

 METSÄHALLITUS

FINANCIAL
STATEMENTS

2018

1 JANUARY–31 DECEMBER 2018



CONTENTS

METSÄHALLITUS GROUP..... 3

| | |
|--------------------------------------------------------------------------------------|----|
| Board Of Directors' Report For The Financial Period 1 January–31 December 2018 | 3 |
| Profit And Loss Account | 9 |
| Balance Sheet | 10 |
| Cash Flow Statement | 12 |
| Notes To Profit And Loss Account..... | 13 |
| Notes To Balance Sheet..... | 15 |
| Other Notes | 19 |

BUSINESS OPERATIONS ENTITY AND BUSINESS OPERATIONS..... 20

| | |
|--------------------------------------------|----|
| Profit And Loss Account | 20 |
| Balance Sheet | 21 |
| Cash Flow Statement | 23 |
| Notes To The Profit And Loss Account | 24 |
| Notes To The Balance Sheet | 26 |
| Other Notes | 29 |

PUBLIC ADMINISTRATION DUTIES..... 30

| | |
|-------------------------------|----|
| Profit And Loss Account | 30 |
| Balance Sheet | 31 |
| Cash Flow Statement | 32 |

SIGNATURE OF THE FINANCIAL STATEMENTS AND AUDITOR'S MARKING..... 33

| | |
|----------------------------------------------------------------------------------------|----|
| Separate Annual Report and Financial Statements for Parks & Wildlife Finland 2018..... | 36 |
|----------------------------------------------------------------------------------------|----|

SEPARATE ANNUAL REPORT AND FINANCIAL STATEMENTS FOR PARKS & WILDLIFE FINLAND 2018 36

| | |
|------------------------------------------------------------------------|----|
| Signature of Separate Financial Statements and Auditor's Marking | 40 |
|------------------------------------------------------------------------|----|



METSÄHALLITUS GROUP

BOARD OF DIRECTORS' REPORT FOR THE FINANCIAL PERIOD 1 JANUARY–31 DECEMBER 2018

Metsähallitus is a state-owned enterprise. The enterprise consists of property development, Group management and public administration duties, which are divided into National Parks Finland and Wildlife Service Finland. Metsähallitus Group comprises the enterprise and subsidiaries. The Ministry of Agriculture and Forestry is responsible for the ownership steering related to Metsähallitus. In matters related to public administration duties, Metsähallitus is also steered by the Ministry of the Environment.

Metsähallitus uses, manages and protects the state-owned land and water areas under its control as an entity in line with the Government's real estate strategy and ownership policy guidelines. The use of areas is planned in accordance with the natural resource plans, aiming for the highest possible social benefit and cost efficiency.

Metsähallitus' business operations involve the utilisation of the economic potential of the land and water areas placed under its control. It can also engage in similar market-based activities through its subsidiaries and affiliated companies. The enterprise engages in forestry through its

subsidiary, Metsähallitus Forestry Ltd. In exchange for compensation paid to the enterprise for the right to use state-owned forests, limited companies are entitled to engage in forestry activities in state-owned multiple-use forests. The Government sets a yield target for basic equity used for business purposes. The annual dividend payment target is determined on the basis of this yield requirement. The dividend is paid from the operating profit.

Ensuring biodiversity and the prerequisites for the recreational use of nature is an important part of Metsähallitus' operations. The business operations also ensure compliance with social obligations by creating benefits for recreational use, values related to nature, employment and local culture. General social obligations place use restrictions on approximately 566,000 hectares of Metsähallitus' multiple-use forests. Restrictions associated with the Nature Conservation Act, Forest Act and land use also limit the use of approximately 100,000 hectares of land.

Property development operations include leasing, development, sales and purchases. The overall social benefit is even taken into account in Metsähallitus'

property business, creating the preconditions for the related business activities.

Metsähallitus provides social nature and hiking services, and manages species protection duties in all state-owned land and water areas. National parks, wilderness areas and other protected areas are the responsibility of the Parks & Wildlife Finland unit. This unit is responsible for the use and management of Finland's network of protected areas on state-owned land and water areas in Metsähallitus' possession, and in private Nature Reserves in cooperation with the owners and Centres for Economic Development, Transport and the Environment. Wildlife Service Finland is responsible for hunting, fishing and off-road traffic and collecting fishing management fees for the state.

Use for the purposes of tourism, recreation, hunting and fishing will be developed on the basis of demand, in order to enhance the well-being effects of various areas and create business opportunities for entrepreneurs. The conservation status of habitats will be improved in areas used by National Parks Finland.

OPERATIONS DURING THE FINANCIAL PERIOD

During the financial period, demand for services provided by Metsähallitus was strengthened by growth in tourism and interest in outdoor activities. This was reflected both in the higher demand for services provided by Parks & Wildlife Finland, and in Property Development.

Metsähallitus' operations as a single entity were promoted by means of processes shared by all units. The financial administration functions of the units were combined with the Group's financial administration during the period. A decision was made in information services and communications and the development unit to combine the corresponding functions in Metsähallitus Forestry Ltd with business functions.

The construction of wind power was promoted in Property Development. Two important wind power project agreements that utilise market-based pricing were signed during the financial period.

Favourable markets for timber sales made this a

successful year for Metsähallitus Forestry Ltd, which showed a significantly improved result in comparison to the previous year. Harvest volumes totalled 6.2 million cubic metres. This remained below the sustainable amounts of felling approved in the natural resource plans.

Parks & Wildlife Finland had a successful year in 2018 and the objectives set in the performance agreement were, for the most part, achieved well. Visitor numbers continued to rise at national parks, hiking areas and historical sites. The Tourism 4.0 project made it possible to develop visitor services at many popular sites in the terrain. The increasing number of visitors creates more pressure for maintenance of the sites and to supplement and develop services. Renovation backlog calculations were updated for hiking and guidance structures and real property with cultural history value. The renovation backlog is approximately EUR 40 million for hiking and guidance structures and about EUR 70 million for real property with cultural history value. Some of the backlog will be covered by additional funding from the state. The status of threatened species and habitats was improved, especially in several EU LIFE projects. Sales of wilderness permits went well, and



revenue from hunting permits in particular increased without endangering sustainability. In 2018, National Parks Finland received extensive funding from the EU for three new long-term LIFE nature conservation projects. The projects will be implemented in cooperation with an extensive partner network. The total budget of the projects is approximately EUR 20 million, of which the EU funding covers more than 65%.

METSÄHALLITUS GROUP'S ECONOMIC DEVELOPMENT

Metsähallitus Group's turnover was EUR 366.4 million (EUR 328.0 million in the previous financial period) and its profit EUR 124.8 million (105.9). Other operating income amounted to EUR 15.8 (14.6) million and fixed asset transfer profits to EUR 10.7 (10.2) million. Funding received from the State budget presented for public administration duties totalled EUR 45.7 (43.7) million.

Metsähallitus enterprise's turnover was EUR 109.4 (108.5) million and its profit EUR 105.6 (89.7) million. Operating income amounted to EUR 23.3 (21.4) million and fixed asset transfer profits to EUR 10.5 (10.0) million. Funding from State budget funds for public administration duties totalled EUR 45.7 (43.7) million. The funding was spent on performing the duties agreed on with the steering ministries and on the expenses incurred by these duties.

The enterprise's balance sheet includes one item in other equity, EUR 224.8 million in total, which is not used for public administrative duties. The annual dividend payment target does not apply to this balance sheet item. This asset item was subject to an

income of EUR 136,000 (195,000) and expenses of EUR 23,000 (23,000) during the financial period. The income mainly consisted of rental income.

DEVELOPMENT OF BUSINESS OPERATIONS

The business operations of Metsähallitus Group consist of the enterprise's business operations and its subsidiaries, which are Metsähallitus Forestry Ltd, Siemen Forelia Oy and MH-Kivi Oy. Fin Forelia Oy was sold in June 2017.

The profit of the entire business operations totalled 125.0 (107.1) million euros. Turnover totalled 355.2 (319.3) million euros. It mainly consisted of timber sales and rental income from property. Turnover from forestry totalled EUR 334.3 (295.4) million, and the rest comprised rental income, sales of seeds, seedlings and soil and rock resources. Other operating income amounted to EUR 221.0 (18.29 million, of which revenue from the sale of assets accounted for EUR 10.5 (9.7) million. Asset sales revenue is mostly revenue from the sale of real property.

The other expenses for the reference period included expenses related to the cartel trial. Helsinki District Court issued its decision on the raw timber cartel case in June 2016. The District Court dismissed the claims for damages made by Metsähallitus and ordered Metsähallitus to pay the opposing party's legal costs. Metsähallitus appealed the decision to the Court of Appeal. In a decision issued in the summer, the Court of Appeal ruled that there were no grounds to change the decision. Metsähallitus applied for the right to appeal to the Supreme Court. However, in a decision issued in January 2019 the Supreme Court did not

grant the right to appeal.

During the 2017 financial period, it was decided to abandon the seedling business. Fin Forelia Oy was sold to the operative management in June. The Group's financial statements for the reference year include a loss of EUR 2.3 million for the sale.

The turnover of Metsähallitus Forestry Ltd totalled EUR 335.5 (296.7) million and its profit totalled EUR 39.0 (21.2) million.

The profit of Siemen Forelia Oy totalled EUR 0.8 (0.3) million and its turnover totalled EUR 2.9 (2.2) million. For the financial period, the profit of MH-Kivi Oy, engaged in the rock material business, totalled EUR 0.8 (0.7) million and its turnover totalled EUR 1.4 (1.6) million.

Metsähallitus sold most of its earth material business in 2013. The civil action caused by the transaction was processed through arbitration in 2016. The claims made by MH-Kivi and Metsähallitus were accepted. In 2016, the opposing party took legal action to overrule the decision made through arbitration. In 2017, another decision made through arbitration was received for the case, and the opposing party has also taken legal action to overrule this decision.

The decisions made through arbitration are final, but the processing of the proceedings for annulment continues.

During the financial period, business operations received land areas from the State through transfer of possession and inheritance, at a total value of EUR 5.5 (0.4) million. The land areas in question are mainly land areas transferred from Natural Resources Institute Finland.

DEVELOPMENT OF METSÄHALLITUS BUSINESS OPERATIONS

Metsähallitus' business operations consist of property development and Group operations. The profit of the business operations totalled 105.6 (89.7) million euros. Turnover totalled 97.2 (98.9) million euros. The turnover mainly consisted of the Metsähallitus Forestry Ltd compensation for the right to use forests and of property development sales revenue totalling EUR 16.7 (15.4 million). Other operating income mainly consists of internal service production. Other operating income amounted to EUR 28.4 (24.9) million, of which revenue from the sale of assets accounted for EUR 10.3 (9.6) million.

INVESTMENTS AND SALE OF FIXED ASSETS

During the period examined, Metsähallitus Group's investments totalled EUR 23.8 (19.2) million, of which EUR 0.6 (2.2) million was covered by public funding. Metsähallitus enterprise's investments amounted to EUR 13.3 (11.0) million.

The investments of the entire Group's business operations, totalling EUR 22.5 (14.8) million, were covered by cash-flow financing. The largest investments were related to property development and the improvement of roads used for forestry purposes. During the financial period, costs incurred from the construction and renovation of forest roads totalled EUR 10.0 (7.9) million.

The investments of the enterprise's business operations, totalling EUR 12.1 (6.5) million, were covered by cash-flow financing. The largest investments were related to property development.

A breakdown of the sale of fixed assets is included below.

INFORMATION ON THE NUMBER OF FIXED ASSET TRANSFERS, TRANSFER PRICES, PROFITS AND LOSSES 1 JANUARY TO 31 DECEMBER 2018

| BUSINESS OPERATION | NUMBER OF TRANSACTIONS | BOOK VALUE | TRANSFER PRICE | PROFIT | LOSS |
|-------------------------------------------------|------------------------|---------------------|----------------------|----------------------|-----------------|
| Exchanges | 2 | 102 230,00 | 359 121,00 | 256 891,00 | 0,00 |
| Sales - land and water areas | 313 | 3 390 711,01 | 13 174 003,48 | 9 792 763,13 | 9 470,66 |
| Sales - buildings | 8 | 27,85 | 170 105,62 | 170 077,77 | 0,00 |
| Sales to Parks & Wildlife Finland | 2 | 23 561,00 | 73 132,00 | 49 571,00 | 0,00 |
| Change in land use for Parks & Wildlife Finland | 84 | 1 890 980,00 | 1 890 980,00 | 0,00 | 0,00 |
| Other – land areas | 9 | 12 982,00 | 12 982,00 | 0,00 | 0,00 |
| TOTAL | 418 | 5 420 491,86 | 15 680 324,10 | 10 269 302,90 | 9 470,66 |



FINANCING

Metsähallitus Group has no long-term loans. At the end of the financial period, leasing liabilities totalled EUR 4.2 (4.6) million, mainly related to vehicles and ICT equipment.

The enterprise secures liquidity with a committed credit of EUR 20 million, which was not in use at the turn of the year, and a commercial paper programme of EUR 50 million, of which EUR 21.0 million was in use at the turn of the year. Some of the subsidiaries have lines of credit.

Metsähallitus does not engage in investment activities. Its cash surplus is invested in accordance with the financial guidelines approved by the Board of Directors.

In the Metsähallitus Group cash flow statement, the cash flow from business operations totalled EUR 133.0 (108.8) million, and the cash flow for the enterprise totalled 94.2 (85.3) million. Cash flows from investing activities was EUR 6.5 million (5.7). The sale of assets amounted to EUR 15.7 (11.2) million and EUR 1.0 million accumulated from the sale of subsidiaries.

During the financial period, EUR 92.7 million relating to the profit for 2017 was paid in dividends to the state. The cash flow from financing activities showed a deficit of EUR 119.1 (98.4) million.

Metsähallitus Group's liquid funds totalled EUR 24.1 (16.7) million at the end of the financial period. At the end of the financial period, the Group's short-term interest-bearing loans totalled EUR 21.0 (49.9) million.

GOALS SET FOR THE BUSINESS

The service and other operational goals set for Metsähallitus' business and the profit and dividend payment goals for the financial period 1 January–31 December 2018 and the attainment of those goals.

THE GOALS SET BY PARLIAMENT

Parliament defined the following objectives for Metsähallitus' business for the period 1 January–31 December 2018.

1. Key service targets of business operations and other operational goals

In its business operations, and in providing guidance to its subsidiaries, Metsähallitus has taken into account its general social obligations, in accordance with the legislation on Metsähallitus.

The impact of taking these general social obligations into account was EUR 63.2 million on the direct operating profit during the calendar year 2017 (EUR 55.8 million).

Metsähallitus releases a follow-up report, General social obligations. The report includes a more detailed account of the content, measurement and monitoring of these obligations, along with the benefits obtained.

2. Changes to basic equity

In 2018, the Metsähallitus basic equity has increased by EUR 4.384 million, which corresponded to the authorisation provided by the Parliament.

3. Maximum amount for business loans

The maximum amount for business loans set by Parliament was EUR 60 million. Metsähallitus has no long-term loans. Metsähallitus secures its liquidity with a committed loan agreement of EUR 20 million and a commercial paper programme of EUR 50 million. At the end of the financial period, Metsähallitus' business had EUR 21.0 million in short-term interest-bearing debt.

4. Maximum amount for business guarantees

Metsähallitus provided EUR 0.6 million in collateral for its operations to parties outside the Group. The authorisation granted by Parliament was EUR 2.5 million.

5. Number of investments and investment commitments

Realised investments totalled EUR 12.1 million, falling below the maximum sum of EUR 20 million defined by

Parliament. Investment commitments given totalled EUR 6.0 million of the maximum sum of EUR 25 million defined by Parliament.

The goals set by the Ministry of Agriculture and Forestry and their attainment

In addition to the aforementioned objectives, the Ministry of Agriculture and Forestry defined the following service and other objectives for Metsähallitus' business for the period 1 January–31 December 2018.

The objectives were based on the Ownership Policy relating to Metsähallitus, confirmed on 25 October 2016.

1. Service targets and other operational goals

The natural resource plan for state-owned land and water areas in Central and North Ostrobothnia for the period 2018–2023 was completed and natural resource planning for Lapland was launched during 2018. The natural resource plan for Lapland for the period 2019–2024 will be completed in 2019. Natural resource planning refers to long-term planning of the sustainable use of state-owned land and water areas. It involves the preparation, in collaboration with stakeholders, of a plan guiding the use of state-owned land and water areas and exploiting new opportunities. The aim of natural resource planning is to reconcile the various requirements for use, so as to achieve the maximum overall benefit for society.

The solutions protect and enhance biodiversity in state-owned land areas, including outside protected areas, in multiple-use forests. Metsähallitus' multiple-use forests include around 100,000 sites of high natural value, and some 30,000 habitats of threatened species that secure biodiversity. Biodiversity sites in multiple-use forests increase the total area of forestry land in the ecological network on state-owned land by 30 per cent in Lapland, approximately 51 per cent in Kainuu, 30 per cent in Central and North Ostrobothnia and 22% in Central Finland.

In 2018, sites of high natural value were successfully taken into account and their characteristics preserved in all lines of work monitored. The characteristics

of valuable habitats were completely preserved on nearly 100 per cent of their total area on regeneration sites.

Retention trees are important to many species dependent on decaying wood. An average of 13.5 retention trees, compliant with the target level specified in Metsähallitus' Environmental Guidelines for Practical Forest Management, were left on each hectare managed through regeneration felling. The result meets the target level specified by Metsähallitus: 10 trees per hectare. The number of retention trees compliant with the requirements of forest certification, 21.6 trees per hectare, clearly exceeded the requirements specifying 10 trees per hectare.

There is an estimated total of 69 million cubic metres of decaying wood on all state-owned lands. The total amount of decaying wood corresponds to more than 10 years of Metsähallitus' annual harvest volumes. In 2018, Metsähallitus continued to produce artificial snags in conjunction with fellings, and approximately 100,000 artificial snags are constructed each year. In order to increase the amount of decaying wood, all dead wood felled during logging – an estimated 50,000 m³ per year – is now left in the forest. Biodiversity benefits were also produced by restoring mires, burning retention tree groups, managing light and fire environments, restoring streams and removing fish migration barriers from running waters. The total cost of increasing the amount of decaying wood and nature management was approximately EUR 1.9 million during the year.



Special fellings that preserve forest cover accounted for 28.9 per cent (15.1%) of regeneration felling in 2018. The increase in this share can be explained by the exceptional nature of felling methods that were required due to crown snow load damage, which was the worst in decades. The felling methods used in the areas of damage were gap felling and minor gap felling. It can be assumed that the positive development in special fellings that preserve forest cover has continued.

Metsähallitus engages in close cooperation with reindeer herders. All felling, soil preparation and road construction plans, as well as tourism trail agreements, were sent to reindeer herding cooperatives, discussed when appropriate and amended. Regular cooperation negotiations were conducted both with the Reindeer Herders' Association and the reindeer herding cooperatives. According to the feedback received, cooperation between reindeer herding cooperatives and Metsähallitus has functioned as agreed. Metsähallitus' operations in the Sámi Homeland have complied with the Natural Resource Plan except for the realisation of the planned harvest volumes. Three reindeer herding cooperatives from Inari have requested that the global effects on the Sámi culture be assessed before any fellings. For this reason, there has been a significant reduction in the amount of fellings. The agreement between Metsähallitus, the Sámi Parliament, Skolt Village Meetings and the reindeer herding cooperatives in the Sámi Homeland, on cooperation procedures and the consideration of reindeer herding, was observed.

The calculated decrease in operating profit corresponding to the benefits created based on Metsähallitus' general social obligations was an

estimated EUR 63.2 (55.8) million. The rise is due to an increase in the amount of area in use and higher timber prices.

In order to preserve biodiversity, promote the use of nature for recreational purposes and secure favourable conditions for the practice of reindeer husbandry and Sámi traditions, restrictions were placed on 566,000 (15.8 %) hectares of forested land (518,000 hectares and 14.4 %). A total of 310,000 hectares (8.6 %) were fully excluded from commercial use and 256,000 hectares (7.1 %) were in limited use. These factors reduced

Metsähallitus' calculated operating profit by EUR 56.8 million. In addition, an increase in planning costs and the limitations of property development decreased the operating profit by EUR 6.4 million in total.

In accordance with the Government's real estate strategy, the process of centralising undeveloped state-owned land assets under Metsähallitus continued. For example, Fields used by Natural Resources Institute Finland (Luke) for agricultural research (approximately 1,200 ha) and the remaining research forests (approximately 500 ha) used by Luke were transferred to Metsähallitus. Metsähallitus provided Luke with the right to use the areas still needed for research purposes. This right was subject to a consideration. The first five of the old teaching forest agreements between the Government and education providers, which involved no consideration, expired at the end of 2018. When the old agreements ended, a decision was made to switch to a new teaching forest model that involves a consideration. This will be piloted during 2019.

2. Operating profit and dividend payment goal for the financial period 1 January to 31 December 2018.

The profit of the enterprise totalled EUR 105.6 million (89.7). The result met the target, set at EUR 102.2 million.

The return on investment for the basic equity of the enterprise was 4.2 per cent, which exceeded the target figure of 3.9 per cent.

The Ministry set EUR 100.7 million as the target for dividend paid to the state on the profit for the period and retained earnings, to be paid during the year 2019. When adopting the financial statements, Parliament will make its final decision on the sum to be paid to the state as dividend.

The retained earnings from business operations entered in the balance sheet of the enterprise totalled EUR 105.6 million at the end of the financial period, of which profit for the period was EUR 105.6 million.

The long-term objective set by the Ministry is to improve the profitability of the businesses. Metsähallitus Forestry Ltd, Siemen Forelia Oy and MH-Kivi Oy made a profit during the financial period. The profitability of Metsähallitus' business for 2018 improved slightly over the previous year.

PARKS & WILDLIFE FINLAND – PUBLIC ADMINISTRATIVE DUTIES

Parks & Wildlife Finland is responsible for managing the public administrative duties of Metsähallitus. These duties form part of the enterprise.

Separate financial statements are prepared for the public administrative duties, as part of Metsähallitus Group's financial statements.

Parks & Wildlife Finland's turnover consists of the income from operations related to public administration duties which are subject to a charge. Fishing and hunting licences account for most of such income. Funding received from state budgets amounted to EUR 45.7 million.

The value of land and water areas used for public administrative duties was EUR 987.7 (963.2) million. The value of built property was EUR 18.3 (19.4) million. This includes the buildings and service structures in national parks and protected areas, and buildings in cultural heritage sites. Other equity related to public administrative duties increased during the financial period. Transfers of possession added EUR 22.5 (17.0) million to the balance sheet.

The funding of Parks & Wildlife Finland is managed separately from the Group's other funding. Cash flow from operations during the period showed a surplus of EUR 2.8 million (surplus of EUR 2.0 million). Liquid funds at the end of the financial period totalled EUR 10.4 million.

Metsähallitus owns a subsidiary, Nuuksiokeskus Ltd, for the management of public administration duties. The results of this company is taken into account in the consolidated financial statements. Nuuksiokeskus Ltd showed a loss of EUR 309,000 for the financial period 1 January–31 December 2018. Kiinteistöosakeyhtiö Järviluonnon keskus was inactive during the financial period, and its shares were sold in 2018. The share transaction did not have an effect on the result for 2018.

METSÄHALLITUS PERSONNEL

EMPLOYEES ON 31 DECEMBER 2018 2018 2017

| Number of employees | | |
|---------------------------------------------|-------|-------|
| Number of employees | 1 159 | 1 224 |
| of whom fixed-term | 135 | 127 |
| Employees by business unit and subsidiary | | |
| Metsähallitus Forestry Ltd | 499 | 558 |
| Public administration duties** | 500 | 501 |
| Service Centre* | - | 46 |
| Group business units | 104 | 58 |
| Metsähallitus Property Development*** | 42 | 45 |
| Siemen Forelia Oy | 13 | 14 |
| MH-Kivi Oy | 1 | 2 |
| Number of employees at the head office | | 156 |
| Number of employees outside the head office | 1 012 | 1 068 |

| Person-years | | |
|---------------------------------------|-------|-------|
| Employees by business unit | | |
| Metsähallitus Forestry Ltd | 1 191 | 1 285 |
| Public administration duties** | 525 | 594 |
| Service Centre* | - | 47 |
| Group business units | 90 | 56 |
| Metsähallitus Property Development*** | 40 | 45 |
| Siemen Forelia Oy | 13 | 12 |
| MH-Kivi Oy | 1 | |

| Age of employees | | |
|------------------------------------------|----|----|
| Average age of employees (all permanent) | 50 | 52 |

| Gender distribution | | |
|---------------------------------|----|----|
| Women, % | | |
| Permanent and fixed-term, total | 32 | 30 |
| Men, % | | |
| Permanent and fixed-term, total | 68 | 70 |

* 1 January to 14 April 2016, Forestry Business Unit, from 15 April 2016, Metsähallitus Forestry Ltd

** Public administration duties are divided into National Parks Finland and Wildlife Service Finland

*** Laatumaa was renamed Metsähallitus Property Development on 9 February 2017

Wages and salaries paid by the Metsähallitus Group totalled EUR 54.2 (49.7) million. The enterprise's share of this was EUR 32.0 (28.6) million. The Group has no employees abroad.



All of Metsähallitus' employees are included in a profit-sharing system. The bonus criteria are linked to objectives set for the financial result and the quality and impacts of operations. The maximum bonus is 8 per cent of the total payroll. It has been estimated that around EUR 3.5 million in bonuses was accrued for the year under review. This is taken into account in the profit of the financial period.

Implementation of Metsähallitus' updated personnel policy continued with the renewal of key guidelines, such as the principles of the service relationship, principles of personnel planning and the recruiting process. This work was done in cooperation with the business units.

All six of Metsähallitus' collective agreements expired during 2018, and negotiations produced a result for all of the collective agreements. A joint target to update the pay system during the new agreement period was negotiated in the collective agreements for employees. The pay system updating project was launched in autumn 2018.

Digitalisation of personnel processes began in 2018 with comprehensive preliminary analysis work. This analysis identified the need to procure a uniform and modern personal data system to serve the entire Metsähallitus organisation. Other key development projects included revising the occupational safety action plan and initiating management culture development, both in the management group and more extensively among the general management.

The annual personnel survey was administered in the autumn. The overall result was 3.62 on a scale of 1–5. This is slightly lower than last year (-0.06) but still at

a fairly good level. The motivation of the personnel, which describes the level of enthusiasm and energy, remains at a good average level. Supervisory work and ethical practices received the best scores, and the survey showed that employees saw a clear improvement in upper management work. There was a slight decline related to internal cooperation in the work community and activities that comply with the values.

Development of Metsähallitus' unity and structures continued in 2018. The shared functions of the Service Centre and Group business units, personnel, finances, archiving and map services as well as the employees performing these tasks were combined in the Group business units on 1 January 2018. A decision was made to consolidate the financial operations of the units and the Group business unit. This new operating model was implemented on 1 August 2018. Following co-determination negotiations in the autumn and with consideration to the special role of the public administration duties, information management and communications processes and the related employees were consolidated with the corresponding Group business units. Tasks associated with maintaining property data, map materials and surveying expertise and the related employees were also transferred to the development unit. Structural development was implemented in close cooperation with personnel groups and in compliance with the co-determination procedure.

A working group was appointed in spring 2018 to develop methods to improve the employment of loggers during winter months. The work group decided on several measures, such as substitute work for the winter period, an incentive leave scheme,

and the "Metsurit matkailualalle" (Loggers in the tourism industry) pilot project, which gave loggers the opportunity to try working in a tourism company during the winter. A total of 13 loggers found employment in, for instance, tourism companies, via the project. The Natural Resources Institute Finland's wolf study also employed a few loggers.

ADMINISTRATION AND MANAGEMENT

In the Board of Directors that was appointed for Metsähallitus for the period 1 June 2016 to 31 March 2019 by the Government on 26 May 2015, Timo Laitinen was the Chairman of the Board and Kai Kaatra the Vice Chairman. The Board members were Johanna Ikäheimo, Simo Rundgren, Tuija Soanjärvi, Helena Säteri and Liisa Tyrväinen, and Pertti Itkonen as the employee representative.

Tuija Soanjärvi was the Chair of the Audit Committee and the members were Kai Kaatra and Simo Rundgren.

Timo Laitinen was the Chair of the Nomination and Remuneration Committee and the members were Johanna Ikäheimo, Helena Säteri and Liisa Tyrväinen.

On 19 December 2018, the Government appointed a Board of Directors for Metsähallitus for the period 1 April 2019–31 March 2022. The Chair of the Board will be Timo Laitinen and Niina Riissanen the Vice Chairman. The Board members will be Johanna Ikäheimo, Simo Rundgren, Jussi Saukkonen, Helena Säteri and Liisa Tyrväinen, and Pekka Hautala as the employee representative.

In a meeting held on 21 February 2019, the Government decided to release Niina Riissanen from her duties on the Board of Directors and the position of Vice Chairman. Kai Kaatra was selected to replace her. The Government appointed Kai Kaatra as Vice Chairman of the Board of Directors for the period 1 April 2019–31 March 2022.

Metsähallitus' Director General was Pentti Hyttinen, Metsähallitus' Management Group members were Jukka Bisi, Director, Wildlife Service Finland; Thomas Hallenberg, Property Development Director; Terhi Koipijärvi, Director of Communications; Jussi Kumpula, Managing Director, Metsähallitus Forestry Ltd; Heli Lehtonen, Director of Finance; Susanna Oikarinen, General Counsel; Tapio Pouta, Director of Development; Anna-Leena Ruuth, Director of Information Management; Timo Tanninen, Director, Parks & Wildlife Finland; and Terhi Vires, Director of Human Resources.

The wages and salaries paid to the Board and Managing Director totalled EUR 431,271 (378,560) during the financial period.

The auditor of the enterprise is Jorma Nurkkala, Authorised Public Accountant, Chartered Public Finance Auditor and Leif-Erik Forsberg, Authorised Public Accountant, Chartered Public Finance Auditor.

CORPORATE GOVERNANCE OF METSÄHALLITUS

Metsähallitus has posted a description of its corporate governance, approved by the Board of Directors, on its website. The description outlines matters

such as Metsähallitus' legal status, the Group's basic structure, ownership steering, the steering of public administration duties, the Board of Directors, the Management Group, remuneration, internal supervision, auditing and external audit functions, and communications.

RESPONSIBILITY

The process of developing the responsibility programme, which began in 2017, continued in 2018. During the financial period, a materiality analysis was carried out to identify Metsähallitus' key responsibilities themes.

Implementation of the responsibility programme began in four focus areas: management, people, society and environment. The effectiveness of responsibility communications has been increased substantially during the year.

Responsibility has been further integrated into Metsähallitus' strategy by, for example, making the sustainable development goals of the United Nations (Agenda 2030) part of operations.

Preparation of Metsähallitus' climate programme has started. The environmental policy was updated and the responsibility policy was specified. The responsibility policy will be processed by the Board of Directors in early 2019. Work to update the Equality and Non-discrimination Plan began and it will be completed during spring 2019. Preparation of a Code of Conduct began and this work will be completed in early 2019.



RISK MANAGEMENT AND KEY RISKS

Objectives and operating approach

The goal of risk management is to ensure the achievement of set targets, the fulfilment of legal obligations and operational continuity. Risks are managed using a systematic risk management process.

The Board of Directors oversees the functioning and comprehensiveness of Metsähallitus' risk management and approves the risk management policy. The audit committee assists the Board in monitoring risk management. The Managing Director bears overall responsibility for risk management and compliance. The Head of Risk Management at Metsähallitus owns the risk management process and is in charge of the coordination, development, guidance and reporting models of risk management as well as the support of the organisation's risk management. The managers of the business units and subsidiaries are responsible for contributing to the risk management and for ensuring that they are in compliance with the regulations.

Metsähallitus' internal audit was outsourced in 2018 and is now handled by BDO Oy.

Metsähallitus takes a moderate stance on risk-taking. The significance of risks is assessed as a combination of the probability and impact of any given incident and managed at the source.

Key risks

For Metsähallitus, key risks include the negative development of timber and property prices and sales as well as the impairment of the goals of public administrative duties and the funding balance. Possible failure to reconcile the targets and common

goals related to various functions and the state-owned land and water areas managed by Metsähallitus has an effect on the attainment of objectives. The impacts of climate change, adapting to the changes and reducing the impacts are very important factors in Metsähallitus' activities and operating environment.

In addition, the risks affecting Metsähallitus' operations include natural conditions and the uncertainties related to the operation of data systems. The value of the Metsähallitus activities in wilderness services, recreational activities, conservation and forest management has an impact on its operational prerequisites. The success of the development projects in progress has an effect on the operational performance and the attainment of objectives.

More attention will be paid to risks associated with customer safety in order to make services available safely because, for example, deficiencies or the poor condition of service infrastructure and signs can cause dangerous situations. Ensuring the responsibility of Metsähallitus activities also requires good governance.

Even though risk management was successful in 2018 in terms of operational performance, there were also areas where improvements are needed. The introduction of the Data Protection Directive required reinforcement of data protection practices and training for the personnel. A dry summer, heat and natural phenomena affected the realisation of Metsähallitus' goals. Although no large forest fires occurred on state-owned land, there were many small fires. This required work input from the personnel. Metsähallitus employees provided officials with assistance in the form of expertise. The staff was also kept busy with the organisation of post-fire

monitoring, a task which is now handled by the land owner. Forest fires and managing the risks associated with them will be a greater focus in the future. Crown snow load caused significant damage to trees. Damage from crown snow loads had to be repaired during the summer. Trees covered by crown snow represent a risk to people visiting nature areas, making it necessary to close certain sites temporarily.

Metsähallitus maintains information on risks related to contaminated sites. These risks are classified as primary and secondary responsibilities in accordance with the related legislation. Metsähallitus mainly bears secondary responsibility. The statement on contaminated soils is updated on a regular basis. The most recent statement was drawn up at the turn of 2018–2019.

KEY EVENTS AFTER THE FINANCIAL PERIOD

The operations of Metsähallitus and the Group ran according to plan in the first part of 2019, and the observations have not involved events with substantial impact on the Group's profit or balance position.

In its sitting on 24 January 2019, the Government decided to increase Metsähallitus Forestry Ltd's annual right of use compensation to EUR 95 million. This represents an increase of EUR 15 million. The increase has an effect on profit from the enterprise's business operations and correspondingly raises Metsähallitus Forestry Ltd's expenses.

On 8 February 2019, Metsähallitus and MH-Kivi Oy submitted a declaration of bankruptcy for Morenia Oy to Oulu District Court.

OUTLOOK AND GOALS SET BY THE OWNER FOR 2019

The national economic outlook influences the operations of Metsähallitus Group in various ways.

The targets for Metsähallitus' business-based services and operations set by the owner, and its profit and dividend payment objectives for 2019, emphasise the profitability of the business and its general social benefits.

The profit target set for the Business Operations Group is EUR 148.9 million, corresponding to a 5.6 per cent return on invested basic equity. The preliminary target for the payment of dividend from the profit of the enterprise's business in 2019 is EUR 138.9 million. The profit target is higher than the preliminary target of EUR 110.1 set in the Budget for 2019. One of the reasons for the higher target is the Government's decision to increase Metsähallitus Forestry Ltd's annual right of use compensation by EUR 15 million, to EUR 95 million. The profit target is also affected by the dividend received from Metsähallitus Forestry Ltd, which will be EUR 20 million higher than last year. This is because the company's result was significantly better than expected. The timber market situation and more efficient operations had a favourable impact on the profit.

Financial performance is largely dependent on the development of timber demand and prices. The outlook on the demand side in Metsähallitus' other key business area, the property business, is significantly affected by land-use planning and other permit processes, which may delay projects.

The targets set for public administrative duties are based on performance agreements concluded with the steering ministries.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF RETAINED EARNINGS

Metsähallitus enterprise's retained earnings total EUR 105,617,767.33, which is the profit for the financial period.

The enterprise's retained earnings from business operations totalled EUR 105,617,767.33, which is the profit for the financial period.

The retained earnings of Parks & Wildlife Finland were EUR 0.00, and the profit for the financial period was EUR 0.00. The profit of the financial period and the profit of the previous financial period have been transferred to the Other equities of public administrative duties.

The Board of Directors proposes that EUR 102,898,000.00 of the operating profit be paid in dividends to the state. The dividend includes EUR 2,195,000.00 in profit from 2017 that was not paid to the state in 2018. That dividend could not be paid in full because there was no distributable equity.

The Board of Directors proposes that that the dividend be paid in accordance with the plan approved by the Ministry, which is based on the cash flow from Metsähallitus' operations.



PROFIT AND LOSS ACCOUNT

| EUR | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|------------------------------------------------------------------------------|------------|-----------------------|-----------------------|-----------------------|----------------------|
| | | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| TURNOVER | 1.1 | 366 353 035,88 | 328 022 473,13 | 109 352 823,32 | 108 522 295,34 |
| Variation in inventories of finished products and change to work in progress | | 0,00 | -1 007 296,86 | 0,00 | 0,00 |
| Other operating income | 1.2 | 15 774 867,32 | 14 609 820,05 | 23 304 490,99 | 21 438 149,63 |
| Financing for other operations from the State budget | 1.3 | 45 653 024,87 | 43 678 785,51 | 45 653 024,87 | 43 678 785,51 |
| Raw materials and services | | | | | |
| Raw materials and consumables | | | | | |
| Purchases during the financial year | | 8 539 085,95 | 9 116 989,59 | 3 947 127,88 | 3 582 536,51 |
| Variation in inventories | | 3 151 575,54 | 501 996,02 | 183 486,67 | 161 951,32 |
| External services | | 161 319 043,69 | 148 297 285,67 | 5 487 508,64 | 5 017 335,01 |
| Raw materials and services, total | | 173 009 705,18 | 157 916 271,28 | 9 618 123,19 | 8 761 822,84 |
| Staff expenses | | | | | |
| Wages and salaries | | 54 177 874,57 | 49 673 446,37 | 32 034 791,04 | 28 633 625,57 |
| Social security expenses | | | | | |
| Pension expenses | | 8 272 520,27 | 7 780 753,18 | 5 171 252,21 | 4 461 957,37 |
| Other social security expenses | | 1 712 942,94 | 1 843 494,88 | 962 267,83 | 1 009 185,26 |
| Staff expenses, total | | 64 163 337,78 | 59 297 694,43 | 38 168 311,08 | 34 104 768,20 |
| Depreciation, amortisation and impairment in total | 1.4 | 6 931 337,78 | 6 219 361,19 | 4 612 712,11 | 4 488 840,46 |
| Other operating costs | 1.5 | 45 600 894,61 | 47 032 601,91 | 37 815 141,84 | 37 045 799,57 |
| OPERATING PROFIT | | 138 075 652,72 | 114 837 853,02 | 88 096 050,96 | 89 237 999,41 |
| Financial income and expenses | | | | | |
| Income from other investments under non-current assets | | 40 113,00 | 45 687,76 | 21 140 113,00 | 3 245 547,76 |
| Other interest and financial income | | 61 220,73 | 107 635,83 | 34 125,68 | 82 214,37 |
| Interest and other financial expenses | | 89 119,17 | 161 125,48 | 84 763,93 | 137 988,19 |
| Reductions in value of investments held as non-current assets | | 0,00 | 990 060,91 | 0,00 | 97 611,43 |
| Financial income and expenses in total | 1.6 | 12 214,56 | -997 862,80 | 21 089 474,75 | 3 092 162,51 |
| PROFIT BEFORE FINANCIAL STATEMENT TRANSFERS AND TAXES | | 138 087 867,28 | 113 839 990,22 | 109 185 525,71 | 92 330 161,92 |
| Income taxes | | 14 777 017,38 | 10 109 654,65 | 4 951 180,63 | 4 741 663,36 |
| Transfer of the profits of Public Administrative Duties to Equities | | 1 383 422,25 | 2 113 847,53 | 1 383 422,25 | 2 113 847,53 |
| Minority share | | 98 575,28 | 99 257,42 | 0,00 | 0,00 |
| PROFIT FOR THE FINANCIAL YEAR | | 124 792 847,43 | 105 943 440,52 | 105 617 767,33 | 89 702 346,09 |



BALANCE SHEET

| EUR | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|---------------------------------------|------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 31 DEC 2018 | 31 DEC 2017 | 31 DEC 2018 | 31 DEC 2017 |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| Intangible assets | | | | | |
| | 1.7 | | | | |
| Intangible rights | | 83 991,97 | 262 407,93 | 72 648,35 | 243 681,85 |
| Other intangible assets | | 21 442 553,37 | 13 470 871,26 | 925 586,44 | 1 176 398,88 |
| Advance payments and work in progress | | 4 985 850,78 | 4 328 104,99 | 716 814,96 | 483 892,80 |
| Intangible assets in total | | 26 512 396,12 | 18 061 384,18 | 1 715 049,75 | 1 903 973,53 |
| Tangible assets | | | | | |
| Land and water areas | | 3 876 827 911,22 | 3 842 597 611,56 | 3 874 915 030,78 | 3 840 559 344,38 |
| Roads | | 26 041 707,21 | 27 452 659,01 | 26 038 339,80 | 27 448 766,96 |
| Buildings and structures | | 41 637 860,83 | 44 958 731,80 | 28 658 617,72 | 30 380 705,35 |
| Machinery and equipment | | 1 596 230,11 | 1 874 022,28 | 175 074,03 | 108 528,69 |
| Other tangible assets | | 228 437,78 | 283 868,15 | 10 599,04 | 10 599,04 |
| Advance payments and work in progress | | 9 075 048,98 | 10 084 688,71 | 9 075 048,98 | 10 084 688,71 |
| Tangible assets in total | | 3 955 407 196,13 | 3 927 251 581,51 | 3 938 872 710,35 | 3 908 592 633,13 |
| Investments | | | | | |
| Shares in Group's subsidiaries | 1.8 | 0,00 | 0,00 | 45 825 635,81 | 70 893 135,81 |
| Other shares and holdings | 1.10 | 1 812 691,81 | 2 081 520,68 | 2 221 564,22 | 2 490 393,09 |
| Other receivables | | 1 800,00 | 1 800,00 | 1 800,00 | 1 800,00 |
| Investments in total | | 1 814 491,81 | 2 083 320,68 | 48 049 000,03 | 73 385 328,90 |
| NON-CURRENT ASSETS IN TOTAL | | 3 983 734 084,06 | 3 947 396 286,37 | 3 988 636 760,13 | 3 983 881 935,56 |

| EUR | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|---------------------------------------|------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 31 DEC 2018 | 31 DEC 2017 | 31 DEC 2018 | 31 DEC 2017 |
| CURRENT ASSETS | | | | | |
| Inventories | | | | | |
| Finished products | | 12 412 436,81 | 15 073 063,65 | 1 430 870,11 | 1 614 356,78 |
| Work in progress | | 355 790,10 | 846 738,80 | 0,00 | 0,00 |
| Inventories in total | | 12 768 226,91 | 15 919 802,45 | 1 430 870,11 | 1 614 356,78 |
| Receivables | | | | | |
| Non-current receivables | | | | | |
| Other receivables | 1.11 | 2 205 015,72 | 2 205 015,72 | 24 000,00 | 24 000,00 |
| Non-current receivables in total | | 2 205 015,72 | 2 205 015,72 | 24 000,00 | 24 000,00 |
| Current receivables | | | | | |
| Accounts receivable | | 39 862 590,07 | 45 992 073,77 | 3 467 100,57 | 2 747 766,80 |
| Receivables from Group's subsidiaries | 1.12 | 0,00 | 0,00 | 9 691 555,49 | 647 810,36 |
| Other receivables | 1.13 | 1 390 803,81 | 278 402,53 | 301 886,38 | 21 156,93 |
| Prepayments and accrued income | 1.14 | 4 507 979,87 | 4 976 366,24 | 4 011 662,45 | 4 754 172,39 |
| Current receivables in total | | 45 761 373,75 | 51 246 842,54 | 17 472 204,89 | 8 170 906,48 |
| Cash in hand and at banks | | 24 088 158,17 | 16 652 718,65 | 13 614 137,38 | 11 399 989,64 |
| CURRENT ASSETS IN TOTAL | | 84 822 774,55 | 86 024 379,36 | 32 541 212,38 | 21 209 252,90 |
| ASSETS IN TOTAL | | 4 068 556 858,61 | 4 033 420 665,73 | 4 021 177 972,51 | 4 005 091 188,46 |



| EUR | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|----------------------------------------------|-------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | | 31 DEC 2018 | 31 DEC 2017 | 31 DEC 2018 | 31 DEC 2017 |
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| | 1.15 | | | | |
| Basic equity | | 2 600 935 160,52 | 2 596 551 464,52 | 2 600 935 160,52 | 2 596 551 464,52 |
| Other equity | | 224 811 647,00 | 224 811 820,00 | 224 811 647,00 | 224 811 820,00 |
| Other equity of public administrative duties | | 1 019 457 176,93 | 996 237 549,41 | 1 019 457 176,93 | 996 237 549,41 |
| Retained earnings | | 21 123 646,79 | 7 884 484,36 | 0,00 | 3 001 932,00 |
| Profit for the financial year | | 124 792 847,43 | 105 943 440,52 | 105 617 767,33 | 89 702 346,09 |
| EQUITY IN TOTAL | | 3 991 120 478,67 | 3 931 428 758,81 | 3 950 821 751,78 | 3 910 305 112,02 |
| MINORITY SHARE | 1.16 | 4 945 987,55 | 5 572 550,51 | 0,00 | 0,00 |
| PROVISIONS | | | | | |
| Other provisions | 1.17 | 1 912 895,54 | 1 752 825,20 | 174 310,00 | 140 000,00 |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| | 1.18 | | | | |
| Loans from financial institutions | | 0,00 | 2 284,33 | 0,00 | 0,00 |
| Other liabilities | | 3 114 500,00 | 475 100,00 | 3 112 000,00 | 472 350,00 |
| Loans from financial institutions | | 3 114 500,00 | 477 384,33 | 3 112 000,00 | 472 350,00 |
| Other liabilities | | | | | |
| | 1.19 | | | | |
| Loans from financial institutions | | 20 995 538,85 | 49 989 786,16 | 20 995 538,85 | 49 989 786,16 |
| Advances received | | 10 505 602,69 | 6 859 076,87 | 9 785 941,16 | 6 790 883,77 |
| Accounts payable | | 11 609 138,44 | 13 652 336,10 | 3 114 605,34 | 4 845 267,20 |
| Debts to Group's subsidiaries | 1.20 | 0,00 | 0,00 | 18 037 456,74 | 18 900 124,08 |
| Other liabilities (incl. interest-bearing) | 1.21 | 7 726 396,15 | 7 120 242,69 | 5 867 691,08 | 4 988 877,97 |
| Accruals and deferred income | 1.22 | 16 590 632,52 | 16 530 589,44 | 9 268 677,56 | 8 658 787,26 |
| Deferred tax liabilities | | 35 688,20 | 37 115,62 | 0,00 | 0,00 |
| Current liabilities in total | | 67 462 996,85 | 94 189 146,88 | 67 069 910,73 | 94 173 726,44 |
| LIABILITIES IN TOTAL | | 70 577 496,85 | 94 666 531,21 | 70 181 910,73 | 94 646 076,44 |
| EQUITY AND LIABILITIES IN TOTAL | | 4 068 556 858,61 | 4 033 420 665,73 | 4 021 177 972,51 | 4 005 091 188,46 |



CASH FLOW STATEMENT

| EUR | METSÄHALLITUS GROUP | | ENTERPRISE | |
|-------------------------------------------------------------------------------|-----------------------|-----------------------|----------------------|----------------------|
| | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| CASH FLOW FROM BUSINESS OPERATIONS | | | | |
| Payments from sales | 372 482 519,58 | 327 231 042,70 | 99 589 744,42 | 107 773 873,92 |
| Payments from other operating income | 5 852 028,59 | 3 339 402,30 | 13 688 076,65 | 8 917 822,17 |
| Payments from operating charges | -274 971 735,74 | -257 493 710,42 | -80 552 140,62 | -77 013 104,48 |
| Cash flow from business operations, before financial items and taxes | 103 362 812,43 | 73 076 734,58 | 32 725 680,45 | 39 678 591,61 |
| Interest paid and other financial expenses | -89 119,17 | -161 125,48 | -84 763,93 | -137 988,19 |
| Interest income from business operations | 61 220,73 | 107 601,30 | 34 125,68 | 82 214,37 |
| Dividends received | 40 113,00 | 45 687,76 | 21 140 113,00 | 3 245 547,76 |
| Direct taxes | -16 032 740,69 | -10 109 654,65 | -5 226 375,34 | -3 403 915,30 |
| Cash flow before the State's budget funding | 87 342 286,30 | 62 959 243,51 | 48 588 779,86 | 39 464 450,25 |
| State's budget funding for other operations | 45 653 024,87 | 45 792 633,04 | 45 653 024,87 | 45 792 633,04 |
| CASH FLOWS FROM OPERATING ACTIVITIES | 132 995 311,17 | 108 751 876,55 | 94 241 804,73 | 85 257 083,29 |
| INVESTMENTS | | | | |
| Purchase of environmental protection areas, shares | 170 689,87 | 162 103,16 | 170 689,87 | 162 103,16 |
| Purchase of fixed assets, funding by Ministry | -351 428,09 | -1 111 648,79 | -351 428,09 | -1 111 648,79 |
| Purchase of fixed assets, funding by the EU | -279 851,04 | -1 078 095,07 | -279 851,04 | -1 078 095,07 |
| Purchase of fixed assets, other funding | -23 148 681,42 | -16 913 923,95 | -12 675 199,86 | -8 629 009,18 |
| Investments in tangible and intangible assets | 1 012 737,85 | 0,00 | 67 500,00 | 500 000,00 |
| Sales, shares in subsidiaries | 15 669 372,99 | 11 245 327,93 | 15 389 558,16 | 12 154 907,24 |
| Sale of tangible and intangible assets | 0,00 | 0,00 | 25 000 000,00 | 0,00 |
| Return of capital received from subsidiary | -170 689,87 | -162 103,16 | -170 689,87 | -162 103,16 |
| Shareholder investment in/return on environmental protection areas and shares | 599 387,79 | 2 191 786,50 | 599 387,79 | 2 191 786,50 |
| CASH FLOWS FROM INVESTING ACTIVITIES | -6 498 461,92 | -5 666 553,38 | 27 749 966,96 | 4 027 940,70 |

| EUR | METSÄHALLITUS GROUP | | ENTERPRISE | |
|---------------------------------------------------------|------------------------|-----------------------|------------------------|-----------------------|
| | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| FINANCING | | | | |
| Change in other non-current, interest-bearing loans | -2 284,33 | -1 985 650,37 | 0,00 | 0,00 |
| Change in other non-current, non-interest-bearing loans | 2 639 400,00 | -398 000,00 | 2 639 650,00 | -348 500,00 |
| Change in current loans from financial institutions | -28 994 247,31 | -9 999 534,27 | -28 994 247,31 | -9 999 534,27 |
| Change in Group loans to subsidiaries | 0,00 | 0,00 | -718 748,55 | 7 619 012,68 |
| Contribution to State revenue | -92 704 278,09 | -86 000 000,00 | -92 704 278,09 | -86 000 000,00 |
| CASH FLOWS FROM FINANCING ACTIVITIES | -119 061 409,73 | -98 383 184,64 | -119 777 623,95 | -88 729 021,59 |
| CHANGE IN LIQUID FUNDS | | | | |
| Liquid funds on 1 Jan | 16 652 718,65 | 11 950 580,12 | 11 399 989,64 | 10 843 987,24 |
| Liquid funds on 31 Dec | 24 088 158,17 | 16 652 718,65 | 13 614 137,38 | 11 399 989,64 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 7 435 439,52 | 4 702 138,53 | 2 214 147,74 | 556 002,40 |



NOTES TO PROFIT AND LOSS ACCOUNT

| MEUR | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------------|-------------------|-------------------|-------------------|
| | | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| Turnover by business unit | 1.1 | | | | |
| Forestry Business | | 333,6 | 294,8 | 80,0 | 80,0 |
| Property Development | | 16,7 | 15,4 | 16,9 | 15,5 |
| Sale of soil and rock resources | | 1,3 | 1,6 | 0,0 | 0,0 |
| Seed and sapling production | | 2,5 | 4,8 | 0,0 | 0,0 |
| Others | | 12,2 | 11,4 | 12,5 | 13,0 |
| TOTAL | | 366,4 | 328,0 | 109,4 | 108,5 |
| Other operating income | 1.2 | | | | |
| Gains on the sale of fixed assets | | 10,7 | 10,2 | 10,5 | 10,0 |
| Other income | | 5,1 | 4,4 | 12,8 | 11,4 |
| TOTAL | | 15,8 | 14,6 | 23,3 | 21,4 |
| Funding received from the State budget | 1.3 | | | | |
| Financing for other operations from the Budget during the financial period as income on an accrued basis | | 45,7 | 43,7 | 45,7 | 43,7 |
| More detailed information on the distribution of the item into the main titles of expenditure and administrative sectors is provided in the separate financial statements on public administrative duties | | | | | |
| Depreciation according to plan | 1.4 | | | | |
| Intangible assets | | 2,5 | 1,5 | 0,7 | 0,6 |
| Depreciation for decrease in substance | | 0,0 | 0,1 | 0,0 | 0,0 |
| Roads | | 1,4 | 1,4 | 1,4 | 1,4 |
| Buildings and structures | | 2,6 | 2,7 | 2,4 | 2,3 |
| Machinery and equipment, other tangible assets | | 0,4 | 0,5 | 0,1 | 0,1 |
| TOTAL | | 6,9 | 6,2 | 4,6 | 4,5 |

Depreciation according to plan, depreciation periods:

| | |
|---------------------------------------------------|----------------------------------------|
| Intangible rights, other long-term expenditure | 4-5 years |
| Gravel areas | depreciation for decrease of substance |
| Roads | 10-25 years |
| Fish structures | primarily 10 years |
| Log floating structures | 25 years |
| Buildings | 20-40 years, Haltia 90 years |
| Structures and facilities | 4-10 years |
| Machinery and equipment | 4-8 years, Haltia 15 years |
| Other tangible assets: asphaltting, planting beds | 15-20 years |

Depreciation according to plan has been calculated by fixed asset as straight-line depreciations for each depreciation period from the original purchase price. Entry of depreciation begins from the introduction of the asset.



| MEUR | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|-----------------------------------------------------------------------------------------|------------|---------------------|-------------------|-------------------|-------------------|
| | | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| Other operating costs | 1.5 | | | | |
| Facility expenses | | 11,1 | 12,7 | 10,0 | 11,6 |
| ICT expenses | | 9,4 | 9,6 | 7,9 | 8,1 |
| Travelling expenses | | 5,7 | 5,9 | 2,8 | 2,9 |
| External services | | 4,4 | 5,8 | 3,8 | 5,0 |
| Machinery and equipment expenses, vehicle expenses | | 3,1 | 3,1 | 2,7 | 2,6 |
| Other social security expenses | | 2,4 | 2,3 | 1,3 | 1,2 |
| Other expenses | | 9,4 | 7,6 | 8,2 | 4,4 |
| Group internal expenses | | 0,0 | 0,0 | 1,2 | 1,2 |
| TOTAL | | 45,6 | 47,0 | 37,8 | 37,0 |
| Other interest and financial income | 1.6 | | | | |
| Dividend income from external sources | | 0,0 | 0,1 | 0,0 | 0,0 |
| Dividend income from subsidiaries | | 0,0 | 0,0 | 21,1 | 3,2 |
| Interest income | | 0,1 | 0,1 | 0,0 | 0,1 |
| Total | | 0,1 | 0,2 | 21,2 | 3,3 |
| Interest and other financial expenses | | | | | |
| Interest expenses | | 0,1 | 0,2 | 0,1 | 0,1 |
| Reduction in value from the subsidiary's shares (subordinated loan to subsidiary) | | 0,0 | 1,0 | 0,0 | 0,1 |
| Provision for the reorganisation of subsidiary's business | | 0,0 | 0,0 | 0,0 | 0,0 |
| TOTAL | | 0,1 | 1,2 | 0,1 | 0,2 |
| Financial income and expenses in total | | 0,0 | -1,0 | 21,1 | 3,1 |



NOTES TO BALANCE SHEET

| | NOTE | INTANGIBLE ASSETS | LAND AND WATER AREAS | ROADS, LAND AND WATER CONSTR. | BUILDINGS AND STRUCTURES | MACHINERY AND EQUIPMENT, OTHER TANGIBLE ASSETS | IN PROGRESS PROJECTS | OTHER SHARES AND HOLDINGS, OTHER RECEIVABLES | TOTAL |
|--------------------------------------------------------------|------------|-------------------|----------------------|-------------------------------|--------------------------|------------------------------------------------|----------------------|----------------------------------------------|----------------|
| Non-current assets (mill. EUR) | 1.7 | | | | | | | | |
| METSÄHALLITUS GROUP | | | | | | | | | |
| Acquisition cost on 1 Jan | | 25,1 | 3 851,5 | 97,3 | 107,2 | 29,0 | 10,1 | 2,1 | 4 124,6 |
| Reduction in value on 1 Jan | | 0,0 | -4,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | -4,0 |
| Increases | | 11,3 | 40,0 | 0,0 | 1,7 | 0,4 | 7,6 | 0,0 | 60,9 |
| Decreases | | 0,3 | 5,7 | 0,0 | 2,4 | 0,4 | 8,6 | 0,3 | 17,7 |
| Reduction in value | | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Acquisition cost on 31 Dec | | 36,0 | 3 881,8 | 97,3 | 106,5 | 29,0 | 9,1 | 1,8 | 4 163,8 |
| Accumulated depreciation and reduction in value 1.1 | | 7,0 | 4,9 | 69,8 | 62,2 | 26,8 | 0,0 | 0,0 | 173,2 |
| Accumulated depreciation relating to decreases and transfers | | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Depreciation during the financial year | | 2,5 | 0,0 | 1,4 | 2,6 | 0,4 | 0,0 | 0,0 | 6,9 |
| Accumulated depreciation on 31 Dec | | 9,5 | 4,9 | 71,3 | 64,8 | 27,2 | 0,0 | 0,0 | 180,1 |
| Book value on 1 Jan | | 18,1 | 3 842,6 | 27,5 | 45,0 | 2,2 | 10,1 | 2,1 | 3 947,4 |
| Book value on 31 Dec | | 26,5 | 3 876,8 | 26,0 | 41,6 | 1,8 | 9,1 | 1,8 | 3 983,7 |
| Production machinery and equipment, book value on 31 Dec | | | | | | 1,8 | | | |
| ENTERPRISE | | | | | | | | | |
| Acquisition cost on 1 Jan | | 6,6 | 3 844,1 | 97,8 | 86,1 | 16,6 | 10,1 | 94,0 | 4 155,2 |
| Reduction in value on 1 Jan | | 0,0 | -1,8 | 0,0 | 0,0 | 0,0 | 0,0 | -20,6 | -22,4 |
| Increases | | 0,9 | 40,0 | 0,0 | 1,7 | 0,4 | 7,6 | 0,0 | 50,6 |
| Decreases | | 0,3 | 5,6 | 0,0 | 1,0 | 0,3 | 8,6 | 25,3 | 41,2 |
| Reduction in value | | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Acquisition cost on 31 Dec | | 7,1 | 3 876,7 | 97,8 | 86,8 | 16,7 | 9,1 | 48,0 | 4 142,2 |
| Accumulated depreciation and reduction in value 1.1 | | 4,7 | 1,8 | 70,3 | 55,7 | 16,4 | 0,0 | 0,0 | 149,0 |
| Accumulated depreciation relating to decreases and transfers | | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Depreciation during the financial year | | 0,7 | 0,0 | 1,4 | 2,4 | 0,1 | 0,0 | 0,0 | 4,6 |
| Accumulated depreciation on 31 Dec | | 5,4 | 1,8 | 71,8 | 58,1 | 16,5 | 0,0 | 0,0 | 153,6 |
| Book value on 1 Jan | | 1,9 | 3 840,6 | 27,4 | 30,4 | 0,1 | 10,1 | 73,4 | 3 983,9 |
| Book value on 31 Dec | | 1,7 | 3 874,9 | 26,0 | 28,7 | 0,2 | 9,1 | 48,0 | 3 988,6 |
| Production machinery and equipment, book value on 31 Dec | | | | | | 0,2 | | | |



| | | HOLDINGS % | BOOK VALUE IN THE PARENT COMPANY, EUROS |
|---------------------------------------|------------|------------|-----------------------------------------------|
| Shares in subsidiaries | 1.8 | | |
| ENTERPRISE | | | |
| Metsähallitus Forestry Ltd, Rovaniemi | | 100 | 25 649 635,81 |
| MH-Kivi Oy, Oulu | | 100 | 5 500 000,00 |
| Siemen Forelia Oy, Jyväskylä | | 100 | 2 476 000,00 |
| Nuukiokeskus Oy, Espoo | | 68,1 | 12 200 000,00 |
| TOTAL | | | 45 825 635,81 |

| | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|-----------------------------------------------------|-------------|---------------------|------------|-------------|-------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Other shares and holdings | 1.10 | | | | |
| Shares and holdings, book value (MEUR) | | | | | |
| Shares in subsidiaries | | 0,0 | 0,0 | 45,8 | 70,9 |
| Shares in associated undertakings | | 0,0 | 0,0 | 0,0 | 0,0 |
| Other shares and receivables | | 1,8 | 2,1 | 2,2 | 2,5 |
| TOTAL | | 1,8 | 2,1 | 48,0 | 73,4 |
| Non-current receivables | 1.11 | | | | |
| Other receivables | | 0,0 | 0,0 | 0,0 | 0,0 |
| Guaranteed deposits | | 2,2 | 2,2 | 0,0 | 0,0 |
| TOTAL | | 2,2 | 2,2 | 0,0 | 0,0 |
| Receivables from Group's subsidiaries (MEUR) | 1.12 | | | | |
| Accounts receivable | | | | 9,6 | 0,1 |
| Other receivables | | | | 0,0 | 0,0 |
| Prepayments and accrued income | | | | 0,1 | 0,6 |
| TOTAL | | | | 9,7 | 0,6 |



| | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|-------------------------------------------------------------|-------------|---------------------|------------|------------|------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Other receivables, current (MEUR) | 1.13 | | | | |
| Other prepayments, prepaid expenses | | 0,1 | 0,0 | 0,1 | 0,0 |
| Deferred VAT and tax assets | | 1,3 | 0,2 | 0,2 | 0,0 |
| TOTAL | | 1,4 | 0,3 | 0,3 | 0,0 |
| Current prepayments and accrued income (MEUR) | 1.14 | | | | |
| Life projects, accrued income | | 0,2 | 0,7 | 0,2 | 0,7 |
| EU Structural Fund projects, accrued income | | 2,8 | 2,5 | 2,8 | 2,5 |
| Project receivables, other accrued income | | 1,0 | 1,2 | 1,0 | 1,1 |
| Other prepaid expenses, purchase invoices | | 0,6 | 0,6 | 0,1 | 0,4 |
| TOTAL | | 4,5 | 5,0 | 4,0 | 4,8 |
| Equity (MEUR) | 1.15 | | | | |
| Basic equity on 1 Jan | | 2 596,6 | 2 601,5 | 2 596,6 | 2 601,5 |
| Transfers of possession, inheritance by the State | | 6,3 | 0,2 | 6,3 | 0,2 |
| Changes in land use | | -1,9 | -5,1 | -1,9 | -5,1 |
| Other changes, including basic equity return and value adj. | | 0,0 | 0,0 | 0,0 | 0,0 |
| Basic equity on 31 Dec | | 2 600,9 | 2 596,6 | 2 600,9 | 2 596,6 |
| Other equity on 1 Jan | | 224,8 | 224,8 | 224,8 | 224,8 |
| Change | | 0,0 | 0,0 | 0,0 | 0,0 |
| Other equity on 31 Dec | | 224,8 | 224,8 | 224,8 | 224,8 |

| | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|--------------------------------------------------------------------------------|-------------|---------------------|------------|------------|---------|
| | | 2018 | 2017 | 2018 | 2017 |
| Other equity of public administrative duties on 1 Jan | | 999,3 | 977,0 | 999,3 | 977,0 |
| Transfers of possession, inheritance by the State | | 22,5 | 17,0 | 22,5 | 17,0 |
| Changes in land use, others | | 1,9 | 5,1 | 1,9 | 5,1 |
| Shareholder investment in purchase of environmental conservation areas | | 0,2 | 0,2 | 0,2 | 0,2 |
| Transfer of profits from public administrative duties in 2016 to Equities | | -0,9 | -0,9 | -0,9 | -0,9 |
| Transfer of profits from public administrative duties in 2017 to Equities | | -2,1 | -2,1 | -2,1 | -2,1 |
| Transfer of profits from public administrative duties in 2018 to Equities | | -1,4 | | -1,4 | 0,0 |
| Other equity on 31 Dec | | 1 019,5 | 996,2 | 1 019,5 | 996,2 |
| Retained earnings on 1 Jan | | 112,9 | 93,0 | 91,8 | 88,1 |
| Transfer of losses from public administrative duties in 2016 to Other equities | | 0,9 | 0,9 | 0,9 | 0,9 |
| Contribution to State revenue | | -92,7 | -86,0 | -92,7 | -86,0 |
| Retained earnings on 31 Dec | | 21,1 | 7,9 | 0,0 | 3,0 |
| Profit for the financial year 1 Jan–31 Dec | | 124,8 | 105,9 | 105,6 | 89,7 |
| Results for previous financial year and current financial year on 31 Dec | | 145,9 | 113,8 | 105,6 | 92,7 |
| Equity in total on 31 Dec | | 3 991,1 | 3 931,4 | 3 950,8 | 3 910,3 |
| Minority share | 1.16 | | | | |
| Nuuksiokeskus Oy | | 4,9 | 5,0 | | |
| MINORITY SHARE IN TOTAL | | 4,9 | 5,6 | | |



| | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------|-------------|-------------|-------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Provisions (MEUR) | 1.17 | | | | |
| Other provisions | | 1,9 | 1,8 | 0,2 | 0,1 |
| PROVISIONS, TOTAL | | 1,9 | 1,8 | 0,2 | 0,1 |
| Total of long-term loans due in a period exceeding 5 years | 1.18 | | | | |
| TOTAL | | 0,0 | 0,0 | 0,0 | 0,0 |
| Amount of debt not paid to the State (MEUR) | 1.19 | | | | |
| Debt to the State, withholding tax liabilities, social security contribution liabilities, VaEL, TyEL | | 1,6 | 1,8 | 1,2 | 1,4 |
| Debts to Group's subsidiaries (MEUR) | 1.20 | | | | |
| Accounts payable | | | | 0,1 | 0,2 |
| Accruals and deferred income | | | | 0,9 | 1,0 |
| Consolidated liabilities | | | | 17,0 | 17,7 |
| TOTAL | | | | 18,0 | 18,9 |
| Other liabilities (MEUR) | 1.21 | | | | |
| VAT liabilities | | 4,9 | 4,7 | 3,4 | 2,9 |
| Withholding taxes and social security contributions and other debts related to statutory personnel expenses (payment of salaries) | | 0,9 | 1,0 | 0,6 | 0,6 |
| Equity reviews | | 0,5 | 1,4 | 0,5 | 1,4 |
| Others | | 1,4 | 0,1 | 1,4 | 0,0 |
| TOTAL | | 7,7 | 7,1 | 5,9 | 5,0 |
| Accruals and deferred income (MEUR) | 1.22 | | | | |
| Differentiated statutory personnel expenses | | 0,7 | 0,8 | 0,7 | 0,8 |
| Holiday pay liabilities, including social security expenses | | 12,3 | 12,1 | 6,8 | 6,6 |
| Tax averaging | | 0,0 | 0,9 | 0,0 | 0,1 |
| Others | | 3,6 | 2,7 | 1,8 | 1,2 |
| TOTAL | | 16,6 | 16,5 | 9,3 | 8,7 |



OTHER NOTES

| | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|------------------------------------------|-------------|---------------------|------|------------|------|
| | | 2018 | 2017 | 2018 | 2017 |
| Contingent liabilities (MEUR) | 1.23 | | | | |
| Leasing liabilities | | | | | |
| paid during the financial year | | 1,7 | 1,0 | 1,7 | 0,9 |
| to be paid during the following year | | 1,9 | 2,1 | 1,8 | 2,0 |
| to be paid at a later date | | 2,4 | 2,5 | 2,4 | 2,5 |
| Other banking liabilities | | 1,5 | 1,5 | 1,0 | 1,0 |
| Deposited securities, guarantee deposits | | 0,8 | 0,8 | 0,0 | 0,0 |
| Investment commitments | | 6,0 | 6,4 | 6,0 | 6,4 |

The leasing contracts include a redemption clause after the residual value reaches the agreed level.

The contracts can be terminated with a 3 month notice period.

The Group also has contracts without a redemption clause, mainly for five-year periods.

An inspection responsibility of value-added tax is related to the Group's property investments for 10 years as of 2013.

Rental liabilities (MEUR) (VAT 0)

Metsähallitus has leasing agreements for facilities that are valid for a fixed-term and until further notice. The facilities are managed centrally inside the Group.

| | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|--|------|---------------------|------|------------|------|
| | | 2018 | 2017 | 2018 | 2017 |
| | | 4,8 | | 4,8 | |

Responsibility for remediation of contaminated sites

In areas administered by Metsähallitus, the responsibility involved in contaminated soil areas lies primarily with the party who was responsible for the contaminating activity. As the holder of the area, Metsähallitus may be held responsible for the remediation costs of the contaminated soil if the primary responsible party is unable to do so.

Related-party transactions

1.24

Public administrative duties receive Budget funding for their operations. The item is reported in the enterprise's and group's profit and loss as income on an accrued basis, described in more detail in the separate financial statements. A contribution to State revenue was paid for the period 1 January to 31 December 2017.

| | NOTE | METSÄHALLITUS GROUP | | ENTERPRISE | |
|--------------------------------------------------------------|-------------|---------------------|--------------|--------------|-------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Internal Group transactions during the financial year | | | | | |
| Sale of goods | | | | 0,3 | 0,3 |
| Sale of services | | | | 88,5 | 89,0 |
| Purchase of goods | | | | 0,1 | 0,1 |
| Purchase of services | | | | 1,2 | 1,2 |
| TOTAL | | | | 87,5 | 88,0 |
| Internal Group transactions are market-based. | | | | | |
| Number of employees during the period, person-years | 1.25 | | | | |
| Employees | | 288 | 305 | 0 | 0 |
| Supervisors | | 902 | 995 | 652 | 678 |
| TOTAL | | 1 191 | 1 300 | 652 | 678 |
| Calculated deferred tax assets and liabilities | 1.26 | | | | |
| Calculated deferred tax assets | | | | | |
| from subsidiary losses | | 2,5 | 2,6 | | |
| from provisions | | 0,4 | 0,3 | | |
| TOTAL | | 2,8 | 3,0 | | |
| Auditors' fees (1000 EUR) | 1.27 | | | | |
| KPMG Audit | | | | | |
| audit, financial year | | 35,2 | 45,8 | 14,3 | 21,1 |
| audit, previous financial year | | 39,3 | 58,1 | 20,3 | 17,3 |
| tax consulting | | 18,2 | 9,1 | 12,6 | 3,2 |
| other services | | 424,7 | 37,8 | 421,4 | 37,8 |
| TOTAL | | 517,4 | 150,8 | 468,6 | 79,4 |



BUSINESS OPERATIONS ENTITY AND BUSINESS OPERATIONS

PROFIT AND LOSS ACCOUNT

| EUR | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|------------------------------------------------------------------------------|------|----------------------------|-----------------------|-----------------------|----------------------|
| | | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| TURNOVER | 2.1 | 355 181 219,38 | 319 269 330,99 | 97 225 167,55 | 98 934 742,53 |
| Variation in inventories of finished products and change to work in progress | | | -1 007 296,86 | 0,00 | 0,00 |
| Other operating income | | | 18 231 990,05 | 28 401 299,61 | 24 913 743,18 |
| Raw materials and services | | | | | |
| Raw materials and consumables | | | | | |
| Purchases during the financial year | | 5 381 120,89 | 6 364 071,28 | 453 548,70 | 389 440,35 |
| Variation in inventories | | 2 968 088,87 | 340 044,70 | 0,00 | 0,00 |
| External services | | 157 271 721,73 | 144 870 045,15 | 335 560,49 | 608 985,99 |
| Raw materials and services, total | | 165 620 931,49 | 151 574 161,13 | 789 109,19 | 998 426,34 |
| Staff expenses | | | | | |
| Wages and salaries | | 30 686 379,79 | 28 771 018,08 | 8 546 596,26 | 7 735 639,43 |
| Social security expenses | | | | | |
| Pension expenses | | 4 488 365,31 | 4 353 845,42 | 1 387 097,25 | 1 035 049,61 |
| Other social security expenses | | 1 011 706,42 | 1 088 277,36 | 261 031,31 | 253 967,74 |
| Staff expenses, total | | 36 186 451,52 | 34 213 140,86 | 10 194 724,82 | 9 024 656,78 |
| Depreciation, amortisation and impairment in total | 2.3 | 4 639 187,54 | 3 880 684,61 | 2 827 008,36 | 2 677 697,02 |
| Other operating costs | 2.4 | 29 961 592,50 | 29 634 173,20 | 22 335 584,59 | 19 893 849,27 |
| OPERATING PROFIT | | 139 767 707,37 | 117 191 864,38 | 89 480 040,20 | 91 253 856,30 |
| Financial income and expenses | | | | | |
| Income from other investments under non-current assets | | 40 099,00 | 45 124,34 | 21 140 099,00 | 3 244 984,34 |
| Other interest and financial income | | 57 341,22 | 103 859,12 | 30 246,17 | 78 472,39 |
| Interest and other financial expenses | | 84 747,73 | 155 803,73 | 81 437,41 | 133 666,91 |
| Reductions in value of investments held as non-current assets | | 0,00 | 0,00 | 0,00 | 0,00 |
| Financial income and expenses in total | 2.5 | 12 692,49 | -6 820,27 | 21 088 907,76 | 3 189 789,82 |
| PROFIT BEFORE FINANCIAL STATEMENT TRANSFERS AND TAXES | | 139 780 399,86 | 117 185 044,11 | 110 568 947,96 | 94 443 646,12 |
| Income taxes | | 14 777 017,38 | 10 109 291,32 | 4 951 180,63 | 4 741 300,03 |
| PROFIT FOR THE FINANCIAL YEAR | | 125 003 382,48 | 107 075 752,79 | 105 617 767,33 | 89 702 346,09 |



BALANCE SHEET

| EUR | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|---------------------------------------|------|----------------------------|-------------------------|-------------------------|-------------------------|
| | | 31 DEC 2018 | 31 DEC 2017 | 31 DEC 2018 | 31 DEC 2017 |
| ASSETS | | | | | |
| NON-CURRENT ASSETS | | | | | |
| | 2.6 | | | | |
| Intangible assets | | | | | |
| Intangible rights | | 40 097,00 | 63 163,75 | 28 753,38 | 45 632,57 |
| Other intangible assets | | 21 372 288,04 | 13 421 439,83 | 901 497,01 | 1 173 634,69 |
| Advance payments and work in progress | | 4 929 802,78 | 4 328 104,99 | 660 766,96 | 483 892,80 |
| Intangible assets in total | | 26 342 187,82 | 17 812 708,57 | 1 591 017,35 | 1 703 160,06 |
| Tangible assets | | | | | |
| Land and water areas | | 2 888 446 311,82 | 2 878 628 559,94 | 2 887 190 837,10 | 2 877 320 187,52 |
| Roads | | 25 897 737,30 | 27 281 725,82 | 25 894 369,89 | 27 277 833,77 |
| Buildings and structures | | 10 470 735,63 | 11 017 097,39 | 10 435 347,89 | 10 974 034,88 |
| Machinery and equipment | | 290 609,06 | 327 348,14 | 0,00 | 0,00 |
| Other tangible assets | | 10 599,04 | 10 599,04 | 10 599,04 | 10 599,04 |
| Advance payments and work in progress | | 8 956 945,72 | 9 999 635,59 | 8 956 945,72 | 9 999 635,59 |
| Tangible assets in total | | 2 934 072 938,57 | 2 927 264 965,92 | 2 932 488 099,64 | 2 925 582 290,80 |
| Investments | | | | | |
| Shares in Group's subsidiaries | 2.7 | 0,00 | 0,00 | 33 625 635,81 | 58 625 635,81 |
| Other shares and holdings | 2.9 | 1 074 987,13 | 1 343 816,00 | 1 483 859,54 | 1 752 688,41 |
| Investments in total | | 1 074 987,13 | 1 343 816,00 | 35 109 495,35 | 60 378 324,22 |
| NON-CURRENT ASSETS IN TOTAL | | 2 961 490 113,52 | 2 946 421 490,49 | 2 969 188 612,34 | 2 987 663 775,08 |

| EUR | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|------------------------------------------------|------|----------------------------|-------------------------|-------------------------|-------------------------|
| | | 31 DEC 2018 | 31 DEC 2017 | 31 DEC 2018 | 31 DEC 2017 |
| CURRENT ASSETS | | | | | |
| Inventories | | | | | |
| Finished products | | 10 981 566,70 | 13 461 706,87 | 0,00 | 0,00 |
| Work in progress | | 355 790,10 | 843 738,80 | 0,00 | 0,00 |
| Inventories in total | | 11 337 356,80 | 14 305 445,67 | 0,00 | 0,00 |
| Receivables | | | | | |
| Non-current receivables | | | | | |
| Other receivables | | 2 205 015,72 | 2 205 015,72 | 24 000,00 | 24 000,00 |
| Non-current receivables in total | | 2 205 015,72 | 2 205 015,72 | 24 000,00 | 24 000,00 |
| Current receivables in total | | | | | |
| Accounts receivable | | 37 827 062,06 | 43 622 109,45 | 1 431 572,56 | 377 802,48 |
| Receivables from public administration duties | 2.11 | 1 510 132,98 | 817 563,04 | 1 331 224,94 | 649 575,58 |
| Receivables from the enterprise's subsidiaries | 2.12 | 2 698,24 | 0,00 | 9 440 208,18 | 469 813,49 |
| Receivables from associated undertakings | | | | | |
| Other receivables | 2.13 | 1 282 827,34 | 262 688,72 | 193 909,91 | 5 443,12 |
| Prepayments and accrued income | 2.14 | 773 901,75 | 658 829,02 | 277 584,33 | 460 810,94 |
| Current receivables in total | | 41 396 622,37 | 45 361 190,23 | 12 674 499,92 | 1 963 445,61 |
| Cash in hand and at banks | | 13 136 069,03 | 8 197 449,93 | 3 199 277,04 | 3 335 517,07 |
| CURRENT ASSETS IN TOTAL | | 68 075 063,92 | 70 069 101,55 | 15 897 776,96 | 5 322 962,68 |
| ASSETS IN TOTAL | | 3 029 565 177,44 | 3 016 490 592,04 | 2 985 086 389,30 | 2 992 986 737,76 |



| EUR | NOTE | BUSINESS OPERATIONS ENTITY 31 DEC 2018 | BUSINESS OPERATIONS ENTITY 31 DEC 2017 | BUSINESS OPERATIONS 31 DEC 2018 | BUSINESS OPERATIONS 31 DEC 2017 |
|------------------------------------------|-------------|-------------------------------------------|-------------------------------------------|------------------------------------|------------------------------------|
| EQUITY AND LIABILITIES | | | | | |
| EQUITY | | | | | |
| Basic equity | | 2 600 935 160,52 | 2 596 551 464,52 | 2 600 935 160,52 | 2 596 551 464,52 |
| Other equity | | 224 811 647,00 | 224 811 820,00 | 224 811 647,00 | 224 811 820,00 |
| Retained earnings | | 22 556 888,37 | 8 185 413,67 | 0,00 | 3 001 932,00 |
| Profit for the financial year | | 125 003 382,48 | 107 075 752,79 | 105 617 767,33 | 89 702 346,09 |
| EQUITY IN TOTAL | 2.15 | 2 973 307 078,37 | 2 936 624 450,98 | 2 931 364 574,85 | 2 914 067 562,61 |
| PROVISIONS | | | | | |
| Other provisions | 2.16 | 1 912 895,54 | 1 752 825,20 | 174 310,00 | 140 000,00 |
| LIABILITIES | | | | | |
| Non-current | | | | | |
| Loans from financial institutions | 2.17 | 0,00 | 2 284,33 | 0,00 | 0,00 |
| Other liabilities | | 3 107 750,00 | 468 600,00 | 3 105 250,00 | 465 850,00 |
| Current | | | | | |
| Loans from financial institutions | 2.18 | 20 995 538,85 | 49 989 786,16 | 20 995 538,85 | 49 989 786,16 |
| Advances received | | 2 877 498,04 | 165 389,10 | 2 157 836,51 | 97 196,00 |
| Accounts payable | | 9 642 451,07 | 11 241 878,73 | 1 167 863,77 | 2 457 112,02 |
| Payables to public administration duties | 2.19 | 742 603,95 | 180 553,71 | 491 256,64 | 15 654,43 |
| Debts to the enterprise's subsidiaries | 2.20 | 1 651,68 | 1 035,40 | 17 858 548,70 | 18 732 136,62 |
| Other liabilities | 2.21 | 7 058 981,20 | 6 512 164,99 | 5 209 986,31 | 4 388 535,02 |
| Accruals and deferred income | 2.22 | 9 883 040,24 | 9 514 507,82 | 2 561 223,67 | 2 632 904,90 |
| | | 35 688,50 | 37 115,62 | 0,00 | 0,00 |
| LIABILITIES IN TOTAL | | 54 345 203,53 | 78 113 315,86 | 53 547 504,45 | 78 779 175,15 |
| EQUITY AND LIABILITIES IN TOTAL | | 3 029 565 177,44 | 3 016 490 592,04 | 2 985 086 389,30 | 2 992 986 737,76 |



CASH FLOW STATEMENT

| EUR | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|----------------------------------------------------------------------|----------------------------|-----------------------|------------------------|-----------------------|
| | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| CASH FLOW FROM BUSINESS OPERATIONS | | | | |
| Payments from sales | 360 280 998,59 | 318 551 069,13 | 86 519 353,42 | 98 295 195,40 |
| Payments from other operating income | 10 589 110,75 | 9 802 892,77 | 18 326 836,70 | 15 154 487,38 |
| Payments from operating charges | -223 860 022,13 | -211 503 422,18 | -29 252 135,80 | -30 231 539,54 |
| Cash flow from business operations, before financial items and taxes | 147 010 087,21 | 116 850 539,72 | 75 594 054,32 | 83 218 143,24 |
| Interest paid and other financial expenses | -84 747,73 | -155 803,73 | -81 437,41 | -133 666,91 |
| Interest income from business operations | 57 341,22 | 103 859,12 | 30 246,17 | 78 472,39 |
| Dividends received | 40 099,00 | 45 124,34 | 21 140 099,00 | 3 244 984,34 |
| Direct taxes | -16 032 740,69 | -10 109 291,32 | -5 226 375,34 | -3 313 772,38 |
| Cash flows from operating activities | 130 990 039,01 | 106 734 428,13 | 91 456 586,74 | 83 094 160,68 |
| INVESTMENTS | | | | |
| Investments, sales, subsidiaries' shares | 0,00 | 0,00 | 0,00 | 500 000,00 |
| Investments in tangible and intangible assets | -22 478 990,89 | -14 775 749,68 | -12 056 260,04 | -6 521 368,09 |
| Sale of tangible and intangible assets | 15 220 401,84 | 10 787 051,83 | 14 972 478,35 | 11 712 334,60 |
| Sale of other investments | 268 828,87 | 0,00 | 268 828,87 | 0,00 |
| Return of capital from subsidiary | 0,00 | 0,00 | 25 000 000,00 | 0,00 |
| Cash flows from investing activities | -6 989 760,18 | -3 988 697,85 | 28 185 047,18 | 5 690 966,51 |
| FINANCING | | | | |
| Change in other non-current, interest-bearing loans | -2 284,33 | -1 985 650,37 | 0,00 | 0,00 |
| Change in other non-current, non-interest-bearing loans | 2 639 150,00 | -399 000,00 | 2 639 400,00 | -149 800,00 |
| Change in current loans from financial institutions | -28 994 247,31 | -10 095 655,12 | -28 994 247,31 | -9 999 534,27 |
| Change in Group loans to subsidiaries | 0,00 | 0,00 | -718 748,55 | 7 619 012,68 |
| Contribution to State revenue | -92 704 278,09 | -86 000 000,00 | -92 704 278,09 | -86 000 000,00 |
| Cash flows from financing activities | -119 061 659,73 | -98 480 305,49 | -119 777 873,95 | -88 530 321,59 |
| CHANGE IN LIQUID FUNDS | | | | |
| Liquid funds on 1 Jan | 8 197 449,93 | 3 932 025,14 | 3 335 517,07 | 3 080 711,44 |
| Liquid funds on 31 Dec | 13 136 069,03 | 8 197 449,93 | 3 199 277,04 | 3 335 517,04 |
| Change | 4 938 619,10 | 4 265 424,79 | -136 240,03 | 254 805,60 |



NOTES TO THE PROFIT AND LOSS ACCOUNT

| EUR | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|------------------------------------------------------------------------------------------------|------------|----------------------------|----------------------------------|------------------------------------|-------------------------------------------|
| | | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| Turnover by business unit | 2.1 | | | | |
| Forestry Business | | 334 338 459,76 | 295 415 829,10 | 80 000 000,00 | 79 994 958,81 |
| Property Development | | 16 707 735,12 | 15 405 821,06 | 16 899 407,82 | 15 566 692,09 |
| Sale of soil and rock resources | | 1 346 159,60 | 1 592 767,10 | 0,00 | 0,00 |
| Seed and sapling production | | 2 463 105,21 | 4 804 040,57 | 0,00 | 0,00 |
| Others | | 325 759,39 | 2 050 873,16 | 325 759,69 | 3 373 091,63 |
| TOTAL | | 355 181 219,08 | 319 269 330,99 | 97 225 167,51 | 98 934 742,53 |
| of which turnover for public administration duties and its subsidiaries and other subsidiaries | | 844 064,91 0,00 0,00 | 2 379 508,95 9 881,00 0,00 | 34 039,00 0,00 80 191 672,74 | 1 803 160,00 9 881,00 81 478 048,31 |
| Other operating income | 2.2 | | | | |
| Gains on the sale of fixed assets | | 10 526 052,25 | 9 723 372,56 | 10 344 894,66 | 9 575 276,16 |
| Income from services to public administration duties | | 9 574 056,71 | 7 044 701,34 | 9 482 454,34 | 6 914 221,09 |
| Income from services to subsidiaries | | 14 997,99 | 0,00 | 8 335 892,98 | 7 566 078,14 |
| Other income | | 879 544,09 | 1 463 916,15 | 238 057,63 | 858 167,79 |
| TOTAL | | 20 994 651,04 | 18 231 990,05 | 28 401 299,61 | 24 913 743,18 |
| Depreciation according to plan | 2.3 | | | | |
| Intangible assets | | 2 306 482,34 | 1 381 947,17 | 572 297,05 | 459 563,57 |
| Depreciation for decrease in substance | | 47 412,02 | 90 120,99 | 14 356,62 | 13 697,40 |
| Roads | | 1 385 371,52 | 1 384 781,42 | 1 384 846,88 | 1 384 256,78 |
| Buildings and structures | | 863 182,58 | 908 404,88 | 855 507,81 | 820 179,27 |
| Machinery and equipment, other tangible assets | | 36 739,08 | 115 430,15 | 0,00 | 0,00 |
| TOTAL | | 4 639 187,54 | 3 880 684,61 | 2 827 008,36 | 2 677 697,02 |

Depreciation according to plan, depreciation periods:

| | |
|---------------------------------------------------|----------------------------------------|
| Intangible rights, other long-term expenditure | 4–5 years |
| Gravel areas | depreciation for decrease of substance |
| Roads | 10–25 years |
| Fish structures | primarily 10 years |
| Log floating structures | 25–years |
| Buildings | 20–40 years |
| Structures and facilities | 4–10 years |
| Machinery and equipment | 4–8 years |
| Other tangible assets: asphaltting, planting beds | 15–20 years |

Depreciation according to plan has been calculated by fixed asset. Entry of depreciation begins from the introduction of the asset.



| EUR | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|----------------------------------------------------|------------|----------------------------|----------------------|----------------------|----------------------|
| | | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| Other operating costs | 2.4 | | | | |
| Facility expenses | | 6 422 556,71 | 6 302 806,20 | 5 414 078,78 | 5 316 947,91 |
| ICT expenses | | 6 751 018,91 | 6 884 029,20 | 5 210 172,18 | 5 366 513,67 |
| Travelling expenses | | 3 354 717,67 | 3 457 858,85 | 453 274,08 | 496 288,66 |
| External services | | 2 817 727,09 | 4 449 791,50 | 2 262 988,24 | 3 615 813,32 |
| Machinery and equipment expenses, vehicle expenses | | 737 124,36 | 941 278,13 | 301 938,23 | 347 763,34 |
| Other social security expenses | | 1 649 900,98 | 1 543 774,73 | 500 660,92 | 466 787,23 |
| Other expenses | | 8 220 415,16 | 6 053 998,14 | 6 981 752,10 | 3 080 296,83 |
| Group internal expenses | | 8 131,62 | 636,45 | 1 210 720,06 | 1 203 438,31 |
| TOTAL | | 29 961 592,50 | 29 634 173,20 | 22 335 584,59 | 19 893 849,27 |
| Other interest and financial income | 2.5 | | | | |
| Dividend income from external sources | | 40 099,00 | 45 124,34 | 40 099,00 | 44 984,34 |
| Dividend income from subsidiaries | | 0,00 | 0,00 | 21 100 000,00 | 3 200 000,00 |
| Interest income | | 57 341,22 | 103 859,12 | 30 246,17 | 78 472,39 |
| TOTAL | | 97 440,22 | 148 983,46 | 21 170 345,17 | 3 323 456,73 |
| Interest and other financial expenses (EUR) | | | | | |
| Interest expenses | | 84 747,73 | 155 803,73 | 81 437,41 | 133 666,91 |
| TOTAL | | 84 747,73 | 155 803,73 | 81 437,41 | 133 666,91 |
| Financial income and expenses in total | | 12 692,49 | -6 820,27 | 21 088 907,76 | 3 189 789,82 |



NOTES TO THE BALANCE SHEET

| | NOTE | INTANGIBLE ASSETS | LAND AND WATER AREAS | ROADS, LAND AND WATER CONSTR. | BUILDINGS AND STRUCTURES | MACHINERY AND EQUIPMENT, OTHER TANGIBLE ASSETS | IN PROGRESS PROJECTS | OTHER SHARES AND HOLDINGS, OTHER RECEIVABLES | TOTAL |
|--------------------------------------------------------------|------|-------------------|----------------------|-------------------------------|--------------------------|------------------------------------------------|----------------------|----------------------------------------------|----------------|
| Non-current assets (mill. EUR) | 2.6 | | | | | | | | |
| BUSINESS OPERATIONS ENTITY | | | | | | | | | |
| Acquisition cost on 1 Jan | | 24,1 | 2 887,5 | 95,5 | 44,6 | 19,4 | 10,0 | 1,3 | 3 082,4 |
| Reduction in value on 1 Jan | | 0,0 | -4,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | -4,0 |
| Increases | | 11,2 | 15,3 | 0,0 | 1,1 | 0,0 | 6,6 | 0,0 | 34,2 |
| Decreases | | 0,3 | 5,5 | 0,0 | 0,8 | 0,0 | 7,7 | 0,3 | 14,5 |
| Increase in value | | | | | | | | | |
| Reduction in value | | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Acquisition cost on 31 Dec | | 34,9 | 2 893,4 | 95,5 | 44,9 | 19,4 | 9,0 | 1,1 | 3 098,2 |
| Accumulated depreciation and reduction in value 1.1 | | 6,2 | 4,9 | 68,2 | 33,6 | 19,1 | 0,0 | 0,0 | 132,0 |
| Accumulated depreciation relating to decreases and transfers | | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Depreciation during the financial year | | 2,3 | 0,0 | 1,4 | 0,9 | 0,0 | 0,0 | 0,0 | 4,6 |
| Accumulated depreciation on 31 Dec | | 8,6 | 4,9 | 69,6 | 34,5 | 19,1 | 0,0 | 0,0 | 136,7 |
| Book value on 1 Jan | | 17,8 | 2 878,6 | 27,3 | 11,0 | 0,3 | 10,0 | 1,3 | 2 946,4 |
| Book value on 31 Dec | | 26,3 | 2 888,4 | 25,9 | 10,5 | 0,3 | 9,0 | 1,1 | 2 961,5 |
| Production machinery and equipment | | | | | | | | | |
| Book value on 31 Dec | | | | | | 0,3 | | | |
| BUSINESS OPERATIONS | 2.6 | | | | | | | | |
| Acquisition cost on 1 Jan | | 5,6 | 2 880,9 | 95,9 | 38,0 | 9,7 | 10,0 | 81,0 | 3 121,0 |
| Reduction in value on 1 Jan | | 0,0 | -1,8 | 0,0 | 0,0 | 0,0 | 0,0 | -20,6 | -22,4 |
| Increases | | 0,8 | 15,3 | 0,0 | 1,1 | 0,0 | 6,6 | 0,0 | 23,8 |
| Decreases | | 0,3 | 5,4 | 0,0 | 0,8 | 0,0 | 7,7 | 25,3 | 39,5 |
| Reduction in value | | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Acquisition cost on 31 Dec | | 6,0 | 2 889,0 | 95,9 | 38,3 | 9,7 | 9,0 | 35,1 | 3 083,0 |
| Accumulated depreciation and reduction in value 1.1 | | 3,9 | 1,8 | 68,7 | 27,0 | 9,7 | 0,0 | 0,0 | 111,0 |
| Accumulated depreciation relating to decreases and transfers | | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Depreciation during the financial year | | 0,6 | 0,0 | 1,4 | 0,9 | 0,0 | 0,0 | 0,0 | 2,8 |
| Accumulated depreciation on 31 Dec | | 4,4 | 1,8 | 70,0 | 27,8 | 9,7 | 0,0 | 0,0 | 113,8 |
| Book value on 1 Jan | | 1,7 | 2 877,3 | 27,3 | 11,0 | 0,0 | 10,0 | 60,4 | 2 987,7 |
| Book value on 31 Dec | | 1,6 | 2 887,2 | 25,9 | 10,4 | 0,0 | 9,0 | 35,1 | 2 969,2 |
| Production machinery and equipment, book value on 31 Dec | | | | | | 0,0 | | | |



| | | HOLDINGS % | PARENT COMPANY BOOK VALUE (EUR) | | |
|------------------------------------------------------------|-------------|----------------------------|------------------------------------|----------------------|----------------------|
| Shares in subsidiaries | 2.7 | | | | |
| Metsähallitus | | | | | |
| Metsähallitus Forestry Ltd, Rovaniemi | | 100 | 25 649 635,81 | | |
| MH-Kivi Oy, Oulu | | 100 | 5 500 000,00 | | |
| Siemen Forelia Oy, Jyväskylä | | 100 | 2 476 000,00 | | |
| Total | | | 33 625 635,81 | | |
| | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
| | | 2018 | 2017 | 2018 | 2017 |
| Shares and holdings, book value (EUR) | 2.9 | | | | |
| Shares in subsidiaries | | 0,00 | 0,00 | 33 625 635,81 | 58 625 635,81 |
| Shares in associated undertakings | | 0,00 | 0,00 | 0,00 | 0,00 |
| Holdings company shares | | 0,00 | 0,00 | 0,00 | 0,00 |
| Other shares and holdings | | 712 048,86 | 712 048,86 | 1 120 921,27 | 1 120 921,27 |
| Joint forest holdings | | 362 938,27 | 631 767,14 | 362 938,27 | 631 767,14 |
| Total | | 1 074 987,13 | 1 343 816,00 | 35 109 495,35 | 60 378 324,22 |
| Receivables from public administrative duties (EUR) | | | | | |
| Accounts receivable | | 1 031 787,88 | 490 110,42 | 906 387,55 | 322 122,96 |
| Prepayments and accrued income | | 478 345,10 | 327 452,62 | 424 837,39 | 327 452,62 |
| Total | | 1 510 132,98 | 817 563,04 | 1 331 224,94 | 649 575,58 |
| Receivables from subsidiaries (EUR) | 2.12 | | | | |
| Accounts receivable | | 2 698,24 | 0,00 | 9 302 715,22 | 22 382,99 |
| Other receivables | | 0,00 | 0,00 | 0,00 | 0,00 |
| Prepayments and accrued income | | 0,00 | 0,00 | 137 492,96 | 447 430,50 |
| Total | | 2 698,24 | 0,00 | 9 440 208,18 | 469 813,49 |
| Other receivables, current (EUR) | 2.13 | | | | |
| Other prepayments, prepaid expenses | | 15 908,64 | 17 279,95 | 8 494,79 | 5 443,12 |
| VAT receivables | | 908 767,76 | 245 408,77 | 0,00 | 0,00 |
| Deferred tax assets | | 358 150,94 | 0,00 | 185 415,12 | 0,00 |
| Total | | 1 282 827,34 | 262 688,72 | 193 909,91 | 5 443,12 |



| | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|-------------------------------------------------------------------------|-------------|----------------------------|-------------------------|-------------------------|-------------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Current external prepayments and accrued income (EUR) | 2.14 | | | | |
| Accrued interest | | 0,00 | 0,00 | 0,00 | 0,00 |
| Deferred tax assets | | 0,00 | 0,00 | 0,00 | 0,00 |
| Other prepaid expenses/purchase invoices | | 528 117,42 | 355 942,88 | 43 800,00 | 157 924,80 |
| Other accrued income | | 245 784,33 | 302 886,14 | 233 784,33 | 302 886,14 |
| Total | | 773 901,75 | 658 829,02 | 277 584,33 | 460 810,94 |
| Equity (EUR) | 2.15 | | | | |
| Basic equity on 1 Jan | | 2 596 551 464,52 | 2 601 514 970,45 | 2 596 551 464,52 | 2 601 514 970,45 |
| Transfers of possession | | 6 166 062,00 | 151 671,00 | 6 166 062,00 | 151 671,00 |
| Inheritance by the State | | 113 120,00 | 0,00 | 113 120,00 | 0,00 |
| Changes in land use | | -1 889 797,00 | -5 130 037,93 | -1 889 797,00 | -5 130 037,93 |
| Other | | -5 689,00 | 14 861,00 | -5 689,00 | 14 861,00 |
| Basic equity on 31 Dec | | 2 600 935 160,52 | 2 596 551 464,52 | 2 600 935 160,52 | 2 596 551 464,52 |
| Other equity on 1 Jan | | 224 811 820,00 | 224 811 974,00 | 224 811 820,00 | 224 811 974,00 |
| Increase, decrease | | -173,00 | -154,00 | -173,00 | -154,00 |
| Other equity on 31 Dec | | 224 811 647,00 | 224 811 820,00 | 224 811 647,00 | 224 811 820,00 |
| Retained earnings on 1 Jan | | 115 261 166,46 | 94 185 413,67 | 92 704 278,09 | 89 001 932,00 |
| Contribution to State revenue | | -92 704 278,09 | -86 000 000,00 | -92 704 278,09 | -86 000 000,00 |
| Retained earnings on 31 Dec | | 22 556 888,37 | 8 185 413,67 | 0,00 | 3 001 932,00 |
| Profit for the financial year | | 125 003 382,48 | 107 075 752,79 | 105 617 767,33 | 89 702 346,09 |
| Equity in total on 31 Dec | | 2 973 307 078,37 | 2 936 624 450,98 | 2 931 364 574,85 | 2 914 067 562,61 |
| Provisions (EUR) | 2.16 | | | | |
| Other provisions (EUR) | | 1 912 895,54 | 1 752 825,20 | 174 310,00 | 140 000,00 |
| Total of long-term loans due in a period exceeding 5 years (EUR) | 2.17 | | | | |
| Total | | 0,00 | 2 284,33 | | |

| | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|-----------------------------------------------------------------------------------------------------------------------------------|-------------|----------------------------|---------------------|----------------------|----------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Amount of debt not paid to the State (EUR) | 2.18 | | | | |
| Debt to the State, withholding tax liabilities, social security contribution liabilities, VaEL, TyEL | | 686 804,27 | 757 534,82 | 354 572,89 | 394 933,38 |
| Payables to public administrative duties (EUR) | 2.19 | | | | |
| Accounts payable | | 252 763,32 | 30 166,75 | 1 758,77 | 9 696,83 |
| Accruals and deferred income | | 489 840,63 | 150 386,96 | 489 497,87 | 5 957,60 |
| Total | | 742 603,95 | 180 553,71 | 491 256,64 | 15 654,43 |
| Payables to subsidiaries (EUR) | 2.20 | | | | |
| Accounts payable | | 0,00 | 0,00 | 6 312,79 | 18 921,99 |
| Other liabilities | | 0,00 | 0,00 | 0,00 | 0,00 |
| Accruals and deferred income | | 1 651,68 | 1035,40 | 862 319,07 | 1 004 549,24 |
| Consolidated liabilities | | 0,00 | 0,00 | 16 989 916,84 | 17 708 665,39 |
| Total | | 1 651,68 | 1 035,40 | 17 858 548,70 | 18 732 136,62 |
| Other external liabilities (EUR) | 2.21 | | | | |
| VAT liabilities | | 4 675 175,12 | 4 466 754,20 | 3 191 176,10 | 2 739 796,30 |
| Withholding taxes and social security contributions and other debts related to statutory personnel expenses (payment of salaries) | | 522 084,79 | 561 410,67 | 189 853,41 | 198 809,23 |
| Equity reviews | | 468 177,90 | 1 439 396,55 | 468 177,90 | 1 439 396,55 |
| Others | | 1 393 543,39 | 44 603,57 | 1 360 778,90 | 10 657,74 |
| Total | | 7 058 981,20 | 6 512 164,99 | 5 209 986,31 | 4 388 659,82 |
| External accruals and deferred income (EUR) | 2.22 | | | | |
| Differentiated statutory personnel expenses | | 164 719,48 | 196 124,15 | 164 719,48 | 196 124,15 |
| Holiday pay liabilities, including social security expenses | | 7 430 928,59 | 7 258 119,55 | 1 935 251,55 | 1 743 930,80 |
| Tax averaging | | 0,00 | 894 441,31 | 0,00 | 89 779,59 |
| Others | | 2 287 392,17 | 1 165 822,51 | 461 252,64 | 603 070,36 |
| Total | | 9 883 040,24 | 9 514 507,52 | 2 561 223,67 | 2 632 904,90 |



OTHER NOTES

| MEUR | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|--------------------------------------|-------------|----------------------------|------|---------------------|------|
| | | 2018 | 2017 | 2018 | 2017 |
| Contingent liabilities | 2.23 | | | | |
| Leasing liabilities | | | | | |
| paid during the financial year | | 1,1 | 0,3 | 1,0 | 0,2 |
| to be paid during the following year | | 1,4 | 2,1 | 1,4 | 2,0 |
| to be paid at a later date | | 1,5 | 2,5 | 1,5 | 2,5 |
| Bank guarantee liabilities | | 2,0 | 2,2 | 0,6 | 0,6 |
| Other banking liabilities | | 1,5 | 1,5 | 1,0 | 1,0 |
| Investment commitments | | 6,0 | 6,4 | 6,0 | 6,4 |

The leasing contracts for business operations include a redemption clause after the residual value reaches the agreed level. The contracts can be terminated with a 3 month notice period. The Group also has contracts without a redemption clause, mainly for five-year periods.

Responsibility for remediation of contaminated sites

In areas administered by Metsähallitus, the responsibility involved in contaminated soil areas lies primarily with the party who was responsible for the contaminating activity. As the holder of the area, Metsähallitus may be held responsible for the remediation costs of the contaminated soil, if the primary responsible party is unable to do so.

Related-party transactions 2.24

A contribution to State revenue was paid for the period 1 January to 31 December 2018.

| Internal Group transactions during the financial year | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|-------------------------------------------------------|----------------------------|------------|---------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Sale of goods | 0,7 | 0,1 | 0,0 | 0,0 |
| Sale of services | 9,6 | 9,4 | 98,0 | 97,7 |
| Purchase of goods | 0,2 | 0,3 | 0,0 | 0,0 |
| Purchase of services | 0,0 | 0,1 | 1,2 | 1,2 |
| TOTAL | 10,1 | 9,1 | 96,8 | 96,5 |

Internal Group transactions are market-based.

| MEUR | NOTE | BUSINESS OPERATIONS ENTITY | | BUSINESS OPERATIONS | |
|-------------------------------------------------------|-------------|----------------------------|-------------|---------------------|-------------|
| | | 2018 | 2017 | 2018 | 2017 |
| Calculated deferred tax assets and liabilities | 2.25 | | | | |
| Calculated deferred tax assets | | | | | |
| from subsidiary losses | | 1,9 | 2,3 | | |
| from provisions | | 0,4 | 0,3 | | |
| TOTALT | | 2,3 | 2,6 | | |
| Self-financed investments | 2.26 | Investment plan | Actual | Investment plan | Actual |
| Land, water and gravel areas | | 5,6 | 5,4 | 5,6 | 5,4 |
| Roads, road projects, plot processing works | | 10,4 | 14,4 | 2,0 | 4,4 |
| Machinery and equipment, wind power projects | | 0,9 | 0,9 | 0,9 | 0,9 |
| Buildings and structures | | 0,6 | 0,9 | 0,6 | 0,9 |
| Other, including IT systems | | 2,1 | 0,9 | 1,6 | 0,4 |
| TOTAL | | 19,6 | 22,5 | 10,7 | 12,1 |



PUBLIC ADMINISTRATION DUTIES

PROFIT AND LOSS ACCOUNT

| EUR | PUBLIC ADMINISTRATIVE DUTIES | |
|---------------------------------------------------------------|------------------------------|----------------------|
| | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| TURNOVER | 12 170 333,20 | 11 406 201,78 |
| Other operating income | 4 385 645,72 | 3 454 627,54 |
| Financing for other operations from the State budget | 45 653 024,87 | 43 678 785,51 |
| Raw materials and services | | |
| Raw materials and consumables | | |
| Purchases during the financial year | 3 523 579,18 | 3 224 349,76 |
| Variation in inventories | 183 486,67 | 161 951,32 |
| External services | 5 173 603,39 | 4 481 137,44 |
| Raw materials and services, total | 8 880 669,24 | 7 867 438,52 |
| Staff expenses | | |
| Wages and salaries | 23 488 194,78 | 20 897 986,14 |
| Social security expenses | | |
| Pension expenses | 3 784 154,96 | 3 426 907,76 |
| Other social security expenses | 701 236,52 | 755 217,52 |
| Pension expenses | 27 973 586,26 | 25 080 111,42 |
| Other social security expenses | | |
| Depreciation according to plan | 1 785 703,75 | 1 811 143,44 |
| Other operating costs | 24 953 033,78 | 25 797 141,67 |
| OPERATING PROFIT | -1 383 989,24 | -2 016 220,22 |
| Financial income and expenses | | |
| Income from other investments under non-current assets | 14,00 | 563,42 |
| Other interest and financial income | 3 879,51 | 3 741,98 |
| Interest and other financial expenses | 3 326,52 | 4 321,28 |
| Reductions in value of investments held as non-current assets | 0,00 | 97 611,43 |
| Financial income and expenses in total | 566,99 | -97 627,31 |
| PROFIT BEFORE FINANCIAL STATEMENT TRANSFERS AND TAXES | -1 383 422,25 | -2 113 847,53 |
| Transfer of the profits of the financial year to Equities | 1 383 422,25 | 2 113 847,53 |
| PROFIT/LOSS FOR FINANCIAL PERIOD | 0,00 | 0,00 |



BALANCE SHEET

| EUR | PUBLIC ADMINISTRATIVE DUTIES | |
|---------------------------------------|------------------------------|-----------------------|
| | 31 DEC 2018 | 31 DEC 2017 |
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Intangible assets | | |
| Intangible rights | 43 894,97 | 198 049,28 |
| Other intangible assets | 24 089,43 | 2 764,19 |
| Advance payments and work in progress | 56 048,00 | 0,00 |
| Intangible assets in total | 124 032,40 | 200 813,47 |
| Tangible assets | | |
| Land and water areas | 987 724 193,68 | 963 239 156,86 |
| Roads | 143 969,91 | 170 933,19 |
| Buildings and structures | 18 223 269,83 | 19 406 670,47 |
| Machinery and equipment | 175 074,03 | 108 528,69 |
| Advance payments and work in progress | 118 103,26 | 85 053,12 |
| Tangible assets in total | 1 006 384 610,71 | 983 010 342,33 |
| Investments | | |
| Shares in Group's subsidiaries | 12 200 000,00 | 12 267 500,00 |
| Other shares and holdings | 737 704,68 | 737 704,68 |
| Other receivables | 1 800,00 | 1 800,00 |
| Investments in total | 12 939 504,68 | 13 007 004,68 |
| NON-CURRENT ASSETS IN TOTAL | 1 019 448 147,79 | 996 218 160,48 |
| CURRENT ASSETS | | |
| Inventories | | |
| Finished products | 1 430 870,11 | 1 614 356,78 |
| Inventories in total | 1 430 870,11 | 1 614 356,78 |

| EUR | PUBLIC ADMINISTRATIVE DUTIES | |
|---------------------------------------------------|------------------------------|-------------------------|
| | 31 DEC 2018 | 31 DEC 2017 |
| Receivables | | |
| Current receivables | | |
| Accounts receivable | 2 035 528,01 | 2 369 964,32 |
| Receivables from enterprise's business operations | 491 256,64 | 15 654,43 |
| Receivables from the enterprise's subsidiaries | 251 347,31 | 177 996,87 |
| Other receivables | 107 976,47 | 15 713,81 |
| Prepayments and accrued income | 3 734 078,12 | 4 293 361,45 |
| Current receivables in total | 6 620 186,55 | 6 872 690,88 |
| Cash in hand and at banks | 10 414 860,34 | 8 064 472,57 |
| CURRENT ASSETS IN TOTAL | 18 465 917,00 | 16 551 520,23 |
| ASSETS IN TOTAL | 1 037 914 064,79 | 1 012 769 680,71 |

| EUR | PUBLIC ADMINISTRATIVE DUTIES | |
|-------------------------------------------|------------------------------|-------------------------|
| | 31 DEC 2018 | 31 DEC 2017 |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Other equity | 1 019 457 176,93 | 996 237 549,41 |
| Retained earnings | 0,00 | 0,00 |
| Profit/loss for financial period | 0,00 | 0,00 |
| EQUITY IN TOTAL | 1 019 457 176,93 | 996 237 549,41 |
| LIABILITIES | | |
| Other liabilities, non-interest-bearing | 6 750,00 | 6 500,00 |
| Current | | |
| Advances received | 7 628 104,65 | 6 693 687,77 |
| Accounts payable | 1 946 741,57 | 2 388 155,18 |
| Debts to enterprise's business operations | 1 331 224,94 | 649 575,58 |
| Debts to the enterprise's subsidiaries | 178 908,04 | 167 987,46 |
| Other liabilities | 657 704,77 | 600 342,95 |
| Accruals and deferred income | 6 707 453,89 | 6 025 882,36 |
| LIABILITIES IN TOTAL | 18 456 887,86 | 16 532 131,30 |
| EQUITY AND LIABILITIES IN TOTAL | 1 037 914 064,79 | 1 012 769 680,71 |



CASH FLOW STATEMENT

| EUR | PUBLIC ADMINISTRATIVE DUTIES | |
|---------------------------------------------------------------------------------|------------------------------|----------------------|
| | 1 JAN-31 DEC 2018 | 1 JAN-31 DEC 2017 |
| CASH FLOW FROM BUSINESS OPERATIONS | | |
| Payments from sales | | 10 945 502,46 |
| Payments from other operating income | 4 673 481,64 | 603 776,29 |
| Payments from operating charges | -59 497 672,37 | -55 378 673,24 |
| Cash flow from business operations, before financial items and taxes | -42 868 373,87 | -43 829 394,49 |
| Interest paid and other financial expenses | -3 326,52 | -4 321,28 |
| Interest income from business operations | 3 879,51 | 3 741,98 |
| Dividends received | 14,00 | 563,42 |
| State's budget funding for other operations | 45 653 024,87 | 45 792 633,04 |
| CASH FLOW FROM OPERATIONS | 2 785 217,99 | 1 963 222,67 |
| INVESTMENTS | | |
| Purchase of environmental protection areas, shares | 170 689,87 | 162 103,16 |
| Purchase of fixed assets, funding by Ministries | -351 428,09 | -1 111 648,79 |
| Purchase of fixed assets, other funding | -279 851,04 | -1 078 095,07 |
| Investments in tangible and intangible assets | -649 943,88 | -2 107 641,09 |
| Sale of tangible and intangible assets | 246 755,00 | 442 572,55 |
| Shareholder investment in purchase of environmental protection areas and shares | -170 689,87 | -162 103,16 |
| Funding received for the construction of nature centres etc. | 599 387,79 | 2 191 786,50 |
| CASH FLOWS FROM INVESTING ACTIVITIES | -435 080,22 | -1 663 025,90 |
| FINANCING | | |
| Change in other non-current, non-interest-bearing loans | 250,00 | 1 000,00 |
| CASH FLOWS FROM FINANCING ACTIVITIES | 250,00 | 1 000,00 |
| CHANGE IN LIQUID FUNDS | 2 350 387,77 | 301 196,77 |
| Liquid funds on 1 Jan | 8 064 472,57 | 7 763 275,80 |
| Liquid funds on 31 Dec | 10 414 860,34 | 8 064 472,57 |
| Change | 2 350 387,77 | 301 196,77 |



SIGNATURE OF THE FINANCIAL STATEMENTS AND AUDITOR'S MARKING

METSÄHALLITUS **0116726-7**

Signature of the financial statements and annual report 1 January–31 December 2018

Vantaa, 25 February 2018

| | | |
|--------------------------------|---------------------------------|-------------------------------------|
| Timo Laitinen Chair | Kai Kaatra Vice Chair | Johanna Ikäheimo Board member |
| Pertti Itkonen Board member | Simo Rundgren Board member | Tuija Soanjärvi Board member |
| Helena Säteri Board member | Liisa Tyrväinen Board member | Pentti Hyttinen Director General |

A report on the performed audit has been issued today.

Helsinki, on . 2019

| | |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| KPMG Oy Ab Jorma Nurkkala, Authorised Public Accountant, Chartered Public Finance Auditor | KPMG Oy Ab Heikki Ruosteenoja, Authorised Public Accountant, Chartered Public Finance Auditor |
|----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|

