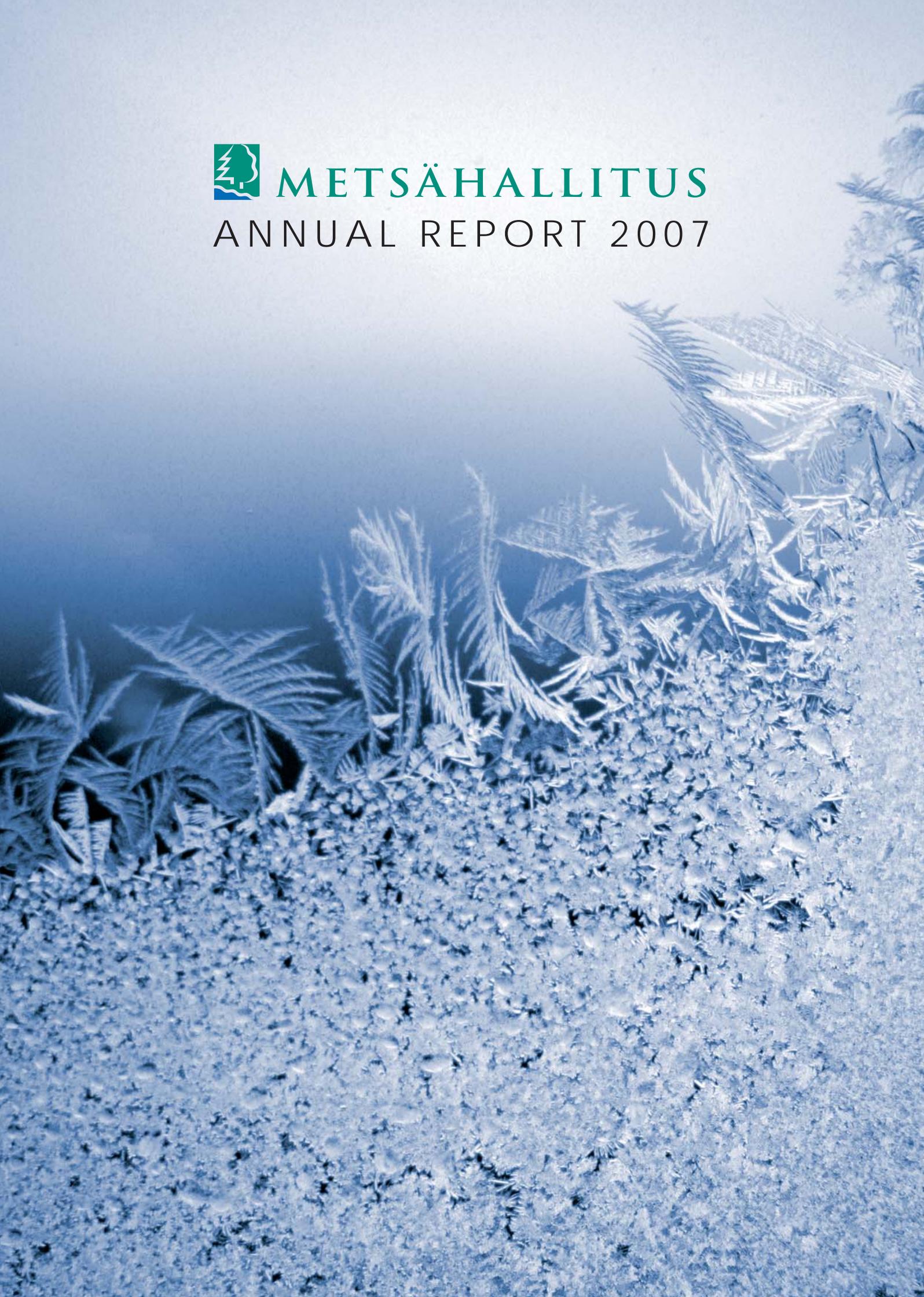




# METSÄHALLITUS

## ANNUAL REPORT 2007





149 YEARS

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DIVERSE USE OF STATE FORESTS

# METSÄHALLITUS GROUP

## Metsähallitus Group

### Forestry

**Forestry**  
sells and markets timber to the forest industry and manages state forests

### Business portfolio

**Morenia Oy**  
processes and sells soil and aggregates

**Wild North**  
outdoor and wilderness services, sells and markets fishing, hunting and snow-mobiling permits

**Laatumaa**  
real estate operations, focus on plots for holiday homes

**Fin Forelia Oy**  
produces and sells seedlings

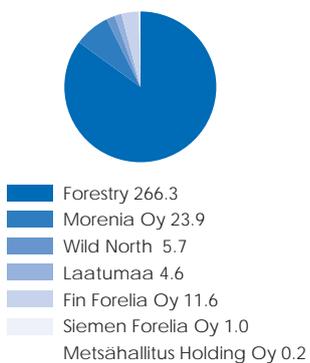
**Siemen Forelia Oy**  
produces and sells seeds

**Metsähallitus Holding Oy**  
investments in Metsähallitus's core business areas

### Natural Heritage Services

**Natural Heritage Services**  
area and nature conservation management, provides hiking, hunting and fishing opportunities

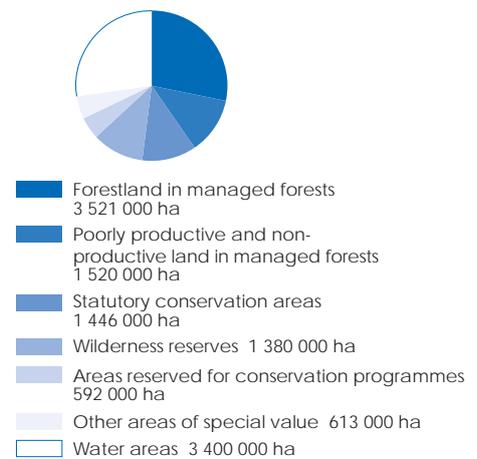
Turnover by business area in 2007 (EUR mill.)



### Business operations-group

Key business figures	2007	2006
Turnover, EUR million	310	268
Operating profit, EUR million	112	81
Percentage of turnover	36	30
Profit, EUR mill.	106	72
Income to state, EUR million	103	65
Return on investment, %	4.4	3.2
Investment, % of turnover	6	4
Solvency ratio, %	98	98
Person-years*	1459	1417
*incl. Natural Heritage Services personnel	2027	2004
Return on investment = 100 x operating profit/basic equity Solvency ratio = 100 x shareholders' equity/balance sheet total		

Land and water areas administered by Metsähallitus in 2007





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# DIRECTOR GENERAL'S REVIEW

2007 was an excellent year for Metsähallitus. The Group exceeded its goals both in its business operations and its Natural Heritage Services, and its status as a versatile expert in natural resources was strengthened. Metsähallitus's future operating conditions are promising: The market situation for timber is good and activity is brisk in other sectors as well. With its renewed organisation, the Group is in a better position to respond to possible market changes and to engage in new businesses.

- My first year at the helm of Metsähallitus has been a positive surprise. Despite the knowledge I already had of the Group, it was interesting to see first-hand the extent of the expertise that exists at Metsähallitus. Our achievements are the result of a combined effort. We have a competent staff that shows initiative. I would like to thank everyone at Metsähallitus for their positive attitude, dedicated work and good co-operation.

We are in the midst of a major upheaval in our main area of operations, forestry. The situation of oversupply that has dominated the timber markets for a couple of decades has suddenly turned into a situation of excess demand. The main reason for this is the major changes in the timber markets in the Baltic Rim countries caused by the increase in Russian export duties. In the longer term, the phenomenon will gain momentum as a result of plans to stem climate change by considerably increasing the use of wood and other sources of bioenergy. The increases in timber prices due to all this turbulence were one reason for our Forestry unit's record results, but we were also able to increase the volume of our timber sales as well as the efficiency of the Forestry unit's processes.

The ever-increasing significance of protected areas to tourism and recreation has also assumed an important role. It is a positive development that these areas are now increasingly serving also another important purpose – supporting regional economies. The quickly rising number of visitors coupled with diminished resources due to the state administration's productivity programme is, however, a worrisome combination. In light of the substantial increase in profits contributed to state revenues resulting from our operations, I would hope that the Finnish Parliament is aware of the conflict. We must ensure that we can continue to develop our national parks, all the while taking into consideration the needs of nature protection and tourism.

As a result of our invaluable inventory work, our knowledge on the distribution of threatened species has increased considerably – this is tremendously helpful in

our efforts to cost-efficiently and accurately target our nature protection measures. Nature protection measures have also undergone major changes. Forest and mire restoration, which was not without controversy, scored a victory this season: it has proved to be a good means of safeguarding biodiversity. Active game habitat management, for its part, benefits woodlands in terms of both ecological sustainability and the diverse use of forests.

In addition to Natural Heritage Services and Forestry, Metsähallitus's third pillar is its business operations portfolio. This includes Wild North, Laatumaa, Morenia Oy, Fin Forelia Oy and Siemen Forelia Oy. These business units are now being steered and developed as a more cohesive whole. Our goal is to introduce new businesses to our current portfolio. Renewable energy, in particular, is an interesting option.

Last year, profits from the Metsähallitus Group's business operations profits rose to EUR 106 million, which was 34 million more than in 2006. The Group's turnover exceeded EUR 310 million. The result and turnover are record amounts in Metsähallitus's history.

In addition, our business operations benefited the protection of managed forests, recreational use, reindeer husbandry and employment to a corresponding estimated amount of EUR 48 million. With the transfer of the Metla Finnish Forest Research Institute's research forests and protected areas to Metsähallitus, we will in future be able to offer better preconditions for research, among other things.

The world has changed considerably since we devised our previous strategy. It is already clear that more changes affecting Metsähallitus's operating environment will come this year – beginning with Finland's National Forest Programme 2010, the METSO Forest Biodiversity Programme for Southern Finland and the principles of ownership guidance for state enterprises. We now have good reason to devise a new strategy on how Metsähallitus, who will celebrate 150 years of operation next year, can best benefit its owners – Finland and the Finnish people.



JYRKI KANGAS  
Director General

# CORPORATE GOVERNANCE

Metsähallitus Group is a state-owned enterprise that runs business activities while also fulfilling public administration duties. The Group's business and public administration activities are differentiated in terms of function and budgeting as well as in the financial statements.

Metsähallitus's annual profit and revenue contribution targets are decided by the Ministry of Agriculture and Forestry on the basis of objectives set by Parliament. Natural Heritage Services manages its public administration duties within the framework laid down by the Ministry of the Environment and with state budget financing.

makes decisions on significant development measures regarding its business operations. The Government-appointed Board of Directors comprises four to six members in addition to the chairman, including representatives of the Ministry of Agriculture and Forestry, the Ministry of the Environment, the Province of Lapland and a Metsähallitus employee representative.

The Director General of Metsähallitus is appointed by the Finnish Government on the basis of a proposal



METSÄHALLITUS IS GOVERNED AS AN ENTERPRISE BY THE FOLLOWING LEGISLATION:

- State Enterprise Act (1185/2002)
- Act on Metsähallitus (1378/2004)
- Government Decree on Metsähallitus (1380/2004).

The management and administration system is based on the recommendations on corporate governance issued by the Helsinki Exchange, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers. The management and administration system is, however, to some extent unique, as the Group carries out public administration duties as well as business activities.

The Board of Directors of Metsähallitus supervises and controls the activities of the state enterprise and

made by the Ministry of Agriculture and Forestry. The Director General is responsible for managing and developing the operations and administration of Metsähallitus and for ensuring the legality of accounting and the reliable organization of financial administration. The Director General also makes proposals to the Board of Directors regarding the appointment and discharge of Group and business unit directors.

The director of Metsähallitus Natural Heritage Services is appointed by the Government on the basis of a proposal by the Ministry of the Environment. The Game and Fisheries Manager, responsible for hunting and fishing related decision-making, is appointed by the Ministry of Agriculture and Forestry.



#### METSÄHALLITUS BOARD OF DIRECTORS

April 1, 2005–March 31, 2008

- Pentti Lähteenoja, Chairman, Deputy Director General, Ministry of Agriculture and Forestry
- Riitta Rainio, Vice Chairman, Director General of Administration, Ministry of the Environment
- Aulikki Heinonen, Municipal Manager, Municipality of Muonio (representative of the province of Lapland)
- Jaana Korpi, Managing Director, Weilin+Göös Oy
- Timo E. Korva (from 1 August 2006), Town Manager, Town of Kemijärvi
- Aulis Lyhykäinen, Sales Manager, Metsähallitus (employee representative)
- Helena Walldén, Member of the Executive Board, OKO Bank

#### METSÄHALLITUS VALUES

- Responsible management and use of natural resources
- Employee well-being
- Profitability
- Focus on customers
- Results through co-operation



#### PERSONNEL

Metsähallitus's personnel are strongly committed to their employer, to the natural environment and to the Group's values. They value Metsähallitus's reliability as an employer and its versatile scope of operations.

The prime objectives of the Human Resource Strategy are to promote high employee work motivation, to develop employee expertise and to enhance Metsähallitus's attractiveness as an employer. All Group units use a bonus system. The HR Strategy is guided by a comprehensive employee satisfaction survey carried out every two years.

Metsähallitus bears the responsibility for the expertise and professional development of its employees. Personal work development is based on one-on-one results discussions and development discussions carried

out on average twice per year. The discussions evaluate each employee's level of expertise and set short- and long-term development targets. Metsähallitus actively provides training opportunities for its employees and has consistently provided training aimed at a management and leadership skills qualification.

Comprehensive well-being at work is also supported through investment in occupational health and safety and a high-quality occupational health service. Employees are supported in pursuing a wide range of sports and physical activities, for example through provision of exercise vouchers. A number of annual social and recreational events are also arranged for the personnel.

# FORESTRY

## RELIABLE WOOD SUPPLY AND RESPONSIBLE FORESTRY

Forestry is Metsähallitus's biggest business unit in terms of turnover. Forestry sells and delivers timber to the forest industry and is responsible for managing all state-owned managed forests and for the sustainable use of forests. Of all raw material supplied to the Finnish forest industry, around 6–8% originates from Metsähallitus forests. As Finland's biggest individual forest owner and wood supplier, Metsähallitus plays a key role in the development of forestry and timber harvesting methods.

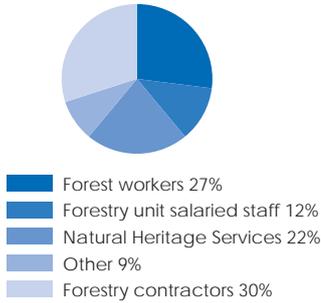


Demand for wood products was strong in 2007 and domestic timber fetched a good price. Metsähallitus met the growing demand with increased timber deliveries. More than 5 million m<sup>3</sup> of timber was sold to industry, representing around 0.5 million m<sup>3</sup> above the annual average. Due to the good market situation, Forestry's turnover exceeded EUR 266 million and the business unit achieved a good financial result.

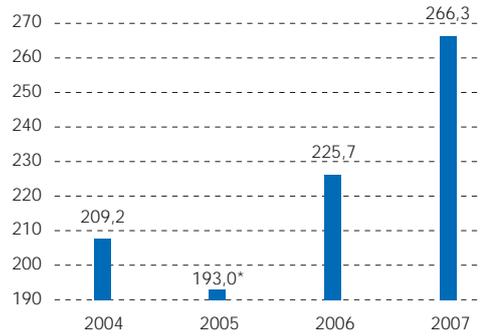
Forestry's productivity has risen for several years consecutively. This is due in part to the fact that silvi-

cultural and regeneration operations have been carried out at the right time. The targets for both silvicultural and harvesting operations were also achieved in 2007. Due to the good work contribution of the personnel, all other targets set for 2007 were also achieved. Although the number of Forestry personnel has fallen by about a fifth since 2000, new recruitments were carried out in 2007. Skilled personnel, modern information systems and flexible deliveries are Metsähallitus's strengths, and these areas will continue to be focussed on in fu-

Metsähallitus person years  
approx. 2,600



Turnover\*, EUR million



\* Paper industry labour dispute



PEFC/02-31-96



ture. Metsähallitus's contractors play a critical role in the supply of wood, and a lack of skilled labour among timber harvesting and transport companies represents one of the biggest challenges of the future.

#### CONTINUOUS DEVELOPMENT

Metsähallitus aims to maintain its position as a forestry pioneer. To achieve this goal, several development projects are being implemented both within the business unit and together with other actors in the forestry

sector. For instance, Metsähallitus has been investigating solutions for the harvesting of soft peatland sites during non-frozen conditions. To further support the development of the Forestry unit's operations an innovation system also has been introduced with the aim of producing more targeted development ideas and rationalising their systematic collection and evaluation.

Milder winter conditions have led to the implementation of a large-scale road investment programme: over the next decade Metsähallitus will invest some EUR 30



million in basic overhaul and maintenance of the forest road network, and an additional EUR 6 million was also spent on road maintenance in 2007. The objective is to increase the reliability of wood supply through road improvements and to secure a smooth supply of wood to the forest industry. A functioning forest road network also promotes the multiple use of forests by providing better public access for berry picking and hunting.

The strong timber market has also enabled silvicultural work, forest fertilisation and forest drainage operations to be stepped up, thus improving forest growth and vigour.

#### FOCUS ON THE ENVIRONMENT

Metsähallitus forests are certified under the international

PEFC system, which provides a guarantee to customers that the wood raw material has been grown in compliance with sound forest management criteria. Fulfilment of the requirements of sound forestry practices is monitored by annual audits. Annual environmental audits are also carried out to monitor the implementation of habitat management measures in accordance with the Environmental Guidelines to Practical Forest Management published by Metsähallitus.

The debate concerning the level of forest conservation in Northern Finland continued during the year with an open letter appeal by a group of Finnish researchers to the Minister of Agriculture and Forestry for the preservation of Finland's natural forests. Environmental organisations also continued their own campaigns.



However, according to statements from both the Ministry of the Environment and the Finnish Forest Research Institute (METLA) the majority of the most valuable natural-state and old-growth forests in Northern Finland are protected by conservation programmes and by the Natura 2000 network programme. Metsähallitus's autumn 2006 quantitative and qualitative report on the state of forest protection in the Forest Lapland vegetation zone found the level of conservation to be exceptionally high, with 43% of all forest land within the Forest Lapland zone being protected.

#### WOOD IN DEMAND

In addition to decreased roundwood imports, EU decisions on stepping up renewable energy usage are also

intensifying pressure to raise consumption of domestic timber.

Preparation of Finland's National Forest Programme 2015 progressed significantly in 2007. According to the programme, the total annual planned cut must be increased by around 10–15 million m<sup>3</sup> in order to secure the wood supply to industry. In addition to wood supply, climate and energy issues are core themes of the programme. In connection with the programme, a decision will also be made on extending the Forest Biodiversity Programme for Southern Finland (METSO). Each of these National Forest Programme 2015 measures will impact the operations of Metsähallitus.

#### Forestry

FORESTRY DIRECTOR	Hannu Jokinen
TURNOVER	EUR 266.3 million
PERSON YEARS	1019
<a href="http://www.metsa.fi">www.metsa.fi</a>	





# NATURAL HERITAGE SERVICES

## NATURE CONSERVATION, RECREATION, HUNTING & FISHING

Natural Heritage Services is charged with task of providing Metsähallitus's diverse range of public services: the unit manages Finland's national parks, recreation areas, nature conservation areas and wilderness reserves and carries out duties prescribed in hunting, fishing and off-road traffic legislation. Natural Heritage Services also provides expert nature guidance at visitor centres located throughout Finland and offers leading expertise in many fields of nature management and conservation.

Decisions on Natural Heritage Services duties and their financing are made annually together with the Ministry of the Environment and the Ministry of Agriculture and Forestry. Although the financial targets for 2007 were successfully achieved overall, improved productivity remains a target for development.

Natural Heritage Services' core environmental objective for 2007 was preservation of biodiversity. Measures implemented included forest and peatland restoration (2,600 ha), rehabilitation of traditional biotopes (1,700 ha), marine habitat inventory (3,000 ha) and updating of databases and data systems with occurrences of endangered species and Habitats Directive listed vascular plant, cryptogam and fungus species.

### METSO OBJECTIVES SUCCESSFULLY REACHED

The first term of the Forest Biodiversity Programme for Southern Finland (METSO) ended in 2007. All of the programme's targets were successfully met. A total of 500,000 hectares of land was inventoried within the protected areas administered by the Natural Heritage Services during the programme. The focus of METSO programme activities in 2007 was on the planning and implementation of habitat management and restoration.

Habitat restoration follow-up studies carried out in cooperation with research institutions showed that numbers of decayed wood dependent beetle and bracket fungi species had increased significantly at sites where increased deadwood had been introduced. Occurrences of threatened beetle species at prescribed burning sites were found to increase with increased proximity to Finland's eastern border. According to preliminary study results, the habitat rehabilitation of peatlands has also begun to produce desired results.

Natural Heritage Services carries out a large number of habitat and species inventories each year which provide real-time information about the biodiversity of Finland's natural environment. In connection with the METSO programme, a species inventory of Finnish conservation

sites was also carried out. The inventory project developed new inventory methods and carried out inventories of bracket fungi in both Scots pine forests and herb-rich forests and of mosses, lichens, molluscs and beetles in herb-rich forests. Several hundred new occurrences of threatened species were found during the inventory. One outstanding example, an exceptionally rare beetle, *Aulonothroscus laticollis*, was discovered in Linnansaari



National Park in Eastern Finland. The sole previous recorded sighting of the species in Finland was in 1865.

### A TREASURE CHEST OF NATURE RECREATION

Natural Heritage Services is responsible for managing all of Finland's national parks. The parks are extensive, diverse nature conservation areas, but they are also popular nature sites that are open to the public. Natural Heritage Services maintains Finland's most extensive hiking route network in these areas, including some 566 kilometres of duckboards.

A number of national parks also provide a visitor centre which offers additional information and guidance on the natural heritage and history of the park area.

In 2007, Natural Heritage Services opened new visitor centres at Hailuoto and Kalajoki and expanded the Fell-Lapland Nature and Culture Centre in Enontekiö in cooperation with the Municipality of Enontekiö, the Sámi Parliament, the Sámi Museum and the Provincial Museum of Lapland (Johti Sápmelaččat rs). The centre





NATURAL HERITAGE SERVICES MAINTAINS HERITAGE FARMS, WHERE VISITORS CAN LEARN HOW PEOPLE LIVED A HUNDRED YEARS AGO.



received new exhibition spaces as part of the expansion and was awarded the Municipality of Enontekiö's 2007 Prize for Culture after its inauguration.

Natural Heritage Services also employs a team of rangers whose task it is to monitor and guide visitors to state lands. The aim of ranger supervision is to provide habitat protection and safe public access to nature and to prevent breaches of land use and park regulations. Rangers' duties also include ensuring that the principles of the statutory public right of access are observed and inspection of fishing, hunting and snowmobile licences.

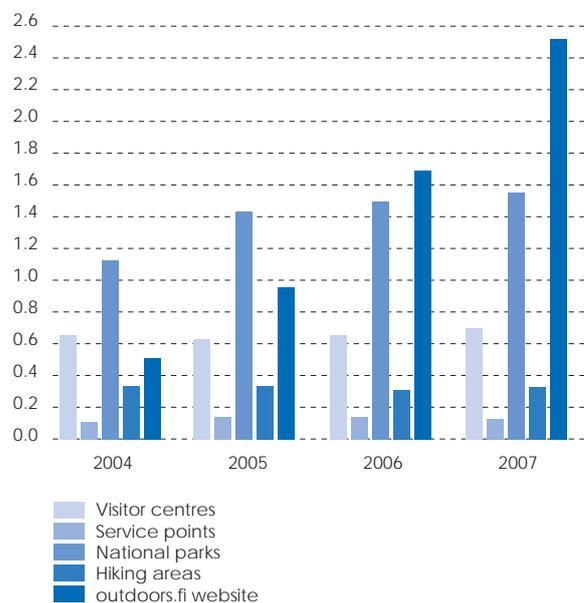
Metsähallitus has also launched a new online map service, Retkikartta.fi, to give hunting and fishing customers and hikers easy access to information on hunting and fishing permit areas and permit restrictions. The map service also provides information on hiking facilities in national parks and conservation areas, recreation areas and Lapland wilderness areas. The map service is modelled on information from Metsähallitus's own geographical information system (SutiGis).

#### METSÄHALLITUS TO TAKE ON CONSERVATION ADMINISTRATION DUTIES

As part of Finland's nature conservation administration productivity project, management and maintenance duties in conservation areas will be concentrated in future within Metsähallitus. The conservation areas administered by the Finnish Forest Research Institute (METLA) were transferred to Metsähallitus's jurisdiction at the beginning of 2008. The most significant sites included in the transfer are Koli National Park, Punkaharju Conservation Area and the Malla Strict Nature Reserve. In addition, Natural Heritage Services' duties will also expand to increasingly include privately protected areas.

Natural Heritage Services	
DIRECTOR	Rauno Väisänen
TOTAL EXPENDITURE IN 2007	EUR 54.5 million
TOTAL FINANCING FROM THE MINISTRY OF AGRICULTURE AND FORESTRY AND MINISTRY OF THE ENVIRONMENT	EUR 40.9 million
EXPENDITURES FROM CHARGEABLE OPERATIONS REVENUE	EUR 5.9 million
EXPENDITURES FROM CO-FINANCED OPERATIONS REVENUE	EUR 7.7 million
PERSON YEARS	568
<a href="http://www.outdoors.fi">www.outdoors.fi</a>	

Visits to Metsähallitus sites









# INTERESTING BUSINESS OPERATIONS

The business units and subsidiaries in Metsähallitus's business portfolio cultivate those forest characteristics that lie outside of the Group's Forestry unit and Natural Heritage Services unit. The current portfolio is a testament to the diverse opportunities that forest nature offers for improving our customers' well-being and to engage in business operations.

The business portfolio is Metsähallitus's third pillar. It became an official part of the Metsähallitus organisation starting in 2008, although its operations were, in fact, launched at the end of 2007.

The portfolio contains two business units, Wild North and Laatumaa, and four subsidiaries, Morenia Oy, Fin Forelia Oy, Siemen Forelia Oy and Metsähallitus Holding Oy. Wild North offers customers adventures and experiences in the great outdoors, while Laatumaa sells and leases land for holiday homes and real property. Morenia Oy processes soil and aggregates for construction purposes. Fin Forelia Oy produces tree seedlings for forests and Siemen Forelia Oy produces and sells tree seeds for forests. Metsähallitus Holding Oy owns and develops investments related to Metsähallitus's core business operations.

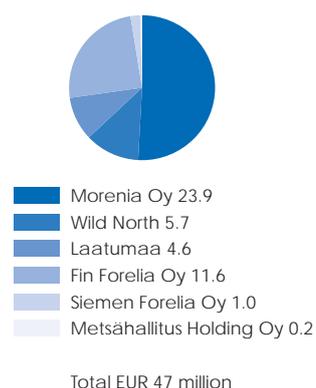
Diverse commercial use of state-owned land and water areas promotes balanced regional development. Metsähallitus offers people employment, contracting and subcontracting opportunities, particularly in eastern and northern Finland, where state-owned lands are concentrated and where the units in the Group's portfolio mainly operate.

The business units and subsidiaries in the portfolio operate on the basis of their business income. Their combined turnover in 2007 was approximately EUR 47 million. The units in the portfolio last year employed people to the amount of 294 person-years. In addition, the units purchased EUR 22 million worth of subcontractor services last year.

The operations of the units in the portfolio have profitability and growth targets. For that reason, the task is also to determine any other business opportunities that

the land and water areas under Metsähallitus's administration offer. Sustainable development, sustainable use of natural resources, climate change and bioenergy are all areas that currently represent interesting business opportunities.

Turnover (EUR million)



## Business portfolio

DIRECTOR Ilmo Kolehmainen  
 TOTAL TURNOVER EUR 47 MILLION  
 PERSON YEARS 294



# MORENIA OY

## THE FUTURE OF SOIL RESOURCE EXPERTISE

The core business of Metsähallitus Group subsidiary Morenia Oy is the processing and sale of soil and rock resources. The company also conducts civil engineering and earthmoving and sells consultation and developer services related to the sector. Morenia is one of the biggest specialist soil resource producers and suppliers in Finland. Morenia's key areas of strength are recycled products and environmental expertise.

Morenia's services include all operations and products related to the production and delivery of sand, gravel, crushed aggregate and processed soils. The company supplies high-quality raw materials for infrastructure construction throughout Finland and is the key supplier of soil resources and aggregates to around twenty Finnish concrete plants.

Morenia holds considerable soil resource reserves throughout the country. The company works with carefully selected soil resource quarriers, processors and transport partners that are committed to Morenia's operating principles and quality criteria. With these select

land excavation. Morenia holds marine sand extraction permits for areas off Helsinki and Loviisa and has a licence application pending for Pori. In summer 2007, Morenia initiated a Bothnian Sea environmental impact assessment. The assessment will provide valuable data on the possible environmental effects of marine soil resource extraction. Morenia has commissioned the expertise of Metsähallitus's Natural Heritage Services to assist in carrying out the assessment.

Morenia's newest construction stone products include stone chips for concrete surfacing and schist slabs for flagstones, masonry blocks and stone facings. Morenia



PHOTO: JUHA SARKKINEN



PHOTO: JUSSI KOHTANEN

partners, Morenia can guarantee reliability of delivery.

In 2007 Morenia was a key player in the Finnish mining boom at Talvivaara in Sotkamo, central Finland and at Suurikuusikko in Kittilä, Lapland as the supplier of soil resources for the construction of both mines and provider of crushing services to the Suurikuusikko gold mine.

Utilisation and development of recycled products will continue to be the drivers of Morenia innovation. Since 2006, Morenia has also sold OKTO building products, a natural material substitute and by-product of the steelmaking processes of the Finnish steelmaker and mining company Outokumpu's Tornio stainless steel plants. OKTO products are used, for example, as asphalt aggregate for road construction, in concrete manufacture and in the manufacture of refractory bricks and grout materials.

Marine soil resources will be increasingly utilised in future as a substitute for terrestrial sand and gravel extracted from esker formations. Use of marine gravel extraction also reduces the noise and environmental impacts of material transportation compared to traditional

supplies stone chips directly to its major customers, while consumer sales are conducted under the Kemira Grow-How brand. Also sold under the same brand is Morenia's new SAFE non-slip stone slab, developed from recycled materials by Morenia in cooperation with Outokumpu.

Morenia's operations are fully compliant with its ISO 14001 certified environmental system and Metsähallitus's environmental policy. New production methods, products and services are implemented only on the basis of environmental impact assessments. Morenia's special expertise also includes the restoration and further use planning and design of extraction sites.

Morenia is one of Finland's biggest soil resources suppliers. Turnover in 2007 exceeded EUR 24 million, with deliveries totalling 7 million tonnes. The company holds 350 valid extraction permits throughout Finland, and growth in net sales is forecast to continue. The Finnish infrastructure sector continues to be strong, with several new projects underway, while the outlook for exports is also positive. Sales of Morenia's new products are expected to grow in the current year.



PHOTO: JUHA SARKKINEN

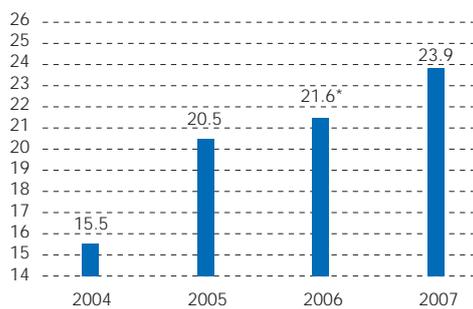


PHOTO: JUHA SARKKINEN



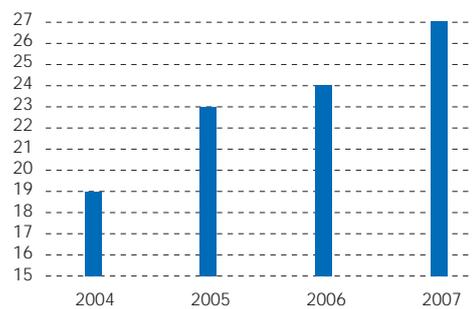
PHOTO: JUHA SARKKINEN

**Turnover\*, EUR million**



\* Morenia operated as a Metsähallitus business unit until 28 February 2006.

**Personnel**



**Morenia Oy**

MANAGING DIRECTOR Pertti Oikarinen  
 TURNOVER EUR 23.9 million  
 PERSON YEARS 27  
 DOMICILE Oulu, Finland  
[www.morenia.fi](http://www.morenia.fi)

# WILD NORTH

THE GREAT OUTDOORS, WILDERNESS EXPERIENCES,  
SERENE NATURE

Metsähallitus's Wild North business unit offers nature tourism and outdoor experiences set within Finland's pristine natural environment. Wild North is a leading Finnish nature tourism operator that sells and provides nature-based tourism and cultural, culinary and wellbeing services tailored for families, businesses and other groups. Wild North also manages the marketing and sales of Metsähallitus's chargeable hunting, fishing and snowmobile permits.



PHOTO: VILLI POHJOLA



PHOTO: KARI PALSILA

Growing tourist demand for nature-based experiences was reflected in 2007 in increased cabin rentals. Wild North strives to meet this demand by seeking new sites particularly in scenic areas. The company currently offers over three hundred rental cabins, around twenty of which are suitable for groups. In addition, Wild North acts as an agent for fishing and hunting destinations of partners in neighbouring countries.

Wild North's cabin rental activities are based on respect for the natural environment and conservation of nature, raw materials, energy and water. Waste management is a key focus area in the environmental development of cabin tourism. Wild North also works systematically to increase the comfort and quality standard of its cabins.

Wild North cooperates closely with local entrepreneurs in the development and provision of nature tourism. The company is seeking to develop a distinctive and attractive, high-quality tourism package for Lapland based on the region's pristine nature and the offering of the region's wellbeing service companies. Core market areas include Russia, France, Japan and the UK. The project aims to develop Finnish Lapland's tourism

industry by strengthening and broadening the skills and competencies of tourism operators and by developing new tourism products.

Wild North is switching its operational focus from traditional Christmas season tourism to other international group tourism packages. In addition to winter tourism, Wild North is also investing in the development of summer tourism products, with a focus on the marketing of fishing tourism packages in the UK.

Fishing and hunting permit sales continue to grow. The mobile fishing licence pilot project has now been extended to most Metsähallitus recreational fishing areas excluding Upper Lapland and joint permit areas. Mobile licences accounted for around one tenth of total license sales, with demand forecast to rise strongly in the future. Some 40,000 hunting permits were sold in 2007.

Wild North served around 120,000 customers during the year in total. The 2007 profit target was met and a positive financial result achieved.



PHOTO: MARKO IHATSU



**Wild North**

DIRECTOR	Johanna Tolonen
TURNOVER	EUR 5.7 million
PERSON YEARS	32
DOMICILE	Rovaniemi, Finland

[www.villipohjola.fi](http://www.villipohjola.fi)

# LAATUMAA

LOVE FOR THE LAND

Metsähallitus's Laatumaa business unit sells and leases holiday home plots and other building land administered by Metsähallitus and acquires forest land and conservation areas for the state. Laatumaa is a market leader in its field in Finland.



PHOTO: JARI KESTI

Due to Finland's strong economic situation, demand for holiday home plots was strong in 2007, particularly at northern Finland's key tourist resorts Ylläs, Ruka, Saariselkä and Levi. Laatumaa's land sales totalled close to EUR 20 million, of which holiday home plot sales accounted for more than EUR 16 million.

Laatumaa creates holiday home opportunities for a broad section of society. The company offers for sale and lease more than 1,500 lakeside and riverside plots, fell country plots and forest plots located throughout Finland. The majority of Laatumaa sites in Southern and Central Finland are parcelled into individual estates and, with the exception of certain Lapland wilderness sites and island locations, all plots are supplied with road access. Many plots have electricity, and plots connected to water and sewage systems are also available.

Laatumaa emphasises respect for nature and strives to promote the well-being of the natural environment by fostering environmental awareness among holiday home residents and through continuous development of its products and activities.

In 2007, Laatumaa had a budget of EUR 15 million for the acquisition of METSO (Forest Biodiversity Programme for Southern Finland) sites and forestry land. Despite a competitive market, the company's land acquisition targets were met. A total of 61 METSO conservation site acquisitions (745 ha) and 88 forestry land acquisitions (5,600 ha) were made.

In addition, 1,740 hectares of land from earlier conservation programmes were brought under Metsähallitus administration through Laatumaa, including old-growth forest, peatland, herb-rich forest, esker habitats and shoreline and wetland habitats. Laatumaa's land acquisitions for conservation purposes will be stepped down in future as the acquisition of the earlier conservation programme sites is set to end in 2008 and responsibility for METSO conservation site acquisitions will transfer to regional environment centres in 2009.

A good financial result was achieved in 2007. Laatumaa's external turnover, consisting mainly of plot leasing revenue, totalled around EUR 3.5 million. Proceeds from real estate sales were clearly higher than budgeted, at close to EUR 11.5 million.

Plot sales 2007





PHOTO: JARI KESTI



**Laatumaa**  
DIRECTOR Antero Luhtio  
TURNOVER EUR 4.6 million  
PERSON YEARS 44  
[www.laatumaa.com](http://www.laatumaa.com)

# FIN FORELIA OY

## TREES FOR TOMORROW'S FORESTS

Fin Forelia Oy is a subsidiary of Metsähallitus specialised in the production and marketing of forest tree seedlings. The company's customers include forest management associations, the forest industry, public bodies and private forest owners. Fin Forelia Oy is the market leader in its sector in Finland with a market share of more than 40%.

Metsähallitus Group's seed and seedling business underwent reorganisation in 2007 with the establishment of Fin Forelia Oy through the merger of Metsähallitus's affiliated company Forelia Oy and Fin Taimi Oy, owned by three Forestry Centres in Eastern Finland. Controlling interest in Fin Forelia Oy is held by Metsähallitus.

The company's total production output is around 85 million seedlings per year, representing just under half of all forest seedlings used in Finland. The year-on-year

drop in seedling prices has halted and, spurred by growing demand, prices are set to rise during the next few years enabling revitalization of the sector and profitable business operations. The plant production made a loss in 2007.

Fin Forelia Oy's tree nurseries are located in Nurmijärvi, Kerimäki, Lapinlahti, Tuusniemi, Tohmajärvi, Saarijärvi and Rovaniemi.



### Fin Forelia Oy

MANAGING DIRECTOR Juha Hotti (from 1 December 2007)

TURNOVER EUR 11.6 million

PERSON YEARS 182

DOMICILE Kuopio, Finland

[www.finforelia.fi](http://www.finforelia.fi)

# FIN FORELIA

# SIEMEN FORELIA OY

SEEDS FOR BETTER GROWTH

Siemen Forelia Oy is a subsidiary of Metsähallitus specialised in the production and marketing of cultivated forest tree seeds. The biggest cultivated forest seed producer in Finland also offers versatile seed production and development services such as seed quality analysis and germinability improving treatments.

Metsähallitus Group's seeds and seedling business underwent reorganisation in 2007. In connection with the restructuring, the seed business owned by Forelia Oy was sold to Metsähallitus Group and re-established as Siemen Forelia Oy.

Siemen Forelia Oy concentrates on establishing and managing new, highly-bred seed orchards. The company is the first to launch on the market a high-performance seed capable of yielding over 20% more high-quality commercial timber compared to forests regenerated from collection stand seed. The company's seed centre is fully equipped for the mechanical treatment and examination of seeds, including cutting edge technology for the improvement of seed germinative capacity and seedlot quality.

Siemen Forelia Oy, established as an independent company in June 2007, returned a negative financial result for the year. However, as seed business revenues are concentrated at the beginning of the year, the financial result was fully in line with expectations. The seed business remains a profitable concern, and rationalised



operations and sales development provide an excellent basis on which to achieve profitable results in future years. The company's forest seed centre is located in Rovaniemi and seed extractory in Saarijärvi. Seed orchards are located throughout the country from the south coast of Finland to Lapland.



#### Siemen Forelia Oy

MANAGING DIRECTOR Tapani Relander  
TURNOVER EUR 1.0 million  
PERSON YEARS 10  
DOMICILE Jyväskylä, Finland  
[www.siemenforelia.fi](http://www.siemenforelia.fi)

# METSÄHALLITUS HOLDING OY

Metsähallitus Holding Oy is a subsidiary of Metsähallitus. The company owns and develops investments in Metsähallitus's core business areas and in closely related sectors.

Metsähallitus Holding Oy's most significant holding has been in its associated company Foria GmbH, which through its affiliated companies provided roundwood procurement services to both local and export customers in eastern Central Europe and Russia. Following severely weakened profitability prospects, Foria GmbH decided to withdraw from business activities in eastern Central Europe and Russia. Metsähallitus Holding Oy owns a 50% stake in the share capital of Foria GmbH, the remainder being held by ÖBf Beteiligung GmbH, an affiliate of the Austrian company ÖBf AG.

Metsähallitus Holding Oy's leading role during 2007 has been to support Foria GmbH in its controlled withdrawal process, for example by supporting the sale of assets. Winding up of Foria GmbH's operations has proceeded according to plan and is scheduled to reach com-

pletion in 2008.

Metsähallitus Holding Oy has also offered business premises leasing services in connection with its second principal holding.

Metsähallitus Holding Oy's turnover in 2007 was EUR 0.2 million. The company's financial result for the financial year was EUR 0.1 million.

#### Metsähallitus Holding Oy

DIRECTOR Harri Saxlund (temporary)  
TURNOVER EUR 0.2 million



# RESPONSIBLE OPERATIONS

Metsähallitus's operations reach from the Gulf of Finland to Lapland's fells. The Group's diverse tasks have a significant regional economic impact on the provinces and represent a great social responsibility. The profits from Metsähallitus's business operations are entered as income to the state, and from there are distributed for various societal needs. Metsähallitus's operations also involve providing public services, including safeguarding biodiversity and offering unforgettable experiences in nature, among other things, which are difficult to measure in financial terms.



The Finnish Parliament has a powerful role in guiding Metsähallitus's operations and financing. Parliament decides annually how much of the profits from Metsähallitus's business operations will be entered as income to the state and for which purpose they will be used. Parliament also decides to what extent Metsähallitus shall forgo such financial opportunities in order to benefit other goals considered important by society. In addition, Parliament decides the extent to which public funds will be invested in the Natural Heritage Services unit's activities.

According to the Act on Metsähallitus, Metsähallitus's operations are affected by, in addition to the set financial targets, to general social obligations, which are:

- the protection of biodiversity and the appropriate increase thereof in the land and water areas where business operations are carried out,
- the promotion of recreational use,
- the promotion of employment,
- securing the preconditions for the Sámi people to practice their culture,
- fulfilment of the obligations laid down in the Reindeer Husbandry Act in the reindeer herding area.

In practice, the obligations are taken into consideration in the treatment of managed forests such that forest sites are either excluded from forestry operations altogether or certain felling restrictions are applied to them. Sites that require special attention, such as habitats containing threatened species and other valuable habitats, areas of significant landscape value, areas alongside hiking routes and important winter pastures for reindeer are not used as plots in Laatumaa's operations.

Approximately 594,000 hectares, or 17 per cent of the Forestry unit's forested land, is in restricted use. In all, some 215,000 hectares constitute areas that are either completely excluded from forestry or, as in a few cases, are subject only to selective felling.

Projects that involve measuring and monitoring general social obligations were decided on at the end of 2007. The projects will allow Metsähallitus to monitor the fulfilment of its obligations more closely than before and to file a report on the findings to the Ministry of Agriculture and Forestry and, in connection with confirmation of the financial statements, to the Government.

The total cost of Metsähallitus's social obligations (reducing felling amounts, additional planning caused by obligations, employment, taking reindeer husbandry and the Sámi culture into account and leaving land outside

of Laatumaa's plots sales) amount to EUR 48.5 million annually. The benefits gained, however, far outweigh the costs. Varied managed forests complete the network of protected areas, landscape management in managed forests improves the preconditions for nature tourism, and investments in diversity and recreational opportunities also promote reindeer husbandry in many areas.

#### INTERACTION WITH SOCIETY

Metsähallitus's natural resource planning is governed by open and interactive practices. The plans define the principles and scale of use of the natural resources under Metsähallitus's stewardship for the next ten years. Local municipalities and residents are also given the opportunity to express their opinions on Metsähallitus's policies. In 2007, the natural resource plan for Ostrobothnia was completed, and a revision of the plan for Eastern Finland and an interim review of the plan for Kainuu were launched.

Metsähallitus and the Finnish Reindeer Herders' Association have an agreement on how to reconcile reindeer husbandry and forestry practices. The objective is to jointly develop forest management practices that take the needs of reindeer husbandry into consideration and to establish co-operation on the local level between both parties as part of everyday operations.

Management and monitoring of environmental matters and continuous improvement of practices are essential aspects of the everyday activities of Metsähallitus's business units and subsidiaries. Metsähallitus has its own environmental and quality management system, certified since 1998, that complies with the requirements of the ISO 14 001 standard. Some 30 trained auditors carry out more than 100 annual internal audits according to the system.

#### The importance of Metsähallitus's services to society:

- Natural Heritage Services provides public services primarily through funding from the state budget in the amount of EUR 55 million.
- A profit of EUR 103 million is contributed to the accounts of the state.
- EUR 48 million is invested in general social obligations in connection with business operations.

In 2005, three Sámi reindeer herders filed a complaint with the United Nations Human Rights Council (UNHRC) regarding Metsähallitus's felling operations. And in August 2006, reindeer herders filed a legal suit in Lapland District Court in which they demanded a ban on felling operations, citing Article 27 of the United Nations International Covenant on Civil and Political Rights. Both cases are pending. In addition, the land-rights dispute in Upper Lapland continues.

The Supreme Administrative Court of Finland upheld the decision of the Rovaniemi Administrative Court, according to which the building inspector of Inari did not have the right to grant construction permits for service buildings for mining concessions in the Lemmenjoki National Park. According to the decision, the mining concessions are a part of the national park area and the construction of claim lodging for gold panning requires a permit from Metsähallitus.

The Rovaniemi Court of Appeal imposed fines of various amounts to environmental activists who forced Metsähallitus's forest workers to stop felling in Kainuu in spring 2002. And the Kouvola Court of Appeal upheld the lower court's ruling on fines imposed on individuals who hindered felling at Keihäsjärvi Lake in Loppi.

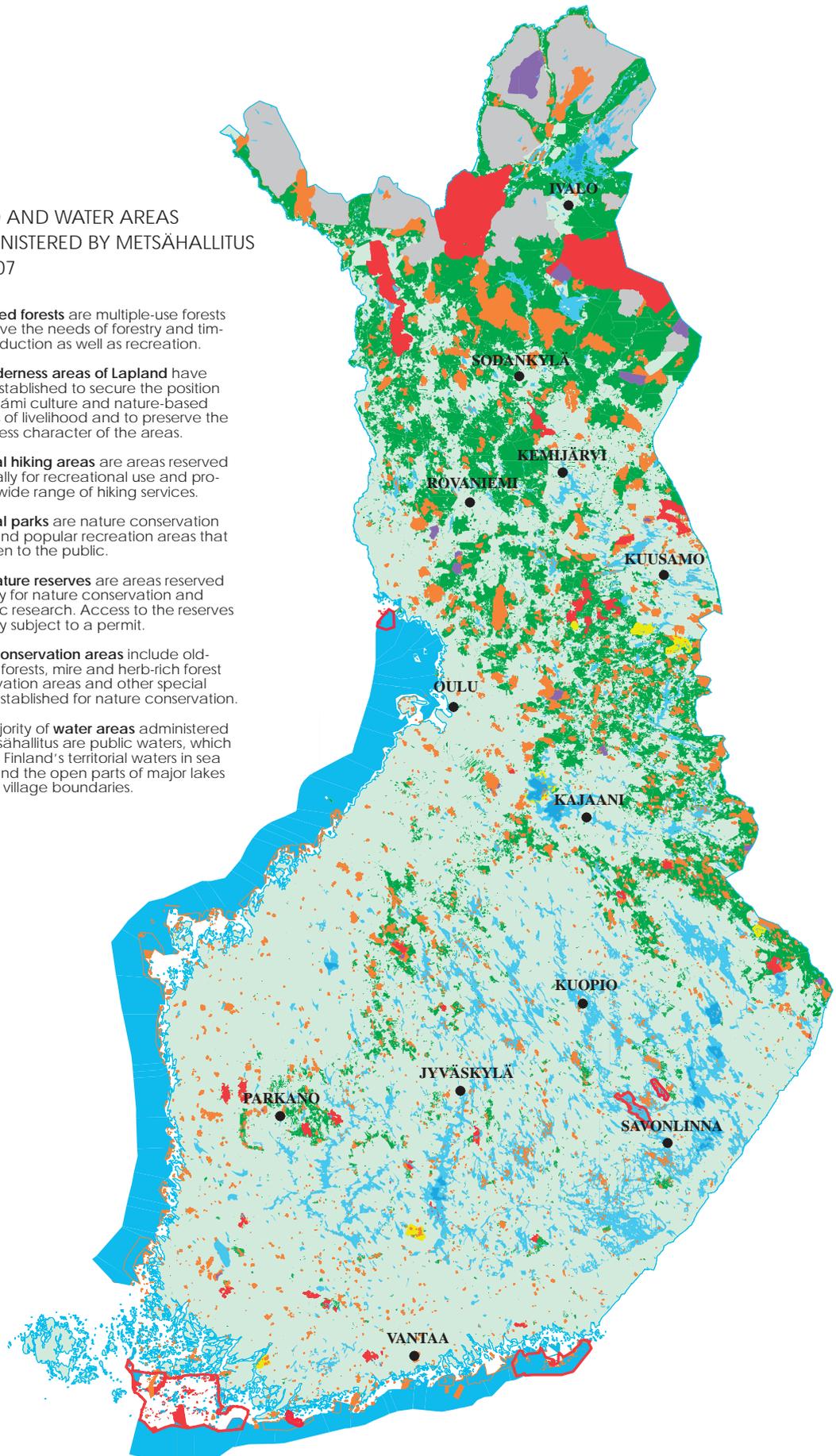
#### EMPLOYMENT PRIMARILY IN NORTHERN FINLAND

In 2007, Metsähallitus employed salaried workers and forestry workers to the tune of nearly 1,900 person-years. Taking into account all Metsähallitus Group employees and external contractors, including machine operators, Metsähallitus's total employment effect rose to more than 2,700 person-years. At the end of the year, the proportion of temporary staff was approximately 14% of Metsähallitus's total workforce. The number of temporary employees rises sharply during the summer season, from May to August, when Metsähallitus employs hundreds of people to carry out seasonal field-work and to work as guides.

Metsähallitus's workforce is evenly divided among different workplaces across Finland. Most of the salaries and wages (58%) are paid to employees in the provinces of Oulu and Lapland. No employees had to be laid off as a measure to improve profitability.

LAND AND WATER AREAS  
ADMINISTERED BY METSÄHALLITUS  
IN 2007

- Managed forests** are multiple-use forests that serve the needs of forestry and timber production as well as recreation.
- The wilderness areas of Lapland** have been established to secure the position of the Sámi culture and nature-based sources of livelihood and to preserve the wilderness character of the areas.
- National hiking areas** are areas reserved especially for recreational use and provide a wide range of hiking services.
- National parks** are nature conservation areas and popular recreation areas that are open to the public.
- Strict nature reserves** are areas reserved primarily for nature conservation and scientific research. Access to the reserves is usually subject to a permit.
- Other conservation areas** include old-growth forests, mire and herb-rich forest conservation areas and other special areas established for nature conservation.
- The majority of **water areas** administered by Metsähallitus are public waters, which include Finland's territorial waters in sea areas and the open parts of major lakes outside village boundaries.



# ANNUAL REPORT ON BUSINESS OPERATIONS 1 Jan. – 31 Dec. 2007

## IMPLEMENTATION OF DECISIONS OF PARLIAMENT

### KEY SERVICE TARGETS AND OTHER OPERATING TARGETS OF BUSINESS OPERATIONS

Metsähallitus managed and used the forests it administered in an economically, ecologically and socially sustainable manner and took into account the social obligations assigned to it.

### MAXIMUM AMOUNT OF INVESTMENTS AND INVESTMENT COMMITMENTS IN BUSINESS OPERATIONS

Investments were realised in the amount of EUR 24.9 million. The maximum limit set by Parliament was EUR 30 million. Investment commitments in the amount of EUR 4.1 million were given. The maximum limit set by Parliament was EUR 34 million.

### MAXIMUM LOAN AMOUNT FOR BUSINESS OPERATIONS

Metsähallitus had no non-current loans in 2007. The maximum limit set by Parliament was EUR 50 million.

### GUARANTEES FOR THE LOANS OF SUBSIDIARIES

Metsähallitus did not grant guarantees for the loans of its subsidiaries. The maximum guarantee authorised by Parliament was EUR 12.3 million.

### MAXIMUM AMOUNT OF GUARANTEES FOR BUSINESS OPERATIONS

Metsähallitus granted guarantees for its operations in the amount of EUR 0.4 million. The maximum amount prescribed by Parliament was EUR 0.5 million.

## ACHIEVEMENT OF SERVICE AND OTHER TARGETS SET BY THE MINISTRY OF AGRICULTURE AND FORESTRY

### General social obligations

#### STRATEGIC LONG-TERM GOALS

When carrying out its business operations, Metsähallitus fulfils its social obligations in the following areas in particular: preserving and appropriately increasing biodiversity, promoting the use of nature for recreational purposes, promoting employment, safeguarding the conditions required to practice the Sámi culture in the Sámi home district, fulfilling the obligations set in the Reindeer Husbandry Act, being prepared to operate in excep-

tional circumstances and providing expert assistance to rescue services. In carrying out its business operations, Metsähallitus also takes into consideration the needs of other stakeholders in the use of state lands, such as research, education, the military and border guard.

#### GOALS OF 2007

Metsähallitus's general social obligations last year resulted in an estimated theoretical annual cost of EUR 48 million.

Taking into account biodiversity, recreation, reindeer husbandry and the Sámi culture resulted in restrictions on forestry operations in approximately 594,300 hectares (17%) of the forestland used for business operations in 2007. Of that amount, 215,100 ha (6% of the forest land used for business operations) were predominantly excluded from felling operations, and in 379,200 ha (11%) restrictions were imposed on forestry operations.

Metsähallitus promoted employment in 2007 by implementing the policy of refraining from laying off forest management and wood procurement blue-collar personnel during the months of January to March when the profitability of the work is at its lowest. In the three northernmost municipalities employment was promoted by special measures, as a result of which approximately 90 per cent of harvesting was carried out manually.

Efforts to reconcile reindeer husbandry, forestry and the Sámi culture were continued in Upper Lapland on the basis of the confirmed natural resource plan. The obligations prescribed in the Reindeer Husbandry Act were taken into account outside the Sámi home district according to a co-operation agreement between Metsähallitus and the Reindeer Herders' Association.

In 2007, Metsähallitus acquired land for use by the Defence Forces at a cost of approximately EUR 2.4 million, while the target was EUR 1.7 million. The excess compensated for the lagging land acquisitions of previous years.

### Metsähallitus's financial result and contribution to state revenue targets

#### STRATEGIC LONG-TERM GOALS

The efficiency of business operations will be increased and profitability improved within the boundaries set by the social obligations. The target is to increase the return on investment to a level of 3% by 2010. 95 per cent of the annual profit (after taxes) is transferred to the state budget. Unprofitable business operations are to be divested of, unless the operation is of particular social importance to the state owner.

## GOALS OF 2007

On 25 January 2007, the Ministry of Agriculture and Forestry set a profit target of EUR 66.9 million for Metsähallitus's businesses in 2007, and a target of EUR 63.6 million in contributions to state revenue. This means a 2.8% return on investment. Metsähallitus's business operations generated a profit of EUR 108.1 million in 2007. The return on investment was 4.5%. The Forestry and Laatumaa business units generated an excellent result and exceeded their targets. Wild North produced a good result and reached its targets.

## Monitoring

### LONG-TERM STRATEGIC GOALS

Metsähallitus systematically monitors the benefits and costs incurred as a result of taking social obligations into account in its business operations and reports on them to the Ministry of Agriculture and Forestry and, in connection with the confirmation of the financial statements, to the Government.

Metsähallitus separately monitors the development of proceeds from sales of land and water areas and the development of other business operations and reports on these to the Ministry of Agriculture and Forestry and, in connection with confirmation of the financial statements, to the Government.

### GOALS OF 2007

In a manner agreed upon with the Ministry of Agriculture and Forestry, Metsähallitus started using a system to evaluate investments made in business as a means of taking into account Metsähallitus's general social obligations. A system to evaluate the beneficial impacts resulting from social obligations is still under development.

## OTHER CHAPTERS OF THE ANNUAL REPORT

### SIGNIFICANT EVENTS DURING THE PERIOD UNDER REVIEW

In order to develop seed and seedling production, a new business arrangement led to the creation of Siemen Forelia Oy, a wholly owned subsidiary of Metsähallitus that focuses on seed production. And after settling issues of ownership, Fin Forelia Oy was set up to focus on

seedling production. Metsähallitus owns 57 per cent of Fin Forelia Oy, and the Southern Savo, Northern Savo and North Karelia Forestry Centres own the remaining 43 per cent. Forelia Oy is a wholly owned subsidiary of Metsähallitus. The operations of the two companies will be merged. The 40 per cent share in the associated company AS Eesti Metsataim was transferred from Forelia Oy to Metsähallitus.

### SIGNIFICANT EVENTS SUBSEQUENT TO THE PERIOD UNDER REVIEW

After the financial period ended, the European Commission came to a conclusion on the competitive and taxation position of state enterprises. The implications of the statement on Metsähallitus's operations are being determined.

Morenia Oy established a subsidiary in Estonia to co-ordinate operations there.

### OUTLOOK ON THE DEVELOPMENT OF OPERATIONS DURING THE CURRENT FINANCIAL PERIOD

A slight increase in turnover, but a decrease in profits is expected for 2008.

### RISK MANAGEMENT AND KEY RISKS

According to Metsähallitus's risk management policy, a risk can constitute any matter that prevents Metsähallitus from achieving its strategic or operational goals or the profit target set for it. Risk management is an integral aspect of Metsähallitus's business management, operations and decision-making. Risks are divided in two groups: strategic and operative. Furthermore, risks are divided into those to be insured and those to be handled centrally at the Group level. Management of financial risks and some IT-related risks are handled centrally.

The risk management process includes recognition and assessment of risks, risk management practises, monitoring, insurance policies and assigning responsibility. The responsibility for risk management lies with the business units and profit areas. Risk management is part of the day-to-day work of not only the main person responsible for it, but of all Metsähallitus salaried employees. The Internal Auditing unit assesses how efficiently risk management is implemented. The most significant risks in Metsähallitus's business operations are related to the development of market prices in forestry.

Number of land-release transactions, net realisable values, sales proceeds and losses in 2007

Business operations	Number of areas	Book value	Net realisable value	Sales proceeds	Losses from sales
Transfers	2	37,848.00	37,848.00		
Exchanges	12	65,243.00	86,564.15	39,125.15	17,804.00
Sales, land and water areas	1,097	7,202,999.20	20,257,981.69	13,076,207.91	21,225.42
Sales, buildings	12	296,956.64	393,899.00	175,448.39	78,506.03
Sales to public bodies	54	1,206,417.39	1,497,627.50	477,230.61	186,020.50
Other	26	16,800.00	16,800.00		
Total	1,203	8,826,264.23	22,290,720.34	13,768,012.06	303,555.95

## Financial standing and results

Key financial figures	Business Operations Group				Business Operations			
	Budj. 2007	Actual 2007	Actual 2006	Actual 2005	Budj. 2007	Actual 2007	Actual 2006	Actual 2005
Turnover, € mill.	267.3	309.6	268.3	229.3	236.2	280.3	248.6	222.4
Operating profit, € mill.	70.3	112.0	80.7	55.7	70.4	113.1	79.4	60.0
% of turnover	26 %	36 %	30 %	24 %	30 %	40 %	32 %	27 %
Result, € mill.	64.9	106.4	72.1	51.6	66.9	108.1	68.8	53.1
% of turnover	24 %	34 %	27 %	22 %	28 %	39 %	28 %	24 %
Return on investment, %	2.8 %	4.4 %	3.2 %	2.2 %	2.8 %	4.5 %	3.1 %	2.4 %
Investments, % of turnover	8 %	6 %	4 %	10 %	8 %	9 %	5 %	9 %
Solvency ratio, %	98 %	98 %	98 %	97 %	98 %	98 %	99 %	98 %
Personnel (in person-years)	1,484	1,459	1,417	1,474	1,325	1,241	1,259	1,335
Return on investment, % =	$\frac{\text{Net result} + \text{financing expense} + \text{taxes (12 months)}}{\text{Investment assets on average during the financial year}}$							

### MANAGEMENT AND ADMINISTRATION SYSTEM

Metsähallitus's management and administration system is based on the recommendations on corporate governance issued by The Nordic Exchange, The Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers. Metsähallitus's management system is, however, unique to a certain extent, in that Metsähallitus has both business operations and public administration tasks. Regarding public administration duties, the aim is to safeguard the principles of sound corporate governance by means of the management and administration system.

### PERSONNEL ON 31 DEC. 2007

Metsähallitus's business operations accounted for 1,266 person-years (1,259 in 2006; 1,335 in 2005). Of Metsähallitus's total workforce, salaried employees accounted for 554 (548; 592), of whom 172 were women (175; 159) and 382 men (373; 433), and blue-collar personnel accounted for 703 (689; 720), of which 2 were women (1; 2) and 701 men (688; 718).

### ENVIRONMENTAL ISSUES

Metsähallitus has a certified environmental management system according to the ISO 14001 standard. The system covers all business units and subsidiaries. Indicator data related to environmental matters and social responsibility is collected each year using a hundred or so different indicators and the results are reported in the Social Responsibility Report. An extensive report presenting trends in environmental and social responsibility matters is published every three years.

Environmental matters are particularly important in Forestry, but they also receive widespread attention in other operations.

### SCOPE OF R&D

A total of EUR 1.7 million was spent on research and development work (EUR 0.2 million in 2006; 0.3 million in 2005).

### SALARIES, WAGES, COMMISSIONS AND OTHER REMUNERATION PAID TO THE BOARD OF DIRECTORS, THE MANAGING DIRECTOR AND OTHER PERSONNEL

Salaries, commissions and other remuneration paid to the Board of Directors and the Managing Director totalled EUR 244,000 (EUR 236,000 in 2006; EUR 236,000 in 2005). Salaries and wages paid to other personnel amounted to EUR 54.1 million (EUR 53 million; EUR 54.6 million).

Metsähallitus's Board of Directors approved a bonus system for senior management; it covers, in addition to the Managing Director, the senior executives appointed by the Board. Forestry, Wild North, Laatu-maa and Morenia Oy also have bonus systems. In 2007, bonus systems were also prepared for Natural Heritage Services, for the Service Centre and for Group functions. These systems were started up in the beginning of 2008.

### BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The profit of Metsähallitus's business operations for the financial year was EUR 108,110,084.56.

The Board proposed that EUR 102,700,000.00 be paid as dividends in four instalments during 2008, and that EUR 5,410,084.56 be transferred to the retained earnings account.

# PROFIT AND LOSS ACCOUNT (EUR)

	Business operations–Group		Business operations	
	1 Jan.-31 Dec. 2007	1 Jan.-31 Dec. 2006	1 Jan.-31 Dec. 2007	1 Jan.-31 Dec. 2006
<b>TURNOVER</b>	<b>309 635 146,86</b>	<b>268 344 916,60</b>	<b>280 254 734,36</b>	<b>248 622 615,67</b>
Other operating income	17 656 374,98	13 755 220,86	16 828 294,60	13 939 479,38
Raw materials and services				
Raw materials and consumables				
Purchases during the financial year	8 493 903,55	5 759 859,08	6 506 811,06	5 526 098,50
Variation in inventories	-1 123 746,56	-1 034 051,53	-199 896,00	8 949 605,56
External services	119 916 651,49	110 583 686,01	101 882 387,96	94 351 788,20
Staff expenses				
Wages and salaries	42 115 762,16	41 193 170,33	37 027 108,04	36 996 736,96
Social security expenses				
Pension expenses	7 612 854,03	6 343 287,79	6 742 916,69	5 616 775,66
Other social security expenses	2 375 922,42	2 828 388,63	2 119 805,28	2 536 384,49
Depreciation and reduction in value				
Depreciation according to plan	5 561 394,05	5 877 281,84	4 419 828,84	4 840 963,60
Other operating charges	30 415 074,47	28 380 579,52	25 471 446,97	24 365 890,14
Share of associated undertakings' profit/loss	113 919,79	-1 457 950,47	0,00	0,00
<b>OPERATING PROFIT</b>	<b>112 037 626,02</b>	<b>80 709 985,32</b>	<b>113 112 620,12</b>	<b>79 377 851,94</b>
Financial income and expenses				
Income from other investments under non-current assets	118 557,73	84 984,33	816 510,73	84 984,33
Other interest and financial income	1 483 818,88	431 217,84	1 326 837,57	357 917,53
Interest and other financial expenses	1 415 339,93	1 162 854,73	842 588,64	731 543,63
Reductions in value of investments held as non-current assets	0,00	2 679 242,64	0,00	5 850 000,00
<b>PROFIT BEFORE FINANCING FOR OTHER OPERATIONS FROM THE STATE BUDGET</b>	<b>112 224 662,70</b>	<b>77 384 090,12</b>	<b>114 413 379,78</b>	<b>73 239 210,17</b>
Financing for other operations from the State budget	0,00	0,00	0,00	0,00
Income taxes	6 594 187,20	5 255 408,40	6 303 295,22	4 400 187,03
Minority share of profit for the financial year	724 193,75	0,00	0,00	0,00
<b>PROFIT FOR THE FINANCIAL YEAR</b>	<b>106 354 669,25</b>	<b>72 128 681,72</b>	<b>108 110 084,56</b>	<b>68 839 023,14</b>

# BALANCE SHEET (EUR)

	Business operations-Group		Business operations	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Intangible assets				
Intangible rights	115 493,06	145 043,50	54 264,24	63 946,08
Other capitalised long-term expenses	99 012,30	19 681,24	60 330,00	19 681,24
	<b>214 505,36</b>	<b>164 724,74</b>	<b>114 594,24</b>	<b>83 627,32</b>
Tangible assets				
Land and water areas	2 499 960 303,06	2 490 847 748,25	2 493 963 408,65	2 484 823 850,22
Roads	9 178 295,58	11 048 917,61	9 148 684,03	11 022 871,80
Buildings and structures	15 373 683,83	13 975 167,66	9 713 209,13	9 871 607,44
Machinery and equipment	3 472 803,46	1 465 208,31	8 521,75	14 269,87
Other tangible assets	613 529,27	650 824,43	10 599,04	10 599,04
Advance payments and construction in progress	3 672 758,50	2 296 081,49	3 781 178,77	2 173 386,33
	<b>2 532 271 373,70</b>	<b>2 520 283 947,75</b>	<b>2 516 625 601,37</b>	<b>2 507 916 584,70</b>
Investments				
Shares in Group				
subsidiaries	0,00	0,00	26 378 098,20	20 402 098,20
Holdings in associated undertakings	896 433,32	763 313,52	1 219 200,00	0,00
Other shares and holdings	2 073 391,14	2 066 364,60	877 193,60	877 193,60
Other receivables	22 300,00	22 300,00	0,00	0,00
	2 992 124,46	2 851 978,12	28 474 491,80	21 279 291,80
<b>NON-CURRENT ASSETS IN TOTAL</b>	<b>2 535 478 003,52</b>	<b>2 523 300 650,61</b>	<b>2 545 214 687,41</b>	<b>2 529 279 503,82</b>
<b>CURRENT ASSETS</b>				
Inventories				
Finished products	25 133 821,89	21 622 625,03	4 673 038,02	4 473 142,02
Work in progress	1 687 834,70	0,00	0,00	0,00
	<b>26 821 656,59</b>	<b>21 622 625,03</b>	<b>4 673 038,02</b>	<b>4 473 142,02</b>
Receivables				
Non-current				
Other receivables	405 000,00	100 000,00	0,00	0,00
Prepayments and accrued income	29 700,00	0,00	0,00	0,00
Current				
Accounts receivable	30 558 854,21	24 693 416,06	27 101 760,89	22 401 640,68
Receivables from public admin. duties	2 056 759,02	2 884 621,72	2 050 530,49	2 884 621,72
Receivable from Group subsidiaries	0,00	0,00	281 456,18	795 995,23
Receivables from associated undertakings	558,00	40 500,00	0,00	0,00
Other receivables	82 671,21	29 188,57	35 019,65	29 188,57
Prepayments and accrued income	1 273 400,70	470 127,88	1 031 147,61	128 530,58
	<b>33 972 243,14</b>	<b>28 117 854,23</b>	<b>30 499 914,82</b>	<b>26 239 976,78</b>
Securities	19 276 596,45	0,00	19 276 596,45	0,00
Cash in hand and at banks	26 292 897,08	12 650 529,15	25 233 056,73	11 859 672,69
<b>CURRENT ASSETS IN TOTAL</b>	<b>106 798 093,26</b>	<b>62 491 008,41</b>	<b>79 682 606,02</b>	<b>42 572 791,49</b>
<b>ASSETS IN TOTAL</b>	<b>2 642 276 096,78</b>	<b>2 585 791 659,02</b>	<b>2 624 897 293,43</b>	<b>2 571 852 295,31</b>

# BALANCE SHEET (EUR)

	Business operations-Group		Business operations	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Basic equity	2 462 385 472,45	2 462 385 472,45	2 462 385 472,45	2 462 385 472,45
Retained earnings	10 212 745,73	3 481 064,01	11 759 851,20	8 317 828,06
Profit for the financial year	106 354 669,25	72 128 681,72	108 110 084,56	68 839 023,14
<b>EQUITY IN TOTAL</b>	<b>2 578 952 887,43</b>	<b>2 537 995 218,18</b>	<b>2 582 255 408,21</b>	<b>2 539 542 323,65</b>
<b>MINORITY HOLDINGS</b>	<b>6 153 994,64</b>	<b>0,00</b>		
<b>PROVISIONS</b>				
Other provisions	162 475,33	283 967,00	0,00	110 000,00
<b>LIABILITIES</b>				
Non-current				
Loans from financial institutions	6 156 778,86	10 464 398,17	0,00	0,00
Other liabilities	926 254,60	1 031 113,60	0,00	0,00
Current				
Loans from financial institutions	4 531 710,62	1 400 000,00	0,00	0,00
Advances received	4 339 628,37	4 949 627,03	4 294 365,99	4 601 149,01
Accounts payable	10 081 289,83	8 253 224,35	7 931 268,34	6 948 955,66
Payables to public admin. duties	280 426,49	183 185,76	243 100,22	79 781,66
Payables to Group subsidiaries	0,00	0,00	1 079 889,22	1 367 522,84
Payables to associated undertakings	261 600,00	0,00	0,00	0,00
Other liabilities	5 404 485,54	925 603,74	5 280 535,11	905 013,41
Accruals and deferred income	25 015 483,90	20 302 960,80	23 812 726,34	18 297 549,08
Deferred tax liabilities	9 081,17	2 360,39		0,00
<b>LIABILITIES IN TOTAL</b>	<b>57 006 739,38</b>	<b>47 512 473,84</b>	<b>42 641 885,22</b>	<b>32 199 971,66</b>
<b>EQUITY AND LIABILITIES IN TOTAL</b>	<b>2 642 276 096,78</b>	<b>2 585 791 659,02</b>	<b>2 624 897 293,43</b>	<b>2 571 852 295,31</b>

# CASH FLOW STATEMENT (EUR)

	Business operations-Group		Business operations	
	1 Jan.-31 Dec. 2007	1 Jan.-31 Dec. 2006	1 Jan.-31 Dec. 2007	1 Jan.-31 Dec. 2006
<b>BUSINESS OPERATIONS</b>				
Payments from sales	304 360 290,86	271 052 011,75	276 000 627,40	248 165 051,88
Payments from other operating income	2 657 490,96	2 814 771,39	2 989 889,03	2 993 218,49
Payments for operating charges	-204 718 331,64	-192 855 549,41	-173 388 830,83	-167 990 234,32
Cash flow from business operations before financial items and taxes	102 299 450,18	81 011 233,73	105 601 685,60	83 168 036,05
Interest and other financial expenses	-1 415 339,93	-1 162 854,73	-842 588,64	-731 543,63
Interest income from business operations	1 483 818,88	431 217,84	1 326 837,57	357 917,53
Dividends received	118 557,73	84 984,33	816 510,73	84 984,33
Direct taxes	-6 594 187,20	-5 255 408,40	-6 303 295,22	-4 400 187,03
<b>Cash flow from business operations</b>	<b>95 892 299,66</b>	<b>75 109 172,77</b>	<b>100 599 150,04</b>	<b>78 479 207,25</b>
<b>INVESTMENTS</b>				
Purchase of tangible and intangible assets	-18 500 616,10	-9 553 274,83	-17 625 828,73	-8 590 372,78
Sale of tangible and intangible assets	22 251 721,21	19 702 250,28	22 268 859,18	19 725 412,33
Purchase of subsidiaries' shares	0,00	0,00	-5 976 000,00	-3 000 002,72
Purchase of associated undertakings' shares	-19 200,00	-1 850 000,00	-1 219 200,00	0,00
<b>Total cash used in investments</b>	<b>3 731 905,11</b>	<b>8 298 975,45</b>	<b>-2 552 169,55</b>	<b>8 135 036,83</b>
<b>FINANCING</b>				
Change in current loans from financial institutions	3 153 235,68	-23 202 538,15	0,00	-23 702 638,15
Change in non-current loans from financial institutions	-5 000 952,03	2 225 142,62	0,00	0,00
Change in non-current loans	-104 859,00	-17 476,50	0,00	0,00
Contribution to state revenue	-65 397 000,00	-51 100 000,00	-65 397 000,00	-51 100 000,00
<b>Total financing</b>	<b>-67 349 575,35</b>	<b>-72 094 872,03</b>	<b>-65 397 000,00</b>	<b>-74 802 638,15</b>
<b>CHANGE IN LIQUID FUNDS</b>	<b>32 274 629,42</b>	<b>11 313 276,19</b>	<b>32 649 980,49</b>	<b>11 811 605,93</b>
Liquid funds on 1 Jan.	12 650 529,15	1 337 252,96	11 859 672,69	47 966,76
Fin Forelia Oy on 1 Sept.	644 334,96			
Liquid funds on 31 Dec.	45 569 493,53	12 650 529,15	44 509 653,18	11 859 672,69
Change	32 274 629,42	11 313 276,19	32 649 980,49	11 811 705,93

# NOTES TO PROFIT AND LOSS ACCOUNT, BUSINESS OPERATIONS

	Business operations–Group		Business operations	
	2007	2006	2007	2006
<b>Turnover by business unit, EUR</b>				
Forestry and related services	265 997 090,70	225 119 041,95	266 231 289,74	225 620 314,23
Nature tourism	5 554 021,70	5 496 248,59	5 559 967,47	5 501 710,52
Seed and seedling production	7 622 519,94	8 034 553,57	0,00	0,00
Land and plot sales	4 551 452,12	4 893 298,70	4 560 457,04	4 903 170,06
Sale of soil resources	22 031 205,60	20 779 432,70	0,00	8 656 251,84
Consulting	205 837,68	308 123,07	0,00	0,00
Other	3 673 019,12	3 714 219,02	3 903 020,11	3 941 169,02
<b>Total</b>	<b>309 635 146,86</b>	<b>268 344 917,60</b>	<b>280 254 734,36</b>	<b>248 622 615,67</b>
of which turnover for public admin. duties	6 118 388,16	6 875 002,33	5 793 363,27	6 571 590,80
<b>Other operating income, EUR</b>				
Gains on the sale of fixed assets	13 531 615,10	10 761 582,01	13 531 622,55	10 767 393,43
Income from services to public admin. duties	2 624 807,96	2 430 909,33	2 624 807,96	2 430 909,33
Income from services to subsidiaries	0,00	0,00	215 585,00	181 457,88
Other income	1 499 951,92	562 729,52	456 279,09	559 718,74
<b>Total</b>	<b>17 656 374,98</b>	<b>13 755 220,86</b>	<b>16 828 294,60</b>	<b>13 939 479,38</b>
<b>Depreciation according to plan, EUR</b>				
Intangible assets	70 591,42	48 976,87	40 185,87	21 921,03
Depreciation for decrease of substance	271 819,62	729 390,19	0,00	459 813,02
Roads	3 686 795,04	3 736 294,22	3 685 360,20	3 735 098,52
Buildings and structures	1 024 113,04	867 030,82	688 534,65	616 068,37
Machinery and equipment, other tangible assets	508 074,93	495 589,74	5 748,12	8 062,66
<b>Total</b>	<b>5 561 394,05</b>	<b>5 877 282,84</b>	<b>4 419 828,84</b>	<b>4 840 963,60</b>
<b>Depreciation according to plan, depreciation periods:</b>				
Intangible rights, other long-term expenditures			4-5 years	
Gravel areas			depreciation for decrease of substance	
Roads			mainly 25 years	
Fish structures (e.g. fish ladder)			mainly 10 years	
Log floating structures			25 years	
Buildings			20-40 years	
Structures			4-10 years	
Machinery and equipment			4-8 years	
Depreciation according to plan has been calculated by fixed asset				
	Business operations–Group		Business operations	
	2007	2006	2007	2006
<b>Other interest and financial income, EUR</b>				
Dividend income from external sources	118 557,73	84 984,33	118 557,73	84 984,33
Dividend income from subsidiaries	0,00	0,00	697 953,00	0,00
Interest income	1 483 818,88	431 217,84	1 326 837,57	357 917,53
<b>Total</b>	<b>1 602 376,61</b>	<b>516 202,17</b>	<b>2 143 348,30</b>	<b>442 901,86</b>
<b>Interest and other financial expenses, EUR</b>				
Interest expenses	1 415 339,93	1 162 854,73	842 588,64	731 543,63
Reduction in value of subsidiaries' shares	0,00	0,00	0,00	5 850 000,00
Reduction in value of shares of associated undertakings	0,00	2 679 242,64	0,00	0,00
<b>Total</b>	<b>1 415 339,93</b>	<b>3 842 097,37</b>	<b>842 588,64</b>	<b>6 581 543,63</b>

# NOTES TO BALANCE SHEET, BUSINESS OPERATIONS

Non-current assets, EUR mill.									
Business operations–Group	Intangible assets	Goodwill and consolidation	Land and water areas	Roads, land and water structures	Buildings and structures	Machinery and equipment, other tangible assets	Construction in progress	Shares and holdings other receivables	Total
Acquisition cost on 1 Jan.	2,994	0,868	2 492,744	61,349	35,147	15,592	2,296	5,532	2 616,522
Reduction in value on 1 Jan.	0,000	0,000	0,000	0,000	0,000	0,000	0,000	-2,679	-2,679
Other change on 1 Sept.	0,000	0,000	0,000	0,000	1,237	2,442	0,000	0,005	3,684
Increases	0,119	0,000	17,914	1,815	1,461	0,034	1,608	0,135	23,088
Decreases	0,000	0,000	8,530	0,000	0,419	0,000	0,231	0,000	9,180
Reduction in value	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Transfers between items	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Acquisition cost on 31 Dec.	<b>3,113</b>	<b>0,868</b>	<b>2 502,128</b>	<b>63,164</b>	<b>37,427</b>	<b>18,068</b>	<b>3,673</b>	<b>2,993</b>	<b>2 631,434</b>
Accumulated depreciation and reduction in value 1 Jan.	2,828	0,868	1,896	50,299	21,172	13,476	0,000	0,000	90,539
Accumulated depreciation relating to decreases and transfers	0,000	0,000	0,000	0,000	-0,143	-0,002	0,000	0,000	-0,145
Depreciation during the financial year	0,071	0,000	0,272	3,687	1,024	0,508	0,000	0,000	5,561
Accumulated depreciation on 31 Dec.	<b>2,899</b>	<b>0,868</b>	<b>2,168</b>	<b>53,986</b>	<b>22,053</b>	<b>13,982</b>	<b>0,000</b>	<b>0,000</b>	<b>95,955</b>
Book value on 1 Jan.	0,166	0,000	2 490,848	11,050	13,975	2,116	2,296	2,853	2 523,304
Book value on 31 Dec.	0,215	0,000	2 499,960	9,178	15,374	4,086	3,673	2,993	2 535,479
Production machinery and equipment						3,472			
Book value on 31 Dec.						3,472			
Business operations	Intangible assets	Goodwill and consolidation	Land and water areas	Roads, land and water structures	Buildings and structures	Machinery and equipment, other tangible assets	Construction in progress	Shares and holdings other receivables	Total
Acquisition cost on 1 Jan.	2,621	0,000	2 485,457	61,317	29,028	9,640	2,173	30,130	2 620,366
Reduction in value on 1 Jan.	0,000	0,000	0,000	0,000	0,000	0,000	0,000	-8,850	-8,850
Increases	0,069	0,000	17,669	1,811	0,805	0,000	1,608	7,195	29,158
Decreases	0,000	0,000	8,530	0,000	0,419	0,000	0,000	0,000	8,949
Transfers between items	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Acquisition cost on 31 Dec.	<b>2,690</b>	<b>0,000</b>	<b>2 494,596</b>	<b>63,128</b>	<b>29,415</b>	<b>9,640</b>	<b>3,781</b>	<b>28,475</b>	<b>2 631,725</b>
Accumulated depreciation on 1 Jan.	2,536	0,000	0,633	50,293	19,157	9,617	0,000	0,000	82,236
Accumulated depreciation relating to decreases and transfers	0,000	0,000	0,000	0,000	-0,144	-0,002	0,000	0,000	-0,146
Depreciation during the financial year	0,040	0,000	0,000	3,685	0,689	0,006	0,000	0,000	4,420
Accumulated depreciation on 31 Dec.	<b>2,576</b>	<b>0,000</b>	<b>0,633</b>	<b>53,978</b>	<b>19,701</b>	<b>9,621</b>	<b>0,000</b>	<b>0,000</b>	<b>86,510</b>
Book value on 1 Jan.	0,085	0,000	2 484,824	11,024	9,871	0,023	2,173	21,280	2 529,280
Book value on 31 Dec.	0,114	0,000	2 493,963	9,150	9,713	0,019	3,781	28,475	2 545,215
Production machinery and equipment						0,008			
Book value on 31 Dec.						0,008			
Business operations–Group									
	2007				2006				
Business operations									
	2007				2006				
<b>Shares and holdings, book value, EUR</b>									
Subscription fee receivables		0,00		0,00		26 378 098,20		20 402 098,20	
Shares in associated undertakings		896 433,32		763 313,52		1 219 200,00		0,00	
Other shares		2 073 391,14		2 066 364,60		877 193,60		877 193,60	
Total		<b>2 969 824,46</b>		<b>2 829 678,12</b>		<b>28 474 491,80</b>		<b>21 279 291,80</b>	
<b>Other receivables, EUR</b>									
Subscription fee receivables		<b>22 300,00</b>		<b>22 300,00</b>		<b>0,00</b>		<b>0,00</b>	
<b>Shares in subsidiaries</b>									
					Holding, %			Book value in parent company, EUR	
Metsähallitus									
Fin Forelia Oy, Kuopio (Transfer of Forelia shares)					57			9 293 330,19	
Metsähallitus Holding Oy, Vantaa					100			1 547 768,01	
Morenia Oy, Oulu					100			9 561 000,00	
Siemen Forelia Oy, Jyväskylä					100			5 976 000,00	
Total								<b>26 378 098,20</b>	
<b>Fin Forelia Oy</b>									
Forelia Oy					100			8 260 328,31	
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# NOTES TO BALANCE SHEET, BUSINESS OPERATIONS

Shares in associated undertakings	share %		Book value in parent company, EUR	
<b>Metsähallitus</b>				
AS Eesti Metsataim, Estonia	40		1 219 200,00	
<b>Metsähallitus Holding Oy</b>				
Foria-ÖBf Forstmanagement GmbH, Austria	50		0,00	
	Business operations–Group		Business operations	
	2007	2006	2007	2006
<b>Receivables from public administration duties, EUR</b>				
Accounts receivable	519 999,55	200 786,06	513 771,02	200 786,06
Prepayments and accrued income	1 518 038,03	2 683 835,66	1 518 038,03	2 683 835,66
Other	18 721,44	0,00	18 721,44	0,00
<b>Total</b>	<b>2 056 759,02</b>	<b>2 884 621,72</b>	<b>2 050 530,49</b>	<b>2 884 621,72</b>
<b>Current external prepayments and accrued income, EUR</b>				
Interest receivables	176 263,54	0,00	176 263,54	0,00
VAT receivables	0,00	259 090,10	0,00	0,00
Project receivables–financing from the Ministry of Agr. & For.	0,00	30 696,30	0,00	30 696,30
Project receivables–financing from the EU	0,00	26 439,28	0,00	26 439,28
Project receivables–Employment and Economic Development Centres	0,00	28 514,00	0,00	28 514,00
Other prepaid expenses / purchase invoices	46 188,27	14 707,95	46 188,27	14 707,95
Other accrued income	1 050 948,89	110 680,25	808 695,81	28 173,05
<b>Total</b>	<b>1 273 400,70</b>	<b>470 127,88</b>	<b>1 031 147,62</b>	<b>128 530,58</b>
<b>Other receivables</b>				
Other advances	<b>82 671,21</b>	<b>29 188,57</b>	<b>35 019,65</b>	<b>29 188,57</b>
<b>Equity, EUR</b>				
Basic equity on 1 Jan.	2 462 385 472,45	2 471 626 797,90	2 462 385 472,45	2 471 626 797,90
decrease in basic equity during the financial year				
- transfers of possession	0,00	7 657,00	0,00	7 657,00
- inheritance by the State	0,00	708 609,00	0,00	708 609,00
- changes in land use	0,00	-7 945 404,17	0,00	-7 945 404,17
- other	0,00	-2 012 187,28	0,00	-2 012 187,28
<b>Basic equity on 31 Dec.</b>	<b>2 462 385 472,45</b>	<b>2 462 385 472,45</b>	<b>2 462 385 472,45</b>	<b>2 462 385 472,45</b>
Other equity on 1 Jan.	0,00	0,00	0,00	0,00
Other equity on 31 Dec.	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>
Retained earnings on 1 Jan.	75 609 745,73	54 581 064,01	77 156 851,20	59 417 828,06
Contribution to state revenue	-65 397 000,00	-51 100 000,00	-65 397 000,00	-51 100 000,00
Profit for the financial year	106 354 669,25	72 128 681,72	108 110 084,56	68 839 023,14
<b>Retained earnings and profit for the financial year in total on 31 Dec.</b>	<b>116 567 414,98</b>	<b>75 609 745,73</b>	<b>119 869 935,76</b>	<b>77 156 851,20</b>
<b>Equity in total on 31 Dec.</b>	<b>2 578 952 887,43</b>	<b>2 537 995 218,18</b>	<b>2 582 255 408,21</b>	<b>2 539 542 323,65</b>
<b>Provisions, EUR</b>				
Restoration of gravel areas	162 475,33	173 967,00	0,00	0,00
Other provisions	0,00	110 000,00	0,00	110 000,00
<b>Total</b>	<b>162 475,33</b>	<b>283 967,00</b>	<b>0,00</b>	<b>110 000,00</b>
<b>Amount of debt not paid to the State, EUR</b>				
Debt to the State, withholding tax liabilities, social security contribution liabilities, pension contributions, VaEL, TyEL	1 500 381,94	1 596 797,74	1 298 342,41	1 388 074,06
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# NOTES TO BALANCE SHEET, BUSINESS OPERATIONS

	Business operations–Group		Business operations	
	2007	2006	2007	2006
<b>Payables to public administration duties, EUR</b>				
Accounts payable	159 167,30	58 755,78	134 665,39	58 755,78
Accruals and deferred income	121 259,13	124 429,98	108 434,83	21 025,88
<b>Total</b>	<b>280 426,43</b>	<b>183 185,76</b>	<b>243 100,22</b>	<b>79 781,66</b>
<b>External accruals and deferred income, EUR</b>				
Withholding taxes and social security contributions and other statutory staff expenses	1 569 854,16	1 596 797,74	1 298 342,41	1 388 074,06
Holiday pay liabilities, including social security expenses	7 773 695,30	7 626 316,90	7 348 803,27	7 255 470,84
VAT liabilities	11 624 097,76	8 313 684,00	11 599 516,36	7 970 332,44
Other	4 047 836,68	2 766 162,16	3 566 064,30	1 683 671,78
<b>Total</b>	<b>25 015 483,90</b>	<b>20 302 960,80</b>	<b>23 812 726,34</b>	<b>18 297 549,12</b>

# OTHER NOTES, BUSINESS

	Business operations–Group		Business operations	
	2007	2006	2007	2006
<b>Contingent liabilities, EUR million</b>				
Leasing liabilities				
paid during the financial year	1,5	1,5	1,0	1,0
to be paid during the following year	2,4		1,7	
to be paid during following years	3,6		2,4	
Mortgages on land areas and buildings				
Business mortgages	0,8	3,4		
Mortgages on leasing rights	0,9			
Bank guarantee liabilities	2,6	1,8	0,4	0,0
Guarantee for a subsidiary's loan	0,0	0,0	0,0	4,3
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 period of notice of 3 months. The Group also has contracts without a redemption clause, mainly for a duration of five years. Metsähallitus's subsidiary has been notified of a legal suit to be filed against it in the Austrian courts. According to the subsidiary, the claim is baseless.				
	Business operations–Group			
	2007	2006		
<b>Deferred tax assets and tax liabilities</b>				
<b>Deferred tax assets</b>				
from postponed depreciations (not in balance sheet)	0,3	0,3		
from a subsidiary's losses (not in balance sheet)	0,8	0,9		
	Business operations–Group		Business operations	
	2007	2006	2007	2006
<b>Number of personnel, person-years</b>				
Blue-collar employees	875	829	706	709
Salaried employees	584	589	535	550
<b>Total</b>	<b>1 459</b>	<b>1 417</b>	<b>1 241</b>	<b>1 259</b>
<b>Maximum amount of investments and main investments</b>				
According to a decision by Parliament, the maximum capital expenditure caused by Metsähallitus' investments may be EUR 30.0 million in 2007. Investments made were EUR 24.8 million. Metsähallitus has been authorised to make commitments relating to investments during 2007 which may cause future expenses to a maximum value of EUR 34.0 million. The investment commitments made during the financial year were EUR 4.1 million.				
	Business operations–Group		Business operations	
	2007	2007	2007	2007
<b>Self-financed investments, EUR million</b>				
	Investment plan	Actual	Investment plan	Actual
Land, water and gravel areas	16,1	14,2	14,7	14,0
Roads	3,0	2,8	3,0	2,8
Buildings and structures	0,7	1,3	0,4	0,7
Machinery and equipment	0,2	0,0	0,0	0,0
Other (e.g. shares and holdings)				
Shares in subsidiaries	0,0	0,0	1,1	6,0
Shares in associated undertakings	0,0	0,0	0,0	1,2
Other	0,2	0,1	0,0	0,1
<b>Total</b>	<b>20,1</b>	<b>18,5</b>	<b>19,2</b>	<b>24,8</b>
<b>METSÄHALLITUS</b>				
<b>Authorisations for loans</b>				
Metsähallitus has been authorised to take out a loan to a maximum value of EUR 50 million. No loans were taken out during the financial year.				
<b>Authorisation for giving an absolute guarantee as collateral for loans of a subsidiary</b>				
The Finnish Government has authorised Metsähallitus to give absolute guarantees as collateral for loans of subsidiaries, Forelia Oy and Metsähallitus Holding Oy, to a total value of EUR 12.3 million. The aforementioned guarantees were not given during the financial year.				



# BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS FROM BUSINESS OPERATIONS

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Profit for the financial year from business operations **EUR 108,110,084.56**.

It is proposed that **EUR 102,700,000.00** of Metsähallitus' profit according to the financial statements be paid as a contribution to state revenue.

Vantaa, 28 February 2008

**Aulikki Heinonen**

**Jaana Korpi**

**Timo E. Korva**

**Aulis Lyhykäinen**

**Pentti Lähteenoja**  
Chairman of the  
Board of Directors

**Riitta Rainio**

**Helena Wallden**

**Jyrki Kangas**  
Director General

The above financial statements have been prepared in accordance with good accounting practice.

A report has been given today on the audit conducted.

Vantaa, Finland, 18 March 2008

**Jorma Nurkkala**, Authorised Public Accountant, Chartered Public Finance Auditor

**Leif-Erik Forsberg**, Authorised Public Accountant, Chartered Public Finance Auditor



**METSÄHALLITUS – ANNUAL REPORT 2007**

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