



# TORNATOR COMPANY PRESENTATION

MARCH 2018

CEO SIXTEN SUNABACKA  
CFO HENRIK NIEMINEN



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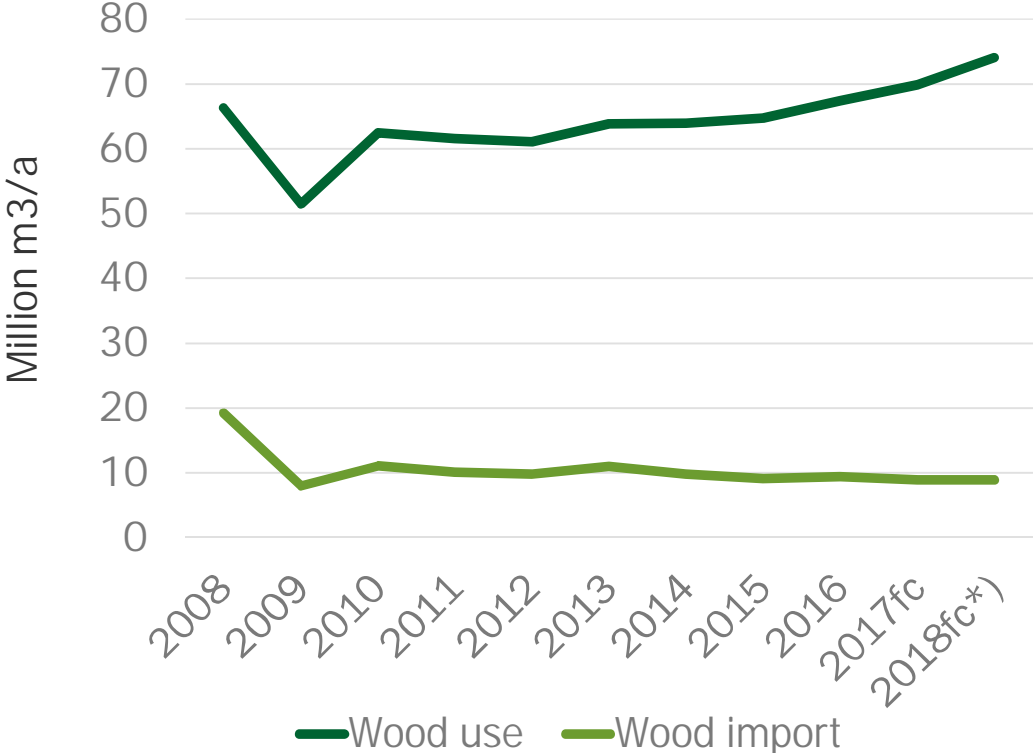
- WOOD MARKET OUTLOOK
- CORPORATE GOVERNANCE
- STRATEGY
- OVERVIEW OF TORNATOR
- PROFITABLE GROWTH
- SUPERIOR COMPETITIVENESS
- EXCELLENT GOVERNANCE AND RESPONSIBILITY
- CASE CARBON SINK



The mark of  
responsible forestry



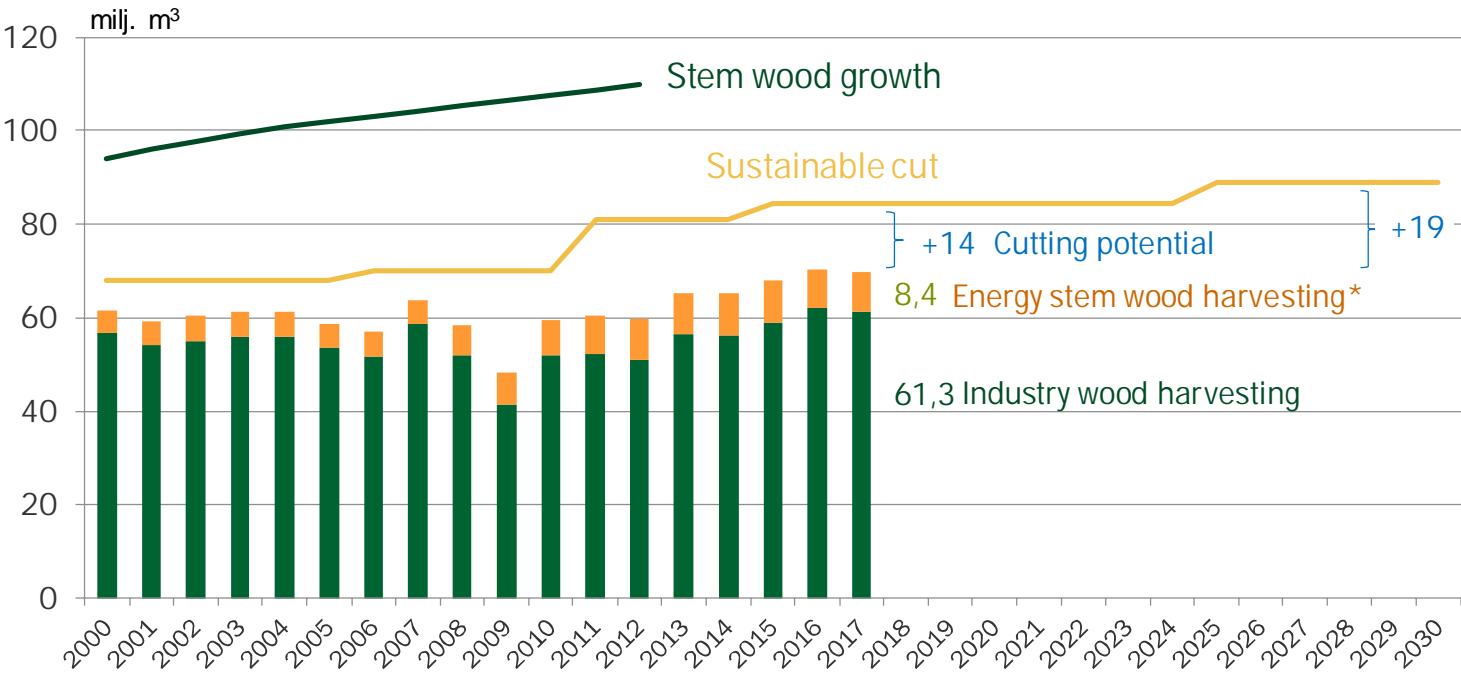
# THE FINNISH FOREST INDUSTRY ROUND WOOD USE AND IMPORT



Source: Luke, PTT\*)



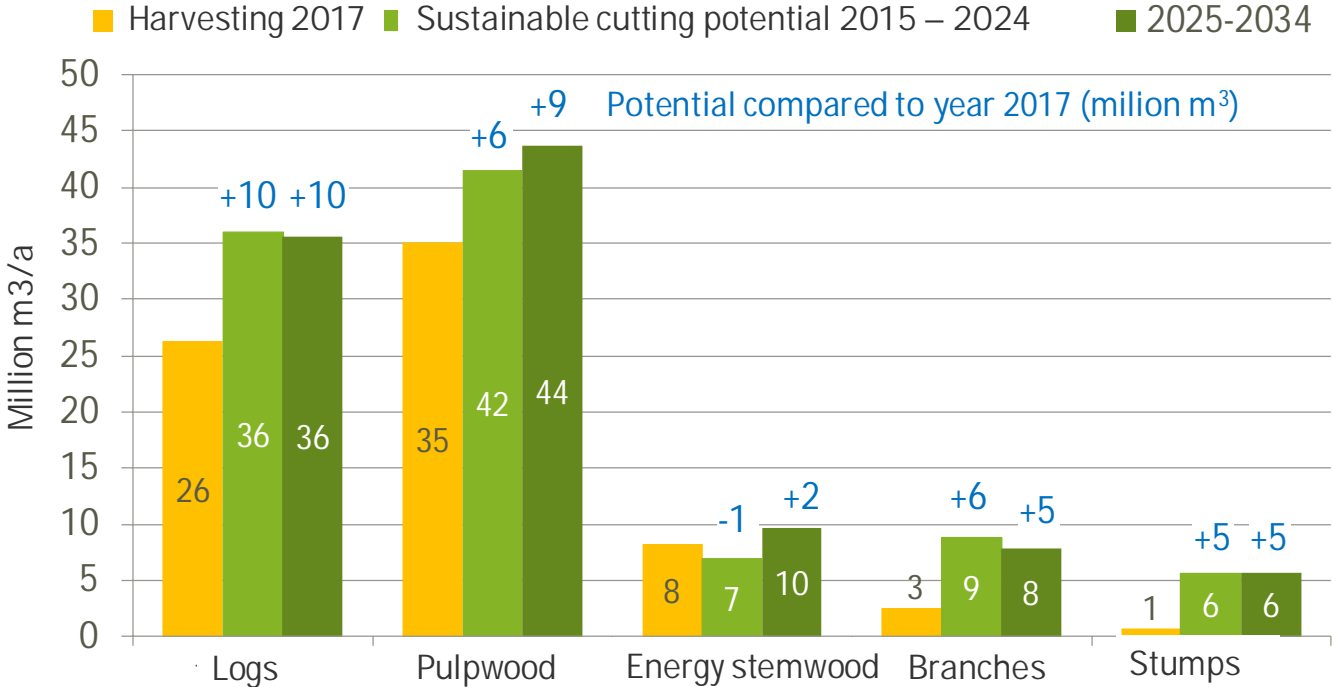
# FOREST GROWTH, SUSTAINABLE CUT AND HARVESTING VOLUMES IN FINLAND



Source: FFIF, Luke (2015-2024 ja 2025-2034 sustainable cut source National Energy and Climate Strategy)  
 \* 2017 Luke forecast



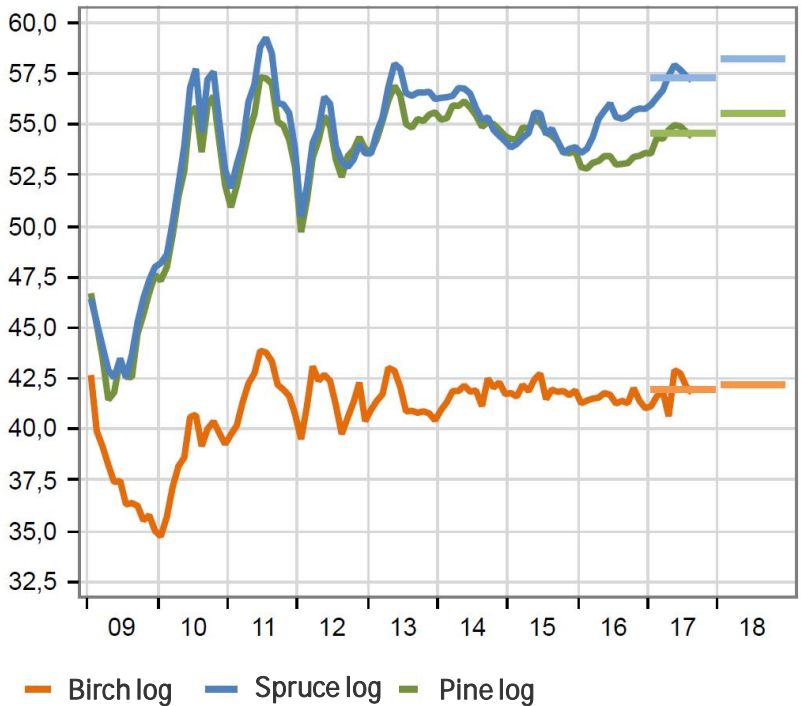
# HARVESTING VOLUME AND HARVESTING POTENTIAL BY ASSORTMENT IN FINLAND



Source: FFIF, Luke, National Energy and Climate Strategy)  
 \* 2017 Luke forecast



# WOOD PRICES AND PRICE OUTLOOK IN FINLAND

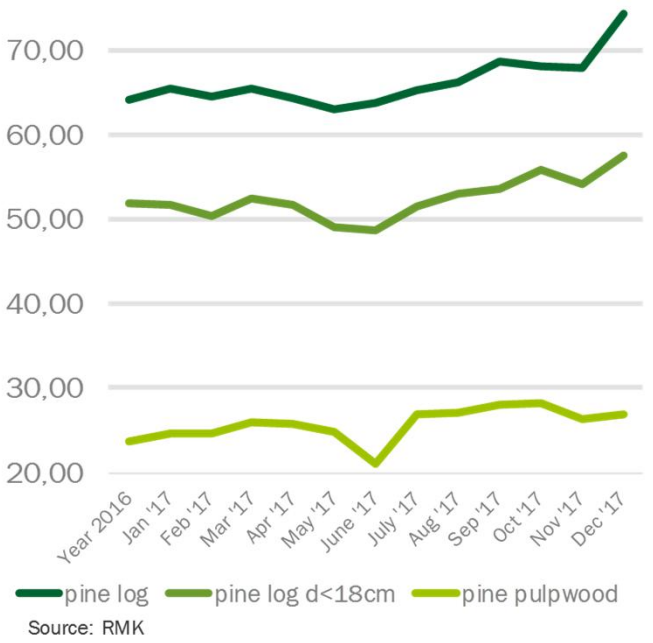


Source: Luke, Macrobond, PTT

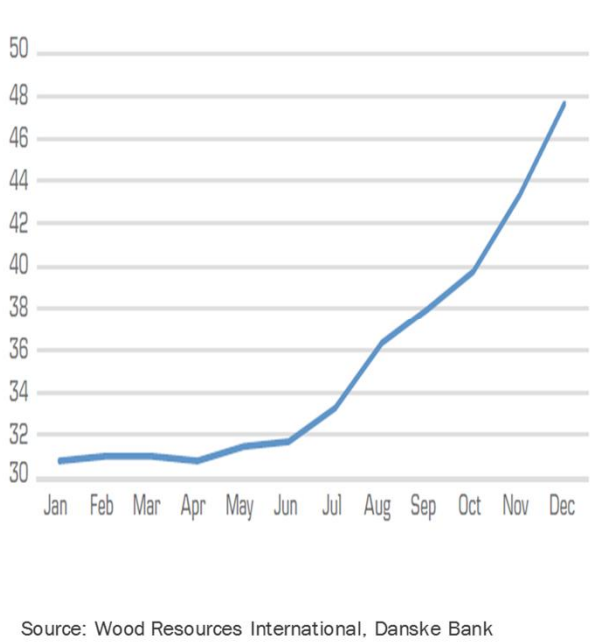


# WOOD PRICES IN BALTICS AND SWEDEN

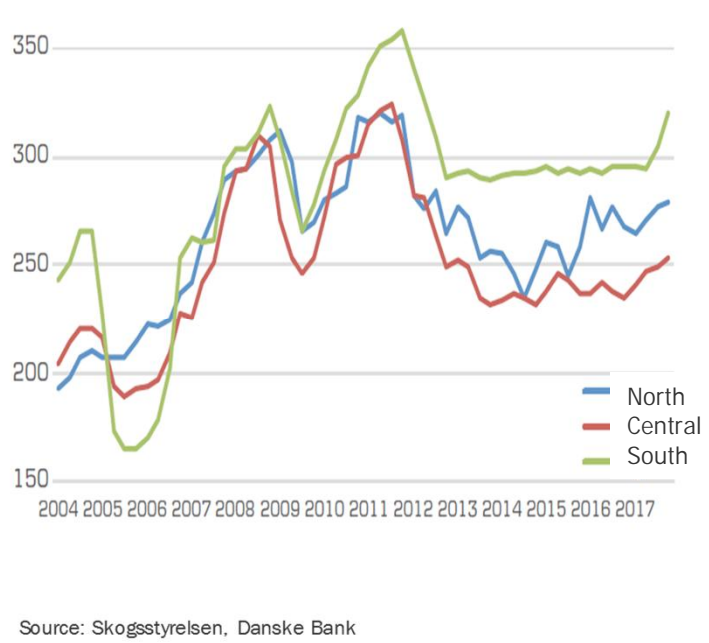
Estonia, €/m3, ub



Latvia Riga port, €/m3, ub



Sweden Conif. Pulpwood sek/m3, ub



# TORNATOR'S OWNERSHIP AND GROUP COMPANIES

## Tornator Oyj's shareholders

	%
Stora Enso Oyj	41.0
Ilmarinen Mutual Pension Insurance Company	23.1
Varma Mutual Pension Insurance Company	15.3
OP Financial Group, insurance, pension and investment institutions	14.4
Other shareholders	6.2
<b>Total</b>	<b>100.0</b>

## Tornator Timberland Group



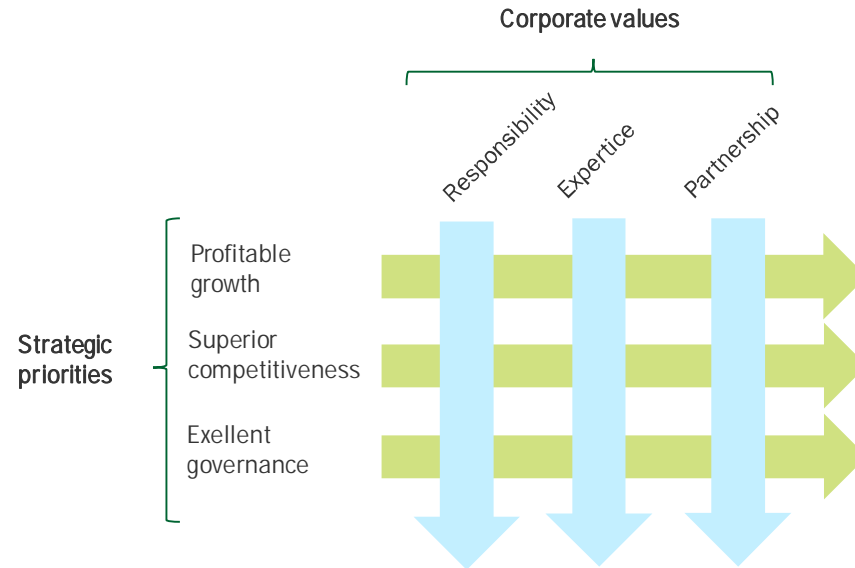
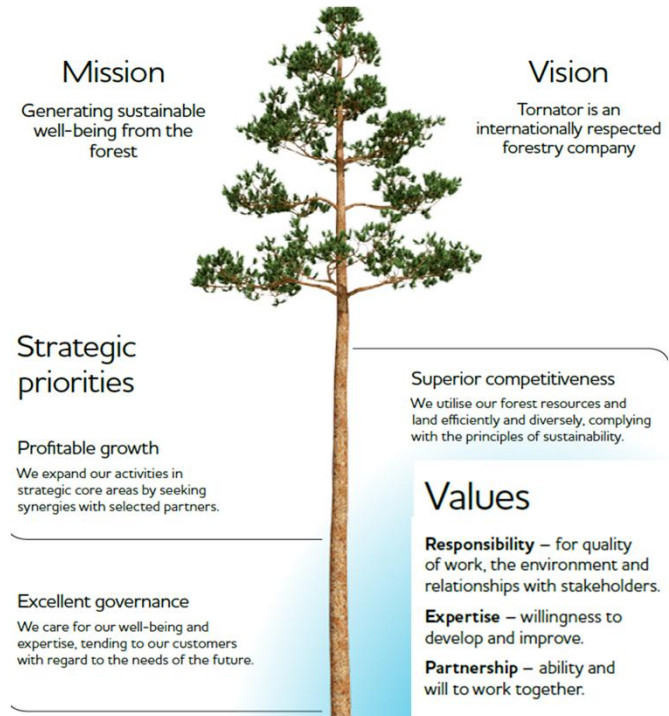


## STRATEGY

# TORNATOR'S STRATEGY FRAME

The strategy is build on company mission and three strategic priorities; growth, competitiveness and governance

All targets set (also to a personal level) are based on the priorities and related measures aligned with the company values



# GENERATING SUSTAINABLE WELL-BEING FROM THE FOREST



# KEY FIGURES 2017

The reporting year was an excellent one in a long stretch of good years

## Key figures

Without effects of fair value changes

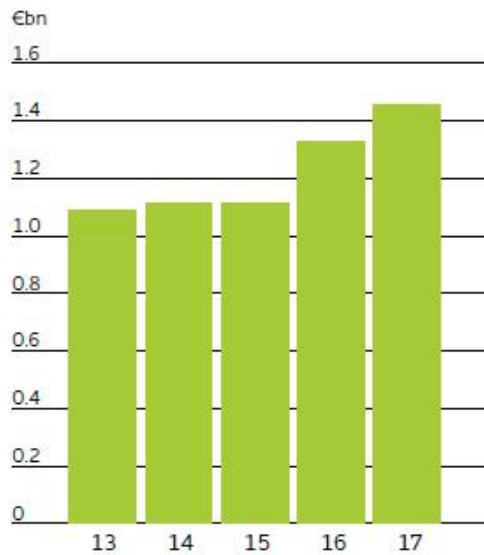
	2013	2014	2015 <sup>*)</sup>	2016	2017
Net sales, € million	86.7	90.7	113.6	97.0	101.6
Operating profit, € million	65.5	62.6	74.5	67.2	72.4
Operating profit, % of net sales	75.6	69.0	65.6	69.3	71.2
Profit for the period, € million	31.7	29.6	44.0	37.3	40.9
Profit for the period, % of net sales	36.5	32.7	38.8	38.5	40.3
Average number of employees	216	217	213	200	189
Return on capital employed, %	7.1	6.5	7.7	6.5	6.1
Return on equity, %	7.0	6.5	10.0	7.1	6.5
Equity ratio, %	43.0	37.2	38.6	43.7	43.3

<sup>\*)</sup>Includes land sales 30,8 million €

# FORESTS VALUE AND PROFITABILITY

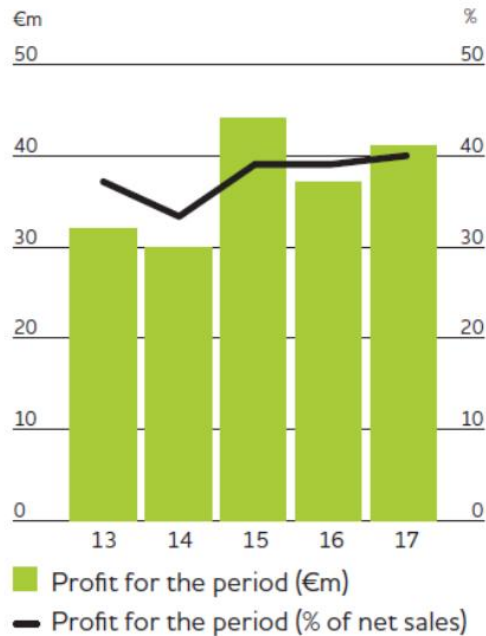
## Valuation of forests

(fair value)



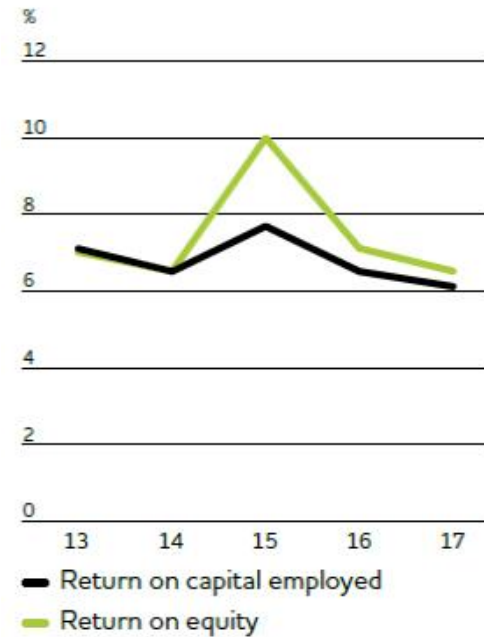
## Profit for the period

(Without effects of fair value changes)



## ROCE and ROE

(Without effects of fair value changes)



# FINANCIAL EXPENSES AND EQUITY RATIO

2017

## KEY ACHIEVEMENTS

- New bank loan arrangement of €100 million
- Extension of the maturity of bank loans by a year
- The productivity programme produced the desired results

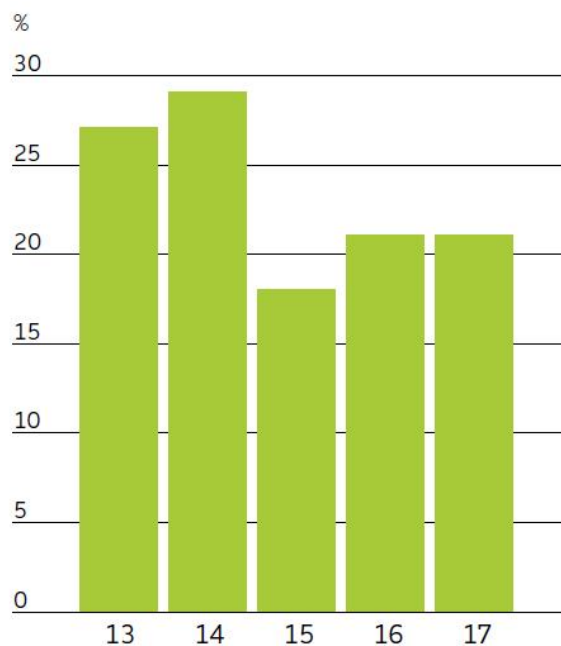
2018

## GOALS

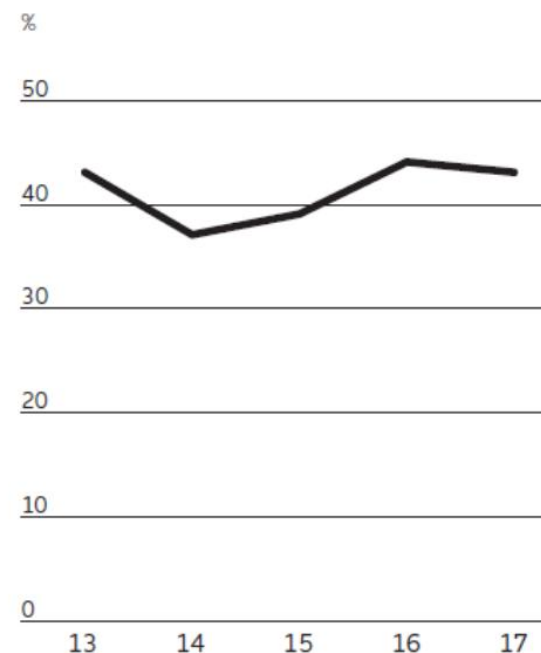
- Raise new capital to finance growth, if necessary
- Prepare a plan to refinance the bond due in 2019
- Continue productivity programme according to plan

## Net financial expenses

(% of net sales)

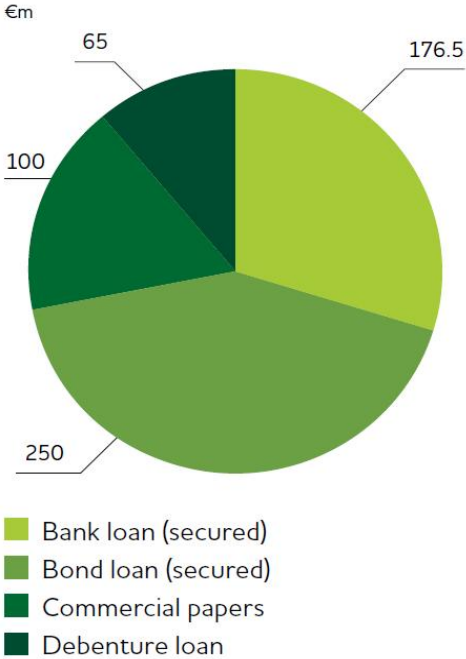


## Equity ratio

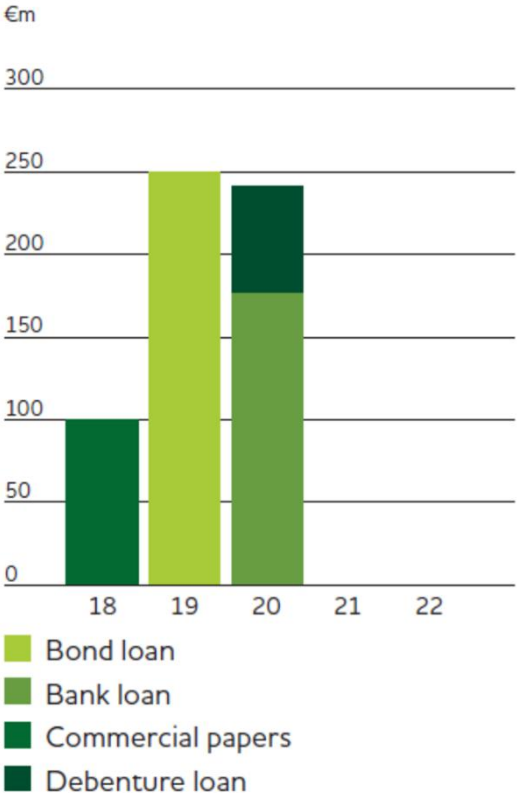


# DEBT STRUCTURE

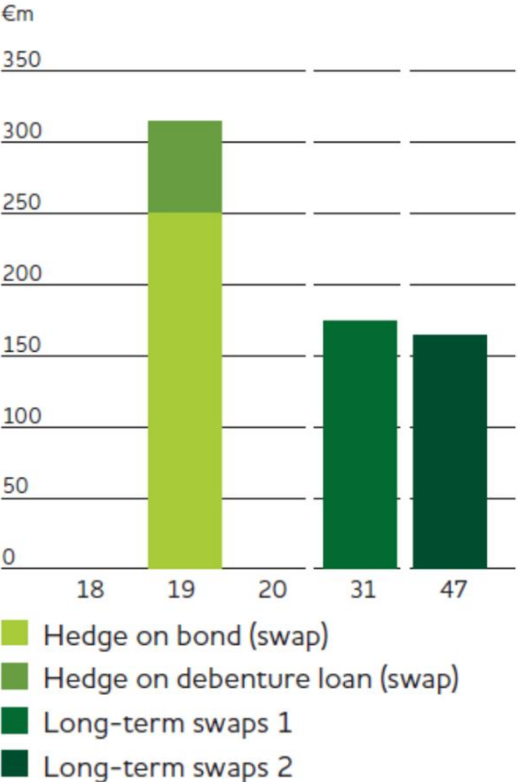
Structure of debt, nominal values 31 Dec 2017



Maturity of debt



Expiry of interest rate hedges, nominal values



# FOREST ASSETS INCREASED IN FINLAND AND ESTONIA

The company celebrated its 15th anniversary by increasing net sales and operating profit in all countries of operation

**2017**

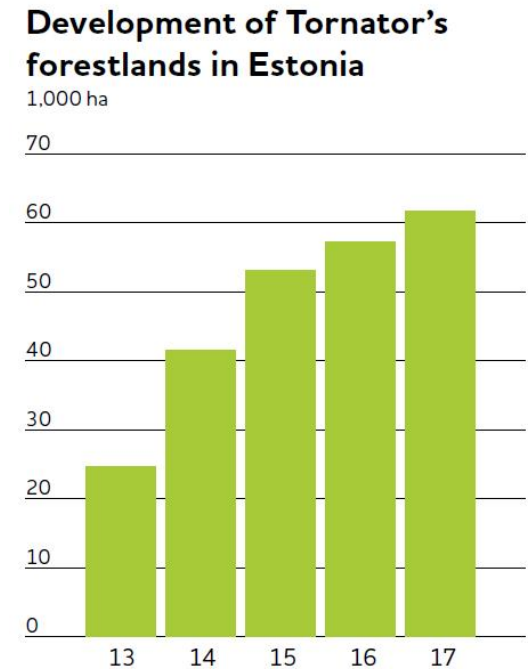
**KEY ACHIEVEMENTS**

- Improvement of the growth and utilisation of present forests
- More than 30,000 hectares of new forestland
- Expansion of the service business

**2018**

**GOALS**

- Increase forestlands in Tornator's core areas
- Increase forest growth with proper management and fertilisation
- Utilise digital opportunities more efficiently for the business
- Expand the service business





SUPERIOR COMPETITIVENESS

# COMPETITIVENESS FOUNDED ON EXPERTISE AND TECHNOLOGY

**2017**

**KEY ACHIEVEMENTS**

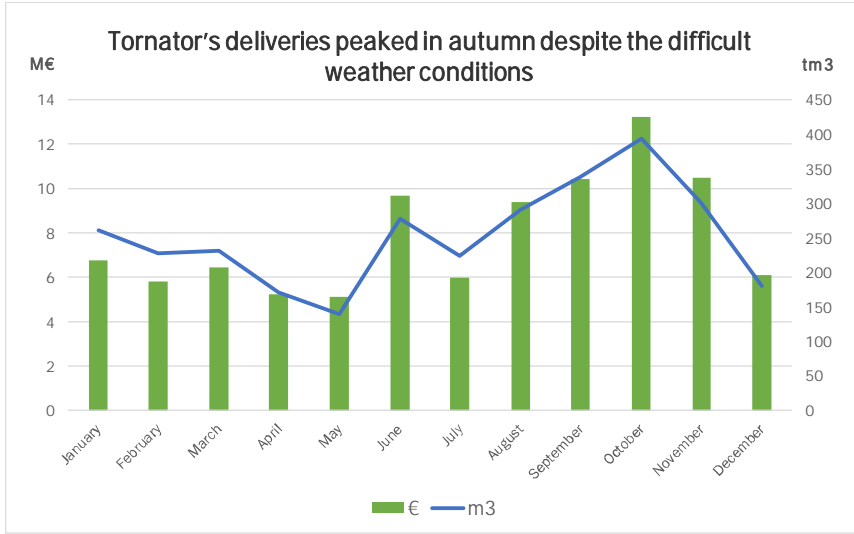
- Excellent service to customers in difficult conditions increased net sales
- Cost-effectiveness improved in line with the productivity programme and increased operating profit
- Customer satisfaction remained high

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**2018**

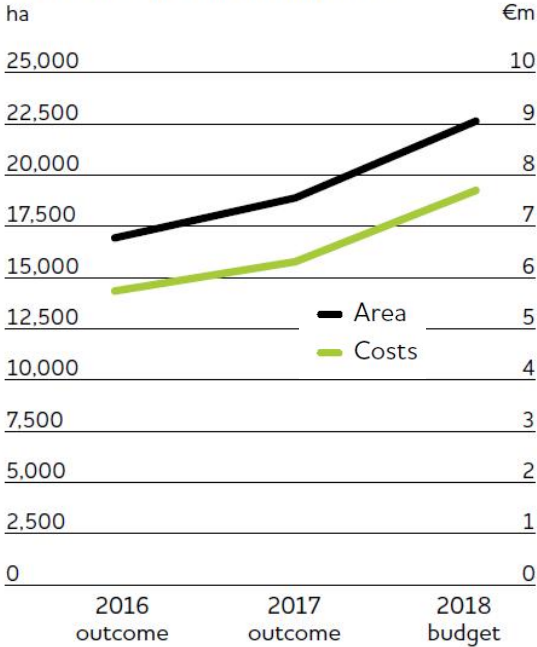
**GOALS**

- Develop customer-focused timber sales and planning
- Continue improving the productivity and monitoring of operations
- Improve forest and nature management quality further
- Intensify work with the shift to a new reporting environment



EXCELLENT CUSTOMER SATISFACTION **4.1/5**

**Total area and costs of silvicultural treatments**





# GOOD GOVERNANCE AND RESPONSIBILITY DRIVES THE BUSINESS

2017

**KEY ACHIEVEMENTS**

- Creation and adoption of new corporate values
- Development of a new pay and reward system
- Start of a training programme on value-based leadership
- Maintenance of high employee satisfaction

2018

**GOALS**

- Strengthen team spirit in the company
- Increase value-based leadership training
- Develop communication

Responsibility key performance indicators

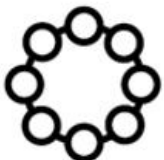
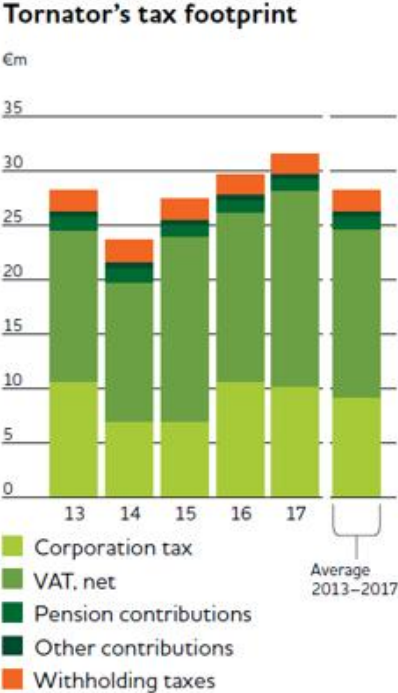
Subject	Indicator	Target	Outcome
<b>Sustainable utilisation of natural resources</b>	Annual cut vs. growth	Annual cut not to exceed the long-term yield of forests	In 2008–2017, average annual cut 2.25 million m <sup>3</sup> / growth 2.7 million m <sup>3</sup>
<b>Economic responsibility and profitability</b>	Net profit and dividend payment capacity	Steady dividends paid to shareholders	Dividends paid: <b>€26 million</b>
<b>Employee satisfaction, health and safety</b>	Result of employee well-being survey	Satisfied employees, healthy and safe work environment	<b>4.1/5</b>
<b>Open communication and stakeholder relationships</b>	Updating of materiality analysis in co-operation with stakeholders	Identify sustainability themes important to the company and stakeholders	Materiality analysis completed in October 2017
<b>Local economic impacts</b>	Net value retained	High net value retained	<b>€14.9 million</b>
<b>Responsible management of contractor and partner relationships</b>	Completed supplier assessments	Monitor suppliers' sustainability systematically	<b>113</b> supplier assessments
<b>Certified products</b>	Compliance with FSC and PEFC certification criteria, no non-compliances	Maintain certificates	<b>0</b> non-compliances
<b>Carbon sequestration</b>	Maintenance of carbon sequestration capacity	Increase carbon sequestration by caring for the health and vigour of forests	Forest growth 5.5 m <sup>3</sup> /ha/year
<b>Employee and contractor training</b>	Days of training per person	Secure necessary expertise for the company	<b>4 days</b>



Responsibility as 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.

# TORNATOR AND CORPORATE RESPONSIBILITY



**TORNATOR'S  
EMPLOYMENT EFFECT:  
MORE THAN  
900  
person-years**



**IN 2017, TORNATOR  
ESTABLISHED  
875  
hectares of permanent  
conservation areas**

**MORE THAN  
260  
HECTARES**

of forest for  
conservation donated  
to 100-year-old  
Finland



## CASE CARBON SINK

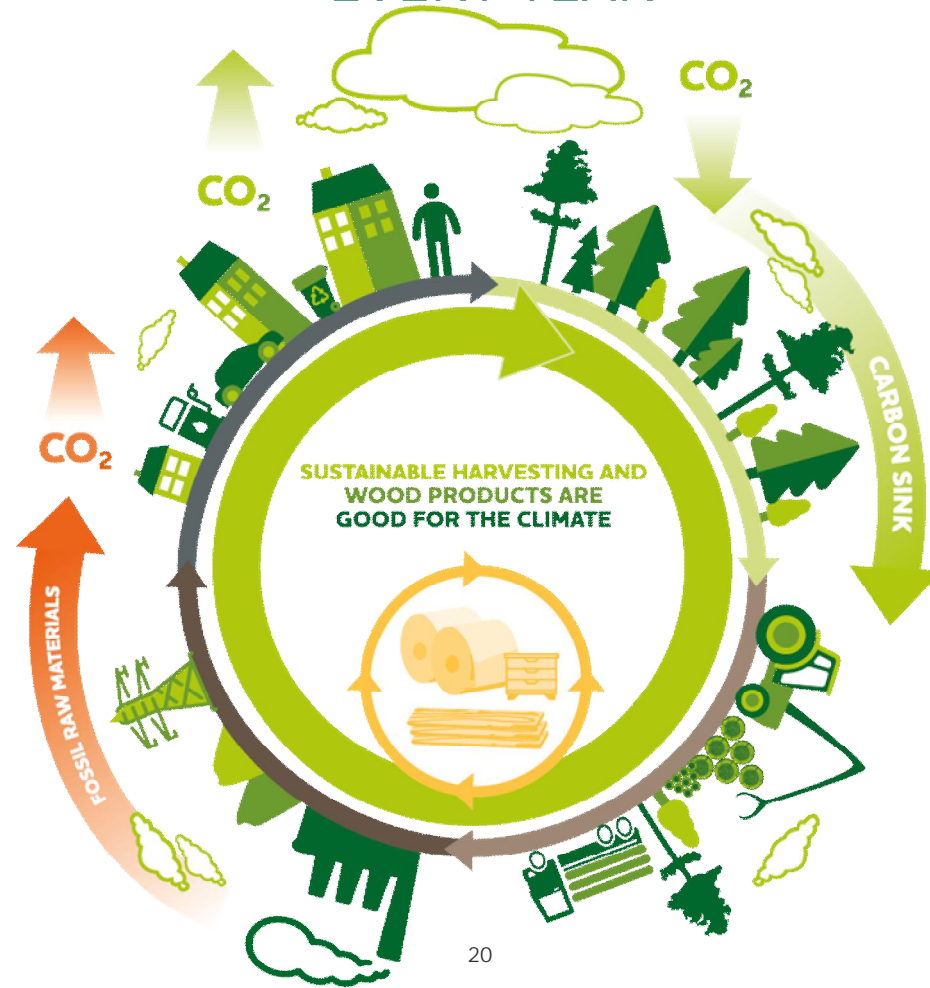
**ONE HECTARE OF FOREST CAPTURES ANNUALLY THE SAME AMOUNT OF CARBON DIOXIDE (CO<sub>2</sub>) FROM THE ATMOSPHERE AS A SINGLE EU CITIZEN CAUSES IN EMISSIONS.**

**Tornator has 675 000 hectares of forests...**



CASE CARBON SINK

TORNATOR CAPTURES 4 MILLION TONS OF CO<sub>2</sub> FROM THE ATMOSPHERE EVERY YEAR



CASE CARBON SINK

YOUNG FORESTS CAPTURE MORE CO2 THAN OLD FORESTS => SUSTAINABLE USE OF OUR FORESTS AND WOOD BASED LONG LASTING PRODUCTS MITIGATE THE CLIMATE CHANGE

Carbon sequestration capacity of forest



# 15

**YEARS  
OF RESPONSIBLE  
EXPERTISE IN  
FORESTRY**



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