



TORNATOR OYJ'S CAPITAL MARKETS DAY

03/31/2017

CEO SIXTEN SUNABACKA
CFO HENRIK NIEMINEN



TABLE OF CONTENTS

- Business environment
- Strategy
- Growth
- Responsibility
- Economic/financial

BUSINESS ENVIRONMENT

KEY GLOBAL MEGATRENDS

- Climate change
- Population growth
- Digitalisation



The significance of the bioeconomy and forestry is increasing.

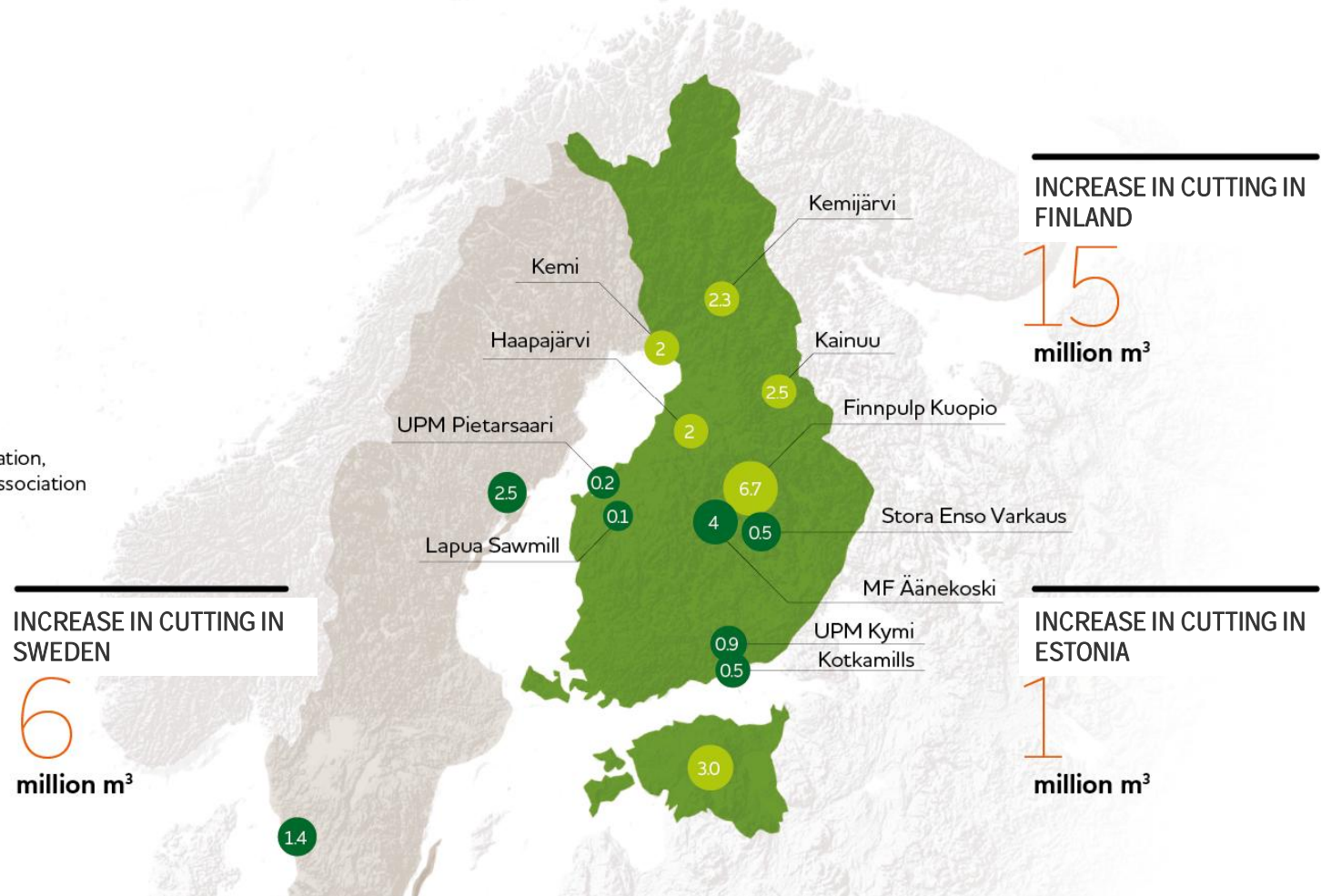


INVESTMENTS AND INCREASE IN WOOD CONSUMPTION



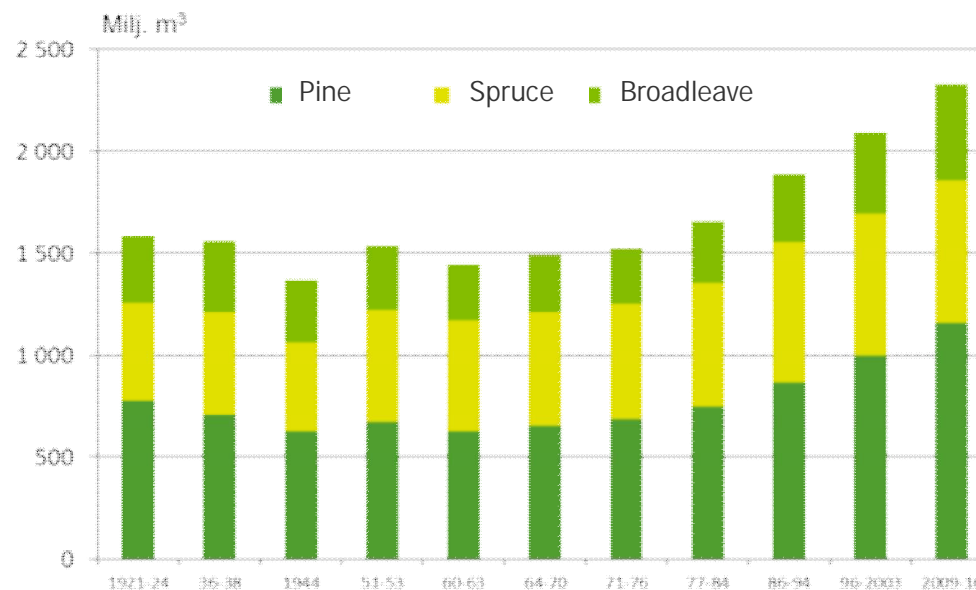
- Realised and confirmed investments, million m³
- Preliminary estimates of planned investments, million m³

Source: Finnish Forest Industries Federation, Estonian Forest and Wood Industries Association



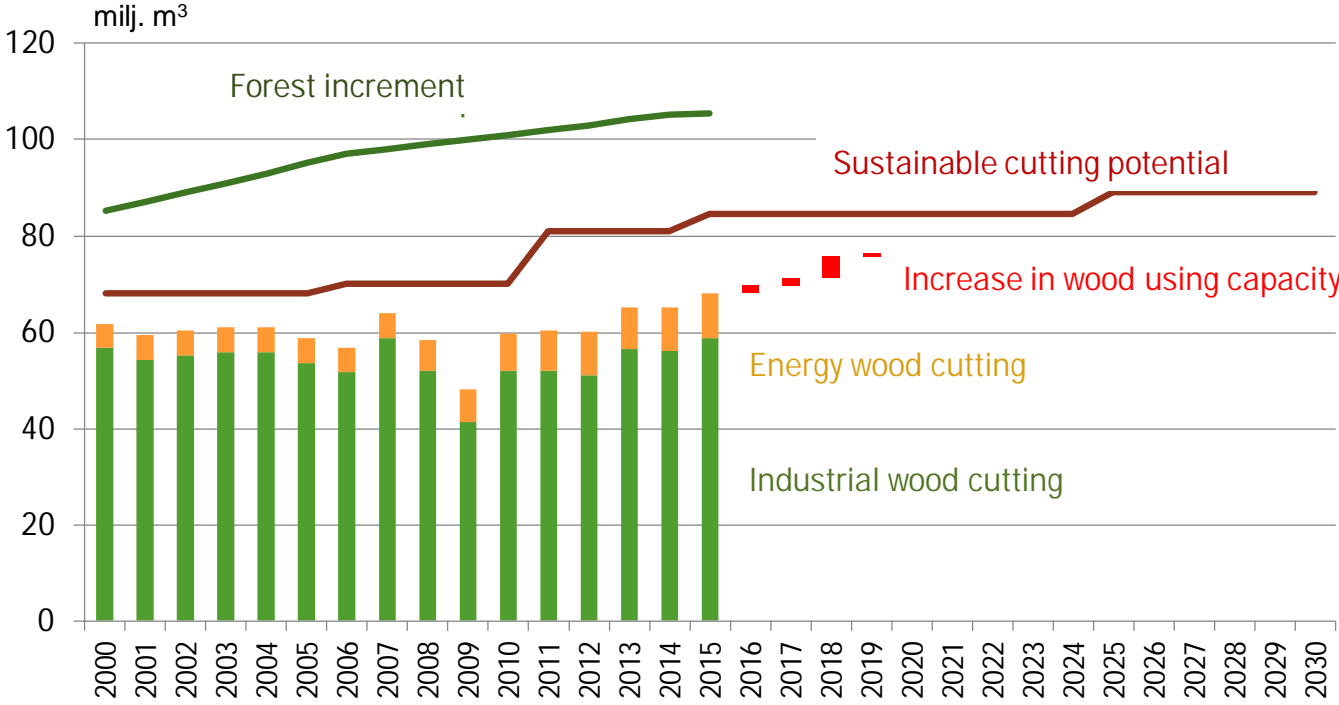
DEVELOPMENT OF TIMBER RESOURCES IN FINLAND

In about 50 years, the timber resources have increased by almost 1,000 million cubic metres and the annual growth has doubled.



Source: Natural Resources Institute Finland, Finnish Forest Industries Federation

INCREASE IN WOOD CONSUMPTION AND CUTTING POTENTIAL IN FINLAND



Source: Natural Resources Institute Finland, company and press releases



STRATEGY

TORNATOR'S STRATEGIC FRAMEWORK

MISSION

GENERATING SUSTAINABLE WELL-BEING FROM THE FOREST.

VISION

TORNATOR IS AN INTERNATIONALLY RESPECTED FORESTRY COMPANY.

GROWTH

We expand in strategic core areas in co-operation with well-considered partners, leading to economies of scale and synergy benefits.

COMPETITIVENESS

We utilise our forest resources and land effectively and diversely, according to principles of sustainability.

MANAGEMENT

We care for our well-being and expertise with a view to future needs.

VALUES

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



RESPONSIBILITY IS AN ESSENTIAL PART OF THE BUSINESS

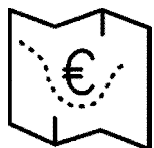
Tornator makes economic, social and environmental responsibility an integral part of its business, guided by a Code of Conduct that is common to all countries of operation. By combining effective forestry with nature management in commercial forests, protecting valuable habitats and providing employment, the company ensures that environmental values, biodiversity and human wellbeing are promoted in its entire sphere of influence, according to legislation and stakeholders' expectations.

TORNATOR'S STRATEGIC PRIORITIES AND OBJECTIVES OF THE YEAR 2018



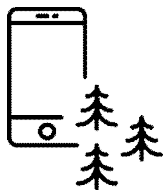
1. Profitable growth

Net sales + € 10 million



2. Superior competitiveness

Productivity improvement + € 5 million



3. Excellent governance

Excellent employee and stakeholder satisfaction



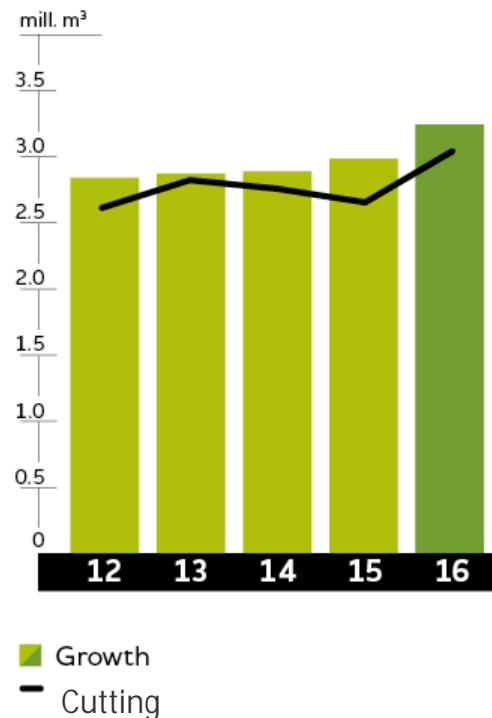
GROWTH



TORNATOR
RESPONSIBLE EXPERTISE IN FORESTRY

GROWTH AND CUTTINGS IN TORNATOR'S FORESTS

GROWTH AND CUTTINGS IN TORNATOR'S FORESTS

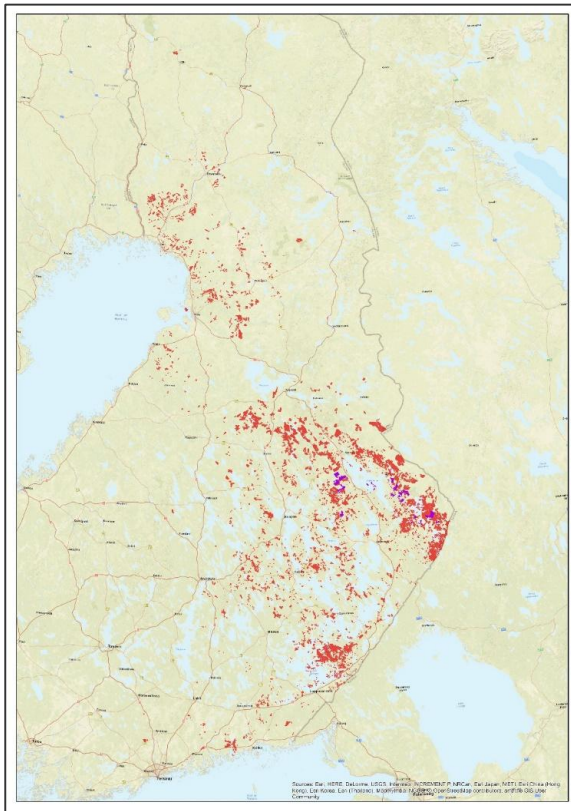


Forest growth and cuttings have increased:

- Wood demand has improved and cutting has increased in all three operating countries
- Forest growth is increased by method development, optimisation of cutting and fertilisation
- Biodiversity is further improved by nature management in commercial forests and protection measures (e.g. mire restoration)
- Major challenges include unbalance of increase in sawlog and pulpwood consumption in Finland, poor demand for fuelwood in Estonia and poor demand for pulpwood in Romania

TORNATOR'S GROWTH IN FINLAND

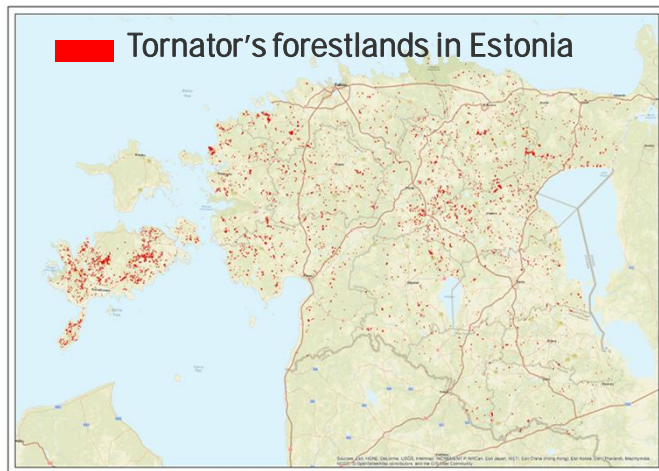
 = Tornator's forests



Latest investment to increase timber sales income and synergy benefits

- According to a letter of intent signed on 30 March 2017, Tornator will purchase some 23,000 ha of forestland from UPM.
- The real estate deal will be implemented in several parts during 2017.
- The forest estates are located in North Karelia, near Tornator's current forestlands.
- A new long-term wood supply agreement will secure cash flows and diversify timber sales.
- Increase in net sales will amount to millions of euros per year.
- Customer service will be improved through logistical benefits and a more optimal distribution of wood assortments from the forests.
- Significant synergy benefits will be achieved in forest management and silviculture.

TORNATOR'S GROWTH IN ESTONIA



DEVELOPMENT OF TORNATOR'S FORESTLANDS IN ESTONIA, 1,000 HA

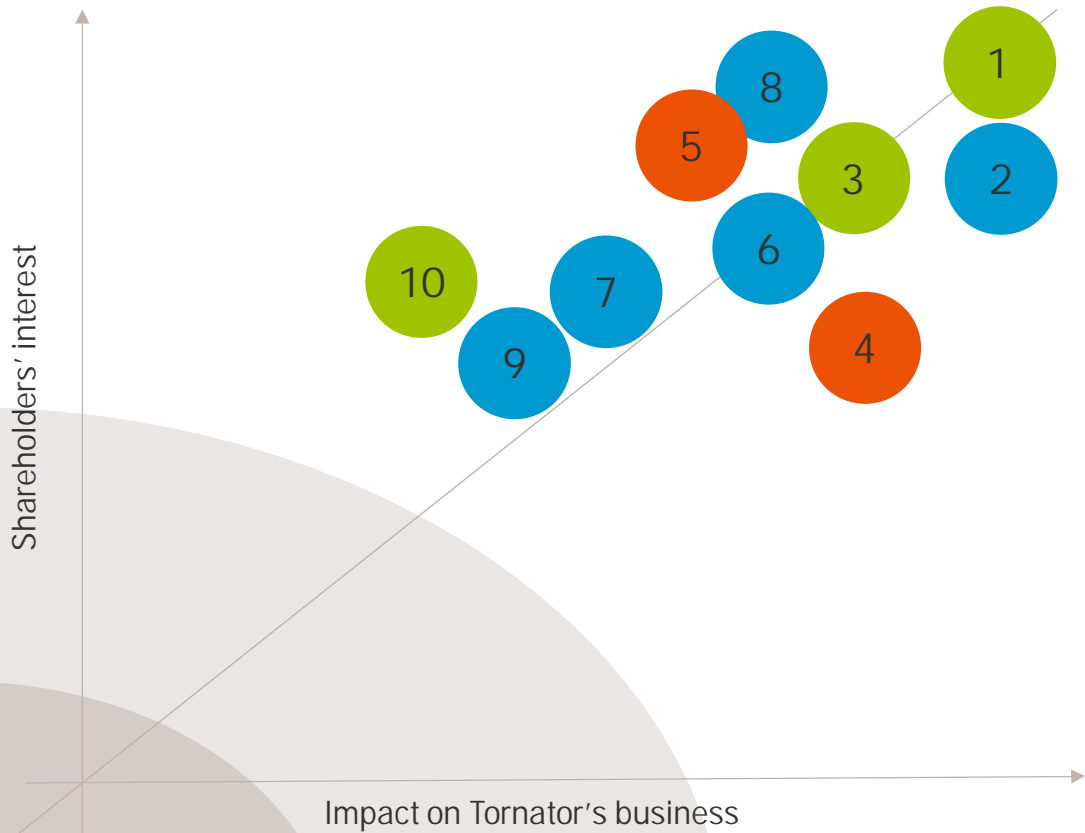


The largest private landowner in Estonia.
In 2016 net timber sales went up nearly 60 %

- Increase in forestland area has been significant, and investments will be continued.
- Double-certified forests support growth and provide a competitive edge.
- Fluctuations in wood demand are balanced out with long-term timber sales agreements.

RESPONSIBILITY

KEY SUSTAINABILITY THEMES



- | | |
|----|--|
| 1 | Sustainable forestry |
| 2 | Economic profitability |
| 3 | Forest certification and chain of custody |
| 4 | Employee competence and well-being |
| 5 | Occupational safety throughout the value chain |
| 6 | Ethical business and good governance |
| 7 | Local economic impacts |
| 8 | Stakeholder interaction |
| 9 | Tax footprint |
| 10 | Carbon footprint – carbon storage |

A BUSINESS BASED ON SUSTAINABLE FORESTRY

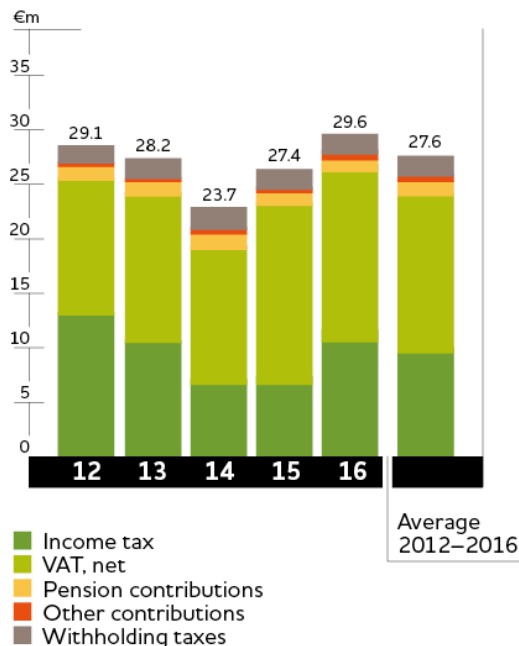


Responsibility as a strength and competitive advantage

- Extensive forest assets enable the creation of diverse values
- The business based on sustainable use of a renewable natural resource is profitable and long-term
- Responsibility and sustainability are secured by the double-certified forests
- The company core competencies: forestry, environmental, real estate and ICT expertise

CASE: TORNATOR'S TAX FOOTPRINT

TORNATOR'S TAX FOOTPRINT



Among the 50 largest corporate taxpayers in Finland

- Tornator's annual taxes and other payments to the state average nearly €28 million
- The company's forests provide direct employment worth some 900 person-years, mainly in sparsely populated areas
- The tax footprint is on the same level as the dividends paid by the company

TORNATOR'S CORPORATE RESPONSIBILITY ABROAD

2008



2016



Investments, employment, sustainable forestry

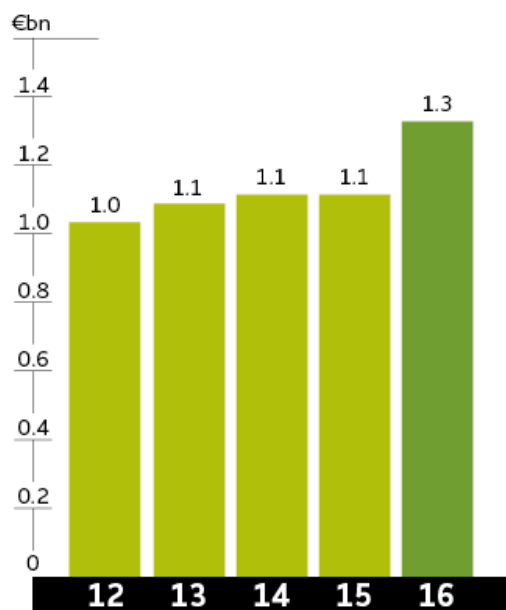
- During the last ten years, Tornator has invested some €140 million in Estonia and Romania.
- The company is a valued contributor and member in various public working groups.
- The subsidiaries have a total of 45 employees. In addition, the company's forests provide employment to several hundred people through contractors.
- The forests in Estonia and Romania are certified, and the general guideline of the business is to maintain and increase the value of the forests in the long term.
- A lot of work is done to promote safety and well-being at work, clearly exceeding national standards and requirements.

ECONOMY/FINANCE

VALUE OF TORNATOR'S FORESTS

VALUATION OF FORESTS

(fair value)

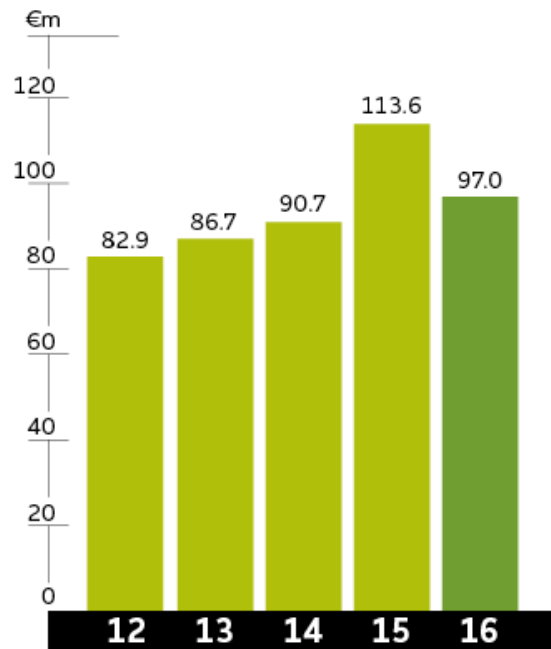


The value of the Group's forestlands increased by 20%

- High-quality, long-term forest management has improved the growth of the forests, which enabled raising the sustainable annual cut
- The company reduced the discount rate used in valuing the forests by 0.5 percentage points. In general, interest rates have decreased significantly and the new discount rate better reflects the capital costs of the company

NET SALES OF TORNATOR

NET SALES



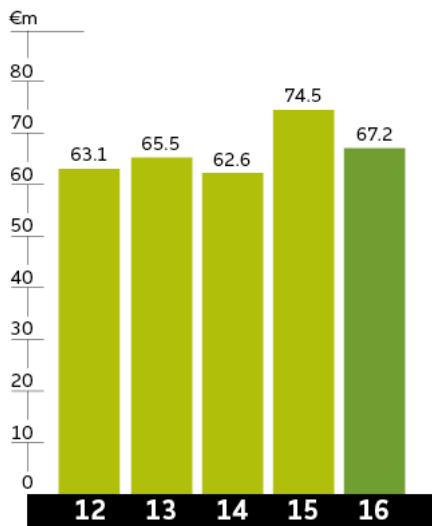
Net timber sales record-high

- Timber sales were record-high in all operating countries of the Group, totalling some 3 million m³ and €88 million
- Total net sales decreased due to the exceptionally large forestland sales in the previous year

TORNATOR'S OPERATING PROFIT AND PROFIT FOR THE PERIOD

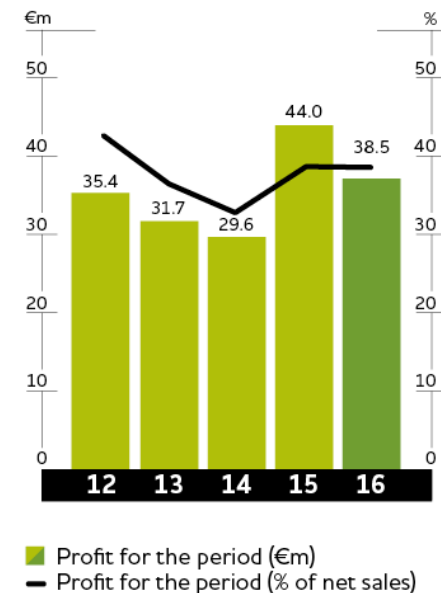
OPERATING PROFIT

(Without effects of fair value changes)



PROFIT FOR THE PERIOD

(Without effects of fair value changes)



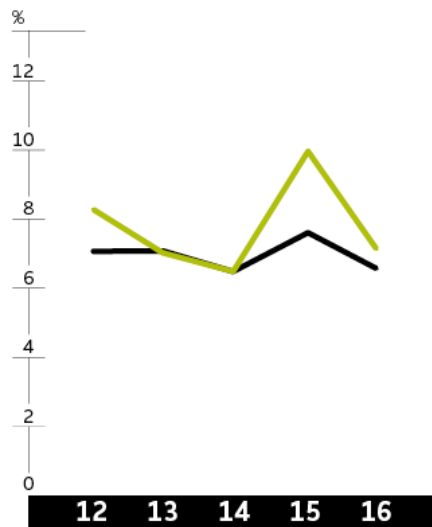
Profitability at a high level

- Operating profit without the change in the fair value of biological assets and net profit without one-off land sales increased in all countries: Finland, Estonia and Romania.
- The productivity improvement programme progressed as planned

TORNATOR'S RETURNS

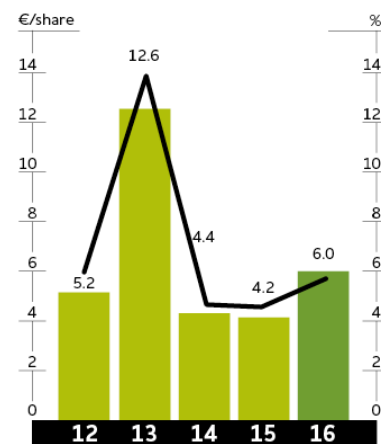
ROCE AND ROE

(Without effects of fair value changes)



— Return on capital employed
— Return on equity

DIVIDEND AND DIVIDEND YIELD



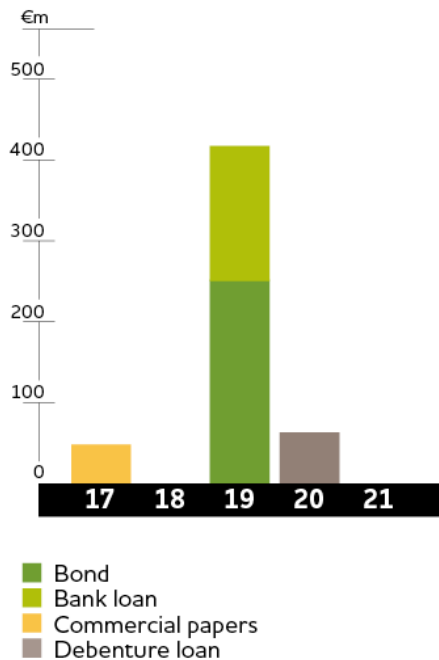
■ Dividend (€/share)
— Dividend yield (%)

Returns to shareholders are in line with objectives

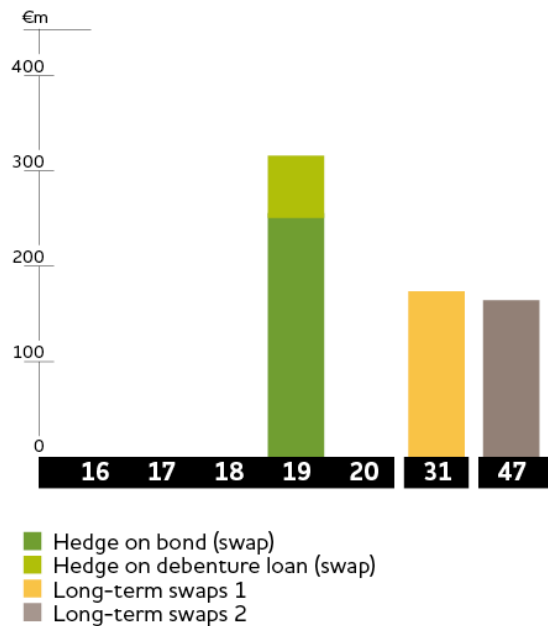
- Return on equity around 7%, dividend yield around 6%
- Share value (NAV) increased by more than 30% due to the increase in forestland value (new equity €600m)

TORNATOR'S FINANCIALS

MATURITY OF DEBT



EXPIRY OF INTEREST RATE HEDGES, NOMINAL VALUES



Financial risks under control

- Net gearing ratio is 88.5% and equity ratio 43.7% (31 Dec 2016)
- Long-term loans will be due at the end of 2019
- The risk associated with changing market interest rates on loans is 80% hedged by plain vanilla swaps
- The long-term interest rate risk on the balance sheet is stabilised by strategic swaps of more than 30 years
- Liquidity is managed/optimised with commercial papers and a revolving credit facility

15

**YEARS
OF RESPONSIBLE
EXPERTISE IN
FORESTRY**



Tornator Oyj

Telephone: 010 563 0000
e-mail: tornator@tornator.fi

