



Company presentation with a special theme: Wood sufficiency in Finland

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Helsinki, Finland
6 March 2015

Content

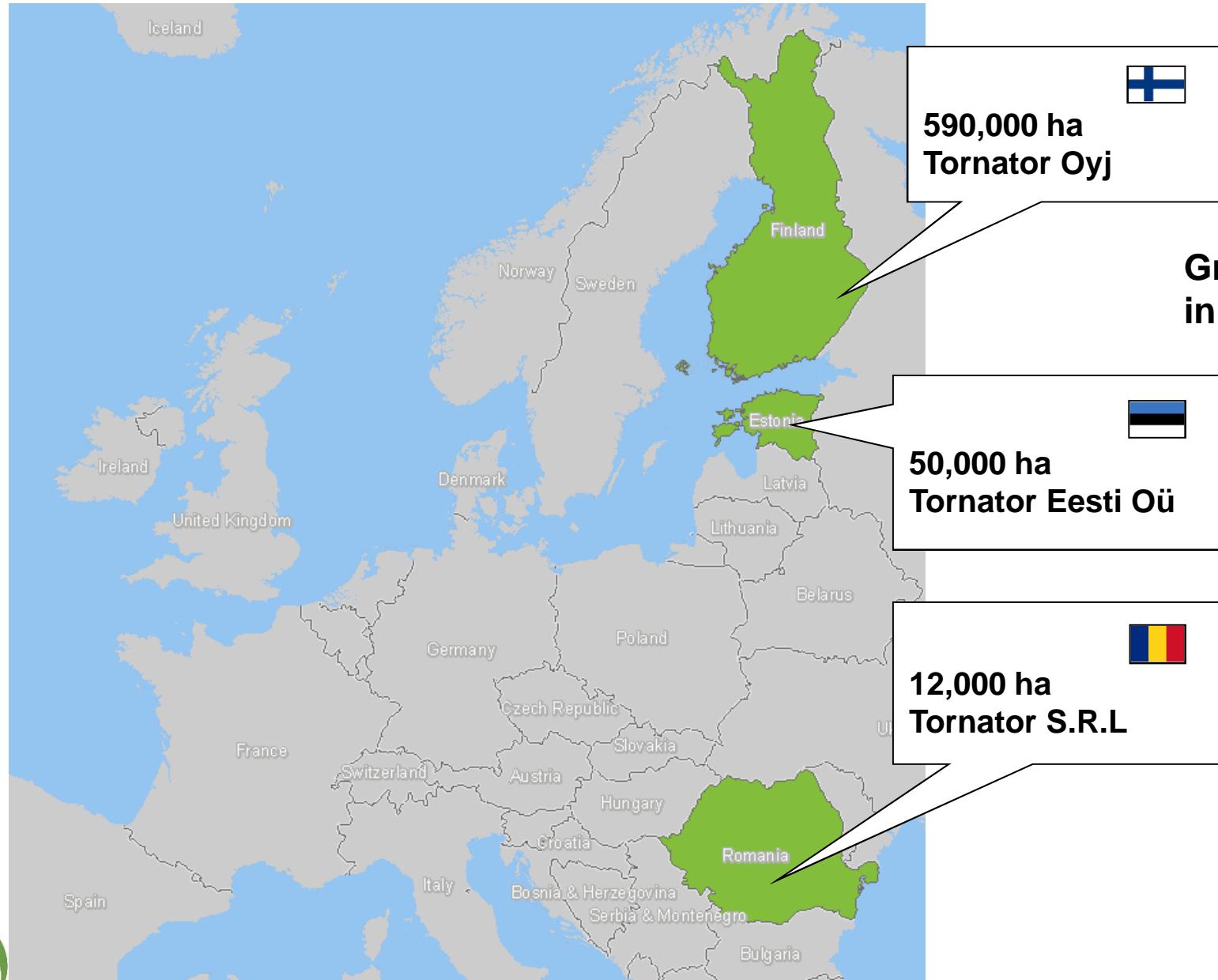
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- 1 Tornator in brief**
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Tornator in brief

- Established in 2002 as a spin-off from Stora Enso
- Owned by Stora Enso (41%) and by Finnish institutional investors (59%)
- Third largest forest owner in Finland, with approx. 600,000 hectares of forestland
- Net sales in 2014 EUR 90,7 million
- Main businesses: wood sales (Stora Enso 65% of net sales, others 22%) and real estate sales (holiday plots, remote forest estates, 12%)
- Approx. 210 employees (85 salaried employees, 125 forest workers)
- Expansion to Estonia (2007) and Romania (2008), in total approx. 60,000 hectares

Tornator's forestlands in March 2015





1 Tornator in brief

**2 New forestry
investments and
wood sufficiency**

3 Financial year 2014

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New forestry investments and wood sufficiency in Finland

Metsään paistaa taas aurinko

(Etelä-Suomen Sanomat 7.2.2015)

Metsä Group sijoittamassa
Äänekoskelle yli miljardin

(YLE / Talous 23.4.2014)



Metsäteollisuus vetää kiihtyvästi investointeja –
Metsäteollisuus on muutamassa vuodessa jälleen
noussut Suomen tulevaisuuden alaksi.

(Keskisuomalainen 4.2.2015)

UPM investoi Kymin tehtaaseen
160 miljoonaa euroa

(Kouvolan Sanomat 28.2.2014)

Stora Enson ilmoitus
jätti-investoinnista
toi valon Varkauteen

(YLE / Talous 14.6.2013)

Jätitehtaan tulo varmistumassa –
Metsä Group solmi jo laitesopimuksia

(YLE 13.2.2015)

Suomi riemuitsee
metsäteollisuuden
investointiaallosta

(Talouselämä 26.1.2015)

New forestry investments and wood sufficiency in Finland

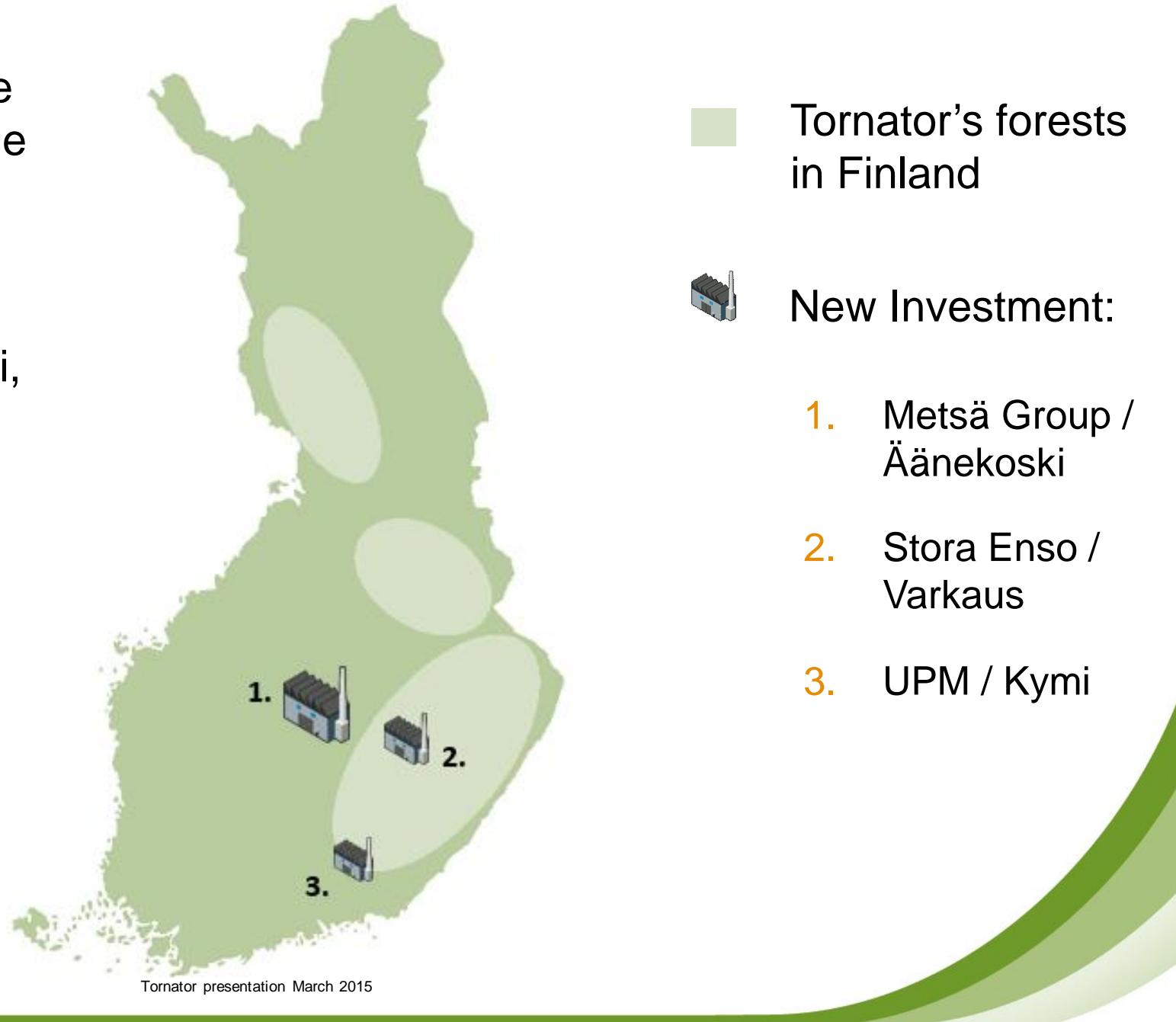
- Several new forestry investments have been published in Finland
- The most significant (realistic) ones are:
 - Metsä Group / Äänekoski: Bioproduct mill
 - Stora Enso / Varkaus: Conversion of fine paper machine to produce containerboard
 - Stora Enso / Varkaus: Laminated Veneer Lumber (LVL) production
 - UPM / Kymi (Kuusankoski): Pulp mill expansion
- These investments alone will increase the demand for coniferous pulp wood (Tornator's main product) over 5,5 million m³ and 0,2 million m³ spruce saw logs:
 - Äänekoski 4,0 million m³
 - Varkaus 1,1 million m³ + 0,2 million m³
 - Kymi 0,6 million m³, includes both coniferous and birch pulp wood

New forestry investments and wood sufficiency in Finland

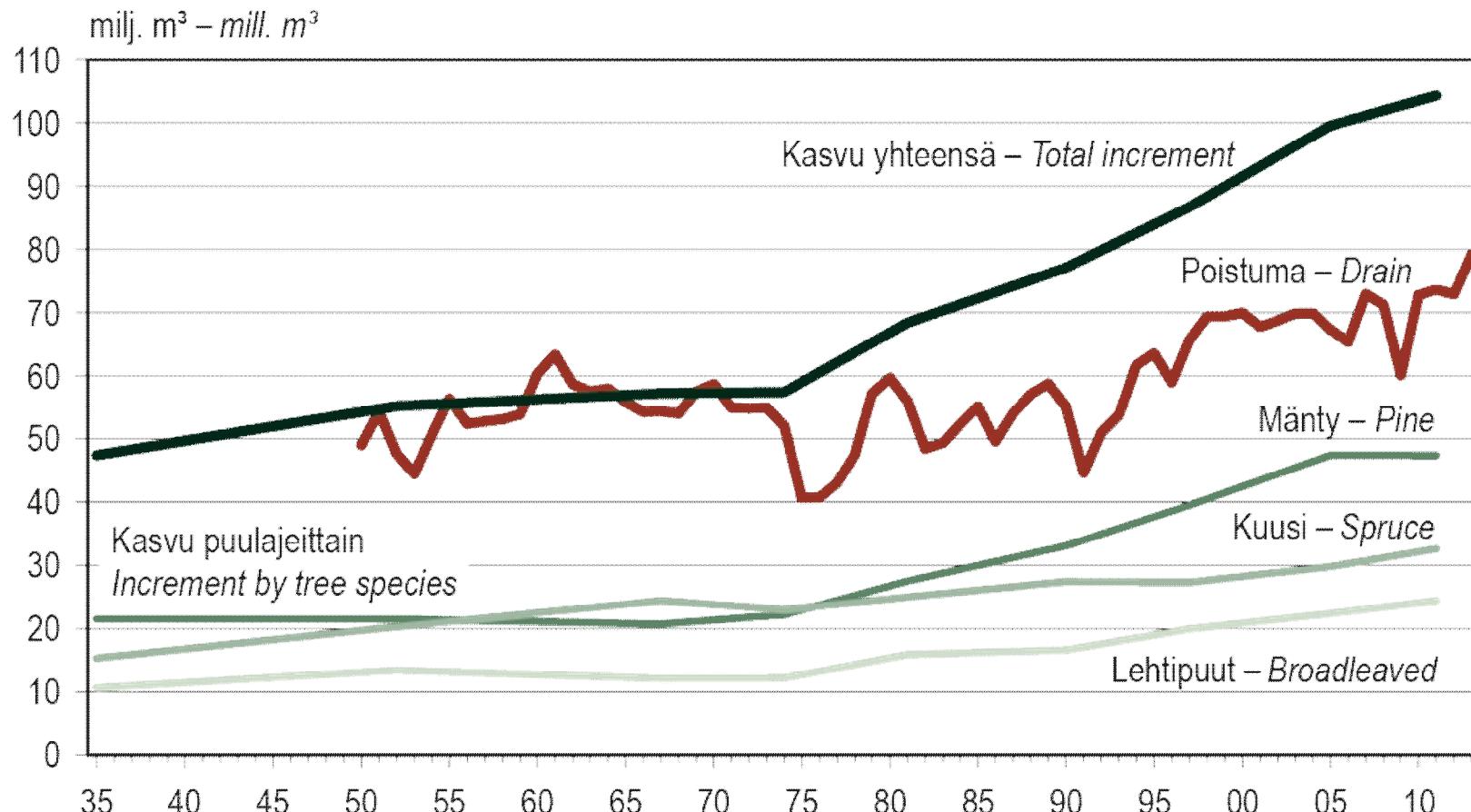
- In addition, the investments in above mentioned pulp mills will lead to an increase of coniferous saw logs of approx. 1-2 million m³
- Some new, maybe opportunistic plans have been published recently, and those would increase the demand for wood even further:
 - Kuopio: a new pulp mill => 6,0 million m³ of coniferous pulp wood
 - Kemijärvi: a new pulp mill => 2,2 million m³ of coniferous pulp wood
- Summa summarum: the demand for coniferous pulp wood in Finland will increase significantly in the coming years. Increase in pulp wood supply will also increase the supply of saw logs => "a double impact"
- It is easy to predict that this development will have an impact also in the wood market in Estonia => increased imports to Finland

Geographical location of new forestry investments and Tornator's forests in Finland

- Tornator's forests are well-positioned for the future wood flows
- New investments, especially Äänekoski, will change wood flows in whole Finland



Wood balance in Finland



Total annual increment of growing stock:
103,7m m³
2009-2010

Total annual drain:
68m m³, average
2000-2010

Lähde: Metsätutkimuslaitos – Source: Finnish Forest Research Institute

Puiston kasvu ja poistuma

Annual increment of growing stock and drain

Metsätaloustilastollinen vuosikirja 2014

Obs. Tornator's annual harvesting: 2,4m m³ => only 3,5% market share ("drain")

Tornator's view on wood sufficiency in Finland

- Figures and conclusions about the harvesting possibilities at the national level are ok
- However, there will be regional imbalances
- In the short run there are ample harvesting reserves, especially in the Northern Finland
- The resources to handle increased volumes are in a fairly good shape: employees, machinery, etc.
- Investments in the road infrastructure must be taken care of.
- However, the real question may not be *sufficiency* but *economic reachability* => what is a viable transportation cost for the industry in the future? Wood in Lapland may not be feasible for the mills in the middle of Finland.
- Other challenges in the long run: a large portion of the privately owned forests are poorly managed. This will lead to inefficiencies in terms of both quality and volume.

Tornator's view on wood sufficiency in Finland

What will happen to wood prices?

- New investments will create a good, solid ground to wood prices, i.e. a decrease in wood prices from the current level is very unlikely.
- A certainty of reasonable wood prices in the long run is an important message both for the forest owners and investors planning to invest in forestland.
- Naturally, if all the announced investments are executed, there is a good possibility that we will see some upward movement in the wood prices.
- But it is good to remember that in the long run it is forest owners' interest that we have a competitive forest industry in Finland. The aim should be "good, stable prices" rather than maximum prices which would not be sustainable.

Tornator's view on wood sufficiency in Finland

What is the impact of the bioenergy "game"?

- Announced investments will have enough wood
- Businesses in the Southern Finland, especially in the coastal areas, might face a battle over the small-diameter wood => pulp vs. energy
- Development in the EU emissions trading scheme will impact this issue, naturally
- And, what will be the effects of Russia/Ukraine crisis and unsecure gas deliveries on the EU countries' energy independence? If nuclear power is not an option, will we see more and more interest on e.g. bioenergy?

National Forest Strategy 2025

And finally, what is the operating environment and the "big picture" we are facing in Finland in the coming years?

=> Setting the stage for the Finnish forest sector:

- Enclosed some summary pages (in Finnish) on a recently published National Forest Strategy 2025 in Finland, please see more at

**www.mmm.fi → Metsät → Strategiat ja
ohjelmat → Kansallinen metsästrategia 2025**

Kansallinen metsästrategia 2025

Kansallisen metsästrategia 2025:n lähtökohdat

- Metsäpoliittinen selonteko 2050 ja eduskunnan siihen antama vastine ohjasi Kansallisen metsästrategia 2025:n laadintaa.
- Kansallinen metsästrategia 2025:ssa priorisoidaan tavoitteet ja yksityiskohtaisemmat hankkeet metsäpoliittisessa selonteossa asetettujen strategisten päämäärien saavuttamiseksi.
- Metsästrategiassa metsäala ymmärretään laajasti. Se kattaa metsätalouden ja puuta jalostavan teollisuuden lisäksi myös metsien muihin sekä aineellisiin että aineettomiin tuotteisiin perustuvan tuotannon, jalostuksen ja palvelut sekä julkishyödykkeet.
- Metsästrategia toimii jatkossa Suomen kansallisena metsähjelmana, joka tukee metsien osalta biotalousstrategian toteuttamista.

Kansallinen metsästrategia 2025

Metsästrategian visio tulee suoraan metsäpolitiikasta selonteosta ja tähtää vuoteen 2050. **Visio on:**

Metsien kestävä hoito ja käyttö on kasvavan hyvinvoinnin lähde

Visio korostaa metsistä saatavaa monipuolista hyvinvointia ja sitä, että metsät tarjoavat ratkaisuja ihmisten ja yhteiskunnan tarpeisiin. Metsäpolitiikalla luomme edellytyksiä metsiin perustuvalle kasvavalle biotaloudelle ja nykyistä monipuolisemmalle hyvinvoinnille. Jotta visio toteutuisi ja metsistä saatavaa hyvinvointia voitaisiin kasvattaa, keskeisissä alaa kehittävissä kokonaisuuksissa tulee onnistua. Visioon pohjautuen on metsäpolitiikassa selonteossa asetettu **strategisaksi päämääriksi**:

- 1. Suomi on kilpailukykyinen toimintaympäristö metsiin perustuville liiketoiminoille.**
- 2. Metsääla ja sen rakenteet uudistuvat ja monipuolistuvat.**
- 3. Metsät ovat aktiivisessa, taloudellisesti, ekologisesti ja sosiaalisesti kestävässä ja monipuolisessa käytössä.**

Kansallinen metsästrategia 2025

- **Metsästrategiassa on 28 tavoitetta, jotka on ryhmitelty seitsemäksi kokonaisuudeksi:**
 - 1.1 Metsääla kasvaa, alan yritykset uudistuvat sekä uusia ja kasvavia yrityksiä kehittyy
 - 1.2 Raaka-aineiden saatavuus mahdollistaa metsien käytön lisäämisen ja uudet investoinnit
 - 1.3 EU:n ja kansainvälinen metsäpolitiikka edistää metsien ja puun kestävää käyttöä, hyväksyttävyyttä ja kilpailukykyä
 - 2.1 Metsäalan osaaminen on monipuolista ja vastaa muuttuvia tarpeita
 - 2.2 Hallinto on joustava, vaikuttava ja asiakaslähtöinen
 - 3.1 Metsätalous on aktiivista ja yritysmäistä
 - 3.2 Metsäluonnon monimuotoisuus sekä ekologinen ja sosiaalinen kestävyys vahvistuvat



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Financial highlights 2014

- **Strong growth in 2014**, net sales exceeded EUR 90 million
- **A stable year**, no surprises in the operations
- **FSC certificate** is an important milestone in securing a high demand for wood also in the future
- **Refinancing of 250 M€** bank facility extends the maturity of the company's loan portfolio and decreases interest expenses
- **Wind Power project development** was boosted by co-operation with Nordisk Vindkraft
- Tornator became the **largest private forest owner in Estonia** in December 2014

Highlights 2014

- A new mission statement:

Luomme kestävää hyvinvointia metsästä

Generating sustainable well-being from the forests

- Social responsibility has a high priority in Tornator => "A good corporate citizen". As an example: Tornator is among top-50 corporate tax payers in Finland (no 518 in Sales 2013)
- Organizational changes: Strategic management team and Operative management team

Strategy

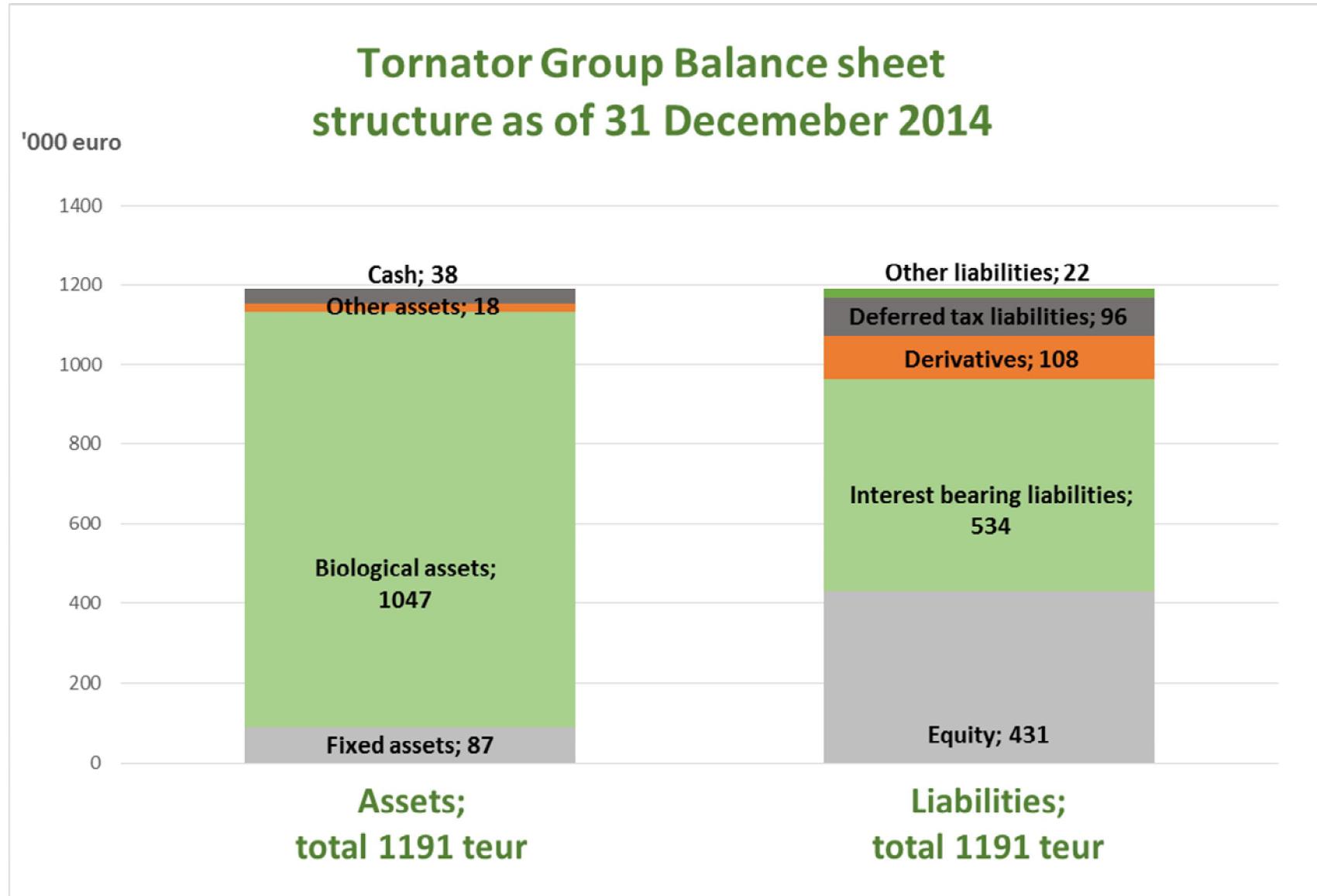
- **Financial targets:**
 - ROE **8%** (2010-14 aver. 7,4%)
 - Dividend yield **5%** (2010-14 aver. 6,2 %*)
 - Dividend pay-out from net result **40-70%** (2010-14 aver. 84%*)
 - Equity ratio **35%** (2010-14 aver. 40,8%)

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

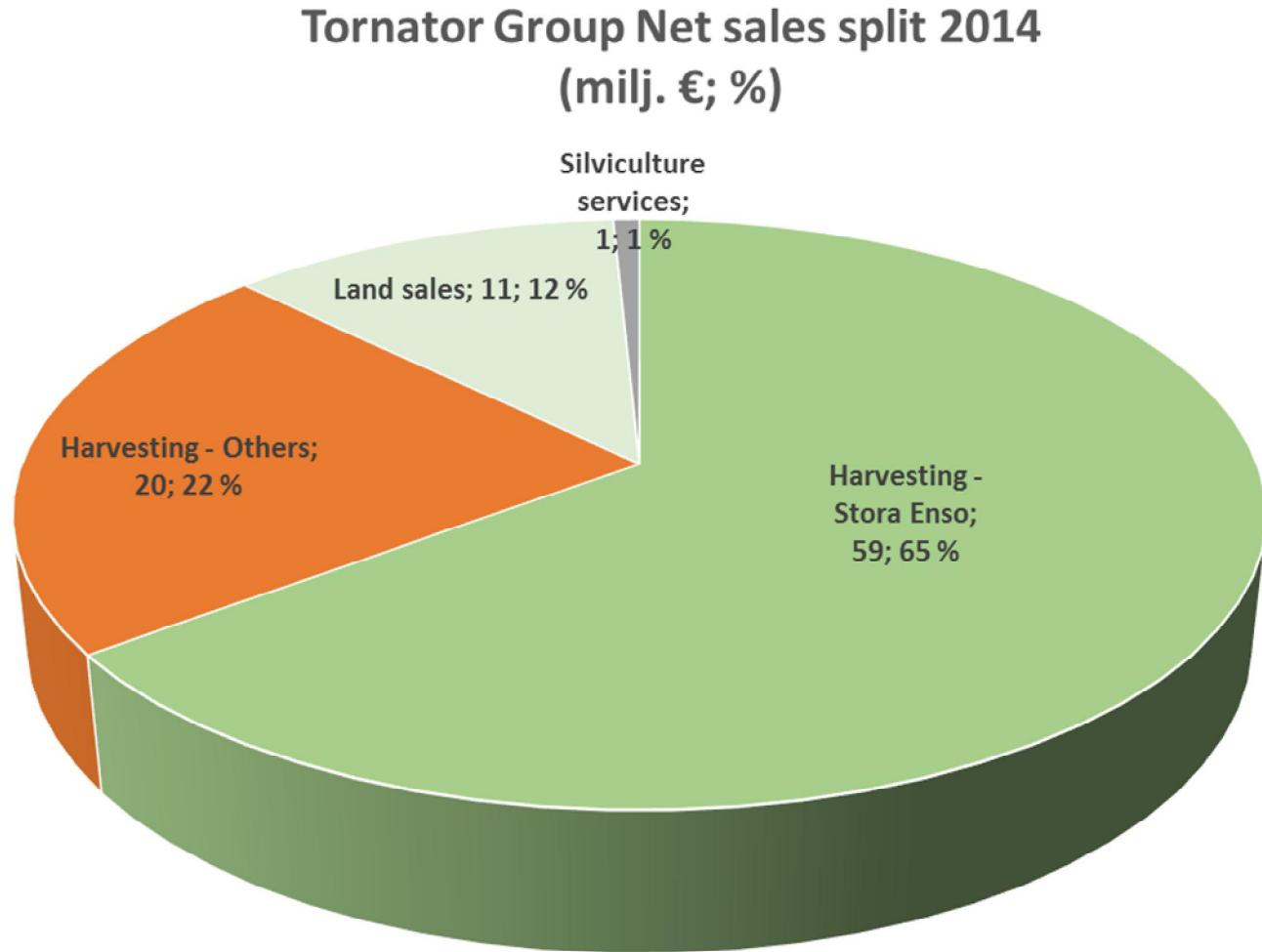
Key figures

Key Figure	2014	2013	2012
Net sales, EUR million	90.7	86.7	82.9
Operating profit, EUR million	62.6	65.5	63.1
Operating profit, % of net sales	69.0%	75.6%	76.1%
Profit for the period, EUR million	29.6	31.7	35.4
Return on equity	6.5%	7.0%	8.3%
Return on capital employed	6.5%	7.1%	7.1%
Equity ratio	37.2%	43.0%	40.1%

Balance sheet structure as of 31 December 2014

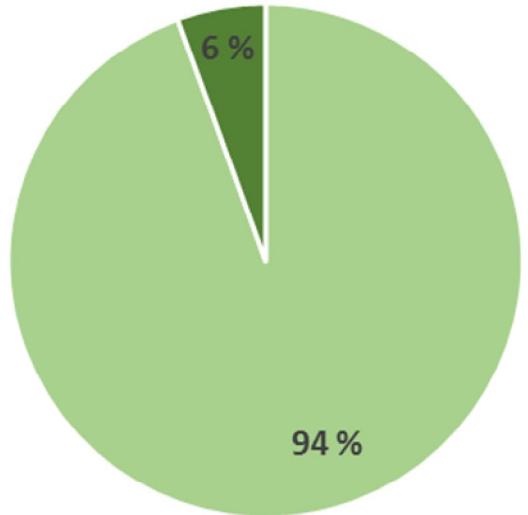


Income 2014



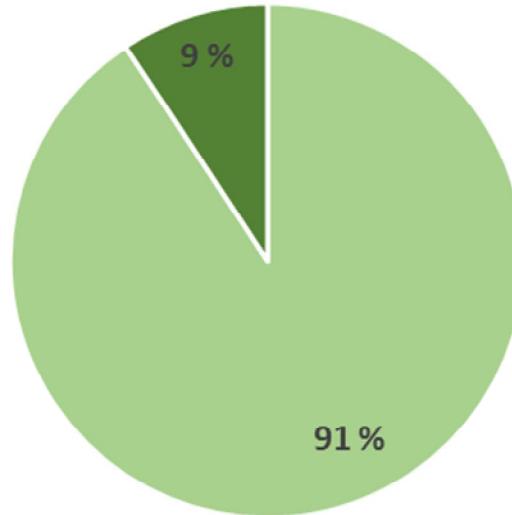
Segments 2014

Income



■ Finland ■ Estonia and Romania

Assets



■ Finland ■ Estonia and Romania

Key figures

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



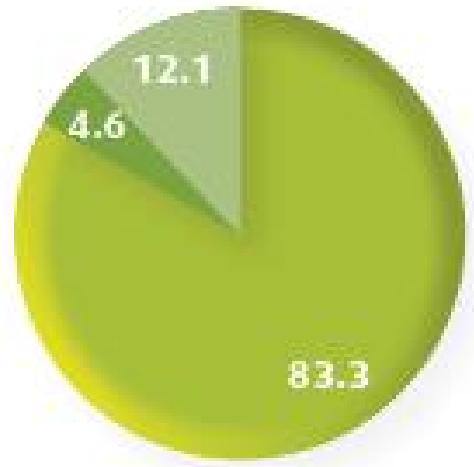
ROCE and ROE

(Without effects of fair value changes)



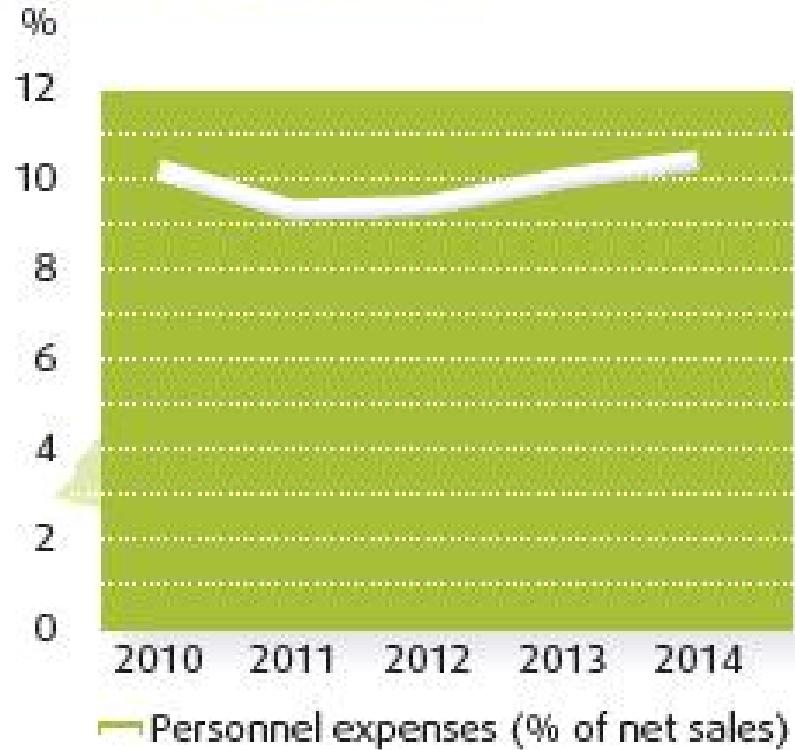
Key figures

Cash flow from operations 2014



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

Personnel expenses

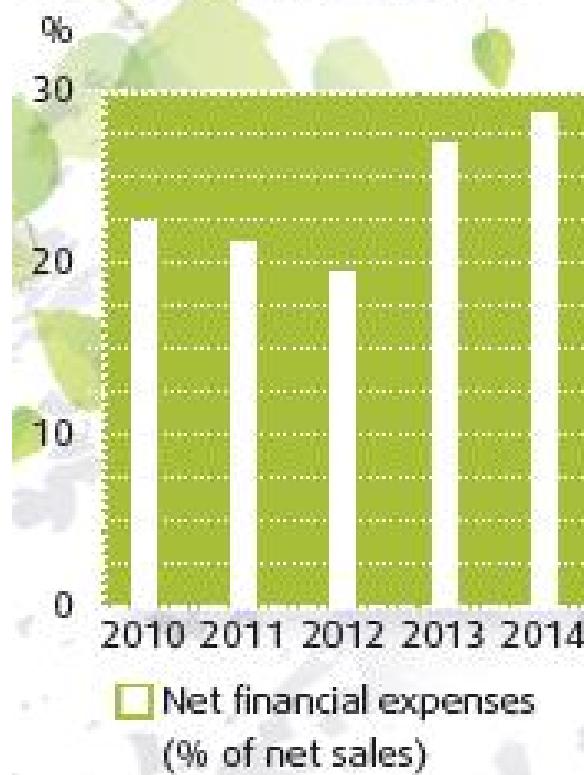


Key figures

Dividend and dividend yield



Net financial expenses



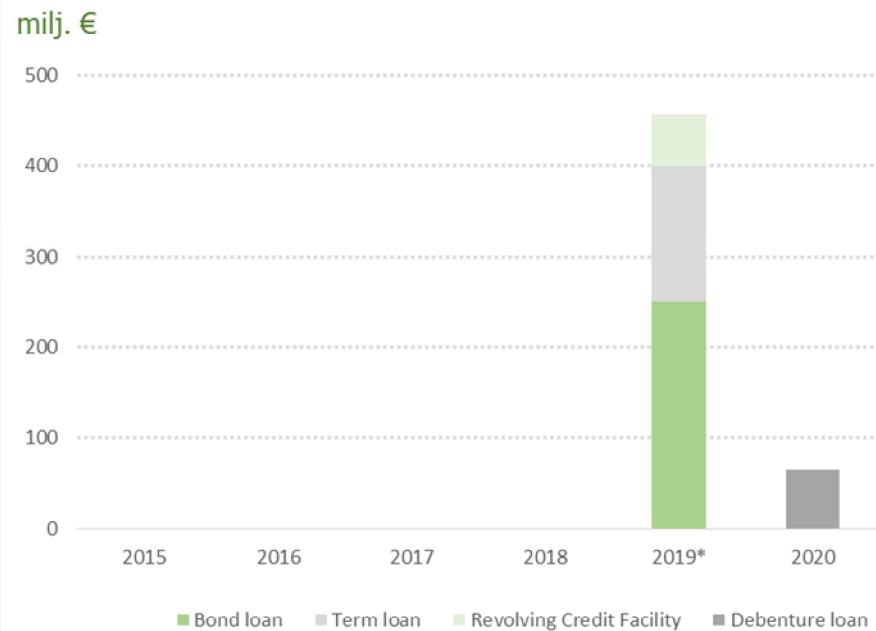
AGM's decision for 2015 dividend payment: 4,20 €/share

Value of forests

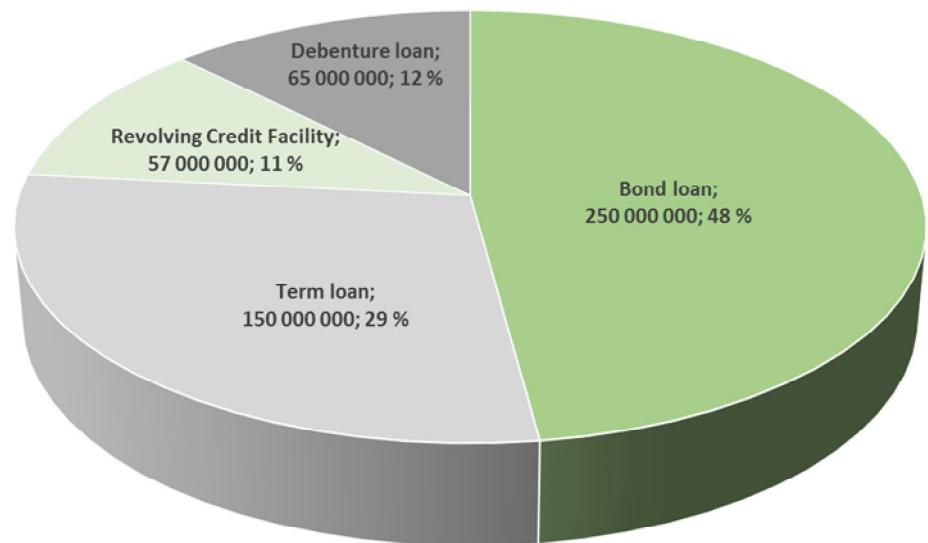


Debt maturity and structure

Tornator Group Debt maturity
as of 31 December 2014



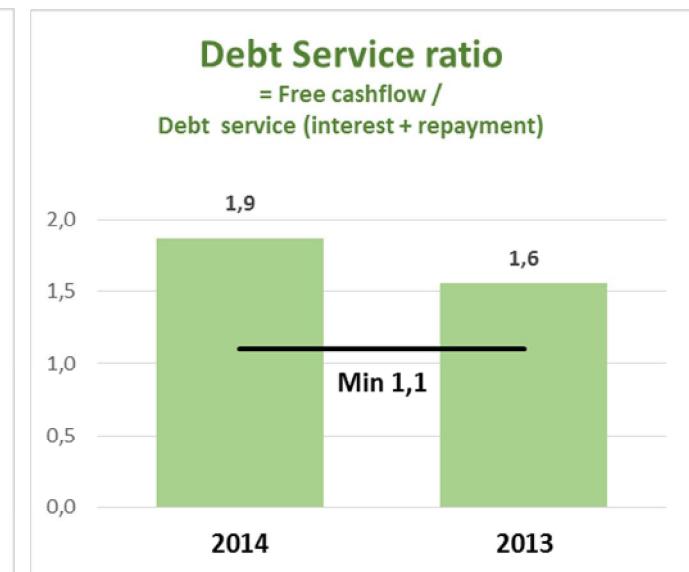
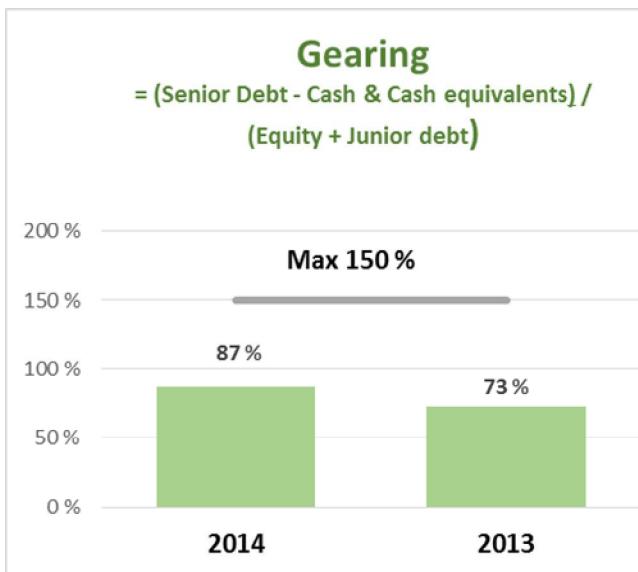
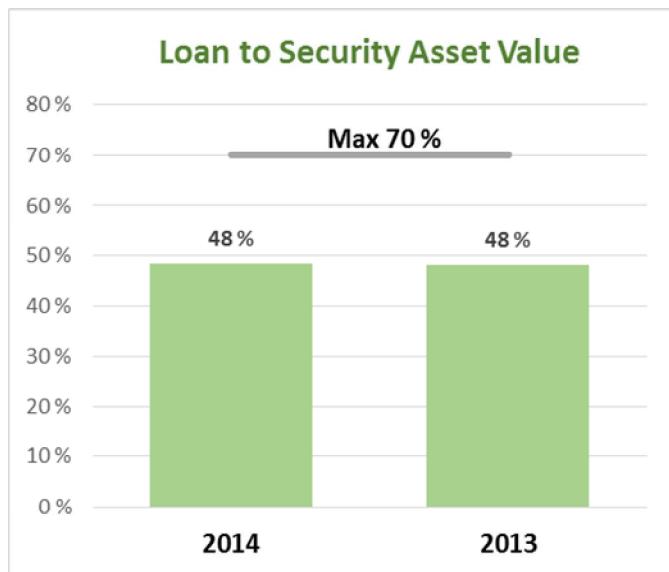
Debt structure as of December 2014,
nominal values, total EUR 522 million



Financial ratios and covenants

Financial ratios	2014	2013	2012
Average maturity of loans (years)	4,4	5,0	6,3
Average interest rate (%)	4,8 %	5,0 %	3,4 %
Hedge ratio (% of fixed interest rate)	79 %	84 %	90 %

Financial covenants



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Outlook for 2015

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 2014

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Q & A





THANK YOU!

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