KOSKITUKKI OY
FINANCIAL STATEMENTS
31 DECEMBER 2020

(Unofficial translation of Finnish original)

KOSKITUKKI OY

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FINANCIAL STATEMENTS 31 DECEMBER 2020

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KOSKITUKKI OY

THE BOARD OF DIRECTORS'S ANNUAL REPORT 1 JANUARY–31 DECEMBER 2020

Koskitukki Oy is the parent company of the Koskitukki Group. The Group comprises the following companies: Koskisen Oy, Kosava- Kiinteistöt Oy, OOO Koskiles, OOO Koskisilva and Koskisen Sp z.o.o. Koskitukki Oy is responsible for the Group's wood procurement and produces joint Group services for the needs of the business units.

The sales agencies are located in the following countries: China, Estonia, France, Germany, the Netherlands, Poland, Portugal, Spain, Sweden and the United Kingdom.

The coronavirus pandemic, which started in the spring, had a significant impact on the development of the world economy during the year under review. The rapid global spread of the Covid-19 virus and the extensive shutdown measures taken to prevent it had a global impact on the functioning of the market and economic activity. Late in the spring, during the first wave of the spread of the virus, the movement of private people was restricted, and industrial production was extensively closed, especially in Central and Southern Europe. The tourism and catering sector also suffered from a historic deep decline in demand. As people moved to remote work, the food, consumption, renovation and do-it-yourself market demand strengthened considerably. The global uncertainty caused by Covid-19 continued throughout the reporting year, although the effects were less severe later in the year than during the first wave of the pandemic in the spring. The coronavirus pandemic played a leading role in the economic debate of the reporting year, with the conclusion of the final screening of Brexit, which was long in preparation, and the confirmation of Britain's withdrawal from the European Union.

Even though the general development supports the demand for wood products in the longer term, for 2020 the uncertainty reflected the operating environment of the Koskitukki Group. The four-week strike that affected the wood products industry during the first quarter had an impact on the production and sales volumes of sawn timber and plywood and on the efficiency of operations. The economic impact of the strike on the Group's result was significant. Almost immediately after the end of the strike, the first wave of the Covid-19 pandemic began, causing a shock wave that extensively affected the demand for all product groups in the entire Group.

In the Group's Panel Industry business, the impact of the strike was particularly evident in the production of plywood, where the production volume was significantly below the targets. The strike had a smaller impact on the production of particle board. The Covid-19 pandemic was particularly marked by a contraction in the demand for plywood in the main market, Central and Eastern Europe. The weak order flow continued until the autumn, and began to recover closer to the normal level towards the end of the year. The turnover of plywood fell significantly short of expectations and well below the comparison period, when the majority of the year's production was carried out in uninterrupted three-shift form. The operating result of the plywood business was significantly below the targets and the comparison period due to the strike and the prolonged Covid-19 pandemic burdening profitability. Covid-19 also affected the demand for particle board, but the effect was shorter than for plywood. The increase in private construction and renovation during the Covid-19 pandemic was reflected in the recovering demand for particle board, especially in Finland. The situation in export markets also clearly strengthened in the second half of the year, when low inventory levels were not sufficient to cater for the increased demand. From time to time, there was a shortage of panel products, and delivery times became longer. Despite the strike and Covid-19, the net sales and results of the particle board business were at the level of the comparison period and met expectations. Programmes to improve the profitability of Panel Industry continued as planned, and the set indicators developed in line with the targets.

Demand for sawn timber has strengthened, especially in the second half of the reporting period. Increased remote work and widely applied travel restrictions resulting from the Covid-19 restrictions have freed up time and resources for households' small construction. This has led to a significant increase in the demand for timber, both in the domestic and export markets. Environmental awareness and public regulation have a positive impact on the use of wood in construction. At the same time, the supply of high-quality timber has been constrained by the very weak harvesting weather of winter 2019–2020, especially in Russia, and extensive deforestation in Central Europe. The imbalance between supply and demand has led to low stocks of sawn timber globally. The market prices of sawn timber have been rising towards the end of the year. The production of the Group's Sawn Timber Industry business suffered particularly from the strike early in the year, when production was significantly lost. The border closure during Covid-19 delayed the installation of the new planing line in the summer and affected the start-up schedule of the line. Price development of wood raw material during the reporting period was in line with expectations. Despite the improved market and production situation in the second half of the year, the revenue and profit of the Sawn Timber Industry fell clearly short of expectations and the level of the comparison year. The stronger sawn timber product price and a weaker ruble had a positive effect on the operational result of the Sawn Timber Industry unit in Russia. The result was slightly below expectations but better than the comparison year

The impact of the strike and Covid-19 on the Thin Plywood business was smaller than in other units. The unit's strong order book at the beginning of the year provided a good starting point for the first half of the year. The weakening order flow did not start to show in the workload level until the second half of the year. The renovation of the wood-turning lathe line at the end of 2019 was successful and the impact on the raw material utilisation rate and turning quality was better than expected. The efficiency of production also developed positively. The unit's revenue was almost in line with expectations and at the level of the comparison year. The operating result was slightly below expectations but clearly better than in the comparison period.

The year of wood procurement was twofold. At the beginning of the year, weak harvesting conditions made tree harvesting difficult, and stocks reached a low level. During the strike at the beginning of the year, stock levels were replenished and good harvesting conditions, especially towards the end of the year, helped to ensure the wood supply. The acquired reserves strengthened in accordance with the target. The price of both pine and spruce logs remained relatively stable until the third quarter, and rose slightly in the fourth quarter. The prices of birch logs and pulpwood remained stable. Contract prices for energy fractions continued to rise as demand increased.
In particular, the loss of production caused by the strike, but also the effect of Covid-19 on plywood production in particular, reduced the revenue of wood procurement compared to expectations and the comparison period. The operating result of wood procurement was clearly weaker than expectations and the comparison period.

During the reporting period, the Group updated its strategy and implemented a brand reform. In connection with the brand reform, the wood procurement organization that previously operated under the business name Koskitukki adopted the common business name Koskisen, and will continue to operate under the name Koskisen Wood Procurement.

The updated strategy focuses on customer-specific solutions, strong quality-based thinking and operations, creativity and agility, employee well-being and responsibility in all operations. The action programmes of the strategy period are built around these themes, and the Group's new brand promise is based on them: Quality has a name. Koskisen.

FINANCES AND INVESTMENTS

The Group's revenue decreased slightly from the previous year's level, the result for the financial period was lower than in the comparison year. The revenue was EUR 220.0 million (EUR 264.2 million in 2019), showing a decrease of 16.7%. Compared to the comparison period, revenue decreased, in particular, due to production losses caused by the strike, the impact of the Covid-19 pandemic, especially on plywood sales, and the permanent adjustment of plywood production implemented at the end of 2019. The operating profit for the financial period was EUR 1.7 million (EUR 3.2 million in 2019). The result was particularly affected by the strike and the weak demand caused by the Covid-19 pandemic, especially for plywood. In the comparison period, operating profit included non-recurring items of EUR -3.6 million arising from the realised business transaction and from impairment charges on non-current and current assets, as well as restructuring costs related to capacity adjustments in Panel Industry.

The Group's result was EUR -2.0 million (EUR -1.0 million in 2019).

Key figures (EUR million), Group	**2020**	**2019**	**2018**	**2017**	**2016**
Revenue	220.0	264.2	269.1	270.5	264.4
Operating profit (loss)	1.7	3.2	2.0	20.9	4.2
% of revenue	0.8%	1.2%	0.8%	7.7%	1.6%
ROI	2.8%	4.0%	3.2%	21.7%	5.0%
Equity ratio	23.0%	23.5%	22.9%	25.0%	14.2%
- including capital loan	28.7%	29.0%	28.1%	30.2%	18.8%

Key indicators (EUR million) parent company	2020	2019	2018	2017	2016
Revenue	107.5	108.0	115.8	114.0	116.5
Operating profit (loss)	1.0	0.7	0.5	0.5	0.4
% of revenue	1.0%	0.7%	0.4%	0.4%	0.3%
Equity ratio	-25.5%	-30.0%	-22.9%	-16.7%	-4.6%
- including capital loan	6.4%	4.4%	2.3%	-4.6%	6.1%

**Equity ratio calculation formula:*

Equity +subordinated loans + (accumulated depreciation difference - - deferred tax liabilities / x 100

Balance sheet total - deferred income

Investments

The investments amounted to EUR 3.9 million. The biggest investments were Sawn Timber Industry's new planing line, logistics renovations of the production equipment of Panel Industry, and investments in information systems and camera technology.

FINANCING

The Group's financing was restructured during the financial period 2017, when the previous financing and covenant agreement was replaced by a new financing and security agreement. In June 2020, the company published a major investment project, the financing of which is currently being negotiated. The financing agreement concluded in 2017 was extended with the existing financiers, and a new financing and security agreement is to be concluded as soon as the financing related to the investment is agreed.

PERSONNEL

The annual average number of personnel during the financial period was 892, while the corresponding figure in 2019 was 1,013 (the total number of personnel at the end of each month divided by the number of months). The change was -121 when compared to the previous year's corresponding figure.

The number of personnel in December 2020 was 865, while the corresponding figure in 2019 was 915. The change was -50 when compared to the situation in December in the previous year.

The decrease in the number of employees was to a significant extent due to the change in plywood operating hours in Panel Industry in 2019, which adjusted the production capacity by moving from seven days' continuous shift work to a five-day shift work model. In addition, during 2020, no new employees were hired to replace those who left due to the lack of orders for plywood caused by the Covid-19 epidemic.

During 2020, the number of employees in the Kore production unit of Panel Industry increased by nine persons, or by 15%.

Of the employees, 74% are men and 26% are women. Of the personnel, 25% are salaried employees and 75% are workers. The average age of employees is 44.3 years.

During the financial year, the Covid-19 pandemic forced the adoption of a number of new policies to ensure the safety and health of the personnel.

Adequate training opportunities and improving the conditions for coping at work have been key objectives in ensuring the competence and well-being of the personnel. Despite the Covid-19 pandemic, training was carried out either remotely or on-site during the financial year, taking safety into account. There were 43 training courses of different content arranged for the employees, and 344 employees participated in them. The two biggest training courses were Lean coaching in Panel Industry and supervisor coaching, where supervisors were mentored in, for example, early support to improve well-being.

Long-term and systematic work to improve safety has yielded good results and the accident frequency has halved from the 2017 level. The LTA [1] indicator measuring the accident frequency (accidents resulting in at least one day's absence per one million working hours) improved from 19.78 in 2019 to 10.57.

The number of all accidents leading to a doctor’s visit in 2020 (30) decreased when compared to the comparison year 2019 (44). The number of safety observations increased by 15% when compared to the previous year. In 2020, 3,159 safety observations were made (positive 45% and negative 55%) and, in 2019, 2,740 safety observations (positive 33% and negative 67%). Measures to improve safety will be continued throughout the Group.

Average number of personnel for the period

	2020	2019	2018	2017	2016
Koskitukki Group, total	892	1,013	1,064	1,075	1,082
share of the parent company	69	70	74	77	81

The wages and salaries paid during the financial period (EUR 1,000)

	2020	2019	2018	2017	2016
Koskitukki Group, total	31,873	38,564	39,873	40,098	38,004
share of the parent company	3,876	3,855	3,831	3,829	3,795

CAPITAL LOANS

At the time of the financial statements, Koskitukki Oy had the following capital loans from the owners of the Group and their family members as well as from Koskisen Oy:

Loan number	Loan principal	Loan interest rate	Loan maturity date
11	3,180,000.00	7.0	29 Dec. 2011
12	500,000.00	7.0	28 Apr. 2012
13	130,000.00	7.0	23 Nov. 2012
14	160,000.00	7.0	29 Dec. 2012
15	2,207,836.00	7.0	26 Apr. 2013
16	200,000.00	7.0	29 Oct. 2013
17	310,338.00	7.0	29 Dec. 2013
18	300,000.00	7.0	21 Feb. 2014
Total	6.988 174.00		

The other loan terms for the above-listed capital loans are as follows:

Interest is paid annually retrospectively. Interest may only be paid if the amount to be paid is available for distribution on the basis of a balance sheet for the last financial period. Interest is recognised as an expense for the financial period in which the obligation to pay interest has arisen, if the requirement to pay interest in accordance with the Limited Liability Companies Act is met.

The accrued unrecognised interest expense on capital loans for the years 2013–2020 totals EUR 4,675 thousand and a total of EUR 491 thousand in 2020.

Liabilities are repaid only if the restricted equity and other non-distributable funds in accordance with the balance sheet for the last financial period are fully covered. In the event of liquidation or bankruptcy, the principal and interest may be repaid only on a subordinated basis. The financing agreement with the financiers limits the payment of interest and principal.

At the time of the financial statements, Koskitukki Oy had a capital loan from Koskisen Oy as follows:

Loan number	Loan principal	Loan interest rate	Loan repayment date
1/2018	5,000,000.00	5.6	30 April 2023
1/2019	1,860,000.00	5.6	30 April 2025
1/2020	1,750,000.00	5.6	30 Sept. 2026

Terms and conditions of subordinated loans 1/2018, 1/2019, 1/2020:

Interest may be paid only in so far as the amount of the debtor's equity and all capital loans at the time of payment exceeds the amount of the debtor's loss as set out on the balance sheet for the last financial period or included in more recent financial statements. If the interest on the capital loan cannot be paid, the interest becomes payable on the basis of the first financial statements on the basis of which it can be paid. The principal of the loan may be paid at maturity on the same terms as the interest on the loan.

The accrued unrecognised interest expense from the capital loan in 2018–2020 was EUR 891 thousand.

In the view of the management, the lenders of the subordinated loans have equal rights to the company's assets and, therefore, the interest on the subordinated loans under the new Limited Liability Companies Act has not been recognised.

COMPANY SHARES

Koskitukki Oy has one series of shares. The number of shares is 630. All shares carry the same number of votes and right to dividends and company assets. The shares are subject to a redemption clause in accordance with the Articles of Association.

THE ENVIRONMENT

In 2020, the Group continued its sustainable environmental development efforts. Company-level environmental targets have been set for 2018–2020. The relevant indicators pertaining to waste water developed nicely, with the environmental load caused by waste water reduced relative to the total production volume.

The amount of waste water per cubic metre produced was 0.114 m3, i.e. clearly below the target level of 0.155 m3/cubic metre produced. The total amount of waste water 63,431 m3 was also significantly below the target level of 78,400 m3. The main reason for this was that there were no major or long-term faults in the equipment linked to the generation of waste water.

Energy consumption in relation to production volume did not reach the set 4% reduction compared to the 2015 level. The strike in January–February 2020 contributed to the poor development of the indicator.
Production shutdowns, layoffs, changes in shifts or otherwise under-capacity operation weaken energy efficiency also in general.

The percentage of biofuels used for heat production was 96.7%. The target level of 98% was narrowly missed. In particular, there were some oil consumption situations in the second and third quarters. Some of these were caused by maintenance shutdowns of the main boilers and some by low loads, which made it necessary to resort to back-up boilers using oil. In addition, due to the strike in January-February 2020, more fuel oil than usual had to be used in heat production. The situation is expected to improve in 2021, with the introduction of a new bioboiler in the Mäntsäläntie area in 2020.

The groundwater purification in Järvelä, which was resumed in 2018, is still ongoing and has been carried out according to the phased pumping arrangement. So far, approximately 84% of the groundwater in the area subject to the purification effort has been purified. Approximately 87% of the groundwater in the entire contaminated area has been purified. The status of groundwater is monitored on a regular basis at 20 different sample points. The groundwater area in question is not used for domestic water.

The Group's public annual environmental report has been published. The report is available on Koskisen Group's website.

FUTURE PROSPECTS

Our expectations for the year 2021 are optimistic. The global market situation is good for the Finnish wood product industry, at the forefront of sustainable development, and its products. This is also supported by ever-increasing environmental consciousness. In many applications, wood can be used to substitute many raw materials, which are not renewable or which place a heavier burden on nature. Large-scale stimulus measures in the Group's key markets will strengthen economic activity. The Covid-19 pandemic, if prolonged, will continue to cause significant uncertainty in the growth of the economy and, thus, in the demand for the products of the wood products industry.

Demand for sawn timber is projected to remain high. In addition to the strong DIY market, demand is increased by growing environmental consciousness as well as public regulations that require wood-based construction. Extensive stimulus programmes will also increase new construction, renovation and infrastructure construction. The situation on the US market – which has been going on for a while now – is such that, compared to the balanced situation, there are fewer new houses being built and there is a scarcity of available houses. This increases house production and keeps the demand for timber high. This is evident in the price of sawn timber in the United States, which have strengthened rapidly and are at all-time high level. The strength market affects the balance of demand and supply elsewhere because, on the one hand, there is not enough sawn timber in North America to export, and on the other hand, the strong market price attracts imports and reduces supply on other markets. Russia's weak harvesting conditions in the winter of 2019–2020 contributed to the fact that industry was unable to build ice stores in the winter to ensure the sufficiency of raw materials in the autumn. Supply difficulties due to the shortage of raw materials have been particularly evident in the Chinese market. The pests affecting growing timber in Central Europe make it difficult to procure quality raw wood material. Due to the above, stocks of products have decreased significantly and prices of sawn timber have increased. The prices are expected to continue to increase when compared to the previous year. The price of aid, which has a strong impact on the profitability of Sawn Timber Industry, is expected to continue to rise slightly as market demand increases. The market situation for plywood is expected to strengthen from the weak level in 2020, and demand for Koskisen's key segments vehicle industry and construction is expected to return to more normal levels. The order book for chipboard is also expected to remain at a good level with a positive price trend.

Despite the prolonged pandemic, demand and market prices in the Group's key markets and products are developing in a positive direction. The Group's result is estimated to improve from the level of 2020.

EVENTS FOLLOWING THE FINANCIAL PERIOD

Early in the year, Covid-19 restriction measures in different countries continued to in different degrees, depending on the number of infections and vaccinations administered. International travel is also still limited in many places. The mutation of the Covid-19 virus and the duration of the pandemic continue to create uncertainty in international market demand, logistics, business financing and general economic activity. The prolongation of the exceptional situation may have an impact on the company's operations and profitability.

RISKS

The most significant risks affecting the Group's result are linked to the sales prices and delivery volume of the company's products as well as the costs of essential raw materials. Their trends are dependent on the general economic development.

The Group procures its main raw materials, such as wood and chemicals, from suppliers outside the Group's sphere of influence. Any major delivery disruptions may have a knock-on an effect on the Group's production operations and thereby its revenue and profitability. The availability and price level of essential raw materials may be influenced by factors such as difficult harvesting conditions resulting from climate change or variations in the global market prices of basic raw materials linked to global trends.

The Group's success hinges on the ability to obtain and maintain a professional workforce. The Group remains in active contact with several educational institutions and collaborates with them to develop training programmes aimed the development of management and professional skills to meet the organisation's different needs. Through active recruitment and a positive attitude towards education and training, the Group strives to ensure a sufficient number of employees with the required skills now and in the future.

In the last few years, the risks pertaining to the Russian operations have placed a considerable strain on the Group. The company will continue to develop a new operating model for Russian operations, which is expected to stabilise the situation and bring positive effects to the Group in the future.

The banks' stricter solvency requirements and the resulting limitations on available financing are seen as a risk in the company's investment-intensive sector. The ability to maintain and improve our competitiveness is of the utmost importance for the Group's success. Investment in new technologies is key to ensuring relative competitiveness. The planned investment in the new saw line by Sawn Timber Industry combined with the existing processing capacity makes the Group's Sawn Timber Industry unit one of the most competitive industrial units in Finland. A delay in the new investment would significantly increase the risk involved in the current production line, which is nearing the end of its technical service life. The risk could manifest itself in the form of production interruptions or major unplanned renovation investments linked to equipment failures.

The risks of damage to the Group's operations includes occupational safety and health risks, fire risks and corporate security risks. The company manages these risks by means of predetermined measures as well as training and programmes aimed at preventing risks of damage. The company has taken out comprehensive insurance for the interruption of operations and property damage.

The systematic development of operations in accordance with the principles of responsibility reduces the risk of unexpected events related to reputation or the quality of operations. All in all, operational risks have been reduced through our own development measures and a brighter financial outlook.

R&D

The Group's R&D operations continued, with an emphasis on close cooperation with customers and other partners.

ADMINISTRATION

The company's Board of Directors included chairman Markku Pohjola until 1 December 2020 and members Eva Wathén, Kari Koskinen, Hanna Sievinen and Juha Vanhainen as member as of 22 April 2020 and as chairman as of 16 December 2020 and Hannu-Kalle Reponen.

The CEO of Koskitukki Oy and the Koskisen Group is Jukka Pahta.

The auditor has been audit firm Deloitte, with Authorised Public Accountant Hannu Mattila as the auditor in charge.

THE BOARD OF DIRECTOR'S PROPOSAL REGARDING THE WAY PROFITS ARE HANDLED IN THE FINANCIAL STATEMENTS

The parent company has no distributable funds. The loss for the financial period was EUR -284,885.07.

The Board of Directors proposes to the annual general meeting that the loss is transferred to the company's retained earnings.

KOSKITUKKI GROUP	1 Jan.–31 Dec. 2020	1 Jan.–31 Dec. 2019
INCOME STATEMENT		
REVENUE	**219,957,008.29**	**264,161,634.33**
Change in inventories of finished goods and work in progress	-2,302,666.61	-1,409,461.50
Production for own use	10,370.41	29,634.41
Other operating income	937,660.07	**1,443,532.88**
Materials and services		
Materials, supplies, goods		
Purchases during the period	-106,089,047.73	-120,205,746.36
Increase or decrease of inventories	2,590,214.85	-4,220,411.84
Materials, supplies, goods	**-103,498,832.88**	**-124,426,158.21**
External services	-33,694,218.41	-37,793,723.04
Materials and services	**-137,193,051.29**	**-162,219,881.25**
Employee expenses		
Wages and salaries	-30,259,292.78	-38,711,930.54
Social security costs		
Pension costs	-4,597,360.31	-6,821,742.68
Other social security costs	-1,463,783.98	-1,519,693.61
Personnel expenses	**-36,320,437.07**	**-47,053,366.82**
Depreciation, amortisation and impairment		
Depreciation and amortisation	-6,201,280.62	-6,837,295.03
Impairment losses on non-current assets	0.00	-1,221,592.20
Depreciation, amortisation and impairment	**-6,201,280.62**	**-8,058,887.23**
Other operating expenses	-37,170,158.70	-43,679,756.80
OPERATING PROFIT (LOSS)	**1,717,444.48**	**3,213,448.02**
Financial income and expenses		
Gains on investments in other non-current assets	832.50	787.50
Other interest and finance income	702,733.82	1,050,841.23
Impairments of non-current asset	0.00	-402,086.07
Interest expenses and other finance expenses	-4,552,262.85	-4,671,893.65
Finance income and expenses	**-3,848,696.54**	**-4,022,350.99**
PROFIT (LOSS) BEFORE INCOME TAXES	**-2,131,252.06**	**-808,902.97**
Income taxes		
Income taxes for the current and prior periods	-426,806.99	-970,187.22
Change in deferred taxes	133,608.01	781,098.40
Income taxes	**-293198.97**	**-189,088.82**
Minority interest	454,732.94	-39,982.32
PROFIT (LOSS) FOR THE PERIOD	**-1,969,718.09**	**-1037974.11**

KOSKITUKKI GROUP

BALANCE SHEET	31 Dec. 2020	31 Dec. 2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Other long-term expenses	721,004.22	848,180.82
Intangible assets	**721,004.22**	**848,180.82**
Tangible assets		
Land and water areas	6,297,577.49	6,330,097.31
Buildings and structures	22,303,498.67	23,146,424.21
Machinery and equipment	25,267,829.89	25,539,818.01
Other tangible assets	1,355,467.27	1,688,983.68
Advance payments and work in progress	869,231.31	1,480,726.22
Tangible assets	**56,093,604.64**	**58,186,049.43**
Investments		
Other shares	242,672.42	108,224.60
Investments	**242,672.42**	**108,224.60**
NON-CURRENT ASSETS	**57,057,281.28**	**59,142,454.85**
CURRENT ASSETS		
Inventories		
Materials and supplies	17,574,603.25	14,984,388.40
Unfinished products	4,535,327.92	5,474,480.20
Finished products/materials	9,839,866.30	11,203,380.62
Inventories	**31,949,797.47**	**31,662,249.22**
Receivables		
Long-term receivables		
Deferred tax assets	544,019.62	546,408.04
Other receivables	223.56	2,205.98
Long-term receivables	**544,243.18**	**548,614.02**
Loans and receivables		
Trade receivables	19,969,449.71	20,034,343.93
Other receivables	3,629,346.29	3,362,278.20
Accrued income	2,147,939.64	1,373,869.25
Current receivables	**25,746,735.64**	**24,770,491.38**
Cash and cash equivalents	**7,881,192.08**	**12,468,708.41**
CURRENT ASSETS	**66,121,968.37**	**69,450,063.03**
ASSETS	**123,179,249.65**	**128,592,517.88**

KOSKITUKKI GROUP

BALANCE SHEET	**31 Dec. 2020**	**31 Dec. 2019**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	1,512,000.00	1,512,000.00
Revaluation reserve	1,039,246.98	1,044,954.49
Legal reserve	16,202.59	16,202.59
Retained earnings	12,768,098.19	13,357,544.81
Profit (loss) for the period	-1,969,718.09	-1,037,974.11
EQUITY	**13,365,829.67**	**14,892,727.78**
Minority interest	**14,790,157.24**	**15,241,813.49**
PROVISIONS		
Other mandatory provisions	2,720,098.03	2,732,040.11
PROVISIONS	**2,720,098.03**	**2,732,040.11**
LIABILITIES		
Non-current liabilities		
Capital loans	6,988,174.00	6,988,174.00
Loans from financial institutions	33,000,000.00	34,000,000.00
Deferred tax liabilities	4,718,303.63	4,856,196.74
Other liabilities	754,321.68	0.00
Non-current liabilities	**45,460,799.31**	**45,844,370.74**
Current liabilities		
Loans from financial institutions	4,000,000.00	6,000,000.00
Deferred income	**622,951.48**	575,450.23
Trade payables	24,210,358.23	**25,454,369.36**
Other liabilities	8,776,451.43	7,571,774.41
Accrued liabilities, external	**9,232,604.26**	10,279,971.75
Current liabilities	**46,842,365.40**	**49,881,565.75**
TOTAL LIABILITIES	**92,303,164.71**	**95,725,936.49**
TOTAL EQUITY AND LIABILITIES	**123,179,249.65**	**128,592,517.88**

KOSKITUKKI GROUP

CASH FLOW STATEMENT, INDIRECT	31 Dec. 2020	31 Dec. 2019
Cash flow from operating activities		
PROFIT (LOSS) FOR THE PERIOD	-1,969,718.09	-1,037,974.11
Depreciation, amortisation and impairment	6,201,280.62	8,058,887.23
Gains(-) and losses(+) from sale of non-current assets	-30,444.95	-87,734.10
Unrealised exchange rate gains and losses	95,300.61	-6,113.57
Finance income and costs	3,753,395.93	4,028,464.56
Income taxes	293,198.97	189,088.82
Minority interest	-454,732.94	39,982.32
Other adjustments	0.00	1,807,785.31
Cash flow before change in working capital	7,888,280.14	12,992,386.46
Change in working capital		
Increase/decrease in inventories	-418,952.62	5,697,061.27
Increase/decrease in non-interest bearing receivables	-838,260.32	6,394,588.86
Increase/decrease in non-interest bearing liabilities	-365,350.10	-2,436,910.15
Cash flow from operating activities before financial items and tax	6,265,717.11	22,647,126.44
Interest paid from operating activities	-2,185,930.89	-2,220,561.32
Dividends received from operating activities	832.50	787.50
Interest received from operating activities	50,916.35	55,315.30
Other financial items from operating activities	-1,438,089.62	-1,270,964.73
Taxes paid on operations	-531,835.88	-493,966.44
Loans granted	1,465,128.12	2,859,336.83
Repayment of loan receivables	-1,245,023.29	-430,187.14
Cash flow from operating activities (A)	**2,381,714.40**	**21,146,886.45**
Cash flow from investing activities		
Investments in tangible and intangible assets	-3,923,434.82	-4,937,430.84
Income from sale of tangible and intangible assets	119,334.89	112,520.91
Investments in other investments	-134,447.82	0.00
Cash flow from investing activities (B)	**-3,938,547.75**	**-4,824,909.94**
Cash flow from financing activities		
Repayment of long-term loans	-3,000,000.00	-4,500,000.00
Cash flow from financing activities	**-3,000,000.00**	**-4,500,000.00**
Change in cash and cash equivalents	**-4,556,833.35**	**11,821,976.51**
Cash and cash equivalents, opening balance	12,468,708.41	648,682.76
Effects of exchange rate changes	-30,682.97	-1,950.87
Cash and cash equivalents	**7,881,192.08**	**12,468,708.41**

KOSKITUKKI OY	1 Jan.–31 Dec. 2020	1 Jan.–31 Dec. 2019
INCOME STATEMENT		
REVENUE	**107,515,025.30**	**108,020,956.25**
Other operating income	4,498,678.99	4,471,350.98
Materials and services		
Materials, supplies, goods		
Purchases during the period	-81,950,616.41	-76,418,800.92
Increase or decrease of inventories	4,380,877.27	-2,631,907.58
Materials, supplies, goods	**-77,569,739.14**	**-79,050,708.50**
External services	-17,232,643.21	-17,599,525.39
Materials and services	**-94,802,382.35**	**-96,650,233.89**
Employee expenses		
Wages and salaries	-3,766,706.45	-4,042,064.69
Social security costs		
Pension costs	-568,039.22	-653,181.80
Other social security costs	-98,770.43	-81,090.59
Personnel expenses	**-4,433,516.10**	**-4,776,337.08**
Depreciation, amortisation and impairment		
Depreciation and amortisation	-305,540.02	-317,245.50
Depreciation, amortisation and impairment	**-305,540.02**	**-317,245.50**
Other operating expenses	-11,429,814.71	-10,028,150.97
OPERATING PROFIT (LOSS)	**1,042,451.11**	**720,339.79**
Financial income and expenses		
Other interest and finance income		
From others	32,174.00	63,103.15
Impairments of non-current asset	0.00	-401,658.75
Interest expenses and other finance expenses		
To other group companies	-1,099,969.23	-1,345,418.65
To others	-206,883.81	-122,120.83
Finance income and costs	**-1,274,679.04**	**-1,806,095.08**
PROFIT (LOSS) BEFORE PROFIT-ADJUSTING ENTRIES AND TAX	**-232,227.93**	**-1,085,755.29**
Profit-adjusting entries		
Increase(-) or decrease(+) in depreciation difference	126,789.92	-216.11
Income taxes		
Income taxes for the current and prior periods	-179,447.06	**-98,823.24**
Income taxes	**-179,447.06**	**-98,823.24**
PROFIT (LOSS) FOR THE PERIOD	**-284,885.07**	**-1,184,794.64**

KOSKITUKKI OY

BALANCE SHEET	31 Dec. 2020	31 Dec. 2019
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Other long-term expenses	132,277.25	404,522.20
Intangible assets	**132,277.25**	**404,522.20**
Tangible assets		
Land and water areas	386,967.00	386,967.00
Buildings and structures	475,631.85	554,863.51
Machinery and equipment	18,656.46	24,308.11
Other tangible assets	380,600.00	380,600.00
Advance payments and work in progress	382,697.55	327,676.27
Tangible assets	**1,644,552.86**	**1,674,414.89**
Investments		
Shares in other group companies	19,593,202.58	19,593,202.58
Other shares	11,481.88	11,481.88
Investments	**19,604,684.46**	**19,604,684.46**
NON-CURRENT ASSETS	**21,381,514.57**	**21,683,621.55**
CURRENT ASSETS		
Inventories		
Materials and supplies	10,389,647.71	6,183,770.44
Inventories	**10,389,647.71**	**6,183,770.44**
Receivables		
Long-term receivables		
Receivables from other group companies	56,229.69	16,057.72
Long-term receivables	**56,229.69**	**16,057.72**
Current receivables		
Trade receivables	6,109,068.41	4,026,911.17
Receivables from other group companies	8,325,919.34	6,842,002.98
Other receivables	2,025,110.64	1,214,719.89
Accrued income	676,148.51	345,357.16
Current receivables	**17,136,246.90**	**12,428,991.20**
Cash and cash equivalents	**178.76**	**275.21**
CURRENT ASSETS	**27,582,303.06**	**18,629,094.57**
ASSETS	**48,963,817.63**	**40,312,716.12**

KOSKITUKKI OY

BALANCE SHEET	31 Dec. 2020	31 Dec. 2019
EQUITY LIABILITIES		
EQUITY		
Share capital	1,512,000.00	1,512,000.00
Revaluation reserve	70,222.30	70,222.30
Legal reserve	16,202.59	16,202.59
Retained earnings	-13,857,661.67	-12,672,867.03
Profit (loss) for the period	-284,885.07	-1,184,794.64
EQUITY	**-12,544,121.85**	**-12,259,236.78**
APPROPRIATIONS		
Cumulative accelerated depreciation	82,983.35	209,773.27
TOTAL APPROPRIATIONS	**82,983.35**	**209,773.27**
LIABILITIES		
Non-current liabilities		
Capital loans	6,988,174.00	6,988,174.00
Loans from other group companies	19,580,571.84	18,145,059.24
Capital loans, internal	8,610,000.00	6,860,000.00
Deferred tax liabilities	17,555.57	17,555.57
Other liabilities	754,321.68	0.00
Non-current liabilities	**35,950,623.09**	**32,010,788.81**
Current liabilities		
Deferred income	11,315.00	11,315.00
Trade payables	12,280,247.90	10,407,752.61
Loans from other group companies	3,116,949.21	692,952.45
Other liabilities	7,574,218.24	6,261,284.23
Accrued liabilities	2,491,602.69	2,978,086.53
Current liabilities	**25,474,333.04**	**20,351,390.82**
TOTAL LIABILITIES	**61,424,956.13**	**52,362,179.63**
TOTAL EQUITY AND LIABILITIES	**48,963,817.63**	**40,312,716.12**

KOSKITUKKI OY

CASH FLOW STATEMENT, INDIRECT	31 Dec. 2020	31 Dec. 2019
Cash flow from operating activities		
PROFIT (LOSS) FOR THE PERIOD	-284,885.07	-1,184,794.64
Depreciation, amortisation and impairment	305,540.02	317,245.50
Gains(-) and losses(+) from sale of non-current assets	-32,411.76	-5,000.00
Finance income and costs	1,274,679.04	1,806,095.08
Profit-adjusting entries	-126,789.92	216.11
Income taxes	179,447.06	98,823.24
Other adjustments	0.00	142,339.63
Cash flow before change in working capital	1,315,579.37	1,174,924.92
Change in working capital		
Increase/decrease in inventories	-4,205,877.27	2,631,907.58
Increase/decrease in non-interest bearing receivables	-4,691,609.66	4,125,793.04
Increase/decrease in non-interest bearing liabilities	5,546,675.49	**-312,593.12**
Cash flow from operating activities before financial items and tax	-2,035,232.07	7,620,032.42
Interest paid from operating activities	-1,284,776.76	-1,311,650.65
Interest received from operating activities	31,516.75	63,103.15
Other financial items from operating activities	-23,427.75	-13,177.19
Taxes paid on operations	**-124,833.25**	**-59,382.34**
Loans granted	1,465,128.12	2,859,336.83
Repayment of loan receivables	-1,245,023.29	-430,187.14
Cash flow from operating activities (A)	**-3,216,648.25**	**8,728,075.08**
Cash flow from investing activities		
Investments in tangible and intangible assets	-55,021.28	-231,763.41
Income from sale of tangible and intangible assets	84,000.00	5,000.00
Sold subsidiary shares	0.00	6,996.07
Cash flow from investing activities (B)	**28,978.72**	**-219,767.34**
Cash flow from financing activities		
Withdrawals/repayments of long-term loans	3,187,573.08	-8,508,425.71
Cash flow from financing activities	**3,187,573.08**	**-8,508,425.71**
Change in cash and cash equivalents	**-96.45**	**-117.97**
Cash and cash equivalents at the beginning of the period	275.21	393.18
Cash and cash equivalents at the end of period	**178.76**	**275.21**

KOSKITUKKI GROUP

NOTES TO THE FINANCIAL STATEMENTS (EUR 1,000)

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Scope of the consolidated financial statements

The consolidated financial statements include the parent company KOSKITUKKI OY, in addition to its 100.00% owned subsidiaries OOO KOSKILES, OOO KOSKISILVA and 75.23%-owned KOSKISEN OY and its subsidiaries.

Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared using the acquisition cost method.
The Group’s internal transactions, unrealised margins of internal deliveries, internal receivables and loans as well as internal distribution of profits have been eliminated.
Minority interest have been separated from the Group's equity and result, and presented as a separate item. The profit and loss accounts of foreign group companies have been converted into EUR on the basis of the financial period’s average exchange rate, while the balance sheets have been converted on the basis of the exchange rate on the balance sheet date. Any translation differences have been presented in the “retained earnings”.

Valuation of inventories

In accordance with the FIFO (First In, First Out) method, inventories are measured at the acquisition cost of the financial period or a lower net realisable value.

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.

The depreciation periods are:

Other long-term expenses	5 years
Buildings	20–50 years
Structures	10 years
Machinery and equipment	5–15 years
Other assets	5–10 years
Consolidated goodwill	20 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 Group 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 change in 2020 (EUR +12 thousand) has been entered in income statement and as a mandatory provisions. The corresponding change in deferred tax assets (EUR -2 thousand) has been entered in the income statement as well as the 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.

Events following the financial period

Early in the year, Covid-19 restriction measures in different countries continued to different degrees, depending on the number of infections and vaccinations administered. International travel is also still limited in many places.

The mutation of the Covid-19 virus and the duration of the pandemic continue to create uncertainty in international market demand, logistics, business financing and general economic activity. The prolongation of the exceptional situation may have an impact on the company’s operations and profitability.

The comparability of information from the previous period

When comparing the data for the financial period 2020 with the previous financial period, it should be noted that in connection with the change in the wood procurement system, Koskisen Oy’s by-product sales to customers were transferred to Koskitukki Oy. The change has a significant impact on the company’s external revenue, but no significant impact on the company’s profitability. As a result of the change in the business model, some of Koskisen Oy’s revenue was transferred to the subsidiary Koskisen S.P.Zoo in Poland. As far as the Koskitukki Group is concerned, this has no impact on profitability.

In the comparison year 2019, a write-down of 1.4 million was recognised on the assets and trade receivables in Koskisen Oy’s non-current assets. A loss of EUR 1.7 million was recognised in other operating expenses from the sale of the House Construction Industry business. A total of EUR 0.5 million has been written down in Koskitukki Oy’s loan and trade receivables as well as other shares.

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 tax

A 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 total deferred tax liabilities as well as the deferred tax assets corresponding with the amount of the estimated probable receivable.

Notes to the profit and loss account EUR thousand

Revenue by industry and market area

	Parent company		Group	
	31 Dec. 2020	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Distribution by industry				
Panel Industry			99,781	125,248
Sawn Timber Industry			74,111	93,062
House Construction industry			0	8,732
Log and pulpwood sales	107,289	107,657	45,579	36,118
Other sales	226	364	486	1,002
Total	**107,515**	**108,021**	**219,957**	**264,162**
Geographical distribution				
Domestic	107,266	108,021	95,662	120,115
EU countries	249	0	81,797	90,760
Other countries	0	0	42,498	53,287
Total	**107,515**	**108,021**	**219,957**	**264,162**
Other operating income				
Gains on non-current assets	32	5	61	95
Insurance claims	0	0	299	19
Grants received	0	0	77	68
Sale of emission allowances	0	0	144	616
External lease income	0	0	154	127
Service charges and rents from subsidiaries	4,400	4,238	0	0
Other operating income	66	228	203	519
Total	**4,499**	**4,471**	**938**	**1,444**

	Parent company		Group	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Other operating expenses				
Sales freight, forwarding and chipping	8,051	6,519	21,178	23,658
IT expenses	1,362	1,365	2,056	2,001
Lease payments and rents	393	407	5,275	5,075
Property maintenance	48	44	2,882	2,779
Sales commissions	0	0	517	1,040
Business acquisition	0	0	0	1,735
Other	1,575	1,693	5,263	7,392
Total	**11,430**	**10,028**	**37,170**	**43,680**
Auditor remuneration				
Audit	4	4	87	87
Tax advisory		1	32	20
Other services		4		77
Total	**4**	**9**	**119**	**184**

During the financial period, the Group employed on average	Parent company		Group	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Salaried employees	69	69	220	240
Workers	0		672	752
Total	**69**	**70**	**892**	**992**
Salaries and remuneration of the management				
Members of the Board of Directors and CEO	440	396	440	396
Income tax				
Taxes for the financial period	179	99	427	970
Change in deferred tax liabilities			-134	-781
Total	**179**	**99**	293	**189**
Finance income				
Interest income	32	63	51	55
Exchange rate gains	0	0	519	748
Other finance income		0	133	248
Total	**32**	**63**	703	1,051
Finance costs				
Interest costs	1,283	1,455	2,946	3,004
Exchange rate losses	0	0	1,112	600
Other finance costs	**24**	13	493	1,068
Total	**1,307**	**1,468**	**4,552**	**4,672**

The exchange differences result from the exchange rate changes of the Russian ruble, Polish zloty and USD.

Notes to the balance sheet

The acquisition cost of the parent company's non-current assets, additions and disposals as well as the accumulated depreciation and amortisation.

Only the acquisition costs of non-current assets for which the acquisition cost has not yet been fully entered as an expense according to the plan have been reported as an acquisition cost.

	Intangible	Tangible assets						
	Other long-term expenditure	Other tangible assets	Land areas	Buildings	Machinery and equipment	Total	Acquisitions in progress	Investments
Acquisition cost on 1 Jan. 2020	1,429	381	387	880	35	1,683	328	24,905
Additions							55	
Disposals				84				
Reclassifications								
Increases/decrease due to revaluation								
Acquisition cost on 31 Dec. 2020	1,429	381	387	796	35	1,599	383	24,905
Accumulated depreciation, amortisation and impairment on 1 Jan. 2020	1,025			325	11	336		5,300
Accumulated depreciation on disposals				33				
Depreciation and amortisation and impairment for the financial period	273			28	6	34		
Accumulated depreciation, amortisation and impairment on 31 Dec. 2020	1,298			320	17	337		5,300
Book value on 31 Dec. 2020	131	381	387	476	18	1,262	383	19,605
Revaluations			49					

The acquisition cost of the Group's non-current assets, additions and disposals as well as the accumulated depreciation and amortisation.

	Intangible	Tangible **assets**			
	Intangible **rights**	**Land** areas	Buildings	Machinery and equipment	Total
Acquisition cost on 1 Jan. 2020	8	6,330	66,413	88,722	161,465
Additions		-3	56	3,035	3,088
Disposals			263	19	282
Exchange differences		-20	-1,365	-850	-2,235
Reclassifications			9	1,012	1,021
Increase/decrease resulting from revaluation		-9			
Acquisition cost on 31 Dec. 2020	8	6,298	64,850	91,900	163,057
Accumulated depreciation, amortisation and impairment on 1 Jan. 2020	8		43,267	63,182	106,449
Exchange differences			-771	-664	-1,435
Accumulated depreciation on disposals			1,295	7	1,302
Depreciation and amortisation and impairment for the financial period			1,345	4,121	5,466
Accumulated depreciation, amortisation and impairment on 31 Dec. 2020	8		42,546	66,632	109,178
Book value on 31 Dec. 2020	0	6,298	22,304	25,268	53,879
Revaluations		2,293	2,741		
Book value of production machinery and equipment on 31 Dec. 2020				25,118	

	Other long-term expenditure	Other tangible assets	Work in progress	Other investments
Acquisition cost on 1 Jan. 2020	3,244	6,378	1,481	108
Additions	274	43	517	134
Disposals		1		
Exchange differences	-1	-317	-3	
Reclassifications	87	18	-1,126	
Acquisition cost on 31 Dec. 2020	3,604	6,121	869	242
Accumulated depreciation, amortisation and impairment on 1 Jan. 2020	2,396	4,689		
Exchange differences	-1	-169		
Accumulated depreciation on disposals				
Depreciation for the period	488	246		
Accumulated depreciation, amortisation and impairment on 31 Dec. 2020	2,883	4,766		
Book value on 31 Dec. 2020	721	1,355	869	242

Group companies	**Domicile**	**Parent company's shareholding %**	**Group's shareholding %**
Koskisen Oy	Kärkölä	75.2%	75.2%
OOO Koskiles	St. Petersburg, Russia	100.0%	100.0%
OOO Koskisilva	Sheksna, Russia	100.0%	100.0%
Koskisen Oy's subsidiaries			
Kosava-Kiinteistöt Oy	Kärkölä	75.2%	
Koskisen Sp z.o.o	Warsaw	75.2%	

Receivables from other group companies

The main bank accounts of the Group's Finnish companies are connected to the Group account system, the main owner of which is Koskisen Oy.

	Parent company	
	2020	**2019**
Trade receivables:		
Koskisen Oy	6,202	6,450
Kosava Oy		5
Total	**6,203**	**6,455**
Other receivables:		
OOO Koskiles	177	257
OOO Koskisilva	114	147
Total	**291**	**404**
Accrued income:		
Koskisen Oy	**1,888**	**0**

Significant items included in the accrued income

	Parent company		Group	
	2020	2019	2020	2019
Other financing items	0	0	33	33
Tax receivable	56	0	496	235
Accrued employee expenses	8	0	17	2
Other prepayments and accrued income	676	345	1,602	1,104
Total		**345**	**2,148**	1,374

Deferred tax assets	**Group**	
Negative current value of interest and currency derivatives	544	546

Restricted equity		Parent company		Group	
		2020	2019	2020	2019
Share capital	1 Jan.	1,512	1,512	1,512	1,512
Share capital	31 Dec.	**1,512**	**1,512**	**1,512**	**1,512**
Revaluation reserve	1 Jan.	70	70	1,045	1,045
Disposals from the sale of non-current assets		0	0	-6	0
Revaluation reserve	31 Dec.	**70**	**70**	**1,039**	**1,045**
Legal Reserve	1 Jan.	16	16	16	16
Legal Reserve	31 Dec.	**16**	**16**	**16**	**16**
Restricted equity total		**1,598**	**1,598**	**2,567**	**2,573**
Unrestricted equity					
Profit from previous periods	1 Jan.	-13,857	-12,672	14,866	15,904
Profit from previous periods	31 Dec.	**-13,857**	**-12,672**	**14,866**	**15,904**
Exchange difference				-2,098	-2,546
Profit/loss for the period		**-285**	**-1,185**	**-1,970**	**-1,038**
Unrestricted equity total		**-14,142**	**-13,857**	**10,798**	**12,320**
Total equity		**-12,544**	**-12,259**	**13,365**	**14,893**

The difference is due to exchange rate changes of the Russian ruble and the Polish zloty.

Of the accumulated depreciation difference, EUR 17,449 thousand has been entered in equity on the consolidated balance sheet (31 December 2019: EUR 18,059 thousand)

Calculation of the distributable funds on 31 December	**Parent company**	
Profit from previous periods	-13,857	-12,672
Profit (loss) for the financial period	-285	-1,185
Total	-14,142	-13,857
Koskitukki Oy's equity in total	-12,544	
Capital loan from shareholders	6,988	
Subordinated loan from Koskisen Oy	8,610	
Total	**3,054**	

The fair value of Koskisen Oy's shares owned by Koskitukki Oy exceeds the balance sheet value of the shares in question.

Mandatory provisions	Parent company		Group	
	2020	2019	2020	2019
Negative current value of interest and currency derivatives	0	0	2,720	2,732

Liabilities to Group companies	Parent company	
Liabilities based on the cash pooling arrangement:	2020	2019
Koskisen Oy	19,496	18,059
Koskisen Oy capital loan	8,610	6,860
Total	**28,106**	**24,919**
Trade payables:		
Koskisen Oy	3,115	396
Accrued liabilities:		
Koskisen Oy	**86**	**383**
Total	**31,308**	**25,698**

Significant items included in the accrued liabilities:

	Parent company		Group	
	2020	2019	2020	2019
Interest accrual	393	393	649	632
Income tax	193	83	315	164
Accrued employee expenses	673	673	6,059	7,471
Other current accrued liabilities	1,233	1,829	2,210	2,177
Total	**2,492**	**2,978**	**9,233**	**10,444**

	Parent company		Group	
Deferred tax liabilities	2020	2019	2020	2019
From revaluations	18	18	340	342
From profit-adjusting entries	0	0	4,378	4,514
Total	**18**	**18**	**4,718**	**4,856**

Capital loans

At the time of the financial statements, Koskitukki Oy had the following capital loans from the owners of the Group and their family members:

Loan number	Loan principal	Loan interest	Loan maturity date
11	3,180,000	7.0	29 Dec. 2011
12	500,000.00	7.0	28 April 2012
13	130,000.00	7.0	23 Nov. 2012
14	160,000.00	7.0	29 Dec. 2012
15	2,207,836.00	7.0	26 April 2013
16	200,000.00	7.0	29 Oct. 2013
17	310,338.00	7.0	29 Dec. 2013
18	300,000.00	7.0	21 Feb. 2014
Total	6.988 174.00		

The other loan terms for the above-listed capital loans are as follows:

Interest is paid annually retrospectively. Interest may only be paid if the amount to be paid is available for distribution on the basis of a balance sheet for the last financial period. Interest is entered as an expense for the financial period in which the obligation to pay interest has arisen, if it is possible according to the Limited Liability Companies Act.

Liabilities are repaid only if the capital employed and other non-distributable assets in accordance with the balance sheet for the last financial period are fully covered. In the event of liquidation or bankruptcy, the principal and interest may be repaid only on a subordinated basis.
The financing agreement with the financiers limits the payment of interest and principal.

The accrued unrecognised interest expense on capital loans for the years 2013–2020 totals EUR 4,675 thousand and in 2020 a total of EUR 491 thousand.

At the time of the financial statements, Koskitukki Oy had a capital loan from Koskisen Oy:

Loan number	Loan principal	Loan interest rate	Loan maturity date
1/2018	5,000,000.00	5.6	30 April 2023
1/2019	1,860,000.00	5.6	30 April 2025
1/2020	1,750,000.00	5.6	30 Sep. 2026

Terms and conditions of the capital loan: Interest may be paid only in so far as the amount of the debtor's equity and all capital loans at the time of payment exceeds the amount of the debtor's loss as set out on the balance sheet for the last financial period or included in more recent financial statements. If the interest rate on the subordinated loan cannot be paid, the interest becomes payable on the basis of the first financial statements on the basis of which it can be paid. The principal of the loan may be paid at maturity on the same terms as the interest on the loan.

The accrued unrecognised interest expense from the capital loans in 2018–2020 was EUR 891 thousand.

In the view of the management, the lenders of the subordinated loans have equal rights to the company's assets and, therefore, the interest on the subordinated loans under the new Limited Liability Companies Act has not been recognised.

Contingent liabilities

The shares of the subsidiaries have been pledged as security for Koskisen Oy's loans.

	Parent company		Group	
Liabilities secured by real estate or business mortgages	2020	2019	2020	2019
Loans from financial institutions	0	0	37,000	40,000
Account and guarantee limits (EUR 15 million), of which in use at the time of the financial statements:	0	0	13	0
Account limit				
Guarantee limit	0	0	713	705
Real estate mortgages	0	16	689,600	1,689,600
Company mortgages	0	0	181,552	181,552
Securities provided on behalf of Group companies:				
Real estate mortgages	153,600	153,600	0	0
Company mortgages	79,071	79,071	0	0
Guarantees				
Advance payment, delivery and other guarantees	500	470	713	1,145

Koskitukki Oy has given a general guarantee payable at demand for all Koskisen Oy's loans and commitments to financial institutions.

	Parent company		Group	
Amounts paid on lease contracts	**2020**	**2019**	**2020**	**2019**
Payable next year	17	10	918	998
Payable later	12	4	1,360	1,108
Total	**29**	**14**	**2,278**	**2,106**

Residual value of lease contracts				
Payable next year	0	0	0	0
Payable later	0	0	2	2
Total	**0**	**0**	**2**	**2**

Koskisen Oy’s power plants sold to Lahti Energy are subject to a repurchase obligation after the end of the contract period 10/2032. The repurchase price is estimated at approximately EUR 15 million.
Asunto Oy Puumera’s share of Koskisen Oy’s loan on 31 December 2020 was EUR 165 thousand.

Liabilities related to the cash pooling arrangement
The Group uses a cash pooling arrangement, the owner of which is Koskisen Oy. Koskisen Oy’s non-current internal group receivable of MEUR 28.1 is a receivable based on the cash pooling arrangement from Koskitukki Oy, including a capital loan of EUR 8.6 million.
The Group receivables have been pledged as security for Koskisen Oy's loans.

The audit obligation of real estate investments in the financial statements

	2016	**2017**	**2018**	**2019**	**2,020**	**TOTAL**
Deducted VAT	28	36	16	7	8	95
Annual percentage of the deducted VAT	3	4	2	1	1	10
Remaining years included in the audit period·	5	6	7	8	9	
Amount of deduction subject to refund	**17**	**25**	**13**	**6**	**7**	**68**

Derivative contracts
In accordance with the principles of risk management, the Group 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.

The negative current value of interest and currency derivative contracts on the financial statements date is entered as an obligatory reserve. The electricity derivative contracts have been deemed to meet the preconditions for treatment as an off-balance sheet liability.

Derivative contracts valid on the financial statements date

	2020 current value EUR thousand	**2019** current value EUR thousand	**2020** nominal value EUR thousand	**2019** nominal value EUR thousand
Interest rate swaps				
Matures on 27 October 2025	-839	-784	10,000	10,000
Matures on 25 February 2020		-22		10,000
Matures on 7 March 2022	-287	-443	10,000	10,000
Matures on 25 February 2025	-617	-582	10,000	10,000
Matures on 1 July 2020		-911		10,000
Matures on 1 July 2025	-977		10,000	
Total interest rate swaps	**-2,720**	**-2,743**	**40,000**	**50,000**
Deferred tax assets	544	549		
Foreign currency forward contracts				
EUR-USD, end date on 29 March 2020		0		221
EUR-USD, end date on 31 March 2020		7		449
EUR-USD, end date on 30 June 2020		4		224
EUR-USD, end date on 31 March 2021	63		1,283	
EUR-USD, end date on 30 June 2021	**42**		1,057	
EUR-USD, end date on 30 September 2021	34		**845**	
EUR–USD: end date on 30 December 2021	18		422	
EUR–USD: end date on 31 March 2021	65		1,285	
EUR-USD, end date on 30 June 2021	56		1,110	
EUR–USD: end date on 30 September 2021	26		632	
EUR-USD, end date on 30 December 2021	10		212	
Total foreign currency forward contracts	**314**	11	**6,845**	**895**
Deferred tax assets	-63	-2		
Electricity forward contracts				
Matures in 2020		405		1,536
Matures in 2021	-343	101	1,650	1,351
Matures in 2022	-9	40	1,565	970
Matures in 2023	6		981	
Matures in 2024	15		410	
Total electricity forward contracts	**-331**	**546**	**4,607**	**3,858**

Timber reserve

The company has entered into binding agreements with forest owners related to the future acquisition of timber (timber reserve). Commitments at the time of the financial statements are approximately EUR 23.9 million, of which the parent company's share is EUR 23.9 million (31 December 2019: EUR 21.5 million, of which the parent company’s share is EUR 21.5 million).

Covenants

The Group’s financial institution loans include covenants. In accordance with the financial agreements, the lender can accelerate loans to fall due prematurely if the covenant terms are not met. The financial institution loans are presented on the balance sheet according to the payment schemes of financial agreements valid at the time of the financial statements. The covenant terms are reviewed on a quarterly basis during the financial period. The non-breached covenants have been approved by the financiers and the covenant levels for the years 2020–2022 were redefined at the same time.

Signatures of the financial statements and the annual report

in Helsinki on 31 March 2021

Kari Koskinen,
member of the
Board

Juha Vanhainen
chairman of the Board

Eva Wathen,
member of the
Board

Hanna Sievinen,
member of the
Board

Kalle
Reponen,
member of the
Board

Jukka Pahta, CEO

Auditor's note

Today, a report has been issued with regard to the performed audit.

Deloitte Oy

Audit firm

Hannu Mattila,
Authorised Public Accountant

KOSKITUKKI OY

A list of the accounting journals and receipt types as well as the storage methods

Balance sheet book	two separately
Share register ledgers	bound copies
Accounts ledgers	
- Accounts payable	Digital/Printed
- Accounts receivable	Digital/Printed
General ledger	Digital
Day book	Digital
Cash journal	Printed
Fixed assets accounting	Digital/Printed
Inventory accounting	
- Sawn timber inventory	Digital/Printed
accounting	Digital/Printed
- Planed timber inventory	Digital/Printed
accounting	Digital/Printed
- Plywood inventory	Digital/Printed
accounting	Digital/Printed
- Chipboard inventory	Digital/Printed
accounting	
- Birch product inventory	
accounting	
- Accessories store accounting	
- Coating store accounting	

Receipt types	
Financial account receipts	Printed
Adjusting journal entries	Digital/Printed
Memo vouchers	Digital/Printed
Payroll accounting	Digital
Withdrawals from the accessories	Digital
store	Digital
Arrivals in the accessories	Digital
store	Digital
Sales invoices	Printed
Purchase invoices	Printed
Payments in Accounts	Digital
receivable	Digital/Printed
Payments in accounts	Digital
payable	
Balance brought forward	
Depreciation	
Accrual	

Järvelä, 23 March 2021

Katja Lassila-Hyypiä

Accounts Manager

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AUDITOR'S REPORT (Unofficial translation of the Finnish Original)

To the Annual General Meeting of Koskitukki Oy

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Koskitukki Oy (business identity code 0148241-9) for the year ended 31 December, 2020. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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 Financial Statements* section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 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 cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities in the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Deloitte.

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 company 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.

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. 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 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. 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 and 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, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Tampere, March 31st, 2021

Deloitte Oy
Audit Firm

Hannu Mattila
APA