KOSKISEN

Koskisen

Annual Report 2022

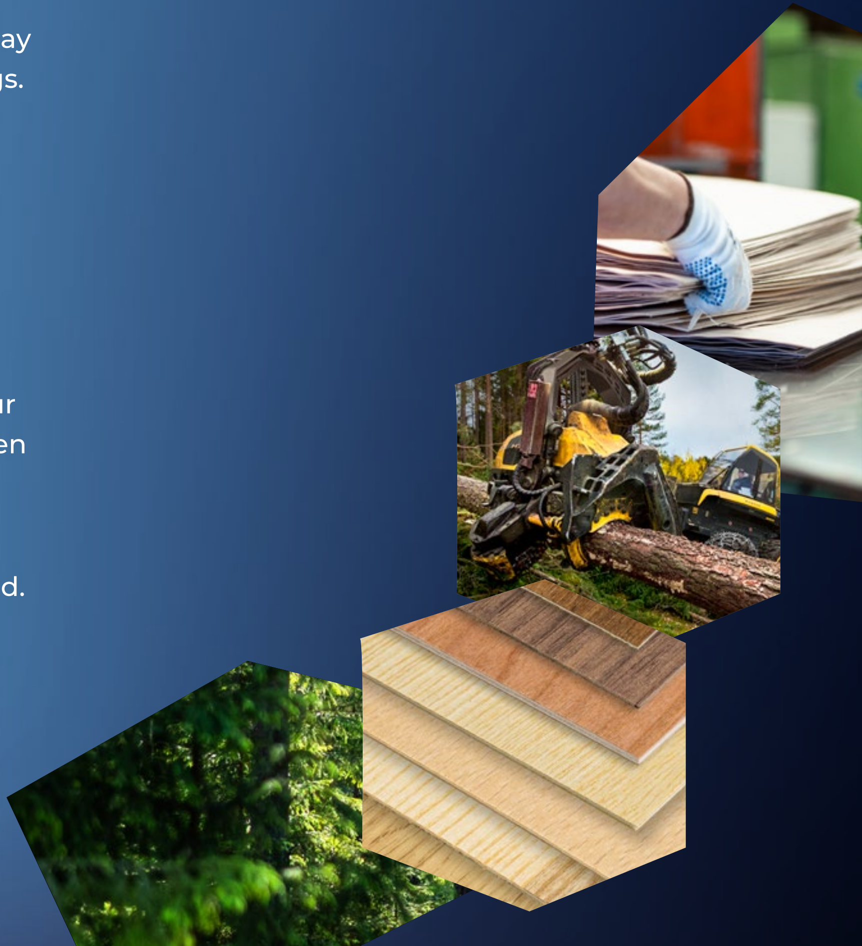
We call it Wood Wisdom

The forest is never-ending. Where trees become scarcer, giving way to other landscapes, the forest still continues its all-encompassing presence. The forest lives within us. Its presence is felt in the finances of forest owners, the Finnish economy and society at large. The forest benefits us in many ways. We walk on a wood parquet floor and open a wooden cupboard door. We play musical instruments made out of wood. The forest is part of the global economy and politics. The forest is part of our inner landscape. For some of us, it may even represent the higher ideas of what is important in the grand scheme of things. The forest is home to diverse creatures other than our species as well as other living systems. We are alive because there are forests.

In many ways, forests and our relationship with them are valuable phenomena. That is why it is wise to try to see the wider context: to see the forest for the trees and us as part of the world of woods.

At Koskisen, we develop wood products with a high refinement value in an intertwined and constantly changing world. In order to succeed, we must keep our senses alert and remain attentive – as befits the wilderness, which is becoming alien to society. We have a name for our comprehensive operations and the ability to manage as a team arising from an understanding of their preconditions.

We call it Wood Wisdom. It is needed, because forests are too valuable to be wasted.



KOSKISEN


KOSKISEN
OSKISEN

A wood product company for the new era

The year 2022 will be remembered at Koskisen forever. We were successfully listed on the Nasdaq Helsinki Ltd stock exchange, and in accordance with our strategy, we continue our path of growth from a sawmill business into a versatile wood product company for the new era. At Koskisen, we make quality that is appreciated all over the world and of which we are proud.

The courage to renew stems from the roots of our company. For over a hundred years we have developed our operations and changed from a local sawmill company into a versatile wood product company operating in the global market.

In 2022, we made the historic decision to list on the Nasdaq Helsinki stock exchange. The change from a family-owned company into a public limited company will enable us to achieve even more ambitious growth targets. With the biggest investment in the company's history, the state-of-the-art wood processing plant in Järvelä, we will be able to increase our production capacity to over 500,000 cubic metres in the long term, while significantly improving our productivity.

We hope that our company's first annual report as a listed company will provide all of our stakeholders with useful and interesting information. Together with you, we are moving towards becoming the most agile and creative company in the wood product industry.

The courage to renew stems from the roots of our company.

Record-high result, significant investments and IPO

I am proud and happy that 2022 was the best year in the company's history. The revenue for the full-year was EUR 317.7 million and the adjusted EBITDA was EUR 66.6 million. The record-high result further strengthens the company's financial position, and supports the implementation of the company's growth strategy.

Record-high result, significant investments and IPO

There has been a lot of demand for our high-quality wood processing products in Finland and internationally in several industries. Demand in the Panel Industry in 2022, especially in birch plywood products, remained strong, and this was reflected both in delivery volumes and further strengthened the average price of products. Demand for sawn timber continued to weaken as general market uncertainty increased, and prices were declining in the second half of the year.

The end of imports from Russia in March 2022 tightened the wood market situation in Finland, mainly with regard to pulpwood and forest converted chips. However, replacing the company's more central birch raw material with domestic supply has succeeded reasonably well. In general, the raw material reserves have been at a good level and our in-house supply of raw materials has gone according to plan. Koskisen only uses wood of Finnish origin in its production.

The Järvelä wood processing unit is expected to increase sawn timber's current annual production capacity of 300,000 cubic metres of sawn timber to 400,000 cubic metres starting from 2024.

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We are currently carrying out an investment of approximately EUR 50 million in a new wood processing unit in Järvelä. The implementation of the investment has progressed as planned and will be commissioned in phases, starting in summer 2023. The basis of the new wood processing unit is high efficiency and the optimum utilisation of raw wood materials. The unit will also significantly improve Koskisen's competitiveness in the sawn timber business; it will improve productivity and profitability. At the same time, it is an investment in our ability to serve our customers even better, especially in markets that require high quality, such as Japan.

We also invested in material efficiency at the plywood factory in Järvelä by building a new spindleless veneer peeling line. The new veneer peeling line improves the efficiency of the use of wood raw material and improves the possibilities of using a smaller log diameter in the manufacture of veneer. The value of the investment is approximately EUR 2 million. The objective is to have the new line in production use in late 2023.

In its operations, Koskisen systematically invests in solutions that make it possible to efficiently utilise wood raw material, irrespective of the size class. Thus, it will be possible to use smaller diameter log classes for the manufacture of products that bind carbon for a long time. The investments in raw material efficiency also bring new opportunities with regard to the availability of raw materials and help ease the increasingly short supply of raw materials, especially of birch.

In early 2022, Koskisen launched the world's first 100% wood-based furniture panel, Zero. In the new panel, both the basic raw material sawdust and the cohesive binder come from the side streams of the domestic forest industry. The test runs of the new furniture panel at the end of the year have gone according to plan and customer interest has been very positive. The Zero furniture panel will enter commercial production during the second half of 2023.

Koskisen Corporation was successfully listed on the main list of Nasdaq Helsinki Oy on 1 December 2022. Investor demand was strong in the IPO, and the Initial Public Offering was oversubscribed. In the public offering, subscriptions were received from more than 4,000 investors. The company received gross proceeds of approximately EUR 32 million from the IPO. The IPO allows the company to implement its growth strategy; we make investments to ensure our competitiveness in the long term and achieve the strategic goals set for 2027.

Finally, I would like to thank our customers, forest owners and investors for their trust. I would also like to thank Koskisen employees for their excellent work and for the year that was historic in many ways. We are in a good position to continue and build a stronger Koskinen, a forerunner in responsible wood processing.

Jukka Pahta
CEO of Koskisen

A pioneer in the sawmill and panel industry

Koskisen is a Finnish wood product company that is more than one hundred years old. Koskisen processes wood into sawn timber, plywood, chipboard and more. Koskisen's business is based on forests, which is why taking care of nature and the environment is at the core of Koskisen's business and strategy.

KOSKISEN HAS TWO BUSINESS SEGMENTS:

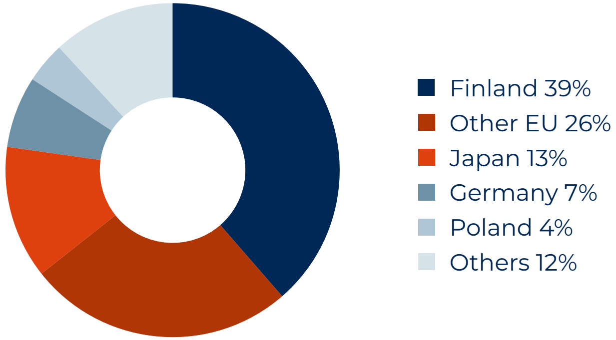
The **Sawn Timber** business segment produces sawn timber and processed products.

The **Panel Industry** business segment produces plywood, thin plywood, veneer, chipboard and interior solutions for light duty utility vehicles under the Kore brand.

Koskisen is a responsible, reliable and long-term partner that offers products made of dense wood from managed Finnish forests to its quality-oriented customers worldwide. Koskisen's agility, experienced sales organisation, as well as willingness and ability to creatively solve the needs of its customers, make it stand out from many of its competitors.

Koskisen's customers include the logistics, construction, automotive, stamping, furniture, interior decoration, packaging and chemical forest industries. A smaller part of Koskisen's products is also sold to wholesalers and distributors.

Koskisen revenue by geographical areas 2022



Sales in about **70** countries.

Highlights from 2022

The best result in the company's history – adjusted EBITDA

66.6 MEUR

further strengthens the company's financial position and supports the implementation of the company's growth strategy.

The largest investment in the company's history in a new wood processing unit progressed according to plans – the investment value is around

50 MEUR

Koskinen's initial public offering was oversubscribed – more than

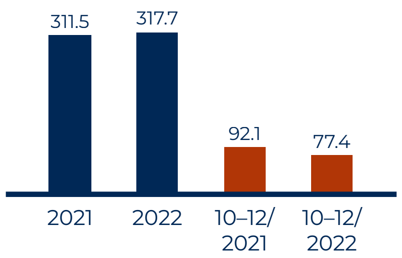
4,000

new owners

An exceptional situation in the wood market due to the end of Russian imports – the raw material sourcing is in our own hands and has proceeded according to plans.

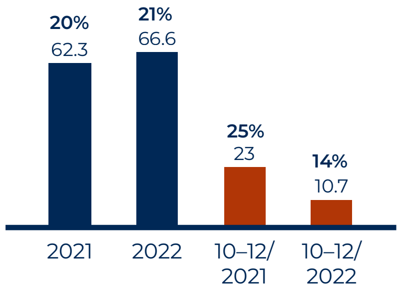
KOSKISEN REVENUE

EUR million



KOSKISEN ADJUSTED EBITDA

EUR million and Adjusted EBITDA, %



Strategy and business operations

Sustainable and profitable wood processing

High quality, close customer relationships, employees with the required skills, sustainability and agility lay down the foundation for Koskisen's growth. Responsibility, sustainable development and environmental awareness increase the market for wood products and global demand.

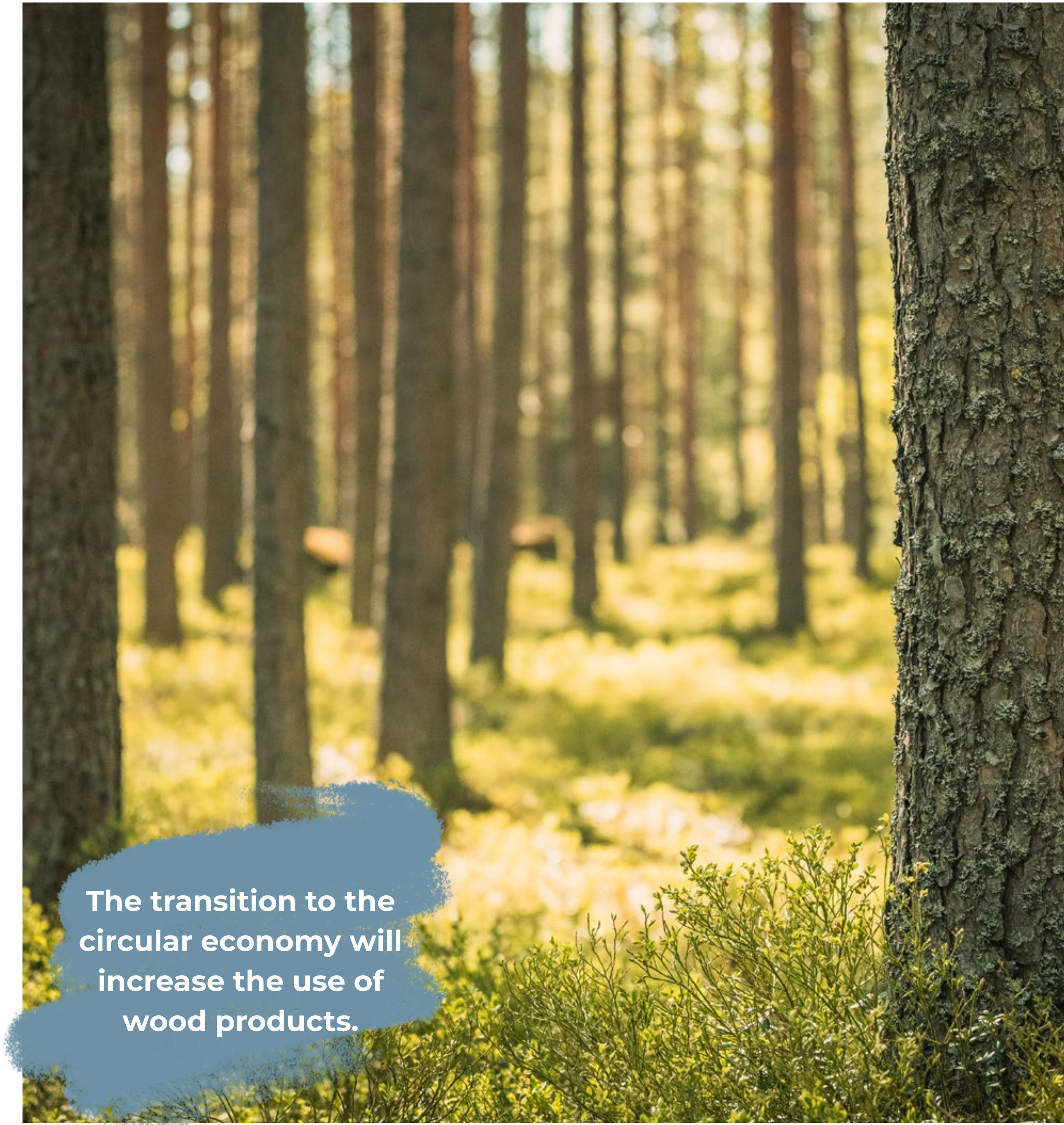
Demand for wood products is increasing

Responsibility, sustainable development and environmental awareness are global megatrends that impact all sectors of the wood product market. Koskisen's primary market segments include sawn softwood, birch plywood and chipboard.

Demand drivers and megatrends

Sustainability, sustainable development and environmental consciousness have an impact on all areas of the wood product market and, for their part, favour the use of wood as raw material. The European Union also wants to promote wood construction.

Companies that focus on sustainability throughout their value chain and include it in their strategies are well positioned to benefit from the trend. Thanks to its global presence, diverse product range and strong sales organisation, Koskisen is well



The transition to the circular economy will increase the use of wood products.

positioned to benefit from the current key trends affecting the wood product industry, which include:

1. Tightening emissions legislation supports the use of wood products

Several policies and initiatives across Europe aim to support the transition to a circular economy, enabling increased demand for wood products, and are some of the key drivers in green construction. The aim in Finland is to also increase the use of wood in public construction.

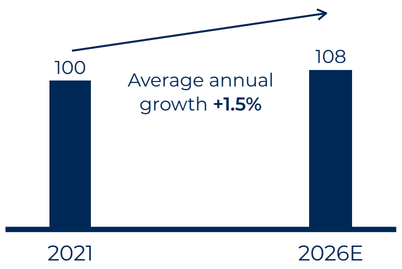
2. Growing construction volumes combined with wood materials create demand for wood products

Driven by increasing urbanisation, the construction market is expected to support an increase in the demand for wood products. The share of wood grown for the construction materials market has increased as a result of, among others, increased environmental awareness and regulations.

Construction is the largest end use sector of both the general wood products market and Koskisen's products. Koskisen offers its customers the wood products needed to fulfill sustainability requirements. (Sources: AFRY Market Study, IHS Markit Ltd ("IHS").

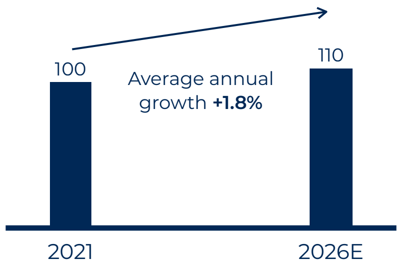
The following charts set forth information on the indexed values and forecast compound annual growth rates for both new builds and renovation and modernisation between 2021 and 2026:

GROWTH OF NEW CONSTRUCTION IN EUROPE



This is based on actual values, indexed (2021 = 100).
E Estimate

GROWTH OF RENOVATION IN EUROPE



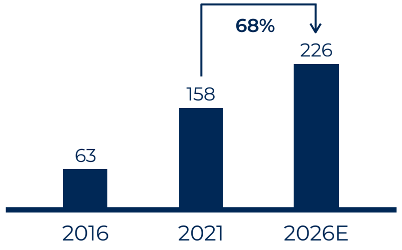
This is based on actual values, indexed (2021 = 100).
E Estimate

3. Increasing logistics volumes and need for transportation vehicles create demand for plywood solutions in the light commercial vehicle industry

Projected increasing logistics volumes driven by globalisation and e-commerce are expected to increase the demand for LCVs, such as trailers, trucks and vans. Demand is expected to continue to grow due to the electrification of older light utility vehicles, which is expected to lead to an increase in demand for light utility vehicles and wood panels. Plywood is used in LCVs as interior solutions, such as floors, linings and shelves, in order to provide a durable, comfortable and comparatively light material. Koskisen's Kore business offering covers all of the panelling needs for LCVs (Sources: Company information, The Society of Motor Manufacturers and Traders Limited (”SMMT”) (New Car and LCV Registrations Outlook to 2023 at July 2022), International Monetary Fund (World Economic Outlook Database, April 2022), Statista (Global Parcel Shipping Volume between 2013 and 2026, September 2021).)

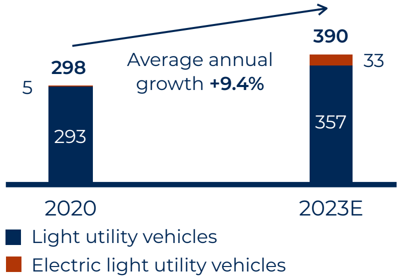
The following charts set forth information on global parcel shipping volumes and their forecast development as well as annual new LCV registrations in the United Kingdom for the periods indicated:

GLOBAL PACKAGE DELIVERY VOLUMES
billion parcels



Sources: SMMT UK (New Car and LCV Registrations Outlook to 2023, July 2022), Statista (Global Parcel Shipping Volume between 2013 and 2026, September 2021).
E Estimate

ANNUAL REGISTRATIONS OF NEW LIGHT UTILITY VEHICLES, UK
thousand registrations



Sources: SMMT UK (New Car and LCV Registrations Outlook to 2023, July 2022), Statista (Global Parcel Shipping Volume between 2013 and 2026, September 2021).
E Estimate

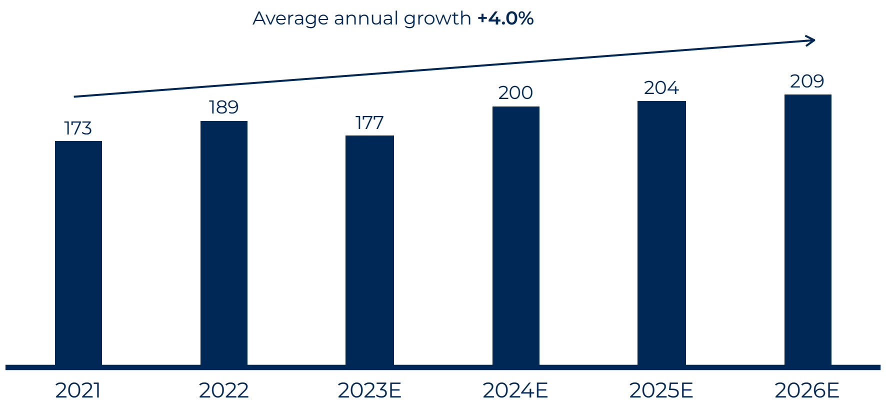
4. Increasing use of wood in furniture as more sustainable, durable and resistant alternative

Wood is a popular material in furniture production due to its durability, versatility, sustainability and trendiness. High quality wood, chipboard and plywood are becoming an especially popular material in furniture production. A major contributor to furniture demand growth is expected to be the forecast increase in the number of first time home buyers in Europe between 2022 and 2026. Wood's position as a sustainable alternative for furniture is expected to attract consumers and thereby contribute to increased demand for wood. Koskisen's panel products are widely used in different applications in the furniture industry. (Sources: Statista (European Furniture Market Sizes, June 2022), Company information.)

The following chart sets forth information on the size and forecast CAGR of the European furniture market for the periods indicated:

SIZE OF THE EUROPEAN FURNITURE MARKET

EUR billion



Source: Statista (European furniture Market Sizes, June 2022).
E Estimate
The figures use the exchange rate of 12 September 2022 and reflect the market effects of the war between Russia and Ukraine

Key market segments

Koskisen operates in the global, European and Finnish wood product markets. The global market for wood products is expected to grow steadily in the future in terms of demand. Koskisen has a diverse product range, which reduces Koskisen's exposure to the effects of price fluctuations in individual products and product categories. Koskisen's addressable market in 2021 was approximately EUR 37 billion, consisting of sawn timber products, birch plywood products and chipboard products (source: AFRY market survey).

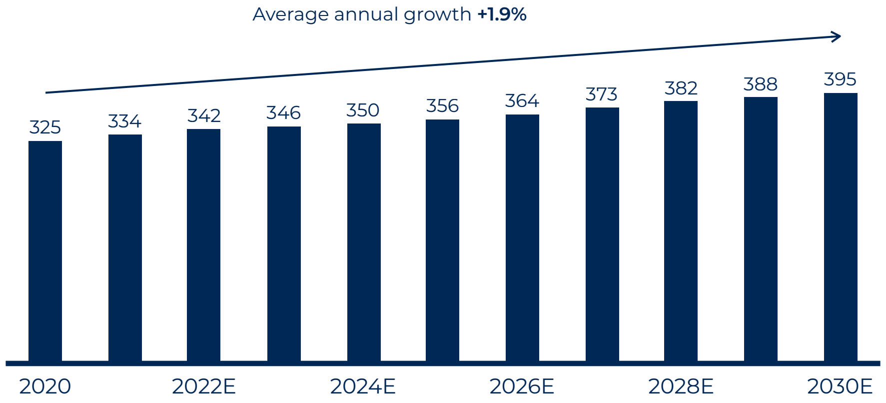
Sawn softwood

The value of the global sawn softwood market was estimated to amount to EUR 155 billion in 2021, of which 22 per cent is considered as addressable for Koskisen. The end uses of sawn softwood in the European market in 2021 was divided into construction, packaging and other, joinery and furniture. The global annual sawn softwood volume demand is expected to grow at an average annual growth rate of 1.9 per cent until 2030 from 2021 levels.

The following chart sets forth information on global (excluding Russia and Belarus) demand volume for sawn softwood and its CAGR for the periods indicated:

DEVELOPMENT OF GLOBAL DEMAND FOR SAWN TIMBER 2020–2030

million cubic metres



E Estimate

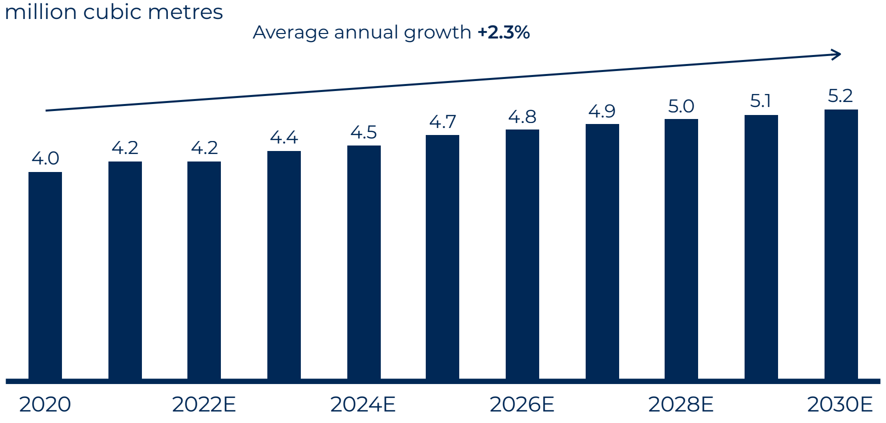
Birch plywood

The value of the global birch plywood market was estimated to amount to EUR 3.1 billion in 2021, of which 66 per cent, or more than EUR 2 billion, is considered addressable for Koskisen. Geographically, most of the birch plywood market is in Europe due to the European tradition of using birch plywood instead of other board alternatives. The main drivers behind the growth of birch plywood are expected to be linked to growth in the logistics and construction sectors globally. In the last few years, there has been a sharp increase in demand in other regions, and their share of global demand was nearly a third in 2021. Recently, there has been a significant supply deficit on the European market due to the ban on imports from Russia, which was previously the biggest exporter of birch plywood to Europe.

The next chart shows the combined annual growth on the birch plywood market in Europe in 2020–2030:

ANNUAL GROWTH OF THE BIRCH PLYWOOD MARKET IN EUROPE 2020–2030

million cubic metres



E Estimate

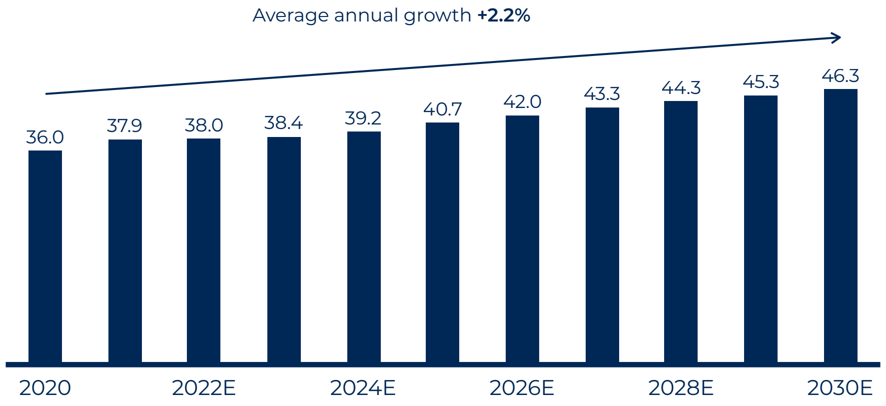
Chipboard

The European chipboard market size in 2021 was estimated to amount to EUR 11 billion, of which 5 per cent is considered addressable for Koskisen. The chipboard market segment comprises a wide range of products suitable for applications within the furniture, interior design and construction industries. The demand is estimated to grow annually approximately 2.2 per cent until 2030 from 2021 levels mainly due to increased demand from the furniture manufacturing and construction industries.

The next chart shows the combined annual growth on the chipboard market in Europe in 2020–2030:

ANNUAL GROWTH OF THE CHIPBOARD MARKET IN EUROPE 2020–2030

million cubic metres



E Estimate

Availability of timber in areas important to Koskisen

The total supply of wood in Finland is expected to grow mainly due to the increased supply of energy wood and fibre softwood. In Koskisen's birch sourcing area, the supply of hardwood logs is expected to grow in the next 10 years.

The effects of excluding imports from Russia on Finnish timber imports have been significant. Since 2010, the annual timber imports from Russia have been 8–12 million cubic metres and the key imported products have been birch pulpwood and softwood chips. The volume of saw logs has been smaller. Koskisen ceased the import of wood from Russia completely in March 2022, after which all wood used in production has been procured entirely from Finland.

Koskisen stopped importing wood from Russia altogether in March 2022.

Wood processing specialists of the future

Koskisen's strategy is the cornerstone of all of the company's operations. The growth of Koskisen is based on close customer relationships, quality, responsibility and agility, which are at the heart of the strategic priorities.

Key strategic objectives

UNDERSTANDING AND EXCEEDING CUSTOMER EXPECTATIONS

Koskisen is known for the high quality of its products and operations as well as the uncompromising attitude of its personnel. Koskisen's aim is to be a creative and agile player in wood products markets and to constantly develop new innovative solutions for its current and potential customers. The offering of high quality and customised products and customer-oriented services enables higher product prices.

OPERATING THROUGH AN AGILE BUSINESS MODEL

In addition to high quality, agility is at the centre of Koskisen's strategy. Koskisen believes that agility in terms of responsiveness to customer requests and a high level of services create a differentiating factor against many of its competitors. Koskisen's production is agile due to Koskisen being able to produce smaller batches of end products that can be customised according to the needs of the customer. Koskisen's agile business model focusing on direct sales to its customers makes Koskisen's business less volatile to market cyclicality and enables Koskisen to serve customers more flexibly and react more rapidly to changes in demand and conditions.

PIONEER IN SUSTAINABILITY AS A GOAL

Koskisen believes that sustainable development is the foundation of its operations and, therefore, Koskisen aims to be a frontrunner in sustainability in the wood products industry globally. This goal is achieved by reducing the already low carbon footprint of Koskisen's operations and increasing its carbon handprint by continuously developing more sustainable products. Koskisen takes sustainability into account at all stages of its operations and considers sustainability to be one of its primary values. Koskisen is committed to the continuous improvement of its sustainability, continuously reviewing its sustainability strategy and setting KPI targets. Koskisen publishes its sustainability report annually.

KEY ACTIONS

A new wood processing unit, systematic product development, inorganic growth and the competence and capabilities of the sales organisation are the key strategic focus areas for the strategy period ending at the end of 2027.

NEW STATE-OF-THE-ART WOOD PROCESSING UNIT

Koskisen is currently building the new Järvelä unit, where production is expected to begin in stages during 2023 and 2024. Operative efficiency is estimated to improve by 40 per cent in the sawing process as a result of increased automation and higher production capacity compared to Koskisen's current processing unit. The new Järvelä unit is expected to increase the Sawn Timber Industry business segment's current 300,000 cubic metres annual production capacity of sawn goods initially to 400,000 cubic metres of sawn softwood. In the future, Koskisen may increase the annual production capacity in Järvelä, Finland, up to 500,000 cubic metres through limited investments. Koskisen estimates that it will invest a total of approximately EUR 50 million in the new unit in Järvelä between 2021 and 2024. Other Koskisen production facilities are located in Hirvensalmi, and Toporów, Poland.

SYSTEMATIC PRODUCT DEVELOPMENT

Koskisen seeks to continuously develop new solutions in order to stay up to date in the evolving wood products industry and to maintain and enforce customer relationships by offering new tailor-made products to customers.

Koskisen focuses on solutions tailored for its customers and utilises the performance of its production machines and skilled employees in its production and sales. For example, Koskisen recently introduced the Zero Furniture Panel, which the company believes to be the world's first purely organic wood-based product family without formaldehyde. Zero Furniture Panel products can be manufactured to custom dimensions with Koskisen's current production machines. Koskisen is actively seeking to expand its range of sustainable wood products. Koskisen is currently developing, for example, the smart SENSi floor plate for transport equipment, which enables optimisation of cargo space utilisation with real-time data.

Thanks to the new Järvelä unit, Koskisen is able to manufacture new, more market-specific product grades and dimensions. Koskisen has a certification for a planed product in the US market and the JAS certification for the Japanese market. Certificates to operate in the US market and especially in Japan are in line with the company's strategic growth targets.

INORGANIC GROWTH THROUGH MERGERS AND ACQUISITIONS

In addition to organic growth, Koskisen aims to execute carefully selected acquisitions that would primarily target growth. Koskisen aims to participate selectively in mergers and acquisitions in order to better serve its customers, expand its wood product portfolio and create added value for its shareholders based on the company's existing strengths and capabilities. Any mergers and acquisitions are part of Koskisen's growth strategy in both of its current business segments, especially in the Sawn Timber Industry segment and selectively in the Panel Industry segment, as well as potential new business segments in the future. Koskisen sees acquisitions as an opportunity to increase the product range and geographical area of the Kore business.

IDENTIFICATION OF KEY CUSTOMERS, PRODUCTS AND GEOGRAPHICAL AREAS

Koskisen's sales organisation consists of its own sales personnel and a network of sales agents located in several foreign markets. Direct sales to customers play an important role in achieving higher margins, as direct sales to customers allow better management of customer relationships and offering tailor-made products according to customer needs. The key focus area is to identify customers, products and geographies in which Koskisen can offer value added products and services in the long term.

Profit forecast

2023

- Revenue will not exceed the revenue level of 2022
- Adjusted EBITDA margin 12–14%
- Panel Industry business segment's profitability will remain at the level of 2022 or improve compared to the level of 2022
- Sawn Timber Industry business segment's profitability will decrease compared to the level of 2022.

As of 2024

- The new Järvelä unit will increase Koskisen's revenue and profitability
- The new unit will increase the Sawn Timber Industry business segment's EBITDA annually by EUR 8 million as of 2024. Koskisen's profit forecast is based on the estimates and assumptions of the Company's management regarding the development of the Company's revenue, profit and operating environment.

Financial targets for 2027

Growth	Revenue of EUR 500 million on the financial period ending 31 December 2027, including both organic and inorganic growth
Profitability	Adjusted EBITDA margin 15 per cent on average over cycle
Balance sheet	Maintaining strong balance sheet
Dividend policy	Attractive dividend of at least one-third of the net profit each year

Sawn Timber Industry and Panel Industry

A pioneer of sustainable wood processing, Koskisen is known for its quality sawmill and panel industry products.

Koskisen has two business segments:

Sawn Timber Industry

52%

share of external revenue in the financial period ended 31 December 2022.

Panel Industry

48%

share of external revenue in the financial period ended 31 December 2022.

Sawn Timber industry

The Sawn Timber Industry sells significant amounts of sawn and further processed timber to markets outside of Finland, particularly to Japan. For the year ended December 31, 2021, approximately 44 per cent of the Sawn Timber business segment's revenue was generated from Finland, approximately 23 per cent from Japan, approximately 3 per cent from Germany and approximately 30 per cent from other countries.

The revenue for the segment in 2022 consists of construction end-users (professionals and DIY), packaging and other segments, carpentry segments and furniture segments. The product range of the Sawn Timber Industry segment can be divided into the following four categories:

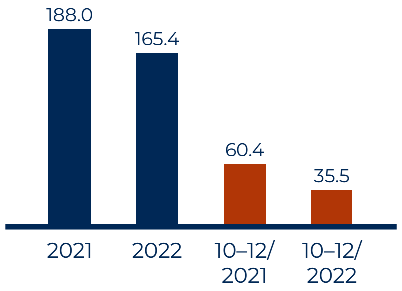
Sawn timber: Koskisen produces both standard sawn timber and dimensioned and strength graded sawn timber from spruce and pine.

Processed timber: Koskisen further processes approximately 40 per cent of the sawn timber that it produces, mainly by planing, and to a smaller extent, painting.

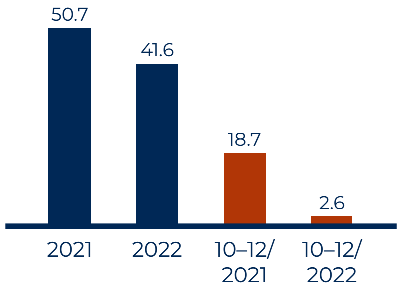
Wood procurement: Koskisen Wood Procurement purchase wood mainly from private forest owners in Finland and offer versatile forest management services to these forest owners. Koskisen complies with the requirements of the PEFC chain of custody certificate and the Forest Stewardship Council A.C. ("FSC") chain of custody certificate in all wood procurement. Koskisen traces the origin of the timber it procures and uses a timber chain of custody system to ensure that all timber is sourced legally and ethically from reliable sources.

Bioenergy: Koskisen supplies raw material to several bioenergy power plants – including the power plants which are located on Koskisen's production site in Järvelä, Finland, and operated by Loimua.

SAWN TIMBER INDUSTRY REVENUE
EUR million



SAWN TIMBER INDUSTRY EBITDA
EUR million



Panel Industry

For the nine months ended September 30, 2022, Plywood accounted for 62 per cent of the Panel Industry business segment's revenue. Chipboard accounted for 27 per cent. In addition, the business segment produces thin plywood and veneers, as well as interior sets for the light commercial vehicle industry through the Kore brand.

For the year ended December 31, 2021, 27 per cent of the Panel Industry business segment's revenue was generated from Finland, 11 per cent from Germany, 10 per cent from Poland and 52 per cent from other countries. The largest customer segments were the construction and furniture industries.

The product range of the Panel Industry segment can be divided into the following four categories:

Plywood: Koskisen manufactures customised birch plywood panels and flooring products for construction, light and heavy-duty commercial vehicles (such as vehicle and trailer floors), packaging, interior design, furniture and the carpentry industry.

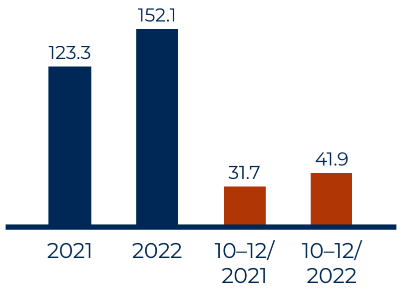
Chipboard: Koskisen produces a wide range of chipboard products from sawdust and wood chips generated as by-products in Koskisen's saw mills and birch plywood production. The chipboard products are manufactured at Koskisen's production plant in Järvelä, which is the only chipboard factory in Finland.

Thin plywood and veneer: Koskisen manufactures durable and flexible thin plywood and birch veneer, which are suitable for laser cutting, moulding, design products, interior elements, lamps, technical panels and CNC machining. The largest end-user segments of Koskisen's thin plywood and veneer are the furniture and carpentry industry.

Kore: Koskisen manufactures interior solutions for light utility vehicles from Finnish plywood and other materials under the Kore brand.

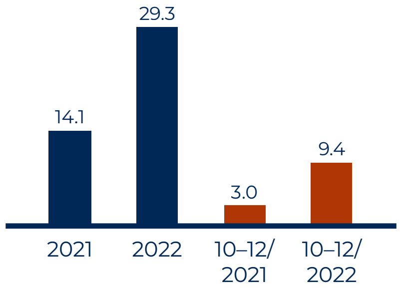
PANEL INDUSTRY REVENUE

EUR million



PANEL INDUSTRY EBITDA

EUR million



Quality has a name

Koskisen is, as an investment subject, an excellent combination of excellence, technology and the wisdom to use wood and forests correctly. Koskisen has an integrated operating model based on sustainability and quality. The planned investments are aimed at growth and improving profitability.

Koskisen believes that the following factors are its key strengths and competitive advantages:

1. Themes related to sustainability grow markets essential for Koskisen

Green construction and related regulations are the main drivers for Koskisen's sawn wood products, as a majority of Koskisen's sawn wood was used in construction-related applications. Growing global logistics volumes increase the demand for logistics, which is why logistics and construction were the biggest end uses of Koskisen's

plywood products. Koskisen's chipboard products are used in furniture applications for which wood is a sustainable, durable and increasingly trendy raw material, as well as in construction.

2. Sustainability addressed at all stages of Koskisen's production

Wood products are a good alternative for materials in multiple applications due to their positive carbon sink, durability and renewability. Koskisen tracks the origin of the wood it procures and uses a wood origin chain of custody system to ensure that all wood material is acquired legally and ethically from trustworthy sources. Koskisen offers diverse services to Finnish forest owners, combining the long-term interests of forest owners and Koskisen by optimising the value of the forest. This way, Koskisen can ensure that biodiversity is taken into account throughout the life cycle of the forest. Koskisen's concrete actions include industry best practices, such as favouring mixed forests over single species forests, regeneration felling, leaving high stumps, protecting swamp border areas, and the sparing of spinnery, rotten wood and low yield areas. In addition through its partners, Koskisen organises the planting of approximately one million seedlings per year as an outsourced service.

3. Frontrunner in integrated mechanical wood processing

Koskisen's efficient and integrated operating model enables the optimised use of wood as a raw material at its production facilities. Koskisen's Wood Procurement function enables the availability of high-quality wood raw material. Koskisen's whole value chain from harvesting to end products is designed around synergistic material flows and an agile operating model allowing the utilisation of raw material from diverse sources. For example, Koskisen utilises wood chips and sawdust from woodworking operations in its chipboard production. The material efficiency achieved in production is expected to rise as Koskisen starts using its new Järvelä unit, where production is expected to begin in stages during 2023 and 2024. Koskisen considers itself to be the only mechanical wood industry company in Finland with the level of integration described above.

4. High-quality tailor-made products of Finnish wood

Koskisen believes that its products and services are known for their high quality, which allows Koskisen to price its products, especially panel products, higher than average export prices in Finland. Thanks to its integrated model, Koskisen can produce smaller batches of end products that are customised according to the needs of the customer, and can offer a wide product assortment and range of products as well as a high level of services to its customers.

5. Investments create a basis for improving financial performance further

Koskisen has identified multiple potential targets for future investments that would be aimed at both growth in terms of revenue and increased efficiency that it expects to lead to improved profitability. The first such investment is the new Järvelä unit. Other tangible growth paths identified by Koskisen include smaller efficiency improving investments at Koskisen's production facilities, developing new and existing products towards even more sustainable solutions, as well as potential M&A opportunities, which would also be aimed at improving Koskisen's ability to source raw materials in the future.

6. Management with broad experience from the industry

Koskisen has a well networked management with long experience in the industry and relevant parallel industries, such as materials technology and wood construction. Koskisen's management is further supported by the Board of Directors of the Company with long experience in Koskisen and other large companies in the industry.

Sustainability

An ecologically and socially sustainable company

Koskisen's business is based on wood processing, which is why the sustainability of the environment, the mitigating of climate impacts and maintaining biodiversity are at the core of our strategy.

Koskisen's carbon handprint was

2.9

times larger than its carbon footprint in 2022.

In 2022, Koskisen's carbon footprint was

127

ktCO_2e

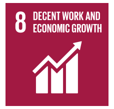
and handprint

374

ktCO_2e

The entire wood value chain at the heart of sustainability

KOSKISEN'S SUSTAINABILITY WORK IS BASED ON THE UN SUSTAINABLE DEVELOPMENT GOALS:



Meaningful work

A healthy environment

Fair partnerships

The identified SDGs also strongly support the success of Koskisen's business. The company bases its sustainability work on these themes, which are most relevant for the strategy, business and stakeholders.

Koskisen's business is based on forests, which is why the overall sustainability of the environmental and climate impacts of its operations is at the core of the company's business and strategy. The entire value chain, from harvesting to final products, is designed around synergetic and sustainable material flows.

By focusing on sustainable forest management practices over the long term and thereby maintaining biodiversity, Koskisen aims to ensure the availability of high-quality certified Finnish wood also in the future.

Koskisen uses the valuable wood raw material it has acquired carefully, down to the last chip, with wood wisdom. The company produces high-quality durable wood products that sequester carbon for decades.

The value of wood as an ecological material is increasingly understood, which is why its popularity is growing in many different end uses. Wood-based construction materials, for example, have significantly lower carbon dioxide emissions per tonne of wood produced compared to non-renewable materials.

Koskisen promotes meaningful and important work, development opportunities, a good management culture and a safe working environment. Koskisen operates responsibly throughout the supply chain.

An economically significant builder of society

From the financial point of view, Koskisen has a significant impact on the economic well-being of its stakeholders and society, both directly and indirectly.

Koskisen paid a total of EUR 12 million in income taxes in 2022.

Koskisen is one of the largest industrial employers in the Päijät-Häme region with its production facilities in Järvelä. Koskisen is also a regionally significant employer in Hirvensalmi and Toporów, Poland. In addition to its own personnel, the company works closely with several companies that provide harvesting, transport and industrial services. In addition to more than 900 Koskisen employees, the company employs approximately 4,000 people indirectly. The company also offers nearly 100 summer jobs to young people every year.

The main raw material of Koskisen's production is wood. Koskisen's wood procurement area is located near the production plants in southern and central Finland. Koskisen mainly buys wood from private forest owners. In 2022, Koskisen acquired a total of approximately 1.5 million cubic metres of wood, of which approximately 80 per cent was purchased directly from private forest owners.

In addition to income taxes, Koskisen's tax footprint consists of other taxes and tax-like levies related to the company's operations. The Koskisen Group does not have any links to tax haven companies, nor does it have a separate tax strategy. In 2022, Koskisen was a significant payer of corporate taxes in Päijät-Häme.

Koskisen complies with local legislation in the payment, collection and reporting of taxes. Of the Group's employees, 90% live in Finland and pay their taxes in Finland.

Koskisen supports select non-profit organisations financially at its locations. The support is mainly targeted at sports activities supporting the well-being of children and young people, as well as educational institutions in the fields of wood products and forestry, for example in the form of support for thesis work or scholarships.

CREATING FINANCIAL VALUE

Wood procurement from Finnish forest owners, MEUR	2022	2021	2020
	71	81	68

Creating economic value, MEUR	2022	2021	2020
Revenue	318	311	220
Operating result	67	62	11
Return on capital employed (ROCE), %	35.1%	44.4%	

For personnel, MEUR	2022	2021	2020
Wages and salaries to personnel	37	37	31

For society, MEUR	2022	2021	2020
Income tax	12	9	-0,4
Pension costs	7	6	5
Other social security costs	1,9	2	1
Total	**21**	**17**	**6**

Dividends to shareholders, MEUR	2022	2021	2020
	10[1]	0	0

[1] The board's proposal for the 2023 Annual General Meeting.

Investments in business operations	2022	2021	2020
Total	**28.0**	**10.8**	**9.7**

Purchased materials and services	2022	2021	2020
Total	**163**	**165**	**137**

Significant development work for the climate

We continuously strive to reduce the burden of our operations on the soil, water systems and climate by developing products and production processes throughout the value chain and product life cycle.

Direct and indirect emissions from own operations (Scope 1 and 2)

Koskisen has calculated the direct and indirect emissions (Scope 1&2) from its own operations in accordance with the GHG protocol. Scope 1 includes direct greenhouse gas emissions from Koskisen's own operations: the largest sources of emissions are the oil reserve operation of the Tehdastie power plant and forklift trucks in raw material transfers. Scope 2 includes indirect greenhouse gas emissions from the production of purchased electricity. In 2022, Koskisen's total emissions were 20,022 (20,054) tCO_2e.

Product group-specific carbon footprint and handprint

Koskisen has implemented product group-specific carbon footprint calculations for its sawmill, plywood and chipboard products.

In 2022, the combined carbon footprint of Koskisen's products was 123,953 (115,220) tonnes of carbon dioxide equivalent, of which sawmill products accounted for 34 per cent and plywood and chipboard products for 66 per cent. The main sources of emissions from Koskisen's wood products are adhesives and coatings used in panel products. Other significant sources of emissions are transport, including logging and timber transport, and electricity used in production.

Wood products manufactured by Koskisen sequestered 374,289 (394,573) tonnes of carbon dioxide equivalent, of which sawmill products accounted for 46 per cent and plywood and chipboard products for 54 per cent. Koskisen's carbon handprint was 2.9 times larger than its carbon footprint in 2022.

A large part of the wood products manufactured by Koskisen are used for long-lasting purposes, such as in the construction industry, which results in a carbon handprint. For wood products, carbon handprint means the storage of organic carbon in products away from the atmosphere. Production side streams, such as sawdust, are directed to furniture and building panels instead of incineration, and their carbon is also bound to a long cycle.

Koskisen monitors the carbon footprint of its products annually in accordance with ISO 14067:2018 Greenhouse gases — Carbon footprint of products — Requirements and guidelines for quantification ("ISO 14067") and ISO 14064 Greenhouse gases ("ISO 14064").

Key environmental aspects

Koskisen is obliged to maintain various environmental permits related to its production units. The company's environmental permits in the Finnish units are valid until further notice. No special environmental permits are required for the company's operations in Poland.

ENERGY

With regard to energy use, Koskisen's key objectives are related to improving energy efficiency and increasing the use of renewable energy. We are involved in the Energy Efficiency Agreement for Industries. The Energy Efficiency Agreement aims to reduce total energy consumption by 7.5 per cent by 2025 compared to the 2015 level.

Koskisen uses electricity and thermal energy produced with biofuels at its production plants, as well as light fuel oil as backup power. Koskisen's total energy consumption in 2022 was 362,938 (377,509) MWh.

The thermal energy of the Järvelä production plants is produced at the main and reserve boiler plants owned by an external partner. The main boilers mainly use biofuels produced as a by-product of operations. Some of the heat energy produced is sold outside the plant area as district heat. At Hirvensalmi, thermal energy is produced at our own bioenergy plant.

In 2022, renewable fuels accounted for 85 per cent (85) of total energy consumption.

The combined production volumes of the production units also affect the efficiency of energy consumption. In 2022, energy consumption per cubic metre produced increased and was 0.60 MWh (0.53).

Every employee can contribute to reducing the use of energy: for example, the workstation-specific instructions tell employees to avoid idling machines and to turn off unnecessary equipment and lights. In 2022, the lighting of the Järvelä production plants was extensively updated: old luminaires were replaced with energy-efficient LED luminaires.

WOOD WISDOM

The new heart of Koskisen – Sawmill 2023

The premise of Koskisen's mechanical wood industry in Järvelä is high environmental efficiency married with the optimal utilisation of raw wood materials.

With the new sawmill investment, the sawmill operations are moved from the centre of Järvelä to a sawn timber post-processing and refinement facility. This increases production synergy and significantly reduces the emissions related to the internal logistics of sawing production.

The new production line enables a broader use of the log diameter classes. Koskisen is able to offer its customers new products, and the raw wood materials are utilised more thoroughly to produce final products that tie carbon for a long time. What's more, the investment is just one example of our strong belief in the future and the development of our operations. The investment is also important in terms of the continuity of our production, and in that way, increasing local well-being, both directly and indirectly.

The foundation stone of the new sawmill was laid in April 2022. In August, the sawmill building received a roof to protect it from the elements. The event was marked with a topping-up ceremony. The project, worth approximately EUR 50 million overall, will be gradually put into operation starting from July 2023.

WATER AND WASTEWATER

Koskisen production plants use potable water and lake water in their operations. In 2022, water consumption was 193,373 m^3, of which 92.6 per cent was process or domestic water drawn from the company's own water intake or municipal network, and 7.4 per cent was lake water drawn to the process. In production processes, water is mainly used for cooling the process. The highest water consumption is in the Panel industry business. Koskisen's production plants that use water are located in Finland, so water is not taken from areas suffering from water scarcity.

Wastewater is directed to the municipal wastewater treatment plant at both Järvelä and Hirvensalmi production plants. Koskisen's operations do not produce wastewater that is directly hazardous to the environment. In 2022, a stormwater system pursuant to the environmental permit regulations was built in the Sawn Timber Industry plant area.

RAW MATERIALS

The main raw material of Koskisen's production is wood. Other key materials include various coatings, adhesives and binders.

We promote products made from renewable raw materials through systematic product development. The world's first fully wood-based Zero furniture panel was launched in 2022. In it, fossil binders have been replaced with a lignin-based binder made from the side streams of the Finnish forest industry.

WASTE

Approximately 74 (72) per cent of Koskisen's waste streams are non-hazardous waste that is recycled for utility or energy use. In 2022, Koskisen's total waste volume was 920 (762) tonnes. The main waste fractions were mixed waste, energy waste and scrap metal. The majority of the mixed waste and all energy waste is used as fuel in the production of thermal energy at external plants. Metal scrap is used as raw material for metal.

Hazardous waste accounts for approximately 26 (28) per cent of the Group's waste streams. Hazardous waste is mainly generated from flue gas scrubber sludge and adhesive waste. The waste generated by Koskisen's operations is handled by an external operator that is responsible for the proper disposal of the waste.

Material efficiency

Koskisen uses wood as a raw material, with wood wisdom. Koskisen's entire value chain, from wood harvesting to final products, is designed around synergetic material flows and an agile operating model, which enables the efficient use of raw materials from different sources.

In Koskisen's integrated operating model, it acquires wood raw material, which is delivered to production plants for processing. At the production plants, it is used to the fullest extent possible. The wood raw material that cannot be used in Koskisen's own production is sold to other industries or for energy use.

In its own production, Koskisen processes logs into plywood and sawn timber products, pulpwood is delivered to paper and pulp manufacturers, and energy wood and logging residues are used in bioenergy production. Koskisen uses the side streams of its production processes as fuel for heating production plants. Koskisen also uses wood chips and sawdust from woodworking in its chipboard production.

Koskisen products are recyclable, as are most of the packaging materials used by Koskisen. In addition, wood is still useful for energy production at the end of its life cycle.

The amount of certified roundwood was

81%

Sustainable forest management

The main raw material used by Koskisen in its production is wood. In 2022, Koskisen acquired a total of approximately 1.5 million cubic metres of wood. Of this volume, 52 per cent was spruce, 19 per cent pine, 28 per cent birch and 1 per cent aspen. In 2022, Koskisen used approximately 0.9 million m^3 (1.2) of wood at its own plants. The amount of certified roundwood was 81 (78) per cent.

In 2022, the wood raw material procured by Koskisen came mainly from Finland at 98.6 (97.2) per cent. Of the raw material, 1.4 (2.8) per cent (birch) was imported from Russia. The import of wood from Russia ceased completely in March 2022, after which all wood used in production has been procured entirely from Finland.

Koskisen always strives to source its wood in a fully certified manner primarily from thousands of Finnish private forest owners whose forests are mainly located in southern and eastern Finland, and also encourages its suppliers to certify their wood.

Koskisen's wood procurement complies with the requirements set by the PEFC chain of custody certificate and the FSC chain of custody certificate. These certifications ensure that the wood is harvested from sustainably managed forests, where felling is carried out in accordance with legislation and certification requirements.

The most recent audit of the PEFC and FSC certificates granted to Koskisen was carried out in April 2022, and it was recommended that the validity of both certificates be extended.

Koskisen traces the origin of the timber it procures and uses a timber chain of custody system to ensure that all timber is sourced legally and ethically from reliable sources. The origin of the raw material is always checked in such a way that the forests of protected areas are kept secure and wood is not obtained from controversial sources.

WOOD WISDOM

A new lathe improves material efficiency in plywood production

In its operations, Koskisen systematically invests in solutions that make it possible to efficiently utilise raw wood materials, irrespective of the size class. Koskisen acquired a new spindleless lathe line for its plywood factory in Järvelä. In the future, the new acquisition will enable smaller diameter log classes to be used for the manufacture of plywood products that tie carbon for a long time.

The investments in new raw material efficiency bring new opportunities with regard to the availability of raw materials and help ease the increasingly short supply of raw materials, especially of birch. Fully automated, the new line is expected to be extremely cost- and energy-efficient. Thanks to its energy-efficiency, it also boasts a very small carbon footprint. The objective is to have the new line in production use in late 2023.

BIODIVERSITY

Koskisen aims to ensure that biodiversity is taken into account throughout the life cycle of the forest. In its forest management practices, Koskisen's concrete actions include the best practices in the field, such as favouring mixed forests over monocultures, regeneration felling, leaving artificial stumps, protecting peatland borders and preserving game thickets, decaying wood and low-producing sites. In addition, Koskisen organises the planting of approximately one million seedlings per year, which forest owners pay for.

By focusing on maintaining biodiversity and sustainable forest management practices over the long term, Koskisen aims to ensure the availability of high-quality certified Finnish wood also in the future.

As a modern wood processing company, we have a responsibility to take care of nature and its biodiversity.

WOOD WISDOM

Koskisen's Wood Procurement department provides forest owners with a wide range of services

Koskisen provides forest owners with a wide range of quality wood sales and forest management services. The majority of the wood required by production facilities is procured from private forests via Koskisen's own procurement process. Our wood procurement is focused on the Häme, Uusimaa and Southern Savonia regions. At the moment, we only procure wood from Finland.

In its operations, Wood Procurement adheres to the PEFCTM and FSC® chain-of-custody (CoC) certifications as well as the ISO 14001 environmental standard. They ensure that the wood is harvested from sustainably managed forests where the logging takes place in accordance with the law and certification criteria. The origin of the raw materials is always established pursuant to Koskisen's procurement policy in such a way that protected forests are not violated and wood is not sourced from so-called controversial sources. When it comes to forest management measures, Koskisen takes into account the valuable environments referred to in the Nature Conservation Act and the Forest Act.

To support the well-being and growth of forests, we use thinning, which is primarily performed twice during the forest's cycle. Depending on the tree species and site, thinning is carried out when the age of the forest stand is 20–55 years. Alongside the traditional thinning methods, we also research and test continuous-cover silviculture to maintain the cover of the forest at all times. All forest management measures are tailored to the site. Ultimately, the responsibility for the measures to implement resides with the forest owner. The different thinning methods are not mutually exclusive, and all of them have their place in sustainable forestry.

MATERIALS USED IN PRODUCTION

Materials used	2022	2021	2020
Wood procurement, m^3	1,453,347	1,790,791	1,510,292
Adhesives, kg	16,062,299	15,571,301	14,082,089
Coatings, kg	3,242,860	3,224,809	3,001,433
Metals, kg	58,412	86,859	-
Plastics, kg	174,535	606,393	-
Paints, L	81,921	204,799	130,985

Packaging materials used, kg	2022	2021	2020
Paper fibres	589,352	596,621	586,521
Plastics	237,250	308,130	244,440
Metals (packaging foil)	10,398	20,433	22,543
Wood	6,832,477	4,569,885	4,313,465
Total	**7,669,477**	**5,495,069**	**5,166,969**

MATERIAL EFFICIENCY, WOOD RAW MATERIAL

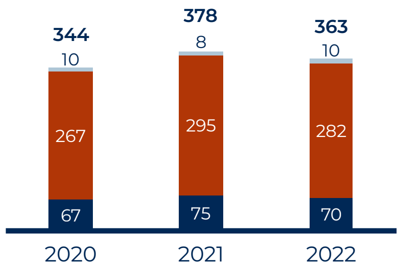
Wood procurement, m^3	2022	2021	2020
Total	**1,453,347**	**1,790,791**	**1,510,292**

Wood usage in production plants, m^3	2022	2021	2020
Total	**873,330**	**1,005,395**	**866,381**

Efficiency of wood raw material, %	2022	2021	2020
Total	**0,37**	**0,35**	**0,36**

TOTAL ENERGY USE

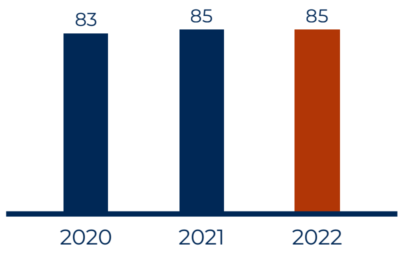
GWh



- Electricity
- Biofuel
- Fuel oil

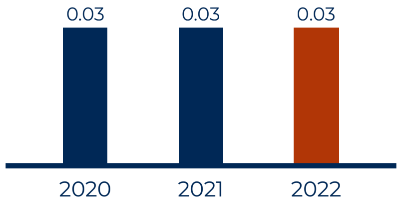
SHARE OF RENEWABLES

%



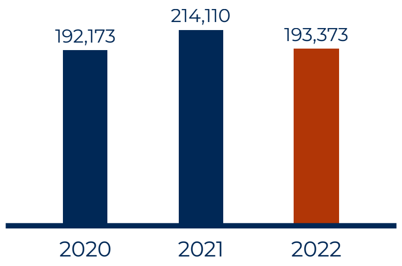
CO_2 EMISSION INTENSITY

CO_2eq, tonnes per m³ produced



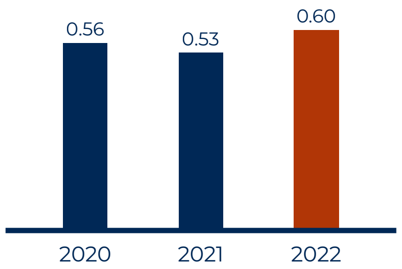
WATER CONSUMPTION

total, m³



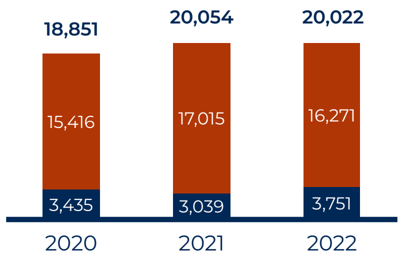
ENERGY CONSUMPTION

per produced m³, MWh



CO_2 EMISSIONS, SCOPE 1 AND 2

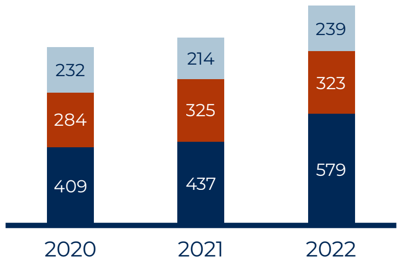
CO_2eq, t



- Direct greenhouse gas emissions CO_2e, scope 1
- Energy indirect greenhouse gas emissions CO_2e, scope 2

TOTAL WASTE VOLUME

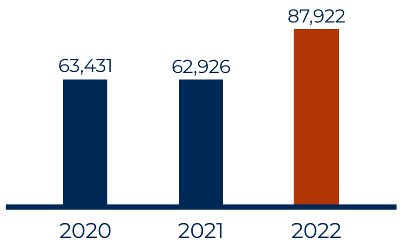
t



- Recycling / recovery
- Mixed waste, for incineration
- Hazardous waste management

WASTEWATER

Municipal sewerage / wastewater treatment plant, m³



High-quality collaboration

Koskisen's goal is to be a long-term and fair partner to its stakeholders. The company adheres to the Code of Conduct in all of its business operations and also requires its partners to commit to it.

Customers

For Koskisen, quality means the entire customer experience, because the quality experienced by the customer depends on all the people who, in one way or another, are involved in the product's creation process or in the customer interface. Good quality does not only refer to the quality of the end product, but customer satisfaction is measured in relation to the functionality of the cooperation, product deliveries and the end product.

In 2022, the Group's customer satisfaction NPS improved from the previous year and was 64 (51). In 2022, customers praised their contact persons for the smooth business.

The customer satisfaction NPS was
64
in 2022

Customer needs are determined together with the customer. Cooperation between Koskisen's different functions and processes and the development of processes ensure that the products and services delivered to the customer comply with the agreed quality level and that they are produced cost-effectively also in the future. The longevity of customer relationships is a matter of honour for Koskisen.

Ensuring quality

Every year, Koskisen audits the effectiveness of its own processes as well as the most critical suppliers. Internal quality control is based on the requirements of international standards and norms as well as customer-specific requirements. Internal quality control is a separate part of Koskisen's organisation and is supervised by accredited third parties.

In addition to statutory labelling, we also add voluntary labels to our products, which describe the characteristics of the product and the time of manufacture. The CE marking identifies the company and the scope of quality control. The company has a certified ISO 9001 quality management standard, AN ISO 45001 occupational health and safety management standard and AN ISO 14001 environmental management standard. In addition, we follow the guidelines of the ISO 26000 responsibility standard.

WOOD WISDOM

SENSi optimises the use of space in transport equipment

Koskisen has launched weight-sensing and data-collecting plywood floor panels for lorries and trailers. The smart pressure sensors embedded in the SENSi panel can tell if pressure is applied to the panel and how much empty space there is in the trailer. The data is stored in the cloud service in a format which the design tools, freight forwarding platforms and telematics systems used in the logistics industry can utilise in real time.

SENSi lets you know, e.g. how much freight you are hauling, whether it is properly secured and how the freight is distributed. SENSi improves safety by preventing overloading, and the sensors can detect if a load that is not properly fixed in place moves out of position. Pairing the freight data with GPS location data enables the real-time tracking of road deliveries. With SENSi, the transport capacity can be better utilised, both from a financial and sustainability point of view.

Transport capacity optimisation is also good for the environment. Fewer lorries on the roads translates into lower fuel consumption and emissions – while also cutting fuel costs. SENSi panels enable logistics companies to move towards smarter and more sustainable freighting.

Suppliers and principles of responsible procurement

In its purchases, Koskisen favours products and services whose suppliers and subcontractors take care of their supply chain. Koskisen does not use materials sourced from conflict areas in its production.

Koskisen strives to follow the principles of fairness and impartiality. The aim of the company is long-term and open cooperation. When selecting a supplier, Koskisen does not only check strategic suitability, product range and product quality, but also environmental and corporate responsibility issues.

The suppliers must be familiar with Koskisen's occupational health and safety requirements and instructions and comply with them when operating at Koskisen sites. Koskisen requires its suppliers to commit to the company's ethical principles and to adhere to them and actively promote them. Koskisen's Code of Conduct is reviewed with all key suppliers and incorporated into supplier agreements.

Koskisen systematically collects information about its suppliers and tests the material selection and approval.

Koskisen requires its suppliers and subcontractors to comply with the legislation in force at the time and to respect human rights and the fundamental rights of working life. This means that suppliers must comply with international human rights conventions and conventions of the International Labour Organisation (ILO), the UN Convention on the Rights of the Child, the minimum wage and working time legislation of each country in which they operate, as well as general environmental, health and safety requirements. Koskisen will evaluate and report on its human rights impacts in the next few years.

Koskisen encourages its suppliers to use management systems such as ISO 9001, ISO 14001 and ISO 45001, as well as the best available technology and practices to reduce environmental impacts, occupational accidents and health risks.

Responsibility in the supply chain also means that Koskisen systematically collects information about its suppliers and tests the materials before selecting and approving them. As part of the selection of materials, Koskisen also assesses product safety risks. The company carries out supplier audits in the production plants of its suppliers. Koskisen requires traceability at every level of the supply chain of the raw materials and products it procures.

Forest owners and other partners

Koskisen's wood trade partners are mainly domestic private forest owners whose forests are mainly located in southern and eastern Finland. We operate fairly, with a long-term perspective and with respect for the principles of sustainable forest management in wood procurement. Koskisen's own procurement personnel and partner network work closely with forest owners.

Koskisen also provides forest owners with diverse forest management services. The services are tailored according to the customers' needs and wishes. Forest owners who regularly sell timber to us are offered significant partnership benefits in the wood trade.

Koskisen has outsourced all harvesting and transport operations, including their organisation, to third parties. In 2022, Koskisen cooperated with about 45 harvesting and transport contractors, ranging in size from a few to a few dozen employees.

WOOD WISDOM

Koskisen Zero – The world's first fully wood-based furniture board

Koskisen is the first company in the world to produce a furniture panel made from 100% wood-based raw materials. The firstborn of the Zero family, the furniture panel is manufactured at Koskisen's chipboard factory in Järvelä.

The base material for Zero comes fully from the side streams of Koskisen's plywood factory and sawmill. In Zero, resin adhesives made from fossil raw materials have been replaced with the a fully bio-based lignin. In addition to being climate-friendly, the wood-based binder is formaldehyde-free. This means that the raw materials of the Zero furniture panel are fully wood-based.

The Zero product family meets the increasing demand for bio-based solutions, both in Finland and on the export market. In the future, the novelty product enables, for example, furniture manufacturers to provide their customers with options that are both climate-friendlier, healthier and safer.

Sponsorship and support activities

Koskisen wants to be involved in building non-profit partnerships and we have now intensified our support activities around three main themes:

- Development of the competence of future employees
- Support for industry research and related theses
- Supporting the well-being of children and young people

We support forestry and wood industry students in the form of scholarships. In addition, we support thesis work related to education in the field on a case-by-case basis. Since 2022, we have been collaborating with TAT Yrityskylä in Lahti to develop the future work skills of young people. We support the physical activity of children and young people in select projects in our operating areas.

In 2022, Koskisen personnel and Koskisen Oyj donated 120 stoves to the Buy a Stove for Ukraine collection organised by the charity Omri ry. By challenging each other, employees collected the money for 40 stoves. For each stove donated by the employees, Koskisen Oyj donated two stoves.

WOOD WISDOM

Young people are at the heart of Koskisen's promotional activities

Koskisen collaborates with TAT Yrityskylä in Lahti to develop the future work skills and know-how of young people. Koskisen's goal is to showcase the daily work that goes into wood processing as well as its importance for the Finnish economy. Yrityskylä offers young people an opportunity to see for themselves how Finnish sawn timber and plywood are made and how they find customers on the global market.

In Yrityskylä's game, 9th year students get to try their hand at managing Koskisen's panel business on the global market. Over the course of the game, the teams manufacture and sell plywood to customers and manage the company over four quarters. The team that manages to build up its reputation most in addition to making a good result wins.

The game also teaches the young people teamwork and responsibility. By the same token, playing the game provides a comprehensive view of the way that businesses, citizens and society work together. From Koskisen's point of view, the operations of TAT Yrityskylä equal valuable collaboration with local actors and stakeholders.

Advertising and marketing

In all marketing and product releases, Koskisen follows good marketing practices. Matters related to the products and their production are presented as appropriate and truthful.

Our customers' data is protected and we do not relay it to third parties.

In all marketing, Koskisen takes note of and follows the marketing communications of the industry and the related changes in legislation and recommendations from the authorities.

Customer advice and technical support are easily available through the contact form and contact page on Koskisen's website. The description of the data file and the privacy statement can be found on Koskisen's website.

In all marketing and product releases, Koskisen follows good marketing practices.

Employees' well-being first

For Koskisen as an employer, it is important that employees feel that their workplace is safe and that everyone's work feels meaningful. The aim is a pleasant, health-promoting and responsible work community.

Particular attention is paid to ergonomics during heavy work phases and the use of protective equipment. Work capacity is thoroughly supported through comprehensive occupational healthcare services, early intervention and support for mental and physical work capacity.

The overall development of the work community is guided by a work community group that is also a discussion forum between management and personnel. It convenes at least four times a year and reviews, in accordance with the annual plan, the company's equality plan, substance abuse programme, matters related to occupational healthcare and the work community's development plan. The work of

Koskisen's aim is a pleasant, health-promoting and responsible work community.

Koskisen's employees are involved in the development of occupational safety – nearly 5,000 safety observations in 2022.

the work community group has been systematically developed in cooperation with representatives of the personnel.

At the end of 2022, there were a total of 899 (931) Koskisen employees. There were 804 (776) Koskisen employees in Finland, and as a rule, they come to work from Järvelä and Hirvensalmi, the municipalities where the plants are located, or the surrounding municipalities. There were 76 (72) employees in Poland and 4 (57) in Russia. In addition, there are approximately 15 (20) Koskisen employees in sales positions in different countries around the world.

A healthy and safe workplace

Koskisen aims to identify risks related to the health and safety of people, products and their use, as well as the company's property in advance, and to avoid them.

Safety is actively managed, and the key indicator is the LTA1 accident frequency, for which annual targets are set. The goal is zero accidents. In 2022, there were 45 (40) lost-time accidents. The accident frequency is one of the indicators related to remuneration for the entire personnel.

Employees are encouraged to participate in the development of safety by rewarding good safety initiatives. In 2022, Koskisen received 109 (106) security initiatives. A total of 4,926 (4,128) safety observations were made. In addition, training related to occupational safety was organised and employees were encouraged to actively identify areas of improvement in the working environment.

Various tools and indicators are used as part of safety development work and occupational safety management, and the results are assessed monthly for all functions.

The tools used by Koskisen extensively cover all areas of operations:
- Safety instructions
- Risk management
- Accident investigation
- Safety observation
- Management safety tour
- Tidiness and order
- Safety communications
- Safety training
- Occupational health and well-being
- Safety rewards
- ELMERI tour

Work ability management is steered and developed at Koskisen by a steering group that meets four times a year. In addition to Koskisen's representatives, the steering group includes occupational health services, employment pension companies and an accident insurance company. The objective of work ability management is to promote well-being at work, strengthen the power of attracting and retaining employees, support personnel in reaching retirement in the best condition of their lives, extend the TyEL contribution category and increase productivity.

The primary purpose of occupational healthcare is to maintain and develop the working capacity of the personnel. Employees have access to more extensive occupational healthcare than required by law, also covering medical care and examinations agreed upon with a referral from an occupational health physician. Koskisen also offers low-threshold mental health services to promote physical well-being.

In 2022, a pilot project for senior Koskisen employees was carried out. The aim of the pilot project was to support the coping of employees over 50 years of age, to ensure the continuation of their careers and to increase overall well-being during and after their careers.

Training and development

The continuous training carried out in the Koskisen Academy ensures that all employees are professional and motivated.

The trainings are divided into the following main groups:

- Orientation and induction
- Vocational education and apprenticeship qualification (basic qualification, vocational qualification and specialised vocational qualification)
- Training for tasks requiring special qualifications (e.g. first aid, occupational safety card, hot work card)
- Work community and organisational mentoring
  - group and teamwork skills
  - self-management
- Quality, environment and safety training
- Koskisen Academy supervisor training

Koskisen is a forerunner in on-the-job apprenticeship training leading to a competence-based qualification. About one-third of Koskisen's personnel in Finland have completed a vocational qualification alongside their work through an apprenticeship. The aim is for as many people as possible to be professionals in their field.

In 2022, a decision was made to build a new e-learning environment, the Koskisen Koulu. In addition to various trainings, the new online training environment will include a comprehensive induction package for new employees. The Koskisen Koulu e-learning environment will be deployed during 2023.

Equality and diversity

Koskisen's goal is an equal, non-discriminatory, fair, encouraging and open work community. Promoting equality and diversity is an integral part of Koskisen's corporate culture: everyone has equal opportunities to develop themselves and their work.

At Koskisen, the aim is to organise work and leisure time so that it supports people's different situations in life and with the use of various working hours and work models.

The starting point is that equal pay is paid for the same work of equal value, regardless of the employee's gender and age.

Koskisen has zero tolerance for bullying and all forms of discrimination. The terms and conditions of employment contracts and working conditions are based on equality and fairness.

WOOD WISDOM

Koskisen Koulu – We develop top professionals!

Over the decades, developing the skills of our employees has become an integral part of Koskisen's operations. In 2022, with the new sawmill investment, Koskisen launched a new degree-based training programme in co-operation with the Jyväskylä Educational Consortium Gradia.

The goal of the two-year programme is to expand and deepen the skill set of employees, as well as promote cross-learning between production and maintenance – that is, to create a solid foundation for the deployment and utilisation of new sawmill technology. What is new about the training is that the sawing process and maintenance professionals get to study together, simultaneously learning from each other. Theoretical instruction and on-the-job learning also include machine and equipment supplier sections.

Of Koskisen's employees, 14 production professionals as well as eight mechanical and electrical maintenance professionals seized the opportunity to add to their know-how. Once the training is complete, they will have a professional degree or specialised vocational certificate in either forest industry or maintenance.

Well-being at work

The well-being of the personnel at work is measured and monitored with an annual work community survey. The overall result of the occupational well-being survey conducted in 2022 improved from the previous year, being 3.85 (3.71). It was the best result in measurement history.

The strengths highlighted in the work community survey are that managers are perceived to be easily approachable at Koskisen and they trust the personnel. The employees are also well aware of the expectations of their own work and feel that they are able to meet the requirements of the job, which provides the prerequisites for success.

The respondents considered the development of the functioning of the work community to be a target for development. Based on the results of the survey, difficult issues should be discussed better, the effects of changes on work should be discussed more together and employees should be heard better.

The results of the work community survey are reviewed in team-specific briefings. The briefings choose a team-specific development target and draw up a concrete development plan for it.

Koskisen's eNPS, or Employee Net Promoter Score, was 12 (-2), while the manufacturing industry average, according to Elo Mutual Pension Insurance Company, is 4. eNPS is an internationally comparable recommendation index that measures employee engagement and satisfaction with the employer.

Overall satisfaction in the personnel survey

3.85

Satisfaction survey response rate

76%

Employee satisfaction survey eNPS

12

NUMBER OF EMPLOYEES

Number of employees	2022	2021	2020
Total, on 31 December	899	931	865
Until further notice, on 31 December	873	900	847
Fixed term, on 31 December	26	31	18
Full-time, on 31 December	841	876	814
Part time, during 2022	56	57	46

Employees	2022	2021	2020
Female	159		
Male	453		
Finland	612	606	553
Foreign countries	53	94	93
Total	**665**	**700**	**646**

Salaried employees	2022	2021	2020
Female	69		
Male	123		
Finland	192	178	168
Foreign countries	42	53	51
Total	**234**	**231**	**219**

Average number of employees by business	2022	2021	2020
Sawn timber industry	207	231	212
Panel industry	657	620	622
Group	61	58	58
Total	**925**	**909**	**892**

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER

	2022	2021	2020
New hires	86	119	25
Entry turnover, %	10.6%	14.7%	3.1%
Employment relationship terminated	79	78	77
Exit turnover, %	9.8%	10.2%	10.3%

DIVERSITY AND INCLUSION

Share, %	2022	2021	2020
Board of Directors			
Female	50%	40%	40%
Male	50%	60%	60%
Group Management Team			
Female	29%	14%	14%
Male	71%	86%	86%
All employees			
Female	28%	27%	26%
Male	72%	73%	74%

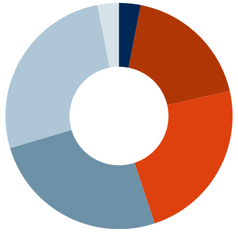
Age distribution on 31 December, %	30–40	40–50	50–60	60–
Board of Directors	17%		50%	33%
Group Management Team		43%	57%	

Ratio of basic pay of women to men, %	2022	2021	2020
Employees	-	98%	-
Salaried employees and management staff	-	96%[1]	-
Senior management		has not been examined	

[1] The salary survey was last conducted in 2021.

AGE DISTRIBUTION ON 31 DECEMBER 2022*

%

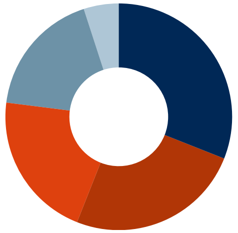


- Under 21: 3%
- 21–30: 18%
- 31–40: 23%
- 41–50: 25%
- 51–60: 26%
- 61–65: 3%
- Over 65: 0%

* Includes the operations in Finland.

YEARS OF SERVICE, 31 DECEMBER 2022*

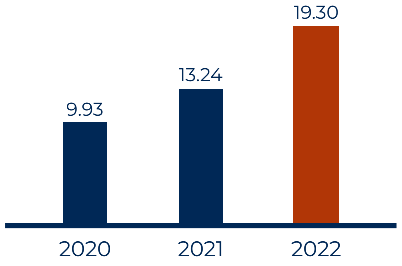
%



- Under 5: 31%
- 5–14: 25%
- 15–24: 21%
- 25–34: 18%
- 35–44: 5%
- Over 44: 0%

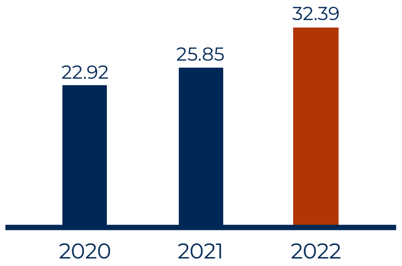
* Includes the operations in Finland.

OCCUPATIONAL ACCIDENT FREQUENCY LTA1



An absence of one day or longer due to an accident.

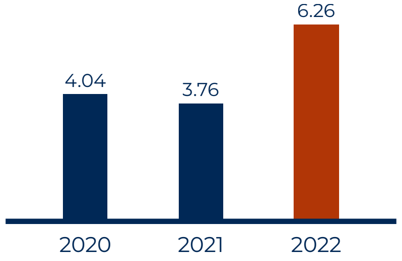
OCCUPATIONAL ACCIDENT FREQUENCY TRI



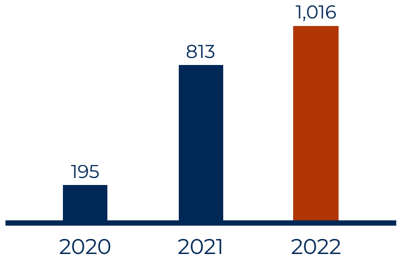
No absence due to an accident.

AVERAGE SICK LEAVE RATE

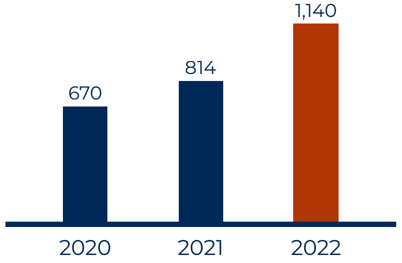
%



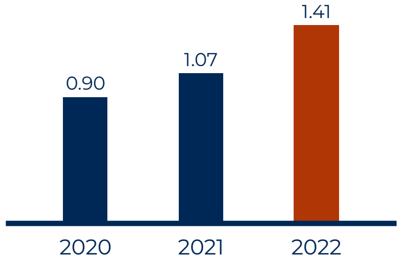
DAYS OF ABSENCE DUE TO OCCUPATIONAL AND COMMUTING ACCIDENTS



TRAINING DAYS



TRAINING DAYS, ON AVERAGE PER EMPLOYEE



KOSKISEN

Corporate governance

Koskisen's Corporate Governance Principles

This section presents Koskisen's corporate governance system, the Group's Board of Directors and Executive Board and the Remuneration Report.

Corporate Governance Statement

Provisions Followed by the Company and the Corporate Governance Code

Koskisen Corporation (hereinafter referred to as the "Company" or "Koskisen") is a Finnish public limited liability company, and the responsibilities and obligations of its administrative organs are governed by the laws of Finland.

The Company's decision-making and governance comply with the Finnish Limited Liability Companies Act, regulations concerning listed companies, Koskisen's Articles of Association and the rules and guidelines of Nasdaq Helsinki Ltd ("Nasdaq Helsinki").

The Company complies with the Corporate Governance Code for Finnish listed companies (hereinafter referred to as the "Corporate Governance Code"). The Corporate Governance Code is fully available at www.cgfinland.fi.

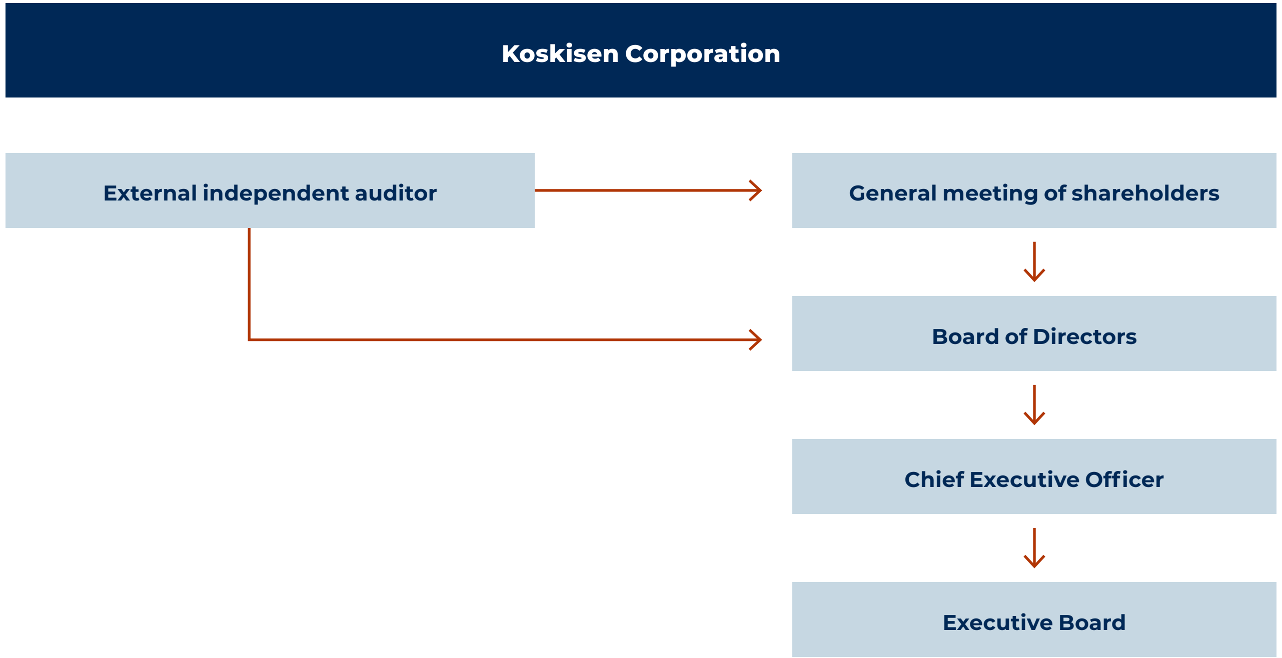
Group Structure

The parent company of the Koskisen Group is Koskisen Corporation, with its registered office in Kärkölä, Finland. The Group includes the subsidiaries Kosava-Kiinteistöt Oy in Finland, Koskisen Sp z.o.o in Poland and Koskiles OOO in Russia.

Governance

The General Meeting of Shareholders, the Board of Directors and the Chief Executive Officer are responsible for Koskisen's governance and operations. The tasks are defined based on the Finnish Companies Act and Koskisen's Articles of Association.

The chart below presents the governance structure of Koskisen:



General Meeting of Shareholders

GENERAL

The highest decision-making body is Koskisen's shareholders at general meetings of shareholders, where the shareholders can exercise their right to speak, present questions and vote.

The Annual General Meeting shall take place each year by the end of June, and it shall discuss matters which are to be reviewed by the Annual General Meeting under the Limited Liability Companies Act and which are included within its jurisdiction under the Articles of Association, as well as proposals made to it. The Company's Annual General Meeting usually takes place in April–May. If necessary, an extraordinary meeting of shareholders shall be convened, discussing a specific proposal made to the meeting of shareholders.

As a rule, the general meeting of shareholders reviews matters according to the agenda prepared by the Board of Directors. Under the Limited Liability Companies Act, a shareholder shall have the right to submit a written request to the Board of Directors to have a matter included in the agenda of the next general meeting of shareholders. The Company shall announce well in advance on its website the date by which shareholders shall present their demands concerning matters to be reviewed by the Annual General Meeting.

If a shareholder or shareholders representing a minimum of 10 per cent of all shares or the Company's auditor in writing demand that a certain matter shall be reviewed by a general meeting of shareholders, the Board of Directors shall convene the general meeting to review the matter concerned.

Annual General Meeting 2022

- The Annual General Meeting 2022 was held on 26 April 2022.

Extraordinary General Meeting

- In 2022, Koskisen Corporation held two Extraordinary General Meetings. on 18 August 2022 and on 31 October 2022.

Annual General Meeting 2023

- The first Annual General Meeting of Koskisen Corporation as a listed company takes place in Helsinki on 11 May 2023.

DUTIES

Significant matters falling under the decision-making authority of the general meeting of shareholders include, inter alia:

- adopting the financial statements and resolving on the distribution of funds;
- resolutions on the number, election and remuneration of the members of the Board of Directors;
- discharging the members of the Board of Directors and the Chief Executive Officer (the "CEO") from liability;
- resolving on amendments to the Articles of Association;
- share issues or authorising the Board of Directors to decide on share issues; and
- increasing or decreasing the share capital.

NOTICE OF THE MEETING

A notice of a general meeting of shareholders shall be submitted to the shareholders by publishing the notice on the Company's website or in one or more widely circulated daily newspapers specified by the Board of Directors at the earliest three (3) months and at the latest three (3) weeks before the general meeting; however, a minimum of nine (9) days before the record date referred to in Chapter 5, Section 6a of the Limited Liability Companies Act. The notice of the meeting shall mention the matters to be discussed at the meeting and other information required by the Limited Liability Companies Act and Corporate Governance Code.

The notice of the meeting and proposals of the Board of Directors shall also be published as a stock exchange release. A proposal concerning the composition and remuneration of the Board of Directors and election of the auditor by shareholders representing a minimum of 10 per cent of the votes conferred by shares in the Company shall correspondingly be published as a stock exchange release.

The agenda of the general meeting, resolution proposals and meeting documents under the Limited Liability Companies Act, including the remuneration report and remuneration policy, if it is to be discussed by the meeting, shall be made available to shareholders on the Company's website a minimum of three weeks prior to the general meeting.

PARTICIPATION

In accordance with the Limited Liability Companies Act, a shareholder shall have the right to participate in a general meeting and exercise their voting and other shareholder rights if their holding has been recorded in the list of shareholders maintained by Euroclear Finland Oy ("Euroclear") a minimum of eight (8) business days prior to the meeting (general meeting record date). Shareholders can exercise their rights at the general meeting either personally or by authorised proxy. A shareholder can have several proxies, representing the shareholder with regard to shares in different book-entry accounts. When registering for the general meeting, the shareholder shall report for which shares each proxy represents the shareholder.

The holder of nominee-registered shares shall have the right to participate in a general meeting by virtue of shares on the basis of which they would have the right to be recorded in the list of shareholders maintained by Euroclear on the general meeting record date. In addition, participation requires that the shareholder has been temporarily entered in the list of shareholders maintained by Euroclear on the basis of these shares. With regard to nominee-registered shares, this is considered to constitute registration for the general meeting.

The Board of Directors of the Company may decide that the general meeting of shareholders may also be attended by a shareholder using their decision-making power fully through a data connection link and technical tool during the general meeting of shareholders.

In addition, the Board of Directors of the Company may decide that the general meeting of shareholders may also be attended by mail or through a data connection link and technical tool prior to or during the general meeting of shareholders. The Board of Directors may also decide that only part of the shareholder's rights may be used in such a way and that the rights may only be exercised in a manner decided by the Board of Directors.

PARTICIPATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE CEO IN MEETINGS

The CEO, Chair of the Board of Directors and members of the Board of Directors shall generally be present at general meetings. In addition, the auditor shall be present at the Annual General Meeting. A candidate for membership of the Board of Directors shall participate in the general meeting of shareholders at which the election takes place. If one or more individuals will not be present, the Company shall inform the general meeting of their absence.

DECISION-MAKING

The Company has one series of shares, and each share confers one vote at the general meeting. The shareholders can vote differently based on different shares, unless otherwise specified in the Articles of Association. A shareholder can also vote on the basis of only part of their shares. As a rule, resolutions of the general meeting require a simple majority of the votes cast at the meeting. The person receiving the most votes shall be elected. However, the general meeting of shareholders may, prior to the election, decide that being elected requires more than half of the votes cast. The Limited Liability Companies Act lists the situations in which a resolution requires two-thirds (⅔) of the votes cast and shares represented at the general meeting.

The Company's Articles of Association do not include a redemption clause or restrictions on voting.

The minutes of the general meeting, including voting results, and attachments to the minutes which are part of the resolution of the general meeting, shall be published on the Company's website within two weeks of the general meeting. The resolutions made by the general meeting shall also be published as a stock exchange release immediately once the general meeting has ended. The documents associated with the general meeting shall be available on the Company's website for a minimum of five years after the general meeting.

Board of Directors

DUTIES AND RESPONSIBILITY

The duties and responsibilities of the Company's Board of Directors shall be determined by the Limited Liability Companies Act and other applicable legislation. The Company's Board of Directors has general competence in all of the matters that are not prescribed to be decided on or carried out by other organs under law or the Company's Articles of Association. It is a general duty of the Company's Board of Directors to see to the administration of Koskisen and the appropriate organisation of its operations. The Board of Directors shall in all situations act in line with the interests of Koskisen.

The duties of the Board of Directors shall include, inter alia:

- preparing reports of the Board of Directors, financial statements and interim reports;
- seeing to the appropriate organisation of accounts and financial administration;
- preparing proposals for the general meeting of shareholders and convening general meetings of shareholders;
- approving and confirming strategic guidelines and risk management principles;
- confirming annual budgets and operating plans;
- appointing the CEO and deciding on the CEO's terms of service;
- deciding on the company structure;
- making significant business decisions, such as mergers and acquisitions, significant contracts, investments and financing arrangements; and
- deciding on other matters falling under the responsibilities of the Board of Directors under legislation.

The Board of Directors has a charter that specifies the duties of the Board of Directors and its Chair. The Board of Directors shall convene according to a pre-agreed schedule normally from 8 to 12 times a year and hold extraordinary meetings, if necessary. The Board of Directors shall annually review its activities and operating methods.

MEMBERS

In accordance with the Articles of Association, the general meeting of shareholders elects a minimum of three (3) and a maximum of nine (9) members of the Board of Directors. The term of office of a member of the Board of Directors commences at the close of the general meeting that elected them and expires at the close of the next Annual General Meeting. The general meeting of shareholders elects a chair of the Board of Directors. The most efficient Board of Directors work requires the members of the Board of Directors to have mutually complementary competencies and expertise and sufficient diversity. In preparing a proposal concerning the composition of the Board of Directors, the Board of Directors shall consider the candidates' educational and professional background, gender and international experience so that expertise and education that extensively and diversely supports Koskisen's operations are present on the Board of Directors.

Chair

The general meeting of shareholders elects a chair for one year at a time.

The Chair of the Board of Directors, inter alia:

- convenes meetings of the Board of Directors;
- approves the agenda prepared by the CEO for Board of Directors meetings;
- is responsible for minutes being drawn up for each meeting of the Board of Directors;
- keeps in touch with the CEO and members of the Board of Directors in between meetings and is responsible for the organisation of the work of the Board of Directors; and
- is responsible for ensuring that the provisions of the charter of the Board of Directors are followed in the work of the Board of Directors.

In the event of a tie in a matter voted on by a Board Meeting, the Chair shall have the casting vote.

Board of Directors in 2022

Koskisen Corporation Board of Directors consisted of six members on 31 December, 2022: Juha Vanhainen (Chairman of the Board), Eva Wathén, Kari Koskinen, Kalle Reponen, Hanna Maria Sievinen and Karoliina Koskinen.

As the date of this Corporate Governance Statement document, the members of the Board of Directors of Koskisen are independent of the Company's significant shareholders, except for Eva Wathén, Kari Koskinen and Karoliina Koskinen, and of the Company, except for Eva Wathén, Kari Koskinen and Karoliina Koskinen.

The Board of Directors convened a total of 29 times, in addition to which the Board made decisions seven times without a meeting. The average attendance rate at the meetings was 98.8%. Each director's attendance in the meetings was as follows:

Juha Vanhainen	29
Kari Koskinen	29
Eva Wathén	29
Karoliina Koskinen[1]	22
Kalle Reponen	28
Hanna Sievinen	28

[1] Karoliina Koskinen was elected to the Board of Directors at the Annual General Meeting on 26 April 2022.

COMMITTEES

Koskisen Corporation's Board of Directors has appointed an Audit Committee which consists of a minimum of three (3) and a maximum of five (5) members, including a Chair, that are elected by the Board of Directors among its members following the Annual General Meeting. The term of office of the members of the Audit Committee is one year.

The majority of the members of the Audit Committee shall be independent of the Company and at least one member of the Audit Committee shall be independent of the significant shareholders of the Company. Members of the Audit Committee shall have relevant expertise and experience required for the performance of the duties and responsibilities of the Audit Committee and the mandatory tasks relating to auditing. At least one of the members of the Audit Committee shall have expertise in accounting or auditing and the members of the Audit Committee as a whole shall have relevant expertise in the Company's business operations.

A person who participates in the day-to-day management of the Company or a company in the same group of companies, for example as a CEO, cannot be appointed to the Audit Committee.

The Board of Directors has confirmed a written charter for the Audit Committee that lays down the key duties and operating principles of the Audit Committee.

Members of Koskisen's Audit Committee in the current term are Kalle Reponen, Hanna Sievinen and Eva Wathén.

The Audit Committee did not hold meetings in 2022.

CEO

It is the duty of the CEO to manage the operations of Koskisen in accordance with the guidelines and orders issued by the Company's Board of Directors and to keep the Board of Directors informed of the development of the business and financial position of Koskisen. As a rule, the CEO may only take unusual or extensive measures, considering the scope and quality of the Company's operations, when authorised to do so by the Board of Directors. The CEO is also responsible for organising the day-to-day administration of Koskisen and seeing to it that Koskisen's accounts are organised reliably.

The Board of Directors appoints the CEO and decides on the remuneration paid to the CEO and other terms of the CEO contract in line with the remuneration policy in force. The terms of the CEO's service shall be agreed upon in writing. The CEO shall be appointed to the position until further notice.

The CEO is the Chairman of Koskinen's Executive Board. Koskisen Corporation's CEO is Jukka Pahta. The CEO does not have a designated deputy. The personal information concerning the CEO is set forth under the section Koskisen Management and his holdings can be found in the section Management holdings.

Executive Board

The Executive Board supports the CEO in implementing the Company's strategy and manages the business operations of Koskisen on the whole. The members of the Koskisen Executive Board have extensive authority to operate within their respective areas of responsibility, and it is their duty to develop the business operations of Koskisen in line with the objectives set by the Company's Board of Directors and the CEO. The Executive Board convenes regularly on a monthly basis and as necessary.

Koskisen's Executive Board consists of CEO Jukka Pahta, Karri Louko (CFO), Tom-Peter Helenius (Director, Panel Industry), Tommi Sneck (Director, Sawmill Industry), Joonas Ojasalo (Director, Wood Supply and Bioenergy), Minna Luomalahti (Director, Human Resources) and Sanna Väisänen (Director, Sustainability and Corporate Communications).

Operative organisation

Koskisen has organised its business into two segments. The Sawn Timber Industry business segment produces sawn and further-processed timber and the Panel Industry business segment produces plywood, thin plywood, veneers, chipboards and interior solutions for light commercial vehicles under the Kore brand. The Sawn Timber Industry segment also includes wood procurement. Operational business responsibilities, as well as the Profit & Loss responsibility belong to each of the segments.

Auditor

The Company's general meeting of shareholders elects the auditor on the basis of the Board of Directors' recommendation. In accordance with the Company's Articles of Association, the Company's auditor shall be a firm of auditors approved by the Finnish Patent and Registration Office. The term of office of the auditor ends at the close of the next Annual General Meeting.

In 2022, Deloitte Finland, Authorised Public Accountants acted as the company's auditor until 26.4.2022. Koskisen Annual General Meeting appointed PricewaterhouseCoopers, Authorised Public Accountants, as its auditor from 26.4.2022 onwards. PricewaterhouseCoopers appointed Markku Launis, Authorised Public Accountant, as the auditor with principal responsibility.

In 2022, the audit fee paid to the audit firm Deloitte Finland totalled EUR 66,000. The audit fee paid to the audit firm PricewaterhouseCoopers totalled EUR 275,000. In addition, a total of EUR 74,000 was paid as fees for tax services and EUR 1,178,000 as fees for other services which mainly targeted to Koskisen's Initial Public Offering (IPO) process.

Internal Control and Risk Management

The Company's Board of Directors has confirmed the operating principles of internal control followed at Koskisen, aiming to ensure that the Company's objectives regarding, inter alia, Koskisen's strategy, operations, practices and financial reporting in particular are met. The operating principles of internal control also contribute to ensuring the Company's compliance with legislation and regulations. The Company's Board of Directors has also defined the principles of risk management. The purpose of risk management is to ensure the comprehensive and appropriate identification, assessment, management and supervision of risks.

Internal audit

The Audit Committee approves the internal audit policy and annual plan as well as processes internal audit reports. Koskisen will organise the operation of the internal audit during 2023.

Insider Management

Koskisen has in force insider guidelines approved by the Board of Directors. These are based on the legislation in force, regulations issued by the competent authorities and other regulations, as well as the insider guidelines of Nasdaq Helsinki.

The person in charge of insider issues at Koskisen is the Chief Financial Officer (the "CFO"), who is also responsible for maintaining the insider lists. The practical duties relating to the insider list and the management of inside information are taken care of by a person designated by the person in charge of insider issues. The person in charge of managing the duty to disclose management and related party transactions is Director, Sustainability and Communications and a substitute appointed by them.

Koskisen discloses by way of stock exchange release all transactions made by the persons discharging managerial responsibilities and their closely associated persons and companies involving stocks and other financial instruments relating to Koskisen, as required by the Market Abuse Regulation.

SHAREHOLDINGS OF BOARD OF DIRECTORS AND EXECUTIVE BOARD ON DEC 31, 2022

Board of Directors	
Juha Vanhainen	11,000
Kari Koskinen	4,208,988
Eva Wathén	2,228,988
Karoliina Koskinen	780,000
Kalle Reponen	7,500
Hanna Sievinen	4,700

Executive Board	
Jukka Pahta	13,328
Karri Louko	5,510
Tommi Sneck	6,138
Tom-Peter Helenius	5,000
Joonas Ojasalo	1,700
Minna Luomalahti	3,420
Sanna Väisänen	5,334

Related party transactions

Koskisen's related parties consists of the members of Board of Directors, the chief executive officer (CEO), members of the Executive Board and shareholders with significant influence over the company. The related parties also include the close family members of these aforementioned individuals and entities in which these individuals have either control or joint control. In 2022, the company did not engage in business transactions with related parties deviating from the company's normal business operations or under unordinary market terms.

Board of Directors

Juha Vanhainen
Chairman of the Board since 2020
b. 1961, Master's degree in engineering (process technology)
Principal occupation: Board professional
Independent of the company and of its significant shareholders

Kari Koskinen
Member of the Board since 2019
b. 1958, M.Sc (B.A)
Principal occupation: Board professional
Dependent of the company and of its significant shareholders

Karoliina Koskinen
Member of the board since 2022
b. 1991, Master of Science (Economics and business administration)
Principal occupation: Business Controller, Koskisen Corporation, Sawn Timber Industry
Dependent of the company and of its significant shareholders

Kalle Reponen
Board member since 2014
b. 1965, Master of Science, Economics and Business Administration
Principal occupation: Board professional
Independent of the company and of its significant shareholders

Hanna Maria Sievinen
Member of the Board since 2015
b. 1972, D.Sc. (Economics & Business Administration)
Principal occupation: board professional, independent advisor
Independent of the company and of its significant shareholders

Eva Wathén
Member of the Board since 2001
b. 1967, M.Sc and eMBA
Principal occupation: Entrepreneur
Dependent of the company and of its significant shareholders

According to Koskisen's Articles of Association, the Board of Directors consists of a minimum of three and a maximum of nine members.

Executive Board

Jukka Pahta
Chief Executive Officer
Employed in Koskisen Group since 2016
b. 1966, M.Sc (Econ.), Finance and Accounting

Karri Louko
CFO
Employed in Koskisen Group since 2022
b. 1969, Master of Science, Economics (MSE)

Tom-Peter Helenius
Director, Panel Industry
Employed in Koskisen Group since 2020
b. 1971, Master of Science, Engineering

Tommi Sneck
Director, Sawmill Industry
Employed in Koskisen Group since 2007
b. 1976, Master of Science (Tech.)

Joonas Ojasalo
Director, Wood Supply and Bioenergy
Employed in Koskisen Group since 2021
b. 1982, Master of Science in Forestry

Minna Luomalahti
Director, Human Resources
Employed in Koskisen Group since 1994
b. 1967, Engineer, Wood processing

Sanna Väisänen
Director, Sustainability and Corporate Communications
Employed in Koskisen Group since 2022
b. 1977, Master of Arts (MA), Communications

Remuneration report

Introduction

The remuneration policy for Koskisen's bodies determines the framework for the remuneration of the bodies of Koskisen Corporation. The remuneration policy complies with the Finnish Limited Liability Companies Act, other regulations concerning publicly listed companies, the company's Articles of Association and the rules of procedure of the Board of Directors and its committees. In addition to these, the company complies with the rules and guidelines of NASDAQ Helsinki Ltd and the Corporate Governance Code 2020.

This remuneration report contains information about the remuneration of the company's Board of Directors and the CEO, as well as the key terms and conditions of the CEO's employment contract and other information referred to in the Corporate Governance Code remuneration report for the financial year 2022. The remuneration report will be available on Koskisen's website for a minimum of ten years.

Remuneration is based on the remuneration policy reviewed by the Annual General Meeting. The core idea of remuneration is rewarding performance and responsibility. These guide short- and long-term incentive schemes that support the company's value growth, long-term financial success and the implementation of the business strategy.

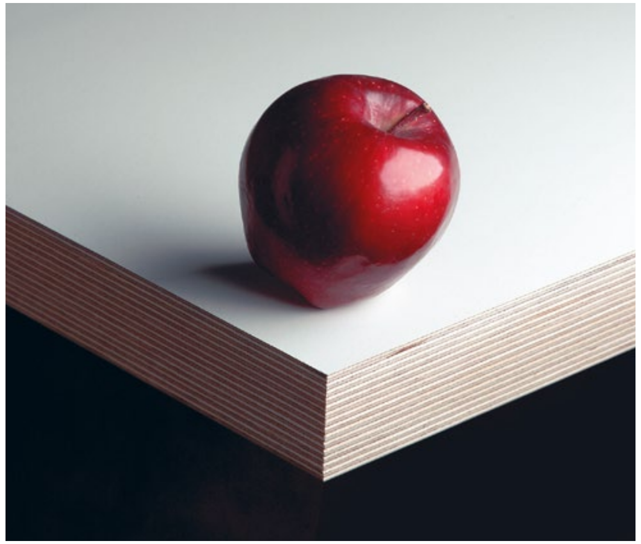
DEVELOPMENT OF REMUNERATION

EUR 1,000	2022	2021	2020
Total annual and meeting fees of the Board of Directors	273.6[1]	137.6	108.9
Fees paid to the Chair of the Board	78[1]	48	48
Fees paid to the Board members on average	43.5[1]	22.4	22.8
Annual remuneration of the CEO[2]	562.1	309.4	312.9
Average annual salary/person[3]	43.6	41.7	38.5
Group's operating profit (EUR million)	58.2	52.7	2.2

[1] The remuneration of the Board of Directors in 2022 was affected by the preparations related to the listing process and the increase in the number of Board members. In addition to the number of meetings, the development of the total amount of Board remuneration is affected by changes in the number of Board members (Board meetings: 29 in 2022 and 16 in 2021).
[2] Includes wages and salaries
[3] Calculated personnel costs in Finland excluding social security costs/average number of employees

The remuneration of the Board of Directors for 2022 is based on the resolution of the Annual General Meeting 2021 on the principles of remuneration. The remuneration of the CEO is based on the remuneration principles approved by the Board of Directors. Koskisen Oyj's remuneration policy will be reviewed by the 2023 Annual General Meeting.

The following table shows the development of the remuneration of the Chairman of the Board of Directors, the members of the Board of Directors and the CEO compared to the development of the average remuneration of all employees of the Group and the financial development of the Group for the previous four financial years.



Remuneration of board members 2022

The remuneration of the Board of Directors for 2022 is based on the resolution of the Annual General Meeting 2021 on the principles of remuneration. If a member of the Board of Directors has been in an employment or service relationship with the company, they have been paid a salary in accordance with the employment or service relationship.

ANNUAL FEES OF THE BOARD OF DIRECTORS 2022

EUR	2022
Chair	56,000
Member	27,600

MEETING FEES OF THE BOARD OF DIRECTORS/MEETING AS OF 1 MAY 2022

EUR	2022
Chair	1,000
Member	500

[1] Jan 1–Apr 30, 2022: EUR 0
[2] Jan 1–Apr 30, 2022: EUR 400

In addition, the members of the Board of Directors have been compensated for travel expenses as decided by the 2021 Annual General Meeting. The members of the Board of Directors are not covered by share-based remuneration schemes, and they are not covered by the company's remuneration or pension schemes.

REMUNERATION OF THE BOARD OF DIRECTORS 2022

EUR	Period	Annual fee	Meeting fees	Pension benefit[4]	Other remuneration	Total
Vanhainen Juha, Chair of the Board	1 January–31 December 2022	56,000	22,000	6,747		84,747
Koskinen Kari[1]	1 January–31 December 2022	27,600	13,800		106,290	147,690
Koskinen Karoliina[2]	1 May–31 December 2022	20,000	11,000		99,979	130,979
Reponen Kalle	1 January–31 December 2022	27,600	13,300			40,900
Sievinen Hanna	1 January–31 December 2022	27,600	13,300			40,900
Wathén Eva[3]	1 January–31 December 2022	27,600	13,800		56,960	98,360
Total		**186,400**	**87,200**	**6,747**	**263,229**	**543,576**

[1] Other remuneration is related to supporting the Panel industry, Russian businesses and the company's product development.
[2] Other remuneration is related to Sawn Timber Industry employment relationship in financial administration.
[3] Other remuneration is related to supporting sustainability-related matters and strategic HR and marketing.
[4] The Chair of the Board has taken out voluntary TyEL insurance.

Remuneration of the CEO 2022

CEO CONTRACT AND REMUNERATION PRINCIPLES

The remuneration of the CEO consists of a fixed monthly salary, fringe benefits and variable short-term and long-term incentive schemes. The Board of Directors decides on the remuneration of the CEO, the content of the performance bonus and the objectives.

In the indicators of the incentive scheme, the main focus is on the company's profitability. In addition, the indicators may be related to the implementation of the company's strategy. The Board of Directors has the right to amend the terms of incentive schemes unilaterally for a weighty reason.

The CEO's period of notice is six months. The CEO does not have a defined benefit pension plan.

The company's CEO was Jukka Pahta during the financial period.

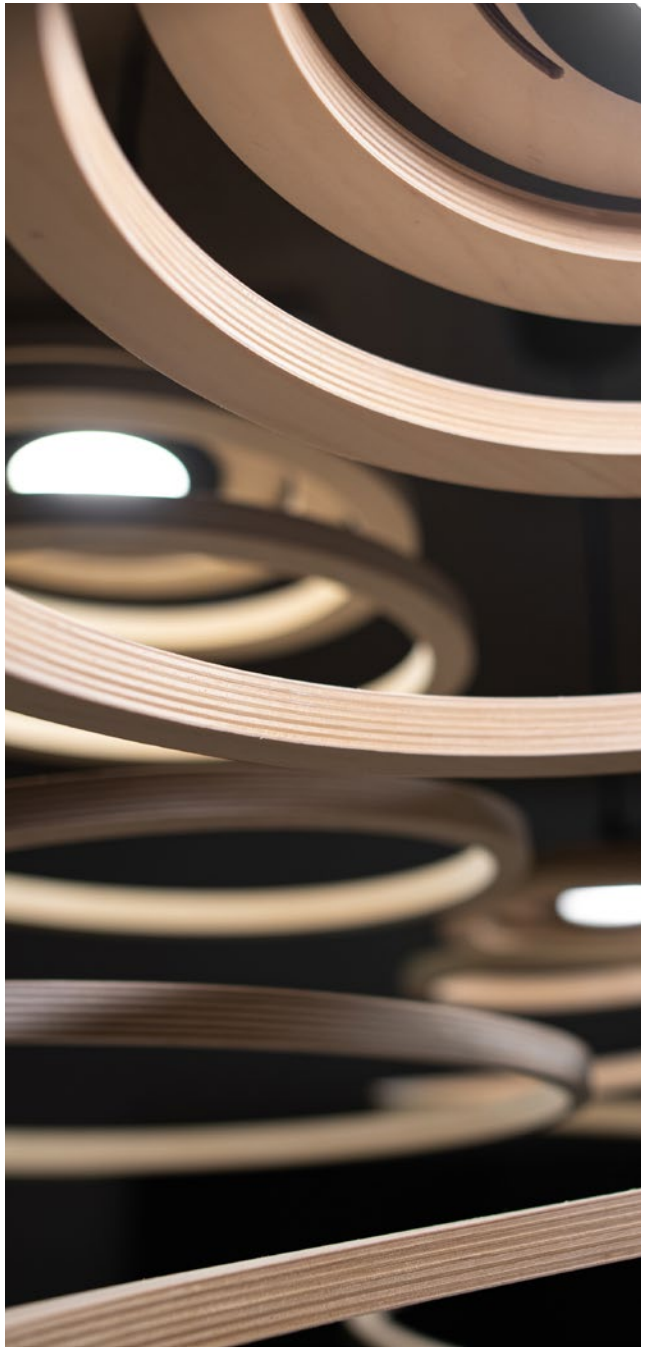
The maximum short-term performance bonus is the amount corresponding to six months' salary and it is paid in cash. For 2021, the Board of Directors decided to pay the CEO a performance bonus equalling 12 months' salary in 2022 based on success in performance, implementation of the company's financing solution, cost savings and preparations leading to the investment decision.

The long-term incentive scheme is the share-based incentive scheme 2022–2026. The scheme has three earning periods, financial periods 2022–2024, 2023–2025 and 2024–2026. Any payment is paid as a combination of shares and cash. The purpose of the cash component is to cover the taxes and tax-like levies incurred by the recipient. The earning criterion of the plan is a continuous service contract at the time of payment of the reward. The indicators of the performance period of the long-term incentive scheme 2022–2024 focus on the Group's long-term profitability and return on capital.

CEO'S REMUNERATION 2022

EUR 1,000	2022
Fixed salary	280
fringe benefits (incl. in fixed salary)	18.6
Short-term performance bonus	282
total	**562**
Share of variable remuneration of total earnings	50%

Long-term share-based incentive plans are included in the reporting as a separate item for the year in which the reward was paid. The CEO had a separate share-based incentive plan related to the company's IPO, the rewards of which will be paid in two instalments in 2023 and 2024. An expense provision of EUR 77,200 thousand has been made for this in the financial statements for 2022.



KOSKISEN

Financials

Koskisen Financial Review 2022

This section presents Koskisen's Report of the Board of Directors and Financial Statements.

Contents

The Report of the Board of Directors

Koskisen is a Finnish wood processing company with more than one hundred years of operating history. The main raw material used by Koskisen in its production is wood, which is processed by Koskisen into, for example, sawn goods, plywood and chipboard.

Koskisen has two business segments: Sawn Timber Industry and Panel Industry. The Sawn Timber Industry business segment produces sawn and further processed timber and the Panel Industry business segment produces birch plywood, thin plywood, veneers, chipboards and interior solutions for light and heavy commercial vehicles under the Kore brand. Koskisen's Wood Procurement function is part of the Sawn Timber Industry business segment. The Wood Procurement function is responsible for procuring wood for Koskisen's own production facilities, delivers residues from Koskisen's own production for bioenergy production to power plants located

at Koskisen's production facilities owned and operated by Loimua Oy and to several other nearby power plants, as well as supplies raw material (chips and fibre wood) to paper and pulp manufacturers.

Koskisen's production facilities are located in Järvelä and Hirvensalmi, Finland, and Toporów, Poland. Koskisen is currently building a new wood processing unit in Järvelä, Finland, where production is expected to begin in stages during 2023 and 2024.

The company's shares are listed on the main list of Nasdaq Helsinki Oy from 1 December 2022.

Economic development

The Group's revenue for January–December 2022 increased and amounted to EUR 317.7 (311.5) million. In the Sawmill Industry, the decrease in revenue was especially due to reduced sales volumes. In the Panel Industry, revenue was increased especially by the favourable development of sales prices and volumes of plywood products.

Adjusted EBITDA improved and amounted to EUR 66.6 (62.3) million. The improvement in adjusted EBITDA was mainly due to the better profitability of the Panel industry compared to the comparison period. The prices of raw materials were at a higher level than in the comparison period.

Operating profit amounted to EUR 58.2 (52.7) million. Depreciation, amortisation and impairment amounted to EUR 8.1 (9.5) million. Profit before income tax amounted to EUR 57.8 (47.9) million and income tax for the period to EUR 11.8 (9.4) million.

The profit for the financial period amounted to EUR 46.0 (38.5) million and earnings per share was EUR 2.48 (2.32).

SEGMENTS

The revenue of the Sawmill Industry segment was EUR 165.4 (188.0) million and the EBITDA EUR 41.6 (50.7) million. The revenue of the Panel Industry segment was EUR 152.1 (123.3) million and the EBITDA EUR 29.3 (14.1) million.

KEY FIGURES

EUR million	2022	2021	Change, %
Revenue	**317.7**	**311.5**	**2.0**
EBITDA	66.3	62.2	6.5
EBITDA, %	20.9	20.0	
Adjusted EBITDA	66.6	62.3	7.0
Adjusted EBITDA, %	21.0	20.0	
Operating profit (EBIT)	58.2	52.7	10.4
Operating profit (EBIT), %	18.3	16.9	
Profit for the period	46.0	38.5	19.3
Basic earnings per share, EUR	2.48	2.32	
Diluted earnings per share, EUR	2.47	2.32	
Gross investments	26.6	9.4	
Equity per share, EUR	5.9	9.3	
Return on capital employed (ROCE), %	35.7	44.4	
Working capital, end of period	28.9	37.0	
Net cash flow from operating activities	47.2	48.8	
Equity ratio, %	52.7	29.5	
Gearing, %	-21.0	57.9	

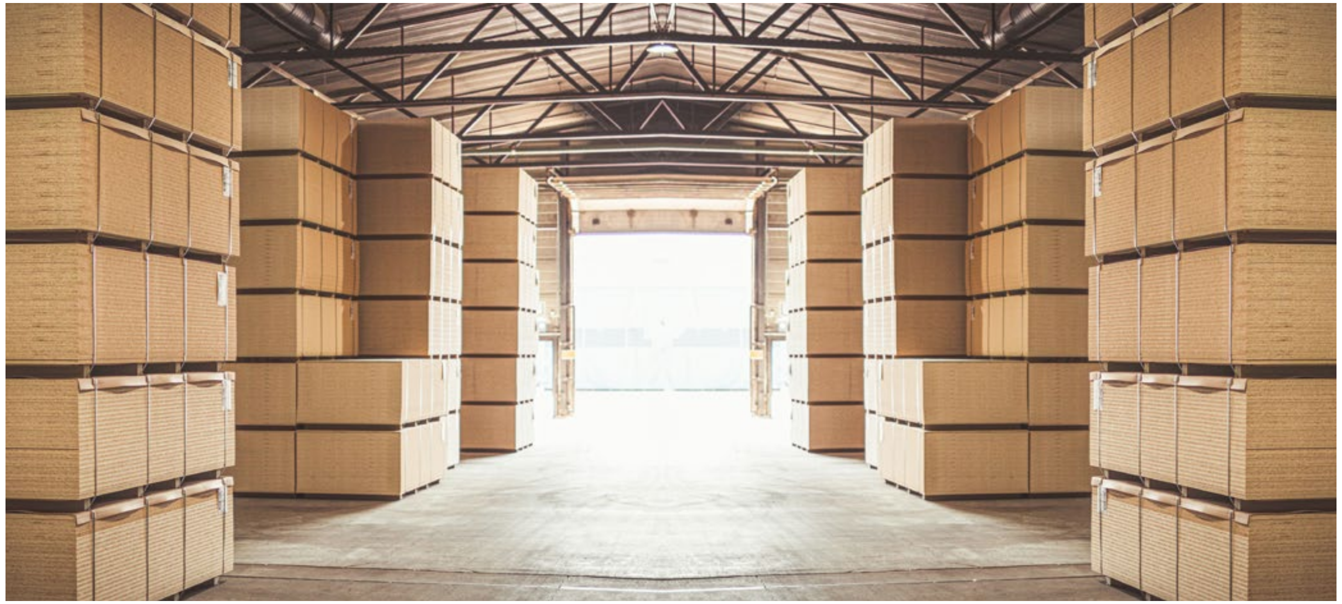
Balance sheet, cash flow and financing

At the end of the review period, Koskisen's equity ratio was 52.7 (29.5) per cent and gearing was -21.0 (57.9) per cent.

Cash flow from operating activities for January–December amounted to EUR 47.2 (48.8) million. The impact of the change in working capital amounted to EUR 12.3 (-6.1) million. Cash flow from financing activities amounted to EUR 15.1 (-6.3) million. Cash flow from investment activities amounted to EUR -18.4 (-19.6) million.

Interest-bearing liabilities at the end of the period amounted to EUR 56.0 (74.6) million and liquid assets to EUR 74.5 (30.5) million. Interest-bearing net liabilities amounted to EUR -28.5 (34.1) million. Koskisen entered into a new financing agreement and the loan amount of the new financing agreement was EUR 14 million less than the loan amount of the old financing agreement. Koskisen paid interest on the capital loans due during the entire loan period amounting to EUR 5.8 million in June and repaid the capital loans of EUR 7.0 million at the end of the year.

Koskisen's liquidity has remained strong. At the end of the review period, available liquidity amounted to EUR 84.4 (40.5) million, comprising cash and cash equivalents of EUR 74.5 (30.5) million and fund investments of EUR 9.9 (10.0) million.



Investments

The gross investments for the review period amounted to EUR 26.6 (9.4) million. The most significant parts of the increase in investments related to the construction of the new wood processing unit in Järvelä. During the period, approximately EUR 5.5 million worth of fixed assets were taken into use, the most significant of which, amongst others, was a stick stacker of EUR 3.3 million. Advance payments and construction in progress include EUR 21.6 million related to the construction of the new sawmill, of which EUR 15.8 million incurred in 2022. In addition, construction in progress also includes EUR 1.3 million related to the construction of the stormwater system in the Mäntsäläntie industrial area.

Value creation

Koskinen's ability to generate value is based on a material-efficient and integrated value chain from the forest to the final product. Koskisen's efficient and integrated operating model enables at optimised use of wood as a raw material at its production facilities, and Koskisen's Wood Procurement function enables the availability of high-quality wood raw material.

Koskisen's integrated operating model is based on interconnected processes that form the basis of Koskisen's business, from the forest through production to the finished products. Koskisen's whole value chain from harvesting to end products is designed around synergistic material flows and an agile operating model allowing utilisation of raw material from diverse sources.

In Koskisen's integrated operating model, its Wood Procurement function procures the raw materials that are delivered to Koskisen's production facilities for processing. The by-products generated in the early stages of the production process, such as tree bark, are used for the heat production of the processes of production facilities in Järvelä and Hirvensalmi, totalling for approximately 96 per cent of the process heat of these production

Koskisen's liquidity has remained strong.

facilities. By-products generated in the Sawn Timber Industry business segment and Koskisen's birch plywood production, such as part of the wood chips and sawdust, is further utilised in Koskisen's chipboard production. In Koskisen's view, it is the only company in the mechanical wood industry in Finland with the integration level described above.

Strategy

Koskisen's strategy is the cornerstone of all of the company's operations. Koskisen's growth is based on close customer relationships, quality, responsibility and agility, which are key focus areas in the strategy.

STRATEGIC PRIORITIES

Understanding and exceeding customer expectations

Koskisen strives to be a creative and agile party to the wood product market and to continuously develop new innovative solutions for its current and potential customers. Providing high-quality and customised products and customer-oriented services enables higher product prices.

Agile business model

Besides high quality, agility is at the core of Koskisen's strategy. The ability to respond to customer requests with agility and as a high-quality service distinguish Koskisen from many of its competitors. Koskisen's production is flexible, as Koskisen can manufacture end products in smaller batches that can be tailored to the customer's needs. Koskisen's flexible business model, which focuses largely on direct sales to customers, reduces Koskisen's sensitivity to the cyclical nature of the market and enables more flexible customer service and faster reactions to changes in market demand and conditions.

Aiming to be a forerunner in sustainability

Koskisen strives to be a forerunner in sustainability in the wood product industry globally. This goal is achieved by reducing the already small carbon footprint of Koskisen's operations and by increasing the carbon handprint by developing products based on renewable raw materials. Koskisen takes sustainability into account at all stages of its operations and considers sustainability to be one of its primary values. Koskisen is committed to the continuous improvement of its sustainability.

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

Financial objectives for 2027

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 on the financial period ending 31 December 2027, 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 925 (909) employees in January–December 2022 and 899 (931) employees at the end of December.

Wages and salaries paid to personnel in 2022 were EUR 37.4 (36.7) million.

INCENTIVE SCHEMES FOR THE MANAGEMENT AND KEY PERSONNEL

Koskisen has a share-based incentive program in place for its key employees for the years 2022 to 2026. The objective of the incentive program is to connect goals of the Company's shareholders and key employees for increasing value of the Company in a long-term time period as well as to engage the key employees in the Company and offer them a competitive incentive program based on earning and the accumulation of Shares.

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. Key employees eligible for the incentive program as well as the earning criteria and targets, which can be based on financial performance measures strategy or other targets, are determined by the Board of Directors of the Company for each earning period. Bonuses paid under the incentive program are also determined by the Board of Directors of the Company for each participating key employee and are paid as shares and as cash in order for the participating key employee to pay taxes related to the share bonus. The Board of Directors of the Company has the right to decide whether the bonus will be paid as cash in full or in part.

Members of the executive board of Koskisen are obliged to hold a certain amount of their holdings until the end of their membership in the executive board of Koskisen. The Board of Directors of the Company resolved on April 25, 2022, on the criteria and targets as well as the key employees eligible for the incentive program for the first earning period. During the first earning period of the incentive program, the key employees eligible for the incentive program may earn a maximum of 138,000 shares in total, or a cash amount corresponding to their value (before taxes are deducted) if the bonus is decided to be paid in cash.

REMUNERATION REPORT

Koskisen's Remuneration Report 2022 will be published as a separate report from the Report of the Board of Directors.

Research and development

Koskisen's main product groups include sawn and processed timber in the Sawmill Industry segment and birch plywood, thin plywood, veneer, chipboard and interior solutions for light and heavy duty utility vehicles under the Kore brand in the Panel Industry segment.

Koskisen's product development aims to improve the functionality and properties of products in accordance with the principles of responsible and sustainable development and focuses on material efficiency, recyclability and fossil-free raw materials. Koskisen's product development focuses on improving long-term use, renewability and safety, as well as on developing new products.

In 2022, Koskisen launched the world's first fully wood-based Zero furniture panel. In the new furniture panel, both the basic raw material sawdust and the cohesive binder come from the side streams of the domestic forest industry.

The Group's research and development expenditure amounted to EUR 0.3 (0.4) million, or 0.1 (0.1) per cent of revenue.

Risks and uncertainties and their management

The Board of Directors of Koskisen Corporation has confirmed the Group's risk management policy and risk management principles. All Group companies and businesses regularly assess and report on the risks related to their business operations and the adequacy of the required control methods and risk management measures. The purpose of these risk assessments is to ensure adequate measures to manage risks. Risk management frameworks, policies and principles are regularly assessed and developed.

SHORT-TERM RISKS

Koskisen's most significant short-term risks are related to the availability of raw materials and the management of price changes, the functioning of the financial markets, the solvency of customers and the purchasing power of consumers, the delivery capability of suppliers and service providers, the labour market situation and changes in business areas and customer relationships.

RUSSIA'S MILITARY OPERATIONS

The end of imports from Russia has tightened the wood market situation in Finland, mainly with regard to pulpwood and forest converted chips. The procurement of the company's key raw material, birch raw material from Finland, has been reasonably successful, even though the raw material market has remained tight.

In 2022, the wood raw material procured by Koskisen came mainly from Finland at 98.6 (97.2) per cent. Of the raw material, 1.4 (2.8) per cent (birch) was imported from Russia. The import of wood from Russia ceased completely in March 2022, after which all wood used in production has been procured entirely from Finland.

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

Koskisen sold its fully-owned Russian subsidiary OOO Koskisilva, which accounted for the majority of the company's business in Russia, to a local party on 21 June 2022. The process of winding down Koskisen's logistics and timber procurement company in Russia is underway. Currently, it is not possible to foresee the timing of its implementation due to the processes of the local authorities. Russian logistics and wood procurement operations' share of the Group's revenue was small, approximately 0.1 per cent, and the financial impact of the closure of operations will be minor. The unit had four employees.

THE MOST SIGNIFICANT RISKS RELATED TO KOSKISEN'S OPERATIONS

The following table provides a brief summary of the most significant risks related to Koskisen's operations. Together or separately, the risks may have a positive or negative impact on Koskisen's operations, performance, financial position, competitiveness and reputation. The risks are presented in a random order in the table.

RISKS RELATED TO KOSKISEN'S OPERATING ENVIRONMENT

Description of the risk	Risk management and factors that mitigate uncertainty
Koskisen operates in the cyclical sawmill and panel industry markets, and the uncertainty and unfavourable development of the economic situation may reduce the demand for Koskisen's products or the profitability of its operations, which may have an adverse effect on Koskisen's business operations, operating result and financial position.	Koskisen has two business segments with partially countercyclical markets. This softens the impact of cyclicality at the Group level.
Fluctuations in wood prices, disturbances in wood supply and impacts on the availability of wood may cause significant costs, disturbances in production and adversely affect Koskisen's profitability.	Koskisen has an extensive and professional wood procurement organisation with decades of experience in the industry. Wood procurement aims to proactively react to potential risks related to wood raw material.
The effects of general cost inflation on production costs and thus Koskisen's profitability.	The procurement organisation closely monitors the development of production costs and engages in close dialogue with production and sales regarding the possible impact of costs on the pricing of final products. In accordance with its hedging policy, Koskisen uses hedging instruments to control key production factors, such as electricity price fluctuations.
The impact of the COVID-19 pandemic or other similar epidemics can disrupt Koskisen's operations and result in significant costs.	Koskisen aims to prevent and, if necessary, minimise the impact of the pandemic on the health and safety of personnel and ensure an undisturbed supply chain with various exceptional arrangements, such as the use of different types of protective equipment or restrictions on group sizes.
Environmental impacts and climate change, as well as their mitigation, may have impacts on Koskisen's operations, performance and reputation. Such impacts may include changes in consumer behaviour, business processes, material damage, technology change needs, increased regulation and increased environmental taxation.	The direct environmental and climate impacts of Koskisen's own operations are managed in many different ways, for example by increasing energy efficiency, increasing the use of renewable energy sources, improving material efficiency and using water and other natural resources responsibly. In its raw material procurement, Koskisen ensures that sustainable forest management practices are implemented. Koskisen monitors the development of regulations related to the topic and takes them into account in its own operations.

RISKS RELATED TO KOSKISEN'S BUSINESS

Description of the risk	Risk management and factors that mitigate uncertainty
Significant disruptions or interruptions in Koskisen's production or deliveries, damage to, destruction or closure of Koskisen's production facilities, or disruptions in the transfer of production to the new Järvelä unit would materially impair Koskisen's ability to deliver its products to customers and would have an adverse effect on its business operations and operating result.	Koskisen manages its integrated production and supply chain taking risk factors into account. Koskisen has prepared for any disruptions in production and business caused by accidents through comprehensive insurance policies. The commissioning of the new wood processing unit has been planned in such a way that it takes place in stages and that during the ramp-up of the new process, production can also be continued on the old production line.
Koskisen may lose significant customers, which may have a material adverse effect on Koskisen's business operations and profitability.	Koskisen's customer base is geographically diversified and spread over different industries. There are no individual customers in the customer base whose share of revenue would be significant.
Koskisen's business operations involve risks related to environmental contamination and environmental damage.	Koskisen's production operations require a valid environmental permit. Koskisen monitors, supervises and reports the environmental impacts of its operations systematically. Koskisen has quality, environmental and safety management certificates audited annually by a third party.
Koskisen's business operations involve safety and health risks, such as accident and damage risks in its production facilities, which, if realised, could lead to Koskisen's obligation to compensate for damages and delay or interfere with the delivery of Koskisen's products and services.	Koskisen has comprehensive insurance policies in case of accidents and damage. The need for insurance is assessed annually and whenever necessary due to particular changed circumstances.
Failure to recruit competent management or personnel or loss of key personnel could have a materially detrimental effect on Koskisen's ability to operate its business.	Koskisen manages risk through interesting tasks, competitive reward, investments in personnel development and training and more. In addition, annual personnel surveys are used to survey the work community's well-being, motivation and related development needs.
Difficulties in maintaining and updating IT infrastructure, shortcomings in IT systems and external cyber attacks related to IT systems may have a detrimental effect on Koskisen.	Koskisen is prepared for increased cybercrime and information system disruptions. The purpose of systematic monitoring is to ensure that the company is able to react quickly to incidents.
The weakening of Koskisen's reputation could affect its business operations.	The Code of Conduct is the foundation of Koskisen's business operations. The company's Code of Conduct guide to operating honestly, transparently, lawfully and ethically with all stakeholders.
Industrial action, such as strikes, can disrupt Koskisen's business operations.	Koskisen respects the freedom of association. Koskisen maintains an open and active dialogue with different labour market parties.

RISKS RELATED TO THE FINANCIAL POSITION AND FINANCING

Description of the risk	Risk management and factors that mitigate uncertainty
The covenants included in Koskisen's financing agreements may limit Koskisen's business operations and financial flexibility, and Koskisen may have difficulties in complying with the terms of its financing agreements, which may lead to the financing agreements falling prematurely due or increased costs.	Koskisen takes care of its solvency, sufficient and functional funding relationships and the structure of financing. Koskisen actively and proactively monitors the development of its solvency and financial position. The management of financial risks is discussed in more detail in Note 3 to the financial statements.
Exchange rate fluctuations may have a material adverse effect on Koskisen.	Koskisen uses currency hedging instruments in accordance with the hedging policy approved by the Board of Directors.
Credit losses may have a detrimental effect on the operating result of Koskisen.	In accordance with its policy, Koskisen has comprehensive credit risk insurance policies and well-functioning risk management processes.

Governance

COMPOSITION OF THE BOARD OF DIRECTORS

On 31 December 2022, Koskisen Corporation's Board of Directors had the following six members: Juha Vanhainen (Chair of the Board of Directors), Eva Wathén, Kari Koskinen, Kalle Reponen, Hanna Maria Sievinen and Karoliina Koskinen.

Corporate Governance Statement

Koskisen Corporation's Corporate Governance Statement 2022 will be published as a separate statement from the Report of the Board of Directors.

Changes in Group structure and ownership base

Koskisen's Annual General Meeting decided on 26 April 2022 on the merger of Koskisen Oy with Koskitukki Oy. The merger took place on 31 May 2022. After the merger, the name of Koskitukki Oy was changed to Koskisen Oy. The purpose of the merger was to harmonise Koskisen's operations, simplify the Group's structure, strengthen the parent company's balance sheet, support Koskisen's brand and prepare the company for a possible IPO. After the merger, all subsidiaries will be 100% owned by the parent company, Koskisen Corporation.

The company sold its fully owned subsidiary OOO Koskisilva in Russia to a local party on 21 June 2022.

Koskisen Corporation was listed on the main list of Nasdaq Helsinki Oy on 1 December 2022. In the public offering, subscriptions were received from more than 4,000 investors. The company received gross proceeds of approximately EUR 32 million from the Initial Public Offering.

Shares and ownership

Koskisen's share capital is EUR 1,512,000 and the total number of issued and outstanding shares on 31 December 2022 was 23,002,659. The company has one series of shares. One share caries 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 does not hold any treasury shares.

SHARE PRICE AND TURNOVER

A total of 698,874 company shares were traded on the Helsinki Stock Exchange between 1 and 31 December 2022, which was 3.0 per cent of the total number of shares. The highest share price was EUR 7.30 and the lowest EUR 6.14. The average price of the shares traded was EUR 6.46. The share turnover was EUR 4,523,935. At the end of the review period, the market capitalisation of the company was EUR 144,681,698.

AUTHORISATIONS OF THE BOARD OF DIRECTORS

On 31 October 2022, the Board of Directors of the Company was authorised in the extraordinary general meeting of the shareholders of the company to resolve upon a directed share issue with consideration. Pursuant to the authorisation, up to 10,000,000 new shares can be issued in one or several instalments in deviation from the shareholders' pre-emptive subscription right. As a part of the offering, the shares can be offered to the personnel at a lower subscription price than to other investors. The authorisation of the Board of Directors of the company will remain in force until 30 June 2023.

On 31 October 2022, the Board of Directors of the company was authorised with the extraordinary general meeting of the shareholders of the company to resolve upon a directed share issue. The number of shares to be issued in one or several instalments on the basis of the authorisation shall not exceed an aggregate maximum of 6,000,000 new shares. The authorisation of the Board of Directors of the company will remain in force until 30 June 2023. The above-mentioned authorisation is related to the over-allotment option and share issue and share return arrangement in connection with the offering.

On 31 October 2022, the Board of Directors of the company was authorised with a resolution of the extraordinary general meeting of shareholders of the company to resolve upon the issuance of new shares and the issuance of special rights entitling to shares referred to in chapter 10, Section 1 of the Finnish Companies Act. The number of new shares to be issued on the basis of the authorisation shall not exceed an aggregate maximum of 3,000,000 shares, which corresponds to approximately 10 per cent of all the current Shares in the company. The Board of Directors of the company is entitled to decide on all the terms and conditions of the issuance of shares and special rights entitling to shares and is entitled to deviate from the shareholders' pre-emptive subscription rights. The authorisation of the Board of Directors of the company will remain in force until 30 June 2023.

FLAGGING NOTIFICATIONS

Koskisen did not receive any flagging notifications in 2022.

Estimate of probable development

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.

Board of Directors' proposal for the distribution of profits

The parent company's distributable funds as at 31 December 2022 were EUR 117,617,967.94.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.43 per share is paid for the financial year 2022, i.e. a total of EUR 10 million. The Board of Directors has assessed the company's financial situation and liquidity before making the proposal. The company's financial position has not changed significantly since 31 December 2022, the company's liquidity is still good and the proposed dividend will not endanger the company's solvency.

Non-financial disclosures

IMPACTS OF OPERATIONS

Koskisen's business is based on forests, which is why taking care of nature and the environment is at the core of Koskisen's business and strategy. The company also has a significant direct impact as an employer and user of materials and services, and an indirect impact as a taxpayer. In 2022, the company had some 900 employees.

The company's operations are based on sustainable forestry and skilled wood procurement, the processing of wood into bioeconomy products and green construction, and the creation of added value for customers and other stakeholders. The customer's needs and quality perceived by the customer are the starting point for all operations, as is working in close cooperation with various stakeholders. Koskisen's most important customer groups are the construction industry, wholesalers and retailers, manufacturers of transport equipment and various furniture and furnishings. Other important stakeholders include forest owners, investors, logging and transport companies, the reseller network and material suppliers. The company is engaged in active dialogue with its stakeholders.

The Koskisen Group has integrated sustainable development into its business operations. The key areas of responsibility are a healthy environment, fair partnerships and meaningful work. Through these focus areas, the company minimises negative impacts and optimises its positive social and environmental impacts.

The company is involved in the development of local communities, for example, through cooperation with educational institutions and selected cooperation forums. The company's focus is on supporting the well-being of children and young people through various community-based recreational activities.

Koskisen's raw material supply chain consists of wood procurement and the procurement of other raw materials and services. The responsibility of the most critical procurement is ensured through third-party-certified processes, such as various certificates, and audits of key material suppliers.

Koskisen is PEFC CoC and FSC CoC certified for managing the origin of wood. In 2022, 81.2 per cent of the wood procured by Koskisen was certified, and Koskisen's target for the share of certified wood is 85 per cent in the future. The import of wood from Russia ceased completely in March 2022, after which all wood used in production has been procured entirely from Finland.

Environment

Koskisen's environmental management system is based on identified environmental considerations for which environmental protection goals and targets have been set. Both the general and production unit-specific environmental considerations were updated in 2022. The environmental management system compliant with the ISO 14001 principles is guided by the environmental policy ratified by the management.

Key environmental aspects include functioning waste management, air and water system protection, noise abatement and the prevention of chemical accidents. Protective measures and unit-specific operating instructions have been drawn up for these in the company's operating system to prevent environmental incidents and

Sustainable development is an essential part of Koskisen's operations.

promote environmental protection, as well as to continuously improve operations and the state of the environment.

An environmental dashboard has been created for the company and production unit levels, and its results are monitored on a quarterly basis. Employees are informed about topical environmental issues and the achievement of environmental objectives through Koskisen's internal channels. The company's goal is to have active and proactive employees who take environmental issues into account in their work, which is achieved through the continuous development of their environmental knowledge and competence.

Koskisen's operations in the Tehdastie and Mäntsäläntie plant areas in Järvelä, as well as the production plant operations in Hirvensalmi, have been granted environmental permits valid until further notice, which are supervised by the local ELY Centres (business, transport and environment). The emission limit values set in environmental permits are continuously monitored and any deviations are immediately reacted to.

Koskisen offers PEFC group certification to its timber seller customers to ensure sustainable forestry.

Koskisen participates in environmental research and development activities in the mechanical forest industry and contributes to raising environmental awareness in the sector.

KEY INDICATORS

	2022	2021	2020
Share of biofuels of heat production	96.4%	97.7%	96.7%
Wastewater volume, m^3	87,922	62,926	63,431
Total energy consumption, MWh	362,938	377,509	343,926

ENVIRONMENTAL RISKS

Environmental risks have been identified on a unit-by-unit basis. The risks include noise, oil spills and air emissions. Environmental risks and plans for their management are updated regularly. In 2022, the environmental risk analysis of Koskisen's operations in Järvelä was updated.

ENVIRONMENTAL INCIDENTS

No serious environmental damage was caused in the operations of Koskisen's production units in 2022. The Järvelä production unit suffered three minor environmental incidents related to local oil spills. The incidents were recorded in Koskisen's Continuous Development application and corrective actions were taken. The incidents did not result in permanent environmental pollution.

Social aspects

EMPLOYEES

As an employer with approximately 900 employees, Koskisen invests in its employees' competence, motivation and experience of meaningful work. These are supported by ensuring a safe working environment, excellent working conditions, fair treatment, continuous competence development and seeing to well-being at work. Principles in HR management include equality, non-discrimination, remuneration, training and development, and occupational health, which are guided through the HR policy and also the Group's operating policy.

Koskisen is one of the largest employers in the Päijät-Häme region. The company works closely with several harvesting and transport companies as well as industrial service providers. In addition to the approximately 900 Koskisen employees, the company employs some 4,000 people indirectly. In addition, Koskisen offers summer jobs to nearly 100 young people each year.

During 2022, work community activities – a discussion forum between management and personnel – were developed. The work community activities regularly discuss issues such as the equality plan, substance abuse programme, personnel structure, occupational healthcare, training and competence development.

In order to develop the competence of skilled personnel, a vocational and specialist qualification in the sawmill industry was launched in connection with the investment in the new production plant. In 2022, a pilot project for senior Koskisen employees was carried out. The aim of the pilot project was to support the coping of employees over 50 years of age, to ensure the continuation of their careers and to increase overall well-being during and after their careers.

As a result of forest salaried employees' collective bargaining negotiations, the first company-specific collective agreement for 2023–2025 was reached. The pay system in the sawmill industry was revised, involving approximately one hundred employees, in close cooperation with employer and employee representatives. The reform also included an update of the criteria for remuneration and rewards.

In late 2022, the Board of Directors approved the Group's new remuneration policy, which will be presented at the Annual General Meeting in spring 2023.

RISKS TO EMPLOYEES

Psychosocial stress and occupational health and safety have been identified as risks related to employees. The assessment of psychosocial stress is part of the workplace survey, which is carried out every three years. Preventive work in occupational health is carried out with the help of a mental concern service and the guidance of an occupational physiotherapist in occupational healthcare to prevent musculoskeletal disorders. Early support processes also support employment and motivate employees. Occupational safety risk prevention is based on occupational safety observations and initiatives, safety tours, accident investigations, communications and continuous personnel training.

RESPECTING HUMAN RIGHTS AND COMBATTING CORRUPTION AND BRIBERY

The Koskisen Group respects the UN Universal Declaration of Human Rights. The Group does not accept the use of child labour or forced labour, or discrimination of any kind on the grounds of race, age, gender, nationality or sexual orientation.

Corruption, bribery and illegal payments and the receiving of such are prohibited in the Group's operations.

The Koskisen Group requires compliance with the Code of Conduct in its own operations and supply chain. The Koskisen Group's operating policy also guides ethical and responsible operations. The Group has not carried out a human rights impact assessment.

A whistleblowing channel for anonymous reports was deployed in 2022. The Whistleblowing channel is available on the Koskisen website (koskisen.fi). In 2022, two reports were received through it and examined by independent experts. They were not cases of human rights violations or cases of bribery or corruption. All reports via the Whistleblowing channel are treated with absolute confidentiality.

INCIDENTS RELATED TO SOCIAL ASPECTS

No severe incidents concerning employees, human rights or corruption took place in 2022.

Sustainability reporting principles

Koskisen has identified the responsibility themes relevant to its operations and set targets for them. In 2023, the company will deepen the analysis of relevant topics and make updates to their definition.

The measures and results for 2022 are reported in the sustainability section of Koskisen's annual report for 2022.

KEY INDICATORS

Indicator	2022	2021	2020
Employee satisfaction survey overall index	3.85	3.71	3.69
Employee satisfaction survey response rate	76%	63%	72%
Employee satisfaction survey eNPS[1]	12	-2	-
Average sick leave rate	6.26%	3.76%	4.04%
Accident frequency (LTA1)[2]	19.3	13.2	9.9

[1] Employee Net Promoter Score (eNPS) is an internationally comparable recommendation index.
[2] Number of accidents leading to absence per one million working hours.

EU Taxonomy Report

The EU taxonomy is a classification system for sustainable economic activities as defined in Regulation (EU) 2020/852 of the European Parliament and of the Council (Taxonomy Regulation), which aims to increase the transparency of sustainable investment and to channel capital flows to technologies and businesses considered to be sustainable. The Taxonomy Regulation will be gradually supplemented by delegated acts, and the criteria for making a significant contribution to the EU's climate change objectives for selected sectors and the requirements for the format of related reporting have so far entered into force.

Starting from the 2022 financial period, companies subject to the reporting obligation must report not only taxonomy eligibility (the share of their own activities that corresponds to the activities listed in the classification system) but also taxonomy alignment, i.e. the extent to which the taxonomy-eligible activities meet the technical criteria for a) making a significant contribution to the sustainability objective related to climate change, b) avoiding significant harm to the achievement of other environmental objectives (Do No Significant Harm (DNSH)), and c) the adequacy of the minimum safeguards for their own activities and supply chain to avoid social violations (Minimum Safeguards).

> So far, the majority of Koskisen's products are excluded from the taxonomy review.

In its current form, the EU taxonomy classifies economic activities that are considered to be key to the EU economic area's efforts to mitigate and adapt to climate change. Early in the regulatory entity, primarily energy, transport and construction activities have been included. For this reason, the majority of Koskisen's products are so far excluded from the taxonomy review, as the evaluation focuses mainly on Koskisen's forest management services, energy efficiency improvements in production plants and properties, as well as forest biomass-based energy production. However, this does not mean that Koskisen's operations are unsustainable from the EU taxonomy point of view, but that the majority of the operations are not currently among the activities that the EU perceives to be used to achieve the most immediate and significant climate benefits in relative terms in its economic area. In many taxonomy-eligible functions, meeting the criteria for taxonomy alignment requires information on detailed consideration of climate aspects and often also on their independent verification on a scale that has not hitherto been used. Therefore, for the time being, taxonomy alignment is not formally demonstrated due to the lack of data, but as the taxonomy criteria become established and various parties take these into account in their operations, the availability of data is expected to improve. During 2023, Koskisen will evaluate ways to improve the Group-level ability to meet the criteria.

In the coming years, the EU taxonomy will expand to cover other environmental aspects (e.g. protection of biodiversity and mitigation of pollution) and may later also cover climate-neutral, environmentally-neutral and negative activities.

ACCOUNTING PRINCIPLE

Koskisen's consolidated financial statements have been prepared in accordance with the accounting standards (IFRS) adopted in the EU (for more information, see the note "accounting policies" to the financial statements). The percentage ratios of the taxonomy have been calculated by allocating the financial figures presented in the consolidated financial statements (Revenue, capital expenditure (CapEx) and certain operating expenses (OpEx)) to the businesses deemed taxonomically eligible in accordance with the delegated act on the reporting format of the Taxonomy Regulation. While further legislation on the subject is still under preparation, the minimum safeguards against social offenses were assessed by comparing the performance with the recommendations of the Final Report on Minimum Safeguards, published in October 2022 by the Platform on Sustainable Finance (responsible for preparing the technical details of the EU taxonomy).

TAXONOMY ASSESSMENT

Taxonomy eligibility and taxonomy alignment were established by comparing Koskisen's activities that generated revenue and were the target of investments during the 2022 financial period with the descriptions of the economic activities listed in the taxonomy and their technical criteria. With a large part of Koskisen's operations currently being outside the scope of the taxonomy, taxonomy assessment is limited to the following taxonomy-eligible economic activities:

1.3. Forest management

Forest management services provided to forest owners include activities such as soil preparation, planting of seedlings and seeds, early weeding, tending of seedling stands and preclearing. Koskisen's timber harvesting operations also generate revenue, the share of which can be broken down from invoicing in connection with the sale of timber on behalf of forest owners. The activities cannot yet be considered to be in line with the taxonomy, as formal climate benefit estimates in accordance with the requirements are not yet available in the forest management plans of the forest parcels concerned by the activities.

3.5. Manufacture of energy efficiency equipment for buildings

The cladding panels manufactured by Koskisen from wood were considered to be a key part of the insulation of the building concerned and thus energy efficiency. They are not yet taxonomy-aligned, as the material's thermal conductivity (W/mK) exceeds the limit value of the technical criterion for significant climate change mitigation.

3.6. Manufacture of other low carbon technologies

During the financial period 2022, Koskisen allocated research and development expenditure to the Zero furniture panel, in which wood-based lignin replaces the fossil-based binder conventionally used in similar products, being a lower-emission alternative to ordinary furniture panels, and therefore it has been interpreted to correspond to the manufacture of other low carbon technologies referred to in the taxonomy. Not all the verification data required by the taxonomy is available yet.

4.24. Production of heat/cool from bioenergy

The Sermet and BIO8 boiler plants at Koskisen's Mäntsäläntie plant area produce district heat for the plant's own needs from 100.0% wood biomass, utilising the by-products of its own process. Not all the required data concerning the source of the wood biomass are currently available, so it is not yet possible to verify that the activities are taxonomy-aligned.

4.20. Cogeneration of heat/cool and power from bioenergy

The Koskipower boiler plant at Koskisen's Tehdastie plant area produces heat and electricity from 94.2% wood biomass. In special cases (for example during maintenance work), the boiler plant may also fire fossil fuels, but this proportion has not been calculated in the taxonomy eligibility ratio. Not all the required data concerning the source of the wood biomass are currently available, so it is not yet possible to verify that the activities are taxonomy-aligned.

5.1. Construction, extension and operation of water collection, treatment and supply systems

During the financial period 2022, a significant investment was made in the stormwater system. The technical energy consumption data required to prove taxonomy alignment were not yet available.

7.3. Installation, maintenance and repair of energy-efficient equipment

More energy-efficient LED lights have been installed at Koskisen's properties, and the possibilities of charging electric vehicles have been improved, among other measures. For the time being, with the absence of the required data, not all of the technical criteria for avoiding sustainability disadvantages have been demonstrated.

The EU taxonomy requires companies to disclose how they have avoided duplicate accounting when allocating the shares of turnover, capital expenditure (CapEx) and certain operating expenses (OpEx) to economic activities (numerator items) that are taxonomically eligible (and aligned). The functions listed above correspond to the cost and income items of the business areas that are separately monitored in Koskisen's accounting, which makes it possible to allocate financial figures to parts of operations that are considered taxonomy eligible.

MINIMUM SAFEGUARDS

By minimum safeguards, the Taxonomy Regulation refers to a company's procedures to ensure that its operations and supply chain comply with (a) OECD Guidelines for Multinational Enterprises, (b) UN Guiding Principles on Business and Human Rights (UNGP), (c) the declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO) and (d) the United Nations Universal Declaration on Human Rights.

In practice, adherence to the above principles requires the company to have in place administrative processes for a) the realisation of human rights and good working conditions (in accordance with the UN Guiding Principles and the OECD Guidelines), b) combatting corruption and bribery, c) safeguarding fair competition and d) the payment of taxes to avoid violations, and that the company or its management has not been convicted of illegal activity in relation to the topics.

Koskisen has no illegal violations against the aforementioned matters and the Group's current governance structures, practices and controls are designed to ensure compliance with them. Koskisen invests in many ways in its social responsibility priorities: occupational safety, employee well-being and maintaining good and fair partnerships with customers and forest owners. The aim is to prevent negative impacts through various policies, guidelines and risk assessments. Various indicators of occupational safety and customer satisfaction are monitored and the results are reported on an annual basis. Koskisen also has a Whistleblowing channel on its website, which can be used to anonymously report any violations. Read more about Koskisen's responsible business assurance methods in the NFI disclosures.

Koskisen monitors the development of relevant EU legislation, in particular the Corporate Sustainability Due Diligence (CSDD) and the Corporate Sustainability Reporting Directive (CSRD) with detailed reporting requirements, and assesses the need for updating the minimum safeguards referred to in the Taxonomy Regulation on the basis of these.

ADDITIONAL INFORMATION ABOUT TAXONOMY RATIOS

The taxonomy-eligible turnover for the 2022 financial period consisted of invoicing in accordance with customer agreements for products and services deemed taxonomy-eligible. The denominator of the ratio is the Group's total revenue for 2022.

The taxonomy-eligible CapEx capital expenditure (CapEx ratio numerator) consists of increases in tangible and intangible capital related to activities assessed as taxonomy eligible during the financial period. Correspondingly, the taxonomy eligible proportion of the OpEx operating expenses referred to in the Delegated Act on the reporting format supplementing the EU Taxonomy Regulation has been calculated in terms of the costs essential for the continuity of operations assessed as taxonomy eligible connected to maintenance and repairs, short-term leasing contracts and research and development expenses. The corresponding financial figure presented in Koskisen's consolidated financial statements has been included in its entirety in the denominator of both ratios.

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

				Substantial contribution criteria						DNSH criteria							Taxonomy-aligned share of turnover		
Economic activities	Code(s)	Turnover	Share of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category (enabling/ transitional activity)
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVITIES																			
Environmentally sustainable activities (taxonomy-aligned)																			
Turnover of environmentally sustainable activities (taxonomy-aligned)		**0**	**0%**														**0%**	**N/A**	
Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																			
Forest management	1.3.	18.7	5.9%																
Manufacture of energy-efficient equipment for buildings	3.5.	5.2	1.6%																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)		**23.9**	**7.5%**																
Total Taxonomy-eligible activities		**23.9**	**7.5%**														**0%**	**N/A**	

TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-non-eligible activities		**293.8**	**92.5%**
Total Taxonomy-eligible and non-eligible turnover		**317.7**	**100%**

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

				Substantial contribution criteria						DNSH criteria							Taxonomy-aligned share of CapEx		
Economic activities	**Code(s)**	**Turnover**	**Share of turnover**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**2022**	**2021**	**Category (enabling/ transitional activity)**
		MEUR	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E/T**
TAXONOMY-ELIGIBLE ACTIVITIES																			
Environmentally sustainable activities (taxonomy-aligned)																			
CapEx of environmentally sustainable activities (taxonomy-aligned)		**0**	**0%**														**0%**	**N/A**	
Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																			
Construction, extension and operation of water collection, treatment and supply systems	5.1.	1.3	4.5%																
Production of heat/cool from bioenergy	4.24.	0.5	1.7%																
Forest management	1.3.	0.2	0.8%																
Installation, maintenance and repair of energy-efficient equipment	7.3.	0.1	0.5%																
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)		**2.1**	**7.5%**																
Total Taxonomy-eligible activities		**2.1**	**7.5%**														**0%**	**N/A**	

TAXONOMY-NON-ELIGIBLE ACTIVITIES			
CapEx of Taxonomy-non-eligible activities		**25.9**	**92.5%**
Total Taxonomy-eligible and non-eligible CapEx		**28.0**	**100%**

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES

				Substantial contribution criteria						DNSH criteria							Taxonomy-aligned share of OpEx		
Economic activities	Code(s)	Turnover	Share of turnover	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	2022	2021	Category (enabling/ transitional activity)
		MEUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E/T
TAXONOMY-ELIGIBLE ACTIVITIES																			
Environmentally sustainable activities (taxonomy-aligned)																			
OpEx of environmentally sustainable activities (taxonomy-aligned)		**0**	**0%**														**0%**	**N/A**	
Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																			
Production of heat/cool from bioenergy	4.24.	1.0	5.8%																
Cogeneration of heat/cool and power from bioenergy	4.20.	0.6	3.5%																
Forest management	1.3.	0.2	0.9%																
Manufacture of other low carbon technologies	3.6.	0.1	0.7%																
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)		**1.9**	**10.9%**																
Total Taxonomy-eligible activities		**2.1**	**7.5%**														**0%**	**N/A**	

TAXONOMY-NON-ELIGIBLE ACTIVITIES		
OpEx of Taxonomy-non-eligible activities	**15.1**	**89.1%**
Total Taxonomy-eligible and non-eligible OpEx	**17.0**	**100.0%**

Shares and shareholders

LARGEST SHAREHOLDERS ON 30 DECEMBER 2022

	Number of shares	%	Number of votes	%
Koskinen Kari Juhani	4,208,988	18.3	4,208,988	18.3
Koskinen Markku Kalevi	3,728,988	16.2	3,728,988	16.2
Wathén Eva-Johanna	2,228,988	9.7	2,228,988	9.7
Koskinen Sirkka-Leena death estate	1,704,468	7.4	1,704,468	7.4
Paksuniemi Ella Emilia	1,220,000	5.3	1,220,000	5.3
Paksuniemi Kaisa Ester	1,220,000	5.3	1,220,000	5.3
Paksuniemi Laura Johanna	1,220,000	5.3	1,220,000	5.3
Elo Mutual Pension Insurance Company	814,332	3.5	814,332	3.5
Varma Mutual Pension Insurance Company	814,332	3.5	814,332	3.5
Koskinen Eeva Karoliina	780,000	3.4	780,000	3.4
Koskinen Lasse Ilari	7800,00	3.4	7800,00	3.4
Stephen Industries Inc Oy	498,599	2.2	498,599	2.2
Ilmarinen Mutual Pension Insurance Company	485,000	2.1	485,000	2.1
Kokko-Parikka Leena	191,052	0.8	191,052	0.8
Koskinen Arto Antero	191,052	0.8	191,052	0.8
Koskinen Juha Matti	191,052	0.8	191,052	0.8
Pensionsförsäkringsaktiebolaget Veritas	145,000	0.6	145,000	0.6
UB Suomi investment fund	144,299	0.6	144,299	0.6
Anmiil Oy	129,372	0.6	129,372	0.6
UB Metsä Global special mutual fund	100,000	0.4	100,000	0.4
20 largest, total	**20,795,522**	**90.2**	**20,795,522**	**90.2**

BREAKDOWN OF SHARE OWNERSHIP BY SCALE ON 30 DECEMBER 2022

Lower limit	Upper limit	Number of shareholders	Share of shareholders, %	Total number of shares	Share of shares, %
1	100	2,555	55.2	190,417	0.8
101	500	1,670	36.1	322,729	1.4
501	1,000	188	4.1	147,301	0.6
1 001	5,000	146	3.2	307,476	1.3
5 001	10,000	19	0.4	126,410	0.6
10 001	50,000	22	0.5	487,713	2.1
50 001	100,000	5	0.1	343,135	1.5
100 001	500,000	9	0.2	2,357,382	10.2
500 001		11	0.2	18,720,096	81.4
Total		**4,625**	**100**	**23,002,659**	**100**

BREAKDOWN OF SHARE OWNERSHIP BY SHAREHOLDER CATEGORY ON 30 DECEMBER 2022

	Share of shareholders, %	Share of shares, %
Companies, total	3.2	4.4
Financial and insurance institutions, total	0.3	1.7
Public sector, total	0.1	9.8
Households, total	96.1	82.1
Non-profit organisations, total	0.2	0.3
Foreign shareholders, total	0.1	0
All in total	100	98.3
Nominee-registered		1.7
Total		**100**

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 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.

Key figure	Definition		Reason for use
EBITDA	Operating profit (loss) + Depreciation, amortisation and impairments		EBITDA is an indicator used to measure Koskisen’s performance.
EBITDA margin, per cent	EBITDA / Revenue	x 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	Adjusted EBITDA / Revenue	x 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	Operating profit (loss) / Revenue	x 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.
Adjusted EBIT margin, per cent	Adjusted EBIT / Revenue	x 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.

The earnings per Share, basic, and earnings per Share, diluted, figures for the three months ended December, 2022 and 2021, and for the years ended 31 December 2022 and 31 December 2021, have been adjusted retrospectively for the effects of the share issue without consideration as resolved by the extraordinary general meeting of shareholders of the Company as at 31 October 2022. The earnings per Share, basic, and earnings per Share, diluted, figures for the three months ended 31 December 2022 and 31 December 2021, and for the years ended 31 December 2022 and 2021, have been adjusted retrospectively for the effects of the proportion without consideration of the directed share issue as resolved unanimously by the shareholders of the Company as at 25 August 2022, and for the share issue without consideration as well as the directed share issue as resolved by the extraordinary general meeting of shareholders of the Company as at 26 April 2022. When calculating the earnings per share, the undiluted number of shares was 16,043,440 and the diluted number of shares was 16,069,899 (12,600,000) on the 12-month period ending on 31 December 2022. When calculating the earnings per share, the undiluted number of shares was 19,545,389 and the diluted number of shares was 19,597,208 (12,600,000) on the 3-month period ending on 31 December 2022. At the end of the financial period, the number of Shares was 23,002,659.

Key figure	Definition		Reason for use
Earnings per Share, basic, EUR	Profit (loss) for the period attributable to owners of the parent company / Weighted average number of ordinary Shares outstanding during the period		Earnings per Share, basic, reflects the distribution of Koskisen's results to its shareholders.
Earnings per Share, diluted, EUR	Profit (loss) for the period attributable to owners of the parent company / Weighted average number of ordinary Shares outstanding during the period + Weighted average number of all dilutive instruments potentially to be converted into Shares		Earnings per Share, diluted, reflects the distribution of Koskisen's results to its shareholders.
Net investments	Purchases of property, plant and equipment and intangible assets - Proceeds from sale of non current assets		Net investments is a measure used to assess Koskisen's investments to right-of-use assets and intangible assets.
Net investments as share of revenue, percent	Net investments / Revenue (last 12 months)	x 100	Net investments as share of revenue is a measure used to assess the amount of Koskisen's net investments as a share of revenue.
Cash flow before financing	Net cash flows from operating activities + Net cash flows from investing activities		Cash flow before financing reflects the amount of cash flow Koskisen generates or uses from carrying out its operating and investing activities.
Number of full time equivalent employees at the end of the period	Total number of hours worked by Koskisen's employees at the end of the period / The total number of scheduled hours for a full time employee at the end of the period		Number of full time equivalent employees at the end of the period presents the number of Koskisen's full time equivalent employees at the end of the period.
Average number of full time equivalent employees during the period	Total number of hours worked by Koskisen's employees during the period / The total number of scheduled hours for a full time employee during the period		Average number of full time equivalent employees during the period presents the average number of Koskisen's full time equivalent employees during the period.

Key figure	Definition		Reason for use
Production volume, cubic metres	Volume of finished goods produced during the period		Production volume reflects the level and development of Koskisen's production volume.
Sales volume, cubic metres	Volume of finished goods sold during the period		Sales volume reflects the level and development of Koskisen's sales volume.
Capital employed	Total assets - Current liabilities		Capital employed reflects the capital tied to Koskisen's operations and it is used to calculate return on capital employed.
Liquid assets	Current financial assets at fair value through profit or loss + 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	Net debt / EBITDA (last 12 months)	x 100	Net debt/EBITDA is an indicator used to assess the level of Koskisen's financial risk and the level of Koskisen's indebtedness.
Operative net working capital	Inventories + Trade receivables + Other receivables - Advances received - Trade payables - Trade payables, payment system		Operative net working capital is an indicator used to monitor the level of direct net working capital tied to Koskisen's operations.
Operative net working capital as share of revenue, per cent	Operative net working capital / Revenue (last 12 months)	x 100	Operative net working capital as share of revenue reflects net working capital/ Koskisen's revenue.
Equity ratio, per cent	Total equity / Total assets - Advances received	x 100	Equity ratio measures Koskisen's solvency and ability to meet its liabilities in the long term.
Gearing, per cent	Net debt / Total equity	x 100	Gearing is a measure used to assess Koskisen's financial leverage.
Return on capital employed, per cent	Operating profit (loss) (last 12 months) / Capital employed (average for the last 12 months)	x 100	Return on capital employed reflects the return of capital tied to Koskisen's operations.
Return on equity, per cent	Profit (loss) for the period (last 12 months) / Total equity (average for the last 12 months)	x 100	Return on equity is a measure used to assess Koskisen's profitability and the efficiency of Koskisen's profit generation.
Depreciation related to leases	Depreciation of right of use assets		Depreciation related to leases reflects depreciation of right-of-use assets recognised from leases.
Additions from leases	Additions to right of use assets		Additions from leases reflect additions of right of use-assets recognised from leases.

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	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Items affecting comparability		
Costs related to the Reorganisation	430	-
The gain (-) or loss (+) from sale of businesses or significant fixed assets	-2,485	-
Costs related to the Listing	2,428	34
Items affecting comparability	**373**	**34**
EBITDA		
Operating profit (loss)	58,168	52,711
Depreciation, amortisation and impairments	8,083	9,525
EBITDA	**66,251**	**62,236**
EBITDA margin		
EBITDA margin	66,251	62,236
Revenue	317,651	311,464
EBITDA margin, per cent	**20.9%**	**20.0%**

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Adjusted EBITDA		
Operating profit (loss)	58,168	52,711
Depreciation, amortisation and impairments	8,083	9,525
Items affecting comparability	373	34
Adjusted EBITDA	**66,624**	**62,270**
Adjusted EBITDA margin		
Adjusted EBITDA	66,624	62,270
Revenue	317,651	311,464
Adjusted EBITDA margin, per cent	**21.0%**	**20.0%**

Consolidated Financial Statements (IFRS)

Consolidated statement of comprehensive income

EUR thousand	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
REVENUE	2	**317,651**	**311,464**
Other operating income	4	4,316	912
Change in inventories of finished goods and work in progress	16	-634	-26
Change in fair value of forest assets	13	-19	91
Materials and services	5	-161,770	-165,115
Employee benefit expenses	6	-46,269	-44,443
Depreciation, amortisation and impairments	8	-8,083	-9,525
Other operating expenses	9	-47,025	-40,648
Operating profit (loss)		**58,168**	**52,711**
Finance income	10	5,998	2,403
Finance expense	10	-6,408	-7,170
Finance costs, net		**-410**	**-4,767**
Profit (loss) before income tax		**57,757**	**47,944**
Income tax expense	11	-11,784	-9,398
PROFIT (LOSS) FOR THE PERIOD		**45,973**	**38,546**

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

EUR thousand	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Translation differences		186	-129
Other comprehensive income for the period, net of tax		**186**	**-129**
Total comprehensive income for the period		**46,159**	**38,417**
Profit (loss) for the period attributable to:			
Owners of the parent company		39,746	29,240
Non-controlling interests		6,227	9,306
Profit (loss) for the period		**45,973**	**38,546**
Total comprehensive income for the period attributable to:			
Owners of the parent company		39,929	29,114
Non-controlling interests		6,230	9,302
Total comprehensive income		**46,159**	**38,417**
Earnings per share for profit attributable to the ordinary equity holders of the parent company:			
Basic earnings per share, EUR[1]	19	2.48	2.32
Diluted earnings per share, EUR[1]	19	2.47	2.32

[1] The basic and diluted earnings per share for profit attributable to the ordinary equity holders of the parent company for periods presented have been adjusted retrospectively for the effects of the free share issues (splits) determined on 26 April 2022 and 31 October 2022. More information is presented in note 19: Earnings per share.

Consolidated balance sheet

EUR thousand	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	12	76,275	55,142
Forest assets	13	2,731	2,750
Right-of-use assets	14	22,702	27,814
Intangible assets	15	923	620
Financial assets at fair value through profit or loss	20	1,752	223
Other receivables	17	79	174
Deferred tax assets	11	129	61
Total non-current assets		**104,590**	**86,783**
Current assets			
Inventories	16	34,174	38,062
Trade receivables	20	25,541	29,544
Other receivables	17	9,534	5,418
Financial assets at fair value through profit or loss	20	9,892	9,958
Income tax receivables	11	354	3
Cash and cash equivalents	20	74,527	30,538
Total current assets		**154,022**	**113,523**
TOTAL ASSETS		**258,612**	**200,306**

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

EUR thousand	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	18	1,512	1,512
Legal reserve	18	16	16
Reserve for invested unrestricted equity	18	73,843	-
Cumulative translation difference	18	-191	-374
Retained earnings		20,886	5,246
Profit (loss) for the period	18	39,746	29,240
Total equity attributable to owners of the parent company		**135,811**	**35,641**
Non-controlling interests		-	23,179
Total equity		**135,811**	**58,820**
Non-current liabilities			
Borrowings	20	24,150	40,831
Lease liabilities	14, 20	25,294	27,578
Derivative liabilities	20	-	1,765
Other long-term employee benefits	6	3,020	3,670
Defered tax liabilities	11	3,734	1,729
Provisions	21	100	120
Total non-current liabilities		**56,299**	**75,693**
Current liabilities			
Borrowings	20	4,500	4,000
Lease liabilities	14, 20	2,015	2,154
Advances received	20	756	631
Trade payables	20	32,263	28,792
Trade payables, payment system	20	7,316	6,604
Other payables	22	19,501	15,348
Income tax liabilities	11	130	8,264
Provisions	21	20	-
Total current liabilities		**66,501**	**65,792**
Total liabilities		**122,800**	**141,486**
TOTAL EQUITY AND LIABILITIES		**258,612**	**200,306**

Consolidated statement of changes in equity

EUR thousand	Note	Share-capital	Legal reserve	Reserve for invested unrestricted equity	Cumulative translation differences	Retained earnings	Total equity attributable to owners of the parent company	Equity attributable to non-controlling interests	Total equity
		Attributable to owners of the parent company							
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 differences		-	-	-	183	-0	183	3	186
Total comprehensive income		**-**	**-**	**-**	**183**	**39,746**	**39,929**	**6,230**	**46,159**
Transactions with owners:									
Share issue (merger)	18	-	-	43,252	-	-13,842	29,409	-29,409	0
Directed share issue, personnel offering	18	-	-	345	-	-	345	-	345
Share based payments	18	-	-		-	242	242	-	242
Share issue	18	-	-	32,029	-	-	32,029	-	32,029
Transaction expenses, share issue	18	-	-	-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.

		Attributable to owners of the parent company							
EUR thousand	**Note**	**Share-capital**	**Legal reserve**	**Reserve for invested unrestricted equity**	**Cumulative translation differences**	**Retained earnings**	**Total equity attributable to owners of the parent company**	**Equity attributable to non-controlling interests**	**Total equity**
Equity at Jan 1, 2021		**1,512**	**16**	**-**	**-248**	**5,246**	**6,526**	**13,877**	**20,403**
Profit (loss) for the period		-	-	-	-	29,240	29,240	9,306	38,546
Other comprehensive income for the period									
Cumulative translation differences		-	-	-	-126	-	-126	-3	-129
Total comprehensive income		**-**	**-**	**-**	**-126**	**29,240**	**29,114**	**9,302**	**38,416**
Equity at Dec 31, 2021		**1,512**	**16**	**-**	**-374**	**34,486**	**35,641**	**23,179**	**58,820**

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

Consolidated statement of cash flows

EUR thousand	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Cash flow from operating activities			
Profit (loss) for the period		**45,973**	**38,546**
Adjustments:			
Depreciation, amortisation and impairment	8	8,083	9,525
Change in the fair value of the forest assets	13	19	-91
Gains and losses from sale of subsidiaries		-2,209	-
Gains and losses from sale of non-current assets		-396	-74
Interest and other finance income and expense	10	410	4,767
Income taxes	11	11,784	9,398
Change in other long-term employee benefits		-678	-105
Other adjustments		238	10
Adjustments total		**17,251**	**23,430**
Changes in net working capital:			
Change in trade and other receivables	17, 20	661	-8,931
Change in trade and other payables	20, 22	8,120	8,164
Change in inventories	16	3,527	-5,375
Utilised provision	21	1	-18
Interest received		163	21
Interest paid		-9,227	-4,837
Other financial items received		163	210
Arrangement fees and other financing costs paid		-1,080	-1,238
Income taxes paid		-18,326	-1,135
Net cash flow from operating activities		**47,225**	**48,836**

EUR thousand	Note	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	12, 14	-22,046	-9,733
Proceeds from sale of non-current assets		491	101
Payments for financial assets at fair value through profit or loss	20	-	-10,000
Proceeds from financial assets at fair value through profit or loss		-	10
Proceeds from sale of subsidiary, net of cash sold		3,136	-
Net cash from investing activities		**-18,418**	**-19,622**
Cash flows from financing activities			
Proceeds from issue of shares		30,591	-
Proceeds from borrowings	20	29,000	35,000
Repayment of borrowings	20	-43,988	-39,000
Proceeds from a change in a lease contract		3,000	-
Repayments of lease liabilities	20	-3,511	-2,291
Net cash from financing activities		**15,092**	**-6,291**
Net change in cash and cash equivalents		**43,898**	**22,923**
Cash and cash equivalents at the beginning of the period		30,538	7,881
Effects of exchange rate changes on cash and cash equivalents		91	-265
Cash and cash equivalents at the end of period		**74,527**	**30,538**

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

Notes to the Consolidated Financial Statements

1. General information and basis of preparation

GENERAL INFORMATION OF THE GROUP

Koskisen Corporation (the company, the parent company) together with its consolidated subsidiaries (Koskisen, the Group) is a Finnish public company active in the sawn timber and panel industries where it manufactures a wide range of wooden products such as sawn goods, plywood and chipboard. Koskisen aims to be a sustainable partner with both the forest owners as well as its customers. Koskisen was founded in 1909. Its headquarters is in Järvelä, Finland and it has offices in Finland and Poland. Koskisen has more than 900 employees.

Koskisen Corporation is a Finnish public limited liability company, with a corporate identity number, 0148241-9, domiciled in Kärkölä, Finland. The registered address is Tehdastie 2, 16600 Järvelä, Finland. The parent company's / Koskisen Corporation's shares are listed on the main list of Nasdaq Helsinki Oy from 1 December 2022.

The Board of Directors of Koskisen has approved these consolidated financial statements for issue on 14 April 2023. A copy of the consolidated financial statements is available in the Internet at www.koskisen.com.

BASIS OF PREPARATION

Koskisen's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the IAS and IFRS standards as well as interpretations issued by the SIC and the IFRIC as at 31 December 2022. The notes to the consolidated financial statements also comply with the requirements under the Finnish accounting and company legislation complementary to the IFRS.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The consolidated financial statements have been prepared primarily under the historical cost convention unless otherwise indicated. Financial assets at fair value through profit or loss, derivative liabilities and forest assets, as well as assets and liabilities regarding benefit-based plans and share-based payments have been measured at fair value.

The consolidated financial statements are presented in thousands of euros, which is the functional and presentation currency of the parent company.

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand unless otherwise stated, therefore the sum of individual figures may deviate from the presented total figure.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the company's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses relating to the ordinary course of business, as well as, foreign exchange gains and losses relating to financial items are presented in finance costs, net in the statement of comprehensive income.

Group companies
The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet. Income and expenses for each statement of comprehensive income are translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or otherwise disposed of, the associated exchange differences are reclassified to the statement of comprehensive income, as part of the gain or loss on sale.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

THE EFFECTS OF THE RUSSIAN WAR OF AGGRESSION
Russia's war of aggression against Ukraine has caused Koskisen to review the estimates and assumptions used in preparing the consolidated financial statements. When the war started, it had a negative impact on logging and logistics costs. The continuation of the war has removed Russian plywood from the European market, which has reflected upward pressure on plywood prices. The possible effects of the situation caused by the war on relevant factors have been taken into account in each estimate. The impact of the war on the estimates presented in the financial reporting is based on the best judgement of the management.

The company sold its subsidiary Koskisilva OOO to a third party and is closing its second subsidiary Koskiles OOO.

KEY ESTIMATES AND MANAGEMENT JUDGEMENT
The preparation of financial statements in conformity with IFRS requires management to use certain critical estimates and exercise judgement, which have an impact on the amount of assets and liabilities as well as the amount of income and expenses recognised for the financial year presented in these consolidated financial statements. In addition, the management is required to use judgement in the application of the accounting policies.

The estimates and judgement are continually evaluated and are based on the management's best knowledge, historical experience and expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are presented in the following notes to the consolidated financial statements:

Note	Key estimates and judgements
13. Forest assets	Valuation of forest assets
14. Leases	Embedded leases
14. Leases	Lease term determination
14. Leases	Determination of incremental borrowing rate
21. Provisions	Estimation of the amount and timing of the provision

2. Segment information and revenue

Koskisen's chief operative decision-maker (CODM) is the Board of Directors which monitors the results of the Group and allocates resources to the segments. Koskisen's operating segments, which also are the Group's reportable segments are the Panel Industry and the Sawn Timber Industry. The Board of directors monitors each segment's performance on the basis of revenue and EBITDA. Transactions between operating segments are based on arm's length terms, and they are eliminated on consolidation.

The Panel Industry provides tailored high quality panel board solutions to our customers. The Panel Industry revenue comprises sales of plywood, chipboard, thin plywood and veneer as well as optimised van interior solutions.

The Sawn Timber Industry provides sawn timber and further-processed products that are produced from high-quality wood raw material. The Sawn Timber Industry revenue comprises sales of sawn timber and further processed timber as well as wood procurement side products for pulp and paper industry and bioenergy for several power plants.

Other consists of Kosava-Kiinteistöt Oy, 100% owned subsidiary providing facility management related services to the parent company, as well as some of the Group central functions which are not allocated to the segments.

REVENUE BY SEGMENTS

	Jan 1–Dec 31, 2022			Jan 1–Dec 31, 2021		
EUR thousand	**External**	**Internal**	**Total**	**External**	**Internal**	**Total**
Panel Industry	152,111	1,873	153,984	123,281	3,290	126,571
Sawn Timber Industry	165,426	23,637	189,063	187,980	22,114	210,094
Segments total	**317,537**	**25,510**	**343,048**	**311,261**	**25,405**	**336,665**
Other	114	581	695	204	525	729
Elimination of internal sales	-	-26,092	-26,092	-	-25,930	-25,930
Total	**317,651**	**-**	**317,651**	**311,464**	**-**	**311,464**

Koskisen generates revenue mainly from the sale of goods, i.e. sawn timber and panel. Majority of the Koskisen's revenue is recognised at a point in time when customer obtains control of the goods based on the applicable delivery terms. The payment terms in Koskisen's customer contracts typically vary between 30 and 60 days, and the contracts do not include significant financing components. The contracts may include variable payments such as cash discounts or other discounts.

In 2022 and 2021 Koskisen had no external customers from which revenue recognised would have been over 10% of the Group's total revenue.

REVENUE BY COUNTRIES

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Finland	124,553	119,203
Japan	39,950	42,612
Germany	20,822	22,271
Poland	11,742	12,936
Other EU countries	81,718	67,321
Other countries	38,866	47,122
Total	**317,651**	**311,464**

EBITDA BY SEGMENTS

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Panel Industry	29,279	14,063
Sawn Timber Industry	41,557	50,652
Segments total	**70,835**	**64,715**
Other	-4,747	-2,413
Eliminations	162	-66
Total	**66,251**	**62,236**

RECONCILIATION OF EBITDA TO OPERATING PROFIT (LOSS)

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
EBITDA	66,251	62,236
Depreciation, amortisation and impairments	-8,083	-9,525
Operating profit (loss)	**58,168**	**52,711**

CONTRACT ASSETS AND LIABILITIES

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Contract liabilities[1]	598	471

[1] Included in Advances received in the balance sheet

Revenue was recognised for the majority of the amount included in the contract liability balance at the beginning of the period.

NON-CURRENT ASSETS BY GEOGRAPHICAL AREA

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Finland	101,898	81,876
EU countries	2,493	2,428
Other countries	42	2,416
Total	**104,434**	**86,720**

ACCOUNTING POLICY

Based on contracts with customers, sales of goods are distinct performance obligations. In addition, Koskisen applies various delivery terms based on Incoterms 2020, which are the official rules for the interpretation of trade terms as issued by the International Chamber of Commerce (ICC). Control of goods sold transfers at a point in time, typically when the title for the goods or physical possession of the goods has transferred to the customer, the customer has accepted the goods or Koskisen has right to payment.

When control of goods has transferred to the customer, but Koskisen still has responsibility to arrange for delivery or insurance, these services are considered as distinct performance obligations; and, if material, recognised over time, while the service is being performed. Koskisen considers that the customer is able to benefit from these services by simultaneously receiving and consuming the benefits provided by such a service.

The more widely used delivery terms are Carriage and Insurance Paid to (CIP), Carriage Paid to (CPT), Cost, Insurance and Freight paid to (CIF) or Cost and Freight paid to (CFR): with revenue for goods recognised at the point of handing over the goods to a carrier in accordance with relevant term; for Free of Carriage (FCA) sale of goods is recognised at the point of handing the goods over to the buyer's carrier; and for Delivered at Place (DAP) at the point of delivery to destination.

Koskisen recognises revenue from contracts with customer to the amount that it expects to receive from the customer net of any sales taxes. Any variable considerations, such as discounts, included in the customer contract are estimated and included in the revenue only to the extent that it is highly probable that no significant reversal in the amount of cumulative revenue recognised will not occur. The amount of variable consideration is estimated at the end of each reporting period. When a contract contains more than one performance obligation, the consideration included in the contract is allocated to the performance obligations based on stand-alone selling prices. Koskisen does not have significant warranty or return obligations.

Koskisen does not recognise material contract assets arising from contracts with customers, as right to consideration typically meets the definition of trade receivables on initial recognition. Trade receivables are recognised when the control of the goods is transferred to the customer, and the consideration included in the contract is unconditional except for the passage of time. In Koskisen's customer contracts the period between the transfer of the goods or services to the customers and the receipt of payment is less than 12 months. Koskisen has elected to use the practical expedient not to adjust revenue for the effect of financing components. Any advance payments received from the customers are recognised on the balance sheet (contract liability).

For any sales commissions paid, Koskisen applies a practical expedient, and recognises the cost as an expense as incurred as the amortisation period of the related assets would have been one year or less.

3. Financial risk and capital management

Financial risks are divided into credit risk covering business-related credit risk and financial credit risk, liquidity risk and market risk covering foreign exchange risk and interest rate risk. These financial risks are managed by the Koskisen Group Finance department in accordance with the Koskisen Treasury Policy. Koskisen Treasury Policy is approved by the Board of Directors of Koskisen Corporation.

The objective for treasury activities is to guarantee sufficient funding at all times and to identify, evaluate and manage financial risks.

CREDIT RISK

Credit risk arises from cash and cash equivalents, funds measured at fair value through profit or loss (FVPL), favourable derivative financial instruments as well as trade receivables. The Group's credit risks or counterparty risks are realised when the customer or other counterparty is unable to fulfil its commitments to the Group.

Regarding trade receivables Koskisen applies the expected credit loss model to assess impairment loss for the doubtful trade receivables since the trade receivables do not contain a significant financing component. To measure the lifetime expected credit losses, trade receivables have been grouped based on aging category and measured based on historical loss rates adjusted by forward looking estimates and individual assessment. Trade receivables is written off as impaired when receivership or bankruptcy is confirmed or when it is otherwise obvious that the customer will be unable to meet its payment obligations. Changes in impairment loss for doubtful trade receivables are recognised under other operating costs in the statement of comprehensive income. According to the principles of credit management, the quality of receivables is assessed on the basis of customer-specific analysis. Credit risks related to customers are managed by credit insurance, advance payment terms and/or by expecting bank guarantees or confirmed letters of credit for customer payments.

Koskisen is also exposed to counterparty risks related to financial institutions, through the significant amounts of liquid funds deposited with financial institutions, in the form of financial investments and in derivatives. Financial investments are made only with counterparties with high creditworthiness. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

LOSS ALLOWANCE

EUR thousand	Not due	Under 30 days	30–60 days	61–90 days	Yli 90 days	Total
Dec 31, 2022						
Expected loss rate	0.1%	0.1%	0.2%	1.6%	100.0%	
Trade receivables, gross	22,043	3,369	125	31	15	25,584
Loss allowance	-12	-2	-0	-0	-15	-30
Trade receivables, net	**22,031**	**3,367**	**125**	**31**	**-**	**25,554**

EUR thousand	Not due	Under 30 days	30–60 days	61–90 days	Yli 90 days	Total
Dec 31, 2021						
Expected loss rate	0.1%	0.1%	0.2%	1.6%	100.0%	
Trade receivables, gross	27,233	2,080	223	26	24	29,585
Loss allowance	-15	-1	-1	-0	-24	-41
Trade receivables, net	**27,217**	**2,079**	**222**	**26**	**-**	**29,544**

LOSS ALLOWANCE RECONCILIATION

EUR thousand	2022	2021
Opening loss allowance at Jan 1	41	219
Increase in loss allowance recognised in the statement of comprehensive income during the financial year	30	41
Receivables written off during the financial year as uncollectible	-4	-96
Unused amount reversed	-37	-123
Closing loss allowance at Dec 31	**30**	**41**

LIQUIDITY RISK

Cash flow from operations is the principal source of Koskisen's financing. External funding, as well as cash and financial investments, are managed centrally by Koskisen Group Finance according to the Koskisen Treasury Policy. Financial investments are made mainly in short-term instruments to ensure continuous liquidity.

Koskisen ensures sufficient liquidity at all times by efficient cash management and by maintaining sufficient available committed and uncommitted credit lines that are available until 2025. Refinancing risk is managed by having a sufficiently long loan portfolio. The Group's existing credit facilities include committed revolving credit facility totalling to EUR 8.0 million as at 31 December 2022 (31 December 2021: EUR 10.0 million).

At the end of 2022, the funding of Koskisen was guaranteed by existing committed credit facilities, cash and financial investments. The Group had cash and cash equivalents totalling EUR 74.5 million as at 31 December 2022 (31 December 2021: EUR 30.5 million).

Committed revolving credit facilities, as well as the long-term loans, include a financial covenants described below in capital management section.

MATURITIES OF FINANCIAL LIABILITIES

EUR thousand	2022	2023	2024	2025	2026	2027	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**

EUR thousand	2022	2023	2024	2025	2026	2027	Total contractual cash flows	Carrying amount
Dec 31, 2021								
Loans from financial institutions[1]	5,216	6,045	6,119	29,825	-	-	47,206	32,695
Capital loans[1]	-	-	-	14,241	-	-	14,241	12,136
Lease liabilities	4,249	3,699	3,505	3,272	2,783	30,728	48,236	29,732
Derivative liabilities	750	500	350	100	-	-	1,700	1,765
Trade payables	28,792	-	-	-	-	-	28,792	28,792
Trade payables, payment system[2]	6,604	-	-	-	-	-	6,604	6,604
Total	**45,611**	**10,245**	**9,974**	**47,439**	**2,783**	**30,728**	**146,780**	**111,724**

[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.

MARKET RISK

Commodity price risk

Prices of panel board and sawn wood products as well as timber used as raw material fluctuates based on international market conditions exposing Koskisen revenue and profitability to negative fluctuations. Koskisen hedges against electricity price risk fluctuations by entering partly in fixed price contracts. For the purchases between 1 to 12 months forward, the range of the price fixing is between 65% to 90% and for the following 13 to 24 months, the range of the price fixing is between 35% to 75%. The Group's aim is to ensure that a sufficiently large proportion of the purchases is protected from fluctuations in the market price. The significant volatility of the electricity prices is an additional risk for production costs and its importance for market competition depends on the realisation of the risk in relation to competitors.

Foreign exchange risk

Koskisen's headquarters is in Finland and Koskisen also has foreign subsidiaries in Poland and Russia. The Group is exposed to both transaction and translation foreign exchange risks. The Group's business and results from operations are exposed to changes in exchange rates between the euro, the presentation currency, and other currencies, such as the U.S. dollar (USD) and British pound (UKP). The magnitude of foreign exchange exposures changes over time as a function of revenue and costs in different markets, as well as the prevalent currencies used for transactions in those markets. Significant changes in exchange rates may also impact Koskisen's competitive position and related price pressures through their impact on our competitors.

The majority of Koskisen's revenue and results are in the group companies' functional currencies, hence Koskisen's exposure to risks, other than risks arising from USD, is limited. Additionally, Koskisen is exposed to risks related to liquidity and payment discipline of its customers, which may impact cash flow or lead to credit losses.

As shown in the table below, Koskisen is primarily exposed to changes in EUR/USD exchange rate. The sensitivity of profit or loss to changes in the exchange rates arises mainly from revenue, outstanding trade receivables in USD, and a bank account in USD. The timing of USD denominated sales was different in 2022 compared to 2021 hence the open USD receivables was significantly lower than 2021. The statement of comprehensive income was less sensitive to movements in EUR/USD exchange rate in 2022 than 2021. Koskisen's exposure to other foreign exchange movements is not material.

To mitigate the impact of changes in exchange rates on Koskisen's results, Koskisen hedges the foreign exchange exposure by entering into foreign exchange forward contracts. The Koskisen policy is to fix 100% of the USD denominated sales within the current quarter, 50% in the next quarter and 25% of the third quarter. The nominal amount of the outstanding USD foreign exchange forward contracts was EUR 2,404 thousand on 31 Dec 2022 (31 December 2021: EUR 9,435 thousand). The group's open USD position as well as the derivatives and the sensitivity analysis of the position are presented in the tables below. At the balance sheet date, the open USD position is higher than the average during the financial period.

	USD exposure	
EUR thousand	**Dec 31, 2022**	**Dec 31, 2021**
Trade receivables	523	3,567
Cash and cash equivalents	4,688	18,470
Trade payables	46	26
Foreign currency forwards (nominal value)	2,404	9,435
Foreign currency forwards (fair value)	82	-223

	Impact on post-tax profit	
EUR thousand	**2022**	**2021**
EUR strengthens against US dollar 10%	-2,740	-3,056
EUR strengthens against US dollar 10%	2,740	3,056

As Koskisen has entities where the functional currency is other than the euro, the shareholders' equity is exposed to fluctuations in foreign exchange rates. Changes in shareholders' equity caused by movements in foreign exchange rates are shown as currency translation differences in the consolidated financial statements. The Group does not hedge this risk.

Interest rate risk

Koskisen borrows money from financial institutions and the interest rates of these loans are based on floating markets rates which exposes Koskisen to an increase in its financing costs (cash flow interest rate risk).

Koskisen hedges its exposure to changes in interest rates with interest rate swaps. These hedges cover 100% (91%) of the open balance of variable rate loans from the change of the market rates. Their nominal amount is EUR 30.0 million during the periods presented. The interest rate swap agreements are valid 2022–2025, and accordingly effectively fix interest rates partly to predetermined level for the whole loan period.

The following sensitivity analysis covers both variable rate loans and the interest rate swap contracts.

	Impact on post-tax profit	
EUR thousand	**2022**	**2021**
Interest rates – increase by one percentage points[1]	-	-30
Interest rates – decrease by one percentage points[1]	-	30

[1] Holding all other variables constant

CAPITAL MANAGEMENT

Koskisen aims to manage its capital in a way that supports the profitable growth of operations by securing an adequate liquidity and capitalisation of the Group at all times. The target is to maintain a capital structure that contributes to the creation of shareholder value. Management monitors the capital structure with leverage (Net Debt to EBITDA).

The assets employed in Koskisen's business consist principally of net working capital, fixed assets, and financial investments which are funded by equity and net debt. Koskisen aims to maintain low net working capital to ensure a healthy cash flow even when the business is growing and to maintain a high return on assets employed.

Koskisen has not defined a specific quantitative target for its capital management or capital structure, but the aim is to ensure strong credit quality to provide for ample access to external funding sources and to support the growth ambitions of the business. Koskisen considers its current capital structure to be a strength, as it allows for capturing potential value creating business opportunities, should such opportunities arise.

Koskisen completed an overall refinancing of their loans from financial institutions in April 2022. The key terms of the modified loans were:

- Interest 6 months Euribor
- Margin, which varies depending on financial performance
- Semi-annual repayments
- Covenants: Leverage, Equity ratio
- Termination date of the loan agreement 14 April, 2026

The loan was initially recognised at fair value, net of transaction costs incurred.

Koskisen's new loans include covenant conditions regarding the company's indebtedness and self-sufficiency (31 December 2021 loans: indebtedness, equity ratio, cash flow adequacy and investments). The covenants are calculated from the figures according to Koskinen's Finnish accounting regulations and are reported to the financiers twice a year.

The table below combines the covenants of the new loans 31 December 2022, and the old loans (31 December 2021). The covenants were met throughout the reporting periods.

	Dec 31, 2022		Dec 31, 2021	
	Actual	**Threshold**	**Actual**	**Threshold**
Leverage	-0.21	3.5	-0.13	3.5
Equity Ratio	52.50%	30%	43.30%	30%
Cash Flow Coverage	-	-	5.26	1

The Board of Directors of the company has adopted a dividend policy pursuant to which Koskisen aims to pay an attractive dividend in accordance with its strategy, investment requirements, financial position and market outlook. Koskisen aims to pay a dividend equal to no less than one third of its net profit annually.

4. Other operating income

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Sale of subsidiary	2,209	-
Sale of emission allowances	765	231
Grants received	350	211
Gains on disposal of property, plant and equipment	396	74
Firewood sales to forest owners	281	217
Lease income	99	108
Insurance claims	2	19
Other	213	51
Total	**4,316**	**912**

Koskisen participates in the European Union emission trading scheme in which it has received free emission allowances for a defined period. Koskisen was granted 43,675 units of CO_2 emission rights for the year 2022 (2021: 0 units were granted). The rights in excess of the Group's needs have been transferred to the following financial period. In 2022, Koskisen returned emission rights totalling 3,285 units (2021: 2,651 units were returned).

Koskisen's CO_2 credits as at 31 December 2022 amounted to 35,203 units (31 December 2021: 4,813 units) and their market value was approximately EUR 3,037 thousand (31 December 2021: EUR 390 thousand). Koskisen sold emission rights in 2022 amounting to EUR 765 thousand (2021: EUR 231 thousand). No rights have been purchased (2021: no purchases).

ACCOUNTING POLICY

Emission rights

Koskisen participates in the European Union's Emissions Trading Scheme aimed at reducing greenhouse gas emission and receives allowances, free of charge, for a defined period to emit a fixed tonnage carbon dioxide. Allowances received are initially and subsequently measured at cost (nominal amount). The related liability is measured at the carrying amount of the allowances. Any emissions exceeding the allowances received is measured at the market value of the excess emissions. Gains arising from the sale of the emission right allowances are recorded in other operating income in the statement of comprehensive income.

Government grants
Government grants are recognised when there is reasonable assurance that the conditions underlying the grants have been met and that the grant will be received. Government grants to cover expenses incurred are recognised in the statement of comprehensive income proportionally over the periods during which the related expenses are recognised.

Government grants received, for which the expenses have not yet been recognised, are recognised as an advance received in the consolidated balance sheet. The grant component for eligible expenses already incurred during the reporting period, for which the grant will be received in subsequent reporting periods, is recognised as grant income in the statement of comprehensive income and as other receivable in the consolidated balance sheet.

5. Materials and services

Materials and services comprise purchases of materials and supplies such as logs, coatings, glues, energy for production and other production materials. External services comprise log harvesting, transportation and machinery repair services.

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Purchases of materials and supplies	122,506	130,538
Change in inventories	2,979	-5,357
External services	36,285	39,934
Total	**161,770**	**165,115**

6. Employee benefit expenses

Koskisen employed an average of 925 employees in 2022, of which 809 employees were located in Finland and 74 in Poland. In addition, there were some 20 employees working in sales in different countries around the world. Koskisen's employee benefit expenses are presented in the table below. The remuneration of the members of the Executive Board team, CEO and the members of the Board of Directors is presented in the note 24. Related party transactions.

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Wages and salaries	38,070	36,637
Pension costs - defined contribution plans	6,943	5,950
Social security costs	1,935	1,754
Other long-term benefits - service allowance	-678	102
Total	**46,269**	**44,443**

Other long-term benefits consist of an annual service allowance plan. The cost of the plan is determined based on the advice of qualified actuary who carries out a full valuation of the plan on a regular basis using the projected unit credit method. Under this method, the costs of the plan are charged to the statement of comprehensive income to spread the regular costs over the working lives of the employees. Koskisen presents the service cost relating to defined benefit obligations in employee benefit expenses while the net interest is presented in finance costs.

AVERAGE NUMBER OF EMPLOYEES

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Salaried employees	236	230
Workers	689	679
Average number of employees during the period	**925**	**909**

ACCOUNTING POLICY

Short-term employee benefits are recognised as expenses during the period in which related service is provided. A liability is recognised when the Group has a statutory and constructive obligation relating to employment relationship based on performance received and when an obligation can be measured reliably.

Koskisen has only defined contribution pension plans in the jurisdictions it operates. The Group pays contributions to external insurance companies and it does not have a legal or constructive obligation to make additional payments in case the recipient for pension contributions is unable to pay the pension benefits. The contributions are recognised as employee benefit expense in the statement of comprehensive income during the period to which the charge relates to.

Annual service allowance

Koskisen pays an annual service allowance to its production workers based on the collective agreements. The plan is accounted for as a long-term employee benefit plan according to IAS 19 Employee benefits, with items resulting from remeasurement, which include actuarial gains and losses, are recognised immediately in the consolidated balance sheet for the period through statement of comprehensive income (profit and loss) when they incur.

Past service costs are recognised as expenses at the earlier of the plan amendment or curtailment and when related restructuring costs or termination benefits are recognised. Net interest is calculated by applying the discount rate to the net liability or asset under the defined benefit plan. The Group recognises the changes in the net liability for the service cost in employee benefit expenses and net interest expense or income in finance costs, net.

The annual service allowance obligations and the related service costs have been calculated using the projected credit unit method by discounting the estimated future cash flows with the discount rate based on AA euro corporate bond yield curve which reflects the duration of the liability.

7. Share-based incentives

SHARE-BASED INCENTIVE PLAN 2022-2026

In March 2022, Koskisen established a share-based incentive program for its key employees for the years 2022 to 2024. The program consists of a three-year vesting period, 2022 to 2024. Key employees eligible for the program, related incentives paid, the vesting conditions and targets were determined by the Board of Directors in June 2022. The key employees eligible for the program (six individuals) can receive a maximum of 138,000 company shares (gross amount) if the terms of the program are met. The vesting conditions and the targets relate to meeting certain key figures (EBITDA and return on invested capital) and work obligation. The earned shares are given to the key employees after the vesting period ends. 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.

INCENTIVE PLAN RELATED TO THE INITIAL PUBLIC OFFERING

In June 2022, Koskisen established a share-based incentive plan for key management. The Board of Directors has determined the employees eligible for the program, the incentives to be paid, and the vesting conditions and targets. The program includes two individuals who, if the conditions are met, can receive a maximum of 45,000 company shares. The earning criteria and goals are related to the listing and work obligation. The first part is paid two months after the listing and the second part 12 months after the first part is paid. The reward is paid half in shares and half in cash, which is determined by the value of the share at the time of payment. The arrangement is treated partly as an equity-settled and partly as a cash-settled share-based transaction.

	Share-based incentive plan 2022–2026**	Incentive plan related to the initial public offering**		Total
	Performance period 2022–2024	Installment 1	Installment 2	Tot/Wa
Maximum amount, pcs*	138,000	18,000	27,000	183,000
Initial allocation date	Jul 1, 2022	Jun 21, 2022	Oct 6, 2022	
Vesting date	Apr 30, 2025	Feb 28, 2023	Feb 28, 2024	
Maximum contractual life, years	2.8	0.7	1.4	1.6
Remaining contractual life, years	2.3	0.2	1.2	1.2
Number of persons at the end of reporting year	6	2	2	
Payment method	Equity and cash (net settlement)	Equity and cash	Equity and cash	

* The amounts are presented in gross terms, i.e. the share reward figures both the reward paid in share and a number of shares corresponding to the amount of the reward paid in cash.
** Share-based incentive plan 2022-2026 and Incentive plan related to the initial offering amounts are adjusted by the share split carried out in November 2022.

	Share-based incentive plan 2022–2026**	Incentive plan related to the initial public offering*		Total
Changes during the period	Performance period 2022–2024	Installment 1	Installment 2	Tot/Wa
Jan 1, 2022				
Outstanding in the beginning of the period	-	-	-	-
Changes during period				
Granted during period	138,000	18,000	27,000	183,000
Dec 31, 2022				
Granted shares to which the right has not yet arisen	138,000	18,000	27,000	183,000

* Share-based incentive 2022-2026 and Incentive plan related to the initial public offering granted amounts are adjusted by the share split carried out in November 2022.

FAIR VALUE DETERMINATION

The fair value of share-based incentives have been determined at grant date and the fair value is expensed until vesting. When calculating the expense, the fair value of the shares according to IFRS 2 is determined using the cash flow-based return value method. The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

VALUATION PARAMETERS FOR INSTRUMENTS GRANTED DURING 2022

	Share-based incentive plan 2022–2026	Incentive plan related to the initial public offering	
Instrument	**Performance period 2022–2024**	**Installment 1**	**Installment 2**
Estimated market price of the share at the time of issuance, EUR	8.50	8.50	8.50
Maturity, years	2.8	0.7	1.4
Risk-free rate, %	-	-	1.68%
Expected dividends, EUR	-	-	0.43
The fair value of the benefit per share at the time of grant, EUR	8.50	8.50	8.07
Share price at reporting period end, EUR	6.28	6.28	6.28

EFFECT ON THE RESULT AND FINANCIAL POSITION

EUR thousand	Jan 1–Dec 31, 2022
Expenses for the financial year, share-based payments	241
Expenses for the financial year, share-based payments, equity-settled	164
Liabilities arising from share-based payments Dec 31, 2022	76
Estimated amount of cash to be paid for the tax withholding within the ongoing plans, Dec 31, 2022	217

SHARE ISSUE DIRECTED TO PERSONNEL

In September 2022, Koskisen carried out a directed share issue to its employees, in which all employees working in a permanent employment relationship could participate. The subscription price of the shares issued as part of the personnel offering (115,018) was lower than the fair value of the shares. The subsequent sale of the subscribed shares is limited and the shares are subject to an obligation to work for a period that ends with a separate decision of the Board of Directors, when two years have passed since the approval of the share subscriptions or when at least six months have passed since the listing, whichever occurs later.

Instrument	Share issue directed to personnel*
Initial amount, pcs	260,000
Initial excercise price	3.00
Dividend adjustment	No
Initial allocation date	Sep 29, 2022
Vesting date	Sep 29, 2024
Maximum contractual life, yrs	2
Remaining contractual life, yrs	1.7
Number of persons at the end of reporting year	112
Payment method	Shares

* Share Issue Directed to Personnel 2022 initial amount is adjusted by the share split carried out in November 2022. .

Changes during the period	Share issue directed to personnel*
Jan 1, 2022	
Outstanding in the beginning of the period	-
Changes during period	
Subscribed during period	115,018
Dec 31, 2022	
Outstanding at the end of period	115,018

* Share Issue Directed to Personnel 2022 initial amount is adjusted by the share split carried out in November 2022.

FAIR VALUE DETERMINATION

The issued shares are measured at fair value and the difference between the fair value of the shares issued less and subscription price is recognised as an expense over the employment obligation period. When calculating the expense, the fair value of the shares has been determined using the cash flow-based return value method, taking into account the estimate of the subscription price of a possible future share issue. The fair value was determined by the following inputs and had the following effect:

VALUATION PARAMETERS FOR INSTRUMENTS GRANTED DURING PERIOD 2022

Instrument	Share issue directed to personnel
Estimated market price for the share at the time of the grant, EUR	8.50
Subscription price, EUR	3.00
Fair value of the benefit per share at the time of the grant, EUR	5.50
Share price at reporting period end, EUR	6.28

Effect on the result and financial position	Jan 1–Dec 31, 2022
Expenses for the financial year, share-based payments, equity-settled	73
Liabilities arising from share-based payments Dec 31, 2022	-

ACCOUNTING POLICY

The Group's share-based incentive plans are classified as equity-settled or cash-settled share-based transactions. Transactions with the net settlement feature for tax obligations are classified in their entirety as equity-settled share-based transactions. Equity-settled share-based transactions are measured at the grant date fair value. The liabilities for the cash-settled share-based transactions are measured at the fair value on each reporting date. At the end of each reporting period, the company's management evaluates the probability of the fulfilment of the plan conditions (conditions based on the performance of the service and results), updates the estimate of the number of shares expected to finally vest and makes a corresponding adjustment on the expense recognised. Payments for share-based plans are expensed on a straight-line basis over the vesting period when the obligation has incurred. The expense is presented in the employee benefit expenses. For the equity-settled plans a corresponding amount is recognised as an increase in retained earnings, and for the cash-settled plans a corresponding liability is recognised in other liabilities on the balance sheet.

8. Depreciation, amortisation and impairment

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Property, plant and equipment, depreciation		
Buildings and structures	1,063	1,265
Machinery and equipment	3,523	4,518
Other property, plant and equipment	215	250
Total	**4,801**	**6,033**
Property, plant and equipment, impairment		
Buildings and structures	23	-
Machinery and equipment	54	-
Total	**77**	**-**
Right-of-use assets, depreciation		
Power plants	1,658	1,844
Machinery and equipment	1,265	1,329
Land and water areas	49	49
Buildings	81	56
Total	**3,053**	**3,278**
Intangible assets, depreciation		
Software	152	213
Total	**152**	**213**
Depreciation, amortisation and impairment total	8,083	9,525

ACCOUNTING POLICY

Depreciation and amortisation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of property, plant and equipment and intangible assets. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term. If Koskisen is reasonably certain on exercising a purchase option, the right-of-use asset is depreciated over its useful life.

9. Other operating expenses

Other operating expenses comprise costs related to sales freight, forwarding and chipping, expenses for property maintenance and IT expenses. Other expenses comprise among others travel, marketing and development costs.

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Sales freight and forwarding	28,297	27,210
Maintenance of property	3,820	2,970
IT expenses	3,302	2,566
Listing costs[1]	1,830	-
Administrative expenses	1,825	1,414
Consulting and administrative services	1,728	1,229
Personnel related expenses	1,359	1,125
Sales commissions	902	989
Lease expenses	671	632
Other expenses[2]	3,290	2,513
Total	**47,025**	**40,648**

[1] Expenses related to the listing on the main list of Nasdaq Helsinki Oy, other than those directly related to the issuance of new shares.
[2] Other expenses include, for example, travel, marketing and development expenses.

Fees paid to the auditor of the Group performing the statutory audit for the years presented in the consolidated financial statements appointed by the annual general meeting are presented in the table below.

AUDITOR REMUNERATION

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Audit	347	93
Tax and legal advisory services	74	10
Other services	1,178	23
Total	**1,599**	**126**

Auditor remuneration include the fees paid to the auditors of each Group company.

ACCOUNTING POLICY

Research costs are expensed as incurred in the other operating expenses in the statement of comprehensive income. Development costs are expensed as incurred unless they meet the criteria for internally developed intangible assets, in which case they are capitalised as intangible assets and amortised over their expected useful life. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

10. Finance income and expenses

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Interest income and other finance income		
Foreign exchange gains	2,348	1,216
Gains on interest rate derivatives	3,010	1,164
Interest income	163	21
Gains on foreign currency derivatives	283	-
Other finance income	194	1
Total	**5,998**	**2,403**
Finance costs		
Interest expenses from borrowings	-421	-2,913
Interest expenses from lease liabilities	-2,254	-2,301
Losses on foreign currency derivatives	-	-514
Losses on interest rate derivatives	-396	-784
Foreign exchange losses	-2,257	-509
Other finance expenses	-1,081	-149
Total	**-6,408**	**-7,170**
Finance income and costs total	**-410**	**-4,767**

Foreign exhange gains in 2022 include EUR 877 thousand exchange rate gain from forward contract in rubles.

Other finance expenses in 2022 include commitment fees for renewed credit facility EUR 653 thousand and availability fees related to credit facility EUR 136 thousand.

11. Income tax

Income tax expense comprises current income tax based on the taxable income for the period and deferred tax expense.

INCOME TAX EXPENSE

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Current tax on result for the period	-9,844	-9,728
Adjustments for current tax of prior periods	-5	151
Total current income tax expense	**-9,849**	**-9,577**
Change in deferred tax assets	-817	-167
Change in deferred tax liabilities	-1,119	346
Total deferred tax expense	**-1,935**	**178**
Income tax expense	**-11,784**	**-9,398**

The difference between income taxes at the statutory tax rate in Finland (20%) and income taxes recognised in the statement of comprehensive income is reconciled as follows:

RECONCILIATION OF THE EFFECTIVE TAX RATE

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Profit (loss) before taxes	57,757	47,944
Tax calculated at Finnish tax rate 20 %	-11,551	-9,589
Effect of other tax rates for foreign subsidiaries	10	26
Effect of the expenses not deductible for tax purposes	-606	-45
Effect of the non-taxable income	377	8
Effect of utilisation of previously unrecognised deferred tax assets from tax losses	-	50
Effect of unrecognised deferred tax assets from tax losses	-9	-
Adjustment in respect to prior years	-5	151
Income tax expense	**-11,784**	**-9,398**

DEFERRED TAX ASSETS AND LIABILITIES

EUR thousand	At Jan 1	Recognised in profit or loss	Reclassifi-cations	Translation differences	At Dec 31
2022					
Deferred tax assets					
Borrowings	1,030	-1,030			-
Other long-term employee benefits	734	-130			604
Derivatives	408	-353	-55		-
Tax losses	0	-0			-
Leases	384	710		-0	1,093
Provisions	24	-4		-0	20
Credit loss provision	8	-2		-0	6
Other items	173	-8	55	-2	219
Total	**2,761**	**-817**	**-**	**-2**	**1,942**
Netting of deferred taxes	-2,700				-1,814
Total	**61**	**-817**	**-**	**-2**	**129**
Deferred tax liabilities					
Accumulated depreciation differences	4,052	227			4,280
Intangible assets	168	-4			164
Derivatives	-	306			306
Borrowings	95	531			626
Rental contracts		172			172
Other items	113	-113			-
Total	**4,429**	**1,119**	**-**	**-**	**5,547**
Netting of deferred taxes	-2,700				-1,814
Total	**1,728**	**1,119**	**-**	**-**	**3,734**
Deferred tax liabilities, net	**1,667**				**3,605**

EUR thousand	At Jan 1	Recognised in profit or loss	Reclassifi-cations	Translation differences	At Dec 31
2021					
Deferred tax assets					
Borrowings	906	124			1,030
Other long-term employee benefits	753	-19			734
Derivatives	544	-122		-14	408
Tax losses	323	-323			0
Leases	186	197			384
Provisions	28	-4			24
Credit loss provision	44	-36			8
Other items	159	14			173
Total	**2,943**	**-167**	**-**	**-14**	**2,761**
Netting of deferred taxes	-2,939				-2,700
Total	**4**				**61**
Deferred tax liabilities					
Accumulated depreciation differences	4,378	-326			4,052
Intangible assets	150	18			168
Derivatives	63	-63			-
Borrowings	41	54			95
Other items	143	-30			113
Total	**4,774**	**-346**	**-**	**-**	**4,429**
Netting of deferred taxes	-2,939				-2,700
Total	**1,836**				**1,728**
Deferred tax liabilities, net	**1,832**				**1,667**

Koskisen had EUR 243 thousand (31 December 2021: EUR 8,480 thousand) of tax losses carried forward for which no deferred tax assets are recognised of which EUR 214 thousand (31 December 2021: EUR 8,451 thousand) related to Koskisen's operation in Russia. The tax losses will expire in 5 -10 years. In Russia there is no expiration for the tax losses, however, the Group expects not to utilise these losses.

ACCOUNTING POLICY

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

12. Property, plant and equipment

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, 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**

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Cost at Jan 1, 2021	**2,676**	**64,850**	**91,894**	**6,120**	**331**	**165,871**
Additions	63	766	1,377	457	6,705	9,368
Disposals	-12	-6	-55	-1	-	-74
Reclassifications	-	58	167	11	-236	-0
Translation differences	3	214	189	74	-3	477
Cost at Dec 31, 2021	**2,730**	**65,881**	**93,572**	**6,661**	**6,797**	**175,642**
Accumulated depreciation and impairment at Jan 1, 2021	**-**	**-42,546**	**-66,626**	**-4,765**	**-**	**-113,937**
Depreciation	-	-1,265	-4,518	-250	-	-6,033
Accumulated depreciation of disposals and reclassifications	-	-0	46	1	-	47
Impairment	-	-1	-	-	-	-1
Translation differences	-	-373	-154	-49	-	-576
Accumulated depreciation and impairment at Dec 31, 2021	**-**	**-44,186**	**-71,252**	**-5,063**	**-**	**-120,500**
Carrying value at Jan 1, 2021	**2,676**	**22,303**	**25,268**	**1,355**	**331**	**51,934**
Carrying value at Dec 31, 2021	**2,730**	**21,696**	**22,321**	**1,598**	**6,797**	**55,142**

Other tangible assets comprise, amongst others, constructions of road, parking and warehouse areas and an art collection.

The increase in machinery and equipment in 2022 is mainly related to the new Järvelä sawmill (stick stacker, EUR 3.3 million). Advance payments and construction in progress include EUR 21.6 million related to the construction of the new sawmill, of which the additions in 2022 amount to EUR 15.8 million. In addition, the increase in advance payments and construction in progress includes EUR 1.3 million related to the stormwater system in the Mäntsäläntie area.

The increase in machinery and equipment in 2021 relates mainly to veneer dryer modernisation (EUR 552 thousand) and in other tangible assets to the new road and warehouse area for the new sawmill in Järvelä (EUR 452 thousand). In buildings and structures EUR 375 thousand of the increase relates to the acquisition of neighbouring property for warehouse purposes in the new sawmill site. Additions to advanced payments and construction in progress include EUR 5.8 million related to the building of the new sawmill.

Koskisen is building a new sawmill in Järvelä. The production is expected to start in stages during 2023 and 2024. The new sawmill is expected to increase the production capacity in the Sawn Timber Industry. Koskisen has estimated that it will invest a total of approximately EUR 50 million between the years 2021 and 2024.

ACCOUNTING POLICY

Land is recognised in property, plant and equipment at cost. Other property, plant and equipment is recognised at cost less accumulated depreciation and any impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

The estimated useful economic lives of property, plant and equipment are:

- Buildings and structures 10–50 years
- Machinery and equipment 5–15 years
- Other tangible assets 5–10 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Impairment

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The assets are tested at the cash generating unit (CGU) level, which is represents the lowest level for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

13. Forest assets

Koskisen owns 813 hectares of forests land in Southern Finland at the end of the reporting period. The value of the forest assets, i.e. standing trees, is EUR 2.7 million as at 31 December 2022 (31 December 2021: EUR 2.8 million).

FOREST ASSETS

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Carrying value, at Jan 1	2,750	2,672
Gain (loss) arising from changes in fair value	-19	91
Decreases due to sales	-	-12
Carrying value, at Dec 31	**2,731**	**2,750**

Koskisen uses forest certification and all of its own forests are certified by the Programme for the Endorsement of Forest Certification (PEFC). PEFC sets requirements for the monitoring of certified wood raw materials and wood products in supply chains. All wood raw material must come from certified forests. In addition, the certification requires safeguarding the diversity of forests, maintaining the health and growth of forests and the use of the forests for recreational use.

ACCOUNTING POLICY

The forest land is divided into the forest assets i.e. standing trees and land. Forest assets are recognised at fair value less cost to sell. Land is recognised at cost and presented in property plant and equipment.

The fair value of forest assets is calculated using the summation method, in which the values of the soil base, saplings and standing trees are valuated separately and the total value is adjusted based on the special characteristics of the forests. The fair value of forest assets is classified as level 3 in the fair value hierarchy due to the use of the unobservable inputs, for example wood growth. Changes in the fair value of the forest assets is recognised in the operating profit (loss) in the statement of comprehensive income.

KEY ESTIMATES AND JUDGEMENTS

Valuation of forest assets

The valuation of forest assets is a complicated process and requires several management estimates and judgement on assumptions that have a significant impact on the value of the forest assets presented on the balance sheet. Factors requiring management estimates include estimates on wood growth, analysing the appropriateness of harvesting and stumpage prices and management review of the valuation related data provided by third-party service providers. Stumpage prices used in the calculations are based on prices from third-party valuation service providers and have been compared to Finnish statistical database prices.

14. Leases

Koskisen's lease contracts comprise leases of real estates, including offices, apartments, warehouses and land areas, production machinery and equipment, cars and leases of other machinery and equipment, such as IT equipment. The lease terms are fixed or valid until further notice and may include extension or termination options. The lease contracts may include index clauses, which are typically based on the consumer price index. These are not included in the measurement of lease liability until they realise.

In addition, Koskisen has entered into an agreement for heat energy supply which includes a lease contract for power plants. Koskisen has right to receive substantially all the economic benefits from the use of the power plants. The agreement includes an option based on which at the end of the 15 years agreement period, or in case of a breaching event, Koskisen has the right and obligation, if the other party requires, to redeem the power plants for itself or for a third party. Due to restructuring the lease agreement during 2022 Koskisen received a payment of EUR 3.0 million which was recognised as decrease to the right-of-use assets.

Koskisen also has an agreement for sawn timber manufacturing. All payments for the agreement are variable, and therefore not included in the measurement of the lease liability but are recognised as cost in the statement of comprehensive income as incurred.

The balance sheet shows the following amounts relating to leases:

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Right-of-use assets		
Power plants	19,822	24,594
Machinery and equipment	2,274	2,674
Land and water areas	278	348
Buildings	328	197
Total	**22,702**	**27,814**

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Lease liabilities		
Non-current	25,294	27,578
Current	2,015	2,154
Total	**27,309**	**29,732**
Additions to the right-of-use assets during the financial year	1,022	1,066

The statement of comprehensive income shows the following amounts relating to leases:

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Depreciation charge of right-of-use assets		
Power plants	1,658	1,844
Machinery and equipment	1,265	1,329
Land and water areas	49	49
Buildings	81	56
Total	**3,053**	**3,278**
Interest expense	**2,254**	**2,301**
Expense relating to short-term leases[1]	14	46
Expense relating to leases of low value assets that are not short-term leases[1]	345	364
Expenses relating to variable lease payments not included in lease liabilities[1]	1,466	2,529

[1] Included in other operating expenses

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
The total cash flow for leases in the financial year	7,326	7,531

The maturity of the lease liabilities is presented in note 3:. Financial risk and capital management.

ACCOUNTING POLICY

At the contract inception, Koskisen assesses whether the arrangement is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Koskisen recognises a right-of-use asset and a corresponding lease liability at contract commencement for leases where it is a lessor. The contract commencement date is the date on which the asset is available for use by the lessee.

Koskisen measures the lease liability at the commencement by discounting the future lease payments to their present value. The lease payments include fixed payments, variable lease payments based on an index or a rate, residual value guarantees, which are expected to be payable by Koskisen and the exercise price of a purchase option, if Koskisen is reasonably certain to exercise the option. Penalties for terminating the lease are included in the lease liability measurement if the lease term reflects that Koskisen will use the termination option.

Koskisen discounts lease payments using the interest rate implicit in the lease. If that rate cannot be readily determined, Koskisen uses the incremental borrowing rate, i.e. the rate that Koskisen would have to pay to borrow over a similar term, and with a similar security to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Interest expense on lease liabilities is presented in the cash flow from operating activities.

After the lease commencement, lease liability is measured at amortised cost using the effective interest method. Lease liability is remeasured, when the lease payments change due to, for example, index change, exercising of option included in the lease are reassessed or to reflect other lease modifications.

Right-of-use assets are measured at cost comprising the initial amount of the lease liability, any lease payments made at or before the contract commencement, any initial direct costs and restoration costs. Right-of-use assets are depreciated using the straight-line method over the shorter of the asset's useful life and lease term. If Koskisen is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the asset's useful life.

Koskisen applies the short-term and low value asset exemptions provided by the standard. Short-term leases are leases with a lease term of 12 months or less. Low value assets include, among others, bicycles and ICT equipment. Lease payments associated with those leases are recognised as an expense on a straight-line basis. Koskisen does not separate non-lease components from lease components in the sawmill lease.

Koskisen has minor activities as a lessor by leasing its land areas and apartments. Koskisen classifies all of its leases as operating leases as the leases do not transfer substantially all of the risks and rewards incidental to ownership of an underlying assets.

KEY ESTIMATES AND JUDGEMENTS

Embedded leases

Koskisen has agreements for heat energy supply and sawn timber manufacturing for which management has assessed whether the agreements include a lease. When the agreements include an identified asset and Koskisen utilises substantially all of the capacity of the assets and therefore obtains substantially all of the economic benefits from the use of the assets, and if Koskisen also has right to direct the use of the asset for a period of time, Koskisen accounts the arrangement as a lease. In some arrangements all the payments for a lease are variable, not dependent on index or a rate, and not in-substance fixed. Accordingly, for such arrangements no lease liability nor right-of-use asset has been recognised in the balance sheet.

Lease term determination

Koskisen assesses the lease term on a lease-by-lease basis based on the contractual obligations, economic incentives, and nature of the asset. Koskisen's lease contracts include contracts with fixed lease terms, extension and termination options and contracts that are valid until further notice.

If the contract contains a fixed lease term without option to extend or to terminate the lease, the lease term is set based on the fixed lease term. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

If the lease term is not stated clearly in the contract, or will continue in perpetuity until further notice, management assesses the enforceable period of the lease based on the contractual terms and reasonable certainty. In case there are no significant penalties involved in contracts where the lease term in not stated clearly or continues until further notice, the Group determines the lease term on a lease-by-lease basis reflecting the Group's need for the underlying asset and its strategic planning period of five years.

The lease term is reassessed if a significant event or change in circumstances occurs.

Incremental borrowing rate determination

The incremental borrowing rate is determined based on recent third-party financing agreements as a starting point, adjusted to reflect the lease term, credit risk for leases, the leased asset and changes in financing conditions and operating environment since third-party financing was received.

15. Intangible assets

EUR thousand	Softwares	Advance payments and work in progress	Total
Cost at Jan 1, 2022	**3,185**	**160**	**3,345**
Additions	100	275	374
Disposals	-94	-	-94
Reclassifications	225	-144	80
Cost at Dec 31, 2022	**3,415**	**290**	**3,705**
Accumulated amortisation and impairment at Jan 1, 2022	**-2,726**	**-**	**-2,726**
Accumulated amortisation of disposals and reclassifications	95	-	95
Amortisation	-152	-	-152
Accumulated amortisation and impairment at Dec 31, 2022	**-2,782**	**-**	**-2,782**
Carrying value at Jan 1, 2022	**459**	**160**	**619**
Carrying value at Dec 31, 2022	**633**	**290**	**923**

EUR thousand	Softwares	Advance payments and work in progress	Total
Cost at Jan 1, 2021	**2,791**	**185**	**2,976**
Additions	246	123	369
Reclassifications	148	-148	-
Cost at Dec 31, 2021	**3,185**	**160**	**3,345**
Accumulated amortisation and impairment at Jan 1, 2021	**-2,512**	**-**	**-2,512**
Amortisation	-213	-	-213
Accumulated amortisation and impairment at Dec 31, 2021	**-2,726**	**-**	**-2,726**
Carrying value at Jan 1, 2021	**279**	**185**	**464**
Carrying value at Dec 31, 2021	**459**	**160**	**619**

ACCOUNTING POLICY

Software-related costs

Software costs are recognised as an asset if Koskisen has control over the underlying asset, at historical cost less accumulated amortisation and impairment losses. Amortisations are calculated on a straight-line method over the useful economic lives of the assets which is five years.

The assets' useful lives and amortisation methods are reviewed at minimum at the end of each reporting period and adjusted, if appropriate, to reflect changes in the expected economic benefits. The amortisation of intangible assets is commenced when the asset is ready for its intended use.

Impairments are presented in note 12: Property, plant and equipment.

16. Inventories

EUR thousand	Dec 31, 2022	Dec 31, 2021
Raw materials	20,111	23,000
Work in progress	4,019	3,342
Finished goods	10,044	11,720
Total	**34,174**	**38,062**

Write-downs of slow-moving inventories to net realisable value amounted to EUR 98 thousand in 2022 (2021: EUR 12 thousand). These were recognised as an expense during the financial year and included in changes in inventories of finished goods and work in progress in the statement of comprehensive income. The Group reversed EUR 12 thousand of a previous inventory write-down in 2022, based on the Group's assessment of the net realisable values (2021: EUR 23 thousand). The amount reversed has been included in changes in inventories of finished goods and work in progress in the statement of comprehensive income.

ACCOUNTING POLICY

Inventories are stated at the lower of cost and net realisable value, the cost being determined by the weighted average cost method. The cost comprises raw materials, direct labour, depreciation and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

A valuation allowance is made for old, slow-moving inventories based on the management's best estimate of the expected net realisable value at the end of the reporting period.

17. Other receivables

EUR thousand	Dec 31, 2022	Dec 31, 2021
Non-current assets		
Other receivables	-	1
Accruals of financial expenses	79	172
Total	**79**	**174**
Current assets		
Advances of purchases of logs	2,273	2,277
VAT receivables	2,831	1,368
Other receivables	1,133	787
Other accrued income on expenses	3,297	986
Total	**9,534**	**5,418**
Other receivables total	**9,613**	**5,592**

18. Equity

EUR thousand	Total number of shares outstanding (pcs)	Share capital	Reserve for invested unrestricted equity
Jan 1, 2021	630	1,512	-
Dec 31, 2021	630	1,512	-
Dec 31, 2021	630	1,512	-
Free share issue (split)	6,299,370	-	
Share issue (merger)[1]	2,532,294	-	43,252
Directed share issue, personnel[2]	57,509	-	345
Free share issue (split)	8,889,803	-	-
Listing share issue	5,223,053	-	30,246
Dec 31, 2022	**23,002,659**	**1,512**	**73,843**

[1] Additional information in note 23:. Group structure
[2] Additional information in note 7:. Share-based incentive plans

SHARE CAPITAL

Koskisen Corporation has one series of shares and all shares are equally entitled to dividends. One share carries one vote at the general meeting. The company does not hold its own shares.

Koskisen carried out a free share issue (split) approved by the annual general meeting on 26 April 2022. The shares were entered in the share register on 31 May 2022. The shareholders were issued 9,999 shares for each old share. The total number of shares increased retrospectively to 6,300,000 shares.

Koskisen carried out a free share issue (split) approved by the extraordinary general meeting on 31 October 2022. The shares were entered in the share register on 11 November 2022. The total number of Koskisen's shares increased to 17,779,606 shares as shareholders were issued one new share for each old share.

The free share issues did not impact the company's share capital or capital structure.

Trading in Koskisen Corporation shares began on 1 December 2022. In the initial public offering, 5,223,053 new shares were issued and the total number of shares in the company after the initial public offering is 23,002,659 shares. The new shares were registered in the Trade Register on 30 November 2022. Koskisen received gross proceeds of EUR 32 million from the IPO, which were recognised in the reserve for invested non-restricted equity. The company's listing costs amounted to EUR 4.1 million. Of these, listing expenses recognised in equity were EUR 2.2 million less the tax impact of EUR 0.4 million and expenses recognised in profit or loss were EUR 1.8 million. The final subscription price was EUR 6.14 per share in the institutional and public offering and 10 per cent lower, or EUR 5.53 per share, in the personnel offering, based on which the company's market capitalisation was approximately EUR 141 million immediately after the IPO. There was strong demand for the shares, and the share issue was oversubscribed. The trading code for Koskisen shares is KOSKI.

LEGAL RESERVE

The legal reserve comprises the amounts transferred from distributable funds under the articles of association or by decision of the general meeting.

TRANSLATION DIFFERENCES

Translation differences arising from the translation of the financial statements of foreign subsidiaries are recognised in the other comprehensive income and accrued in a separate equity reserve. The cumulative amount of translation differences is recognised in the consolidated statement of comprehensive income on the disposal of the net investment.

19. Earnings per share

	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Profit (loss) for the period attributable to the owners of the parent company (EUR)	39,745,676	29,240,253
Weighted average number of shares outstanding during the period	16,043,440	12,600,000
Diluted weighted average number of shares outstanding during the period	16,069,899	12,600,000
Basic earnings per share (EUR)	**2.48**	**2.32**
Diluted earnings per share (EUR)	**2.47**	**2.32**

The basic and diluted earnings per share for profit attributable to the ordinary equity holders of the parent company for periods presented have been adjusted retrospectively for the effects of the free share issues (splits) determined on 24 April 2022 and 31 October 2022.

Koskisen carried out a free share issue (split) approved by the annual general meeting on 26 April 2022. The shares were entered in the share register on 31 May 2022. The shareholders were issued 9,999 shares for each old share. The total number of shares increased retrospectively to 6,300,000 shares.

Koskisen carried out a free share issue (split) approved by the extraordinary general meeting on 31 October 2022. The shares were entered in the share register on 11 November 2022. The total number of Koskisen's shares increased to 17,779,606 shares as shareholders were issued one new share for each old share.

The free share issues did not impact the company's share capital or capital structure.

ACCOUNTING POLICY

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent company by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into consideration the Group's potential commitment to issue new shares in the future.

20. Financial assets and liabilities

FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

EUR thousand	Fair value hierarchy level	Dec 31, 2022	Dec 31, 2021
Financial assets measured at amortised cost			
Trade receivables	-	25,541	29,544
Cash and cash equivalents	-	74,527	30,538
Total financial assets measured at amortised cost		**100,068**	**60,081**
Financial assets measured at fair value through profit or loss			
Money market funds	1	9,892	9,958
Derivatives	2	1,528	-
Other assets measured at fair value through profit or loss	3	223	223
Total financial assets measured at fair value through profit or loss		**11,644**	**10,181**
Financial liabilities measured at amortised cost			
Loans from financial institutions	2	28,650	32,695
Capital loans	3	-	12,136
Lease liabilities	-	27,309	29,732
Trade payables	-	32,263	28,792
Trade payables, payment system	-	7,316	6,604
Total financial liabilities measured at amortised cost		**95,538**	**109,959**
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	2	-	1,765
Total financial liabilities measured at fair value through profit or loss		**-**	**1,765**

The fair value of financial institution loans on 31 December 2022 was EUR 29.1 million (31 December 2021: EUR 33.0 million). The fair value of the loans has been determined by discounting the future cash flows at the estimated market interest rate at the time of reporting. The company has estimated that the contractual interest rate of the loans is reasonably close to the market interest rate, and has not made an adjustment to the discount rate at which the fair values are defined, in which case the fair values of the loans correspond to their nominal value. Since the company's loans from financial institutions have variable interest rates, the rise in market interest rates during the period has been directly reflected in the Group's interest expenses and has therefore not affected the fair value of the loans. Fair values of loans from financial institutions are classified in level 2 in the fair value hierarchy.

The capital loans and their due interest were paid off during financial year 2022. Their fair value on 31 December 2021 was EUR 12.1 million. Fair values of capital loans are classified as level 3 in the fair value hierarchy due to the use of unobservable inputs, which are own credit risk and estimated repayment and interest payment dates. If the credit spread on the measurement dates would be higher than estimated by the management, the fair values of the capital loans would be lower and vice versa.

The fair value of derivatives is estimated based on the present value of future cash flows using market prices on the valuation date and fund investments based on counterparty quotes. Changes in the fair value of derivatives and fund investments are recorded 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 the increase in market interest rates and the strengthening of the USD against the euro during the reporting period. The group's open USD balance position at the time of closing on 31 December 2022 is significantly lower than on 31 December 2021, consisting of trade receivables and a bank account, totalling EUR 7.0 million (31 December 2021: EUR 22.0 million). The nominal value of the hedging open futures on the reporting date is EUR 6.80 million (31 December 2021: EUR 11.6 million).

THE HIERARCHY LEVELS ARE AS FOLLOWS:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities

RECONCILIATION OF FINANCIAL LIABILITIES

EUR thousand	Borrowings	Lease liabilities	Total
Jan 1, 2021	48,361	30,957	79,318
Cash flows from financing			
Proceeds	35,000	-	35,000
Repayments	-39,000	-2,291	-41,291
Other changes			-
New leases	-	1,066	1,066
Interest paid[1] and interest expense	471	-	471
Dec 31, 2021	**44,831**	**29,732**	**74,563**
Cash flows from financing			
Proceeds	29,000	-	29,000
Repayments	-43,988	-3,445	-47,433
Other changes			-
Exportkredit loan[3]	3,846	-	3,846
New leases	-	1,022	1,022
Interest paid[1, 2] and interest expense	-5,039	-	-5,039
Dec 31, 2022	**28,650**	**27,309**	**55,959**

[1] Included in the Net cash flow from operating activities
[2] During the period interest of capital loan EUR 5.8 million was paid
[3] No cash flow impact

CHANGES IN FINANCIAL LIABILITIES

Koskinen entered into a new financing agreement in the second quarter of 2022 in order to simplify its financing structure, lengthen the average maturity of financial liabilities and lower its financing costs. There are three loans under the loan agreement, a term loan of EUR 19.0 million, a term loan of EUR 10.0 million and a standby credit of EUR 8.0 million, which is intended to finance the group's general working capital requirements. At the time of reporting, a total of EUR 29.0 million has been withdrawn from the loans. The overdraft has not been withdrawn in its entirety.

The loan agreement is valid for four years. The loan agreement includes the usual financial covenant and default terms. Financial covenants are measured every six months on a rolling basis for the past 12 months and are calculated from the Koskisen Group's financial information prepared in accordance with FAS. The interest on the loans is tied to the six-month Euribor, and they also have a margin, the level of which depends on the ratio of net debt to EBITDA.

As at 31 December 2021, Koskisen had capital loans of EUR 12.1 million (including cumulative unpaid interest) from the shareholders of the company of which certain shareholders having significant influence over the company. The loan capital and accrued interest was fully paid back during 2022.

Koskisen's loans from financial institutions expose the group's cash flow to interest rate risk, the importance of which has been emphasised during the period as market interest rates have risen considerably. There have been no changes in Koskisen's interest rate risk hedging policy, but the Group's management constantly evaluates the amount of open risk and the need for additional hedging. Koskisen has interest rate swaps with a total nominal value of EUR 30 million. The changes in the fair value of the interest rate swaps net out the profit effects of the loan's interest rate changes, protecting the group from interest rate risk, even though they are not one-to-one with the group's financial institution loans. The interest rate swap agreements are valid until 2025, and there were no changes to them in connection with the renewal of the financial loans.

The Group's exposure to various risks associated with the financial instruments is discussed in the note 3: Financial risk and capital management. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above..

ACCOUNTING POLICY

The Group's financial assets comprise trade receivables, money market funds and cash and cash equivalents. Money market funds are classified as financial assets at fair value through profit or loss and trade receivables and cash and cash equivalents are classified as financial assets measured at amortised cost, as assets are for collection of contractual cash flows, where those cash flows represent solely payment of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognised directly in the statement of comprehensive income and presented in other operating expenses.

Money market funds

Koskisen has invested in money market securities. The money market funds are measured at fair value through profit or loss as they don't meet the solely payments of principal and interest (SPPI) test under IFRS 9 Financial instruments.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The Group has entered into interest rate swap contracts and foreign currency forward contracts for hedging purposes, even though hedge accounting, as specified under IFRS, is not applied. The fair value of derivatives is estimated based on the present value of future cash flows using market prices on the measurement date.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details on the Group's impairment policies and the calculation of the loss allowance are provided in note 3: Financial risk and capital management.

Due to the short-term nature of the trade receivables, their carrying amount is considered to be the same as their fair value.

Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet and cash flow statement consist of cash at bank and in hand. Any utilised credit limits are presented as current liabilities. Credit limits are a part of the liquidity 31 management. Liquidity risk and its management is described in note 3: Financial risk and capital management.

Impairment of financial assets

For trade receivables and contract assets Koskisen applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables have been grouped based on aging category. The expected loss rates are based on the actual performance over the comparison period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The factors considered include, but are not limited to, customers' previous payment behaviour, available forecasts and their possible impact on the credit rating and payment behaviour of customers, as well as possible securities and credit insurances.

Receivables are derecognised as final credit losses when their payment cannot be reasonable expected. Indications that the payment cannot be reasonably expected include, unsuccessful collection efforts, bankruptcy notification etc.

Credit risk arising from financial assets, management of credit risk and the provision matrix of trade receivables are presented in note 3: Financial risk and capital management.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. The carrying amount of trade payables is considered to equal their fair value due to their short maturity.

Trade payables, payment system

Koskisen provides, as part of its wood procurement process, a possibility for the seller to deposit the transaction price or part of the transaction price received from the sale of logs to Koskisen. Fixed interest rate is offered varying according to the length of the deposit period. The length of the deposit varies between one and three years. However, the seller has a right to withdraw the deposit whenever with a 45 days' notice period. These payment system trade payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. Due to the right to withdraw the deposit the payables are presented as current on the balance sheet. The carrying amount of the payment system trade payables is considered to equal their fair value due to their short maturity.

21. Provisions

EUR thousand	Environmental provisions	Others	Total
Jan 1, 2022	120	-	120
Increase	-	20	20
Used during the year	-20	-	-20
Dec 31, 2022	**100**	**20**	**120**
Non-current	100	-	100
Current	-	20	20
Total	**100**	**20**	**120**

EUR thousand	Environmental provisions	Others	Total
Jan 1, 2021	138	-	138
Used during the year	-18	-	-18
Dec 31, 2021	**120**	**-**	**120**
Non-current	120	-	120
Total	**120**	**-**	**120**

Koskisen has a provision to cover costs estimated still to incur from the cleaning of groundwater. As a consequence of the 1976 fire at the sawmill, a significant amount of chlorophenol ended up in groundwater around the factory. The Group has since committed funds to clean the contaminated ground and groundwater. Currently the chlorophenol content has been lowered to low levels, but Koskisen will continue the cleaning and monitoring work for some years to come.

Koskinen is closing down subsidiary OOO Koskiles in Russia. Koskisen has made a provision to cover the estimated closing costs totalling EUR 20 thousand.

ACCOUNTING POLICY

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are presented as current liabilities if amounts are expected to be settled within 12 months from the end of the reporting period. Otherwise provisions are presented as noncurrent liabilitie.

KEY ESTIMATES AND JUDGEMENTS

Estimation of the amount and timing of the provision

An estimate of the financial impact of a past event requires judgement from the management. Koskisen's management has estimated that the groundwater cleaning will continue for another 5-6 years. The expected costs have been estimated based on the historical costs and knowledge of similar events. The provision amounts are reviewed regularly and adjusted as necessary to reflect the best estimate at the end of the reporting period. Actual expenses may differ from the estimates.

22. Other payables

EUR thousand	Dec 31, 2022	Dec 31, 2021
Current liabilities		
Accrued employee expenses	10,051	10,031
Payroll tax liabilities	2,008	1,914
Subcontractor accruals	2,730	1,570
Accrued listing costs	1,765	-
VAT liabilities	338	398
Interest liabilities	466	536
Other liabilities	692	472
Other accrued liabilities	1,452	428
Total	**19,501**	**15,348**
Other liabilities total	**19,501**	**15,348**

23. Group structure

Subsidiaries belonging to the Group as at 31 December 2022 are presented in the following table:

Subsidiary	Country of incorporation	Group ownership % Dec 31, 2022	Group ownership % Dec 31, 2021
OOO Koskiles	Russia	100%	100%
OOO Koskisilva	Russia	0%	100%
Koskisen Oy	Finland	0%	75.2%
Kosava-Kiinteistöt Oy	Finland	100%	75.2%
Koskisen Sp z.o.o	Poland	100%	75.2%

Koskisen has previously announced that it will divest its business operations in Russia. During the reporting period, Koskisen decided to shut down the Russian logistics and timber procurement company OOO Koskiles during the financial year 2023. Currently, it is not possible to foresee the timing of its implementation due to the processes of the local authorities. OOO Koskiles' share of the Group's revenue was small, and the financial impact of the closure of operations on the Group will be minor. Koskisen has written down OOO Koskiles' assets, EUR 45 thousand in machinery and equipment and EUR 42 thousand in short-term receivables, in its financial statements on 31 December 2022. A provision of EUR 20 thousand has been made for the costs related to the winding down of the company.

Koskisen Oy, a subsidiary of Koskitukki Oy, merged with Koskitukki Oy on 31 May 2022. After the merger, Koskitukki Oy's name was changed to Koskisen Oy. In the merger, all the assets and liabilities of the merging company were transferred to the company receiving the liquidation procedure. In connection with the merger, the minority shareholders of Koskisen Oy became shareholders of Koskitukki Oy. Non-controlling shareholders were given 2,532,294 new shares of the receiving company as merger consideration. The shares were valued at fair value, which was EUR 17.08/share. The number of shares to be given as consideration has been calculated based on the mutual valuation of the shares of the merging company and the receiving company. The purpose of the merger was to harmonise Koskisen's operations, simplify the group's structure, strengthen the parent company's balance sheet, support Koskisen's brand and prepare the company for a possible listing. After the merger, all subsidiaries are 100% owned by the parent company, Koskisen Corporation.

Following the start of Russia's military actions in Ukraine, Koskisen shut down its operation in Russia. OOO Koskisilva, a fully owned subsidiary in Russia, was sold to Russian non-sanctioned buyer on 21 June 2022. A gain of EUR 2.2 million from the sales of the subsidiary has been recorded in other operating income. The company had a ruble-denominated forward contract related to the sale of the subsidiary, of which EUR 0.9 million was recorded as financial income in the financial period. OOO Koskisilva had on 31 December 2021, EUR 8,295 thousand (calculated with the RUB exchange rate on 31 December 2021) of tax losses carried forward for which no deferred tax asset were recognised in the consolidated financial statements. Koskisen cannot utilise these losses after the sale of the subsidiary.

ACCOUNTING POLICY

Subsidiaries are companies in which the Group has control. The Group has controlling power in a company when, by being part of it, it is exposed to its variable return or is entitled to variable return and it is able to influence this return by using its power over the company to direct its operations. Subsidiaries are combined in the consolidated financial statements in their entirety from the day the Group acquires control over them. The merger is terminated when control ceases.

Transactions between Group companies, including internal receivables and payables, income and expenses and unrealised profits, are eliminated. Unrealised losses are also eliminated, unless the transaction gives indications of a decrease in the value of the transferred asset.

24. Related party transactions

Koskisen's related parties consists of the members of Board of Directors, the chief executive officer (CEO), members of the Executive Board and shareholders with significant influence over the company. The related parties also include the close family members of these aforementioned individuals and entities in which these individuals have either control or joint control.

COMPENSATION AND REMUNERATION TO THE MEMBERS OF THE MANAGEMENT TEAM AND BOARD OF DIRECTORS

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
CEO		
Wages and salaries and other short-term employee benefits	581	328
Pension costs – defined contribution plans	43	28
Total	**624**	**356**
Management Team		
Wages and salaries and other short-term employee benefits	925	767
Pension costs – defined contribution plans	78	59
Total	**1,003**	**826**
Board of Directors		
Wages and salaries and other short-term employee benefits	274	138
Pension costs – defined contribution plans	7	4
Total	**280**	**142**
Total remuneration of the management and Board of Directors	**1,907**	**1,324**

The CEO has a possibility to have a profit-related bonus amounting to a maximum of 48 per cent of their annual basic salary. The amount of the profit-related bonus depends on the annual targets. The CEO's term of notice is six months, and the severance pay equals six months' salary. Pension obligations of the CEO and the Board Members are determined according to the employees' pensions act. Other special conditions concerning the retirement or the amount of retirement allowance have not been agreed on. The statutory pension cost in the financial year 2022 was EUR 128 thousand (2021: EUR 114 thousand). Remunerations paid to the Board of Directors do not include the statutory retirement obligation.

SHAREHOLDING OF THE KEY MANAGEMENT PERSONNEL

EUR thousand	2022	2021
Board of Directors, CEO and Executive Board		
Common shares (pcs)	7,281,704	229
Shareholding, %	32%	36%
Total number of shares outstanding (pcs)	**23,002,659**	**630**

Additional information about changes in shares in note 18: Equity

On 31 December 2022, the members of the Board of Directors, CEO and Executive Board held altogether 7,281,704 shares. The figures include the holdings of their own, close family members and control entities. During the financial year no loans have been granted to the Group's management. No pledges have been given or other commitments made on behalf of the company's management and shareholders.

RELATED PARTY TRANSACTIONS

EUR thousand	2022	2021
Shareholders with significant influence*		
Wages, salaries and pension costs	-439	-533
Lease income	2	2
Income from sale of property, plant and equipment	400	
Interest expense	-304	-318
Total	**-341**	**-849**

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

BALANCES WITH RELATED PARTIES

EUR thousand	2022	2021
Shareholders with significant influence		
Capital loan[1]	-	4,536
Accrued interest of capital loan[1]	-	3,429

[1] Included in Borrowings in the balance sheet

The capital loan provided by the Shareholders of the Group, in total of EUR 12.8 million (including accumulated unpaid interest), was fully paid off during the year 2022.

During the reporting period, Koskisen has established a share-based incentive program for its key employees and key management. Employees eligible for the incentive programs can receive a maximum of 183,000 shares (gross amount) if the terms of the programs are met. In the financial period, EUR 241 thousand were recognised as expenses for the share-based incentive programs related to related parties. Of this, EUR 164 thousand were recognised in equity and EUR 76 thousand were recognised in current other liabilities. In addition, some of the members of the management team who are related parties have participated in Koskisen's personnel offering. The impact of the personnel offering is immaterial. More detailed information on the share-based incentive plans is presented in note 7: Share-based incentive plans.

During the financial 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.

25. Contingent liabilities and commitments

EUR thousand	Dec 31, 2022	Dec 31, 2021
Liabilities for which collaterals have been given		
Loans from financial institutions	25,000	33,000
Account and guarantee limits in use at the balance sheet date		
Account limit	-	-
Guarantee limit	267	138
Real estate mortgages	307,200	1,689,600
Company mortgages	181,551	181,551
Guarantees		
Advance payment, delivery guarantees etc.	267	138

Koskisen has committed to a total of EUR 30.0 million investments, among others in the Järvelä new sawmill.

LEGAL DISPUTES

As at 31 December 2022, there were no significant on-going legal disputes (31 December 2021: no legal disputes).

ACCOUNTING POLICY

Contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A present obligation is considered as contingent liability when it is not probable that an outflow of resources is required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

26. New standards

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions..

27. Events after the balance sheet date

On 7 February 2023 Koskisen Corporation's Board of Directors decided on a free share issue directed to the company's CEO and CFO as part of management remuneration based on the authorisation given by the extraordinary general meeting on 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 the CEO and CFO were given 9,000 new shares. The value of the first installment of the fee related to the completion of the listing to Koskisen's CEO corresponds to 12,000 shares, half of which is paid in cash to cover the withholding tax. The value of the first installment of the bonus to Koskisen's CFO corresponds to 6,000 shares, half of which is paid in cash to cover the withholding tax.

Parent Company's Financial Statements (FAS)

Income statement

1 EUR	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
REVENUE	**227,616,416.16**	**131,624,456.09**
Change in inventories of finished goods and work in progress	-2,061,764.72	-
Production for own use	346,394.60	-
Other operating income	69,860,178.62	5,746,078.27
Materials and services		
Materials, supplies, goods		
Purchases during the period	-106,593,303.03	-98,626,052.17
Increase / decrease in inventories	-3,770,054.81	4,130,361.76
Materials, supplies, goods	**-110,363,357.84**	**-94,495,690.41**
External services	-29,707,855.40	-22,272,149.18
Materials and services	**-140,071,213.24**	**-116,767,839.59**
Personnel expenses		
Wages and salaries	-21,763,228.06	-5,033,457.90
Pension costs	-4,323,566.93	-637,921.46
Other social security costs	-1,194,532.53	-107,792.21
Personnel expenses	**-27,281,327.52**	**-5,779,171.57**
Depreciation, amortisation and impairment		
Depreciation and amortisation	-2,934,357.72	-174,337.42
Impairment on non-current assets	-8,852.01	-
Depreciation, amortisation and impairment	**-2,943,209.73**	**-174,337.42**
Other operating expenses	-34,997,502.56	-12,183,234.37
OPERATING PROFIT (LOSS)	**90,467,971.61**	**2,465,951.41**

1 EUR	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Finance income and expense		
Other interest and financial income		
From group undertakings	146,724.88	-
From others	1,939,611.42	13,375.78
Impairment on investments held as non-current assets	-130,348.08	-
Interest expenses and other financial expenses		
To group undertakings	-316,369.64	-961,344.74
To others	-14,238,449.09	-218,668.82
Finance income and expense	**-12,598,830.51**	**-1,166,637.78**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	**77,869,141.10**	**1,299,313.63**
Appropriations		
Change in cumulative accelerated depreciation	-3,182,457.13	8,448.31
Appropriations	**-3,182,457.13**	**8,448.31**
Income taxes		
Taxes for current and prior periods	-2,665,093.42	-255,975.81
Deferred tax	-137,989.65	-
Income taxes	**-2,803,083.07**	**-255,975.81**
PROFIT (LOSS) FOR THE PERIOD	**71,883,600.90**	**1,051,786.13**

Balance sheet

1 EUR	Dec 31, 2022	Dec 31, 2021
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Other intangible assets	1,082,300.41	385,788.39
Advance payments	289,934.75	-
Intangible assets	**1,372,235.16**	**385,788.39**
Tangible assets		
Land and water areas	6,167,761.17	386,967.00
Buildings and structures	19,744,679.88	449,084.97
Machinery and equipment	23,498,607.18	13,639.18
Other tangible assets	1,620,178.42	380,600.00
Advance payments and work in progress	25,305,947.08	305,323.42
Tangible assets	**76,337,173.73**	**1,535,614.57**
Investments		
Investments in Group companies	365,736.77	19,593,202.58
Other shares and equity interests	223,172.42	11,481.88
Investments	**588,909.19**	**19,604,684.46**
NON-CURRENT ASSETS	**78,298,318.08**	**21,526,087.42**
CURRENT ASSETS		
Inventories		
Materials and supplies	18,917,567.79	14,520,009.47
Work in progress	4,014,933.72	-
Finished goods	9,692,077.60	-
Inventories	**32,624,579.11**	**14,520,009.47**

1 EUR	Dec 31, 2022	Dec 31, 2021
Receivables		
Non-current receivables		
Receivables from Group companies	2,380,000.00	-0
Non-current receivables	**2,380,000.00**	**-0**
Current receivables		
Trade receivables	23,520,930.53	6,177,799.50
Receivables from Group companies	745,504.66	9,127,557.25
Other receivables	6,065,120.57	2,403,979.69
Prepayments and accrued income	2,658,859.27	521,199.27
Current receivables	**32,990,415.03**	**18,230,535.71**
Receivables	**35,370,415.03**	**18,230,535.70**
Cash equivalents		
Other securities	9,892,037.88	-
Cash equivalents	**9,892,037.88**	**-**
Cash and bank	**73,750,180.73**	**134.56**
CURRENT ASSETS	**151,637,212.75**	**32,750,679.73**
ASSETS	**229,935,530.83**	**54,276,767.15**

1 EUR	Dec 31, 2022	Dec 31, 2021
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,512,000.00	1,512,000.00
Revaluation reserve	70,222.30	70,222.30
Other reserves		
Legal reserve	16,202.59	16,202.59
Reserve for invested unrestricted equity	58,825,127.65	-
Other reserves	**58,841,330.24**	**16,202.59**
Retained earnings	-13,090,760.61	-14,142,546.74
Profit/loss for the period	71,883,600.90	1,051,786.13
EQUITY	**119,216,392.83**	**-11,492,335.72**
APPROPRIATIONS		
Cumulative accelerated depreciation	21,401,457.94	74,535.04
APPROPRIATIONS	**21,401,457.94**	**74,535.04**
LIABILITIES		
Non-current liabilities		
Capital loans	-	6,988,174.00
Loans from financial institutions	24,824,284.00	-
Liabilities to Group companies	605,791.63	27,714,796.53
Deferred tax liability	339,576.27	17,555.57
Non-current liabilities	**25,769,651.90**	**34,720,526.10**

1 EUR	Dec 31, 2022	Dec 31, 2021
Current liabilities		
Loans from financial institutions	4,500,000.00	-
Advances received	752,198.50	-
Trade payables	31,913,757.46	12,910,939.61
Liabilities to Group companies	77,203.45	5,854,781.34
Other liabilities	10,272,487.02	7,758,044.88
Accruals and deferred income	16,032,381.73	4,450,275.90
Current liabilities	**63,548,028.16**	**30,974,041.73**
LIABILITIES	**89,317,680.06**	**65,694,567.83**
EQUITY AND LIABILITIES	**229,935,530.83**	**54,276,767.15**

Statement of cash flows, indirect

1 EUR	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Cash flow from operating activities		
PROFIT (LOSS) FOR THE PERIOD	71,883,600.90	1,051,786.13
Depreciation, amortisation and impairment	2,943,209.73	174,337.42
Gains and losses of disposals of fixed assets and other non-current assets	-1,732,104.89	-
Financial income and expenses	12,598,830.51	1,166,637.78
Appropriations	3,182,457.13	-8,448.31
Income taxes	2,803,083.07	255,975.81
Other adjustments	-61,962,723.05	-
Operating cash flow before working capital changes	29,716,353.40	2,640,288.83
Working capital changes		
Increase / decrease in inventories	5,831,819.53	-4,130,361.76
Increase / decrease in non-interest bearing receivables	7,841,311.74	-1,093,877.12
Increase / decrease in non-interest bearing payables	1,930,467.43	2,716,427.85
Cash flows from operations before financial items and taxes	45,319,952.10	132,477.80
Interest paid from operating activities	-5,008,844.43	-1,212,081.82
Interest received from operating activities	198,273.59	13,375.78
Other financial items from operating activities	-6,857,621.65	-4,208.13
Income taxes paid	-3,787,004.92	-103,544.44
Loans granted	-	3,001,036.56
Proceeds from repayments of loans	-	-1,072,114.73
Net cash from operating activities	**29,864,754.69**	**754,941.02**

1 EUR	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Cash flows from investing activities		
Purchase of tangible and intangible assets	-14,699,101.60	-318,910.27
Proceeds from sale of tangible and intangible assets	436,011.61	-
Proceeds from sale of subsidiary	3,134,821.92	-
Loans granted	-17,720,000.00	-
Net cash flow from investing activities	**-28,848,268.07**	**-318,910.27**
Cash flows from financing activities		
Proceeds from issue of share capital	32,374,021.61	-
Proceeds from non-current borrowings	35,490,751.00	-
Repayment of non-current borrowings	-	-436,074.95
Proceeds from current borrowings	2,126,652.13	-
Repayment of current borrowings	-5,414,726.33	-
Repayment of capital loan	-6,988,174.00	-
Net cash flow from financing activities	**57,588,524.41**	**-436,074.95**
Net change in cash and cash equivalents	**58,605,011.03**	**-44.20**
Cash and cash equivalents at the beginning of the period	134.56	178.76
Cash and cash equivalents at the end of the period	**83,642,218.61**	**134.56**
Cash and cash equivalents, other arrangements	-25,037,072.77	-

Notes to the financial statements of parent company

Basis of preparation

Koskisen's financial statements for the financial year between 1 January to 31 December 2022, have been prepared in accordance with the provisions of the Finnish Accounting Act and other regulations and provisions regarding the preparation of financial statements valid in Finland.

VALUATION OF INVENTORIES

Inventories are valued at acquisition cost or lower net realisable value. The acquisition cost is determined using the weighted average cost method. Fixed costs are allocated to inventories.

VALUATION OF NON-CURRENT ASSETS

Intangible and tangible assets are recognised at acquisition cost less depreciation, amortisation and impairments, and increased by any revaluations. The revaluations are based on an external assessment, and their existence is justified based on the assessment of the company's management. The deferred tax liabilities arising from the revaluations have been deducted from the revaluation reserve in equity and presented on the balance sheet in the 'Deferred tax liabilities'. The acquisition cost includes the variable costs resulting from procurement and manufacturing. The depreciation has been calculated on a straight-line basis over the economic life time of the intangible and tangible assets. The depreciation starts from the month the asset was commissioned. The impairment is entered if the future income accrued by the asset is permanently below the book value.

Depreciation periods are:

• Other intangible assets	5 years
• Buildings	20–50 years
• Structures	10 years
• Machinery and equipment	5–15 years
• Other tangible assets	5–10 years

VALUATION OF FINANCIAL INSTRUMENTS AND DERIVATIVES

In accordance with section 5:2 of the Accounting Act, financial assets are valued at the acquisition cost or at the lower probable fair market value. Financial liabilities are valued at their nominal value.

In accordance with the principles of risk management, the Company may use derivatives as protection from the price risks of goods, interest rates or currency. The derivative contracts in force at the time of the financial statements comprise both signed contracts and contracts that protect the bidding stage. Pursuant to statement 1963/13.12.2016 of the Accounting Board, the negative current value of interest and currency derivative contracts was entered in retained earnings and as a mandatory provision in 2016. The positive change in 2022 has been recorded in the income statement and to reduce provisions. The corresponding change in deferred tax assets is recorded in the income statement and to reduce deferred tax assets.

Electricity derivatives are used as protection against the price risk of highly probable current supply at market prices. The derivatives used will protect 25% to 95% of the current supply required for the operations of the next four years. The current values of the electricity derivative contracts are treated as off-balance sheet liabilities to the degree that the electricity derivative contracts can be deemed to meet the preconditions set forth in statement 1963/2016 of the Accounting Board for treatment as an off-balance sheet liability. The electricity derivative contracts are established and paid on a monthly basis in accordance with the contracts. The electricity derivative contracts have been deemed to meet the preconditions for treatment as an off-balance sheet liability.

COMPARABILITY OF INFORMATION FROM THE PREVIOUS FINANCIAL YEAR

Koskisen Corporation's subsidiary Koskisen Oy merged into the company on 31 May 2022. The information from previous financial year is therefore not comparable.

FOREIGN CURRENCY ITEMS

Receivables and liabilities in foreign currency have been converted into EUR subject to the exchange rate on the balance sheet date. The exchange rate gains or losses arising from the valuation of receivables or liabilities are entered in the profit and loss account according to their nature, either as a sales/purchase adjustment item or financial exchange difference.

DEFERRED TAXES

Deferred tax liabilities or assets have been calculated for temporary differences between taxation and the financial statements on the basis of the tax rate of the next years confirmed at the time of the financial statements. The balance sheet includes the deferred tax liabilities in total as well as the deferred tax assets corresponding with the amount of the estimated probable receivable.

Notes to the income statement

Revenue by segments and geographical areas

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Distribution by industry		
Panel Industry	85,816	-
Sawn Timber Industry	141,764	131,514
Other sales	37	111
Total	**227,616**	**131,624**
Geographical distribution		
Finland	125,902	131,624
Japan	20,239	-
Germany	9,272	-
Poland	6,000	-
Other EU countries	43,144	-
Other countries	23,058	-
Total	**227,616**	**131,624**

Other operating income

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Gain from merger	61,963	-
Payment from Lahti-Energia regarding business resale	3,000	-
Gain on the sale of subsidiary	1,420	-
Gains on disposal of property, plant and equipment	177	-
Firewood sales to forest owners	166	217
Insurance claims	2	-
Grants received	185	-
Sale of emission allowances	198	-
External rental income	51	1,213
Service charges and rents from subsidiaries	2,314	4,316
Other operating income	385	0
Total	**69,860**	**5,746**

Other operating expenses

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Sales freight and forwarding	-18,914	-8,684
Lease costs	-4,520	-360
IT expenses	-2,897	-1,370
Maintenance of property	-2,391	-46
Consulting and administrative services	-1,304	-325
Administrative expenses	-964	-156
Personnel related expenses	-886	-198
Sales commissions	-463	-
Other expenses	-2,660	-1,044
Total	**-34,998**	**-12,183**

Auditor remuneration

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Audit	-283	-4
Tax advisory services	-73	-
Other services	-1,177	-1
Total	**-1,533**	**-5**

Average number of employees at parent company during the fiscal year

	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Salaried employees	149	68
Workers	353	-
Total	**502**	**68**

Salaries and remuneration of management

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Board members and CEO	-904	-466

Income tax

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Taxes for the financial year	-2,665	-256
Change in deferred tax assets	-138	-
Total	**-2,803**	**-256**

Finance income

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Interest income	310	13
Foreign exchange gain	526	-
Other finance income	1,250	-
Total	**2,086**	**13**

Finance costs

EUR thousand	Jan 1–Dec 31, 2022	Jan 1–Dec 31, 2021
Impairment on investments held as non-current assets	-130	-
Interest expenses	-1,050	-1,176
Interest expenses from capital loans	-5,765	-
Foreign exchange loss	-1,533	-
Listing costs	-4,059	-
Other finance expenses	-2,147	-4
Total	**-14,685**	**-1,180**

The exchange rate differences are due to changes in the exchange rates of the Russian ruble, the Polish zloty and the US dollar.

Notes to the balance sheet

The acquisition cost, additions, disposals and accumulated depreciation of the fixed assets of the parent company

	Intangible assets		Tangible assets						
EUR thousand	**Other long-term expenses**	**Advance payments and work in progress**	**Land**	**Buildings and structures**	**Machinery and equipment**	**Other tangible assets**	**Advance payments and construction in progress**	**Investments**	**Total**
Cost at Jan 1, 2022	**1,826**	**-**	**387**	**796**	**35**	**381**	**305**	**24,905**	**28,636**
Additions	83	275	89	435	4,129	30	12,701	-	17,744
Internal reorganisations	2,451	-	5,721	57,831	90,765	5,109	13,343	577	175,797
Disposals	-	-	-30	-220	-1,159	-	-205	-24,763	-26,376
Reclassifications	189	15	-	-	568	67	-839	-	-0
Cost at Dec 31, 2022	**4,549**	**290**	**6,168**	**58,842**	**94,339**	**5,587**	**25,306**	**719**	**195,799**
Accumulated depreciation and impairment at Jan 1, 2022	**-1,440**	**-**	**-**	**-347**	**-22**	**-**	**-**	**-5,300**	**-7,109**
Accumulated depreciation of disposals and reclassifications	-	-	-	126	1,159	-	-	-	1,285
Depreciation	-221	-	-	-634	-2,004	-76	-	-	-2,934
Internal reorganisations	-1,805	-	-	-38,243	-69,965	-3,890	-	-	-113,903
Impairment	-	-	-	-	-9	-	-	5,170	5,161
Accumulated depreciation and impairment at Dec 31, 2022	**-3,466**	**-**	**-**	**-39,098**	**-70,840**	**-3,966**	**-**	**-130**	**-117,501**
Carrying value at Jan 1, 2022	**386**	**-**	**387**	**449**	**14**	**381**	**305**	**19,605**	**21,526**
Carrying value at Dec 31, 2022	**1,082**	**290**	**6,168**	**19,745**	**23,499**	**1,620**	**25,306**	**589**	**78,298**

	Intangible assets		Tangible assets						
EUR thousand	**Other long-term expenses**	**Advance payments and work in progress**	**Land**	**Buildings and structures**	**Machinery and equipment**	**Other tangible assets**	**Advance payments and construction in progress**	**Investments**	**Total**
Cost 1.1.2021	**1,430**	**-**	**387**	**796**	**35**	**381**	**383**	**24,905**	**28,317**
Additions	56	-	-	-	-	-	263	-	319
Reclassifications	341	-	-	-	-	-	-341	-	-
Cost 31.12.2021	**1,826**	**-**	**387**	**796**	**35**	**381**	**305**	**24,905**	**28,636**
Cumulative amortisation and impairment 1.1.2021	**-1,298**	**-**	**-**	**-320**	**-17**	**-**	**-**	**-5,300**	**-6,934**
Amortisation	-143	-	-	-27	-5	-	-	-	-174
Internal reorganisations	-	-	-	-	-	-	-	-	-
Cumulative amortisation and impairment 31.12.2021	**-1,440**	**-**	**-**	**-347**	**-22**	**-**	**-**	**-5,300**	**-7,109**
Carrying value at Jan 1, 2021	**132**	**-**	**387**	**476**	**19**	**381**	**383**	**19,605**	**21,382**
Carrying value at Dec 31, 2021	**386**	**-**	**387**	**449**	**14**	**381**	**305**	**19,605**	**21,526**

Group companies

	Registered office	Parent company's ownership-%
Kosava-Kiinteistöt Oy	Kärkölä, Finland	100%
Koskisen Sp z.o.o	Warsaw, Poland	100%
OOO Koskiles	St. Petersburg, Russia	100%

Receivables from Group companies

EUR thousand	Dec 31, 2022	Dec 31, 2021
Loan receivables:		
Koskisen Sp z.o.o.	2,380	-
Total	**2,380**	**-**
Trade receivables:		
Koskisen Oy	-	7,647
Koskisen Sp z.o.o.	740	-
Kosava-Kiinteistöt Oy	6	2
Total	**746**	**7,649**
Other receivables:		
OOO Koskiles	-	1
OOO Koskisilva	-	114
Total	**-**	**115**
Accrued income:		
Koskisen Oy	0	1,364
Total	**0**	**1,364**

Essential items included in accrued income

EUR thousand	Dec 31, 2022	Dec 31, 2021
Other financial items	10	-
Tax accrual	337	-
Accrued personnel costs	2	2
Other accrued income	2,311	519
Total	**2,659**	**521**

Changes in equity

EUR thousand		Dec 31, 2022	Dec 31, 2021
Share capital	Jan 1	1,512	1,512
Share capital	Dec 31	1,512	1,512
Revaluation reserve	Jan 1	70	70
Revaluation reserve	Dec 31	70	70
Legal reserve	Jan 1	16	16
Legal reserve	Dec 31	16	16
Total restricted equity		**1,598**	**1,598**
Reserve for invested unrestricted equity	Jan 1	-	-
Share issue		58,825	-
Reserve for invested unrestricted equity	Dec 31	58,825	-
Retained earnings	Jan 1	-13,091	
Retained earnings	Dec 31	-13,091	-14,143
Profit for the period		71,884	1,052
Total unrestricted equity		**117,618**	**-13,091**
Total equity		**119,216**	**-11,492**

Distributable unrestricted equity

EUR thousand	Dec 31, 2022	Dec 31, 2021
Reserve for invested unrestricted equity	58,825	-
Retained earnings	-13,091	-14,143
Profit/loss for the period	71,884	1,052
Total	**117,618**	**-13,091**

Payables to Group companies

The main bank accounts of the group's Finnish companies are connected to the Group account arrangement, the main holder of which is Koskisen Corporation.

EUR thousand	Dec 31, 2022	Dec 31, 2021
Liabilities based on the group account arrangement:		
Koskisen Oy	-	19,060
Kosava-Kiinteistöt Oy	604	-
Koskisen Oy capital loan	-	8,610
Total	**604**	**27,670**
Trade payables:		
Kosava-Kiinteistöt Oy	49	-
Koskisen Oy	-	2,939
Koskisen Sp z.o.o.	29	-
Total	**77**	**2,939**
Accrued expenses:		
Koskisen Oy	-	2,960
Kosava-Kiinteistöt Oy	1	-
Total	**1**	**2,960**
All in total	**683**	**33,570**

Essential items included in accrued expenses

EUR thousand	Dec 31, 2022	Dec 31, 2021
Accrued personnel costs	9,137	575
Subcontractor's accrued expenses	2,730	1,570
Accrued listing costs	1,765	-
Interest accrual	466	397
Income taxes	0	290
Other short-term accrued expenses	1,934	1,619
Total	**16,032**	**4,450**

Deferred tax liability

EUR thousand	Dec 31, 2022	Dec 31, 2021
From revaluations	340	18
Total	**340**	**18**

Commitments

EUR thousand	Dec 31, 2022	Dec 31, 2021
Liabilities secured by real estate- or business mortgages		
Loans from financial institutions	25,000	-
Account- and guarantee limits (EUR 8 million), of which in use at the balance sheet date:	-	-
Account limit	-	-
Guarantee limit	267	138
Given real estate mortgages	307,200	1,689,600
Given company mortgages	181,551	181,551
Securities given on behalf of group companies:		
Given real estate mortgages	-	153,600
Given company mortgages	-	79,071
Guarantees		

EUR thousand	Dec 31, 2022	Dec 31, 2021
Advance payment, delivery, etc guarantees	267	138
Amounts payable from lease contracts		
Payable during following year	1,180	12
Payable later	1,476	-
Total	**2,656**	**12**
Residual values of lease contracts		
Payable during following year	2	-
Payable later	-	-
Total	**2**	**-**

The power plants sold to Lahti Energia by Koskisen Corporation have a repurchase obligation after the end of the contract period in October 2032. The repurchase price is estimated to be approximately EUR 15 million.

Koskisen Corporation's loan share of Asunto Oy Puumera on 31 December 2022 was EUR 142 thousand.

The audit obligation of real estate investments in the financial statements

	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Deducted VAT	22	143	28	36	16	7	8	93	22	375
Annual proportion of deducted VAT	2	14	3	4	2	1	1	9	2	38
Remaining years included in the review period	1	2	3	4	5	6	7	8	9	
Refundable amount of deduction	2	29	8	14	8	4	6	74	20	166

Derivative contracts

In accordance with the principles of risk management, the Group can use derivatives to hedge against commodity, interest and currency price risks. The derivative contracts in effect at the time of the financial statements include both signed contracts and contracts protecting the offer phase. The negative fair value of interest rate and currency derivative contracts on the balance sheet date is recorded as a provision. Electricity derivative contracts have been deemed to meet the conditions for being treated as an off-balance sheet liability.

Derivative contracts valid at the balance sheet date

EUR thousand	2022 Fair value	2021 Fair value	2022 Nominal value	2021 Nominal value
Interest rate swaps				
due 7 Mar, 2022		-57		10,000
due 25 Feb, 2025	492	-359	10,000	10,000
due 1 Jul, 2025	402	-633	10,000	10,000
due 27 Oct, 2025	552	-515	10,000	10,000
Total, interest rate swaps	**1,446**	**-1,564**	**30,000**	**40,000**
Deferred tax asset	-	313		
Foreign exchange forward contracts				
EUR-USD, due date 30 Mar, 2022		-42		1,500
EUR-USD, due date 30 Jun, 2022		-41		1,497
EUR-USD, due date 30 Sep, 2022		-20		1,075
EUR-USD, due date 30 Dec, 2022		-3		652
EUR-USD, due date 30 Mar, 2022		-54		1,706
EUR-USD, due date 30 Apr, 2022		22		2,140
EUR-USD, due date 30 Jun, 2022		-43		1,493

EUR thousand	2022 Fair value	2021 Fair value	2022 Nominal value	2021 Nominal value
EUR-USD, due date 30 Sep, 2022		-12		864
EUR-USD, due date 30 Dec, 2022		-6		648
EUR-USD, due date 29 Mar, 2023	29		494	
EUR-USD, due date 30 Mar, 2023	21		719	
EUR-USD, due date 31 Mar, 2023	-3		462	
EUR-USD, due date 26 Jun, 2023	28		491	
EUR-USD, due date 29 Jun, 2023	6		238	
Total, foreign exchange forward contracts	**82**	**-201**	**2,404**	**11,575**
Deferred tax asset	-	40		
Electricity forward contracts				
Due in year 2022		2,794		2,018
Due in year 2023	5,217	454	2,649	1,260
Due in year 2024	1,254	91	1,248	563
Due in year 2025	113		203	
Total, electricity forward contracts	**6,583**	**3,339**	**4,100**	**3,841**

Timber reserve

The company has entered into binding agreements with forest owners regarding future timber procurement (timber reserve). The amount of commitments at the time of closing the accounts is approximately EUR 24.3 million, of which the parent company's share is EUR 24.3 million (31 December 2021, EUR 28.5 million, of which the parent company's share is EUR 28.5 million).

Covenants

Loans from financial institutions include covenants. According to financing agreements, lenders can repay loans early if the covenant conditions are not met. Loans from financial institutions are presented on the balance sheet in accordance with the repayment plans of the financing agreements valid at the time of the financial statements. During the accounting period, the covenant conditions are reviewed every six months. The covenants were more than fulfilled in the 2022 fiscal year.

Share based incentives

SHARE-BASED INCENTIVE PLAN 2022-2026

In March 2022, Koskisen established a share-based incentive program for its key employees for the years 2022 to 2024. The program consists of a three-year vesting period 2022 to 2024. Key employees eligible for the program, related incentives paid, the vesting conditions and targets were determined by the Board of Directors in June 2022. The key employees eligible for the program (six individuals) can receive a maximum of 138,000 company shares (gross amount) if the terms of the program are met. The vesting conditions and the targets relate to meeting certain key figures (EBITDA and return on invested capital) and work obligation. The earned shares are given to the key employees after the vesting period ends. 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.

INCENTIVE PLAN RELATED TO THE INITIAL PUBLIC OFFERING

In June 2022, Koskisen established a share-based incentive plan for key management. The Board of Directors has determined the employees eligible for the program, the incentives to be paid, and the vesting conditions and targets. The program includes two individuals who, if the conditions are met, can receive a maximum of 45,000 company shares. The earning criteria and goals are related to the listing and work obligation. The first part is paid two months after the listing and the second part 12 months after the first part is paid. The reward is paid half in shares and half in cash, which is determined by the value of the share at the time of payment. The arrangement is treated partly as an equity-settled and partly as a cash-settled share-based transaction.

SHARE ISSUE DIRECTED TO PERSONNEL

In September 2022, Koskisen carried out a directed share issue to its employees, in which all employees working in a permanent employment relationship could participate. The subscription price of the shares issued as part of the personnel offering (115,018) was lower than the fair value of the shares. Subsequent sale of the subscribed shares is limited and the shares are subject to an obligation to work for a period that ends with a separate decision of the Board of Directors, when two years have passed since the approval of the share subscriptions or when at least six months have passed since the listing, whichever occurs later.

Events after the balance sheet date

On 7 February 2023, Koskisen Corporation's board of directors decided on a free share issue directed to the company's CEO and CFO as part of management remuneration based on the authorisation given by the extraordinary general meeting on 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 the CEO and CFO were given 9,000 new shares. The value of the first installment of the fee related to the completion of the listing to Koskisen's CEO corresponds to 12,000 shares, half of which is paid in cash to cover the withholding tax. The value of the first installment of the bonus to Koskisen's CFO corresponds to 6,000 shares, half of which is paid in cash to cover the withholding tax.

Signatures of the report of the Board of Directors and financial statements

In Helsinki on April 13, 2023

Juha Vanhainen
Chairman of the Board

Kari Koskinen
Board member

Eva Wathén
Board member

Hanna Sievinen
Board member

Kalle Reponen
Board member

Karoliina Koskinen
Board member

Jukka Pahta
CEO

The auditor's note

Our auditor's report has been issued today
In Helsinki on April 19, 2023

PricewaterhouseCoopers Oy
Audit firm

Markku Launis
KHT

List of records and materials

Accounting book:	Method of storage:
Financial statements	Digital
Sub-ledgers	
Purchase ledger	Digital/Hard copies
Sales ledger	Digital/Hard copies
General ledger	Digital
Diary	Digital
Cash book	Digital/Hard copies
Fixed asset accounting	Digital/Hard copies
Inventory records	Digital/Hard copies

Voucher types:	Separately bound:
Financial account vouchers	Digital/Hard copies
Contributory end vouchers	Digital/Hard copies
Memo voucher	Digital
Payroll accounting	Digital/Hard copies
Dispatches Supply warehouse	Digital
Arrivals supply warehouse	Digital
Sales invoices	Digital
Purchase invoices	Digital
Receipts sales ledger	Digital/Hard copies
Payents purchase ledger	Digital/Hard copies
Opening balances	Digital
Depreciation	Digital/Hard copies
Accruals	Digital

Auditor's report (Translation of the Finnish Original)

To the Annual General Meeting of Koskisen Oyj

Report on the Audit of the Financial Statements

OPINION

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Koskisen Oyj (business identity code 0148241-9) for the year ended 31 December 2022.

The financial statements comprise:

- consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, cash flow statement and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 9 Other operating expenses to the Financial Statements.

OUR AUDIT APPROACH

Overview

Overall group materiality: EUR 3 175 000, which represents 1% of net sales

Audit scope: We have audited parent company and its Finnish subsidiary

Revenue recognition
Valuation of inventory

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 3,175,000
How we determined it	1% of net sales
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, the performance of the Group is most commonly measured by using this criteria, and it is a generally accepted benchmark. We chose net sales as the benchmark as we considered that this provides us with a consistent year-on-year basis for determining materiality.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Our audit procedures covered all significant components of the group. The audit of the consolidated financial statements was focused on the most significant locations in Finland, where we performed an audit based on the size of the companies and the characteristics of the risks. In other group companies we have performed analytical audit procedures to mitigate the risk of material misstatements in the consolidated financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group and parent company	How our audit addressed the key audit matter
Revenue recognition Refer to accounting principles and to note 2 in the consolidated financial statements and to the notes of the parent company's financial statements. • The group's net sales was EUR 317,7 million and the parent company's net sales was EUR 227,6 million. • The group's net sales consist mainly of the sale of goods, i.e. sawn timber and panel. The group satisfies its agreed performance obligations and recognizes revenue when control over product is transferred to a customer. • We have considered the timing of revenue recognition as a key audit matter due to its materiality.	Our audit procedures to address the risk of material misstatement in respect of revenue recognition included among others: • We assessed the appropriateness of the group's accounting policies over revenue recognition compared to IFRS standards. • We tested a sample of sales transactions recorded during the financial year to verify that they reflect actual sales transactions. • We tested the accurate timing of revenue recognition of sales transactions recorded near the end of the financial period and after the financial period.
Valuation of inventory Refer to accounting principles and to note 16 in the consolidated financial statements and to the notes of the parent company's financial statements. • Inventory is one of the most significant balance sheet items and amounted to EUR 34,2 million in the consolidated balance sheet and EUR 32,6 million in the parent company's balance sheet at the balance sheet date. • Inventories are stated at the lower of cost and net realisable value, the cost being determined by the weighted average cost method. The cost comprises raw materials, direct labour, depreciation and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. • A valuation allowance is made for old, slow-moving inventories based on the managements best estimate of the expected net realisable value at the end of the reporting period. • Valuation of inventories is a key audit matter due to the size of the balance and the level of management judgement involved in the estimation process.	• We assessed the compliance of the group's accounting policies in comparison to applicable accounting framework and performed control testing and test of details to valuation and existence of the inventories. • We tested a sample of inventory items to third party purchase invoices. We also tested management's calculations on the absorption of relative share of indirect production overheads. • We attended stock takings in selected inventory locations to obtain audit evidence regarding existence of the inventory. During stock takes we assessed the appropriateness of the stock takes and performed independent test counts. • We compared the value of selected finished goods inventory items to the sales prices.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Other Reporting Requirements

APPOINTMENT

We were first appointed as auditors by the annual general meeting on 26 April 2022. Koskisen Oyj became a public interest entity on 1 December 2022. We have been the company's auditors since it became a public interest entity.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises in the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 19 April 2023

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

Information for investors

Koskisen Corporation's shares are listed in Nasdaq Helsinki Ltd's Small Cap market capitalization group in the Basic Resources sector under the KOSKI ticker.

Annual General Meeting 2023

The highest decision-making body is Koskisen's shareholders at general meetings of shareholders, where the shareholders can exercise their right to speak, present questions and vote. Koskisen Corporation's Annual General Meeting (AGM) 2023 is planned to be held on Thursday, 11 May 2023 in Helsinki.

Financial calendar 2023

Koskisen Corporation will publish financial reports in 2023 as follows:

24 May 2023
Interim Report for January–March 2023

25 August 2023
Half-Year Report for January–June 2023

17 November 2023
Interim Report for January–September 2023

All financial reports are published in Finnish and in English and they are available after publication at: https://koskisen.fi/en/investors/reports-and-presentations/

Dividend policy

Koskisen Corporation's dividend policy aims to pay an attractive dividend, which is at least one third of the net profit annually. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.43 per share is paid for the financial year 2022.

Silent period

Regularly published financial reviews are preceded by a silent period that starts 30 days before the publication date of the financial review. The company's representatives do not comment on the company's financial situation, market or future prospects during the silent period. The silent period ends with the publication of the financial statement bulletin, half-year report or interim report.

If an event during the silent period (such as a significant business event) requires immediate disclosure, the company will publish the information without delay in accordance with the regulations and procedures regarding the obligation to disclose insider information and may comment on the event in question after the information is published.

Investor calendar

Koskisen Corporation's investor events are available on the company's website at: https://koskisen.fi/en/investors/investor-relations/ir-calendar/

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KOSKISEN

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