

Tornator Oyj

Financial period 1 January–31 December

2021



Tornator's net asset value exceeded €1 billion – sustainability and profitability go hand in hand in the forestry company

Financial statement release, published in Finnish 9 February 2022 at 8.00 AM

SUMMARY 1 JAN–31 DEC 2021

- Net sales increased to €128.6 million (+8.8%). The expansion of the silviculture services business and successful timber delivery increased net sales.
- The group's forestland value increased to €2.2 billion (1.8). Operating profit at fair value amounted to a record €439.2 million (+212,4 %), as did the net profit, at €377.4 (121.1). Equity rose to almost €1.3 billion and return on equity at fair value was 34.6%.
- Adjusted operating profit amounted to €90.0 million (91.9), and the adjusted net profit stood at €61.1 million (56.8).
- The company published its ambitious climate and biodiversity programs for 2021–2030.
- Refinancing the group's long-term loans and arrangement of the interest rate hedges reduced the company's financial expenses and extended the debt financing maturity.
- The company acquired some 11,000 hectares of new forest assets in Finland

CEO Henrik Nieminen:

Once again, Tornator proved that sustainable forestry benefits the owners, society and nature. The expansion of silviculture services and the good results in timber sales increased Tornator's net sales to a record high of €128.6 million, and due to the increase in the fair value of forests the company's net asset value exceeded €1 billion for the first time.

In 2021, we recruited many new forestry professionals and also employed numerous forestry entrepreneurs across Finland. As a payer of corporate tax, Tornator was by far the largest in South Karelia. In terms of environmental sustainability, we not only concentrate on daily activities but also look far into the future: we prepared for the new strategy period by announcing ambitious climate and biodiversity programs for 2021–2030. It goes without saying that sustainability and profitability go hand in hand in forestry.

Business successful in many areas

In our core business, timber sales, high market demand, favourable harvesting conditions and effective operations propelled Tornator's net sales to a record high. Net sales increased in all of the company's operating countries (Finland, Estonia and Romania). It was particularly gratifying that we managed to make silviculture services a new source of income alongside timber sales. The extension of the services in collaboration with Stora Enso will increase and diversify our business. I believe that both renewable wood raw material and professional silviculture services will continue to be in high demand.

We implemented our growth strategy by purchasing and leasing over 11,000 hectares of forest in Finland. We also continued fertilisation and other measures that promote forest growth as planned. Tornator con-

cluded numerous new agreements on the development of wind farms on its land. The aim of the agreements is to increase the company's rental income and national-level opportunities for the production of renewable energy to combat climate change.

Tornator arranged its bank loans and interest rate hedging, resulting in lower interest expenses and longer average maturities of its loans. The increase in the value of forest assets to €2.2 billion strengthened the balance sheet, and the company's equity ratio increased to over 50 per cent.

In Finland, the forest debate was lively after the EU published a new forest strategy and a taxonomy for sustainable financing. At this point, the new directives do not affect Tornator's operations, as sustainability has already been taken into account in the business on a large scale. We plan the forest management measures concerning our double-certified (PEFC, FSC) 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.

Climate and biodiversity programs further improve sustainability of operations

We published new climate and biodiversity programs, the ambitious goals of which are stated on our website. Tornator's forests in Finland (which account for 3% of all Finnish forests) can annually sequester almost 80% of the traffic emissions produced by passenger cars in Finland, which is a significant amount. Forests are also used to replace fossil raw materials – the unique circular economy makes sustainable use of every part of the tree and every stage of forest growth. Furthermore, the annual growth of forests exceeds the amount that is felled, which means that the amount of growing stock increases every year. Forestry has also had negative effects, mainly in terms of biodiversity loss. As a result, sustainable forestry operators do not settle for merely meeting the minimum requirements in forest management – instead, they plan their forest management in a way that respects nature and protects valuable habitats. Practical measures taken to protect forest nature can be read in more detail in the Tornator Biodiversity Program.

Nowadays, the sustainability programs of companies must include even more concrete measures and engagement. In the long-term performance bonus program concerning Tornator's management, the Biodiversity Program was given a weighting of 30 per cent. The results of both the climate and the biodiversity program are reported annually.

Digital development and wellbeing at work are prerequisites for future success

The sustainable and profitable management of Tornator's considerable forest assets would not be possible without modern technology, which is why we are investing heavily in digitalisation and system development. Our aim is to harness artificial intelligence to serve the needs of forestry and to obtain more accurate information on our forest resources. This will benefit our business operations and help with the planning of measures to safeguard biodiversity. As remote work is becoming increasingly popular, we will also update the personnel's data-security training to meet the new needs and risks.

COVID-19 did not lead to any business losses for Tornator, but the pandemic's effects on wellbeing at work or the future of working are not fully known yet. For this reason, we have conducted regular surveys to find out what the atmosphere is like among the employees and how they are doing in their daily work life. The aim is to find a working model that suits us best. This work is ongoing. We are also committed to helping our contractors using foreign labour to take the necessary corrective measures to comply with the terms of employment and ensure occupational safety. It is important to Tornator that the entire value chain stands up to scrutiny.

Tornator's new strategy aims to build growth with sustainability and partnerships

Tornator entered the new strategy period 2022–2024. The common theme of the strategy devised together with the personnel is sustainability – partnership – growth. All our strategic goals are built around these key factors.

When it comes to sustainability, measuring and reporting economic and social performance is simple. Demonstrating ecological sustainability in plain terms is, however, more challenging. Our new strategy continues to highlight the importance of overall sustainability, but we are currently focusing especially on monitoring and developing indicators for ecological sustainability in the context of our Biodiversity Program, for example.

A good example of partnership is our relationship with our main customer, Stora Enso. We develop the efficiency and quality of our operations through joint projects with the goal of promoting silviculture services, forest growth, and digitalisation of forest resources, among other things. Tornator also aims to build long-term partnerships based on mutual trust with other key stakeholders, such as our contractors and system suppliers.

We find that there are three different dimensions to growth: there is financial and economic growth, which is the traditional understanding of the concept, but there are also the biological growth of forests and the growth of our human capital. As before, our future financial growth will be driven by new forest acquisitions (purchasing and leasing) and increasing our silviculture service sales, and rental income and development fees derived from wind power. We are also exploring new opportunities for generating revenue in the carbon compensation market during the current strategy period. Our efforts to increase the biological growth of forests will focus on fertilisation and utilising improved seedlings and seeds. Digitalisation enables timely and more precisely focused forest management that can also be used to increase forest growth. Investment in increasing our human capital is at least equally important to this. During its 20-year history, we have been able to attract a substantial amount of top-level expertise, so maintaining and developing employee well-being will be key for the success of our strategy. The basis for implementing the new strategy is very strong, and I firmly believe in our personnel's ability to continue the success story of our company.

I want to express my humble gratitude to all of Tornator's employees, contractors, customers and other stakeholders for enabling a record year. In 2022, we will celebrate the company's 20th anniversary, and I believe that our new statement of purpose, created together with our personnel, reflects well our attitude towards and objectives for the next decades: Forests are our passion - We grow sustainable solutions over generations

Net sales and results

The group's net sales were €128.6 million (118.1), a change of +8.8%. Timber deliveries were excellent and the price level was good. The COVID-19 pandemic did not interfere with the company's operations. A total of 86.2% of net sales, worth €110.9 million, consisted of timber sales income (€108.3 million, or 91.7%). The expansion of silviculture services was reflected in a significant increase in net sales: the annual net sales of silviculture services were €11.0 million (2.9). In addition, the proceeds from land and plot sales amounted to €6.7 million (6.9). Other operating income, €26.8 million (22.7), includes €21.1 million (18.2) 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 €439.2 million (212.4), and profit for the period was €377.5 million (121.2). 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 €329.1 million (121.1), and a positive change in the fair value of financial instruments increased profit by €41.9 million (-33.3) before taxes. Adjusted operating profit increased in Estonia and Romania.

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 Pakkavaaran 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).

		2021	2020	2019
Net sales, € million	The Group	128.6	118.1	105.8
	Parent	116.6	108.0	93.4
Operating profit, € million	The Group	439.2	212.4	264.6
	Parent	412.1	224.9	219.3
Operating profit, % of net sales	The Group	341.6	179.8	250.0
	Parent	353.5	208.3	234.7
Profit for the period, € million	The Group	377.5	121.1	164.8
	Parent	358.6	144.7	123.5
Return on equity, %	The Group	34.6	13.8	21.5
	Parent	34.8	17.8	17.3
Return on capital employed, %	The Group	24.3	13.8	19.0
Equity ratio, %	The Group	52.6	45.3	45.5
Average personnel	The Group	189	186	183

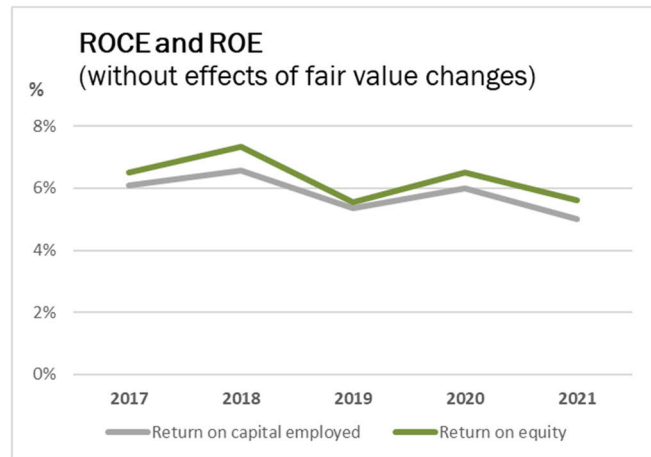
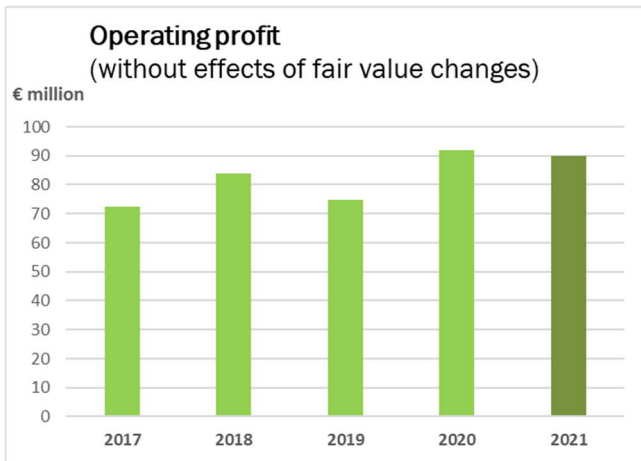
Comparable key figures

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.

	2021	2020	2019
Net sales, € million	128.6	118.1	105.8
Operative operating profit, € million	90.0	91.9	74.7
Operative operating profit, %	70.0	77.8	70.6
Comparable net profit, € million	61.1	56.8	42.7
Comparable return on equity, %	5.6	6.5	5.6
Comparable return on capital employed, %	5.0	6.0	5.4

The alternative key figures are calculated as follows:

Operating profit, IFRS	439.2
- Change in fair value of biological assets	-329.1
- Change in fair value of provisions and receivables from additional purchase price of wind power transactions	-20.2
= Operative operating profit, comparable	90.0
Profit for the period, IFRS	377.5
- Change in fair value of biological assets	-329.1
- Change in fair value of provisions and receivables from additional purchase price of wind power transactions	-20.2
- Change in fair value of financial instruments	-41.9
- Change in taxes related to above mentioned items	74.8
= Comparable net profit	61.1



Distribution of revenues and non-current assets by country

	1 Jan - 31 Dec 2021		1 Jan - 31 Dec 2020	
Revenues:	EUR thousand	%	EUR thousand	%
Finland	116,554.4	90.7	107,977.3	91.4
Romania and Estonia	12,020.5	9.3	10,148.7	8.6
Total	128,574.9	100.0	118,126.0	100.0
	31 Dec 2021		31 Dec 2020	
Biological assets:	EUR thousand	%	EUR thousand	%
Finland	2,022,262.4	91.5	1,671,256.1	90.8
Romania and Estonia	187,952.5	8.5	169,945.7	9.2
Total	2,210,214.9	100.0	1,841,201.8	100.0

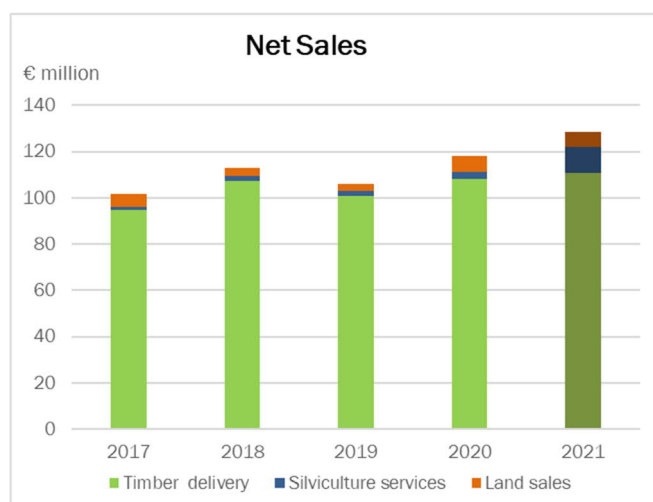
Non-current Assets:	EUR thousand	%	EUR thousand	%
Finland	2,142,859.4	91.1	1,775,543.9	90.3
Romania and Estonia	209,263.5	8.9	191,548.3	9.7
Total	2,352,122.9	100.0	1,967,092.2	100.0

Notable events during the period

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

In the core business, i.e., the sale and supply of timber, operations were executed as planned, and despite the pandemic, the market environment was favourable. Timber deliveries to the main customer, Stora Enso, totalled some €86.9 million (73.6), or around 78% (68%) of the group's net timber sales. Timber sales to the main customer are based on a long-term framework agreement conforming with the market, renewed in 2021.

Silviculture services became a new source of income alongside timber sales. From 2021, Tornator will perform all forest management for Stora Enso's silviculture service customers in Finland.



An update of the fair value of Tornator's forest assets (growing stock) recorded significant positive effects in Finland. The growing stock models used in felling plan calculation were updated based on the latest information, and together with the update of the timber price estimate and purchased forest plots, the changes increased the balance sheet value of the parent company's biological assets by a total of €337 million. The balance sheet value of biological assets also increased in Estonia and Romania, and the annual fair value update, which is based on several valuation factors, improved the group's operating profit by €329 million. In Finland, the fair value was determined by an external evaluator, Indufor Oy, based on future cash flows, i.e., considering sustainable forest management and the growth potential of forests. See the notes to the financial statements for a more detailed description of the forest valuation model.

The total value of the group's forests recorded in the financial statements, including growing stock and land, was approximately €2,313 million (1,940). The figures include the effects of harvesting as well as the purchases and sales of forestland. Tornator owns a total of more than 700,000 hectares of forest in Finland, Estonia and Romania.

On the other side of the balance sheet, the fair values of the company's long-term interest rate hedges increased due to the increase in long-term market interest rates and the derivative arrangement implemented in the summer. This created a positive entry of €41.9 million in financial items in the income

statement (-33.3). Of the above 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 imputed.

Tornator's refinancing round that began in 2020 was completed in 2021. In June, Tornator renewed the bank loans maturing in 2022, and moderately increased the amount of loans at the same time. The new, green and secured bank loans will mature in 2028, making them an excellent addition to Tornator's loan portfolio, in which the first loans will not mature until 2025. This means that in terms of financing, Tornator is in a good position to implement its new strategy. In June, Tornator also implemented a derivative arrangement in which some of the existing interest rate hedges were terminated and replaced with new ones. The arrangement reduced Tornator's direct financial expenses and the long-term hedged fixed interest rate decreased significantly.

service

Tornator's equity ratio was 52.6% (45.3%), 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 11,000 hectares of forest.

In Estonia and Romania, the company continued to manage its forests sustainably, and to 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 announced new, ambitious climate and biodiversity programs for 2021–2030. The content and objectives of the programs are available on the company's website.

In line with our sustainability program, we engaged in mire restoration, prescribed burning and the establishment of conservation areas on around 2,700 hectares of our land. Tornator continued with major conservation projects within the framework of initiatives such as the Metso and Helmi habitat protection programs.

Employee wellbeing remained good during the COVID-19 crisis, and the adjustment to remote working was smooth.

Tornator Oyj's Annual General Meeting held on 11 March 2021 decided to pay a dividend, as proposed by the Board of Directors, totalling €40 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 wood 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. The company has also secured high demand for wood by certifying all of its forests. With new investments by the forest industry, wood demand has increased in all countries in which Tornator operates.

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 roundwood quantity and quality 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 growth models, developed by the Natural Resources Institute Finland based on the latest research results. These models are used in the preparation of the long-term felling plan (longer than 30 years).

Changes in current certification criteria may affect opportunities for forest utilisation and cause a loss of income for Tornator, unless there is an agreement on full compensation. FSC Finland is redefining its national criteria. Tornator is closely involved in this process.

Forestland purchasing includes risks, and the success of investment is often discovered after a long time. 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 appraisals 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 holiday home plots and temporarily reduce profits. In 2020, the pandemic had a positive impact on the demand for land, but the trend slowed down during 2021. 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 players in the sector, by dispersing the projects around 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 EU-level discussions on regulation that would restrict forestry. 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 co-operate with authorities, educational institutions and various NGOs as well as actively 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 sustainability and other 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.

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 entrepreneur resources, which poses challenges in terms of control of issues such as environmental damage and occupational safety. In 2020, Tornator signed an agreement with Stora Enso to expand its silviculture services business to the whole of Finland. Fulfilling the agreement will increase the risks posed to Tornator through factors such as an increase in the number of contractors used. This control is being developed by means of both education and 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 loan capital 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, for which reason it is 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.

An 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 or something surprising happens in the fight against the pandemic. 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 net sales.

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 service customers across 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 put a lot of emphasis on improving the availability and quality of forest stand 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 2021, an average of 7.0% of normal pay was given as performance-based bonuses for 2020 (in 2020, 5.9% was paid for 2019).

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 1,000 person years.

	2021	2020	2019
Average number of personnel during the period	189	186	183
Remuneration for the period, € million	9.6	9.2	9.1

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 published in 2021 its Biodiversity Program 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 will enter into force gradually, starting with the 2021 financial period. Non-financial companies are required to report from the 2021 financial period which part of their operations fulfil 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 technical screening criteria. The EU taxonomy requirements do not apply to Tornator, but the company has voluntarily included the taxonomy requirements as part of their reporting.

Tornator’s main business 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 a more detailed analysis of taxonomy alignment will be made during 2022.

The table below presents the taxonomy eligibility of Tornator’s activities by KPI:

- The net sales equals IFRS net sales, 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.

On the basis of these, Tornator has arrived at the following key figures concerning taxonomy eligibility in 2021. 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:

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 11 March 2021, Tornator's Board of Directors included Chairman Mikko Koivusalo, Deputy Chairman Mikko Mursula and members Jorma Länsitalo and Erkkö Rynnänen.

At the Annual General Meeting of 11 March 2021, the following were elected as ordinary members of the Board of Directors and their personal deputies until the next Annual General Meeting:

<u>Ordinary member</u>	<u>Deputy member</u>
Mikko Koivusalo	Markus Aho
Tuomas Virtala	Erkkö Rynnänen
Jorma Länsitalo	Jari Suvanto
Mikko Mursula	Ilja Ripatti

In its organising meeting of 11 March 2021, 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 Chairman, 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 11 March 2021, Deloitte Oy were elected auditors with Marika Nevalainen, APA, 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 €1,139,444,273.29, of which the profit for the period was €358,624,722.99.

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 24 March 2021; record date 21 March 2021.

Shareholders, 31 December 2021

Stora Enso Oyj	41.00%
Ilmarinen Mutual Pension Insurance Company	23.13%
Varma Mutual Pension Insurance Company	15.33%
OP Henkivakuutus Oy	6.25%
OP-Forest Owner Fund	5.00%
OP-Eläkesäätiö	2.08%
Veritas Pension Insurance	2.50%
Finnair Pension Foundation	2.18%
Pohjola Insurance Ltd	1.04%
Riffu Oy	0.75%
Danilostock Oy	0.75%
Total	100.00%

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

The key figures of the consolidated financial statements are presented below. The financial statements and their notes can be found on the company's website at www.tornator.fi/en/investors at 8 March 2022 at the latest

For further information, please contact:

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

www.tornator.fi

Tornator is a leading specialist in sustainable forestry in Europe. It owns forests in Finland, Estonia and Romania. In 2021, the group's net sales were some €129 million, and the balance sheet value was about €2.4 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 1,000 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 2021	1 Jan - 31 Dec 2020
Net sales	128,574.9	118,126.0
Other operating income	26,775.9	22,684.5
Change in inventories of finished goods and work in progress	-2,523.5	-2,362.3
Materials and services	-24,228.9	-27,920.3
Personnel expenses	-9,571.1	-9,162.4
Depreciation and amortisation	-3,164.9	-3,096.5
Other operating expenses	-5,703.4	-6,901.5
Change in fair value of biological assets and harvesting	329,067.3	121,056.7
Operating profit	439,226.2	212,424.0
Financial income	304.1	240.0
Financial expenses	-15,988.5	-20,907.8
Change in fair value of financial instruments	41,947.4	-33,315.8
Net financial items	26,263.0	-53,983.6
Profit before tax	465,489.2	158,440.4
Income taxes	-25,726.4	-9,131.5
Change in deferred taxes	-62,285.7	-28,255.9
Profit for the period	377,477.1	121,053.0
Distribution: To shareholders of the parent company	377,477.1	121,053.0

Consolidated statement of comprehensive income

Profit for the period	377,477.1	121,053.0
Other comprehensive income for the period after taxes:		
Items not recognised later through profit and loss		
Items derived from the redefinition of net defined benefit costs (or asset items)	-100.0	39.2
Items that may later be recognised through profit and loss		
Translation difference	-622.1	-650.8
Comprehensive income for the period total	376,755.0	120,441.5
Distribution: To shareholders of the parent company	376,755.0	120,441.5

Consolidated Balance Sheet

EUR thousand	31 Dec 2021	31 Dec 2020
ASSETS		
Non-current assets		
Intangible assets	1,378.1	755.5
Property, plant and equipment	119,436.7	114,555.3
Right-of-use assets	2,249.3	2,268.4
Biological assets	2,210,214.9	1,841,201.8
Other investments	111.2	111.2
Non-current receivables	18,732.7	8,200.0
Non-current assets total	2,352,122.9	1,967,092.2
Current assets		
Inventories	49.1	34.3
Trade and other receivables	29,173.8	15,081.5
Investments in unlisted securities	7,060.7	7,112.5
Cash and cash equivalents	16,802.2	56,717.4
Current assets total	53,085.8	78,945.8
TOTAL ASSETS	2,405,208.8	2,046,038.0
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the parent company		
Share capital	50,000.0	50,000.0
Other equity	1,208,492.1	871,737.1
Total equity	1,258,492.1	921,737.1
Liabilities		
Non-current liabilities		
Deferred tax liabilities	282,567.0	220,306.3
Financial liabilities	748,635.6	673,523.2
Derivatives	70,320.2	174,384.4
Lease liabilities	2,046.0	2,002.3
Other non-current liabilities	237.0	127.0
Non-current liabilities total	1,103,805.9	1,070,343.1
Current liabilities		
Financial liabilities	24.9	14,985.5
Trade and other payables	34,043.1	29,877.7
Lease liabilities	303.2	341.4
Provisions	8,539.5	8,753.2
Current liabilities total	42,910.7	53,957.8
Total liabilities	1,146,716.7	1,124,300.9
TOTAL EQUITY AND LIABILITIES	2,405,208.8	2,046,038.0

Statement of changes in equity

EUR thousand	Share capital	Share premium	Translation difference	Retained earnings	Shareholders' equity total
Equity on 1 Jan 2020	50,000.0	29,995.2	-9,576.3	760,876.8	831,295.6
Comprehensive income					
Profit for the period				121,053.0	121,053.0
Other items of comprehensive income (after taxes)					
Other items of comprehensive income (after taxes)				39.2	39.2
Translation difference			-650.8		-650.8
Comprehensive income for the period			-650.8	121,092.2	120,441.5
Transactions with shareholders					
Dividends paid				-30,000.0	-30,000.0
Total transactions with shareholders				-30,000.0	-30,000.0
Equity on 31 Dec 2020	50,000.0	29,995.2	-10,227.1	851,969.0	921,737.1
Equity on 1 Jan 2021	50,000.0	29,995.2	-10,227.1	851,969.0	921,737.1
Comprehensive income					
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
Comprehensive income for the period			-622.1	377,377.1	376,755.0
Transactions with shareholders					
Dividends paid				-40,000.0	-40,000.0
Total transactions with shareholders				-40,000.0	-40,000.0
Equity on 31 Dec 2021	50,000.0	29,995.2	-10,849.1	1,189,346.1	1,258,492.1

Consolidated cash flow statement

EUR thousand	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Cash flow from operating activities		
Cash receipts from customers	116,531.4	110,545.1
Proceeds from sale of tangible assets	6,709.9	6,922.6
Cash receipts from other operating income	5,815.5	15,499.6
Cash paid to suppliers and employees	-38,823.0	-34,538.7
Cash flow from operating activities before financial items and taxes	90,233.9	98,428.5
Interest paid and other financial expenses	-77,849.5	-23,563.2
Interest received	265.8	240.0
Income taxes	-20,883.1	4,139.3
Net cash flow from operating activities	-8,232.9	79,244.6
Cash flow from investing activities		
Investments in biological assets	-42,638.9	-40,161.6
Investments in tangible assets, forestland	-5,270.0	-4,963.8
Investments in other tangible and intangible assets	-3,414.0	-3,158.2
Investments in money market funds	0.0	-4,947.8
Net cash flow from investing activities	-51,260.6	-53,231.4
Cash flow from financing activities		
Withdrawal of long-term loans	150,000.0	700,000.0
Repayment of long-term loans	-75,066.5	-25,085.2
Repayment of short-term loans	-15,000.0	-632,500.0
Repayment of leasing liabilities	-340.1	-346.3
Dividends paid	-40,000.0	-30,000.0
Net cash flow from financing activities	19,593.4	12,068.5
Net increase/decrease in cash and cash equivalents	-39,900.0	38,081.7
Cash and cash equivalents at beginning of period	56,717.4	18,650.7
Effect of exchange rate changes on cash and cash equivalents	-15.1	-15.0
Cash and cash equivalents at end of period	16,802.2	56,717.4