

Tornator Oyj

Half-year Report
1 January–30 June 2021



Tornator's net sales increased by 15% – strategic contracts improved competitiveness

Half-year report – stock exchange release 24 August 2021 at 8.00 am

SUMMARY 1 JAN – 30 JUNE 2021 (1 JAN – 30 JUNE 2020)

- Net sales increased by 15 per cent to €58.7 million (51.2). Timber deliveries* accounted for €49.8 million (48.2).
- The reported IFRS operating profit was €42.7 (36.1) million. Adjusted operating profit improved by 17 per cent to €40.9 million (35.1) thanks to increase in land sales and sales of silvicultural services.
- The company began to provide silviculture services to Stora Enso customers throughout Finland. The companies also renewed their long-term framework agreement for timber sales and agreed on cooperation in forest research and development.
- The company rearranged its bank loan and interest rate hedging agreements, resulting in lower interest expenses and longer average maturity of its loan portfolio.
- Tornator continued to purchase forestland in Finland. Nearly 4,000 hectares of new forests were acquired, with a total investment of more than EUR 20 million.
- The IFRS profit for the period at fair value was €58.5 million, the effect of the change in the value of growing stock being €+1.0 million and in interest rate instruments €-37.5 million before taxes.
- Comparable return on equity was 5.8% (5.0) and, at fair value, 12.6% (-2.4). The equity ratio was 46.6% (42.8).

Key figures (group)

	H1/2021	H1/2020	Change, %
Net sales, € million	58.7	51.2	15%
Operating profit (IFRS), € million	42.7	36.1	18%
Operating profit, % of net sales	72.7	70.5	3%
Profit for the period (IFRS), € million	58.5	9.8	697%
Return on equity, %	12.6	2.4	625%
Return on capital employed, %	5.2	5.0	4%
Equity ratio, %	46.6	42.8	9%
Average personnel	186	183	2%

The key figures were calculated according to the International Financial Reporting Standards (IFRS).

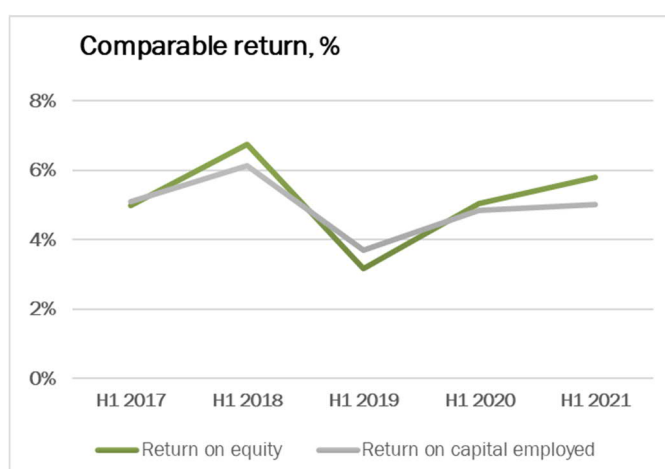
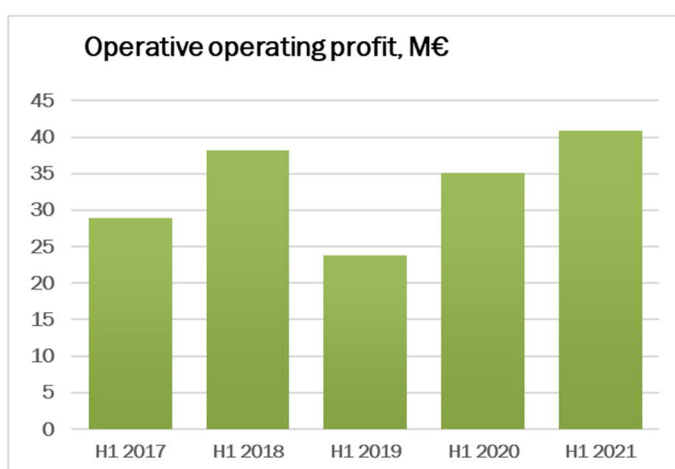
* Timber delivery = Once the customer has felled the stands marked for cutting it has bought, ownership of the timber is transferred to the buyer

Comparable key figures

	H1/2021	H1/2020	Change, %
Net sales, € million	58.7	51.2	15%
Operative operating profit, € million	40.9	35.1	17%
Operative operating profit, %	69.7	68.5	2%
Profit for the period (comparable), € million	27.1	20.4	33%
Return on equity (comparable), %	5.8	5.0	16%
Return on capital employed (comparable), %	5.0	4.8	4%

In addition to official key figures calculated in accordance with IFRS, Tornator Group uses comparable key figures that are calculated without changes in fair value. The figures are comparable between years and therefore describe better the success of operations. The figures are calculated as follows:

Operating profit, official	42.7
- Change in fair value of biological assets	-1.0
- Change in the fair value of provisions and long-term receivables	-0.8
= Operative operating profit, comparable	40.9
Profit for the period, official	58.5
- Change in fair value of biological assets	-1.0
- Change in the fair value of provisions and long-term receivables	-0.8
- Change in fair value of financial instruments	-37.5
- Share of taxes in the above items	7.9
= Profit for the period, comparable	27.1



CEO Henrik Nieminen:

“Tornator continued to perform well in a favourable market environment; the first half of the year was the best in the company’s history. General uncertainty caused by the Covid-19 pandemic did not affect the timber market, and a global increase in the demand for timber products reflected rather positively on the entire forest sector. Tornator’s net sales increased by 15 per cent and its operative operating profit by 17 per cent from the comparison period. Timber delivery planning and implementation were extremely successful thanks to the suitably cold winter. Expansion of our silviculture services got off to a good start, and the plot market continued on a positive path. There was increased interest in leasing land areas needed for wind power development.

In addition to the agreement on the expansion of the silviculture services, Tornator renewed its long-term timber sales agreement with its main customer, Stora Enso. This agreement ensures Tornator a steady cash flow well into the future. Tornator also rearranged its bank loan and interest rate hedging agreements, resulting in lower interest expenses and longer average maturity of its loan portfolio. Thanks to all these strategic-level agreements, the company is in a solid and stable position to take steps to reach its long-term targets in terms of financial, social and ecological sustainability.

Tornator continued forestland purchasing in Finland, acquiring more than 4,000 hectares of forestland. There is an increased interest in forest leasing, and Tornator signed a few new agreements. The market prices were high for forestland in Estonia, so no new growth investments were made there. In both Estonia and Romania, Tornator focused on the development of existing forest assets and operations.

Tornator invested a lot in its primary capital, its personnel, through staff development and improved wellbeing at work. The personnel took an active part in creating the new strategy by means of a training programme and workshops. The company was preparing for changes in working life and for the creation of the “new normal” after the pandemic by asking all employees to share their experiences during this exceptional period. According to the survey, some sort of hybrid model is the best way for most to continue working once the situation returns to normal.

Tornator’s vision is to be a forerunner in the responsible use of forests. The company continued, in line with its responsibility programme, with mire restoration and prescribed burning and negotiated about the establishment of new nature conservation areas on land owned by the company

The company is following the debate about forests both at EU level and in the countries it operates. Tornator’s view about the role of forests in terms of climate change is clear: forests are the solution, not the problem. The company always plans its operations with the health and growth of the forests in mind. Forestry based on research data and decades of experience ensures the health of the forests, carbon sequestration and production of a renewable raw material to replace fossil raw materials. Tornator is committed to ensuring biodiversity, and indeed was preparing in the first part of the year a new, ambitious biodiversity programme for 2021–2030. The programme will be published to everyone in a webinar in August, on the eve of the Finnish Nature Day.

Tornator’s mission is to generate sustainable well-being from forests. The company is preparing for the remaining part of the year from a good position, supported by good partnerships and agreements that improve its competitiveness.

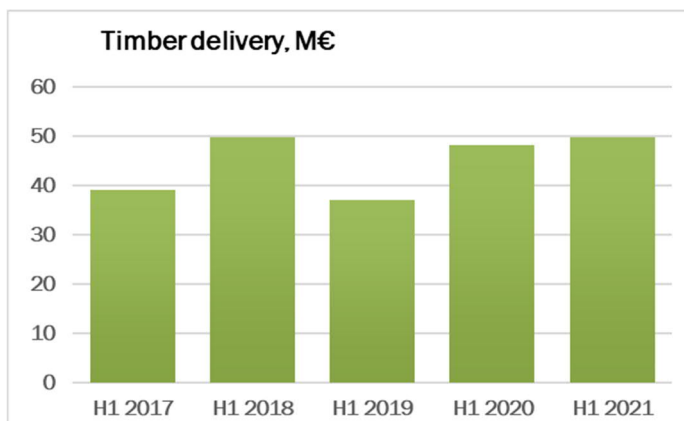
Impacts of the COVID-19 pandemic

The company continued to operate normally under the exceptional circumstances, and the pandemic had no significant negative impacts on the company’s results, balance sheet or cash flows. Tornator’s net sales and operative operating profit were historically high during the reporting period. Cash flow from operating activities without a one-time payment from partial termination of derivative contracts

was healthy. The company's credit losses have not increased due to the pandemic, and the company does not envisage higher financial risks or a decrease in asset value.

Notable events during the reporting period

Wood deliveries were as planned, totalling approximately 1.5 million cubic metres (1.4), that is, €49.8 million (48.2). Thanks to a frosty winter, timber harvesting went smoothly, and a global increase in demand for timber products ensured that the wood processing industry had an interest in buying timber.

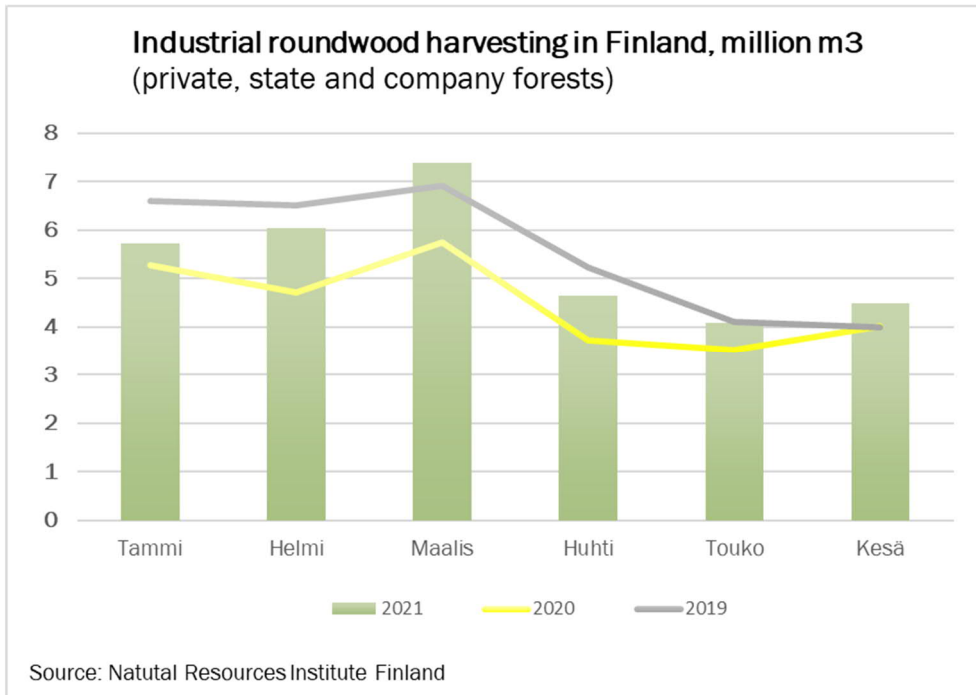


In total, the group recorded €5.3 (1.6) million in real estate net sales. Net sales of silviculture services totalled €3.6 (1.4) million. Other income increased to €3.3 million (1.9).

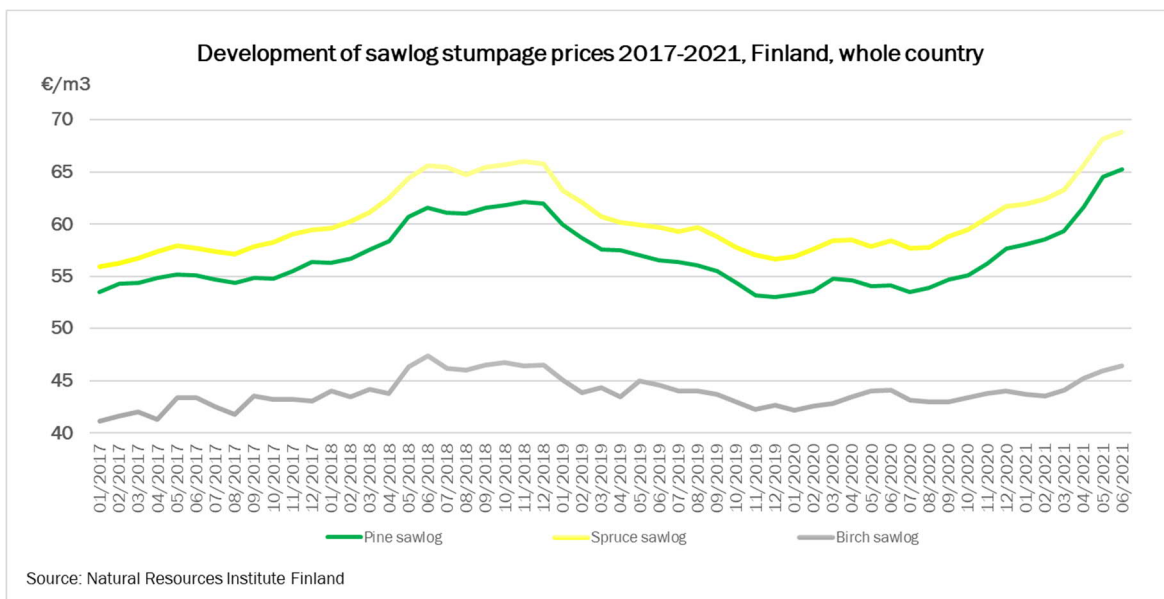
The increase in market interest rates affected the fair values of Tornator's financial instruments positively. The profit effect since the beginning of the year was €+37.5 (-38.9) million. The company also cancelled part of its interest rate hedging during the reporting period, which reduced the derivatives' negative fair value by about €62 million and increased the company's interest-bearing bank loans. At the end of June, the fair value of interest rate derivatives totalled €-74.8 million (-174.4 on 31 December 2020). Long-term market interest rates have fallen since the reporting period, which has reduced the fair value of interest rate derivatives. The fair value of forests at the end of June was €1,858.2 million (1,841.2 on 31 December 2020).

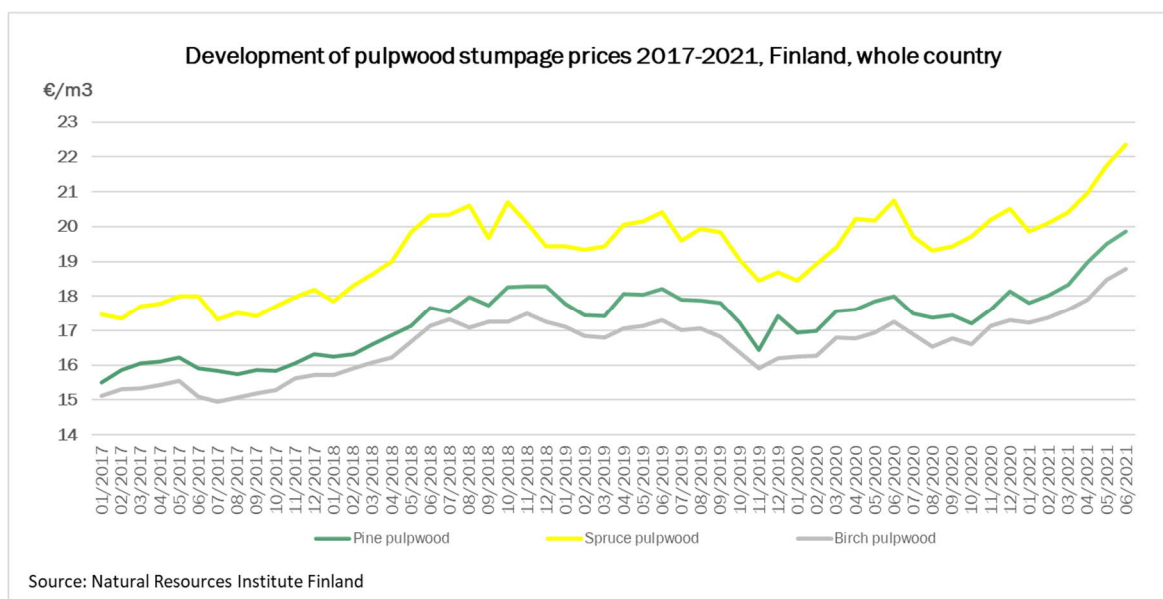
Business environment

A global increase in demand for timber products pushed the prices of both sawn timber and pulp. High demand in the US and China increased stumpage prices in Finland, Estonia and Romania. Forest damage in Canada and Central Europe turned the tables, and the previous oversupply of timber became a scarcity of fresh, undamaged timber, as already predicted. In Finland timber sales were strong throughout the first half of the year. Total industrial wood harvesting in January–June was some 32.3 million cubic metres, which is 5.3 million cubic metres (+20%) more than in the previous year.



The market prices of timber exceeded the previous record levels of 2018, but the prices have come down somewhat after the end of the reporting period. During the first half of the year, the price of sawlogs was about 10% higher than a year ago, and that of pulpwood about 7%.





Demand for holiday plots continued to be high. Demand for forest estates by forest funds and other forestland investors continued to be very high, while supply lagged significantly behind.

Demand for timber was on the increase in Estonia, and the winter harvesting weather was very favourable after many poor winters. Timber market prices increased sharply compared to the situation at the start of the year. In the forestland market, the price level was very high, as demand clearly exceeded supply.

In Romania, demand for and the price level of timber increased year on year. The forest estate markets were subdued.

Finance

The group's financial position remained good. The reported cash flow from operating activities, according to IFRS, was €-38.9 million (22.3) and the cash flow from operating activities without a one-off payment for cancellation of derivatives was €23.0 (22.3).

The group's net financial expenses in January–June were €+28.6 (-48.7) million. Interest-bearing liabilities totalled €748.4 million (688.5 on 31 December 2020), of which €748.4 million (673.5 on 31 December 2020) were long-term and €0.0 million (15.0 on 31 December 2020) were short-term.

The company has used interest rate derivatives to hedge against market interest rate changes. The value change of derivatives recognised through profit and loss was €37.5 million positive (€38.9 million negative) and the change in accrued interest entered under interest expenses in relation to the fair value change of derivatives was €+0.2 million (0.0). Tornator rearranged its interest rate derivatives during the reporting period by terminating part of the existing agreements and replacing them with new, long-term interest rate swaps, effective in 2028. As a result of this, Tornator's annual financial expenses are considerably reduced, the negative fair value of derivatives decreased and the nominal amount of interest-bearing debt increased. In addition to this, hedged long-term fixed interest rates, hedged with derivatives, decreased significantly.

During the reporting period, Tornator's net cash flow from investing activities was €-19.9 (-23.5) million. Net cash flow from financing activities was €+19.8 (-2.7) million. Available-for-sale financial assets and cash and cash equivalents on 30 June 2021 were €23.6 million (63.8 on 31 December 2020). The group has a €10 million bank account limit and a committed revolving credit facility of €100 million, none of which has been withdrawn. Tornator's €300 million commercial paper programme was also fully available on the reporting date.

During the reporting period, Tornator agreed on a green bank loan package of €150 million, which will mature in 2028. Part of the new bank loan was used for the early prepayment of a €75 million bank loan maturing in the spring of 2022, further improving the maturity structure of Tornator's loan portfolio.

An estimate of future development

Tornator expects demand for timber to remain high in the long term. Sustainable forestry and measures taken to secure biodiversity put the company in a good position to offer the market renewable wood raw material also in the future. Any changes in the global economy or, for example, forest processing regulations may affect Tornator's felling volumes in the future.

The situation in the forestland market is expected to remain similar to the first half. High demand in plot sales is expected to continue for the remainder of the year. Silvicultural work will be continued according to the normal annual cycle and the fertilisation programme, and development projects for the digital roadmap will be carried out as planned.

Tornator estimates that its cash flow and debt service capacity will remain stable for the rest of the year. The company will update its long-term annual cut plan in the autumn, and the annual fair value update of its forests will be carried out in the final quarter.

Decisions of the Annual General Meeting

The Annual General Meeting of Tornator Oyj, held on 11 March 2021, decided that dividend be paid as proposed by the Board of Directors: €8.0 per share, totalling €40 million. The AGM approved the financial statements for 2020 and discharged the members of the Board of Directors and the CEO from liability. In addition, Deloitte Oy were elected as auditors. The AGM elected the following members and deputies to the new Board of Directors:

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

Organisation of the Board of Directors

On 11 March 2021, the new Board of Directors elected Mikko Koivusalo as Chairman and Mikko Mursula as Vice Chairman. In addition to these two Board members, Tuomas Virtala was elected as a member of the Remuneration Committee, which reports to the Board. On the Oversight Committee that oversees significant agreements between the company and the shareholders, the Board elected Mikko Mursula as Chairman, Mikko Koivusalo and Tuomas Virtala as members and Jorma Länsitalo as a deputy member.

The minutes of the Annual General Meeting are available in full on the company's website at www.tornator.fi/en/investors.

Notable events after the end of the reporting period

No notable events occurred after the end of the reporting period.

Major shareholders, 30 June 2021

<u>Shareholder</u>	<u>%</u>
Stora Enso Oyj	41.00%
Ilmarinen Mutual Pension Insurance Company	23.13%
Varma Mutual Pension Insurance Company	15.33%
OP Henkivakuutus Oy	5.21%
OP-Forest Owner Fund	5.00%
OP-Eläkesäätiö	4.16%
Veritas Pension Insurance	2.50%
Finnair Pension Foundation	2.18%
Riffu Oy	0.75%
Danilostock Oy	0.75%
Total	100.00%

The Half-year Report is also available on the company's website at www.tornator.fi.

For further information, please contact:

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

www.tornator.fi

Tornator is a leading company specialised in sustainable forestry in Europe. It owns forests in Finland, Estonia and Romania. In 2020, the group's net sales were some €118 million, and the balance sheet value was about €2.0 billion. The group has around 180 employees. Tornator's own employees, and other companies and their employees working on its forestland, add up to around 1,000 person/years of employment. The owners of the parent company are Finnish, mainly institutional investors. Tornator's mission is to generate sustainable well-being from forests.

Tables – Condensed half-year financial statements and notes

Condensed consolidated income statement

EUR thousand	30 June 2021 (unaudited)	30 June 2020 (unaudited)	31 Dec 2020 (audited)
Net sales	58,714	51,216	118,126
Other operating income	3,270	1,922	22,684
Change in inventories of finished goods and work in progress	-1,851	-405	-2,362
Materials and services	-9,425	-8,935	-27,920
Personnel expenses	-4,362	-4,136	-9,162
Depreciation and amortisation	-1,634	-1,564	-3,097
Other operating expenses	-2,986	-2,995	-6,902
Change in fair value of biological assets and harvesting	988	982	121,057
Operating profit	42,714	36,085	212,424
Financial income	150	139	240
Financial expenses	-9,061	-9,919	-20,908
Change in fair value of financial instruments	37,491	-38,891	-33,316
Net financial items	28,580	-48,670	-53,984
Profit before tax	71,294	-12,585	158,440
Income taxes	-12,510	3,129	-9,132
Change in deferred taxes	-288	-330	-28,256
Profit for the period	58,495	-9,786	121,053
Distribution: To shareholders of the parent company	58,495	-9,786	121,053
Consolidated statement of comprehensive income			
Profit for the period	58,495	-9,786	121,053
Other comprehensive income for the period after taxes:			
Items not recognised later through profit and loss			
Items derived from the redefinition of net defined benefit costs (or asset items)			39
Items that may later be recognised through profit and loss			
Translation difference	-480	-449	-651
Comprehensive income for the period total	58,015	-10,235	120,441
Distribution: To shareholders of the parent company	58,015	-10,235	120,441

TORNATOR OYJ – HALF-YEAR REPORT
1 January – 30 June 2021

Condensed consolidated balance sheet

EUR thousand	30 June 2021 (unaudited)	30 June 2020 (unaudited)	31 Dec 2020 (audited)
ASSETS			
Non-current assets			
Intangible assets	1,146	1,639	756
Property, plant and equipment	115,568	111,102	114,555
Right-of-use assets	2,051	2,109	2,268
Biological assets	1,858,220	1,702,406	1,841,202
Other investments	111	111	111
Non-current receivables	8,200		8,200
Non-current assets total	1,985,297	1,817,367	1,967,092
Current assets			
Inventories	47	47	34
Trade and other receivables	17,510	24,230	15,082
Investments in unlisted securities	5,878	3,023	7,113
Cash and cash equivalents	17,677	14,810	56,717
Current assets total	41,112	42,110	78,946
TOTAL ASSETS	2,026,409	1,859,477	2,046,038
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	50,000	50,000	50,000
Other equity	889,753	741,060	871,737
Total equity	939,753	791,060	921,737
Non-current liabilities			
Deferred tax liabilities	220,595	192,370	220,306
Financial liabilities	748,378	549,566	673,523
Derivatives	74,764	179,911	174,384
Lease liabilities	1,834	1,839	2,002
Other non-current liabilities	127	183	127
Non-current liabilities total	1,045,697	923,869	1,070,343
Current liabilities			
Financial liabilities	24	94,914	14,985
Trade and other payables	32,680	49,303	29,878
Lease liabilities	305	330	341
Provisions	7,950		8,753
Current liabilities total	40,959	144,548	53,958
Total liabilities	1,086,656	1,068,417	1,124,301
TOTAL EQUITY AND LIABILITIES	2,026,409	1,859,477	2,046,038

Statement of changes in equity

EUR thousand	Share Capital	Share premium	Translation difference	Retained earnings	Total equity
Equity 1 January 2021	50,000	29,995	-10,227	851,969	921,737
Comprehensive income					
Profit for the period				58,495	58,495
Other items of comprehensive income (after taxes)					
Translation difference			-480		-480
Comprehensive income for the period	0	0	-480	58,495	58,015
Transactions with shareholders					
Dividends paid				-40,000	-40,000
Total transactions with shareholders	0	0	0	-40,000	-40,000
Equity 30 June 2021 (unaudited)	50,000	29,995	-10,707	870,464	939,753

Equity 1 January 2020	50,000	29,995	-9,576	760,877	831,296
Comprehensive income					
Profit for the period				-9,786	-9,786
Other items of comprehensive income (after taxes)					
Translation difference			-449		-449
Comprehensive income for the period	0	0	-449	-9,786	-10,235
Transactions with shareholders					
Dividends paid				-30,000	-30,000
Total transactions with shareholders	0	0	0	-30,000	-30,000
Equity 30 June 2020 (unaudited)	50,000	29,995	-10,025	721,090	791,060

Equity 1 January 2020	50,000	29,995	-9,576	760,877	831,296
Comprehensive income					
Profit for the period				121,053	121,053
Other items of comprehensive income (after taxes)					
Translation difference			-651		-651
Remeasurement of net defined benefit liability (or asset)				39	39
Comprehensive income for the period	0	0	-651	121,092	120,441
Transactions with shareholders					
Dividends paid				-30,000	-30,000
Total transactions with shareholders				-30,000	-30,000
Equity 31 December 2020	50,000	29,995	-10,227	851,969	921,737

TORNATOR OYJ – HALF-YEAR REPORT
1 January – 30 June 2021

Condensed statement of cash flows

EUR thousand	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020	1 Jan – 31 Dec 2020
Cash flow from operating activities			
Cash receipts from customers	47,022	46,385	110,545
Proceeds from sale of tangible assets	5,258	1,642	6,923
Cash receipts from other operating income	3,362	1,671	15,500
Cash paid to suppliers and employees	-19,488	-19,320	-34,539
Cash flow from operating activities before financial items and taxes	36,154	30,378	98,429
Interest paid and other financial expenses	-69,016	-11,331	-23,563
Interest received	115	139	240
Income taxes paid	-6,146	3,160	4,139
Net cash flow from operating activities	-38,893	22,346	79,245
Cash flow from investing activities			
Investments in biological assets	-18,027	-19,469	-40,162
Investments in tangible assets, forestland	-2,228	-2,414	-4,964
Investments in other tangible and intangible assets	-905	-740	-3,158
Investments in money market funds	0	-871	-4,948
Proceeds from sale of money market funds	1,233	0	0
Net cash flow from investing activities	-19,927	-23,494	-53,231
Cash flow from financing activities			
Withdrawal of long-term loans	150,000	300,000	700,000
Repayment of long-term loans	-75,036	-38	-25,085
Repayment of short-term loans	-15,000	-302,500	-632,500
Repayment of leasing liabilities	-174	-143	-346
Dividends paid	-40,000	0	-30,000
Net cash flow from financing activities	19,790	-2,682	12,068
Net increase/decrease in cash and cash equivalents	-39,030	-3,830	38,082
Cash and cash equivalents at beginning of period	56,717	18,651	18,651
Effect of exchange rate changes on cash and cash equivalents	-10	-12	-15
Cash and cash equivalents at end of period	17,677	14,810	56,717

Notes to the half-year report

General Information

Tornator Oyj (Tornator or the company) with its subsidiaries (together, the Group) is a leading company specialised in sustainable forest management in Europe. Tornator's main business is wood production and the sale of cutting rights. It also provides forest management and silviculture services, sells land for recreational use and buys forestland. The Group's main market is Finland, but it also owns forestland in Estonia and Romania. All Tornator Group's forests are FSC® certified. Forestland is split between countries as follows: Finland 640 000 (31 December 2020: 635 000), Estonia 66 000 (66 000) and Romania 12 000 (12 000) hectares. Average number of personnel during the financial period was 186 (183).

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

The Group's Half-year financial report for the six months ended 30 June 2021 has been prepared in accordance with the international financial reporting standard IAS 34 Interim Financial Reporting. The half-year report should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with the International Financial Reporting Standards, IFRS.

The accounting policies adopted are consistent with those of the previous financial year, except for new IFRS standards which have been adopted for financial periods beginning on or after 1 January 2021. Annual amendments to IFRS have had no effects on the preparation of the Half-year report for the period ended 30 June 2021.

The preparation of the Half-year report requires management to make 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 half-year period. These estimates are based on the management's best knowledge of the events; thus, the final actual results may differ from the estimates made.

In preparing the Half-year report, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

The amounts presented in this half-year report are rounded, so the sums of individual amounts may differ from the total amounts reported.

Operating segments

The Group's main business is wood production and the sale of cutting rights to planned harvesting sites covering normal felling methods and wood assortments. The Group's operations are managed and monitored as a whole and the Group only has one operating segment. Therefore, operating segment information is not presented as it would re-present the income statement and the balance sheet.

Timber delivery (= A customer harvests marked stands and gains ownership of the timber) represented 84.9% of total revenues (94.1 % 1 Jan - 30 June 2020).

The following tables present the geographical distribution of revenues and non-current assets. Sales are attributed to countries on the basis of the geographical location of forests:

	1 Jan - 30 Jun 2021		1 Jan - 30 Jun 2020		1 Jan - 31 Dec 2020	
Revenues:	EUR thousand	%	EUR thousand	%	EUR thousand	%
Finland	53,079	90.4	46,810	91.4	107,977	91.4
Romania and Estonia	5,635	9.6	4,406	8.6	10,149	8.6
Total	58,714	100.0	51,216	100.0	118,126	100.0

	30 June 2021		30 June 2020		31 Dec 2020	
Biological assets:	EUR thousand	%	EUR thousand	%	EUR thousand	%
Finland	1,688,786	90.9	1,499,551	88.1	1,671,256	90.8
Romania and Estonia	169,434	9.1	202,855	11.9	169,946	9.2
Total	1,858,220	100.0	1,702,406	100.0	1,841,202	100.0

Intangible assets

EUR thousand	ICT software	Other intangible rights	Total
Acquisition cost at 1 January 2020	8,725	82	8,808
Translation difference	-31		-31
Increases	626		626
Decreases			
Acquisition cost at 30 June 2020	9,321	82	9,403
Accrued depreciation and impairment			
Accrued depreciation and impairment at 1 January 2020	-7,970	-82	-8,052
Depreciation and amortization expense and impairments	-205		-205
Accrued depreciation and impairment at 30 June 2020	-8,174	-82	-8,257
Book value at 30 June 2020	1,146	0	1,146
Book value at 1 January 2020	756	0	756

EUR thousand	ICT software	Other intangible rights	Total
Acquisition cost at 1 January 2020	8,463	993	9,456
Translation difference	-2		-2
Increases	47		47
Decreases			
Acquisition cost at 30 June 2020	8,508	993	9,501
Accrued depreciation and impairment			
Accrued depreciation and impairment at 1 January 2020	-7,574	-82	-7,657
Depreciation and amortization expense and impairments	-206		-206
Accrued depreciation and impairment at 30 June 2020	-7,780	-82	-7,862
Book value at 30 June 2020	728	911	1,639
Book value at 1 January 2020	889	911	1,800

TORNATOR OYJ – HALF-YEAR REPORT
1 January – 30 June 2021

EUR thousand	ICT software	Other intangible rights	Total
Acquisition cost at 1 January 2020	8,463	993	9,456
Translation difference	-3		-3
Increases	265		265
Decreases		-911	-911
Acquisition cost at 31 December 2020	8,725	82	8,808
Accrued depreciation and impairment			
Accrued depreciation and impairment at 1 January 2020	-7,574	-82	-7,656
Depreciation and amortization expense and impairments	-396		-396
Accrued depreciation and impairment at 31 December 2020	-7,970	-82	-8,052
Book value at 31 December 2020	756	0	756
Book value at 1 January 2020	889	911	1,800

Property, plant and equipment

EUR thousand	Land areas	Buildings	Machinery and equipent	Roads and ditches	Purchases in progress	Total
Acquisition cost at 1 January 2021	98,333	1,457	2,842	36,016	2,327	140,975
Translation difference	-46	-7	-22	-27	-1	-104
Increases	2,228	0	55	429	740	3,453
Decreases	-201	0	0	0	-895	-1,096
Acquisition cost at 30 June 2021	100,314	1,450	2,875	36,419	2,171	143,228
Accrued depreciation and impairment						
Accrued depreciation and impairment at 1 January 2021	0	-582	-2,331	-23,507	0	-26,420
Depreciation and amortisation expense and impairments	0	-32	-105	-1,105	0	-1,242
Accrued depreciation and impairment at 30 June 2021	0	-614	-2,435	-24,612	0	-27,661
Book value at 30 June 2021	100,314	836	439	11,806	2,171	115,567
Book value at 1 January 2021	98,333	875	512	12,509	2,327	114,555

TORNATOR OYJ – HALF-YEAR REPORT
1 January – 30 June 2021

EUR thousand	Land areas	Buildings	Machinery and equipment	Roads and ditches	Purchases in progress	Total
Acquisition cost at 1 January 2020	93,696	1,268	2,586	33,125	2,820	133,494
Translation difference	-45	-5	-2	-18	-12	-83
Increases	2,407	61	82	53	666	3,269
Decreases	-39	0	0	0	-268	-307
Acquisition cost at 30 June 2020	96,019	1,324	2,666	33,160	3,205	136,374
Accrued depreciation and impairment						
Accrued depreciation and impairment at 1 January 2020	0	-534	-2,154	-21,408	0	-24,096
Depreciation and amortisation expense and impairments	0	-28	-85	-1,061	0	-1,175
Accrued depreciation and impairment at 30 June 2020	0	-563	-2,239	-22,470	0	-25,271
Book value at 30 June 2020	96,019	761	427	10,690	3,205	111,102
Book value at 1 January 2020	93,696	734	432	11,716	2,820	109,398

EUR thousand	Land areas	Buildings	Machinery and equipment	Roads and ditches	Purchases in progress	Total
Acquisition cost at 1 January 2020	93,696	1,268	2,586	33,125	2,820	133,494
Translation difference	-67	-8	-2	-26	-18	-121
Increases	4,964	197	270	2,918	2,896	11,244
Decreases	-260	0	-11	0	-3,370	-3,642
Acquisition cost at 31 December 2020	98,333	1,457	2,842	36,016	2,327	140,975
Accrued depreciation and impairment						
Accrued depreciation and impairment at 1 January 2020	0	-534	-2,154	-21,408	0	-24,096
Depreciation and amortisation expense and impairments	0	-48	-177	-2,099	0	-2,323
Accrued depreciation and impairment at 31 December 2020	0	-582	-2,331	-23,507	0	-26,420
Book value at 31 December 2020	98,333	875	512	12,509	2,327	114,555
Book value at 1 January 2020	93,696	734	432	11,716	2,820	109,398

Right-of-use assets

EUR thousand	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost on 1 January 2021	2,280	693	2,973
Increases	0	0	0
Decreases	0	-30	-30
Acquisition cost on 30 June 2021	2,280	663	2,942
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2021	-393	-311	-704
Depreciation expense and impairment	-98	-90	-187
Accrued depreciation and impairment at 30 June 2021	-490	-401	-892
Book value at 30 June 2021	1,790	261	2,051

EUR thousand	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost at 1 January 2020	2,117	494	2,611
Increases	0	8	8
Decreases	0	0	0
Acquisition cost on 30 June 2020	2,117	502	2,619
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2020	-195	-132	-326
Depreciation expense and impairment	-99	-84	-183
Accrued depreciation and impairment on 30 June 2020	-294	-216	-510
Book value on 30 June 2020	1,823	286	2,109

EUR thousand	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost on 1 January 2020	2,117	494	2,611
Increases	163	210	373
Decreases		-11	-11
Acquisition cost on 31 December 2020	2,280	693	2,973
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2020	-195	-132	-326
Depreciation expense and impairment	-198	-180	-378
Accrued depreciation and impairment on 31 December 2020	-393	-311	-704
Book value on 31 December 2020	1,887	381	2,268

Biological assets

EUR thousand	30 June 2021	30 June 2020	31 Dec 2020
Biological assets at the beginning of the period	1,841,202	1,682,631	1,682,631
Harvesting	988	982	-2,490
Valuation difference	0	0	123,547
Change in Income statement	988	982	121,057
Increases	18,027	19,469	40,162
Decreases	-1,623	-315	-2,105
Translation difference	-373	-361	-543
Biological assets at the end of the period	1,858,220	1,702,406	1,841,202

Financial liabilities

EUR thousand	1 January 2021	Cash flow from financing activities	Financial expenses	30 June 2021
Bonds	348,515		127	348,643
Loans from financial institutions	325,032	75,000	-297	399,735
Commercial paper	14,961	-15,000	39	0
Total	688,508.6	60,000.0	-130.7	748,377.9

Lease Liabilities

EUR thousand	30 June 2021	30 June 2020	31 December 2020
Non-current	1,834	1,839	2,002
Current	305	330	341
Total	2,139	2,169	2,344

Derivates

The Group uses long-term interest rate swaps for hedging its interest rate exposure. Tornator pays the fixed rate in these agreements

Fair value of derivates

EUR thousand	30 June 2021			30 June 2020			31 December 2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps		-74,764	-74,764		-179,911	-179,911		-174,384	-174,384
Total fair values of derivates		-74,764	-74,764		-179,911	-179,911		-174,384	-174,384

Nominal values of derivates

EUR thousand	30 June 2021	30 June 2020	31 December 2020
Interest rate swaps	339,313	338,625	338,625
Total nominal values of derivatives	339,313	338,625	338,625

Change in fair value if interest rate of derivatives during the reporting period

EUR thousand	1 Jan - 30 Jun 2021			1 Jan - 30 Jun 2020	1 Jan - 31 Dec 2020
	Income	Expense	Net	Net	Net
Recognised under financial items in the income statement *	37,493		37,493	-38,882	-33,320
Interest rate swaps	37,493		37,493	-38,882	-33,320
Share of the change in accrued interest**	206		206	29	-6
Termination of interest rate swaps, no income statement effect	61,923		61,923		
Interest rate swaps	61,923		61,923		
Change in the fair value of derivatives on the balance sheet	99,621		99,621	-38,853	-33,326

* Income statement includes also €-1.7 (-9.0) thousand change in the fair value of investment funds

** Included in financial expenses in the income statement

Book values and fair values of financial assets and liabilities by category at 30 June 2021

Financial assets		Financial items recognized at fair value through the income statement	Book values, total	Fair value
EUR thousand	Amortised cost			
Current				
Unlisted securities		5,878	5,878	5,878
Trade and other receivables	17,510		17,510	17,510
Cash and cash equivalents	17,677		17,677	17,677
Total	35,187	5,878	41,065	41,065
Financial liabilities				
EUR thousand	Amortised cost	Financial items recognized at fair value through the income statement	Book values, total	Fair value
Non-current				
Interest-bearing debt	748,378		748,378	764,959
Derivatives		74,764	74,764	74,764
Total	748,378	74,764	823,141	839,722
Current				
Interest-bearing debt	24		24	24
Trade and other payables	32,680		32,680	32,680
Total	32,704		32,704	32,704

Fair values of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs having a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs having a significant effect on the recorded fair values that are not based on observable market data.

The valuation techniques are described in more detail in the financial statements

Fair Value hierarchy	Level 1	Level 2	Level 3	Total
Unlisted securities	5,878	-	-	5,878
Derivative liabilities	-	74,764	-	74,764
Interest-bearing debt	-	764,983	-	764,983

Financial covenants

The loan agreements between Tornator and financial institutions include covenants on debt service capacity, gearing and the fair value of the pledged forestlands. The company fulfilled all covenant requirements with a safe margin.

Related party transactions

The following transactions were carried out with related parties:

Stora Enso Group owns 41% of the parent company Tornator's shares, which gives Stora Enso significant influence within the Group. The following transactions were carried out with Stora Enso:

EUR thousand	Sales	Purchases	Receivables	Liabilities
30 June 2021	49,488	18	12,784	7,070
30 June 2020	34,051	8	10,169	8,739
31 December 2020	78,438	16	11,746	11,204

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

Employment benefits of management

EUR thousand	30 June 2021	30 June 2020	31 Dec 2020
Wages of the Management team (including the CEO) with indirect costs and other short-term employment benefits	786	443	854
Board remuneration	26	26	53

Other collateral given on own behalf

The Group has pledged forestland in Finland as collateral for debt, and agreed a limit with a financial institution to verify soil remediation, as follows:

	30 June 2021	30 June 2020	31 Dec 2020
Fair value of pledge, EUR million	1,607	1,587	1,609
Bank guarantee, EUR thousand	762	205	749

Short-term and low value lease contracts

At 30 June 2021 Tornator's lease liabilities from short-term and low-value lease contracts amount to €30 thousand.