

Koskisen Corporation

Interim report

1 January–30 September 2023

Koskisen's profitability weakened year-on-year – outlook for 2023 unchanged

July–September 2023 in brief

- Revenue decreased to EUR 55.5 (67.4) million.
- EBITDA decreased to EUR 1.3 (10.3) million.
- The EBITDA margin was 2.4 (15.3) per cent.
- Adjusted EBITDA amounted to EUR 1.4 (11.3) million.
- The adjusted EBITDA margin was 2.5 (16.7) per cent.
- Operating profit amounted to EUR -1.0 (8.3) million and was -1.7 (12.3) per cent of revenue.
- The profit for the financial period was EUR -1.0 (7.1) million.
- Basic earnings per share were EUR -0.04 (0.40).
- Diluted earnings per share were EUR -0.04 (0.40).

January–September 2023 in brief

- Revenue decreased to EUR 202.6 (240.2) million.
- EBITDA decreased to EUR 27.8 (56.4) million.
- The EBITDA margin was 13.7 (23.5) per cent.
- Adjusted EBITDA amounted to EUR 27.7 (55.5) million.
- The adjusted EBITDA margin was 13.7 (23.1) per cent.
- Operating profit amounted to EUR 21.4 (50.3) million and was 10.6 (21.0) per cent of revenue.
- The profit for the financial period was EUR 17.6 (41.0) million.
- Basic earnings per share were EUR 0.77 (2.34).
- Diluted earnings per share were EUR 0.76 (2.33).

Profit guidance for 2023 unchanged (published on 16 March 2023)

Koskisen's revenue for 2023 is not expected to exceed the level of 2022. The adjusted EBITDA margin is expected to be 12–14 per cent.

The profitability of the Sawn Timber Industry segment is expected to decrease compared to the level of 2022. The profitability of the Panel Industry segment is expected to remain unchanged or improve compared to the level of 2022.

Key figures

EUR million	7-9 2023	7-9 2022	Change, %	1-9 2023	1-9 2022	Change, %	1-12 2022
Revenue	55.5	67.4	-17.7	202.6	240.2	-15.7	317.7
EBITDA	1.3	10.3	-87.0	27.8	56.4	-50.8	66.3
EBITDA margin, %	2.4	15.3		13.7	23.5		20.9
Adjusted EBITDA	1.4	11.3	-87.8	27.7	55.5	-50.2	66.6
Adjusted EBITDA margin, %	2.5	16.7		13.7	23.1		21.0
Operating profit (EBIT)	-1.0	8.3	-111.6	21.4	50.3	-57.5	58.2
Operating profit (EBIT) margin, %	-1.7	12.3		10.6	21.0		18.3
Profit for the period	-1.0	7.1	-113.5	17.6	41.0	-56.9	46.0
Basic earnings per share, EUR	-0.04	0.40		0.77	2.34		2.48
Diluted earnings per share, EUR	-0.04	0.40		0.76	2.33		2.47
Gross investments	4.3	9.1		19.0	21.2		26.6
Equity per share, EUR				6.3	5.6		5.9
Return on capital employed (ROCE), %				16.4	N/A		35.7
Working capital, end of period				39.6	37.6		28.9
Net cash flow from operating activities				8.0	30.5		47.2
Equity ratio, %				55.2	45.7		52.7
Gearing, %				-5.9	13.4		-21.0

The figures in brackets refer to the comparison period, i.e. the corresponding period in the previous year, unless specified otherwise.

CEO Jukka Pahta:

Uncertainty in the operating environment has continued, and the end-product market, particularly in the construction sector, is under heavy pressure. Koskisen Group's profit for the third quarter decreased in line with the company's expectations with adjusted EBITDA amounting to EUR 1.4 (11.3) million. The adjusted EBITDA margin was 2.5 (16.7) per cent. Profit performance in the third quarter reflects the planned maintenance and production shutdowns that took place in July. In terms of the cumulative figures, we are still on pace with our guidance: we keep the guidance issued in November 2022 unchanged, which can be considered a good level of performance in the present operating environment.

The profitability of the Sawn Timber Industry segment decreased substantially year-on-year, with EBITDA amounting to EUR -1.0 (6.1) million. The prices of sawn timber continued their downward trend in the third quarter. Raw material costs relative to the business cycle remained at a historically unfavourable level. The company has survived in a very challenging market situation, primarily thanks to active sales efforts, and there has been no need to limit production.

The ramp-up of the new sawmill is continuing, and the related production runs with gradually increased capacity which were scheduled for the third quarter were carried out as planned. However, the cumulative production volumes are slightly behind the target. We have compensated for the shortfall in production volumes through our production operations at the old sawmill, but its production efficiency has already declined. This is expected to have a positive effect on the cost structure of the Sawn Timber Industry segment. The construction of the log yard at the new sawmill began in September. The log yard is expected to be completed at the beginning of 2025.

The profitability of the Panel Industry segment decreased year-on-year, with EBITDA amounting to EUR 2.6 (6.2) million. The market conditions for birch plywood have remained moderate in spite of the general uncertainty. However, some producers have indicated potential restrictions in production. The order backlog for chipboard products reflects the weakness of new construction in particular, which is why we have concluded local agreements on the potential adaptation of production. Renovation-driven demand has also decreased, albeit to a lesser extent than new construction.

The ramp-up of production with the spindleless veneer peeling line currently under construction at the plywood mill began as planned in September, and the deployment of the new line is scheduled for the beginning of December. The new veneer peeling line will significantly improve material efficiency and enhance our ability to use valuable wood raw material as efficiently as possible. In Hirvensalmi, we are investing in a new thin plywood press, as well as various measures to improve energy efficiency. These will make production more efficient, increase the share of renewable energy and reduce the amount of purchased energy.

The commercial production of Zero, the world's first completely wood-based furniture board, began in the autumn. The positive feedback we have received from our customers drives us forward in the development of completely wood-based materials and products. From November onwards, our birch plywood and panel products will be even more sustainably produced as the solar power plant to be completed in the vicinity of the production plant starts to generate electricity for the plywood and particle board mills located in Järvelä.

The purchase prices of softwood logs have levelled off and turned to a slight decrease, but the price level is still very high relative to the market price of sawn timber. The price of birch raw material has remained at the previous high level. The supply of raw material for both the Sawn Timber Industry segment and the Panel Industry segment has gone according to plan in spite of the situation.

In October, Koskisen launched KoskiReppu, a new online service for forest owners, which provides versatile tools for the management of forest assets. The service enables users to browse forest resources data for their properties, view other forest-related documents – such as documents related to the timber trade – and manage their KoskiRaha account. The new service has attracted interest among forest owners, and the number of KoskiReppu users has increased steadily. We intend to continue to develop the online service to provide forest owners with even better service and to distribute forest-related data in the most diverse manner possible.

Market situation

Russia's war of aggression in Ukraine also has an impact on the timber products market. In the Panel Industry segment, this is reflected in birch plywood, which is an important raw material whose supply has fallen sharply in Europe. The demand for birch plywood will significantly exceed the supply in the near future, which has also been favourably reflected in the demand for Koskisen's products. Due to the ban on the import of raw materials from Russia, the availability of domestic birch logs remains tight. In addition, inflation gives rise to general uncertainty.

Increased economic uncertainty and the resulting reduction in construction activity led to a decrease in the demand for, and the price of, softwood sawn timber starting from the third quarter of 2022 and the sales prices continued their downward trend. Koskisen has managed to keep production running normally thanks to active sales efforts. The purchase prices of softwood logs have levelled off and turned to a slight decrease, but the price level is still too high relative to the market price of sawn timber. The price of birch raw material has remained at the previous high level.

Sustainability-related themes will increase Koskisen's relevant markets in the long term. The green transition in construction and the related regulations are the primary drivers of growth for sawn timber products. A significant part of Koskisen's sawn timber is used in construction, binding carbon for a long time. Birch plywood, in turn, is widely used as a renewable raw material in commercial and transport vehicles, as well as various construction and interior decoration solutions. In addition to being used in construction, approximately half of Koskisen's chipboard products are used in furniture and furnishings, for which wood is a responsible, sustainable and increasingly sought-after material.

The global demand for softwood sawn timber is expected to grow by an average of 1.9 per cent per year until 2030, using 2021 as the baseline. Demand in the birch plywood market, on the other hand, is expected to grow globally by 2.3 per cent between 2022 and 2030.

Economic development

July–September 2023

Consolidated revenue declined in July–September and amounted to EUR 55.6 (67.4) million. The decrease in revenue was mainly due to the downward trend in the price of sawn timber and the Panel Industry segment's decreased delivery volumes compared to the reference period.

Adjusted EBITDA declined to EUR 1.4 (11.3) million. The decrease in EBITDA was mainly due to the falling prices of sawn timber, the high price of wood raw material and the decreased delivery volumes of the Panel Industry segment.

Operating profit came to EUR -1.0 (8.3) million. Depreciation, amortisation and impairment amounted to EUR 2.3 (2.0) million. Profit before income tax amounted to EUR -1.3 (8.8) million, and income tax for the period amounted to EUR -0.4 (1.7) million. The profit for the financial period came to EUR -1.0 (7.1) million, and earnings per share were EUR -0.04 (0.40).

January–September 2023

Consolidated revenue declined in January–September and amounted to EUR 202.6 (240.2) million. The decrease in revenue was mainly due to the fall in the prices of sawn timber and volumes being lower than in the comparison period in both the Sawn Timber Industry segment and the Panel Industry segment.

Adjusted EBITDA declined to EUR 27.7 (55.5) million. The decrease in EBITDA was mainly due to lower volumes and the negative development of the market prices of sawn timber. The prices of wood raw material have remained high.

Operating profit came to EUR 21.4 (50.3) million. Depreciation, amortisation and impairment amounted to EUR 6.3 (6.1) million. Profit before income tax amounted to EUR 21.3 (50.9) million, and income tax for the period amounted to EUR 3.6 (9.9) million. The profit for the financial period came to EUR 17.6 (41.0) million, and earnings per share were EUR 0.77 (2.34).

Balance sheet, cash flow and financing

At the end of the review period, Koskisen's equity ratio was 55.2 (45.7) per cent, and gearing was -5.9 (13.4) per cent.

Cash flow from operating activities for January–September amounted to EUR 8.0 (30.5) million. The effect of the change in working capital was EUR -13.5 (1.3) million. The change in net working capital was mainly due to normal periodic fluctuation. In addition, the figures for accounts payable at year-end 2022 included certain IPO-related items. Cash flow from financing activities amounted to EUR -14.5 (-11.8) million. Cash flow from investment activities came to EUR -30.7 (-13.4) million.

Interest-bearing liabilities at the end of the period amounted to EUR 59.0 (59.7) million, and liquid assets totalled EUR 67.5 (46.3) million. Interest-bearing net liabilities amounted to EUR -8.5 (13.4) million.

Koskisen's liquidity has remained strong. At the end of the review period, available liquidity amounted to EUR 67.5 (46.3) million, comprising cash and cash equivalents of EUR 37.3 (36.4) million, deposits of EUR 20.0 (0.0) million and fund investments of EUR 10.1 (9.8) million.

Investments

Gross investments amounted to EUR 4.3 (9.1) million for July–September and to EUR 19.0 (21.2) million for January–September. The construction of the new sawmill in Järvelä accounted for a significant proportion of the investments. At the end of the review period, advance payments and construction in progress included EUR 11.6 million related to the construction of the new sawmill, with EUR 18.1 million in items related to the construction of the new sawmill transferred to completed investments during the review period.

Sawn Timber Industry

The main products of the Sawn Timber Industry segment are traditional sawn timber, refined planed timber and painted cladding products. In wood procurement, the most important types of wood are softwood and birch logs. Bioenergy from logging residues and plant by-products is produced for Koskisen's leased and other nearby heat and power plants.

EUR million	7-9 2023	7-9 2022	Change, %	1-9 2023	1-9 2022	Change, %	1-12 2022
Revenue (external)	24.9	32.8	-24.1	86.6	130.0	-33.3	165.4
EBITDA	-1.0	6.1	-115.6	2.3	38.9	-94.1	41.6
EBITDA, %	-3.8	18.6		2.7	30.0		25.1
Personnel at the end of the period	182	184	-1.1	182	184	-1.1	190
Deliveries of sawn timber and processed products, 1,000 m ³	59.3	62.5	-5.0	199.4	226.3	-11.9	304.2

Financial and operational development in July–September

Revenue decreased to EUR 24.9 (32.8) million. The decrease in revenue was mainly due to the downward trend in the prices of sawn timber, the reduction in construction activity, and the somewhat lower volume when compared to the reference period. The reduction in volume was entirely due to the elimination of the production volumes of the previously leased Kissakoski sawmill, which were included in the revenue figure for the comparison period. The lease for the Kissakoski sawmill expired at the end of July 2022.

EBITDA decreased to EUR -1.0 (6.1) million. The decrease in EBITDA was mainly due to lower selling prices and the imbalance between the prices of sawn timber and wood raw material. The price of the existing inventory of wood was still high in spite of the purchase prices of wood levelling off in recent times, and this had a negative effect on profitability in the third quarter. The EBITDA margin was -3.8 (18.6) per cent.

The sales prices of sawn timber trended down in the third quarter. The demand for sawn timber has remained moderate in spite of decreasing inventories of the industry. The tepid demand is related particularly to the weakened demand in the construction sector.

The production of sawn timber products at the new sawmill started at the beginning of July, as planned. Production runs with gradually increased capacity have been carried out as planned. The cumulative production volumes are slightly behind the target. The new sawmill is expected to be operating at full capacity by early 2024. The new unit will significantly improve the productivity of the Sawn Timber Industry segment from the beginning of next year.

The prices of softwood logs turned to a slight decrease in the autumn. In spite of the downward trend, the prices of wood raw material remain high. In wood procurement, the raw material reserves have been at a good level and the supply of raw materials from our own procurement has gone according to plan.

In the bioenergy market, demand has remained strong, and the scarcity of energy fractions has been reflected in the further strengthening of market prices.

Financial and operational development in January–September

Revenue decreased to EUR 86.6 (130.0) million.

EBITDA decreased to EUR 2.3 (38.9) million.

The slowdown in the construction sector was clearly evident in the declining demand for the sawn timber products produced by the Sawn Timber Industry segment. The production of sawn timber continued normally in spite of the weakened demand, and inventory levels remained low thanks to active sales efforts.

Panel Industry

The main products of the Panel Industry segment are birch plywood, chipboard, thin plywood and veneer. Ready-made solutions for van interiors are offered under the Kore brand.

EUR million	7–9 2023	7–9 2022	Change, %	1–9 2023	1–9 2022	Change, %	1–12 2022
Revenue (external)	30.5	34.5	-11.6	115.9	110.2	5.2	152.1
EBITDA	2.6	6.2	-58.4	24.6	19.9	23.8	29.3
EBITDA, %	8.5	18.1		21.3	18.1		19.2
Personnel at the end of the period	641	637	0.6	641	637	0.6	637
Deliveries of panel products (excl. Kore), 1,000 m ³	26.9	37.0	-27.2	150.5	174.9	-14.0	163.7

Financial and operational development in July–September

Revenue decreased to EUR 30.5 (34.5) million. The decrease in revenue was mainly due to decreased delivery volumes compared to the reference period. Sales prices have remained good, which mitigates the effect of the lower delivery volumes.

EBITDA declined to EUR 2.6 (6.2) million. The decrease in EBITDA was mainly due to lower delivery volumes and high raw material prices. The price of birch raw material remained high, and this had a negative effect on profitability in the third quarter. The EBITDA margin was 8.5 (18.1) per cent.

The demand for birch plywood products levelled off in the third quarter due to increased general uncertainty. The uncertainty and weakened economic activity have the strongest impact on the demand for chipboard, although it has stabilised at its current level. In the Kore business, demand has remained steady.

The market situation for birch raw material has remained tight, but the supply of raw material for production has been sufficient and in line with plans. The company's own measures to enhance the utilisation of raw material are progressing according to plan: the ramp-up of the new veneer peeling line began in September as planned, and the deployment of the line is moving ahead on schedule. The aim is to deploy the new line in late 2023.

The commercial production of Zero, the world's first completely wood-based furniture board, began in the autumn. The new furniture board has been well-received in the market and the company will continue its active sales efforts related to the product. However, due to the general economic uncertainty the growth in the volumes of Zero will be slow.

A new thin plywood press was deployed at the Hirvensalmi production unit at the beginning of September. The replacement investment increases thin plywood press capacity by approximately a quarter, makes it possible to expand the product offering and improves product quality. It also improves the energy efficiency of production and enables the use of renewable energy.

Financial and operational development in January–September

Revenue increased to EUR 115.9 (110.2) million.

EBITDA improved to EUR 24.6 (19.9) million.

The downturn in construction was clearly reflected in the construction-related customer segments of the Panel Industry segment. The prevailing general uncertainty also begun to be reflected in other end uses. In the vehicle industry, there was still basic demand for fleet replacement, but new investments in increased capacity remained cautious.

Strategy

Koskisen's strategy is the cornerstone of all of the company's operations. The key themes of the strategy are Quality has a name, Creative and agile challenger, The best carbon narrative, Here for the customer and Proud of its roots. Koskisen's growth is based on close customer relationships, quality, responsibility and agility, which are key focus areas in the strategy.

The new sawmill, systematic product development, organic and inorganic growth, and ensuring the sales organisation's competence and capability are key strategic measures for the strategy period concluding at the end of 2027.

Financial objectives

Koskisen's Board of Directors has confirmed the following long-term financial targets extending over the business cycle, which the company aims to achieve by the end of 2027.

Growth	Revenue of EUR 500 million, including both organic and inorganic growth.
Profitability	Adjusted EBITDA margin averaging 15 per cent over the cycle.
Balance sheet	Maintaining a strong balance sheet.
Dividend policy	Attractive dividend of at least one-third of the net profit each year.

Personnel

The Koskisen Group had an average of 906 (914) employees in July–September 2023 and 895 (894) employees at the end of September.

Short-term risks and uncertainties

The Group's most significant short-term risks are related to the availability of raw materials and the management of price changes, the general weakening of the market situation and its effect on market demand, the solvency of customers and the purchasing power of consumers, the delivery capability of suppliers and service providers, the labour market situation, the seasonality of operations, changes in business areas and customer relationships, and the success of the ramp-up of production at the new sawmill. More information on Koskisen Corporation's risks and uncertainties is provided on pages 73–76 of the Annual Report 2022 and in note 3 to the financial statements, starting from page 102.

Russia's military operations

Koskisen stopped importing wood from Russia in March 2022. Since then, wood has been procured entirely from Finland. In 2022, 1.4 per cent of the raw material (birch) was imported from Russia.

The end of imports from Russia has kept the wood market situation tight in Finland, mainly with regard to pulpwood and forest converted chips. The procurement of birch raw material from Finland has been fairly successful.

EU sanctions on Russia affect the supply of sawn timber and birch plywood on the market, significantly restricting it.

The process of winding down Koskisen's logistics and timber procurement company in Russia was completed in November 2023. The share of Russian operations in the Group's revenue was small, approximately 0.1 per cent of the Group's revenue, and the financial impact of the closure of operations was minor. The Russian unit had one employee. After this, the company has no operations in Russia.

Shares and ownership

Koskisen's share capital amounts to EUR 1,512,000. On 30 September 2023, the total number of issued shares was 23,011,659 and the total number of outstanding shares was 23,010,573. The company has one series of shares. One share carries one vote at the general meeting. The shares have no nominal value. The company's shares have been listed on Nasdaq Helsinki Oy as of 1 December 2022.

Treasury shares

The company holds 1,086 treasury shares.

Share price and turnover

A total of 1,284,274 of the company's shares were traded on the Helsinki Stock Exchange between 1 January and 30 September 2023, corresponding to 5.6 per cent of the total number of shares. The highest share price was EUR 6.80 and the lowest EUR 6.00. The average price of the shares traded was EUR 6.44. The share turnover was EUR 8,265,267. At the end of the review period, the market capitalisation of the company was EUR 143,592,752.

Flagging notifications

The company did not receive any flagging notifications during the third quarter of 2023.

Sustainability and reporting of non-financial indicators

In its strategy, Koskisen is committed to promoting the green transition throughout the value chain, from raw material sourcing to final products. The most important sustainability measures at Koskisen are primarily related to the material and raw material efficiency of its own operations and production, as well as products made from renewable raw materials that bind carbon for a long time.

In raw material procurement, Koskisen invests in the sustainable use of forests. Product development emphasises material efficiency and fossil-free raw materials. In recent years, Koskisen has invested heavily in the use of renewable energy; in 2022, the share of biofuel in Koskisen's heat production was 96 per cent. The utilisation of our own by-products as raw material in production and energy production, as well as the long life of the manufactured wood products, enable the "Best carbon narrative" in accordance with the strategy.

Koskisen has identified three key sustainability themes for its business: 1) a healthy environment, 2) fair partnerships, and 3) meaningful work. Koskisen reports on its efforts related to these sustainability themes, as well as the company's performance indicators related to sustainability perspectives, in its Sustainability Report 2022.

Annual General Meeting 2023

Koskisen Corporation's Annual General Meeting was held on 11 May 2023 in Helsinki. The General Meeting adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial year 2022. The General Meeting approved the remuneration policy for the company's governing bodies and the remuneration report for the financial year 2022.

Resolution on the use of the profit shown on the balance sheet

The General Meeting decided that a dividend of EUR 0.43 per share be paid based on the adopted balance sheet for the financial year 2022 and that the profit be recorded in retained earnings. The record date for the payment of the dividend was 15 May 2023, and the dividend was paid on 23 May 2023.

Remuneration of the members of the Board of Directors

The General Meeting decided that the remuneration of the Board of Directors would be as follows: the remuneration of the Chairman of the Board of Directors shall be EUR 5,000 per month and the other members EUR 2,500 per month. The remuneration of the Chairman of the Audit Committee shall be EUR 3,500 per month.

In addition, the Chairman of the Board of Directors shall be paid a meeting fee of EUR 1,000 per meeting and the other members a fee of EUR 500 per meeting. Equivalent meeting fees shall also be paid for the meetings of the Board of Directors' committees. No fee shall be paid for decisions made without convening a meeting.

Compensation for expenses shall be paid in accordance with the company's valid travel policy.

Composition of the Board of Directors

The Annual General Meeting confirmed the number of members of the Board of Directors as six (6).

Kari Koskinen, Eva Wathén, Kalle Reponen and Hanna Sievinen were re-elected as members of the Board of Directors, and Pekka Kuusniemi and Hanna Masala were elected as new members.

Pekka Kuusniemi was elected as the Chairman of the Board of Directors.

Election of the auditor and the auditor's remuneration

The Annual General Meeting decided to re-elect the authorised public accountant firm PricewaterhouseCoopers Oy as the company's auditor. PricewaterhouseCoopers Oy has indicated that it will appoint Markku Launis, Authorised Public Accountant, as the principally responsible auditor of the company. The Annual General Meeting decided to pay the auditor's fees according to an invoice approved by the company.

Authorisations granted to the Board of Directors

The Annual General Meeting decided to grant to the Board of Directors the authorisations described in the notice to the Annual General Meeting with regard to authorising the Board of Directors to resolve on the repurchase of company's own shares and authorising the Board of Directors to resolve on a share issue and the granting of options and other special rights entitling to shares as referred to in Chapter 10, Section 1 of the Finnish Companies Act. The authorisations are valid until 30 June 2024.

The organisational meeting of the Board of Directors

In the organisational meeting held after the Annual General Meeting, the Board of Directors elected Kari Koskinen as its Vice Chairman.

The following persons were elected as members of the Board of Directors' Audit Committee: Hanna Sievinen as Chairman and Eva Wathén and Hanna Masala as members.

Short-term outlook

The development of the global economy is subject to considerable uncertainty in the short term. Higher financing costs, cost inflation, the labour market situation and general uncertainty are affecting the demand for Koskisen's products. Forecasting the development of demand is also hampered by the end of deliveries of sawmill and plywood products from Russia and lower production volumes in Central Europe and Canada.

However, in the long term, the demand for wood-based products is expected to grow, as the use of wood-based products in construction and logistics solutions is preferred on ecological grounds.

Events following the review period

The company had no significant events after the period.

Helsinki, 17 November 2023

Board of Directors of Koskisen Corporation

Financial information

Part corresponding to IAS 34

Consolidated statement of comprehensive income

EUR thousand	Note	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Revenue	2	55,493	67,405	202,573	240,208	317,651
Other operating income	3	212	75	2,671	3,477	4,316
Changes in inventories of finished goods and work in progress		1,456	-1,614	3,245	1,021	-634
Change in fair value of forest assets		64	48	257	-7	-19
Materials and services		-36,707	-34,649	-116,281	-120,642	-161,770
Employee benefit expenses		-10,427	-10,180	-35,312	-34,193	-46,269
Depreciation, amortisation and impairments		-2,308	-1,998	-6,348	-6,116	-8,083
Other operating expenses		-8,751	-10,769	-29,401	-33,425	-47,025
Operating profit (loss)		-966	8,319	21,404	50,324	58,168
Finance income	7	1,047	1,525	2,995	4,860	5,998
Finance costs	7	-1,394	-1,022	-3,142	-4,321	-6,408
Finance costs, net		-346	503	-147	539	-410
Profit (loss) before income tax		-1,313	8,822	21,257	50,863	57,757
Income tax expense		353	-1,715	-3,609	-9,911	-11,784
Profit (loss) for the period		-959	7,107	17,647	40,952	45,973
Other comprehensive income						
Items that may be reclassified to profit or loss						
Translation differences		-163	-342	-17	133	186
Other comprehensive income for the period, net of tax		-163	-342	-17	133	186
Total comprehensive income for the period		-1,122	6,766	17,631	41,085	46,159
Profit (loss) for the period attributable to:						
Owners of the parent		-959	7,112	17,647	34,725	39,746
Non-controlling interests		-	-5	-	6,227	6,227
Profit (loss) for the period		-959	7,107	17,647	40,952	45,973
Total comprehensive income for the period attributable to:						
Owners of the parent company		-1,122	6,766	17,631	34,854	39,929
Non-controlling interests		-	-	-	6,230	6,230
Total comprehensive income		-1,122	6,766	17,631	41,085	46,159
Earnings per share for profit attributable to the ordinary equity holders of the parent company:						
Basic earnings per share, EUR	6	-0.04	0.40	0.77	2.34	2.48
Diluted earnings per share, EUR	6	-0.04	0.40	0.76	2.33	2.47

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

EUR thousand	Note	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
ASSETS				
Non-current assets				
Property, plant and equipment	5	86,104	72,221	76,275
Forest assets		2,986	2,744	2,731
Right-of-use assets		26,228	23,314	22,702
Intangible assets		1,313	844	923
Financial assets at fair value through profit or loss	7	1,401	1,373	1,752
Other receivables		18	2	79
Deferred tax assets		106	58	129
Total non-current assets		118,156	100,556	104,590
Current assets				
Inventories		36,924	35,058	34,174
Trade receivables	7	28,868	30,964	25,541
Other receivables		7,665	7,291	9,534
Financial assets at fair value through profit or loss	7	10,140	9,820	9,892
Income tax receivables		2,394	9	354
Deposits	7	20,000	-	-
Cash and cash equivalents	7	37,350	36,447	74,527
Total current assets		143,341	119,589	154,022
TOTAL ASSETS		261,497	220,145	258,612
EQUITY AND LIABILITIES				
Equity				
Share capital	6	1,512	1,512	1,512
Legal reserve		16	16	16
Reserve for invested unrestricted equity	6	73,843	43,597	73,843
Treasury shares	6	-3	-	-
Cumulative translation difference		-208	-244	-191
Retained earnings		51,225	20,733	20,886
Result for the period		17,647	34,725	39,746
Total equity attributable to owners of the parent company		144,032	100,339	135,811
Non-controlling interests		-	-	-
Total equity		144,032	100,339	135,811
Liabilities				
Non-current liabilities				
Borrowings	7	27,427	19,696	24,150
Lease liabilities	7	23,821	26,706	25,294
Derivative liabilities	7	-	483	-
Defined benefit obligations		3,262	3,892	3,020
Other payables		-	0	0
Deferred tax liabilities		4,352	2,622	3,734
Provisions		98	88	100
Total non-current liabilities		58,960	53,486	56,299
Current liabilities				
Borrowings	7	5,726	11,206	4,500
Lease liabilities	7	2,043	2,098	2,015
Advances received		575	748	756
Trade payables	7	25,655	27,671	32,263
Trade payables, payment scheme	7	7,594	7,318	7,316
Other payables		16,713	17,003	19,501
Income tax liabilities		61	275	130
Provisions		36	-	20
Total current liabilities		58,504	66,320	66,501
Total liabilities		117,465	119,806	122,800
TOTAL EQUITY AND LIABILITIES		261,497	220,145	258,612

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

Attributable to owners of the parent company									
EUR thousand	Share capital	Legal reserve	Reserve for invested unrestricted equity	Treasury shares	Cumulative translation difference	Retained earnings	Total equity attributable to owners of the parent company	Equity attributable to non-controlling interest	Total equity
Equity at Jan 1, 2023	1,512	16	73,843	-	-191	60,631	135,811	-	135,811
Profit (loss) for the period	-	-	-	-	-	17,647	17,647	-	17,647
Other comprehensive income for the period									
Cumulative translation difference	-	-	-	-	-17	-	-17	-	-17
Total comprehensive income	-	-	-	-	-17	17,647	17,631	-	17,631
Transactions with owners:									
Dividend distribution	-	-	-	-	-	-9,895	-9,895	-	-9,895
Share based compensation	-	-	-	-	-	488	488	-	488
Acquisition of treasury shares	-	-	-	-3	-	-	-3	-	-3
Total transactions with owners	-	-	-	-3	-	-9,407	-9,410	-	-9,410
Equity at Sep 30, 2023	1,512	16	73,843	-3	-208	68,872	144,032	-	144,032

Attributable to owners of the parent company									
EUR thousand	Share capital	Legal reserve	Reserve for invested unrestricted equity		Cumulative translation difference	Retained earnings	Total equity attributable to owners of the parent company	Equity attributable to non-controlling interest	Total equity
Equity at Jan 1, 2022	1,512	16	0		-374	34,486	35,641	23,179	58,820
Profit (loss) for the period	-	-	-		-	34,725	34,725	6,227	40,952
Other comprehensive income for the period									
Cumulative translation difference	-	-	-		130	-	130	3	133
Total comprehensive income	-	-	-		130	34,725	34,854	6,230	41,085
Transactions with owners:									
Share issue (merger)	-	-	43,252		-	-13,842	29,409	-29,409	-
Directed share issue, personnel offering	-	-	345		-	2	347	-	347
Share based compensation	-	-	-		-	88	88	-	88
Total transactions with owners	-	-	43,597		-	-13,752	29,844	-29,409	435
Equity at Sep 30, 2022	1,512	16	43,597		-244	55,459	100,339	-	100,339

Attributable to owners of the parent company

EUR thousand	Note	Share capital	Legal reserve	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total equity attributable to owners of the parent company	Equity attributable to non-controlling interest	Total equity
Equity at Jan 1, 2022		1,512	16	-	-374	34,486	35,641	23,179	58,820
Profit (loss) for the period		-	-	-	-	39,746	39,746	6,227	45,973
Other comprehensive income for the period									
Cumulative translation difference		-	-	-	183	-	183	3	186
Total comprehensive income		-	-	-	183	39,746	39,929	6,230	46,159
Transactions with owners:									
Share issue (merger)		-	-	43,252	-	-13,842	29,409	-29,409	-
Directed share issue, personnel offering		-	-	345	-	-	345	-	345
Share based compensation		-	-	-	-	242	242	-	242
Share issue		-	-	32,029	-	-	32,029	-	32,029
Transaction costs related to share issue		-	-	-1,783	-	-	-1,783	-	-1,783
Total transactions with owners		-	-	73,843	-	-13,601	60,242	-29,409	30,833
Equity at Dec 31, 2022		1,512	16	73,843	-191	60,631	135,811	-	135,811

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

EUR thousand	Note	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Cash flow from operating activities						
Profit (loss) for the period		-959	7,107	17,647	40,952	45,973
Adjustments:						
Depreciation, amortisation and impairment		2,308	1,998	6,348	6,116	8,083
Change in the fair value of the forest assets		-64	-48	-257	7	19
Gains and losses from sale of subsidiaries	3	-	-	-	-2,209	-2,209
Gains and losses from sale of non-current assets	3	6	36	-269	10	-396
Interest and other financial income and expense	7	346	-503	147	-539	410
Income taxes		-353	1,715	3,609	9,911	11,784
Change in other long-term employee benefits		53	67	160	200	-678
Other adjustments		176	88	479	88	238
Adjustments total		2,471	3,352	10,217	13,583	17,251
Changes in net working capital:						
Change in trade on other receivables		-1,882	1,777	-2,012	-2,263	661
Change in trade and other payables		9,026	3,112	-8,768	968	8,120
Change in inventories		-5,148	1,550	-2,728	2,551	3,527
Utilised provision		-27	-11	18	-32	1
Interest received		290	1	911	2	163
Interest paid		-595	-959	-2,472	-8,075	-9,227
Other financial items received		-189	-153	383	151	163
Arrangement fees and other financing costs paid		567	644	-77	-359	-1,080
Income taxes paid		-2,036	-1,557	-5,082	-17,008	-18,326
Net cash flow from operating activities		1,519	14,864	8,036	30,470	47,225
Cash flow from investing activities						
Purchases of property, plant and equipment and intangible assets	5	-4,253	-6,635	-11,495	-16,615	-22,046
Proceeds from sale of non-current assets		-6	-83	945	47	491
Payments for financial assets at fair value through profit or loss		-	-	-10,000	-	-
Proceeds from financial assets at fair value through profit or loss		-	-	9,892	-	-
Investments in deposits		-15,000	-	-35,000	-	-
Repayment of deposits		10,000	-	15,000	-	-
Proceeds from sale of subsidiary		-	-	-	3,136	3,136
Net cash from investing activities		-9,259	-6,718	-30,658	-13,432	-18,418
Cash flow from financing activities						
Proceeds from issue of shares		-	-	-	-	30,591
Acquisition of treasury shares	6	-3	-	-3	-	29,000
Proceeds from borrowings	7	0	3,000	0	22,000	29,000
Repayment of borrowings	7	-	-	-2,000	-35,000	-43,988
Proceeds from a change in a lease contract	7	-	3,000	-	3,000	3,000
Repayments of lease liabilities	7	-748	-909	-2,610	-1,800	-3,511
Paid dividends		-	-	-9,895	-	-
Net cash from financing activities		-751	5,091	-14,509	-11,800	15,092
Net change in cash and cash equivalents		-8,491	23,697	-37,130	5,239	43,898
Cash and cash equivalents at the beginning of the period		45,904	23,185	74,527	30,538	30,538
Effects of exchange rate changes on cash and cash equivalents		-63	26	-47	671	91
Cash and cash equivalents at the end of period		37,350	36,447	37,350	36,447	74,527

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Interim report

1. General information and basis of preparation

The group's interim financial information concerning Koskisen Corporation and its subsidiaries (Koskisen, the group) has been prepared in accordance with IAS 34 Interim Financial Reporting standard and the preparation principles presented in the group's 2022 financial statements. The reforms and annual improvements to the IFRS standards that entered into force on 1 January 2023 do not have a significant impact on the figures presented. The interim financial information does not include all the supplementary information presented in the consolidated financial statements for the period ended 31 December 2022, and the interim information must be read together with the consolidated financial statements.

The preparation of interim information requires management to use estimates and exercise judgements, which have an impact on the application of the accounting policies and the amounts of assets, liabilities, income and expenses presented. The actual results may differ from these estimates. When preparing the interim data, the significant accounting estimates, and judgment-based decisions made by the management are the same as those applied in the consolidated financial statements prepared for the financial year ended 31 December 2022.

All amounts presented have been rounded, and therefore the sum of individual figures may deviate from the presented total figure.

The Interim report is unaudited.

2. Segment information and revenue

Revenue by segments

EUR thousand	Jul 1 - Sep 30, 2023			Jul 1 - Sep 30, 2022			Jan 1 - Sep 30, 2023			Jan 1 - Sep 30, 2022			Jan 1 - Dec 31, 2022		
	External	Internal	Total	External	Internal	Total	External	Internal	Total	External	Internal	Total	External	Internal	Total
Panel industry	30,534	1	30,535	34,543	-	34,543	115,868	5	115,872	110,167	1,873	112,040	152,111	1,873	153,984
Sawn timber industry	24,936	5,290	30,226	32,833	4,901	37,734	86,644	18,645	105,289	129,960	18,084	148,044	165,426	23,637	189,063
Segments total	55,469	5,292	60,761	67,375	4,901	72,277	202,511	18,650	221,161	240,127	19,957	260,084	317,537	25,510	343,048
Other	24	122	146	30	110	140	62	447	509	81	423	503	114	581	695
Elimination of internal sales		-5,414	-5,414		-5,012	-5,012		-19,097	-19,097		-20,380	-20,380		-26,092	-26,092
Total	55,493	-	55,493	67,405	-	67,405	202,573	-	202,573	240,208	-	240,208	317,651	-	317,651

Revenue by geographical areas

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Finland	22,878	27,058	81,546	93,286	124,553
Japan	5,055	7,167	14,690	32,751	39,950
Germany	4,405	5,189	15,942	16,525	20,822
Poland	2,582	2,312	8,838	12,409	11,742
Other EU-countries	14,908	16,561	57,744	52,003	81,718
Other countries	5,665	9,117	23,812	33,233	38,866
Total	55,493	67,405	202,573	240,208	317,651

EBITDA by segments

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Panel sales	2,599	6,246	24,632	19,902	29,279
Sawn timber sales	-953	6,091	2,296	38,935	41,557
Segments total	1,646	12,337	26,929	58,837	70,835
Other ¹⁾	-305	-2,020	823	-2,560	-4,747
Eliminations	-	0	-	162	162
Total	1,341	10,317	27,751	56,440	66,251

¹⁾ Includes the fully owned subsidiary Kosava-Kiinteistöt Oy, which provides real estate management services to the parent company, as well as part of the group's centralised operations that are not allocated to segments.

Reconciliation of EBITDA to operating profit (loss)

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
EBITDA	1,341	10,317	27,751	56,440	66,251
Depreciation, amortisation and impairments	-2,308	-1,998	-6,348	-6,116	-8,083
Operating profit (loss)	-966	8,319	21,404	50,324	58,168

3. Other operating income

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Gain on the sale of subsidiary	-	-	-	2,209	2,209
Sale of emission allowances	-	-	1,616	567	765
Gains on disposal of property, plant and equipment	-6	-85	406	44	396
Grants received	68	-	120	166	350
Firewood sales to forest owners	45	66	213	194	281
Lease income	21	22	58	76	99
Other	84	73	259	221	215
Total	212	75	2,671	3,477	4,316

4. Share-based incentive plans

Share-based incentive plan 2022–2026

On 25 April 2022, the Board of Directors of Koskisen Corporation decided on a share-based incentive program in place for its key employees for the years 2022 to 2026. The incentive program consists of three three year earning periods, which are from 2022 to 2024, from 2023 to 2025 and from 2024 to 2026.

On 13 April 2023, the Board of Directors resolved on the criteria and targets as well as the key employees eligible for the incentive program for the second earning period. The members of the Group Executive Board, a total of seven people, are currently entitled to participate in the long-term share-based incentive program. The potential receipt and amount of the reward is based on the accumulated adjusted EBITDA from 1 January 2023 to 31 December 2025 and the person's continued employment with the company.

During the second earning period of the incentive program, the key employees eligible for the incentive program may earn a maximum of 215,000 shares (gross amount). From the total number of shares, Koskisen withholds the withholding tax corresponding to the income tax liability of the key employee and pays it to the tax authorities. The arrangement has a net settlement feature of tax obligations and is classified as an equity-settled share-based transaction in its entirety. The arrangement is treated as an equity-settled share-based transaction.

5. Property, plant and equipment

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Cost at Jan 1, 2023	2,734	61,241	95,078	6,061	26,741	191,854
Additions	33	4,835	857	40	13,251	19,017
Disposals	-61	-1,044	-628	-296	-4	-2,033
Reclassifications	0	14,895	788	2,085	-22,297	-4,529
Translation differences	1	21	-30	1	2	-6
Cost at Sep 30, 2023	2,707	79,947	96,066	7,891	17,693	204,303
Accumulated depreciation and impairment at Jan 1, 2023	-	-39,870	-71,297	-4,412	-	-115,579
Depreciation	-	-1,019	-2,698	-254	-	-3,971
Accumulated depreciation of disposals and reclassifications	-	722	628	9	-	1,359
Impairment	-	-	-35	-	-	-35
Translation differences	-	-3	29	-0	-	26
Accumulated depreciation and impairment at Sep 30, 2023	-	-40,170	-73,373	-4,657	-	-118,199
Carrying value at Jan 1, 2023	2,734	21,370	23,781	1,650	26,741	76,275
Carrying value at Sep 30, 2023	2,707	39,777	22,693	3,234	17,693	86,104

The additions during January to September amounted to EUR 19.0 (21.2) million and were mainly related to the construction of the new sawmill in Järvelä. At the end of the review period, advance payments and construction in progress include EUR 11.6 million related to the construction of the new sawmill, and EUR 18.1 million have been reclassified to completed investments.

In addition, advance payments and construction in progress include, for example, EUR 1.0 million related to the new channel dryer and EUR 0,9 million related to the new solar power plant.

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Cost at Jan 1, 2022	2,730	65,881	93,572	6,661	6,797	175,642
Additions	83	67	4,888	4	16,167	21,210
Disposals	-48	-4,357	-2,661	-707	-	-7,773
Reclassifications	-	477	521	-28	-970	-
Translation differences	-5	-88	82	-1	-11	-24
Cost at Sep 30, 2022	2,759	61,980	96,403	5,929	21,983	189,054
Accumulated depreciation and impairment at Jan 1, 2022	-	-44,186	-71,252	-5,063	-	-120,500
Depreciation	-	-793	-2,679	-181	-	-3,653
Accumulated depreciation of disposals and reclassifications	-	4,309	2,206	863	-	7,377
Translation differences	-	14	-73	1	-	-58
Accumulated depreciation and impairment at Jun 9, 2022	-	-40,656	-71,798	-4,379	-	-116,833
Carrying value at Jan 1, 2022	2,730	21,696	22,320	1,598	6,797	55,142
Carrying value at Sep 30, 2022	2,759	21,324	24,605	1,549	21,983	72,221

EUR Thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Cost at Jan 1 2022	2,730	65,881	93,572	6,661	6,797	175,642
Additions	81	435	4,803	34	21,267	26,621
Disposals	-84	-5,542	-3,996	-706	12	-10,316
Reclassifications	-	490	685	73	-1,329	-80
Translation differences	7	-24	15	-1	-8	-11
Cost at Dec 31, 2022	2,734	61,241	95,078	6,061	26,741	191,854
Accumulated depreciation and impairment at Jan 1, 2022	-	-44,186	-71,252	-5,063	-	-120,500
Depreciation	-	-1,063	-3,523	-215	-	-4,801
Accumulated depreciation of disposals and reclassifications	-	5,397	3,542	866	-	9,806
Impairment	-	-23	-54	-	-	-77
Translation differences	-	4	-11	0	-	-6
Accumulated depreciation and impairment at Dec 31, 2022	-	-39,870	-71,297	-4,412	-	-115,579
Carrying value at Jan 1, 2022	2,730	21,696	22,321	1,598	6,797	55,142
Carrying value at Dec 31, 2022	2,734	21,370	23,781	1,650	26,741	76,275

6. Equity and earnings per share

EUR thousand	Total number of shares outstanding (pcs)	Treasury shares (pcs)	Total number of issued shares	Share capital	Reserve for invested unrestricted equity
Jan 1, 2022	630	-	630	1,512	-
Free share issue (split)	6,299,370	-	6,299,370	-	-
Share issue (merger)	2,532,294	-	2,532,294	-	43,252
Directed share issue, personnel	57,509	-	57,509	-	345
Sep 30, 2022	8,889,803	-	8,889,803	1,512	43,252
Free share issue (split)	8,889,803	-	8,889,803	-	-
Listing share issue	5,223,053	-	5,223,053	-	30,246
Dec 31, 2022	23,002,659	-	23,002,659	1,512	73,498
Directed share issue without consideration, management	9,000	-	9,000	-	-
Acquisition of treasury shares	-1,086	1,086	-	-	-
Sep 30, 2023	23,010,573	1,086	23,011,659	1,512	73,498

Koskisen Corporation has one series of shares and all shares are equally entitled to dividends. One share carries one vote at the general meeting.

Koskisen Corporation acquired on 5 July 2023 a total of 1,086 shares of Koskisen Corporation in accordance with the terms of the minority shareholders' agreement with EUR 3.00 per share purchase price. Originally, the shares were subscribed in the personnel offering carried out in September 2022. In accordance with the terms of the minority shareholders' agreement, ownership of the shares issued in the personnel offering requires a valid employment relationship with the company. After the share acquisition, Koskisen Corporation holds 1,086 treasury shares.

On 7 February 2023, Koskisen Corporation's Board of Directors decided on a directed share issue without consideration to the company's CEO and CFO as part of the remuneration of management pursuant to the authorisation granted by the Extraordinary General Meeting of 31 October 2022. The issued shares were registered in the Trade Register on 16 February 2023. The total number of shares increased to 23,011,659 shares when 9,000 new shares were issued to the CEO and CFO. The value of the first instalment of the remuneration to the CEO for the completion of the IPO corresponds to 12,000 shares, half of which was paid in cash to cover withholding tax. The value of the first instalment of the remuneration to Koskisen's CFO corresponds to 6,000 shares, half of which was paid in cash to cover withholding tax.

The share issue without consideration did not impact the company's share capital or capital structure.

	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Earning per share					
Profit (loss) for the period attributable to the owners of the parent company (EUR)	-959,234	7,112,306	17,647,453	34,724,695	39,745,676
Weighted average number of shares outstanding during the period	23,010,632	17,665,838	23,010,060	14,850,928	16,043,440
Diluted weighted average number of shares outstanding during the period	23,183,475	17,715,808	23,182,903	14,900,898	16,069,899
Basic earnings per share (EUR)	-0.04	0.40	0.77	2.34	2.48
Diluted earnings per share (EUR)	-0.04	0.40	0.76	2.33	2.47

7. Financial assets and liabilities

EUR thousand	Fair value hierarchy level	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
		Carrying value	Carrying value	Carrying value
Financial assets measured at amortised cost				
Trade receivables	-	28,868	30,964	25,541
Deposits	-	20,000	-	-
Cash and cash equivalents	-	37,350	36,447	74,527
Total financial assets measured at amortised cost		86,218	67,411	100,068
Financial assets measured at fair value through profit or loss				
Money market funds	1	-	9,820	9,892
Capital redemption contracts	1	10,140	-	-
Derivatives	2	1,388	1,150	1,528
Other assets measured at fair value through profit or loss	3	14	223	223
Total financial assets measured at fair value through profit or loss		11,541	11,193	11,644
Financial liabilities measured at amortised cost				
Loans from financial institutions	2	33,153	23,696	28,650
Capital loans	3	-	7,206	-
Lease liabilities	-	25,864	28,804	27,309
Trade payables	-	25,655	27,671	32,263
Trade payables, payment system	-	7,594	7,318	7,316
Total financial liabilities measured at amortised cost		92,265	94,696	95,538
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	2	102	483	-
Total financial liabilities measured at fair value through profit or loss		102	483	-

The fair value of derivatives is estimated based on the present value of future cash flows, using market prices on the valuation date, and the fair value of fund investments and capital redemption contracts is estimated on the basis of counterparty quotes. Changes in the fair value of derivatives, fund investments and capital redemption contracts are recognised in financial income and expenses, which are detailed below. The most significant part of the changes in the fair value arises from derivatives, and they are mainly due to changes in market interest rates during the reporting period.

Changes in financial liabilities

The most significant change in financial liabilities during the review period is associated with an increase in a loan related to the sawmill project. The loan is recognised in the balance sheet in accordance with the project's percentage of completion.

The table below shows the maturity of the financial liabilities.

EUR thousand	Q4/2023	2024	2025	2026	2027	2028-	Total contractual cash flows	Carrying amount
Sep 30, 2023								
Loans from financial institutions ¹⁾	3,313	7,389	7,871	12,627	1,882	6,079	39,162	33,153
Lease liabilities	991	4,765	3,379	2,791	2,545	25,969	40,440	25,864
Trade payables	25,655	-	-	-	-	-	25,655	25,655
Trade payables, payment system ²⁾	7,744	-	-	-	-	-	7,744	7,594
Total	37,703	12,153	11,250	15,418	4,427	32,049	113,000	92,265

EUR thousand	Q4/2022	2023	2024	2025	2026	2027-	Total contractual cash flows	Carrying amount
Sep 30, 2022								
Loans from financial institutions ¹⁾	2,206	4,999	5,402	5,298	10,563	-	28,468	23,696
Capital loans 1)	243	7,231	-	-	-	-	7,473	7,206
Lease liabilities	1,171	4,022	3,766	3,380	2,811	30,736	45,886	28,804
Derivative liabilities	368	114	-	-	-	-	482	483
Trade payables	27,671	-	-	-	-	-	27,671	27,671
Trade payables, payment system ²⁾	7,318	-	-	-	-	-	7,318	7,318
Total	38,977	16,366	9,168	8,678	13,374	30,736	117,298	95,178

EUR thousand	2023	2024	2025	2026	2027	2028-	Total contractual cash flows	Carrying amount
Dec 31, 2022								
Loans from financial institutions ¹⁾	5,650	6,265	6,357	11,309	657	2,227	32,465	28,650
Lease liabilities	4,090	3,759	3,355	2,766	2,584	27,311	43,865	27,309
Trade payables	32,263	-	-	-	-	-	32,263	32,263
Trade payables, payment system ²⁾	7,316	-	-	-	-	-	7,316	7,316
Total	49,319	10,024	9,712	14,075	3,241	29,538	115,909	95,538

¹⁾ Included in Borrowings in the balance sheet

²⁾ Trade payables under the payment system are payable on demand, so the company reports them as short-term debt.

Finance income and costs

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Finance income					
Interest income	509	-1	1,590	-	163
Foreign exchange gains	268	462	794	1,117	1,470
Foreign currency gains on derivatives	97	-	97	878	1,161
Gains on interest rate derivatives	65	973	372	2,714	3,010
Other finance income	108	90	142	151	194
Total	1,047	1,525	2,995	4,860	5,998
Finance costs					
Interest expenses from lease liabilities	-503	-542	-1,570	-1,655	-2,254
Foreign exchange losses	-110	-10	-622	-364	-1,259
Interest expenses from borrowings	-405	-101	-405	-306	-421
Foreign currency losses on derivatives	-266	-439	-333	-1,082	-998
Net losses on interest rate derivatives	-58	134	-58	-71	-396
Other financial expenses	-51	-64	-155	-843	-1,081
Total	-1,394	-1,022	-3,142	-4,321	-6,408
Finance income and costs total	-346	503	-147	539	-410

8. Contingent liabilities and liability commitments

EUR thousand	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Liabilities for which collaterals have been given			
Loans from financial institutions	23,000	20,000	25,000
Account and guarantee limits in use at the balance sheet date			
Account limit	-	-	-
Guarantee limit	83	267	267
Real estate mortgages	307,200	307,200	307,200
Company mortgages	181,551	181,551	181,551
Guarantees			
Advance payment, delivery, etc.			
Guarantees	83	267	267

Koskisen has committed to a total of EUR 21.7 million in payments related to investments. The commitments are mainly related to the financing of the new sawmill in Järvelä, as well as investments in the new channel dryer, veneer peeling line and renewal of the beginning of the II-grading plant.

9. Related party transactions

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Shareholders with significant influence*					
Wages, salaries and pension costs	-16	-85	-67	-397	-439
Lease income	-	-	-	2	2
Income from sale of property, plant and equipment	-	-	800	-	400
Interest expense	-	-82	-	-239	-304
Total	-16	-167	733	-634	-341

*Includes shareholders with more than 10% ownership and their close family members

Balances with related parties

EUR thousand	Sep 30, 2023	Sep 30, 2022	Dec 31, 2022
Shareholders with significant influence			
Capital loan ¹⁾	-	4,536	-
Accrued interest of capital loan ¹⁾	-	236	-

1)Included in Borrowings in the balance sheet

During the review period, the company sold a property to a member of the Board of Directors, who is a related party of the company. The purchase price was based on external estimates.

Calculation formulas for key figures

Items affecting comparability are unusual material items outside the ordinary course of business that relate to (i) costs related to the Reorganisation, (ii) impairment charges, (iii) the gain or loss from the sale of businesses or significant fixed assets and (iv) costs related to the contemplated Listing. Items affecting comparability is presented to reflect the underlying business performance of Koskisen and to enhance comparability between periods. Koskisen believes that items affecting comparability provide meaningful supplemental information by excluding items outside the ordinary course of business that reduce comparability between periods.

EBITDA = Operating profit (loss) + Depreciation, amortisation and impairments

EBITDA is an indicator used to measure Koskisen's performance.

EBITDA margin, per cent =
$$\frac{\text{EBITDA}}{\text{Revenue}} \times 100$$

EBITDA margin is an indicator used to measure Koskisen's performance.

Adjusted EBITDA = EBITDA + Items affecting comparability

Adjusted EBITDA is an indicator used to measure Koskisen's performance. Adjusted EBITDA is presented in addition to EBITDA to reflect the underlying business performance and to enhance comparability between periods. Koskisen believes that adjusted EBITDA provides meaningful supplemental information by excluding items outside the ordinary course of business that reduce comparability between periods.

Adjusted EBITDA margin, per cent =
$$\frac{\text{Adjusted EBITDA}}{\text{Revenue}} \times 100$$

Adjusted EBITDA margin is an indicator used to measure Koskisen's performance. Adjusted EBITDA margin is presented in addition to EBITDA margin to reflect the underlying business performance and to enhance comparability between periods. Koskisen believes that adjusted EBITDA margin provides meaningful supplemental information by excluding items outside the ordinary course of business that reduce comparability between periods.

EBIT margin, per cent =
$$\frac{\text{Operating profit (loss)}}{\text{Revenue}} \times 100$$

EBIT margin is an indicator used to measure Koskisen's performance.

Adjusted EBIT = Operating profit (loss) + Items affecting comparability

Adjusted EBIT is an indicator used to measure Koskisen's performance. Adjusted EBIT is presented in addition to operating profit (loss) to reflect the underlying business performance and to enhance comparability between periods. Koskisen believes that adjusted EBIT provides meaningful supplemental information by excluding items outside the ordinary course of business that reduce comparability between periods.

$$\text{Adjusted EBIT margin, per cent} = \frac{\text{Adjusted EBIT}}{\text{Revenue}} \times 100$$

Adjusted EBIT margin is an indicator used to measure Koskisen's performance. Adjusted EBIT margin is presented in addition to EBIT margin to reflect the underlying business performance and to enhance comparability between periods. Koskisen believes that adjusted EBIT margin provides meaningful supplemental information by excluding items outside the ordinary course of business that reduce comparability between periods.

$$\text{Basic earnings per share, EUR} = \frac{\text{Profit (loss) for the period attributable to owners of the parent company}}{\text{Weighted average number of ordinary Shares outstanding during the period}}$$

Basic earnings per Share reflects the distribution of Koskisen's results to its shareholders.

$$\text{Diluted earnings per share, EUR} = \frac{\text{Profit (loss) for the period attributable to owners of the parent company}}{\text{Weighted average number of ordinary Shares outstanding during the period + Weighted average number of all dilutive instruments potentially to be converted into Shares}}$$

Diluted earnings per share reflects the distribution of Koskisen's results to its shareholders.

$$\text{Capital employed} = \text{Total assets} - \text{Current liabilities}$$

Capital employed reflects the capital tied to Koskisen's operations and it is used to calculate return on capital employed.

$$\text{Liquid assets} = \text{Current financial assets at fair value through profit or loss} + \text{Deposits} + \text{Cash and cash equivalents}$$

Liquid assets reflects the amount of cash and other assets that are readily convertible to cash.

Net debt = Borrowings + Lease liabilities - Liquid assets

Net debt is an indicator used to assess Koskisen's total external debt financing.

Net debt/EBITDA, ratio =
$$\frac{\text{Net debt}}{\text{EBITDA (last 12 months)}} \times 100$$

Net debt/EBITDA is an indicator used to assess the level of Koskisen's financial risk and the level of Koskisen's indebtedness.

Working capital = Inventories + Trade receivables + Other receivables - Advances received - Trade payables - Trade payables, payment system

Working capital is an indicator used to monitor the level of direct net working capital tied to Koskisen's operations.

Equity ratio, per cent =
$$\frac{\text{Total equity}}{\text{Total assets - Advances received}} \times 100$$

Equity ratio measures Koskisen's solvency and ability to meet its liabilities in the long term.

Gearing, per cent =
$$\frac{\text{Net debt}}{\text{Total equity}} \times 100$$

Gearing is a measure used to assess Koskisen's financial leverage.

Return on capital employed, per cent =
$$\frac{\text{Operating profit (loss) (last 12 months)}}{\text{Capital employed (average for the last 12 months)}} \times 100$$

Return on capital employed reflects the return of capital tied to Koskisen's operations.

The item "Borrowings" includes the Capital Loans.

Reconciliation of Alternative Performance Measures

The following table sets forth a reconciliation of the Alternative Performance Measures as at the dates and for the periods indicated:

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2023	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Items affecting comparability					
Costs related to the Reorganisation	32	48	32	321	430
The gain (-) or loss (+) from sale of businesses or significant fixed assets	-	-	-109	-2,209	-2,485
Costs related to the Listing	-	903	-	996	2,428
Items affecting comparability	32	952	-77	-892	373

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
EBITDA					
Operating profit (loss)	-966	8,319	21,404	50,324	58,168
Depreciation, amortisation and impairments	2,308	1,998	6,348	6,116	8,083
EBITDA	1,341	10,317	27,751	56,440	66,251

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
EBITDA margin					
EBITDA	1,341	10,317	27,751	56,440	66,251
Revenue	55,493	67,405	202,573	240,208	317,651
EBITDA margin, per cent	2.4 %	15.3 %	13.7 %	23.5 %	20.9 %

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Adjusted EBITDA					
Operating profit (loss)	-966	8,319	21,404	50,324	58,168
Depreciation, amortisation and impairments	2,308	1,998	6,348	6,116	8,083
Items affecting comparability	32	952	-77	-892	373
Adjusted EBITDA	1,374	11,269	27,674	55,548	66,624

EUR thousand	Jul 1 - Sep 30, 2023	Jul 1 - Sep 30, 2022	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2022	Jan 1 - Dec 31, 2022
Adjusted EBITDA margin					
Adjusted EBITDA	1,374	11,269	27,674	55,548	66,624
Revenue	55,493	67,405	202,573	240,208	317,651
Adjusted EBITDA margin, per cent	2.5 %	16.7 %	13.7 %	23.1 %	21.0 %