



TEN YEARS OF
RESPONSIBLE
EXPERTISE
IN FORESTRY



Annual Report 2012

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THE FINNISH FOREST
RESEARCH INSTITUTE
(METLA) HAS INCREASED
THE **ESTIMATE OF
ANNUAL GROWTH IN
TORNATOR'S FORESTS
FROM 2.4 TO 2.7 MILLION
CUBIC METRES.**



TORNATOR IS AN INTERNATIONALLY RESPECTED FORESTRY COMPANY

Tornator utilises forests sustainably and owns more than 600,000 hectares of forestland in Finland, Estonia and Romania. Tornator's core businesses are wood production and the sale of cutting rights. It also sells plots of land and soil resources. Tornator is the third largest forest owner in Finland.

2.5 

TORNATOR'S **FOREST AREA** CORRESPONDS TO ABOUT ONE FIFTH OF BELGIUM, OR **NEARLY 2.5 TIMES THE SIZE OF LUXEMBOURG.**



TORNATOR IS AN ATTRACTIVE PARTNER TO THE WOOD-USING INDUSTRY, AS IT AIMS TO SELL WOOD ACCORDING TO PLAN, STEADILY AND SURELY EACH YEAR.

ACCORDING TO METLA'S STUDY, THE **GROWING STOCK VOLUME IN TORNATOR'S FORESTS** IS MORE THAN 60 MILLION CUBIC METRES, OR **115 CUBIC METRES PER HECTARE.**



FOREST IS A GOOD INVESTMENT

VISION

Tornator is an internationally respected forestry company.

STRATEGY

Tornator fully utilises forest resources and land property according to principles of sustainability.

Tornator fully utilises expert knowledge and human resources in forest investment and services.

Tornator expands internationally in co-operation with well-considered partners, leading to economies of scale and synergy benefits.

VALUES

The company values are team spirit, willingness to change, performance and responsibility.

Team spirit – ability and will to work together

Willingness to change – readiness to adopt new ways of doing things

Performance – working towards the targets

Responsibility – for quality of work, the environment and relationships with stakeholders

85%



*OF THE ESTIMATED GROWTH IN TORNATOR'S FORESTS IS UTILISED IN THE ANNUAL CUTTING PLAN, I.E. TORNATOR'S **TIMBER RESERVES ARE CONTINUOUSLY INCREASING.***

THE YEAR 2012

TORNATOR'S NET SALES SET NEW RECORD IN ANNIVERSARY YEAR

Tornator's net sales increased by some 7 percent from the previous year, being EUR 82.9 (77.7) million. Operating profit without the effect of forest growth was EUR 63.1 (65.2) million, or 76.1 (83.8) percent of net sales. Tornator's net operating income remained strong, EUR 35.4 (35.7) million without fair value changes.

Tornator had great success in its operational activities. The good demand for wood resulted in the highest volume of deliveries in the company's history. Tornator renewed its long-term timber sales agreement with Stora Enso to last until 2020.

Tornator managed to expand its customer base into the energy sector by signing an agreement with Fortum on the supply of roundwood and chips to a bio-oil plant in Joensuu.

Tornator issued a secured bond listed on the Helsinki Stock Exchange and re-registered as a public limited company (Oyj) on 17 December 2012. The refinancing of the loan portfolio diversified the company's funding sources and secured financing far into the future.

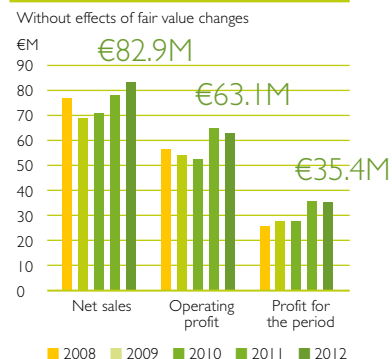


TO MARK ITS ANNIVERSARY, TORNATOR **INCREASED ITS NET SALES TO ANOTHER NEW RECORD, NEARLY 83 MILLION EUROS.**



Key figures	2008	2009	2010	2011	2012
Without effects of fair value changes					
Net sales, EUR million	76.8	68.8	70.8	77.7	82.9
Operating profit, EUR million	56.5	54.0	52.5	65.2	63.1
Operating profit, % of net sales	73.5	78.4	74.2	83.8	76.1
Profit for the period, EUR million	25.7	27.3	27.3	35.7	35.4
Profit for the period, % of net sales	33.4	39.6	38.6	45.9	42.7
Average number of employees	188	201	193	197	211
Return on capital employed, %	7.1	6.5	6.2	7.4	7.1
Return on equity, %	8.2	7.5	6.8	8.6	8.3
Equity ratio, %	35.7	37.6	41.8	41.9	40.1

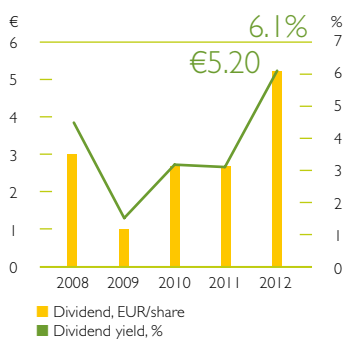
Net sales, operating profit and profit for the period



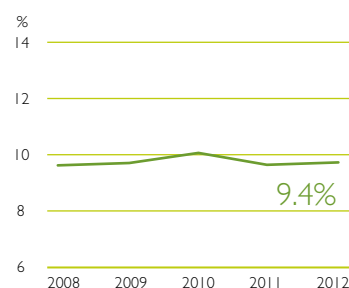
ROCE and ROE, %



Dividend and dividend yield



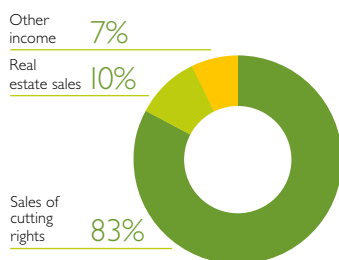
Personnel expenses, % of net sales



Profit for the period, % of net sales



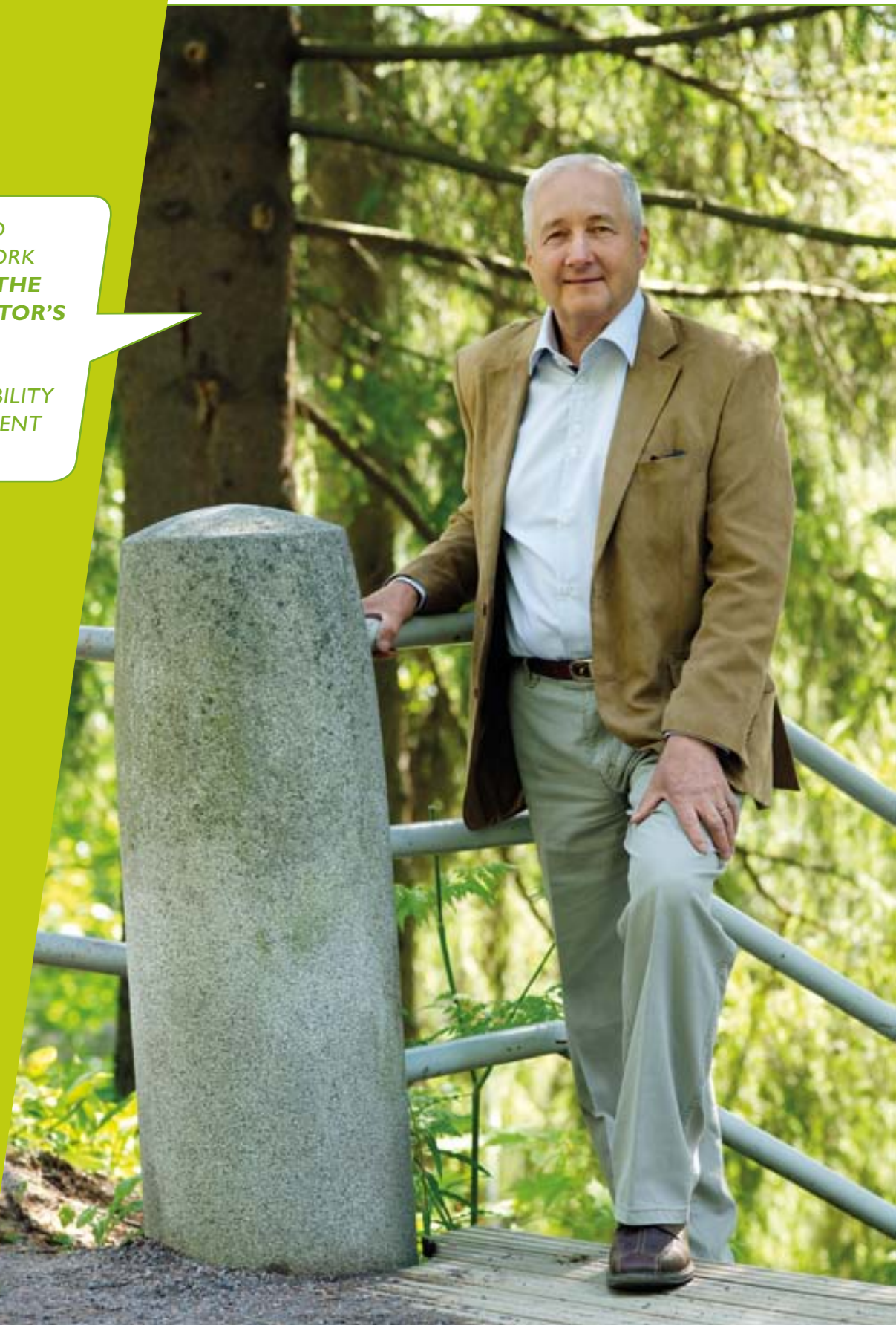
Cash flow



Book value vs. fair value of forests



CORRECTLY TIMED
SILVICULTURAL WORK
HAS **INCREASED THE
YIELD OF TORNATOR'S
FORESTS**, AND BY
INVESTING WE CAN
ENSURE THE AVAILABILITY
OF WOOD IN DIFFERENT
CONDITIONS.



RECORD YEAR FOR 10TH ANNIVERSARY

Our anniversary year 2012 was in many ways a full ten score. Our business set another record, operations went according to plan, and late in the year we managed to expand our customer base into the energy sector, which I consider to be a major conquest for Tornator. Our agreement is the first of its kind in Finland regarding large-scale supply of woody biomass directly from a forest owner to the energy industry. It enables us to carry out first thinnings and smallwood harvesting to better suit our own needs.

Tornator has been operating as an independent company for 10 years. During these years we have been able to develop our business in many ways. I would like to highlight two important factors: attitude and tools. As a company, we have managed to generate a real drive and attitude within the organisation, while seeking the right tools to do the job. We have thought about our customers and their needs and adjusted our services accordingly. We have improved our operations using modern mobile tools. Our results have improved year by year, which is testimony to success in our work. For this I give my sincere thanks to each and every employee of Tornator.

During its 10 years of operation, Tornator has earned its place and position in the Finnish roundwood market. We have been successful in creating our own way of working and organisational culture. Although agile and flexible in its operations, Tornator brings stability and steadiness to the Finnish wood market.

Tornator successfully refinanced its loan portfolio and changed company type in late 2012: we are now a public limited company. Our long-term senior and junior loans were renewed while the funding sources were diversified by issuing a listed secured bond of EUR 250 million. Secured by forest assets, our bond generated interest among investors both in Finland and abroad. The fact that the substantial amount of loan was obtained without credit rating is an indication of investors' confidence in Tornator and its know-how in forestry.

Tornator's ownership structure has remained unchanged. The commitment of our shareholders provides strong support to the business. The solid ownership has also contributed to the faith of loan investors in Tornator.

Tornator aims to sell timber to the market steadily each year according to a sustainable annual cut. With the improving yield of our forests, we have been able to raise the sustainable annual cut from the initial 1.6 million cubic metres to the present 2.4 million cubic metres.

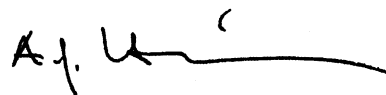
The year 2012 was all-time steady on the wood market. Prices of wood assortments remained stable with only minor fluctuations. Wood supply and demand were well balanced and wood was brought to the market steadily throughout the year. Wood was mainly purchased by the forest industry, and the use of wood fuel was held back by the price of emission allowances that remained low all year.

For a forest owner, offering wood for energy would be a good way to offset the market risk of the forest industry. However, the growth of wood fuel demand is seriously disturbed by the different and changing support measures for renewable energy in various EU countries. The ever-changing support measures distort market activity, increasing uncertainty and hampering investment. For using wood for energy, it would be desirable if renewable energy could be market-driven through the price of emission allowances.

The long-fibre pulp from our conifers is somewhat an untapped resource that I can still believe in. Not all great qualities of our pulp have been discovered or commercialised yet. There are no serious competitors to long-fibre pulp in sight – we just need to find more opportunities to utilise its good properties, for instance in building and packaging technology.

Tornator's future looks bright. Correctly timed silvicultural work has increased the yield of our forests. By investing, for example in forest roads, we have made sure to be able to extract the wood from the forest even in poorer conditions. We have a sensitive ear to our customers and their needs while also searching for new customer segments.

Imatra, 6 February 2013



Arto J. Huurinainen
Chief Executive Officer



WE CELEBRATED OUR ANNIVERSARY, AS APPROPRIATE TO THE ORGANISATIONAL CULTURE, **LOW-KEY** AMONGST EMPLOYEES, CUSTOMERS AND CLOSE PARTNERS.

THE ANNIVERSARY GAVE A REASON TO GET THE WHOLE **STAFF** TOGETHER TO SHARE EXPERIENCES AND TO **ENJOY THE FRUITS OF OUR SHARED LABOUR.**



ANNIVERSARY YEAR EVENTS

HIGH QUALITY OF OPERATIONS REFLECTED IN FOREST MANAGEMENT

The quality of nature management in Tornator's forest operations is regularly evaluated by the Forestry Development Centre Tapio. In the latest evaluation, Tornator's overall grade for nature management quality was "good" or "excellent" for 89 percent, and "passable" for 11 percent of the inspected area. No sites were graded as "poor". In Tornator's forests, the average volume of live trees left in regeneration areas and valuable habitats is some 8 m³/ha, while the average volume on privately owned land is 2 m³/ha.

CELEBRATING BY WORKING

Tornator's 10th anniversary year was celebrated, as appropriate to the organisational culture, mainly by working hard for good results, and the company set a new record in net sales. On its birthday in July, Tornator wanted to thank



especially the employees for their strong commitment to the common objectives, and the whole staff gathered for a luncheon cruise on Lake Saimaa. Among the festivities, six Tornator employees were recognised for 40 and 30 years of service.

SCALE MODELS OF EVOLVING FOREST MANAGEMENT FOR LUSTO

To mark its anniversary, Tornator collaborated with Lusto, the Finnish forest museum and science centre, to produce a set of scale models depicting the development of silviculture and forest drainage over the past 100 years. The six scale models handed over to Lusto are part of an exhibition titled "The Century of Forest Healers".

GENE CONSERVATION IN TORNATOR'S FORESTS

Tornator is conserving the genetic resources of European forest trees, as there are several gene reserve stands in company forests: for pine in Taipalsaari and Kerimäki, small-leaved lime in Lappeenranta and common ash in Hyvinkää. The common ash is exceptionally threatened at the moment, and conserving its gene reserves comes close to species conservation. The European network of gene reserve forests includes a total of 41 sites in Finland.

TORNATOR TO SUPPLY WOODY BIOMASS TO A BIO-OIL PLANT

Tornator is seeking a role in the wood fuel supply chain. A bio-oil plant to be built in Joensuu will use forest chips supplied by Tornator for raw material. The plant is scheduled to be completed in 2014. The supply agreement will have an employment effect of a few tens of person years in the region of North Karelia.

TORNATOR ISSUES BOND OF EUR 250 MILLION

In December, Tornator issued a secured bond of EUR 250 million. The bond was subscribed by more than 30 institutional investors. The bond has a maturity of 7 years and a fixed annual interest of 3.125 percent, and it is secured by a number of Tornator's forest properties in Finland. The funds received from the bond were used to repay Tornator's bank loans.

TORNATOR GOES PUBLIC

Before Christmas, Tornator's company type was changed to public limited company (Oyj). Linked with the company's financing arrangements, the change enabled listing the newly-issued bond on NASDAQ OMX Helsinki.



ON TORNATOR'S BIRTHDAY, THE PERSONNEL TOOK A CRUISE ON SUNNY LAKE SAIMAA. **THE COMPANY AWARDED EMPLOYEES FOR THEIR LONG SERVICE.**

THE FESTIVE DAY WAS TOPPED OFF AT **THE IMATRA BIG BAND FESTIVAL** WHERE EVERYBODY ENJOYED THE MUSIC AND GOOD COMPANY.





EXPERIENCES OF 10-YEAR-OLD TORNATOR



TORNATOR IMPLEMENTS ITS CORPORATE RESPONSIBILITY BY ACTIVELY DISCUSSING ITS OPERATIONS AND ANY IMPROVEMENTS WITH IMPORTANT STAKEHOLDERS.



MAYOR
PERTTI LINTUNEN
IMATRA

TORNATOR – IMPORTANT FOR IMATRA

“Tornator is a part of our history and hopefully our future, too”, says Mayor Pertti Lintunen, describing the relationship between the town and the company that is one of its largest corporate tax payers. He says Tornator is a real dream partner for the town as it is stable and predictable in its business.

“Everybody in Imatra knows Tornator and people who work for the company. It is great that Tornator’s head office is in our town, and we are doing everything to keep it here. Besides the corporate tax income, jobs and economic activity are important to us.”

“Our collaboration with Tornator has always been smooth. Over the years, for example, we have purchased from them land areas to be able to develop important services regarding tourism and recreation. In fact, tourism and sport tourism with their various activities are becoming a significant business in Imatra.”

“We want to make Imatra a great town to live, work and visit. Tornator has been a good partner as we have pursued our goals.”





PURCHASING MANAGER
ESA OJALA
STORA ENSO



COUNTRY MANAGER
ROMANIA
ZOLTAN KOSY
TORNATOR

CERTIFICATION IS A MUST FOR BUSINESS

“Stora Enso Wood Supply’s job is to make sure that there are enough wood raw materials at company mills in Finland under all circumstances. Besides wood sufficiency, key things for Stora Enso include the promotion of sustainable forestry as well as the acceptability and origin of raw materials.”

“In autumn 2012, Stora Enso renewed the long-term framework agreement on wood supply with Tornator. The agreement determines the annual range of variation for wood procurement, which brings stability, certainty and predictability about the future for both parties.”

“Forest certification and chain of custody have long been a prerequisite for successful business in global product markets.”

“Like Tornator, Stora Enso is committed to an active dialogue with stakeholders, which creates a basis for credible sustainability work. We also see Tornator’s voluntary conservation efforts as an integral part of sustainable forestry. Tornator’s responsible business therefore supports the achievement of Stora Enso’s own sustainability objectives.”

FOCUS ON SAFETY

“Transparency of operations is especially important in Romania, and it’s great that we now have a Code of Conduct at Tornator to guide our work. In everything we do, we comply with Tornator’s ethics and practices applied in Finland”, says Zoltan Kosy who is responsible for Tornator’s business in Romania.

“We work with a focus on occupational health and safety. Silvicultural and forest improvement work in Tornator’s forests is outsourced to established local partners. About 80 percent of the contractors are regular partners who are willing to develop their operations, competence and tools with us. We have arranged for our partners, for example, training courses in occupational safety and use of equipment at Karelia University of Applied Sciences in Finland, and the results have been good.”

“We are progressing in small steps but with determination and perseverance. I believe in the power of example: small positive advances and clear results speak for themselves. This is a good place to move on.”



CHANGES IN INTERNATIONAL ECONOMY HAVE **RAPID EFFECTS ON THE FOREST SECTOR** IN FINLAND.

THE EXPECTATIONS OF THE INDUSTRY AND CONSTRUCTION ARE MODEST, WHILE THE OUTLOOK OF THE SERVICE SECTOR HAS DECLINED FROM BEFORE.



RENEWABLE ENERGY TARGETS INCREASING THE USE OF WOODY BIOMASS

The global recession that started in 2011 deepened into a depression in Finland by 2012, even though economic growth was still moderate globally. The emphasis of growth was very much on emerging markets, mainly Asia and Latin America, while European economy went down throughout the year. Many EU countries are in a recession, and even in the others growth is very slow. The European Central Bank has taken measures to relieve pressure on sovereign debt markets. Despite the support measures, business and consumer confidence was clearly declining.

Trade deficit in Finland kept growing and reached EUR 3.3 (3.1) billion. Many sectors are experiencing difficulties due to poor demand. The ongoing debt crisis in the euro countries is becoming more critical, hampering economic growth in Europe and slowing down the growth of national economies. It has been predicted that production levels preceding the recession will not be reached until 2015 at the earliest.

The Finnish forest industry is highly export-driven, and changes in international economy have rapid effects on the forest sector in Finland. The forest industry continued restructuring, especially of its pulp facilities, both in Finland and Europe with the aim of adjusting production capacity to better suit the decreasing demand.

THE ENERGY SECTOR TURNS TO WOODY BIOMASS

The economic outlook of Finnish industries has weakened substantially. The expectations of the industry and construction are very modest, but also the outlook of the service sector has declined from before. The production of the industry and construction is estimated to decrease in 2013 while in services the increase of sales will remain slow. The number of workforce is estimated to decrease in all main sectors.

The forest industry is still by far the foremost wood buyer, but the share of the energy sector may increase. According to an investment survey by the Confederation of Finnish Industries (EK), forest industry investments have decreased, whereas energy supply investments as a whole will be quadruple in 2013 compared to forest industry investments. Some of these investments will be made, for example, to refurbish combined heat and power (CHP) plants to let them use more wood instead of peat or fossil fuels.

In the next few years, the consumption of wood may be increased significantly by its use as a renewable energy source for electricity and heating. The use of woody biomass for energy is believed to grow in Europe by an average of 4.2 percent from 2010 to 2020, due to targets for reducing carbon dioxide emissions. EU countries have set binding national targets for the share of renewable energy. In Finland, the renewable energy target is 38 percent of total energy consumption, which relies very much on intensified use of woody biomass for energy.

FOREST ACT UNDER REFORM

A working group set up to reform the Forest Act completed its work in the summer. The reform is aimed at promoting economically, ecologically and socially sustainable management and use of forests in an equal manner. In fact, the working group proposes significant changes in the content of the Forest Act, providing forest owners better opportunities to manage their forests to their own objectives, clarifying regulations and enhancing public administration. The proposed law is an attempt to balance the commercial use of forests and the restrictions imposed to ensure the preservation of biological diversity. Another goal of the reform is to integrate aspects of game management and biodiversity in forest treatment methods.

THE FOREST INDUSTRY IS STILL **BY FAR THE FOREMOST WOOD BUYER**, BUT THE SHARE OF THE ENERGY SECTOR MAY INCREASE.



Following the Government Programme, the Ministry of Agriculture and Forestry has started to prepare a forest policy report. The objective of the work is to submit a proposal to the Parliament during 2013 on how to use forests to enhance well-being in society. The report will include both long-term visions and goals for forest utilisation as well as proposals for key actions. Proposals about reviewing the National Forest Programme 2015 will also be annexed to the report.

TIMBER SALES WERE STEADY AND STABLE

Timber sales were made steadily all year round and prices remained stable throughout the year. As a result of the storm at the turn of the year 2011–2012, a lot of timber entered the market early in the year. Good harvesting conditions kept sales lively until the summer. After a very rainy summer, sales picked up slower than in previous years and the rest of the year remained rather quiet. Timber sales are predicted to remain fairly stable in the near future and no major changes are expected in prices.





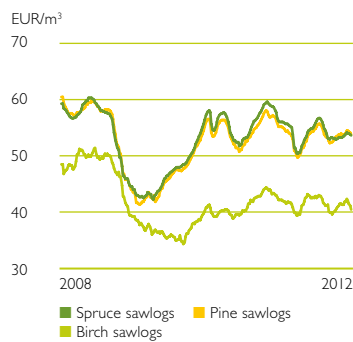
THE REFORM OF THE FOREST ACT IS AIMED AT PROMOTING ECONOMICALLY, ECOLOGICALLY AND SOCIALLY SUSTAINABLE USE OF FORESTS.

Total wood purchasing in Finland was 34 million cubic metres, 11 percent more than in the previous year. The purchasing of sawlogs increased by 16 and pulpwood by 8 percent from the previous year; sawlogs totalling 11.9 and pulpwood 15.2 million cubic metres. Stumpage prices

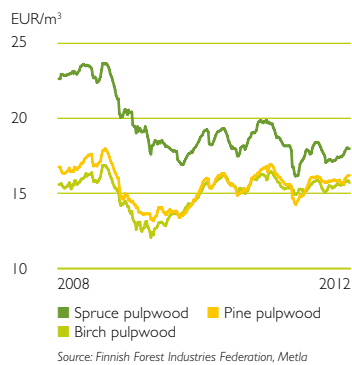
dropped by 2–7 percent from the previous year; pine sawlogs by 3, spruce sawlogs by 5 and birch logs by 2 percent. Pine and birch pulpwood went down 2–3 percent and spruce pulpwood 7 percent.

Sawlog stumpage prices

Four-week sliding average

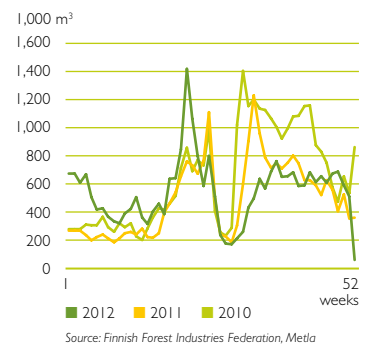


Pulpwood stumpage prices



Roundwood markets in private forests in Finland

FFIF members
Covers 85% of all timber sales in Finland





**THE GEOGRAPHIC
DISPERSION OF
FOREST ASSETS IS
A PART OF RISK
MANAGEMENT.**



STEADY WORK FOR RECORD RESULTS

In 2012, Tornator's net sales climbed to another new record. The volume of timber deliveries increased despite a rainy year. Late in the year, Tornator signed an agreement on the supply of woody biomass to a bio-oil plant that will be built in Joensuu.

Tornator's net sales were EUR 82.9 (77.7) million. Timber deliveries totalled some 2.6 (2.4) million cubic metres, EUR 73.4 (65.1) million. The share of land sales income was EUR 9.1 (12.6) million.

Tornator aims to optimise long-term productivity. This is ensured by performing silvicultural work on time and by steadily delivering timber according to a sustainable annual cut. Felling volumes in Tornator's forests are based on the sustainable annual cut of 2.4 million cubic metres. The annual increment of the growing stock is 2.7 million cubic metres, i.e. the timber reserves are increasing each year.

Tornator's forestlands consist of 595,000 hectares in Finland, 20,000 hectares in Estonia and 12,000 hectares in Romania.

In December, Tornator signed an agreement on the supply of raw materials to a bio-oil plant that will be built in Joensuu. Scheduled to be in operation in 2014, the bio-oil plant will use forest chips and other woody biomass for raw materials. It is estimated that the project will create a total of some 60–70 jobs in the plant's raw material procurement, production and logistics in the Joensuu region.

FELLING PLANS WITH CONSIDERATION TO CUSTOMER NEEDS

The volumes of felling plans remained at a similar level as in previous years. The structure of felling sites on offer met the demand on the wood market, and Tornator was well able to fulfil its sales commitments. During the year, the framework agreement on timber sales with Stora Enso Oyj was renegotiated to reach as far as 2020.

When preparing felling plans, customer needs were considered better than before. At the same time, it is possible to fully utilise the value of the wood by assigning the wood to the use that adds the most value. Successful felling planning helps increase the productive value of the wood volume.

The good result with timber deliveries during a challenging, wet year of harvesting was partly due to Tornator's earlier investments in forest roads. This made it possible to move the timber out of the forest and onwards.

FOCUS ON TENDING OF SEEDLING STANDS

Tornator's expenditure on silviculture totalled EUR 11.8 (10.8) million, including EUR 10.7 (10.2) million in Finland, EUR 0.2 (0.1) million in Estonia and EUR 0.8 (0.5) million in Romania. The focus of silvicultural work was on the tending of seedling stands, especially on effective early care which secures rapid initial development of the seedlings.

Forest regeneration was carried out on 4,200 (4,700) hectares, tending of seedling stands on 5,700 (6,600) hectares and thinnings on 23,740 (22,000) hectares. The use of contractor resources in silvicultural work was on a slight increase, amounting to EUR 2.9 (2.4) million.

ECONOMIC TRENDS AFFECTED PLOT SALES

Tornator's overall objectives for the utilisation of its land were fulfilled. The sales of waterfront plots declined clearly



TORNATOR BRINGS TO THE MARKET HOLIDAY HOME PLOTS AROUND FINLAND. **THE DEMAND FOR PLOTS IS STILL FOCUSED ON THE LAKE SAIMAA REGION.**

from the previous year. Besides economic trends, the slow sales were affected by the small number of properties available on Lake Saimaa. However, other land sales exceeded their targets.

A total of 100 (124) plots were sold, worth EUR 3.0 (6.1) million. The average price of the plots was EUR 30,000 (49,000), clearly less than in the previous year. The demand for plots is highly focused on the Lake Saimaa region where reserves are already low. Tornator's plots are concentrated on the smaller lakes in South Savo and South Karelia, and further north in North Savo and North Karelia. There are plenty of plots from these areas on the market, which keeps prices down.

Tornator acquired some 500 hectares of forestland in Finland. Purchases concentrated on properties that are well-stocked, located on favourable sites and suited to the company's real estate structure. Forestland acquisitions in Estonia totalled about 5,000 hectares.

Started in the previous year, the sales project aimed at concentrating forestland ownership in Northern Finland was continued. In 2012 a total of 24 estates or unseparated





parcels, some 2,600 hectares, were sold. The forest properties to be sold were modified into smaller entities than previously to meet the demand. Sales will be continued in 2013.

Tornator markets its land for sale mainly through the company website. Traffic to the website was promoted using a TV campaign targeted at the Helsinki metropolitan area and Eastern Finland as well as a number of new roadside billboards.

In addition to the building plots and Northern Finland forest estates, Tornator sold other land areas for recreation and nature conservation.

Revenues from the sale of soil resources and the leasing of land for hunting rights and other purposes totalled some EUR 1.5 (1.6) million.

Tornator has several land lease agreements with wind power companies. The first wind power stations will be built on company land in early 2013. Tornator is also looking into opportunities to participate in the development of wind power projects, and thereby to promote them on its land. The objective is to make lease revenues for wind power a substantial source of additional income by the year 2020.

LASER SCANNING ENHANCES FELLING SITE PLANNING

Tornator continued the further development of its enterprise resource planning (ERP) system. The functionalities for financial monitoring as well as real estate and plot sales will be adopted in early 2013.

Tornator is introducing laser scanning technology to survey its forest resources, a way to enhance operational planning. Laser scanning provides accurate information on the height of the growing stock and the boundaries of forest compartments. The data are processed into draft felling sites which will be checked during field visits before assigning work. The scan data put the focus of felling site planning on the most urgent areas to be cut.

TORNATOR HAS ABOUT 200 EMPLOYEES, MOST OF THEM WORKING WITH SILVICULTURE IN FINLAND. IN ADDITION, TORNATOR PROVIDES WORK TO INDEPENDENT FOREST SERVICE CONTRACTORS.



WORK DONE ACCORDING TO PLAN

The number of employees increased from the previous year. The company also purchased more services from forest service contractors than in previous years.

The Tornator Timberland Group had an average of 211 (197) employees. Most of them, 177 (176), worked in Finland, and there were also 31 (18) employees in Romania and 3 (2) in Estonia. Women employees totalled 19 (16), two of whom are forest workers. At the end of the year, the average age of the employees was 50.2 (50.3) years.

During the year, 5 (8) Tornator employees retired, 2 (2) of whom on disability pension. Tornator hired a Forestry Director early in the year, and 6 (6) new employees were hired for silvicultural work. Future forestry professionals also considered Tornator an attractive workplace, since the

company received more than a hundred applications for internships, on the basis of which 17 persons were selected.

MECHANISED SILVICULTURAL WORK FROM SERVICE PROVIDERS

The majority of Tornator's employees work with silviculture, including 115 forest workers and 62 salaried employees. Besides company employees, independent forest service contractors are used, especially in areas with limited availability of skilled workforce. The focus of silvicultural work was on the early tending of seedling stands which has been found to be effective and efficient. Tornator also outsources all mechanised work related to silviculture, such as planting, ditch network maintenance and soil preparation, to forest service contractors.

The proportion of work commissioned to forest service contractors has been on a slight increase. The share of outsourced work was 61 (52) percent in artificial regeneration and 28 (25) percent in the tending of seedling stands. Tornator has 127 regular contractors. In planting, the share of mechanised work is about 20 percent.

TORNATOR'S CODE OF CONDUCT GUIDES ALL ACTIVITIES.



RIIDO ROSIN, TORNATOR'S COUNTRY MANAGER FOR ESTONIA (LEFT), TOGETHER WITH MATTI KUUSISTO, BRIT HALLIMÄE AND TÖNIS TÖNISSON.

WELL-BEING AT WORK – A PILOT PROJECT LAUNCHED

Occupational safety remained at a high level. During the year, there were only 9 (11) minor work-related accidents causing a total of 44 (81) absent days. A good safety record indicates that the employees are highly experienced and have the right attitude to work and safety. Tornator's employees are continuously instructed in new working methods and the proper use of safety equipment. The company arranged well-being at work theme days for employees in August–September.

Tornator has sought ways to encourage employees in maintaining their well-being at work and to prevent problems with work-related stress. In the autumn, the company launched a trial with voluntary participants including 11 salaried employees and 4 forest workers. The objective is to provide, instead of a standard rehabilitation regime, individual guidance in physical exercise, nutrition and life management





EMPLOYEES AND CONTRACTORS ARE CONTINUOUSLY TRAINED IN PROPER WORKING METHODS AND GUIDED IN THE USE OF SAFETY EQUIPMENT.

ZOLTAN KOSY, TORNATOR'S COUNTRY MANAGER FOR ROMANIA

in general, and to monitor the progress of the participants for several months through remote coaching and joint meetings. The decision on any follow-up will be based on experiences gained from the trial. So far, the participants have given positive comments: they have felt encouraged by the individual guidance and the presence of a coach.

CODE OF CONDUCT GUIDES ACTIVITIES

Tornator's business is guided by a Code of Conduct, providing guidelines for various situations whether working in Finland or abroad.

As in previous years, Tornator's forest workers were laid off for the winter months. The silvicultural staff can shorten the layoff period by depositing summertime working hours in a "working-time bank" in preparation for the winter layoff.



TORNATOR
CONTINUOUSLY DISCUSSES
THE CONSERVATION AND
PROTECTION NEEDS OF
VARIOUS FOREST SITES
WITH ITS STAKEHOLDERS.

TORNATOR
IMPLEMENTED VARIOUS
CONSERVATION
MEASURES IN
CONSERVATION AREAS.



SEVERAL NEW CONSERVATION AREAS IN TORNATOR'S FORESTS

During the reporting year, Tornator continued surveying new conservation areas, and established 24 conservation areas totalling 1,037 hectares. Six new voluntary conservation areas were set up under the METSO programme with a total area of 397 hectares. Eighteen other conservation areas with an area of 640 hectares were established.

Tornator's forests were surveyed in 2009 with the aim of finding suitable areas for the METSO conservation programmes. Besides the agreed areas, Tornator has conservation proposals for hundreds of hectares pending official decisions and funding. Tornator's forest areas meet their conservation objectives well, because they are ecologically diverse, they represent different conservation values, and they are larger than areas proposed to the authorities on the average.

MORE THAN 1,000 HECTARES OF NEW CONSERVATION AREAS

METSO conservation areas were established in Pudasjärvi, Kuhmo, Kuopio, Joensuu and Lieksa. These areas include diverse heathland forests and waterfront zones, forests on rocky terrain, wooded mires and habitats of the flying squirrel.

Among the other conservation areas, the most significant ones were those covering 280 hectares in Juva, Mikkeli, Puumala and Savonlinna, South Savo, and those totalling 300 hectares in Ilomantsi, Juuka, Nurmes and Lieksa, North Karelia.

In 2012, Tornator's felling plans again attracted interest among stakeholders. There were discussions to find common ground on the conservation and protection needs of various sites.

ENVIRONMENTAL TRAINING FOCUSED ON THE NEW WATER ACT

The amended Water Act entered into force on 1 January 2012. The purpose of the amendment is to secure the ecologically, economically and socially sustainable use of water resources and the aquatic environment, to prevent adverse effects of use and to improve the state of the aquatic environment.

The amendment has required training employees in the new act, in order that they can perform forest management activities in compliance with the law, detect in the field the habitats referred to in the Water Act, such as natural streams, and identify sites that require a specific

**TORNATOR'S EMPLOYEES
HAVE BEEN TRAINED IN
IDENTIFYING HABITATS
REFERRED TO IN THE
WATER ACT.**



action permit. Employees have been trained, for example, during salaried employee seminars and in training sessions organised by authorities.

During the year, Tornator implemented various conservation measures in existing conservation areas. On the Gulf of Bothnia, between Lumijoki and Olhava, coastal meadows were mowed to create nesting areas for birds and habitats for threatened plants. The job was commissioned by the ELY Centre of North Ostrobothnia. Tornator is also involved in the Haapavesi water protection project on Lake Saimaa, launched in the reporting year. Vehkasuo mire in Sonkajärvi was restored as a wetland for birds.

TORNATOR SAFEGUARDS VALUABLE HABITATS

During its 10 years in business, Tornator has done a lot of work for nature conservation practices, attitudes and working methods. According to the annual studies carried out by the Forestry Development Centre Tapio, Tornator knows





METSO

Forest Biodiversity

TORNATOR ESTABLISHED 24 CONSERVATION AREAS TOTALLING 1,037 HECTARES. SIX NEW VOLUNTARY CONSERVATION AREAS WERE SET UP UNDER THE METSO PROGRAMME WITH A TOTAL AREA OF 397 HECTARES.

well how to safeguard valuable habitats. Water protection was more successful than in previous years, but there was room for improvement in leaving retention trees.

Tornator continued the survey of the development and effects of insect populations, especially of the European spruce bark beetle. Attempts were made to control the spread of the beetle from conservation areas into commercial forests with measures such as protective zone fellings around conservation areas and pheromone traps. A follow-up study including action proposals will be completed in spring 2013.

CORPORATE GOVERNANCE

Ownership and corporate structure In 2012 the Tornator Timberland Group included, besides the parent company Tornator Oyj in Finland, Tornator Eesti Oü in Estonia and SC Tornator SRL in Romania. All three companies own forestlands and practise operational forestry.

The owners of Tornator Oyj are Finnish investors, mostly institutions. There are 12 shareholders.

Governance principles Tornator's governing bodies are: the Annual General Meeting, the Board of Directors, and the Chief Executive Officer assisted by the Management Group. The Boards of Directors of the foreign subsidiaries are comprised of representatives of parent company management.

Annual General Meeting and Board of Directors The Annual General Meeting of Tornator Oyj is the highest decision-making body in the Group, deciding on matters laid down in the Finnish Companies Act. The AGM is held once a year, in May at the latest, on a date determined by the company's Board of Directors.

The Board of Directors consists of 4–7 ordinary members, elected by the AGM for one year at a time. The AGM also elects a personal deputy for each member.

The Board of Directors supervises Tornator's operations and management, deciding on significant matters concerning the company strategy, investments, organisation and finance. The Board of Directors convenes at least four times a year. In 2012 the Board had nine meetings.

Oversight Committee Tornator has an Oversight Committee whose job is to oversee significant agreements between the company and the shareholders.

The Oversight Committee works under Tornator's Board of Directors. The Board elects three of its members on the Oversight Committee for one year at a time. The Oversight Committee convenes and reports to the Board of Directors at least twice a year.

Chief Executive Officer and Management Group Tornator's Board of Directors appoints the Chief Executive Officer. The CEO is responsible for the company's financial performance and for organising business operations and administration according to legislation as well as instructions and orders issued by the Board of Directors. The CEO's task is to provide information to the Board of Directors on things such as the company's financial situation and changes in the business environment. The CEO is also responsible for key customer relationships.

The CEO is assisted by the Management Group. In 2012 the Management Group included six members. The CEO acts as the Chairman of the Management Group. The Management Group is responsible for the practical implementation of the strategy determined by the Board of Directors.

The Management Group meets at about one month's intervals and always when necessary. The Management Group holds some of its meetings with the operational forestry teams, thereby promoting effective communication between management and the field. In 2012 the Management Group had eight meetings.

Operational activities In Finland, operational activities are divided geographically between six regional forestry teams. The teams are responsible for performing tasks in their respective regions to meet the strategic goals set with company management.

Tornator Timberland Group, 1 January 2013	
12 shareholders	
Tornator Oyj	
Finland 595,000 ha	
SC Tornator SRL	Tornator Eesti Oü
Romania 12,000 ha	Estonia 20,000 ha

Shareholders of Tornator Oyj	%
Stora Enso Oyj	41.0
Varma Mutual Pension Insurance Company	13.1
OP Life Assurance Company Ltd	7.5
Ilmarinen Mutual Pension Insurance Company	7.5
Etera Mutual Pension Insurance Company	6.3
OP Bank Group Pension Fund	6.3
Other shareholders	18.3
Total	100.0

THE MAJORITY OF TORNATOR'S FORESTS ARE STILL IN FINLAND, ALTHOUGH THE COMPANY HAS GRADUALLY ACQUIRED MORE FORESTLAND IN ESTONIA AND ROMANIA.

Abroad, Country Managers are responsible for organising operational activities and reporting on them to the parent company.

Remuneration The Annual General Meeting decides on the remuneration for the Board of Directors. The Chairman and members of the Board are paid an annual fee and an attendance allowance. The Board of Directors decides on the remuneration for the Chief Executive Officer and the members of the Management Group, consisting of a fixed monthly salary and an individual bonus. The Management Group is also covered by a long-term monetary incentive scheme.

Auditors The Annual General Meeting elects the authorised public accountants for one year at a time. Tornator's auditors are Deloitte & Touche Oy with Jukka Vattulainen, APA, as principal auditor since 2011.

The parent company's auditors are responsible for planning, co-ordinating and supervising the audit of the whole Group. An audit plan is prepared annually in co-operation with corporate management. The auditors report to the parent company's Board of Directors at least twice a year.

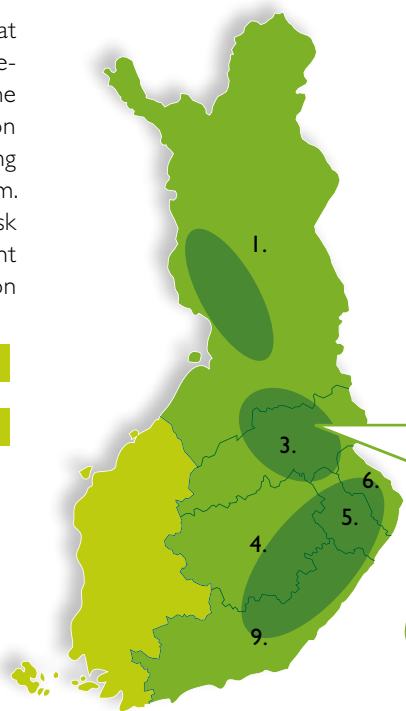
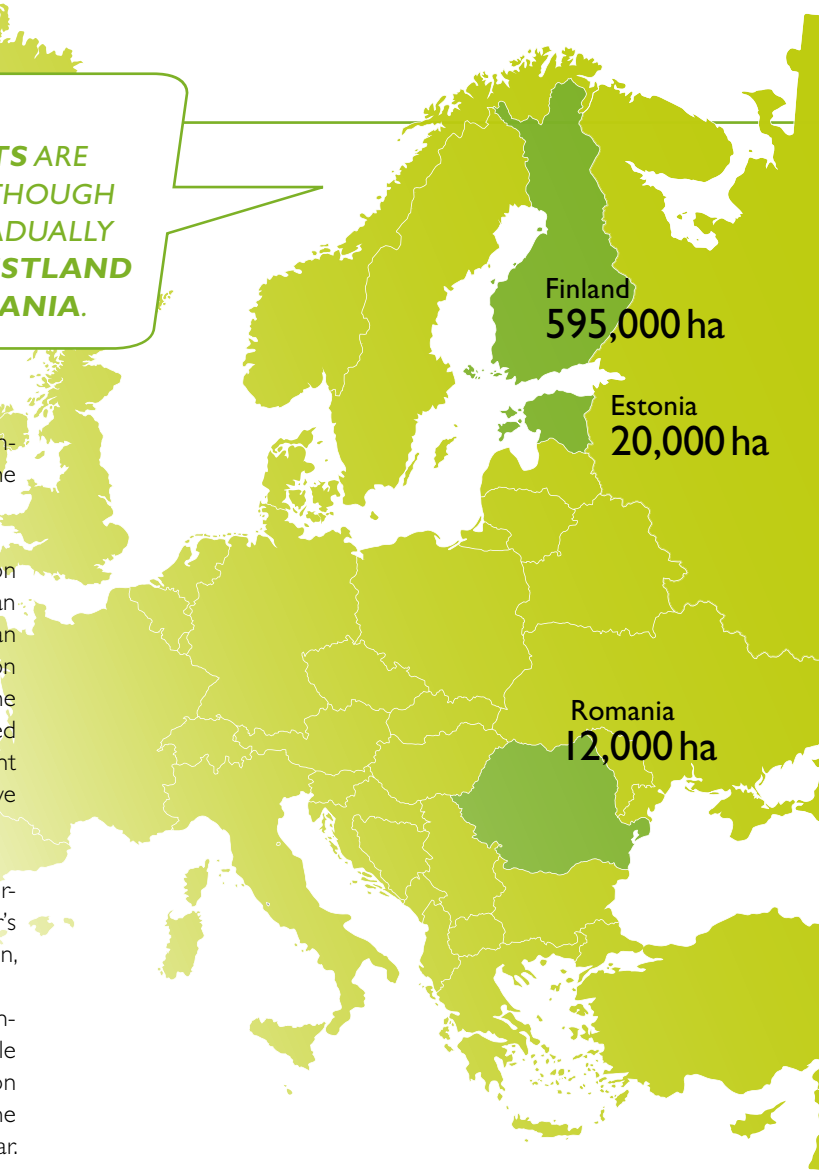
Risk management Tornator's risk management is aimed at securing profitable business in the long term and to create opportunities for well-managed risk taking within the selected strategy. It is based on systematic identification and analysis of all significant risks to the company, enabling the company to select the optimum tools to manage them.

The Board of Directors determines the company's risk management strategy, monitoring the risk management results and activities as well as evaluating the operation

Tornator's forestlands in Finland ▶

Forestry teams ▶

- 1. Northern Finland
- 3. Ylä-Savo
- 4. Kuopio
- 5. Joensuu
- 6. Lieksa
- 9. Saimaa



TORNATOR'S FORESTS ARE LOCATED MAINLY IN EASTERN AND NORTHERN FINLAND. SILVICULTURAL WORK IS CARRIED OUT BY SIX REGIONAL FORESTRY TEAMS.

of risk management processes annually. The Management Group is responsible for the implementation of the risk management strategy, the monitoring of actual risks and the necessary risk management activities.

Tornator's risks are divided into three main categories: strategic risks, operational risks and financial risks.

Strategic risks Tornator sells most of its cutting rights to a single customer. Naturally, this creates a risk exposure that is managed with special attention. In Finland, wood demand has traditionally exceeded domestic supply, as indicated by the significant volumes of wood imports for many years. The company has built good relationships with a number of small and medium-sized wood processing companies as well as operators in the energy sector. A part of the annual sales already goes to buyers other than the main customer.

Fluctuation of wood prices is a significant risk factor in terms of Tornator's results. If prices go down, Tornator can temporarily increase the volume of cutting right sales or plot and forestland sales or both. However, the company aims to follow the sustainable annual cut, thereby trying to optimise annual cash flows in the long term.

Risks concerning roundwood quantity and quality are controlled through long-term forest resource management planning and focusing operations according to the structure and age class distribution of the forests. To support planning, Tornator regularly commissions an independent study on the structure of company forests, using it to prepare a long-term cutting plan (more than 30 years). The latest forest inventory by the Finnish Forest Research Institute and the cutting budget based on it are from 2011.

Changes in current certification criteria or the adoption of a new certification system may affect opportunities for forest utilisation and cause a loss of income for Tornator, unless there is an agreement on full compensation.

Tornator monitors the current economic trend when planning the volume of plot sales. The business will benefit from a positive trend, low interest rates and a general interest in leisure construction. A poorer trend may decrease the demand for holiday home plots and temporarily reduce profits.

When utilising forest resources Tornator manages risks to the environment by complying with environmental legislation and certification criteria. Risks are discussed in employee training and induction, and minimised with careful planning of operations and a high standard of implementation.

What may also be considered a risk are significant new statutes or other factors impeding operations. In managing risks it is important to co-operate with authorities and vari-

ous NGOs as well as to participate, for example, in regional planning. Tornator implements an open communication policy with an emphasis on sustainable operations and corporate social responsibility.

Attracting and retaining skilled employees is a risk in forestry as well. Tornator is prepared for the increasing retirement of forest workers by signing on new contractors and increasing mechanised work. For salaried employees there has been proactive recruiting, which allows experienced employees to pass on their know-how before retiring.

Tornator's goal is to continue expanding its operations outside Finland in countries where the growth potential is considered profitable. Geographic expansion is both a positive method of risk management and a risk. The risks of expansion are managed by selecting competent partners and reliable customers, and by balancing out long and short-term timber sales agreements.

Operational risks Tornator manages internal business risks with functional and auditor-approved processes. International expansion disperses risks to property and operations. Natural disasters pose a risk to forest assets. For Tornator, the size of its holdings on the one hand, and their geographic extent on the other, intrinsically work as a risk management tool. In addition, Tornator has a Finnish forest insurance policy that covers damage in case of a major disaster. However, the company has deemed it unprofitable to insure its forest holdings abroad, because the target countries presently lack an operational forest insurance market.

Financial risks A substantial proportion of loan capital in the company's balance sheet constitutes a risk which Tornator manages with special attention. Ready access to the capital markets will enable the successful refinancing of the loans in the future. The company has dispersed the risks related to funding availability and timing by issuing a 7-year bond besides a 5-year bank loan. The company is prepared for market rate changes with swap agreements and plain vanilla options. Hedging is applied to mitigate the interest rate risk on the loans and to reduce the volatility of the discount rate used in calculating the fair value of forests, and therefore it will be easier to predict the development of the company value. Liquidity management is based on advance payments and up-to-date cash management. Cash reserves are invested in bank deposits and short-term, highly rated funds.

Tornator manages customer risks by advance payments based on sales agreements.

BOARD OF DIRECTORS



ESKO TORSTI



MIKKO KOIVUSALO



ERKKÖ RYYNÄNEN



JYRKI TAMMIVUORI



ELINA TOURUNEN

Esko Torsti

Born 1964, LicSc (Pol)

Chairman 2010–

Member 2003–2009

Ilmarinen, Head of Alternatives 2006–

Background:

Pohjola Group plc, Chief Investment Officer 2001–2003 and 2005–2006

Pohjola Asset Management Ltd, President 2003–2005

Ilmarinen, First Vice President, Fixed Income 1998–2001

Skandinaviska Enskilda Banken, Finland, Chief Economist 1996–1998

Membership in other boards of directors:

Desentum Oy, chairman of the Board

Fingrid Oyj, member of the Board

Sato Oyj, member of the Board

Mikko Koivusalo

Born 1961, MSc (Econ)

Deputy Chairman 2010–

Member 2006–2010

Varma, Investments Director, Capital Markets 2005–

Background:

Varma, Director, Alternative Investments 1997–2005

Membership in other boards of directors:

Realia Group Oy, member of the Board

Jyrki Tammivuori

Born 1971, MSc (Econ)

Member 2012–

Stora Enso Oy, Senior Vice President and

Group Treasurer 2008–

Background:

Stora Enso Oy, Assistant Treasurer 2006–2008

Stora Enso Oy, Vice President Risk Management/Treasury Desk (London, UK) 2003–2006

Stora Enso Oy, Senior Manager / Treasury (Brussels, Belgium) 2000–2003

M-Real Oy, Trading Manager 1999–2000

Sampo Bank Oy, Treasury Sales: Assistant Vice President 1997–1999

Enso Oy, Treasury Officer 1995–1997

Membership in other boards of directors:

Thiele Kaolin Company (USA), member of the Board

Erkkö Ryyänen

Born 1971, MSc (Econ)

Member 2010–

OP Bank Group Pension Fund and Pension Foundation, Managing Director 2010–

Background:

OP Bank Group Pension Fund and Pension Foundation, Investment Manager 2009–2010

OP-Pohjola Group, Pension and Insurance Institution

Investments, Investment Manager 2000–2009

Membership in other boards of directors:

Suomen Metsäsijoitus Oy, member of the Board

OP Fund Management Company Ltd, member of the Board

Porasto Oy, member of the Board

Finnish Pension Funds (ESY), member of the Board

Amplus Holding Oy, member of the Board

Probus Holding Oy, member of the Board

Elina Tourunen

Born 1980, MSc (Econ)

Member 2011–

Etera, Head of Private Equity and Debt 2010–

Background:

Etera, Portfolio Manager 2009–2010

Ernst & Young, Transaction Advisory Services, Manager 2005–2009

Membership in other boards of directors:

Futurice Oy, member of the Board

Anvia Oyj, member of the Supervisory Board

Deputy members:

Jari Puhakka, Etera

Risto Autio, Varma

Jari Pussinen, Pohjola

Jari Suvanto, Stora Enso Oy

Timo Kärkkäinen, Ilmarinen

Member of the Board, Markus Rauramo voluntarily resigned from the Board of Directors, and Jyrki Tammivuori was elected as an ordinary member to replace him.

TORNATOR'S MANAGEMENT GROUP

Antero Pasanen

Born 1951, MSc (Agr & For)
Forestry and Resource Manager 2005–

Background:

Tornator Oy, Resource Manager 2002–2004
Stora Enso Oyj, Resource Manager 2000–2002
Enso Oyj, Stora Enso Oyj, Procurement Manager 1988–1999
Enso-Gutzeit Oy, Procurement Forester 1977–1987
Enso-Gutzeit Oy, Assistant to Silvicultural Manager 1975–1977

Antero Luhtio

Born 1957, MSc (Eng)
Real Estate Manager 2011–

Background:

Forest and Park Service / Metsähallitus, Director,
Laatumaa Business Unit 1998–2011
Forest and Park Service, Land Use Manager 1995–1998
National Board of Forestry / Forest and Park Service,
Surveying Engineer 1990–1995
National Land Survey of Finland, Assistant District
Engineer 1988–1990
National Land Survey of Finland, Surveying Engineer
1983–1988

Tapio Suutarla

Born 1960, MSc (Agr & For)
Director, Planning and Development 2012–
Deputy CEO 2002–

Background:

Tornator Oy, Director, Planning and Forest Services
2002–2012
Stora Enso Oyj, Planning and Forest Service Manager
2000–2002
Enso Oyj, Procurement Manager 1997–2000
Enso-Gutzeit Oy, Project Manager 1994–1997
Tehdaspuu Oy, Forester 1986–1994

Arto J. Huurinainen

Born 1950, MSc (Agr & For)
Chief Executive Officer 2002–

Background:

Stora Enso Oyj, Vice President, Resources and
Administration 1997–2002
Enso Oyj, Regional Manager 1992–1996
Enso-Gutzeit Oy, Internal Auditor 1987–1991
Enso-Gutzeit Oy, Procurement Manager 1987
Plan Sell Oy, Procurement Manager 1982–1986
National Board of Forestry, Planning and Field Manager
1974–1982



PICTURED FROM LEFT TO RIGHT, ANTERO PASANEN, ARTO J. HUURINAINEN,
HENRIK NIEMINEN, ARI KARHAPÄÄ, ANTERO LUHTIO AND TAPIO SUUTARLA.

Henrik Nieminen

Born 1970, MSc (Econ), EMBA
Chief Financial Officer
Deputy CEO 2007–

Background:

Tornator Oy, Chief Financial Officer 2002–2006
Stora Enso Ab, Project Director, 2001–2002
Stora Enso Financial Services SA, Director, Finance 2000–2001
Enso Oyj, Treasury Manager 1998–2000
Enso Oyj, Accounting Analyst 1997–1998

Ari Karhapää

Born 1967, BSc (For)
Director, Forestry 2012–

Background:

Forest Owners' Union of North Karelia, Executive Manager
2009–2011
Forest Management Association of North Karelia,
Executive Manager 2009–2011
Karjalan Metsätilat Oy LKV, Managing Director 2004–2009
Forest Management Association of Border Karelia,
Executive Manager 2004–2008
Forest Management Association of Upper Karelia,
Executive Manager 2002–2004

FINANCIAL STATEMENTS

SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS 2012

The Tornator Timberland Group reports according to the International Financial Reporting Standards (IFRS). Key figures have been calculated without the effects of the changes in the fair value of biological assets (i.e. forest) and interest rate derivatives on the results. The same applies to the figures for the previous year.

In 2012, the Group's net sales increased by 6.7 percent, being EUR 82.9 (77.7) million. Operating profit without the change in the fair value of biological assets was EUR 63.1 (65.2) million. Profit for the period without the change in the fair value of biological assets and derivatives was EUR 35.4 (35.7) million. Operating profit was 76.1 (83.8) percent and profit for the period 42.7 (45.9) percent of net sales. Return on capital employed stood at 7.1 (7.4) percent and return on equity at 8.3 (8.6) percent.

The sales of cutting rights were EUR 73.4 (65.0) million, or 88.5 percent of net sales. Plot and forestland sales contributed EUR 9.2 (12.6) million. In other operating income for the period, EUR 5.4 (10.6) million, the most significant item is EUR 3.1 (8.5) million in compensation for conservation areas from the state.

Tornator rearranged its whole loan portfolio in November–December 2012. As a result of the arrangement, the company's long-term financing was diversified and the average maturity of the loans increased to 6.3 (3.7) years. Tornator issued a secured bond of EUR 250 million, listed on the Helsinki Stock Exchange. At the same time, Tornator's company type was changed to public limited company (Oyj). The bond has a maturity of 7 years and a coupon rate of 3.125 percent, and it is secured by a part of Tornator's forest assets in Finland. In addition to this bond, the company has

other senior loans including a syndicated bank loan of EUR 150 million (2017) and a syndicated bank loan facility of EUR 100 million (2017) as well as a junior bond of EUR 65 million (2020).

During the period, interest expenses on long-term liabilities were EUR 16.1 (17.0) million. The Group's equity ratio on 31 December 2012 was 40.1 (41.9) percent.

Due to the refinancing of the long-term loans, some of the parent company's hedges lost the effectiveness required by hedge accounting, which necessitated a non-recurring write-off of the fair value of derivatives for EUR 45.0 million. After tax adjustments, this reduced the profit for the period by EUR 34 million.

In 2012, the fair value of biological assets was raised by the annual valuation performed by a third-party appraiser. Other effects on the balance sheet value of forest included performed fellings as well as forestland purchases and sales. The effect of the change in the fair value of biological assets on the results was EUR 8.7 (25.4) million.

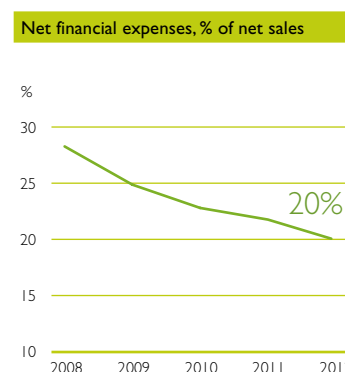
The company invested in road construction, ditch network maintenance, IT projects and fertilisation totalling some EUR 4.3 (4.3) million. Tornator also purchased new forestlands in Finland and Estonia for a total of some EUR 12.2 (14.3) million.

Tornator's Board of Directors proposed that the spring 2013 Annual General Meeting decide that Tornator pay dividend to shareholders EUR 4.60 (5.20) per share, totalling EUR 23.0 (26.0) million.

Tornator's personnel in 2012 included an average of 211 (197) employees.

TORNATOR'S FINANCING IN 2008–2012

EUR million	2008	2009	2010	2011	2012
Long-term bonds	0	0	0	0	250.0
Long-term bank loans	400.6	394.7	377.5	366.4	144.1
Long-term debenture loan	65.0	65.0	65.0	65.0	65.0
Current share of long-term liabilities	7.0	12.0	12.0	12.0	4.5
Long-term loans total	472.6	471.7	454.5	443.4	463.6
Net financial expenses	22.8	17.5	17.9	18.2	61.3
Net financial expenses without fair value changes	21.7	17.0	15.8	16.5	16.3
Net financial expenses without fair value changes, % of net sales	28.3%	24.7%	22.4%	21.3%	19.6%
Financial expenses for loans, average	4.6%	3.6%	3.5%	3.7%	3.5%



CONSOLIDATED INCOME STATEMENT

EUR million	I Jan-31 Dec 2008	I Jan-31 Dec 2009	I Jan-31 Dec 2010	I Jan-31 Dec 2011	I Jan-31 Dec 2012
Net sales	76.8	68.8	70.8	77.7	82.9
Other operating income	2.2	2.3	2.2	10.6	5.4
Change in inventories of finished goods and work in progress	-0.9	-1.0	-1.2	-3.2	-1.8
Materials and services	-8.9	-5.5	-7.5	-7.5	-8.8
Personnel expenses	-7.1	-6.5	-7.2	-7.2	-7.8
Depreciation, amortisation and impairment charges	-0.9	-0.9	-1.0	-1.2	-1.4
Other operating expenses	-4.7	-3.4	-3.6	-4.1	-5.5
Change in fair value of biological assets	-18.1	17.3	37.9	25.4	8.7
Operating profit	38.4	71.3	90.4	90.5	71.8
Financial income	0.9	0.1	0.4	0.6	-0.1
Financial expenses	-22.6	-17.1	-16.3	-17.1	-16.1
Change in fair value of derivative financial instruments	-1.1	-0.6	-2.1	-1.6	-45.0
Financial expenses (net)	-22.8	-17.5	-17.9	-18.2	-61.3
Profit before taxes	15.6	53.8	72.5	72.4	10.5
Income taxes	-6.3	-9.6	-9.8	-12.9	-11.4
Change in deferred taxes	2.2	-4.5	-8.8	2.0	8.3
Profit for the period	11.5	39.7	53.8	61.5	7.4

CONSOLIDATED BALANCE SHEET

EUR million	31 Dec 2008	31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012
ASSETS					
Non-current assets					
Intangible assets	0.3	0.7	0.7	1.1	0.5
Fixed assets	68.3	69.9	72.1	75.5	80.0
Biological assets	855.7	876.4	916.9	950.9	969.2
Derivatives	0	0	0	0	0.0
	924.3	947.0	989.7	1,027.5	1,049.7
Current assets					
Inventories	0.3	0.3	0.2	0.1	0.1
Trade and other receivables	1.1	3.1	3.1	1.6	4.2
Other financial assets	14.2	19.5	21.8	24.2	16.2
Cash and cash equivalents	18.4	21.6	20.3	7.4	34.8
	34.0	44.5	45.4	33.3	55.3
Total assets	958.3	991.5	1,035.1	1,060.8	1,105.0
EQUITY AND LIABILITIES					
Equity attributable to parent company shareholders					
Share capital	50.0	50.0	50.0	50.0	50.0
Other equity	282.8	311.4	365.8	380.4	376.1
Total equity	332.8	361.4	415.8	430.4	426.1
Non-current liabilities					
Deferred tax liabilities	112.6	115.9	129.5	117.4	115.0
Financial liabilities	465.6	454.7	442.5	431.4	457.8
Derivatives	11.3	17.3	0.9	44.0	65.7
Other liabilities	0.0	0.0	0.0	0.0	0.0
	589.5	587.9	573.0	592.7	638.4
Current liabilities					
Financial liabilities	7.0	12.0	12.0	12.0	4.5
Derivatives	0.0	0.0	0.0	0.0	3.8
Trade and other payables	29.0	30.2	34.3	25.7	32.1
	36.0	42.2	46.3	37.7	40.5
Total liabilities	625.5	630.1	619.3	630.4	678.9
Total equity and liabilities	958.3	991.5	1,035.1	1,060.8	1,105.0

STATEMENT OF CHANGES IN GROUP SHAREHOLDERS' EQUITY

EUR thousand	Appendix	Share capital	Share premium	Translation differences	Fair value reserve	Retained earnings	Total equity
Balance at 1 Jan 2012	15	50,000.0	29,995.2	-5,631.7	-34,102.3	390,147.8	430,409.9
Error correction						597.6	597.6
Adjusted balance at 1 Jan 2012		50,000.0	29,995.2	-5,631.7	-34,102.3	390,745.4	431,006.6
Comprehensive income							
Profit for the period						7,350.8	7,350.8
Other items of comprehensive income (after taxes)							
Translation differences	15, 27			-1,303.5			-1,303.5
Available-for-sale financial assets	13, 27				278.9		278.9
Cash flow hedges	10, 27				14,764.6		14,764.6
Comprehensive income for the period		0.0	0.0	-1,303.5	15,043.5	7,350.8	21,090.8
Transactions with shareholders							
Dividends paid	28					-26,000.0	-26,000.0
Total transactions with shareholders		0.0	0.0	0.0	0.0	-26,000.0	-26,000.0
Balance at 31 Dec 2012		50,000.0	29,995.2	-6,935.2	-19,058.8	372,096.2	426,097.4

EUR thousand	Appendix	Share capital	Share premium	Translation differences	Fair value reserve	Retained earnings	Total equity
Balance at 1 Jan 2011	15	50,000.0	29,995.2	-5,036.0	-2,708.4	343,595.4	415,846.1
Error correction						-1,437.6	-1,437.6
Restated equity at 1 Jan 2011		50,000.0	29,995.2	-5,036.0	-2,708.4	342,157.8	414,408.5
Comprehensive income							
Profit for the period						61,491.0	61,491.0
Other items of comprehensive income (after taxes)							
Translation differences	15, 27			-595.7			-595.7
Available-for-sale financial assets	13, 27				-92.3		-92.3
Cash flow hedges	10, 27				-31,301.5		-31,301.5
Comprehensive income for the period		0	0	-595.7	-31,393.9	61,491.0	29,501.4
Transactions with shareholders							
Dividends paid	28					-13,500.0	-13,500.0
Total transactions with shareholders		0	0	0	0	-13,500.0	-13,500.0
Balance at 31 Dec 2011		50,000.0	29,995.2	-5,631.7	-34,102.3	390,148.8	430,409.9

STATEMENT OF CASH FLOWS

EUR million	2008	2009	2010	2011	2012
Cash flow from operating activities					
Cash receipts from customers	63.4	58.9	65.8	59.1	79.2
Proceeds from sale of tangible and intangible assets	11.5	9.7	10.5	12.6	9.4
Cash receipts from other operating income	2.4	2.3	1.6	10.8	5.6
Cash paid to suppliers and employees	-19.8	-16.9	-17.4	-19.8	-22.4
Cash generated from operations	57.5	54.0	60.6	62.8	71.7
Interest paid and other financial expenses	-22.5	-16.9	-16.1	-16.7	-20.0
Interest received	0.9	0.2	0.5	0.6	0.4
Dividends received	0.0	0.0	0.0	0.0	0.0
Income taxes paid	-4.0	-9.1	-11.2	-13.4	-13.0
Net cash flow from operating activities	31.9	28.2	33.8	33.3	39.2
Cash flow from investing activities					
Investments in biological assets	-43.8	-4.9	-3.8	-12.8	-10.8
Investments in tangible assets, forestland	-5.4	-0.6	-0.5	-1.6	-1.3
Investments in other tangible assets	-2.9	-2.9	-2.9	-4.3	-4.1
Cash flow from receivables	1.2	-4.5	-2.5	-2.5	8.5
Changes in exchange rates	-3.1	0.0	0.0	0.0	0.0
Net cash flow from investing activities	-54.0	-12.9	-9.7	-21.2	-7.7
Cash flow from financing activities					
Withdrawal of long-term loans	36.0	0.0	0.0	0.5	395.5
Repayment of long-term loans	-7.0	-7.0	-12.1	-12.0	-366.0
Withdrawal of short-term loans	0.0	0.0	0.0	0.0	4.5
Repayment of short-term loans	0.0	0.0	0.0	0.0	-12.1
Dividends paid	-15.0	-5.0	-13.5	-13.5	-26.0
Net cash flow from financing activities	14.0	-12.0	-25.6	-25.0	-4.1
Net increase/decrease in cash and cash equivalents	-8.1	3.3	-1.4	-12.9	27.4
Cash and cash equivalents at beginning of period	26.5	18.4	21.6	20.3	7.4
Cash and cash equivalents at end of period	18.4	21.6	20.3	7.4	34.8

SUMMARY OF FINANCIAL STATEMENTS

The Tornator Timberland Group reports according to the International Financial Reporting Standards (IFRS).

EUR million	2008	2009	2010	2011	2012
Net sales, EUR million	76.8	68.8	70.8	77.7	82.9
Operating profit, EUR million	38.4	71.3	90.4	90.5	71.8
Operating profit without change in fair value of biological assets, EUR million	56.5	54.0	52.5	65.2	63.1
Operating profit without change in fair value of biological assets, % of net sales	73.5	78.4	74.2	83.8	76.1
Profit for the period, EUR million	11.5	39.7	53.8	61.5	7.4
Profit for the period without change in fair value of biological assets, EUR million	25.7	27.3	27.3	35.7	35.4
Profit for the period without change in fair value of biological assets, % of net sales	33.4	39.6	38.6	45.9	42.7
Shareholders' equity, EUR million	332.8	361.4	415.8	430.4	426.1
Interest-bearing net liabilities, EUR million	439.9	425.6	412.4	411.7	411.3
Balance sheet total, EUR million	958.3	991.5	1,035.1	1,060.8	1,105.0
Return on capital employed without change in fair value of biological assets, %	7.1	6.5	6.2	7.4	7.1
Return on equity without change in fair value of biological assets, %	8.2	7.5	6.8	8.6	8.3
Equity ratio, %	35.7	37.6	41.8	41.9	40.1
Dividends paid, EUR/share	3.0	1.0	2.7	2.7	5.2
Dividend yield, %	4.5	1.4	3.2	3.1	6.1
Average number of employees	188	201	193	197	211
Personnel expenses, % of net sales	9.2	9.4	10.2	9.3	9.4
Investments in forestland, EUR million	52.5	5.5	4.2	14.3	12.2
Investments in other fixed assets, EUR million	5.1	2.9	2.9	4.3	4.3
Sales of cutting rights, million cubic metres	1.9	2.0	2.4	2.0	2.5
Annual cut, million cubic metres	2.0	1.9	2.3	2.4	2.6
Book value of forests, EUR million	561.0	564.8	567.5	577.1	587.9
Fair value of forests, EUR million	921.2	945.5	979.4	1,014.4	1,033.8
Gross proceeds from sale of land, EUR million	11.5	9.7	10.5	12.6	9.2
FUNDING, EUR million					
Long-term bonds	0	0	0	0	250.0
Long-term bank loans	400.6	394.7	377.5	366.4	144.1
Long-term debenture loan	65.0	65.0	65.0	65.0	65.0
Current share of long-term liabilities	7.0	12.0	12.0	12.0	4.5
Long-term loans total	472.6	471.7	454.5	443.4	463.6
Net financial expenses	22.8	17.5	17.9	18.2	61.3
Net financial expenses without fair value changes	21.7	17.0	15.8	16.5	16.3
Net financial expenses without fair value changes, % of net sales	28.3	24.7	22.4	21.3	19.6
Financial expenses for loans, average, %	4.6	3.6	3.5	3.7	3.5

CALCULATION OF KEY FIGURES

Return on equity, %	=	$\frac{\text{Profit for the period}}{\text{Equity}}$	× 100
Return on capital employed, %	=	$\frac{\text{Operating profit} + \text{Interest income}}{\text{Balance sheet total} - \text{Interest-free liabilities}}$	× 100
Dividend yield, %	=	$\frac{\text{Dividends paid}}{\text{Equity}}$	× 100
Equity ratio, %	=	$\frac{\text{Equity}}{\text{Balance sheet total} - \text{Advances received}}$	× 100



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