

Koskisen Oyj
Interim information 1–9/2022

Financial information

Consolidated statement of comprehensive income

(unaudited)

EUR thousand	Note	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Revenue	3	240,208	219,343	311,464
Other operating income	4, 6	3,477	639	912
Changes in inventories of finished goods and work in progress		1,021	1,738	-26
Change in fair value of forest assets		-7	68	91
Materials and services		-120,642	-121,111	-165,115
Employee benefit expenses	5	-34,193	-32,868	-44,443
Depreciation, amortisation and impairments		-6,116	-6,350	-9,525
Other operating expenses	6	-33,425	-28,501	-40,648
Operating profit (loss)		50,324	32,958	52,711
Finance income	4, 9	4,860	1,513	2,403
Finance costs	9	-4,321	-5,339	-7,170
Finance costs, net		539	-3,826	-4,767
Profit (loss) before income tax		50,863	29,132	47,944
Income tax expense		-9,911	-5,915	-9,398
Profit (loss) for the period		40,952	23,217	38,546
Other comprehensive income				
Items that may be reclassified to profit or loss				
Translation differences		133	-95	-129
Other comprehensive income for the period, net of tax		133	-95	-129
Total comprehensive income for the period		41,085	23,121	38,417
Profit (loss) for the period attributable to:				
Owners of the parent		34,725	18,156	29,240
Non-controlling interests		6,227	5,061	9,306
Profit (loss) for the period		40,952	23,217	38,546
Total comprehensive income for the period attributable to:				
Owners of the parent company		34,854	18,061	29,114
Non-controlling interests		6,230	5,061	9,302
Total comprehensive income		41,085	23,121	38,417

Earnings per share for profit attributable to the ordinary equity holders of the parent company:

Basic and diluted earnings per share, EUR¹⁾ 8 2.34 1.44 2.32

¹⁾ The basic and diluted earnings per share for profit attributable to the ordinary equity holders of the parent company for periods presented have been adjusted retrospectively for the effects of the free share issue (split) determined on 31 October 2022. More information is presented in note 8. Equity and earnings per share.

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

Consolidated balance sheet

(unaudited)

EUR thousand	Note	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
ASSETS				
Non-current assets				
Property, plant and equipment	7	72,221	56,019	55,142
Forest assets		2,744	2,740	2,750
Right-of-use assets		23,314	28,457	27,814
Intangible assets		844	654	620
Financial assets at fair value through profit or loss	9	1,373	243	223
Other receivables		2	13	174
Deferred tax assets		58	5	61
Total non-current assets		100,556	88,130	86,783
Current assets				
Inventories		35,058	36,037	38,062
Trade receivables	9	30,964	27,595	29,544
Other receivables		7,291	7,115	5,418
Financial assets at fair value through profit or loss	9	9,820	-	9,958
Income tax receivables		9	214	3
Cash and cash equivalents	9	36,447	23,338	30,538
Total current assets		119,589	94,299	113,523
TOTAL ASSETS		220,145	182,430	200,306
EQUITY AND LIABILITIES				
Equity				
Share capital	8	1,512	1,512	1,512
Legal reserve		16	16	16
Reserve for invested unrestricted equity	8	43,597	-	-
Cumulative translation difference		-244	-336	-374
Retained earnings		20,733	5,246	5,246
Profit (loss) for the period		34,725	18,156	29,240
Total equity attributable to owners of the parent company		100,339	24,595	35,641
Non-controlling interests		-	18,930	23,179
Total equity		100,339	43,525	58,820
Liabilities				
Non-current liabilities				
Borrowings	9	19,696	42,916	40,831
Lease liabilities	9	26,706	27,930	27,578
Derivative liabilities	9	483	2,085	1,765
Other long-term employee benefits		3,892	3,850	3,670
Deferred tax liabilities		2,622	1,926	1,729
Provisions		88	121	120
Total non-current liabilities		53,486	78,828	75,693
Current liabilities				
Borrowings	9	11,206	4,000	4,000
Lease liabilities	9	2,098	2,204	2,154
Advances received		748	783	631
Trade payables	9	27,671	23,710	28,792
Trade payables, payment system	9	7,318	6,077	6,604
Other payables		17,003	18,591	15,348
Income tax liabilities		275	4,712	8,264
Total current liabilities		66,320	60,077	65,792
Total liabilities		119,806	138,905	141,486
TOTAL EQUITY AND LIABILITIES		220,145	182,430	200,306

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

Consolidated statement of changes in equity

(unaudited)

EUR thousand	Attributable to owners of the company								
	Note	Share capital	Legal reserve	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Equity at Jan 1, 2022		1,512	16	-	-374	34,486	35,641	23,179	58,820
Profit (loss) for the period		-	-	-	-	34,725	34,725	6,227	40,952
Other comprehensive income									
Cumulative translation difference		-	-	-	130	-	130	3	133
Total comprehensive income		-	-	-	130	34,725	34,854	6,230	41,085
Transactions with owners:									
Share issue (merger)	4, 5	-	-	43,252	-	-13,842	29,409	-29,409	-
Directed share issue, personnel offering	5	-	-	345	-	2	347	-	347
Share-based compensation	5	-	-	-	-	88	88	-	88
Total transactions with owners		-	-	43,597	-	-13,752	29,844	-29,409	435
Equity at Sep 30, 2022		1,512	16	43,597	-244	55,458	100,339	-	100,339

EUR thousand	Attributable to owners of the company								
		Share capital	Legal reserve	Reserve for invested unrestricted equity	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		-	-	-	-	18,156	18,156	5,061	23,217
Other comprehensive income									
Cumulative translation difference		-	-	-	-88	-	-88	-7	-95
Total comprehensive income		-	-	-	-88	18,156	18,068	5,054	23,122
Equity at Sep 30, 2021		1,512	16	-	-336	23,402	24,594	18,931	43,525

EUR thousand

	Attributable to owners of the company						Non-controlling interests	Total equity
	Share capital	Legal reserve	Reserve for invested unrestricted equity	Cumulative translation difference	Retained earnings	Total equity attributable to owners of the parent company		
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

(unaudited)

EUR thousand	Note	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Cash flow from operating activities				
Profit (loss) for the period		40,952	23,217	38 546
Adjustments:				
Depreciation, amortisation and impairment		6,116	6,350	9 525
Change in the fair value of the forest assets		7	-68	-91
Gains and losses from sale of subsidiaries	6	-2,209	-	-
Gains and losses from sale of non-current assets	6	10	-59	-74
Interest and other financial income and expense	9	-539	3,826	4 767
Income taxes		9,911	5,915	9 398
Change in other long-term employee benefits		200	77	-105
Other adjustments		88	-	10
Adjustments total		13,583	16,040	23,430
Changes in net working capital:				
Change in trade and other receivables		-2,263	-9,053	-8,931
Change in trade and other payables		968	5,407	8,164
Change in inventories		2,551	-3,364	-5,375
Utilised provision		-32	-17	-18
Interest received		2	21	21
Interest paid		-8,075	-2,963	-4,837
Other financial items received		151	169	210
Arrangement fees paid		-359	-787	-1,238
Income taxes paid		-17,008	-1,148	-1,135
Net cash flow from operating activities		30,470	27,522	48,836
Cash flow from investing activities				
Purchases of property, plant and equipment and intangible assets	7	-16,615	-8,214	-9,733
Proceeds from sale of non-current assets		47	73	101
Payments for financial assets at fair value through profit or loss		-	-	-10,000
Proceeds from financial assets at fair value through profit or loss		-	-	10
Proceeds from sale of subsidiaries, net of cash sold	4	3,136	-	-
Net cash from investing activities		-13,432	-8,140	-19,622
Cash flow from financing activities				
Proceeds from borrowings	9	22,000	-	35,000
Repayment of borrowings	9	-35,000	-2,000	-39,000
Proceeds from a change in a lease contract	9	3,000	-	-
Repayments of lease liabilities	9	-1,800	-1,736	-2,291
Net cash from financing activities		-11,800	-3,736	-6,291
Net change in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period		30,538	7,881	7,881
Effects of exchange rate changes on cash and cash equivalents		671	-189	-265
Cash and cash equivalents at the end of period		36,447	23,338	30,538

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

Notes to the consolidated financial statements

1. General information and basis of preparation

The interim financial information for the nine-months period ending on 30 September 2022 have been prepared exclusively to be included in the prospectus prepared in connection with the initial public offering of Koskisen Oyj (the company, the parent company) and for the listing of its shares on the main list of Nasdaq Oyj (listing), and therefore this information cannot be used in any other way on purpose. The company's board of directors has approved these interim financial information on 17 November 2022 to be published in the listing prospectus. The financial information presented in this interim report is unaudited.

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

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

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

2. Significant events during the reporting period

Koskisen's annual general meeting has approved a free share issue (split) during the financial period. The free share issue (split) did not impact the company's share capital or capital structure. More detailed information on the free share issues is provided in note 8. Equity and earnings per share.

Koskisen entered into a new financing agreement in the second quarter of 2022. The new agreement simplified the funding structure, shortened the average maturity of financial debts and reduced funding costs. More detailed information on the new financing agreement is provided in note 9. Financial assets and financial liabilities.

Koskisen has an energy supply agreement that includes a lease contract for power plants. As a result of the agreement renegotiation, the lessor paid Koskisen EUR 3.0 million, which was recorded as a reduction of the right-of-use asset. In the cash flow statement, the amount received is presented in the cash flow from financing activities. The renegotiations had no impact on the future cash flows.

The 4-week maintenance break in production during the third quarter impacts the period's profitability. Log harvesting is at a standstill during the summer when the log warehouses are run down before the maintenance break.

3. Segment information and revenue

Revenue by segments

EUR thousand	Jan 1 - Sep 30, 2022			Jan 1 - Sep 30, 2021			Jan 1 - Dec 31, 2021		
	External	Internal	Total	External	Internal	Total	External	Internal	Total
Panel industry	110,167	1,873	112,040	91,628	2,380	94,008	123,281	3,290	126,571
Sawn timber industry	129,960	18,084	148,044	127,556	15,737	143,293	187,980	22,114	210,094
Segments total	240,127	19,957	260,084	219,184	18,117	237,301	311,261	25,405	336,665
Other	81	423	503	159	370	528	204	525	729
Elimination of internal sales	-	-20,380	-20,380	-	-18,486	-18,486	-	-25,930	-25,930
Total	240,208	-	240,208	219,343	-	219,343	311,464	-	311,464

Revenue by geographical areas

EUR thousand	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Finland	93,286	87,345	119,203
Japan	32,751	22,135	42,612
Germany	16,525	17,155	22,271
Poland	12,409	9,088	12,936
Other EU countries	52,003	50,083	67,321
Other countries	33,233	33,537	47,122
Total	240,208	219,343	311,464

The first and the second quarters of the year are usually Koskisen's strongest in terms of sales, as winter is typically the best time of the year for wood procurement. The third quarter of the year is usually impacted by planned production shutdowns and inventory reductions.

EBITDA by segments

EUR thousand	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Panel industry	19,902	11,059	14,063
Sawn timber industry	38,935	31,973	50,652
Segments total	58,837	43,032	64,715
Other ¹⁾	-2,560	-3,680	-2,413
Eliminations	162	-44	-66
Total	56,440	39,308	62,236

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

Reconciliation of EBITDA to operating profit (loss)

EUR thousand	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
EBITDA	56,440	39,308	62,236
Depreciation, amortisation and impairments	-6,116	-6,350	-9,525
Operating profit (loss)	50,324	32,958	52,711

4. Changes in the group structure

Koskisen Oy, a subsidiary of Koskitukki Oy, merged with Koskitukki Oy on 31 May 2022. After the merger, Koskitukki Oy's name was changed to Koskisen Oy. In the merger, all the assets and liabilities of the merging company were transferred to the receiving company without liquidation procedures. In connection with the merger, the minority shareholders of Koskisen Oy became shareholders of Koskitukki Oy. Non-controlling shareholders were given 2,532,294 new shares of the receiving company as the consideration. The shares were valued at fair value, EUR 17.08/share. The number of shares to be given as consideration has been calculated based on the mutual valuation of the shares of the merging company and the receiving company. The purpose of the merger was to harmonise Koskisen's operations, simplify the group's structure, strengthen the parent company's balance sheet, support Koskisen's brand and prepare the company for a possible listing. After the merger, all subsidiaries are 100% owned by the parent company, Koskisen Oyj.

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

Koskisen is in the process of negotiating the sale of its subsidiary OOO Koskiles to an external buyer, estimated to be in the first quarter of 2023 at the latest. There are no material items related to OOO Koskiles in Koskisen's consolidated balance sheet.

5. Share-based incentive plans

In March 2022, Koskisen established a share-based incentive program for its key employees for the years 2022 to 2024. The program consists of a three-year vesting period, 2022 to 2024. Key employees eligible for the program, related incentives paid, the vesting conditions and targets were determined by the Board of Directors in June 2022. The key employees eligible for the program (7 individuals) can receive a maximum of 69,000 company shares (gross amount) if the terms of the program are met. The vesting conditions and the targets relate to meeting certain key figures (EBITDA and return on invested capital) and work obligation. The earned shares are given to the key employees after the vesting period ends. From the total number of shares, Koskisen withholds the withholding tax corresponding to the income tax liability of the key employee and pays it to the tax authorities. The arrangement has a net settlement feature of tax obligations and is classified as an equity-settled share-based transaction in its entirety. The arrangement is treated as an equity-settled share-based transaction. When calculating the expense, the fair value of the shares according to IFRS 2 is determined using the cash flow-based return value method. Fair value per share on the grant date was EUR 16.02.

In June 2022, Koskisen established a share-based incentive plan for key management. The Board of Directors has determined the employees eligible for the program, the incentives to be paid, and the vesting conditions and targets. The program includes two individuals who, if the conditions are met, can receive a maximum of 22,500 company shares. The program consists of two parts related to the realisation of the listing. The first part is paid two months after the listing and the second part 12 months after the first part is paid. The reward is paid half in shares and half in cash, which is determined by the value of the share at the time of payment. The arrangement is treated partly as an equity-settled and partly as a cash-settled share-based transaction. When calculating the expense effect, the fair value of the shares according to IFRS 2 is determined using the discounted cash flow method. Fair value per share on the grant date was EUR 17.08.

In September 2022, Koskisen carried out a directed share issue to its employees, in which all employees working in a permanent employment relationship could participate. The subscription price of the shares issued as part of the personnel offering (57,509) was lower than the fair value of the shares. When calculating the expense, the fair value of the shares has been determined using the cash flow-based return value method, taking into account the estimate of the subscription price of a possible future share issue. The fair value of the share on the grant date was EUR 17.02. Approximately 12% of Koskisen's employees subscribed shares in the personnel offering. Subsequent sale of the subscribed shares is limited and the shares are subject to an obligation to work for a period that ends with a separate decision of the Board of Directors, when two years have passed since the approval of the share subscriptions or when at least six months have passed since the listing, whichever occurs later.

In the financial period, EUR 137 thousand was recognised as an expense from the share-based incentive plans. Of this, EUR 90 thousand was recognised in equity, of which EUR 2 thousand relates to the personnel offering and EUR 47 thousand was recognised in current other liabilities.

Basis of preparation

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

6. Other operating income and expenses

EUR thousand	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Gain on the sale of the subsidiary	2,209	-	-
Sale of emission allowances	567	231	231
Firewood sales to forest owners	201	151	217
Grants received	182	103	211
Lease income	76	37	108
Gains on disposal of property, plant and equipment	44	59	74
Insurance claims	-	13	19
Other	197	44	51
Total	3,477	639	912,

EUR thousand	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Sales freight and forwarding	21,054	19,098	27,210
Maintenance of property	2,714	2,117	2,970
IT expenses	2,067	1,870	2,566
Administrative expenses	1,392	1,106	1,414
Consulting and administrative services	1,292	501	1,229
Personnel related expenses	932	841	1,125
Sales commissions	707	705	989
Lease expenses	518	538	632
Other expenses ¹⁾	2,750	1,726	2,513
Total	33,425	28,501	40,648

¹⁾Other expenses include, for example, travel, marketing and development expenses.

7. Property, plant and equipment

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
2022						
Cost at Jan 1	2,730	65,881	93,572	6,661	6,797	175,642
Additions	83	67	4,888	4	16,167	21,210
Disposals	-48	-4357	-2,661	-707	-	-7,773
Reclassifications	-	477	521	-28	-970	-
Translation differences	-5	-88	82	-1	-11	-24
Cost at Sep 30	2,759	61,980	96,403	5,929	21,983	189,054
Accumulated depreciation and impairment at Jan 1	-	-44,186	-71,252	-5,063	-	-120,500
Depreciation	-	-793	-2,679	-181	-	-3,653
Disposals	-	4,309	2,206	863	-	7,377
Impairment	-	14	-73	1	-	-58
Accumulated depreciation and impairment at Sep 30	-	-40,656	-71,798	-4,380	-	-116,833
Carrying value at Jan 1	2,730	21,696	22,320	1,598	6,797	55,142
Carrying value at Sep 30	2,759	21,324	24,605	1,549	21,983	72,221

Advance payments and construction in progress as well as additions in the financial period are mainly related to the new sawmill in Järvelä.

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	36	13	176	3	7,638	7,866
Disposals	-	-6	-8	-	-	-14
Reclassifications	-	2	166	4	-172	-
Translation differences	3	311	219	86	-4	616
Cost at Sep 30	2,715	65,170	92,447	6,214	7,794	174,339
Accumulated depreciation and impairment at Jan 1	-	-42,546	-66,626	-4,765	-	-113,937
Depreciation	-	-736	-2,789	-186	-	-3,711
Translation differences	-	-434	-180	-58	-	-672
Accumulated depreciation and impairment at Sep 30	-	-43,716	-69,595	-5,009	-	-118,320
Carrying value at Jan 1	2,676	22,304	25,268	1,355	331	51,934
Carrying value at Sep 30	2,715	21,453	22,853	1,205	7,794	56,019

8. Equity and earnings per share

EUR thousand	Total number of shares outstanding (pcs)	Share capital	Reserve for invested unrestricted equity
Jan 1, 2021	630	1,512	-
Sep 30, 2021	630	1,512	-
Dec 31, 2021	630	1,512	-
Free share issue (split)	6,299,370	-	-
Share issue (merger)	2,532,294	-	43,252
Directed share issue, personnel	57,509	-	345
Sep 30, 2022	8,889,803	1,512	43,597

Koskisen Oyj has one series of shares and all shares are equally entitled to dividends. One share carries one vote at the general meeting. The company has no own shares.

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

Koskisen carried out a free share issue (split) approved by the extraordinary general meeting on 31 October 2022. The shares were entered in the 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 issues did not impact the company's share capital or capital structure

	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Earnings per share			
Profit (loss) for the period attributable to the owners of the parent company (EUR)	34,724,714	18,156,069	29,240,253
Weighted average number of shares outstanding during the period ¹⁾	14,850,928	12,600,000	12,600,000
Basic and diluted earnings per share (EUR)	2,34	1,44	2,32

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

9. Financial assets and liabilities

EUR thousand	Fair value hierarchy level	Sep 30, 2022 Carrying value	Sep 30, 2021 Carrying value	Dec 31, 2021 Carrying value
Financial assets measured at amortised cost				
Trade receivables	-	30,964	27,595	29,544
Cash and cash equivalents	-	36,447	23,338	30,538
Total financial assets measured at amortised cost		67,411	50,934	60,081

Financial assets measured at fair value through profit or loss				
Money market funds	1	9,820	-	9,958
Derivatives	2	1,150	-	-
Other assets measured at fair value through profit or loss	3	223	243	223
Total financial assets measured at fair value through profit or loss		11,193	243	10,181
Financial liabilities measured at amortised cost				
Loans from financial institutions	2	23,696	34,939	32,695
Capital loans	3	7,206	11,977	12,136
Lease liabilities	-	28,804	30,134	29,732
Trade payables	-	27,671	23,710	28,792
Trade payables, payment system	-	7,318	6,077	6,604
Total financial liabilities measured at amortised cost		94,696	106,837	109,959
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	2	483	2,085	1,765
Total financial liabilities measured at fair value through profit or loss		483	2,085	1,765

Fair value of the loans from financial institutions on 30 September 2022 was EUR 24.3 million (30 September 2021: EUR 35.0 million, 31 December 2021: EUR 33.0 million). Fair value of the loans has been determined by discounting the future cash flows at the estimated market interest rate at the time of reporting. The company has estimated that the contractual interest rate of the loans is reasonably close to the market interest rate and has not made an adjustment to the discount rate at which the fair values are determined, in which case the fair values of the loans correspond to their nominal value. Since the company's loans from financial institutions have variable interest rates, the rise in market interest rates during the period has been directly reflected in the group's interest expenses and has therefore not affected the fair value of the loans. In addition, since capital loans are current as they fall due within a year from the reporting date, if the repayment conditions of the Limited Liability Companies Act are met, the impact of discounting is immaterial.

Fair value of derivatives is estimated based on the present value of the future cash flows using market prices on the valuation date, and for the fund investments based on counterparty quotes. Changes in the fair value of derivatives and fund investments are recorded in financial income and expenses, which are detailed below. The most significant part of the changes in the fair value arises from derivatives, and they are mainly due to the increase in market interest rates and the strengthening of the USD against the euro during the reporting period. The group's open USD balance position at the end of the reporting period is significantly lower than at the end of the previous financial period end, consisting of trade receivables and a bank account, totalling EUR 7,0 million (31 December 2021: EUR 22.0 million). The nominal value of the derivatives on the reporting date is EUR 6.0 million (31 December 2021: EUR 11.6 million). The hedged portion of future sales has been relatively lower than at the time of the financial period end, however within the limits allowed by the hedging policy.

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

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

Changes in financial liabilities

Koskisen entered into a new financing agreement in the second quarter of 2022 to simplify its financing structure, shorten the average maturity of the financial liabilities and lower its financing costs. There are three loans under the loan agreement, a term loan of EUR 19.0 million, a term loan of EUR 10.0 million and a revolving credit facility of EUR 8.0 million, which is intended to finance the group's general working capital

requirements. At the end of the reporting period, a total of EUR 20.0 million has been withdrawn from the loans. The revolving credit facility has been fully undrawn.

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

The table below shows the maturity of the financial liabilities. Loans from financial institutions consist of the loan agreement and the Exportkredit loan, which is described in more detail below.

EUR thousand	Q4/2022	2023	2024	2025	2026	2027-	Total contractual cash flows	Carrying amount
Sep 30, 2022								
Loans from financial institutions ¹⁾	2,206	4,999	5,402	5,298	10,563	-	28,468	23,696
Capital loans ¹⁾	243	7,231	-	-	-	-	7,473	7,206
Lease liabilities	1,171	4,022	3,766	3,380	2,811	30,736	45,886	28,804
Derivative liabilities	368	114	-	-	-	-	483	483
Trade payables	27,671	-	-	-	-	-	27,671	27,671
Trade payables, payment system ²⁾	7318	-	-	-	-	-	7,318	7,318
Total	38,977	16,365	9,168	8,678	13,374	30,736	117,299	95,178

EUR thousand	Q4/2022	2023	2024	2025	2026	2027-	Total contractual cash flows	Carrying amount
Dec 31, 2021								
Loans from financial institutions ¹⁾	5,216	6,045	6,119	29,825	-	-	47,206	32,695
Capital loans ¹⁾	-	-	-	14,241	-	-	14,241	12,136
Lease liabilities	4,249	3,699	3,505	3,272	2,783	30,728	48,238	29,732
Derivative liabilities	750	500	350	100	-	-	1,700	1,765
Trade payables	28,792	-	-	-	-	-	28,792	28,792
Trade payables, payment system ²⁾	6,604	-	-	-	-	-	6,604	6,604
Total	45,611	10,245	9,974	47,439	2,783	30,728	146,780	111,724

¹⁾ Included in Borrowings in the balance sheet

²⁾ Although 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 on 30 September 2022 and in 2024 for the payables on the balance sheet on 31 December 2021.

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

EUR thousand	Borrowings	Lease liabilities	Total
Jan 1, 2022			
Cash flows from financing	44,831	29,732	74,563
Proceeds	22,000	-	22,000
Repayments	-35,000	-1,800	-36,800
Other changes			
Exportkredit-loan ³⁾	3,840	-	3,840
New leases	-	872	872
Interest paid ^{1), 2)} and interest expense	-4,770	-	-4,822
Sep 30, 2022	30,902	28,804	59,706

¹⁾Included in operating cash flow

²⁾During the period, interest on capital loans of EUR 5.5 million was paid

³⁾No cash flow impact

EUR thousand	Borrowings	Lease liabilities	Total
Jan 1, 2021			
Cash flows from financing	48,361	30,957	79,318
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 operating cash flow

Financing of the sawmill investment in Järvelä

Koskisen is currently building a new wood processing unit in Järvelä, where production is expected to start in stages during 2023 and 2024. In addition to the loan agreement, Koskisen will finance Järvelä's new unit investment with the following arrangements: financing agreement entered into between Koskisen and AB Svensk Exportkredit on 21 July 2021 ("Exportkredit" loan), financing agreement entered into between Koskisen and Hekotek AS on 21 October 2021 ("Hekotek loan"), financing limit included in a leasing agreement entered into between Koskisen and Siemens Financial Services AB, a branch in Finland on 13 October 2021 and 14 October 2021 ("Siemens loan"), and cash flow from operations. The Exportkredit loan is EUR 13.5 million and its interest consists of six-month Euribor and a fixed margin. The Exportkredit loan will be repaid in 14 equal instalments starting six months after the project related to the financing, i.e., the sticker-stacker machine and the green sorting line, have been delivered or no later than 15 August 2024. The last repayment will be made no later than 15 February 2031. The Hekotek loan is EUR 6.6 million, and its interest consists of six-month Euribor and a fixed margin. The Hekotek loan will be repaid starting on 30 September 2024 so that the last repayment will be made on 31 March 2029. The capital of the Siemens loan is EUR 6.1 million and the lease payment according to the agreement is EUR 75 thousand per month at the beginning of the lease term, the lease term being 90 months from the time the leased item is delivered and accepted.

Koskisen's consolidated balance sheet on 30 September 2022 included a total of EUR 3,840 thousand Exportkredit loan, which was drawn during the reporting period. This withdrawal did not have a cash flow impact, as Exportkredit has made the payment directly to the supplier. In addition, the debt balance includes the premium related to the loan guarantee paid by Exportkredit on behalf of Koskisen, which Koskisen pays back to Exportkredit as part of the loan repayments. The Exportkredit loan contains common semi-annually measured financial covenants and default conditions. They are calculated on a rolling basis for the past 12 months.

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

Finance income and costs

EUR thousand	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Interest income and other finance income			
Foreign exchange gains	1,995	688	1,216
Gains on interest rate derivatives	1,564	773	1,164
Interest income	-	21	21
Gains on foreign currency derivatives	1,150	-	-
Other finance income	151	32	1
Total	4,860	1,513	2,403
Finance costs			
Interest expenses from borrowings	-779	-2,231	-2,913
Interest expenses from lease liabilities	-1,655	-1,740	-2,301
Losses on foreign currency derivatives	-282	-451	-514
Losses on interest rate derivatives	-71	-480	-784
Foreign exchange losses	-1,225	-259	-509
Other finance expenses	-310	-177	-149
Total	-4,321	-5,339	-7,170

Finance income and costs total	539	-3,826	-4,767
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10. Contingent liabilities and liability commitments

EUR thousand	Sep 30, 2022	Sep 30, 2021	Dec 31, 2021
Liabilities for which collaterals have been given			
Loans from financial institutions	20,000	35,000	33,000
Account and guarantee limits in use at the balance sheet date			
Account limit	-	-	-
Guarantee limit	83	138	138
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	83	138	138

Koskisen has committed to a total of EUR 30,4 million investments among others in the Järvelä new sawmill.

11. Related party transactions

EUR thousand	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Shareholders with significant influence			
Wages, salaries and pension costs	-397	-432	-533
Lease income	2	-	2
Interest expense	-239	-238	-318
Total	-634	-670	-849

EUR thousand	Jan 1 - Sep 30, 2022	Jan 1 - Sep 30, 2021	Jan 1 - Dec 31, 2021
Shareholders with significant influence			
Capital loan ¹⁾	4,536	4,536	4,536
Accrued interest of capital loan ¹⁾	236	3,349	3,429

¹⁾ Included in Borrowings in the balance sheet

During the reporting period, Koskisen has established a share-based incentive program for its key employees and key management. Employees eligible for the incentive programs can receive a maximum of 91,500 shares (gross amount) if the terms of the programs are met. In the financial period, EUR 136 thousand were recognised as expenses for the share-based incentive programs related to related parties. Of this, EUR 88 thousand were recognised in equity and EUR 47 thousand were recognised in current other liabilities. In addition, some of the members of the management team who are related parties have participated in Koskisen's personnel offering. The impact of the personnel offering is immaterial. More detailed information on the share-based incentive plans is presented in note 5. Share-based incentive plans.

The company has agreed on a conditional real estate transaction with a member of the Board of Directors who is a related party of the company. The purchase price is based on external estimates and is conditional on the completion of the listing.

12. Significant events after the reporting period

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.

Share issue (split)

Koskisen carried out a share issue with no consideration, effectively a share 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.