

Tornator Oyj

Financial period 1 January–31 December 2023



Tornator's strong growth continued in 2023 – turnover reached €195 million, balance sheet grew to €3.6 billion

Financial statements release 9 February 2024 at 8 am

SUMMARY 1 JAN–31 DEC 2023

- Turnover increased to €194.9 million (+18.4%). High demand pushed up the selling price of wood.
- The fair value of the group's forest assets increased to €3.5 billion (€3.1 billion).
- Operating profit at fair value was €442.9 million (€572.0 million) and net profit was €340.6 million (€541.9 million). Equity rose to €2.2 billion, and return on equity at fair value was 16.5%.
- Adjusted operating profit amounted to €141.8 million (€130.2 million), and the adjusted net profit stood at €96.7 million (€94.8 million).
- The equity ratio remained strong at 60.1% (60.4%).
- The company acquired almost 24,000 hectares of new forest assets in Finland.
- The Climate Program and Biodiversity Program moved forward with multiple projects underway.
- In a difficult market environment, the company raised competitive long-term debt financing both in Finland and internationally.
- Thanks to interest rate hedging, higher market interest rates led to a moderate increase in borrowing costs, with the average hedged interest rate at 2.5% (1.6%).

CEO Henrik Nieminen:

The combination of motivated staff, committed customers, and a strategy built on sustainability delivered record results. In the fight against climate change, sustainably managed forests offer excellent solutions in terms of both carbon sinks and carbon stocks. The rise in market interest rates and cost inflation had no material impact on the company's cash flows or the execution of its strategy. Tornator's performance is more stable than in many cyclical businesses, and investment in the company has proven to be a very good hedge against inflation. War in Ukraine had no negative financial impact on the company's business and we continued to support Ukraine by enabling aid shipments to Ukrainians affected by the Russian invasion.

Tornator's strong and diverse growth

Last year was a significant year of growth for Tornator in many senses.

The company's core business was strong, and thanks to the favourable market conditions the turnover reached a new high of almost EUR 200 million. Helped by the rising market prices of timber, our companies in Finland, Estonia and Romania achieved the best operating results in their history. We invested over EUR 100 million in future growth opportunities by acquiring almost 24,000 hectares of new forest in Finland. We also implemented our strategy through biological forest growth. We accelerated forest growth by timely fertilisation and forest management. We enabled renewable energy production on our lands through numerous wind and solar power agreements.

We also grew in terms of the number of employees: as Tornator's operations expanded, we needed more professionals, and we successfully recruited plenty of new expertise to the company. We have become a major employer in sparsely populated areas, and Tornator ranks among the 25 largest corporate taxpayers in Finland. Naturally, growth and record results do not come about on their own, and we

are aware that everyone at Tornator has worked hard to reach these challenging goals. We want to ensure that our operations and work are sustainable for our employees as well. To do this, we will continue to invest in the wellbeing of everyone in the company.

Existing and new partnerships as enablers of growth

Good turnover and growth would not be possible without excellent collaboration with our main customer, Stora Enso. In both timber trade and silviculture services, our strategic partnership worked as planned. Another crucial enabler of growth is finance, where Tornator's key partners are its trusted banks. Despite difficult market conditions, in 2023 we participated vigorously in the capital markets by acquiring competitive, long-term debt financing both in Finland and internationally.

Contractors engaged in silviculture operations are an essential part of Tornator's partner network. The development of contractor relationships is one of Tornator's strategic goals. The company wishes to grow together with partners that share its values. We are determined to support our contractors in matters such as occupational safety. Digital development is a significant part of Tornator's strategy, and we are aware that we can't do everything on our own. We need to extensively seek out expertise from outside our organisation as well. Our collaboration with our ICT partners remains strong. In addition, we work continuously with universities and research institutions by offering our forests as research laboratories, contributing to the development of climate and biodiversity work, among other benefits. In return, we gain access to external expertise and research data.

Good capabilities to meet increasing sustainability reporting requirements

It is crucial for the forestry sector to better demonstrate the positive climate impact of its operations and ensure the preservation of biodiversity. An example of this is the biodiversity plan published by the wood processing industry in 2023. As a pioneer in sustainable forestry, Tornator released its own climate and biodiversity programs as early as 2021, and they were actively implemented in the reporting year. We increased the amount of continuous cover forestry in our forests by identifying areas that are best suited for this method. As a result of the project, we increased the total area of continuous cover forest to 20,000 hectares. Additionally, the collaboration between Tornator, Stora Enso and WWF to protect running waters was continued. Among other improvements, this involves the removal of barriers to fish migration and the construction of spawning gravel beds.

Due to upcoming EU legislation, sustainability reporting requirements are becoming considerably tougher. Tornator conducted a double materiality assessment of the sustainability of its operations, identifying the main sustainability-related impacts along with their risks and opportunities. We investigated the perspectives of various stakeholders regarding the key sustainability factors. The responses clearly highlighted issues related to climate and biodiversity, which remain a long-term focus for Tornator. We are confident that Tornator is well prepared to operate and report in accordance with the new European standards.

Set up for success

Making predictions after a record year is difficult, and in an unstable economic climate there may be pressure on factors such as timber prices. There have been reports of layoffs in the forest industry, and disruptions in the Finnish labour market have been widespread since the beginning of the year. Nevertheless, Tornator's outlook for 2024 is positive. We believe that the demand for wood will remain reasonable, and our goal is to grow profitably and sustainably. Tornator's increased forest area has improved the company's wood sales opportunities. We increased sales to meet urgent customer needs after the start of the Russian invasion of Ukraine and the halt in timber imports. In the long term, Tornator will adhere to a sustainable felling plan, where sales volumes are consistent and annual felling remains below the growth rate of the forests. This creates optimal forest management conditions, ensuring the transfer of forest assets to future generations in an even more productive state. We continue to develop our business in silviculture services, and we lease land for wind and solar power generation.

Our strategy has proven to be effective, and no significant changes are considered necessary as the current strategy period concludes in 2024. However, it is clear that sustainability will be emphasised

even more in the future. It will also allow the company to achieve a competitive advantage. Tornator's management is firmly committed to promoting responsible business, and we continue to educate our personnel in this area.

Success is always the result of a combination of factors. I want to express warm thanks to our staff, customers and partners. Together, in 2024 we can add further chapters to the impressive story that is Tornator.

Henrik Nieminen, CEO

Turnover and results

The group's turnover was €194.9 million (€164.6 million), a change of +18.4%. Timber deliveries increased, and the prices were good. Elevated market interest rates, inflation, and the Russian invasion of Ukraine did not have significant negative impacts on the company's business. A total of 91.6% of turnover, worth €178.5 million, consisted of timber sales income (€147.8 million, or 89.8%). The turnover of silviculture services increased by 25.1%, reaching €14.5 million (€11.6 million). In addition, the proceeds from land and plot sales amounted to €1.8 million (€5.2 million). Other operating income of €4.9 million (€11.7 million) includes income from various sources, such as land usage fees and rents, conservation area compensation, and the sale of soil materials. In the comparison year, other operating income also included income from realised and estimated future additional purchase prices of sold wind power projects. However, the change in revenue estimates was negative during the reporting period, and the amount is presented in other operating expenses.

Operating profit at fair value amounted to €442.9 million (€572.0 million), and profit for the financial period was €340.6 million (€541.9 million). The fair value of the forest assets increased significantly more in the comparison period than in the reporting period, explaining the decrease in operating profit. The change in the fair value of biological assets increased operating profit by +€295.7 million (+€462.2 million), and the negative fair value change of financial instruments decreased profit by -€5.5 million (+€110.9 million) before taxes. In addition to the change in the fair value of biological assets, the value change of total forest assets was effected by the change in the value of bare land, amounting to -€57.1 million (+€211.4 million), which was recorded into the equity revaluation reserve through other comprehensive income.

Besides the parent company Tornator Oyj in Finland, the Tornator Timberland Group includes Tornator Eesti OÜ (100%) in Estonia, and SC Tornator SRL (100%) and Oituz Private Forest District SRL (100%) in Romania. The following wind power development companies belonging to the group (100%) merged with the parent company Tornator Oyj on 31 December 2023: 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).

		2023	2022	2021
Turnover, € million	The Group	194.9	164.6	128.6
	Parent	172.7	147.9	116.6
Operating profit (IFRS), € million	The Group	442.9	572.0	439.2
	Parent	389.8	523.5	412.1
Operating profit, % of net sales	The Group	227.2	347.4	341.6
	Parent	225.7	354.1	353.5
Profit for the period (IFRS), € million	The Group	340.6	541.9	377.5
	Parent	299.5	498.0	358.6
Return on equity, %	The Group	16.5	33.8	34.6
	Parent	15.5	32.9	34.8
Return on capital employed, %	The Group	15.3	24.0	24.3
Equity ratio, %	The Group	60.1	60.4	52.6
Average personnel	The Group	189	188	189

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.

		2023	2022	2021
Turnover, € million		194.9	164.6	128.6
Adjusted operating profit, € million		141.8	130.2	90.0
Adjusted operating profit, %		72.8	79.1	70.0
Profit for the period, comparable, € million		96.7	94.8	61.1
Return on equity (comparable), %		4.7	5.9	5.6
Return on capital employed (comparable), %		5.0	5.5	5.0

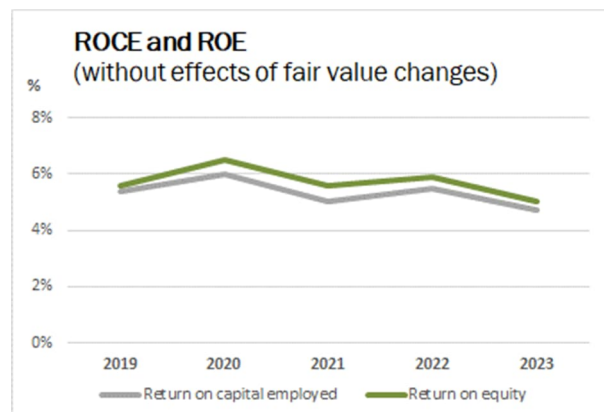
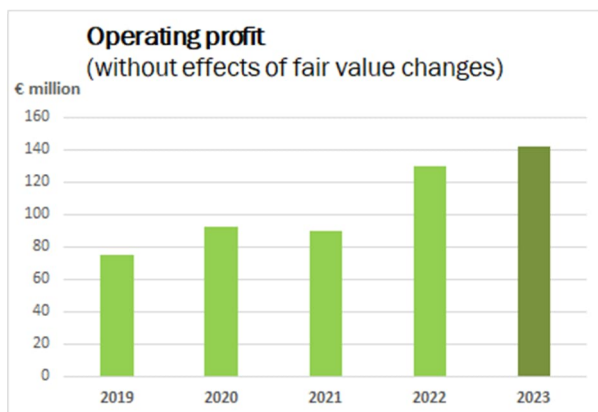
The key figures are calculated as follows:

Operating profit, official	442.9
- Change in fair value of biological assets	-295.7
- Impairment reversal of land area	-11.7
- Change in the fair value of provisions and receivables from additional wind power sales prices	+6.4
= Adjusted operating profit, comparable	141.8
Profit for the period, official	340.6
- Change in fair value of biological assets	-295.7
- Impairment reversal of land area	-11.7
- Change in the fair value of provisions and receivables from additional wind power sales prices	+6.4
- Change in fair value of financial instruments	+5.5
- Share of deferred taxes in above items	+51.6
= Profit for the period, comparable	96.7

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

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

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



Distribution of revenues and non-current assets by country

	1 Jan - 31 Dec 2023		1 Jan - 31 Dec 2022	
Revenues:	EUR thousand	%	EUR thousand	%
Finland	172,660.5	88.6	147,861.4	89.8
Romania and Estonia	22,234.9	11.4	16,779.7	10.2
Total	194,895.4	100.0	164,641.1	100.0
	31 Dec 2023		31 Dec 2022	
Forest assets:	EUR thousand	%	EUR thousand	%
Finland	3,180,835.2	92.1	2,867,953.1	92.5
Romania and Estonia	274,707.5	7.9	233,095.8	7.5
Total	3,455,542.7	100.0	3,101,048.9	100.0
Non-current Assets:	EUR thousand	%	EUR thousand	%
Finland	3,214,583.4	92.0	2,891,211.9	92.4
Romania and Estonia	278,910.4	8.0	237,362.8	7.6
Total	3,493,493.8	100.0	3,128,574.7	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

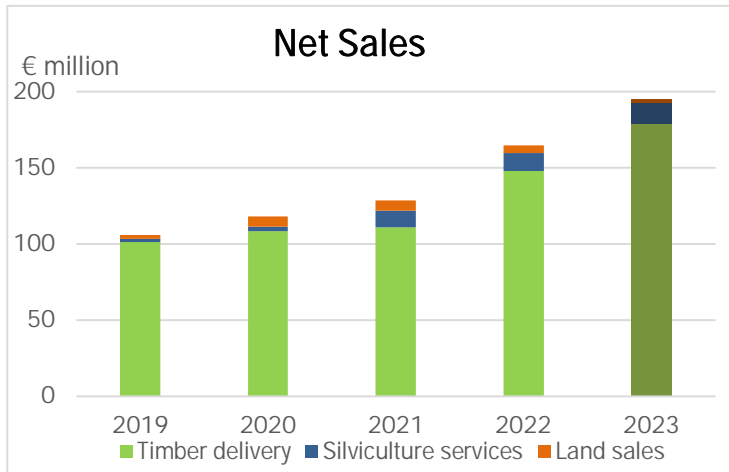
Russia's invasion of Ukraine and the consequent general economic instability did not have any major negative impact on Tornator's performance, balance sheet or cash flows. Tornator's turnover and operating profit were historically high during the reporting period. The cash flow from operating activities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

Notable events during the period under review

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

In the core business, namely timber sales and deliveries, the results were better than planned. Good demand pushed up the market price of wood. Timber deliveries to Tornator's main customer, Stora Enso, totalled some €153.0 million (€127.0 million), which was around 86% (86%) 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 silviculture services, work was carried out as planned.



In 2023, significant positive effects were recorded from the update of the fair value of Tornator's forest assets. A new valuation method was introduced in 2022 for Tornator's forest assets in Finland, whereby the value of forest assets is determined 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 bare land areas. 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 €354 million (€787 million) during the financial period, of which the parent company's share was approximately €312 million (€760 million) and of which the impact of net acquisitions approximately €119 million (€73 million). The balance sheet value of biological assets increased also in Estonia and Romania, and the annual fair value update of biological assets for all the operating countries improved the group's operating profit by €296 million (€462 million). The total impact of changes in the fair value of land area was -€61 million (+€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 forest assets recorded in the financial statements, including standing stock and land areas, was around €3,456 million (€3,101 million). The figures include the effects of felling, as well as the purchases and sales of forestland. Tornator owns a total of approximately 760,000 hectares of forest in Finland, Estonia and Romania.

In 2023, Tornator restructured its interest rate hedges by terminating all existing interest rate swap agreements and they were replaced by signing new interest cap options whose nominal value was €170 million and the average interest rate cap level was 0.2%. The changes in fair value of interest rate derivatives totalled -€5.5 million (+€110.9 million) and were recorded in the financial items of 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 don't have cash flow effect.

Tornator's equity ratio remained high at 60.1% (60.4%), and liquidity remained good 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. Tornator bought almost 24,000 hectares of forest in Finland.

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 2023. The content and objectives of the programs are presented on our website.

In line with our sustainability program, Tornator engaged in mire restoration, prescribed burning and the establishment of conservation areas on approximately 800 hectares of our land. Tornator continued with major conservation projects within the framework of initiatives such as the Metso and Helmi habitat protection programs.

Tornator's Annual General Meeting held on 8 March 2023 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 import 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 models, 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 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 debt. The company adjusts its debt portfolio depending on the financial market situation, so that debt maturities are spread over several years and as far into the future as possible. The company has spread the risks related to funding by issuing both bonds and bank loans maturing in different years. The company has prepared for market rate changes with derivative contracts. Hedging is applied to mitigate the interest rate risk on the loans. 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, silviculture operations will be continued according to the normal annual cycle and the fertilisation program will be carried out as planned. In addition to this, Tornator will perform silviculture works 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 and solar power projects will be advanced where possible.

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

Research and development

The company put a lot of emphasis on improving the availability and quality of growing stock 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 2023, an average of 7.8% of normal pay was given as performance-based bonuses for 2022 (in 2022, 6.6% was paid for 2021).

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 1,600 FTE.

	2023	2022	2021
Average number of personnel during the period	189	188	189
Remuneration for the period, € million	11.0	10.3	9.6

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. In 2023, renewed national requirements were introduced for both certification systems in Finland and Tornator was the first company in Finland that was audited based on the new FSC standard. Audit resulted in no major non-conformances. A more extensive FSC recertification takes place every five years, and Tornator did this last time in 2019 and it will be carried out again in 2024. 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 2024.

The table below presents the taxonomy eligibility of Tornator’s activities by KPI in 2022 and 2023:

- 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 2022 and 2023. 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:

2023:

Key performance indicator (KPI)	Total, million €	Taxonomy eligible, %	Taxonomy non-eligible, %
Turnover	194.9	99%	1%
Capital expenditure (CapEx)	123.5	100%	0%
Operational expenditure (OpEx)	44.2	98%	2%

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%

Company organisation, management and auditor

Until 8 March 2023, 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 2023, the following were elected as ordinary members of the Board of Directors and their personal deputies until the next Annual General Meeting:

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

In its organising meeting of 8 March 2023, 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 Seppo Toikka 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 EVP, Forestry Ari Karhapää.

The Management Group was made up by CEO Henrik Nieminen, CFO Antti Siirtola, EVP, Forestry Ari Karhapää, EVP, Real Estate Juha Mäki (starting from 14 February 2023), EVP, ICT, Development and Operations Heikki Penttinen and EVP, People, Communications and Sustainability Outi Nevalainen.

At the Annual General Meeting of 8 March 2023, 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 €1,816,934,717.07, of which the profit for the period was €299,510,745.71.

The Board of Directors of Tornator Oyj proposes to the Annual General Meeting that a dividend of €7.00 per share, or €35,000,000.00, be paid. The remaining part will be carried over in the shareholders' equity. The planned dividend payment date is 26 March 2024; record date 20 March 2024. In addition, the Board of Directors proposes that the AGM would authorise the Board of Director to decide at its discretion on the payment of an additional dividend up to maximum €7.00 per share which can be paid during the year 2024 taking into account the company's liquidity reserves.

Major shareholders on 31 December 2023

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.

The key calculations of the consolidated financial statements are presented below. The official financial statements will be available on the company's website latest on 8 March 2024 www.tornator.fi/en/investors

Further information:

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

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

www.tornator.fi

Tornator is a leader in sustainable forestry in Europe. It owns forests in Finland, Estonia and Romania. In 2023, the group's turnover was approximately €195 million, and the balance sheet value was about €3.6 billion. The group has around 190 employees. Tornator's own employees, and other companies and their employees working on its forestland, add up to around 1,600 FTE. The owners of the parent company are Finnish, mainly institutional investors. Tornator's mission is to generate sustainable well-being from forests.

Consolidated Income Statement

EUR thousand	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Net sales	194,895.4	164,641.1
Other operating income	4,894.9	11,665.7
Change in fair value of biological assets	295,747.0	462,165.7
Change in inventories of finished goods and work in progress	-543.5	-2,488.1
Materials and services	-35,356.7	-30,070.6
Personnel expenses	-11,036.0	-10,301.2
Depreciation and amortisation	8,447.4	-15,018.7
Other operating expenses	-14,160.0	-8,576.9
Operating profit	442,888.4	572,017.1
Financial income	6,392.0	479.7
Financial expenses	-30,038.9	-14,118.1
Change in fair value of financial instruments	-5,534.1	110,902.1
Net financial items	-29,180.9	97,263.7
Profit before tax	413,707.5	669,280.8
Income taxes	-19,163.1	-42,897.4
Change in deferred taxes	-53,900.2	-84,456.4
Profit for the period	340,644.2	541,927.1
Distribution: To shareholders of the parent company	340,644.2	541,927.1
Consolidated statement of comprehensive income		
Profit for the period	340,644.2	541,927.1
Other comprehensive income for the period after taxes:		
<i>Items not recognised later through profit and loss</i>		
Revaluation of land areas	-57,087.8	211,424.2
Items derived from the redesignation of net defined benefit liability (or asset items)	-2.4	31.2
<i>Items that may later be recognised through profit and loss</i>		
Translation difference	-135.4	-27.7
Comprehensive income for the period total	283,418.6	753,354.8
Distribution: To shareholders of the parent company	283,418.6	753,354.8

Consolidated Balance Sheet

EUR thousand	31 Dec 2023	31 Dec 2022
ASSETS		
Non-current assets		
Forest assets	3,455,542.7	3,101,048.9
Biological assets	3,139,184.4	2,737,263.5
Land areas	316,358.3	363,785.4
Other property, plant and equipment	16,306.0	16,006.2
Intangible assets	2,331.1	1,983.8
Right-of-use assets	1,818.0	1,911.1
Derivatives	35,516.3	42,351.6
Other investments	111.2	111.2
Non-current receivables	17,384.8	7,513.5
Non-current assets total	3,529,010.1	3,170,926.3
Current assets		
Inventories	55.0	92.0
Trade receivables	29,990.6	36,326.4
Other receivables	581.3	16,735.0
Investments	30,567.3	355.7
Cash and cash equivalents	40,500.2	19,244.0
Current assets total	101,694.5	72,753.1
Total assets	3,630,704.6	3,243,679.4
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the parent company		
Share capital	50,000.0	50,000.0
Other equity	2,125,265.5	1,901,846.9
Total equity	2,175,265.5	1,951,846.9
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	458,540.7	419,823.0
Financial liabilities	848,958.9	749,051.7
Derivatives		1,620.2
Lease liabilities	1,564.8	1,643.8
Other non-current liabilities	148.0	186.0
Non-current liabilities total	1,309,212.4	1,172,324.6
Current liabilities		
Financial liabilities	98,770.9	69,016.0
Trade and other payables	33,459.7	23,626.1
Income tax liabilities	1,829.0	15,187.7
Lease liabilities	357.0	354.7
Provisions	11,810.1	11,323.4
Current liabilities total	146,226.7	119,507.9
Total liabilities	1,455,439.1	1,291,832.5
Total equity and liabilities	3,630,704.6	3,243,679.4

Statement of changes in equity

EUR thousand	Share capital	Share premium	Translation difference	Revaluation reserve	Retained earnings	Total equity
Equity on 1 Jan 2022	50,000.0	29,995.2	-10,849.1	-	1,189,346.1	1,258,492.1
Comprehensive income						
Profit for the period					541,927.1	541,927.1
Other items of comprehensive income (after taxes)						
Revaluation of land areas				211,424.2		211,424.2
Items derived from the redesignation of net defined benefit liability (or asset items)					31.2	31.2
Translation difference			-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					-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

EUR thousand	Share capital	Share premium	Translation difference	Revaluation reserve	Retained earnings	Total equity
Equity on 1 Jan 2023	50,000.0	29,995.2	-10,876.8	211,424.2	1,671,304.4	1,951,846.9
Comprehensive income						
Profit for the period					340,644.2	340,644.2
Other items of comprehensive income (after taxes)						
Revaluation of land areas				-57,087.8		-57,087.8
Items derived from the redesignation of net defined benefit liability (or asset items)					-2.4	-2.4
Translation difference			-135.4			-135.4
Comprehensive income for the period			-135.4	-57,087.8	340,641.8	283,418.6
Transactions with shareholders						
Dividends paid					-60,000.0	-60,000.0
Total transactions with shareholders					-60,000.0	-60,000.0
Equity on 31 Dec 2023	50,000.0	29,995.2	-11,012.2	154,336.4	1,951,946.2	2,175,265.5

Consolidated cash flow statement

EUR thousand	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flow from operating activities		
Cash receipts from transactions in forestry	199,773.0	140,099.3
Cash receipts from transactions in land sales	1,828.0	5,201.2
Cash receipts from other operating income	6,095.5	24,272.3
Cash paid to suppliers and employees	-49,792.3	-49,356.2
Cash flow from operating activities before financial items and taxes	157,904.1	120,216.6
Interest paid, interest-bearing debt	-24,990.2	-9,191.3
Interest paid, derivatives	-264.2	-4,404.6
Other financial expenses paid	-2,916.3	-797.9
Interest received	2,728.3	427.9
Interest received, derivatives	3,225.6	
Income taxes paid	-30,102.0	-41,294.3
Cash flow from operating activities	105,585.3	64,956.4
Cash flow from investing activities		
Investments in biological assets	-106,785.7	-67,094.0
Investments in tangible assets, forestland	-13,198.2	-8,292.5
Investments in other tangible and intangible assets	-3,508.1	-3,465.7
Proceeds from sale of unlisted securities		6,689.8
Cash flow from investing activities	-153,703.7	-72,162.4
Cash flow from financing activities		
Withdrawal of long-term loans	100,001.1	
Repayment of long-term loans		-3.0
Withdrawal of short-term loans	29,753.8	70,000.0
Repayment of leasing liabilities	-352.7	-342.9
Dividends paid	-60,000.0	-60,000.0
Cash flow from financing activities	69,402.3	9,654.1
Net increase/decrease in cash and cash equivalents	21,283.8	2,448.1
Cash and cash equivalents at beginning of period	19,244.0	16,802.2
Effect of exchange rate changes on cash and cash equivalents	-27.6	-6.3
Cash and cash equivalents at end of period	40,500.2	19,244.0