

Metsähallitus – Annual Report 2008





Director General's review

Continuing pioneering work

Metsähallitus can look back on a good year. We achieved excellent results on a broad front, both in the Natural Heritage Services and business operations. The value of our achievements is further emphasised against the backdrop of the general economic conditions and other turbulent global phenomena. For all this, I am obliged to offer my sincere thanks to our competent employees!

150 years, more than 12 million hectares of land, 2,000 employees – we are a big and well established organisation with a long history behind us. Some may see this as inflexibility or as a tendency to look backwards, but our solid foundation first and foremost gives us wide-ranging know-how, reliability, predictability and the ability to take risks. We can see far beyond business cycles, we can respond to challenges and be open to new developments. In short – we are pioneers.

Although we have done an excellent job of achieving the various targets set for us by the owner, even more is expected from us, from the lands, natural resources and competence entrusted to us. Metsähallitus has been a pioneer and led the way several times during its history. Even now we have numerous innovations under development.

New solutions are particularly invaluable in difficult times – such as the present one. Economic prospects have grown bleaker by the week and, as of yet, hardly any light can be seen at the end of the tunnel. However, we are not pressing the panic button. As we see it at Metsähallitus, our task is to keep the wheels rolling as long as possible, considering today's economic constraints. We will in due time carry out the forestry measures dictated by the recent years' record results and continue with forest road repairs. We will continue to take care of nature, to sell and market, to guide and provide maintenance.

The expected dramatic decline of this year's earnings will require a tighter cost regime. But even as we cut costs, we must remember to think about biodiversity, our customers and contractors, finding new sources of income and continuous improvement of our services. For pioneering minds, this will hardly pose a problem!

Jyrki Kangas
Director General



Management and administration

A state-owned enterprise, Metsähallitus runs both business operations and fulfils 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 performance and profit-crediting targets of business operations are decided by the Ministry of Agriculture and Forestry, on the basis of objectives set by Parliament. In its business operations, Metsähallitus applies commercial principles, in compliance with the restrictions dictated by the social obligations assigned to it. The Natural Heritage Services unit performs Metsähallitus's public administration duties within the framework laid down by the Ministry of the Environment and by means of state budget financing.

The governance of Metsähallitus and the organisation of its finances and administration are based, among others, on the State Enterprise Act (1185/2002) and the Act (1378/2004) and Decree (1380/2004) on Metsähallitus.

The legality of the operations and compliance with the Group's strategy and values is ensured by complying with the principles of proper corporate governance. Metsähallitus's management and administration system is consistent with the general recommendations for corporate governance, taking into account the special characteristics of a state enterprise and public administration duties.

The task of the Board of Directors of Metsähallitus is to steer and supervise the operations of the enterprise and make decisions on significant development measures. The key duties and principles of the Board of Directors are defined by the Government Decree on Metsähallitus and Metsähallitus's rules of procedure. The Board of Directors is appointed by the Government and comprises seven members.

The Managing Director of Metsähallitus is appointed by the Government based on a proposal made by the Ministry of Agriculture and Forestry. The Managing Director is responsible for managing and developing Metsähallitus's operations and administration. The Managing Director is assisted in his or her work by a Management Group. The Management Group shall include the Business Unit directors appointed by the Managing Director, the head of the Public Administration Unit and the heads of group support units.

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.

The internal supervision in Metsähallitus is based on Finnish legislation, ownership policy, steering and supervision of the Board of Directors and on the relevant guidelines and standards. A significant component of internal supervision is risk management, which in Metsähallitus is

accomplished in accordance with a risk management policy approved by the Board of Directors, taking into account the Group's targets. Metsähallitus furthermore has an independent internal auditing function, which reports directly to the Board of Directors and the Managing Director.



Personnel

Metsähallitus's personnel has a key role in the Group's development.

In 2008, Metsähallitus's personnel participated in the review of the Group's operational strategy in the preparatory groups of various units. Implementing the new strategy will require personnel to master new skills and reinforce existing know-how. Joint areas of competence development include leadership and management as well as office and IT skills.

According to Metsähallitus's management-by-results approach, targets set according to the new strategy will be implemented in annual result and development discussions. Personnel and customer satisfaction surveys, among others, will be utilised when assessing and steering the long-term development efforts.

The recruitment related to the age structure of employees will be increased in a controlled manner. The induction of new employees and mentor training accordingly received stronger emphasis in 2008 than in previous years. According to an ethics survey carried out during the strategy process, Metsähallitus's employees regarded their superiors' actions as fairly responsible. Employees also felt that they themselves had good preconditions for behaving ethically. In compliance with Metsähallitus's values, we are all responsible for the wellbeing and safety of our work community.



Forestry

Reliable wood trade and responsible forest management

2008 was an exceptional year in the Finnish wood trade. It was characterised by the Russian wood export tariffs, wood shortage in the forest industry, waking up to global climate change, energy issues and finally the downsizing of wood industry production. Despite the volatile conditions, Metsähallitus supplied the forest industry with 5.2 million cubic metres of timber and achieved a turnover of EUR 287 million.

Metsähallitus supplies approximately 6–8 per cent of all the raw materials required by the Finnish forest industry and has a regionally significant

Forestry

Forestry Director:
Hannu Jokinen

Turnover:
EUR 287 million

Person years:
1,039

position particularly in Northern Finland. Approximately two per cent of the total surface area in forestry use annually undergoes felling by Metsähallitus. Thinnings are the most common type of felling performed.

Felling opportunities have increased over the years because state-owned forests are systematically managed and silvicultural measures are carried out on time. For example, according to the new regional natural resource plan for Eastern Finland completed in 2008, the fellings in this region can be increased by approximately 20 per cent compared to the previous planning period.

State-owned forests are intended for multiple uses – in addition to timber production, many other objectives are also considered, including the biodiversity of forest habitats, tourism, reindeer husbandry, game management and securing the preconditions for the Sámi people to practise their culture.

The Forest Biodiversity Programme for Southern Finland (METSO) defines measures to be carried out by Metsähallitus, concerning both protected areas and managed forests. 10,000 hectares of state-owned land will be used for supplementing the network of protected areas. It has been decided that protected areas will be increased by 6,000 hectares in Eastern Finland's natural resource plan area. Approximately 4,000 hectares will be included within the framework of the METSO programme.

Active conservation measures are taking place in state-owned managed forests, based on the principles of landscape ecological planning and Metsähallitus's Environmental Guidelines to Practical Forest Management. These measures include special fellings, prescribed burning and the management of wetland and xerothermic habitats.

Metsähallitus implements Finland's National Forest Programme in its operations, and one of the programme's goals is to increase the domestic supply of timber. The demand for pulp wood and sawlogs diminished at the end of 2008. At the same time, the booming interest in using wood for energy production became even stronger. Metsähallitus also decided to launch wood supply operations for energy production. While Metsähallitus has previously sold minor concessions for collecting stumps and felling residue, wood fuel will now be delivered to the point of use similarly to the supply of other timber grades.

Pioneering on several fronts

As Finland's biggest individual forest owner and wood supplier, Metsähallitus plays a key role in the development of forestry and timber harvesting methods, continuously participates in various R&D projects and makes investments in the forest road network, for example.

Most of the 30,000 kilometres of forest road under Metsähallitus's management is located in Northern and Eastern Finland. The road network provides good coverage in most areas but also requires constant maintenance and repair. In 2008, for example, Metsähallitus repaired 55 kilometres of forest road in Eastern Finland. While the main purpose is to ensure reliable and problem-free timber deliveries to the forest industry, a forest road network in good repair also benefits the recreational use of forests, tourism, the harvesting of natural resources, holiday home owners as well as hunters and fishers.

Maintaining the biodiversity of forests is not only about the conservation of particular species or habitats, consideration is also required at the landscape level. During 2008, Metsähallitus trained its personnel in taking the landscape into consideration and adopted the small-scale regeneration and

retention tree methods in felling operations, which blend better into the landscape. Small-scale regeneration involves the felling of small areas, and in the retention tree method, more trees are left standing than usual and greater emphasis is given to the landscape aspects in the placing of retention trees.

Metsähallitus's Forestry unit has taken new technology into use also in water protection. As regards protecting aquatic habitats in forestry, the most important target is to prevent sediment runoff and aquatic erosion. A new GIS application makes it possible to merge information on the flow rates of water courses, gradient relationships and soil types, creating a model of the surface water routes.

Contacts between Metsähallitus and the research community were reinforced in 2008 with the transfer of nearly 80,000 hectares of land and 32 employees from the Finnish Forest Research Institute (METLA) to Metsähallitus's Forestry unit. A major portion of these lands will continue to be used primarily for research purposes even after the transfer of stewardship.

Metsähallitus is happy to participate in various development projects with the more than 200 harvesting and timber haulage businesses in its contractor network and also actively looks for new solutions in co-operation with machinery manufacturers. The R&D themes of 2008 included various bogie solutions for peatland with a low bearing capacity, combined harvesting methods for wood fuel and marketable timber, and the mechanised tending of seedling stands.

Metsähallitus continuously makes investments also in the competence of its own personnel. The Forestry unit's payroll includes some 700 forestry workers, and wide-ranging know-how is recognised as a key aspect of their competence. Most of the forestry workers have extensive work experience and are highly skilled. Their job descriptions are continuously expanding, and some already assist forestry planners. Accordingly, many forestry workers have acquired a nature management qualification or a specialist qualification in forestry.



Business portfolio

Operating in the green markets

The units in Metsähallitus's business portfolio cultivate those forest characteristics that lie outside the scope of the Group's Forestry unit and Natural Heritage Services unit. The operations of the business units and subsidiaries in the portfolio are based on their business income.

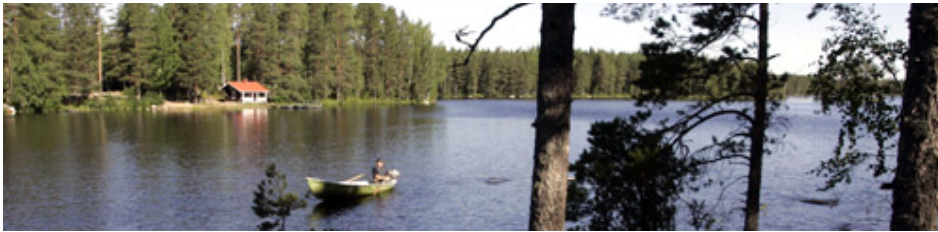
Morenia Oy offers customers soil resources and recycled products from the steel industry, while Laatumaa sells and leases building plots and offers real estate development services. Fin-Forelia Oy and Forelia Oy produce forest tree seedlings and Siemen Forelia Oy tree seeds. Eräsetti Oy and Wild North offer nature tourism services. The business portfolio also includes Metsähallitus Holding Oy, a company that owns and develops the Group's investments connected to its business operations and closely related sectors.

Project development for wind power generation, part of Laatumaa for the time being, is a new area in the business portfolio. Laatumaa has concluded project development contracts for wind power sites with nearly all the energy companies operating in Finland.

Diverse commercial use of state-owned land and water areas promotes balanced regional development and offers people employment, contracting and subcontracting opportunities – particularly in Eastern and Northern Finland, where the bulk of the state-owned land is.

The combined turnover of the business portfolio companies was nearly EUR 60 million in 2008. Their combined operating profit was slightly over EUR 6 million and the employment effect approximately 300 person years. The portfolio units additionally purchased subcontracting and other services for more than EUR 20 million.

Specific profitability and growth targets have been set for the portfolio units' operations. Accordingly, the task is to continuously look for any other business opportunities that the lands and waters under Metsähallitus's administration could have to offer. Sustainable development, the sustainable use of natural resources, climate change and bioenergy are all areas that currently represent interesting business opportunities.



Laatumaa Real estate business and wind power

The demand for holiday home plots continued to be exceptionally strong in early 2008, and Laatumaa reached the targets set for it, with plot sales amounting to EUR 10.6 million. The sales of shoreline plots and tourist resort plots achieved nearly equal proportions.

Plot leasing was particularly successful, the number of new leases clearly exceeding the sales of previously leased plots. As building plot and forest land sales also achieved excellent results, Laatumaa's overall sales amounted to EUR 13.9 million.

Laatumaa continued to procure forest land according to plan in 2008. The demand for forest land continued to exceed the supply, but in spite of this, approximately 6,200 hectares were procured for Metsähallitus's business operations and for the Finnish Defence Forces. The mean size of the purchased estates was approximately 71 hectares. The biggest single deal concerned a 1,900-hectare area called Kassunkuru in Eastern Finland, which Laatumaa purchased from the City of Kajaani for EUR 3.3 million. The area will be used as a training ground by the Defence Forces.

Nearly 700 hectares were procured for the Forest Biodiversity Programme for Southern Finland (METSO) and approximately 1,000 hectares for other protected areas. As of 1 January 2009, the responsibility for METSO conservation site acquisitions was transferred to the regional environment centres.

Laatumaa

Director:
Antero Luhtio

Turnover:
EUR 4,8 million

Person years:
44

The decisions to increase wind power generation in Finland to abate climate change have increased the demand for areas managed by Metsähallitus. Metsähallitus decided to join the expanding wind power business in September 2008 – initially as a developer of wind turbine sites in co-operation with operators in the industry and, in the near future, possibly also as an owner of generating capacity. The first co-operation agreement to develop a wind park at Mielmukkavaara in the Municipality of Muonio, in Lapland, was concluded with wpd Finland Oy. Another project that has reached the official environmental impact assessment stage is located in the sea area between Oulunsalo and Hailuoto, Northern Finland.

Laatunmaa achieved a good financial result in 2008, despite the weakening of plot demand towards the end of the year. The turnover amounted to EUR 4.8 million, of which plot leases accounted for EUR 4.1 million. Sales profits of EUR 8 million were recorded for plot sales.

Metsähallitus's Laatunmaa 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. Laatunmaa is a market leader in its field in Finland.



www.laatumaa.com



Eräsetti Wild North

The great outdoors, wilderness experiences, serene nature

Metsähallitus's Wild North acquired Eräsetti Oy, a tour operator based in Northern Finland, and all its operations in May 2008. The merger results in a nationally significant nature tourism company that will add to Finland's attractiveness in the eyes of international tour operators.

The two companies make a strong union: Wild North is a nationally leading operator and able to provide extensive tour packages throughout Finland with help from its subcontractor network. Eräsetti holds an established position particularly in the international incentive tour market and has its own high-quality production organisation in programme services. The subcontractor network will continue to have an important role as a provider of programme services. Eräsetti Wild North used subcontractors' services for approximately 90 person years.

Eräsetti Oy's financial year was cut short to seven months due to the ownership change. The turnover increased in comparison to the corresponding period in the previous year. The global finance crisis started to make itself felt in Finnish exports also in the European main markets during autumn 2008, so the growth in sales may be considered excellent. The number of Wild North's single-day charters from the UK decreased in December, and the focus of sales will in future be on longer stays.

Eräsetti's and Wild North's international marketing was revamped and transferred to the new Eräsetti Wild North company brand during the financial year. In Finland, the operations will be continued under the name Villi Pohjola. The company has a joint management group, and both companies will be part of Metsähallitus's business operations portfolio. Synergies were sought after in procurements and payroll costs, and the programme will continue during this financial year.

High demand for cabin holidays

Holidays in the peace and quiet of a Spartan cabin amid wilderness have hugely increased their popularity. The boom in environmental consciousness and ethical choices made itself felt in increasing cabin rentals also during 2008, in spite of the cold and rainy summer. More rental cabins are being sought, as demand exceeds supply. Wild North's offering includes more than 300 rental cabins, of which around 20 are suitable for business customers and family parties. The quality standard of the cabins was also improved through allocated funds.

Wild North's activities are based on respect for the natural environment and conservation of nature, raw materials, energy and water. Wild North is a pioneer of fair and sustainable tourism in Finland.

Wild North

Director:
Johanna Tolonen

Turnover:
EUR 5,3 million

Person years:
27

Eräsetti Oy

Director:
Johanna Tolonen

Turnover:
EUR 2,1million
(1 Jun–31 Dec, 2008)

Person years:
27

Eräsetti's newly procured snowmobiles with four-stroke engines comply very well with Wild North's ISO 14001 certified environmental management system.

The sales of hunting permits decreased approximately five per cent due to low game populations in 2008. The sales of fishing licenses continued to grow and amounted to 80,000 licenses. The mobile fishing license project was expanded to new areas, and Wild North created a new web system for the license sales.

Eräsetti Wild North is a leading Finnish nature tourism operator that sells and provides nature-based tourism and cultural, culinary and wellbeing services tailored to families, businesses and other groups. Wild North also manages the marketing and sales of Metsähallitus's chargeable hunting, fishing and snowmobile permits.



www.villipohjola.fi
<http://www.erasetti.fi>
<http://www.wildnorth.net/>



Morenia Group **Tomorrow's soil resource know-how**

2008 was a year of renewal and expansion for Morenia Oy. The subsidiary Morenia Baltic OÜ started its operations in Estonia in February. The new company will focus on soil resource sales to the Baltic region and Russia. In spring 2008, Morenia concluded the acquisition of the entire share capital of the E. Hyvönen Oy civil engineering company based in Sodankylä. One reason for the acquisition was to guarantee the availability of crushing capacity particularly in Lapland.

In 2008, Morenia participated both in the construction of the Suurkuusikko gold mine in Kittilä and in the start-up of the Talvivaara nickel mine in Sotkamo. The Kittilä mine was supplied with gravel and crushing services, while the Sotkamo mine received aggregate for making concrete, sand for protective fills and various aggregate grades.

Morenia also made investments in 2008 to utilise seabed aggregates and continued actions to promote the use of marine sand as a replacement for soil resources from esker formations. The Bothnian Sea environmental impact assessment proceeded as planned, and an extracting permit was awarded for the utilisation of the seabed aggregate resources off Loviisa in the Gulf of Finland.

A new operational model was developed for the distributor segment to provide more support to

regional distributors of the aggregate areas so as to be able reinforce their operations as local Morenia resources.

The turnover of the Morenia group was EUR 30 million. The turnover increased significantly, more than 25 per cent, in comparison with the corresponding period in the previous year. Approximately 16 per cent of the growth in turnover is due to the acquisition of E. Hyvönen Oy. The turnover of the parent company, Morenia Oy, amounted to EUR 28 million, and the growth on last year's turnover was more than 17 per cent.

The core business of Morenia Oy is the processing and sale of soil and rock resources and products made from them. The company also conducts civil engineering and earthmoving and sells consultation and developer services related to the sector. Morenia Oy is a member of the Metsähallitus Group and has two subsidiaries: Morenia Baltic OÜ and E. Hyvönen Oy.



Fin Forelia Oy **Seedlings for tomorrow's forests**

Fin Forelia Oy's results for the challenging year 2008 turned out to be good. Production amounted to 75 million forest tree seedlings and the turnover was around EUR 11 million. The company's profitability is improving dramatically.

2008, the first year of Fin Forelia Oy's and Forelia Oy's joint operations, was a period of unifying operational procedures, resulting in a new process-based model. The operational model unified all the stages in the production network based across Finland.

Fin Forelia Oy's and Forelia Oy's joint marketing name is Fin Forelia. During 2008, Fin Forelia started to prepare for changes in the business environment in coming years, the biggest changes being a decline in the overall demand for forest seedlings and an increase in the supply. To ensure its competitiveness and profitability, the company concentrated on achieving good results in its basic operations. The new process model guarantees that customers benefit from forest tree seedlings that provide maximum financial results.

Fin Forelia is the only forest tree seedling producer in Finland with nurseries throughout the country. The seven nurseries will deliver optimal seedlings to any location, all the way to the planting site if so required.

Improved knowledge of the customers' needs and the ability to adapt to new situations and conditions will lay the basis for profitable future operations.

Forelia Oy

Director:
Juha Hotti

Turnover:
EUR 7,8 million

Average no.
of personnel: 108

Fin Forelia Oy

Director:
Juha Hotti

Turnover:
EUR 3,9 million

Average no.
of personnel: 78

Maintaining profitability in changing circumstances requires special attention to internal efficiency and new investments.

Fin Forelia Oy is a company owned jointly by Metsähallitus and three forestry centres, specialised in the production and marketing of forest tree seedlings. Forelia Oy is a wholly owned subsidiary of Fin Forelia Oy. Fin Forelia's customers include forest management associations, the forest industry, public bodies and private forest owners. Fin Forelia is the market leader in its sector in Finland.

FIN FORELIA <http://www.finforelia.fi/>



Siemen Forelia Oy Seeds for better growth

Siemen Forelia Oy produced a record volume of highly cultivated forest tree seeds. By using cultivated seeds, forest owners will benefit from 20 per cent added growth and a significant improvement in the quality of the trees.

In 2008, Siemen Forelia Oy started up Scandinavia's most modern seed laboratory in its Rovaniemi seed centre. Customers will benefit from the improved service created by the new facilities. The construction of a new biofuel power plant was commenced at the Saarijärvi seed extractory. The plant's energy production will in future be based almost entirely on domestic, renewable fuels. Siemen Forelia's seed orchards are located throughout the country from the southern coast of Finland to Lapland.

Siemen Forelia Oy is a subsidiary owned by the Metsähallitus Group, specialised in the production and marketing of cultivated forest tree seeds. The company also offers versatile services related to seeds. Siemen Forelia Oy's customers include private forest owners, forest management associations, the forest industry and public bodies.

Siemen Forelia Oy

Director:
Tapani Relander

Turnover:
EUR 2,0 million

Person years:
11

**SIEMEN
FORELIA**

www.siemeforelia.fi



Natural Heritage Services

Protected areas: life, experiences, livelihood

Natural Heritage Services (NHS) is in charge of Metsähallitus's public services. The unit cares for nature by managing national parks, hiking areas and other conservation and wilderness areas. NHS provides services for nature tourism, hiking, hunting, fishing and off-road traffic.

Metsähallitus successfully achieved the financial targets set for NHS in 2008. The overall profitability of the operations also clearly improved. The National Audit Office of Finland stated in a report published in 2008 that NHS manages protected areas efficiently and effectively. One of our major assets, which has even received recognition internationally, is state-wide chain management combined with strong regional and local operations.

Natural Heritage Services

Director:
Rauno Väisänen

Total expenditure:
EUR 51,9 million

Person years:
597

NHS actively participates in international conservation efforts. In 2008, NHS took charge of the national reporting for the Ramsar Wetland Convention and from now on will represent Finland in Ramsar conferences. Three major projects for the neighbourhood programmes were concluded during 2008: The promotion of nature protection and sustainable nature tourism in the Inari–Pasvik area, “Oulanka–Paanajärvi – wilderness, experiences and wellbeing” and “People, Nature and Harbours” in the regions of Saimaa, Ladoga and the Gulf of Finland.

Active conservation work vital for threatened species and habitats

The protected areas under Metsähallitus's administration reached the biodiversity conservation targets set for them in compliance with international assessments. Even so, it seems obvious that the loss of biodiversity cannot be stopped by 2010, the international target year.

This further underlines the significance of active management and restoration of protected areas, as a well managed and continuously developing system of protected areas creates the basis for achieving a favourable conservation status for specific species and habitats. Conservation efforts create more habitats suitable for threatened species and strengthen their populations. The Finnish population of the white-backed woodpecker (*Dendrocopos leucotos*), for example, continued to grow in 2008, in large part thanks to well targeted conservation measures.

The Saimaa ringed seal (*Phoca hispida saimensis*) population has, however, declined in recent years, and Metsähallitus focused particular attention in 2008 on decreasing the deaths of Saimaa ringed seals caused by fishing gear, as this is the most effective way of preventing the extinction of this endemic subspecies.

In 2008 NHS was given the management responsibility for the protected areas previously managed by the Finnish Forest Research Institute (METLA) as well as various private nature reserves. The METSO Forest Biodiversity Programme furthermore aims to preserve 10,000 hectares of the state-

owned managed forests in Southern Finland for conservation.

Successful conservation requires solid knowledge

Metsähallitus's effective nature conservation efforts are based on solid scientific knowledge, and investments in further development of this scientific basis were continued by NHS in 2008. For example, inventories of underwater habitats covered a total of 5,795 hectares in the eastern Gulf of Finland, the Archipelago Sea, Kvarken sound and Bothnian Bay. Data from habitat inventories north of the METSO area were recorded in Metsähallitus's GIS system for an area of more than 76,441 hectares.

The species inventory project of 2007–2008 in protected areas was completed in June 2008. These inventories were mainly focused on sites under restoration and environmental management measures and on forests containing large aspens. Species monitoring was carried out at 1,666 sites, which cover approximately 90 per cent of the present ranges of occurrence of the species in question. Species-specific inventories in the METSO programme yielded more than a thousand observations of threatened species.

Research findings are used for steering the management and use of protected areas, for example hiking. NHS drew up a total of 37 management and use plans for protected areas in 2008.

Protected areas: promoting national health and local economy

Varied and sustainable use of state-owned lands and waters promotes citizens' wellbeing as well as maintains and invigorates our national cultural heritage. National parks make up a significant part of Finland's international image.

The impact on the local economy of the recreational use and nature tourism in the most popular protected areas annually amounts to approximately EUR 250–300 million and, in terms of employment, 3,500 person years. For example, the investments made in the Pallas–Yllästunturi National Park will produce a 400% return on investment during a period of 10 years. The remodelled Kellokas Visitor Centre was reopened in the Pallas–Yllästunturi National Park towards the end of the winter season.

Cultural heritage: part of our national landscape

In addition to habitats and species, NHS also surveys Finland's cultural heritage. Cultural heritage inventories were carried out during the summer of 2008 at several sites in NHS's areas in Lapland, for example. During the field inventories, nearly 180 previously unknown cultural heritage items or archaeological findings from the prehistoric and historical eras were discovered.

The significance of cultural heritage has also increased in the promotion of recreational use and tourism. NHS Ostrobothnia started in August 2008 a project called "Cultural heritage as a resource for tourism". The project will strengthen the appeal and competitiveness of three destinations in Northern Ostrobothnia – Kuusamo, Kalajoki and Rokua – particularly in the internal markets through the productisation of the cultural heritage.

Fishing and hunting: part of Finnish culture

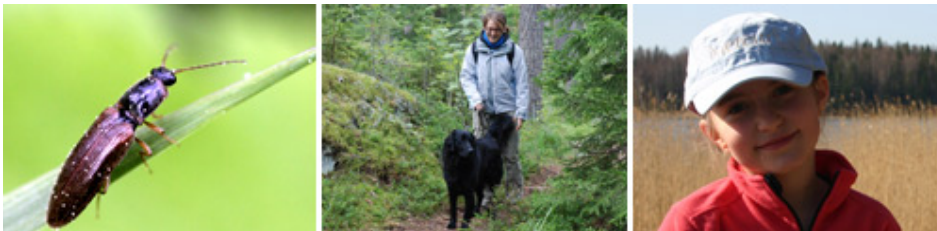
Fishing and hunting are continuously gaining popularity while more and more people pursuing

these hobbies live in urban areas. This underscores the importance of state-owned fishing and hunting areas and Metsähallitus's responsibility for the sustainable provision of hunting and fishing opportunities.

This issue became concrete in autumn 2008 as, at the eve of the hunting season, counts of the triangulation monitoring programme indicated that the breeding success of grouse had been poor. The NHS personnel had to cut back the quotas of hunting permits to be sold and even discontinued sales in the Game Management Districts of Oulu, Kainuu and Lapland.

To accurately focus conservation measures in order to reinforce the willow grouse population, NHS ordered a monitoring study on the willow grouse from the Finnish Game and Fisheries Research Institute. 300 hectares of peatland habitats suitable for the willow grouse and 15 grouse brood habitat sites underwent restoration. NHS also participated in several other projects to improve game and fish habitats.

NHS adopted in 2008 a unique planning and monitoring system, which will help Metsähallitus to develop the methods for determining fishing quotas and management of fishing waters.



Social responsibility Responsible operations

Metsähallitus's operations are based on the knowledgeable and co-operative use of state land and water areas. The Metsähallitus Group generates a wide range of goods and services based on the utilisation, management and preservation of natural resources. The activities of Metsähallitus shall be sustainable and profitable.

Metsähallitus practises business within the framework of its obligations to society laid down in the legislation and also manages public administration duties. The social obligations are related to the protection of biodiversity, recreational use of nature, employment, securing the preconditions for the Sámi people to practise their culture and the obligations laid down in the Reindeer Husbandry Act. The land use needs of research, education, the Defence Forces and Border Guard are also taken into account in Metsähallitus's activities.

The management of state-owned lands combines ecological, economic and social sustainability. Natural resource planning is a tool for steering and planning the activities. This planning system is intended to reconcile various requirements and needs related to the use of Metsähallitus's land and water areas. The customers', stakeholders' and citizens' expectations regarding the use of state-owned lands are surveyed during the planning process by means of participatory planning.

The various goals related to practical measures by Metsähallitus's Forestry unit are taken into account by imposing restrictions on forestry measures, reorganising felling schedules, leaving retention trees and by excluding specific forest areas entirely from fellings. The land use planning methods and other measures implemented by Laatumaa pay particular attention to the needs of

biodiversity, recreation, reindeer husbandry and Sámi culture.

Restrictions were applied on 17 per cent of the forested land area used by the Forestry unit in 2008 to promote biodiversity, recreation, reindeer husbandry and Sámi culture. The restrictions concerned 608,000 hectares of forest included in Metsähallitus's profit targets. 37 per cent of this area was completely excluded from forestry use and 63 per cent was in limited use. The restrictions applied to forests and land use resulted in a calculated decrease of EUR 47 million in Metsähallitus's operating profit. Factors related to reindeer husbandry, Sámi culture and employment promotion resulted in an operating profit decrease of EUR 7 milli