3 069
Other operating income	112	109	-47	170	343	692
Materials and services	-23 163	-16 900	-15 166	-20 852	-76 082	-103 781
Employee benefits expense	-11 718	-11 152	-10 751	-12 172	-45 793	-46 944
Depreciation, amortization and impairments	-989	-1 034	-941	-889	-3 854	-2 525
Other operating expenses	-3 842	-3 848	-3 824	-3 915	-15 429	-16 582
Total operating expenses	-39 712	-32 933	-30 682	-37 829	-141 156	-169 832
OPERATING PROFIT	2 599	2 338	1 709	1 807	8 453	14 922
% of net sales	6,3	6,3	5,1	4,6	5,6	8,2
Financial income	206	109	6	777	1 099	346
Financial expenses	-58	-136	-47	-59	-300	-356
Financial expenses, net	148	-27	-41	719	799	-10
PROFIT BEFORE TAX	2 747	2 311	1 668	2 526	9 252	14 912
% of net sales	6,6	6,3	4,9	6,4	6,1	8,2
Income taxes	-612	-424	-263	-266	-1 565	-3 076
TOTAL PROFIT FOR THE PERIOD	2 135	1 887	1 405	2 260	7 687	11 836
% of net sales	5,2	5,1	4,2	5,8	5,1	6,5
Attributable to						
Equity holders of the Parent company	2 135	1 887	1 405	2 260	7 687	11 836
Earnings per share, EUR						
Undiluted earnings per share	0,50	0,44	0,33	0,53	1,80	2,78
Diluted earnings per share	0,50	0,44	0,33	0,53	1,79	2,76
Shares, 1 000 pcs						
Adjusted average number of shares	4 233	4 263	4 263	4 263	4 263	4 260
Adjusted average number of shares, diluted	4 262	4 299	4 300	4 287	4 287	4 290
	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Rolling 1.1.2019– 31.12.2019	Rolling 1.1.2018– 31.12.2018
FINANCIAL DEVELOPMENT QUARTERLY						
Order intake during the period, EUR million	32	26	73	17	148	167
Order book at the end of the period, EUR million	84	72	109	88	88	95

SHAREHOLDERS

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2019 BY NUMBER OF 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
1. Sundholm Göran	-	500 000	500 000	11,7	500 000	2,2
2. Mandatum Henkivakuutus-osakeyhtiö	-	138 382	138 382	3,2	138 382	0,6
3. Laakkonen Mikko Kalervo	-	119 919	119 919	2,8	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	2,4	1 066 339	4,6
6. Kirmo Kaisa Marketta	55 680	48 341	104 021	2,4	1 161 941	5,0
7. Suominen Tiina Sini-Maria	48 000	52 856	100 856	2,4	1 012 856	4,4
8. Keskiaho Kaija Leena	33 600	51 116	84 716	2,0	723 116	3,1
9. Mustakallio Mika Tapani	62 100	21 170	83 270	2,0	1 263 170	5,5
10. Särkijärvi Anna Riitta	60 480	22 009	82 489	1,9	1 231 609	5,3
11. Mustakallio Kari Pauli	60 480	-	60 480	1,4	1 209 600	5,2
12. Mustakallio Marja Helena	46 740	12 547	59 287	1,4	947 347	4,1
13. Mustakallio Ulla Sinikka	47 740	7 790	55 530	1,3	962 590	4,2
14. Särkijärvi Anu Riitta	12 000	43 256	55 256	1,3	283 256	1,2
15. Särkijärvi Timo Juha	12 000	43 256	55 256	1,3	283 256	1,2
16. Suominen Jukka Matias	24 960	27 964	52 924	1,2	527 164	2,3
17. Keskinäinen työeläkevakuutusyhtiö Varma	-	51 950	51 950	1,2	51 950	0,2
18. Relander Pär-Gustaf	-	51 000	51 000	1,2	51 000	0,2
19. Suominen Jussi	48 000	-	48 000	1,1	960 000	4,2
20. Keskiaho Ilta Marjaana	24 780	19 094	43 874	1,0	514 694	2,2
Total	635 200	1 326 618	1 961 818	46,0	14 030 618	60,8

20 LARGEST SHAREHOLDERS AT DECEMBER 31, 2019 BY NUMBER OF VOTES

	Number of series K shares	Number of series A shares	Total number of shares	% of total shares	Total number of votes	% of voting rights
1. Mustakallio Mika Tapani	62 100	21 170	83 270	2,0	1 263 170	5,5
2. Särkijärvi Anna Riitta	60 480	22 009	82 489	1,9	1 231 609	5,3
3. Mustakallio Kari Pauli	60 480	-	60 480	1,4	1 209 600	5,2
4. Kirmo Kaisa Marketta	55 680	48 341	104 021	2,4	1 161 941	5,0
5. Siivonen Osku Pekka	50 640	53 539	104 179	2,4	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	52 856	100 856	2,4	1 012 856	4,4
8. Mustakallio Ulla Sinikka	47 740	7 790	55 530	1,3	962 590	4,2
9. Suominen Jussi	48 000	-	48 000	1,1	960 000	4,2
10. Mustakallio Marja Helena	46 740	12 547	59 287	1,4	947 347	4,1
11. Keskiaho Kaija Leena	33 600	51 116	84 716	2,0	723 116	3,1
12. Mustakallio Hanna Leena	32 975	5 565	38 540	0,9	665 065	2,9
13. Mustakallio Jukka Jeremias	32 975	-	32 975	0,8	659 500	2,9
14. Keskiaho Vesa Heikki	29 680	-	29 680	0,7	593 600	2,6
15. Keskiaho Juha-Pekka	27 880	5 716	33 596	0,8	563 316	2,4
16. Suominen Jukka Matias	24 960	27 964	52 924	1,2	527 164	2,3
17. Keskiaho Ilta Marjaana	24 780	19 094	43 874	1,0	514 694	2,2
18. Sundholm Göran	-	500 000	500 000	11,7	500 000	2,2
19. Kultanen Leea Annikka	21 595	8 031	29 626	0,7	439 931	1,9
20. Piik Ari	20 855	418	21 273	0,5	417 518	1,8
Total	777 160	898 585	1 675 745	39,3	16 441 785	71,2

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, 2019						
The Board of Directors, The Group's President and CEO and Executive Board*						
	127 890	132 039	259 929	6,1	2 689 839	11,6
TOTAL	127 890	132 039	259 929	6,1	2 689 839	11,6

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

Nominee-registered shares at December 31, 2019

	-	148 745	148 745	3,5	148 745	0,6
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RAUTE CORPORATION

Board of Directors

BRIEFING ON FEBRUARY 13, 2020 AT 2 P.M.:

A briefing will be organized for analysts, investors and the media on February 13, 2020 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. Tarja Järvinen, CFO.

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 Corporation's consolidated financial statements will be published on February 13, 2020. Raute Corporation's Annual Report 2019 will be published the week of February 24th.

Raute Corporation's Annual General Meeting will be held at Lahti Fair Centre on Tuesday, March 31, 2020 at 6:00 p.m.

FURTHER INFORMATION:

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

Ms. Tarja Järvinen, Group Vice President, Finance, CFO, Raute Corporation, mobile phone +358 40 658 3562

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, LVL (Laminated Veneer Lumber) and sawn timber. Its technology offering covers the entire production process for veneer, plywood and LVL and special measurement equipment for sawn timber. 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. The company's other production plants are located in Kajaani, Finland, the Vancouver area of Canada, the Shanghai area of China and in Pullman, Washington, USA. Raute's net sales in 2019 were EUR 151.3 million. The Group's headcount at the end of 2019 was 778. More information about the company can be found at www.raute.com.



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