

# Tornator Oyj

Financial period 1 January – 31 December 2019



**Tornator created added value in a challenging market environment: the fair value of forest assets increased significantly and return on equity was in excess of 20 per cent.**

Financial Statement Release, 11 February 2020 at 9:00

## **SUMMARY 1 Jan–31 Dec 2019**

- The fair value of the Group's forest assets increased by €232 million (+16%)
- Cash flow from operating activities before financial items and taxes was solid, €84.4 million (+2.5%)
- Net sales decreased to €105.8 million (-6.2%) and the balance sheet increased to more than €1.8 billion
- Following a record-high year, operative operating profit stood at €74.7 million (-11%), and considering the challenging market situation, operative net profit was at a good level: €42.7 million (-14%)
- The company acquired some 13,000 hectares of new forest assets in Finland
- The core business, timber sales, resulted in net sales of €101.0 million and a volume of some 2.8 million m<sup>3</sup>.
- Long-term market interest rates fell towards the year end, having an adverse effect on the fair value of the company's financial instruments, with a profit effect of -€47.0 million before taxes
- The IFRS profit for the period at fair value was €164.8 million, the effect of the change in the value of growing stock being +€189.9 million before taxes
- Return on equity at fair value was 21.5%

### **CEO Henrik Nieminen:**

"The new strategy period began in a challenging market situation. Extensive forest damage in Central Europe caused havoc in the timber market around Europe, with Finland and the Baltic countries being no exception. Major snow damage during the previous year in Finland resulted in above-normal silviculture expenses. A heated forestland market caused problems with purchases in Estonia. Labour market disruptions towards the end of the year brought added difficulties to the operating environment. Despite the challenging overall situation, Tornator's net sales and adjusted profit were at a good level, and we continued to generate a strong cash flow. We managed to acquire a significant amount, some 13,000 hectares, of new forest in Finland, which can be considered a very positive achievement in the tougher forestland market situation. The fair value of our forests also increased significantly both in Finland and Estonia, meaning that we created considerable added value for the owners. Tornator's return on equity at fair value was more than 20 per cent.

According to its new strategy, Tornator will attempt to develop its role as a responsible opinion former in its operating environment. We worked towards this goal in 2019, through various actions that emphasised our responsible ways of working, such as establishing a 244-hectare mire conservation area as the first organisation to do so under the Ministry of the Environment's Helmi habitat protection programme. Other achievements involved steps taken in digitalisation, including the creation of a roadmap for digital development. During the year, we also adopted the Green Finance Framework and renewed the company's FSC forest certification for our forests in Finland. FSC-C123368

"Climate change, population growth and urbanisation are – alongside digitalisation – the key global megatrends affecting Tornator's operations. Climate change, in particular, continued to be a hot topic in 2019. Tornator's message is clear: responsible use of forests is part of the solution in the fight against climate change. From the viewpoint of combating climate change, the key step is to reduce the use of fossil raw materials and replace them with renewables, such as wood. Forests are also important in carbon sequestration, but we should bear in mind that, during their fastest growth stage, young and healthy forests are most effective at sequestering carbon dioxide from the atmosphere. Tornator wants to be a forerunner in the responsible use of forests, introducing a rounded perspective to the public debate on the role played by sustainable forestry in combating climate change. By setting an example, we intend to increase awareness of the various ways in which forests can be used and of their suitability for various purposes. Promoting diversity and protecting valuable habitats form an integral part of our business.

Ensuring continued demand for wood lies at the core of the company's customer strategy. Close and strong customer relationships were again a key success factor for Tornator in 2019. The significance of customer and other stakeholder relationships will be emphasised even more in the future, as the platform economy gains ground in the forest sector. Forthcoming developments include partnerships between various actors in utilising new business opportunities and digitalisation, while traditional buyer-seller relationships will become less important. The relationship between Tornator and its main customer, Stora Enso, is a case in point: it is steadily transforming into a partnership around various research and development projects.

Tornator would not be successful without its excellent staff. An example of our staff's professionalism lies in our improved performance despite the challenging market situation. In my new role as CEO, I am becoming increasingly convinced that this is a special company, consisting of formidable capabilities of various types under the same roof. As well as fostering and developing this talent, the main duties of Tornator's management include maintaining employee wellbeing and a good working atmosphere.

Tornator continues to have a strong basis for its operations in both the short and the long term – thanks to its stable history, strong equity and solvent shareholders. In the future, profitable growth will be sought not only through forestland purchasing but also by focusing on digitalisation, leveraging our brand, and by developing our forest services. We have excellent prospects of refinancing our loan portfolio: there is keen interest in credit provided by an environmentally friendly company that creates strong and steady cash flow.

I would like to give my warm thanks to Tornator's employees, contractors, customers and other stakeholders for their good cooperation and confidence."

### **Net sales and results**

The Group's net sales were €105.8 million (112.8), a change of -6.2%. Net sales fell from the record year of 2018, because the volume of felling was lower than the exceptional felling that occurred in the previous year because of snow damage. The average price of delivered timber was at a good level, with no significant change from the year before. Most net sales, €101.0 million and 95.4%, consisted of timber sales income (€107.1 million, or 94.9%). Net sales include proceeds from land and plot sales worth €2.7 million (3.5) and forest service sales for €2.1 million (2.2). Other operating income, €5.7 million (6.6), includes land access and lease revenues, compensation for conservation areas and soil resource sales.

Operating profit at fair value amounted to €264.6 million (116.5) and profit for the period was €164.8 million (78.9). The fair value of biological assets increased significantly in Finland and Estonia, which explains the major increase in operating profit. The change in the fair value of biological assets increased operating profit by €189.9 million (32.6), and a negative change in the fair value of financial instruments decreased profit by -€47.0 million (-1.6) before deferred taxes. Adjusted operating profit decreased in Finland and Romania. Because timber prices rose sharply during the previous year in Estonia, the company's operating profit improved again in 2019.

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

## Key figures

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

|   | 2019  | 2018  | 2017  |
|---|-------|-------|-------|
| <b>Net sales, € million</b>             |       |       |       |
| The Group                               | 105.8 | 112.8 | 101.6 |
| Parent                                  | 93.4  | 102.0 | 93.1  |
| <b>Operating profit, € million</b>      |       |       |       |
| The Group                               | 264.6 | 116.5 | 92.4  |
| Parent                                  | 219.3 | 80.7  | 87.0  |
| <b>Operating profit, % of net sales</b> |       |       |       |
| The Group                               | 250.0 | 103.2 | 90.9  |
| Parent                                  | 234.7 | 79.1  | 93.4  |
| <b>Profit for the period, € million</b> |       |       |       |
| The Group                               | 164.8 | 78.9  | 77.9  |
| Parent                                  | 123.5 | 43.8  | 75.0  |
| <b>Return on equity, %</b>              |       |       |       |
| The Group                               | 21.5  | 11.6  | 12.4  |
| Parent                                  | 17.3  | 6.6   | 11.9  |
| <b>Return on capital employed, %</b>    |       |       |       |
| The Group                               | 13.1  | 9.1   | 7.8   |
| <b>Equity ratio, %</b>                  |       |       |       |
| The Group                               | 45.5  | 44.4  | 43.3  |
| <b>Average personnel</b>                |       |       |       |
| The Group                               | 183   | 182   | 189   |

## Comparable key figures

In addition to the official figures presented above, the Tornator Group uses alternative performance measures, operative figures, 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.

|   | 2019  | 2018  | 2017  |
|---|-------|-------|-------|
| <b>Net sales, € million</b>             | 105.8 | 112.8 | 101.6 |
| <b>Operating profit, € million</b>      | 74.7  | 83.9  | 72.4  |
| <b>Operating profit, % of net sales</b> | 70.6  | 74.4  | 71.2  |
| <b>Profit for the period, € million</b> | 42.7  | 49.7  | 40.9  |
| <b>Return on equity, %</b>              | 5.6   | 7.3   | 6.5   |
| <b>Return on capital employed, %</b>    | 5.4   | 6.6   | 6.1   |



## Notable events during the period

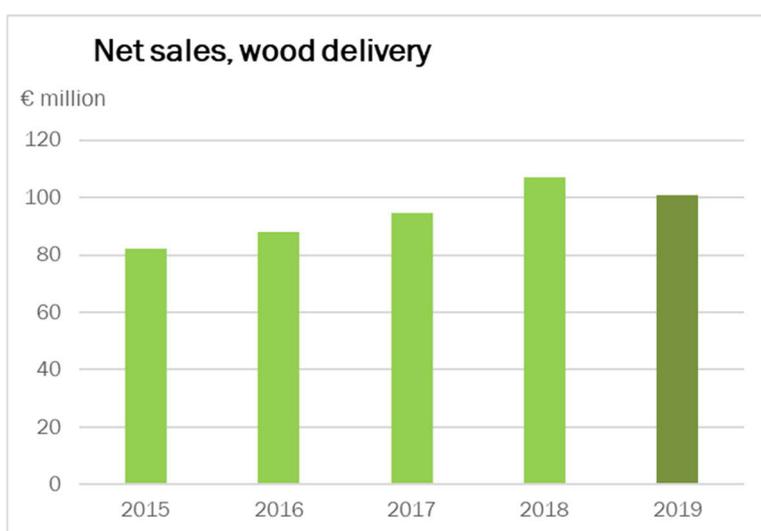
Tornator's year was fairly neatly divided into two halves: after a challenging first half, the company's operating profit improved sharply, and significant forest value increases were recorded in the second half of the year.

Tornator continued to purchase new forestland. The company bought some 13,000 hectares of forest in Finland. Contrary to previous years, only 1,000 hectares were bought in Estonia, due to overheating in the country's forestland market. In Romania, Tornator continued to manage its forests responsibly, and to develop its sustainable business. Tornator's forests in Finland and Estonia are double-certified (PEFC, FSC®), and its forests in Romania hold the FSC® certificate. With regard to Tornator's forests in Finland, the company renewed its FSC certificate successfully; this has to be done every five years.

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

In its core business, that is, timber sales and delivery, Tornator had a normal year, following the record-high previous year. Timber demand and prices fell somewhat from the year before. Most of the timber resulting from felling caused by the 2018 snow damage was sold to our main customer, Stora Enso, and the timber delivery volumes were exceptionally high the year before. Timber deliveries in 2019 to the main customer totalled some €66.6 million (79.5), or some 66.0% (74.2%) of the Group's net timber sales. Timber sales to the main customer are based on a long-term framework agreement conforming with the market. Tornator also has other long-term timber sales agreements in Finland and Estonia.

During the previous year in Finland, Tornator's forests were affected by major snow damage, which are reflected in the 2019 financial statements. The timber delivery net sales includes €1.3 million in insurance compensation, in addition to the €2.5 million recorded in the previous year. So in total the damage exceeded the forest insurance deductible limit (€5 million).



An update of the fair value of Tornator's forest assets (growing stock) resulted in significant positive effects in Finland and Estonia. An increase in sustainable harvesting opportunities, a decrease in discount rate and a new price estimate for timber increased the fair value of forests on the balance sheet by a total of €231.7 million. An annual fair value update, consisting of a number of valuation factors, improved operating profit by €189.9 million. In Finland, the fair value was calculated by an external evaluator, Indufor Oy, on the basis of future cash flows, i.e. considering sustainable forest management and the growth potential of forests.

The total value of the Group's forests in the financial statements was some €1,776 million (1,539), including growing stock and land. The figures include the effects of harvesting as well as the purchases and sales of forestland. Tornator owns a total of more than 700,000 hectares of forest in Finland, Estonia and Romania.

On the other side of the balance sheet, the fair values of the company's long-term interest rate hedges decreased due to the fall in market interest rates. This created a negative entry of €47.0 million in financial items in the income statement (-1.6). The above fair value changes had no effects on cash flow.

For forestland investments, Tornator utilised competitive bank loan funding. In December 2019, Tornator took out a bank loan to pay back a €250-million secured bond-loan. In addition to the bank and commercial paper funding, totalling some €582 million, Tornator has an unsecured debenture loan of €65 million. All company loans will mature in late 2020, so they will be recorded in the financial statements under short-term bonds. Loan refinancing will be secured sufficiently early before the due date; a more detailed description of this will be found in the notes to the financial statements. Achievements during the period under review also include the creation and implementation of the Green Finance Framework. An independent auditor, the Norwegian Centre for International Climate and Environmental Research (CICERO), gave Tornator the highest responsibility rating, 'dark green' on the climate-friendliness of the company's operations. The potential for green financing and a solid, steady operating history provide the company with a strong basis for refinancing the loan portfolio in 2020.

Tornator's equity ratio was 45% (44%) and liquidity remained strong throughout the year. The company met its loan covenants within safe margins.

As a new business activity, Tornator offers forest owners the opportunity to rent out forest to Tornator on the basis of long-term lease contracts. This is a new way of maintaining contact with inherited assets without needing to engage in forest management, while gaining an easy and reliable source of steady rental income.

In line with our responsibility programme, we engaged in mire restoration, prescribed burning and the establishment of conservation areas on more than 800 hectares of our land.

Tornator Oyj's Annual General Meeting of 7 March 2019 decided to pay dividend, as proposed by the Board of Directors, for a total of €35 million.

Henrik Nieminen, the Deputy CEO of Tornator Oyj, was appointed as the new CEO as of 17 June 2019. The previous CEO, Sixten Sunabacka, acted as a senior advisor until the end of 2019.

## **Risk management**

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

Tornator's risks are divided into three main categories: strategic risks, operational risks and financial risks.

Examples of each category are described below.

### **Strategic risks**

Fluctuation in wood demand is naturally a risk for a forestry company. Demand risk has decreased as the use of wood has increased and diversified, and many new innovations have yet to see the light of day. The company has also secured high demand for wood by certifying all of its forests. With new investments by the forest industry, wood demand has increased in all countries in which Tornator operates.

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

Risks concerning roundwood quantity and quality are controlled through long-term forest resource management planning and focusing operations according to the structure and age-class distribution of the forests. To support planning, Tornator regularly commissions an independent study on the structure of company forests, using this to prepare a long-term cutting plan (more than 30 years). The latest forest inventory by the Natural Resources Institute Finland and the cutting plan based on it are from 2016.

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

Forestland purchasing includes risks, and the success of investment is often discovered after a long time. The forest resources and structure of the estate to be purchased are determined using highly advanced technology, but some decisions must still be based on estimates. The pricing of estates is based on clear criteria, but pricing and the underlying appraisals may have an effect on the success of purchases in terms of returns.

Tornator monitors the current economic trend when planning plot sales. A downturn may decrease demand for holiday home plots and temporarily reduce profits. In fact, this has already happened, and investments in land development have been adapted to the volume of plot sales.

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 significant players in the sector, by dispersing the projects around Finland, and by planning them carefully. Tornator does not participate in wind power construction or ownership of production, but sells its shares in projects before construction and remains the lessor of land.

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

Significant new statutes or other factors impeding operations can be regarded as political risks. An example of this is the debate in Finland on the acceptability of forest use, or EU-level discussions on regulation that would restrict forestry. Acquiring forest assets as a foreign company may also subject the company to political risks in the target countries in question. In managing risks, it is important to cooperate with authorities, educational institutions and various NGOs as well as actively participating 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 responsibility and other corporate values.

Tornator also aims to continue expanding its operations outside Finland, in countries where the related growth potential is considered profitable. Geographic expansion is both a way to manage risks and a risk in itself. With regard to Tornator's operations, Romania and Estonia score relatively poorly in corruption statistics. Tornator makes economic, social and environmental responsibility 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 whistleblower system 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 mechanised work. With regard to salaried employees, the company collaborates with educational institutions and recruits proactively. The risk is also managed with active HR management and development.

### **Operational risks**

To manage internal business risks, Tornator has operational processes that are approved by the Board of Directors and senior management. Operational work is increasingly carried out with entrepreneur resources, which poses challenges in terms of control over issues such as environmental damage. We are trying to improve this control by means of both education and information technology.

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

### **Financial risks**

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

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

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

No notable events after the end of the period.

### **An estimate of future development**

The global megatrends, such as climate change and population growth, are further expected to increase demand for sustainably produced renewable wood raw material in the long term. Owing to the prevailing uncertainty (such as trade war and Brexit), temporary pressure may be placed on timber demand and felling. If the global economy slows down more than expected, forest industry production may contract, with potential negative impacts on timber delivery volumes and the company's net sales.

The situation in the forestland market is expected to remain similar to the previous year.

Silvicultural work will be continued according to the normal annual cycle and the fertilisation programme will be carried out as planned.

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

### Research and development

The company put a lot of emphasis on improving the availability and quality of forest stand data. In addition, the development of harvesting and nature management quality as well as information systems was continued.

### 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 2019, an average of 6.4% of normal pay was given as performance-based bonuses for 2018 (in 2018, 6.5% was paid for 2017).

The Group has about 180 employees. Its forests directly provide various types of forestry work for people, mainly in sparsely populated areas, with an estimated equivalent of some 1,000 full time employees per year

|   | 2019 | 2018 | 2017 |
|---|------|------|------|
| Average number of personnel during the period | 183  | 182  | 189  |
| Remuneration for the period, € million        | 9.1  | 8.4  | 8.3  |

### Environment

The company 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 successfully in 2019.

In its forestry operations, the company complies with the Best Practices for Sustainable Forest Management published by the Forestry Development Centre Tapio.

### Company organisation, management and auditors

Until 7 March 2019, Tornator's Board of Directors included Chairman Mikko Koivusalo, Deputy Chairman Mikko Mursula and members Erkko Ryyänen and Jari Suominen.

At the Annual General Meeting of 7 March 2019, 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    |
| Erkko Ryyänen   | Ari Mäkinen   |
| Jari Suominen   | Jari Suvanto  |
| Mikko Mursula   | Ilja Ripatti  |

In its organising meeting of 7 March 2019, the company's Board of Directors elected Mikko Koivusalo as Chairman of the Board and Mikko Mursula as Deputy Chairman. On the Oversight Committee that oversees significant agreements between the company and the shareholders, the Board elected Mikko Mursula as Chairman, Mikko Koivusalo and Erkki Ryyänen as members and Jari Suominen as a deputy member. Mikko Koivusalo, Mikko Mursula and Erkki Ryyänen 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 Outi Nevalainen.

At the Annual General Meeting of 7 March 2019, Deloitte Oy were elected auditors with Marika Nevalainen, APA, as principal auditor.

### Number of shares

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

### Handling of profit

The parent company's distributable profit amounted to €706,146,206.16, of which the profit for the period was €123,518,240.67.

The Board of Directors of Tornator Oyj proposes to the Annual General Meeting that a dividend of €6.00 per share, or €30,000,000.00, be paid. The remaining part will be carried over in the shareholders' equity. The provisional dividend payment date is 23 April 2020; record date 17 April 2020.

The Board expects the refinancing to go ahead as planned, meaning that dividend payment will not endanger the company's solvency.

### Major shareholders, 31 December 2019

| <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%          |
| <b>Total</b>                               | <b>100.00%</b> |

### **Votes carried by shares**

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

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

The key figures of the consolidated financial statements are presented below. The financial statements and their notes can be found on the company's website at [www.tornator.fi/en/investors](http://www.tornator.fi/en/investors)

### **Appendices: [Financial Statements 2019](#)**

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Tornator is a leading company specialised in sustainable forestry in Europe. It owns forests in Finland, Estonia and Romania. In 2019, the Group's net sales were some €106 million, and the balance sheet value was about €1.8 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 "generating sustainable well-being from the forest".

## Consolidated income statement

| €1,000   | 1 Jan–31 Dec 2019 | 1 Jan–31 Dec 2018 |
|--|-------------------|-------------------|
| <b>Net sales</b>   | <b>105,823.4</b>  | <b>112,825.1</b>  |
| Other operating income   | 5,717.5           | 6,567.4           |
| Change in inventories of finished goods and work in progress                       | -1,427.6          | -998.0            |
| Materials and services   | -17,216.8         | -16,975.1         |
| Personnel expenses   | -9,064.5          | -8,447.0          |
| Depreciation and amortisation  | -3,182.5          | -3,093.5          |
| Other operating expenses   | -5,961.0          | -5,979.3          |
| Change in fair value of biological assets and harvesting                           | 189,910.1         | 32,575.8          |
| <b>Operating profit</b>  | <b>264,598.6</b>  | <b>116,475.5</b>  |
| Financial income   | 199.0             | 180.5             |
| Financial expenses   | -22,559.1         | -22,726.1         |
| Change in fair value of financial instruments                                      | -46,993.4         | -1,613.2          |
| <b>Financial items (net)</b>   | <b>-69,353.5</b>  | <b>-24,158.8</b>  |
| <b>Profit/loss before tax</b>  | <b>195,245.1</b>  | <b>92,316.6</b>   |
| Income taxes   | 373.4             | -3,062.5          |
| Change in deferred taxes   | -30,846.4         | -10,373.1         |
| <b>Profit/loss for the financial period</b>  | <b>164,772.0</b>  | <b>78,881.1</b>   |
| Distribution:<br>To owners of the parent company                                   | 164,772.0         | 78,881.1          |
| <b>Consolidated statement of comprehensive income</b>                              |                   |                   |
| <b>Profit/loss for the financial period</b>  | <b>164,772.0</b>  | <b>78,881.1</b>   |
| Other comprehensive income for the period after taxes:                             |                   |                   |
| Items not recognised later through profit and loss                                 |                   |                   |
| Items derived from the re-definition of net defined benefit costs (or asset items) | 28.8              | 20.8              |
| Items that may later be recognised through profit and loss                         |                   |                   |
| Translation difference   | -979.8            | -49.3             |
| Available-for-sale assets  | 0.0               | 0.6               |
| <b>Comprehensive income for the period total</b>                                   | <b>163,821.0</b>  | <b>78,853.2</b>   |
| Distribution:<br>To owners of the parent company                                   | 163,821.0         | 78,853.2          |

## Consolidated Balance Sheet

| €1,000  | 31 Dec 2019        | 31 Dec 2018        |
|---|--------------------|--------------------|
| <b>ASSETS</b>   |                    |                    |
| <b>Non-current assets</b>                                     |                    |                    |
| Intangible assets   | 1,799.5            | 1,943.9            |
| Property, plant & equipment                                   | 109,398.0          | 103,734.4          |
| Right-of-use assets <sup>2,284.2</sup>                        | 2,284.2            | 0.0                |
| Biological assets   | 1,682,631.0        | 1,450,959.9        |
| Other investments   | 111.2              | 111.2              |
| <b>Non-current assets total</b>                               | <b>1,796,223.8</b> | <b>1,556,749.5</b> |
| <b>Current assets</b>   |                    |                    |
| Inventories   | 51.4               | 436.1              |
| Trade and other receivables                                   | 21,912.5           | 15,534.3           |
| Derivatives   | 0.0                | 3,284.8            |
| Investments   | 2,160.8            | 1,042.3            |
| Cash and cash equivalents                                     | 18,650.7           | 13,957.4           |
| <b>Current assets total</b>                                   | <b>42,775.3</b>    | <b>34,254.9</b>    |
| <b>Total assets</b>   | <b>1,838,999.1</b> | <b>1,591,004.4</b> |
| <b>EQUITY AND LIABILITIES</b>                                 |                    |                    |
| <b>Equity belonging to shareholders of the parent company</b> |                    |                    |
| Share capital   | 50,000.0           | 50,000.0           |
| Other equity  | 781,295.6          | 652,474.6          |
| <b>Shareholders' equity total</b>                             | <b>831,295.6</b>   | <b>702,474.6</b>   |
| <b>Non-current liabilities</b>                                |                    |                    |
| Deferred tax liabilities                                      | 192,040.6          | 161,187.0          |
| Financial liabilities   | 1,003.1            | 258,130.0          |
| Derivatives   | 141,058.5          | 93,013.9           |
| Leasing liabilities   | 1,964.8            | 0.0                |
| Pension liabilities   | 183.0              | 229.0              |
| <b>Non-current liabilities total</b>                          | <b>336,250.1</b>   | <b>512,559.9</b>   |
| <b>Current liabilities</b>                                    |                    |                    |
| Financial liabilities   | 647,180.6          | 352,861.9          |
| Trade and other payables                                      | 23,933.2           | 21,981.3           |
| Derivatives   | 0.0                | 1,126.7            |
| Leasing liabilities   | 339.6              | 0.0                |
| <b>Current liabilities total</b>                              | <b>671,453.4</b>   | <b>375,969.9</b>   |
| <b>Total liabilities</b>                                      | <b>1,007,703.5</b> | <b>888,529.8</b>   |
| <b>Total equity and liabilities</b>                           | <b>1,838,999.1</b> | <b>1,591,004.4</b> |

## Statement of changes in equity

| €1,000  | Share capital   | Share premium   | Translation difference | Fair value reserve | Retained earnings | Shareholders' equity total |
|---|-----------------|-----------------|------------------------|--------------------|-------------------|----------------------------|
| <b>Equity on 1 Jan 2018</b>   | 50,000.0        | 29,995.2        | -8,547.2               | -156.8             | 580,830.3         | 652,121.4                  |
| <b>Comprehensive income</b>   |                 |                 |                        |                    |                   |                            |
| Profit/loss for the financial period  |                 |                 |                        |                    | 78,881.1          | 78,881.1                   |
| Transfers between items   |                 |                 |                        | 156.2              | -156.2            | 0.0                        |
| Other items of comprehensive income (after taxes)   |                 |                 |                        |                    |                   |                            |
| Items derived from the re-<br>definition of net defined benefit<br>costs (or asset items) |                 |                 |                        |                    | 20.8              | 20.8                       |
| Investments in unlisted<br>securities   |                 |                 |                        | 0.6                |                   | 0.6                        |
| Translation difference  |                 |                 | -49.3                  |                    |                   | -49.3                      |
| <b>Comprehensive income for the<br/>period</b>  | <b>0.0</b>      | <b>0.0</b>      | <b>-49.3</b>           | <b>156.8</b>       | <b>78,745.7</b>   | <b>78,853.2</b>            |
| <b>Transactions with shareholders</b>   |                 |                 |                        |                    |                   |                            |
| Dividends paid  |                 |                 |                        |                    | -28,500.0         | -28,500.0                  |
| <b>Total transactions with share-<br/>holders</b>   |                 |                 |                        |                    | <b>-28,500.0</b>  | <b>-28,500.0</b>           |
| <b>Equity on 31 Dec 2018</b>  | <b>50,000.0</b> | <b>29,995.2</b> | <b>-8,596.5</b>        | <b>0.0</b>         | <b>631,075.9</b>  | <b>702,474.6</b>           |
| <b>Equity on 1 Jan 2019</b>   | <b>50,000.0</b> | <b>29,995.2</b> | <b>-8,596.5</b>        | <b>0.0</b>         | <b>631,075.9</b>  | <b>702,474.6</b>           |
| <b>Comprehensive income</b>   |                 |                 |                        |                    |                   |                            |
| Profit/loss for the financial period  |                 |                 |                        |                    | 164,772.0         | 164,772.0                  |
| Other items of comprehensive income (after taxes)   |                 |                 |                        |                    |                   |                            |
| Items derived from the re-<br>definition of net defined benefit<br>costs (or asset items) |                 |                 |                        |                    | 28.8              | 28.8                       |
| Translation difference  |                 |                 | -979.8                 |                    |                   | -979.8                     |
| <b>Comprehensive income for the<br/>period</b>  | <b>0.0</b>      | <b>0.0</b>      | <b>-979.8</b>          | <b>0.0</b>         | <b>164,800.8</b>  | <b>163,821.0</b>           |
| <b>Transactions with shareholders</b>   |                 |                 |                        |                    |                   |                            |
| Dividends paid  |                 |                 |                        |                    | -35,000.0         | -35,000.0                  |
| <b>Total transactions with share-<br/>holders</b>   |                 |                 |                        |                    | <b>-35,000.0</b>  | <b>-35,000.0</b>           |
| <b>Equity on 31 Dec 2019</b>  | <b>50,000.0</b> | <b>29,995.2</b> | <b>-9,576.3</b>        | <b>0.0</b>         | <b>760,876.8</b>  | <b>831,295.6</b>           |

## Consolidated cash flow statement

| €1,000  | 1 Jan–31 Dec 2019 | 1 Jan–31 Dec 2018 |
|---|-------------------|-------------------|
| <b>Cash flow from operating activities</b>                                  |                   |                   |
| Cash receipts from customers  | 107,720.0         | 102,689.9         |
| Proceeds from sale of tangible assets                                       | 2,743.7           | 3,546.6           |
| Cash receipts from other operating income                                   | 5,719.0           | 6,753.3           |
| Cash paid to suppliers and employees  | -31,785.5         | -30,646.3         |
| <b>Cash flow from operating activities before financial items and taxes</b> | <b>84,397.3</b>   | <b>82,343.5</b>   |
| Interest paid and other financial expenses                                  | -22,728.3         | -21,902.6         |
| Interest received   | 199.0             | 180.5             |
| Direct taxes paid and tax refunds   | -8,983.5          | 7,470.2           |
| <b>Cash flow from operating activities</b>                                  | <b>52,884.5</b>   | <b>68,091.6</b>   |
| <b>Cash flow from investing activities</b>                                  |                   |                   |
| Investments in biological assets  | -43,560.7         | -47,881.7         |
| Investments in tangible assets, forestland                                  | -5,383.9          | -5,918.0          |
| Investments in other tangible and intangible assets                         | -3,237.8          | -2,051.3          |
| Investments in associates and other investments                             | 0.0               | -3.0              |
| Investments in fund units   | -1,116.9          | 0.0               |
| Proceeds from sale of available-for-sale financial assets                   | 0.0               | 895.8             |
| <b>Cash flow from investing activities</b>                                  | <b>-53,299.4</b>  | <b>-54,958.2</b>  |
| <b>Cash flow from financing activities</b>                                  |                   |                   |
| Withdrawal of long-term loans   | 0.0               | 25,000.0          |
| Repayment of long-term loans  | -51.9             | -4,574.9          |
| Withdrawal of short-term loans  | 295,000.0         | 0.0               |
| Repayment of short-term loans   | -254,500.0        | -5,000.0          |
| Payment of lease liabilities  | -305.0            | 0.0               |
| Dividends paid  | -35,000.0         | -28,500.0         |
| <b>Cash flow from financing activities</b>                                  | <b>5,143.1</b>    | <b>-13,074.9</b>  |
| <b>Net increase/decrease in cash and cash equivalents</b>                   | <b>4,728.2</b>    | <b>58.5</b>       |
| Cash and cash equivalents at beginning of period                            | 13,957.4          | 13,900.6          |
| Effect of exchange rate changes on cash and cash equivalents                | -34.7             | -1.7              |
| <b>Cash and cash equivalents at end of period</b>                           | <b>18,650.9</b>   | <b>13,957.4</b>   |