Koskisen Oyj

CONSOLIDATED FINANCIAL STATEMENTS

1 January – 31 December 2021 and

1 January – 31 December 2020

(Unofficial translation of Finnish original)

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Consolidated statement of comprehensive income

EUR thousand	Note	Jan 1 - Dec 31 2021	Jan 1 - Dec 31 2020
Revenue	2	**311,464**	**219,957**
Other operating income	4	912	938
Changes in inventories of finished goods and work in progress	15	-26	-2,494
Change in fair value of forest assets	12	91	-151
Materials and services	5	-165,115	-137,183
Employee benefit expenses	6	-44,443	-36,589
Depreciation, amortisation and impairments	7	-9,525	-9,107
Other operating expenses	8	-40,648	-33,139
Operating profit (loss)		**52,711**	**2,233**
Finance income	9	2,403	1,017
Finance costs	9	-7,170	-7,611
Finance costs, net		-4,767	-6,593
Profit (loss) before income tax		**47,944**	**-4,360**
Income tax expense	10	-9,398	381
Profit (loss) for the period		**38,546**	**-3,979**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Translation differences	17	-129	-243
Other comprehensive income for the period, net of tax		-129	-243
Total comprehensive income for the period		**38,417**	**-4,222**
Profit (loss) for the period attributable to:			
Owners of the parent		29,240	-3,278
Non-controlling interests		9,306	-701
Profit (loss) for the period		**38,546**	**-3,979**
Total comprehensive income for the period attributable to:			
Owners of the parent company		29,114	-3,525
Non-controlling interests		9,302	-696
Total comprehensive income		**38,417**	**-4,222**
Earnings per share for profit attributable to the ordinary equity holders of the parent company:			
Basic and diluted earnings per share, EUR[1)]	18	2.32	-0.26

[1)]The basic and diluted earnings per share for profit attributable to the ordinary equity holders of the parent company for periods presented have been adjusted retrospectively for the effects of the free share issues (splits) determined on 24 April 2022 and 31 October 2022. More information is presented in note 18. Earnings per share.

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

Consolidated balance sheet

EUR thousand	Note	Dec 31, 2021	Dec 31, 2020	Jan 1, 2020
ASSETS				
Non-current assets				
Property, plant and equipment	11	55,142	51,934	54,796
Forest assets	12	2,750	2,672	2,863
Right-of-use assets	13	27,814	30,025	27,031
Intangible assets	14	620	464	606
Financial assets at fair value through profit or loss	19	223	556	108
Other receivables	16	174	49	99
Deferred tax assets	10	61	4	-
Total non-current assets		**86,783**	**85,703**	**85,503**
Current assets				
Inventories	15	38,062	32,665	32,568
Trade receivables	19	29,544	19,750	19,887
Other receivables	16	5,418	5,281	4,501
Financial assets at fair value through profit or loss	19	9,958	-	11
Income tax receivables	10	3	496	235
Cash and cash equivalents	19	30,538	7,881	12,469
Total current assets		**113,523**	**66,073**	**69,671**
TOTAL ASSETS		**200,306**	**151,776**	**155,174**
EQUITY AND LIABILITIES				
Equity				
Share capital	17	1,512	1,512	1,512
Legal reserve	17	16	16	16
Cumulative translation difference	17	-374	-248	-
Retained earnings	17	5,246	8,524	9,561
Profit (loss) for the period	17	29,240	-3,278	-1,038
Total equity attributable to owners of the parent company		**35,641**	**6,527**	**10,052**
Non-controlling interests		23,179	13,877	14,573
Total equity		**58,820**	**20,404**	**24,625**
Liabilities				
Non-current liabilities				
Borrowings	19	40,831	44,361	44,626
Lease liabilities	13, 19	27,578	28,830	25,390
Derivative liabilities	19	1,765	2,720	2,743
Other long-term employee benefits	6	3,670	3,764	3,471
Other payables	21	-	754	-
Deferred tax liabilities	10	1,729	1,836	2,641
Provisions	20	120	138	156
Total non-current liabilities		**75,693**	**82,404**	**79,027**
Current liabilities				
Borrowings	19	4,000	4,000	6,000
Lease liabilities	13, 19	2,154	2,127	1,641
Advances received	19	631	623	575
Trade payables	19	28,792	24,210	25,454
Trade payables, payment system	19	6,604	4,675	4,455
Other payables	21	15,348	13,019	13,233
Income tax liabilities	10	8,264	315	164
Total current liabilities		**65,792**	**48,969**	**51,523**
Total liabilities		**141,486**	**131,373**	**130,550**
TOTAL EQUITY AND LIABILITIES		**200,306**	**151,776**	**155,174**

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

Consolidated statement of changes in equity

EUR thousand	Attributable to owners of the company							
	Share capital	**Revaluation reserve**	**Legal reserve**	**Cumulative translation difference**	**Retained earnings**	**Total equity attributable to owners of the parent company**	**Non-controlling interests**	**Total equity**
Equity at Jan 1, 2020 (FAS)	**1,512**	**1,045**	**16**	**-2,546**	**14,866**	**14,893**	**15,242**	**30,135**
Impact of adoption of IFRS*	-	-1,045	-	2,546	-6,342	**-4,841**	-669	**-5,510**
Equity at Jan 1, 2020 (IFRS)	**1,512**	**-**	**16**	**-**	**8,523**	**10,052**	**14,573**	**24,625**
Profit (loss) for the period	-	-	-	-	-3,278	-3,278	-701	**-3,979**
Other comprehensive income								
Cumulative translation difference	-	-	-	-248	-	-248	5	**-243**
Total comprehensive income	-	-	-	-248	-3,278	-3,525	-696	-4,222
Equity at Dec 31, 2020	**1,512**		**16**	**-248**	**5,246**	**6,526**	**13,877**	**20,403**

*Impact of the adoption if IFRS is described in note 25. First-time adoption of IFRS

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

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

Consolidated statement of cash flows

EUR thousand	Note	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Cash flow from operating activities			
Profit (loss) for the period		38,546	-3,979
Adjustments:			
Depreciation, amortisation and impairment	7	9,525	9,107
Change in the fair value of the forest assets	12	-91	151
Gains and losses from sale of non-current assets		-74	-30
Interest and other financial income and expense	9	4,767	6,593
Income taxes	10	9,398	-381
Change in other long-term employee benefits		-105	268
Other adjustments		10	332
Adjustments total		**23,430**	**16,039**
Changes in net working capital:			
Change in trade and other receivables	16, 19	-8,931	-1,563
Change in trade and other payables	19, 21	8,164	-169
Change in inventories	15	-5,375	-194
Utilised provision	20	-18	-18
Interest received		21	51
Interest paid		-4,837	-4,440
Other financial items received		210	134
Arrangement fees paid		-1,238	-1,165
Income taxes paid		-1,135	-536
Net cash flow from operating activities		**48,836**	**4,160**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible assets	11, 14	-9,733	-3,709
Proceeds from sale of non-current assets		101	119
Payments for financial assets at fair value through profit or loss	19	-10,000	-134
Proceeds from financial assets at fair value through profit or loss		10	-
Net cash from investing activities		**-19,622**	**-3,724**
Cash flow from financing activities			
Proceeds from borrowings	19	35,000	-
Repayment of borrowings	19	-39,000	-3,000
Repayments of lease liabilities	19	-2,291	-2,093
Net cash from financing activities		**-6,291**	**-5,093**
Net change in cash and cash equivalents		**22,923**	**-4,658**
Cash and cash equivalents at the beginning of the period		7,881	12,469
Effects of exchange rate changes on cash and cash equivalents		-265	69
Cash and cash equivalents at the end of period		**30,538**	**7,881**

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

Notes to the consolidated financial statements

1. General information and basis of preparation

General information of the Group

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

Koskisen Oyj is a Finnish public limited liability company, with a corporate identity number, 0148241-9, domiciled in Kärkölä, Finland. The registered address is Tehdastie 2, 16600 Järvelä, Finland.

The Board of Directors of Koskisen approved these consolidated financial statements for issue on 17 November 2022. A copy of the consolidated financial statements is available in the Internet at www.koskisen.com.

Basis of preparation

Koskisen's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union, and the IAS and IFRS standards as well as interpretations issued by the SIC and the IFRIC as at 31 December 2021. The notes to the consolidated financial statements also comply with the requirements under the Finnish accounting and company legislation complementary to the IFRS.

Koskisen publishes the first consolidated financial statements prepared under IFRS for the financial period ended 31 December 2021 with comparative information for the financial period ended 31 December 2020. Koskisen applies in these consolidated financial statements IFRS 1 *First-time adoption of International Financial Reporting Standards* with the date of transition 1 January 2020. Koskisen has previously applied the Finnish Accounting Standards (FAS). The impacts arising from first-time adoption of the IFRS standards are presented in reconciliations included in the note 25. First-time adoption of IFRS to the consolidated financial statements.

These consolidated financial statements for the financial period ending 31 December 2021 with comparative information for the financial period ending 31 December 2020 have been prepared solely for the purpose of inclusion in the offering circular prepared in connection with the listing of Koskisen Oyj shares in the main list of Nasdaq Helsinki Oy and cannot be used for any other purposes. These consolidated financial statements are not the company's statutory financial statements. These consolidated financial statements have not been approved by the company's Annual General Meeting.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The consolidated financial statements have been prepared primarily under the historical cost convention unless otherwise indicated. Financial assets at fair value through profit or loss, derivative liabilities and forest assets have been measured at fair value.

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

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

Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

Group companies

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

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

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

Impacts of the Covid-19 and the war in Ukraine

The Covid-19 pandemic has caused Koskisen to review the estimates and assumptions used in the preparation of the consolidated financial statements. Once the Covid-19 pandemic broke out, it negatively impacted especially the plywood order inflow in Panel industry. It also had an adverse impact on some raw material costs relevant particularly to the Panel industry segment. The Group initiated additional sales activities to rebuild the orderbook necessary for continued efficient production and took several steps in finding supplementary raw material sources and suppliers for secured availability and competitive pricing. The aftermath of the Covid-19 pandemic continued impacting positively the global sawn goods markets, which was reflected in the Sawn timber industry segment's operations and result during the reporting period. The possible further impact of the situation caused by the Covid-19 pandemic on the relevant factors in each estimate have been considered. The impact of the Covid-19 pandemic on estimates in the financial reporting rely on management's best judgement.

The Company was in a process of divesting the shares in Koskisilva OOO in Russia when the war in Ukraine broke out. As a consequence of the attack to Ukraine, several sanctions were put in place to restrict the possibilities for western companies to transact with certain Russian companies and individuals. These sanctions also ceased the ongoing divestment process at the time. The company managed to re-initiate the process during second quarter 2022 and the shares of Koskisilva OOO were sold to a Russian non-sanctioned party in June 2022. The transaction had no material impact on the Group financial result or position.

Key estimates and management judgement

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

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

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

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

2. Segment information and revenue

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

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

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

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

Revenue by segments

	Jan 1 - Dec 30, 2021			Jan 1 - Dec 30, 2020		
EUR thousand	**External**	**Internal**	**Total**	**External**	**Internal**	**Total**
Panel industry	123 281	3 290	126 571	99 781	2 273	102 053
Sawn timber industry	187 980	22 114	210 094	120 051	15 423	135 474
Segments total	**311 261**	**25 405**	**336 665**	**219 832**	**17 695**	**237 527**
Other	204	525	729	125	455	580
Elimination of internal sales	-	-25 930	-25 930	-	-18 150	-18 150
Total	**311 464**	**-**	**311 464**	**219 957**	**-**	**219 957**

Koskisen generates revenue mainly from the sale of goods, i.e. sawn timber and panel. Majority of the Koskisen's revenue is recognised at a point in time when customer obtains control of the goods based on the applicable delivery terms. The payment terms in Koskisen's customer contracts typically vary between 30 and 120 days, and the contracts do not include significant financing components. The contracts may include variable payments such as cash discounts or other discounts.

In 2021 and 2020 Koskisen had no external customers from which revenue recognised would have been over 10% of the Group's total revenue.

Revenue by geographical areas

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Finland	119 203	95 663
Japan	42 612	17 684
Germany	22 271	17 505
Poland	12 936	8 106
Other EU countries	67 321	48 757
Other countries	47 122	32 242
Total	**311 464**	**219 957**

EBITDA by segments

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Panel industry	14 063	8 752
Sawn timber industry	50 652	2630
Segments total	**64 715**	**11 382**
Other	-2 413	-33
Eliminations	-66	-10
Total	**62 236**	**11 340**

Reconciliation of EBITDA to operating profit (loss)

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
EBITDA	62,236	11,340
Depreciation, amortisation and impairments	-9,525	-9,107
Operating profit (loss)	**52,711**	**2,233**

Contract assets and liabilities

EUR thousand	Dec 31, 2021	Dec 31, 2020	Jan 1, 2020
Contract liabilities[1)]	471	480	432

[1)]Included in Advances received in the balance sheet

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

Non-current assets by geographical area

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Finland	81,876	81,212
EU countries	2,428	1,946
Other countries	2,416	2,541
Total	**86,720**	**85,699**

Accounting policy

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

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

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

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

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

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

3. Financial risk and capital management

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

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

Credit risk

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

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

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

Loss allowance

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

EUR thousand	Not due	Under 30 days	30-60 days	61-90 days	Over 90 days	Total
Dec 31, 2020						
Expected loss rate	0.1%	0.1%	0.2%	1.6%	100.0%	
Trade receivables, gross	18,551	943	221	47	207	19,969
Loss allowance	-10	-1	-1	-1	-207	-219
Trade receivables, net	**18,541**	**942**	**220**	**46**	**-**	**19,750**

EUR thousand	Not due	Under 30 days	30-60 days	61-90 days	Over 90 days	Total
Jan 1, 2020						
Expected loss rate	0.1%	0.1%	0.2%	1.6%	100.0%	
Trade receivables, gross	17,324	2,078	459	39	135	20,034
Loss allowance	-10	-1	-1	-1	-135	-148
Trade receivables, net	**17,314**	**2,076**	**458**	**38**	**-**	**19,887**

Loss allowance reconciliation

EUR thousand	2021	2020
Opening loss allowance at Jan 1	219	148
Increase in loss allowance recognised in the statement of comprehensive income during the year	41	123
Receivables written off during the year as uncollectible	-96	-9
Unused amount reversed	-123	-43
Closing loss allowance at Dec 31	**41**	**219**

Liquidity risk

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

Koskisen ensures sufficient liquidity at all times by efficient cash management and by maintaining sufficient available committed and uncommitted credit lines that are available until 2025. Refinancing risk is managed by having a sufficiently long loan portfolio. The Group's existing credit facilities include committed revolving credit facility totalling to EUR 10.0 million as at 31 December 2021 (31 December 2020: EUR 15.0 million, 1 January 2020: EUR 15.0 million).

At the end of 2021, the funding of Koskisen was guaranteed by existing committed credit facilities, cash and financial investments. The Group had cash and cash equivalents totalling EUR 30.5 million as at 31 December 2021 (31 December 2020: EUR 7.9 million, 1 January 2020: EUR 12.5 million).

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

Maturities of financial liabilities

EUR thousand	2022	2023	2024	2025	2026	2027-	Total contractual cash flows	Carrying amount
Dec 31, 2021								
Loans from financial institutions[1]	5,216	6,045	6,119	29,825	-	-	47,206	32,695
Capital loans[1]	-	-	-	14,241[2]	-	-	14,241	12,136
Lease liabilities	4,249	3,699	3,505	3,272	2,783	30,728	48,238	29,732
Derivative liabilities	750	500	350	100	-	-	1,700	1,765
Trade payables	28,792	-	-	-	-	-	28,792	28,792
Trade payables, payment system[3]	6,604	-	-	-	-	-	6,604	6,604
Total	**45,611**	**10,245**	**9,974**	**47,439**	**2,783**	**30,728**	**146,780**	**111,724**

EUR thousand	2021	2022	2023	2024	2025	2026-	Total contractual cash flows	Carrying amount
Dec 31, 2020								
Loans from financial institutions[1]	22,732	16,645	-	-	-	-	39,377	36,843
Capital loans[1]	-	-	-	-	14,241[2]	-	14,241	11,518
Lease liabilities	4,397	3,993	3,443	3,279	3,082	33,457	51,650	30,957
Derivative liabilities	650	700	500	350	100	-	2,300	2,720
Trade payables	24,210	-	-	-	-	-	24,210	24,210
Trade payables, payment system[3]	4,675	-	-	-	-	-	4,675	4,675
Total	**56,664**	**21,338**	**3,943**	**3,629**	**17,423**	**33,457**	**136,454**	**110,608**

EUR thousand	2020	2021	2022	2023	2024	2025-	Total contractual cash flows	Carrying amount
Jan 1, 2020								
Loans from financial institutions[1]	8,016	19,572	16,645	-	-	-	44,233	39,696
Capital loans[1]	-	-	-	-	-	14,241[2]	14,241	10,930
Lease liabilities	3,650	3,535	3,164	2,645	2,536	31,475	47,005	27,031
Derivative liabilities	600	600	500	400	300	100	2,500	2,743
Trade payables	25,454	-	-	-	-	-	25,454	25,454
Trade payables, payment system[3]	4,455	-	-	-	-	-	4,455	4,455
Total	**42,176**	**23,707**	**20,309**	**3,045**	**2,836**	**45,816**	**137,889**	**110,309**

1) Included in Borrowings in the balance sheet

2) The payment period for capital loans is based on the managements best estimate at the time of the balance sheet date as to when equity will be at a sufficient level to repay the loans.

3) Although the trade payables under the payment system are payable on demand, the company expects that the cash flows will realise evenly over the coming years, at the latest in 2025 for the payables on the balance sheet as at 31 December 2021 (31 December 2020: latest in 2023, 1 January 2020: latest in 2023).

Market risk

Commodity price risk

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

Foreign exchange risk

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

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

As shown in the table below, Koskisen is primarily exposed to changes in EUR/USD exchange rate. The sensitivity of profit or loss to changes in the exchange rates arises mainly from revenue, outstanding trade receivables in USD, and a bank account in USD which had a significantly high balance at the balance sheet date due to a significant increase in sales in USD during 2021 compared to 2020. Therefore, the company had significant open USD receivables position as at 31 December 2021, and the statement of comprehensive income was more sensitive to movements in EUR/USD exchange rate in 2021 than 2020. In addition, the significance of USD risk has increased during the financial year as the USD continues to strengthen against the euro. Koskisen's exposure to other foreign exchange movements is not material.

To mitigate the impact of changes in exchange rates on Koskisen's results, Koskisen hedges the foreign exchange exposure by entering into foreign exchange forward contracts. The Koskisen policy is to fix 100% of the USD denominated sales within the current quarter, 50% in the next quarter and 25% of the third quarter. The nominal amount of the outstanding USD foreign exchange forward contracts was EUR 9,435 thousand on 31 Dec 2021 (31 December 2020: EUR 6,845 thousand, 1 January 2020: EUR 895 thousand). The group's open USD position as well as the derivatives and the sensitivity analysis of the position are presented in the tables below. At the balance sheet date, the open USD position is higher than the average during the financial period.

	Dec 31, 2021	**Dec 31, 2020**	**Jan 1, 2020**
EUR thousand		**USD exposure**	
Trade receivables	3,567	838	859
Cash and cash equivalents	18,470	2,716	630
Trade payables	26	16	21
Foreign currency forwards (nominal value)	9,435	6,845	895
Foreign currency forwards (fair value)	-223	314	11

	Impact on post-tax profit	
EUR thousand	**2021**	**2020**
EUR strengthens against US dollar 10%	-3 056	-1 388
EUR weakens against US dollar 10%	3 056	1 388

In addition, at the end of reporting period Koskisen had a RUB forward contract related to the sales of OOO Koskisilva. The nominal amount of the outstanding forward contract was EUR 2,140 thousand and the fair value EUR 22 thousand as at 31 December 2021 (31 December 2020 and 1 January 2020: no RUB forward contracts). The forward contract matures on 30 April 2022.

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

Interest rate risk

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

Koskisen hedges its exposure to changes in interest rates with interest rate swaps. These hedges cover 91% (81%) of the open balance of variable rate loans from the change of the market rates. Their nominal amount is EUR 40.0 million during the periods presented. The interest rate swap agreements are valid 2022 – 2025, and accordingly effectively fix interest rates partly to predetermined level for the whole loan period.

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

	Impact on post-tax profit	
EUR thousand	**2021**	**2020**
Interest rates – increase by one percentage points*	-30	-70
Interest rates – decrease by one percentage points*	30	70

*Holding all other variables constant

Capital management

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

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

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

Due to approaching maturity date of the loans, Koskisen completed an overall refinancing of their loans from financial institutions in October 2021. The key terms of the modified loans were:

- Interest 6 months Euribor
- Margin which varies depending on financial performance
- Semi-annual prepayments
- Covenants: Leverage, Equity Ratio, Cash Flow Coverage, Investments
- Termination date of the loan agreement 30.4.2025

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

Koskisen's loans (old and new) contain covenants related to the company's leverage, equity ratio and cash flow coverage. The covenants are measured based on the accounts prepared in accordance with Finnish accounting standards, and they are reported to the financiers twice a year (old loans: quarterly). Koskisen did not comply with the covenants as the end of the 2020 financial period. All lenders agreed to waive any default arising from the covenant breaches prior to 2020 balance sheet date. The covenants were amended when the lenders waived their rights related to the covenant breaches.

The table below combines the covenants of the old loans (Jan 1, 2020 and Dec 31, 2020) and the covenants of the new loans (Dec 31, 2021). The covenants were met throughout the reporting periods.

	Dec 31, 2021		**Dec 31, 2020**		**Jan 1, 2020**	
	Actual	**Threshold**	**Actual**	**Threshold**	**Actual**	**Threshold**
Leverage	-0.13	3.5	3.68	4.7	2.06	3.5
Equity Ratio	43.3%	30.0%	28.7%	26.0%	30.6%	28%
Cash Flow Coverage	5.26	1.00	0.32	N/A	2.61	0.75

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

4. Other operating income

EUR thousand	**Jan 1 - Dec 31, 2021**	**Jan 1 - Dec 31, 2020**
Sale of emission allowances	231	144
Firewood sales to forest owners	217	-
Grants received	211	77
Lease income	108	154
Gains on disposal of property, plant and equipment	74	61
Insurance claims	19	299
Other	51	203
Total	**912**	**938**

Koskisen participates in the European Union emission trading scheme in which it has received free emission allowances for a defined period. Koskisen was not granted any units of CO^2 emission rights for the year 2021 (2020: 9,021 units were granted). The rights in excess of the Group’s needs have been transferred to the following financial period. In 2021 Koskisen returned emission rights 2,651 units (2020: 2,030 units were returned).

Koskisen’s CO^2 credits as at 31 December 2021 amounted to 4,813 units (31 December 2020: 12,464 units, 1 January 2020: 10,473 units) and their market value was approximately EUR 390 thousand (31 December 2020: EUR 385 thousand, 1 January 2020: EUR 355 thousand). Koskisen sold emission rights in 2021 amounting to EUR 231 thousand (2020: EUR 144 thousand). No rights have been purchased (2020: no purchases).

Accounting policy

Emission rights

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

Government grants

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

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

5. Materials and services

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

EUR thousand	**Jan 1 - Dec 31, 2021**	**Jan 1 - Dec 31, 2020**
Purchases of materials and supplies	130,538	106,079

Change in inventories	-5,357	-2,590
External services	39,934	33,694
Total	**165,115**	**137,183**

6. Employee benefit expenses

Koskisen had total of 909 employees at the end of 2021 of which 776 employees were located in Finland, 72 in Poland and 52 in Russia. In addition, there are some 20 employees working in sales in different countries around the world. Koskisen's employee benefit expenses are presented in the table below. The remuneration of the members of the Executive Board team, CEO and the members of the Board of Directors is presented in the note 23. Related parties.

EUR thousand	**Jan 1 - Dec 31, 2021**	**Jan 1 - Dec 31, 2020**
Wages and salaries	36,637	30,095
Pension costs - defined contribution plans	5,950	4,597
Social security costs	1,754	1,464
Other long-term benefits - service allowance	102	432
Total	**44,443**	**36,589**

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

Average number of employees

	Jan 1 - Dec 31, 2021	**Jan 1 - Dec 31, 2020**
Salaried employees	230	220
Workers	679	672
Average number of employees during the period	**909**	**892**

Accounting policy

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

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

Annual service allowance

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

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

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

7. Depreciation, amortisation and impairments

Depreciation and amortisation by asset group

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Property, plant and equipment		
Land and water areas	-	-
Buildings and structures	1,265	1,346
Machinery and equipment	4,518	4,121
Other property, plant and equipment	250	246
Total	**6 033**	**5 713**
Right-of-use assets		
Power plant	1,844	1,781
Machinery and equipment	1,329	1,141
Land and water areas	49	46
Buildings	56	56
Total	**3,278**	**3,025**
Intangible assets		
Software	213	369
Total	**213**	**369**
Depreciation and amortisation total	**9,525**	**9,107**

Accounting policy

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

8. Other operating expenses

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

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Sales freight and forwarding	27,210	21,178
Maintenance of property	2,970	2,882
IT expenses	2,566	2,314
Administrative expenses	1,414	1,273
Consulting and administrative services	1,229	644
Personnel related expenses	1,125	863
Sales commissions	989	517
Lease expenses	632	936
Other expenses	2,513	2,533
Total	**40,648**	**33,139**

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

Auditor remuneration

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Statutory audit	93	87
Tax advisory services	10	32
Other services	23	-
Total	**126**	**119**

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

Accounting policy

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

9. Finance income and costs

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Interest income and other finance income		
Foreign exchange gains	1,216	519
Gains on interest rate derivatives	1,164	133
Interest income	21	51
Gains on foreign currency derivatives	-	314
Other finance income	1	1
Total	**2,403**	**1,017**
Finance costs		
Interest expenses from borrowings	-2,913	-3,073
Interest expenses from lease liabilities	-2,301	-2,246
Losses on foreign currency derivatives	-514	-11
Losses on interest rate derivatives	-784	-722
Foreign exchange losses	-509	-1,112
Other finance expenses	-149	-446
Total	**-7,170**	**-7,611**
Finance income and costs total	**-4,767**	**-6,593**

Other finance expenses in 2020 include commitment fees for undrawn revolving credit facility EUR 221 thousand, employee benefit interest EUR 25 thousand and other expenses EUR 99 thousand.

10. Income tax

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

Income tax expense

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Current tax on result for the period	-9,728	-220
Adjustments for current tax of prior periods	151	-206
Total current income tax expense	**-9,577**	**-427**
Change in deferred tax assets	-167	628
Change in deferred tax liabilities	346	181
Total deferred tax expense	**178**	**808**
Income tax expense	**-9,398**	**381**

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

Reconciliation of the effective tax rate

EUR thousand	**Jan 1 - Dec 31, 2021**	**Jan 1 - Dec 31, 2020**
Profit (loss) before taxes	47,944	-4,360
Tax calculated at Finnish tax rate 20 %	-9,589	872
Effect of other tax rates for foreign subsidiaries	26	4
Effect of the expenses not deductible for tax purposes	-45	-252
Effect of the non-taxable income	8	11
Effect of utilisation of previously unrecognised deferred tax assets from tax losses	50	
Effect of unrecognised deferred tax assets from tax losses	-	-47
Adjustment in respect to prior years	151	-206
Income tax expense	**-9,398**	**381**

Deferred tax assets and liabilities

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

EUR thousand	At Jan 1	Recognised in profit or loss	Translation differences	At Dec 31
2020				
Deferred tax assets				
Borrowings	788	118	-	906
Other long-term employee benefits	694	59	-	753
Derivatives	546	-2	-	544
Tax losses	94	229	-	323
Leases	-	186	-	186
Provisions	29	14	-	44
Credit loss provision	31	-4	-	28
Other items	131	28	-	159

Total	**2,315**	**628**	**-**	**2,943**
Netting of deferred taxes	-2,315			-2,939
Total	**-**			**4**
Deferred tax liabilities				
Accumulated depreciation differences	4,514	-136	-	4,378
Intangible assets	180	-30	-	150
Derivatives	-	63	-	63
Borrowings	80	-39	-	41
Other items	181	-38	-	143
Total	**4,955**	**-181**	**-**	**4,774**
Netting of deferred taxes	-2,315			-2,939
Total	**2,640**			**1,836**
Deferred tax liabilities, net	**2,640**			**1,832**

Koskisen had EUR 1,614 thousand of tax losses carried forward for which EUR 323 thousand deferred tax assets were recognised as at 31 December 2020 (1 January 2020: EUR 470 thousand and EUR 94 thousand respectively). No deferred tax assets were recognised for tax losses carried forward as at 31 December 2021.

Koskisen had EUR 8,480 thousand (31 December 2020: EUR 8,617 thousand, 1 January 2020: EUR 10,883 thousand) of tax losses carried forward for which no deferred tax assets are recognised of which EUR 8,451 thousand (31 December 2020: EUR 8,587 thousand, 1 January 2020: EUR 10,684 thousand) related to Koskisen's operation in Russia. The tax losses will expire in 5 -10 years. In Russia there is no expiration for the tax losses, however, the Group expects not to utilise these losses.

Accounting policy

Income tax

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

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

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

Deferred tax

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

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

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

11. Property, plant and equipment

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

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
2020						
Cost at Jan 1	2,659	66,413	88,715	6,377	1,066	165,229
Additions	38	56	3,035	43	307	3,479
Disposals	-	-263	-19	-1	-	-282
Reclassifications	-	9	1,012	19	-1,039	0
Translation differences	-21	-1,365	-850	-317	-3	-2,556
Cost at Dec 31	**2,676**	**64,850**	**91,894**	**6,120**	**331**	**165,871**
Accumulated depreciation and impairment at Jan 1	-	-42,570	-63,176	-4,688	-	-110,433
Depreciation	-	-1,346	-4,121	-246	-	-5,713
Disposals	-	599	7	-6	-	600
Translation differences	-	771	664	175	-	1,609
Accumulated depreciation and impairment at Dec 31	**-**	**-42,546**	**-66,626**	**-4,765**	**-**	**-113,937**
Carrying value at Jan 1	**2,659**	**23,842**	**25,540**	**1,689**	**1,066**	**54,796**
Carrying value at Dec 31	**2,676**	**22,303**	**25,268**	**1,355**	**331**	**51,934**

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

Increase in machinery and equipment in 2021 relates mainly to veneer dryer modernisation (EUR 552 thousand) and 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 relates to the acquisition of neighbouring property for warehouse purposes in the new sawmill site. Additions to advanced payments and construction in progress include EUR 5.8 million related to the building of the new sawmill. In 2020, on-site integrated planing line comprises EUR 2.1 million of the total additions to the machinery and equipment.

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

Accounting policy

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

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

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

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

Impairment

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

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

12. Forest assets

Koskisen owns 813 hectares of forests land in Southern Finland at the end of the reporting period. The value of the forest assets, i.e. standing trees, is EUR 2.8 million as at 31 December 2021 (31 December 2020: EUR 2.7 million, 1 January 2020: EUR 2.9 million). The change in the fair value of forest assets is caused by forest growth exceeding the harvested volume in 2021 (2020: harvesting exceeded the growth).

Forest assets

EUR thousand	**2021**	**2020**
Carrying value, at Jan 1	**2,672**	**2,863**
Gain (loss) arising from changes in fair value	91	-151
Decreases due to sales	-12	-40
Carrying value, at Dec 31	**2,750**	**2,672**

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

Accounting policy

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

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

Key estimates and judgements

Valuation of forest assets

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

13. Leases

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

In addition, Koskisen has entered into an agreement for heat energy supply which includes a lease contract for power plants. Koskisen has right to receive substantially all the economic benefits from the use of the power plants. The agreement includes an option based on which at the end of the 15 years agreement period, or in case of a breaching event, Koskisen has the right and obligation, if the other party requires, to redeem the power plants for itself or for a third party.

Koskisen has also an agreement for sawn timber manufacturing which includes a lease for the sawmill. The contract is valid until further notice. All payments for the agreement are variable, and therefore not included in the measurement of the lease liability but are recognised as cost in the statement of comprehensive income as incurred.

The balance sheet shows the following amounts relating to leases:

EUR thousand	**Dec 31, 2021**	**Dec 31, 2020**	**Jan 1, 2020**
Right-of-use assets			
Power plants	24,594	26,438	23,507
Machinery and equipment	2,674	2,939	2,822
Land and water areas	348	394	393
Buildings	197	253	309
Total	**27,814**	**30,025**	**27,031**
Lease liabilities			
Non-current	27,578	28,830	25,390
Current	2,154	2,127	1,641
Total	**29,732**	**30,957**	**27,031**

Additions to the right-of-use assets during the financial year were EUR 1,066 thousand (2020: EUR 6,019 thousand).

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

EUR thousand	**Jan 1 - Dec 31, 2021**	**Jan 1 - Dec 31, 2020**
Depreciation charge of right-of-use assets		
Power plants	1,844	1,781
Machinery and equipment	1,329	1,141
Land and water areas	49	46
Buildings	56	56
Total	**3,278**	**3,025**

Interest expense	2,301	2,246
Expense relating to short-term leases[1)]	46	193
Expense relating to leases of low value assets that are not short-term leases[1)]	364	248
Expenses relating to variable lease payments not included in lease liabilities[1)]	2,529	2,728

[1)]Included in other operating expenses

The total cash flow for leases in the financial year was EUR 7,531 thousand (2020: EUR 7,508 thousand).

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

Accounting policy

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

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

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

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

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

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

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

Key estimates and judgements

Embedded leases

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

Lease term determination

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

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

If the lease term is not stated clearly in the contract, or will continue in perpetuity until further notice, management assesses the enforceable period of the lease based on the contractual terms and reasonable certainty. In case there are no significant penalties involved in contracts where the lease term in not stated clearly or continues until further notice, the Group determines the lease term on a lease-by-lease basis reflecting the Group's need for the underlying asset and its strategic planning period of 5 years.

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

Incremental borrowing rate determination

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

14. Intangible assets

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

EUR thousand	**Software**	**Advance payments and work in progress**	**Total**
2020			
Cost at Jan 1	2,722	28	2,750
Additions	42	185	227
Reclassifications	28	-28	-
Translation differences	-1	-	-1
Cost at Dec 31	**2,791**	**185**	**2,976**
Accumulated amortisation and impairment at Jan 1	-2,144	-	-2,144
Amortisation	-369	-	-369
Translation differences	1	-	1
Accumulated amortisation and impairment at Dec 31	**-2,512**	**-**	**-2,512**
Carrying value at Jan 1	**578**	**28**	**606**
Carrying value at Dec 31	**279**	**185**	**464**

Accounting policy

Software related costs

Software costs are recognised as an asset if Koskisen has control over the underlying asset, at historical cost less accumulated amortisation and impairment losses. Amortisations are calculated on a straight-line method over the useful economic lives of the assets which is 5 years.

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

The impairment is presented in note 11. Property, plant and equipment.

15. Inventories

EUR thousand	Dec 31, 2021	Dec 31, 2020	Jan 1, 2020
Raw materials	23,000	17,575	14,984
Work in progress	3,342	4,535	5,474
Finished goods	11,720	10,555	12,110
Total	**38,062**	**32,665**	**32,568**

Write-downs of slow-moving inventories to net realisable value amounted to EUR 12 thousand in 2021 (2020: EUR 23 thousand). These were recognised as an expense during the financial year and included in changes in inventories of finished goods and work in progress in the statement of comprehensive income. The Group reversed EUR 23 thousand of a previous inventory write-down in 2021, based on the Group's assessment of the net realisable values (2020: no reversals). The amount reversed has been included in changes in inventories of finished goods and work in progress in the statement of comprehensive income.

Accounting policy

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

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

16. Other receivables

EUR thousand	Dec 31, 2021	Dec 31, 2020	Jan 1, 2020
Non-current assets			
Other receivables	1	0	2
Accruals of financial expenses	172	48	97
Total	**174**	**49**	**99**
Current assets			
Advances of purchases of logs	2,277	1,955	1,188
VAT receivables	1,368	1,087	1,741
Other receivables	787	588	434
Other accrued income on expenses	986	1,652	1,138
Total	**5,418**	**5,281**	**4,501**
Other receivables total	**5,592**	**5,330**	**4,600**

17. Equity

Share capital

Koskisen Oyj has one series of shares and all shares are equally entitled to dividends. One share caries one vote at the general meeting. Koskisen Oyj's share capital was EUR 1,512,000 as at 31 December 2021 (31 December 2020 and 1 January 2020: EUR 1,512,000), and the number of shares was 630 as at 31 December 2021 (31 December 2020 and 1 January 2020: 630). The company does not hold its own shares.

Legal reserve

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

Translation differences

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

18. Earnings per share

	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
Earnings per share		
Profit (loss) for the period attributable to the owners of the parent company (EUR)	29,240,253	-3,277,577
Weighted average number of shares outstanding during the period	12,600,000	12,600,000
Basic and diluted earnings per share (EUR)	**2.32**	**-0.26**

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

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

Koskisen carried out a free share issue (split) approved by the extraordinary general meeting on 31 October 2022. The shares were entered in the share register on 11 November 2022. The shareholders were issued 1 share for each old share. The total number of shares increased retrospectively to 12,600,000 shares.

Accounting policy

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

19. Financial assets and liabilities

Financial assets and liabilities by category

EUR thousand	Fair value hierarchy level	Dec 31, 2021	Dec 31, 2020	Jan 1, 2020
Financial assets measured at amortised cost				
Trade receivables	-	29,544	19,750	19,887
Cash and cash equivalents	-	30,538	7,881	12,469
Total financial assets measured at amortised cost		**60,081**	**27,631**	**32,356**
Financial assets measured at fair value through profit or loss				
Money market funds	1	9,958	-	-

Derivatives	2	-	314	11
Other assets measured at fair value through profit or loss	3	223	243	108
Total financial assets measured at fair value through profit or loss		**10,181**	**556**	**119**
Financial liabilities measured at amortised cost				
Loans from financial institutions[1)]	2	32,695	36,843	39,696
Capital loans[1)]	3	12,136	11,518	10,930
Lease liabilities	-	29,732	30,957	27,031
Trade payables	-	28,792	24,210	25,454
Trade payables, payment system	-	6,604	4,675	4,455
Total financial liabilities measured at amortised cost		**109,959**	**108,203**	**107,566**
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	2	1,765	2,720	2,743
Total financial liabilities measured at fair value through profit or loss		**1,765**	**2,720**	**2,743**

[1)]Included in Borrowings in the balance sheet

Main terms and conditions of the capital loans

Capital loan can be repaid and interest paid only to the extent that the total amount of all capital loans in the company's unrestricted equity at the time of the payment exceeds the company's loss confirmed for the previous financial year. Capital and interest can only be repaid in the event of the company's liquidation or bankruptcy with a lower priority than all other ordinary debts. The company's financing agreement limits the payment of interest and capital.

As at 31 December 2021 Koskisen had capital loans of EUR 12.1 million (including cumulative unpaid interest) from the shareholders of the company from which certain shareholders having significant influence over the company (31 December 2020: EUR 11.5 million, 1 January 2020: EUR 10.9 million). The loan carries an annual interest of 7%. The company expects to repay the entire capital and cumulative interest in one instalment in the end of 2025 within the limits permitted by the Finnish Limited Liability Companies Act.

Reconciliation of financial liabilities

EUR thousand	**Borrowings**	**Lease liabilities**	**Total**
Jan 1, 2020	50,626	27,031	**77,657**
Cash flows from financing			
Repayments	-3,000	-2,093	-5,093
Other changes			
New leases	-	6,019	6,019
Interest paid[1)] and interest expense	735	-	735
Dec 31, 2020	**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**

[1)]Included in the Net cash flow from operating activities

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

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate as determined on the measurement date. Fair values of loans from financial institutions are classified in level 2 in the fair value hierarchy. The fair value of the loans from the financial institutions as at 31 December 2021 is EUR 33.0 million (31 December 2020: EUR 37.0 million, 1 January 2020: EUR 40.0 million). Fair values of capital loans are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, which are, own credit risk and estimated repayment and interest payment dates. If the credit spread on the measurement dates would be higher than estimated by the management, the fair values of the capital loans would be lower and vice versa.

The hierarchy levels are as follows:

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

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

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

Accounting policy

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

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

Money market funds

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

Derivatives

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

Trade receivables

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

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

Cash and cash equivalents

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

Impairment of financial assets

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

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

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

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

Borrowings

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

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

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

Trade payables

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

Trade payables, payment system

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

20. Provisions

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

EUR thousand	Environmental provisions	Total
2020		
At Jan 1	156	156
Used during the year	-18	-18
At Dec 31	**138**	**138**
Non-current	138	138
Total	**138**	**138**

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

Accounting policy

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

Key estimates and judgements

Estimation of the amount and timing of the provision

Estimate of the financial impact of a past event required judgement from the management. Koskisen's management has estimated that the ground water cleaning will continue for another 3 – 4 years. The expected costs have been estimated based on the historical costs and knowledge on similar events. The provision amounts are reviewed regularly and adjusted as necessary to reflect the best estimate at the end of the reporting period. Actual expenses may differ from the estimates.

21. Other payables

EUR thousand	Dec 31, 2021	Dec 31, 2020	Jan 1, 2020
Non-current liabilities			
VAT liabilities	-	749	-
Other	-	5	-
Total	**-**	**754**	**-**
Current liabilities			
Accrued employee expenses	10,031	6,412	7,471
Payroll tax liabilities	1,914	2,341	1,617
Subcontractor accruals	1,570	935	1,470
VAT liabilities	398	1,458	1,215
Interest liabilities	536	649	632

Other liabilities	472	303	121
Other accrued liabilities	428	920	708
Total	**15,348**	**13,019**	**13,233**
Other payables total	**15,348**	**13,773**	**13,233**

22. Group structure

Subsidiaries belonging to the Group as at 31 December 2021 are presented in the following table:

Subsidiary	Country of incorporation	Group ownership Dec 31, 2021 (%)	Group ownership Dec 31, 2020 (%)	Group ownership Jan 1, 2020 (%)
OOO Koskiles	Russia	100%	100%	100%
OOO Koskisilva	Russia	100%	100%	100%
Koskisen Oy	Finland	75.2%	75.2%	75.2%
Kosava-Kiinteistöt Oy	Finland	75.2%	75.2%	75.2%
Koskisen Sp z.o.o	Poland	75.2%	75.2%	75.2%

Set out below is summarised financial information for subsidiary Koskisen Oy that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

EUR thousand	Dec 31, 2021	Dec 31, 2020	Jan 1, 2020
Non-current assets	94 2210	93 216	89 813
Current assets	114 449	69 670	76 827
Non-current liabilities	64 451	70 207	67 451
Current liabilities	49 329	34 397	38 088

EUR thousand	1.1.–31.12.2021	1.1.–31.12.2020
Profit (loss) for the period	37 568	-2 831

Koskisen Oy was merged to its parent company Koskitukki Oy on 31 May 2022. The merged company name was changed to Koskisen Oy. On 31 October 2022 Koskisen's extraordinary general meeting decided to change the company into a public limited liability company, Koskisen Oyj.

Accounting policy

Subsidiaries are companies over which the Group has control. The Group controls a company where the Group is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its power to direct the activities of the company. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Transactions between the Group companies, including internal receivables and liabilities, income and expenses and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

23. Related party transactions

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

Compensation and remuneration to the members of the management team and Board of Directors

EUR thousand	Jan 1 - Dec 31, 2021	Jan 1 - Dec 31, 2020
CEO		
Wages and salaries and other short-term employee benefits	328	331

Pension costs – defined contribution plans	28	29
Total	**356**	**360**
Management team		
Wages and salaries and other short-term employee benefits	767	769
Pension costs – defined contribution plans	59	65
Total	**826**	**834**
Board of Directors		
Wages and salaries and other short-term employee benefits	138	109
Pension costs – defined contribution plans	4	0
Total	**142**	**109**
Total remuneration of the management and board of directors	**1,324**	**1,303**

The CEO has a possibility to have a profit-related bonus amounting to a maximum of 48 % of their annual basic salary. The amount of the profit-related bonus depends on the annual targets. The CEO's term of notice is 6 months, and the severance pay equals 6 months' salary. Pension obligations of the CEO and the Board Members are determined according to the employees' pensions act. Other special conditions concerning the retirement or the amount of retirement allowance have not been agreed on. The statutory pension cost in the financial year 2021 was EUR 114 thousand (2020: EUR 104 thousand). Remunerations paid to the Board of Directors do not include the statutory retirement obligation.

Shareholding of the key management personnel

	2021	**2020**
EUR thousand	**Board of Directors***	**Board of Directors***
Common shares (pcs)	229	304
Shareholding, %	36%	48%
Total number of shares outstanding (pcs)	**630**	**630**

*Two members of the Board of Directors are owners of the company

On December 31, 2021, the members of the Board of Directors held altogether 229 shares. The figures include the holdings of their own, minor children and control entities. Group's CEO and the Group's Executive Board do not hold company shares. During the financial year no loans have been granted to the Group's management. No pledges have been given or other commitments made on behalf of the company's management and shareholders.

Related party transactions

	2021	**2020**
EUR thousand	**Shareholders with significant influence***	**Shareholders with significant influence***
Wages, salaries and pension costs	-533	-599
Lease income	2	1
Income from sale of property, plant and equipment	-	84
Interest expense	-318	-318
Total	**-849**	**-832**

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

Balances with related parties

EUR thousand	**Dec 31, 2021**	**Dec 31, 2020**	**Jan 1, 2020**
Shareholders with significant influence			

Capital loan[1)]	4,536	4,536	4,536
Accrued interest of capital loan[1)]	3,429	3,111	2,793

[1)]Included in Borrowings in the balance sheet

Shareholders of the Group have provided in total of EUR 12.1 million capital loans (including accumulated unpaid interest) as at 31 December 2021 to the Group which are included in the Borrowing in the balance sheet (31 December 2020: EUR 11.5 million, 1 January 2020: EUR10.9 million). Unpaid interest has been accrued to the consolidated balance sheet using effective interest rate method.

24. Contingent liabilities and commitments

EUR thousand	**Dec 31, 2021**	**Dec 31, 2020**	**Jan 1, 2020**
Liabilities for which collaterals have been given			
Loans from financial institutions	33,000	37,000	40,000
Account and guarantee limits in use at the balance sheet date			
Account limit	-	13	-
Guarantee limit	138	713	705
Real estate mortgages	1,689,600	1,689,600	1,689,600
Company mortgages	181,551	181,551	181,551
Guarantees			
Advance payment, delivery, etc. guarantees	138	713	705

Koskisen Oyj (previously Koskitukki Oy) has given a general guarantee payable at demand for all its subsidiary’s, Koskisen Oy, loans and commitments to financial institutions.

Koskisen has committed to a total of 35.3 million euros investments among others in the Järvelä new sawmill.

Legal disputes

As at 31 December 2021 there were no significant on-going legal disputes (31 December 2020 and 1 January 2020: no legal disputes).

Accounting policy

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

25. First-time adoption of IFRS

Koskisen publishes the first consolidated financial statements prepared under IFRS for the financial period ended 31 December 2021 with comparative information for the financial period ended 31 December 2020. Koskisen applies in these consolidated financial statements IFRS 1 First-time Adoption of International Financial Reporting Standards with the date of transition 1 January 2020. Koskisen has previously applied Finnish Accounting Standards (FAS).

The tables below set forth the impacts of the adoption of the IFRS on the consolidated statement of comprehensive income for the financial years ended 31 December 2020 and 31 December 2021, and the consolidated balance sheet as at 1 January 2020, 31 December 2020 and 31 December 2021 prepared in accordance with the Finnish Accounting Standards (FAS).

Consolidated statement of comprehensive income Jan 1 – Dec 31, 2020

EUR thousand	FAS	Reclassifications 1d)	Leases 2a), 2b), 6)	Financial instruments 3a), 3b), 3c), 3d), 6)	Forest assets 4), 6)	Other adjustments 5a), 5b), 5c), 5d), 6)	IFRS adjustments total	IFRS
Revenue	**219,957**	**-**	**-**	**-**	**-**	**-**	-	**219,957**
Other operating income	938	-	-	-	-	-	-	938
Changes in inventories of finished goods and work in progress	-2,303	-	-	-	-	-191	-191	-2,494
Change in fair value of forest assets	-	-	-	-	-151	-	-151	-151
Materials and services	-137,183	-	-	-	-	-	-	-137,183
Employee benefit expenses	-36,320	-	-	-	-	-268	-268	-36,589
Depreciation, amortisation and impairments	-6,201	-	-3,025	-	-	119	-2,906	-9,107
Other operating expenses	-37,170	-	4,339	-72	-	-235	4,032	-33,139
Operating profit (loss)	**1,717**	**-**	**1,314**	**-72**	**-151**	**-575**	**516**	**2,233**
Finance income	704	-	-	314	-	-	314	1,017
Finance costs	-4,552	-	-2,246	-783	-	-29	-3,058	-7,611
Finance costs, net	-3,849	-	-2,246	-469	-	-29	-2,745	-6,593
Profit (loss) before income tax	**-2,131**	**-**	**-932**	**-541**	**-151**	**-605**	**-2,229**	**-4,360**
Income tax expense	-293	-	186	108	30	350	675	381
Non-controlling interest	455	-455	-	-	-	-	-455	-
Profit (loss) for the period	**-1,970**	**-455**	**-746**	**-433**	**-121**	**-255**	**-2,009**	**-3,979**

Other comprehensive income

Items that may be reclassified to profit or loss								
Translation differences	453	-	-	-	-	-696	-696	-243
Other comprehensive income for the period, net of tax	453	-	**-**	**-**	-	**-696**	**-696**	-243
Total comprehensive income for the period	**-1,517**	**-455**	**-746**	**-433**	**-121**	**-951**	**-2,705**	**-4,222**
Profit (loss) for the period attributable to:								
Owners of the parent	-1,970	-	-563	-442	-96	-206	-1,308	-3,278
Non-controlling interests	-	-455	-182	9	-25	-49	-701	-701
Profit (loss) for the period	**-1,970**	**-455**	**-746**	**-433**	**-121**	**-255**	**-2,009**	**-3,979**
Total comprehensive income for the period attributable to:								
Owners of the parent company	-1,522	-	-563	-442	-96	-902	-2,004	-3,526
Non-controlling interests	5	-455	-182	9	-25	-49	-701	-696
Total comprehensive income	**-1,517**	**-455**	**-746**	**-433**	**-121**	**-951**	**-2,705**	**-4,222**

Consolidated statement of comprehensive income Jan 1 – Dec 31, 2021

EUR thousand	**FAS**	**Reclassifications** 1d)	**Leases** 2a), 2b), 6)	**Financial instruments** 3a), 3b), 3c), 3d), 6)	**Forest assets** 4), 6)	**Other adjustments** 5a), 5b), 5c), 5d)	**IFRS adjustments total**	**IFRS**
Revenue	**311,464**	**-**	**-**	-	**-**	**-**	-	**311,464**
Other operating income	912	-	-	-	-	-	-	912
Changes in inventories of finished goods and work in progress	123	-	-	-	-	-149	-149	-26
Change in fair value of forest assets	-	-	-	-	91	-	91	91
Materials and services	-165,115	-	-	-	-	-	-	-165,115
Employee benefit expenses	-44,548	-	-	-	-	105	105	-44,443
Depreciation, amortisation and impairments	-6,436	-	-3,278	-	-	189	-3,088	-9,525
Other operating expenses	-45,178	-	4,591	178	-	-239	4,530	-40,648
Operating profit (loss)	**51,222**	**-**	**1,314**	**178**	**91**	**-94**	**1,489**	**52,711**
Finance income	2,403	-	-	-	-	-	-	2,403
Finance costs	-4,195	-	-2,301	-660	-	-14	-2,975	-7,170
Finance costs, net	-1,792	-	-2,301	-660	-	-14	-2,975	-4,767
Profit (loss) before income tax	**49,430**	**-**	**-987**	**-482**	**91**	**-108**	**-1,486**	**47,944**

Income tax expense	-9,373	-	197	96	-18	-301	-26	-9,398
Non-controlling interest	-9,535	9,535	-	-	-	-	9,535	-
Profit (loss) for the period	**30,523**	**9,535**	**-789**	**-386**	**73**	**-409**	**8,023**	**38,546**
Other comprehensive income								
Items that may be reclassified to profit or loss								
Translation differences	-55	-	-	-	-	-74	-74	-129
Other comprehensive income for the period, net of tax	-55	-	**-**	**-**	-	**-74**	**-74**	**-129**
Total comprehensive income for the period	**30,467**	**9,535**	**-789**	**-386**	**73**	**-483**	**7,927**	**38,417**
Profit (loss) for the period attributable to:								
Owners of the parent	30,523	-	-595	-413	57	-332	-1,282	29,240
Non-controlling interests	-	9,535	-194	27	15	-78	9,306	9,306
Profit (loss) for the period	**30,523**	**9,535**	**-789**	**-386**	**73**	**-409**	**8,023**	**38,546**
Total comprehensive income for the period attributable to:								
Owners of the parent company	30,471	-	-595	-413	57	-406	-1,357	29,114
Non-controlling interests	-3	9,535	-194	27	15	-78	9,306	9,302
Total comprehensive income	**30,467**	**9,535**	**-789**	**-386**	**73**	**-483**	**7,949**	**38,417**

Consolidated balance sheet as at Jan 1, 2020

EUR thousand	**FAS**	**Reclassifications** 1a), 1b), 1c), 1e)	**Leases** 2a), 2b)	**Financial instruments** 3a), 3b), 3d), 6)	**Forest assets** 4), 6)	**Other adjustments** 5a), 5b), 5c), 5d), 5e), 6)	**IFRS adjustments total**	**IFRS**
ASSETS								
Non-current assets								
Property, plant and equipment	58,186	-28	-	-	-3,672	309	-3,390	54,796
Forest assets	-	-	-	-	2,863	-	2,863	2,863
Right-of-use assets	-	-	27,031	-	-	-	27,031	27,031
Intangible assets	848	28	-	-	-	-270	-242	606
Financial assets at fair value through profit or loss	108	-	-	-	-	-	-	108
Other receivables	2	-	-	97	-	-	97	99
Deferred tax assets	546	-	-	818	-	-1,364	-546	-
Total non-current assets	**59,691**	**-**	**27,031**	**915**	**-809**	**-1,325**	**25,812**	**85,503**

Current assets								
Inventories	31,662	-	-	-	-	906	906	32,568
Trade receivables	20,034	-	-	-147	-	-	-147	19,887
Other receivables	4,736	-235	-	-	-	-	-235	4,501
Financial assets at fair value through profit or loss	-	11	-	-	-	-	11	11
Income tax receivables	-	235	-	-	-	-	235	235
Cash and cash equivalents	12,469	-	-	-	-	-	-	12,469
Total current assets	**68,901**	**11**	**-**	**-147**	**-**	**906**	**770**	**69,671**
TOTAL ASSETS	**128,593**	**11**	**27,031**	**767**	**-809**	**-419**	**26,582**	**155,174**
EQUITY AND LIABILITIES								
Equity								
Share capital	1,512	-	-	-	-	-	-	1,512
Revaluation reserve	1,045	-	-	-	-1,045	-	-1,045	-
Legal reserve	16	-	-	-	-	-	-	16
Cumulative translation difference	-2,546	-	-	-	-	2,546	2,546	-
Retained earnings	15,904	-	-	-3,001	541	-3,882	-6,342	9,561
Profit (loss) for the period	-1,038	-	-	-	-	-	-	-1,038
Total equity attributable to owners of the parent company	**14,893**	**-**	**-**	**-3,001**	**-504**	**-1,336**	**-4,841**	**10,052**
Non-controlling interests	15,242	-	-	50	-143	-576	-669	14,573
Total equity	**30,135**	**-**	**-**	**-2,951**	**-647**	**-1,912**	**-5,510**	**24,625**
Liabilities								
Non-current liabilities								
Borrowings	40,988	-	-	3,638	-	-	3,638	44,626
Lease liabilities	-	-	25,390	-	-	-	25,390	25,390
Derivative liabilities	-	2,743	-	-	-	-	2,743	2,743
Other long-term employee benefits	-	-	-	-	-	3,471	3,471	3,471
Deferred tax liabilities	4,856	-	-	80	-162	-2,134	-2,215	2,641
Provisions	2,732	-2,732	-	-	-	156	-2,576	156
Total non-current liabilities	**48,576**	**11**	**25,390**	**3,718**	**-162**	**1,493**	**30,451**	**79,027**
Current liabilities								
Borrowings	6,000	-	-	-	-	-	-	6,000
Lease liabilities	-	-	1,641	-	-	-	1,641	1,641
Advances received	575	-	-	-	-	-	-	575
Trade payables	25,454	-	-	-	-	-	-	25,454
Trade payables, payment system	-	4,455	-	-	-	-	4,455	4,455
Other payables	17,852	-4,619	-	-	-	-	-4,619	13,233
Income tax liabilities	-	164	-	-	-	-	164	164
Total current liabilities	**49,882**	**-**	**1,641**	**-**	**-**	**-**	**1,641**	**51,523**
Total liabilities	**98,458**	**11**	**27,031**	**3,718**	**-162**	**1,493**	**32,092**	**130,550**

TOTAL EQUITY AND LIABILITIES	**128,593**	**11**	**27,031**	**767**	**-809**	**-419**	**26,582**	**155,174**

Consolidated balance sheet as at Dec 31, 2020

EUR thousand	**FAS**	**Reclassifications** 1a), 1b), 1c), 1e)	**Leases** 2a), 2b), 6)	**Financial instruments** 3a), 3b), 3c), 3d), 6)	**Forest assets** 4), 6)	**Other adjustments** 5a), 5b), 5c), 5d), 5e), 6)	**IFRS adjustments total**	**IFRS**
ASSETS								
Non-current assets								
Property, plant and equipment	56,094	-185	-	-	-3,622	-353	-4,159	51,934
Forest assets	-	-	-	-	2,672	-	2,672	2,672
Right-of-use assets	-	-	30,025	-	-	-	30,025	30,025
Intangible assets	721	185	-	-	-	-442	-257	464
Financial assets at fair value through profit or loss	243	-	-	314	-	-	314	556
Other receivables	0	-	-	48	-	-	48	49
Deferred tax assets	544	-	186	950	-	-1,677	-540	4
Total non-current assets	**57,602**	**-**	**30,211**	**1,312**	**-950**	**-2,472**	**28,102**	**85,703**
Current assets								
Inventories	31,950	-	-	-	-	715	715	32,665
Trade receivables	19,969	-	-	-219	-	-	-219	19,750
Other receivables	5,777	-496	-	-	-	-	-496	5,281
Income tax receivables	-	496	-	-	-	-	496	496
Cash and cash equivalents	7,881	-	-	-	-	-	-	7,881
Total current assets	**65,578**	**-**	**-**	**-219**	**-**	**715**	**496**	**66,073**
TOTAL ASSETS	**123,179**	**-**	**30,211**	**1,093**	**-950**	**-1,757**	**28,597**	**151,776**
EQUITY AND LIABILITIES								
Equity								
Share capital	1,512	-	-	-	-	-	-	1,512
Revaluation reserve	1,039	-	-	-	-1,039	-	-1,039	-
Legal reserve	16	-	-	-	-	-	-	16
Cumulative translation difference	-2,098	-	-	-	-	1,850	1,850	-248
Retained earnings	14,866	-	-	-3,001	541	-3,882	-6,342	8,524
Profit (loss) for the period	-1,970	-	-563	-442	-96	-206	-1,308	-3,278
Total equity attributable to owners of the parent company	**13,366**	**-**	**-563**	**-3,443**	**-595**	**-2,238**	**-6,839**	**6,527**

Non-controlling interests	14,790	-	-182	59	-166	-625	-913	13,877
Total equity	**28,156**	**-**	**-745**	**-3,384**	**-760**	**-2,863**	**-7,752**	**20,404**
Liabilities								
Non-current liabilities								
Borrowings	39,988	-	-	4,372	-	-	4,372	44,361
Lease liabilities	-	-	28,830	-	-	-	28,830	28,830
Derivative liabilities	-	2,720	-	-	-	-	2,720	2,720
Other long-term employee benefits	-	-	-	-	-	3,764	3,764	3,764
Other payables	754	-	-	-	-	-	-	754
Deferred tax liabilities	4,718	-	-	104	-190	-2,796	-2,882	1,836
Provisions	2,720	-2,720	-	-	-	138	-2,582	138
Total non-current liabilities	**48,181**	**-**	**28,830**	**4,476**	**-190**	**1,107**	**34,223**	**82,404**
Current liabilities								
Borrowings	4,000	-	-	-	-	-	-	4,000
Lease liabilities	-	-	2,127	-	-	-	2,127	2,127
Advances received	623	-	-	-	-	-	-	623
Trade payables	24,210	-	-	-	-	-	-	24,210
Trade payables, payment system	-	4,675	-	-	-	-	4,675	4,675
Other payables	18,009	-4,990	-	-	-	-	-4,990	13,019
Income tax liabilities	-	315	-	-	-	-	315	315
Total current liabilities	**46,842**	**-**	**2,127**	**-**	**-**	**-**	**2,127**	**48,969**
Total liabilities	**95,023**	**-**	**30,957**	**4,476**	**-190**	**1,107**	**36,350**	**131,373**
TOTAL EQUITY AND LIABILITIES	**123,179**	**-**	**30,211**	**1,093**	**-950**	**-1,757**	**28,597**	**151,776**

Consolidated balance sheet as at Dec 31, 2021

EUR thousand	**FAS**	**Reclassifications** 1a), 1b), 1c), 1e)	**Leases** 2a), 2b), 6)	**Financial instruments** 3a), 3b), 3d), 6)	**Forest assets** 4), 6)	**Other adjustments** 5a), 5b), 5c), 5d), 6)	**IFRS adjustments total**	**IFRS**
ASSETS								
Non-current assets								
Property, plant and equipment	59,202	-160	-	-	-3,610	-291	-4,060	55,142
Forest assets	-	-	-	-	2,750	-	2,750	2,750
Right-of-use assets	-	-	27,814	-	-	-	27,814	27,814
Intangible assets	1,110	160	-	-	-	-649	-490	620

Financial assets at fair value through profit or loss	223	-	-	-	-	-	-	223
Other receivables	1	-	-	172	-	-	172	174
Deferred tax assets	408	-	384	1,038	-	-1,769	-348	61
Total non-current assets	**60,944**	**-**	**28,197**	**1,210**	**-859**	**-2,710**	**25,839**	**86,783**
Current assets								
Inventories	37,496	-	-	-	-	566	566	38,062
Trade receivables	29,585	-	-	-41	-	-	-41	29,544
Other receivables	5,422	-3	-	-	-	-	-3	5,418
Financial assets at fair value through profit or loss	9,958	-	-	-	-	-	-	9,958
Income tax receivables	-	3	-	-	-	-	3	3
Cash and cash equivalents	30,538	-	-	-	-	-	-	30,538
Total current assets	**112,998**	**-**	**-**	**-41**	**-**	**566**	**525**	**113,523**
TOTAL ASSETS	**173,942**	**-**	**28,197**	**1,169**	**-859**	**-2,143**	**26,364**	**200,306**
EQUITY AND LIABILITIES								
Equity								
Share capital	1,512	-	-	-	-	-	-	1,512
Revaluation reserve	1,039	-	-	-	-1,039	-	-1,039	-
Legal reserve	16	-	-	-	-	-	-	16
Cumulative translation difference	-2,150	-	0	-	-	1,776	1,776	-374
Retained earnings	12,896	-	-563	-3,443	445	-4,088	-7,650	5,246
Profit (loss) for the period	30,523	-	-595	-413	57	-332	-1,282	29,240
Total equity attributable to owners of the parent company	**43,837**	**-**	**-1,158**	**-3,856**	**-537**	**-2,644**	**-8,195**	**35,641**
Non-controlling interests	24,321	-	-377	86	-150	-702	-1,143	23,179
Total equity	**68,158**	**-**	**-1,535**	**-3,769**	**-687**	**-3,347**	**-9,338**	**58,820**
Liabilities								
Non-current liabilities								
Borrowings	35,988	-	-	4,843	-	-	4,843	40,831
Lease liabilities	-	-	27,578	-	-	-	27,578	27,578
Derivative liabilities	-	1,765	-	-	-	-	1,765	1,765
Other long-term employee benefits	-	-	-	-	-	3,670	3,670	3,670
Deferred tax liabilities	4,393	-	-	95	-172	-2,587	-2,663	1,729
Provisions	1,765	-1,765	-	-	-	120	-1,645	120
Total non-current liabilities	**42,146**	**-**	**27,578**	**4,939**	**-172**	**1,203**	**33,548**	**75,693**
Current liabilities								

Borrowings	4,000	-	-	-	-	-	-	4,000
Lease liabilities	-	-	2,154	-	-	-	2,154	2,154
Advances received	631	-	-	-	-	-	-	631
Trade payables	28,792	-	-	-	-	-	-	28,792
Trade payables, payment system	-	6,604	-	-	-	-	6,604	6,604
Other payables	30,216	-14,868	-	-	-	-	-14,868	15,348
Income tax liabilities	-	8,264	-	-	-	-	8,264	8,264
Total current liabilities	**63,638**	**-**	**2,154**	**-**	**-**	**-**	**2,154**	**65,792**
Total liabilities	**105,784**	**-**	**29,732**	**4,939**	**-172**	**1,203**	**35,702**	**141,486**
TOTAL EQUITY AND LIABILITIES	**173,942**	**-**	**28,197**	**1,169**	**-859**	**-2,143**	**26,364**	**200,306**

The following section presents a summary of the impacts of the adoption of the IFRS on Koskisen's consolidated statement of comprehensive income and consolidated balance sheet.

1. Changes in the presentation

The following reclassifications were made in order to align the presentation of FAS financial statements information with the IFRS financial statements presentation:

1.a) Interest rate derivatives presented as provisions in the FAS financial statements were reclassified to non-current derivative liabilities and current financial assets at fair value through profit or loss in the balance sheet.

In the opening balance sheet on 1 January 2020, EUR 2,732 thousand was transferred from provisions to non-current derivative liabilities and EUR 11 thousand was transferred to financial assets at fair value through profit or loss. In the balance sheet 31 December 2020 EUR 2,720 thousand was transferred from provisions to non-current derivative liabilities and EUR 1,765 thousand was transferred in the balance sheet on 31 December 2021.

1.b) Trade payables, payment system were reclassified from current other payables to a separate line item in the balance sheet.

In the opening balance sheet on 1 January 2020, EUR 4,455 thousand was transferred from current other payables to trade payables, payment system, EUR 4,675 thousand was transferred in the balance sheet on 31 December 2020 and EUR 6,604 thousand was transferred in the balance sheet on 31 December 2021.

1.c) Current income tax receivables were reclassified from other receivables to a separate line item and current income tax liabilities were reclassified from other payables to a separate line item in the balance sheet.

In the opening balance sheet on 1 January 2020, EUR 235 thousand was transferred to the line item current income tax receivables and EUR 164 thousand was transferred to the line item current income tax liabilities.

In the balance sheet on 31 December 2020, EUR 496 thousand was transferred to the line item current income tax receivables and EUR 315 thousand to the line item current income tax liabilities.

In the balance sheet on 31 December 2021, EUR 3 thousand was transferred to the line item current income tax receivables and EUR 8,264 thousand to the line item current income tax liabilities.

1.d) In the FAS financial statements, minority interests are presented in the statement of comprehensive income on a separate line item before profit or loss for the period. In the IFRS financial statements, non-controlling interests' share of the results is included in the profit (loss) for the period, and profit (loss) attributable to the owners of the parent and non-controlling interests is presented separately.

In the statement of comprehensive income for the financial year 2020, EUR 455 thousand was transferred from minority interests to profit (loss) for period and in the statement of comprehensive income for the financial year 2021 EUR 9,535 thousand was transferred from minority interests to profit (loss) for period.

1.e) Prepayments for intangible assets presented as property, plant and equipment in the FAS financial statements were reclassified to intangible assets in the balance sheet.

In the opening balance sheet on 1 January 2020, EUR 28 thousand was transferred from property, plant and equipment to intangible assets, EUR 185 thousand in the balance sheet in 31 December 2020 and EUR 160 thousand was transferred in the balance sheet on 31 December 2021.

2. Leases

2.a) In the FAS financial statements, Koskisen has recognised costs for leases on a straight-line basis over the lease term and disclosed lease commitments as off-balance sheet commitments. In the IFRS financial statements, Koskisen recognises a right-of-use asset and a lease liability in the balance sheet according to the IFRS 16 for other than short-term leases or leases for which the underlying asset is of low value. The depreciation charge for right-of-use asset and the interest expense on lease liability are recognised as expense in the statement of comprehensive income.

At the transition to IFRS Koskisen has applied the following exception to the retrospective application of IFRS provided in the IFRS 1 First-time Adoption of International Financial Reporting Standards:

- the lease liabilities and right-of-use assets are measured at the present value of the remaining lease payments discounted using lessee's incremental borrowing rate at the date of transition.
- a single discount rate is applied to a portfolio of leases with reasonable similar characteristics.
- short-term leases and leases for which the underlying asset is of low value are excluded from the measurement of lease liability and right-of-use asset.
- any initial direct costs are excluded from the initial measurement of the right-of-use assets at the date of transition.

Koskisen has used hindsight when determining the lease terms of the current lease contracts.

In the opening balance sheet as at 1 January 2020, Koskisen recognised as an IFRS adjustment EUR 3,524 thousand in right-of-use assets, EUR 2,528 thousand in non-current lease liability and EUR 996 thousand in current lease liability.

In the balance sheet as at 31 December 2020, Koskisen recognised as an IFRS adjustment EUR 3,587 thousand in right-of-use assets, EUR 2,504 thousand in non-current lease liability and EUR 1,191 thousand in current lease liability.

In the balance sheet as at 31 December 2021, Koskisen recognised as an IFRS adjustment EUR 3,220 thousand in right-of-use assets, EUR 2,186 thousand in non-current lease liability and EUR 1,219 thousand in current lease liability.

In the statement of comprehensive income for the financial year 2020, depreciations, amortisations and impairments were increased by EUR 1,243 thousand, other operating expenses were decreased by EUR 1,327 thousand and finance expenses were increased by EUR 191 thousand.

In the statement of comprehensive income for the financial year 2021, depreciations, amortisation and impairments were increased by EUR 1,433 thousand, other operating expenses were decreased by EUR 1,545 thousand and finance expenses were increased by EUR 190 thousand.

2.b) Koskisen has an agreement for heat and power supply based on which it utilises substantially all of the total capacity of certain power plants. Under IFRS, this agreement contains a lease.

In the opening balance sheet as at 1 January 2020, Koskisen recognised as an IFRS adjustment EUR 23,507 thousand in right-of-use assets, EUR 22,862 thousand in non-current lease liability and EUR 645 thousand current lease liability.

In the balance sheet as at 31 December 2020, Koskisen recognised as an IFRS adjustment EUR 26,438 thousand in right-of-use assets, EUR 26,326 thousand in non-current lease liability and EUR 936 thousand in current lease liability.

In the balance sheet as at 31 December 2021, Koskisen recognised as an IFRS adjustment EUR 24,594 thousand in right-of-use assets, EUR 25,391 thousand in non-current lease liability and EUR 935 thousand in current lease liability.

In the statement of comprehensive income for the financial year 2020, depreciations, amortisations and impairments were increased by EUR 1,781 thousand, other operating expenses were decreased by EUR 3,012 thousand and finance expenses were increased by EUR 2,055 thousand.

In the statement of comprehensive income for the financial year 2021, depreciations, amortisation and impairments were increased by EUR 1,844 thousand, other operating expenses were decreased by EUR 3,047 thousand and finance expenses were increased by EUR 2,111 thousand.

3. Financial instruments

3.a) In the FAS financial statements Koskisen had recognised the borrowings with the nominal amount, and the transaction costs related to the borrowings were recorded directly as an expense in the income statement. In the IFRS financial statements, the borrowings are recognised in the balance sheet by using the effective interest rate method, which means that the nominal borrowing amounts are netted with the transaction costs. Transaction costs are recognised as an expense in the statement of comprehensive income with the effective interest rate method based on the passage of time and the corresponding entry is recorded in liabilities. Transaction costs related to financing facilities that had not been withdrawn by Koskisen are recorded as non-current other receivables.

As an IFRS adjustment, non-current borrowings were decreased by EUR 304 thousand in the opening balance sheet as at 1 January 2020, by EUR 157 thousand in the balance sheet as at 31 December 2020 and by EUR 305 thousand in the balance sheet as at 31 December 2021.

Non-current other receivables were increased by EUR 97 thousand in the opening balance sheet as at 1 January 2020, by EUR 48 thousand in the balance sheet as at 31 December 2020 and by EUR 172 thousand in the balance sheet as at 31 December 2021.

In the statement of comprehensive income finance costs were increased by EUR 195 thousand for the financial year 2020 and decreased by EUR 272 thousand for the financial year 2021.

3.b) In the FAS financial statements Koskisen had disclosed in the notes the amount of accrued interest related to the capital loans but had not recognised those in the balance sheet. In the IFRS financial statements, the unrecognised cumulative interested is recognised to its full amount and presented as part of the amortised cost.

As an IFRS adjustment, non-current borrowings were increased by the amount of accrued interest and finance costs were increased by the amount calculated using effective interest rate method. As a result, non-current borrowings were increased by EUR 3,941 thousand in the opening balance sheet as at 1 January 2020, by EUR 4,530 thousand in the balance sheet as at 31 December 2020 and by EUR 5,148 thousand in the balance sheet as at 31 December 2021.

In the statement of comprehensive income finance costs were increased by EUR 588 thousand for the year financial year 2020 and by EUR 618 thousand for the financial year 2021.

3.c) In the FAS financial statements, Koskisen had not recognised the positive impact of foreign exchange derivatives in the balance sheet. In the IFRS financial statements, all derivatives are recognised at fair value on each balance sheet date and the change in the fair value is recognised in the statement of comprehensive income.

As an IFRS adjustment, Koskisen recognised EUR 314 thousand in non-current financial assets at fair value through profit or loss in the balance sheet as at 31 December 2020.

In the statement of comprehensive income finance income were increased by EUR 314 thousand for the financial year 2020 and by EUR 314 thousand for the financial year 2021.

3.d) Koskisen has started to apply the expected credit losses model under the IFRS, and as a result, credit losses are recognised at an earlier stage as compared to the FAS.

As an IFRS adjustment, trade receivables were decreased by EUR 147 thousand in the opening balance sheet as at 1 January 2020, by EUR 219 thousand in the balance sheet as at 31 December 2020 and by EUR 41 thousand in the balance sheet as at 31 December 2021.

In the statement of comprehensive income other operating expenses were increased by EUR 72 thousand for the financial year 2020 and decreased by EUR 178 thousand for the financial year 2021.

4. Forest assets

In the FAS financial statements, Koskisen had presented forest assets at historical revalued value as part of land and water areas. Under IFRS, forest assets are measured at fair value and presented as a separate line item in the balance sheet. At the transition to IFRS Koskisen has applied the deemed cost exception to the retrospective application of IFRS provided in the IFRS 1 First-time Adoption of International Financial Reporting Standards and has measured the land related to forest assets at its fair value and uses that fair value as the deemed costs at the date of transition to IFRS.

In the opening balance sheet as at 1 January 2020, Koskisen recognised as an IFRS adjustment EUR 2,863 thousand in forest assets. Property, plant and equipment and revaluation reserve were decreased by EUR 3,672 thousand and EUR 1,045 thousand respectively. In the balance sheet as at 31 December 2020, Koskisen recognised as an IFRS adjustment EUR 2,672 thousand in forest assets. Property, plant and equipment and revaluation reserve were decreased by EUR 3,622 thousand and EUR 1,039 thousand respectively. In the balance sheet as at 31 December 2021 Koskisen recognised as an IFRS adjustment EUR 2,750 thousand in forest assets. Property, plant and equipment and revaluation reserve were decreased by EUR 3,610 thousand and EUR 1,039 thousand respectively.

In the statement of comprehensive income change in fair value of forest assets were decreased by EUR 151 thousand for the financial year 2020 and EUR 91 thousand for the financial year 2021.

5. Other adjustments

5.a) In the FAS financial statements, Koskisen had not recognised defined benefit obligations. In the IFRS financial statements, liabilities and assets are recognised in the balance sheet for long-term employee benefits, employee benefit expenses and finance costs are recognised in the statement of comprehensive income (profit and loss).

As an IFRS adjustment, Koskisen recognised EUR 3,471 thousand in non-current obligations as at 1 January 2020, EUR 3,764 thousand as at 31 December 2020 and EUR 3,670 thousand as at 31 December 2021.

In the statement of comprehensive income for the financial year 2020, employee benefit expenses were increased by EUR 268 thousand and finance costs were increased by EUR 25 thousand. In the statement of comprehensive income for the financial year 2021, employee benefit expenses were decreased by EUR 105 thousand and finance costs were increased by EUR 11 thousand.

5.b) In the IFRS financial statements, Koskisen has allocated directly attributable production overheads into the value of the inventories. As a result, inventories were increased by EUR 906 thousand in the opening balance sheet as at 1 January 2020, by EUR 715 thousand in the balance sheet as at 31 December 2020 and by EUR 566 thousand in the balance sheet as at 31 December 2021.

In the statement of comprehensive income for the financial year 2020, changes in inventories of finished goods and work in progress were decreased by EUR 191. In the statement of comprehensive income for the financial year 2021, changes in inventories of finished goods and work in progress were decreased by EUR 149 thousand.

5.c) In the FAS financial statements, Koskisen had capitalised costs related to Software as a Service (SaaS) in the balance sheet. In the IFRS financial statements, some of these costs do not meet the definition of an intangible asset.

Based on an analysis for different IT related programs, intangible assets were decreased by EUR 270 thousand in the opening balance sheet as at 1 January 2020, by EUR 442 thousand in the balance sheet as at 31 December 2020 and by EUR 649 thousand in the balance sheet as at 31 December 2021. Property, plant and equipment were decreased by EUR 387 thousand in the opening balance sheet as at 1 January 2020, by EUR 352 thousand in the balance sheet as at 31 December 2020 and by EUR 217 thousand in the balance sheet as at 31 December 2021.

In the statement of comprehensive income for the financial year 2020, depreciations, amortisations and impairments were decreased by EUR 119 thousand and other operating expenses were increased by EUR 257 thousand. In the statement of comprehensive income for the financial year 2021, depreciations, amortisations and impairments were decreased by EUR 189 thousand and other operating expenses were increased by EUR 261 thousand.

5.d) In the IFRS financial statements, Koskisen has recognised a provision for a constructive obligation to clean up a land area in the balance sheet.

As an IFRS adjustment, Koskisen recognised EUR 156 thousand in non-current provisions in the opening balance sheet as at 1 January 2020, EUR 138 thousand in the balance sheet as at 31 December 2020 and EUR 120 thousand in the balance sheet as at 31 December 2021.

In the statement of comprehensive income for the financial year 2020, other operating expenses were decreased by EUR 22 and finance expenses were increased by EUR 4 thousand. In the statement of comprehensive income for the financial year 2021 EUR 22 thousand and finance expenses were increased by EUR 3 thousand.

5.e) In the adoption of the IFRS, Koskisen has applied the exemption in the IFRS 1 First-time adoption of the International Financial Reporting Standard and assumed the translation differences to amount to zero as at the date of the transition to the IFRS.

As an IFRS adjustment, Koskisen transferred EUR 2,546 thousand from cumulative translation differences to equity. In addition, a historical correction related to translation difference on an item of property, plant and equipment, property, plant and equipment was increased by EUR 696 thousand in the opening balance sheet as at 1 January 2020 and by EUR 74 thousand in the balance sheet as at 31 December 2021.

6. Deferred tax assets and liabilities

Koskisen has recognised the tax impact of the IFRS adjustments presented above in the IFRS statement of comprehensive income and balance using the corporate tax rate of 20.0% to the extent that the tax effect should be taken into account.

The IFRS adjustment to deferred tax assets amounted to EUR 1,675 thousand in the opening balance sheet as at 1 January 2020, EUR 2,076 thousand in the balance sheet as at 31 December 2020 and EUR 2,353 thousand in the balance sheet as at 31 December 2021.

The IFRS adjustment to deferred tax liabilities amounted to EUR 100 thousand in the opening balance sheet as at 1 January 2020, EUR 57 thousand in the balance sheet as at 31 December 2020 and EUR 37 thousand in the balance sheet as at 31 December 2021.

In the statement of comprehensive income for the financial year 2020, a positive impact of EUR 446 thousand was recognised on the income tax expense and in the statement of comprehensive income for the financial year 2021 a positive impact EUR 297 thousand was recognised.

Koskisen recognised as an IFRS adjustment EUR 94 thousand in its opening balance sheet as at 1 January 2020 for previous year’s tax losses, EUR 323 thousand in the balance sheet as at 31 December 2020 and EUR 243 thousand in the balance sheet as at 31 December 2021. In the statement of comprehensive income for the financial year 2020 a positive impact of EUR 229 thousand was recognised on the income tax expense and in the statement of comprehensive income for the financial year 2021 a negative impact EUR 323 thousand was recognised.

Under the IFRS, deferred tax assets and liabilities are offset, when the requirements of the IFRS standard are satisfied. In order to decrease its deferred tax assets and liabilities, Koskisen recognised as an IFRS adjustment EUR 2,315 thousand in the opening balance sheet as at 1 January 2020, EUR 2,939 thousand in the balance sheet as at 31 December 2020 and EUR 2,700 thousand in the balance sheet as at 31 December 2021.

26. New standards

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

27. Events after the balance sheet date

Koskisen carried out a free share issue (split) approved by the annual general meeting on 26 April 2022. The shares were entered in the share register on 31 May 2022. The total number of Koskisen’s shares increased to 6,300,000 as shareholders were issued 9,999 shares for each old share. The free share issue (split) did not impact the company’s share capital or capital structure.

Koskisen made new financing agreement in the second quarter 2022 in order to simplify its funding structure, shorten debt capital and lower its average funding cost. The facilities agreement provides for three facilities, a EUR 19 million term facility, a EUR 10 million term facility, and a EUR 8 million revolving credit facility for the purposes of financing general working capital requirements of the Group. The maturity of the facilities agreement is four years. The facilities agreement includes customary financial covenants and default clauses. The financial covenants are evaluated semi-annually for the previous rolling 12 months and they are calculated based Koskisen’s financial information prepared in accordance with FAS. The loan interests are tied to 6-month Euribor and a marginal. The marginal level depends on the net debt ratio to EBITDA. Earlier agreed financing for saw line investment remained unchanged. As a result of the new financing arrangement, the capital loans are expected to be repaid during the second quarter of 2023.

Koskisen Oy was merged to its parent company Koskitukki Oy on 31 May 2022. After the merger, the merged company 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, non-controlling shareholders were given 2,532,294 new shares of the receiving company as the consideration. The number of shares given as the consideration has been calculated based on the mutual valuation of the shares of the merging company and the receiving company.

Following the start of Russia’s military actions in Ukraine, Koskisen shut down its operations in Russia. OOO Koskisilva, a fully owned subsidiary in Russia, was sold to Russian non-sanctioned buyer on 21 June 2022. Koskisen is in the process of negotiating the sale of its subsidiary OOO Koskiles to an external buyer in the end of the first quarter of 2023 as estimated at the latest. There are no material items related to OOO Koskiles in Koskisen’s consolidated balance sheet.

In March 2022, Koskisen established a share-based incentive program for its key employees for the years 2022 to 2024. The program consists of three-year earning periods, 2022 to 2024. Key employees eligible for the program, related incentives paid, the earning criteria and targets were determined by the Board of Directors in June 2024. The earned shares are delivered to the key employees after the earning period has ended. From the total number of shares an amount withheld corresponding to key employees’ income tax obligation shall be withheld and paid to the tax authorities by Koskisen.

In June 2022, Koskisen established a targeted share-based incentive plan for the key management. The employees eligible for the program, incentives paid, and the earning criteria and targets are determined by the Board of Directors. The plan consists of two components with short-term and long-term conditions. The earning criteria is based on set targets and the payment will be made in shares and cash after the set targets are met.

In September 2022, Koskisen carried out a directed share issue to its employees. The subscription price of the shares issued as part of the personnel offering was lower than the fair value of the shares. Approximately 12% of Koskisen’s personnel subscribed shares in the personnel offering. The shares subscribed are subject to a lock-up period, which will end by a separate decision of the Board of Directors when two years have passed since the approval of the subscriptions of the shares, or when at least six months has passed from the listing, whichever occurs later.

On 31 October 2022, Koskisen’s extraordinary general meeting decided to add the company’s shares to the book-entry system maintained by Euroclear Finland Oy, to change the company into a public limited company and to change the articles of association. The change to the articles of association results from the transition to the book-entry system and the change to a public limited company.

Koskisen carried out a free share issue (split) approved by the extraordinary general meeting on 31 October 2022. The shares were entered in the share register on 11 November 2022. The total number of Koskisen’s shares increased to 17,779,606 shares as shareholders were issued 1 new share for each old share. The free share issue (split) did not impact the company’s share capital or capital structure.

Board of Directors authorisations

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.

Signatures

Date and signature

In Järvelä, 17 November 2022

Juha Vanhainen Chairman of the Board	Kari Koskinen Board member
Eva Wathén Board member	Hanna Sievinen Board member
Kalle Reponen Board member	Karoliina Koskinen Board member
Jukka Pahta CEO	

Auditor's Report (Translation of the Finnish Original)

To the Board of Directors of Koskisen Oyj

Opinion

In our opinion, each of the consolidated financial statements included in the Set of Consolidated Financial Statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

What we have audited

We have audited the Set of Consolidated Financial Statements of Koskisen Oyj (business identity code 0148241-9) comprising the consolidated financial statements for the financial years ended 31 December 2021 and 31 December 2010 (the "Set of Consolidated Financial Statements"). Each consolidated financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies.

The Set of Consolidated Financial Statements has been prepared solely for the purpose of inclusion in the Offering Circular prepared in accordance with the prospectus regulation (EU) N:o 2017/1129 and the commission delegated regulation (EU) 2019/980. The Offering Circular has been prepared in connection with the initial public offering of Koskisen Oyj for the purpose of offering the company's shares to the public and the listing of the company's shares on the official list Nasdaq Helsinki Ltd.

This auditor's report has been prepared only for the purpose of including it in the Offering Circular mentioned above.

Basis for Opinion

We conducted our audit in accordance with International Auditing Standards (ISA). Our responsibilities under these standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company 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.

Responsibilities of the Board of Directors and the Managing Director for the Consolidated Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of each consolidated financial statements included in the Set of Consolidated Financial Statements that give a true and fair view in accordance International Financial Reporting Standards (IFRS) as adopted by the EU. 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors and the Managing Director are responsible for assessing 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 consolidated 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.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether each consolidated financial statements included in the Set of Consolidated 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 ISA 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 consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 company'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 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 consolidated 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events so that the consolidated 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.

Helsinki 18 November 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)