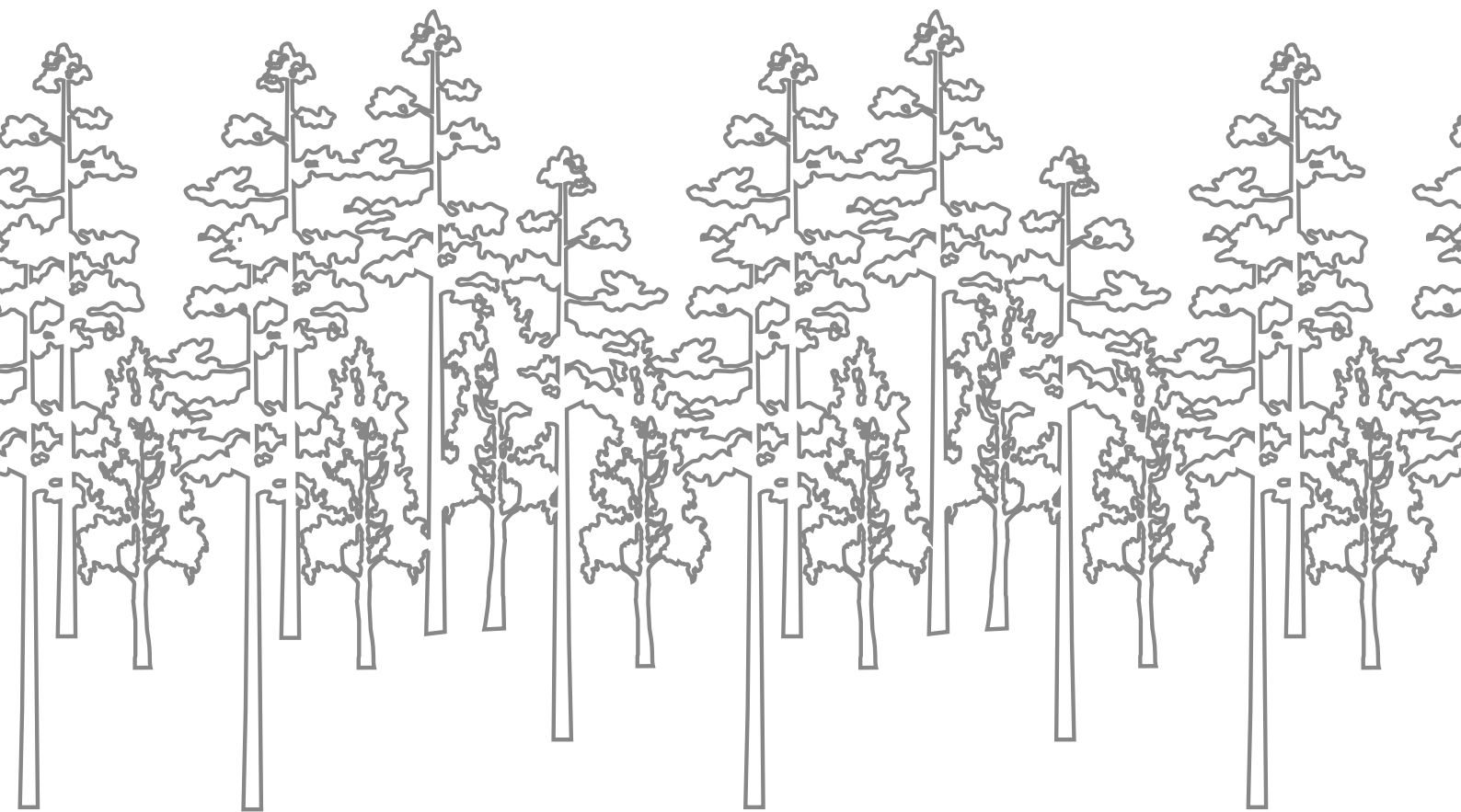


METSÄHALLITUS FINANCIAL YEAR 2012



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Record Year for Metsähallitus

LAST YEAR, METSÄHALLITUS DID EXTREMELY WELL. ALL BUSINESS AREAS AND SUBSIDIARIES EARNED A PROFIT, INCLUDING OUR NEW BUSINESS OPERATIONS AS WELL AS THE PROJECT DEVELOPMENT OF WIND ENERGY AREAS. FORESTRY, WHICH CONTINUED TO GROW RAPIDLY, WAS AGAIN THE SOURCE OF MOST EARNINGS. THE NUMBER OF VISITORS TO NATIONAL PARKS AND HIKING AREAS REMAINED THE SAME, AND THE SPIN-OFF EFFECT OF RECREATIONAL SERVICES ON THE LOCAL ECONOMY MATCHED LAST YEAR'S FIGURES.

Turnover for the entire Business Operations Group was EUR 377.9 million. The operating profit was EUR 124.5 million or EUR 11.5 million more than last year's record results. The profit for the financial year was EUR 115.1 million, which means an increase of EUR 11.3 million over our record profit. The other benefits generated by the Metsähallitus business operations (such as biodiversity and the prerequisites for the recreational use of forests, reindeer husbandry and Sámi culture) underline their profitability. Without these general social obligations, the profit would have increased by an estimated EUR 54.3 million.

In addition to forestry, all operative units in the business operations portfolio – Laatumaa, Morenia Oy, Fin Forelia Oy and Siemen Forelia Oy – were profitable and able to pay out dividends. Furthermore, AS Eesti Metsataim, the joint venture on saplings in conjunction with the Estonian State Forest Management Centre, also yielded positive results.

In 2012, Metsähallitus gave up its tourism service operations: Eräsetti Oy and the Wild North brand were sold. At the same time, the sale of Wild North licences was transferred to the Game and fisheries area of Natural Heritage Services. A decision has been made to sell some of the Metsähallitus cabins: some have been rented out for long periods of time, and others have been outsourced for short-term rental. The arrangement had no effect on the use of huts and cabins in national parks and wilderness areas.

METSÄHALLITUS HAS DOUBLED THE CONTRIBUTIONS MADE TO ITS OWNER (THE FINNISH STATE)

Metsähallitus has improved its business result considerably during the 2000s. Business operating profit has reached over EUR 100 million. In addition to forestry, the 2012 profits are owed to a rise in property sales and real estate development. Furthermore, the project development of wind energy areas initiated a few years ago has reached a stage of rapid results.



Last year, Metsähallitus did extremely well.

The Metsähallitus Board proposal for the contributions to be made to its owner in 2013 is EUR 120 million, which corresponds to the objective communicated by the owner (the Finnish state). This is a record contribution. Metsähallitus pays some of the highest dividends to the state among public companies and state enterprises.

FORESTRY ONCE AGAIN PRODUCES STRONG RESULTS

Forestry produced good results despite the weakened market and the rise in costs. More than 6.1 million cubic metres of commercial timber was delivered, which is a little under 0.3 million cubic metres more than the previous year and equal to the amount delivered in 2010. Thanks to an efficient logistics system and investments made in the forest road network, timber deliveries were completed successfully despite a rainy year and the occasionally difficult harvesting and transportation conditions. Due to an extended average transport distance, long-distance transport costs increased as much as 8.5 percent, while the rise in timber harvesting cost was more moderate at 2.5 percent.

The profitability of delivering wood fuel varies depending on the location of the plants. This will limit the increase in the volumes of wood fuel harvested, particularly as Metsähallitus receives no subsidies for increasing the use of wood fuel. The amount of energy wood delivered was equal to that of the previous year, 520 GWh.

The Helsinki District Court continued to examine the timber cartel matter. Metsähallitus is demanding EUR 159.4 million from the Metsä Group, Stora Enso and UPM-Kymmene for damages caused by the cartel.

AMBITIOUS GOALS FOR MULTIPLE USE FORESTS

In addition to financial goals, the multi-

ple use forests of Metsähallitus have many other objectives as well. In 2012, the internationally unique cultural heritage inventory of the state forests was extended by approx. 700,000 hectares. This is one of the largest archaeological projects in the history of Finland.

Metsähallitus also continued the Metso programme (the Forest Biodiversity Programme for Southern Finland), and the implementation of the national mire strategy was prepared. In state forests, valuable nature conservation targets have been mapped on several occasions. However, the unconserved forests of the most significant natural value are located elsewhere.

The constant addition of forests subject to conservation, the increasing restrictions for use and the sales objectives due to owner-political contributions will weaken the conditions necessary for our forestry work. It is challenging for Metsähallitus to continue being able to make contributions to its owner.

NATIONAL PARKS HAVE A SIGNIFICANT IMPACT ON REGIONAL ECONOMY

The total funding of Natural Heritage Services rose to a record-high sum of approximately EUR 64 million. The EU project funding covered EUR 4.7 million. At the end of the year, the Ministry of the Environment gave the Metsähallitus Natural Heritage Services the task of reviewing the possibilities of establishing four new national parks.

In total, there were more than two million visitors to Finland's 37 national parks last year. The economic recession is not reflected in the euros earned by local tourism agencies because nature tourism continues at national parks. The impact on the local economy equalled that of the previous year. The visitors spent an average of 10 euros for each euro invested by the state in the parks' hiking services and visitor centres. At national parks located in

tourism areas, the return was even better, 14 euros on average.

In 2012, the total revenue and employment impact for all 37 national parks amounted to EUR 109.5 million, or a total of 1,412 person-years. For seven hiking areas, the impact was EUR 15.0 million, or 194 person-years. Many other special destinations like Punkaharju and Aulanko, as well as commercial multiple use forests through the economic significance of activities such as the commercial picking of berries and mushrooms as well as hunting, are important to tourism and to other industries as well. However, the increasing numbers of visitors and their economic impact should not cloud the importance of conservation areas in ensuring biodiversity.

EXTREME POPULARITY FOR NEW SERVICES

The network of visitor centres expanded with the completion of the new visitor and cultural centre Naava at Pyhä-Luosto as well as the extension of the Liminganlahti Visitor Centre. The construction of the Finnish Nature Centre Haltia at Nuukio progressed so well that it will be open before the 2013 summer holiday season begins. Construction projects have used wood in supporting structures and in other respects as well, according to the pioneering Metsähallitus vision. They will also serve as a model of public wood construction.

The most popular visitor centre is the Siida Nature Centre at Inari, but other centres have also been well received. The Pilke Science Centre at Rovaniemi also received plenty of visitors.

The number of hunters is still increasing in Finland. The sale of hunting and fishing permits for state areas increased, and game and fisheries clients remained satisfied with the services. Hunting rights in the future conservation areas were widely discussed. The government pro-

gramme objective to prevent poaching was achieved by recruiting additional personnel for wilderness monitoring. Hunting, fishing and off-road traffic permits can now be applied conveniently at the Eräluvot.fi website.

OUR REPUTATION AND THE IMAGE OF METSÄHALLITUS IMPROVED

An extensive stakeholder study carried out in 2012 presents a positive outlook on our future and active development. Compared to a similar study carried out six years ago, the image of Metsähallitus is now clearly more positive. The percentage of stakeholders with a positive or neutral view of Metsähallitus has increased from 60 to nearly 80 percent.

In addition, our reputation has improved in the areas of social responsibility, success, cooperation, corporate culture and leadership, and it has reached a high level. Our social responsibility exceeds that of all listed Finnish companies, and that is how it should be. However, we still have much to improve in the dynamic and flexible aspects of our reputation.

The improvement of our reputation was partially supported by the recognitions received by Metsähallitus. The most publicised recognition was the sports and exercise design award at the Finnish Sports Gala. Our work for the promotion of the Sámi culture was noted on an international level when Metsähallitus was praised for planning wilderness care and use according to the Akwe:ko in India at the meeting of the parties to the international Convention of Biological Diversity. This was a positive follow-up to the award we previously received for promoting the Sámi language.

EMPHASIS ON COORDINATING OBJECTIVES AND ACTIVITIES

The state constantly increases the contribution requirement for Metsähallitus, which may be interpreted as strong con-

fidence in our ability to produce excellent results. Metsähallitus is one of the leading contributors of state revenue. Meeting the contribution objectives requires innovations and constant development. We must take risks carefully, though there are no completely risk-free methods for increasing profits. New methods — innovations — are also needed to further improve results.

Part of the objective of increasing profits and contributions is reached by selling state assets. Cabins, separate commercial forest parcels and plots will be sold more than they have in the past, if the market situation is favourable. This further emphasises the importance of Laatumaa. The project development seeks to add value for state-owned land, natural resources and ecosystem services. The project development of wind energy areas is a good example of an economically profitable new business activity that is based on ecosystem services.

The one-third of Finnish territory that is in our control plays a central role in maintaining biodiversity, the success of the bio-economy and the field of natural resources nationwide. The global management model, which complies with the state's ownership strategy, is effective, productive and serves its purpose. It also best guarantees the global interest of our society. The increasing profit targets, the coordination of different interests and local acceptance of Metsähallitus's activities present a demanding equation – the interaction with various operators is increasingly important.

NEW ACT ON METSÄHALLITUS STILL PENDING

The New Act on Metsähallitus is still being prepared. According to the latest policies, Metsähallitus will continue to act as a special enterprise, and its business activities on the open market and in a competitive situation will become the

enterprise's subsidiaries. The Metsähallitus Natural Heritage Services, Laatumaa and the current subsidiaries would largely continue to operate in their present state. The incorporation of forestry would be the most significant change.

Even in a corporate form, forestry should become a fixed part of Metsähallitus so that the new act establishes the subsidiary's permanent commercial and social task as the user of the state's commercial forests. It is also important for the state's voice in property matters and its guardianship to also be heard in corporate forestry and its field. This is to ensure Katainen's government programme policy of a unified Metsähallitus and to lay the foundation for the increasing contributions.

The change would have no effect on our basic policies on the care and use of commercial forests — we wish to protect and use state-owned multiple use forests sustainably in the future as well, while keeping several goals in mind.

RESULTS ARE PRODUCED BY A SKILLED AND MOTIVATED PERSONNEL

We have made records and had good achievements thanks to our skilled and productive personnel. In 2012, Metsähallitus had 1,832 employees on average. A total of 1,702 person-years were performed.

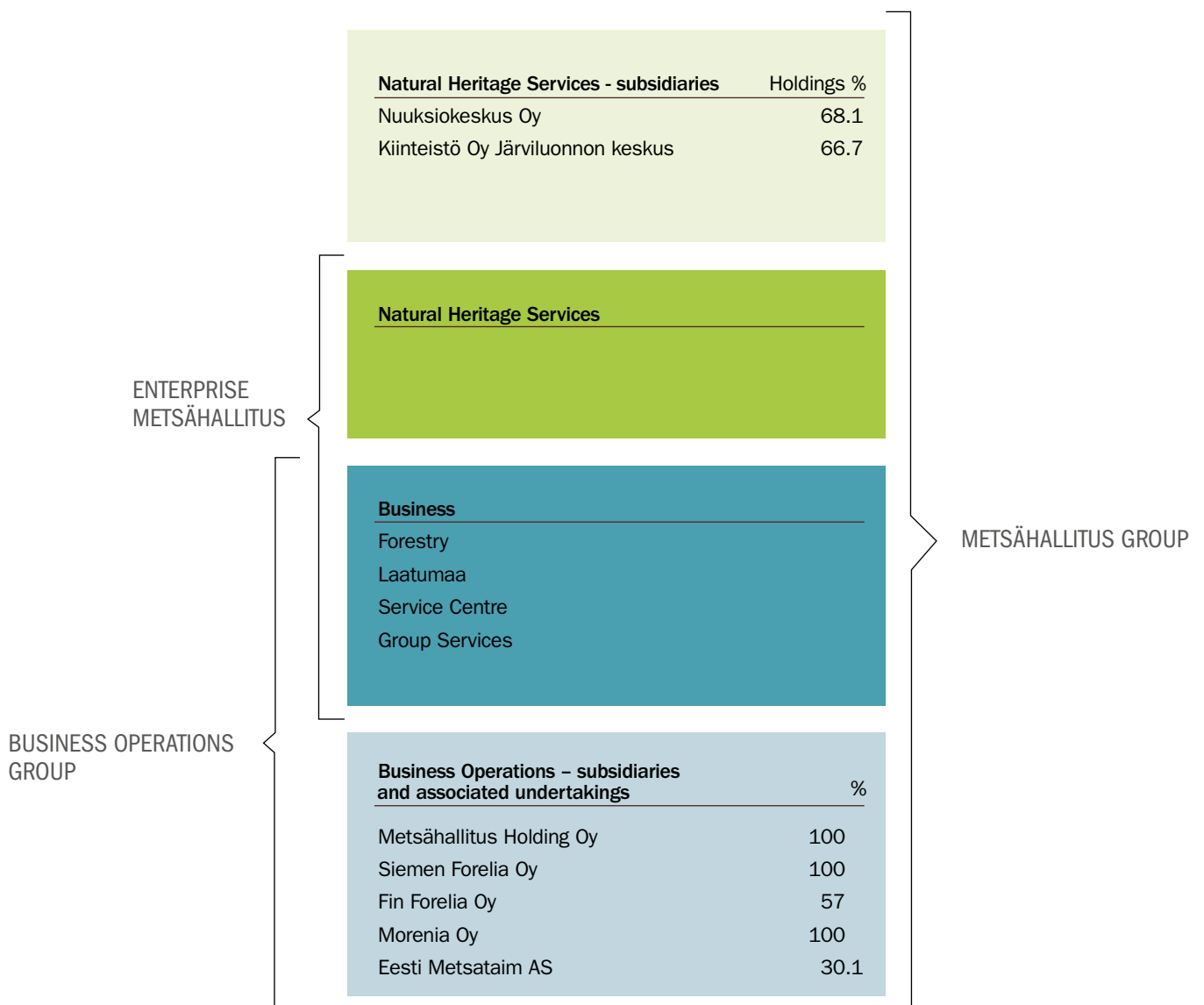
A total of 57.3 percent of the Metsähallitus personnel payroll was paid to Northern Finland. Our tax footprint of dozens of millions of euros has strong northern and eastern dimensions. Metsähallitus has the nation's best regional policies.

Over the course of the year, it was great to see how we improved our results despite the change in the enterprise model and the uncertainty it caused. Record results should be valued even more than usual. ■

Jyrki Kangas
Director General

GROUP STRUCTURE

Metsähallitus consists of two sections: business operations and Natural Heritage Services. The business operations group covers all departments handling business operations, that is, business operations and the subsidiaries and associated undertakings involved in business operations. The Metsähallitus Group consists of all these operations (Natural Heritage Services, business operations and the subsidiaries and associated undertakings involved in business operations). ■



PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT (EUR)	METSÄHALLITUS GROUP		ENTERPRISE METSÄHALLITUS	
	1.1.-31.12.2012	1.1.-31.12.2011	1.1.-31.12.2012	1.1.-31.12.2011
TURNOVER	380 991 372.77	371 874 096.32	349 139 369.32	338 794 815.89
Variation in inventories of finished products and change to work in progress	963 983.97	962 203.14	0.00	0.00
Other operating income	29 849 547.03	19 765 172.57	29 519 986.92	19 103 459.73
Raw materials and services				
Raw materials and consumables				
Purchases during the financial year	9 974 816.44	12 633 169.76	9 088 654.49	11 313 482.33
Variation in inventories	-64 600.41	-2 913 935.61	572 898.25	-2 461 951.92
External services	184 882 786.47	174 552 438.24	165 740 909.29	156 280 554.65
Staff expenses				
Wages and salaries	67 061 990.04	65 375 811.41	61 075 287.23	59 139 456.27
Social security expenses				
Pension expenses	12 125 849.70	12 016 712.68	11 047 482.80	10 935 044.76
Other social security expenses	3 106 057.27	2 930 041.79	2 810 417.01	2 620 229.02
Depreciation and reduction in value				
Depreciation according to plan	6 302 192.32	6 337 790.17	4 651 253.98	4 570 451.90
Other operating costs	47 947 867.19	45 779 835.55	44 866 265.52	41 322 264.49
Share of associated undertakings' profit/loss	99 554.81	22 430.14	0.00	0.00
OPERATING PROFIT	80 567 499.56	75 912 038.18	78 806 187.67	74 178 744.12
Financial income and expenses				
Income from other investments under non-current assets	92 482.22	124 345.02	1 066 401.51	124 130.02
Other interest and financial income	360 343.66	791 472.03	253 970.79	554 871.03
Interest and other financial expenses	436 898.46	647 352.65	307 870.83	479 105.40
Reductions in value of investments held as non-current assets	999 950.00	0.00	999 950.00	350 007.65
	-984 022.58	268 464.40	12 551.47	-150 112.00
PROFIT BEFORE FINANCING FOR OTHER OPERATIONS FROM THE STATE BUDGET	79 583 476.98	76 180 502.58	78 818 739.14	74 028 632.12
Financing for other operations from the State budget	41 781 411.26	34 267 695.08	41 781 411.26	34 267 695.08
Income taxes	8 338 844.35	9 014 881.36	8 336 246.63	9 013 312.76
Minority share	9 021.33	-82 477.60	0,00	0.00
PROFIT DURING THE FINANCIAL YEAR	113 035 065.22	101 350 838.70	112 263 903.77	99 283 014.44

BALANCE SHEET (EUR)	METSÄHALLITUS GROUP 31.12.2012	31.12.2011	ENTERPRISE METSÄHALLITUS 31.12.2012	31.12.2011
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Intangible rights	338 210.21	400 216.30	47 969.79	77 742.50
Other capitalised long-term expenses	388 113.51	368 196.45	6 768.07	11 042.71
	726 323.72	768 412.75	54 737.86	88 785.21
Goodwill and consolidation	0.00	350 376.18	0.00	0.00
Tangible assets				
Land and water areas	3 675 062 872.68	3 656 761 838.30	3 668 320 434.96	3 649 975 509.06
Roads	18 557 132.30	15 677 140.17	18 388 184.01	15 464 665.36
Buildings and structures	49 612 053.88	52 602 525.70	44 012 573.29	47 341 015.20
Machinery and equipment	3 058 961.75	3 384 735.31	910 113.81	916 117.40
Other tangible assets	492 119.61	530 766.26	10 599.04	10 599.04
Advance payments and work in progress	20 247 661.90	12 116 820.46	8 734 453.96	8 365 699.41
	3 767 030 802.12	3 741 073 826.20	3 740 376 359.07	3 722 073 605.47
Investments				
Shares in Group's subsidiaries	0.00	0.00	35 838 941.62	35 849 632.17
Holdings in associated undertakings	855 786.38	1 768 818.86	1 200 007.20	2 199 957.20
Other shares and holdings	2 322 562.64	2 107 201.52	2 683 237.54	1 997 439.12
Other receivables	22 300.00	22 300.00	0.00	0.00
	3 200 649.02	3 898 320.38	39 722 186.36	40 047 028.49
NON-CURRENT ASSETS IN TOTAL	3 770 957 774.86	3 746 090 935.51	3 780 153 283.29	3 762 209 419.17
CURRENT ASSETS				
Inventories				
Finished products	31 167 396.01	30 579 020.75	14 972 790.21	15 545 688.46
Work in progress	1 492 543.49	1 052 334.37	0.00	0.00
	32 659 939.50	31 631 355.12	14 972 790.21	15 545 688.46
Receivables				
Non-current				
Other receivables	147 162.74	148 588.86	0.00	0.00
Prepayments and accrued income	0.00	0.00	0.00	0.00
Current				
Accounts receivable	32 640 129.59	33 447 039.41	28 238 829.42	28 980 695.83
Receivables from Group's subsidiaries	0.00	0.00	429 574.21	222 503.78
Receivables from associated undertakings	0.00	1 285.17	0.00	0.00
Other receivables	1 625 611.86	1 268 068.22	940 814.55	163 067.17
Prepayments and accrued income	5 381 660.66	7 283 364.66	5 149 455.25	6 032 389.21
	39 647 402.11	41 999 757.46	34 758 673.43	35 398 655.99
Securities	4 992 566.76	4 859 961.56	4 992 566.76	0.00
Cash in hand and at banks	33 412 785.69	20 275 671.46	27 532 458.96	13 375 823.53
CURRENT ASSETS IN TOTAL	110 859 856.80	98 915 334.46	82 256 489.36	64 320 167.98
ASSETS IN TOTAL	3 881 817 631.66	3 845 006 269.97	3 862 409 772.65	3 826 529 587.15

BALANCE SHEET

BALANCE SHEET (EUR)	METSÄHALLITUS GROUP 31.12.2012	31.12.2011	ENTERPRISE METSÄHALLITUS 31.12.2012	31.12.2011
EQUITY AND LIABILITIES				
EQUITY				
Basic equity	2 538 127 797.15	2 547 374 982.87	2 538 127 797.15	2 547 374 982.87
Other equity	1 131 624 450.30	1 100 167 732.20	1 131 624 450.30	1 100 167 732.20
Retained earnings	17 214 401.52	25 863 562.82	20 239 298.98	30 956 284.54
Profit for the financial year	113 035 065.22	101 350 838.70	112 263 903.77	99 283 014.44
EQUITY IN TOTAL	3 800 001 714.19	3 774 757 116.59	3 802 255 450.20	3 777 782 014.05
MINORITY HOLDINGS	11 308 759.28	10 830 280.62	0.00	0.00
PROVISIONS				
Other provisions	1 917 158.31	588 506.39	1 300 000.00	200 000.00
LIABILITIES				
Non-current				
Loans from financial institutions	5 707 182.14	2 630 000.00	0.00	0.00
Other liabilities	430 447.81	547 220.00	27 738.21	39 651.40
Current				
Loans from financial institutions	5 655 088.30	1 826 699.24	4 995 088.30	0.00
Advances received	9 427 756.34	8 335 477.77	9 382 978.20	7 780 232.41
Accounts payable	13 127 233.29	13 079 648.65	11 314 125.72	9 948 571.41
Payables to Group's subsidiaries	0.00	0.00	1 611 617.77	1 947 093.63
Payables to associated undertakings	0.00	0.00	0.00	0.00
Other liabilities (incl. interest-bearing)	14 573 176.04	13 361 370.90	13 093 248.64	11 844 505.97
Accruals and deferred income	19 654 665.21	19 037 646.79	18 429 525.61	16 987 518.28
Deferred tax liabilities	14 450.75	12 303.02		0.00
LIABILITIES IN TOTAL	68 589 999.88	58 830 366.37	58 854 322.45	48 547 573.10
EQUITY AND LIABILITIES IN TOTAL	3 881 817 631.66	3 845 006 269.97	3 862 409 772.65	3 826 529 587.15

CASH FLOW STATEMENT

CASH FLOW STATEMENT (EUR)	METSÄHALLITUS GROUP		ENTERPRISE METSÄHALLITUS	
	1.1.-31.12.2012	1.1.-31.12.2011	1.1.-31.12.2012	1.1.-31.12.2011
CASH FLOW FROM BUSINESS OPERATIONS				
Payments from sales	383 000 204.43	368 384 544.50	350 365 073.03	338 336 195.17
Payments from other operating income	5 173 081.52	4 105 382.68	5 130 087.86	4 165 759.53
Payments from operating charges	-322 572 190.90	-316 768 142.19	-289 468 305.39	-283 234 399.50
Cash flow from business operations, before financial items and taxes	65 601 095.05	55 721 784.99	66 026 855.50	59 267 555.20
Interest and other financial expenses	-436 898.46	-647 352.65	-307 870.83	-438 762.13
Interest income from business operations	360 343.66	791 472.03	253 970.79	514 527.76
Dividends received	92 482.22	124 345.02	866 401.51	124 130.02
Direct taxes	-7 159 266.05	-9 012 926.64	-7 156 668.33	-9 013 312.76
Cash flow before the State's budget funding	58 457 756.42	46 977 322.75	59 682 688.64	50 454 138.09
State's budget funding for other operations	42 850 036.73	34 267 695.08	42 850 036.73	34 267 695.08
Cash flow from business operations	101 307 793.15	81 245 017.83	102 532 725.37	84 721 833.17
INVESTMENTS				
Purchase of environmental protection areas, shares	-3 313 436.90	-564 348.55	-3 313 436.90	-564 348.55
Purchase of fixed assets, funding by Ministry	-2 525 614.70	-4 003 874.08	-2 525 614.70	-4 003 874.08
Purchase of fixed assets, funding by the EU	-634 492.00	-795 101.52	-634 492.00	-795 101.52
Purchase of fixed assets, other funding	-81 965.96	-62 659.32	-81 965.96	-62 659.32
Investments in tangible and intangible assets	-21 853 544.90	-20 523 010.15	-12 486 757.17	-17 121 903.79
Sale of tangible and intangible assets	34 178 049.38	20 210 472.15	33 843 614.41	20 001 022.40
Sale of other investments	745 250.99	0.00	1 368 690.70	0.00
Purchase of other investments held as non-current assets	-7 520.00	0.00	-477 520.00	0.00
Purchase of subsidiaries' shares, sale	0.00	0.00	-1 900 000.00	-1 650 007.65
Purchase of associated undertakings' shares	0.00	-7.20	0.00	-7.20
Shareholder investment in/return on environmental protection areas and shares	5 213 436.90	-149 998.33	5 213 436.90	-149 998.33
Funding received for the construction of nature centres	2 965 464.46	4 495 136.52	2 965 464.46	4 495 136.52
Investments	14 685 627.27	-1 393 390.48	21 971 419.74	148 258.48
FINANCING				
Change in non-current loans from financial institutions	3 062 453.16	-125 271.02	0.00	0.00
Change in other non-current, interest-bearing loans	-90 130.02	-208 593.25	0.00	0.00
Change in other non-current, non-interest-bearing loans	-11 913.19	-5 663.19	-11 913.19	-5 913.18
Change in current loans from financial institutions	-1 166 699.24	539 155.01	0.00	0.00
Change in other current, interest-bearing loans	4 995 088.30	-543 167.23	4 995 088.30	0.00
Other current, non-interest-bearing loans	0.00	0.00	200 000.00	0.00
Change in Group loans to subsidiaries	0.00	0.00	-538 118.03	-1 531 273.17
Investment by Nuukio Nature centre shareholders	552 000.00	0.00	0.00	0.00
Return of capital to minority shareholders	-64 500.00	-107 500.00	0.00	0.00
Contribution to State revenue	-110 000 000.00	-96 427 000.00	-110 000 000.00	-96 427 000.00
Account debited on 3 Jan 2011	0.00	-29 200 000.00	0.00	-29 200 000.00
Financing	-102 723 700.99	-126 078 039.68	-105 354 942.92	-127 164 186.35
CHANGE IN LIQUID FUNDS				
Liquid funds on 1 Jan	25 135 633.02	71 362 045.35	13 375 823.53	55 669 918.23
Liquid funds on 31 Dec	38 405 352.45	25 135 633.02	32 525 025.72	13 375 823.53
Change in liquid funds	13 269 719.43	-46 226 412.33	19 149 202.19	-42 294 094.70

The financial statements of the year 2012 have been prepared in accordance with the State Enterprise Act (1185/2002) and Government decrees (160/2004, 1402/2004 and 1403/2004).

FINANCING FOR PUBLIC ADMINISTRATION DUTIES FROM THE STATE BUDGET

In the profit and loss account of the enterprise, the financing received from the State budget is reported as an income item on an accrued basis, so that it corresponds with the expenses (excluding depreciations), expense adjustments and the acquisition costs of fixed assets subject to wear and tear of the accounting period. Financing received during the financial period for incomplete buildings are entered as acquisition cost deductions. Notes of the public administration duties give an account of financing received from the State budget.

VALUATION AND ALLOCATION PRINCIPLES

VALUATION OF FIXED ASSETS

By Government decision (Dec. 30, 2004), the land and water areas of the State, including plots and gravel resources, were transferred to the business operations of Metsähallitus (Jan. 1, 2005), is defined in the new act, at fair value measured according to the Income Capitalisation Approach. Other assets of the business operations and the assets of the public administration duties were transferred at book value. At the same time, the basic equity capital of the business operations was increased.

After this, all assets transferred to or from the possession of the business operations without a consideration are measured in fair value in connection with the transfer. After the Enterprise has received a decision on the transfer of assets and an auditors' report, the assets are recorded to or from the asset account of the balance sheet. The counter item is "Equity adjustment" under "Other liabilities" of the balance sheet, from which the transfer to or from the basic equity is made after the Government has issued its decision on the change in basic equity capital.

Assets transferred to or from the possession of the public administration duties are remeasured to the book value of the releasing party. The transfer of assets is recorded on the basis of the received transfer decision to or from the asset account of the balance sheet; the counter item is "Other equity" of

the public administration duties.

Other non-current assets that can be depreciated are recorded in the balance sheet in acquisition cost, subtracted with depreciations according to plan. Asset items are depreciated by the straight-line method over their estimated useful life. Depreciations for decrease in substance have been made of the remeasured gravel resources.

Based on an annual review of the balance sheet value of the landed property and the market value calculated by the enterprise, the balance values will be corrected where necessary.

FINANCIAL YEAR

Due to a decrease in the expected income, the enterprise has made an entry of depreciation in the book value for the shares of associated undertakings during the financial year.

VALUATION OF CURRENT ASSETS

Inventories

The immediate acquisition cost of inventories remaining at the end of the accounting period has been activated. If the probable acquisition cost or net realisable value of the inventories is less than the acquisition cost at the end of the accounting period, the difference is recorded as expense.

Financial assets

Securities held as financial assets have been measured to acquisition cost or a lower probable net realisable value.

COMPARABILITY WITH THE PREVIOUS YEAR

CORRECTIONS TO RESULTS AND BALANCE AND THE DATA FOR THE PREVIOUS FINANCIAL YEAR

COMPARABILITY OF THE DATA FOR THE PREVIOUS FINANCIAL YEAR

Losses from the sale of fixed assets have been presented in the financial year's results under other expenses instead of under the allowance account for other profits. The grouping of the other debts in the balance and accruals and deferred income was modified during the financial year by transferring the value-added tax debt accounts and the debts

related to personnel expenses (payment of salaries) from accruals and deferred income to other debts. Similar changes were also made to the results, balances and notes for the previous financial year.

In the results and notes for the previous financial year, the presentation of the business activities, the enterprise's interest income and the interest expenses have been modified to correspond to the presentation of the current financial year.

STRUCTURAL CHANGES IN THE ORGANISATION

Metsähallitus sold all shares of Eräsetti Oy during the financial year. E.Hyvönen Oy merged with its parent company, Morenia Oy, and Morenia Baltic OÜ was dissolved during the financial year.

ITEMS IN FOREIGN CURRENCY IN THE FINANCIAL STATEMENTS

There were no significant items in foreign currency to report in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All companies owned at the end of the year are included in the consolidated financial statement. The consolidated financial statements have been prepared using the purchase method. The difference between the acquisition cost of subsidiaries and the equity corresponding to the acquired holdings is presented as goodwill, which is depreciated in five years.

Associated undertakings have been consolidated using the equity method. The Group's share of the profit/loss of the associate undertakings determined by the Groups holding is presented as a separate item before the item "Operating profit".

Internal Group transactions as well as internal Group receivables and liabilities have been eliminated. Minority holdings have been separated from the equity and profit and presented as a separate item in the consolidated profit and loss account and balance sheet.

There were no significant items in foreign currency to report in the financial statements. ■

NOTES TO PROFIT AND LOSS ACCOUNT

NOTES TO PROFIT AND LOSS ACCOUNT (MEUR)	METSÄHALLITUS GROUP 2012	2011	ENTERPRISE METSÄHALLITUS 2012	2011
Turnover by business unit				
Forestry and related services	331.4	320.9	331.7	321.3
Nature tourism	4.7	8.2	2.9	3.4
Seed and seedling production	8.0	7.6	0.0	0.0
Land and plot sales	5.2	4.8	5.2	4.8
Sale of soil resources, rock-crushing business	22.9	21.5	0.0	0.0
Other	8.8	8.9	9.3	9.3
Total	381.0	371.9	349.1	338.8
Other operating income				
Gains on the sale of fixed assets	24.2	15.0	23.9	14.9
Other income	5.7	4.8	5.6	4.2
Total	29.8	19.8	29.5	19.1
Depreciation according to plan				
Intangible assets	0.2	0.3	0.0	0.1
Depreciation for decrease of substance	0.3	0.2	0.1	0.1
Roads	0.8	0.6	0.8	0.6
Buildings and structures	3.8	3.8	3.3	3.4
Machinery and equipment, other tangible assets	0.9	1.0	0.4	0.4
Goodwill and consolidation	0.4	0.4	0.0	0.0
Total	6.3	6.3	4.7	4.6

Depreciation according to plan, depreciation periods:

Intangible rights, other long-term expenditures	4-5 years
Gravel areas	depreciation for decrease of substance
Roads	primarily 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 as straight-line depreciations for each depreciation period from the original purchase price.

Other interest and financial income				
Dividend income from external sources	0.1	0.1	0.1	0.1
Dividend income from subsidiaries	0.0	0.0	1.0	0.0
Dividend income from associated undertakings	0.0	0.0	0.0	0.0
Interest income	0.4	0.8	0.3	0.6
Total	0.5	0.9	1.3	0.7
Interest and other financial expenses				
Interest expenses	0.4	0.6	0.3	0.4
Interest expenses to subsidiaries	0.0	0.0	0.0	0.0
Other financial expenses	0.1	0.0	0.0	0.0
Reduction in value of associated undertakings' shares	1.0	0.0	1.0	0.0
Reduction in value of subsidiaries' shares	0.0	0.0	0.0	0.4
Total	1.4	0.6	1.3	0.8

NOTES TO BALANCE SHEET

Non-current assets (MEUR)

Group	Intangible assets	Goodwill and consolidation	Land and water areas	Roads, land and water structures	Buildings and structures	Machinery and equipment, other tangible assets	Work in progress	Shares and holdings, other receivables	Total
Acquisition cost on 1 Jan	4.9	2.4	3 660.8	79.5	99.2	26.4	12.1	6.6	3 891.9
Reduction in value on 1 Jan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.7	-2.7
Increases	0.3	0.0	36.6	3.7	1.9	0.9	9.4	0.4	53.1
Decreases	0.1	0.0	18.0	0.0	1.2	0.5	1.3	0.1	21.2
Reduction in value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	-1.0
Acquisition cost on 31 Dec	5.1	2.4	3 679.3	83.2	99.9	26.8	20.2	3.2	3 920.2
Accumulated depreciation and reduction in value 1 Jan	4.2	2.1	4.0	63.8	46.6	22.5	0.0	0.0	143.1
Accumulated depreciation relating to decreases and transfers	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.2
Depreciation during the financial year	0.2	0.4	0.3	0.8	3.8	0.9	0.0	0.0	6.3
Accumulated depreciation on 31 Dec	4.4	2.4	4.3	64.6	50.2	23.2	0.0	0.0	149.2
Book value on 1 Jan	0.8	0.4	3 656.8	15.7	52.6	3.9	12.1	3.9	3 746.1
Book value on 31 Dec	0.7	0.0	3 675.1	18.6	49.6	3.6	20.2	3.2	3 771.0
Production machinery and equipment. book value						2.2			
Metsähallitus	Intangible assets	Goodwill and consolidation	Land and water areas	Roads, land and water structures	Buildings and structures	Machinery and equipment, other tangible assets	Work in progress	Shares and holdings.	Total
Acquisition cost on 1 Jan	3.2	0.0	3 651.4	79.2	89.2	16.5	8.4	53.4	3 901.3
Reduction in value on 1 Jan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-13.4	-13.4
Increases	0.0	0.0	36.5	3.7	1.0	0.4	0.4	2.6	44.6
Decreases	0.0	0.0	18.0	0.0	1.1	0.1	0.0	2.0	21.3
Reduction in value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	-1.0
Acquisition cost on 31 Dec	3.2	0.0	3 669.9	82.9	89.1	16.8	8.7	39.7	3 910.3
Accumulated depreciation on 1 Jan	3.1	0.0	1.4	63.7	41.9	15.6	0.0	0.0	125.7
Accumulated depreciation relating to decreases and transfers	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	-0.2
Depreciation during the financial year	0.0	0.0	0.1	0.8	3.3	0.4	0.0	0.0	4.7
Accumulated depreciation on 31 Dec	3.2	0.0	1.6	64.5	45.1	15.8	0.0	0.0	130.1
Book value on 1 Jan	0.1	0.0	3 650.0	15.5	47.3	0.9	8.4	40.0	3 762.2
Book value on 31 Dec	0.1	0.0	3 668.3	18.4	44.0	0.9	8.7	39.7	3 780.2
Production machinery and equipment. book value on 31 Dec						0.0			
			METSÄHALLITUS GROUP			ENTERPRISE METSÄHALLITUS			
Shares and holdings. book value (MEUR)			2012	2011		2012		2011	
Shares in subsidiaries			0.0	0.0		35.8		35.8	
Shares in associated undertakings			0.9	1.8		1.2		2.2	
Other shares			2.3	2.1		2.7		2.0	
			3.2	3.9		39.7		40.0	
Shares in subsidiaries						Holdings %		Parent company book value (EUR)	
Metsähallitus									
Fin Forelia Oy. Kuopio						57		9 036 830.19	
Metsähallitus Holding Oy. Vantaa						100		0.00	
Morenia Oy. Oulu						100		11 061 000.00	
Siemen Forelia Oy. Jyväskylä						100		2 976 000.00	
Kiinteistö Oy Järviluonnon keskus. Rantasalmi						66.7		565 111.43	
Nuuksiokeskus Oy. Espoo						68.1		12 200 000.00	
Total								35 838 941.62	
Shares in associated undertakings									
Metsähallitus									
AS Eesti Metsataim. Estonia						30.1		1 200 007.20	
Holdings company shares									
Metsähallitus									
Oy Estar Studios LTD. Rovaniemi						19.98		0.00	
Receivables from Group's subsidiaries (MEUR)						2012		2011	
Accounts receivable						0.2		0.2	
Other receivables						0.2		0.0	
Prepayments and accrued income						0.0		0.1	
Total						0.4		0.2	

	METSÄHALLITUS GROUP		ENTERPRISE METSÄHALLITUS	
	2012	2011	2012	2011
Current prepayments and accrued income (MEUR)				
Life projects. accrued income	0.4	0.5	0.4	0.5
EU Structural Fund projects. accrued income	1.0	1.3	1.0	1.3
Employment programme projects. accrued income	0.9	1.9	0.9	1.9
Deferred tax assets	0.0	0.4	0.0	0.4
Accrued interest	0.0	0.1	0.0	0.0
Project receivables. other accrued income	3.0	2.9	2.8	1.9
Other prepaid expenses/purchase invoices	0.0	0.2	0.0	0.0
Total	5.4	7.3	5.1	6.0
Other receivables. non-current and current				
Other prepayments. non-current	0.1	0.1	0.0	0.0
Other prepayments. prepaid expenses. current	1.2	0.7	0.9	0.2
VAT receivables	0.4	0.5	0.0	0.0
Current total	1.6	1.3	0.9	0.2
Equity (MEUR)				
Basic equity on 1 Jan	2 547.4	2 553.5	2 547.4	2 553.5
Transfers of possession. inheritance by the State	0.3	0.7	0.3	0.7
Changes in land use	-9.6	-6.8	-9.6	-6.8
Other changes	0.0	0.0	0.0	0.0
Basic equity on 31 Dec	2 538.1	2 547.4	2 538.1	2 547.4
Other equity on 1 Jan	1 100.2	1 074.4	1 100.2	1 074.4
Transfers of possession. inheritance by the State	16.7	18.7	16.7	18.7
Changes in land use. other	9.6	7.2	9.6	7.2
Shareholder investment on purchase of environmental conservation areas	5.2	-0.1	5.2	-0.1
Other equity on 31 Dec	1 131.6	1 100.2	1 131.6	1 100.2
Retained earnings on 1 Jan	127.2	122.3	130.2	127.4
Contribution to State revenue	-110.0	-96.4	-110.0	-96.4
Retirement of own shares	0.0	0.0	0.0	0.0
Profit for the financial year without deferred depreciation	113.0	101.3	112.3	99.3
Results for previous financial year and current financial year on 31 Dec	130.2	127.2	132.5	130.2
Equity in total on 31 Dec	3 800.0	3 774.8	3 802.3	3 777.8
Provisions (MEUR)				
Restoration of gravel areas	0.5	0.2	0.0	0.0
Other provisions	1.5	0.4	1.3	0.2
Total	1.9	0.6	1.3	0.2
Total of long-term loans due in a period exceeding 5 years				
Account limit. Danske Bank	3.7	0.9		
Long-term loan. Danske Bank	0.6	0.9		
Long-term loan. Handelsbanken	1.1	1.7		
	5.3	3.5		
Amount of debt not paid to the State (MEUR)				
Debt to the State. withholding tax liabilities. social security contribution liabilities. pension contributions. VaEL. TyEL	2.6	2.4	2.5	2.2
Debts to Group's subsidiaries (MEUR)				
Accounts payable			0.4	0.4
Other liabilities			0.2	0.0
Accruals and deferred income			0.0	0.0
Consolidated liabilities			1.0	1.6
Total			1.6	1.9
Other liabilities (MEUR) (change in account grouping)				
VAT liabilities	12.1	11.4	12.0	11.0
Withholding taxes and social security contributions and other debts related to statutory personnel expenses (payment of salaries)	1.3	1.2	1.2	1.1
Equity reviews	-0.2	-0.3	-0.2	-0.3
Other	1.3	1.1	0.1	0.1
	14.6	13.4	13.1	11.8
Accruals and deferred income (MEUR) (change in account grouping)				
Differentiated statutory personnel expenses	1.3	1.2	1.2	1.1
Holiday pay liabilities. including social security expenses	14.5	14.2	14.0	13.7
Tax averaging	0.8	0.0	0.8	0.0
Other	3.1	3.6	2.4	2.2
Total	19.7	19.0	18.4	17.

OTHER NOTES

Contingent liabilities (MEUR)	METSÄHALLITUS GROUP		ENTERPRISE METSÄHALLITUS	
	2012	2011	2012	2011
Leasing liabilities				
paid during the financial year	2.9	2.7	2.0	1.8
to be paid during the following year	3.2	2.5	2.6	1.7
to be paid at a later date	6.2	4.4	4.1	2.8
Business mortgages	0.9	0.9	0.0	0.0
Instalment liabilities, other credit/loans	0.0	0.1	0.0	0.0
Bank guarantee liabilities	4.5	4.2	0.3	0.3
Deposited securities, guarantee deposits	0.0	0.0	0.0	0.0
Guarantee limit	0.0	0.0	0.0	0.0
Investment commitments	3.3	4.4	3.3	4.4
<p>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.</p>				
Number of employees, person-years				
Employees	691	738	584	633
Supervisors	1167	1119	1118	1057
Total	1858	1857	1702	1689
Calculated deferred tax assets and liabilities				
Calculated deferred tax assets				
from postponed depreciations	0.7	0.4		
from subsidiary losses	1.9	1.4		
from provisions	0.2	0.1		
Total	2.8	2.0		
Auditors' fees (1000 EUR)				
KPMG Audit				
audit. financial year	0.0	0.9	0.0	0.0
audit. previous financial year	0.0	41.3	0.0	8.6
tax consulting	0.6	18.6	0.6	16.5
other services	31.7	17.3	31.7	14.6
Total	32.2	78.0	32.2	39.7
Deloitte & Touche Oy				
audit. financial year	39.2	26.5	24.4	20.0
audit. previous financial year	41.6	0.0	19.6	0.0
tax consulting	32.3	0.0	18.4	0.0
other services	45.8	9.4	40.0	8.2
Total	158.8	35.9	102.3	28.2

METSÄHALLITUS OPERATING PROFIT TARGETS

LONG-TERM TARGETS

Metsähallitus business operations must be profitable and provide a reasonable annual rate of return on investment. The primary objective of business development is to ensure profitability. Business operations that prove to be unprofitable in whole or in part are divested.

Companies generate a stable return on investment in the form of an annual contribution to state revenue (dividends).

The goal is to increase the return on investment to 5% by 2015.

TARGETS FOR 2012 FORESTRY

In 2012, the turnover for forestry was EUR 333.1 million (EUR 322.8 million in 2011). The profit was a record-high EUR 116.0 million (EUR 109.6 million in 2011). For forestry, 2012 was an excellent year, and all central profit targets were reached.

Timber deliveries were successful despite quite rainy weather conditions. The amount of commercial timber sold was 6.1 million m³. The amount of energy wood delivered was equal to that of the previous year, 520 GWh. Timber trade was steady

throughout the year despite the difficult market and economic situation. Mainly wood pulp was in demand, and the demands of the mechanical woodworking industry increased towards the end of the year. The demand for wood fuel picked up in the latter half of the year.

During the year, timber harvesting costs increased by 2.5%, and long-distance transport costs increased by as much as 8.5%. The significant rise in the long-distance transport costs was due to an increase in freight prices and the extension of the average vehicle transport distance.

A total of EUR 44 million was invested in forest management as well as road

FINANCIAL POSITION AND RESULTS

	Business-operations group				Business			
	Budget 2012	Real. 2012	Real. 2011	Real. 2010	Budget 2012	Real. 2012	Real. 2011	Real. 2010
Turnover (MEUR)	364.8	377.9	369	367.5	331.4	345.6	335.6	329.4
Operating profit (MEUR)	114.9	124.5	113.0	113.7	113.8	122.5	111.0	112.4
% of turnover	31 %	33 %	31 %	31 %	34 %	35 %	33 %	34 %
Profit/loss for financial period (MEUR)	105.3	115.1	103.8	102.3	105.0	114.2	101.7	101.5
% of turnover	29 %	30 %	28 %	28 %	32 %	33 %	30 %	31 %
Return on investment (%)	4.3%	4.6%	4.2%	4.3%	4.3%	4.6%	4.1%	4.2%
Investment (% of turnover)	4 %	4 %	5 %	6 %	4 %	4 %	6 %	7 %
Solvency ratio (%)	98 %	98 %	98 %	97 %	99 %	98 %	99 %	97 %
Balance sheet total (MEUR)	2 710	2 732	2 725	2 771	2 700	2 719	2 714	2 761
Person-years (PY)	1 337	1 267	1 346	1 384	1 175	1 114	1 181	1 201

$$\text{Return on investment \%} = \frac{\text{Net result} + \text{financing expenses} + \text{taxes (12 mos)}}{\text{Avg. return on investment during financial period}}$$

The profit and results reached a record high. The strongest operations were forestry and wind energy.

construction and maintenance. In terms of turnover, 0.6% was spent on forestry development (2011: 0.8%, 2010: 0.7%). With regard to Metsähallitus, the EffFibre research programme for intensive timber cultivation and efficient timber transport was almost totally completed. The procurement of laser scanning material and the implementation of the material went according to plan. The surface area laser scanned in 2012 was 700,000 hectares.

The stock of timber harvesting equipment suitable for year-round use and for simultaneously lopping small-diameter trunks was increased. Timber transport vehicles equipped with Central Tyre Inflation (CTI) systems were adopted in all procurement areas. There were active efforts to change the dimensions and masses of heavy vehicle traffic. The research and development activities for the mechanisation of forest management were continued.

The level of water protection was improved in forestry. The implementation of the national mire strategy was prepared with a joint project by the group.

The planning and implementation of the change in the forestry operating practice was successful, which was to be expected based on features such as a good mark obtained in the personnel study.

LAATUMAA

The Laatumaa turnover was EUR 8.6 million, with growth of 72%. The growth can be attributed to operations transferred from the Wild North to Laatumaa. Operating profit amounted to EUR 15.4 million, representing a EUR 6.4 million increase over the previous year, due to a significant rise in profits from land, building and project sales. Wind energy proved

to be a successful business area, and it was the most significant factor in the increase.

FIN FORELIA OY

Turnover was EUR 8.6 million, an 11% increase from the previous year. The rise can be attributed to a successful change in operations. Operating profit amounted to EUR 0.1 million, a EUR 0.2 million decrease over the previous year, mainly due to the difficult growing conditions in the autumn. The dividend proposal is EUR 45,000, of which Metsähallitus's share is EUR 25,650.

MORENIA OY

Turnover was EUR 23.6 million, a 5% increase from the previous year. The increase in turnover was based on successful work with customers, particularly on Morenia Oy's strong market area in Northern Ostrobothnia. The turnover was EUR 0.9 million, a EUR 0.3 million decrease from the previous year. This was mainly due to the increased transport and the cost levels that rose more rapidly than customer prices.

It is proposed that the company pay EUR 623,000 as a return of capital.

SIEMEN FORELIA OY)

Turnover was EUR 1.9 million, a 3% increase over the previous year. The rise in turnover was due to seeds with a better product form and the increased sale of extracted seeds. The turnover was EUR 0.2 million, approximately the same as in the previous year. The planning of further activities has been developed and more cost-effective solutions have been sought for contracting. The dividend proposal is EUR 172,000.

IMPLEMENTATION OF PARLIAMENT DECISIONS

The targets specified in the State budget for 2012 have been achieved as follows:

CHANGE IN BASIC CAPITAL

The Metsähallitus basic capital was decreased by EUR 9.2 million. EUR 9.6 million in internal, state-owned company transfers were made to the balance sheet for public administration duties and other equity. Administrative transfers and inheritances by the State increased the value of basic capital by EUR 0.4 million. Following the change, the basic capital totals EUR 2,538.1 million.

KEY SERVICE TARGETS AND OTHER OPERATIONAL GOALS

General social obligations, such as preserving biodiversity, promoting the use of nature for recreational purposes and ensuring the conditions for the practice of reindeer husbandry and Sami traditions, were taken into consideration by Metsähallitus in its business operations. A more detailed description of this matter is found under "Implementation of Ministry of Agriculture and Forestry decisions."

Metsähallitus business operations achieved profits in all essential areas and unprofitable businesses have been eliminated.

The content of the ecosystem services has been examined and specified in two projects and in one wide-scale seminar. During the year, the possibilities of nine business plans based on ecosystem services were examined. All plans have been subjected to a further review.

To identify new business opportunities, an operating model based on the princi-

ples of open innovation was tested in conjunction with stakeholders. The operating model will be developed further in 2013.

Metsähallitus provided EUR 0.2 million in financial assistance to the Finnish Forest Foundation.

MAXIMUM NUMBER OF INVESTMENTS AND INVESTMENT COMMITMENTS

Investments totalling EUR 12.8 were made. The maximum amount of investment set by Parliament was EUR 20 million. A total of EUR 3.3 million went to investment commitments. The maximum set by Parliament for investments was EUR 25 million.

MAXIMUM AMOUNT FOR BUSINESS LOANS

Metsähallitus did not have any long-term loans in 2012. The maximum set by Parliament was EUR 69 million.

GUARANTEES FOR SUBSIDIARY LOANS

Metsähallitus did not issue any guarantees for subsidiary loans. The authorisation of guarantees granted by Parliament was EUR 20 million.

MAXIMUM AMOUNT FOR BUSINESS COLLATERAL

Metsähallitus provided EUR 0.3 million in collateral for its operations. The authorisation granted by Parliament was EUR 0.5 million.

IMPLEMENTATION OF MINISTRY OF AGRICULTURE AND FORESTRY DECISIONS

Based on a mandate from the 2012 State budget, the Ministry of Agriculture and Forestry issued its decision concerning the

business operations targets for Metsähallitus on 26 January 2012.

The profit target set for Metsähallitus was EUR 105 million, which accounts for 4.3% of the return on investment, and a preliminary state contribution target of EUR 122 million. The preliminary profit target was raised to EUR 120 million in state budget 2012 deliberations. Metsähallitus' business result for 2012 was EUR 114.2 million and its return on investment was 4.6%.

Metsähallitus's compliance with its general social obligations resulted in an estimated decrease in operating profit of EUR 54 million (calculated) (2011: EUR 58 million and 2010: EUR 53 million).

Restrictions were placed on 552,000 (15.2%) hectares of forested land with a required rate of return (2011: 550,000 ha and 15.2 %, 2010: 624,000 ha and 17.5%) in order to preserve biodiversity, promote the use of nature for recreational purposes and ensuring the conditions for the practice of reindeer husbandry and Sami traditions. Due to a change in the method of calculation, the 2010 figure is not comparable.

- A total of - 268,000 ha (7.4%) (2011: 260,300 ha and 7.2%, 2010: 238 000 ha and 6.6%) of this was fully excluded from commercial use
- 284,000 ha (7.8%) (2011: 382,100 ha and 10.6%, 2010: 385,600 ha and 10.7%) of this was in limited use

These factors resulted in the calculated decrease of EUR 48 million (2011: EUR 52 million and 2010: EUR 46 million) in Metsähallitus's operating profit. In addition, other factors related to the promotion of reindeer husbandry and Sámi culture, the promotion of employment, and

an increase in planning costs decreased the operating profit a total of EUR 6 million (2011: EUR 6 million and 2010: EUR 7 million).

Working in co-operation with research institutions, Metsähallitus continued examining the beneficial impact of honouring its general social obligations. The results of the assessment were completed by the end of 2012.

The social benefits of contributions made to forest management to promote the recreational use of state-owned commercial forests were estimated in a joint venture with the Finnish Forest Research Institute. The project estimated how citizens appreciate forest management activities carried out in commercial forests to promote their recreational use. With various methods and careful assumptions, an estimation of the value of annual benefits based on the citizens' willingness to pay yields between EUR 28 million and EUR 48 million. The value of these estimated benefits clearly exceeds the annual value of the contributions made. However, the comparison has not taken into account the effect of a decrease in the sale of wood in the processing value chain. Both citizens and nature tourism entrepreneurs from Northern Finland are generally satisfied with the current management of state-owned commercial forests.

The beneficial impact of contributions to the protection and increase of biological diversity were estimated by using Metsähallitus's geographical information, the environmental follow-up of forestry and the Finnish Forest Research Institute's National Forest Inventory (NFI). The estimation mainly concentrated on information on habitats and structural features as

well as other indirect indicators of diversity. According to the NFI material, the diversity sites of commercial forests contain almost the same amount of rotten trees as conservation area. The structural features of diversity sites indicated their functionality in other respects as well. According to environmental follow-ups, the sites are well preserved during timber harvesting. On average, the amount of rotten trees in ordinary state-owned commercial forests is also clearly larger than in forests owned by other forest owner groups.

The obligations stipulated in the Reindeer Husbandry Act were taken into consideration outside the Sami Homeland area, in accordance with a co-operative agreement between Metsähallitus and the Reindeer Herders' Association.

Based on negotiations held with the Reindeer Herders' Association, Metsähallitus initiated an examination of the Natural Resource Plan for Upper Lapland in the Sami Homeland area.

Metsähallitus promoted employment by making full use of sustainable felling opportunities while taking into account the existing natural resource plans, general social obligations and the market situation. A total of 55 percent of Upper Lapland's felling was done by manual labour. The contributions to forest management and road construction remained on a level required for good asset management. Forest management and wood procurement personnel were not laid off during the period January-March, when work output is at its lowest levels.

In its procurement of land, Metsähallitus took the needs of the Defence Forces into consideration, procuring approximately EUR 2.1 million in land for their use in 2012; the set target was EUR 3.4 million.

The project under the Government Programme METSO was launched.

The forest cultural heritage project under the cultural forest programme was

continued according to plan. The annual inventory result was 700,000 hectares. It was decided that the project would continue until the end of 2015.

OTHER ANNUAL REPORT SECTIONS

KEY EVENTS DURING THE FINANCIAL PERIOD

- The owner's policies and strategy were confirmed
- Preparation continued on the Metsähallitus operating model. The ministerial working group for administration and development confirmed that Metsähallitus would be developed as a single entity in the form of a special enterprise
- Metsähallitus took up the preparation of new conservation areas as part of the METSO Forest Biodiversity Programme for Southern Finland. Metsähallitus was also assigned the task of assessing the possibilities of establishing four new national parks.

DATA ON THE NUMBER OF FIXED ASSET TRANSFERS, TRANSFERS PRICES, PROFITS AND LOSSES 2012, 1000 EUR

Business	No.	Book value	Transfer price	Profits	Losses
Exchanges	11	171	443	273	1
Sales - land and water areas	687	7 139	29 079	22 425	485
Sales - buildings	31	1 030	1 666	742	106
Sales to public administration	27	205	285	98	18
Change in land use	61	9 587	9 587		
Other - land areas	117	547	547		
Total	934	18 679	41 607	23 538	610

- The cartel trial pending at the Helsinki District Court is in a preparatory stage in which Metsähallitus is drafting a reply to the defendant companies' answers and having its expert opinions completed. The deadline for the Metsähallitus statement is 5 July 2013.
- Metsähallitus gave up its tourism business by selling Eräsetti Oy and the Wild North brand
- Wind energy project were established as a new business area
- The forestry operating model was modernised at the end of the year
- The pioneering work of Metsähallitus for open air exercise was recognised at the Finnish Sports Gala in January 2012, where Metsähallitus received the sports and exercise design award for its hiking services.

KEY EVENTS FOLLOWING THE FINANCIAL PERIOD

There were no major accidents after the financial period.

ESTIMATE ON BUSINESS DEVELOPMENT FOR THE CURRENT FINANCIAL PERIOD

Business results are estimated to be on a par with the previous year's results. In terms of turnover and business results, 2012 was an excellent year, and achieving the same level of results will require exceptional success.

RESPONSIBILITY

Metsähallitus faces the challenging task of managing large state-owned land and water areas. Social needs are constantly increasing, and Metsähallitus is obliged to consistently improve in terms of the economy, nature conservation and other services as well. The coordination of dif-

ferent interests and the optimisation of the resources allocated, which are part of Metsähallitus' core duties, are a guarantee of responsible operations. If Metsähallitus completes this task successfully, it can best ensure that the owner's targets met.

The Metsähallitus development strategy, which was reviewed last year, was primarily drafted from the perspective of responsibility and the capacities required by the increasing profit targets and service objectives. The equation is a challenging one, but based on the previous year's results, Metsähallitus has managed its duties very successfully. Its successful work is reflected in many areas, including the positive results of the personnel, customer satisfaction and stakeholder studies carried out last year. Based on these results, Metsähallitus has met the profit targets along with the service and responsibility objectives included in its duties. For instance, in the field of social responsibility, the stakeholders considered Metsähallitus the best organisation from among a hundred listed companies.

The Metsähallitus group produces versatile services and products based on the use, management and protection of natural resources. Our strong environmental policy covers the activities of both business units and public administration duties. As for the Metsähallitus subsidiaries, the board of each subsidiary will make a decision on the implementation of our certified environmental system.

Metsähallitus complies with the legislation, the international conventions ratified by the state of Finland and in forestry, the forest certification standard of the Finnish PEFC system.

Metsähallitus promotes the implementation of international environmental conventions. Our common principle is to co-

ordinate ecological, economic, social and cultural sustainability. The environmental knowledge and skills of our personnel and contractual entrepreneurs are developed and regularly monitored.

The development of the activities is based on the shared Metsähallitus values and on each employee's personal responsibility for the constant improvement of environmental matters. The most significant environmental aspects of the Metsähallitus activities are related to the use of natural resources, maintaining biodiversity, water protection and landscape management.

The environmental aspects and risks are estimated annually. To manage environmental impacts and constantly improve environment management, we define environmental goals, objectives, guidelines and monitoring methods.

Metsähallitus openly communicates the economic, ecological and social results of its activities, the environmental impacts and the changes in the level of environmental protection. Metsähallitus offers local residents and stakeholders the opportunity to take part in the planning of the use of natural resources. Thanks to this cooperation, Metsähallitus will also help to ensure the preservation of the Sámi culture and the necessary conditions for natural economy industries.

RISK MANAGEMENT AND KEY RISKS

The goal of Metsähallitus's risk management is to ensure the achievement of set targets, the fulfilment of legal obligations and operational continuity. Metsähallitus's risk management focuses on preventive measures, operational safety, limitation of hazards and capitalising on opportunities. Metsähallitus takes a moderate stance where risk-taking is concerned. The significance of risks is assessed as a combina-

tion of the probability and impact of an incident. The risks are divided into strategic, operational and economic risks and risk of damage. Risks are managed with a determined risk management process. The estimation of the established targets and our own position are the premise of the risk management process. The risks are related to existing objectives and future possibilities.

The Metsähallitus Board will annually approve the risk management policy and estimate the need for changes. The government will receive a progress report on Metsähallitus's risks and their management every year. The audit committee will assist the government in monitoring the management of risks. The director general will have full responsibility for risk management. The managers of profit units and subsidiaries will be in charge of risk management in their unit/company. The chief financial officer will be in charge of the risk management process and the control of risk management. The head of risk management at Metsähallitus will be in charge of the coordination, development, guidance and reporting models of risk management as well as the support of the organisation's risk management. In addition, all Metsähallitus employees will be in charge of taking risks into account in their own work. The profit units and subsidiaries continuously monitor the development of known risks, identify new risks and take changes in the operating environment into account as part of their daily activities.

In the Metsähallitus group strategy updated in 2012, the key risks related to strategic objectives and their management activities have been assessed. For the Metsähallitus activities, key risks include general economic developments; the de-

velopment of wood prices and wood sales; the funding of Natural Heritage Services; the effectiveness of developing new products and services based on ecosystem services and natural resources; the implementation of synergy; and maintaining a good image. Furthermore, significant risks affecting the foundation of strategies include an effective Metsähallitus operating model that supports the continued global management of state-owned land while maintaining the quality and quantity of land areas in forestry use on a level required by the targets set. The appreciation of the Metsähallitus activities will have an impact on the necessary conditions for recreational activities, conservation and forestry work. Risks that could affect operational activities also include uncertainties related to the operation of information systems as well as implementing the changes potentially required by a future operating model.

During 2012, awareness of risks has increased at Metsähallitus. Differences in the quality of risk management levels were identified between various units, and development procedures were initiated where necessary. Successful cooperation with the internal audit and the audit firm also had a positive impact on developing risk management at Metsähallitus.

CORPORATE GOVERNANCE

The principles of corporate governance are observed in state-owned enterprises

Metsähallitus has published its Corporate Governance Statement on its internal website. The statement outlines Metsähallitus' general administrative principles, regulation of business operations (under parliamentary, governmental and ministerial authority), regulation of public administrative duties (under parliamentary,

governmental and ministerial authority), Board of Directors, director general, Management Group, incentive and bonus systems, internal supervision, auditing, publishing of information, and information related to corporate governance.

The Corporate Governance Statement supplements the Board of Directors' decision on the Metsähallitus organisational structure, which addresses such matters as ownership steering, board duties, management duties and authority, and hiring and terminating personnel.

PERSONNEL

The number of person-years in the Metsähallitus business operations totalled 1,114 (2011: 1,181,

2010: 1,201). The number of employees was at its highest in June, when the Metsähallitus business operations employed 1,689 individuals. The majority of the temporary workforce consisted of schoolchildren participating in arboricultural work. The percentage of women among the business operations personnel increased slightly to 16%. Absence caused by sickness covered 3.6% of the person-years, a slight decrease from the previous year. The number of accidents decreased for the third year in a row, totalling 52 accidents.

The regional distribution of salaries paid by the Metsähallitus business operations and the external services paid by forestry in 2012 is shown in the table on next page.

At Metsähallitus, wellbeing at work and coping at the workplace has been ensured e.g. by means of training. Training related to preventing and resolving conflict situations has been organised for superiors, and training related to directional age leadership and wellbeing at work has

been organised for employees over the age of 58. Twenty employees took a job alternation leave or educational leave, and there were an average of three training days per employee.

Based on an annual personnel study, Metsähallitus employees are satisfied with their own work and with the work of their superiors, and they are happy to come to work. The organisational change implemented in forestry gave the opportunity for task rotation. Approximately 20% of forestry personnel were reassigned, and the duties of most employees underwent significant changes.

SCOPE OF RESEARCH AND DEVELOPMENT

EUR 3.0 million was spent on research and development (2011: EUR 3.7 million, 2010: EUR 3.3 million).

SALARIES, BONUSES AND OTHER COMPENSATION PAID TO THE BOARD OF DIRECTORS AND DIRECTOR GENERAL

Salaries, bonuses and other compensation amounting to EUR 527,000 (2011: EUR 366,000, 2010: EUR 349,000) were paid to the Board of Directors and the director general. The rise in costs was largely due to a non-recurring increment caused

by the cancellation of the board's group life insurance. Salaries paid to other employees amounted to EUR 39 million (2011: EUR 41.6 million, 2010: EUR 40.3 million).

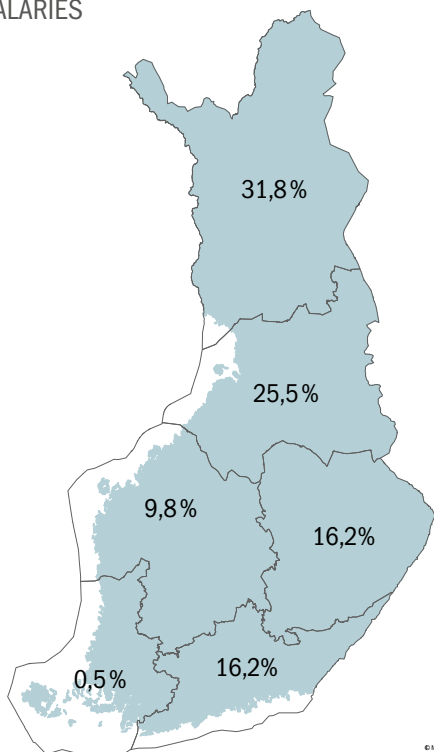
All Metsähallitus, employees have been included in the profit sharing system since the beginning of 2008.

BOARD PROPOSAL CONCERNING PROFIT MEASURES

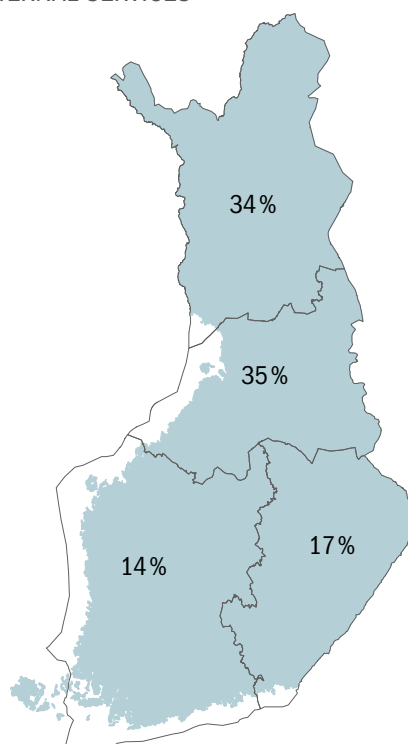
Metsähallitus's business profit totalled EUR 114,194,594.61.

The board proposes that EUR 120,000,000 in contributions be paid out in four increments in 2013. ■

SALARIES



EXTERNAL SERVICES



The salaries paid and the external services mainly cover Eastern and Northern Finland.

MEMBERS OF THE METSÄHALLITUS' BOARD OF DIRECTORS



Arto Tiitinen
Chairman



Ville Schildt
Vice Chairman



Irene Rantala



Aino Jalonen



Janne Seurujärvi



Tuija Soanjärvi



Helena Waldén

”

Metsähallitus has met the profit targets along with the service and responsibility objectives in its duties.”

PROFIT AND LOSS ACCOUNT, BUSINESS OPERATIONS

PROFIT AND LOSS ACCOUNT (EUR)	BUSINESS		BUSINESS	
	OPERATIONS - GROUP			
	1.1.-31.12.2012	1.1.-31.12.2011	1.1.-31.12.2012	1.1.-31.12.2011
TURNOVER	377 902 628.28	368 970 820.19	345 596 671.90	335 618 867.84
Variation in inventories of finished products and change to work in progress	963 983.97	962 203.14	0.00	0.00
Other operating income	27 876 406.25	18 351 829.30	27 554 005.85	17 678 159.76
Raw materials and services				
Raw materials and consumables				
Purchases during the financial year	7 724 371.72	10 936 062.71	6 595 045.82	9 526 536.84
Variation in inventories	-362 015.66	-3 123 780.69	275 483.00	-2 671 797.00
External services	182 181 858.07	172 190 468.89	162 835 469.68	153 733 105.55
Staff expenses				
Wages and salaries	45 573 324.99	46 436 606.98	39 768 340.38	40 355 384.87
Social security expenses				
Pension expenses	8 178 883.41	8 501 254.55	7 128 112.78	7 447 068.16
Other social security expenses	2 424 580.04	2 118 629.39	2 134 500.46	1 813 866.34
Depreciation and reduction in value				
Depreciation according to plan	3 652 470.52	3 569 897.13	2 005 623.22	1 802 558.86
Other operating costs	32 946 827.68	34 720 045.72	29 872 719.93	30 300 826.01
Share of associated undertakings' profit/loss	99 554.81	22 430.14	0.00	0.00
OPERATING PROFIT	124 522 272.54	112 958 098.09	122 535 382.48	110 989 477.97
Financial income and expenses				
Income from other investments under non-current assets	92 350.02	124 120.32	1 066 269.31	123 905.32
Other interest and financial income	264 187.86	479 039.66	227 804.82	433 689.31
Interest and other financial expenses	427 692.56	645 827.33	298 665.37	477 597.36
Reductions in value of investments held as non-current assets	999 950.00	0.00	999 950.00	350 007.65
	-1 071 104.68	-42 667.35	-4 541.24	-270 010.38
PROFIT BEFORE FINANCING FOR OTHER OPERATIONS FROM THE STATE BUDGET	123 451 167.86	112 915 430.74	122 530 841.24	110 719 467.59
Income taxes	8 338 844.35	9 014 881.36	8 336 246.63	9 013 312.76
Minority share	-36 087.93	-97 191.82	0.00	0.00
PROFIT DURING THE FINANCIAL YEAR	115 076 235.58	103 803 357.56	114 194 594.61	101 706 154.83

BALANCE SHEET, BUSINESS OPERATIONS

BALANCE SHEET (EUR)	BUSINESS OPERATIONS - GROUP		BUSINESS	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Intangible rights	337 915.64	397 368.52	47 864.47	74 894.72
Other capitalised long-term expenses	388 113.51	368 196.45	6 768.07	11 042.71
	726 029.15	765 564.97	54 632.54	85 937.43
Goodwill and consolidation	0.00	350 376.18		0.00
Tangible assets				
Land and water areas	2 588 013 192.65	2 599 519 570.20	2 581 832 985.41	2 593 221 730.00
Roads	18 099 676.04	15 136 787.21	17 930 727.75	14 924 312.40
Buildings and structures	21 926 557.55	22 880 635.58	17 722 014.92	19 014 063.04
Machinery and equipment	2 107 516.95	2 459 808.69	25 296.90	36 690.06
Other tangible assets	451 748.36	490 395.01	10 599.04	10 599.04
Advance payments and work in progress	8 910 800.96	8 899 876.37	8 734 453.96	8 313 584.26
	2 639 509 492.51	2 649 387 073.06	2 626 256 077.98	2 635 520 978.80
Investments				
Shares in Group's subsidiaries	0.00	0.00	23 073 830.19	24 984 520.74
Holdings in associated undertakings	855 786.38	1 768 818.86	1 200 007.20	2 199 957.20
Other shares and holdings	1 584 857.96	1 369 496.84	1 945 532.86	1 259 734.44
Other receivables	22 300.00	22 300.00	0.00	0.00
	2 462 944.34	3 160 615.70	26 219 370.25	28 444 212.38
NON-CURRENT ASSETS IN TOTAL	2 642 698 466.00	2 653 663 629.91	2 652 530 080.77	2 664 051 128.61
CURRENT ASSETS				
Inventories				
Finished products	28 532 710.82	27 646 920.31	12 338 105.02	12 613 588.02
Work in progress	1 492 543.49	1 052 334.37		0.00
	30 025 254.31	28 699 254.68	12 338 105.02	12 613 588.02
Receivables				
Non-current				
Other receivables	147 162.74	148 588.86	0.00	0.00
Prepayments and accrued income	0.00	0.00	0.00	0.00
Current				
Accounts receivable	30 919 277.95	32 763 498.47	26 517 977.78	28 297 154.89
Receivables from public administration duties	1 272 959.94	1 294 907.62	1 256 023.98	1 238 357.99
Receivables from Group's subsidiaries	4 136.99	6 676.76	423 642.71	210 553.47
Receivables from associated undertakings	0.00	1 285.17	0.00	0.00
Other receivables	1 003 649.45	755 334.91	605 971.20	145 840.63
Prepayments and accrued income	249 975.70	592 011.52	18 039.47	423 524.47
	33 450 000.03	35 413 714.45	28 821 655.14	30 315 431.45
Securities	4 992 566.76	0.00	4 992 566.76	0.00
Cash in hand and at banks	20 395 469.74	7 384 064.41	20 335 679.16	7 047 075.50
CURRENT ASSETS IN TOTAL	89 010 453.58	71 645 622.40	66 488 006.08	49 976 094.97
ASSETS IN TOTAL	2 731 708 919.58	2 725 309 252.31	2 719 018 086.85	2 714 027 223.58

BALANCE SHEET, BUSINESS OPERATIONS

BALANCE SHEET (EUR)	BUSINESS OPERATIONS - GROUP		BUSINESS	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
EQUITY AND LIABILITIES				
EQUITY				
Basic equity	2 538 127 797.15	2 547 374 982.87	2 538 127 797.15	2 547 374 982.87
Retained earnings	18 820 690.11	25 017 332.55	22 196 050.22	30 489 895.39
Profit for the financial year	115 076 235.58	103 803 357.56	114 194 594.61	101 706 154.83
EQUITY IN TOTAL	2 672 024 722.84	2 676 195 672.98	2 674 518 441.98	2 679 571 033.09
MINORITY HOLDINGS	5 183 483.27	5 211 895.35	0.00	0.00
PROVISIONS				
Other provisions	1 917 158.31	588 506.39	1 300 000.00	200 000.00
LIABILITIES				
Non-current				
Loans from financial institutions	5 707 182.14	2 644 728.98	0.00	0.00
Other liabilities (incl. interest-bearing)	424 697.81	526 491.02	22 738.21	34 401.40
Current				
Loans from financial institutions	5 655 088.30	1 826 699.24	4 995 088.30	0.00
Advances received	1 163 861.31	1 332 979.81	1 119 083.17	777 734.45
Accounts payable	10 966 806.41	10 290 067.19	9 575 342.88	8 323 908.17
Payables to public administration duties	213 303.13	137 685.17	209 271.50	125 734.86
Debts to Group's subsidiaries	4 420.62	0.00	1 490 653.10	1 890 544.00
Payables to associated undertakings	0.00	0.00	0.00	0.00
Other liabilities (incl. interest-bearing)	14 073 281.27	12 658 930.68	12 600 481.47	11 151 032.91
Accruals and deferred income	14 360 463.43	13 883 292.49	13 186 986.24	11 952 834.70
Deferred tax liabilities	14 450.74	12 303.01	0.00	0.00
LIABILITIES IN TOTAL	52 583 555.16	43 313 177.59	43 199 644.87	34 256 190.49
EQUITY AND LIABILITIES IN TOTAL	2 731 708 919.58	2 725 309 252.31	2 719 018 086.85	2 714 027 223.58

CASH FLOW STATEMENT, BUSINESS OPERATIONS

CASH FLOW STATEMENT (EUR)	BUSINESS OPERATIONS - GROUP		BUSINESS	
	1.1.-31.12.2012	1.1.-31.12.2011	1.1.-31.12.2012	1.1.-31.12.2011
CASH FLOW FROM BUSINESS OPERATIONS				
Payments from sales	379 567 177.80	368 409 061.64	347 512 140.44	337 064 287.62
Payments from other operating income	3 431 013.10	3 459 636.95	3 401 009.52	3 508 057.10
Payments from operating charges	-275 623 915.48	-280 941 233.13	-242 960 375.20	-246 849 197.40
Cash flow from business operations, before financial items and taxes	107 374 275.42	90 927 465.46	107 952 774.76	93 723 147.32
Interest and other financial expenses	-427 692.56	-645 827.33	-298 665.37	-437 254.09
Interest income from business operations	264 187.86	479 039.66	227 804.82	393 346.04
Dividends received	92 350.02	124 120.32	866 269.31	123 905.32
Direct taxes	-7 159 266.05	-9 012 926.64	-7 156 668.33	-9 013 312.76
Cash flow from business operations	100 143 854.69	81 871 871.47	101 591 515.19	84 789 831.83
INVESTMENTS				
Investments in tangible and intangible assets	-13 454 060.10	-18 379 291.05	-12 358 454.71	-17 121 903.79
Sale of tangible and intangible assets	33 851 897.50	19 266 035.64	33 511 632.16	19 056 585.90
Sale of other investments	745 250.99	0.00	1 368 690.70	0.00
Purchase of other investments held as non-current assets	-7 520.00	0.00	-477 520.00	0.00
Purchase of subsidiaries' shares	0.00	0.00	0.00	-1 650 007.65
Purchase of associated undertakings' shares	0.00	-7.20	0.00	-7.20
Investments	21 135 568.39	886 737.39	22 044 348.15	284 667.26
FINANCING				
Change in non-current loans from financial institutions	3 062 453.16	-125 271.02	0.00	0.00
Change in other non-current, interest-bearing loans	-90 130.02	-208 593.25	0.00	0.00
Change in other non-current, non-interest-bearing loans	-11 663.19	-6 163.19	-11 663.19	-6 163.19
Change in current loans from financial institutions	-1 166 699.24	539 155.01	0.00	0.00
Change in other current, interest-bearing loans	4 995 088.30	-543 167.23	4 995 088.30	0.00
Change in Group loans to subsidiaries	0.00	0.00	-538 118.03	-1 531 273.17
Other current, non-interest-bearing loans	0.00	0.00	200 000.00	0.00
Return of capital to minority shareholders	-64 500.00	-107 500.00	0.00	0.00
Contribution to state revenue	-110 000 000.00	-96 427 000.00	-110 000 000.00	-96 427 000.00
Account debited on 3 Jan 2011	0.00	-29 200 000.00	0.00	-29 200 000.00
Financing	-103 275 450.99	-126 078 539.68	-105 354 692.92	-127 164 436.36
CHANGE IN LIQUID FUNDS				
Liquid funds on 1 Jan	7 384 064.41	50 703 995.23	7 047 075.50	49 137 012.77
Liquid funds on 31 Dec	25 388 036.50	7 384 064.41	25 328 245.92	7 047 075.50
Change	18 003 972.09	-43 319 930.82	18 281 170.42	-42 089 937.27

NOTES TO PROFIT AND LOSS ACCOUNT, BUSINESS OPERATIONS

Notes to profit and loss account (EUR)	OPERATIONS - GROUP		BUSINESS	
	2012	2011	2012	2011
Turnover by business unit				
Forestry and related services	332 558 867.92	322 252 236.76	332 886 078.59	322 633 889.82
Nature tourism	4 905 159.36	8 634 493.27	3 130 027.19	3 824 119.18
Seed and seedling production	8 243 644.14	7 740 505.01	0.00	0.00
Land and plot sales	5 311 776.70	4 946 331.84	5 313 243.92	4 946 331.84
Sale of soil resources, rock-crushing business	22 898 964.12	21 490 042.04	0.00	0.00
Other	3 984 216.04	3 907 211.27	4 267 322.20	4 214 527.00
Total	377 902 628.28	368 970 820.19	345 596 671.90	335 618 867.84
of which turnover for public administration duties and its subsidiaries	5 470 994.2 49 717.0	5 828 593.06 33 936.00	5 260 102.29 49 717.00	5 631 504.28 33 936.00
Other operating income				
Gains on the sale of fixed assets	23 830 393.15	14 223 018.84	23 537 996.33	14 170 102.66
Income from services to public administration duties	2 943 038.44	2 822 073.34	2 943 038.44	2 822 073.34
Income from services to subsidiaries	14 009.92	13 500.00	313 336.92	374 398.00
Other income	1 088 964.74	1 293 237.12	759 634.16	311 585.76
Total	27 876 406.25	18 351 829.30	27 554 005.85	17 678 159.76
Depreciation according to plan				
Intangible assets	233 352.70	323 100.02	34 686.75	45 012.43
Depreciation for decrease of substance	270 773.71	184 648.12	112 008.97	64 531.06
Roads	711 008.16	551 313.83	667 481.64	507 787.31
Buildings and structures	1 619 323.30	1 603 445.89	1 180 309.29	1 174 666.12
Machinery and equipment, other tangible assets	467 636.48	521 158.54	11 393.16	10 561.94
Goodwill and consolidation	350 376.18	386 230.75	0.00	0.00
Total	3 652 470.53	3 569 897.15	2 005 879.81	1 802 558.86

Depreciation according to plan, depreciation periods:

Intangible rights, other long-term expenditures	4-5 years
Gravel areas	depreciation for decrease of substance
Roads	primarily 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

	OPERATIONS - GROUP		BUSINESS	
	2012	2011	2012	2011
Other interest and financial income				
Dividend income from external sources	92350.02	124120.32	92132.02	123905.32
Dividend income from subsidiaries	0	0	961500	0
Dividend income from associated undertakings	0	0	12637.29	0
Interest income	264187.86	479039.66	227804.82	433689.31
Total	356537.88	603159.98	1294074.13	557594.63
Interest and other financial expenses (EUR)				
Interest expenses	427692.56	645827.33	294469.64	437254.09
Interest expenses to subsidiaries	0	0	4195.73	40343.27
Reduction in value of associated undertakings' shares	999950	0	999950	0
Reduction in value of subsidiaries' shares	0	0	0	350007.65
Total	1427642.56	645827.33	1298615.37	827605.01

NOTES TO BALANCE SHEET, BUSINESS OPERATIONS

Non-current assets (MEUR)

Business operations - Group	Intangible assets	Goodwill and consolidation	Land and water	Roads, land structures water	Buildings and structures	Machinery and equipment, other tangible assets	Work in progress	Shares and holdings, other receivables	Total
Acquisition cost on 1 Jan	4.6	2.4	2 603.5	77.6	50.6	19.5	8.9	5.8	2 773.0
Reduction in value on 1 Jan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2.7	-2.7
Increases	0.3	0.0	6.4	3.7	1.7	0.4	1.1	0.4	14.1
Decreases	0.1	0.0	17.6	0.0	1.2	0.3	1.1	0.1	20.5
Reduction in value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	-1.0
Acquisition cost on 31 Dec	4.8	2.4	2 592.3	81.3	51.2	19.6	8.9	2.5	2 762.9
Accumulated depreciation and reduction in value 1.1	3.8	2.1	4.0	62.5	27.7	16.6	0.0	0.0	116.7
Accumulated depreciation relating to decreases and transfers	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1
Depreciation during the financial year	0.2	0.4	0.3	0.7	1.6	0.5	0.0	0.0	3.7
Accumulated depreciation on 31 Dec	4.0	2.4	4.3	63.2	29.2	17.0	0.0	0.0	120.2
Book value on 1 Jan	0.8	0.4	2 599.5	15.1	22.9	3.0	8.9	3.2	2 653.7
Book value on 31 Dec	0.7	0.0	2 588.0	18.1	21.9	2.6	8.9	2.5	2 642.7
Production machinery and equipment							2.2		
Book value on 31 Dec									
Business	Intangible assets	Goodwill and consolidation	Land and water areas	Roads, land and water structures	Buildings and structures	Machinery and equipment, other tangible assets	Work in progress	Shares and holdings.	Total
Acquisition cost on 1 Jan	2.8	0.0	2 594.7	77.3	42.1	9.7	8.3	41.8	2 776.7
Reduction in value on 1 Jan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-13.4	-13.4
Increases	0.0	0.0	6.4	3.7	0.9	0.0	0.4	0.7	12.1
Decreases	0.0	0.0	17.6	0.0	1.1	0.0	0.0	2.0	20.8
Reduction in value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	-1.0
Acquisition cost on 31 Dec	2.8	0.0	2 583.4	81.0	41.8	9.7	8.7	26.2	2 753.7
Accumulated depreciation on 1 Jan	2.8	0.0	1.4	62.4	23.0	9.6	0.0	0.0	99.3
Accumulated depreciation relating to decreases and transfers	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1
Depreciation during the financial year	0.0	0.0	0.1	0.7	1.2	0.0	0.0	0.0	2.0
Accumulated depreciation on 31 Dec	2.8	0.0	1.6	63.1	24.1	9.7	0.0	0.0	101.2
Book value on 1 Jan	0.1	0.0	2 593.2	14.9	19.0	0.0	8.3	28.4	2 664.1
Book value on 31 Dec	0.1	0.0	2 581.8	17.9	17.7	0.0	8.7	26.2	2 652.5
Production machinery and equipment, book value on 31 Dec							0.0		

	Business operations - Group 2012	2011	Business 2012	2011
Shares and holding, book value (EUR)				
Shares in subsidiaries	0.00	0.00	23 073 830.19	24 984 520.74
Shares in associated undertakings	855 786.38	768 868.86	1 200 007.20	1 200 007.20
Holdings company shares	0.00	999 950.00	0.00	999 950.00
Other shares and holdings	988 229.54	981 046.84	1 348 904.44	871 284.44
Joint forest holdings	596 628.42	388 450.00	596 628.42	388 450.00
Total	2 440 644.34	3 138 315.70	26 219 370.25	28 444 212.38

Other receivables (EUR)				
Subscription fee receivables	22 300.00	22 300.00	0.00	0.00

	Holdings %	Parent company book value (EUR)
Shares in subsidiaries		
Metsähallitus		
Fin Forelia Oy, Kuopio	57	9 036 830.19
Metsähallitus Holding Oy, Vantaa	100	0.00
Morenia Oy, Oulu	100	11 061 000.00
Siemen Forelia Oy, Jyväskylä	100	2 976 000.00
Total		23 073 830.19

Shares in associated undertakings	%	Parent company
Metsähallitus		
AS Eesti Metsataim, Estonia	30.1	1 200 007.20

Holdings company shares		
Metsähallitus		
Oy Estar Studios LTD, Rovaniemi	19.98	0.00

NOTES TO BALANCE SHEET, BUSINESS OPERATIONS

	BUSINESS OPERATIONS - GROUP 2012	2011	BUSINESS 2012	2011
Receivables from public administration duties (EUR)				
Accounts receivable	1 151 985.41	628 685.15	1 141 781.32	572 135.52
Prepayments and accrued income	120 974.51	666 222.47	114 242.66	666 222.47
Total	1 272 959.92	1 294 907.62	1 256 023.98	1 238 357.99
Receivables from subsidiaries (EUR)				
Accounts receivable	4 136.99	2 705.09	223 642.71	142 635.81
Other receivables	0.00	0.00	200 000.00	0.00
Prepayments and accrued income	0.00	3 971.67	0.00	67 917.66
Total	4 136.99	6 676.76	423 642.71	210 553.47
Other receivables, current (EUR)				
Other prepayments, prepaid expenses	591 208.13	665 733.07	605 971.20	145 840.63
VAT receivables	412 441.32	89 601.84	0.00	0.00
Total	1 003 649.45	755 334.91	605 971.20	145 840.63
Current external prepayments and accrued income (EUR)				
Accrued interest	2 613.89	0.00	2 613.89	0.00
Deferred tax assets	0.00	383 599.10	0.00	379 787.06
Other prepaid expenses/purchase invoices	247 361.81	0.00	15 425.58	0.00
Other accrued income	0.00	208 412.42	0.00	43 737.41
Total	249 975.70	592 011.52	18 039.47	423 524.47
Equity (EUR)				
Basic equity on 1 Jan	2 547 374 982.87	2 553 491 109.57	2 547 374 982.87	2 553 491 109.57
Reduction in equity during the financial year				
Transfers of possession	20 000.00	3 437.00	20 000.00	3 437.00
Inheritance by the State	303 800.00	691 800.00	303 800.00	691 800.00
Changes in land use	-9 586 721.72	-6 823 906.70	-9 586 721.72	-6 823 906.70
Other	15 736.00	12 543.00	15 736.00	12 543.00
Basic equity on 31 Dec	2 538 127 797.15	2 547 374 982.87	2 538 127 797.15	2 547 374 982.87
Other equity on 1 Jan	0.00	0.00	0.00	0.00
Other equity on 31 Dec	0.00	0.00	0.00	0.00
Retained earnings on 1 Jan	128 820 690.11	121 444 332.55	132 196 050.22	126 916 895.39
Contribution to state revenue	-110 000 000.00	-96 427 000.00	-110 000 000.00	-96 427 000.00
Retirement of own shares	0.00	0.00	0.00	0.00
Profit for the financial year	115 076 235.58	103 803 357.56	114 194 594.61	101 706 154.83
Results for the previous financial year and current financial year on 31 Dec	133 896 925.69	128 820 690.11	136 390 644.83	132 196 050.22
Equity in total on 31 Dec	2 672 024 722.84	2 676 195 672.98	2 674 518 441.98	2 679 571 033.09
Provisions (EUR)				
Restoration of landscaping	462 869.53	231 657.11	0.00	0.00
Other provisions	1 454 288.78	356 849.28	1 300 000.00	200 000.00
Total	1 917 158.31	588 506.39	1 300 000.00	200 000.00

NOTES TO BALANCE SHEET, BUSINESS OPERATIONS

	BUSINESS OPERATIONS - GROUP 2012	2011	BUSINESS 2012	2011
Total of long-term loans due in a period exceeding 5 years (EUR)				
Account limit. Danske Bank	3 737 182.14	949 454.93		
Long-term loan. Danske Bank	560 000.00	880 000.00		
Long-term loan. Handelsbanken	1 050 000.00	1 650 000.00		
	5 347 182.14	3 479 454.93		
Amount of debt not paid to the State (EUR)				
Debt to the State. withholding tax liabilities. social security contribution liabilities. VaEL. TyEL	1 758 234.52	1 700 165.67	1 620 987.31	1 524 224.33
Payables to public administration duties (EUR)				
Accounts payable	114 185.84	59 073.93	114 090.21	47 123.62
Accruals and deferred income	99 117.29	78 611.24	95 181.29	78 611.24
Total	213 303.13	137 685.17	209 271.50	125 734.86
Payables to subsidiaries (EUR)				
Accounts payable	4 420.62	0.00	244 776.62	296 148.34
Other liabilities	0.00	0.00	200 000.00	0.00
Accruals and deferred income	0.00	0.00	31 076.13	41 477.28
Consolidated liabilities	0.00	0.00	1 014 800.35	1 552 918.38
Total	4 420.62	0.00	1 490 653.10	1 890 544.00
Other external liabilities (EUR) (change in account grouping. comparative data 2011 updated)				
VAT liabilities	12 074 711.85	11 091 102.67	11 916 471.35	10 640 539.52
Withholding taxes and social security contributions and other debts related to statutory personnel expenses (payment of salaries)	910 938.84	837 377.98	817 853.68	747 702.21
Equity reviews	-170 847.12	-306 083.50	-170 847.12	-306 083.50
Other	1 258 477.70	1 036 533.53	37 003.56	68 874.68
Total	14 073 281.27	12 658 930.68	12 600 481.47	11 151 032.91
External accruals and deferred income. (EUR) (change in account grouping. comparative data 2011 updated)				
Differentiated statutory personnel expenses	847 295.68	862 787.69	803 133.63	776 522.12
Holiday pay liabilities. including social security expenses	10 170 983.18	10 378 930.82	9 730 979.44	9 865 001.88
Tax averaging	799 791.24	0.00	799 791.24	0.00
Other	2 542 393.33	2 641 573.98	1 853 081.93	1 311 310.70
Total	14 360 463.43	13 883 292.49	13 186 986.24	11 952 834.70

Other notes (MEUR)	BUSINESS OPERATIONS - GROUP		BUSINESS	
	2012	2011	2012	2011
Contingent liabilities				
Leasing liabilities				
paid during the financial year	2.4	2.2	1.5	1.3
to be paid during the following year	3.2	2.5	2.6	1.7
to be paid at a later date	6.2	4.4	4.1	2.8
Business mortgages	0.9	0.9	0.0	0.0
Instalment liabilities, other credit/loans	0.0	0.1	-	-
Bank guarantee liabilities	4.5	4.2	0.3	0.3
Deposited securities, guarantee deposits	0.0	0.0	-	-
Guarantee limit	0.0	0.0	-	-
Investment commitments	3.3	4.4	3.3	4.4

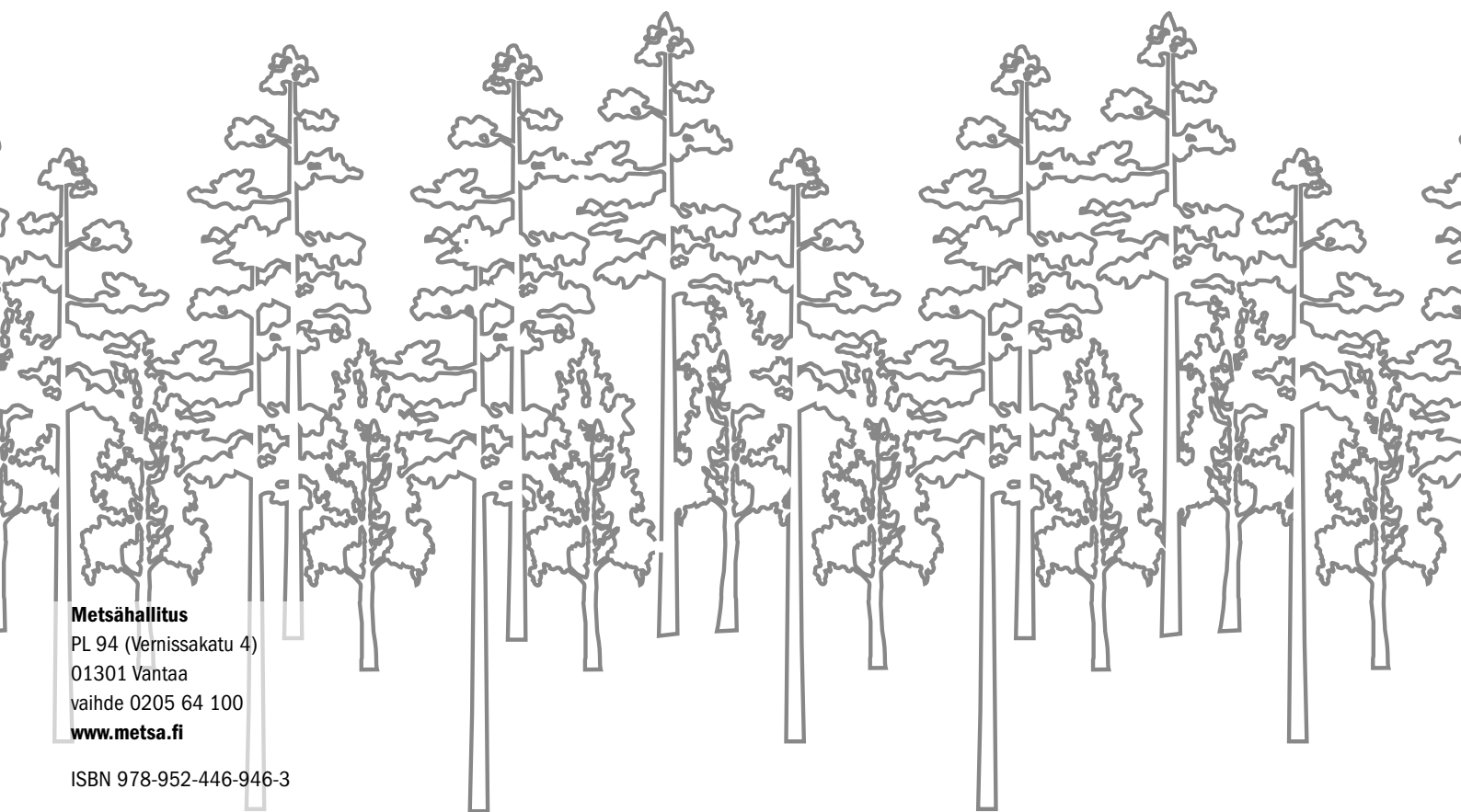
The leasing contracts for business operations include a redemption clause after the residual value reaches the agreed level.

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.

Calculated deferred tax assets and liabilities	BUSINESS OPERATIONS - GROUP	
	2012	2011
Calculated deferred tax assets		
from postponed depreciations	0.7	0.4
from subsidiary losses	1.9	1.4
from provisions	0.2	0.1
Total	2.8	2.0

Self-financed investments	BUSINESS OPERATIONS - GROUP		BUSINESS	
	2012 Investments planned	2012 Executed	2012 Investments planned	2012 Executed
Land, water and gravel areas	6.8	4.7	5.7	4.6
Roads	6.3	5.0	6.3	5.0
Buildings and structures	0.5	1.0	0.3	0.8
Machinery and equipment	0.3	0.4	0.0	0.0
Other	2.5	2.3	2.0	2.4
Total	16.3	13.5	14.2	12.8



Metsähallitus

PL 94 (Vernissakatu 4)

01301 Vantaa

vaihde 0205 64 100

www.metsa.fi

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