

Koskisen Corporation

Financial Statements Release

1 January–31 December 2022

Koskisen achieved a record-high result in 2022 – towards the end of the year, demand for panel products partly offset the slowing down of the sawn timber market

October–December 2022 in brief

- Revenue decreased and amounted to EUR 77.4 (92.1) million.
- EBITDA decreased and amounted to EUR 9.8 (22.9) million.
- EBITDA margin was 12.7 (24.9) per cent.
- Adjusted EBITDA amounted to EUR 10.7 (23.0) million.
- Adjusted EBITDA margin was 13,8 (24,9) per cent.
- Operating profit amounted to EUR 7.8 (19.8) million and was 10,1 (21.4) per cent of revenue.
- The profit for the financial period amounted to EUR 5,0 (15.3) million.
- Earnings per share was EUR 0,26 (0,88)

January–December 2022 in brief

- Revenue increased and amounted to EUR 317.7 (311.5) million.
- EBITDA improved and amounted to EUR 66,3 (62.2) million.
- EBITDA margin was 20.9 (20.0) per cent.
- Adjusted EBITDA amounted to EUR 66.6 (62.3) million.
- Adjusted EBITDA margin was 21,0 (20.0) per cent.
- Operating profit amounted to EUR 58,2 (52.7) million and was 18.3 (16.9) per cent of revenue.
- The profit for the financial period amounted to EUR 46,0 (38.5) million.
- Earnings per share was EUR 2.48 (2.32).
- Cash flow from operating activities amounted to EUR 47.2 (48.8) million.

Dividend proposal

The Board of Directors' dividend proposal to the Annual General Meeting of 2023 is EUR 0.43 per share.

Profit guidance for 2023

The guidance for 2023 is in accordance with Koskisen Corporation's listing prospectus dated 18 November 2022: Koskisen's revenue for 2023 is not expected to exceed the level of 2022. The adjusted EBITDA margin is expected to be 12–14 per cent.

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

Key figures

EUR million	10–12 2022	10–12 2021	Change, %	1–12 2022	1–12 2021	Change, %
Revenue	77.4	92.1	-15.9	317.7	311.5	2.0
EBITDA	9.8	22.9	-57.2	66.3	62.2	6.5
EBITDA, %	12.7	24.9		20.9	20.0	
Adjusted EBITDA	10.7	23.0	-53.5	66.6	62.2	7.0
Adjusted EBITDA, %	13.8	24.9		21.0	20.0	
Operating profit (EBIT)	7.8	19.8	-60.3	58.2	52.7	10.4
Operating profit (EBIT), %	10.1	21.4		18.3	16.9	
Profit for the period	5.0	15.3	-67.2	46.0	38.5	19.3
Earnings per share, EUR	0.26	0.88		2.48	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	

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

CEO Jukka Pahta:

I am proud and happy that the overall year 2022 is the best year in the company's history. The record-high result further strengthens the company's solvency and financial position. This will support the implementation of the investments that are already underway and have been decided, as well as the implementation of the company's growth strategy.

During the fourth quarter of 2022, the Group's revenue and profitability were at a lower level than in the comparison period, but profitability remained at a good level, considering the circumstances. Full-year revenue increased by 2 per cent to EUR 317.7 million. Adjusted EBITDA was slightly better than in the comparison period: it improved by 7 per cent to EUR 66.6 million.

Demand in the Panel Industry, especially in birch plywood products, remained strong, and this was reflected both in delivery volumes and further strengthened average price of products. The raw material situation was tight in birch. Demand for sawn timber continued to weaken as general market uncertainty increased, and prices were declining in the second half of the year. The price of softwood and birch logs has remained high.

The company is currently carrying out an investment of approximately EUR 50 million in a new wood processing unit in Järvelä. The new unit, which will be commissioned in phases starting in summer 2023, will include saw feed with debarking, sawing operations, green sorting of sawn timber and stick-stacker, commissioned in summer 2022. The implementation of the investment has progressed as planned. The basis of the new wood processing unit is high efficiency and the optimum utilisation of raw wood materials.

The new wood processing unit will 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. The new Järvelä 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.

The company 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 installation of the peeling line will begin in August 2023. 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.

Market situation

Russia's war of aggression in Ukraine has also upset the timber products market. In the Panel industry segment, the impacts are visible in the important birch plywood, the supply of which has fallen sharply in Europe. Demand for birch plywood will significantly exceed supply in the near future. This has also been reflected positively in the demand for Koskisen products. Due to the ban on the import of raw materials from Russia, the availability of domestic birch logs remains tight. Furthermore, inflation and high energy prices give rise to general uncertainty.

The slowdown of the economy and reduced construction activity led to a decrease in the demand for and price of softwood sawn timber starting from the third quarter of 2022. Despite this, Koskisen has managed to keep production running normally. Stock levels at the end of the year were slightly lower than a year earlier. The price of softwood and birch logs has remained high.

Sustainability-related themes will increase Koskisen's relevant markets in the long term. The green transition in construction and the related regulations are the primary growth factors for sawn timber products. A significant part of Koskisen's sawn timber is used in construction, binding carbon for a long time. About one half of Koskisen's chipboard products are used in furniture and furnishings where wood is a responsible, sustainable and increasingly sought-after material. Birch plywood, in turn, is widely used as a renewable raw material in commercial and transport vehicles.

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

Economic development

October–December 2022

The Group's revenue for October–December decreased and amounted to EUR 77.4 (92.1) million. The decrease in revenue was mainly due to the fall in the market prices of sawn timber, which was partially offset by the good demand for panel products.

Adjusted EBITDA decreased and amounted to EUR 10.7 (23.0) million. The decrease in adjusted EBITDA was mainly due to the negative development of the market prices of sawn timber. The prices of raw materials were at a higher level than in the comparison period.

Operating profit amounted to EUR 7.8 (19.8) million. Depreciation, amortisation and impairment amounted to EUR 2.0 (3.2) million. Profit before income tax amounted to EUR 6.9 (18.8) million and income tax for the period to EUR 1.9 (3.5) million. The profit for the financial period amounted to EUR 5.0 (15.3) million and earnings per share were EUR 0.26 (0.88).

January–December 2022

The Group's revenue for January–December 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 (62.2) million. The improvement in adjusted EBITDA was mainly due to the better profitability of 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).

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 million and fund investments of EUR 9.9 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 Mäntsäläntie stormwater system.

Sawn timber industry

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

EUR million	10–12 2022	10–12 2021	Change, %	1–12 2022	1–12 2021	Change, %
Revenue (external)	35.5	60.4	-41.3	165.4	188.0	-12.0
EBITDA	2.6	18.7	-86.0	41.6	50.7	-18.0
EBITDA, %	7.4	30.9		25.1	26.9	

Financial and operational development in October–December

Revenue decreased and amounted to EUR 35.5 (60.4) million. The decrease in revenue was mainly due to the decrease in prices caused by the global market situation and the somewhat lower volumes compared to the comparison period. The revenue for the comparison period includes the Kissakoski sawmill that has been leased from Veisto Oy since 2013. The lease term expired at the end of July 2022.

EBITDA decreased and amounted to EUR 2.6 (18.7) million. The decrease in EBITDA was mainly due to a decrease in the selling prices of sawn timber. The increase in costs also has some impact, especially with regard to the prices of wood raw material and electricity. EBITDA margin was 7.4 (30.9) per cent.

Sales prices of sawn timber continued to decline during the fourth quarter of the year. Demand for sawn timber slowed down towards the end of the year in line with normal seasonal fluctuations.

Prices of wood raw material have remained high. In wood procurement, the raw material reserves have been at a good level and the supply of raw materials from own procurement has gone according to plan.

In the bioenergy market, strong demand and scarcity due to the Russian import ban were reflected in strengthened market prices.

Financial and operational development in January–December

Revenue decreased and amounted to EUR 165.4 (188.0) million.

EBITDA decreased and amounted to EUR 41.6 (50.7) million.

Market prices of sawn timber increased in the first half of the year, reaching their peak during the second quarter. Market prices started to decline in the third quarter of the year. In wood procurement, the end of imports from Russia has tightened the availability of birch raw material starting from March 2022.

Panel industry

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

EUR million	10–12 2022	10–12 2021	Change, %	1–12 2022	1–12 2021	Change, %
Revenue (external)	41.9	31.7	32.5	152.1	123.3	23.4
EBITDA	9.4	3.0	212.1	29.3	14.1	108.2
EBITDA, %	22.4	9.5		19.2	11.4	

Financial and operational development in October–December

Revenue increased and amounted to EUR 41.9 (31.7) million. The increase in revenue was mainly due to strong customer demand and the strengthening of the average price of products.

EBITDA improved and amounted to EUR 9.4 (3.0) million. The improvement in EBITDA was particularly supported by the positive development of average product prices. EBITDA margin was 22.4 (9.5) per cent.

In particular, the demand for birch plywood products continued to be strong also in the last quarter of the year. In chipboard, demand was slightly lower than in the comparison period. The continued supply difficulties in the automotive industry continued to weigh on the volumes and profitability of the Kore business.

Financial and operational development in January–December

Revenue increased and amounted to EUR 152.1 (123.3) million.

EBITDA improved and amounted to EUR 29.3 (14.1) million.

The positive development of Panel industry was supported by strong customer demand throughout the year, gradually strengthened average product prices and a successful adaptation to changes in the operating environment, especially with regard to the procurement of raw materials.

In 2022, Koskisen launched two significant new panel products: the world's first fully wood-based and at the same time fossil-free furniture panel, Zero, and the SENSi plywood panel with smart features for the transportation industry.

Strategy

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

The new 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

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.

<i>Growth</i>	Revenue of EUR 500 million, including both organic and inorganic growth.
<i>Profitability</i>	Adjusted EBITDA margin averaging 15 per cent over the cycle.
<i>Balance sheet</i>	Maintaining a strong balance sheet.
<i>Dividend policy</i>	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.

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.

Changes in Group management

Karri Louko was appointed as Koskisen's CFO and member of the Group Management Team as of 1 March 2022. He succeeded Harri Pelkonen, who left the company on 30 September 2022.

Sanni Väisänen was appointed as Koskisen's Director of Sustainability and Communication and member of the Group Management Team as of 1 September 2022.

Short-term risks and uncertainties

The Group's most significant short-term risks are related to the availability of raw materials and the management of price changes, the 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, seasonality of the business and changes in business areas and customer relationships. Additional

information about Koskisen Corporation's risks and uncertainties is provided in the listing prospectus published on 18 November 2022.

Russia's military operations

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.

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 birch raw material from Finland has been reasonably successful, even though the raw material market has remained tight.

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

The process of winding down Koskisen's logistics and timber procurement company in Russia is underway. Currently, it is not possible to foresee the timing of its implementation due to the processes of the local authorities. Russian operations' share of the Group's revenue was small, approximately 0.1 per cent of the Group's revenue, and the financial impact of the closure of operations will be minor. The Russian unit has had four employees.

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 carries one vote at the general meeting. The shares have no nominal value. The company's shares have been listed on Nasdaq Helsinki Oy as of 1 December 2022.

Treasury shares

The company 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.

Flagging notifications

Koskisen did not receive any flagging notifications in 2022.

Authorisations of the Board of Directors

On October 31, 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 June 30, 2023.

On October 31, 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 June 30, 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 October 31, 2022, the Board of Directors of the company was authorized 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 percent 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 (directed issue). The authorisation of the Board of Directors of the company will remain in force until June 30, 2023.

Sustainability and reporting of non-financial indicators

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

In raw material procurement, Koskisen invests in the sustainable use of forests. Product development emphasises material efficiency and fossil-free raw materials. In recent years, Koskisen has invested heavily in the use of renewable energy; at present, the share of biofuel in Koskisen's heat production is 98%. The utilisation of our own by-products as raw material in production and energy production, as well as the long life of the manufactured wood products, enable the "Best carbon story" in accordance with the strategy.

Koskisen has identified three key sustainability themes for its business: 1) a healthy environment, 2) fair partnerships, and 3) meaningful work. Koskisen reports on its work on sustainability themes in its Corporate Responsibility Report. Koskisen will publish the Corporate Responsibility Report as part of its Annual Report for 2022.

Annual Report for 2022, Corporate Governance Statement and Remuneration Statement

Koskisen will publish its Annual Report for 2022, which includes the Report of the Board of Directors, Financial Statements, Non-Financial Disclosures Report, Corporate Governance Statement and Remuneration Statement on week 16 (beginning on 17 April 2023) on the company's website at koskisen.fi.

Annual General Meeting 2023

Koskisen Corporation's Annual General Meeting is planned to be held on 11 May 2023. The Board of Directors of Koskisen Corporation will convene the Annual General Meeting later.

Short-term outlook

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

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

Events following the period

Koskisen announced on 7 February 2023 that Koskisen Corporation's Board of Directors decided on a directed share issue without consideration to the company's CEO and CFO by issuing 9,000 new shares.

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 e. 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.

Helsinki, 16 March 2023

Board of Directors of Koskisen Corporation

Financial information

Part corresponding to IAS 34

Consolidated statement of comprehensive income

(unaudited)

EUR thousand	Note	Oct 1 - Dec 31, 2022	Oct 1 - Dec 31, 2021	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
Revenue	2	77,443	92,121	317,651	311,464
Other operating income	3, 5	840	273	4,316	912
Changes in inventories of finished goods and work in progress		-1,656	-1,764	-634	-26
Change in fair value of forest assets		-12	23	-19	91
Materials and services		-41,128	-44,004	-161,770	-165,115
Employee benefit expenses	4	-12,075	-11,574	-46,269	-44,443
Depreciation, amortisation and impairments		-1,967	-3,174	-8,083	-9,525
Other operating expenses	5	-13,600	-12,146	-47,025	-40,648
Operating profit (loss)		7,844	19,754	58,168	52,711
Finance income	3, 8	1,138	890	5,998	2,403
Finance costs	8	-2,087	-1,831	-6,408	-7,170
Finance costs, net		-949	-941	-410	-4,767
Profit (loss) before income tax		6,894	18,812	57,757	47,944
Income tax expense		-1,873	-3,483	-11,784	-9,398
Profit (loss) for the period		5,021	15,329	45,973	38,546
Other comprehensive income					
Items that may be reclassified to profit or loss					
Translation differences		53	-34	186	-129
Other comprehensive income for the period, net of tax		53	-34	186	-129
Total comprehensive income for the period		5,074	15,295	46,159	38,417
Profit (loss) for the period attributable to:					
Owners of the parent		5,021	11,084	39,746	29,240
Non-controlling interests		-	4,245	6,227	9,306
Profit (loss) for the period		5,021	15,329	45,973	38,546
Total comprehensive income for the period attributable to:					
Owners of the parent company		5,074	11,053	39,929	29,114
Non-controlling interests		-	4,241	6,230	9,302
Total comprehensive income		5,074	15,295	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)	7	0.26	0.88	2.48	2.32
Diluted earnings per share, EUR 1)	7	0.26	0.88	2.48	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 issue (split) determined on 31 October 2022. More information is presented in note 8. Equity and earnings per share.

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

Consolidated balance sheet
(unaudited)

EUR thousand	Note	Dec 31, 2022	Dec 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	76,275	55,142
Forest assets		2,731	2,750
Right-of-use assets		22,702	27,814
Intangible assets		923	620
Financial assets at fair value through profit or loss	8	1,752	223
Other receivables		79	174
Deferred tax assets		129	61
Total non-current assets		104,590	86,783
Current assets			
Inventories		34,174	38,062
Trade receivables	8	25,541	29,544
Other receivables		9,534	5,418
Financial assets at fair value through profit or loss	8	9,892	9,958
Income tax receivables		354	3
Cash and cash equivalents	8	74,527	30,538
Total current assets		154,022	113,523
TOTAL ASSETS		258,612	200,306
EQUITY AND LIABILITIES			
Equity			
Share capital	7	1,512	1,512
Legal reserve		16	16
Reserve for invested unrestricted equity	7	73,843	0
Cumulative translation difference		-191	-374
Retained earnings		20,886	5,246
Result for the period		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
Liabilities			
Non-current liabilities			
Borrowings	8	24,150	40,831
Lease liabilities	8	25,294	27,578
Derivative liabilities	8	-	1,765
Defined benefit obligations		3,020	3,670
Deferred tax liabilities		3,734	1,729
Provisions		100	120
Total non-current liabilities		56,299	75,693
Current liabilities			
Borrowings	8	4,500	4,000
Lease liabilities	8	2,015	2,154
Advances received		756	631
Trade payables	8	32,263	28,792
Trade payables, payment scheme	8	7,316	6,604
Other payables		19,501	15,348
Income tax liabilities		130	8,264
Provisions		20	-
Total current liabilities		66,501	65,792
Total liabilities		122,800	141,486
TOTAL EQUITY AND LIABILITIES		258,612	200,306

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

Consolidated statement of changes in equity
(unaudited)

<u>Attributable to owners of the parent company</u>									
EUR thousand	Note	Share capital	Legal reserve	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total equity attributable to owners of the parent company	Equity attributable to non-controlling interest	Total equity
Equity at Jan 1, 2022		1,512	16	-	-374	34,486	35,641	23,179	58,820
Profit (loss) for the period		-	-	-	-	39,746	39,746	6,227	45,973
Other comprehensive income for the period									
Cumulative translation difference		-	-	-	183	-0	183	3	186
Total comprehensive income		-	-	-	183	39,746	39,929	6,230	46,159
Transactions with owners:									
Share issue (merger)	3, 4	-	-	43,252	-	-13,842	29,409	-29,409	0
Directed share issue, personnel offering	3, 4	-	-	345	-	-	345	-	345
Share based compensation	4	-	-	-	-	242	242	-	242
Share issue	4	-	-	32,029	-	-	32,029	-	32,029
Transaction costs related to share issue		-	-	-1,783	-	-	-1,783	-	-1,783
Total transactions with owners		-	-	73,843	-	-13,601	60,242	-29,409	30,833
Equity at Dec 31, 2022		1,512	16	73,843	-191	60,631	135,811	-	135,811

<u>Attributable to owners of the parent company</u>									
EUR thousand		Share capital	Legal reserve	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total equity attributable to owners of the parent company	Equity attributable to non-controlling interest	Total equity
Equity at Jan 1, 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 difference		-	-	-	-126	-	-126	-3	-129
Total comprehensive income		-	-	-	-126	29,240	29,114	9,303	38,417
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

(unaudited)

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		8,083	9,525
Change in the fair value of the forest assets		19	-91
Gains and losses from sale of subsidiaries	5	-2,209	-
Gains and losses from sale of non-current assets	5	-396	-74
Interest and other financial income and expense	8	410	4,767
Income taxes		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 on other receivables		661	-8,931
Change in trade and other payables		8,120	8,164
Change in inventories		3,527	-5,375
Utilised provision		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
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	6	-22,046	-9,733
Proceeds from sale of non-current assets		491	101
Payments for financial assets at fair value through profit or loss	-	-	-10,000
Proceeds from financial assets at fair value through profit or loss		-	10
Proceeds from sale of subsidiary	3	3,136	-
Net cash from investing activities		-18,418	-19,622
Cash flow from financing activities			
Proceeds from issue of shares		30,591	-
Proceeds from borrowings	8	29,000	35,000
Repayment of borrowings	8	-43,988	-39,000
Proceeds from a change in a lease contract	8	3,000	-
Repayments of lease liabilities	8	-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

The group's interim financial information concerning Koskisen Corporation and its subsidiaries (Koskisen, the group) has been prepared in accordance with IAS 34 Interim Financial Reporting standard and the preparation principles presented in the group's 2021 financial statements. The reforms and annual improvements to the IFRS standards that entered into force on 1 January 2022 do not have a significant impact on the figures presented. The interim financial information does not include all the supplementary information presented in the consolidated financial statements for the period ended 31 December 2021, and the interim information must be read together with the consolidated financial statements.

The preparation of interim information requires management to use estimates and exercise judgements, which have an impact on the application of the accounting policies and the amounts of assets, liabilities, income and expenses presented. The actual results may differ from these estimates. When preparing the interim data, the significant accounting estimates, and judgment-based decisions made by the management are the same as those applied in the consolidated financial statements prepared for the financial year ended 31 December 2021.

The 2022 figures in the financial statement release are unaudited. The figures for 2021 have been audited. All amounts presented have been rounded, and therefore the sum of individual figures may deviate from the presented total figure.

2. Segment information and revenue

Revenue by segments

EUR thousand	Oct 1 - Dec 31, 2022			Oct 1 - Dec 31, 2021			Jan 1 - Dec 31, 2021			Jan 1 - Dec 31, 2021		
	External	Internal	Total	External	Internal	Total	External	Internal	Total	External	Internal	Total
Panel industry	41,944	-	41,944	31,653	910	32,564	152,111	1,873	153,984	123,281	3,290	126,571
Sawn timber industry	35,466	5,553	41,019	60,423	6,377	66,801	165,426	23,637	189,063	187,980	22,114	210,094
Segments total	77,410	5,553	82,963	92,076	7,288	99,364	317,537	25,510	343,048	311,261	25,405	336,665
Other	33	159	192	45	156	201	114	581	695	204	525	729
Elimination of internal sales	-	-5,712	-5,712	-	-7,444	-7,444	-	-26,092	-26,092	-	-25,930	-25,930
Total	77,443	-	77,443	92,121	-	92,121	317,651	-	317,651	311,464	-	311,464

Revenue by geographical areas

EUR thousand	Oct 1 - Dec 31, 2022	Oct 1 - Dec 31, 2021	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
Finland	31,268	31,858	124,553	119,203
Japan	7,065	20,603	39,950	42,612
Germany	4,408	5,093	20,822	22,271
Poland	2,994	2,542	11,742	12,936
Other EU countries	20,972	19,879	81,718	67,321
Other countries	10,736	12,147	38,866	47,122
Total	77,443	92,121	317,651	311,464

The first and second quarters of the year are usually Koskisen's strongest in terms of sales. The third and fourth quarters of the year are usually impacted by planned production shutdowns and construction slowing down towards winter.

EBITDA by segments

EUR thousand	Oct 1 - Dec 31, 2022	Oct 1 - Dec 31, 2021	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
Panel sales	9,377	3,004	29,279	14,063
Sawn timber sales	2,622	18,679	41,557	50,652
Segments total	11,998	21,683	70,835	64,715
Other 1)	-2,187	1,267	-4,747	-2,413
Eliminations	0	-22	162	-66
Total	9,811	22,928	66,251	62,236

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

Reconciliation of EBITDA to operating profit (loss)

EUR thousand	Oct 1 - Dec 31, 2022	Oct 1 - Dec 31, 2021	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
EBITDA	9,811	22,928	66,251	62,236
Depreciation, amortisation and impairments	-1,967	-3,174	-8,083	-9,525
Operating profit (loss)	7,843	19,754	58,168	52,711

3. Changes in the group structure

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 receiving company without liquidation procedures. 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 the consideration. The shares were valued at fair value, 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 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.

4. Share-based incentive plans

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 (6 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 listing

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 program consists of two parts related to the realisation of the listing. 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, 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.

In the financial period, EUR 314 thousand was recognised as an expense from the share-based incentive plans. Of this, EUR 238 thousand was recognised in equity and EUR 76 thousand was recognised in current other liabilities.

5. Other operating income and expenses

EUR thousand	Oct 1 - Dec 31, 2022	Oct 1 - Dec 31, 2021	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
Gain on the sale of subsidiary	0	-	2,209	-
Sale of emission allowances	198	0	765	231
Grants received	168	108	350	211
Gains on disposal of property, plant and equipment	352	15	396	74
Firewood sales to forest owners	80	66	281	217
Lease income	23	71	99	108
Insurance claims	2	6	2	19
Other	16	7	213	51
Total	840	274	4,316	912

EUR thousand	Oct 1 - Dec 31, 2022	Oct 1 - Dec 31, 2021	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
Sales freight and forwarding	7,243	8,112	28,297	27,210
Maintenance of property	1,106	853	3,820	2,970
IT expenses	1,235	696	3,302	2,566
Listing expenses ¹⁾	1,830	-	1,830	-

Administrative expenses	433	308	1,825	1,414
Consulting and administrative services	436	728	1,728	1,229
Personnel related expenses	427	284	1,359	1,125
Sales commissions	195	284	902	989
Lease expenses	153	94	671	632
Other expenses ²⁾	540	787	3,290	2,513
Total	13,599	12,146	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.

6. 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

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

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 in the new sawmill between the years 2021 and 2024.

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

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

7. Equity and earnings per share

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 3. Changes in the group structure

2) Additional information in note 4. Share-based incentive plans

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 Trade register on 31 May 2022. The total number of Koskisen's shares increased to 6,300,000 as shareholders were issued 9,999 shares for each old share.

Koskisen carried out a free share issue (split) approved by the extraordinary general meeting on 31 October 2022. The shares were entered in the Trade register on 11 November 2022. The total number of Koskisen's shares increased to 17,779,606 shares as shareholders were issued 1 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.

	Oct 1 - Dec 31, 2022	1.10.- 31.12.2021	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2021
Earning per share				
Profit operations attributable to the owners of the Company (EUR)	5,020,962	11,084,253	39,745,676	29,240,253
Weighted average number of shares outstanding during the period	19,520,624	12,600,000	16,018,352	12,600,000
Basic and diluted earnings per share (EUR)	0.26	0.88	2.48	2.32

¹⁾The period's undiluted and diluted earnings per share attributable to the shareholders of the parent company for the periods presented have been retroactively adjusted to take into account the impact of the free share issues decided on 26 April 2022 and 31 October 2022.

8. Financial assets and liabilities

EUR thousand	Fair value hierarchy level	Dec 31, 2022 Carrying value	Dec 31, 2021 Carrying value
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

Fair value of the loans from financial institutions on 31 December 2022 was EUR 29.1 million (31 December 2021: EUR 33.0 million). 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 determined, 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. In addition, since capital loans are current as they fall due within a year from the reporting date, if the repayment conditions of the Limited Liability Companies Act are met, the impact of discounting is immaterial.

Fair value of derivatives is estimated based on the present value of the future cash flows using market prices on the valuation date, and for the 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 end of the reporting period is significantly lower than at the end of the previous financial period end, 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 derivatives on the reporting date is EUR 6.8 million (31 December 2021: EUR 11.6 million).

The fair value hierarchy levels are given in the table above.

All of Koskisen's loans from financial institutions contain covenants that have been fulfilled in the presented periods.

Changes in financial liabilities

Koskisen entered into a new financing agreement in the second quarter of 2022 to simplify its financing structure, extend the average maturity of the 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 revolving credit facility of EUR 8.0 million, which is intended to finance the group's general working capital requirements. At the end of the reporting period, a total of EUR 29.0 million has been withdrawn from the loans. The revolving credit facility has been fully undrawn.

The loan agreement is valid for four years. The loan agreement contains common financial covenants and default conditions. Financial covenants are measured every six months on a rolling basis for the past 12 months and are calculated from Koskisen Group's financial information prepared in accordance with Finnish accounting standards. Interest rates of the loans are tied to the 6-month Euribor, and contain a margin on top of that. The margin level depends on the ratio of net debt to EBITDA.

The table below shows the maturity of the financial liabilities.

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

EUR thousand	2022	2023	2024	2025	2026	2027-	Total	
							contractual cash flows	Carrying amount
31.12.2021								
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.

The reconciliation of changes in financial liabilities to cash flows from financing is presented below.

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 operating cash flow

²⁾During the period, interest on capital loans of EUR 5.8 million was paid

³⁾No cash flow impact

Interest rate risk management

Koskisen's loans from financial institutions expose the group to cash flow 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 magnitude 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 offset the income state effects of the loan's interest rate changes, protecting the group from interest rate risk, even though the swaps are not one-to-one with the group's loans from financial institutions. The interest rate swap agreements are valid until 2025, and there were no changes to them in connection with the signing of the new loan agreement.

Finance income and costs

EUR thousand	Oct 1 - Dec 31, 2022	Oct 1 - Dec 31, 2021	Jan 1 - Dec 31, 2022	Jan 1 - Dec 31, 2021
Interest income and other finance income				
Foreign exchange gains	353	529	2,348	1,216
Gains on interest rate derivatives	1,446	392	3,010	1,164
Interest income	163	0	163	21
Foreign currency gains on derivatives	-866	-	283	-
Other finance income	43	-31	194	1
Total	1,138	890	5,998	2,403
Finance costs				
Interest expenses from borrowings	358	-681	-421	-2,913
Interest expenses from lease liabilities	-599	-561	-2,254	-2,301
Foreign currency losses on derivatives	282	-63	-	-514
Net losses on interest rate derivatives	-325	-304	-396	-784
Foreign exchange losses	-1,032	-250	-2,257	-509
Other financial expenses	-771	28	-1,081	-149
Total	-2,087	-1,831	-6,408	-7,170
Finance income and costs total	-949	-941	-410	-4,767

9. Contingent liabilities and liability 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, etc.		
Guarantees	267	138

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

10. Related party transactions

EUR thousand	Oct 1 - Dec 31, 2022	Oct 1 - Dec 31, 2021	Jan 1 - Dec 31, 2022	Jan 1 - dec 31, 2021
Shareholders with significant influence*				
Wages, salaries and pension costs	-169	-205	-439	-533
Lease income	0	2	2	2
Income from sale of property, plant and equipment	400		400	
Interest expense	-66	-79	-304	-318
Yhteensä	165	-282	-341	-849

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

EUR thousand	Dec 31, 2022	Dec 31, 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

Capital loans granted by the Group's shareholders totalling EUR 12.8 million (including accrued unpaid interest) were repaid during the financial year.

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.

11. Significant events after the reporting period

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

Calculation formulas for key figures

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

(2) $\text{EBITDA} = \text{Operating profit (loss)} + \text{Depreciation, amortization and impairments}$
EBITDA is an indicator used to measure Koskisen's performance.

(3) $\text{EBITDA margin, percent} = \text{EBITDA} / \text{Revenue} \times 100$

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

(4) $\text{Adjusted EBITDA} = \text{EBITDA} + \text{Items affecting comparability}$

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.

(5) $\text{Adjusted EBITDA margin, percent} = \text{Adjusted EBITDA} / \text{Revenue} \times 100$

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

(6) $\text{EBIT margin, percent} = \text{Operating profit (loss)} / \text{Revenue} \times 100$

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

(7) $\text{Adjusted EBIT} = \text{Operating profit (loss)} + \text{Items affecting comparability}$

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.

(8) $\text{Adjusted EBIT margin, percent} = \text{Adjusted EBIT} / \text{Revenue} \times 100$

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

(9) 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 December 31, 2022 and December 31, 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 October 31, 2022. The earnings per Share, basic, and earnings per Share, diluted, figures for the three months ended December 31, 2022 and December 31, 2021, and for the years ended December 31, 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 August 25, 2022, and for the share issue without consideration as resolved by the extraordinary general meeting of shareholders of the Company as at April 26, 2022. Taking into account the abovementioned share issues, the number of Shares used to calculate earnings per Share, basic, and earnings per Share, diluted, for the nine months ended September 30, 2022, was 14,850,928 and was 12,600,000 for the three months ended December, 2022, and for the years ended December 31, 2022 and 2021. At the end of the financial period, the number of Shares is 23 002 659.

(10) 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.

(11) 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.

(12) 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.

(13) Net investments as share of revenue, percent = Net investments / Revenue (last 12 months) × 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.

(14) 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.

(15) 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.

(16) 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.

(17) Production volume, cubic meters = Volume of finished goods produced during the period.

Production volume reflects the level and development of Koskisen's production volume.

(18) Sales volume, cubic meters = Volume of finished goods sold during the period.

Sales volume reflects the level and development of Koskisen's sales volume.

(19) 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.

(20) 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.

(21) Net debt = Borrowings + Lease liabilities – Liquid assets

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

(22) Net debt/EBITDA, ratio = Net debt / EBITDA (last 12 months)

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

(23) 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.

(24) Operative net working capital as share of revenue, percent = Operative net working capital / Revenue (last 12 months) × 100

Operative net working capital as share of revenue reflects net working capital/Koskisen's revenue.

(25) Equity ratio, percent = Total equity / Total assets – Advances received × 100

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

(26) Gearing, percent = Net debt / Total equity × 100

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

(27) Return on capital employed, percent = Operating profit (loss) (last 12 months) / Capital employed (average for the last 12 months) × 100

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

(28) Return on equity, percent= Profit (loss) for the period (last 12 months) / Total equity (average for the last 12 months) × 100

Return on equity is a measure used to assess Koskisen's profitability and the efficiency of Koskisen's profit generation.

(29) Depreciation related to leases = Depreciation of right-of-use assets

Depreciation related to leases reflects depreciation of right-of-use assets recognized from leases.

(30) Additions from leases = Additions to right-of-use assets

Additions from leases reflect additions of right of use-assets recognized from leases.

(31) 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:

	Oct 1 – Dec 31		Jan 1 – Dec 31	
	2022	2021	2022	2021
	(EUR thousand unless otherwise stated)			
Items affecting comparability				
Costs related to the Reorganization.....	42		430	
The gain (-) or loss (+) from sale of businesses or significant fixed assets	-276		-2,485	
Costs related to the Listing.....	<u>1,176</u>	<u>34</u>	<u>2,428</u>	<u>34</u>
Items affecting comparability.....	942	34	373	34
EBITDA				
Operating profit (loss).....	7,844	19,754	58,168	52,711
Depreciation, amortization and impairments.....	<u>1,967</u>	<u>3,174</u>	<u>8,083</u>	<u>9,525</u>
EBITDA.....	9,811	22,928	66,251	62,236

EBITDA margin

EBITDA.....	9,811	22,928	66,251	62,236
Revenue.....	<u>77,443</u>	<u>92,121</u>	<u>317,651</u>	<u>311,464</u>
EBITDA margin, percent.....	12.7	24.9	20.9	20.0

Adjusted EBITDA

Operating profit (loss).....	7,844	19,754	58,168	52,711
Depreciation, amortization and impairments.....	1,967	3,174	8,083	9,525
Items affecting comparability.....	<u>942</u>	<u>34</u>	<u>373</u>	<u>34</u>
Adjusted EBITDA.....	10,753	22,962	66,624	62,270

Adjusted EBITDA margin

Adjusted EBITDA.....	10,753	22,962	66,624	62,270
Revenue.....	<u>77,443</u>	<u>92,121</u>	<u>317,651</u>	<u>311,464</u>
Adjusted EBITDA margin, percent.....	13.9	24.9	21.0	20.0