



TORNATOR CAPITAL MARKETS DAY

8 APRIL 2022



AGENDA

1. Year 2021 overview
2. Tornator 20 years – comparison to forecasts 2002
3. Climate change and biodiversity
4. Status of loan portfolio
5. Business environment
6. Tornator's strategy 2022-24



TORNATOR
RESPONSIBLE EXPERTISE IN FORESTRY

Year 2021 Overview

TORNATOR'S SHAREHOLDERS AND CORPORATE STRUCTURE

Tornator Oyj's shareholders

	Shares, qty	Shares, %
Stora Enso Oyj	2,050,000	41.00
Ilmarinen Mutual Pension Insurance Compa-ny	1,156,500	23.13
Varma Mutual Pension Insurance Company	766,250	15.33
OP Henkivakuutus Oy	260,500	6.25
OP-Forest Owner Fund	250,000	5.00
OP-Eläkesäätiö	208,000	2.08
Veritas Pension Insurance	125,000	2.50
Finnair Pension Foundation	108,750	2.18
Pohjola Insurance Ltd	52,000	1.04
Riffu Oy	37,500	0.75
Danilostock Oy	37,500	0.75
Total	5,000,000	100

Tornator Timberland Group

11

shareholders

Tornator Oyj
Finland

646,000 ha

SC Tornator SRL
Romania

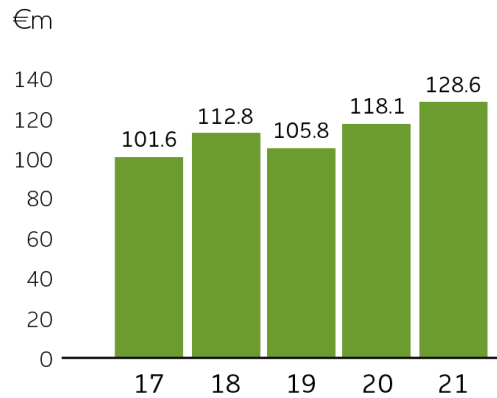
12,000 ha

Tornator Eesti OÜ
Estonia

66,000 ha

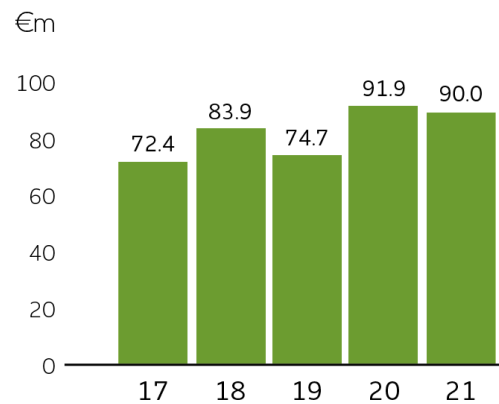
PROFITABLE GROWTH CONTINUED

Net sales



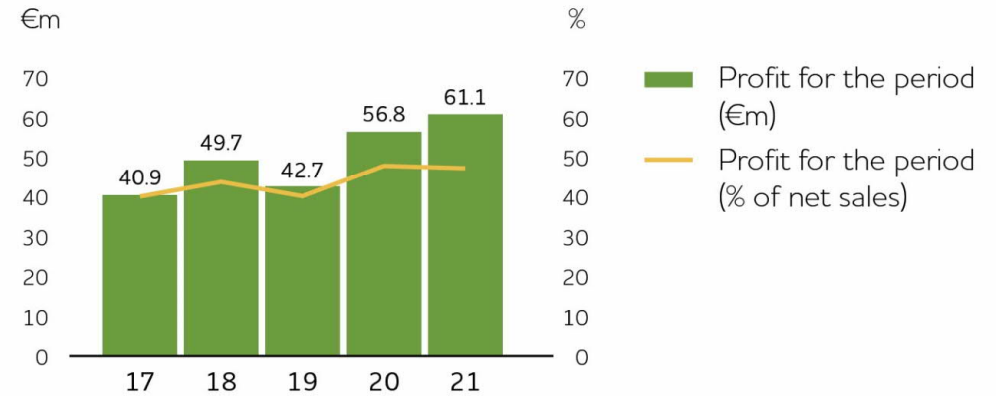
Operating profit

(Without effects of fair value changes)



Profit for the period

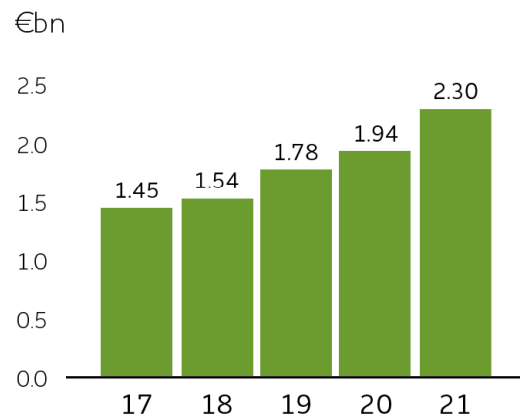
(Without effects of fair value changes)



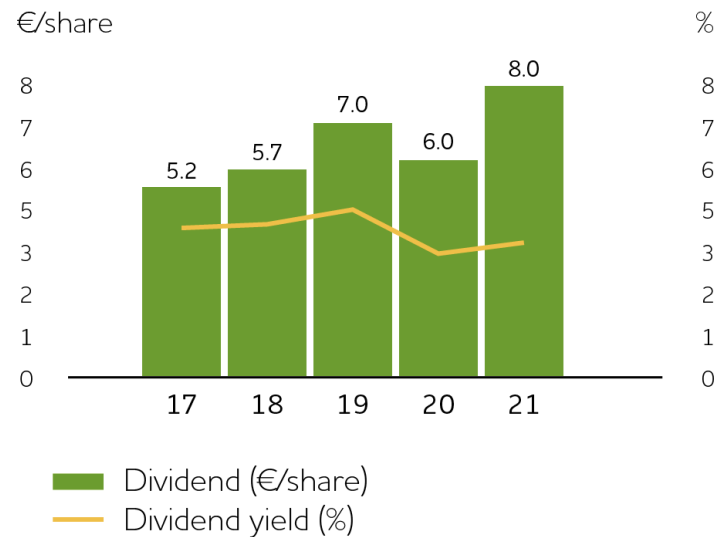
VALUE OF THE FORESTS INCREASED

Valuation of forests

(fair value)

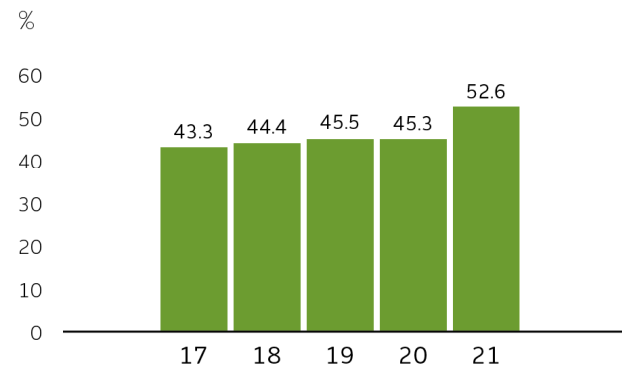


Dividend and dividend yield

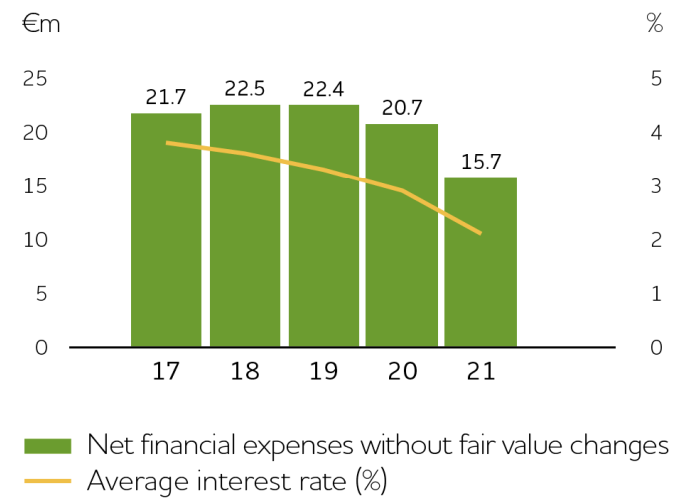


EQUITY RATIO STRENGTHENED

Equity ratio

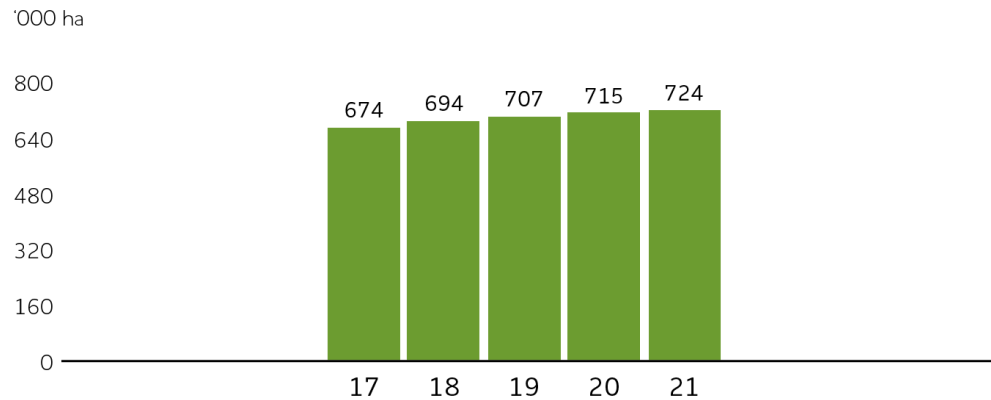


Net financial expenses

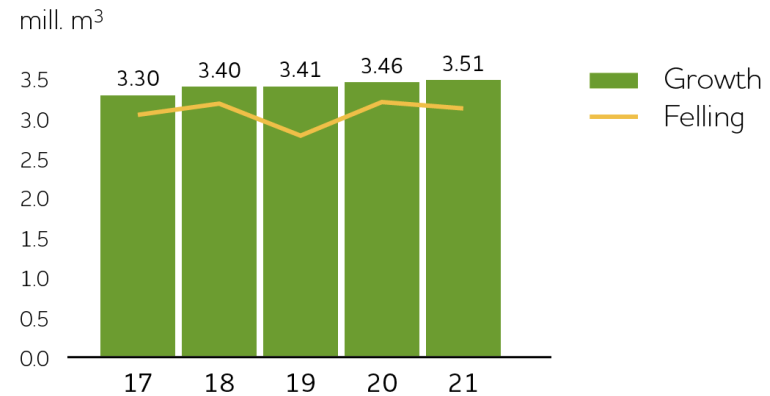


GROWING STOCK AND FORESTLAND INCREASED

Development of Tornator's forestlands



Growth and felling in Tornator Group's forests



An aerial photograph of a large, dark lake surrounded by dense green forests. The lake has several small islands and peninsulas. The text "Tornator 20 Years – Comparison to Forecasts 2002" is overlaid in white, centered on the lake. The background shows a vast landscape with more forests and distant hills under a clear sky.

Tornator 20 Years – Comparison to Forecasts 2002

Management Presentation

Tornator
October 2002

9.10 Investment Highlights

Attractive initial pricing

- Price per ha (appr. EUR 815 - 850) considerably below traditional forest prices in Finland (EUR 1,500 - 1,700 / ha).

Attractive equity returns

- **Attractive equity returns (appr. 10 - 11%) clearly exceeding traditional forest asset returns (appr. 4 - 5%)** due to the favourable entry valuation, access to inexpensive debt financing and leverage stable cash flows.

Refinancings

- Equity returns are particularly made attractive through **refinancing opportunities** freeing substantial cash for distribution to equity holders.

Optimally located forests

- Strategically **optimally located** (close to end-users) **613,000 hectares** of forestland. The company is **one of the largest forest owners in Finland**.

Stable cash flow

- **Stable cash flow** due to long-term contracts with one of the world's leading paper companies and stable growth of the underlying assets.

Strong management team

- The company has a **strong management team** with a **proven track record**.

Favourable age structure

- Opportunity to profit from long-term growth of forests as the **age structure** of the forests hold a lot of **growth potential**.

Real estate classification

- The investment may be classified as **real estate** with a substantial yield.

Future acquisitions

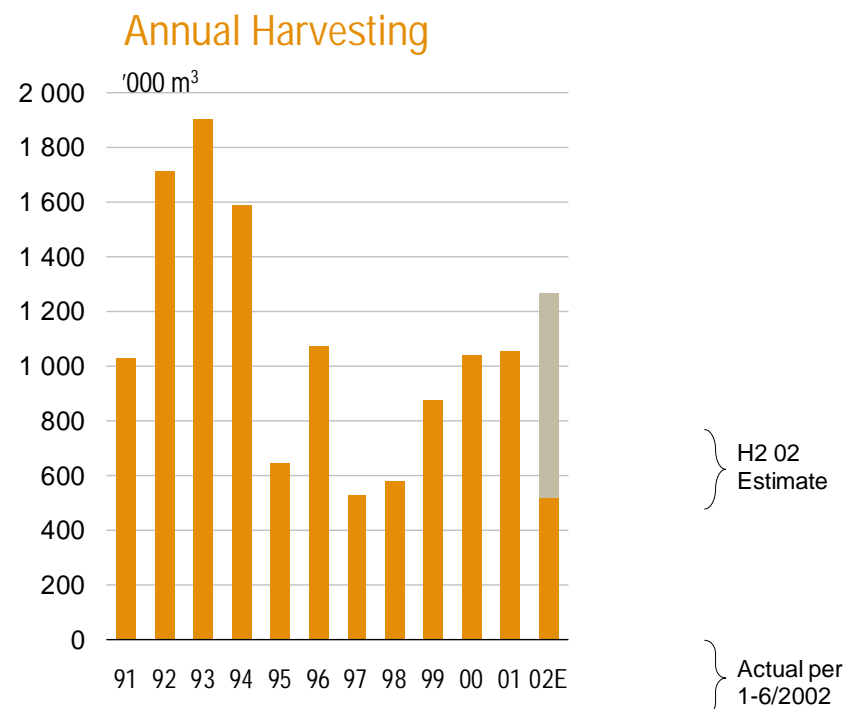
- Possibility to acquire more forest assets and **consolidate forest ownership** in Finland.



An excellent way to invest in low risk forest assets providing attractive stable return on equity

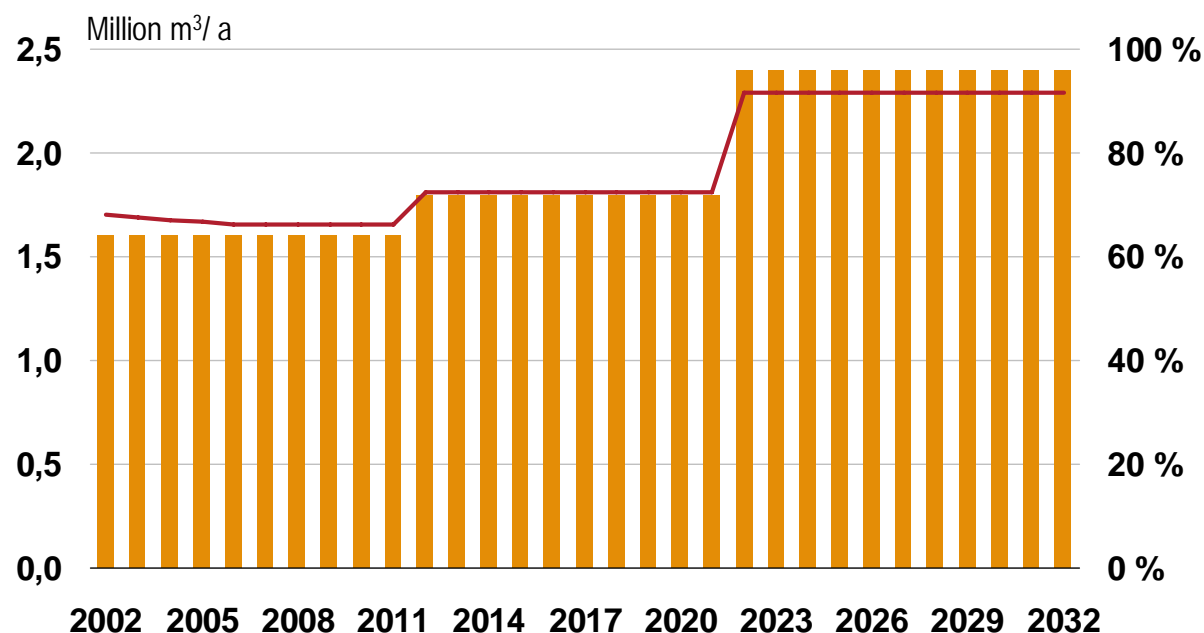
6.1 Historical Harvesting Volumes

- Historically, as a captive resource in an industrial company, Tornator lands were harvested by Stora Enso to mitigate fluctuations in market supply.
- Today, as an independent entity, Tornator will manage its estate with the aim of maximising the value of its land portfolio
- Thus a sustainable cutting plan that optimises cash flow and increases the value of the remaining inventory has been formulated and will be implemented



6.4 Harvesting Plan

Annual Harvest Volume (lhs) and Annual Harvest/Growth (rhs)



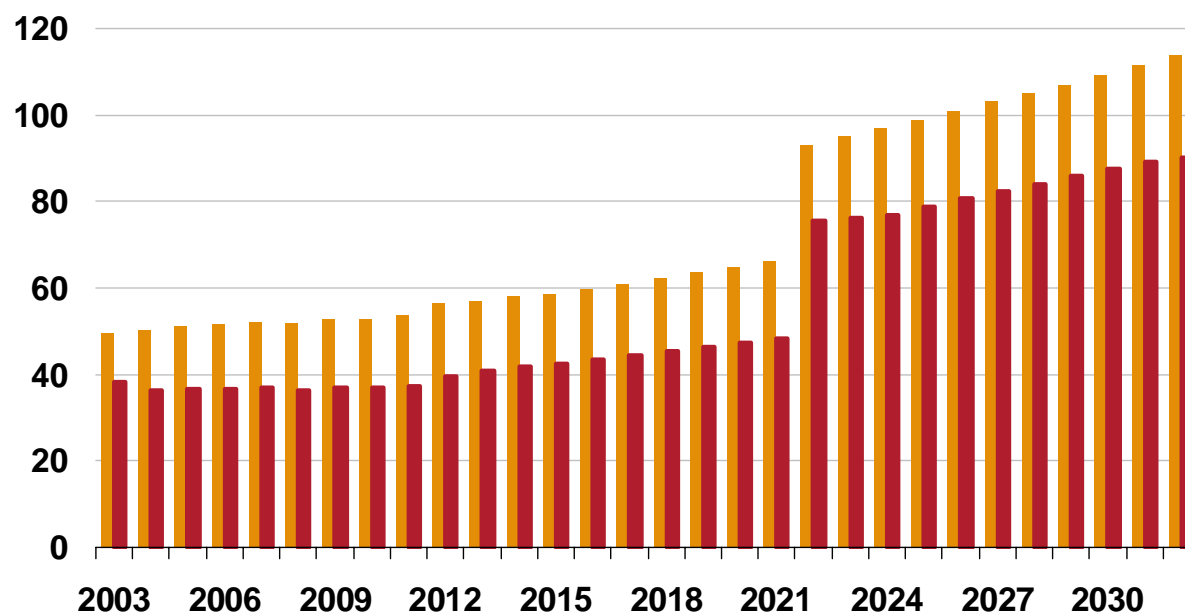
- Tornator will sell 58 million m³ harvesting rights during the next 30 years. This clearly exceeds the present assets.
- Even after these sales, the inventory in 2032 will be 60 million m³

- The average harvest per growth is 78%
- The remaining 22% provides significant value increase in the underlying collateral

7.2 Net Sales and EBIT

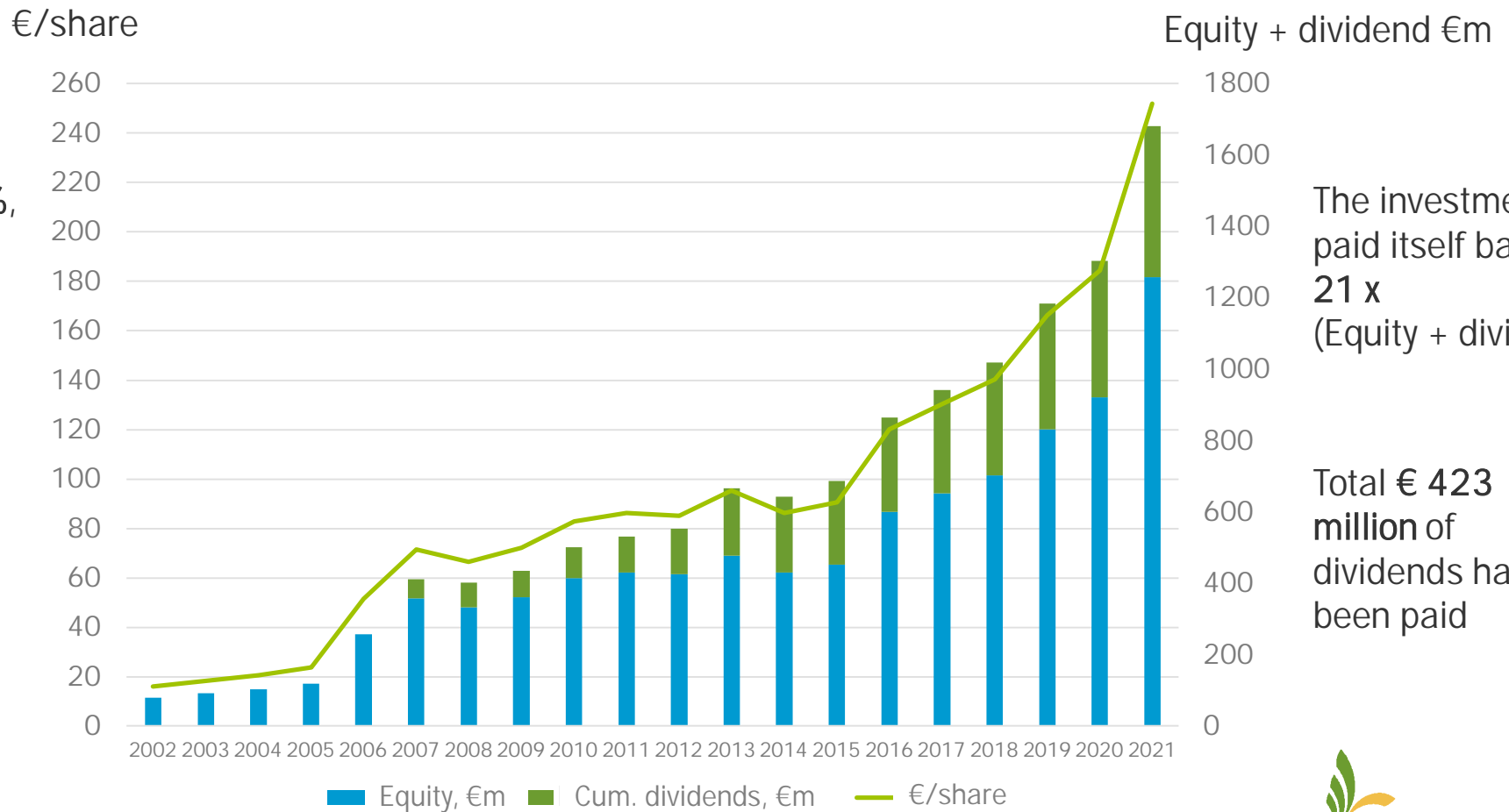
Annual Net Sales (EUR m) and EBIT (EUR m)

EUR m



TORNATOR'S VALUE 2002-21

19 year IRR is **22 %**,
without reinvesting
dividends



The investment has
paid itself back
21 x
(Equity + dividend)

Total € 423
million of
dividends has
been paid

Climate Change and Biodiversity

Climate program 2021–2030

Use of
improved
nursery
stock

Forest
fertilisation

Acquisition
of additional
land

+20%

Increasing carbon
dioxide sequestration
in growing stock
2021–2030

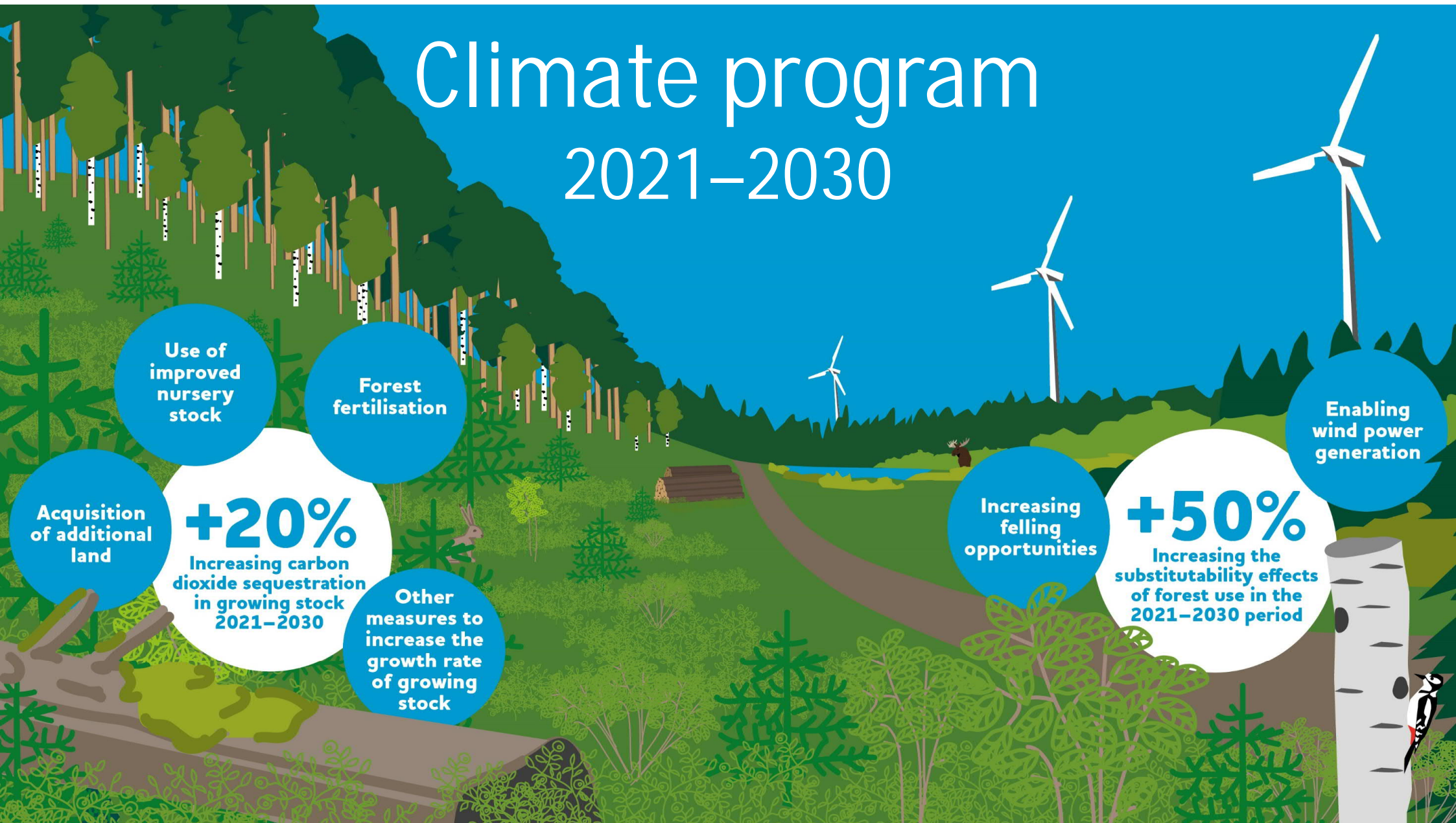
Other
measures to
increase the
growth rate
of growing
stock

Increasing
felling
opportunities

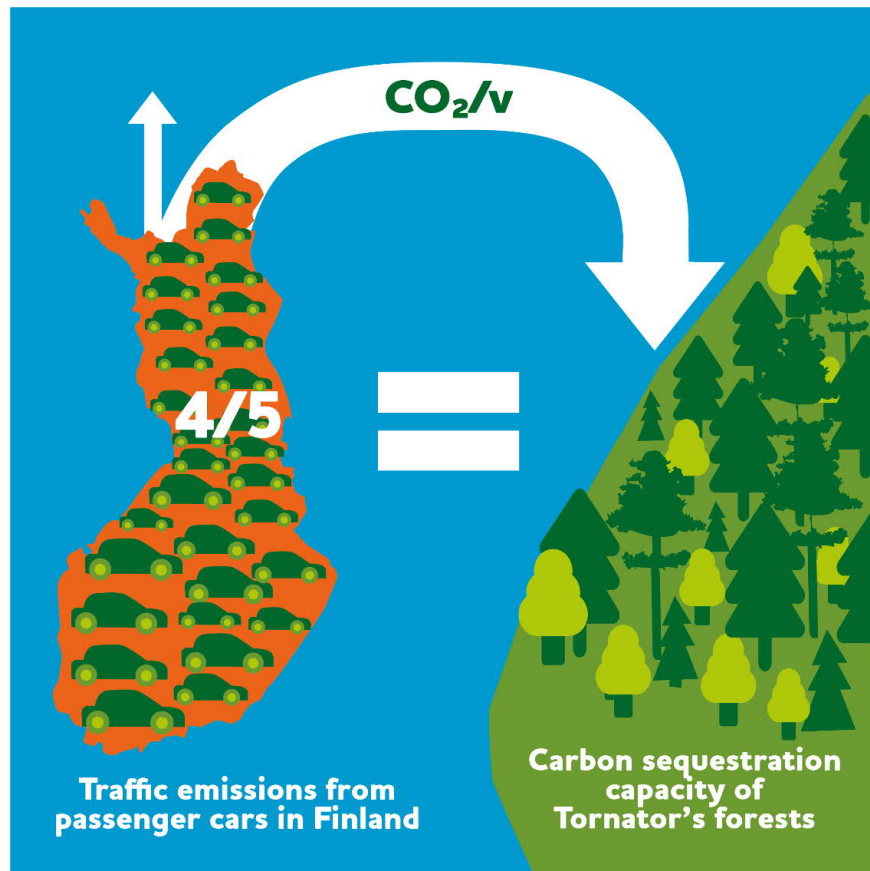
+50%

Increasing the
substitutability effects
of forest use in the
2021–2030 period

Enabling
wind power
generation



Carbon sequestration capacity illustration



Biodiversity

2021  2030

Restore
3000 hectares
of mire
ecosystems

Conserve
5000 hectares
of valuable areas

200 active
habitat restoration
projects

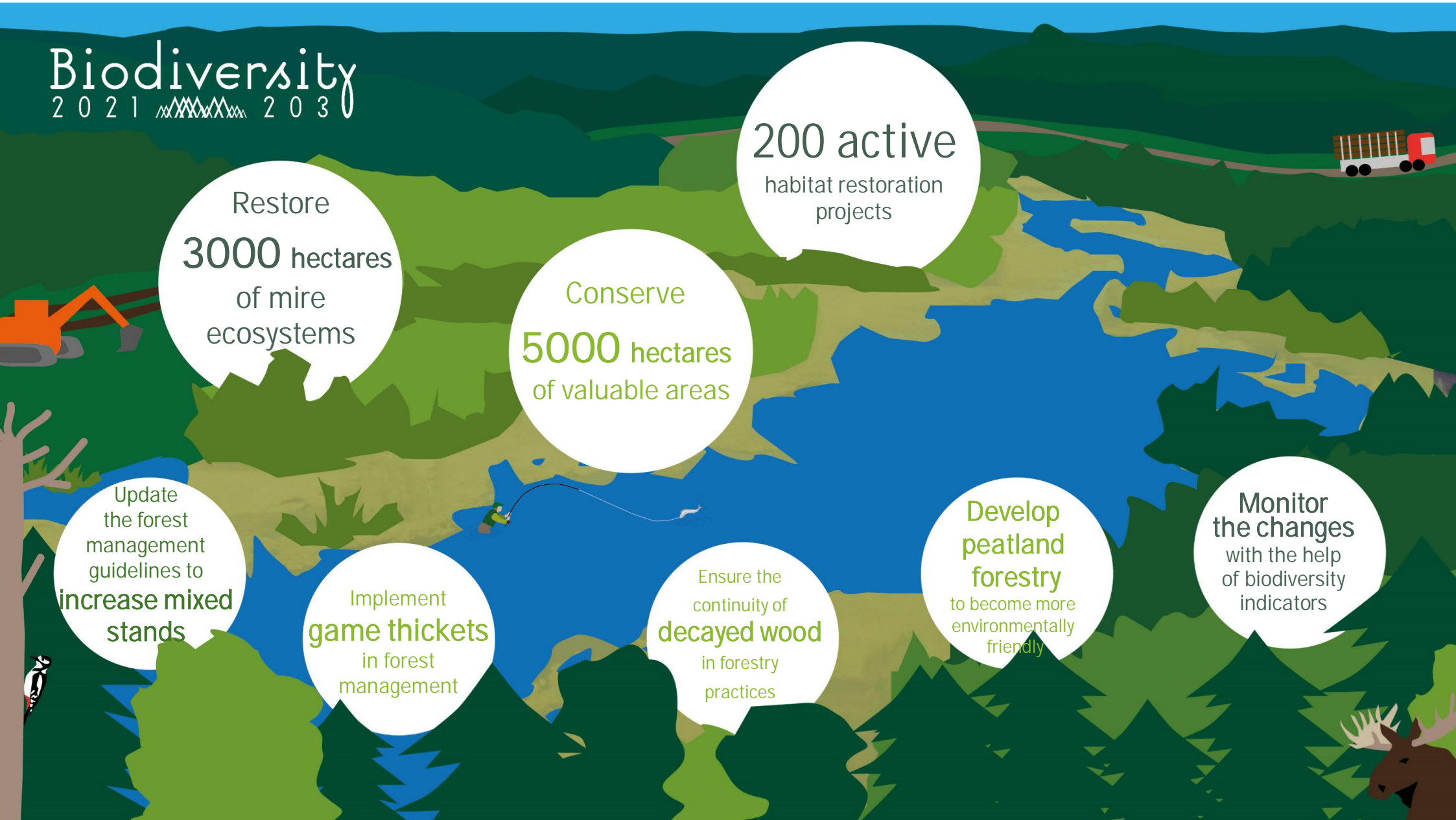
Update
the forest
management
guidelines to
**increase mixed
stands**

Implement
game thickets
in forest
management

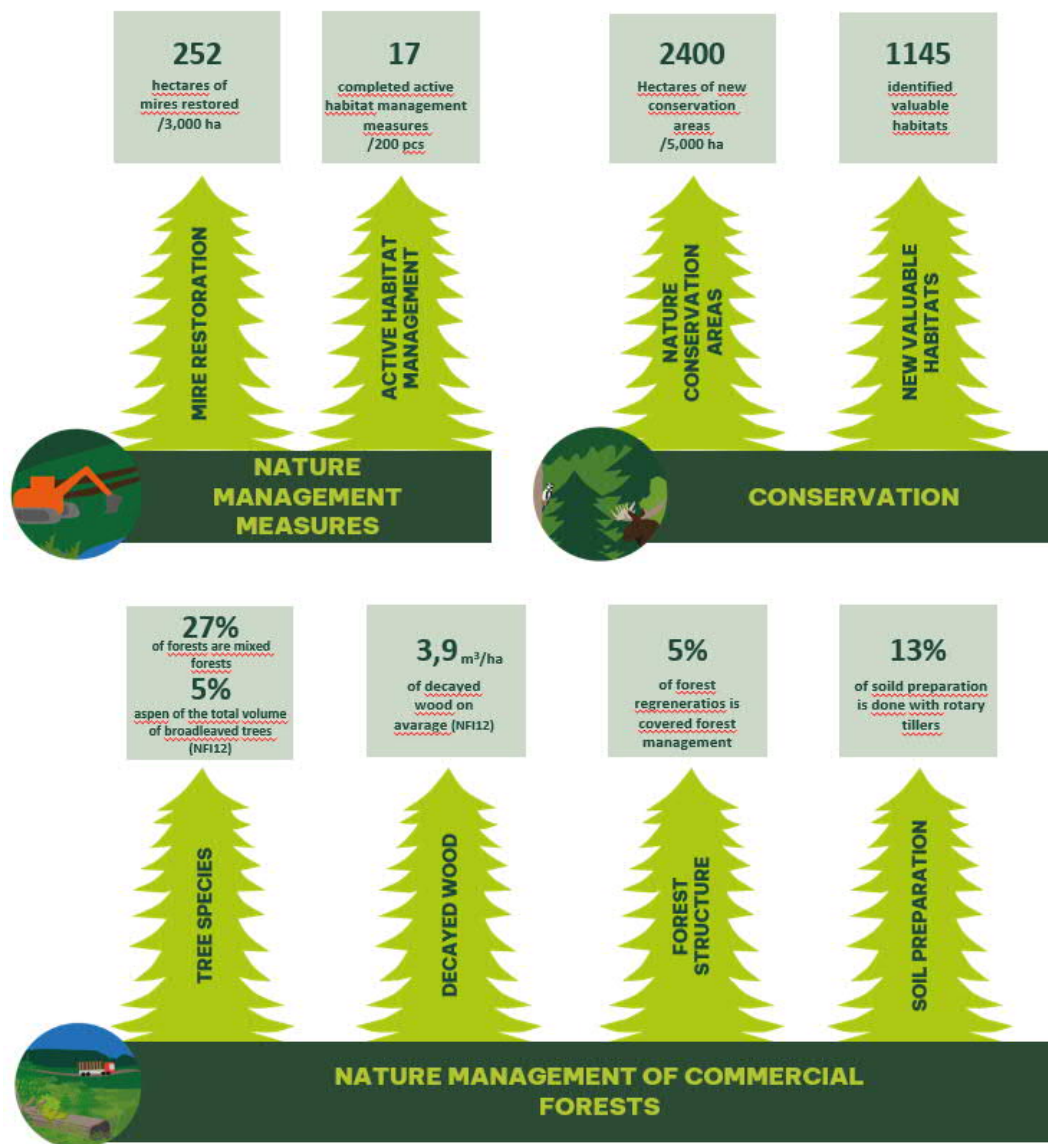
Ensure the
continuity of
decayed wood
in forestry
practices

**Develop
peatland
forestry**
to become more
environmentally
friendly

**Monitor
the changes**
with the help
of biodiversity
indicators



The Biodiversity Program in year 2021



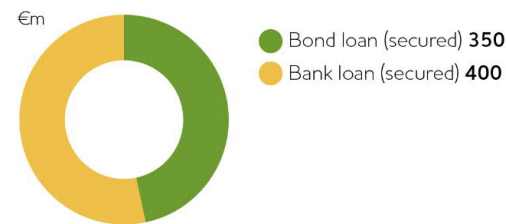


Status of Loan Portfolio

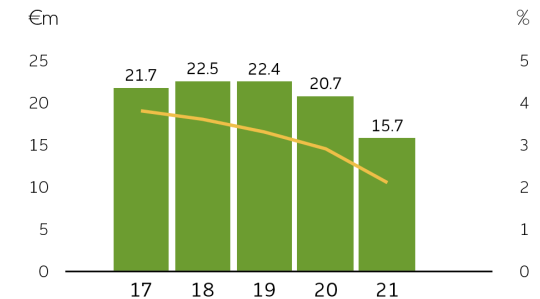
2020-2021 REFINANCING

- Tornator's whole loan portfolio was refinanced in 2020-2021
 - └ At 31 December 2021 Tornator's financing was fully green, total of EUR 750 million
 - └ EUR 350 million Green Bond
 - └ EUR 400 million green bank loans
- Derivative arrangement executed also in 2021
 - └ Half of the existing interest rate hedges were terminated and replaced with new agreements
 - └ Clear and immediate savings were gained in interest expenses, hedged interest rate was decreased, and maturity was partly extended
- The outlook for financing
 - └ Maturity profile is well-balanced: bonds and loans will mature in 2025-2028
 - └ Coming financing needs can be covered with either commercial paper or EUR 100 million Revolving Credit Facility
 - └ Financial expenses and average interest rate expenses are expected to even decrease in 2022

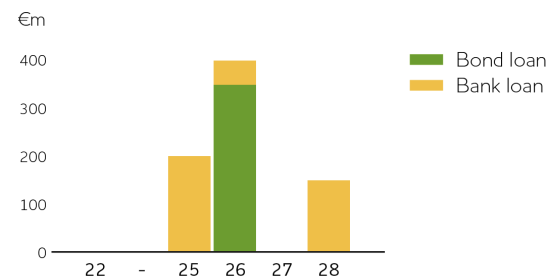
Structure of debt, nominal values at 31 Dec 2021



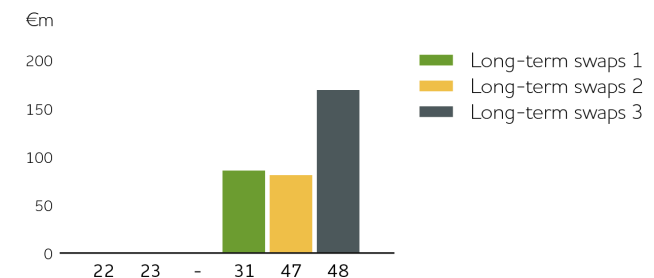
Net financial expenses



Maturity of debt

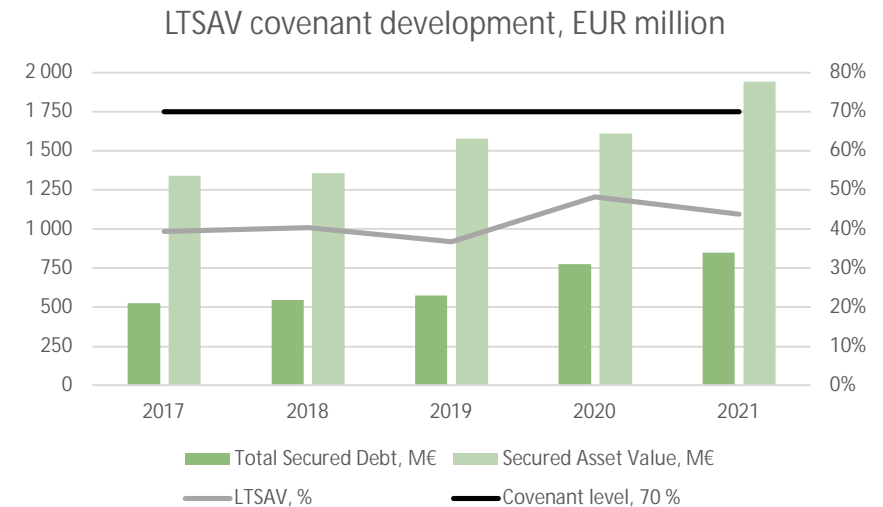


Expiry of interest rate hedges, nominal values



FINANCIAL COVENANTS

- Tornator has one financial covenant in its loan agreements
 - ↳ LTSAV (Loan-to-Secured Asset Value) is the ratio of outstanding secured loans to pledged forest assets
 - ↳ Maximum is set at 70 %
 - ↳ In addition, Tornator has entered into interest rate swaps to hedge interest expenses and in order to secure swap counterparties, there is also a covenant for Loan and hedging liabilities to Secured Asset Value which is set at max. 90 %
- One Security pool which is a shared pool for all secured debt
 - ↳ Currently Security Pool consists of Tornator's Finnish properties
 - ↳ Value of Secured assets at 31 December 2021 was EUR 1,9 billion and total approved value of Finnish forests was EUR 2,2 billion
 - ↳ At 31 December 2021 the whole outstanding debt amount of EUR 750 million + a committed RCF of EUR 100 million was secured resulting in LTSAV ratio of 44 %
 - ↳ Loan and hedging liabilities to Secured Asset Value stood at 47 % in the end of 2021
 - ↳ Thus, there is adequate headroom in financial covenant allowing a possible decrease in value of secured assets
 - ↳ In addition, Tornator has a possibility to add both Finnish and Estonian properties into the security pool



The graph demonstrates how the value of Tornator's pledged properties and amount of secured loans has increased in recent years.

The value of the pledged properties is based on 3rd party valuation prepared by Indufor Oy. The valuation is based on discounted cash flows where main drivers for the value are:

- ↳ Harvesting income
- ↳ Wood price
- ↳ Discount rate



SUSTAINABLE FINANCING AND REPORTING

- In line with green finance reporting commitment, Tornator prepares an annual Green Finance Investor Letter
 - └ First report published in April 2021 and update published in April 2022
 - └ Positive climate impact from e.g. carbon sequestration and measures presented in Climate and Biodiversity Programs
- Beginning from year 2021, Tornator's climate risks and possibilities are reported in line with the recommendations of TCFD (Task-force on Climate-related Financial Disclosures)
 - └ More information in Tornator's Annual Report
- Tornator wanted to voluntarily incorporate reporting in accordance with EU taxonomy requirements into its own financial reporting
 - └ Based on the preliminary analysis, the majority of the company's business operations are taxonomy eligible:

KPIs	Total, M€	Eligible, %	Non-eligible, %
Turnover	128,6	95 %	5 %
Capital Expenditure	51,4	99 %	1 %
Operational expenditure	32,1	98 %	2 %

- └ Taxonomy alignment will be examined during the year 2022



Business Environment

An aerial photograph of a wind farm with several white wind turbines. The turbines are positioned over a dense green forest. In the background, a body of water and a distant shoreline are visible under a blue sky with some clouds. A semi-transparent white rectangular box is overlaid on the center of the image, containing the title and a list of topics.

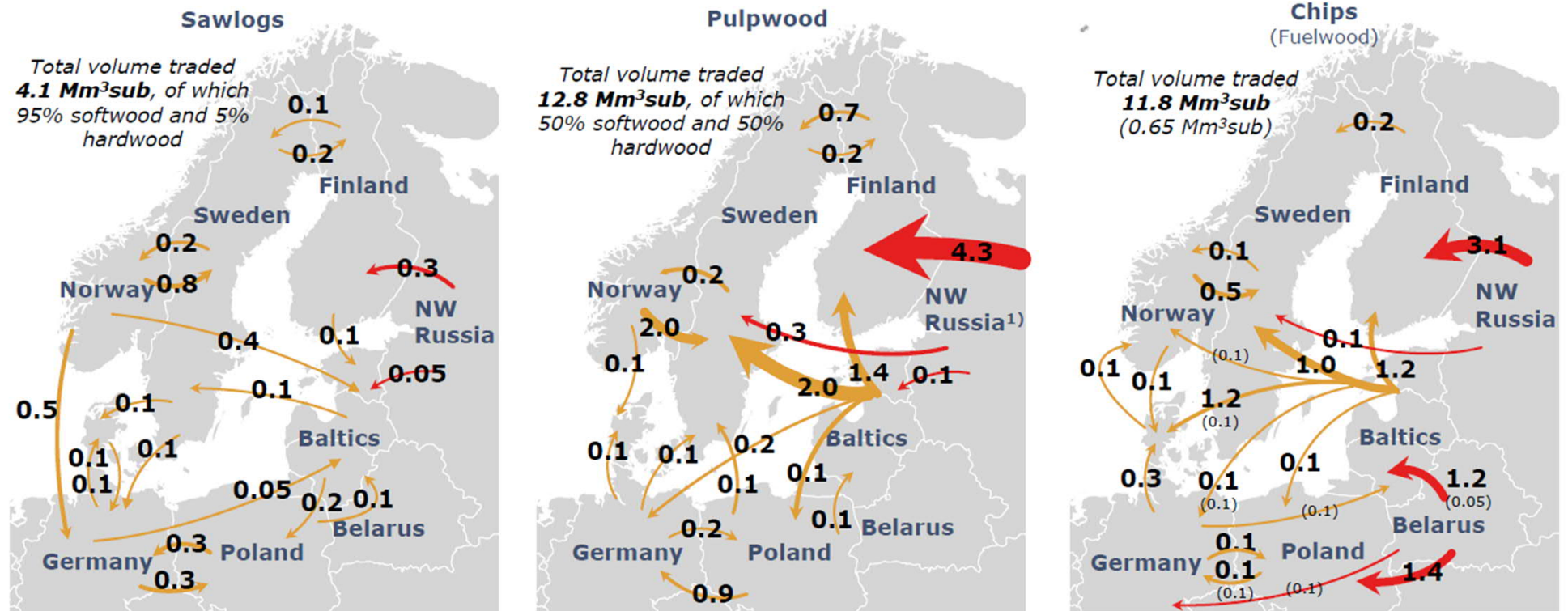
THE MOST SIGNIFICANT TOPICS CONCERNING FOREST SECTOR AT THE MOMENT

1. Russia's attack to Ukraine
2. EU and national level legislation on climate change and biodiversity

Source: AFRY

CURRENT TRADE FLOWS AND MARKET EXPOSURE

About 30 Mm³ of wood, mainly pulpwood and chips, are traded within the region, of which 35% comes from Russia and Belarus. This flow is terminated



¹⁾ Mainly birch pulpwood

Source: SCB, Natural Resources Institute Finland, Eurostat, AFRY databases and analysis

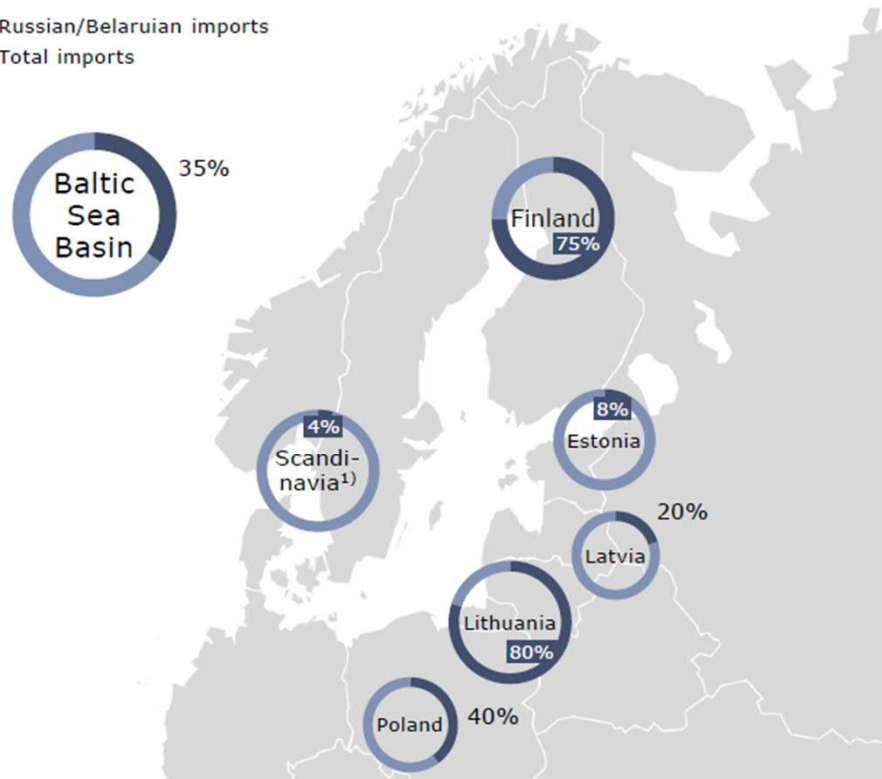
Source: AFRY

CURRENT TRADE FLOWS AND MARKET EXPOSURE

Termination of imports from Russia/Belarus will have significant impact on wood flows in the Baltic Sea region

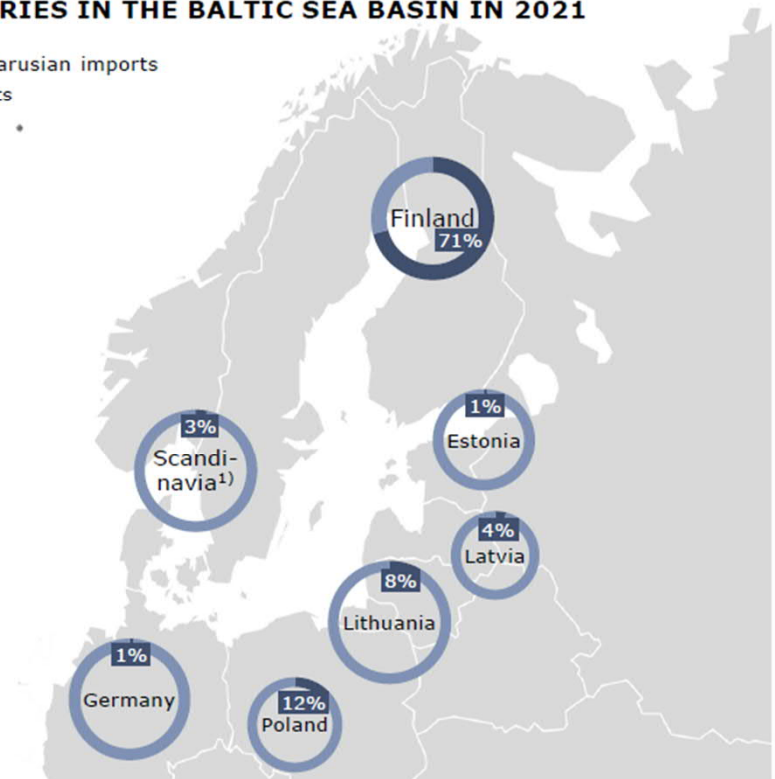
RUSSIAN/BELARUSSIAN SHARE OF TOTAL IMPORTS IN 2021

■ Russian/Belarusian imports
■ Total imports



DISTRIBUTION OF RUSSIAN/BELARUSSIAN IMPORTS AMONG THE COUNTRIES IN THE BALTIC SEA BASIN IN 2021

■ Russian/Belarusian imports
■ Total imports



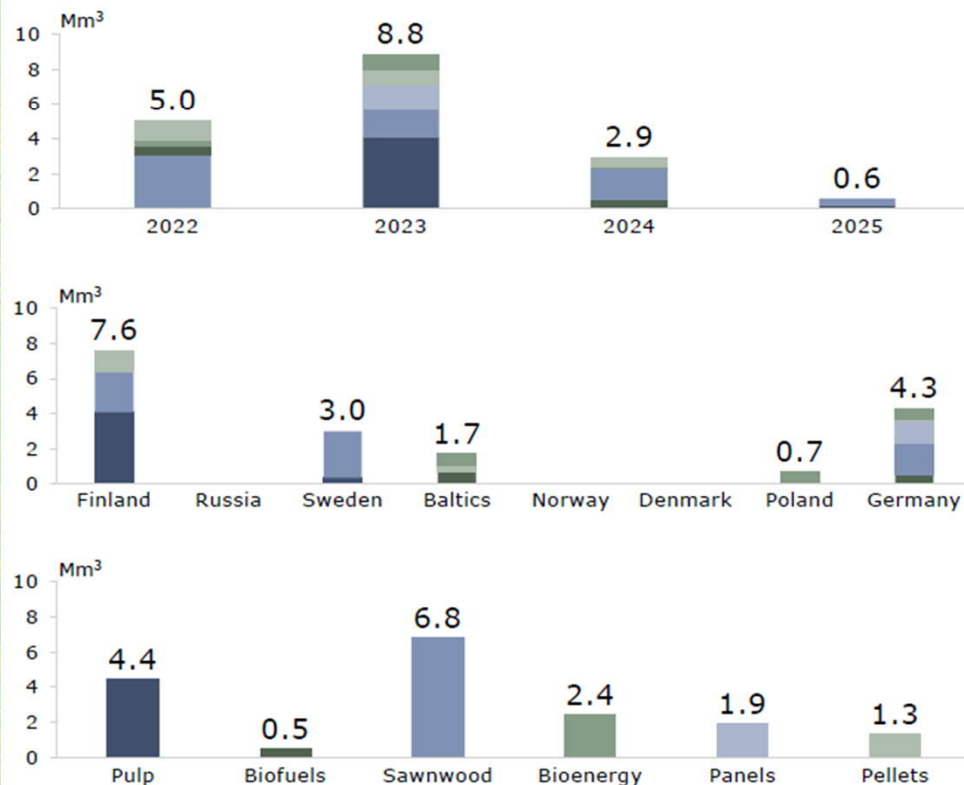
¹⁾ incl. Norway, Sweden and Denmark

Source: AFRY

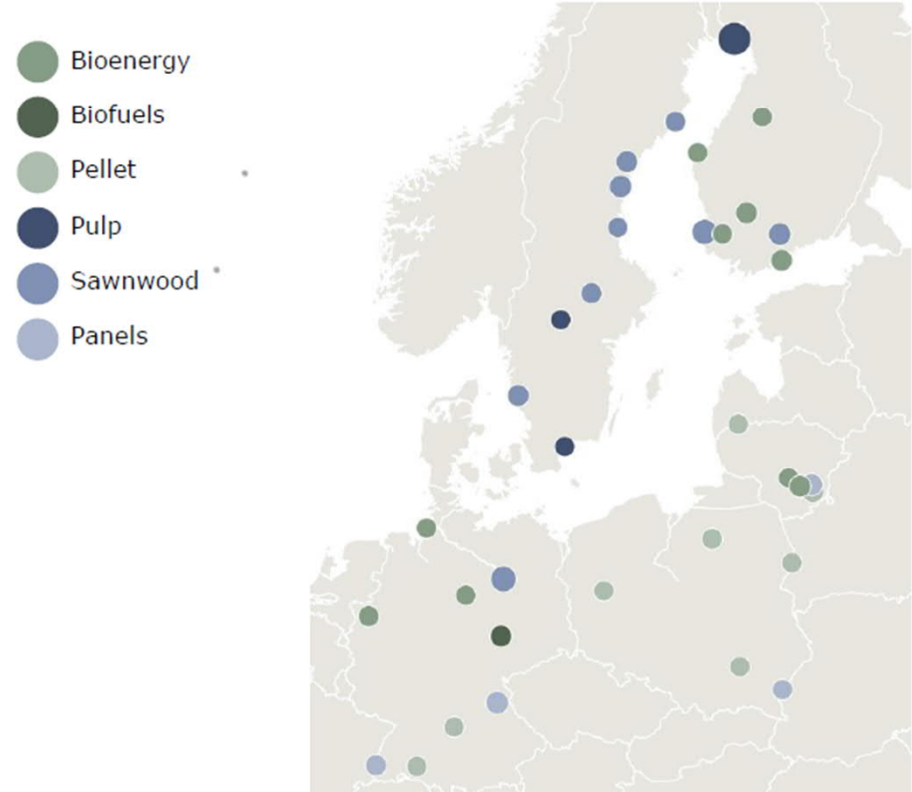
IMPACTS ON PLANNED EXPANSIONS

Wood demand expected grow by 17 Mm³, mostly in Finland, some projects may be postponed or wood/fuel mixes changed

DECIDED CAPACITY EXPANSIONS IN THE BALTIC SEA REGION



DECIDED INVESTMENTS IN THE BALTIC SEA REGION



¹⁾ Only projects, which are decided or under construction are considered

Source: AFRY

RISK AREAS AND POTENTIAL MITIGATION MEASURES

Wood markets have various ways to find the new balance to fill the supply gaps resulting from terminated wood imports from Russia/Belarus

7 - DECLINING END CONSUMPTION

- Inflation and supply chain issues raise construction costs and demand falls with lower GDP
- Lower demand for forest products from current level resulting in lower demand for fiber

6 - INCREASED SAWMILL PRODUCTION

- Nordic and Baltic sawmills can replace part of current Russian sawnwood export to EU
- Increasing supply for softwood sawlogs will drive the supply of pulpwood and other assortments
- Increasing supply of by-products (woodchips)

5 - IMPORTS FROM OTHER REGIONS

- China may replace current imports with Russian timber
- Supplies (e.g. due to salvage harvesting) from Central Europe can be redirected to the Baltic Sea Basin

1 - FURNISH CHANGES

- Market pulp mills can replace hardwood with softwood fiber
 - Prices are likely to increase for softwood, also for hardwood, if all the volumes can not be replaced
- Integrated paper mills can change the furnish

2 - INCREASED HARVESTING

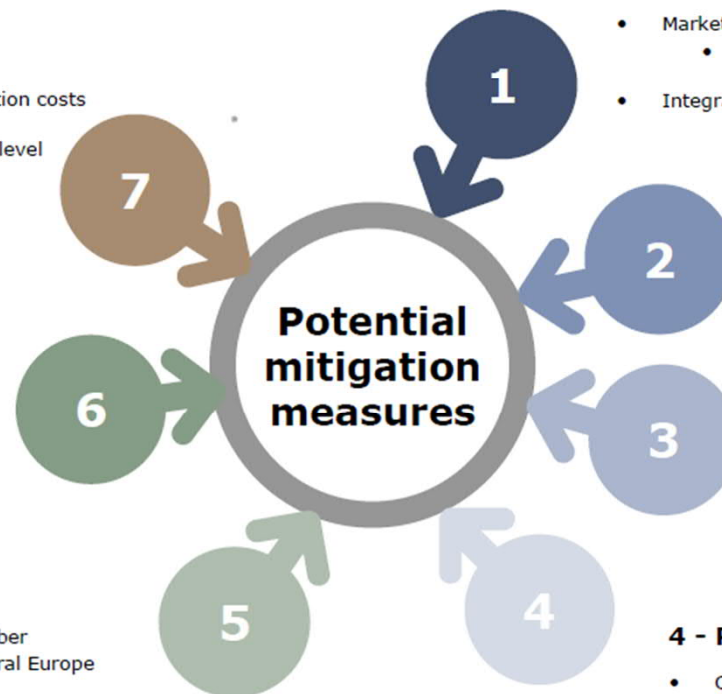
- Increased mobilisation is possible in most countries, but results in upward price pressures
- Harvesting above MSR is possible in the short term
- Additional volumes are likely to be mobilised at higher costs

3 - POSTPONED PROJECTS

- Not yet started projects can be postponed

4 - RESTRUCTURING

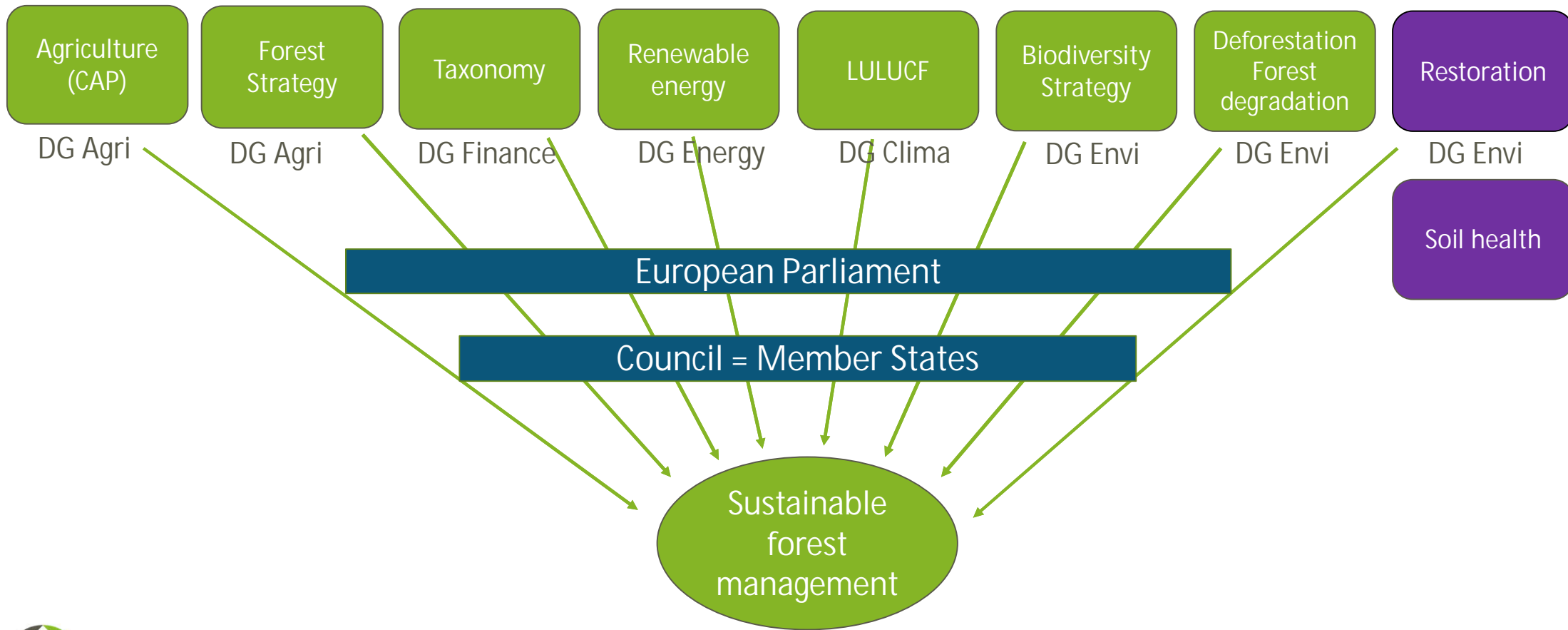
- Quicker closures of pulp capacities or conversions of graphic paper mills to packaging grades



EFFECTS OF THE CONFLICT ON TORNATOR

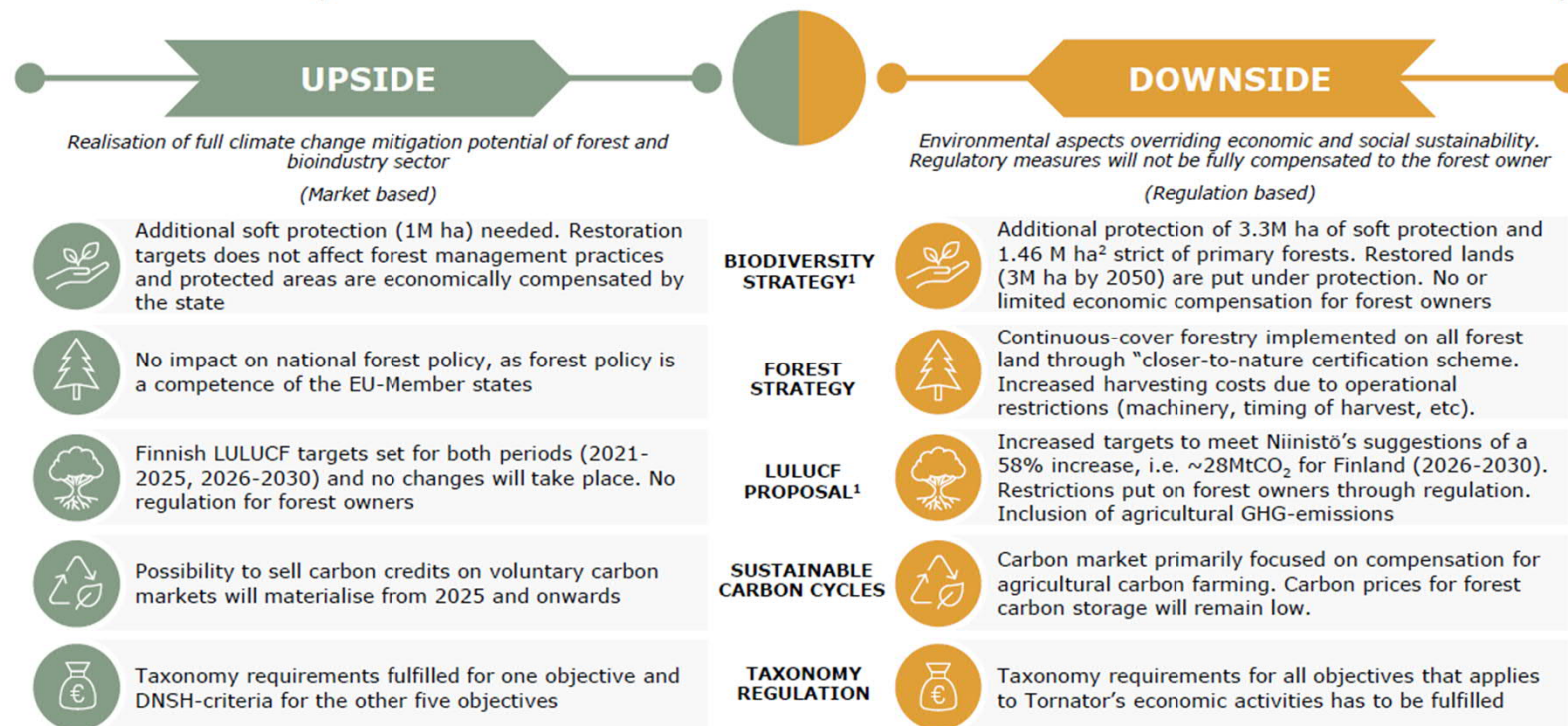
- TORNATOR's short-term point of view:
 - In 2022, timber deliveries (=net sales) shall be at least on a planned level
 - The company is prepared to negotiate extra volumes with the main customer on a short notice
 - Resources in silvicultural operations have been ensured: contractor companies have anticipated the Ukraine situation by acquiring personnel from other countries in Eastern Europe and Baltics
 - It remains to be seen if the possible rise in timber prices tightens forestland market even more
 - If the conflict expanded, e.g. to Finland, we would naturally need a completely new estimate about the situation

The number of EU forest initiatives has been huge during the current Commission - busy years in Parliament and Council



EFFECTS OF THE REGULATION ON TORNATOR

The upside scenario focuses on the climate change mitigation potential of the forest sector, while the downside focus on environmental sustainability



1) I.e. some protection measures taken as a result of the LULUCF proposal might also contribute to reach the Biodiversity targets and vice versa. Protection measures might overlap each other
2) LUKE, 2022

The Finnish Bioeconomy Strategy 2022–2035

– Sustainably towards higher value added



Ministry of Agriculture and Forestry of Finland

The objectives of the Bioeconomy Strategy by 2035 are:

- double the value added of bioeconomy
- create competitive and innovative bioeconomy solutions to global problems
- generate business that promotes renewal both to the domestic and international markets, which will bring wellbeing to Finland as a whole
- increase the resource-wise use and recycling of materials and utilise side streams
- reduce dependency on fossil fuels and other non-renewable raw materials
- ensure ecological sustainability, social justice and the renewal capacity of renewable natural resources and to strengthen broad-based competence in the bioeconomy
- improve and reform the technology base.

The strategy's measures will be funded by the Sustainable Growth Program for Finland. Several ministries are responsible for implementing the strategy in cooperation with many operators. The regions play a key role in achieving the objectives of the strategy and they are encouraged to draw up their own bioeconomy action plans. The Ministry of Economic Affairs and Employment will appoint a steering group for the implementation of the strategy.

New Strategy 2022-24



CORE OF THE STRATEGY: GROWTH WITH SUSTAINABILITY AND PARTNERSHIPS

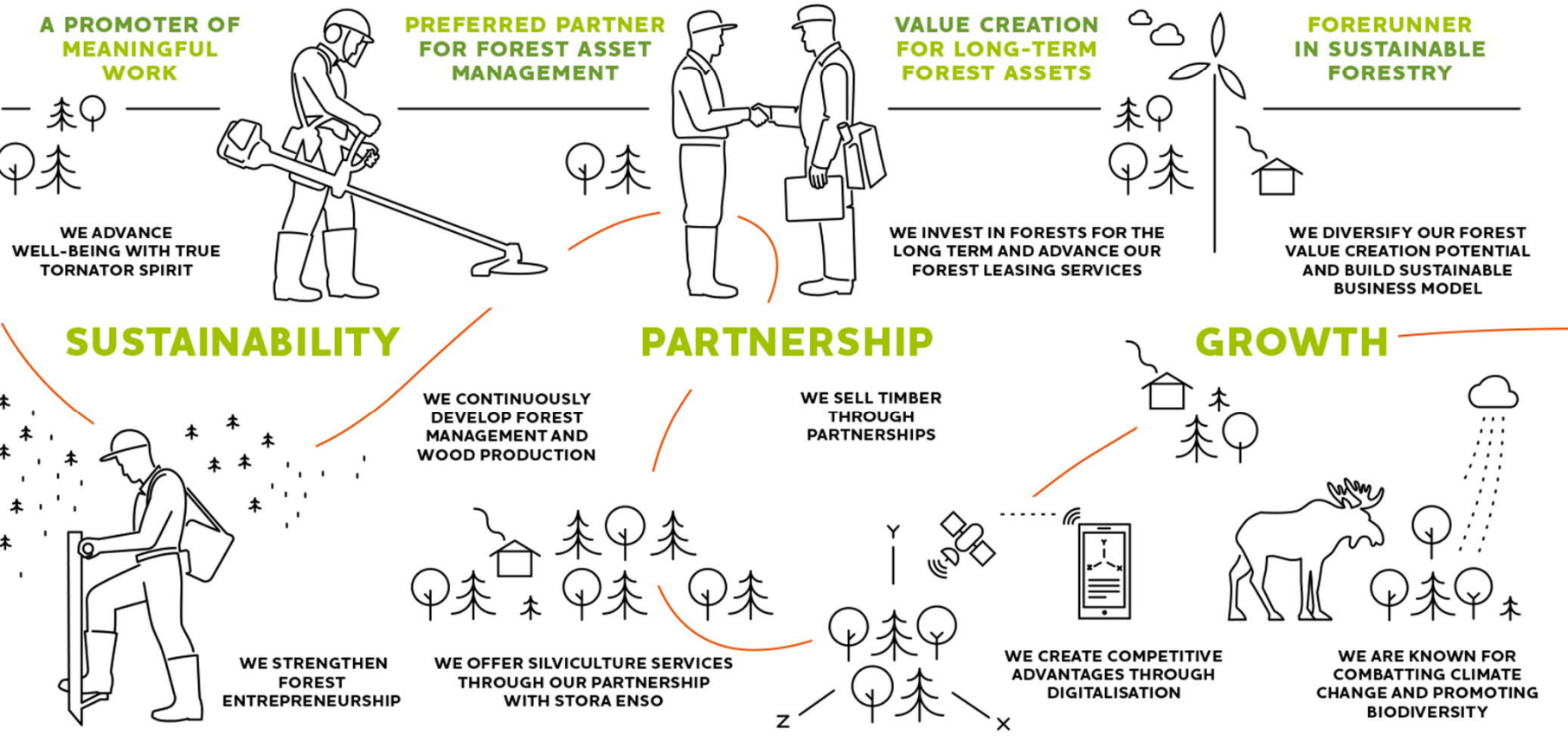
- Strategy has been built around three concepts:
 - └ **Sustainability:** megatrend, critical to all of our stakeholders, demonstrates well what we do
 - └ **Partnership:** together we can do more, we need others to succeed
 - └ **Growth:** biological growth, profitable growth of business and growth of human capital

- Strategic targets and goals:
 - └ A promoter of meaningful work
 - └ Preferred partner for forest asset management
 - └ Value creation for long-term forest assets
 - └ Forerunner in sustainable forestry

STRATEGIC PRIORITIES

A PASSION FOR THE FOREST – SUSTAINABLE SOLUTIONS ACROSS GENERATIONS

VISION: A FORERUNNER IN THE RESPONSIBLE USE OF FORESTS MISSION: WE GENERATE SUSTAINABLE WELL-BEING FROM FORESTS VALUES: RESPONSIBILITY, EXPERTISE, PARTNERSHIP



PARTNERSHIP WITH STORA ENSO

- wide cooperation on a large scale

- **Timber trade**
 - └ Implementation of new framework agreement
- **Silviculture services**
 - └ Implementation of silviculture services agreement
- **Digital development**
 - └ Common development projects
- **Promoting forest growth**
 - └ R&D cooperation, e.g., utilising findings from researches made in Sweden
- **Communication and social impact**
 - └ Common annual planning and sparing, distribution of information, crisis communication
- **Environmental issues**
 - └ Active communication on an operative and on a tactical level
- **Marketing**
 - └ Promotion of purchase/lease of forests and silviculture services
- **Occupational safety**
 - Sparring and joint training events
- **New coalitions**
 - └ Generation of new ideas to add cooperation across different industries

Our partners in the development projects



EXPRESSIONS OF SUSTAINABILITY

ENVIRONMENTAL SUSTAINABILITY

- Climate program
- Biodiversity program
- FSC® and PEFC certifications
- Green Finance Framework

SOCIAL SUSTAINABILITY

- Taking care of working conditions
- Well-being at work
- Employment and tax payments in sparsely populated areas

ECONOMIC SUSTAINABILITY

- Sustainable growth
- Equity ratio
- Steady dividends

⇒ The aim is to find concrete targets and measures for sustainability

⇒ The ultimate goal is to have a healthy balance between these three areas of sustainability

THANK YOU!



TORNATOR

RESPONSIBLE EXPERTISE IN FORESTRY