

# Tornator Oyj

Financial period 1 January–31 December 2022



## Tornator reached a new level in 2022 – turnover up by 28 per cent, balance sheet exceeds EUR 3 billion

Financial statement release 9 February 2023 at 8 am

### SUMMARY 1 JAN–31 DEC 2022

- Turnover increased to €164.6 million (+28.1%). High demand increased the average price and delivered quantities of timber.
- Due to a change in the valuation method, the value of group-owned forests increased to €3.1 billion (2.3).
- Operating profit at fair value amounted to a record €572.0 million (+439,2 %), as did the net profit, at €541.9 (377.5). Equity rose to €2.0 billion, and return on equity at fair value was 33.8%.
- Adjusted operating profit amounted to €130.2 million (90.0), and the adjusted net profit stood at €94.8 million (61.1).
- The company acquired over 16,000 hectares of new forest property in Finland
- Total responsibility was rewarded with the first prize in a sustainability reporting competition. In addition, climate and biodiversity programmes moved forward with multiple projects underway.
- Russia's invasion of Ukraine, inflation, or the increased interest rates did not have any significant negative impact on the company's business.
- In 2022, Tornator turned 20. The annual return to the company's owners (calculated since the start of operations) was 23.1%. The figure includes both value change in equity measured at fair value, and paid dividends.

#### CEO Henrik Nieminen:

Tornator celebrated its 20th anniversary with record-breaking financial figures. Group turnover increased to over 160 million euros, and the balance sheet value stood at over 3 billion euros. The company's comprehensive approach to responsibility was reflected well in the record amount of corporate taxes it paid in Finland, as well as the numerous initiatives for biodiversity it took part in. We reached a local collective agreement that applies to all Tornator employees and is valid until further notice. We were also able to support Ukrainians suffering from Russia's war of aggression with concrete emergency resources provided through our Romanian unit.

#### *New strategy stood the test of a turbulent operating environment*

The first year of Tornator's current strategy period (2022–2024) was marked by increasing uncertainties in the company's operating environment. The coronavirus pandemic was barely over when news broke of Russia's invasion in Ukraine. Rapidly rising market interest rates and inflation fuelled by the ongoing energy crisis created shockwaves that shook the very foundations of economy. The proposed forestry-related policies of the European Union caused confusion among both industry operators and ordinary citizens. In Finland, it was discovered that forest growth had decelerated, making it more difficult for the country to reach its carbon neutrality objectives. And so on.

Despite this tumultuous economic landscape, Tornator was able to implement its strategy with determination and good results. Our growth strategy, developed in collaboration with our entire staff and built on sustainability and collaboration, was put to the test once Russian timber imports stopped altogether, causing a steep increase in the demand for domestic timber. The delivered volumes and average prices

of timber increased significantly in comparison to the previous year. Our subsidiaries saw similar developments in Estonia and Romania. Tornator's strategic partnership with Stora Enso produced the desired results: we were able to provide Stora Enso with the double-certified wood raw material the company required, and Tornator achieved a record-breaking turnover and a strong cash flow. We continued to implement our partnership strategy and biodiversity protection objectives by entering a multi-year tripartite collaboration with WWF and Stora Enso to restore running waters. We also participated in numerous other initiatives and projects to promote biodiversity, such as contributing to the expansion of Tiilikajärvi National Park. We also received external recognition for our sustainability reporting, winning first prize in the biodiversity series of a sustainability reporting competition.

In Finland, the company implemented a forest valuation method based on market transactions. Market transaction data from the forestland market is reliable and provides a better and more transparent view of the fair value of forests than the previously used method which was based on the present value of estimated cash flows over the next 70 years. The rise in the fair market value of Finnish forests significantly improved our result for 2022 measured at fair value, and the company's balance sheet exceeded 3 billion euros.

Demand and prices for Finnish forestland remained high, but thanks to our efficient, customer-friendly purchasing process, we were able to acquire over 16,000 hectares of new forestland. We also contributed to promoting sustainable growth by participating in the development of wind power projects. The Niinimäki wind farm reached its investment phase, supporting both our financial targets and climate programme objectives. In addition to this, we launched negotiations of several new potential wind power projects on Tornator-owned lands.

We also continued to invest in increasingly digitalised forestry. Advances in remote sensing will help Tornator to identify sites with natural value more efficiently in the future. Automation will also provide us with more certain and consistent information regarding biodiversity hotspots, for example. Built with state-of-the-art technology, Tornator's road network application is the latest example of the company's digital development. The application significantly improves planning quality and delivers clear cost savings.

Tornator was among the first to offer a helping hand to Ukrainians suffering under the Russian invasion. In addition to a donation to the Red Cross, we have continued to provide Ukrainians with concrete support through our Romanian unit by contributing to material deliveries organised through the charity organisation Kolping Center. In 2022, Tornator's support enabled over 70 vanloads of supplies to be shipped directly from Romania to Ukrainians affected by the war. We will continue to provide this support for as long as it is needed.

### ***Forests expected to provide solutions to various challenges***

There was even greater discord in public debate about the use of forests than before. Strong opinions were voiced on the role of forests, some highlighting them as a source of economic and social security, while others called attention to their carbon sequestration capacities, biodiversity, and recreational uses. New forest-related regulations and legislative initiatives were announced at both EU and Finnish level. The most difficult thing for the different sides in the current debate seems to be to understand and acknowledge that there are more than just one type of forests, and that these forests may be very different from one another.

History has shown that sustainable forest management has a significant positive impact on forest and carbon sequestration capacity. In Tornator's forests, properly timed and scaled felling, effective regeneration, use of processed seedlings and fertilisation will ensure the continued health and growth of forests.

Substantial reduction in carbon dioxide emissions is the only realistic way to stop climate change. Wood is a renewable raw material that is an excellent, sustainable replacement for fossil-based fuels and materials, which result in greenhouse gas emission. The forest sector is the only carbon-negative industry in the world, so anyone working in sustainable forestry can be very proud of their work.

Even international investors no longer see the role of forests as a single, clear-cut concept, but rather a multifaceted issue. Internationally, we have already seen multi-billion dollar investments in forest property, and the new ways of using this property integrate revenue streams from both traditional forest industry and carbon compensation. As a significant forest owner, it is interesting to see what the future holds for the valuation and use of forests.

As a responsible actor, Tornator welcomes the discussion on the importance of natural capital in assessing the sustainability of companies and the quality of reporting. Halting deforestation is an important global goal, and sustainable forestry offers the right means to achieve this objective as well. Tornator plans the silviculture work concerning its double-certified (FSC, PEFC) forests on the terms of tree health and growth, across generations. In our operations, we apply our decades of experience in forestry but also actively continue research and seek to develop something new. Tornator practices responsible, sustainable forestry. This means that we embrace both the economic and socially responsible perspectives of modern business, participating in projects such as mire restoration and enabling the recreational use of forests.

Even on a national level, things are not as bad as you might think judging by the latest headlines of Finnish newspapers. Where else in the world can you find a country with a population of merely six million that has 41 national parks for everyone's enjoyment? It is crucial for both the future of our climate and a general well-being that we are able to move on from the current climate of confrontation towards a more constructive debate based on an understanding on the multiple uses of forests. Finland's new National Forest Strategy 2035 – Growing Wellbeing from Forests and for Forests (NFS2035) provides a good starting point for developing the forest sector in a way that allows everyone in Finland to continue enjoying our forests in all their diversity and ensures that we can pass them on to future generations in an even better condition for growth than they are at present.

### ***Tornator staff achieves success on a broad front***

A wise person once said: "Strategy does not do anything. It is the staff that makes things happen." Tornator currently has 200 employees in three countries. In 2022, our employees achieved their objectives and did excellent work. Our collaboration with long-term contractor flourished, resulting in high-quality forest management and achievement of certification objectives. In addition to other objectives and goals, Tornator's growth strategy focuses on increasing the skills, capabilities and wellbeing of its employees. Lean-method training, scenario workshops, operating practice development project, along with other initiatives and training events that offered the staff an opportunity to improve their skills and wellbeing, formed an important part of the company strategy. The highlights of the year included the company's 20th anniversary party, as well as its first local collective agreement, which covers all Tornator staff and is valid until further notice.

Finally, I would like to take this opportunity to express my special thanks to the owners of Tornator, who have continued to believe in the company and its staff since the beginning. We will continue to implement our 100-year business plan with pride and motivation for as long as our mandate lasts. I would also like to thank all Tornator staff, contractors, customers and other stakeholders for all they have done and continue to do for the company. I am confident we will experience many great things together as we continue to work together to fulfil Tornator's mission: *Forests are our passion – We grow sustainable solutions over generations*

**Henrik Nieminen, CEO**

## Turnover and results

The group's turnover was €164.6 million (€128.6 million), a change of +28.1%. Timber deliveries increased, and the prices were good. Russia's invasion of Ukraine did not have any major negative impact on Tornator's business. A total of 89.8% of turnover, worth €147.8 million, consisted of timber sales income (€110.9 million, or 86.2%). The turnover for forestry services was €11.6 million (€11.0 million), close to the previous year. In addition, the proceeds from land and plot sales amounted to €5.2 million (€6.7 million). Other operating income, €11.7 million (€26.8 million), includes income from actual and estimated future earn-outs related to sold wind power projects as well as income from land access and lease revenues, compensation for conservation areas and sales of soil-resources.

Operating profit at fair value amounted to €572.0 million (€439.2 million), and profit for the period was €541.9 million (€377.5 million). The fair value of biological assets increased significantly in Finland, which explains the major increase in operating profit. The change in the fair value of biological assets increased operating profit by €462.2 million (+€329.1 million), and a positive change in the fair value of financial instruments increased profit by €110.9 million (+€41.9 million) before taxes. Adjusted operating profit in Estonia and Romania increased.

In addition to biological assets, the change of the forest asset valuation method had a positive impact on the value of land, and the positive changes in the fair value of land (€211 million after deduction of deferred taxes) were recognised in the revaluation reserve in equity through other comprehensive income.

The Tornator Timberland Group includes, besides the parent company Tornator Oyj in Finland, Tornator Eesti OÜ (100.0%) in Estonia, and SC Tornator SRL (100.0%) and Oituz Private Forest District SRL (100.0%) in Romania. In addition, the Group includes (100.0%) the following wind power development companies in Finland: Lavakorven Tuulipuisto Oy, Maaselän Tuulipuisto Oy, Martimon Tuulipuisto Oy, Niinimäen Tuulipuisto Oy and Pahkavaaran Tuulipuisto Oy.

## Key figures

The official key figures for the Group and the parent company were calculated according to the International Financial Reporting Standards (IFRS).

		2022	2021	2020
Turnover, € million	The Group	164.6	128.6	118.1
	Parent	147.9	116.6	108.0
Operating profit (IFRS), € million	The Group	572.0	439.2	212.4
	Parent	523.5	412.1	224.9
Operating profit, % of net sales	The Group	347.4	341.6	179.8
	Parent	354.1	353.5	208.3
Profit for the period (IFRS), € million	The Group	541.9	377.5	121.1
	Parent	498.0	358.6	144.7
Return on equity, %	The Group	33.8	34.6	13.8
	Parent	32.9	34.8	17.8
Return on capital employed, %	The Group	24.0	24.3	13.8
Equity ratio, %	The Group	60.4	52.6	45.3
Average personnel	The Group	188	189	186

### Comparable key figures

In addition to the official key figures presented above, the Tornator Group uses alternative performance measures that are comparable between years, thus better describing the success of operations. The comparable key figures have been calculated without fair value changes and apply to the whole Group.

	2022	2021	2020
Turnover, € million	164.6	128.6	118.1
Adjusted operating profit, € million	130.2	90.0	91.9
Adjusted operating profit, %	79.1	70.0	77.8
Profit for the period, comparable, € million	94.8	61.1	56.8
Return on equity (comparable), %	5.9	5.6	6.5
Return on capital employed (comparable), %	5.5	5.0	6.0

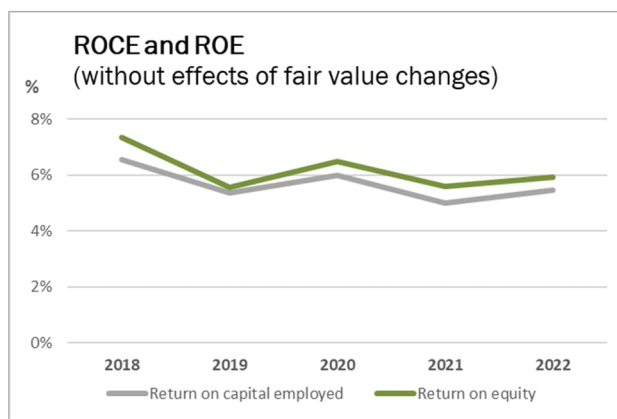
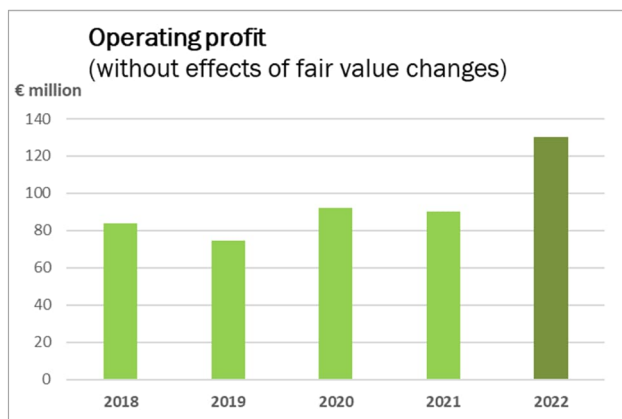
The key figures are calculated as follows:

<b>Operating profit, official</b>	<b>572.0</b>
- Change in fair value of biological assets	-462.2
- Impairment of land area	+11.7
- Change in the fair value of provisions and receivables from additional wind power sales prices	+8.6
<b>= Adjusted operating profit, comparable</b>	<b>130.2</b>
<b>Profit for the period, official</b>	<b>541.9</b>
- Change in fair value of biological assets	-462.2
- Impairment of land area	+11.7
- Change in the fair value of provisions and receivables from additional wind power sales prices	+8.6
- Change in fair value of financial instruments	-110.9
- Share of deferred taxes in above items	+105.6
<b>= Profit for the period, comparable</b>	<b>94.8</b>

$$\text{Return on equity, \%} = \frac{\text{Profit for the period}}{\text{Equity on average}} \times 100$$

$$\text{Return on capital employed, \%} = \frac{\text{Operating profit + interest income}}{\text{Balance sheet total – Interest-free liabilities on average}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Equity}}{\text{Balance sheet total – Advances received}} \times 100$$



### Distribution of revenues and non-current assets by country

	1 Jan - 31 Dec 2022		1 Jan - 31 Dec 2021	
Revenues:	EUR thousand	%	EUR thousand	%
Finland	147,861.4	89.8	116,554.4	90.7
Romania and Estonia	16,779.7	10.2	12,020.5	9.3
<b>Total</b>	<b>164,641.1</b>	<b>100.0</b>	<b>128,574.9</b>	<b>100.0</b>

	31 Dec 2022		31 Dec 2021	
Forest assets:	EUR thousand	%	EUR thousand	%
Finland	2,867,953.1	92.5	2,107,752.6	91.1
Romania and Estonia	233,095.8	7.5	205,732.4	8.9
<b>Total</b>	<b>3,101,048.9</b>	<b>100.0</b>	<b>2,313,485.1</b>	<b>100.0</b>

	31 Dec 2022		31 Dec 2021	
Non-current Assets:	EUR thousand	%	EUR thousand	%
Finland	2,891,211.9	92.4	2,142,859.4	91.1
Romania and Estonia	237,362.8	7.6	209,263.5	8.9
<b>Total</b>	<b>3,128,574.7</b>	<b>100.0</b>	<b>2,352,122.9</b>	<b>100.0</b>

Non-current assets presented above include all non-current assets except for financial instruments, deferred tax assets and post-employment benefits

### Effects of the war in Ukraine

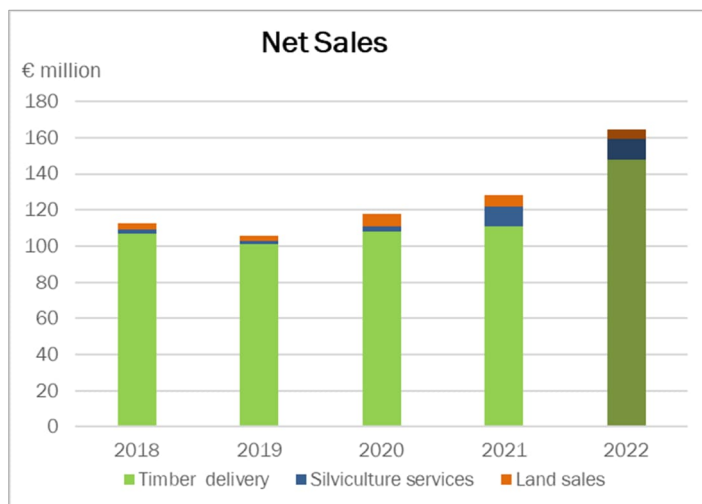
Russia's invasion of Ukraine and the consequent general economic instability did not have any major negative impact on Tornator's performance, balance sheet or cash flows. Tornator's turnover and operating profit were historically high during the reporting period. The cash flow from operating activities was also strong. The company's credit losses have not increased, and the company does not envisage higher financial risks or a fall in asset value. Tornator's contractors found replacements to Ukrainian seasonal workers, so forest management measures were not affected.

### Notable events during the period under review

Tornator had an excellent year, both in terms of operational activities and the implementation of strategic projects.

In the core business, i.e. timber sales and deliveries, the results were better than planned. The timber market tightened further as Russian timber imports ceased due to EU sanctions. Timber deliveries to the main customer, Stora Enso, totalled some €127.0 million (€86.9 million), or around 86% (78%) of the group's timber delivery turnover. Timber sales to the main customer are based on a long-term market-based framework agreement, which was renewed in 2021.

In forestry services, work was carried out as planned, with the exception of fertilisation. The war in Ukraine led to a sharp rise in fertiliser prices and low availability.



An update of the fair value of Tornator's forest assets had significant positive effects. A new valuation method was introduced for Tornator's forest assets in Finland, whereby the value of forest assets is determined by using the prices calculated on the basis of regionally completed forestland transactions and Tornator's standing stock. Valued forest assets include standing stock (biological assets) and land. In Tornator's view, market transaction data from the forestland market is reliable and provides a better and more transparent view of the fair value of Finnish forests than the previous method, which was based on the present value of cash flows. The total value of the group's forest assets increased by approximately €787 million during the financial period, of which the parent company's share was approximately €760 million and the impact of net acquisitions approximately €73 million. The balance sheet value of biological assets also increased in Estonia and Romania, and the annual fair value update of biological assets for all countries improved the group's operating profit by €462 million (€329 million). The total impact of changes in the fair value of the land amounted to €252 million. A more detailed description of Tornator's forest valuation model is given in the notes to the financial statements.

The total value of the group's forests recorded in the financial statements, including growing stock and land, was some €3,101 million (€2,313 million). The figures include the effects of felling as well as the purchases and sales of forestland. Tornator owns a total of approximately 738,000 hectares of forest in Finland, Estonia and Romania.

In the balance sheet, the fair values of the company's long-term interest rate hedges increased due to the rise in market interest rates. This created a positive entry of €110.9 million (+€41.9) in financial items in the income statement. Of the aforementioned changes in fair value, the cash flow effect comes from the effect of the change in the fair value of derivatives on the parent company's taxable profit. In other respects, the changes in fair value are unrealised.

Tornator's equity ratio strengthened to 60.4% (52.6%), and liquidity remained strong throughout the year. The company fulfilled the terms of its loan to value (LTV) covenant by a safe margin.

The company continued to purchase new forestland. In Finland, Tornator bought and leased over 16,000 hectares of forest.



In Estonia and Romania, the company continued to manage its forests sustainably, and to further develop its sustainable business operations. All the group's forests are double certified (PEFC, FSC).

*Finland FSC-C123368*  
*Estonia FSC-C132610*  
*Romania FSC-C132426*

Tornator continued to implement its climate and biodiversity programmes in 2022. The content and objectives of the programs are presented on our website.

In line with our sustainability program, Tornator engaged in marsh restoration, prescribed burning and the establishment of conservation areas on approximately 1,200 hectares of our land. Tornator continued with major conservation projects within the framework of initiatives such as the Metso and Helmi habitat protection programs.

The company celebrated its 20th anniversary with a staff event at the end of June.

Tornator's Annual General Meeting held on 8 March 2022 decided to pay a dividend, as proposed by the board of directors, totalling €60 million.

## **Risk management**

Tornator's risk management is aimed at securing profitable business in the long term and to create opportunities for well-managed risk taking using the selected strategy. It is based on the systematic identification and analysis of all significant risks to the company.

Tornator's risks are divided into three main categories: strategic risks, operational risks and financial risks. Examples of each category are described below.

### **Strategic risks**

Fluctuation in timber demand is naturally a risk for a forestry company. Demand risk has decreased as the use of wood has increased and diversified, and many new innovations are still unknown. With new investments by the forest industry and as the importation of timber from Russia came to a halt, wood demand has increased in all countries in which Tornator operates. The company has also secured high demand for wood by certifying all of its forests.

The volatility of wood prices is a significant risk factor in terms of Tornator's results. If prices fall, Tornator can temporarily increase the volume of cutting right sales or plot and forestland sales or both. However, the goal is to follow a sustainable felling plan in order to optimise annual cash flows in the long run.

Risks concerning the quantity and quality of wood raw material are controlled through long-term forest resource management planning and focusing operations according to the structure and age-class distribution of the forests. In 2021, for the verification of growing stock growth, the company adopted the MOTTI Finnish forest growth model, developed by the Natural Resources Institute Finland (Luke), based on the latest research results. These models are used in the preparation of the long-term felling plan (longer than 30 years).

The change in the forest valuation method in Finland may lead to greater volatility in the change in forest value recognised in profit or loss. In the transaction-based method, volatility in the forestland market may be larger than in the previous model based on future cash flows.

Changes in current certification criteria may affect opportunities for forest use and cause a loss of income for Tornator, unless there is an agreement on full compensation. The Finnish Forest Stewardship Council (FSC) has now redefined its national criteria. Tornator was closely involved in this process and does not foresee that the changes will cause any significant loss of revenue.

Forestland purchasing entails risks, and the success of investment often becomes apparent only later. The forest resources and structure of the estate to be purchased are determined using highly advanced technology, but some decisions must still be based on estimates. The pricing of estates is based on clear criteria, but pricing and the underlying estimates may have an effect on the success of purchases in terms of returns.

Tornator monitors the current economic trend when planning plot sales. A downturn may decrease demand for plots for holiday homes plots and temporarily reduce profits. In 2020, the pandemic had a positive impact on the demand for land, but this trend slowed down during 2021. The past year did not bring any change in demand. The risk involved in investments made in wind power project development is managed by preparing accurate feasibility studies before launching such projects, by selecting partners among well-known operators in the sector, by dispersing the projects throughout Finland, and by planning them carefully. Tornator does not participate in wind power construction or ownership of production, but sells its shares in projects before construction and remains the lessor of land.

When utilising forest resources Tornator manages risks to the environment by complying with environmental legislation and certification criteria. Risks are discussed in employee training and introduction, and minimised through the careful planning of operations and a high standard of implementation.

Significant new statutes or other factors impeding operations can be regarded as political risks. An example of this is the debate in Finland on the acceptability of forest use, or discussions on regulation at EU level that would restrict forestry. The role of forests in halting biodiversity loss, among other things, has been in the headlines. Acquiring forest assets as a foreign company may also subject the company to political risks in the target countries in question. In managing risks, it is important to cooperate with authorities, educational institutions and various NGOs as well as participate in societal debate. Proactive risk management also involves participation in research in the field and the preparation of various carbon calculations. Tornator pursues open communication with an emphasis on the positive overall responsibility of the company's forestry activities and corporate values.

Tornator also aims to continue expanding its operations outside Finland, in countries where the related growth potential is considered profitable. Geographic expansion is both a way to manage risks and a risk in itself. With regard to Tornator's operations, Romania and Estonia score relatively poorly in corruption statistics. Tornator makes economic, social and environmental sustainability an integral part of its business, guided by a Code of Conduct that is common to all countries of operation. Furthermore, the risks associated with expansion are managed by selecting competent partners and reliable customers, and by balancing out long and short-term timber sales agreements. The company performs internal control in all countries, and the group has a whistle-blower channel in place.

Attracting and retaining skilled employees is a risk in forestry as well. Tornator has prepared for rising numbers of retirements among forest workers by signing on new contractors and increasing machine work. With regard to salaried employees, the company collaborates with educational institutions and recruits proactively. The risk is also managed with active HR management and development. Because of the war, workers from Ukraine have not been available for forest management work. Future reconstruction could cause a shortage of forestry workers in Tornator's countries of operation, should forestry labour move from these countries to Ukraine.

### **Operational risks**

To manage internal business risks, Tornator has operational processes that are approved by the board of directors and senior management. Operational work is increasingly carried out with entrepreneurs' resources, which poses challenges in terms of control of environmental damage and occupational safety, among other things. The expansion of the forest services business throughout Finland has increased the risks posed to Tornator through factors such as an increase in the number of contractors used. This control is being improved by means of training and the use of information technology.

Greater frequency of natural disasters due to climate change pose an ever-greater risk to forest assets. For Tornator, the size and geographic extent of its holdings, the good health and growth of its forests, and the measures required by the Act on Prevention of Forest Damage form an intrinsic risk management tool. In addition, Tornator has a Finnish forest insurance policy that covers damage in the case of a major disaster. However, the company regards the insurance of its forest holdings abroad as unprofitable, because the target countries lack an operational forest insurance market. The threat of a cyber attack on corporate information systems may also be considered a risk. Tornator is prepared for this by utilising advanced security technology and by providing instructions and training to users

### **Financial risks**

A substantial proportion of debt in the company's balance sheet constitutes a risk which Tornator manages with special attention. Ready access to the capital markets will enable the successful refinancing of loans. The company adjusts its loan portfolio depending on the financial market situation, so that loans mature over several years and as far into the future as possible. The company has also spread the risks related to funding by issuing a bond maturing in 2026 besides bank loans. The company has prepared for market rate changes with derivative contracts. Hedging is applied to mitigate the interest rate risk on the loans and to reduce the volatility of the discount rate used in calculating the fair value of forests. This makes it easier to predict the development of the company's value in the long term. Liquidity management is based on advance payments and up-to-date cash management. The company also has a commercial paper programme to optimise the need for cash. Cash reserves are invested in bank deposits and short-term, liquid and highly rated funds.

Tornator manages customer risks by advance payments based on sales agreements.

### **Notable events after the end of the period**

No notable events after the end of the period.

### **Estimate of future development**

The global megatrends, such as climate change and population growth, are further expected to increase demand for sustainably produced renewable wood raw material in the long term. Temporary pressure may, however, be placed on timber demand and felling if, for example, the tension in international politics escalates. If the global economy slows down more than expected, forest industry production may contract, with potential negative impacts on timber delivery volumes and the company's turnover.

In the company's own forests, silvicultural work will be continued according to the normal annual cycle and the fertilisation programme will be carried out as planned. In addition to this, Tornator will perform forest management for Stora Enso's silviculture services customers throughout Finland. The situation in the forestland market is expected to remain similar to the previous year. Wind power projects are promoted wherever possible.

The company estimates that its financial performance and debt service capacity will remain stable.

### **Research and development**

The company puts a lot of emphasis on improving the availability and quality of forest data. In addition, the development of harvesting and nature management quality as well as information systems was continued. There was a special focus on the development of information systems used for silviculture services and timber sales.

### Personnel, wages and salaries

The average number of personnel was at the same level as the year before. In addition to normal pay, the company uses a reward system based on performance targets. In 2022, an average of 6.6% of normal pay was given as performance-based bonuses for 2021 (in 2021, 7.0% was paid for 2020).

The group has about 190 employees. Its forests directly provide various types of forestry work for people, mainly in sparsely populated areas, with an estimated equivalent of some 1,500 person/years.

	2022	2021	2020
Average number of personnel during the period	188	189	186
Remuneration for the period, € million	10.3	9.6	9.2

### Environment

Tornator has an environmental programme whose objectives and outcomes are reviewed annually. The framework for the company's environmental management is set by forest and environmental legislation as well as the PEFC and FSC certification systems. Compliance with the certification criteria is audited annually by an external evaluator. A more extensive FSC recertification takes place every five years, and Tornator did this last in 2019. In its forestry operations, the company complies with the Best Practices for Sustainable Forest Management published by the Forestry Development Centre Tapio.

Tornator has an ambitious biodiversity programme for 2021–2030. Measures under the Biodiversity Program not only improve the status of endangered forest species and habitats, but also promote ecosystem services, water protection, game management and mitigation of climate change.

### EU taxonomy

Companies to which the EU Taxonomy Regulation (852/2020) applies have an obligation to report which part of their turnover, capital expenditure and operating expenditure potentially qualifies under the EU taxonomy as an environmentally sustainable economic activity, or fulfils its technical screening criteria.

The EU taxonomy is a classification system whose purpose is to channel funding into economic activities that significantly promote the achievement of following objectives:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control and
6. Protection and restoration of biodiversity and ecosystems.

The reporting obligations entered into force gradually, starting with the 2021 financial period. Non-financial companies were required to report from the 2021 financial period which part of their operations fulfilled the requirements of the first two environmental objectives, climate change mitigation and climate change adaptation. At a later stage, operations must also be assessed against a specific technical criteria. The EU taxonomy requirements do not apply to Tornator, but the company has voluntarily included the taxonomy requirements as part of their reporting. For the 2022 financial period,

Tornator continues to report which part of its activities falls under the scope of the taxonomy under the two first environmental objectives (mitigation of climate change and adapting to the effects of climate change) and continues to analyse how well it has reached the technical criteria and other objectives.

Tornator’s main business area is sustainable forestry, with double-certified (FSC ja PEFC) forests at its core. Timber harvested from sustainably managed forests have a significant effect as a substitute for fossil raw materials. Of the taxonomy’s environmental objectives, Tornator can promote both climate change mitigation and adaptation. Tornator also carries out continuous operations targeting the preservation of biodiversity and promoting the protection and environmental remediation of ecosystems. Tornator’s business operations have not been found to cause any significant harm to the other environmental objectives in the taxonomy.

Forestry is one of the sectors for which technical screening criteria have been defined. Criteria relevant to Tornator are found in chapter 1, Forestry, under 1.3 Forest management, and the corresponding NACE classification A2 Forestry and logging. Tornator’s forestry business is, according to the company’s own preliminary analysis, taxonomy eligible, and the company will continue preparing a more detailed analysis of taxonomy alignment of its operations in 2023.

The table below presents the taxonomy eligibility of Tornator’s activities by KPI in 2021 and 2022:

- The turnover equals IFRS turnover, consisting of cutting right sales, sales of forestry services, and land sales. Of these, cutting right sales and sales of forestry services have been classified as taxonomy eligible activities
- The capital expenditure includes additions to intangible assets, and tangible and biological assets. A large proportion of capital expenditure consists of purchase of forestland, which has been interpreted to be the prerequisite for sustainable forestry and the climate impact obtained through it. In addition, investments in the forest road network and ICT systems necessary for forest management and making forest management plans have been interpreted to be taxonomy-eligible.
- Operational expenditure includes direct costs of silviculture works and forest asset management. In Tornator, the majority of such expenses consists of payments to contractors, material purchases and personnel costs. Expenses in the IFRS income statement include, in addition to operational expenditure presented here, general administration costs, depreciation and the balance sheet value of land sold.

Based on these, Tornator has arrived at the following key figures concerning the taxonomy eligibility of its operations in 2021 and 2022. The high level of taxonomy eligibility reflects well the nature of Tornator’s core business – forestry and timber as a renewable raw material plays a significant role in the fight against climate change:

2022:

Key performance indicator (KPI)	Total, million €	Taxonomy eligible, %	Taxonomy non-eligible, %
Turnover	164.6	97%	3%
Capital expenditure (CapEx)	78.7	100%	0%
Operational expenditure (OpEx)	36.5	98%	2%

2021:

Key performance indicator (KPI)	Total, million €	Taxonomy eligible, %	Taxonomy non-eligible, %
Turnover	128.6	95%	5%
Capital expenditure (CapEx)	51.4	99%	1%
Operational expenditure (OpEx)	32.1	98%	2%

### Company organisation, management and auditor

Until 8 March 2022, Tornator's Board of Directors included Chairman Mikko Koivusalo, Deputy Chairman Mikko Mursula and members Jorma Länsitalo and Tuomas Virtala.

At the Annual General Meeting of 8 March 2022, the following were elected as ordinary members of the Board of Directors and their personal deputies until the next Annual General Meeting:

Ordinary member	Deputy member
Mikko Koivusalo	Markus Aho
Tuomas Virtala	Erkko Rynänen
Jorma Länsitalo	Jari Suvanto
Mikko Mursula	Ilja Ripatti

In its organising meeting of 8 March 2022, the company's Board of Directors elected Mikko Koivusalo as Chairman of the Board and Mikko Mursula as Deputy Chairman. On the Oversight Committee that oversees significant agreements between the company and the shareholders, the board elected Mikko Mursula as Chair, Mikko Koivusalo and Tuomas Virtala as members and Jorma Länsitalo as a deputy member. Mikko Koivusalo, Mikko Mursula and Tuomas Virtala were elected as members of the Remuneration Committee.

Henrik Nieminen has acted as Chief Executive Officer. His deputy is Forestry Director Ari Karhapää.

The Management Group was made up by CEO Henrik Nieminen, CFO Antti Siirtola, Forestry Director Ari Karhapää, Director of Development Heikki Penttinen and Head of HR, Communications and Responsibility Outi Nevalainen.

At the Annual General Meeting of 8 March 2022, PricewaterhouseCoopers were elected auditors with, APA Panu Vänskä as principal auditor.

### Number of shares

The parent company's share capital of €51,836,213.00 is divided into 5,000,000 shares, and all shares carry equal rights. The parent company shares are subject to a redemption clause specified in the Articles of Association, according to which other shareholders have a redemption right if company shares change hands.

### Handling of profit

The parent company's distributable profit amounted to €1,577,426,371.36, of which the profit for the period was €497,950,898.07.

The Board of Directors of Tornator Oyj proposes to the Annual General Meeting that a dividend of €12.00 per share, or €60,000,000.00, be paid. The remaining part will be carried over in the shareholders' equity. The provisional dividend payment date is 23 March 2023; record date 20 March 2023.

### Major shareholders on 31 December 2022

Stora Enso Oyj	41.00%
Ilmarinen Mutual Pension Insurance Company	23.13%
Varma Mutual Pension Insurance Company	16.41%
OP Life Assurance Company Ltd	6.25%
OP-Forest Owner Fund	5.00%
Veritas Pension Insurance	2.50%
OP-Eläkesäätiö pension insurance	2.08%
Finnair Pension Foundation	1.09%
Pohjola Insurance Ltd	1.04%
Riffu Oy	0.75%
Danilostock Oy	0.75%
<b>Total</b>	<b>100.00%</b>

### Votes carried by shares

According to Tornator Oyj's Articles of Association, the votes of a shareholder at the Shareholders' General Meeting may not exceed 20 per cent of the total number of votes carried by all shares in the company, including the voting rights of all companies and their pension funds and foundations belonging to the same group as the shareholder.

As required by the Finnish Financial Supervisory Authority, a Corporate Governance Statement is presented as a separate report on the company's website at [www.tornator.fi/en/investors](http://www.tornator.fi/en/investors).

The key calculations of the consolidated financial statements are presented below. The official financial statements will be available on the company's website latest on 9 March 2023 [www.tornator.fi/en/investors](http://www.tornator.fi/en/investors)

### Further information:

Chief Executive Officer (CEO) Henrik Nieminen, tel. +358 40 869 7613

Chief Financial Officer (CFO) Antti Siirtola, tel. +358 40 773 0975

[www.tornator.fi](http://www.tornator.fi)

Tornator is a leader in sustainable forestry in Europe. It owns forests in Finland, Estonia and Romania. In 2022, the group's turnover was approximately €165 million, and the balance sheet value was about €3.2 billion. The group has around 190 employees. Tornator's own employees, and other companies and their employees working on its forestland, add up to around 1,500 person-years of employment. The owners of the parent company are Finnish, mainly institutional investors. Tornator's mission is to generate sustainable well-being from forests.

## Consolidated Income Statement

EUR thousand	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
<b>Net sales</b>	<b>164,641.1</b>	<b>128,574.9</b>
Other operating income	11,665.7	26,775.9
Change in fair value of biological assets	462,165.7	329,067.3
Change in inventories of finished goods and work in progress	-2,488.1	-2,523.5
Materials and services	-30,070.6	-24,228.9
Personnel expenses	-10,301.2	-9,571.1
Depreciation and amortisation	-15,018.7	-3,164.9
Other operating expenses	-8,576.9	-5,703.4
<b>Operating profit</b>	<b>572,017.1</b>	<b>439,226.2</b>
Financial income	479.7	304.1
Financial expenses	-14,118.1	-15,988.5
Change in fair value of financial instruments	110,902.1	41,947.4
<b>Net financial items</b>	<b>97,263.7</b>	<b>26,263.0</b>
<b>Profit before tax</b>	<b>669,280.8</b>	<b>465,489.2</b>
Income taxes	-42,897.4	-25,726.4
Change in deferred taxes	-84,456.4	-62,285.7
<b>Profit for the period</b>	<b>541,927.1</b>	<b>377,477.1</b>
Distribution: <b>To shareholders of the parent company</b>	<b>541,927.1</b>	<b>377,477.1</b>
<b>Consolidated statement of comprehensive income</b>		
<b>Profit for the period</b>	<b>541,927.1</b>	<b>377,477.1</b>
<b>Other comprehensive income for the period after taxes:</b>		
<i>Items not recognised later through profit and loss</i>		
Revaluation of land areas	211,424.2	-
Items derived from the redefinition of net defined benefit costs (or asset items)	31.2	-100.0
<i>Items that may later be recognised through profit and loss</i>		
Translation difference	-27.7	-622.1
<b>Comprehensive income for the period total</b>	<b>753,354.8</b>	<b>376,755.0</b>
Distribution: <b>To shareholders of the parent company</b>	<b>753,354.8</b>	<b>376,755.0</b>



**Consolidated Balance Sheet**

EUR thousand	31 Dec 2022	31 Dec 2021
<b>ASSETS</b>		
<b>Non-current assets</b>		
Forest assets	3,101,048.9	2,313,485.1
Biological assets	2,737,263.5	2,210,214.9
Land areas	363,785.4	103,270.2
Other property, plant and equipment	16,006.2	16,166.6
Intangible assets	1,983.8	1,378.1
Right-of-use assets	1,911.1	2,249.3
Derivatives	42,351.6	-
Other investments	111.2	111.2
Non-current receivables	7,513.5	18,732.7
<b>Non-current assets total</b>	<b>3,170,926.3</b>	<b>2,352,122.9</b>
<b>Current assets</b>		
Inventories	92.0	49.1
Trade receivables	36,326.4	18,346.8
Other receivables	16,735.0	10,827.0
Investments	355.7	7,060.7
Cash and cash equivalents	19,244.0	16,802.2
<b>Current assets total</b>	<b>72,753.1</b>	<b>53,085.8</b>
<b>Total assets</b>	<b>3,243,679.4</b>	<b>2,405,208.8</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to shareholders of the parent company</b>		
Share capital	50,000.0	50,000.0
Other equity	1,901,846.9	1,208,492.1
<b>Total equity</b>	<b>1,951,846.9</b>	<b>1,258,492.1</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Deferred tax liabilities	419,823.0	282,567.0
Financial liabilities	749,051.7	748,635.6
Derivatives	1,620.2	70,320.2
Lease liabilities	1,643.8	2,046.0
Other non-current liabilities	186.0	237.0
<b>Non-current liabilities total</b>	<b>1,172,324.6</b>	<b>1,103,805.9</b>
<b>Current liabilities</b>		
Financial liabilities	69,016.0	24.9
Trade and other payables	23,626.1	22,878.5
Income tax liabilities	15,187.7	11,164.6
Lease liabilities	354.7	303.2
Provisions	11,323.4	8,539.5
<b>Current liabilities total</b>	<b>119,507.9</b>	<b>42,910.7</b>
<b>Total liabilities</b>	<b>1,291,832.5</b>	<b>1,146,716.7</b>
<b>Total equity and liabilities</b>	<b>3,243,679.4</b>	<b>2,405,208.8</b>

**Statement of changes in equity**

EUR thousand	Share capital	Share premium	Translation difference	Revaluation reserve	Retained earnings	Total equity
Equity on 1 Jan 2021	50,000.0	29,995.2	-10,227.1	-	851,969.0	921,737.1
<b>Comprehensive income</b>						
Profit for the period					377,477.1	377,477.1
Other items of comprehensive income (after taxes)						
Other items of comprehensive income (after taxes)					-100.0	-100.0
Translation difference			-622.1			-622.1
<b>Comprehensive income for the period</b>			<b>-622.1</b>		<b>377,377.1</b>	<b>376,755.0</b>
<b>Transactions with shareholders</b>						
Dividends paid					-40,000.0	-40,000.0
<b>Total transactions with shareholders</b>					<b>-40,000.0</b>	<b>-40,000.0</b>
Equity on 31 Dec 2021	50,000.0	29,995.2	-10,849.1	-	1,189,346.1	1,258,492.1

EUR thousand	Share capital	Share premium	Translation difference	Revaluation reserve	Retained earnings	Total equity
Equity on 1 Jan 2022	50,000.0	29,995.2	-10,849.1	-	1,189,346.1	1,258,492.1
<b>Comprehensive income</b>						
Profit for the period					541,927.1	541,927.1
Other items of comprehensive income (after taxes)						
Revaluation of land areas				211,424.2		211,424.2
Other items of comprehensive income (after taxes)					31.2	31.2
Translation difference			-27.7			-27.7
<b>Comprehensive income for the period</b>			<b>-27.7</b>	<b>211,424.2</b>	<b>541,958.3</b>	<b>753,354.8</b>
<b>Transactions with shareholders</b>						
Dividends paid					-60,000.0	-60,000.0
<b>Total transactions with shareholders</b>					<b>-60,000.0</b>	<b>-60,000.0</b>
Equity on 31 Dec 2022	50,000.0	29,995.2	-10,876.8	211,424.2	1,671,304.4	1,951,846.9

## Consolidated cash flow statement

EUR thousand	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
<b>Cash flow from operating activities</b>		
Cash receipts from transactions in forestry	140,099.3	116,567.2
Cash receipts from transactions in land sales	5,201.2	6,709.9
Cash receipts from other operating income	24,272.3	5,779.7
Cash paid to suppliers and employees	-49,356.2	-38,823.0
<b>Cash flow from operating activities before financial items and taxes</b>	<b>120,216.6</b>	<b>90,233.9</b>
Interest paid, interest-bearing debt	-9,191.3	-7,493.8
Interest paid, derivatives	-4,404.6	-7,464.8
Other financial expenses	-797.9	-62,890.9
Interest received	427.9	265.8
Income taxes	-41,294.3	-20,883.1
<b>Cash flow from operating activities</b>	<b>64,956.4</b>	<b>-8,232.9</b>
<b>Cash flow from investing activities</b>		
Investments in biological assets	-67,094.0	-42,638.9
Investments in tangible assets, forestland	-8,292.5	-5,270.0
Investments in other tangible and intangible assets	-3,465.7	-3,414.0
Proceeds from sale of unlisted securities	6,689.8	62.3
<b>Cash flow from investing activities</b>	<b>-72,162.4</b>	<b>-51,260.6</b>
<b>Cash flow from financing activities</b>		
Withdrawal of long-term loans	-	150,000.0
Repayment of long-term loans	-3.0	-75,066.5
Withdrawal of short-term loans	70,000.0	-
Repayment of short-term loans	-	-15,000.0
Repayment of leasing liabilities	-342.9	-340.1
Dividends paid	-60,000.0	-40,000.0
<b>Cash flow from financing activities</b>	<b>9,654.1</b>	<b>19,593.4</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>2,448.1</b>	<b>-39,900.0</b>
Cash and cash equivalents at beginning of period	16,802.2	56,717.4
Effect of exchange rate changes on cash and cash equivalents	-6.3	-15.1
<b>Cash and cash equivalents at end of period</b>	<b>19,244.0</b>	<b>16,802.2</b>