

Tornator Oyj

Half-year Report
1 January – 30 June 2020



Tornator's net sales grew by 32% - the company supported the operating conditions of Finnish forestry under exceptional circumstances

Half-year Report - Stock exchange release 24 August 2020 at 3.00 p.m.

SUMMARY 1 JAN – 30 JUNE 2020 (1 JAN – 30 JUNE 2019)

- Net sales grew by 32% to €51.2 (38.9) million, in which the share of timber deliveries* was €48.2 (37.1) million.
- The operative operating profit increased by 48% to €35.1 million (23.8) due to successful timber deliveries. The reported IFRS operating profit was €36.1 (31.1) million.
- A campaign called "Torna-meininki" facilitated proactive forest management work for Finnish contractors, to provide help in the uncertain economic situation caused by the coronavirus in 2020.
- Tornator promoted the biodiversity in its forests as Finland's largest party engaged in prescribed burning.
- Tornator continued to purchase forestland in Finland. More than 5,000 hectares of new forests were acquired with a total investment of more than €20 million.
- The company renewed its bank loan financing, which resulted in having the majority of balance sheet loans as long-term loans. This strengthened liquidity and investment capacity.
- Comparable return on equity was 5.0% (3.2) and return on capital employed 4.8% (3.7). Equity ratio was 42.8% (40.0).
- The fair value of biological assets (forests) was €1,702.4 million (1,682.6 at 31 December 2019).

Key figures (the Group)

	H1/2020	H1/2019	Change, %
Net sales, € million	51.2	38.9	32%
Operative operating profit, € million	35.1	23.8	48%
Operative operating profit, %	68.5	61.1	12%
Operating profit (IFRS), € million	36.1	31.1	16%
Comparable net profit, € million	20.4	10.7	91%
Profit for the period (IFRS), € million	-9.8	-20.8	-53%
Comparable return on equity, %	5.0	3.2	58%
Return on equity, %	-2.4	-6.2	-61%
Comparable return on capital employed, %	4.8	3.7	30%
Return on capital employed, %	5.0	4.8	4%
Equity ratio, %	42.8	40.0	7%
Average number of personnel	183	175	5%

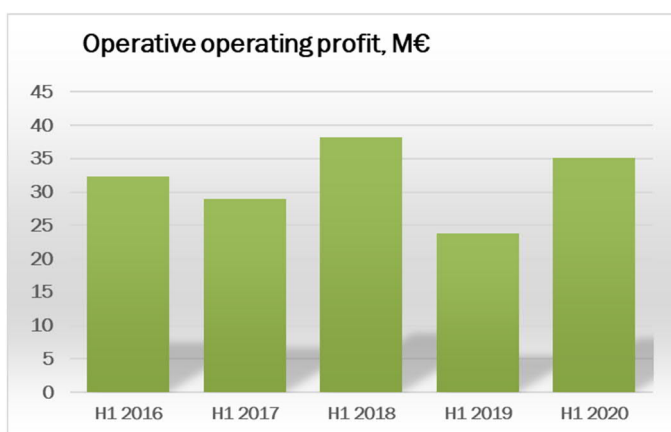
IFRS = International Financial Reporting Standards

* Timber delivery = A customer harvests marked stands and gains ownership of the timber.

Comparable key figures

In addition to the official figures calculated in accordance with IFRS, the Tornator Group uses figures that are comparable between years, to better describe the success of its operations. The comparable key figures have been calculated without fair value changes using the following formula:

Operating profit, IFRS	36.1
- Change in fair value of biological assets	-1.0
= Operative operating profit	35.1
Profit for the period, IFRS	-9.8
- Change in fair value of biological assets	-1.0
- Change in fair value of financial instruments	+38.9
- Change in deferred taxes of above mentioned items	-7.7
= Comparable net profit	20.4



CEO Henrik Nieminen:

“COVID-19 presented a major test for companies’ operating models around the world. In the Finnish forest sector, uncertainty was caused not only by the pandemic, but also by labour market disturbances early in the year, and extremely wet timber harvesting conditions. Tornator’s recipe for coping with financial crises, pandemics and other major challenges has been tried and tested: customer relationships based on a long-term partnership, motivated and skilled personnel, and owners and loan financiers who value responsible forest management. Tornator’s net sales increased by 32 per cent and its operative operating profit by 48 per cent from the comparison period. Timber deliveries were planned and implemented successfully, and the price level of timber was higher than expected. Low demand in the holiday plot market, a trend that has continued for years, turned around as restrictions on international travel increased demand for both leisure homes and construction sites in Finland.

Caring for the health, safety and well-being of employees lies at the heart of Tornator’s risk management. Due to the pandemic, guidance and communications were significantly increased. The company’s personnel adapted to the exceptional circumstances in an exemplary manner, and investments in digitalisation and distance working facilities proved to be effective. Close contacts with customers and other contractual partners helped in the further development of processes. Naturally, the strong confidential relationships formed over the years with the financial markets are of paramount importance under exceptional circumstances. Tornator was able to execute significant financial transactions with banks in a rather turbulent financial market. The company renewed its bank loan financing, which resulted in having the majority of balance sheet loans as long-term loans. This strengthened liquidity and investment capacity.

Tornator continued forestland purchasing in Finland, acquiring more than 5,000 hectares of forestland. The first contracts on the leasing of forests were signed early in the summer. In Estonia, market prices of forestland have not allowed significant growth investments. In both Estonia and Romania, Tornator has focused on the development of existing forest assets and operations.

Tornator's vision is to be a forerunner in the responsible use of forests. As one example of sustainability, the company launched a campaign called "Torna-meininki", which facilitated proactive forest management work for Finnish contractors in the year affected by the coronavirus. This built faith in the idea that cooperation is the key to tackling the economic challenges posed by the virus. Moreover, in accordance with Tornator's sustainability programme, mires were restored, prescribed burning performed, and negotiations continued to establish new nature conservation areas on land owned by the company.

The European Commission's recent proposal for an EU Biodiversity Strategy was a hot topic in public debate. For Tornator, promotion of biodiversity is a natural part of managing double certified forests. Digital tools enable the company to identify valuable habitats more accurately, and biodiversity issues play a key role in the training of personnel and contractors. Tornator engages in prescribed burning more than any other party in Finland: every year, we restore forest conditions to allow threatened species to thrive and reproduce.

Tornator plays a key role in the fight against climate change. The company's forests act as carbon sinks, provide sustainable raw materials for bioeconomy products, and contribute to maintaining social sustainability in a welfare state. From the viewpoint of combating climate change, the main objective of society must be to abandon fossil raw materials and replace non-renewable products with products based on renewable, recyclable raw materials.

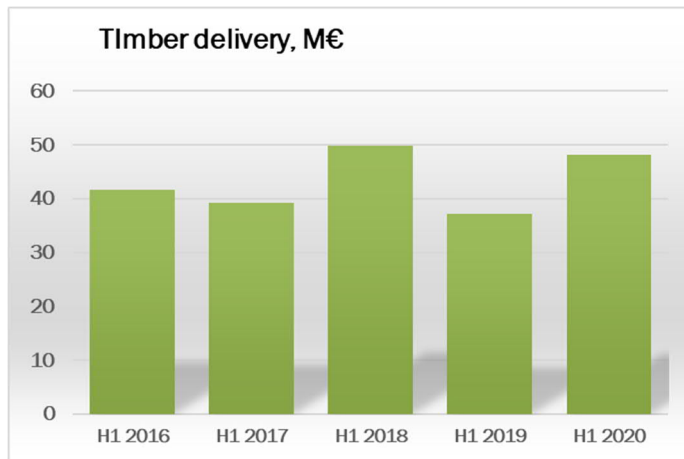
Tornator's mission is to create sustainable well-being from the forest, and the company will continue to implement its strategy with determination, with the aim of being profitably growing, competitively developing and responsibly influencing."

Impacts of the COVID-19 pandemic

The company's operations continued normally under the exceptional circumstances, and the pandemic had no significant negative impacts on the company's results, balance sheet or cash flows. Tornator's net sales, operating profit and cash flow from operating activities for the reporting period improved compared to those of the comparison period. The company's credit losses have not increased due to the pandemic, and the company does not envisage higher financial risks or a decrease in asset value

Notable events during the reporting period

Wood deliveries realized as planned, totalling approximately 1.4 million cubic metres (1.2), that is, €48.2 million (37.1). The mild winter allowed forest management work to be done earlier than normal, and the company offered contractors in Finland the opportunity to carry out proactive forestry work to alleviate the economic challenges caused by the coronavirus pandemic.

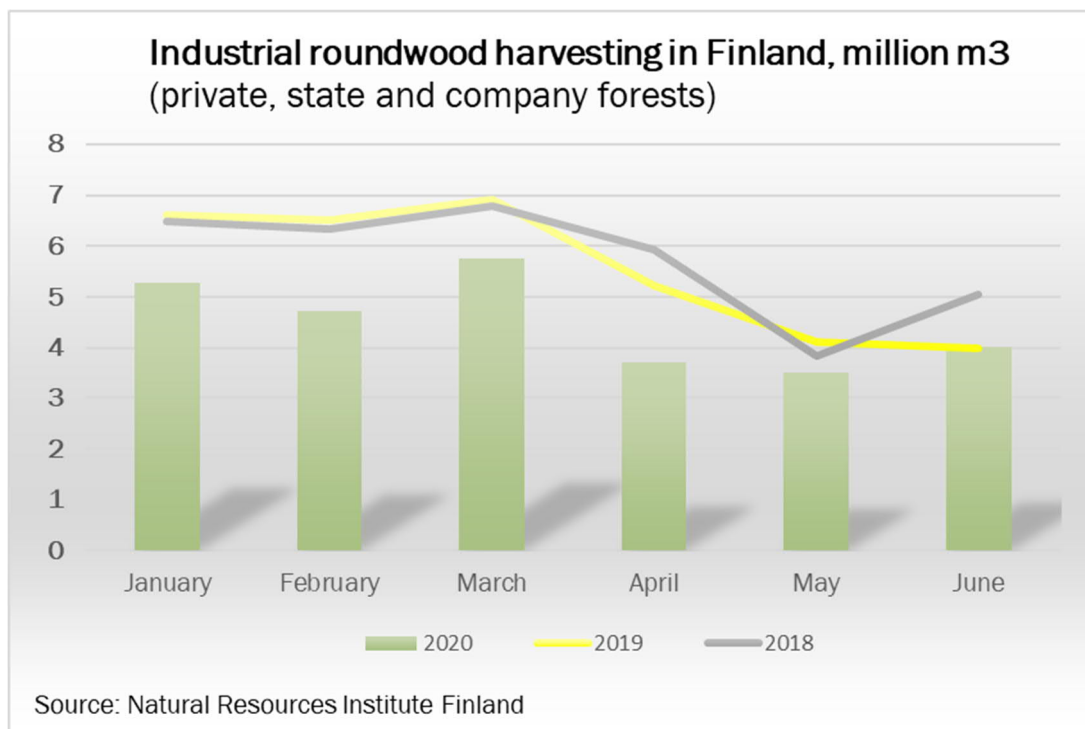


In total, the Group recorded €1.6 (1.0) million in real estate sales. Net sales of silviculture services totalled €1.4 (0.8) million.

The strong fall in market interest rates affected the fair values of Tornator’s financial instruments negatively. The profit effect since the beginning of the year was €-38.9 (-46.8) million. At the end of June, the fair value of interest rate derivatives totalled €-179.9 million (-141.1 on 31 December 2019). Market interest rates continued to fall slightly after the reporting period. The fair value of forests at the end of June was €1,702.4 million (1,682.6 on 31 December 2019).

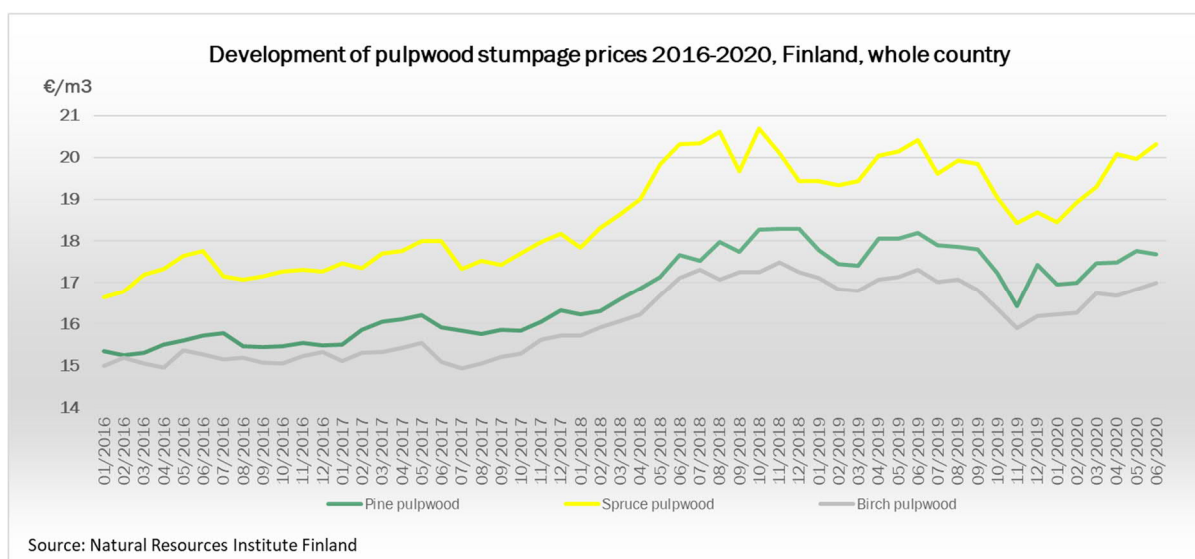
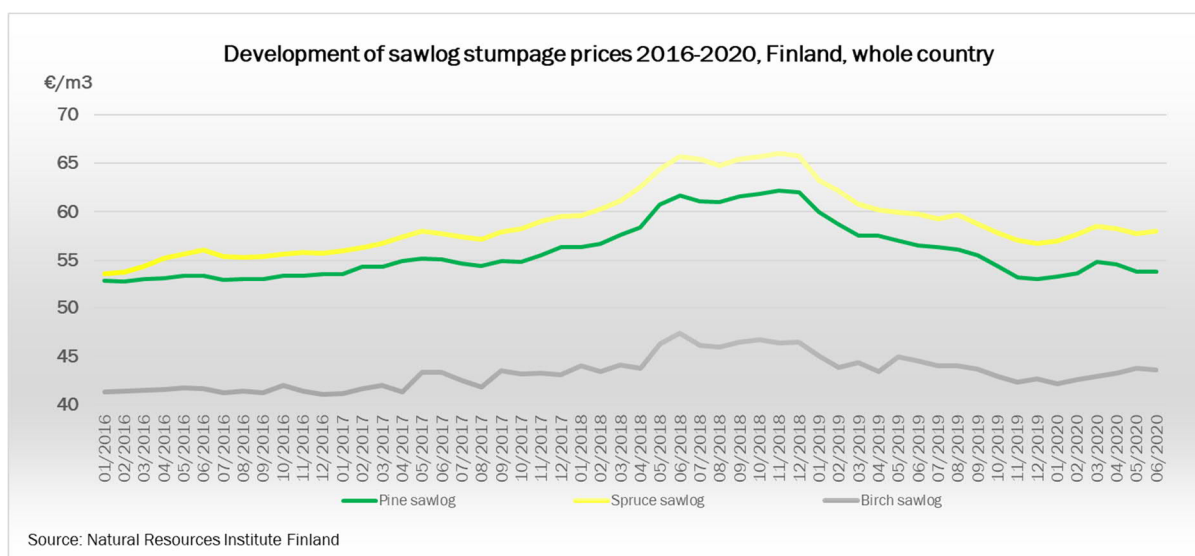
Business environment

In Finland, timber sales were slow almost throughout the first part of the year. Total industrial wood harvesting in January–June was some 27.0 million cubic metres, which is 6.4 million cubic metres (-19%) less than in the previous year.



The market prices for wood have stabilised since the price spike in 2018. The price level of sawlogs has remained at the same level as at the end of last year, which was around 5% lower than in the

first half of 2019. The price of pulpwood has increased during the first half of the year, and the average price level was close to the price level in the comparison period.



Demand for holiday plots picked up for the first time in a long period. Demand for forest estates by forest funds and other forestland investors continued to be very high, while supply lagged significantly behind.

In Estonia, demand for wood was normal, but the wet winter made weather conditions exceptionally challenging for harvesting. No major change has occurred in the market prices of wood since the beginning of the year. In the forestland market, the price level was very high, as demand clearly exceeded supply.

In Romania, demand for wood was normal and prices were at the previous year's level. The forest estate markets were subdued.

Finance

The Group's financial position remained good and cash flow from operating activities was €22.3 (10.0) million. The largest single item affecting the change in cash flow from operating activities was income tax, which totalled €+3.2 million in the reporting period, and €-3.4 in the comparison period. Annual variation in cash flow from income taxes is mainly attributable to changes in the fair value of derivatives which affects the taxable profit.

The Group's net financial expenses in January–June were €-48.7 (-57.7) million. Interest-bearing liabilities totalled €644.5 million (648.2 on 31 December 2019), of which €549.6 million (1.0 on 31 December 2019) were long-term and €94.9 million (647.2 on 31 December 2019) were short-term.

The company has used interest rate derivatives to hedge against market interest rate changes. The change in the fair value of debt and derivatives was €38.9 million negative (€46.8 million negative). In the reporting period, the change in the fair value concerned only derivatives; the change in the value of derivatives during the comparison period was €-48.7 million and the change in the value of loans, €+2.0 million. In the change of the fair value of derivatives, the share of accrued interest booked on interest expenses was €+0.0 (+4.6) million.

During the reporting period, Tornator's net cash flow from investing activities was €-23.5 (-19.3) million. Net cash flow from financing activities was €-2.7 (+4.8) million. Cash and cash equivalents and liquid investments on 30 June 2020 were €17.8 million (20.8 on 31 December 2019). In addition, the company has a revolving credit facility totalling €100 million, available in full, and a commercial paper program totalling €300 million, of which €270 million is available for issue. The company also has a bank account overdraft limit of €10 million.

During the reporting period, Tornator agreed on a green bank loan package of €350 million, which will mature in 2025 and 2026. In addition, Tornator agreed on €100 million in bank loan financing, which will mature in 2022 and a one year extension to the binding bank loan contract (bridge loan) taken out last year to refinance a secured bond loan at its maturity in December 2019.

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 COVID-19, the trade war, the US presidential election 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 first half. Improved demand in plot sales is expected to continue for the remainder of the year. Silvicultural work will be continued according to the normal annual cycle and the fertilisation programme, and development projects for the digital roadmap will be carried out as planned. The annual update of the fair value of forest will be carried out in accordance with the situation as of September.

The company estimates that its debt service capacity will remain stable for the remainder of the year.

Decisions of the Annual General Meeting

The Annual General Meeting of Tornator Oyj, held on 9 March 2020, decided that dividend be paid as proposed by the Board of Directors: €6.0 per share, totalling €30 million. In accordance with the prudence principle, in the Spring the Board of Directors assessed the overall economic uncertainty caused by the COVID-19 pandemic, and decided to postpone the payment of dividends. The Board set a new dividend payment date of 1 September 2020 in the meeting held on 24 August 2020. The AGM approved the financial statements for 2019 and discharged the members of the Board of Directors and the CEO from liability. In addition, Deloitte Oy were elected as auditors. The AGM elected the following members and deputies to the new Board of Directors:

<u>Ordinary member</u>	<u>Deputy member</u>
Mikko Koivusalo	Markus Aho
Erkko Rynnänen	Tomi Viia
Jorma Länsitalo	Jari Suvanto
Mikko Mursula	Ilja Ripatti

Organisation of the Board of Directors

On 9 March 2020, the new Board of Directors elected Mikko Koivusalo as Chairman and Mikko Mursula as Vice Chairman. In addition to these two Board members, Erkki Rynänen was elected as a member of the Remuneration Committee, which reports to the Board. On the Oversight Committee that oversees significant agreements between the company and the shareholders, the Board elected Mikko Mursula as Chairman, Mikko Koivusalo and Erkki Rynänen as members and Jorma Lämsälä as a deputy member.

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

Notable events after the end of the reporting period

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

Major shareholders, 30 June 2020

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

Appendices: Half-year Report, 1 January–30 June 2020

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

For further information, please contact:

Chief Executive Officer (CEO) Henrik Nieminen, tel. +358 (0)40 869 7613

Chief Financial Officer (CFO) Antti Siirtola, tel. +358 (0)40 773 0975

www.tornator.fi

Tornator is a leading company specialised in sustainable forestry in Europe. It owns forests in Finland, Estonia and Romania. In 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 to generate sustainable well-being from forests.

Tables – Condensed half-year financial statements and notes

Condensed consolidated income statement

€'000	30 June 2020 (unaudited)	30 June 2019 (unaudited)	31 Dec 2019 (audited)
Net sales	51,216	38,872	105,823
Other operating income	1,922	1,895	5,718
Change in inventories of finished goods and work in progress	-405	-773	-1,428
Materials and services	-8,935	-7,143	-17,217
Personnel expenses	-4,136	-4,366	-9,065
Depreciation and amortisation	-1,564	-1,543	-3,183
Other operating expenses	-2,995	-3,171	-5,961
Change in fair value of biological assets and harvesting	982	7,312	189,910
Operating profit	36,085	31,085	264,599
Financial income	139	112	199
Financial expenses	-9,919	-11,057	-22,559
Change in fair value of financial instruments	-38,891	-46,752	-46,993
Net financial items	-48,670	-57,697	-69,354
Profit before tax	-12,585	-26,612	195,245
Income taxes	3,129	7,546	373
Change in deferred taxes	-330	-1,744	-30,846
Profit for the period	-9,786	-20,811	164,772
Distribution:			
To shareholders of the parent company	-9,786	-20,811	164,772

Consolidated statement of comprehensive income

Profit for the period	-9,786	-20,811	164,772
Other comprehensive income for the period after taxes:			
Items not recognised later through profit and loss			
Items derived from the redefinition of net defined benefit costs (or asset items)	0	0	29
Items that may later be recognised through profit and loss			
Translation difference	-449	-581	-980
Comprehensive income for the period total	-10,235	-21,392	163,821
Distribution:			
To shareholders of the parent company	-10,235	-21,392	163,821

Condensed consolidated balance sheet

€'000	30 June 2020 (unaudited)	30 June 2019 (unaudited)	31 Dec 2019 (audited)
ASSETS			
Non-current assets			
Intangible assets	1,639	1,703	1,800
Property, plant and equipment	111,102	105,139	109,398
Right-of-use assets	2,109	1,961	2,284
Biological assets	1,702,406	1,473,665	1,682,631
Other investments	111	111	111
Non-current assets total	1,817,367	1,582,580	1,796,224
Current assets			
Inventories	47	98	51
Trade and other receivables	24,230	26,232	21,913
Derivatives	0	5,597	0
Investments in unlisted securities	3,023	1,221	2,161
Cash and cash equivalents	14,810	9,434	18,651
Current assets total	42,110	42,581	42,775
TOTAL ASSETS	1,859,477	1,625,161	1,838,999
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital	50,000	50,000	50,000
Other equity	741,060	596,083	781,296
Total equity	791,060	646,083	831,296
Non-current liabilities			
Deferred tax liabilities	192,370	162,931	192,041
Financial liabilities	549,566	293,001	1,003
Derivatives	179,911	140,530	141,059
Lease liabilities	1,839	1,733	1,965
Other non-current liabilities	183	229	183
Non-current liabilities total	923,869	598,423	336,250
Current liabilities			
Financial liabilities	94,914	336,075	647,181
Lease liabilities	330	247	340
Trade and other payables	49,303	44,333	23,933
Current liabilities total	144,548	380,655	671,453
Total liabilities	1,068,417	979,078	1,007,704
TOTAL EQUITY AND LIABILITIES	1,859,477	1,625,161	1,838,999

Statement of changes in equity

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

Equity 1 January 2019	50 000	29 995	-8 597	631 076	702 475
Comprehensive income					
Profit for the period				-20 811	-20 811
Other items of comprehensive income (after taxes)					
Translation difference			-581		-581
Comprehensive income for the period	0	0	-581	-20 811	-21 392
Transactions with shareholders					
Dividends				-35 000	-35 000
Total transactions with shareholders	0	0	0	-35 000	-35 000
Equity 30 June 2019 (unaudited)	50 000	29 995	-9 178	575 265	646 083

Equity 1 January 2019	50 000	29 995	-8 597	631 076	702 475
Comprehensive income					
Profit for the period				164 772	164 772
Transfers between items					0
Other items of comprehensive income (after taxes)					
Remeasurement of net defined benefit liability (or asset)				29	29
Translation difference			-980		-980
Comprehensive income for the period	0	0	-980	164 801	163 821
Transactions with shareholders					
Dividends				-35 000	-35 000
Total transactions with shareholders				-35 000	-35 000
Equity 31 December 2019	50 000	29 995	-9 576	760 877	831 296

TORNATOR OYJ – HALF-YEAR REPORT

Condensed statement of cash flows

€'000	1 Jan - 30 Jun 2020	1 Jan - 30 Jun 2019	1 Jan – 31 Dec 2019
Cash flow from operating activities			
Cash receipts from customers	46 385	38 679	107 720
Proceeds from sale of tangible assets	1 642	980	2 744
Cash receipts from other operating income	1 671	1 931	5 719
Cash paid to suppliers and employees	-19 320	-16 789	-31 786
Cash flow from operating activities before financial items and taxes	30 378	24 801	84 397
Interest paid and other financial expenses	-11 331	-11 597	-22 728
Interest received	139	112	199
Cash flow from income taxes	3 160	-3 364	-8 983
Net cash flow from operating activities	22 346	9 952	52 884
Cash flow from investing activities			
Investments in biological assets	-19 469	-16 280	-43 561
Investments in tangible assets, forestland	-2 414	-2 012	-5 384
Investments in other tangible and intangible assets	-740	-815	-3 238
Investments in unlisted securities	-871	-179	-1 117
Net cash flow from investing activities	-23 494	-19 286	-53 299
Cash flow from financing activities			
Withdrawal of long-term loans	300 000	35 000	0
Repayment of long-term loans	-38	-38	-52
Withdrawal of short-term loans	0	0	295 000
Repayment of short-term loans	-302 500	-15 000	-254 500
Repayment of leasing liabilities	-143	-124	-305
Dividends paid	0	-15 000	-35 000
Net cash flow from financing activities	-2 682	4 839	5 143
Net increase/decrease in cash and cash equivalents	-3 830	-4 495	4 728
Cash and cash equivalents at beginning of period	18 651	13 957	13 957
Effect of exchange rate changes on cash and cash equivalents	-12	-29	-35
Cash and cash equivalents at end of period	14 809	9 434	18 651

Notes to the half-year report

General Information

Tornator Oyj (Tornator or the company) with its subsidiaries (together, the Group) is a leading company specialised in sustainable forest management in Europe. Tornator's main business is wood production and the sale of cutting rights. It also provides forest management and silviculture services, sells land for recreational use and buys forestland. The Group's main market is Finland, but it also owns forestland in Estonia and Romania. All Tornator Group's forests are FSC® certified. Forestland is split between countries as follows: Finland 635 000 (31 December 2019: 630 000), Estonia 66 000 (66 000) and Romania 12 000 (12 000) hectares. Average number of personnel during the financial period was 183 (175).

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

The Group's Half-year financial report for the six months ended 30 June 2020 has been prepared in accordance with the international financial reporting standard IAS 34 Interim Financial Reporting. The half-year report should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with the International Financial Reporting Standards, IFRS.

The accounting policies adopted are consistent with those of the previous financial year, except for new IFRS standards which have been adopted for financial periods beginning on or after 1 January 2020. Annual amendments to IFRS have had no effects on the preparation of the Half-year report for the period ended 30 June 2020.

The preparation of the Half-year report requires management to make certain estimates and assumptions. Making of these assumptions and estimates has an impact on the assets and liabilities reported on the balance sheet date, the presentation of contingent assets and liabilities in the notes and the income and expenses reported for the half-year period. These estimates are based on the management's best knowledge of the events; thus the final actual results may differ from the estimates made.

In preparing the Half-year report, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

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

Operating segments

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

Timber delivery (= A customer harvests marked stands and gains ownership of the timber) represented 94.1% of total revenues (95.5 % 1 Jan - 30 June 2019).

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

TORNATOR OYJ – HALF-YEAR REPORT

	1 Jan - 30 Jun 2020		1 Jan - 30 Jun 2019		1 Jan - 31 Dec 2019	
Revenues:	€'000	%	€'000	%	€'000	%
Finland	46,810	91.4	33,241	85.5	93,437	88.3
Romania and Estonia	4,406	8.6	5,632	14.5	12,386	11.7
Total	51,216	100.0	38,872	100.0	105,823	100.0

	30 June 2020		30 June 2019		31 Dec 2019	
Biological assets:	€'000	%	€'000	%	€'000	%
Finland	1,499,551	88.1	1,309,756	88.9	1,480,319	88.0
Romania and Estonia	202,855	11.9	163,910	11.1	202,312	12.0
Total	1,702,406	100.0	1,473,665	100.0	1,682,631	100.0

Intangible assets

€'000	Computer software	Other intangible rights	Total
Acquisition cost at 1 January 2020	8 463	993	9 456
Translation difference	-2		-2
Increases	47		47
Decreases			0
Acquisition cost at 30 June 2020	8 508	993	9 501
Accrued depreciation and impairment			
Accrued depreciation and impairment at 1 January 2020	-7 574	-82	-7 657
Depreciation and amortization expense and impairments	-206	0	-206
Accrued depreciation and impairment at 30 June 2020	-7 780	-82	-7 862
Book value at 30 June 2020	728	911	1 639
Book value at 1 January 2020	889	911	1 800

€'000	Computer software	Other intangible rights	Total
Acquisition cost at 1 January 2019	8 019	993	9 011
Translation difference	-4		-4
Increases	17		17
Decreases			0
Acquisition cost at 30 June 2019	8 032	993	9 025
Accrued depreciation and impairment			
Accrued depreciation and impairment at 1 January 2019	-7 067	0	-7 067
Depreciation and amortization expense and impairments	-255	0	-255
Accrued depreciation and impairment at 30 June 2019	-7 322	0	-7 322
Book value at 30 June 2019	710	993	1 703
Book value at 1 January 2019	951	993	1 944

TORNATOR OYJ – HALF-YEAR REPORT

€'000	Computer software	Other intangible rights	Total
Acquisition cost at 1 January 2019	8 019	993	9 011
Translation difference	-5		-5
Increases	450		450
Decreases			0
Acquisition cost at 31 December 2019	8 463	993	9 456
Accrued depreciation and impairment			
Accrued depreciation and impairment at 1 January 2019	-7 067	0	-7 067
Depreciation and amortization expense and impairments	-507	-82	-589
Accrued depreciation and impairment at 31 December 2019	-7 574	-82	-7 657
Book value at 31 December 2019	889	911	1 800
Book value at 1 January 2019	951	993	1 944

Property, Plant and Equipment

€'000	Land areas	Buildings	Machinery and equipment	Roads and ditches	Purchases in progress	Total
Acquisition cost at 1 January 2020	93,696	1,268	2,586	33,125	2,820	133,494
Translation difference	-45	-5	-2	-18	-12	-83
Increases	2,407	61	82	53	666	3,269
Decreases	-39	0	0	0	-268	-307
Acquisition cost at 30 June 2020	96,019	1,324	2,666	33,160	3,205	136,374
Accrued depreciation and impairment						
Accrued depreciation and impairment at 1 January 2020	0	-534	-2,154	-21,408	0	-24,096
Depreciation and amortisation expense and impairments	0	-28	-85	-1,061	0	-1,175
Accrued depreciation and impairment at 30 June 2020	0	-563	-2,239	-22,470	0	-25,271
Book value at 30 June 2020	96,019	761	427	10,690	3,205	111,102
Book value at 1 January 2020	93,696	734	432	11,716	2,820	109,398

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€'000	Land areas	Buildings	Machinery and equipment	Roads and ditches	Purchases in progress	Total
Acquisition cost at 1 January 2019	88,535	1,216	2,279	32,085	1,450	125,564
Adoption of IFRS 16			-112		0	-112
Translation difference	-59	-7	-2	-24	-8	-100
Increases	2,012	64	124	202	551	2,954
Decreases	-50	0	0	0	-141	-191
Acquisition cost at 30 June 2019	90,438	1,273	2,289	32,262	1,853	128,115
Accrued depreciation and impairment						
Accrued depreciation and impairment at 1 January 2019	0	-473	-2,040	-19,317	0	-21,830
Depreciation and amortisation expense and impairments	0	-34	-52	-1,060	0	-1,146
Accrued depreciation and impairment at 30 June 2019	0	-507	-2,092	-20,377	0	-22,976
Book value at 30 June 2019	90,438	766	198	11,885	1,853	105,139
Book value at 1 January 2019	88,535	743	239	12,768	1,450	103,734
€'000	Land areas	Buildings	Machinery and equipment	Roads and ditches	Purchases in progress	Total
Translation difference	-100	-11	-2	-39	-13	-165
Increases	5,384	64	344	1,079	2,765	9,635
Decreases	-122				-1,383	-1,505
Acquisition cost at 31 December 2019	93,696	1,268	2,586	33,125	2,820	133,494
Accrued depreciation and impairment						
Accrued depreciation and impairment at 1 January 2019	0	-473	-2,040	-19,317	0	-21,830
Depreciation and amortisation expense and impairments		-61	-114	-2,092		-2,267
Accrued depreciation and impairment at 31 December 2019	0	-534	-2,154	-21,408	0	-24,096
Book value at 31 December 2019	93,696	734	432	11,716	2,820	109,398
Book value at 1 January 2019	88,535	743	239	12,768	1,450	103,734

Right-of-use assets

€'000	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost on 1 January 2020	2,117	494	2,611
Increases	0	8	8
Decreases	0	0	0
Acquisition cost on 30 June 2020	2,117	502	2,619
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2020	-195	-132	-326
Depreciation expense and impairment	-99	-84	-183
Accrued depreciation and impairment at 30 June 2020	-294	-216	-510
Book value at 30 June 2020	1,823	286	2,109

€'000	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost at 1 January 2019	0	0	0
Adoption of IFRS 16	1,916	187	2,103
Increases			0
Decreases			0
Acquisition cost on 30 June 2019	1,916	187	2,103
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2019	0	0	0
Depreciation expense and impairment	-101	-41	-142
Accrued depreciation and impairment on 30 June 2019	-101	-41	-142
Book value on 30 June 2019	1,816	146	1,961

€'000	Office space	Machinery and equipment	Right-of-use assets, total
Acquisition cost on 1 January 2019	0	0	0
Adoption of IFRS 16	1,916	187	2,103
Increases	201	330	531
Decreases		-23	-23
Acquisition cost on 31 December 2019	2,117	494	2,611
Accrued depreciation and impairment			
Accrued depreciation and impairment on 1 January 2019	0	0	0
Depreciation expense and impairment	-195	-132	-326
Accrued depreciation and impairment on 31 December 2019	-195	-132	-326
Book value on 31 December 2019	1,922	362	2,284

Biological assets

€'000	30 June 2020	30 June 2019	31 Dec 2019
Biological assets at the beginning of the period	1,682,631	1,450,960	1,450,960
Harvesting	982	7,312	-5,239
Valuation difference	0	0	195,149
Change in Income statement	982	7,312	189,910
Increases	19,469	16,280	43,561
Decreases	-315	-406	-988
Translation difference	-361	-481	-812
Biological assets at the end of the period	1,702,406	1,473,665	1,682,631

Financial liabilities

€'000	1 January 2020	Cash flow from financing activities	Financial expenses	Fair value changes	30 June 2020
Bonds	65,000	0	0	-	65,000
Loans from financial institutions	478,286	72,500	-1,220	-	549,566
Commercial paper	104,897	-75,000	17	-	29,914
Total	648,183	-2,500	-1,203	0	644,480

Lease Liabilities

€'000	30 June 2020	30 June 2019	31 December 2019
Non-current	1,839	1,733	1,965
Current	330	247	340
Total	2,169	1,980	2,304

Derivates

The Group uses interest rate swaps for hedging its interest rate exposure. Interest rate derivatives will mature in more than 2 years

Fair value of derivates

€'000	30 June 2020			30 June 2019			31 December 2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Net
Interest rate swaps	0	-179,911	-179,911	55,597	-140,530	-84,933	0	-141,059	-141,059
Total fair values of derivates	0	-179,911	-179,911	55,597	-140,530	-84,933	0	-141,059	-141,059

Nominal values of derivates

€'000	30 June 2020	30 June 2019	31 December 2019
Interest rate swaps	338,625	588,625	338,625
Total nominal values of derivates	338,625	588,625	338,625

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

€'000	1 Jan - 30 Jun 2020			1 Jan - 30 Jun 2019	1 Jan - 31 Dec 2019
	Income	Expense	Net	Net	Net
Recognised under financial items in the income statement *	0	-38,882	-38,882	-48,720	-50,804
Interest rate swaps	0	-38,882	-38,882	-48,720	-50,804
Share of the change in accrued interest**	0	29	29	4,642	601
Change in the fair value of derivatives on the balance sheet	0	-38,853	-38,853	-44,077	-50,203

* Income statement includes also €-9.0 (-0.3) thousand change in the fair value of investment funds and 2019 figure include a booking of €+1,968.2 thousand representing the accrued fair value change of the hedged item in an ended fair value hedging relationship

** Included in financial expenses in the income statement

Book values and fair values of financial assets and liabilities by category at 30 June 2020

Financial assets		Financial items recognized at fair value through the income statement	Book values, total	Fair value
€'000	Amortised cost			
Current				
Unlisted securities		3,023	3,023	3,023
Trade and other receivables	24,230		24,230	24,230
Cash and cash equivalents	14,810		14,810	14,810
Total	39,040	3,023	42,063	42,063

Financial assets		Financial items recognized at fair value through the income statement	Book values, total	Fair value
€'000	Amortised cost			
Non-current				
Interest-bearing debt	549,566		549,566	551,094
Derivatives		179,911	179,911	179,911
Total	549,566	179,911	729,477	731,006
Current				
Interest-bearing debt	94,914		94,914	96,154
Trade and other payables	49,303		49,303	49,303
Total	144,217	0	144,217	145,457

Fair values of financial instruments

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

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

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

Fair Value hierarchy	Level 1	Level 2	Level 3	Total
Unlisted securities	3,023	-	-	3,023
Derivative liabilities	-	179,911	-	179,911
Interest-bearing debt	-	647,248	-	647,248

Financial covenants

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

Related party transactions

The following transactions were carried out with related parties:

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

€'000	Sales	Purchases	Receivables	Liabilities
30 June 2020	34,051	8	10,169	8,739
30 June 2019	26,949	17	8,564	8,551
31 December 2019	71,126	31	7,655	9,913

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

Employment benefits of management

€'000	30 June 2020	30 June 2019	31 December 2019
Wages of the Management team (including the CEO) with indirect costs and other short-term employment benefits	443	763	1,162
Board remuneration	26	27	52

Other collateral given on own behalf

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

€'000	30 June 2020	30 June 2019	31 Dec 2019
Fair value of pledge	1,586,863	1,374,982	1,576,445
Bank guarantee	205	275	210

Short-term and low value lease contracts

At 30 June 2020 Tornator's lease liabilities from short-term and low-value lease contracts amount to €30 thousand.