

Capital Markets Day

9 April 2014

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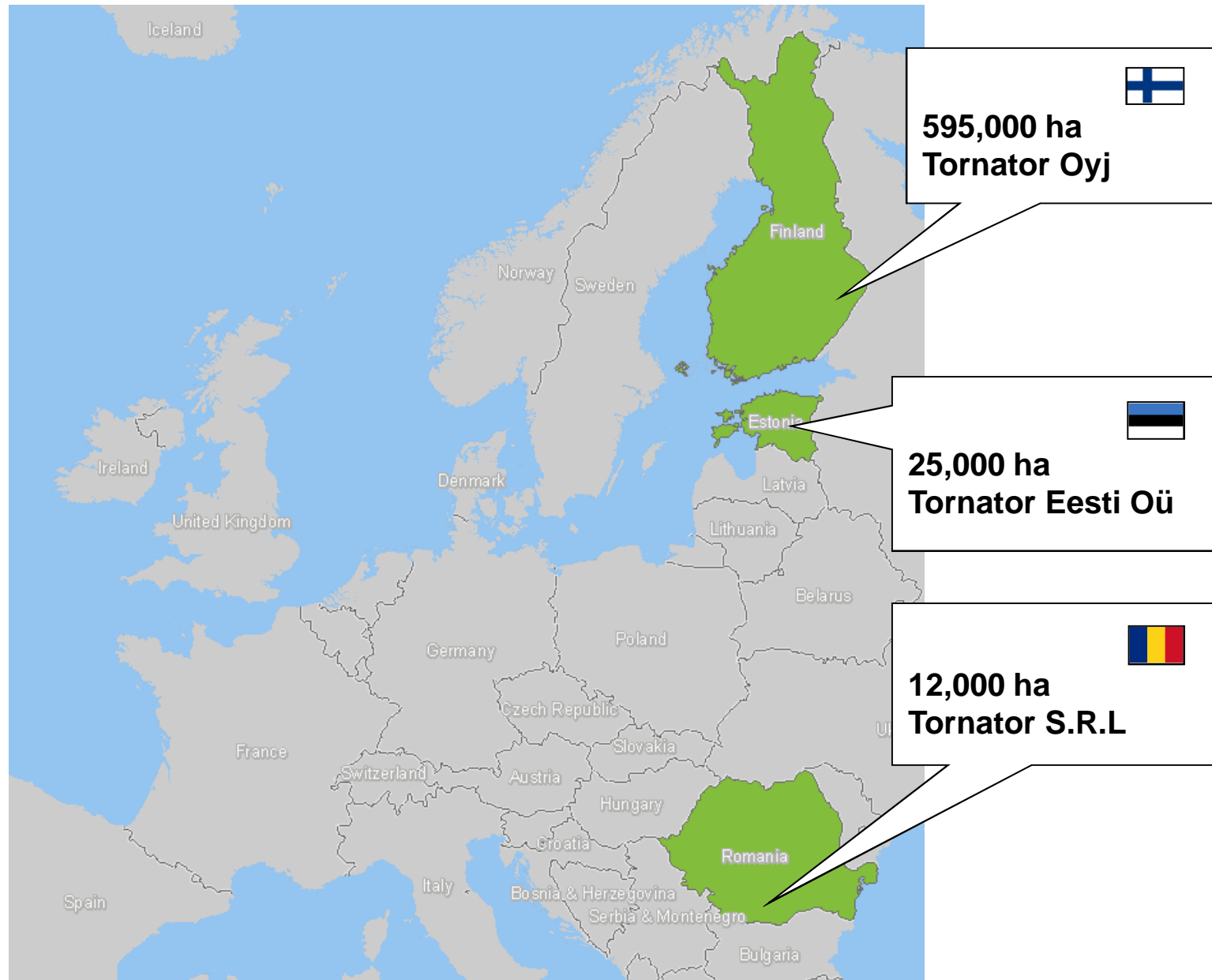
Tornator in brief

- Established in 2002 as a spin-off from Stora Enso (a Finnish paper and pulp giant)
- Owned by Stora Enso (41%) and by Finnish institutional investors (59%)
- Third largest forest owner in Finland, with approx. 600,000 hectares of forestlands
- Net sales in 2013 EUR 86,7 million
- Main businesses: wood sales and real estate sales (holiday plots, remote forest estates)
- Approx. 210 employees (85 salaried employees, 125 forest workers)
- Expansion to Estonia (2007) and Romania (2008)



Tornator's forestlands
in Finland

Tornator's forestlands in 2013



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Strategy update

- Cornerstones: skilled labour and well-managed forest assets
- Services
- Renewable energy
- Expansion abroad
- FSC certificate
- Balance Sheet management

Strategy update

- **Cornerstones: skilled labour and well-managed forests assets**
 - Both to be leveraged to the fullest in a sustainable manner



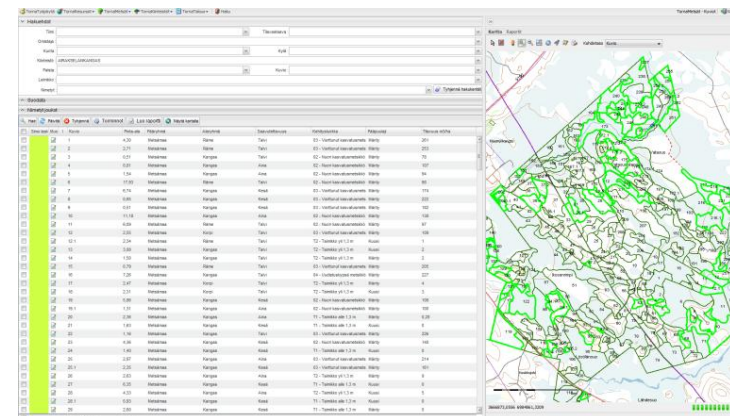
Strategy update

- **Services**

- Decades of forestry expertise combined with the state-of-art ERP system can be sold to other forest owners, both private and public sector, domestic and foreign, in a form of a forest management service



TornaApps ERP system Forest resource, real estate and work site (GIS) management



Id	Area	Area type	Area name	Area code	Area status	Area area	Area volume	Area value
1	1.00	Forest	Forest	1.00	Active	1.00	1.00	1.00
2	2.00	Forest	Forest	2.00	Active	2.00	2.00	2.00
3	3.00	Forest	Forest	3.00	Active	3.00	3.00	3.00
4	4.00	Forest	Forest	4.00	Active	4.00	4.00	4.00
5	5.00	Forest	Forest	5.00	Active	5.00	5.00	5.00
6	6.00	Forest	Forest	6.00	Active	6.00	6.00	6.00
7	7.00	Forest	Forest	7.00	Active	7.00	7.00	7.00
8	8.00	Forest	Forest	8.00	Active	8.00	8.00	8.00
9	9.00	Forest	Forest	9.00	Active	9.00	9.00	9.00
10	10.00	Forest	Forest	10.00	Active	10.00	10.00	10.00
11	11.00	Forest	Forest	11.00	Active	11.00	11.00	11.00
12	12.00	Forest	Forest	12.00	Active	12.00	12.00	12.00
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14	14.00	Forest	Forest	14.00	Active	14.00	14.00	14.00
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16	16.00	Forest	Forest	16.00	Active	16.00	16.00	16.00
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25	25.00	Forest	Forest	25.00	Active	25.00	25.00	25.00
26	26.00	Forest	Forest	26.00	Active	26.00	26.00	26.00
27	27.00	Forest	Forest	27.00	Active	27.00	27.00	27.00
28	28.00	Forest	Forest	28.00	Active	28.00	28.00	28.00
29	29.00	Forest	Forest	29.00	Active	29.00	29.00	29.00
30	30.00	Forest	Forest	30.00	Active	30.00	30.00	30.00



Strategy update

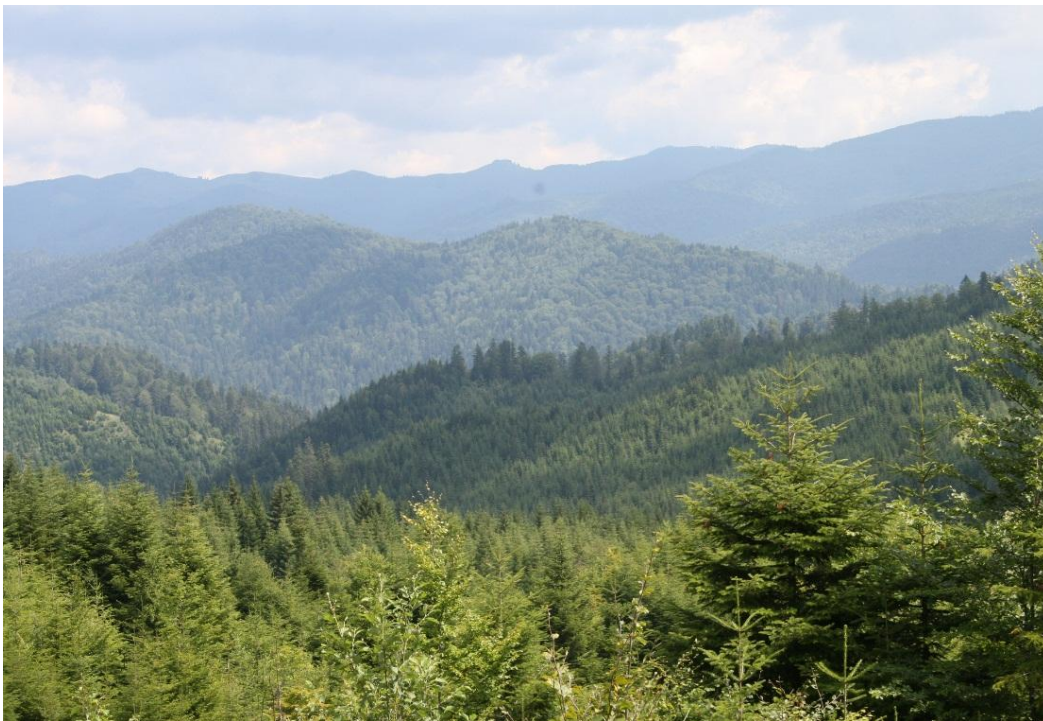
- **Renewable energy**

- *Wind energy*: extra revenues both in a form of land leases and development of wind mill projects and selling of such projects
- *Bio energy*: a strong participation in the value chain to support biomass based industry, e.g. CHP-plants (Combined Heat and Power)



Strategy update

- **Expansion abroad:** growth and risk diversification
 - Forest acquisitions possible in Romania and Estonia
 - A committed RCF of 60 M€ is available for new, feasible investments



Strategy update

- **FSC (Forest Stewardship Council) certificate**
 - To guarantee a good demand for wood and a widest possible customer base in the long run
 - Application and evaluation process takes time, the certification is expected to be received in the beginning of year 2015
 - All Tornator's forests in Finland will be certified according to both PEFC and FSC



Strategy update

- **Balance Sheet management**

- Aim is to stabilize both sides of the B/S
 - Fair value of the Forest Assets
 - Equity and Loan portfolio
- Key is to stabilize the discount rate used in fair valuation of the forests
- Tools: Long maturities in financing and interest rate hedges
- Requires maintaining an equity ratio of approx. 35%
 - Leverage
 - Profit distribution

Strategy update

- **Financial targets:**
 - ROE **8%** (2009-13 aver. 7,7%)
 - Dividend yield **5%** (2009-13 aver. 6,8%*)
 - Dividend pay-out from net result **40-70%** (2009-13 aver. 74%*)
 - Equity ratio **35%** (2009-13 aver. 40,4%)

* incl. extraord. dividend of EUR 40 million in 2013

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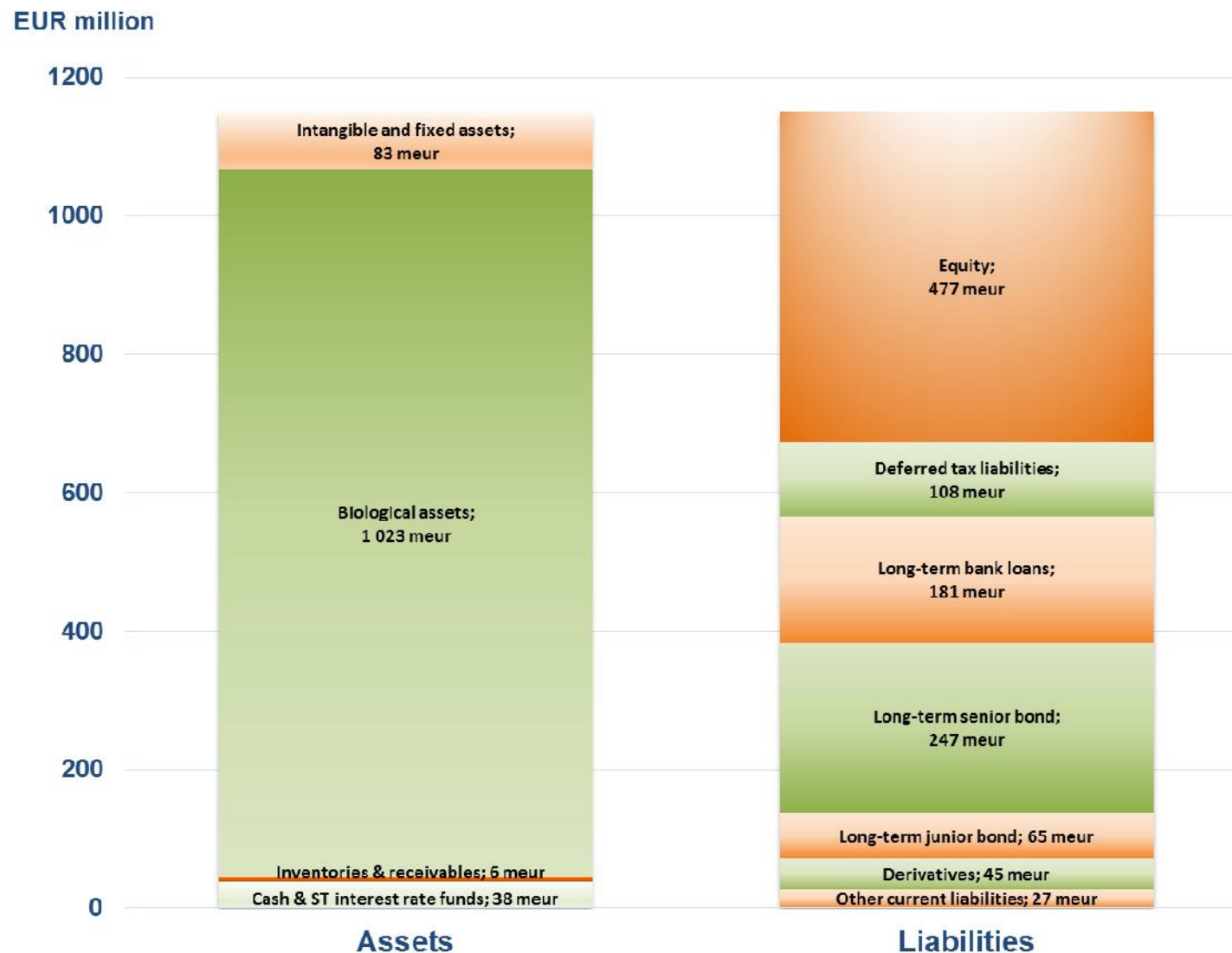
Financial year 2013: Highlights

- Good demand and excellent harvesting conditions contributed to the **best wood delivery results** in company's history
- **Weak demand for holiday sites** (small land plots) continued, but forest land sales helped to reach overall sales targets
- **Tornator delivers 100% of the raw material** (wood chips) to a **new pyrolysis oil factory** in Joensuu, Finland (owned by Fortum energy cny)
- **Corporate income tax was reduced from 24,5% to 20,0% =>** the fair value of **Tornator's forest assets in Finland increased by 54 M€**
- As a part of the B/S management strategy the shareholders were paid an **extraordinary cash dividend of 40 M€**, funded by tapping the committed RCF. The undrawn amount of the RCF is 60 M€
- Despite the dividend payment the **Equity ratio is still over 40%** (target 35%).

Key figures

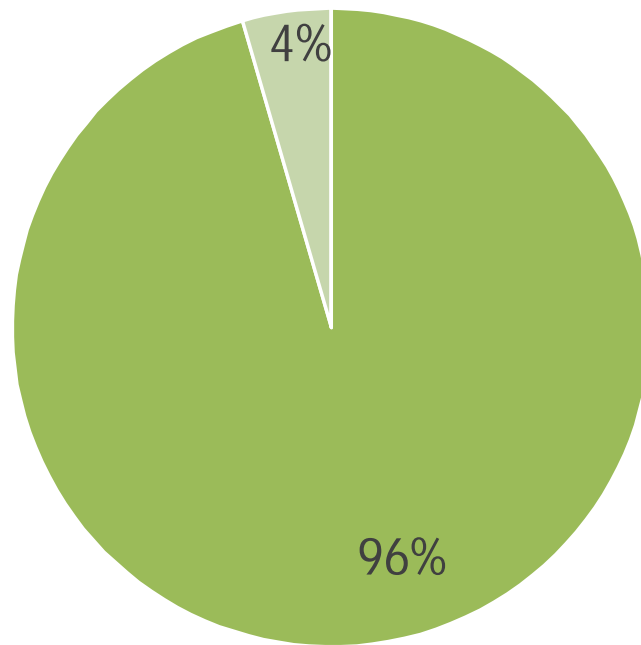
	2013	2012	2011
Net sales, EUR million	86.7	82.9	77.7
Operating profit, EUR million	65.5	63.1	65.2
Operating profit, % of net sales	75.6%	76.1%	83.8%
Profit for the period, EUR million	31.7	35.4	35.7
Return on equity	7.0%	8.3%	8.6%
Return on capital employed	7.1%	7.1%	7.4%
Equity ratio	43.0%	40.1%	41.9%

Balance sheet structure as of 31 Dec 2013



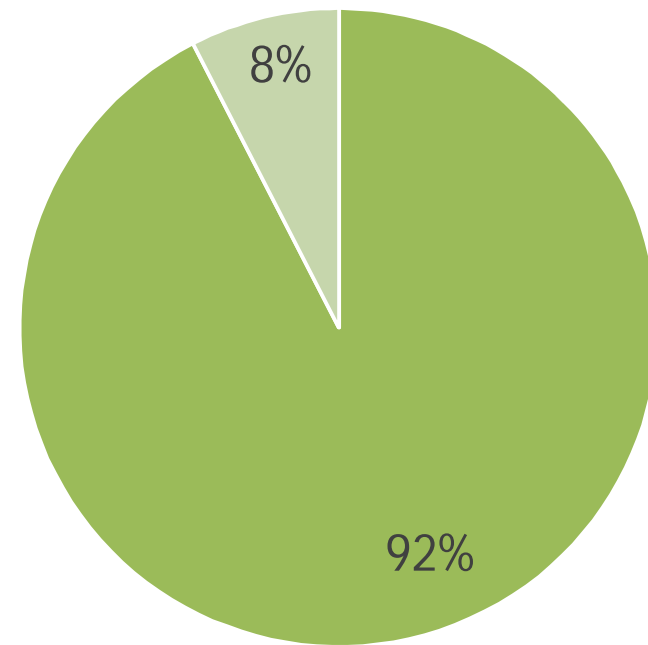
Segments

Income



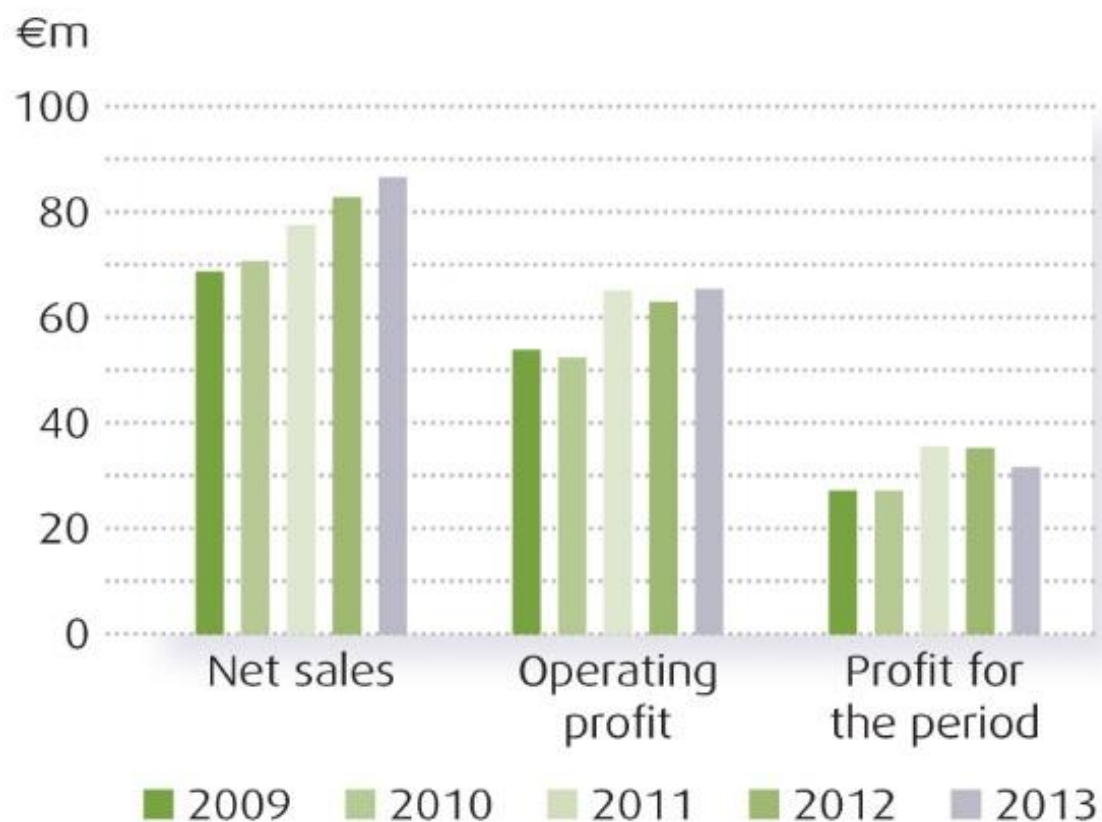
■ Finland ■ Romania and Estonia

Assets



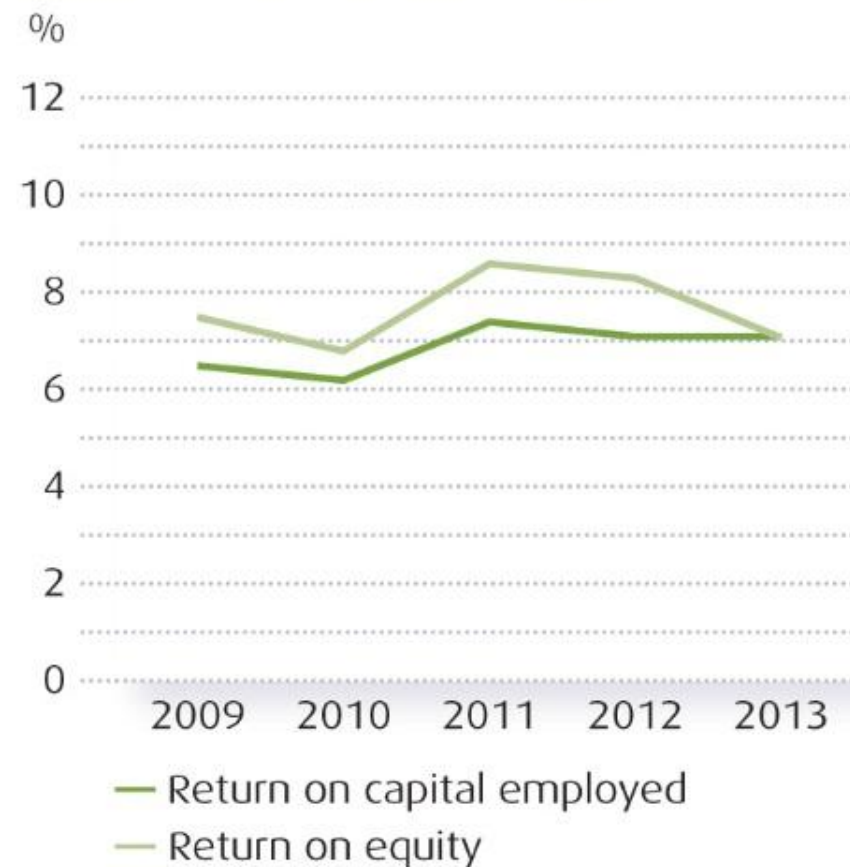
■ Finland ■ Romania and Estonia

Net sales, operating profit and profit for the period (Without effects of fair value changes)

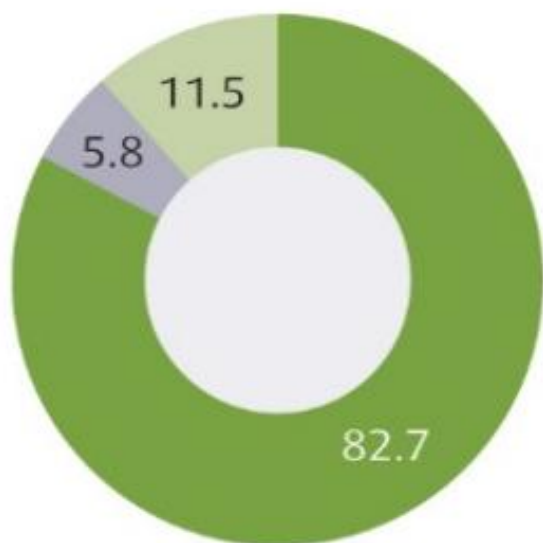


ROCE and ROE

(Without effects of fair value changes)

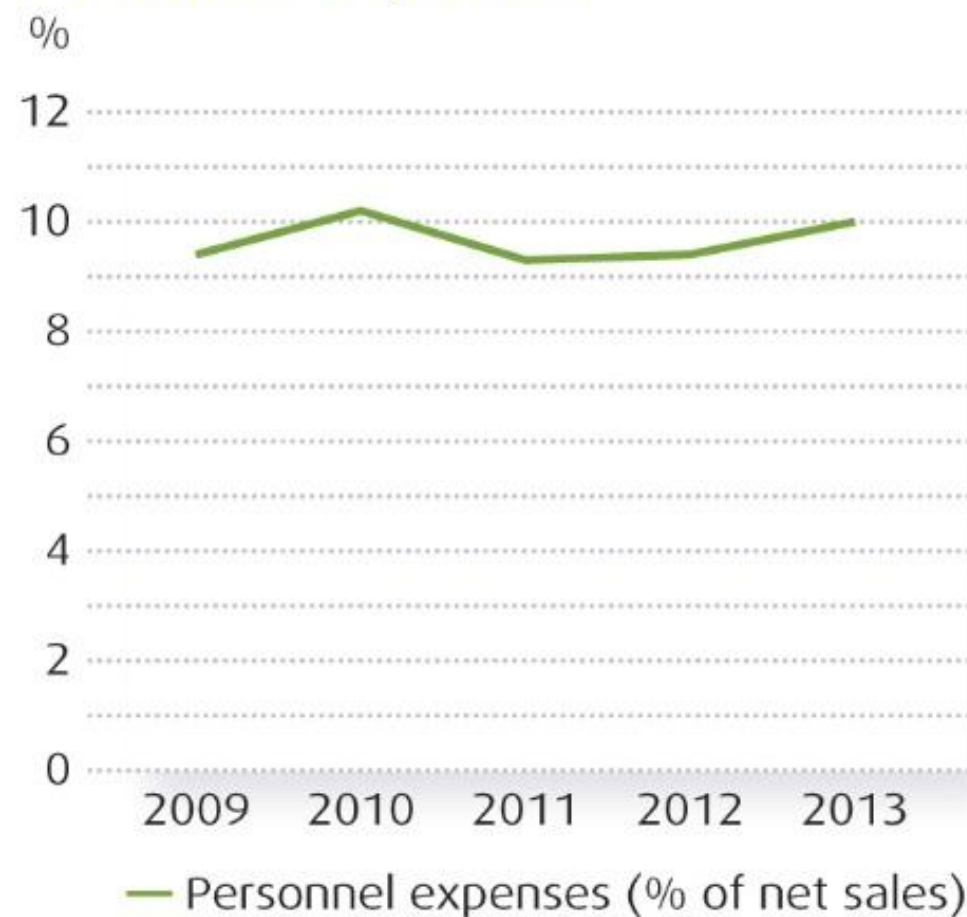


Cash flow from operations 2013



- Sales of cutting rights (%)
- Real estate sales (%)
- Other income (%)

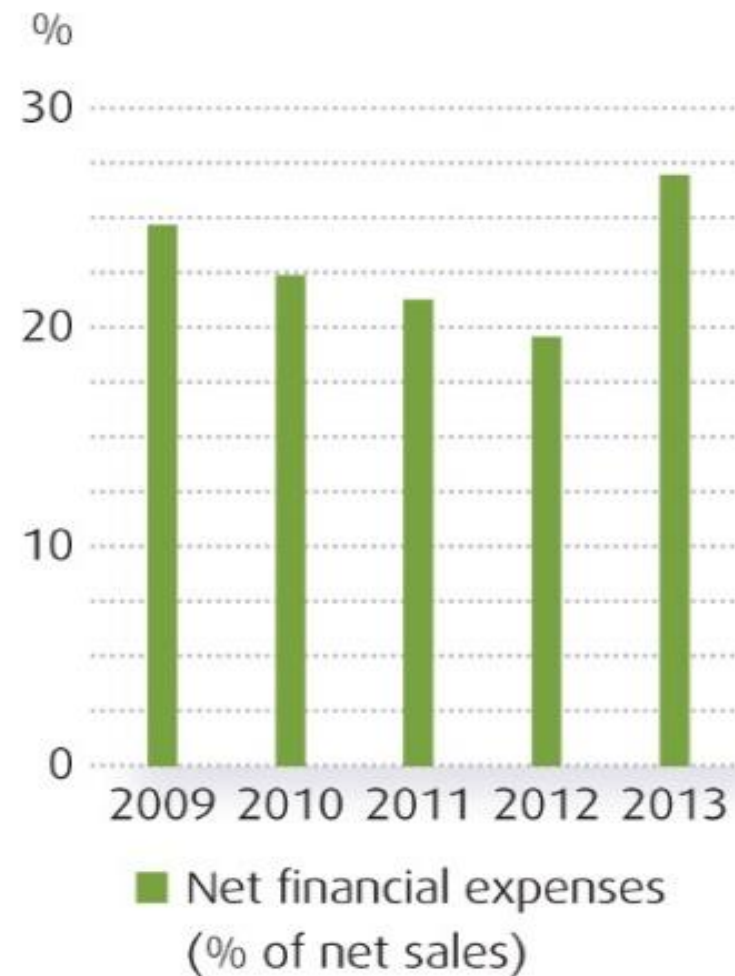
Personnel expenses



Dividend and dividend yield

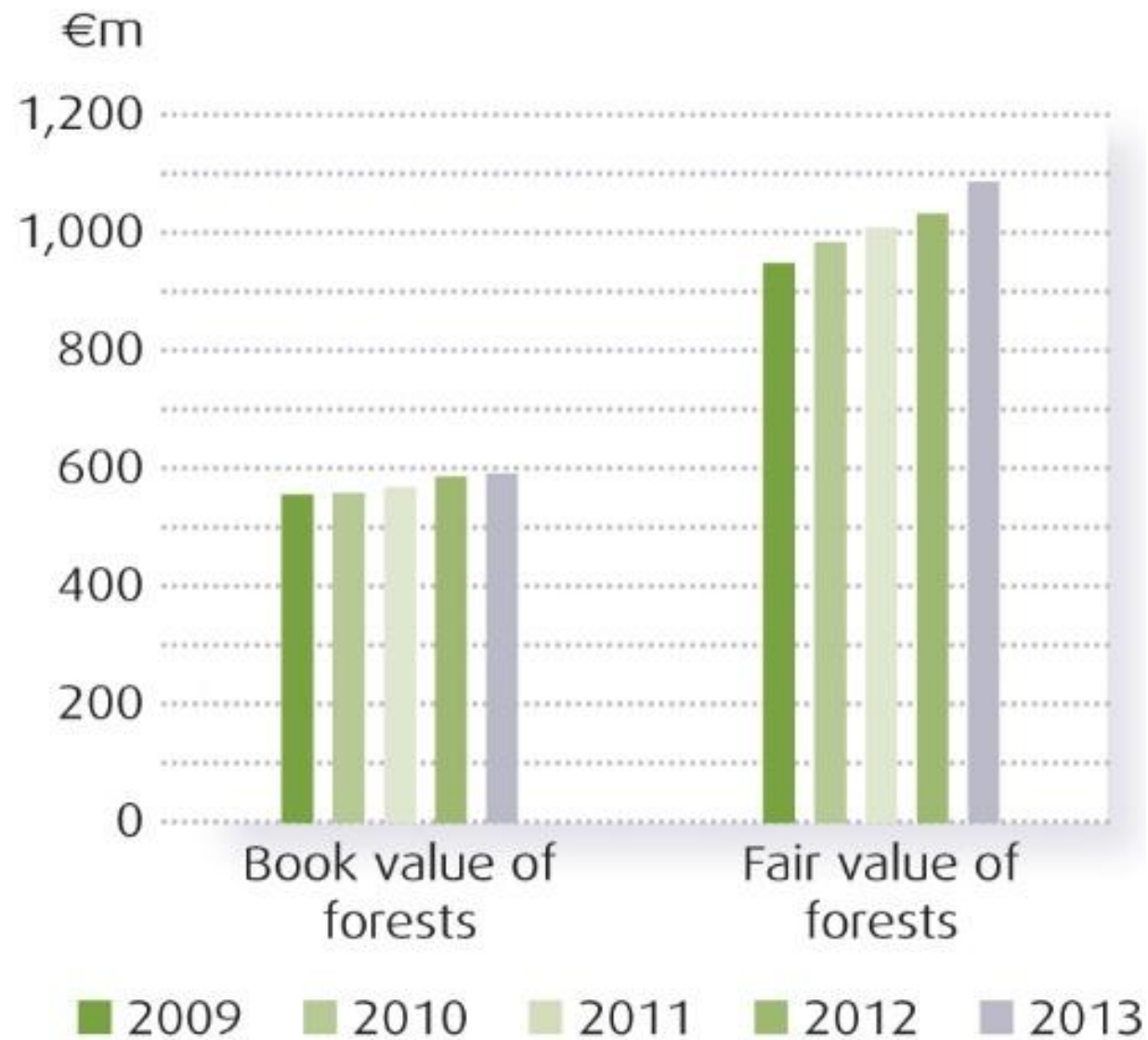


Net financial expenses



AGM's decision for 2014 dividend payment: 4,40 €/share

Valuation of forests



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Outlook for 2014

Global Wood Market

- **Sawlog prices trended upward throughout the world in the 4Q/13, the highest level in over two years and the third highest price on record since 1995, reports the Wood Resource Quarterly (WRQ). This trend is likely to continue in 2014 with lumber markets improving in North America and Europe.**
- With record shipments of logs and lumber from North America to China during 2013, it will be very **interesting to see if Chinese wood buyers can continue to increase their imports from the US and Canada in 2014 and 2015 when demand for lumber is likely to go up in the US market.**

Outlook for 2014

Global Wood Market continues

- **Stronger markets and higher prices for softwood fiber-based pulp and paper products** have resulted in higher demand, and rising prices, for both softwood chips and roundwood.
- **Hardwood fiber price changes have been mixed** with higher price in the 4Q/13 in Europe, while declining prices in Chile, Indonesia, Japan and Eastern Canada*.
- **Softwood fiber**, the main article for Tornator, is expected to have **a good demand throughout the year 2014**

* source: Wood Resource Quarterly

Outlook for 2014

Finnish Wood Market

- **Strong demand for all assortments**
- Demand for wood products is mainly based on a **good export market situation**, domestic demand is still relatively weak
- Wood **prices are expected to remain stable**, roughly at the same level as in 2013

Outlook for 2014

Tornator

- Good demand for wood and forest land continues
- Weak demand for holiday sites continues
- Overall performance and cashflow is expected to be similar to 2013

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Q&A





THANK YOU!

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