Tornator Oyj

Financial statements and Board of Directors' report

1 January–31 December 2022

Tornator Oyj
Company ID: 0162807-8
Domicile: Imatra, Finland

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TORNATOR

A. Tornator Oyj Board of Directors' report

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:

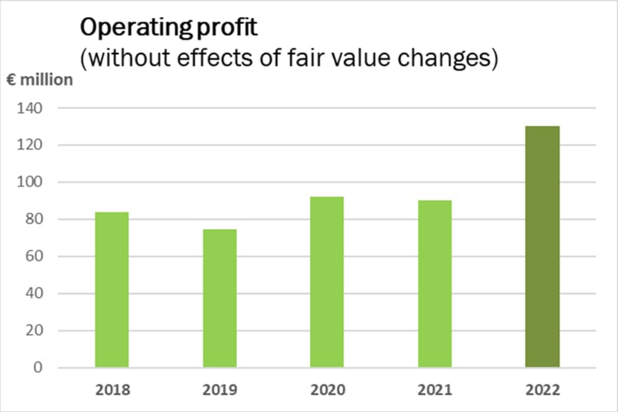
Operating profit, official	**572.0**
- Change in fair value of biological assets	-462.2
- Impairment of land area	+11.7
- Change in the fair value of provisions and receivables from additional wind power sales prices	+8.6
= Adjusted operating profit, comparable	**130.2**

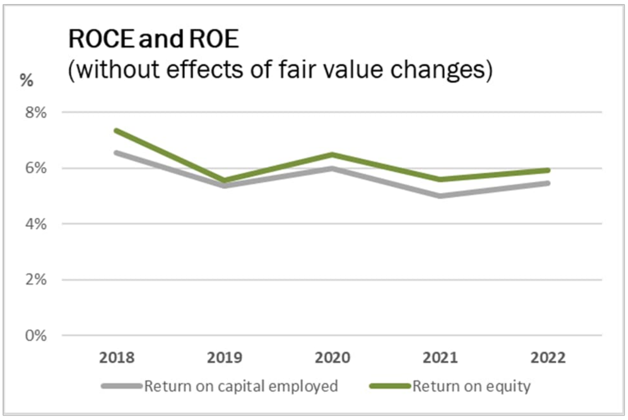
Profit for the period, official	**541.9**
- Change in fair value of biological assets	-462.2
- Impairment of land area	+11.7
- Change in the fair value of provisions and receivables from additional wind power sales prices	+8.6
- Change in fair value of financial instruments	-110.9
- Share of deferred taxes in above items	+105.6
= Profit for the period, comparable	**94.8**

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

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

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
Total	**164,641.1**	**100.0**	**128,574.9**	**100.0**

	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
Total	**3,101,048.9**	**100.0**	**2,313,485.1**	**100.0**

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
Total	**3,128,574.7**	**100.0**	**2,352,122.9**	**100.0**

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

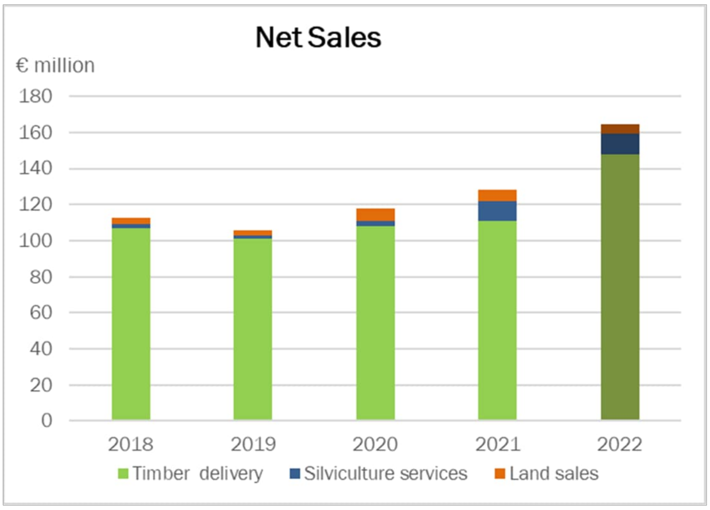
Russia's attack to Ukraine and the consequent general economic instability did not have any major negative impact on Tornator's performance, balance sheet or cash flows. Tornator's turnover and operating profit were historically high during the reporting period. The cash flow from operating activities 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 silviculture works 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 Ryynänen
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%
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.

B. Consolidated Financial Statements

Contents

MAIN CALCULATIONS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

EUR thousand	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Net sales	6,23	164,641.1	128,574.9
Other operating income	24	11,665.7	26,775.9
Change in fair value of biological assets	10	462,165.7	329,067.3
Change in inventories of finished goods and work in progress	12	-2,488.1	-2,523.5
Materials and services	25	-30,070.6	-24,228.9
Personnel expenses	26	-10,301.2	-9,571.1
Depreciation and amortisation	27	-15,018.7	-3,164.9
Other operating expenses	28	-8,576.9	-5,703.4
Operating profit		572,017.1	439,226.2
Financial income	29	479.7	304.1
Financial expenses	29	-14,118.1	-15,988.5
Change in fair value of financial instruments	11,14	110,902.1	41,947.4
Net financial items		97,263.7	26,263.0
Profit before tax		669,280.8	465,489.2
Income taxes	30	-42,897.4	-25,726.4
Change in deferred taxes	17	-84,456.4	-62,285.7
Profit for the period		541,927.1	377,477.1
Distribution:			
To shareholders of the parent company		541,927.1	377,477.1
Consolidated statement of comprehensive income			
Profit for the period		541,927.1	377,477.1
Other comprehensive income for the period after taxes:			
Items not recognised later through profit and loss			
Revaluation of land areas	10	211,424.2	-
Items derived from the redefinition of net defined benefit costs (or asset items)	20	31.2	-100.0
Items that may later be recognised through profit and loss			
Translation difference	16, 30	-27.7	-622.1
Comprehensive income for the period total		753,354.8	376,755.0
Distribution:			
To shareholders of the parent company		753,354.8	376,755.0

The notes on pages 19–60 are an essential part of these financial statements.

Consolidated Balance Sheet

EUR thousand	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Forest assets		3,101,048.9	2,313,485.1
Biological assets	10	2,737,263.5	2,210,214.9
Land areas	10	363,785.4	103,270.2
Other property, plant and equipment	8	16,006.2	16,166.6
Intangible assets	7	1,983.8	1,378.1
Right-of-use assets	9	1,911.1	2,249.3
Derivatives	11	42,351.6	-
Other investments	14	111.2	111.2
Non-current receivables	13	7,513.5	18,732.7
Non-current assets total		**3,170,926.3**	**2,352,122.9**
Current assets			
Inventories	12	92.0	49.1
Accounts receivable	13	36,326.4	18,346.8
Other receivables	13	16,735.0	10,827.0
Investments	14	355.7	7,060.7
Cash and cash equivalents	15	19,244.0	16,802.2
Current assets total		**72,753.1**	**53,085.8**
Total assets		**3,243,679.4**	**2,405,208.8**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	16	50,000.0	50,000.0
Other equity		1,901,846.9	1,208,492.1
Total equity		**1,951,846.9**	**1,258,492.1**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	17	419,823.0	282,567.0
Financial liabilities	18	749,051.7	748,635.6
Derivatives	11	1,620.2	70,320.2
Lease liabilities	19	1,643.8	2,046.0
Other non-current liabilities	20	186.0	237.0
Non-current liabilities total		**1,172,324.6**	**1,103,805.9**
Current liabilities			
Financial liabilities	18	69,016.0	24.9
Accounts payable and other payables	22	23,626.1	22,878.5
Income tax liabilities	30	15,187.7	11,164.6
Lease liabilities	19	354.7	303.2
Provisions	21	11,323.4	8,539.5
Current liabilities total		**119,507.9**	**42,910.7**
Total liabilities		**1,291,832.5**	**1,146,716.7**
Total equity and liabilities		**3,243,679.4**	**2,405,208.8**

The notes on pages 19–60 are an essential part of these financial statements.

Statement of changes in equity

EUR thousand	Note	Share capital	Share premium	Translation difference	Revaluation reserve	Retained earnings	Total equity
Equity on 1 Jan 2021	16	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)							
Items derived from the re-definition of net defined benefit costs (or asset items)	20					-100.0	-100.0
Translation difference	16,30			-622.1			-622.1
Comprehensive income for the period				-622.1		377,377.1	376,755.0
Transactions with shareholders							
Dividends paid	31					-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

EUR thousand	Note	Share capital	Share premium	Translation difference	Revaluation reserve	Retained earnings	Total equity
Equity on 1 Jan 2022	16	50,000.0	29,995.2	-10,849.1		1,189,346.1	1,258,492.1
Comprehensive income							
Profit for the period						541,927.1	541,927.1
Other items of comprehensive income (after taxes)							
Revaluation of land areas	10				211,424.2		211,424.2
Items derived from the re-definition of net defined benefit costs (or asset items)	20					31.2	31.2
Translation difference	16,30			-27.7			-27.7
Comprehensive income for the period				-27.7	211,424.2	541,958.3	753,354.8
Transactions with shareholders							
Dividends paid	31					-60,000.0	-60,000.0
Total transactions with shareholders						-60,000.0	-60,000.0
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

The notes on pages 19–60 are an essential part of these financial statements.

Consolidated cash flow statement

EUR thousand	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Cash flow from operating activities		
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
Cash flow from operating activities before financial items and taxes	**120,216.6**	**90,233.9**
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
Cash flow from operating activities	**64,956.4**	**-8,232.9**
Cash flow from investing activities		
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
Cash flow from investing activities	**-72,162.4**	**-51,260.6**
Cash flow from financing activities		
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
Cash flow from financing activities	**9,654.1**	**19,593.4**
Net increase/decrease in cash and cash equivalents	**2,448.1**	**-39,900.0**
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
Cash and cash equivalents at end of period	**19,244.0**	**16,802.2**

The notes on pages 19–60 are an essential part of these financial statements.

1 Notes to consolidated financial statements

General information

Tornator Oyj is a Finnish limited liability company (business ID: 0162807-8). The company is governed by Finnish law. The domicile of the Group is Imatra. The address of the head office is Einonkatu 6, 55100 Imatra, Finland. A copy of the Group's consolidated financial statements is available on Tornator Oyj's website at www.tornator.fi.

Tornator Oyj (hereinafter referred to as "Tornator" or "the company") and its subsidiaries (hereinafter jointly referred to as "the Group" or "Tornator Group") form one of the leading forest industry groups in Europe. Tornator's core business consists wood production and cutting rights sales. The company also offers silviculture services, sells land and purchases forestland. The Group's main market area is Finland, but it also owns forestland in Romania and Estonia. The forestland area is distributed between the Group's operating countries as follows: Finland 661,000 (646,000), Estonia 65,000 (66,000) and Romania 12,000 (12,000) hectares. During the financial period, the company had an average of 188 (189) employees.

Tornator Oyj's Board of Directors has approved these financial statements for publication in a meeting held on 8 February 2023. The Finnish Limited Liability Companies Act grants the Annual General Meeting the right to either accept, reject or make changes to the company's financial statements.

The figures presented in these financial statements are rounded off. This means that the actual totals may differ from the total sums of the figures presented in these statements.

2 Summary of significant accounting principles

The most significant accounting principles applied to the preparation of the Group's financial information are described below and in Note 3. Unless otherwise stated below, the principles have been applied for all years included in these statements.

Accounting basis

The Group's consolidated financial statements have been prepared in accordance with international accounting standards (International Financial Reporting Standards, IFRS). The statements also comply with the IAS and IFRS standards and the SIC and IFRIC interpretations valid on 31 December 2022. Here, international accounting standards refer to standards and interpretations approved by the Finnish Accounting Act and the standards and interpretations approved by associated Finnish legislature for application in accordance with the European Union's Regulation 1606/2002 on the application of international accounting standards. The notes to the financial statements also fulfil the requirements of the Finnish legislation regarding accounting and entities, which complements the IFRS standards.

The Group's consolidated financial statements have been calculated on the basis of their original costs, with the exception of financial assets and liabilities recorded at fair value through profit and loss, and forest assets. These assets have been valued at fair value. Unless otherwise stated, all figures in the financial statements are presented in thousands of euros. The company's functional currency is the euro.

The IFRS requires that certain accounting estimates and assumptions be used in the preparation of consolidated financial statements. This affects the assets and liabilities reported in the financial statements on the closing date, how the contingent assets and liabilities are reported in the Annexes, and the returns and costs reported for the financial period. The estimates are based on the management's best and most current knowledge of the relevant events. Actual results may differ. The areas that required significant use of judgement, as well as the areas especially affected by judgement, are recorded in Note 5.

Application of the new, revised IFRS standard

In preparing these financial statements, the group has followed the same accounting principles as in the annual financial statements for the year ended 31 December 2021, except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2022.

IAS 16 Property, Plant and Equipment: Proceeds before intended use

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset.

IFRS 3: Reference to the Conceptual Framework

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. These updates do not change the accounting requirements for business combinations.

IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Annual Improvements to IFRS Standards:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

3 Accounting principles applied in the preparation of the consolidated financial statements

Subsidiaries

The consolidated financial statements include the financial information of all companies controlled by the Group. Control is established when the Group is exposed or entitled to the changing returns of an entity through its involvement in the entity and is able to affect these changing returns by exercising its power over the entity.
Intra-group shareholdings have been eliminated using the acquisition cost method. Consideration included in the disposal group, as well as any identifiable assets and liabilities of the acquired entity that have been assumed by the Group, have been valued at fair value at the time of acquisition. Costs related to acquisitions,

with the exception of costs incurred from the issue of equity securities or liability securities, have been recorded as expenses. Any amount by which a cost exceeds the Group's share of the fair value of acquired, identifiable net assets is recorded as goodwill. In the event that a subsidiary's net assets exceed the acquisition cost, the difference is recorded directly in the income statement.

The subsidiaries' financial information is recognised in the financial records from the date on which the control of the subsidiary is transferred to the Group. Any transferred subsidiaries' information, in turn, is recognised in the financial records up to the point in time when the Group's control over the subsidiary in question ceases. Any intra-group transactions, assets and liabilities, as well as any unrealised profits, are eliminated in the preparation of the consolidated financial statements. Unrealised losses are not eliminated if the loss has occurred due to an impairment. The accounting principles of the subsidiaries have been changed to conform to those of the Group where necessary. Seeing as the subsidiaries' acquisitions do not meet the definition of business, they have been recorded as asset acquisitions.

The consolidated financial statements include the financial information of the parent company Tornator Oyj, as well as that of subsidiaries of which the parent company is the sole owner. The following subsidiaries are included in these financial statements:

- Tornator Eesti Oü
- SC Tornator SRL
- Oituz Private Forest District SRL
- Lavakorven Tuulipuisto Oy
- Maaselän Tuulipuisto Oy
- Martimon Tuulipuisto Oy
- Niinimäen Tuulipuisto Oy
- Pahkavaaran Tuulipuisto Oy

Segment reporting

All business segments are defined and reported in line with the internal reporting to the Chief Operating Decision-Maker. The Group's internal reporting only defines one business segment. Therefore, no separate information divided by business segment is presented.

Conversion of line items denominated in foreign currencies

(a) Functional currency and presentation currency

Items included in the financial statements of Group companies are measured in the respective currency of each company's primary operating environment ("functional currency"). The consolidated financial statements are recorded in the euro, which is also the company's functional and presentation currency.

(b) Transactions and balances

Transactions in foreign currencies are converted into the Group's functional currency using the exchange rates that are valid on the respective transaction dates, or, if the items have been revalued, using the exchange rates valid on the respective valuation dates. Any exchange gains or losses that arise from transaction-related payments, or translating foreign-currency assets or liabilities using the closing rate, are recorded in the profit and loss account. This does not, however, apply to qualifying cash flow or net investment hedges, which are recorded as equity.

Any exchange gains or losses associated with loans or cash or cash equivalents are presented under financial income or expenses. All other exchange gains or losses are presented under other operating expenses/income.

(c) Group companies

The profit and loss accounts and balance sheets of any Group companies with a functional currency other than that of the Group's presentation currency are converted to the Group's presentation currency as described below. None of the companies currently operates in a country that has experienced hyperinflation.

a) Assets and liabilities of all balance sheets are converted using the closing rate.
b) The income and expense items included in each income statement are converted to the average exchange rates for the period (or, if the average exchange rate does not give a sufficiently similar result, using the exchange rates valid on the date of the respective transactions).
c) All resulting exchange differences are recorded as equity translation differences.

Exchange differences arising from conversion of net investments, or liabilities that are designated as hedges of such net investments and translation differences arising from other financial instruments, are recorded in equity translation differences. If the company partially relinquishes its ownership of a foreign entity or sells the entity, the exchange differences recorded in equity will be recognised in the profit and loss account in sales profit or loss.

Property, plant and equipment

Tangible fixed assets have been valued at their original cost, minus losses due to depreciation and impairment. Costs include all costs directly incurred as a result of the acquisition. Any subsequent costs are recorded as the book value of the asset in question or recorded as a separate asset only if it is likely that the subsequent financial gain associated with the asset will be for the benefit of the company and the acquisition cost of the asset can be reliably defined. Other repair and maintenance costs are recorded through profit and loss for the period during which they have been incurred. Any residual values and the economic lives of the assets are reviewed at least annually on the closing date.

Straight-line depreciations are applied for the assets in accordance with the following estimated useful lives:

Buildings	7–20 years
Machinery and equipment	3–5 years
Roads and ditches	10 years

Intangible assets

The Group's own intangible assets consist of ICT software and other intangible rights. ICT software is valued at acquisition cost, minus losses due to depreciation and impairment. They are depreciated during the asset's estimated useful life, within 3 to 10 years. Other intangible rights are valued at acquisition cost, minus impairment.

Impairment of intangible and tangible assets

The Group assesses possible indications for the impairment of assets at each closing date. If indications of impairment are detected, the Group will assess the recoverable amount for the asset. In addition to this, the recoverable amount is estimated for the following assets irrespective of whether there are indications of impairment: goodwill, intangible assets with an unlimited useful life, and unfinished intangible assets. The need for impairment is assessed at the level of cash-generating units, meaning the lowest unit level that is independent of other units and the cash flows of which can be separated from others.

The recoverable amount is equal to the fair value of an asset minus either selling expenses or use value, depending on whichever sum is higher. Use value refers to the future net cash flow available from the asset or cash-flow generating unit in question. These cash flows are discounted at present value. A pre-tax rate reflecting the market's view of time value of money and the specific risks associated with the asset in question is used as the discount rate.

Impairment losses are recorded if the book value of an asset is greater than the recoverable amount available from it. Impairment losses are recorded immediately in the income statement. Whenever an impairment loss is recorded, the useful life of the asset subject to depreciation is reassessed. If there are changes to the values used to calculate the recoverable amount of an asset, the impairment loss recorded for the asset is reversed. However, the impairment loss shall be reversed at most by an amount equal to the asset's book value without recording the impairment loss.

Forest assets

Tornator's forest assets are defined as growing stock, which is classified as biological assets and associated land area. Biological assets are valued and recorded valued at fair value in accordance with the IAS 41 *Agriculture*. Land area is valued and recorded using the revaluation method specified in the IAS 16 *Property, Plant and Equipment*.

In 2022, Tornator changed the valuation method used for its Finnish forest assets, introducing a market transaction-based valuation method. Tornator also changed its accounting principles for land area from acquisition cost-based method to revaluation method. The change applies to all of the Group's countries of operation. In the revaluation of land area, the fair value of land is compared to the acquisition cost of the area. The cost is determined by allocating 11% of the original cost of forest assets to the land area, while the remaining 89% is allocated to biological assets. The same allocation principle is also used in the cash flow statement, in which the acquisition cost of forest assest is divided between land area and biological assets.

Changes in the value of biological assets are recorded in the income statement. Changes in the fair value of land area (net of deferred tax) are recorded in the equity revaluation reserve through Other comprehensive income (OCI). If the fair value of land area is lower than its acquisition cost, the difference is recorded in the income statement as impairment.

For further information on the value of forest assets, see Note 10 (Forest assets).

Finnish forest assets

Forest assets located in Finland are recorded at fair value and valued using a forestland market-based method. The valuation method is based on forest transactions in the areas where Tornator forests are located. The total value of forest assest is determined based on Tornator-owned standing stock located in a given area and the market prices realised in the same area. Here, "realised market prices" refers to the purchase prices (by forest cubic metre) paid in for forestland in relevant transactions.

Information regarding forest asset transactions is available from several market sources. Information on market transactions may be considered market-supported input data. Certain corrections are applied to input data reflecting market conditions with unobservable input data. For this reason, the input data is classified on level 3 of the fair value hierarchy. Further information on the judgement applied in the valuation process is provided in Note 5 (Accounting principles and estimation-related uncertainties requiring management judgement).

The total value of the Group's Finnish forest assets are divided into biological assets and land area. The total fair value of forest assets is divided using a revenue-based approach in which the present values of expected net cash flows are calculated for both biological assets and land area. The discount rate is defined as the rate by which the combined present value of cash flows from biological assets and land area is equal to the total value of forest assets calculated using market transaction prices. Since the nature and timing of the cash flows are similar, the discount rate used for valuation of biological assets and land area is estimated to be the same.

The valuation of biological assets is based on ongoing operations and sustainable silviculture that takes into account environmental and other limitations. The fair value of biological assets is calculated based on future net cash flows, that is, in accordance with the principles of sustainable silviculture and taking into account the growth potential. The cash flow model takes into account the cash flows associated with existing growing stock from one forest rotation period. In Finland, a forest rotation period is estimated at 75 years. Annual felling quantities, which are based on the long-term felling plan, are multiplied by the price estimates for the relevant period. The projections are provided by an external assessor. In Finland, the long-term felling plan is based on the MOTTI growth models growth models which are developed by the Natural Resources Institute Finland on the basis of latest research results. Developments of real wood prices after the forecast period (10 years) provided by the external assessor are assumed to be +/-0.

The land area is valued at fair value using the revaluation method defined in IAS 16. The fair value of land area is calculated using a revenue-based approach. The cash flows take into account both cash flows from subsequent tree generations planted in the future and cash flows from other revenue acquired through the land area, such as hunting rights, rental income from land, and sales of soil resources.

Estonian and Romanian forest assets

The fair value of Tornator's forest assest located in Estonia and Romania is determined using a revenue-based method. The valuation of biological assets is based on ongoing operations and sustainable silviculture that takes into account environmental and other limitations. The fair value of biological assets is calculated based on future net cash flows, that is, in accordance with the principles of sustainable silviculture and taking into account the growth potential. The cash flow model takes into account the cash flows associated with existing growing stock for one forest rotation period. In Estonia and Romania, the duration of a forest rotation period is estimated at 70 years and 120 years, respectively. Annual felling quantities, which are based on the long-term felling plan, are multiplied by the price estimates for the relevant period.

The discount rate used for the valuation is determined based on the Group's weighted average cost of capital (WACC). This means that the capital return requirement is determined based on the capital asset pricing model and country-specific risk assessments, if necessary. The discount rate is revised based on a pre-established calculation model. However, changes to the discount rate are only applied if a single component is subject to a significant long-term change. Further information on how the discount rate is determined, as well as the parameters used, can be found in Note 5 (Accounting principles and estimation-related uncertainties requiring management judgement)

The land area is valued at fair value using the revaluation method defined in IAS 16. The fair value of land area is calculated using a revenue-based approach. The cash flows take into account both cash flows from subsequent tree generations planted in the future and cash flows from other revenue acquired through the land area, such as hunting rights, rental income from land, and sales of soil resources.

Leases

Group as lessee

The leases are processed as follows:

(a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.
(d) Lease payments under leases determined as low-value or short-term leases are recorded as expenses incurred during the financial period.

Any incentives associated with the lease (such as rent-free periods) are recorded as a part of the valuation of the right-of-use asset and lease liability. Expenses incurred due to low-value or short-term leases are recorded in the financial statement as expenses incurred during the financial period.

Leases recorded in the Group's right-of-use assets consist of office space and car leases. Some office space leases are treated as short-term leases. Low-value leases include items such as office equipment and company bicycle leases.

For further information on right-of-use assets, see Note 9. For further information on lease liabilities, see Note 19.

The right-of-use assets are tested for impairment in accordance with IAS 36.

Group as lessor

Assets leased with agreements other than finance leases are included in the property, plant and equipment in the balance sheet. The property items leased out by the company are land areas and are not subject to depreciation. Lease income is recognised in the income statement as equal instalments over the term of the lease.

Inventories

Inventories are valued at the lower of the acquisition cost or net realisable value. Acquisition cost is determined using the weighted average cost formula. Acquisition cost includes direct purchase cost, minus VAT. The net realisable value is considered to be equal to an estimated sales price received in an ordinary business transaction, minus any selling expenses.

Inventories include wood raw material intended for sale, as well as seedlings, seeds and fertilisers. Land areas to be sold are also transferred to inventories.

Accounts receivable

Accounts receivable are valued initially at their transaction price and subsequently at their amortised cost using the effective interest method less any impairment for doubtful accounts. Credit losses are recorded in accordance with the expected credit losses. For accounts receivable, the Group follows a simplified procedure, recording expected credit losses in the balance sheet as expenses based on the likely total credit losses accrued during their life cycle. Due to the nature of Tornator's business, the Group's operations do not generally generate credit losses. Therefore, no expected credit losses have been recognised.

Financial assets and liabilities

Financial assets

The Group's financial assets are divided into two categories: financial assets recorded at fair value through income statement, and financial assets recorded at amortised cost. This categorisation is performed at the time of the initial acquisition, based on the intended use of the financial assets and the characteristics of contractual cash flows.

Financial assets are valued at amortised cost when the business objective is to hold these investments and collect all contractual cash flows, or when the contractual cash flows related to a certain instrument consist solely of capital and interest payments. Other financial assets are recorded and valued at fair value through income statement. The estimated present values of purchase price payments of wind power projects are treated as financial assets and valued at fair value. Interest-bearing receivables represent investments in fixed income funds. Other investments represent equity investments in unlisted shares.

Financial assets are recognised in the balance sheet from the point in time when the Group becomes a party to the contractual terms of the instrument. Financial assets are de-recognised from the balance sheet when the Group has lost its contractual right to the cash flows, or when the Group has transferred any significant risks or revenues associated with the instrument to a party outside the Group.

Financial liabilities

The Group's financial liabilities are divided in two groups: financial liabilities recorded at fair through income statement, and financial liabilities recorded at amortised cost using the effective interest rate method. The financial liabilities recorded at fair value through income statement are derivative liabilities. Payments under derivative contracts are recorded in the income statement in the same group as interest expenses from interest-bearing liabilities. Changes in fair value are recognised without the effect of accrued interest as changes in fair value of financial instruments. Financial liabilities valued at amortised cost are initially recorded at fair value. Transaction costs have been included in the initial book value of financial liabilities. In the income statement, interests and transaction costs are amortised using the effective interest method. Financial liabilities are included in both long- and short-term liabilities, and they may be interest-bearing or non-interest-bearing. Interest-bearing liabilities include liabilities arising from financial activities, such as bonds, bank loans, commercial papers and any bank overdrafts in use.

Financial liabilities are de-recognised from the balance sheet when the obligation specified in the relevant contract has been fulfilled or cancelled or has expired.

Financial assets and liabilities are considered non-current if their maturity exceeds 12 months and current if their maturity is less than 12 months.

Borrowing costs

Borrowing costs are recorded as expenses for the financial period during which they are incurred.

Derivative contracts

Tornator uses derivative contracts to hedge against interest rate risk.

Derivative contracts are recorded initially at fair value on the date that the Group becomes a party to the relevant contract, and are also subsequently valued at fair value. Profits and losses generated by valuation at fair value are recorded through income statement.

If the contract matures in over 12 months, the derivatives are defined as non-current receivables or liabilities. Otherwise, derivatives are presented as current assets or liabilities.

Cash and cash equivalents

In the balance sheet, cash and cash equivalents are valued as costs that correspond to their respective fair value. The cash and cash equivalents in the cash flow statement and balance sheet consist of cash on hand, cash in bank accounts, and bank deposits that may be drawn on demand.

Share capital

The Group's share capital consists exclusively of common equity. Any costs directly associated with new share issues (less applicable taxes) are recorded as equity in order to reduce the consideration received from the issue.

Dividends

The dividend liability to group shareholders is recorded for the period in which the dividend is approved by the Annual General Meeting.

Income taxes

Tax expenses in the income statement consists of taxes based on taxable profit for the period and deferred taxes. The tax effect associated with items recognised directly in equity is correspondingly recognised as a part of shareholders' equity. Tax based on the period's taxable income is calculated on the basis of taxable profit for the period at domestic rates applicable to profits in the country concerned. The deferred tax balance is adjusted using any taxes associated for previous periods.

Deferred taxes are calculated for all temporary differences between the book value and taxable value. Deferred taxes are calculated by using the tax rate that has been stipulated by the financial statements date or the approved amount of which has been announced. Deferred tax assets are recognised up to the amount that it is probable that taxable income will be generated in the future, against which a temporary difference can be utilised.

The deferred tax liability is, nevertheless, not recognised when it is an asset item or liability initially to be entered in accounting and it is not a question of business combination and the recognition of this kind of asset or liability item does not affect the result of accounting nor taxable income at the time the transaction is realised. Deferred tax is not recognised for undistributed earnings of subsidiaries to the extent that the difference is not likely to dissolve in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset when the group has the legal right to set off the deferred tax assets and liabilities based on the taxable income for the period and when the deferred tax assets and liabilities are related to income taxes collected by the same tax recipient either from the same party liable to pay taxes or different parties liable to pay taxes, when the asset and liability are to be realised in full.

Employee benefits

Pension liabilities

The Group's pension arrangements are generally classified as defined contribution plans. In a defined contribution plan, a company pays fixed payments into the arrangement. The company has no legal or actual obligation to make additional payments if the party receiving payments does not have sufficient funds to pay pension benefits earned by employees during current or previous periods. Payments made under a defined contribution plan are recognised in the income statement for the period the payment concerns.

The Group's defined benefit plan obligations have been calculated for each plan separately, using the projected unit credit method. Pension expenses are recognised as expenses over the service lives of employees based on calculations made by authorised actuaries. When calculating the present value of the pension obligation, the discount interest rate is the market yield of high-quality bonds issued by companies or the interest rate of government securities. The maturity of bonds and securities substantially corresponds to the maturity of the calculated pension obligation. The assets included in the pension arrangement at fair value on the closing date are deducted from the present value of the pension obligation to be recognised in the balance sheet. The defined benefit pension arrangement's net liabilities (or asset items) are entered in the balance sheet.

Current service costs (pension costs) and the net interest on a defined benefit arrangement are recognised through profit and loss and presented in costs arising from employment benefits. Any items arising from the re-definition of net defined benefit liabilities (or asset items) (e.g. actuarial gains and losses, and income from assets included in the arrangement) are recognised as other items of comprehensive income over the financial period when they were created.

Prior service costs are recognised as expenses through profit and loss on the earliest of the following dates: either when the arrangement is changed or reduced, or when the Group recognises the related reorganisation costs or benefits related to the termination of employment.

Accounts payable

Accounts payable are initially valued at fair value and subsequently valued at amortised cost using the effective interest method.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation requiring payment as the result of a past event, and a reliable estimate can be made of the amount of the obligation. The provision amount is recorded in accordance with the best estimate of the presentue of the future obligations. In the income statement, changes in provisions are recognised in the item to which the expenditure related to the provision is recorded.

Revenue recognition

The Group's net sales consists of the sale of cutting rights, plots, forestland and silviculture services. The Group’s revenue is recorded in a way that reflects the goods and services supplied to customers and as a sum that reflects the price that the Group expects to be entitled to as a result of providing its customers with the services or goods in question. There are no significant judgements, uncertainties or adverse obligations associated with the recognition of net sales.

Sale of cutting rights

The sale of cutting rights is mainly based on timber sales agreements that last multiple years. These agreements specify, among other things, the volumes of timber to be sold and the pricing mechanisms applied. Net sales from sales of cutting rights is recognised when the customer has cut the trees in the area to which the purchased right pertains. As a rule, the completed cutting is verified by signing a measurement certificate. When selling cutting rights, the buyer is typically given 2–3 years to complete the cutting in the relevant area. The cash flow is secured through an advance payment scheme that covers more than 90% of Group timber sales. Under this scheme, the buyer pays 90% of the estimated value of the cutting rights within 12 months of the transaction. In the event that the buyer completes the cutting before the advance payments have been accumulated in full, they are obliged to pay the difference between the total sales price and any advance payments already paid on the date of the next advance payment, which occurs no later than three months after the cutting. Receivables related to sales of cutting rights are presented under accounts receivable. The received advance payments are presented under other liabilities.

Sale of plots and forestland:

Revenue from the sale of plots and forestland is recorded when the Group has irrevocably sold the rights pertaining to the plot or forestland in question to a customer, the collection of the receivables is reliably secured, and no significant risks or benefits related to the rights or the ownership of the plots, management role or effective control over the sold assets remain for the seller.

Other services:

Silviculture services are mostly sold under contracts that last multiple years and define the content of the services and the pricing mechanism applied. Service sales are recorded as revenue for the financial period during which the service is performed. The payment for services is made once the service provided has been accepted and invoiced. The payment term is typically 14 days.

Operating profit

The concept of operating profit is not defined in the IAS 1 standard (Presentation of Financial Statements). The Group defines operating profit as follows: Operating profit is the net amount obtained by adding other operating profit to net sales, subtracting the changes in finished and unfinished product stocks from materials and services, and adjusting the amount by the costs incurred from products or materials manufactured for the Group’s own use, subtracting personnel expenses, amortisation, depreciation and other business expenses, and profit or loss incurred through changes in the present value of biological assets or felling. All other income statement items are presented below operating profit. Exchange rate differences and changes in the fair value of derivatives are included in operating profit if they arise from business-related items; otherwise, they are recorded under financial items.

Interest and dividends

Interest income has been recorded using the effective interest method and dividend income at the time when the right to the dividend has been created.

Application of new and revised IFRSs in issue but not yet effective

On the date that this financial statement has been agreed to publish, the Group has not adopted the following new or revised IFRS standards, that have been published but that are not yet effective and have not been accepted to be applied in the EU (marked with *)

- IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1.1.2023)
- IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 –Comparative Information (the amendment allows an entity to apply a classification overlay when first applying IFRS 17)*
- IAS 1: Classification of Liabilities as Current or Non-current (The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted. The amendments are applied prospectively.)*
- IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 and IAS 8 Accounting Policies, Changes in Accounting Policies and Errors: Disclosure of Accounting policies and Definition of Accounting Estimates (The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments are applied prospectively. IFRS Practice Statement 2 amendments do not have effective date or policies)*
- IAS 12 amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (The amendments are effective for annual reporting periods beginning on or after 1 January 2023, earlier adoption being permitted)*
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The management of the Group does not expect the adoption of standards listed above to have significant influence on the financial statements of the Group in the coming periods.

4 Financial risk management

Risk management principles and process

Within the context of its business activities, the Group is exposed to a number of financial risks, including those associated with the effects of changing market interest rates and exchange rates. Acknowledging the unpredictability of financial markets and minimising any adverse effects on the Group's performance are central to the Group's risk management measures. Risk management is implemented by the Group's financial management in accordance with general risk management principles approved by the Board of Directors.

All financial transactions that the Group is involved in are governed by the Group's financial policy. The policy, as well as any future amendments, revisions or additions to it, enter into force upon approval by the Board of Directors. Any guidelines or similar instructions on the use of financial instruments must be consistent with the overarching financial policy. The Group's policy for managing risks associated with financial services contains more detailed instructions that enter into force upon signature by the Group's chief financial officer. The most significant finance market risks are described in greater detail below.

Currency risk

The Group companies operate mainly in their functional currency, and the Group is not exposed to any significant currency transaction risk.

The Group has foreign net investments and is thereby exposed to risks arising from converting foreign currency investments to the parent company's functional currency. At present, the Group has not undertaken any measures to hedge against currency risk.

Sensitivity analysis: A RON/EUR exchange rate variation of +/-20% will affect the consolidated income statement and equity as follows:

EUR million	+20%	-20%
Net Sales	1.5	-1.0
Profit for the period	0.7	-0.5
Equity (translation difference)	10.1	-6.7

Exchange rate differences recorded through income statement have had no significant effect on the Group's financial performance and annually amounted to tens of thousands of euros at most.

<u>Interest rate risk</u>

The long-term objective of Tornator's interest rate risk management is to protect the company's balance sheet from the impact of changing market interest rates. In practice, this means balancing and stabilising any changes in fair value that are relevant to either the Group's forest assets or its loan obligations, to maintain the net impact the changes have on equity within the range specified in the risk management policy. Another priority is hedging the cash flow from variable rate loans against any rises in interest rates.

The interest rate risk associated with the Group's forest assets decreased significantly in 2022, as the Group introduced a market transaction-based valuation method for its Finnish forests. Interest rate risk related to forest assets is attributable to the Group's forest assets in Estonia and Romania where the valuation of forests is based on long-term cash flows discounted to present value. Any changes in the discount rate (WACC) have a significant effect on the fair value of the forests. The effects of changes in discount rate are further explained in the accounting principles applied for forest assets and in Note 10 (Forest assets).

The interest rate risk associated with the Group's debt obligations arises mainly from interest-bearing liabilities. The nominal values of these liabilities are presented in the following table.

EUR million	**2022**	**2021**
Fixed rate interest-bearing liabilities		
Bonds	350.0	350.0
Variable rate interest-bearing liabilities		
Bank loans	400.0	400
Commercial papers	70.0	
Total interest-bearing debt	**820.0**	**750.0**

The Group hedges against this interest rate risk by concluding non-speculative interest rate swaps with financial institutions that have a high credit rating. All of the Group's derivative contracts are made through the parent company. The interest rate hedging strategy is approved by the Group's Board of Directors and implemented by the Group's financial management.

The Group's short-term money market investments expose the Group's cash flow to interest rate risk. However, the investments have no significant overall impact. The Group's revenue and operative cash flows are largely unaffected by fluctuating market interest rates. The Group's exposure to interest rate risk arises for the most part from variable interest rates, which are mostly related to interest-bearing liabilities. According to general risk management principles, the Group must hedge at least 50% of its loan portfolio against fluctuations in market interest rates. On the closing date, 63% of the Group's interest-bearing liabilities were either fixed-rate or had been converted to fixed-rate liabilities through interest swaps. The average maturity of withdrawn loans on the closing date was 3.4 years. The Group may take out loans with fixed or variable interest. It may also utilise interest rate swaps or regular interest rate options to reach the goals set forth in its financial policy.

Group has prepared for future refinancing of loans and hedging the associated interest risk by entering into long-term interest rate swap contracts with financial institutions. In these contracts Tornator receives variable interest. These strategic hedges stabilise also the discount rate used in forest valuation, i.e. they are used to execute the above-mentioned long-term balance sheet stabilisation in countries where the discount rate is not determined in accordance with market transaction-based method. In 2021, the Group arranged its interest rate swaps by terminating half of the nominal value of the contracts ending 2031 and 2047. To replace the old contracts, Tornator made new contacts with a bit higher nominal value coming into force in 2028 and ending 2048. In 2022, the volume of interest rate hedges was slightly reduced by changing contracts maturing in 2031 to mature in 2028. In addition to this, fixed future cash flows were improved by changing the variable reference rate for contracts maturing in 2048 from Euribor 1 month to Euribor 6 months. After the derivative transactions undertaken in 2021 and 2022, the nominal value of contracts maturing in 2047 totalled EUR 82 million, and the fixed interest rate paid by Tornator stood at 3.0%. The nominal value of contracts maturing in 2028 is EUR 87 million. The fixed interest rate paid by Tornator for these contracts is 2.1%. The contracts maturing in 2048 have a nominal value of EUR 170 million. Tornator pays a fixed interest rate of 0.7% for these contracts.

The Group paid an average net interest rate of approximately 1.6% (2.1%) on loans and interest rate derivatives.

EUR thousand	2022	2021
Gains (+) and losses (-) recognised through income statement from changes in the fair value of interest rate derivatives	110 917,4	41 936,9

A +/- 1 percentage point change in the yield curve would affect the income statement and balance sheet items as follows. The effect of interest rate derivatives has been taken into account in the calculations.

EUR thousand	+1%	-1%
To income statement		
Interest costs	-3,007	3,007
Change in fair value of derivates	31,757	-41,305
To shareholders' equity, after taxes	23,000	-30,638

Liquidity risk

The Group strives to constantly assess and monitor the amount of funding required in its business activities and to ensure that the Group is in possession of sufficient liquid funds and credit facilities in order to finance its operations and to repay maturing loans. The Group's financial guidelines define the liquidity reserve targets for both cash and other liquid assets. The guidelines also define liquid investments as short-term bond funds redeemable within 24 hours invested in banks or credit rated companies in the European Union. The availability and flexibility of funding is ensured through the scheduling of timber sales and advance payments under long-term timber sales agreements.

A maturity analysis is presented in the following table. For items other than derivatives, the figures have not been discounted and include interest payments, capital payoffs and repayments. For derivatives, the balance sheet value is broken down based on their maturity. On the balance sheet, a negative sign in front of a figure indicates an asset and a positive cash flow.

31 Dec 2022 EUR million	Note	Balance sheet value	Cash-flow	2023	2024	2025	2026	2027	2028+
Financial liabilities									
Bond		349.0	366.8	4.4	4.4	4.4	353.6		
Bank loans		399.2	434.1	10.5	10.5	205.8	53.4	2.6	151.3
Commercial paper		69.0	70.0	70.0					
Subsidiaries' loans		0.9	0.9	0.9					
Total financial liabilities	**18**	**818.1**	**871.7**	**85.7**	**14.8**	**210.1**	**407.1**	**2.6**	**151.3**
Accounts payable	22	1.5	1.5	1.5					
Derivative instruments									
Interest rate derivatives	11	-40.7	-40.7	-0.6	-0.6	-0.6	-0.6	-0.6	-37.9

31 Dec 2021 EUR million	Note	Balance sheet value	Cash-flow	2022	2023	2024	2025	2026	2027+
Financial liabilities									
Bond		348.8	371.1	4.4	4.4	4.4	4.4	353.6	
Bank loans		398.9	412.6	2.8	2.8	2.8	201.7	51.2	151.5
Subsidiaries' loans		1.0	1.0	1.0					
Total financial liabilities	**18**	**748.7**	**784.7**	**8.1**	**7.1**	**7.1**	**206.1**	**404.8**	**151.5**
Accounts payable	22	1.2	1.2	1.2					
Derivative instruments									
Interest rate derivatives	11	70.3	70.3	3.7	3.7	3.7	3.7	3.7	52.0

Credit risk

In addition to investment principles, Group policy defines credit rating requirements for clients, counterparties to investment transactions and derivative contracts. Credit risk management and credit control are centralised in the Group's financial management. Credit is only granted to customers with a sound credit history. The Group also always requires adequate collateral for significant one-off business transactions. All parties with whom the Group concludes derivative contracts or enters into investment transactions must have a credit rating of A or higher.

The Group is not exposed to a significant amount of credit risk arising from receivables, as the Group's receivables consist of several items. During the financial period, the Group has not incurred any significant credit losses recognised through income statement.

Capital management

The aim of the Group's capital management measures (equity versus debt) is to support its business activities, secure standard operating conditions and increase shareholder value by striving to maximise returns. In addition to this, an optimal capital structure decreases capital cost. Equity and interest-bearing liabilities are key items for ensuring an optimal capital structure. The Group monitors the following key figures: equity ratio, gearing, and loan-to-value ratio used as a covenant for secured liabilities, meaning the ratio of secured liabilities to the value of the forest assets pledged as a collateral for the liabilities. The equity ratio target is 40%, and the loan-to-value ratio is capped at 70% under the covenants.

The Group's equity and loan-to-value ratios and gearing were as follows:

EUR million	2022	2021
Interest-bearing debt	818.1	748.7
Interest-bearing receivables	0.4	7.1
Cash and cash equivalents	19.2	16.8
Net debt	798.5	724.8
Total equity	**1,951.8**	**1,258.5**
Gearing	**40.9 %**	**57.6 %**
Equity ratio	**60.4 %**	**52.6 %**
Loan-to-value covenant	**43.0 %**	**43.8 %**
Secured liabilities	**850.0**	**850.0**
Value of pledged forest assets	**1,977.5**	**1942.7**

The company has complied with the terms of its loans.

5 Accounting principles and estimation-related uncertainties requiring management judgement

Forest assets

The most significant item requiring management judgement is related to the assumptions used for the valuation of forest assets. Under IAS 41 *Agriculture*, all biological assets, such as growing stock, are recorded at fair value less selling expenses. The fair value of biological assets is calculated based on future net cash flows, that is, in accordance with the principles of sustainable silviculture and taking into account the growth potential of the growing stock. Calculating discounted cash flows requires estimates regarding growth, felling, sales prices, expenses and discount rates. When determining the value of biological assets, the company management must accurately estimate future price levels, sales and expenses. The forests must therefore be analysed regularly to ensure accurate estimations of the volumes of harvestable timber and the current growth rates.

Finnish forest assets

The fair value of forest assets in Finland is determined using a market-based approach. This approach is based on realised forest transactions that have taken place in the areas where Tornator's forests are located. Market prices vary significantly by area, and defining the areas where market transactions are used for valuation involves judgement. The valuation of forest assets is based on Tornator's own forestland purchases and detailed transaction data and price statistics from external providers. The valuation takes into account the location, price level and growing stock volume of the forest assets. Changes to both transaction prices and volume of the growing stock have an impact on the value of forest assets. Tornator uses weighted three-year average market transaction prices. These are seen to include a sufficient number of transactions in order to accurately represent market conditions on the reporting date.

The value of forest assets is allocated to biological assets and forest land. The allocation of the total fair value of forest assets is implemented using a revenue-based approach, in which the present value of expected net cash flows is calculated for both biological assets and land area separately. The discount rate is defined as the interest rate at which the market price-based valuation equals the total present value of net cash flows from biological assets and land area. The net cash flows for each component include estimates of future harvest volumes, sales prices and expenses. For further information, see Note 10 (Forest assets).

Estonian and Romanian forest assets

Instead of the aforementioned market transaction-based method, Estonian and Romanian forest assets are valued using a revenue-based method. As for biological assets, the items that require management judgement are largely similar to the ones mentioned in the section regarding Finnish forest assets. Judgement is also required for defining the discount rate used. The discount rate is determined using the Group's weighted average cost of capital (WACC), in which the return requirement of capital is based on the capital asset pricing model and country-specific risk assessments performed. The risk assessments are performed if necessary. The discount rate is revised based on a pre-established calculation model. However, changes to the discount rate are only applied if a single component is subject to a significant long-term change. In 2022, the Group's WACC used as the basis for forest valuation was 3.25% (2021: 3.25%). The discount rate includes the return requirement for equity and borrowing costs. Effect of iinflation (assumption for 2022: 1.5%, 2021: 1.5%) is also considered, in order to determine the real discount rate. When calculating the discount rate, the equity return component is assigned a weighting of 40% (2021: 40%). The five-year running mean of 0.7% (0.8%) of 50-year EuroSwap interest is used as a risk-free interest rate. In 2022, the risk premium on equity calculated by an external valuer was 3.00% (2.75%). The risk premium is calculated based on the realised excess returns of forestry between the years 1995 and 2021. When calculating the discount rate, the interest rate component of debt is assigned a weighting of 60% (2021: 60%), in accordance with the target set in company strategy and the value corresponds to the hedged interest rate of long-term loans (estimated as 4.0% over time; 2021 estimate: 4.0%). A fluctuation range of +/-0.25% is applied to the discount rate. This means that the discount rate is only adjusted if it fluctuates by an amount greater than +/-0.25% point. The discount rate derived from the Group's average cost of capital amounted to 3.5% and 4.5% for Estonian and Romanian forest assets, respectively. The discount rate used for valuing Finnish forest assets (calculated based on market transaction prices and cash flows from biological assets and land area) amounted to 2.45%.

The principles for valuation of forest assets are presented under accounting principles applied in valuation of forest assets. The values of forests assets for the latest financial period are presented in Note 10.

Purchase price receivables from wind power

Tornator has sold wind power projects for which it expects to receive additional purchase price payments on a contractual basis. These purchase price payments are expected to be paid at the latest when an investment decision is made for the project in question. Therefore, there are significant uncertainties surrounding the realisation of the payments. The purchase prices vary according to the nominal production capacity of the wind farm or farms to be built. Purchase price receivables have been recorded from several different projects. The likelihood that the projects are realised, as well as the timing for their realisation, has been assessed in accordance with the respective progress of each project. The fair value of the receivable has been determined as the present value of expected cash flows. The discount rate applied is 5%. The first such additional purchase price payment was made during the financial period of 2022, when an investment decision was made regarding the Niinimäki wind park in Pieksämäki, Finland.

6 Operating segments

The Group's core business consists of timber production and selling cutting rights for stands marked for harvesting. Stands marked for harvesting include both regular cutting methods and timber types. The Group's business is managed and monitored as one entity, so that the Group has only one operating segment. Therefore, no segment-specific information is presented, as it would only contain information already presented in the income statement and balance sheet. Stora Enso is a significant individual customer of the Group. Transactions between the Group and Stora Enso are described in Note 32 (Transactions involving related parties).

In addition to the figures included in the income statement, the Chief Operating Decision-Maker is also informed of the operating profit excluding cchanges in the fair value of biological assets and harvesting. In 2022, this figure amounted to EUR 130,173 thousand (2021: EUR 89,960 thousand).

The sale of cutting rights accounted for 89.8% of Group net sales (86.2% in 2021).

The following tables present the geographic breakdown of revenue and non-current assets. Net sales is allocated to the country in which the forest it arises from is located.

	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
Total	**164,641.1**	**100.0**	**128,574.9**	**100.0**

	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
Total	**3,101,048.9**	**100.0**	**2,313,485.1**	**100.0**
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
Total	**3,128,574.7**	**100.0**	**2,352,122.9**	**100.0**

The assets shown above include all the Group's non-current assets, excluding financial instruments, deferred tax assets and assets related to post-employment benefit arrangements.

7 Intangible assets

31 Dec 2022			
EUR thousand	Computer software	Other intangible rights	Total
Acquisition cost on 1 Jan 2022	**9,742.6**	**82.1**	**9,824.7**
Translation difference	0.0		0.0
Increases	1,092.5		1,092.5
Decreases			
Acquisition cost on 31 Dec 2022	**10,835.0**	**82.1**	**10,917.1**
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2022	-8,364.5	-82.1	-8,446.6
Depreciation and amortisation	-486.7		-486.7
Accrued depreciation and impairment on 31 Dec 2022	**-8,851.2**	**-82.1**	**-8,933.3**
Book value on 31 Dec 2022	**1,983.8**		**1,983.8**
Book value on 1 Jan 2022	1,378.1		1,378.1

31 Dec 2021			
EUR thousand	Computer software	Other intangible rights	Total
Acquisition cost on 1 Jan 2021	**8,725.4**	**82.1**	**8,807.5**
Translation difference	-50.9		-50.9
Increases	1,068.1		1,068.1
Decreases			
Acquisition cost on 31 Dec 2021	**9,742.6**	**82.1**	**9,824.7**
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2021	-7,969.9	-82.1	-8,052.0
Depreciation and amortisation	-394.7		-394.7
Accrued depreciation and impairment on 31 Dec 2021	**-8,364.5**	**-82.1**	**-8,446.6**
Book value on 31 Dec 2021	**1,378.1**		**1,378.1**
Book value on 1 Jan 2021	755.5		755.5

8 Property, plant and equipment

31 Dec 2022

EUR thousand	Buildings	Machinery and equipment	Roads and ditches	Purchases in progress	Total
Acquisition cost on 1 Jan 2022	**1,763.7**	**2,939.2**	**37,202.2**	**3,086.6**	**44,991.8**
Translation difference	-0.1	0.0	1.0	0.0	0.9
Increases	10.0	165.9	2,089.5	3,099.2	5,364.6
Decreases				-3,081.5	-3,081.5
Acquisition cost on 31 Dec 2022	**1,773.6**	**3,105.1**	**39,292.7**	**3,104.3**	**47,275.7**
Accrued depreciation and impairment					
Accrued depreciation and impairment on 1 January 2022	-648.5	-2,534.7	-25,642.0		-28,825.1
Depreciation and amortisation	-81.8	-205.4	-2,157.1		-2,444.3
Accrued depreciation and impairment on 31 Dec 2022	**-730.3**	**-2,740.1**	**-27,799.1**		**-31,269.4**
Book value on 31 Dec 2022	**1,043.4**	**365.0**	**11,493.6**	**3,104.3**	**16,006.2**
Book value on 1 Jan 2022	1,115.2	404.5	11,560.3	3,086.6	16,166.6

31 Dec 2021

EUR thousand	Buildings	Machinery and equipment	Roads and ditches	Purchases in progress	Total
Acquisition cost on 1 Jan 2021	**1,457.3**	**2,842.3**	**36,015.9**	**2,326.6**	**42,642.1**
Translation difference	-10.1	18.1	-151.2	-1.4	-144.6
Increases	316.4	78.8	1,337.5	3,128.3	4,861.1
Decreases				-2,366.9	-2,366.9
Acquisition cost on 31 Dec 2021	**1,763.7**	**2,939.2**	**37,202.2**	**3,086.6**	**44,991.8**
Accrued depreciation and impairment					
Accrued depreciation and impairment on 1 January 2021	-582.1	-2,330.5	-23,507.2		-26,419.8
Depreciation and amortisation	-66.4	-204.2	-2,134.8		-2,405.3
Accrued depreciation and impairment on 31 Dec 2021	**-648.5**	**-2,534.7**	**-25,642.0**		**-28,825.1**
Book value on 31 Dec 2021	**1,115.2**	**404.5**	**11,560.3**	**3,086.6**	**16,166.6**
Book value on 1 Jan 2021	875.2	511.8	12,508.7	2,326.6	16,222.3

9 Right-of-use assets

31 Dec 2022 EUR thousand	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost on 1 Jan 2022	**2,502.3**	**816.1**	**3,318.4**
Increases	370.5	440.0	810.5
Decreases	-781.1	0.0	-781.1
Acquisition cost on 31 Dec 2022	**2,091.7**	**1,256.2**	**3,347.9**
Accrued depreciation and impairment	0.0	0.0	0.0
Accrued depreciation and impairment on 1 January 2022	-587.4	-481.7	-1,069.1
Depreciation and amortisation	-173.3	-194.4	-367.7
Accrued depreciation and impairment on 31 Dec 2022	-760.7	-676.1	-1,436.8
Book value on 31 Dec 2022	**1,331.0**	**580.1**	**1,911.1**

31 Dec 2021 EUR thousand	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost on 1 Jan 2021	2,279.8	692.7	2,972.5
Increases	222.5	154.0	376.5
Decreases	0.0	-30.6	-30.6
Acquisition cost on 31 Dec 2021	2,502.3	816.1	3,318.4
Accrued depreciation and impairment	0.0	0.0	0.0
Accrued depreciation and impairment on 1 January 2021	-392.7	-311.5	-704.2
Depreciation and amortisation	-194.7	-170.2	-364.9
Accrued depreciation and impairment on 31 Dec 2021	-587.4	-481.7	-1,069.1
Book value on 31 Dec 2021	1,914.9	334.4	2,249.3

The Group's right-of-use assets consist of office space and leased cars. For office leases that are valid until further notice, the Group has assessed the likelihood of termination and the probable duration of the lease. For leased cars, decisions on the renewal of any maturing contracts are made on a case-by-case basis.

Together, the depreciation and financial expenses recorded in the income statement for right-of-use assets and the items recorded for short-term leases or leases of insignificant value represent the total cash flow for leases. They are as follows:

Income statement items	2022	2021
Depreciation	367.7	364.9
Financial expenses	85.6	88.8
Expenses from short-term lease contracts	259.2	180.9
Expenses from low value lease contracts	21.7	19.8

For further information on lease liabilities related to right-of-use assets, see Note 19.

10 Forest assets

The value of forest assets comprises growing stock (biological assets) and the value of the land area.

The process of determining the fair value of forest assets is described in greater detail in the Accounting principles and in Note 5 (Accounting principles and estimation-related uncertainties requiring management judgement).

	Biological assets		Land areas		Total forest assets	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Value at the beginning of the period	**2,210,214.9**	**1,841,201.8**	**103,270.2**	**98,333.0**	**2,313,485.1**	**1,939,534.8**
Harvesting	-119,136.0	-103,349.7	0.0	0.0	-119,136.0	-103,349.7
Change in fair value of biological assets and growth	581,301.8	432,417.0	0.0	0.0	581,301.8	432,417.0
Impairment of land areas	0.0	0.0	-11,720.0	0.0	-11,720.0	0.0
Change in Income statement	**462,165.7**	**329,067.3**	**-11,720.0**	**0.0**	**450,445.7**	**329,067.3**
Revaluation of land areas, other comprehensive income	0.0	0.0	264,216.0	0.0	264,216.0	0.0
Purchases	67,094.0	42,638.9	8,292.5	5,270.0	75,386.5	47,908.9
Sales	-2,208.1	-2,190.8	-272.9	-270.8	-2,481.0	-2,461.6
Translation difference	-3.1	-502.3	-0.4	-62.1	-3.4	-564.4
Value at the end of the period	**2,737,263.5**	**2,210,214.9**	**363,785.4**	**103,270.2**	**3,101,048.9**	**2,313,485.1**

The significant increase in the fair value of forest assets in 2022 is mainly explained by the new valuation method used for Finnish forests, which are currently valued using a market transaction-based approach instead of the previous revenue-based approach. In addition to the introduction of the new valuation method, the total fair value of Finnish forest assets increased during 2022 as a result of the Group's forestland purchases. The Group spent approximately EUR 75 million on new forestland.

The fair value of the land area on which the Group's Estonian forest assets are located was lower than the cost at which the area was originally acquired. This difference of approximately EUR 11.7 million was recorded on the income statement as an impairment in 2022.

EUR thousand	31 Dec 2022	31 Dec 2021
Acquisition cost at the beginning of the period	**103,270.2**	**98,333.0**
Translation difference	-272.9	-270.8
Increase	264,216.0	0.0
Decrease	8,292.5	5,270.0
Acquisition cost at the end of the period	**111,289.4**	**103,270.2**
Land area impairment	-11,720.0	
Land area revaluation	264,216.0	
Book value based on revaluation method at the end of the period	**363,785.4**	

Value of forest assets and physical quantities by country, as of 31 December 2022

	Finland	Estonia	Romania	Group total
Value of forest assetss, EUR thousand	2,867,953	189,187	43,908	3,101,048
Total area, hectares	661,352	64,971	11,973	738,296
Standing stock, m3	69,656,049	6,821,000	4,425,000	80,902,049
Harvesting, m3	3,023,000	249,000	100,000	3,372,000
Growth, m3	3,150,000	309,000	100,000	3,559,000

Value of forest assets and physical quantities by country, as of 31 December 2021

	Finland	Estonia	Romania	Group total
Value of forest assets, EUR thousand	2,107,753	165,053	40,679	2,313,485
Total area, hectares	645,849	65,540	11,975	723,364
Standing stock, m3	68,942,000	7,059,000	4,419,000	80,420,000
Harvesting, m3	2,757,000	283,000	98,000	3,138,000
Growth, m3	3,100,000	307,000	100,000	3,507,000

The most significant factors causing changes in the fair value of Finnish forest assets are changes in forestland transaction prices and fluctuations in the amount of standing stock. An average change of one euro in transaction prices would affect the fair value of forest assets by +/- EUR 68 million. A change of +/- 1 million cubic metres in standing stock would affect the fair value of forest assets by +/- EUR 42 million.

For Romanian and Estonian forests, the most significant assumptions affect the fair value of biological assets in the following ways:

Assumption	Estonia	Romania
Change in discount rate +/- 1%	-32 / +45 MEUR	-7 / +11 MEUR
Change in sales price +/- 10 %	+/-21 MEUR	-/+7 MEUR

11 Derivatives

The Group uses interest rate swaps to hedge against fluctuating market interest rates. At present, all currently valid swaps are treated as items recorded at fair value through income statement. The swaps have a maturity of over 5 years.

Fair values of interest rate derivatives as of 31 December.

EUR thousand	2022			2021
	Assets	Liabilities	Net	Net
Interest rate swaps	42,351.6	-1,620.2	40,731.5	-70,320.2
Total fair values of derivates	**42,351.6**	**-1,620.2**	**40,731.5**	**-70,320.2**

Breakdown of the change in fair value of interest rate derivatives during the financial period:

EUR thousand	31 Dec 2022	31 Dec 2021
Derivates at the beginning of the period	-70,320.2	-174,384.4
Changes		
Income statement:		
Interest rate swaps, income	110,917.4	48,644.7
Interest rate swaps, expenses		-6,707.8
Portion of the change in accrued interest*	134.4	204.7
Effect in income statement	**111,051.7**	**42,141.6**
Termination of interest rate swaps		**61,922.5**
Changes in total	**111,051.7**	**104,064.1**
Derivates at the end of the period	**40,731.5**	**-70,320.2**

*Recognised in interest expenses in income statement

EUR thousand	31 Dec 2022	31 Dec 2021
Interest rate swaps	339,313	339,313
Total nominal values of derivatives	**339,313**	**339,313**

The share recorded in the income statement increased the Group's profit by EUR 110,917,400 (EUR 41,936,900).

For more information on the maturities and interest rates of interest rate derivatives, see Note 4 (Financial risks).

12 Inventories

EUR thousand	2022	2021
Inventories	92.0	49.1
Total	92.0	49.1

The Group's inventories consist mostly of fertiliser and wood raw material stocks. The Group has not recorded any impairment for inventories in either 2021 or 2022. The change in inventories of EUR -2,488.1 thousand recorded in the income statement for the financial period (EUR -2,523.5 thousand) consists of changes in fertiliser and wood raw material stocks and the book values of sold land areas that have been transferred to inventories.

13 Accounts receivable and other receivables

Other receivables consist of the following items:

Other receivables, non-current	2022	2021
Valued at fair value through income statement		
Additional purchase prices of wind power transactions	7,513.5	18,732.7
Total	**7,513.5**	**18,732.7**

Other receivables, current	2022	2021
Valued at amortised cost		
Other receivables	191.9	127.3
Accrued income	675.2	121.0
Valued at fair value through income statement		
Additional purchase prices of wind power transactions	15,867.8	10,578.6
Total	**16,735.0**	**10,827.0**

Other receivables mainly consist of the estimated present value of additional purchase price receivables for wind power project sales. The methods used for determining fair value are described in greater detail in Note 5. The receivables are divided into current and non-current based on whether the additional purchase price payment is expected to be realised within 12 months or later. Realised additional purchase price payments, as well as changes in the value of receivables related to the progress of different projects, are recorded as other operating income. The most significant factors affecting changes in the fair value of additional wind power purchase price receivables are:

- The realisation of projects. Fair values of individual project receivables range from EUR 1.5 million to EUR 15.8 million
- The realised nominal capacity of the project in question. A +/- 10% change in the nominal capacity of the realised wind farm affects the fair value of the receivable by +/- EUR 2.3 million.
- The discount rate. A change of +/- 1% in the discount rate affects the fair value of the receivable by -/+ EUR 0.4 million.

The additional purchase price receivables arising from wind power projects have changed in the following way:

EUR thousand	2022	2021
Receivables at the beginning of period	**29,311.3**	**8,200.0**
Increases from new and progressed projects	4,648.6	21,111.3
Decreases from realised payments	-10,466.0	-
Fair value change in the income statement	**-5,817.4**	**21,111.3**
Payments from receivables recognised as income in earlier periods	-112.6	-
Receivables at the end of period	**23,381.3**	**29,311.3**
Non-current receivables	7,513.5	18,732.7
Current receivables	15,867.8	10,578.6

Accounts receivable are mainly receivables related to the sale of timber, which are recorded as net sales. The book value of accounts receivable and other receivables correspond to the fair value of the receivables. There is no significant credit risk associated with accounts receivables, and the share of overdue receivables is low. The balance sheet values of accounts receivable best reflect the amount of money equal to the maximum credit risk in the event that other parties to the agreements are unable to fulfil their obligations regarding the receivables. The fair values of receivables are presented in Note 37.

EUR thousand	2022	2021
Accounts receivable	**36,326.4**	**18,346.8**
Maturity breakdown of accounts receivable		
Not matured	36,258.0	18,168.7
matured for less than 3 months	16.5	175.6
matured for over 3 months – less than 6 months	51.9	2.5
matured for over 6 months	-	-

14 Investments

Currently, all the Group's investments are classified as valued at fair value through income statement.

Investments, non-current

EUR thousand	2022	2021
Value at beginning of financial period	111.2	111.2
+Increases / -Decreases		
Value at the end of financial period	**111.2**	**111.2**

Long-term investments include unlisted shares that are not expected to be sold in the near future.

Interest-bearing receivables, current

EUR thousand	2022	2021
Value at beginning of period	7,060.7	7,112.5
+Increases / -Decreases	-6,689.8	-62.3
Changes in fair value	-15.2	10.5
Value at the end of period	**355.7**	**7,060.7**

Interest-bearing receivables consist of investments in money market funds. During the financial period of 2022, the Group has both sold and bought investments in funds. Investments in funds are valued at fair value.

The fair values of the investments are presented in Note 37. No investments nor receivables have matured, and no impairment has been recorded for them.

15 Cash and cash equivalents

EUR thousand	2022	2021
Cash and bank accounts (Cash and cash equivalents in the cash flow statement)	19,244.0	16,802.2
Total	19,244.0	16,802.2

There are no significant credit risks associated with cash or cash equivalents. The balance sheet values best reflect an amount of money equal to the maximum credit risk in the event that other parties to the agreements are unable to fulfil their obligations regarding the receivables. The fair values of cash and cash equivalents are presented in Note 37.

In addition to cash and cash equivalents, Tornator has a committed revolving credit facility of EUR 100 million, which remained fully unused on the closing date. The facility, as well as all funds withdrawn under it, will mature in 2025.

16 Share capital and share premium

Tornator shares have been issued in one class. All shares grant their holder equal rights to dividends. The company shares are subject to a redemption clause specified in its Articles of Association, according to which other shareholders have a redemption right if company shares change hands. The shares have no nominal value. Tornator Oyj currently has a total of 5 million shares.

	2022		2021	
	Group	Parent	Group	Parent
Number of shares on 1 Jan	5,000,000	5,000,000	5,000,000	5,000,000
Number of shares on 31 Dec	5,000,000	5,000,000	5,000,000	5,000,000
Share capital (EUR thousand) on 1 Jan	50,000.00	51,836.20	50,000.00	51,836.20
Share capital (EUR thousand) on 31 Dec	50,000.00	51,836.20	50,000.00	51,836.20
Share premium fund (EUR thousand) on 1 Jan	29,995.20	0	29,995.20	0
Share premium fund (EUR thousand) on 31 Dec	29,995.20	0	29,995.20	0

All issued shares have been paid in full.

An amount corresponding to the nominal value of the company's shares has been recorded in the share capital when the parent company was established.

<u>Share premium</u>

If the share subscription was decided on during the validity period of the previous Limited Liability Companies Act (29.9.1978/734), the difference between the nominal value and the subscription price of shares is recorded in the share premium.

<u>Handling of profit</u>

The parent company's distributable funds amounted to €1,577,426,371.36, of which the profit for the period was €497,950,898.07. Revaluation reserve belongs to restricted equity and thus it is not included in distributable funds.

Translation differences

The group has subsidiaries in Estonia and Romania. For the Romanian subsidiary, the share capital is recorded in the local currency (RON), exposing the Group's euro-denominated equity to exchange rate fluctuations. Any changes resulting from the exchange rate are recorded as equity translation differences.

A +/- 20% change in the exchange rate against the euro affects the Group's equity in the following ways (millions of euros):

+20%	-20%
+10.1	-6.7

17 Deferred tax assets and liabilities

Deferred taxes are recorded for all temporary differences. Changes in deferred taxes during the financial period were as follows:

EUR thousand	Note	1 Jan 2022	Recognised through income statement	Recognised in other comprehensive income	31 Dec 2022
Deferred tax assets:					
Temporary differences					
Reforestation provision	21	1,600.4	501.4		2,101.7
Recognition of defined benefit benefit plans	20	47.4	-2.4	-7.8	37.2
Total deferred tax assets		**1,647.8**	**499.0**	**-7.8**	**2,138.9**
Deferred tax liabilities:					
Temporary differences:					
Measurement of financial liabilities at amortised cost	18	464.8	-104.6		360.2
Measurement of biological assets at fair value	10	283,750.0	85,059.9		368,809.9
Revaluation of land areas	10			52,791.8	52,791.8
Total deferred tax liabilities		**284,214.8**	**84,955.3**	**52,791.8**	**421,962.0**

EUR thousand	Note	1 Jan 2021	Recognised through income statement	Recognised in other comprehensive income	31 Dec 2021
Deferred tax assets:					
Temporary differences					
Reforestation provision	21	1,568.0	32.3		1,600.4
Recognition of defined benefit pension plans	20	25.4	-3.0	25.0	47.4
Total deferred tax assets		**1,593.4**	**29.3**	**25.0**	**1,647.8**
Deferred tax liabilities:					
Temporary differences:					
Measurement of financial liabilities at amortised cost	18	497.9	-33.1		464.8
Measurement of biological assets at fair value	10	221,401.9	62,348.2		283,750.0
Total deferred tax liabilities		**221,401.9**	**62,348.2**		**284,214.8**

Deferred tax assets and liabilities have been offset in cases where the entity has a legally enforceable right to set off the recognised amounts against each other and the deferred taxes are related to the same tax-paying entity.

EUR thousand	2022	2021
Total deferred tax assets	2,138.9	1,647.8
Offset against deferred tax liability	2,138.9	1,647.8
Deferred tax assets on the balance sheet		
Total deferred tax liabilities	421,962.0	284,214.8
Offset against deferred tax assets	-2,138.9	-1,647.8
Deferred tax liabilities on the balance sheet	**419,823.0**	**282,567.1**

Deferred tax assets

EUR thousand	2022	2021
Deferred tax assets that expire after 12 months	2,138.9	1,647.8
Deferred tax assets that expire within 12 months	-	-

Deferred tax liabilities

EUR thousand	2022	2021
Deferred tax liabilities that expire after 12 months	421,962.0	284,214.8
Deferred tax liabilities that expire within 12 months	-	-

No deferred tax liability has been recorded on the undistributed profits of subsidiaries. No deferred tax liability (EUR 22.2 million) has been recognised for the Estonian subsidiary's undistributed profit funds of EUR 110.9 million, as the profit funds will not be distributed as dividends in the foreseeable future.

18 Interest-bearing liabilities

EUR thousand	2022	2021
Non-current interest-bearing debt		
Bonds	349,024.4	348,769.9
Loans from financial institutions	400,027.3	399,865.7
Total non-current interest-bearing debt	**749,051.7**	**748,635.6**
Current interest-bearing debt		
Loans from financial institutions	21.9	24.9
Commercial papers	68,994.1	-
Total current interest-bearing debt	**69,016.0**	**24.9**
Total interest-bearing debt	**818,067.7**	**748,660.6**

Bonds are fixed-rate, while liabilities acquired from financial institutions are variable-rate. Commercial papers have a fixed interest rate, but short maturities. Current liabilities will be renewed once they mature. This means that they will have no effect on the Group's current cash flows. Some of the interest expenses of variable-rate loans have been converted to fixed-rate through interest rate swaps. For further information on the nominal values and interest rates of derivatives, see Note 4 (Financial risk management).

Bonds and loans from financial institutions include a total of EUR -1.8 million (EUR -2.3 million) of amortisation of the arrangement fees.

The Group's forest assets serve as collateral for its interest-bearing liabilities. This does not, however, apply to commercial papers, which are unsecured. See Note 10 (Forest assets) and Note 35 (Other collateral pledged on the Group's own behalf)

The maturity of interest-bearing liabilities is presented below, according to the balance sheet values. The timing of repayments and interests of interest-bearing liabilities is presented in Note 4 in the section Liquidity risk.

Maturity of current and non-current interest-bearing liabilities 31 December 2022

EUR thousand	
2023	69,016.0
2024	
2025	199,610.0
2026	398,942.4
2027	
2028+	150,499.3
Total	**818,067.7**

Maturity of current and non-current interest-bearing liabilities 31 December 2021

EUR thousand	
2022	24.9
2023	-
2024	-
2025	199,430.0
026	398,663.9
2027+	150,541.8
Total	**748,660.6**

Reconciliation of changes in liabilities arising from financing activities:

EUR thousand	1 Jan 2022	Cash flow from financing activities	Financial expenses	Increase and Decrease	31 Dec 2022
Bonds	348,769.9		254.5	-	349,024.4
Loans from financial institutions	399,890.6	-3.0	161.5	-	400,049.2
Commercial papers		70,000.0	-1,005.9	-	68,994.1
Total interest-bearing debt	**748,660.6**	**69,997.0**	**-589.9**		**818,067.6**
Lease Liabilities	2,349.2	-342.9		-7.9	**1,998.5**
Total financial liabilities	**751,009.8**	**69,654.1**	**-589.9**	**-7.9**	**820,066.1**

EUR thousand	1 Jan 2021	Cash flow from financing activities	Financial expenses	Increase and Decrease	31 Dec 2021
Bonds	348,515.4		254.5	-	348,769.9
Loans from financial institutions	325,032.0	75,000.0	-141.3	-	399,890.6
Commercial papers	14,961.3	-15,000.0	38.7	-	0.0
Total interest-bearing debt	**688,508.6**	**60,000.0**	**151.9**		**748,660.6**
Lease Liabilities	2,343.7	-340.1		345.6	2,349.2
Total financial liabilities	**690,852.3**	**59,659.9**	**151.9**	**345.6**	**751,009.8**

The Group's bonds are fixed-rate, while its bank loans and commercial papers are variable-rate. A negative item recorded in interest expenses represents the issue of a discount instrument, which is amortised as an expense over the maturity of the instrument. Variable-rate loans are priced every 1–6 months.

Weighted averages of effective interest rates of financial liabilities. The effects of interest rate derivatives have been factored into the averages. For further information on interest rate derivatives, see Note 4 (Financial risk management).

Average interest rate	2022	2021
Financial liabilities, including interest-bearing debt and derivatives	1.6%	2.1 %

19 Lease liabilities

EUR thousand	2022	2021
Lease liabilities at the beginning of the period	2,349.2	2,343.7
Increases	810.5	376.2
Decreases	-818.4	-30.4
Repayment of lease liabilities	-342.9	-340.2
Lease liabilities at the end of the period	**1,998.5**	**2,349.2**
Current lease liabilities	354.7	303.2
Non-current lease liabilities	1,643.8	2,046.0

The income statement entries related to leases are presented in Note 9 (Right-of-use assets).

Maturity of lease payments is as follows:

Year	Total payments
2023	420.76
2024	384.05
2025	286.92
2026	222.61
2027	185.53
2028+	860.78
Total	2,360.65

At 31 December 2022 Tornator’s lease liabilities from short-term lease contracts amount to EUR 31 thousand.
At 31 December 2022 Tornator’s lease liabilities from low-value lease contracts amount to EUR 55 thousand.

20 Pension obligations

Pension plans are classified as defined benefit and defined contribution plans. Payments made under a defined contribution arrangement are recognised in the income statement for the period the payment concerns.

The Group has additional defined benefit pension plans in Finland. The plans are based on the average final salary and those taking part in them receive an additional pension in addition to their retirement pension. The amount of the pension benefit upon retirement is defined on the basis of certain factors, such as the salary and service years. Pensions are adjusted according to the minimum price index. The pension plans have been taken out from a life insurance company. The Group has partially funded plans. The assets included in these plans are managed by a life insurance company according to local legislation and practices.

Net defined benefit liabilities on the balance sheet are defined as follows:

EUR thousand	2022	2021
Present value of funded obligations	1,010.0	1,414.0
Fair value of plan assets	-824.0	-1,177.0
Net balance sheet liability	**186.0**	**237.0**

Net defined benefit liabilities were changed as follows during the financial period:

EUR thousand	Present value of liability	Fair value of plan assets	Total
1 January 2022	1,414	1,177	237
Current service costs	-	-	-
Interest loss or gain	10	8	2
Previous service costs and losses from fulfilled obligations	-	-	-
Amount booked in personnel costs of the income statement	10	8	2
Re-defined items:			
Profit form assets included in the plan, apart from items included in interest loss or gain (±)		-275	257
Actuarial profit (-) or loss (+) from changes in demographic assumptions	-	-	-
Actuarial profit (-) or loss (+) from changes in financial assumptions	-374	-	-374
Experience-based profit (-) or loss (+)	60	-	60
Changes in the maximum amount of an asset item, apart from the amount included in interest losses (±)	-	-	-
Total amount of re-defined items	-314	-275	-39
Payments:			
From employers (+)		13	13
From plan members (+)	-	-	-
Payments from plans:			
Benefits paid (-)	-56	-56	0
Settlements	-44	-53	-1
31 December 2022	1,010	824	186

1 January 2021	1,425	1,242	183
Current service costs	-	-	-
Interest loss or gain	6	5	1
Previous service costs and losses from fulfilled obligations	-	-	-
Amount booked in personnel costs of the income statement	6	5	1
Re-defined items:			
Profit form assets included in the plan, apart from items included in interest loss or gain (±)		-16	-16
Actuarial profit (-) or loss (+) from changes in demographic assumptions	-	-	-
Actuarial profit (-) or loss (+) from changes in financial assumptions	89	-	89
Experience-based profit (-) or loss (+)	20	-	20
Changes in the maximum amount of an asset item, apart from the amount included in interest losses (±)	-	-	-
Total amount of re-defined items	109	-16	-125
Payments:			
From employers (+)		6	-6
From plan members (+)	-	-	-
Payments from plans:			
Benefits paid (-)	-89	-89	0
Settlements	-66	-56	-10
31 December 2021	1,414	1,177	237

Sensitivity analysis for defined benefit pension obligations

The following table illustrates the impact of various factors on defined benefit obligations, the fair value of assets, net liabilities and pension costs over the 2021 financial period. The analysis has been conducted following the same accounting principles as those applied to pension calculations.

EUR thousand	Defined benefit obligation	Fair value of plan assets	Net liabilities	Service cost	Net interest
Discount rate 3.90%	1,010	824	186	0	7
Discount rate 0.50%	959	786	174	0	7
Discount rate -0.50%	1,065	866	199	0	7
Change %					
Discount rate 3.90%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Discount rate 0.50%	-5.0 %	-4.7 %	-6.5 %	0.0 %	5.2 %
Discount rate -0.50%	5.5 %	5.1 %	7.2 %	0.0 %	-6.3 %

EUR thousand					
Change in pension benefit 2.60%	1,010	824	186	0	7
Change in pension benefit 0.50%	1,061	824	236	0	9
Change in pension benefit -0.50%	963	824	139	0	5
Change %					
Change in pension benefit 2.60%	0 %	0 %	0 %	0 %	0 %
Change in pension benefit 0.50%	5 %	0 %	27 %	0 %	28 %
Change in pension benefit -0.50%	-5 %	0 %	-25 %	0 %	-26 %

A change in mortality which would increase life expectancy by one year would increase net liabilities by EUR 9.3 thousand (5.0%).

Fair value of plan assets

Contributions paid to the insurance company and accumulated by the date of the financial statements are considered plan assets. The assets are included in the insurance company's investment assets and the insurance company is liable for their management. Therefore, it is not possible to present the breakdown of plan assets by asset category. The realised yield of the plan assets was EUR -11 thousand in 2021 (EUR 165 thousand in 2020).
Key actuarial assumptions:

	2022	2021
Discount rate %	3.90%	0.70%
Future employee pension increases %	2.60%	2.10%
Inflation	2.40%	0190%
Average remaining service years	1	1
Obligation duration	11	13
Mortality table	Gompertz	Gompertz

The Group predicts that it will pay EUR 14 thousand in defined benefit pension plans during the 2023 financial period.

Weighted average duration of pension liability is 11 years. Maturity analysis of undiscounted pension liabilities as of 31 December 2022 is assumed to be as follows:

EUR thousand	Less than a year	1 – 5 years	5 – 10 years	10 – 15 years	More than 15 years	Total
Pension liabilities	60	255	328	321	640	1,504

21 Provisions

EUR thousand	2022	2021
Reforestation provision at the beginning of period	8,539.5	8,753.2
Provision change in income statement	-2,783.8	213.7
Reforestation provision at the end of period	**11,323.4**	**8,539.5**

The reforestation provision recorded in the balance sheet consists of the estimated present value of the cash flows arising from the group's legal reforestation obligation related to the regeneration of clearcut areas as of the reporting date. The provision amount (in euros) presented in the balance sheet has been calculated by multiplying the clearcut areas (in hectares) by the average cost of regeneration (euros per hectare). The clearcut areas on which the provision is based are to a high degree regenerated within a year of the clearcut. After regeneration, these areas are removed from the areas used for the calculation, but correspondingly, new open areas are included on an ongoing basis as a result of felling operations. Tornator monitors the amount of reforestation provision as a whole, and the change is recorded as a net amount. At the end of 2022, the Group's clearcut areas amounted to 16,600 ha (14,300 ha).

22 Accounts payable and other payables

EUR thousand	2022	2021
Accounts payable	1,526.5	1,209.6
Advance payments received	9,742.6	11,102.7
Accrued liabilities:		
Personnel related accruals	2,575.1	2,382.7
Interest accruals	1,556.3	1,119.0
Other accruals	477.8	221.0
Accrued liabilities and deferred income total	4,609.2	3,722.8
Other liabilities	7,747.8	6,843.4
Account payable and other payables total	**23,626.1**	**22,878.5**

Other payables mainly consist of VAT liabilities.

Fair value of accounts payable are presented in Note 37.

23 Distribution of net sales

EUR thousand	2022	2021
Sale of cutting rights	147,812.5	110,879.0
Sale of holiday plots and forest plots	5,201.2	6,709.9
Sale of silviculture services	11,627.4	10,986.0
Total	**164,641.1**	**128,574.9**

Cutting rights and silviculture services are mainly sold under multi-year contracts. Real estate sales are always handled as individual cases. Amounts are recognised as income when the trees subject to the cutting rights have been felled, the property sold or the service provided. The amounts recognised as income are not subject to uncertainties or transaction costs to be recognised as income at a later date. In the balance sheet, receivables related to net sales are presented under accounts receivable, while prepayments allocated to future net sales are presented under liabilities. Stora Enso is the Group's most significant individual customer. Transactions between the Group and Stora Enso are described in further detail in Note 32 (Transactions involving related parties).

24 Other operating income

EUR thousand	2022	2021
Sale of soil resources	962.9	962.1
Land area rents	1,778.7	1,538.2
Compensation for nature conservation	787.9	1,930.8
Other income*	8,136.3	22,344.8
Total	**11,665.7**	**26,775.9**

Other income included approximately EUR 6.6 million (21.1) income from actual and estimated future payments related to the sale of wind power projects. The contracts contain conditionalities that affect the final additional purchase price to be paid.

25 Materials and services

EUR thousand	2022	2021
Products and services		
Purchases	5,175.1	5,730.1
External services	22,111.6	18,712.5
Change in provisions	2,783.8	-213.7
Total	**30,070.6**	**24,228.9**

Purchases mainly consist of seeds, seedlings and fertilizers.
External services mainly consist of services by forest machine contractors.
Reforestation provision is the change in provision booked due to obligation of renewing forests.

26 Personnel expenses

EUR thousand	Note	2022	2021
Wages		8,431.4	7,890.2
Pension costs - defined contributrion arrangements		1,235.7	1,168.6
Pension costs - defined benefit arrangements	20	-12.0	9.0
Social security costs		646.1	503.3
Total		**10,301.2**	**9,571.1**

27 Depreciation and amortisation expense and impairments

EUR thousand	Note	2022	2021
Depreciation and amortisation on fixed assets			
Buildings	8	81.8	66.4
Machinery and equipment	8	205.4	204.2
Roads and ditches	8	2,157.1	2,134.8
Right-of-use assets	9	367.7	364.9
Computer software	7	486.7	394.7
Amortisation, land areas	10	11,720.0	
Total depreciation and amortisation		**15,018.7**	**3,164.9**

28 Other operating expenses

EUR thousand	2022	2021
ICT expenses	2,396.5	1,640.6
Travel expenses	773.0	542.1
Other services	1,474.4	592.7
Other expenses*	3,933.1	2,928.0
Total	**8,576.9**	**5,703.4**

*Other expenses mainly consist of items which are not individually significant

29 Financial income and expenses

EUR thousand	Note	2022	2021
Financial income		479.7	304.1
Interest expenses from interest bearing liabilities and derivatives*		-12,892.9	-14,779.4
Other financial expenses		-1,139.6	-1,120.4
Change in fair value of financial instruments**	11,14	110,902.1	41,947.4
Interest expenses from leases		-85.6	-88.8
Financial items - net		**97,263.7**	**26,263.0**

*Interest expenses on interest-bearing liabilities amounted to EUR 8,622,600 (7,519,200), while the interest expenses on derivatives were EUR 4,270,300 (7,260,200).
** Includes changes in the fair value of derivatives and fixed income funds.

30 Income taxes

Income taxes and deferred tax assets and liabilities are calculated using a tax rate of 20% for Finland, 16% for Romania, and 0% for Estonia. Deferred taxes and changes in deferred taxes are presented in Note 17.

The Group's income taxes for the financial year 2022 were as follows:

EUR thousand	2022	2021
Income tax	42,897.4	25,726.4
Change in deferred taxes	84,456.4	62,285.7
Total taxes in the income statement	**127,353.7**	**88,012.1**
Profit/Loss before taxes	**669,280.8**	**465,489.2**
Tax based on Finnish legal tax rate (20%)	**133,856.2**	**93,097.8**
Differences in tax rate between Finnish and foreign entities	-6,409.1	-4,734.4
Taxfree income and non-deductible expenses	3.8	4.4
The amount of deferred tax expense (income) relating to the origination and reversal of temporary differences	-84.6	234.6
Effect of losses in taxation	0.0	11.1
Tax expense/income related to prior years	9.5	-619.0
Other differences	-22.1	17.6
Total tax expenses	**127,353.7**	**88,012.2**
Effective tax rate	19.0 %	18.9 %

Taxes related to other items of comprehensive income:

EUR thousand	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Revaluation of land areas	264,216.0	-52,791.8	211,424.2			
Items derived from the re-definition of net defined benefit liabilities	39.0	-7.8	31.2	-125.0	25.0	-100.0
Translation difference	-27.7		-27.7	-622.1		-622.1

31 Dividends

In 2022, the company paid a total of EUR 60.0 million in dividends (EUR 12.00 per share).

Based on the 2022 results, the Board of Directors has proposed that a maximum dividend of EUR 60.0 million (EUR 12.00 per share) be paid. The liability arising from the proposed dividend has not been recognised in these financial statements.

32 Transactions involving related parties

The following transactions involving related parties were completed:

EUR thousand	31 December 2022	31 December 2021
Total compensation received by key personnel in the management group	1,337.3	1,130.7
The total sum is divided into the following groups:		
Short-term employee benefits	1,102.3	971.2
Post-employment benefits	235.0	159.5
Other long-term benefits	-	-
Benefits paid on dismissal	-	-
Share-based payments	-	-
Remuneration paid to the Board of Directors	53.4	53.0

Stora Enso group owns a total of 41% of the parent company shares, thereby exercising considerable influence in the group. The following transactions took place between the Group and Stora Enso during the financial period:

EUR thousand	31 Dec 2022	31 Dec 2021
Sales	141,374.7	99,807.8
Purchases	17.3	51.0
Receivables	33,956.3	13,299.8
Liabilities	7,535.9	8,896.4

Transactions between the Group and related parties have been carried out under the same terms as transactions between the Group and independent parties.

33 Auditor's fees

EUR thousand	2022	2021
Auditing	339.3	248.6
Auditing related services	-	-
Tax guidance	-	-
Other services	15.8	-

PricewaterhouseCoopers Oy acted as the Group's auditor for the financial year 2022. In 2021, the auditor was Deloitte Oy.

34 Subsidiaries

Subsidiaries as of 31 December 2022:

Company name	Group ownership	Domicile
Tornator Eesti Oü	100%	Estonia
SC Tornator SRL	100%	Romania
Oituz Private Forest District SRL	100%	Romania
Lavakorven Tuulipuisto Oy	100%	Finland
Maaselän Tuulipuisto Oy	100%	Finland
Martimon Tuulipuisto Oy	100%	Finland
Niinimäen Tuulipuisto Oy	100%	Finland
Pahkavaaran Tuulipuisto Oy	100%	Finland

35 Other collateral pledged by the Group on its own behalf

The Group has pledged its forest assets as collateral for its liabilities (Note 18). Land areas and biological assets worth a total of EUR 1,977.5 million (EUR 1,942.7 million) have been pledged as collateral. The pledged forest assets are valued using the discounted cash flow method, in accordance with the respective collateral terms. For this reason, there were no changes in the method for determining collateral value of Finnish forests. In addition, the Group has agreed upon a limit of EUR 2 million with a financial institution to verify soil remediation A total of EUR 205,100 of this limit has currently been used (EUR 222,400).

36 Legal proceedings

The Group was not involved in any pending legal proceedings during the financial period.

37 Classification of financial assets and liabilities

31 December 2022

Financial assets

EUR thousand	Amortised cost	Fair value through income statement	Book value	Fair value
Non-current				
Unlisted shares		111	111	111
Additional purchase price of wind power transactions		7,513	7,513	7,513
Total		7,625	7,625	7,625
Current				
Investments in money market funds		356	356	356
Accounts receivable	36,326		36,326	36,326
Additional purchase price of wind power transactions		15,868	15,868	15,868
Derivatives		42,352	42,352	42,352
Cash and cash equivalents	19,244		19,244	19,244
Total	55,570	58,575	114,146	114,146

Financial liabilities

EUR thousand	Amortised cost	Fair value through income statement	Book value	Fair value
Non-current				
Interest-bearing debt	749,052		749,052	714,403
Derivatives		1,620	1,620	1,620
Total	749,052	1,620	750,672	716,023
Current				
Interest-bearing debt	69,016		69,016	69,016
Accounts payable	1,527		1,527	1,527
Total	70,542		70,542	70,542

31 December 2021

Financial assets

EUR thousand	Amortised cost	Fair value through income statement	Book value	Fair value
Non-current				
Unlisted shares		111	111	111
Additional purchase price of wind power transactions		18,733	18,733	18,733
Total		18,844	18,844	18,844
Current				
Investments in money market funds		7,061	7,061	7,061
Accounts receivablke	18,347		18,347	18,347
Additional purchase price of wind power transactions		10,579	10,579	10,579
Derivatives	16,802		16,802	16,802
Total	35,149	17,639	52,788	52,788

Financial liabilities

EUR thousand	Amortised cost	Fair value through income statement	Book value	Fair value
Non-current				
Interest-bearing debt	748,636		748,636	762,460
Derivatives		70,320	70,320	70,320
Total	748,636	70,320	818,956	832,780
Current				
Interest-bearing debt	25		25	25
Accounts payable	1,210		1,210	1,210
Total	1,235		1,235	1,235

The following price quotations, assumptions and valuation models have been used to determine the fair values of the financial assets and liabilities presented in the table:

Derivatives

The fair values of interest rate swaps have been determined using a price quotation provided by the counterparty, which has then been compared with market interest rates and other market information at the reporting date. Fair values represent the present value of the cash flows, meaning the prices that the Group would have to pay or would receive if it were to terminate the derivative contract.

Investments in unlisted shares

The Group’s investments in unlisted shares consist of Finnish unlisted shares and have been valued at fair value. The fair value of unlisted shares is considered to be equal to their cost, as their fair value cannot be determined reliably using valuation methods.

Investments in money market funds

The Group's investments in funds consist of investments in Finnish investment fund units and are valued at fair value. The Group's investments in fund units are either marketable or valued using their value at the reporting date, as reported by the counterparty.

Accounts receivable

The initial book value of accounts receivable corresponds to their fair value, as the effect of discounting is not significant due to the maturity of the receivables.

Additional purchase prices from wind power

The fair value of additional wind power purchase prices has been determined on the basis of the contractual additional purchase prices and the estimates made by the company's management at each closing date (probability and timing of the project realisation). For more information regarding the management estimations, see Note 5.

Financial liabilities

The fair value of interest-bearing loans is determined on the basis of the nominal value of the loan and interest accrued up until the closing date. The fair value of bonds is determined in accordance with their respective market price quotations at the closing date.

Accounts payable

The initial book value of accounts payable corresponds to their fair value, as the effect of discounting is not significant due to the maturity of the liabilities.

38 Fair value hierarchy of assets and liabilities valued at fair value

31 Dec 2022 EUR thousand	Note	Level 1	Level 2	Level 3	Total
Assets					
Forest assets	10			3,101,048.9	3,101,048.9
Receivables					
Additional purchase price of wind power transactions	5,13			23,381.3	23,381.3
Derivatives	4,11		42,351.6		42,351.6
Investments					
Unlisted shares	14			111.2	111.2
Investments in money market funds	14	355.7			355.7
Total assets		**355.7**	**42,351.6**	**3,124,541.5**	**3,167,248.8**
Liabilities					
Derivatives	4, 11		1,620.2		1,620.2
Total liabilities			**1,620.2**		**1,620.2**

31 Dec 2021

EUR thousand	Note	Level 1	Level 2	Level 3	Total
Assets					
Forest assets	10			2,313,485.1	2,313,485.1
Receivables					
Additional purchase price of wind power transactions	5, 13			29,311.3	29,311.3
Investments					
Unlisted shares	14			111.2	111.2
Investments in money market funds	14	7,060.7			7,060.7
Total assets		**7,060.7**		**2,342,907.6**	**2,349,968.3**
Liabilities					
Derivatives	4, 11		70,320.2		70,320.2
Total liabilities			**70,320.2**		**70,320.2**

During the ended financial period, there were no transfers made between fair value hierarchy levels 1 and 2.

The fair values for level 1 are based on the quoted prices of similar assets or liabilities in active markets.

The fair values for level 2 instruments, in turn, are based largely on input data other than quoted prices used for level 1. The used information is, however, observable from the market either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Group generally determines the fair value of these instruments using generally accepted valuation models, utilising input data that is largely based on verifiable market data. The fair value of derivatives has been determined as the present value of cash flows arising from the respective contracts.

The fair values of level 3 instruments are calculated based on the input data regarding the asset or liability. This input data is not based on verifiable market data, but rather rests largely on management estimates and utilising these estimates using generally accepted valuation models. The determination of fair value of forest assets is described under Accounting principles used, as well as in Note 5 and Note 10. Changes in the value are presented in Note 10. Receivables valued at fair value are additional purchase price receivables arising from wind power project sales. The valuation methods used for these receivables are described under Accounting principles used and in Note 5. Changes in the value are presented in Note 13. The fair value of unlisted shares cannot be reliably measured using valuation methods.

39 Notable events after the closing date

Apart from the dividend proposal (Note 31), there have been no other notable events after the balance sheet date.

C. Parent Company Financial Statements

Contents

Income Statement

EUR thousand	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Net sales	6.23	147,861.4	116,554.4
Other operating income	24	4,710.6	26,361.8
Change in fair value of biological assets	10	424,240.3	310,003.3
Change in inventories of finished goods and work in progress	12	-2,344.5	-1,702.1
Materials and services	25	-27,122.0	-22,014.2
Personnel expenses	26	-8,575.9	-8,202.8
Depreciation and amortisation	27	-2,654.2	-4,318.1
Other operating expenses	28	-12,574.4	-4,628.2
Operating profit		523,541.4	412,054.1
Financial income	29	1,627.9	8,455.8
Financial expenses	29	-14,029.5	-15,928.2
Change in fair value of financial instruments	11,14	110,902.1	41,947.4
Net financial items		98,500.5	34,475.0
Profit before tax		622,041.9	446,529.1
Income taxes	30	-39,946.3	-26,018.7
Change in deferred taxes	17	-84,144.7	-61,885.7
Profit for the period		497,950.9	358,624.7
Distribution:			
To shareholders of the parent company		497,950.9	358,624.7
Statement of comprehensive income			
Profit for the period		497,950.9	358,624.7
Other comprehensive income for the period after taxes:			
Items not recognised later through profit and loss			
Revaluation of land areas	10	210,344.9	-
Items derived from the redefinition of net defined benefit costs (or asset items)	20	31.2	-100.0
Comprehensive income for the period total		708,327.0	358,524.7
Distribution:			
To shareholders of the parent company		708,327.0	358,524.7

The notes on pages 67-104 are an essential part of these financial statements.

Balance Sheet

EUR thousand	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Forest assets		2,867,953.1	2,107,752.6
Biological assets	10	2,511,498.6	2,022,262.4
Land areas	10	356,454.5	85,490.2
Other property, plant and equipment	8	12,957.5	12,986.8
Intangible assets	7	1,611.1	975.7
Right-of-use assets	9	1,065.5	1,631.4
Derivatives	11	42,351.6	-
Investments in Group companies	31	138,370.2	154,370.2
Other investments	14	111.2	111.2
Non-current receivables	13	7,513.5	18,732.7
Non-current assets total		**3,071,933.8**	**2,296,560.7**
Current assets			
Inventories	12	5.0	5.0
Accounts receivable	13	35,716.2	17,647.5
Other receivables	13	17,075.3	10,793.5
Investments	14	355.7	7,060.7
Cash and cash equivalents	15	3,202.3	14,857.4
Current assets total		**56,354.5**	**50,364.1**
Total assets		**3,128,288.3**	**2,346,924.8**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	16	51,836.2	51,836.2
Other equity		1,787,771.2	1,139,444.3
Total equity		**1,839,607.4**	**1,191,280.5**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	17	418,245.0	281,506.2
Financial liabilities	18	748,198.8	747,676.1
Derivatives	11	1,620.2	70,320.2
Lease liabilities	19	998.5	1,544.8
Other non-current liabilities	20	186.0	237.0
Non-current liabilities total		**1,169,248.5**	**1,101,284.3**
Current liabilities			
Financial liabilities	18	68,994.1	-
Trade and other payables	22	27,146.9	35,184.7
Income tax liabilities	30	12,660.3	11,012.7
Lease liabilities	19	122.6	160.8
Provisions	21	10,508.7	8,001.8
Current liabilities total		**119,432.4**	**54,360.0**
Total liabilities		**1,288,680.9**	**1,155,644.3**
Total equity and liabilities		**3,128,288.3**	**2,346,924.8**

The notes on pages 67-104 are an essential part of these financial statements.

Statement of changes in equity

EUR thousand	Note	Share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
Equity on 1 Jan 2021	16	51,836.2	4,076.1	-	816,843.6	872,755.8
Comprehensive income						
Profit for the period					358,624.7	358,624.7
Other items of comprehensive income (after taxes)						
Items derived from the re-definition of net defined benefit costs (or asset items)	20				-100.0	-100.0
Comprehensive income for the period					**358,524.7**	**358,524.7**
Transactions with shareholders						
Dividends paid	31				-40,000.0	-40,000.0
Total transactions with shareholders					**-40,000.0**	**-40,000.0**
Equity on 31 Dec 2021		**51,836.2**	**4,076.1**	**-**	**1,135,368.3**	**1,191,280.5**

EUR thousand	Note	Share capital	Share premium	Revaluation reserve	Retained earnings	Total equity
Equity on 1 Jan 2022	16	51,836.2	4,076.1	-	1,135,368.3	1,191,280.5
Comprehensive income						
Profit for the period					497,950.9	497,950.9
Other items of comprehensive income (after taxes)						
Revaluation of land areas	10			210,344.9		210,344.9
Items derived from the re-definition of net defined benefit costs (or asset items)	20				31.2	31.2
Comprehensive income for the period				**210,344.9**	**497,982.1**	**708,327.0**
Transactions with shareholders						
Dividends paid	31				-60,000.0	-60,000.0
Total transactions with shareholders					**-60,000.0**	**-60,000.0**
Equity on 31 Dec 2022		**51,836.2**	**4,076.1**	**210,344.9**	**1,573,350.4**	**1,839,607.4**

The notes on pages 67-104 are an essential part of these financial statements.

Cash flow statement

EUR thousand	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Cash flow from operating activities		
Cash receipts from transactions in forestry	121,814.2	105,656.6
Cash receipts from transactions in land sales	4,445.0	5,331.3
Cash receipts from other operating income	9,648.0	5,219.3
Cash paid to suppliers and employees	-50,756.3	-20,007.6
Cash flow from operating activities before financial items and taxes	**85,150.8**	**96,199.6**
Interest paid, interest-bearing debt	-9,191.3	-7,493.8
Interest paid, derivatives	-4,404.6	-7,464.8
Other financial expenses	-613.8	-62,867.0
Interest received	427.9	265.8
Income taxes	-38,298.7	-18,958.0
Cash flow from operating activities	**33,070.3**	**-318.2**
Cash flow from investing activities		
Investments in biological assets	-67,082.4	-42,517.8
Investments in tangible assets, forestland	-8,291.1	-5,255.0
Investments in other tangible and intangible assets	-3,098.4	-3,074.8
Proceeds from sale of unlisted securities	6,689.8	62.3
Dividends and capital returns from Group companies	17,200.0	8,190.0
Cash flow from investing activities	**-54,582.2**	**-42,595.3**
Cash flow from financing activities		
Withdrawal of long-term loans	-	150,000.0
Repayment of long-term loans	-	-75,000.0
Withdrawal of short-term loans	70,000.0	-
Repayment of short-term loans	-	-15,000.0
Repayment of leasing liabilities	-143.2	-157.3
Dividends paid	-60,000.0	-40,000.0
Cash flow from financing activities	**9,856.8**	**19,842.7**
Net increase/decrease in cash and cash equivalents	-11,655.1	-23,070.8
Cash and cash equivalents at beginning of period	14,857.4	37,928.2
Cash and cash equivalents at end of period	**3,202.3**	**14,857.4**

The notes on pages 67-104 are an essential part of these financial statements.

1 Notes to the financial statements

General information

Tornator Oyj is a Finnish limited liability company (business ID 0162807-8) that operates under the jurisdiction of the legislation of the State of Finland. The company's registered office is in Imatra and the address of its headquarters is Napinkuja 3 C, 55100 Imatra, Finland. A copy of the financial statements is available at the company website www.tornator.fi/en.

Tornator Oyj ('Tornator' or 'the company') is one of Finland's biggest forest owners. Tornator's core business is wood production and selling of cutting rights. The company provides also forest management services, sells land and buys forest properties. At the end of 2022, Tornator owned about 661,000 hectares of forest properties in Finland (2021: 646,000). Average number of personnel during the financial period was 135 (139).

Tornator's Board of Directors have approved these financial statements for issue on 8 February 2023. According to the Finnish Limited Liability Companies Act, the Annual General Meeting has the option to approve or reject or change the financial statements.

Figures presented in these Financial statements are rounded and thus total sums may differ from sums of individual figures presented.

2 Summary of the most important accounting principles

Tornator Oyj is the parent company of Tornator Group.

The most significant accounting principles applied to the preparation of the Group's financial information are described below and in Note 3. Unless otherwise stated below, the policies have been applied for all years included in these statements.

Accounting basis

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), and the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2022 have been applied in preparing them. "International Financial Reporting Standards" refers to the standards defined in the Finnish Accounting Act and related regulations approved for application in the EU and their interpretations in accordance with EU regulation (EC) 1606/2002. The notes to the financial statements also comply with the requirements of the Finnish accounting and corporate legislation that supplements the IFRS regulations.

The consolidated financial statements have been prepared using the historical cost basis, except for financial assets and liabilities recognised at fair value through profit and loss, biological assets and items under hedging of fair value, which are measured at fair value. The financial statements are presented in thousands of euros unless otherwise noted. The company's functional currency is the euro.

The preparation of the financial statements according to the IFRS standards requires making of certain estimates and assumptions. Making of these assumptions and estimates has an impact on the assets and liabilities reported on the balance sheet date, the presentation of contingent assets and liabilities in the notes and the income and expenses reported for the financial year. These estimates are based on the management's best knowledge of the events; thus, the final actual results may differ from the estimates made. Areas that have required greater judgement and areas in which the judgement has had the greatest impact on the figures presented in the financial statements are presented in note 5.

Application of the new and amended IFRS standards

In preparing these financial statements, the company has followed the same accounting principles as in the annual financial statements for the year ended 31 December 2021, except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2022.

IAS 16 Property, Plant and Equipment: Proceeds before intended use

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset.

IFRS 3: Reference to the Conceptual Framework

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. These updates do not change the accounting requirements for business combinations.

IAS 37: Onerous Contracts – Cost of Fulfilling a Contract

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Annual Improvements to IFRS Standards:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

3 Accounting principles of the financial statements

Segment reporting

All business segments are defined and reported in line with the internal reporting to the Chief Operating Decision-Maker. The company's internal reporting only defines one business segment. Therefore, no separate information divided by business segment is presented.

Conversion of line items denominated in foreign currencies

(a) Functional and presentational currencies

Financial statements are presented in euro, which is the company's functional and presentational currency.

(b) Business transactions and balances

Transactions denominated in foreign currencies are converted into the functional currency using the exchange rates on the date of the transactions or, if the items have been revalued, using the exchange rates on the valuation dates. Exchange gains and losses from payments related to business transactions and converting assets and liabilities denominated in a foreign currency into the exchange rate on the date of the financial statements are entered in the income statement, except for hedges complying with the terms and conditions of cash flow or net investment hedging, which are entered into equity.

Exchange gains and losses related to debts and cash and cash equivalents are presented in the income statement item “financial income or expenses”. All other exchange gains and losses are presented in the income statement item “Other operating income or expenses”.

Property, plant & equipment

Property, plant and equipment are measured at the historical acquisition cost, less deduction for depreciation and impairment. The historical acquisition cost contains costs immediately resulting from the acquisition. Costs arising later are only included in the asset’s book value or recognised as a separate asset if it is probable that the future economic benefit associated with the asset will benefit the company and the asset’s acquisition cost can be reliably determined. Other repair and maintenance costs are recognised through profit and loss for the period in which they are realised. The residual values of assets and useful lives are verified at a minimum annually on the date of the financial statements.

Assets are subjected to straight-line depreciation over the following estimated useful lives:

Buildings	7–20 years
Machinery and equipment	3–5 years
Roads and ditches	10 years

Intangible assets

The company’s intangible assets are computer software and other intangible assets. Computer software is measured at acquisition cost, less deduction for recognised depreciation and amortisation expenses and impairment. They are depreciated over the estimated useful life of 3–5 years. Other intangible assets are measured at historical acquisition cost, less amortisations.

Impairment of tangible and intangible assets

The company assesses whether there is any indication that an asset has been impaired at each financial statements date. If any such indication exists, the recoverable amount of the said asset is estimated. The recoverable amount is also estimated annually for the following assets, regardless of whether or not there are signs of impairment: goodwill, intangible assets with an unlimited useful life, and unfinished intangible assets. The need for impairment is assessed at the level of cash-generating units, i.e. the lowest individual unit level that is mainly independent of the other units and whose cash flows can be separated from other cash flows.

The recoverable amount is the higher of the asset’s fair value less costs to sell and its value in use. Value in use is the estimated future net cash flows, discounted to their present value, expected to be derived from the said asset or cash-generating unit. The discount rate used is the interest rate before tax that represents the market’s view of the time value of money and special risks associated with the asset.

An impairment loss is recognised if the carrying amount of the asset is higher than its recoverable amount. The impairment loss is immediately recognised in the income statement. In connection with the recognition of the impairment loss, the useful life of the depreciated asset is re-evaluated. An impairment loss recognised for an asset is reversed if a change has taken place in the estimates used to determine the recoverable amount of the asset. However, the maximum reversal of an impairment loss amounts to the carrying amount of the asset had no impairment loss been recognised.

Forest assets

Tornator's forest assets are defined as growing stock, which is classified as biological assets and associated land area. Biological assets are recorded and valued at fair value in accordance with the IAS 41 standard for agriculture. Forestland is recorded using the revaluation method specified in the IAS 16 standard for property, plant and equipment.

In 2022, Tornator changed the valuation method used for its Finnish forest assets, introducing a market transaction-based valuation method. Tornator also changed its accounting principles for land area, with the revaluation method replacing the previous acquisition cost-based method. The change applies to all of the Group's countries of operation. In the revaluation of land area, the fair value of land area is compared to the cost of the area. The cost is determined by allocating 11% of the original cost of forest assets to the land area, while the remaining 89% is allocated to biological assets. The same allocation principle is also used in the cash flow statement, in which the acquisition cost of forest assets are divided between land area and biological assets.

Changes to the value of biological assets are recorded in the income statement. Changes to the fair value of land area (minus deferred tax liabilities) are recorded in the equity revaluation reserve through various item groups of other comprehensive income (OCI). If the fair value of land area is lower than its acquisition cost, the difference is recorded in the income statement as impairment.

For further information on the value of forest assets, see Note 10 (Forest assets).

Forest assets are recorded at fair value and valued using a forestland market-based method. The valuation method is based on forest transactions in the areas where Tornator forests are located. The total value of forest assets are determined based on Tornator-owned growing stock located in a given area and the market prices realised in the same area. Here, "realised market prices" refers to the purchase prices (by cubic forest metre) paid in for forestland in relevant transactions.

Information regarding forest assets transactions is available from several market sources. Information on market transactions may be considered market-supported input data. Certain corrections are applied to input data reflecting market conditions with unobservable input data. For this reason, the input data is classified on level 3 of the fair value hierarchy. Further information on the judgement applied in the valuation process is provided in Note 5 (Accounting principles and estimation-related uncertainties requiring management judgement).

The total value of the company's forest assets is divided into biological assets and land area. The total fair value of forest assets is divided using a revenue-based approach in which the present values of expected net cash flows are calculated for both biological assets and land area. The discount rate is defined as the rate by which the combined present value of cash flows from biological assets and land area is equal to the total value of forest assets calculated using market transaction prices. Since the nature and timing of the cash flows are similar, the discount rate used for valuation of biological assets and land area is estimated to be the same.

The valuation of biological assets is based on ongoing operations and sustainable silviculture that takes into account environmental and other limitations. The fair value of biological assets is calculated based on future net cash flows, that is, in accordance with the principles of sustainable silviculture and taking into account the growth potential of the growing stock. The cash flow model takes into account the cash flows associated with existing growing stock from one forest rotation period. In Finland, a forest rotation period is estimated at 75 years. Annual felling quantities, which are based on the long-term felling plan, are multiplied by the price estimates for the relevant period. The projections are provided by an external assessor. In Finland, the long-term felling plan is drawn up on the basis of the MOTTI growth models developed by the Natural Resources Institute Finland, based on the most current scientific data available. Developments of real timber prices after the forecast period (10 years) provided by the external assessor are assumed to be +/-0.

The land area is valued at fair value using the revaluation method defined in IAS 16. The fair value of land area is calculated using a revenue-based approach. The cash flows take into account both cash flows from tree generations planted in the future and cash flows from other revenue acquired through the land area, such as hunting licences, rental income from land, and sales of soil resources.

Leases

Company as lessee

The leases are processed as follows:

(a) The consolidated balance sheet includes both right-of-use assets and lease liabilities. These are valued at the present value of future lease payments when they are first recorded. Right-of-use assets are adjusted by the total amount of prepaid or accrued lease payments in accordance with IFRS 16 (C8 b ii).
(b) The depreciations and lease interest are recorded in the consolidated income statement.
(c) In the cash flow statement, the total cash payments are divided into capital (presented as a part of financial cash flows) and interest (presented as a part of operating cash flows).
(d) Lease payments under leases determined as low-value or short-term leases are recorded as expenses incurred during the financial period.

Any incentives associated with the lease (such as rent-free periods) are recorded as a part of the valuation of the right-of-use asset and lease liability. Expenses incurred due to low-value or short-term leases are recorded in the financial statement as an expenses incurred during the financial period.

Leases recorded in the company's right-of-use assets consist of office and car leases. Some office leases are treated as short-term leases. Low-value leases include items such as office equipment and company bicycle leases.

For further information on right-of-use assets, see Note 9. For further information on lease liabilities, see Note 19.

The right-of-use assets are tested for impairment in accordance with IAS 36.

Company as lessor

Assets leased under contracts or agreements other than financial leasing contracts are included in the tangible right-of-use assets in the balance sheet. The assets leased by the company are land areas. No depreciations are recorded for these assets. Lease income is recorded in the income statement on a straight-line basis over the lease term.

Inventories

Inventories are measured at the acquisition cost or the lower net realisable value. Acquisition cost is determined using the weighted average price method. The acquisition cost includes the immediate purchasing costs less VAT. Net realisable value is the estimated selling price obtained in the ordinary course of business, from which the cost of the sale is deducted.

Inventories include the wood raw material, seedlings, seeds and fertilizers. In addition, to-be-sold land areas are transferred to inventories.

Accounts receivable

Accounts receivable are valued initially at their transaction price and subsequently at their amortised cost using the effective interest method, minus any provisions for doubtful accounts. Credit losses are recorded in accordance with the expected credit losses. For accounts receivable, the company follows a simplified procedure, recording expected credit losses in the balance sheet as expenses based on the likely total credit losses accrued during their life cycle. Due to the nature of Tornator's business, the company's operations do not generally generate credit losses. Therefore, no expected credit losses have been recognised.

Financial assets and financial liabilities

Financial assets

Tornator's financial assets are divided into two categories: financial assets recorded at fair value through income statement, and financial assets recorded at amortised cost. This categorisation is performed at the time of the initial acquisition, based on the intended use of the financial assets and the characteristics of contractual cash flows.

Financial assets are valued at amortised cost when the business objective is to hold these investments and collect all contractual cash flows, or when the contractual cash flows related to a certain instrument consist solely of capital and interest payments. Other financial assets are recorded and valued at fair value through income statement. The estimated present values of purchase price payments of wind power projects are treated as financial assets and valued at fair value. Interest-bearing receivables represent investments in fixed income funds. Other investments represent equity investments in unlisted shares.

Financial assets are recognised in the balance sheet from the point in time when the company becomes a party to the contractual terms of the instrument. Records of financial assets are no longer recorded in the balance sheet from the moment when the company has lost its contractual right to the cash flows, or when the company has transferred any significant risks or revenues associated with the instrument to a party outside the company.

Financial liabilities

The company's financial liabilities are divided in two groups: financial liabilities recorded at fair value through income statement, and financial liabilities recorded at amortised cost using the effective interest rate method. The financial liabilities recorded at fair value through income statement are derivative liabilities. Payments under derivative contracts are recorded in the income statement in the same group as interest expenses from interest-bearing liabilities. Changes in fair value are recognised without the effect of accrued interest as changes in fair value of financial instruments. Financial liabilities valued at amortised cost are initially recorded at fair value. Transaction costs have been included in the initial book value of financial liabilities. In the income statement, interests and transaction costs are amortised using the effective interest method. Financial liabilities are included in both long- and short-term liabilities, and they may be interest-bearing or non-interest-bearing. Interest-bearing liabilities include liabilities arising from financial activities, such as bonds, bank loans, commercial papers and any bank account limits currently in use.

Financial liabilities are no longer recorded on the balance sheet when the obligation specified in the relevant contract has been fulfilled or cancelled or has expired.

Financial assets and liabilities are considered non-current if their maturity exceeds 12 months and short-term if their maturity is less than 12 months.

Borrowing costs

Borrowing costs are recognised as expenses for the accounting period during which they were incurred.

Derivative contracts

Tornator uses derivative contracts to hedge against interest rate risk.

Derivative contracts are recorded initially at fair value on the date that the company becomes a party to the relevant contract, and are also subsequently valued at fair value. Profits and losses generated by valuation at fair value are recorded through income statement.

If the contract matures in over 12 months, the derivatives are defined as non-current receivables or liabilities. Otherwise, derivatives are presented as current assets or liabilities.

Cash and cash equivalents

In the balance sheet, cash and cash equivalents are valued as costs that correspond to their respective fair value. The cash and cash equivalents in the cash flow statement and balance sheet consist of cash on hand, cash in bank accounts, and bank deposits that may be drawn on demand.

Share capital

Share capital consists solely of ordinary shares. Direct costs of issuing new shares, less deduction for taxes, are recognised in equity to reduce the payment received from the issuance.

Dividends

Dividend debt to shareholders is recognised for the period in which the Annual General Meeting has approved the dividend.

Income taxes

The tax expenses in the income statement consist of the tax payable for taxable income during the financial period and deferred tax. The tax effect associated with items recorded directly as equity is recognised correspondingly as a part of equity through the statement of comprehensive income. Tax arising from taxable income during the financial period is calculated based on the taxable income and the applicable tax rate for each of the company's countries of operation. The tax amount is adjusted for any taxes relating to previous financial periods.

Deferred tax is calculated on all temporary differences between book values and tax bases. Deferred taxes are calculated using the most current tax rate enacted or substantively enacted by the closing date. Deferred tax claims are recognised to the extent that it is probable that the company will receive future taxable income and that the relevant temporary difference may then be offset against this income.

However, deferred tax claims are not recognised if the asset or liability has been initially recorded and is neither connected to a business combination nor affects the accounting profit or taxable income at the time of the transaction. No deferred tax is recorded for the undistributed profits of subsidiaries if the difference is unlikely to reverse in the foreseeable future.

Deferred tax assets and liabilities are deducted against each other if the company has a legally enforceable right to offset the tax assets and liabilities from the taxable profit of the current financial period against each other, and the deferred tax assets and liabilities are associated with income tax paid to the same tax recipient by either the same taxable entity or different taxable entities when the assets and liabilities are to be realised as net.

Employment benefits

Pension liabilities

The company's pension arrangements are generally classified as defined contribution plans. In a defined contribution plan, the company pays fixed payments into the arrangement. The company has no legal or actual obligation to make additional payments if the party receiving payments does not have sufficient funds to pay pension benefits earned by employees during current or previous periods. Payments made under a defined contribution plan are recognised in the income statement for the period the payment concerns.

The company's defined benefit plan obligations have been calculated for each plan separately, using the projected unit credit method. Pension expenses are recognised as expenses over the service lives of employees based on calculations made by authorised actuaries. When calculating the present value of the pension obligation, the discount interest rate is the market yield of high-quality bonds issued by companies or the interest rate of government securities. The maturity of bonds and securities substantially corresponds to the maturity of the calculated pension obligation. The assets included in the pension arrangement at fair value on the closing date are deducted from the present value of the pension obligation to be recognised in the balance sheet. The defined benefit pension arrangement's net liabilities (or asset items) are entered in the balance sheet.

Current service costs (pension costs) and the net interest on a defined benefit arrangement are recognised through profit and loss and presented in costs arising from employment benefits. Any items arising from the re-definition of net defined benefit liabilities (or asset items) (e.g. actuarial gains and losses, and income from assets included in the arrangement) are recognised as other items of comprehensive income over the financial period when they were created.

Prior service costs are recognised as expenses through profit and loss on the earliest of the following dates: either when the arrangement is changed or reduced, or when the company recognises the related reorganisation costs or benefits related to the termination of employment.

Accounts payable

Accounts payable are initially recognised at fair value and subsequently at amortised acquisition cost using the effective interest method.

Provisions

A provision is recognised when the company has a present legal or constructive obligation requiring payment as the result of a past event, and a reliable estimate can be made of the amount of the obligation. The provision amount is recorded in accordance with the best estimate of the present value of the future obligations. In the income statement, changes in provisions are recognised in the item to which the expenditure related to the provision is recorded.

Revenue recognition

The company's net sales consists of the sale of cutting rights, plots, forestland and silviculture services. The Company's revenue is recorded in a way that reflects the goods and services supplied to customers and as a sum that reflects the price that the company expects to be entitled to as a result of providing its customers with the services or goods in question. There are no significant judgements, uncertainties or adverse obligations associated with the recognition of net sales.

Sale of cutting rights

The sale of cutting rights is mainly based on timber sales agreements that last multiple years. These agreements specify, among other things, the volumes of timber to be sold and the pricing mechanisms applied. Net sales from sales of cutting rights is recognised when the customer has felled the trees in the area to which the purchased right pertains. As a rule, the completed felling is verified by signing a measurement certificate. When selling cutting rights, the buyer is typically given 2–3 years to complete the felling in the relevant area. The cash flow is secured through an advance payment scheme that covers more than 95% of company's timber sales. Under this scheme, the buyer pays 90% of the estimated value of the cutting rights within 12 months of the transaction. In the event that the buyer completes the felling before the advance payments have been accumulated in full, they are obliged to pay the difference between the total sales price and any advance payments already paid on the date of the next advance payment, which occurs no later than three months after the felling. Receivables related to sales of cutting rights are presented under accounts receivable. The received advance payments are presented under other liabilities.

Sale of plots and forestland:

Revenue from the sale of plots and forestland is recorded when the company has irrevocably sold the rights pertaining to the plot or forestland in question to a customer, the collection of the receivables is reliably secured, and no significant risks or benefits related to the rights or the ownership of the plots, management role or effective control over the sold assets remain for the seller.

Other services:

Silviculture services are mostly sold under contracts that last multiple years and define the content of the services and the pricing mechanism applied. Service sales are recorded as revenue for the financial period during which the service is performed. The payment for services is made once the service provided has been accepted and invoiced. The payment term is typically 14 days

Operating profit

The IAS 1 Presentation of Financial Statements standard does not define the concept of operating profit. The company has defined it as follows: Operating profit is the net amount arrived at when other income from operations is added to net sales, from which is deducted purchase costs adjusted for changes in inventories of finished and unfinished products and costs resulting from manufacturing for own use, from which is deducted the costs of employment benefits, depreciation and amortisation expenses, any impairment losses and other operating expenses, as well as income or expenses arising from tree felling and changes in the fair value of biological assets. All other income statement items not mentioned above are presented below operating profit. Foreign exchange differences and changes in the fair value of derivatives are included in operating profit if they arise for reasons connected to business; otherwise they are recorded as financial items.

Interest and dividends

Interest income is recognised using the effective interest method and dividend income when the right to a dividend has arisen.

Application of new and revised IFRSs in issue but not yet effective

On the date that this financial statement has been agreed to publish, the company has not adopted the following new or revised IFRS standards, that have been published but that are not yet effective and have not been accepted to be applied in the EU (marked with *)

- IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1.1.2023)
- IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 –Comparative Information (the amendment allows an entity to apply a classification overlay when first applying IFRS 17)
- IAS 1: Classification of Liabilities as Current or Non-current (The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted. The amendments are applied prospectively.)*
- IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 and IAS 8 Accounting Policies, Changes in Accounting Policies and Errors: Disclosure of Accounting policies and Definition of Accounting Estimates (The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. The amendments are

applied prospectively. IFRS Practice Statement 2 amendments do not have effective date or policies)*

- IAS 12 amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (The amendments are effective for annual reporting periods beginning on or after 1 January 2023, earlier adoption being permitted)*
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The management of the company does not expect the adoption of standards listed above to have significant influence on the financial statements of the company in the coming periods.

4 Financial risk management

<u>Risk management principles and process</u>

In its operations, Tornator is exposed to various kinds of financial risk, including the effects of fluctuations in exchange rates and interest rates. The key principle of the company's risk management is the unpredictability of the financial markets and the attempt to minimise possible adverse effects on the company's result. Risk management is carried out by the finance management in line with general principles approved by the Board of Directors.

Tornator's financial policy guides all financing transactions in the company. The policy and potential future amendments and additions will come into force when the Board of Directors has approved it. The operating instructions regarding the use of all financial instruments should be consistent with the general financial policy. The risk management policy of the company's financial services contains more detailed instructions that will enter into force by the signature of the head of the company's Financial operations. The most important financial market risks are listed below.

<u>Currency risk</u>

The company companies operate mainly in their functional currency, and the company is not exposed to any significant currency transaction risk.

The company has foreign net investments and is thus exposed to risks emerging from the translation of investments in foreign currency to the parent company's functional currency. Currently, Tornator does not hedge against exchange rate risk.

<u>Interest rate risk</u>

The long-term objective of Tornator's interest rate risk management is to protect the company's balance sheet from the impact of changing market interest rates. In practice, this means balancing and stabilising any changes in fair value that are relevant to either the Company's forest assets or its loan obligations, to maintain the net impact the changes have on equity within the range specified in the risk management policy. Another priority is hedging the cash flow from variable rate loans against any rises in interest rates.

The interest rate risk associated with forest assets decreased significantly in 2022, as the company introduced a market transaction-based valuation method for its forests.

The interest rate risk associated with the company's debt obligations arises mainly from interest-bearing liabilities. The nominal values of these liabilities are presented in the following table.

EUR million	2022	2021
Fixed rate interest-bearing liabilities		
Bonds	350.0	350.0
Variable rate interest-bearing liabilities		
Bank loans	400.0	400
Commercial papers	70.0	
Total interest-bearing debt	**820.0**	**750.0**

The company hedges against this interest rate risk by concluding non-speculative interest rate swaps with financial institutions that have a high credit rating. All of the Company's derivative contracts are made through the parent company. The interest rate hedging strategy is approved by the company's Board of Directors and implemented by the company's financial management.

The Company's short-term money market investments expose the company's cash flow to interest rate risk. However, the investments have no significant overall impact. The Company's revenue and operative cash flows are largely unaffected by fluctuating market interest rates. The company's exposure to interest rate risk arises for the most part from variable interest rates, which are mostly related to interest-bearing liabilities. According to general risk management principles, the company must hedge at least 50% of its loan portfolio against fluctuations in market interest rates. On the closing date, 63% of the Company's interest-bearing liabilities were either fixed-rate or had been converted to fixed-rate liabilities through interest swaps. The average maturity of withdrawn loans on the closing date was 3.4 years. The Company may take out loans with fixed or variable interest. It may also utilise interest rate swaps or regular interest rate options to reach the goals set forth in its financial policy.

The company has prepared for future refinancing of loans and hedging against the interest rate risk arising from the refinancing measures by entering into long-term interest rate swaps with different financial institutions. Under these swaps, Tornator receives a variable interest rate on the loans in question. These strategic interest rate hedges also serve to protect the discount rate used for calculating the fair value of forest assets. This also serves to balance out the balance sheet for the forest assets located in countries where the discount rate is not determined in accordance with market transactions as mentioned above. In 2021, the company reorganised its interest rate hedges by halving the nominal value of the interest rate swaps maturing in 2031 and 2047 and replacing them with new interest rate swaps with slightly higher nominal values. The new interest rate swaps enter into force in 2028 and mature in 2048. In 2022, the volume of interest rate hedges was slightly reduced by changing contracts maturing in 2031 to mature in 2028. In addition to this, fixed future cash flows were improved by changing the variable reference rate for contracts maturing in 2048 from Euribor 1 month to Euribor 6 months. After the derivative transactions undertaken in 2021 and 2022, the nominal value of contracts maturing in 2047 entailed EUR 82 million, and the fixed interest rate paid by Tornator stood at 3.0%. The nominal value of contracts maturing in 2028 is EUR 87 million. The fixed interest rate paid by Tornator for these contracts is 2.1%. The contracts maturing in 2048 have a nominal value of EUR 170 million. Tornator pays a fixed interest rate of 0.7% for these contracts.

Tornator paid an average net interest rate of approximately 1.6% (2.1%) on loans and interest rate derivatives.

EUR thousand	2022	2021
Gains (+) and losses (-) recognised through income statement from changes in the fair value of interest rate derivatives	110,917.4	41,936.9

A +/- 1 percentage point change in the yield curve would affect the income statement and balance sheet items as follows. The effect of interest rate derivatives has been taken into account in the calculations.

EUR thousand	+1%	-1%
To income statement		
Interest costs	-3,007	3,007
Change in fair value of derivates	31,757	-41,305
To shareholders' equity, after taxes	23,000	-30,638

Liquidity risk

Tornator continuously aims to assess and monitor the amount of financing required by business operations so that the company would have sufficient liquid assets for financing its operations and paying back maturing loans. Tornator's financing guidelines define the optimum size of the liquidity reserves for cash as well as the amount of liquid investments. Furthermore, the guidelines define that a liquid investment refers to a money market fund investing in EU banks and companies with a credit rating from which the assets can be redeemed within 24 hours. The availability and flexibility of financing is guaranteed with the terms of the long-term timber trade agreement on the timing of timber transactions and preliminary payments during the year.

The following table presents a maturity analysis. A negative figure refers to incoming cash. For items other than derivatives, the figures are undiscounted and include interest payments, paying off capital and repayments. For derivatives, the division of the balance sheet value has been presented based on their maturity.

31 Dec 2022									
EUR million	**Note**	**Balance sheet value**	**Cash**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028+**
Financial liabilities									
Bond		349.0	366.8	4.4	4.4	4.4	353.6		
Bank loans		399.2	434.1	10.5	10.5	205.8	53.4	2.6	151.3
Commercial papers		69.0	70.0	70.0					
Total financial liabilities	18	**817.2**	**870.8**	**84.8**	**14.8**	**210.1**	**407.1**	**2.6**	**151.3**
Accounts payable	22	1.2	1.2	1.2					
Derivative instruments									
Interest rate derivatives	11	-40.7	-40.7	-0.6	-0.6	-0.6	-0.6	-0.6	-37.9

31 Dec 2021									
EUR million	**Note**	**Balance sheet value**	**Cash**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027+**
Financial liabilities									
Bond		348.8	371.1	4.4	4.4	4.4	4.4	353.6	
Bank loans		398.9	412.6	2.8	2.8	2.8	201.7	51.2	151.5
Total financial liabilities	18	**747.7**	**783.7**	**7.1**	**7.1**	**7.1**	**206.1**	**404.8**	**151.5**
Accounts payable	22	1.0	1.0	1.0					

Derivative instruments									
Interest rate derivatives	11	70.3	70.3	3.7	3.7	3.7	3.7	3.7	52.0

<u>Credit risk</u>

In addition to investment principles, Group policy defines credit rating requirements for clients, counterparties to investment transactions and derivative contracts. Credit risk management and credit control are centralised in the company's financial management. Credit is only granted to customers with a sound credit history. The company also always requires adequate collateral for significant one-off business transactions. All parties with whom the company concludes derivative contracts or enters into investment transactions must have a credit rating of A or higher.

The company is not exposed to a significant amount of credit risk arising from receivables, as the company's receivables consist of several items. During the financial period, the company has not incurred any significant

<u>Capital management</u>

The aim of the company's capital management measures (equity versus debt) is to support its business activities, secure standard operating conditions and increase shareholder value by striving to maximise returns. In addition to this, an optimal capital structure decreases capital costs. Equity and interest-bearing liabilities are key items for ensuring an optimal capital structure. The company monitors the following key figures: equity ratio, gearing, and loan-to-value ratio used as a covenant term of secured liabilities, meaning the ratio of secured liabilities to the value of the forest assets pledged as a collateral for the liabilities. The equity ratio target is 40%, and the loan-to-value ratio is capped at 70% under the covenants.

The company's equity and loan-to-value ratios and gearing were as follows:

EUR million	2022	2021
Interest-bearing debt	817.2	747.7
Interest-bearing receivables	0.4	7.1
Cash and cash equivalents	3.2	14.9
Net debt	813.6	725.8
Total equity	1,839.6	1191.3
Gearing	**44.2 %**	**60.9 %**
Equity ratio	**58.9 %**	**51.0 %**
Loan-to-value covenant	**43.0 %**	**43.8 %**
Secured liabilities	850.0	850.0
Value of pledged forest assets	1,977.5	1942.7

The company has complied with the terms and conditions of its loans.

5 Accounting principles and estimation-related uncertainties requiring management judgement

<u>Forest assets</u>

The most significant item requiring management judgement is related to the assumptions used for the valuation of forest assets. Under IAS 41 Agriculture, all biological assets, such as growing stock, are recorded at fair value minus selling expenses. The fair value of biological assets is calculated based on future net cash flows, that is, in accordance with the principles of sustainable silviculture and taking into account the growth potential of the growing stock. Calculating discounted cash flows requires estimates regarding growth, felling,

sales prices, expenses and discount rates. When determining the value of biological assets, the company management must accurately estimate future price levels, sales and expenses. The forests must therefore be analysed regularly to ensure accurate estimations of the volumes of harvestable timber and the current growth rates.
The fair value of forest assets is determined using a market-based approach. This approach is based on realised forest transactions that have taken place in the areas where Tornator's forests are located. Market prices vary significantly by area, and defining the areas where market transactions are used for valuation involves judgement. The valuation of forest assets is based on Tornator's own forestland purchases and detailed transaction data and price statistics from external providers. The valuation takes into account the location, price level and growing stock volume of the forest assets. Changes to both transaction prices and volume of the growing stock have an impact on the value of forest assets. Tornator uses weighted three-year average market transaction prices. These are seen to include a sufficient number of transactions in order to accurately represent market conditions on the reporting date.

The value of forest assets is allocated to biological assets and forest land. The allocation of the total fair value of forest assets is implemented using a revenue-based approach, in which the present value of expected net cash flows is calculated for both biological assets and land area separately. The discount rate is defined as the interest rate at which the market price-based valuation equals the total present value of cash flows from biological assets and land area. The net cash flows for each component include estimates of future harvest volumes, sales prices and expenses.
For further information, see Note 10 (Forest assets).

Purchase price receivables from wind power

Tornator has sold wind power projects for which it expects to receive purchase price receivables on a contractual basis. These receivables are expected to be paid at the latest when an investment decision is made for the project in question. Therefore, there are significant uncertainties surrounding the realisation of the receivables. The purchase prices vary according to the production capacity of the wind farm or farms to be built. Purchase price receivables have been recorded from several different projects. The likelihood that the projects are realised, as well as the schedule for their realisation, has been assessed in accordance with the respective progress of each project. The fair value of the receivable has been determined as the present value of expected cash flows. The discount rate used is 5%. The first such purchase price payment was made during the financial period of 2022, when an investment decision was made regarding the Niinimäki wind park in Pieksämäki, Finland.

6 Operating segments

Tornator’s core business consists of timber production and the sale of cutting rights to stands marked for harvesting. The stands include regular cutting methods and timber types. Tornator manages and monitors its business as a single entity, and thus the company only has one operating segment. Therefore, segment-specific information is not presented, as this would be a repetition of the figures presented on the income statement and balance sheet.

In addition to the figures presented on the income statement, reporting to the highest operational decision-maker also includes the operating profit excluding changes in the fair value of biological assets and harvesting, which amounted to EUR 107,625 thousand in 2021 (EUR 82,227 thousand in 2021).

The sale of cutting rights represented 89.9% of net sales (86.4% in 2021).

7 Intangible assets

31 Dec 2022			
EUR thousand	Computer software	Other intangible rights	Total
Acquisition cost on 1 Jan 2022	8,680.4	82.1	8,762.5
Increases	1,010.2		1,010.2
Decreases			
Acquisition cost on 31 Dec 2022	**9,690.6**	**82.1**	**9,772.7**
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2022	-7,704.7	-82.1	-7,786.8
Depreciation and amortisation	-374.8		-374.8
Accrued depreciation and impairment on 31 Dec 2022	**-8,079.5**	**-82.1**	**-8,161.6**
Book value on 31 Dec 2022	**1,611.1**	**0.0**	**1,611.1**
Book value on 1 Jan 2022	975.7	0.0	975.7

31 Dec 2021			
EUR thousand	Computer software	Other intangible rights	Total
Acquisition cost on 1 Jan 2021	7,819.4	82.1	7,901.5
Increases	861.0		861.0
Decreases			
Acquisition cost on 31 Dec 2021	**8,680.4**	**82.1**	**8,762.5**
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2021	-7,398.9	-82.1	-7,481.0
Depreciation and amortisation	-305.8		-305.8
Accrued depreciation and impairment on 31 Dec 2021	**-7,704.7**	**-82.1**	**-7,786.8**
Book value on 31 Dec 2021	**975.7**	**0.0**	**975.7**
Book value on 1 Jan 2021	574.0	0.0	614.4

8 Property, plant & equipment

31 Dec 2022

EUR thousand	Buildings	Machinery and equipment	Roads and ditches	Purchases in progress	Total
Acquisition cost on 1 Jan 2022	**758.1**	**1,540.0**	**36,537.3**	**2,960.9**	**41,796.3**
Increases		48.2	2,073.2	3,048.4	5,169.8
Decreases				-3,081.5	-3,081.5
Acquisition cost on 31 Dec 2022	**758.1**	**1,588.2**	**38,610.5**	**2,927.8**	**43,884.5**
Accrued depreciation and impairment					
Accrued depreciation and impairment on 1 January 2022	-255.5	-1,417.6	-27,136.2		-28,809.4
Depreciation and amortisation	-30.9	-85.5	-2,001.1		-2,117.5
Accrued depreciation and impairment on 31 Dec 2022	**-286.5**	**-1,503.1**	**-29,137.4**		**-30,927.0**
Book value on 31 Dec 2022	**471.6**	**85.1**	**9,473.1**	**2,927.8**	**12,957.6**
Book value on 1 Jan 2022	502.6	122.3	9,401.0	2,960.9	12,986.9

31 Dec 2021

EUR thousand	Buildings	Machinery and equipment	Roads and ditches	Purchases in progress	Total
Acquisition cost on 1 Jan 2021	**493.3**	**1,533.2**	**35,316.9**	**2,239.1**	**39,582.5**
Increases	264.8	6.8	1,220.4	3,088.7	4,580.7
Decreases				-2,366.9	-2,366.9
Acquisition cost on 31 Dec 2021	**758.1**	**1,540.0**	**36,537.3**	**2,960.9**	**41,796.3**
Accrued depreciation and impairment					
Accrued depreciation and impairment on 1 January 2021	-235.8	-1,330.7	-25,157.4		-26,724.0
Depreciation and amortisation	-19.7	-86.9	-1,978.8		-2,085.4
Accrued depreciation and impairment on 31 Dec 2021	**-255.5**	**-1,417.6**	**-27,136.2**		**-28,809.4**
Book value on 31 Dec 2021	**502.6**	**122.3**	**9,401.0**	**2,960.9**	**12,986.9**
Book value on 1 Jan 2021	257.5	202.5	10,159.4	2,239.1	12,858.5

9 Right-of-use assets

31 Dec 2022

EUR thousand	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost on 1 Jan 2022	2,070.1	131.8	2,201.9
Increases	358.0	19.0	377.0
Decreases	-781.1	0.0	-781.1
Acquisition cost on 31 Dec 2022	1,647.0	150.9	1,797.8
Accrued depreciation and impairment	0.0	0.0	0.0
Accrued depreciation and impairment on 1 January 2022	-488.6	-81.9	-570.5
Depreciation and amortisation	-139.1	-22.7	-161.8
Accrued depreciation and impairment on 31 Dec 2022	-627.7	-104.6	-732.4
Book value on 31 Dec 2022	1,019.3	46.2	1,065.5

31 Dec 2021

EUR thousand	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost on 1 Jan 2021	1,906.3	91.1	1,997.5
Increases	163.8	40.7	204.4
Decreases	0.0	0.0	0.0
Acquisition cost on 31 Dec 2021	2,070.1	131.8	2,201.9
Accrued depreciation and impairment	0.0	0.0	0.0
Accrued depreciation and impairment on 1 January 2021	-327.9	-63.5	-391.4
Depreciation and amortisation	-160.7	-18.5	-179.1
Accrued depreciation and impairment on 31 Dec 2021	-488.6	-81.9	-570.5
Book value on 31 Dec 2021	1,581.5	49.9	1,631.4

Tornator’s right-of-use assets consist of office leases and leased cars. For office leases that are valid until further notice, the company has assessed the likelihood of termination and the probable duration of the lease. For leased cars, decisions on the renewal of any maturing contracts are made on a case-by-case basis.

Together, the depreciation and financial expenses recorded in the income statement for right-of-use assets and the items recorded for short-term leases or leases of insignificant value represent the total cash flow for leases. They are as follows:

Income statement items	2022	2021
Depreciation	161.8	179.1
Financial expenses	53.4	63.0
Expenses from short-term lease contracts	185.3	107.5
Expenses from low value lease contracts	21.7	19.8

10 Forest assets

The value of forest assets comprises growing stock and the value of the land area.

The process of determining the fair value of forest assets is described in greater detail in the Accounting principles section and in Note 5 (Accounting principles and estimation-related uncertainties requiring management judgement).

	Biological assets		Land areas		Total forest assets	
EUR thousand	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Value at the beginning of the period	2,022,262.4	1,671,256.1	85,490.2	80,422.5	2,107,752.6	1,751,678.6
Harvesting	-109,568.6	-92,580.1	0.0	0.0	-109,568.6	-92,580.1
Change in fair value of biological assets and growth	533,809.0	402,583.4	0.0	0.0	533,809.0	402,583.4
Change in Income statement	424,240.3	310,003.3	0.0	0.0	424,240.3	310,003.3
Revaluation of land areas, comprehensive income	0.0	0.0	262,931.1	0.0	262,931.1	0.0
Increases	67,082.4	42,517.8	8,291.1	5,255.0	75,373.5	47,772.8
Decreases	-2,086.6	-1,514.8	-257.9	-187.2	-2,344.5	-1,702.1
Value at the end of the period	2,511,498.6	2,022,262.4	356,454.5	85,490.2	2,867,953.1	2,107,752.6

The significant increase in the fair value of forest assets in 2022 is mainly explained by the new valuation method used, which are currently valued using a market transaction-based approach instead of the previous revenue-based approach. In addition to the introduction of the new valuation method, the total fair value of Finnish forest assets increased during 2022 as a result of forestland purchases. The company spent approximately EUR 75 million on new forestland.

EUR thousand	31 Dec 2022	31 Dec 2021
Acquisition cost at the beginning of the period	85,490.2	80,422.5
Increase	8,291.1	5,255.0
Decrease	-257.9	-187.2
Acquisition cost at the end of the period	93,523.4	85,490.2
Land area revaluation	262,931.1	
Book value based on revaluation method at the end of the period	356,454.5	

Value of forest assets and physical quantities

	31 Dec 2022	31 Dec 2021
Value of forest assets, EUR thousand	2,867,953.0	2,107,753
Total area, hectares	661,352.0	645,849
Standing stock, m3	69,656,049.0	68,942,000
Harvesting, m3	3,023,000.0	2,757,000
Growth, m3	3,150,000.0	3,100,000

The most significant factors causing changes in the fair value of Finnish forest assets are changes in forestland transaction prices and fluctuations in the amount of standing stock. An average change of one euro in transaction prices would affect the fair value of forest assets by +/- EUR 68 million. A change of +/- 1 million cubic metres in standing stock would affect the fair value of forest assets by +/- EUR 42 million.

11 Derivatives

The Company uses interest rate swaps to hedge against fluctuating market interest rates. At present, all currently valid swaps are treated as items recorded at fair value through income statement. The swaps have a maturity of over 5 years.

Fair values of interest derivatives on 31 December.

EUR thousand	2022			2021
	Assets	Liabilities	Net	Net
Interest rate swaps	42,351.6	-1,620.2	40,731.5	-70,320.2
Total fair values of derivates	**42,351.6**	**-1,620.2**	**40,731.5**	**-70,320.2**

The fair value of derivatives has changed as follows:

EUR thousand	31 Dec 2022	31 Dec 2021
Derivates at the beginning of the period	-70,320.2	-174,384.4
Changes		
Income statement:		
Interest rate swaps, income	110,917.4	48,644.7
Interest rate swaps, expenses		-6,707.8
Portion of the change in accrued interest*	134.4	204.7
Effect in income statement	**111,051.7**	**42,141.6**
Termination of interest rate swaps		61,922.5
Changes in total	111,051.7	104,064.1
Derivates at the end of the period	40,731.5	-70,320.2

* Included in financial expenses in the income statement

Nominal values of interest derivatives

EUR thousand	31 Dec 2022	31 Dec 2021
Interest rate swaps	339,313	339,313
Total nominal values of derivatives	**339,313**	**339,313**

The share recorded in the income statement increased the Company's profit by EUR 110,917,400 (EUR 41,936,900).

For more information on the maturities and interest rates of interest rate derivatives, see Note 4 (Financial risks).

12 Inventories

EUR thousand	2022	2021
Inventories	5.0	5.0
Total	5.0	5.0

Other inventories consist of the wood raw material stock and fertilizers. The company did not recognise any impairment on inventories in 2022 or 2021. Change in inventories recognised in the income statement EUR -1,702.1 thousand (EUR -1,343.2 thousand) consists of changes in fertilizer and wood raw material stock and acquisition cost of sold land properties.

13 Accounts receivable and other receivables

Other receivables, non-current	2022	2021
Valued at fair value through income statement		
Additional purchase price of wind power transactions	7,513.5	18,732.7
Total	7,513.5	18,732.7

Other receivables, current	2022	2021
Valued at amortised cost		
Other receivables	41.8	50.8
Accrued income	597.2	70.0
Receivables from Group companies	568.5	94.1
Valued at fair value through income statement		
Additional purchase prices of wind power transactions	15,867.8	10,578.6
Total	17,075.3	10,793.5

Other receivables mainly consist of the estimated present value of additional purchase price receivables for wind power project sales. The methods used for determining fair value are described in greater detail in Note 5. The receivables are divided into current and non-current based on whether the additional purchase price payment is expected to be realised within 12 months or later. Realised additional purchase price payments, as well as changes in the value of receivables related to the progress of different projects, are recorded as other operating income. The most significant factors affecting changes in the fair value of additional wind power purchase price receivables are:

- The realisation of projects. Fair values of individual project receivables range from EUR 1.5 million to EUR 15.8 million
- The realised nominal capacity of the project in question. A +/- 10% change in the nominal capacity of the realised wind farm affects the fair value of the receivable by +/- EUR 2.3 million.
- The discount rate. A change of +/- 1% in the discount rate affects the fair value of the receivable by -/+ EUR 0.4 million.

The additional purchase price receivables arising from wind power projects have changed in the following way:

EUR thousand	2022	2021
Receivables at the beginning of period	**29,311.3**	**8,200.0**
Increases from new and progressed projects	4,648.6	21,111.3
Decreases from realised payments	-10,466.0	-
Fair value change in the income statement	**-5,817.4**	**21,111.3**
Payments from receivables recognised as income in earlier periods	-112.6	-
Receivables at the end of period	**23,381.3**	**29,311.3**
Non-current receivables	7,513.5	18,732.7
Current receivables	15,867.8	10,578.6

Accounts receivable are mainly receivables related to the sale of timber, which are recorded as net sales. The book value of accounts receivable and other receivables correspond to the fair value of the receivables. There is no significant credit risk associated with accounts receivables, and the share of overdue receivables is low. The balance sheet values of accounts receivable best reflect the amount of money equal to the maximum credit risk in the event that other parties to the agreements are unable to fulfil their obligations regarding the receivables. The fair values of receivables are presented in Note 37.

EUR thousand	2022	2021
Accounts receivable	**35,716.2**	**17,741.6**
Maturity breakdown of accounts receivable		
Not matured	35,647.8	17,469.3
matured for less than 3 months	16.5	175.6
matured for over 3 months – less than 6 months	51.9	2.5
matured for over 6 months	-	-

14 Investments

Currently, all investments are classified as financial assets at fair value through income statement.

Investments, non-current:

EUR thousand	2022	2021
Value at beginning of financial period	111.2	111.2
+Increases / -Decreases		
Value at the end of financial period	**111.2**	**111.2**

Non-current investments include shares and other investments which are not expected to be sold in near future.

Investments, current:

EUR thousand	2022	2021
Value at beginning of financial period	7,060.7	7,112.5
+Increases / -Decreases	-6,689.8	-62.3
Changes in fair value	-15.2	10.5
Value at the end of financial period	**355.7**	**7,060.7**

Current investments mainly include investments in money market funds. Fund investments were sold and purchased during the 2021 financial period. Investments in money market funds are measured at fair value.

The fair values of financial assets are presented in Note 37. Financial assets have not expired, and no impairment was recognised on them.

15 Cash and cash equivalents

EUR thousand	2022	2021
Cash and bank accounts (Cash and cash equivalents in the cash flow statement)	3,202.3	14,857.4
Total	**3,202.3**	**888.6**

Cash and cash equivalents are not associated with significant concentrations of credit risk. The balance sheet values best correspond to the amount that is the maximum amount of credit risk in cases where the other contracting parties cannot fulfil their liabilities connected to the receivables. The fair values of cash and cash equivalents are presented in Note 37.

In addition to cash and cash equivalents, Tornator Oyj has a bank loan facility of EUR 100 million, which is completely available for withdrawal. The facility, including drawn amounts, will mature in 2025.

16 Share capital and share premium fund

Tornator Oyj has one series of shares in which all shares entitle the owner to the same dividend. The company's shares are subject to the redemption clause of the Articles of Association according to which other shareholders have a redemption right if there is a change in the ownership of the company's share. The shares have no nominal value. Tornator Oyj has 5 million shares.

	2022	2021
Number of shares on 1 Jan	5,000,000	5,000,000
Number of shares on 31 Dec	5,000,000	5,000,000
Share capital (EUR thousand) on 1 Jan	51,836.20	51,836.20
Share capital (EUR thousand) on 31 Dec	51,836.20	51,836.20

All issued shares are fully paid.

An amount corresponding to the nominal value of the company’s shares was recognised under share capital when the parent company was established.

17 Deferred tax assets and deferred tax liabilities

The deferred taxes have been recognised for all temporary differences. Changes in deferred taxes during the financial period were as follows:

EUR thousand	Note	1 Jan 2022	Recognised through income statement	Recognised in other comprehensive income	31 Dec 2022
Deferred tax assets:					
Temporary differences					
Reforestation provision	21	1,600.4	501.4		2,101.7
Recognition of defined benefit pension plans	20	47.4	-2.4	-7.8	37.2
Total deferred tax assets		**1,647.8**	**499.0**	**-7.8**	**2,138.9**
Deferred tax liabilities:					
Temporary differences:					
Measurement of financial liabilities at amortised cost	18	464.8	-104.6		360.2
Measurement of biological assets at fair value	10	282,689.2	84,748.3		367,437.5
Revaluation of land areas	10			52,586.2	52,586.2
Total deferred tax liabilities		**283,154.0**	**84,643.7**	**52,586.2**	**420,383.9**

EUR thousand	Note	1 Jan 2021	Recognised through income statement	Recognised in other comprehensive income	31 Dec 2021
Deferred tax assets:					
Temporary differences					
Reforestation provision	21	1,568.0	32.3		1,600.4
Recognition of defined benefit pension plans	20	25.4	-3.0	25.0	47.4
Total deferred tax assets		**1,593.4**	**29.3**	**25.0**	**1,647.8**
Deferred tax liabilities:					
Temporary differences:					
Measurement of financial liabilities at amortised cost	18	497.9	-33.1		464.8
Measurement of biological assets at fair value	10	220,741.0	61,948.2		282,689.2
Total deferred tax liabilities		**221,238.9**	**61,915.0**		**283,154.0**

Deferred tax assets and deferred tax liabilities are offset when the corporation has the legal right to set off the recognised items against each other and the deferred taxes concern the same tax recipient.

EUR thousand	2022	2021
Total deferred tax assets	2,138.9	1,647.8
Offset against deferred tax liability	2,138.9	1,647.8
Deferred tax assets on the balance sheet		
Total deferred tax liabilities	420,383.9	283,154.0
Offset against deferred tax assets	-2,138.9	-1,647.8
Deferred tax liabilities on the balance sheet	418,245.0	281,506.2

Deferred tax assets

EUR thousand	2022	2021
Deferred tax assets that expire after 12 months	2,138.9	1,647.8
Deferred tax assets that expire within 12 months	-	-

Deferred tax liabilities

EUR thousand	2022	2021
Deferred tax liabilities that expire after 12 months	420,383.9	283,154.0
Deferred tax liabilities that expire within 12 months	-	-

Deferred tax liability is not recognised for undistributed profit funds of subsidiaries.

18 Financial liabilities

EUR thousand	2022	2021
Non-current interest-bearing debt		
Bonds	349,024.4	348,769.9
Loans from financial institutions	399,174.4	398,906.1
Total non-current interest-bearing debt	**748,198.8**	**747,676.1**
Current interest-bearing debt		
Commercial papers	68,994.1	-
Total current interest-bearing debt	**68,994.1**	**-**
Total interest-bearing debt	**817,192.9**	**747,676.1**

Loans from financial institutions include arrangement fee amortisations totalling EUR -2.3 million (EUR -2.5 million).

The Company has pledged forest assets as collateral for debt. See notes 8 land areas, 10 Biological assets and 35 other collateral granted for own account.

Current financial liabilities will be renewed at each maturity, i.e. they will not have any impact on the company's current cash flows.

Maturity of current and non-current financial liabilities 31 December 2022

EUR thousand	2022
2023	68,994.1
2024	-
2025	199,610.0
2026	398,942.4
2027	-
2028+	149,646.4
Total	817,192.9

Maturity of current and non-current financial liabilities 31 December 2021

EUR thousand	2021
2021	-
2022	-
2023	-
2024	-
2025	199,430.0
2026+	548,246.1
Total	747,676.1

Reconciliation of changes in liabilities arising from financing activities

EUR thousand	1 Jan 2022	Cash flow from financing activities	Financial expenses	Increases and decreases	31 Dec 2022
Bonds	348,769.9		254.5	-	349,024.4
Loans from financial institutions	398,906.1		268.3	-	399,174.4
Commercial papers		70,000.0	-1,005.9	-	68,994.1
Total	**747,676.1**	**70,000.0**	**-483.2**		**817,192.9**
Lease Liabilities	1,705.6	-143.2		-441.4	**1,121.0**
Total financial liabilities	**749,381.6**	**69,856.8**	**-483.2**	**-441.4**	**818,313.9**

EUR thousand	1 Jan 2021	Cash flow from financing activities	Financial expenses	Increases and decreases	31 Dec 2021
Bonds	348,515.4		254.5	-	348,769.9
Loans from financial institutions	323,995.0	75,000.0	-88.9	-	399,890.6
Commercial papers	14,961.3	-15,000.0	38.7	-	0.0
Total	**687,471.6**	**60,000.0**	**204.4**		**748,660.6**
Lease Liabilities	1,658.4	-157.3		204.4	1,705.5
Total financial liabilities	**689,130.1**	**59,842.7**	**204.4**	**204.4**	**750,366.1**

The company's financial liabilities are variable interest rate loans and the repricing takes place once every 1–6 months.

The weighted average interest rates of financial liabilities are:

Average interest rate	2022	2021
Financial liabilities, incl. Interest-bearing debt and derivates	1.6 %	2.1 %

19 Lease liabilities

EUR thousand	2022	2021
Lease liabilities at the beginning of the period	**1,705.6**	**1,658.4**
Increases	377.0	204.4
Decreases	-818.4	0.0
Repayment of loan	-143.2	-157.3
Lease liabilities at the end of the period	**1,121.0**	**1,705.6**
Current lease liabilities	122.6	160.8
Non-current lease liabilities	998.5	1,544.8

Maturity of lease payments 31 December 2022:

Year	Total payments
2023	154.21
2024	151.94
2025	127.23
2026	127.23
2027	127.23
2028+	636.17
Total	1,324.02

At 31 December 2021 Tornator's lease liabilities from short-term lease contracts amount to EUR 25 thousand.

At 31 December 2021 Tornator's lease liabilities from low-value lease contracts amount to EUR 50 thousand.

20 Pension obligations

Pension plans are classified as defined benefit and defined contribution plans. Payments made under a defined contribution arrangement are recognised in the income statement for the period the payment concerns.

The Company has additional defined benefit pension plans in Finland. The plans are based on the average final salary and those taking part in them receive an additional pension in addition to their retirement pension. The amount of the pension benefit upon retirement is defined on the basis of certain factors, such as the salary and service years. Pensions are adjusted according to the minimum price index. The pension plans have been taken out from a life insurance company. The Company has partially funded plans. The assets included in these plans are managed by a life insurance company according to local legislation and practices.

Net defined benefit liabilities on the balance sheet are defined as follows:

EUR thousand	2022	2021
Present value of funded obligations	1,010.0	1,414.0
Fair value of plan assets	-824.0	-1,177.0
Net balance sheet liability	**186.0**	**237.0**

Net defined benefit liabilities were changed as follows during the financial period:

EUR thousand	Present value of liability	Fair value of plan assets	Total
1 January 2022	1,414	1,177	237
Current service costs	-	-	-
Interest loss or gain	10	8	2
Previous service costs and losses from fulfilled obligations	-	-	-
Amount booked in personnel costs of the income statement	10	8	2
Re-defined items:			
Profit form assets included in the plan, apart from items included in interest loss or gain (±)		-275	257
Actuarial profit (-) or loss (+) from changes in demographic assumptions	-	-	-
Actuarial profit (-) or loss (+) from changes in financial assumptions	-374	-	-374
Experience-based profit (-) or loss (+)	60	-	60
Changes in the maximum amount of an asset item, apart from the amount included in interest losses (±)	-	-	-
Total amount of re-defined items	-314	-275	-39
Payments:			
From employers (+)		13	13
From plan members (+)	-	-	-
Payments from plans:			
Benefits paid (-)	-56	-56	0
Settlements	-44	-53	-1
31 December 2022	1,010	824	186

1 January 2021	1,425	1,242	183
Current service costs	-	-	-
Interest loss or gain	6	5	1
Previous service costs and losses from fulfilled obligations	-	-	-
Amount booked in personnel costs of the income statement	6	5	1
Re-defined items:			
Profit form assets included in the plan, apart from items included in interest loss or gain (±)		-16	-16
Actuarial profit (-) or loss (+) from changes in demographic assumptions	-	-	-
Actuarial profit (-) or loss (+) from changes in financial assumptions	89	-	89
Experience-based profit (-) or loss (+)	20	-	20
Changes in the maximum amount of an asset item, apart from the amount included in interest losses (±)	-	-	-
Total amount of re-defined items	109	-16	-125
Payments:			
From employers (+)		6	-6
From plan members (+)	-	-	-
Payments from plans:			
Benefits paid (-)	-89	-89	0
Settlements	-66	-56	-10
31 December 2021	1,414	1,177	237

Sensitivity analysis for defined benefit pension obligations

The following table illustrates the impact of various factors on defined benefit obligations, the fair value of assets, net liabilities and pension costs over the 2021 financial period. The analysis has been conducted following the same accounting principles as those applied to pension calculations.

EUR thousand	Defined benefit obligation	Fair value of plan assets	Net liabilities	Service cost	Net interest
Discount rate 3.90%	1,010	824	186	0	7
Discount rate 0.50%	959	786	174	0	7
Discount rate -0.50%	1,065	866	199	0	7
Change %					
Discount rate 3.90%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Discount rate 0.50%	-5.0 %	-4.7 %	-6.5 %	0.0 %	5.2 %
Discount rate -0.50%	5.5 %	5.1 %	7.2 %	0.0 %	-6.3 %

EUR thousand					
Change in pension benefit 2.60%	1,010	824	186	0	7
Change in pension benefit 0.50%	1,061	824	236	0	9
Change in pension benefit -0.50%	963	824	139	0	5
Change %					
Change in pension benefit 2.60%	0 %	0 %	0 %	0 %	0 %
Change in pension benefit 0.50%	5 %	0 %	27 %	0 %	28 %
Change in pension benefit -0.50%	-5 %	0 %	-25 %	0 %	-26 %

A change in mortality which would increase life expectancy by one year would increase net liabilities by EUR 9.3 thousand (5.0%).

Fair value of plan assets

Contributions paid to the insurance company and accumulated by the date of the financial statements are considered plan assets. The assets are included in the insurance company's investment assets and the insurance company is liable for their management. Therefore, it is not possible to present the breakdown of plan assets by asset category. The realised yield of the plan assets was EUR -11 thousand in 2021 (EUR 165 thousand in 2020).
Key actuarial assumptions:

	2022	2021
Discount rate %	3.90%	0.70%
Future employee pension increases %	2.60%	2.10%
Inflation	2.40%	1.90%
Average remaining service years	1	1
Obligation duration	11	13
Mortality table	Gompertz	Gompertz

The Company predicts that it will pay EUR 14 thousand in defined benefit pension plans during the 2023 financial period.

Weighted average duration of pension liability is 11 years. Maturity analysis of undiscounted pension liabilities as of 31 December 2022 is assumed to be as follows:

EUR thousand	Less than a year	1 – 5 years	5 – 10 years	10 – 15 years	More than 15 years	Total
Pension liabilities	60	255	328	321	640	1,504

21 Provisions

EUR thousand	2022	2021
Reforestation provision at the beginning of period	8,001.8	7,840.2
Change in income statement	-2,506.9	-161.6
Reforestation provision at the end of period	**10,508.7**	**8,001.8**

The reforestation provision recorded in the balance sheet consists of the estimated present value of the cash flows arising from the group's legal reforestation obligation related to the regeneration of clearcut areas as of the reporting date. The provision amount (in euros) presented in the balance sheet has been calculated by multiplying the clearcut areas (in hectares) by the average cost of regeneration (euros per hectare). The clearcut areas on which the provision is based are to a high degree regenerated within a year of the clearcut. After regeneration, these areas are removed from the areas used for the calculation, but correspondingly, new open areas are included on an ongoing basis as a result of felling operations. Tornator monitors the amount of reforestation provision as a whole, and the change is recorded as a net amount. At the end of 2022, the company's clearcut areas amounted to 15,500 ha (13,600 ha).

22 Accounts payable and other payables

EUR thousand	2022	2021
Accounts payable	1,244.7	983.3
Advance payments received	6,465.0	9,998.5
Accrued liabilities:		
Personnel related accruals	2,291.2	2,382.7
Interest accruals	1,556.3	1,119.0
Other accruals	477.8	67.3
Accrued liabilities and deferred income total	4,325.3	3,569.0
Liabilities to Group companies	7,560.5	13,968.8
Other liabilities	7,551.4	6,665.1
Accounts payable and other payables total	**27,146.9**	**35,184.7**

The fair values of accounts payable are presented in Note 37.

23 Breakdown of net sales

EUR thousand	2022	2021
Sale of cutting rights	132,889.9	100,756.7
Sale of holiday plots and forest plots	4,445.0	5,331.3
Sale of silviculture services	10,526.5	10,466.4
Total	**147,861.4**	**116,554.4**

Cutting rights and silviculture services are mainly sold under multi-year contracts. Real estate sales are always handled as individual cases. Amounts are recognised as income when the trees subject to the cutting rights have been felled, the property sold or the service provided. The amounts recognised as income are not subject to uncertainties or transaction costs to be recognised as income at a later date. In the balance sheet, receivables related to net sales are presented under accounts receivable, while prepayments allocated to future net sales are presented under liabilities. Stora Enso is the company's most significant individual customer. Transactions between Tornator and Stora Enso are described in further detail in Note 32 (Transactions involving related parties).

24 Other operating income

EUR thousand	2022	2021
Group internal income	720.2	261.0
Sale of soil resources	962.9	962.1
Land area rents	1,713.7	1,538.2
Compensation for nature conservation	771.2	1,930.8
Other income*	542.6	21,669.8
Total	**4,710.6**	**26,361.8**

* Other income includes actual and estimated future gains from the sale of wind power project portfolio in ' total of EUR 21.1 million (EUR 9.2 million). The contract contains conditionalities which influence on the final price to be paid.

25 Materials and services

EUR thousand	2022	2021
Products and services		
Purchases	4,717.5	5,121.6
External services	19,897.6	16,731.1
Provisions	2,506.9	161.6
Total	**27,122.0**	**22,014.2**

Purchases mainly consist of seeds, seedlings and fertilizers.
External services mainly consist of services by machine contractors.
Reforestation provision is the change in provision booked due to obligation of renewing forests.

26 Personnel expenses

EUR thousand	Note	2022	2021
Wages		7,060.7	6,763.3
Pension costs - defined contribution arrangements		1,235.7	1,168.6
Pension costs - defined benefit arrangements	20	-12.0	9.0
Social security costs		291.5	261.9
Total		**8,575.9**	**8,202.8**

27 Depreciation and amortisation expense and impairments

EUR thousand	Note	2022	2021
Depreciation and amortisation on fixed assets			
Buildings	8	30.9	19.7
Machinery and equipment	8	85.5	86.9
Roads and ditches	8	2,001.1	1,978.8
Right-of-use assets	9	161.8	179.1
Computer software	7	374.8	305.8
Amortisations			1,747.7
Total depreciation and amortisation		**2,654.2**	**4,318.1**

Amortisation in 2021 is related to value of shares of wind power development companies. After the sale of wind power project portfolio (project rights) there are no expectations of respective income from the companies.

28 Other operating costs

EUR thousand	2022	2021
ICT expenses	2,064.0	1,343.7
Travel expenses	687.8	501.3
Other services	1,224.8	383.8
Other expenses*	8,597.7	2,399.4
Total	**12,574.4**	**4,628.2**

* Other expenses include various items that are not individually material

29 Financial income and expenses

EUR thousand	2022	2021
Dividends from Group companies	1,200.0	8,190.0
Financial income	427.9	265.8
Interest expenses from interest bearing liabilities and derivatives*	-12,892.9	-14,779.4
Other financial expenses	-1,083.2	-1,085.8
Change in fair value of financial instruments**	110,902.1	41,947.4
Interest expenses from leases	-53.4	-63.0
Financial items - net	**98,500.5**	**34,475.0**

*Interest expenses on interest-bearing liabilities amounted to EUR 8,622,600 (7,519,200), while the interest expenses on derivatives were EUR 4,270,300 (7,260,200).
** Includes changes in the fair value of derivatives and fixed income funds.

30 Income taxes

The company's income taxes for the financial period were generated as follows:

EUR thousand	2022	2021
Income tax	-39,946.3	-26,018.7
Change in deferred taxes	-84,144.7	-61,885.7
Total taxes in income statement	**-124,091.0**	**-87,904.4**
Profit/Loss before taxes	**622,041.9**	**446,529.1**
Tax based on Finnish legal tax rate (20%)	**124,408.4**	**89,305.8**
Taxfree income and non-deductible expenses	-236.2	-1,633.6
The amount of deferred tax expense (income) relating to the origination and reversal of temporary differences	-84.6	234.6
Effect of losses in taxation	0.0	0.0
Tax expense/income related to prior years	9.5	0.0
Other differences	-6.1	-2.5
Total tax expense	**124,091.0**	**87,904.4**
Effective tax rate	19.9 %	19.7 %

The change in the company's deferred taxes for the 2021 financial period was EUR -61,885.7 thousand (EUR -29,049.0 thousand). Deferred tax assets and tax liabilities are calculated using a tax rate of 20%. Deferred taxes and any changes therein are presented in Note 17. In 2021, the company's average tax rate was 19.7% (19.8%).

Taxes related to other comprehensive income items:

EUR thousand	2022					
	Before taxes	Tax effect	After taxes	Before taxes	Tax effect	After taxes
Revaluation of land areas	262,931.1	-52,586.2	210,344.9			
Items derived from the re-definition of net defined benefit liabilities	39.0	-7.8	31.2	-125.0	25.0	-100.0

31 Dividends

In 2022, the company paid a total of EUR 60.0 million in dividends (EUR 12.00 per share).

The Board of Directors has proposed that, based on the 2021 result, a maximum dividend of EUR 60.0 million (EUR 12.00 per share) to be paid. The debt resulting from the proposed dividend has not been recognised in these Financial Statements.

32 Related party transactions

The following transactions involving related parties were completed:

Management compensation:

EUR thousand	31 December 2022	31 December 2021
Total compensation received by key personnel in the management group	1,337.3	1,130.7
The total sum is divided into the following groups:		
Short-term employee benefits	1,102.3	971.2
Post-employment benefits	235.0	159.5
Other long-term benefits	-	-
Benefits paid on dismissal	-	-
Share-based payments	-	-
Remuneration paid to the Board of Directors	53.4	53.0

Transactions with subsidiaries:

EUR thousand	31 Dec 2022	31 Dec 2021
Sales	720.2	261.0
Purchases	0.0	0.0
Receivables	568.5	94.1
Liabilities	7,560.5	13,968.8

Stora Enso group owns a total of 41% of the parent company shares, thereby exercising considerable influence in the group. The following transactions took place between the Company and Stora Enso during the financial period:

EUR thousand	31 December 2022	31 December 2021
Sales	137,389.7	97,153.7
Purchases	15.0	
Receivables	33,775.7	12,995.7
Liabilities	5,163.7	8,463.4

Related party transactions occurred under the same terms and conditions as transactions between unrelated parties.

33 Auditors' fees

EUR thousand	2022	2021
Auditing	339.3	248.6
Auditing related services	-	-
Tax guidance	-	-
Other services	15.8	-

PricewaterhouseCoopers Oy acted as the Group's auditor for the financial year 2022. In 2021, the auditor was Deloitte Oy.

34 Subsidiaries and associated companies

Tornator Oyj is the parent company of Tornator Group. Following companies belong to Tornator Group at 31 December 2022:

Company name	Group shareholding	Domicile
SC Tornator SRL	100%	Romania
Tornator Eesti Oü	100%	Estonia
Oituz Private Forest District SRL	100%	Romania
Lavakorven Tuulipuisto Oy	100%	Finland
Maaselän Tuulipuisto Oy	100%	Finland
Pahkavaaran Tuulipuisto Oy	100%	Finland
Martimon Tuulipuisto Oy	100%	Finland
Niinimäen Tuulipuisto Oy	100%	Finland

35 Other collateral granted for own account

Tornator has pledged its forest assets as collateral for its liabilities (Note 18). Land areas and biological assets worth a total of EUR 1,977.5 million (EUR 1,942.7 million) have been pledged as collateral. The pledged forest assets are valued using the discounted cash flow method, in accordance with the respective collateral terms. For this reason, there were no changes in the method for determining collateral value of Finnish forests. In addition, the company has agreed upon a limit of EUR 2 million with a financial institution to verify soil remediation A total of EUR 205,100 of this limit has currently been used (EUR 222,400).

36 Judicial proceedings

The company had no judicial proceedings pending during the financial period.

37 Classification of financial assets and financial liabilities

31 December 2022

Financial assets

EUR thousand	Amortised cost	Fair value through income statement	Book value	Fair value
Non-current				
Unlisted shares		111	111	111
Additional purchase price of wind power transactions		7,513	7,513	7,513
Total		7,625	7,625	7,625
Current				
Investments in money market funds		356	356	356
Accounts receivable	35,716		35,716	35,716
Additional purchase price of wind power transactions		15,868	15,868	15,868
Derivatives		42,352	42,352	42,352
Cash and cash equivalents	3,202		3,202	3,202
Total	38,919	58,575	97,494	97,494

Financial liabilities

EUR thousand	Amortised cost	Fair value through income statement	Book value	Fair value
Non-current				
Interest-bearing debt	748,199		748,199	713,550
Derivatives		1,620	1,620	1,620
Total	748,199	1,620	749,819	715,170
Current				
Interest-bearing debt	68,994		68,994	68,994
Accounts payable	1,245		1,245	1,245
Total	70,239		70,239	70,239

31 December 2021

Financial assets

EUR thousand	Amortised cost	Fair value through income statement	Book value	Fair value
Non-current				
Unlisted shares		111	111	111
Additional purchase price of wind power transactions		18,733	18,733	18,733
Total		18,844	18,844	18,844
Current				
Investments in money market funds		7,061	7,061	7,061
Accounts receivable	17,647		17,647	17,647
Additional purchase price of wind power transactions		10,579	10,579	10,579
Cash and cash equivalents	14,857		14,857	14,857
Total	32,505	17,639	50,144	50,144

Financial liabilities

EUR thousand	Amortised cost	Fair value through income statement	Book value	Fair value
Non-current				
Interest-bearing debt	747,676		747,676	761,500
Derivatives		70,320	70,320	70,320
Total	747,676	70,320	817,996	831,821
Current				
Accounts payable	983		983	983
Total	983		983	983

The following price quotes, assumptions and measurement models have been used to determine the fair values of the financial assets and financial liabilities presented in the table.

Derivatives

The fair values of interest rate swaps have been determined using a price quotation provided by the counterparty, which has then been compared with market interest rates and other market information at the reporting date. Fair values represent the present value of the cash flows, meaning the prices that the Company would have to pay or would receive if it were to terminate the derivative contract.

Investments in unlisted shares

The Company’s investments in unlisted shares consist of Finnish unlisted shares and have been valued at fair value. The fair value of unlisted shares is considered to be equal to their cost, as their fair value cannot be determined reliably using valuation methods.

Investments in money market funds

The Company's investments in funds consist of investments in Finnish investment fund units and are valued at fair value. The Company's investments in fund units are either marketable or valued using their value at the reporting date, as reported by the counterparty.

Accounts receivable

The initial book value of accounts receivable corresponds to their fair value, as the effect of discounting is not significant due to the maturity of the receivables.

Additional purchase prices from wind power

The fair value of additional wind power purchase prices has been determined on the basis of the contractual additional purchase prices and the estimates made by the company's management at each closing date (probability and timing of the project realisation). For more information regarding the management estimations, see Note 5.

Financial liabilities

The fair value of interest-bearing loans is determined on the basis of the nominal value of the loan and interest accrued up until the closing date. The fair value of bonds is determined in accordance with their respective market price quotations at the closing date.

Accounts payable

The initial book value of accounts payable corresponds to their fair value, as the effect of discounting is not significant due to the maturity of the liabilities.

38 Fair value hierarchy of financial assets and liabilities at fair value

31 Dec 2022 EUR thousand	Note	Level 1	Level 2	Level 3	Total
ASSETS					
Forest assets	10			2,867,953.1	2,867,953.1
Receivables					
Additional purchase price of wind power transactions	5, 13			23,381.3	23,381.3
Derivatives	4, 11		42,351.6		42,351.6
Investments					
Unlisted shares	14			111.2	111.2
Investments in money market funds	14	355.7			355.7
Total assets		**355.7**	**42,351.6**	**2,891,445.6**	**2,934,152.9**
Liabilities					
Derivatives	4, 11		1,620.2		1,620.2
Total liabilities			**1,620.2**		**1,620.2**

31 Dec 2021

EUR thousand	Note	Level 1	Level 2	Level 3	Total
ASSETS					
Forest assets	10			2,107,752.6	2,107,752.6
Receivables					
Additional purchase price of wind power transactions	5,13			29,311.3	29,311.3
Investments					
Unlisted securities	14			111.2	111.2
Investments in money market funds	14	7,060.7			7,060.7
Total assets		7,060.7		2,137,175.2	2,144,235.9
Liabilities					
Derivatives	4,11		70,320.2		70,320.2
Total liabilities			70,320.2		70,320.2

During the ended financial period, there were no transfers made between fair value hierarchy levels 1 and 2.

The fair values for level 1 are based on the quoted prices of similar assets or liabilities in active markets.

The fair values for level 2 instruments, in turn, are based largely on input data other than quoted prices used for level 1. The used information is, however, observable from the market either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Company generally determines the fair value of these instruments using generally accepted valuation models, utilising input data that is largely based on verifiable market data. The fair value of derivatives has been determined as the present value of cash flows arising from the respective contracts.

The fair values of level 3 instruments are calculated based on the input data regarding the asset or liability. This input data is not based on verifiable market data, but rather rests largely on management estimates and utilising these estimates using generally accepted valuation models. The determination of fair value of forest assets is described under Accounting principles used, as well as in Note 5 and Note 10. Changes in the value are presented in Note 10. Receivables valued at fair value are additional purchase price receivables arising from wind power project sales. The valuation methods used for these receivables are described under Accounting principles used and in Note 5. Changes in the value are presented in Note 13. The fair value of unlisted shares cannot be reliably measured using valuation methods.

39 Essential post-balance sheet date events

In addition to dividend payment proposal (see Note 31), the company did not have other essential post-balance sheet date events.

SIGNATURES TO THE FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Financial statement has been signed electronically.

Helsinki, 8 February 2023

Mikko Koivusalo
Chairman of the Board

Mikko Mursula
Member of the Board

Tuomas Virtala
Member of the Board

Jorma Länsitalo
Member of the Board

Henrik Nieminen
Chief Executive Officer

AUDITORS' NOTATION

A report on the audit carried out has been submitted today.

Helsinki, 8 February 2023

PricewaterhouseCoopers Oy
Audit Firm

Panu Vänskä
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Tornator Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion the financial statements give a true and fair view of the group and the parent company's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of Tornator Oyj (business identity code 0162807-8) for the year ended 31 December 2022. The financial statements comprise the group and the parent company's statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including a summary of accounting principles.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 33 to the Financial Statements.

Our Audit Approach

Overview

- We have applied an overall group materiality of EUR 32 million which is approximately 1 % of the total assets.

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- We performed audit procedures at 2 components in Finland and Estonia based on our overall risk assessment and materiality.

- Valuation of forest assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	EUR 32 million
How we determined it	Based on approximately 1 % of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmarks because, in our view, it is a relevant benchmark against which the performance of the group is commonly measured by users of the financial statements. Additionally it is a generally accepted benchmark. We chose approximately 1%, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Tornator group, the industry in which the group operates, and the accounting processes and controls.

The Group operates in three countries through several subsidiaries. We determined the nature, timing and extent of audit work to be performed for the subsidiaries. The work was performed by us, as the group engagement team, or component auditor operating under our instruction. Where the work was performed by the component auditor, we issued specific instructions to them which included our risk assessment, materiality and group audit approach. Based on our risk assessment, we performed audit procedures in the parent company and the largest subsidiary. We have considered that the remaining subsidiaries do not present a reasonable risk of material misstatement for consolidated financial statements and thus our procedures related to these subsidiaries have been limited to targeted audit procedures over significant balances and to analytical procedures performed at group level.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit	How our audit addressed the key audit matter
Valuation of forest assets *Refer to Note 3, Note 5 and Note 10 in the consolidated financial statements for the related disclosures.* Tornator's forest assets comprise forest land and biological assets. As of December 31, 2022 the fair value of the Group's forest assets was EUR 3 101 million. The fair value of EUR 2 737 million was related to biological assets and EUR 364 million was related to forest land. As of December 31, 2022 the fair value of the parent entity's forest assets was EUR 2 868 million. The fair value of EUR 2 511 million was related to biological assets and EUR 356 million was related to forest land. Forest assets in Finland are recognised at fair value and valued by using a market approach method on the basis of the forest market transactions in the areas where Tornator's forests are located. The value of forest assets is defined based on the volume of standing trees and market transaction prices in these areas. Market prices between areas vary significantly	We obtained an understanding of management's forest assets valuation process, evaluated the design and the operating effectiveness of internal controls related to forest assets. Our audit procedures over valuation of the forest asset included: • Evaluation of the methodology adopted by management for the valuation; • Testing the mathematical accuracy of the model used for valuation; • Assessment of the discount rates applied in the valuation; • Assessment of the other key valuation assumptions; and • Validation of key inputs and data used in the valuation model including sales price assumptions, growth assumptions and sales cost assumptions.

and judgment is applied to define relevant areas for market transactions used in the valuation

The fair value of forest assets in Finland is allocated between biological assets and forest land. The allocation is based on a discounted cash flow (DCF) method where the net present value of expected cash flows is determined both for biological assets and forest land. Total value of biological assets and forest land agrees to the market transaction based value of forest assets as a discount rate implied by the market transactions is used in the DCF method to value these assets. Sustainable forest management plans and growth potential are taken into account when valuing biological assets. The estimated future cash flows for forest land include income from trees to-be-planted in the future as well as from other non-forest related income such as hunting rights, land rentals and soil material sales. Application of DCF method requires use of judgment related to estimating growth rates, harvesting plan, other income, expenses and discount rates.

A market approach is not used in fair valuing of forest assets in Estonia and Romania as the valuation of biological assets and forest land is determined using a discounted cash flow method. The valuation requires use of similar judgments that are required when valuing forest assets in Finland. In addition, judgment is applied when estimating discount rate used in the valuations.

Due to the level of judgment involved in the valuation of forest assets as well as the significance of forest assets to the financial position, this is considered to be a key audit matter.

In addition, specific to the market transaction based valuation our audit procedures included:

- Assessment of the definition of relevant areas for market transactions used in the valuation;
- Assessment of the adjustments made to the market transaction data; and
- Validation of key inputs and data used in the valuation model including market transaction data and volume of standing trees.

We involved valuation specialists in the audit work over valuation of directly owned forest assets.

Lastly, we assessed the appropriateness of disclosures related to forest assets.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We have been acting as auditors appointed by the annual general meeting since 3 May 2022. Our appointment represents a total period of uninterrupted engagement of 1 year.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor’s report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 8 February 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Panu Vänskä
Authorised Public Accountant (KHT)