

METSÄHALLITUS'

Year and  
Corporate Social  
Responsibility in  
2016



METSÄHALLITUS





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## Organisation and Management

**Metsähallitus, the State Forest Enterprise, provides natural resources sector services to a diverse customer base, ranging from private individuals to major companies.**

Metsähallitus' tasks are divided into business activities and primarily budget-funded, public administration duties. Metsähallitus' business operations comprise its four subsidiaries: **Metsähallitus Forestry Ltd**, **Fin Forelia Oy**, **Siemen Forelia Oy** and **MH Kivi Oy** and the **Property Development business unit**. The Public Administration Duties unit comprises National Parks Finland and Wildlife Service Finland.

## Metsähallitus-organisation





## Group structure

Metsähallitus operates in the administrative sector of the Ministry of Agriculture and Forestry. In matters relating to nature conservation, it is steered by the Ministry of the Environment.

Metsähallitus' governance is based on the State Enterprise Act (1185/2002) and the Act (1378/2004) and Decree on Metsähallitus (1380/2004). In addition, Metsähallitus' activities are governed by a range of other legislation, such as the Nature Conservation Act, Fishing Act, Hunting Act, the act on nature-based sources of livelihood and the Outdoor Recreation Act.

The enterprise operates on business principles. The Finnish Parliament annually approves Metsähallitus' main service goals and other operational objectives. At the same time, it decides the extent to which Metsähallitus' proceeds from land sales or land and water area property will be used for the acquisition of new nature conservation areas. On the basis of the objectives set by Parliament, the Ministry of Agriculture and Forestry decides on Metsähallitus' annual performance targets.

Public administration duties laid down by law are financed from provisions in the state budget, as well as funding sources such as EU project funding and funding from Centres of Employment and the Economy.

## Board of Directors

The Government appoints Metsähallitus' Board of Directors for a maximum term of three years. One Board member is appointed from the Ministry of Agriculture and Forestry, one from the Ministry of the Environment and one from Lapland. One member must be a representative of Metsähallitus' personnel and be employed by the enterprise.

## Management Group

The Management Group assists the Managing Director in managing the enterprise. The Management Group members are the business unit directors designated by the Managing Director, the Director of the unit responsible for public administrative duties and the Group unit directors.

### Read more:

› [Metsähallitus' corporate governance](#)

*Photo: Kari Leo*



## Operating Environment

**Metsähallitus is a state enterprise that administers more than 12 million hectares of state-owned land and water areas, or about one-third of Finland's land area.**

Metsähallitus works in several lines of business: in forestry and property development within the business sector; and via Parks & Wildlife Finland in the public administration sector, where it is responsible for nature conservation, game and fisheries and recreational use of the natural environment.

Metsähallitus generates economic and public value for the state. Economic value consists of the payment of dividends to the state, and long-term development of the yield potential of business properties. Public value is generated by meeting the social obligations of business activities and public administration duties, and from the regional economic impact of Metsähallitus' activities.

### The new law and new executives

Metsähallitus' operating environment changed in many respects in 2016. The new Act on Metsähallitus entered into force in April. As a result, the forestry unit became a subsidiary, Metsähallitus Forestry Ltd, which has the exclusive right to engage in forestry in state-owned multiple-use forests. The company does not own the forests, which remain the property of the State. Metsähallitus Forestry Ltd is responsible for fulfilling its general social obligations, such as ensuring natural diversity and promoting recreational use, reindeer husbandry, the Sámi culture and employment, in the same manner as Metsähallitus has done in the past.

In June, the Government appointed Pentti Hyttinen, Ph.D. in forest management and economics, as Director General of Metsähallitus (to succeed Esa Härmälä) and Timo Tanninen, Director General, Master of Forestry, to succeed Rauno Väisänen as Executive Director, Parks & Wildlife Finland. They began work on their positions on 1 September 2016.

As a result of these changes, Metsähallitus' strategy was renewed.

## Operational objectives renewed

The Ministry of Agriculture and Forestry and the Ministry of the Environment prepared a proposal for a new ownership policy for Metsähallitus. The profit target for operations remains ambitious. The intention is to raise the return on investment to 4.6 per cent by 2020. Based on the current balance sheet structure, this corresponds to a dividend payment target of approximately EUR 120 million, and will require a profitability improvement in Metsähallitus' business operations and the utilisation of sustainable felling potential. This policy supports the goal, defined in the Government Programme of Prime Minister Sipilä's Cabinet, of increasing the use of wood by 15 million cubic metres per year.

Fostering biodiversity and the promotion of recreational use are an important part of these policies.

- In business operations, the level of social obligations will at least remain as before: various degrees of use restrictions apply to approximately 530,000 hectares of multiple-use forest in commercial use, due to biodiversity, recreational use and reindeer husbandry requirements.
- The aim is to improve the productivity and impacts of Parks & Wildlife Finland.
- The protection level of habitats will be improved in areas used by Parks & Wildlife Finland.
- Use for the purposes of tourism, recreation, hunting and fishing will be developed on the basis of demand, in order to enhance the well-being effects of various areas and create business opportunities for entrepreneurs.

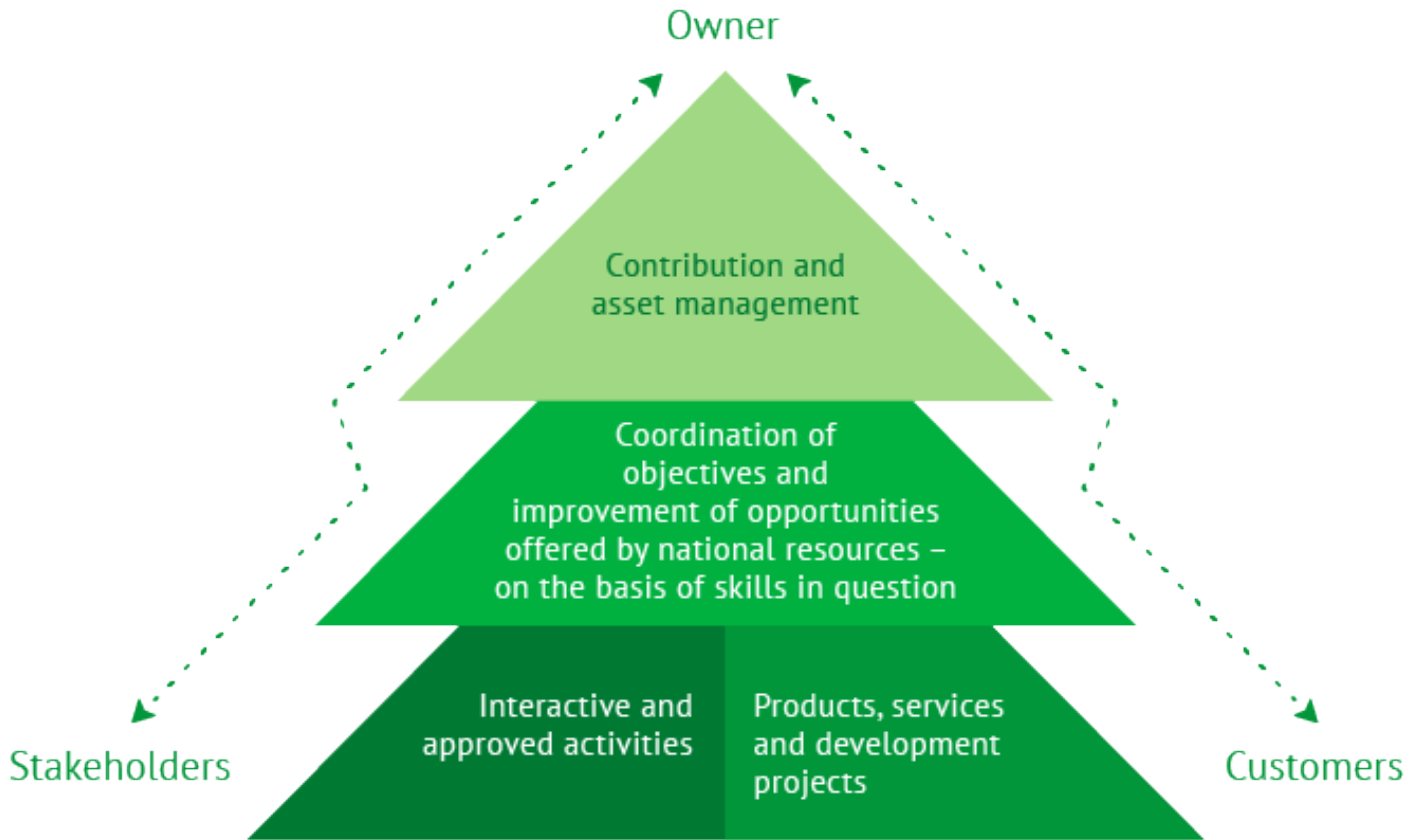
## Wide range of partnerships with interest groups

A multitude of wishes and expectations relate to the use of state-owned land and water areas. In natural resource planning, these are coordinated without exceeding the limits of sustainable use. Natural resource planning is a key tool in this. In 2016, the natural resource plan for state-owned lands and waters in Kainuu was completed and natural resource planning for southern Finland began.

Around 30 local and regional stakeholders and partners in Kainuu and more than 50 in southern Finland participated in the planning process. This cooperation will also help to ensure the preservation of the Sámi culture and the preconditions for traditional sources of livelihood in the Sámi Homeland in northern Finland.

The number of lease and right of use agreements made with various parties in relation to the use of state-owned lands and waters totals around 17,000. The pool of interest groups is vast, with forms of cooperation ranging from trading to guidance, information exchange and interaction. Metsähallitus' operations accommodate the needs of research and education, and the land use requirements of the Defence Forces and the Border Guard.





## Metsähallitus in Europe and around the world

Metsähallitus cooperates with European forest and park services, and international nature conservation organisations. Metsähallitus is an active participant in the international PEFC forest certification project and Eustafor, the umbrella organisation of European State Forest organisations. Metsähallitus is one of Eustafor's founding organisations.

As part of Finland's environment administration, Metsähallitus is a member of the EUROPARC Federation (the network for Europe's natural and cultural heritage), is represented on various expert commissions of the IUCN (the International Union for Conservation of Nature) and collaborates in nature conservation activities with neighbouring areas in Sweden, Norway, Russia and the Baltic countries.

## Business Environment outlook for 2016-2020

### The bioeconomy will contribute to sustainable growth:

- Fossil raw materials are being replaced with renewable domestic wood, the use of which will increase by 15 million cubic metres per year.
- New forms of business will be developed for the circular economy and in order to promote banks of natural value, the utilisation of fresh water and aquaculture.

### Energy self-sufficiency is becoming increasingly important

Alternative methods of energy production utilising renewable wind, geothermal and solar energy will be developed.

### Urbanisation

Urbanisation, particularly the growth of the capital region, will continue. People living in urban areas value local green spaces as important recreational resources: visitor pressure in these areas will increase.

### The purity of the Baltic Sea

The purity of the Baltic Sea and water bodies in general is valued and their protection is becoming increasingly important.

### Well-being from nature

Nature is becoming an increasingly important source of well-being and health.

## Nature tourism

Global nature tourism is growing.

## Climate change is advancing

Climate change is advancing and the effects are appearing gradually:

- The rate of forest growth is accelerating.
- Insect and storms are causing more damage to trees.
- The poorer condition of the forest road network is resulting in logistics problems for timber harvesting and transport.

## The concentration of the population in urban areas

The concentration of the population in urban areas may affect the availability of labour force and impair the maintenance of infrastructure in remote areas.

## Advancing digitalisation

Advancing digitalisation is creating opportunities for new forms of participation and interaction.

The state-owner's expectations for Metsähallitus' operations



- Manage state-owned lands and waters well and increase their value.
- Produce revenue for the state.
- Create the preconditions for new measures and activities on state-owned land areas.
- Protect the cultural heritage and biodiversity.
- Assume responsibility for supervising the interests of state-owned lands.
- Provide services and well-being for citizens.
- Take account of the needs of organisations using state-owned lands (the Defence Forces, research, education).
- Promote climate benefits in state-owned areas, including forests acting as carbon sinks.

*Photo: Jari Salonen*



## Strategy and Values

### Leading the way in a diverse bioeconomy

In the coming years, we will plan and execute our work and activities in such a manner that

- We guarantee the best possible sustainable return on state-owned land over generations.
- We enhance the vitality of regions.
- We lead the way in responsible operations and halt the loss of biodiversity on state lands and waters.
- We operate uniformly and efficiently, making use of the opportunities of digitalisation.

### The strategy was updated to reflect the new Metsähallitus

Metsähallitus' strategy was updated in 2016. The changes in Metsähallitus' operating environment, the reformed Act on Metsähallitus, the policy definitions in the Government Programme of Prime Minister Sipilä's Cabinet and changes in the state ownership policy all required the renewal of the strategy. The Government Programme defines objectives not only for Metsähallitus as a whole, but also sets separately determined targets for Metsähallitus' business operations and the management of its public administrative duties, ranging from the additional use of wood to water protection and global nature tourism. Strategic work focused on the implementation of the requirements resulting from the reform of the Act on Metsähallitus and from the Government Programme.

Internally, Metsähallitus' strategy plays a different role to those of private companies. Metsähallitus' operations are steered not only by the strategy, but also by the specific Act, Government-level ownership policy and performance management by the ministries. The contents of Metsähallitus' strategy are therefore defined by more preconditions than usual. For this reason, the strategy serves as a guideline and tool for management and development in particular.

The new strategy was prepared for the years 2016-2020. The State as the owner, our customers and our stakeholders have a wide range of expectations and objectives regarding the use of state-owned lands and Metsähallitus' operations. Metsähallitus is required to generate revenues for the government, to engage in regional development, to provide and promote services and well-being for citizens, to safeguard biodiversity and, for example, to actively curb climate change. Metsähallitus intends to meet these objectives and expectations by leading the way in promoting a versatile bio-economy.

We will continue our strategic work in cooperation with our staff. The survey 'Integrating the Strategy into Everyday' examined the views of staff on what our common policies mean in their work in concrete terms, and what role each employee plays in attaining the objectives. A common approach will be developed in staff workshops, on the basis of the survey results. The aim is to produce practices and tools derived from the strategy to support management at various levels of the organisation. The work will be completed in the spring of 2017.

## Issues important to us

The following values guide our work:

### Responsible management and use of natural resources

- We use natural resources in a sustainable manner and anticipate changes in the environment.
- Our choices are guided by the ecological, social and economic goals of society.
- Our operations are based on reliable and diverse information on natural resources.
- We communicate and discuss our goals and results.

### Profitability

- We work in a result and growth oriented manner.
- We provide opportunities for the future through profitable operations.
- Profitable and productive operations are integral elements of our corporate social responsibility.

### Employee well-being

- Everyone is responsible for well-being and safety in the work community.
- We support continuous learning and participate in the development of the work community.
- Everyone has the right to good leadership and open feedback.
- We treat each other fairly and honestly.



## Customer-centricity

- Our aim is to ensure customer satisfaction.
- We take customers' needs and feedback into account.
- We actively develop new products and services.

## Results through co-operation

- We all work for a unified Metsähallitus, respecting our differences and capitalising on them.
- We establish networks and engage in partnerships.
- We value creativity, transparency and an active approach.
- We support each other.

*Photo: Jari Salonen*



## Land and Water Property

**Metsähallitus uses and manages one third of Finland's area – more than 12 million hectares of state-owned land and water areas.**

Metsähallitus' forestry operations were incorporated into a state-owned limited company in April 2016. Metsähallitus Forestry Ltd has the right to use state-owned multiple-use forests, but has no right of ownership.

State-owned nature conservation areas represent all habitat types found in Finland, which makes them vital for the preservation of biodiversity and the variety of species and landscapes. Together with other Natura 2000 sites, such as the vast wilderness areas of Lapland, they form the core of Finland's ecological network and must be maintained as close as possible to their natural state.

### Land and water areas managed by Metsähallitus

Metsähallitus manages **9,124,000 hectares** of land and **3,417,000 hectares** of water areas, **totalling 12,541,000 hectares**.

## State-owned land and water areas

- Land area
- Water areas



## Protected areas

- National Park
- Nature Reserve
- Wilderness Area
- National Hiking Area
- Public Water Area
- World Heritage Site



## Land and water property



### Land areas administered by Metsähallitus 31.12.2016

- Forest land in multiple-use forests\* **3 482 000 ha (38%)**
- Low-productivity land in multiple-use forests\* **714 000 ha (8%)**
- Non-productive land in multiple-use forests\* **690 000 ha (7%)**
- Statutory protected areas **1 519 000 ha (17%)**
- Wilderness areas **1 377 000 ha (15%)**
- Areas reserved for conservation programmes **613 000 ha (7%)**
- Other areas of special value **729 000 ha (8%)**



### Water areas administered by Metsähallitus 31.12.2016

- Statutory protected areas **235 000 ha (7%)**
- Public waters 2 663 000 ha (78%):**
  - of which **2 555 000 ha** in sea areas
  - and **108 000 ha** in inland water areas
- Other water areas **519 000 ha (15%)**

\* Productive forestry land is classified on the basis of Nordic growth categories of forestry land: on forest land, the average annual growth of the tree stock is at least 1 m<sup>3</sup>/ha; on low-productivity land, 0.1-1 m<sup>3</sup>/ha and on non-productive land, less than 0.1 m<sup>3</sup>/ha.

#### Read more:

> [The number and sizes of protected areas managed by Metsähallitus](#)

Photo: Kari Leo





## Risk Management

**In Metsähallitus, risks are managed using a systematic risk management process. The aim is to ensure the achievement of set targets, the fulfilment of legal obligations and operational continuity.**

### Mode of operation

Risks are divided into strategic, operational and economic risks, and the risk of damage. Metsähallitus has a moderate stance on risk-taking. The significance of risks is assessed as a combination of the probability and impact of any given incident, and risks are managed where they arise. Managers of profit units and subsidiaries are responsible for risk management within their unit or company. The chief financial officer is in charge of the risk management process and control of risk management. The head of risk management at Metsähallitus is in charge of the coordination, development, guidance and reporting models associated with risk management, as well as supporting risk management within the organisation.

Metsähallitus' Board of Directors approves the risk management policy and assesses the need to amend the policy on an annual basis. Each year, the Board of Directors receives a progress report on Metsähallitus' risks and their management. The Managing Director bears overall responsibility for risk management.

### Key risks

Key risks in terms of achieving Metsähallitus' goals include the development of timber and property prices and sales; the quantity and value of land areas in commercial forestry remaining at the level required by the goals set, and the balance of tasks and funding of Parks & Wildlife Finland.

Further risks that may affect operational activities include natural conditions and uncertainties in the operation of information systems. Effectiveness in developing new products and services and maintaining a good reputation influence the attainment of objectives. General appreciation of Metsähallitus' activities has an impact on the operating conditions for recreational activities, conservation efforts and forestry. The success of development projects in progress has an effect on the attainment of objectives.

The completion of the Act on Metsähallitus in 2016 eliminated much of the uncertainty that had affected the organisation's activities. In the main, risk management was successful during the period under review, but a few obvious areas in need of improvement emerged. These related to issues such as maintaining the competencies of staff and ensuring the operations of the ICT environment. Furthermore, several attempts at online scams were targeted at Metsähallitus during the year.

*Photo: Jari Salonen*

## Board of Directors

The Government appoints Metsähallitus' Board of Directors for a maximum term of three years. One Board member is appointed from the Ministry of Agriculture and Forestry, one from the Ministry of the Environment and one from Lapland. One member must be a representative of Metsähallitus' personnel and be employed by the enterprise.

The Government has appointed members to Metsähallitus' Board of Directors for the period 1 June 2016-31 March 2019.



**Timo Laitinen**  
Chairman

Director General, State Treasury

*Board member since 2016*



**Kai Kaatra**  
Vice Chairman

Director of Water Resources Management, Ministry of Agriculture and Forestry

*Board member since 2014*



**Johanna Ikäheimo**  
Board Member

Chairman, Lappset Group Ltd  
Confederation of Finnish Industries, Vice Chairman of the Board of Directors and Chairman of the Delegation for Entrepreneurs  
Varma Mutual Pension Insurance Company, Member of the Board  
Chairman of FEPI – Federation of the European Play Industry  
Chairman of the Advisory Council of Lapland University Consortium

*Board member since 2016*



**Pertti Itkonen**

representative of Metsähallitus' personnel

Development Manager, Metsähallitus  
Academic Foresters of Metsähallitus

*Board member since 2015*



**Simo Rundgren**

representative of the regions

Vicar  
1st Vice Chairman of the Regional Council of Lapland

*Board member since 2016*



**Tuija Soanjärvi**

Board Member

M.Sc. (Econ.)  
Affecto Plc, Board member and Chair of the Audit Committee  
Basware Oyj, Board member, Chair of the Audit Committee  
Nixu Plc, Board member  
Silta Ltd, Board member  
VR Group Ltd, Board member, member of the Audit Committee  
The Finnish Orienteering Federation, Vice Chair of the Board

*Board member since 2014*



**Helena Säteri**

Board member

Director General, Ministry of the Environment

*Board member since 2016*





**Liisa Tyrväinen**  
Board member

Research Professor, Natural Resources Institute Finland (Luke)

*Board member since 2016*

*Photos: Olli Häkämies*

## Management Group

The Management Group assists the General Director in managing the enterprise. The Management Group members are the General Director, business unit directors, the Director of the unit responsible for public administrative duties and the Group unit directors:



**Pentti Hyttinen**  
Managing Director



**Jussi Kumpula**  
Managing Director,  
Metsähallitus Forestry Ltd



**Timo Tanninen**  
Director of the unit responsible  
for public administrative duties,  
Parks & Wildlife Finland



**Thomas Hallenberg**  
Director,  
Property Development



**Jukka Bisi**  
Director, Wildlife Service, Parks  
& Wildlife Finland  
(Management Group member  
from 1 February 2017)



**Kirsti Lehtovaara**  
Director of Finance



**Juha Mäkinen**  
Director of Communications



**Susanna Oikarinen**  
General Counsel



**Tapio Pouta**  
Director, Human Resources  
and Development  
(Director, Development Projects  
as of 1 February 2017)

*Photos: Olli Häkämies*



## After a year of decision-making, it is time to move forward together

**The year 2016 was lively and eventful for Metsähallitus. Metsähallitus performed well, despite major changes. Our skilled and highly professional work yielded great results in forestry, nature conservation, property development and the recreational use of Metsähallitus' forest and land areas.**

2016 was an eventful year at home and abroad. The new Act on Metsähallitus entered into force in the spring, a new Director General and Director of Parks & Wildlife Finland were appointed, and the State ownership policy for Metsähallitus and its strategy were revised. Global winds of change blew in on many fronts, including the UK's Brexit decision and the presidential election in the United States.

A lively, downright passionate debate arose concerning the revised Act on Metsähallitus. This is a clear indication of the importance of state-owned lands and waters for Finns, and is very gratifying. We at Metsähallitus place a high value on our work. The ongoing implementation of the new strategy revealed that our staff regard relevance to society as one of the most valuable aspects of their work.

The key change due to the new law was the incorporation of the Forestry unit into Metsähallitus Forestry Ltd. The company now has the exclusive right to engage in forestry in state-owned multiple-use forests. However, it does not own the forests, which remain the property of the State. The purpose of this arrangement was to organise the state-owned forestry business in a competition-neutral manner and in compliance with EU regulations, so that the business can remain in government ownership. National parks, wilderness areas and other protected areas remain in their current use and continue to be managed under the guidance of the Ministry of the Environment.

### A range of other benefits in addition to money

Metsähallitus Group's turnover for 2016 was EUR 333 million; very close to the EUR 337 million in turnover for the previous year. Excluding non-recurring expenses, the adjusted annual result was EUR 107 million; about four million euro above the budget target. However, additional pension contributions and other non-recurring items resulting from the change in legislation reduced the result to EUR 94 million.



For the period of validity of the former Act (1 January–14 April 2016), Metsähallitus paid EUR 10 million in dividends to the Finnish State. For the rest of the year, the enterprise's Board of Directors proposes a payment of EUR 86 million to the state in the public interest. Additionally, Forestry Ltd pays taxes to the state on its profits.

Parks & Wildlife Finland has a major impact in addition to our business activities. The funding used by this unit reached EUR 63 million last year.

Metsähallitus' business is an overall activity whereby, for every two euros generated, non-monetary benefits worth at least one euro are created for the state. The legislative amendment had no effect on Metsähallitus' social obligations; the recreational use of multiple-use forests in commercial use, the protection of diversity, and the preconditions for reindeer husbandry on state-owned land will continue to be taken into account as before.

In 2016, the financial input for these social obligations totalled EUR 56 million. Without these, the operating result would have been an estimated EUR 56 million higher.

## Vitality for regions

Metsähallitus' activities have a wide range of indirect economic impacts that generate both employment opportunities and money for the regions. In 2016, national parks were visited more than 2.8 million times; an increase of 7 per cent on the previous year. In the case of all 39 national parks, the local impact of visitor expenditure on total income and employment amounted to EUR 178.9 million and 1,774 person-years of work. The economic impact of visitors' expenditure on the neighbouring regions increased by 21 per cent year-on-year.

In business activities, Metsähallitus' Property Development (Laatunmaa) provided major momentum for the development of two key tourist destinations, Ruka and Saariselkä. The commencement of land use planning in eastern Ruka will provide an important stimulus of growth for the entire tourist centre.

Forestry Ltd, the unit responsible for Metsähallitus' primary business, achieved its goals. The sales volume of commercial timber was 5.9 million cubic metres; roughly the same as in the previous year. Timber harvesting, transport and some forest management work is carried out by entrepreneurs. In 2016, Metsähallitus' pool of contractors included around 420 forestry businesses that employed 2,000 people. Tourism and recreation in nature conservation and hiking areas also provided work for entrepreneurs, both in tourism and the maintenance of sites.

## Management measures helped endangered species

Metsähallitus' high-quality nature conservation work to improve biodiversity was successful: for example, populations of endangered species such as the Saimaa ringed seal and the white-backed woodpecker have strengthened as a result of excellent conservation efforts. According to a 2016 review, the situation was good in most habitats of species requiring urgent protection, even in multiple-use forests.

The inland water protection project, Freshabit-LIFE IP, was the largest of the several large-scale LIFE projects launched last year. Financed by EU LIFE funding, this project, the largest ever integrated LIFE project in Finland, involves developing new methods for the management of Finland's water heritage in collaboration with partners.

Nurturing natural values is beneficial not only for species in the natural environment, but also for us as users of nature. For example, management of fishing waters will strengthen the wild and native fish and crayfish populations, which will in turn enhance the fishing opportunities available for fishermen. This will also support the local economy. In 2016, hunting and fishing on state-owned land and waters contributed more than EUR 40 million in revenue and 249 person-years in employment.

## The future is created together

Finland's 100th anniversary year, 2017, is the 158th year of operation for Metsähallitus. We are an integral part of society. We want to develop society together.

In southern Finland and Ostrobothnia, this work involves natural resource planning. Together with dozens of stakeholders, we are striving to find ways of using the state-owned land and water areas in these regions to improve well-being in society in an ecologically, economically and socially sustainable manner.

Innovations in bioeconomy hold out the promise of a good future, even for Metsähallitus. State-owned land and waters involve a huge amount of potential: in addition to timber production, energy, food, other natural products, and the well-being and health services provided by nature lie at the very heart of the bioeconomy.

Metsähallitus is in a better shape than ever before to manage and develop our national heritage successfully. We are implementing our new strategy of leading the way in the diverse bioeconomy, together with our staff. Internal processes have been developed to comply with the new Act of Metsähallitus, in order to function even better than before.

According to the results of a stakeholder survey, Metsähallitus still has a good reputation for corporate responsibility. 79 per cent of stakeholders are of the opinion that Metsähallitus is able to secure a stable return on state-owned lands fairly well, or very well. I would like to thank our staff for their outstanding efforts. Let's continue moving forward together!

*Pentti Hyttinen*  
Director General

*Photo: Kaisa Sirén*

# Economy

	2016	2015	
<b>Financial indicators</b>			
Turnover (EUR million)	333	337	1)
Operating profit (EUR million)	103.3	116.2	1)
Impact of the general social obligations on operating profit (EUR million)	-56.1	-56	1)
Share of turnover, %	31	34	1)
Result (EUR million)	93.7	107.9	1)
Dividend and return on investment (contribution to State revenue), EUR million	96	106.6	1)
Return on investment (%)	3.8	4.4	1)
Investment percentage of turnover	4	5	1)
Solvency ratio (%)	97	98	1)
<b>Financing for the management of public administrative duties</b>			
Budget funds received from the State for the management of public administrative duties:			
Ministry of the Environment, EUR million	39.7	36.6	2)
Ministry of Agriculture and Forestry, EUR million	6.4	6.4	2)
Ministry of Economic Affairs and Employment, EUR million	0.7	1.2	2)
Ministry of Justice, EUR million	0.7	0.8	2)
Internal financing, EUR million	10.2	9.7	2)
Other financing, EUR million	2.3	1.7	2)
Other financing, EUR million	2.7	3.2	2)
Financing in total, EUR million	62.7	59.6	2)
<b>Financial impacts</b>			
<b>Investment in infrastructure and non-profit services</b>			
Maintenance of the forest road network			
Forest roads managed, km	38,000	37,000	3)
Free services for nature lovers			
Marked hiking trails and nature trails managed, km	6308	7079	4)
Rest stop structures managed, no	2907	2871	4)
<b>Significant indirect economic impacts and their extent</b>			
Services outsourced by Parks & Wildlife Finland	Data collection begins in 2017	Data collection begins in 2017	
Services outsourced by Forestry Ltd, %			
Lapland	32.8*	32.1	3)
Ostrobothnia–Kainuu	35.1*	35.1	3)
Southern Finland	31.3*	32.8	3)
Other units	0.9*		3)
Number of companies	420*	400	3)
Number of employees in companies, persons	2000*	1200	3)

**Impacts on the local economy**

Total economic impact of national park visitors on the local economy, EUR million	178.9	141.5	4)
National parks with the greatest economic impact, EUR million			4)
Pallas-Yllästunturi National Park	60	36.5	4)
Urho Kekkonen National Park	21.7	21.5	4)
Koli National Park	19.1	19	4)
Oulanka National Park	18.9	17.7	4)
Employment impact of national park visitors on the local economy, person-years	1774	1400	4)
Total economic impact of hiking area visitors on the local economy, EUR million	13.3	12.2	4)
Employment impact of hiking area visitors on the local economy, person-years	142	131	4)
Total economic impact of fishermen and hunters in state-owned areas on the local economy, EUR million	40.6	39.3	4)
Employment impact of fishermen and hunters in state-owned areas on local economy, p-yrs	249	240	4)

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

**Source**

- 1) Metsähallitus Financial Statements
- 2) Annual Report and Financial Statements for Metsähallitus' public administrative duties
- 3) Reporting system of Metsähallitus Forestry Ltd
- 4) Metsähallitus Parks & Wildlife Finland



# Personnel

	2016	2015
<b>Number of employees</b>		
Number of employees, person	1414	1452
of which fixed-term, persons	207	211
Number of employees by business unit, person		
Forestry Ltd	735*	729
Parks & Wildlife Finland	580	550
Service Centre	50	69
Group operations	45	43
Laatumaa	47	50
ICT (Information Management)	10	11
Number of employees at the head office, person	160	156
Number of employees excl. the head office, person	1254	1340
Offices with the highest number of employees (person)	Rovaniemi (125)	Rovaniemi (114)
	Oulu (65)	Oulu (61)
	Jyväskylä (38)	Ivalo (40)
	Ivalo (30)	Jyväskylä (37)
	Lieksa (29)	Kuopio (31)
<b>Number of person-years</b>		
Person-years by business unit, p-yrs	1431	1198
Forestry Ltd	646*	729
Parks & Wildlife Finland	548	550
Service Centre	51	69
Group operations	45	43
Laatumaa	47	50
ICT (Information Management)	10	11
Fin Forelia Oy	70	84
Siemen Forelia Oy	12	12
MH-Kivi Oy	2	2
<b>Age of employees</b>		
Average age of employees, yrs (all permanent)	53.2	51.9
Average age of employees, yrs (office employees)	48.4	48.8
Permanent	49.9	51.1
Fixed-term	38.9	37.9
Average age of employees, yrs (loggers)	56.4	55.9

**Gender distribution of employees**

## Share of men, %

Permanent	55.7	57.4
Fixed-term	7.2	5.8
Permanent and fixed-term total	62.9	63.2

## Share of women, %

Permanent	30.3	31.7
Fixed-term	6.7	5.1
Permanent and fixed-term total	37	36.8

**Staff training**

Training days, total in working days	3385	3146
Training days/person-years	2.51	2.17

**Salaries paid**

Salaries paid by region, EUR million	54,568,829	55,658,239
Lapland	15,493,969	15,640,311
Uusimaa	9,426,494	9,716,797
Northern Ostrobothnia	7,522,684	7,149,705
Kainuu	5,437,392	5,905,660
North Karelia	3,243,249	3,484,396
Central Finland	2,885,278	2,914,315
South Savo	2,189,261	2,240,900
North Savo	2,057,784	2,121,431
Pirkanmaa	1,703,552	1,646,288
Southwestern Finland	1,329,414	1,527,788
Kanta-Häme	1,435,297	1,472,524
Ostrobothnia	588,054	505,630
Satakunta	345,834	374,565
Kymenlaakso	338,794	339,064
Central Ostrobothnia	239,237	255,329
Päijät-Häme	164,698	220,234
Southern Ostrobothnia	162,150	133,227
South Karelia	5,688	10,075
Åland	0	0

## Salaries paid by Regional State Administrative Agency region, %

AVI Southern Finland	20.8	21.1
AVI Eastern Finland	13.7	14.1
AVI Lapland	28.4	28.1
AVI Southwestern Finland	3.1	3.4
AVI Western and Inland Finland	10.2	9.8
AVI Northern Finland	23.8	23.5

State Department of Åland	0	0.0
<b>Absenteeism and occupational accidents</b>		
Sick leave, p-yrs	41.2	54.5
Sick leave, % of p-yrs, %	3.1	3.8
Occupational accidents, no.	48	63
Working days lost due to occupational accidents	687	547
<b>Employee turnover</b>		
Turnover of permanent employees		
Employment relationships begun, no.	22	10
Employment relationships ended, no.	116	100
Total turnover, %	-7.8	-7
Old-age pension, the average retirement age	64	64.1
Disability pension, the average retirement age	60.7	59.6

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

#### Source

Service Centre

## Land and Water Property

	2016	2015
Land and water areas managed by Metsähallitus, ha	12,541,000	12,538,000
Land areas managed by Metsähallitus, total, ha	9,124,000	9,121,000
Forest land in multiple-use forests in commercial use*, ha (%)	3,482,000 (38)	3,493,000 (38)
Low-productivity land in multiple-use forests in commercial use, ha (%)	714,000 (8)	722,000 (8)
Non-productive land in multiple-use forests in commercial use, ha (%)	690,000 (7)	704,000 (8)
Statutory protected areas, ha (%)	1,519,000 (17)	1,518,000 (17)
Wilderness Areas, ha (%)	1,377,000 (15)	1,377,000 (15)
Areas reserved for conservation programmes, ha (%)	613,000 (7)	598,000 (6)
Other areas of special value, ha (%)	729,000 (8)	709,000 (8)
Water areas managed by Metsähallitus, total, ha	3,417,000	3,417,000
Statutory protected areas, ha (%)	235,000 (7)	235,000 (7)
Public water areas, ha (%)	2,663,000 (78)	2,663,000 (78)
of which in sea areas, ha	2,555,000	2,555,000
of which in inland water areas, ha	108,000	108,000
Other water areas, ha (%)	519,000 (15)	519,000 (15)

\* Productive forestry land is classified on the basis of Nordic growth categories of forestry land: on forest land, the average annual growth of the tree stock is at least 1 m<sup>3</sup>/ha; on low-productivity land, 0.1-1 m<sup>3</sup>/ha and on non-productive land, less than 0.1 m<sup>3</sup>/ha.

### Source

Geographic information system Silvia

## Cultural Heritage

	2016	2015
<b>Real property valuable in terms of cultural history</b>		
Sites protected on legal grounds		
Buildings and structures, no.	395	343
Antiquities, no.	6108	6019
Other sites valuable in terms of cultural history, no.	13,006*	

\* The figure consists of 7,153 structures of Parks & Wildlife Finland and 5,853 of Forestry Ltd. One site may include several structures.

### Source

Reiska - geographical information system for buildings, structures and routes



## Nature Conservation

	2016	2015
<b>Protection of species and habitats</b>		
Habitat restoration and ecological management area, ha	5,738	5,670
Monitoring of the status of species protected under a Directive and the most vulnerable species, the number of species occurrence checks	8,536	2,755
<b>Status of Natura 2000 and nature conservation area network</b>		
The number of NATA assessed Natura sites	269	42
<b>The viability of game and fish populations, responsible hunting and fishing</b>		
Number of hunting supervision events	11,278	10,287
Share of legality and permit violations found in game and fisheries supervision of the total number of inspections, %	10.1	11.3

### Source

Annual Report and Financial Statements for Metsähallitus' public administrative duties

## Sustainable Use of Forests

	2016	2015
<b>PEFC-certified multiple-use forests</b>		
Multiple-use forests' total surface area, ha	5,063,523	4,919,000 1)
of which forest land in multiple-use forests*, ha	3,593,580	3,493,000 1)
of which low-productivity land in multiple-use forests, ha	752,417	722,000 1)
of which non-productive land in multiple-use forests, ha	717,526	704,000 1)
Multiple-use forest in forestry use, ha	3,033,766	3,012,981 1)
Multiple-use forest in restricted forestry use, ha	238,425	261,776 1)
of which sites restricted due to biodiversity, ha	23,868	32,554 1)
of which sites restricted due to reindeer husbandry, ha	7,799	8,001 1)
of which sites restricted in the Sámi Homeland in order to safeguard the preconditions of the Sámi culture, ha	5,496	5,472 1)
of which sites in particularly important recreational use, ha	201,262	215,749 1)
the share of sites in restricted use of the surface area of forest land in multiple-use forests, %	7	7 1)
Multiple-use forest excluded from forestry (no logging/selection cutting), ha	321,389	302,345 1)
of which excluded from use due to biodiversity, ha	187,201	178,872 1)
of which excluded from use due to reindeer husbandry, ha	31,441	32,243 2)
of which in the Sámi Homeland in order to safeguard the preconditions of the Sámi culture, ha	96,914	88,218 1)
of which sites in particularly important recreational use, ha	5,833	3,012 1)
the share of sites excluded from use of the surface area of forest land in multiple-use forests, %	9	8 1)
<b>Multiple-use forests by forest type</b>		
Herb-rich forests and herb-rich forests on mineral soils, %	1.6	1 1)
Young forest heaths, %	25.6	23.6 1)
Dry and nutrient-poor pine forests, %	72.8	75.5 1)
<b>Forest resources</b>		
Growing stock in multiple-use forests, million m <sup>3</sup>	308	307 1)
Growth of multiple-use forests, million m <sup>3</sup> /year	11	11 1)
<b>Timber harvesting</b>		
Share of forest area on which timber is harvested in the year in question, %	2.5	1.7 1)
Quantity of harvested timber, million m <sup>3</sup>	6.06	5.86 1)
of which energy wood, m <sup>3</sup>	242,500	272,900 1)
Share of harvested timber of the growth in the year, %	55	53.3 1)
Share of intermediate felling of the cutting yield, ha (%)	58.5	53 1)
Share of regeneration felling of the cutting yield, ha (%)	35	41 1)
Share of special fellings of all felling, ha (%)	6.4	6 1)

Proportion of energy wood of harvested timber	4.05	4.66	1)
<b>Forest regeneration</b>			
Naturally regenerated regeneration sites, ha (%)	12	7	1)
Regeneration sites regenerated by sowing or planting, ha, (%)	88	93	1)
Soil preparation	Nutrient-poor habitats not prepared, on other sites the soil preparation methods employed are as non-invasive as possible	Nutrient-poor habitats not prepared, on other sites the soil preparation methods employed are as non-invasive as possible	3)
Buffer zones of water bodies	Buffer zone width ranges from 10 to 20 m, depending on the type of water body, ground inclination and soil type	Buffer zone width ranges from 10 to 20 m, depending on the type of water body, ground inclination and soil type	3)
Origin of seeds and saplings	Native	Native	3)
<b>Quality of environmental management in forestry work sites</b>			
Quality of environmental management in forestry work sites:			
Characteristics of sites of high natural value preserved at work sites, %	98.6	95	4)
Number of valuable retention trees left standing in the regeneration site, trees/ha	11.7	11	4)
Protection of waters in felling sites, rating (scale 1-4)	3.7	3.88	4)
Protection of waters in restoration drainage sites, rating (scale 1-4)	3.66	3.73	4)
Controlled burnings, no	18	18	4)
(Forest fires lit, ha)	33	0.5	4)
Improving the biodiversity of mire habitats, ha in total	418	1204	4)
Restoration of game habitats (REAH), ha	384	467	4)
Other restoration measures, ha	34	737	4)
<b>Ditch drainage</b>			
First-time ditching of mires discontinued, year	1994	1994	3)
Restoration drainage of drained mires:			
Mire types classified as endangered	Excluded from restoration drainage and other measures	Excluded from restoration drainage and other measures	3)
Mire types excessively nutrient-poor for timber production	Excluded from restoration drainage	Excluded from restoration drainage	3)
Mire types with high timber production	Restoration drainage performed at 20-30 year intervals	Restoration drainage performed at 20-30 year intervals	3)
Protection of waters	Water protection plans are drawn up for all restoration drainage sites.	Water protection plans are drawn up for all restoration drainage sites.	3)

<b>Fertilisation</b>			
Forest vitality fertilisation to improve soil nutrient levels	On peatlands, usually artificial fertiliser and wood-based ash	On peatlands, usually artificial fertiliser and wood-based ash	3)
Growth-enhancing fertilisation to enhance tree growth	On sites where fertilisation yields clear economic benefits, the fertiliser is chosen to suit the site	On sites where fertilisation yields clear economic benefits, the fertiliser is chosen to suit the site	3)
Protection of waters	Buffer zone left	Buffer zone left	3)
<b>Road network and transport</b>			
Forest roads on state-owned land, km	38,000	37,000	1)
Share of repaired (renovated) roads, km	625	600	1)
Newly constructed roads, km	190	180	1)
Timber transport volumes:			
Road transport, % (million m <sup>3</sup> )	73.7 (4.53)	77.7 (4.6)	5)
Rail transport, % (million m <sup>3</sup> )	25.0 (1.54)	21.3 (1.3)	5)
Log floating and ship transport, % (million m <sup>3</sup> )	1.3 (0.08)	1.0 (0.06)	5)
Total, million m <sup>3</sup>	6,150,000	5,924,000	5)
Recreational use of forest roads, %	85	85	6)
<b>Forestry in the Sámi Homeland</b>			
	The principles for forestry and reindeer husbandry are agreed in negotiations between Metsähallitus, the Sámi Parliament and the Skolt Village Council.	The principles for forestry and reindeer husbandry are agreed in negotiations between Metsähallitus, the Sámi Parliament and the Skolt Village Council.	3)
Of the Sámi Homeland:			
In forestry use, %	8	8	1)
In restricted forestry use, %	8	8	1)
Excluded from forestry use, %	84	84	1)
Logging performed in Upper Lapland, share of the region's total surface area, %	1.12	0.14	1)

\* Productive forestry land is classified on the basis of Nordic growth categories of forestry land: on forest land, the average annual growth of the tree stock is at least 1 m<sup>3</sup>/ha; on low-productivity land, 0.1–1 m<sup>3</sup>/ha and on non-productive land, less than 0.1 m<sup>3</sup>/ha.

**Source**

- 1) Geographic information system Silvia
- 2) Geographic information system Uljas
- 3) Environmental Guidelines for Practical Forest Management
- 4) Environmental monitoring in forestry
- 5) Forestry reporting system
- 6) Report on the use of the forest road network (2014 Kainuu, 2015 Southern Finland)



# Health and Well-being

	2016	2015
<b>Recreation in nature</b>		
Customer satisfaction of nature centres and field services, on a scale of 1–5	4.3	4.3 1)
Total number of visitors (national parks, state-owned hiking areas, historical sites), visitor centres and other popular destinations), visits	5,746,600	5,297,200 2)
Visits to national parks	2,811,200	2,634,600 2)
Visits to state-owned hiking areas	319,600	275,400 2)
Visits to historical sites	837,400	722,400 2)
Visits to Visitor Centres	1,130,900	1,032,700 2)
Visits to other popular destinations	647,500	632,100 2)
Users of web services: Nationalparks.fi, Eräluvut.fi and Suurpedot.fi, no.	2,704,225	1,896,001 1)
Snowmobile track permits, no. (incl. mobile permits and manually recorded permits)	5,047	1)
Cross-country traffic permits outside tracks, no.	4,927	1)
<b>Range of game and fisheries services</b>		
Customer satisfaction of fishermen, on a scale of 1–5	3.8	3.8 3)
Customer satisfaction of hunters with permits, on a scale of 1–5	3.7	3.8 4)
Hunting permits sold, no.	56,659	56,489 4)
Fishing permits sold, no.	81,859	68,695 4)
		The permit system was introduced in
Number of annual fisheries management fees paid	205,170	2016 4)
Number of wilderness recreation days of hunting and fishing customers	370,000	350,000 4)
<b>Voluntary activities</b>		
Number of volunteer events	211	190 1)
Number of participating volunteers	3,788	3,358 1)
Contribution of volunteers, p-yrs	25.4	22.6 1)
<b>Rehabilitative activities</b>		
Employed open institution prisoners, p-yrs	60	55 1)

## Source

- 1) Metsähallitus Parks & Wildlife Finland
- 2) Customer information system Asta
- 3) Tuikki fishing log
- 4) Monitoring and planning system for game management



## Responsibility in the Best Interests of Society

**Metsähallitus develops the use of state-owned land and waters responsibly, so that they benefit the whole of society to the fullest possible extent, by generating revenue for the government, increasing the vitality of regions, halting the loss of biodiversity on state-owned lands, and promoting the wellness services provided by nature.**

More detailed information on responsibility issues in 2016 is available in the following thematic sections:

- On direct and indirect economic impacts in the section  
[› Well-being and Income](#)
- On climate change mitigation, the cultural heritage, nature protection and management, forestry on state-owned land and water areas, in the section on  
[› The Sustainable Use and Management of Natural Resources](#)
- On customer and stakeholder cooperation and staff in the section  
[› Cooperation and Working Together](#)
- Key figures illustrating our operations in 2016 are compiled in the section  
[› Key Figures](#)

## Among the most responsible organisations in Finland

According to a stakeholder survey, Metsähallitus still has an excellent reputation for social responsibility. In the respondents' opinion, Metsähallitus' key task is the management and felling of forests, sustainable development and the protection and use of natural resources. We have succeeded very well in this. In the respondents' view, we operate in accordance with the principles of sustainable development and adhere to ethical principles.

According to the annual survey, Metsähallitus' reputation as a whole remained highly stable in 2012–2016, but the trend is slightly downward. Our reputation is still good: in 2016, the total value of the reputation indicator was 64, which is one reputation point lower than in the previous year, 2015.

Metsähallitus is considered reliable and cooperation with it successful. There is still room for improvement in terms of flexibility, ability to change and the clarity of the task, even if some progress has already been made. The media gave the highest reputation ratings. As in previous years, non-governmental organisations and tourism operators gave the lowest ratings.

The study focused on Metsähallitus' key stakeholders: customers, the government and policy sector, federations and associations in the forestry sector, non-governmental organisations, the media, and education, research and tourism operators. The survey was conducted by the communications agency Pohjoisranta Burson-Marsteller, on the basis of an online questionnaire and telephone interviews. The total number of responses received was 189. The response rate was 41 (2015:42), which is above average for interest group studies.

*Photo: Kari Leo*



## Well-being and Income

### Almost one third of turnover paid in dividend to the State

According to the Board proposal, Metsähallitus will pay EUR 96 million in dividends to the State. Timber sales account for the majority of profits. The financial prosperity created by Metsähallitus is distributed in the form of wages and remuneration, taxes, procurement and dividends to various parts of society.

### Work for thousands

As a major land manager and employer, Metsähallitus has an important role to play in Northern and Eastern Finland, where its operations have a considerable impact on regional economies. In 2016, Metsähallitus employed 1,400 people, of whom nearly 90 percent worked outside the capital region. Metsähallitus also uses the services provided by private entrepreneurs, supporting entrepreneurship in rural areas and small towns in particular.

Metsähallitus purchases all timber harvesting and transport plus a major share of forest management and forest improvement services from entrepreneurs in the sector. In 2016, Metsähallitus' pool of contractors included around 420 forestry businesses that employed 2,000 people. Tourism and recreation in nature conservation and hiking areas also provided work for entrepreneurs, both in tourism and the maintenance of sites.

### Recreational use vital for the local economy

National parks, hiking areas, multiple-use forests and waters managed by Metsähallitus, along with the associated services, road networks and hiking facilities, provide excellent opportunities for fishing, hunting and hiking. More than 5.7 million tourists visited national parks, hiking areas and other recreational nature conservation and hiking destinations in 2016.

The number of visits to national parks increased by seven per cent from the previous year, and the impact on the local economy of spending by visitors increased by 21 per cent. A total of 138,000 fishing and hunting licences were sold. Visitors to recreational destinations and by wilderness activities generated total revenue of more than EUR 230 million, and employment equating to 2,165 person-years of work.

The indirect financial impacts are considerable. Visitor surveys and calculations indicate that, in 2016, visitors to national parks estimated the value of beneficial health impacts to be EUR 281 million in total.

## Property business promotes regional vitality

Property development, land sales, the utilisation of wind power and rock and gravel resources form part of Metsähallitus' core business alongside forestry, and account for part of its revenue.

Land use planning on state-owned land enables Metsähallitus to design plots for a range of purposes, including waterside holiday homes, residential properties as well as tourist destinations and business premises. The aim is to promote local economies and vitality in sparsely populated areas in particular. Planning is regulated by the Finnish Government's principles for planning on Metsähallitus' land, which emphasise the need to preserve the natural, recreational and cultural value of areas, ensure public access under everyman's rights, and promote social responsibilities such as preserving reindeer husbandry and the Sámi culture. In 2016, major planning projects began in Northern Finland, to enable the development of the tourism centres in Ruka and Saariselkä.

Property transactions help the Finnish State's property portfolio to meet the needs of society: land is mainly purchased to meet the Defence Forces' requirements on strategic grounds and for forestry purposes, with priority being given to land adjacent to existing state-owned properties. Metsähallitus strives to sell only small isolated plots located far away from large state-owned forestland areas, arable land areas and co-owned forests. Water areas are very rarely sold, and usually only in connection with forestland. The average size of forest holdings sold in 2016 was only nine hectares. No holdings in excess of a hundred hectares were sold.

### Cases:

- › [The Popularity of National Parks Is Bringing Enhanced Economic Benefits](#)
- › [Vallisaari Island Became a Favourite in Its First Summer](#)
- › [Development of Fishing Destinations Boosts Wilderness Tourism](#)
- › [Land Use Planning to Support Tourism Businesses](#)

*Photo: Juha Nyman/City of Pudasjärvi*





## The Popularity of National Parks Is Increasing, Bringing Enhanced Economic Benefits

The amount of money invested by the Finnish State in national parks and hiking areas is returned to society many times over in the form of local business and jobs. Visits to national parks alone exceeded 2.8 million in 2016. The impacts of the parks on people's health and well-being and the local economy have increased year after year. This growth can be attributed to strong partnerships with tourism businesses, municipalities and regions, as well as the successful targeting of services.

In the case of all 39 national parks, the local impact of visitor expenditure on total income and employment amounted to EUR 178.9 million and 1,774 person-years of work. For the six hiking areas maintained by the State, the respective figures were EUR 13.3 million and 142 person-years of work.

The tourist areas where visitors tend to stay for longer and which have a greater selection of tourism services generate most money for the local economies. The key parks in terms of local economic impact were the Pallas–Yllästunturi National Park (EUR 60.0 million), Urho Kekkonen National Park (EUR 21.7 million), Koli National Park (EUR 19.1 million), Oulanka National Park (EUR 18.9 million) and Pyhä-Luosto National Park (EUR 13.7 million).

For the first time, a so-called well-being index was calculated for the destinations. 23 attractions were included in the calculation for 2013–2016. Visitors rated the health and wellbeing benefits they experienced during their visit; the ratings averaged at 4.25 on a scale of 1–5. 82 per cent of visitors felt that their visit had fair or very significant health and well-being benefits, and estimated them to be worth approximately EUR 100.

The financial input of hunters and fishermen into local economies was also considerable. The total revenue and employment impacts generated by visitors in wilderness activities amounted to more than EUR 40 million and 249 person-years of work last year. Each hunting or fishing licence sold benefits the region by an average of EUR 233. In addition to the amount of money injected into the local economy, the total impact also extends to money spent during the journey to wilderness destinations. The benefits to regional economies are highest in Eastern and Northern Finland.

\* EUR 100 is the median or middle value. The average spend recorded by the above-mentioned surveys was EUR 322.

### Read more

› [National Parks and Hiking Areas Generate Income to Local Businesses in Finland](#)

*Photo: Timo Reinvuo*



## The Capital Region's Nearby Recreation Destinations, the Vallisaari and Kuninkaansaari Islands, Became Popular in Their Very First Summer

The Vallisaari and Kuninkaansaari islands, which transferred from the Defence Forces to Metsähallitus, served as military fortresses for hundreds of years. They were opened to the public in the spring of 2016. Thanks to their rich nature and gloomy past, the islands became popular outing destinations immediately, with more than 90,000 people visiting Vallisaari during the summer season.

The most popular attractions were Alexander's Artillery Battery and Kuolemanlaakso (the "Valley of Death"), where a devastating explosives accident occurred in 1937. The untamed, wild nature of the islands, with their ponds, lime trees and meadows, drew visitors to them.

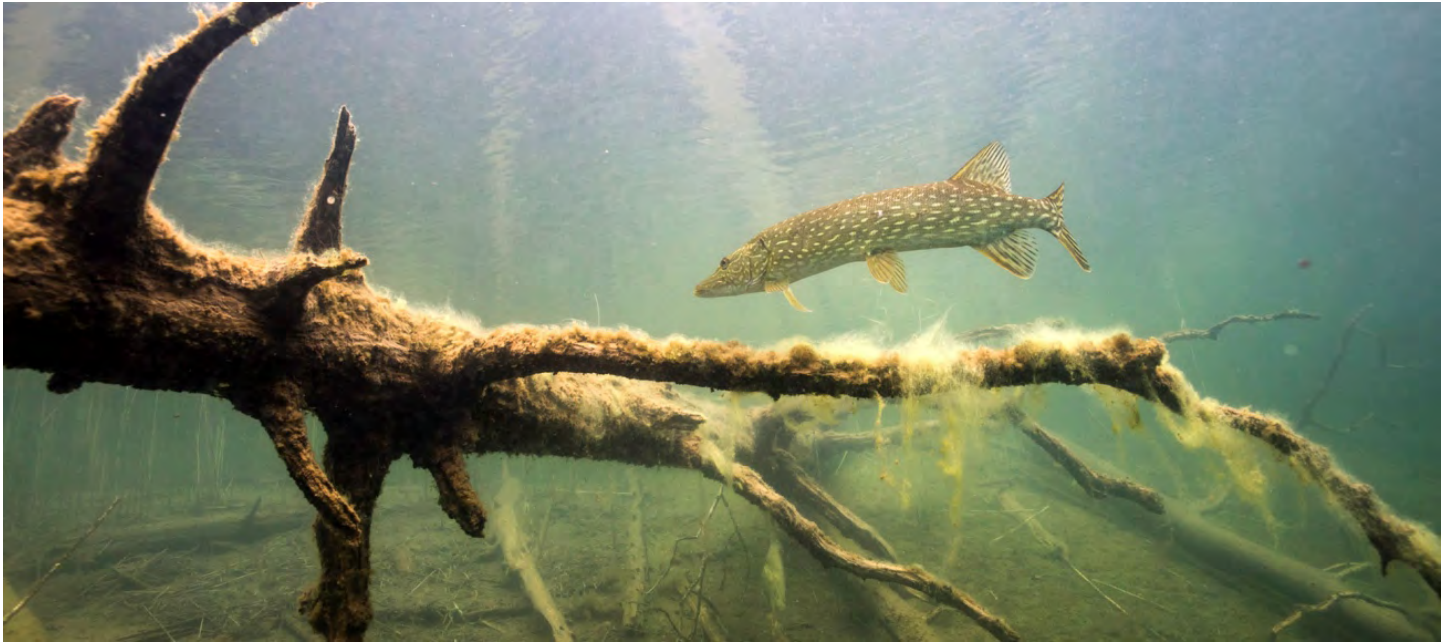
Over the coming years, Vallisaari will be developed into an ecological nature tourism and recreation destination. There will be a wide range of services and new routes to parts of the island that are still closed at present.

### Read more:

[> About Vallisaari Island](#)

*Photo: Kalle Kataila*





## Fishing Destinations Developed in Wilderness Tourism

Metsähallitus' fishing waters across Finland, including lakes, ponds, rapids and streams, offer an experience of nature which is just as important as the catch. Around 80,000 fishermen head to these destinations. Fishermen make a major financial contribution to the local economy. A recreational fisherman spends almost 550 euros during each trip into the wild, spending around two thirds of this in the destination region.

Metsähallitus promoted fishing stock management and recreational fishing in a number of ways in 2016. A new destination search function was introduced to the Eräluvat.fi website for fishing and hunting experiences in Finland. This allows fishermen to search for a municipality or destination at which to fish and suggests suitable fishing destinations on a map or list.

A special project titled **Big fishing experiences in northern fishing waters** was initiated to develop model destinations for sustainable fishing, where the probability of catching a big fish is higher. This three-year project is building the related concept through fish stocking and fishing arrangements in five areas in Lapland, Northern Ostrobothnia and Kainuu. Marketing materials are created for the destinations and fishing tourism products developed in cooperation with nature tourism entrepreneurs. The project is being led by Metsähallitus Parks & Wildlife Finland, while the University of Eastern Finland Department of Environmental and Life Sciences is responsible for research. The project partners include fishing organisations, landowners' collectives, the Centre for Economic Development, Transport and the Environment and tourism entrepreneurs.

The project **Remove obstacles!** is investigating obstacles to the migration of fish in the Iijoki river basin. The estimated hundreds of culverts and bridge structures in the rivers and brooks prevent fish from migrating. During the project, dozens of sites will be restored to facilitate fish migration in the Taivalkoski and Pudasjärvi area. Most environmental problems associated with crossing structures can be avoided through the appropriate route alignment and choice of structures, and their correct installation. One of the project's aims is to prepare national guidelines for the construction of culverts. The project is funded by the Ministry of the Environment and Metsähallitus Parks & Wildlife Finland.

*Photo: Jari Ilmonen*



## Tourism Promotes Vitality in the Regions

Metsähallitus' activities support the development of regional tourism. In 2016, Laatumaa plot sales picked up with regard to plots for both holiday homes and businesses. This trend was particularly strong in the case of plots suitable for the hotel business in fell resorts in Lapland.

**Holiday Club Resorts Oy** is planning further investments in Saariselkä over the next five years. The aim is to increase accommodation capacity. Director Tapio Anttila praises Metsähallitus for understanding the company's business needs.

– In spring 2016, we signed land lease agreements with Laatumaa for the future construction of a complex of 80 new vacation homes in the area. In addition, a new destination in the Holiday Club chain, the Kelotähti built by Skanska, is also situated on a Metsähallitus plot, says Anttila.

Businesses specialising in tourist services such as snowmobile, reindeer and husky safaris are also investing in Saariselkä. Laatumaa has leased the plots as bases for programme services, for example.

Metsähallitus and the City of Kuusamo signed an agreement in October 2016 on the initiation of land use planning in eastern Ruka, in order to build another pedestrian village in the area. The common objective of the parties is to convert the current caravan site into an accommodation and commercial area and to modify the land use plan relating to the top of Saarua fell and the Masto parking area. The agreement involves a gondola connection between the Itäkylä growth area and Ruka village, as well as increasing the service range of the entire tourist area. The permitted building volume in the area will be 20,000-30,000 floor square metres, which equates to approximately 1,500 beds.

Ville Aho, CEO of **Rukakeskus Ltd**, is confident that Ruka will grow rapidly.

– Ruka is the leading ski resort in the domestic market and we are now aiming at growth in the international market too. The Itäkylä village, whose construction has been enabled by a gondola connection, will respond to such demand. Itäkylä and the gondola will also allow us to initiate major investments in the skiing slope area.

*Photo: Jari Salonen*





## The Use and Management of Natural Resources

**Metsähallitus employs diverse conservation and management measures to uphold ecological and cultural diversity, and to halt the loss of biodiversity in state-owned land and water areas. The sustainable use of forests is the key to mitigating climate change.**

More detailed information, on the responsible use and management of natural resources in 2016, is available in the thematic sections:

- Use of renewable energy and other activities  
  > [Mitigating Climate Change](#)
- Conservation and restoration measures in sea areas and inland waters  
  > [Lakes and Sea Areas](#)
- Nurturing the cultural heritage in state-owned land and water areas  
  > [Cultural Heritage](#)
- Nature conservation, ecological management and the sustainable use of forests  
  > [Land and Forests](#)

*Photo: Jari Salonen*



## Mitigating Climate Change

### Valuable carbon sink

Forests play a major role in mitigating climate change. Trees bind carbon through photosynthesis, and forests therefore act as carbon sinks.

The carbon stores of Metsähallitus' forests have grown considerably in the last few decades. More carbon has become absorbed in trees in particular. The soil also acts primarily as a carbon sink. Discharges into the soil in drained organic peatlands have decreased. Trees have produced more forest litter, which has acted as a carbon sink.

Wood is an ecological, renewable and healthy material unlike fossil fuels. The ability of wood to bind carbon also survives in wooden products. The longer a wooden product remains in use, the longer it acts as a store of carbon molecules.

### Promoting the use of sustainable energy

In mitigating climate change, the reduction of greenhouse gas emissions is a key factor in addition to carbon sequestration. Metsähallitus aims to increase renewable energy production in state-owned areas, in order to promote the achievement of energy and climate objectives outlined in the Government Programme of Prime Minister Sipilä's Cabinet and by the EU.

Forest residues generated during the course of felling in Metsähallitus' multiple-use forests, and timber of no economic value, are used as sources of renewable energy. Metsähallitus is actively involved in the development of wind power projects. High capacity giant trucks can be used in timber transports to facilitate higher loads in one go, thus reducing the number of driving rounds and fuel consumption. One of the aims, when designing Metsähallitus' new head office, was to promote the use of recyclable materials. The first steps towards substituting geothermal energy for oil heating were taken in the Koli National Park.

#### Cases:

- > [Giant Trucks Enable More Ecological Timber Transport](#)
- > [Energy Wood and Wind Power](#)

*Photo: Jari Salonen*





## Energy Wood and Wind Power

### Small trees and forest residues for heat production

Forest residues generated during the course of felling in Metsähallitus' multiple-use forests, and timber of no economic value, are utilised as sources of renewable energy. In Lapland, timber harvested on first-time thinning sites, which would otherwise be wasted, was used as energy wood.

Metsähallitus supplied a total of around 506 GWh of energy wood to power plants in large cities and to industrial facilities, primarily for heating. The ski resorts of Ylläs and Levi were also partially heated with renewable energy harvested on state-owned land.

### Active wind power development

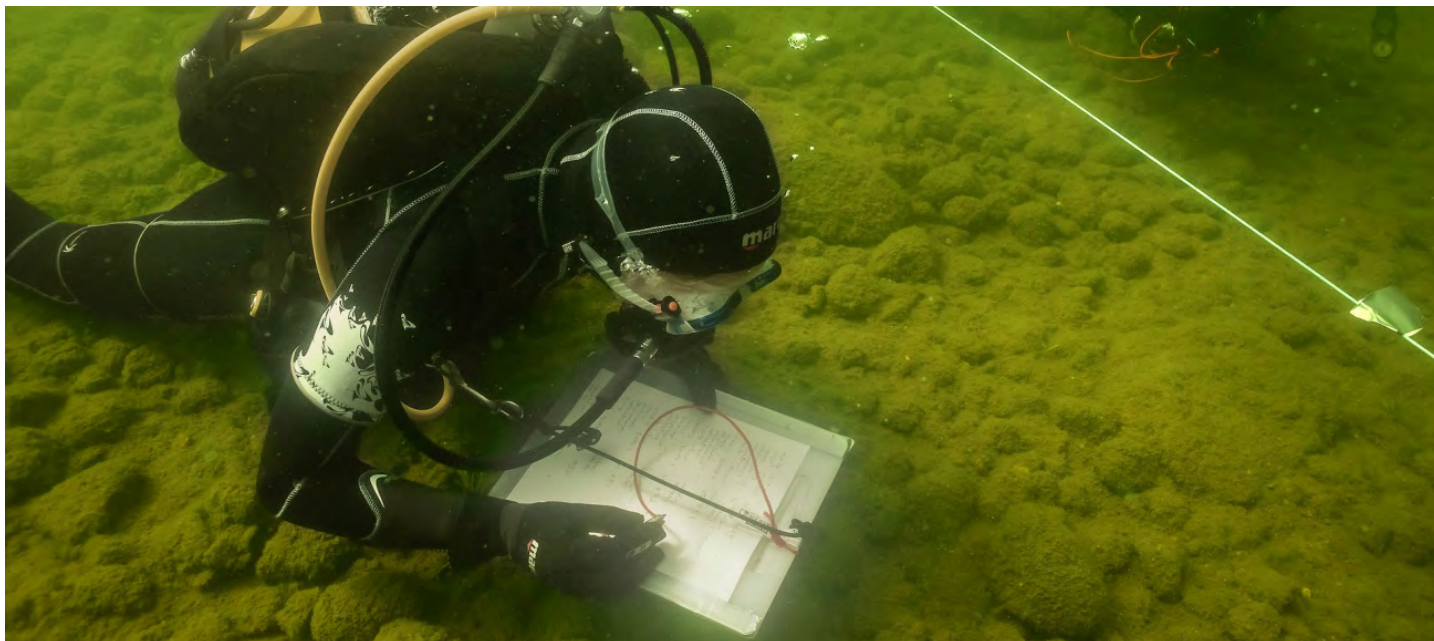
Metsähallitus Laatumaa contributes to the development of wind power projects by identifying suitable locations, reserving the areas in question, and leasing them to wind power companies through competitive tendering.

More extensive wind farms are being built on state-owned land to make roads and other infrastructure more economic to build and maintain than for small groups of wind turbines.

Metsähallitus' vast land assets also allow wind farms to be designed so as to minimise harmful impacts on local residents, nature and other infrastructure. Wind power construction projects were underway in Raahe, Suomussalmi and Hyrynsalmi. Wind farms in Pudasjärvi, Kurikka, Karstula, Pyhäntä, Kajaani and Vieremä were at the planning stage.

Metsähallitus does not participate in construction for wind power projects or the generation of wind power as such. However, Metsähallitus does ensure that wind farm operators comply with the sustainable development criteria it has defined.

*Photo: Jari Salonen*



## Lakes and Sea Areas

**Metsähallitus manages more than three million hectares of waters. We use our expertise to improve the status of lakes and rivers and the Baltic Sea, to ensure that our waters provide both income and unforgettable recreational experiences.**

### Improving the condition of inland waters

As a result of many forms of human activity, some aquatic habitats are suffering from eutrophication and a loss of biodiversity. Metsähallitus improves the condition of inland waters through careful advance planning of forestry measures and by rehabilitating aquatic habitats. Through the Freshabit LIFE IP project, Metsähallitus is enhancing the biodiversity of the aquatic environment in collaboration with a range of partners.

Via the EU-funded Interreg WAMBAF project, Metsähallitus is engaged in water management in Baltic forests alongside several other Baltic Sea countries. The Vengasoja model area in Pudasjärvi in northern Finland, which was planned in 2016, will be ready for use in 2017. Tests and demonstrations will be completed there to explore how buffer zones, for example, can reduce the impacts on water bodies of various forestry measures, such as the maintenance of ditch networks or soil preparation after forest regeneration.

As part of the 2016 environmental objectives for water protection and Metsähallitus' commitment to saving the Baltic Sea, Forestry Ltd arranged training for managerial staff in the design of catchment area level. The catchment area is a water source for several water bodies. Planning of forestry measures, while taking account of the entire catchment area, enables the best possible management of material loads due to human activities, thus reducing the adverse effects on the aquatic environment. In 2016, the loads imposed on water bodies by Metsähallitus' activities were moderate, and they are following a downward trend.

### The new VELMU map service assists the effort to protect marine biodiversity

Together with several other partners, Metsähallitus is involved in the Finnish Inventory Programme for the Underwater Marine Environment, VELMU. The results of more than ten years of surveys and inventories are available in the publicly available VELMU Map Service launched in January 2016. During the summer, Metsähallitus' marine biologists continued surveys of the Archipelago Sea, the Bothnian Sea and the Gulf of Finland.

In accordance with its commitment made to the Baltic Sea Action Group (BSAG) Foundation, Metsähallitus will use the VELMU inventory data as a basis for maps of areas in active human use, where the natural marine environment is under the greatest potential pressure. Such map data will facilitate better planning of the sustainable use and protection of biodiversity in marine areas. The maps will be published in 2017 as part of Finland's centennial jubilee.

## Conservation and restoration measures help the Saimaa ringed seal and fish

As one of the most endangered seal species in the world, the Saimaa ringed seal is subject to special protection. In the early 2000s, there were only around 260 seals left in Lake Saimaa, but conservation efforts have succeeded in increasing the population to approximately 360 individuals. A large percentage of pups are born in areas managed by Metsähallitus.

Metsähallitus' strategic objective, in managing fishing waters, is to strengthen and protect the natural native fish and crayfish population. The aim of all measures taken is to provide better breeding preconditions for fish species and populations in fishing waters, and to ensure fishing opportunities. In 2016, Metsähallitus promoted fish stock management and recreational fishing by launching projects that involve activities such as the removal of migration obstacles from fish passage routes and the development of model sustainable fishing sites.

### Cases:

- › [The Freshabit-LIFE Project – Cooperation to Preserve the Common Water Heritage](#)
- › [Saimaa Ringed Seal Conservation Measures Are Yielding Results](#)

### Read more:

- › [About the Results of the Underwater Marine Environment Inventory, Via the VELMU Map Service](#)

*Photo: Jari Ilmonen*





## Cooperation to Preserve the Common Water Heritage

The seven-year inland water conservation project FRESHABIT LIFE IP was launched at the beginning of 2016. It is the largest project ever funded in Finland by the EU LIFE fund. The project began with a baseline survey; bird counts and exploratory fishing measures were performed, water samples were taken and habitats were charted for eight target areas. In South Savo and Central Finland, Metsähallitus' representatives spent the summer diving and surveying the underwater nature and cultural heritage.

The FRESHABIT project brings together a large number of actors from different fields who share an interest in developing new, permanent methods and procedures, producing additional information and raising an interest in and the motivation to manage inland waters. The project benefits not only inland water ecology, but also local entrepreneurs, visitors who use water bodies for recreational purposes, and future generations.

The project is coordinated by Metsähallitus Parks & Wildlife Finland and involves 30 partners.

### Read more:

[› Freshabit LIFE IP Project](#)

*Photo: Jari Ilmonen*





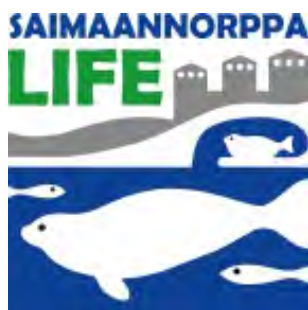
## Saimaa Ringed Seal Conservation Measures Are Yielding Results

According to an assessment by Metsähallitus, the winter population of Saimaa ringed seal totalled about 360 in 2016. The estimated number of seal pups born, 86, is more than at any time during the 30-year monitoring period. In 2010 and 2011, an increasing number of pups survived thanks to larger areas of restricted net fishing in the spring. The first seals born during these years have reached sexual maturity and increased the birth rate within the population. The artificial snow drifts made, under Metsähallitus' leadership, by a large number of volunteers have prevented pup mortality in nests resulting from a lack of suitable natural snow mounds. The higher number of pups observed in the last two years in particular provides tangible proof of the success of these conservation decisions and measures.

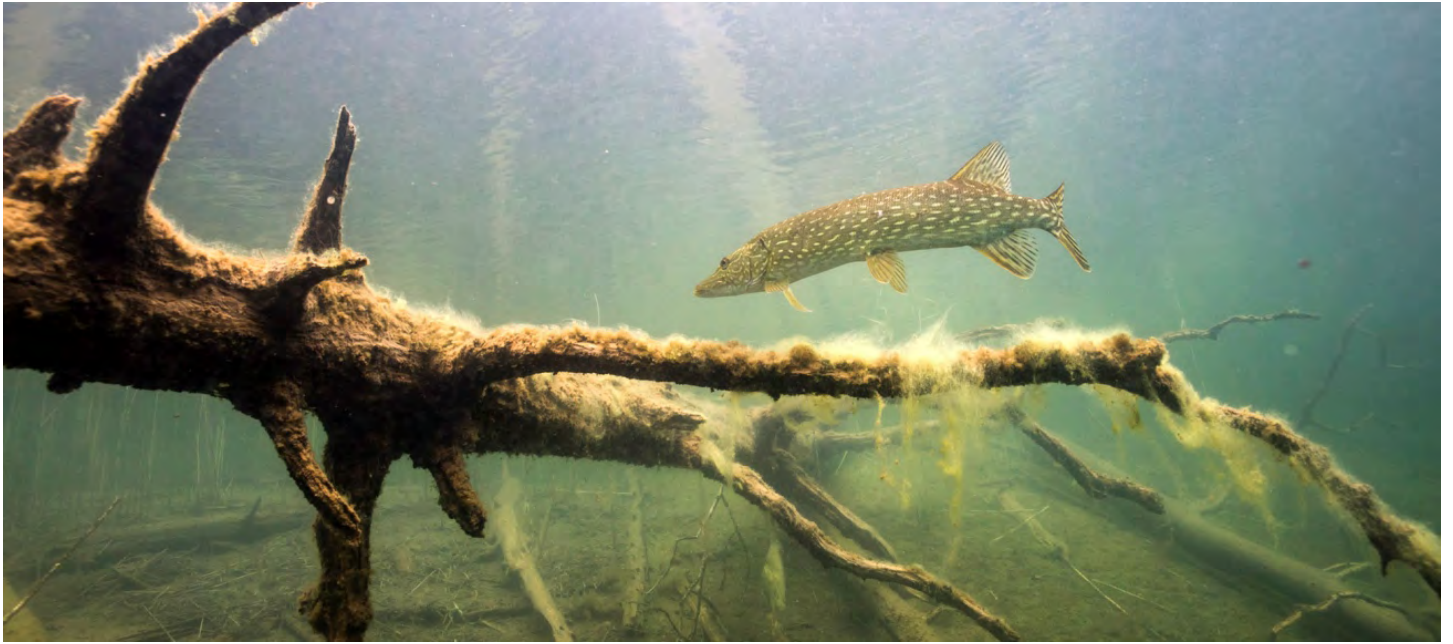
The four percent annual growth in the Saimaa ringed seal population is the result of cooperation between various parties. Metsähallitus is responsible for conservation under the guidance of the Ministry of Agriculture and Forestry and the Ministry of the Environment. Collectives for communal waters and ELY Centres have collaborated successfully in drawing up fishing restriction agreements. Monitoring, management and protection of the Saimaa ringed seal population will continue on the basis of broad cooperation, in accordance with the Saimaa ringed seal conservation strategy and action plan.

### Read more:

› [The Saimaa Ringed Seal LIFE Project](#)



*Photo: Jouni Koskela*



## Fishing Destinations Developed in Wilderness Tourism

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*Photo: Jari Ilmonen*





## Cultural Heritage

**One of Metsähallitus' duties is to nurture the cultural heritage on state-owned land and water areas. In this work, Metsähallitus is implementing the Government's 2010 real-estate strategy and 2014 cultural environment strategy.**

Metsähallitus manages almost 400 protected buildings and more than 6,000 antiquities. In addition to these, thousands of important cultural heritage sites are cared for in state-owned land and water areas, ranging from national landscapes to heritage biotopes and environments, and from castle ruins to structures related to the history of forest use. People are interested in the past: in 2016, Metsähallitus' historic sites attracted more than 830,000 visitors.

In the Sámi Homeland, Metsähallitus secures the preconditions for the Sámi culture in cooperation with local actors. In addition to sites protected on a statutory basis, Metsähallitus has decided to secure the protection of thousands of valuable cultural heritage sites in multiple-use forests. In marine regions, the protection of the archipelago culture is integral to Metsähallitus' operations. An example of this is the diverse tourist and hiking services developed over the years, in cooperation with local actors, for the Kvarken World Heritage Site, which celebrated its tenth anniversary in 2016.

Management of real estate property considered valuable in terms of its cultural history became a statutory duty for Metsähallitus on the basis of the new Act on Metsähallitus (234/2016). Accordingly, Parks & Wildlife Finland manages the valuable landscapes, architectural heritage and archaeological sites in the areas it administers, in a way which reflects its responsible and systematic ownership policy.

## Planning and training, to ensure the preservation of Finland's cultural heritage

Metsähallitus manages traditional landscapes in protected areas in accordance with its management and use plans, in accordance with the guidance of the Ministry of the Environment. It also manages buildings and antiquity sites in collaboration with the museum authorities. The cultural heritage is mapped before any management and restoration measures are undertaken.

The preservation of cultural heritage for future generations is also taken into account in multiple-use forests in commercial use. New guidelines to this effect have been drawn up in cooperation with the National Board of Antiquities and other organisations, and incorporated into Metsähallitus' Environmental Guidelines for Practical Forest Management. In accordance with the environmental objectives for 2016, four training sessions were arranged for Forestry staff in identifying cultural heritage sites and taking them into account in forestry operations. Approximately 80 members of staff attended these.

**Cases:**

- › [Cultural Heritage Sites in Multiple-use Forests Are Taken into Account in Daily Work](#)
- › [Castles and Ruins Revived](#)

**Read more:**

- › [About the Cultural Heritage Managed by Metsähallitus](#)
- › [About the Kvarken World Heritage Site](#)

*Photo: Kari Leo*



## Cultural Heritage Sites in Multiple-use Forests Are Taken into Account in Our Daily Work

Field surveys of cultural heritage sites were implemented in multiple-use forests in commercial use in 2010–2015, to ensure the preservation of the cultural heritage. Metsähallitus made a decision to protect all of the 10,000 cultural heritage sites recorded in the field surveys. Fixed antiquities such as prehistoric cairns and tar pits from the historic period are also protected under the Antiquities Act.

Information on the sites is stored in Metsähallitus' geographic information system. This information, which is completed on a continuous basis during standard forest management planning, is available to Metsähallitus' Coordinator/Planners when they plan forest management measures and logging.

In most cases, cultural heritage sites do not preclude forestry measures as long as the sites are not damaged or destroyed. Management of sites may even require the removal of trees because tree roots can damage the structures of sites, for example. The Stone Age rock formation 'Jätinkirkko' in Linnamaa, Liminka, was one of the antiquities managed in 2016. Trees growing on top of the rock formation were removed and the area was cleared of crown layer and knot wood trees. Some of this work was done with a chainsaw to ensure that the antiquity site was not damaged by the machinery.

Metsähallitus has been recognised by experts in the cultural heritage sector for its efforts to preserve the cultural heritage of forests. The National Board of Antiquities nominated Metsähallitus' cultural heritage field survey project for the Europa Nostra Award, Europe's most prestigious cultural heritage award.

*Photo: Pekka T. Keränen*





## Castles and Ruins Revived

Cultural heritage sites transferred from the National Board of Antiquities to Metsähallitus were restored through the **Lights On!** and **RauLi** projects for the management of castle ruins and fortifications. In addition to the preservation of valuable historic buildings, the aim is to develop the sites in collaboration with other actors into well-known, attractive and functional tourist destinations, creating opportunities for business operations and events.

Improving the services at Raseborg Castle Ruin began with the construction of a new customer service building and the design of lighting in the castle. New signage was put in place at Iso Linnamäki Castle Hill in Porvoo, in cooperation with the City of Porvoo. The LinnanVirta16 event was celebrated at Kajaani Castle, together with the residents of the city. The renovation of the Välimaa Sámi Farm in Utsjoki was completed. The Svartholma Sea Fortress off the coast of Lovisa and the viewing platform at Väräkallio hill in Hossa were repaired to enable visitors to resume exploring these destinations in safety.

### Read more:

[› Lights On! Project](#)

*Photo: Liisa Kyrönseppä*



## Land and Forests

Metsähallitus employs a wide range of conservation and management methods in order to preserve and promote ecological and cultural diversity in both multiple-use forests and in Western Europe's largest nature conservation areas.

More detailed information on the use and management of land and water areas in 2016 is available in the thematic sections:

- About the conservation and management of valuable natural sites  
  > [Conservation and Management](#)
- About the use and management of multiple-use forests  
  > [Sustainability from Forests](#)

*Photo: Kari Leo*



## Conservation and Management

### The ecological network of protected areas expanding in multiple-use forests

Protected areas on state-owned lands and waters constitute a nationwide ecological network. Most of these areas are preserved as close to their natural state as possible. Statutory nature reserves, wilderness areas and areas reserved under various nature conservation programmes cover a total of almost 30 per cent, or 3,744,000 hectares, of state-owned land and water areas.

This network is expanding by hectares in multiple-use forests, as their most ecologically valuable habitats, such as old-growth forests, wooded heritage biotopes, fertile mires and the surroundings of small water bodies, are off limits to forestry measures or managed with utmost care. In 2016, these sites exceeded 187,000 hectares in area, or 5.4 per cent of the surface area of multiple-use forests.

In addition to securing biodiversity, multiple-use forests included 370,000 hectares of sites which are managed subject to restrictions - through selection cutting, for example - or which are fully excluded from all forest management measures in order to secure the preconditions for reindeer husbandry, the Sámi culture or recreational use.

In 2016, more than 560,000 hectares of sites in multiple-use forests were either partly or completely excluded from forestry activities. This is more than 16 per cent of the total area of multiple-use forests.

### Interconnected, protected areas favourable for species




Biodiversity habitats in multiple-use forests tie in well with protected areas and therefore make a valuable contribution to the overall area. More than half of sites in multiple-use forests are in young forest heaths or include more nutrient-rich categories of vegetation, which, in turn, are least represented among the categories of vegetation in protected areas.

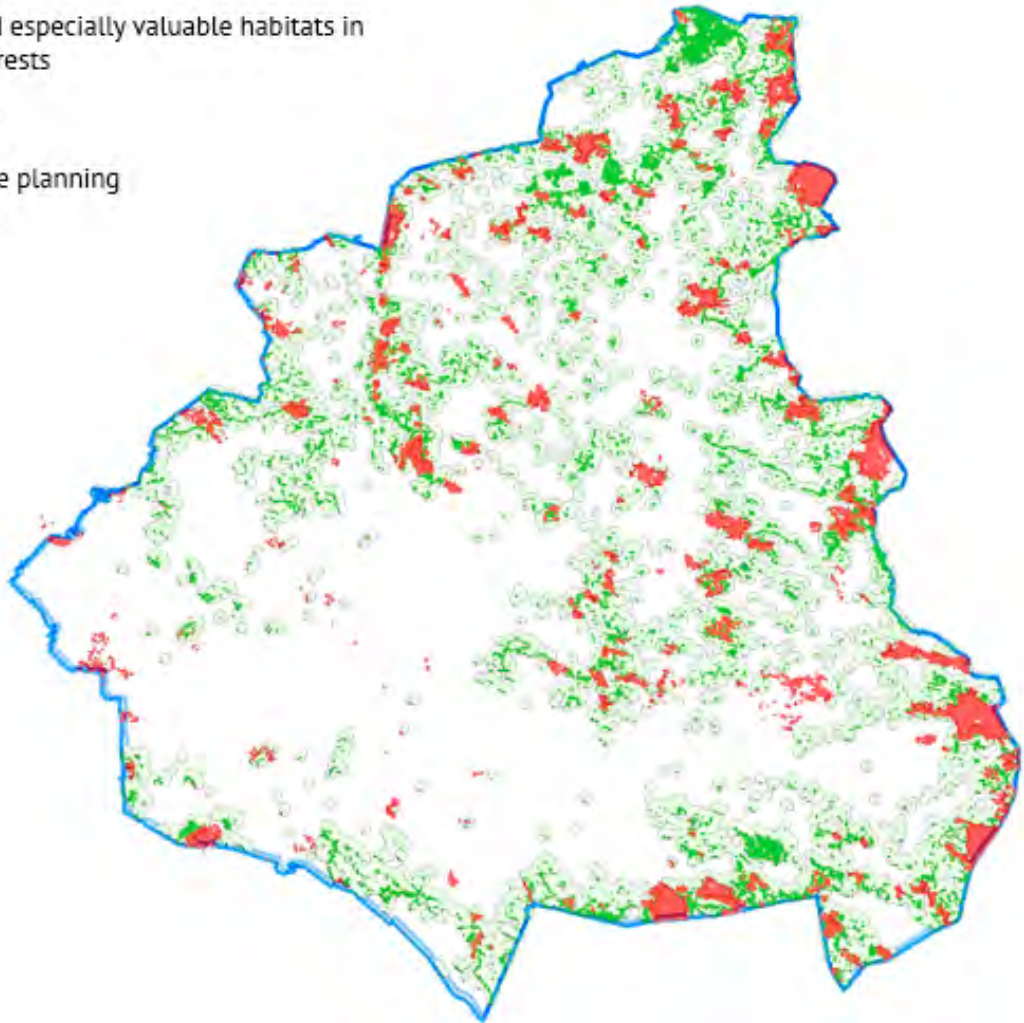
The interconnectedness of the ecological network measures the accessibility of an area from the perspective of its species. The closer a suitable habitat is located, the more likely it is that a species can successfully spread to that area. Adjacent patches of terrain with a similar habitat support the continuity of the species within them, providing the same resources and better interconnectedness for wildlife.

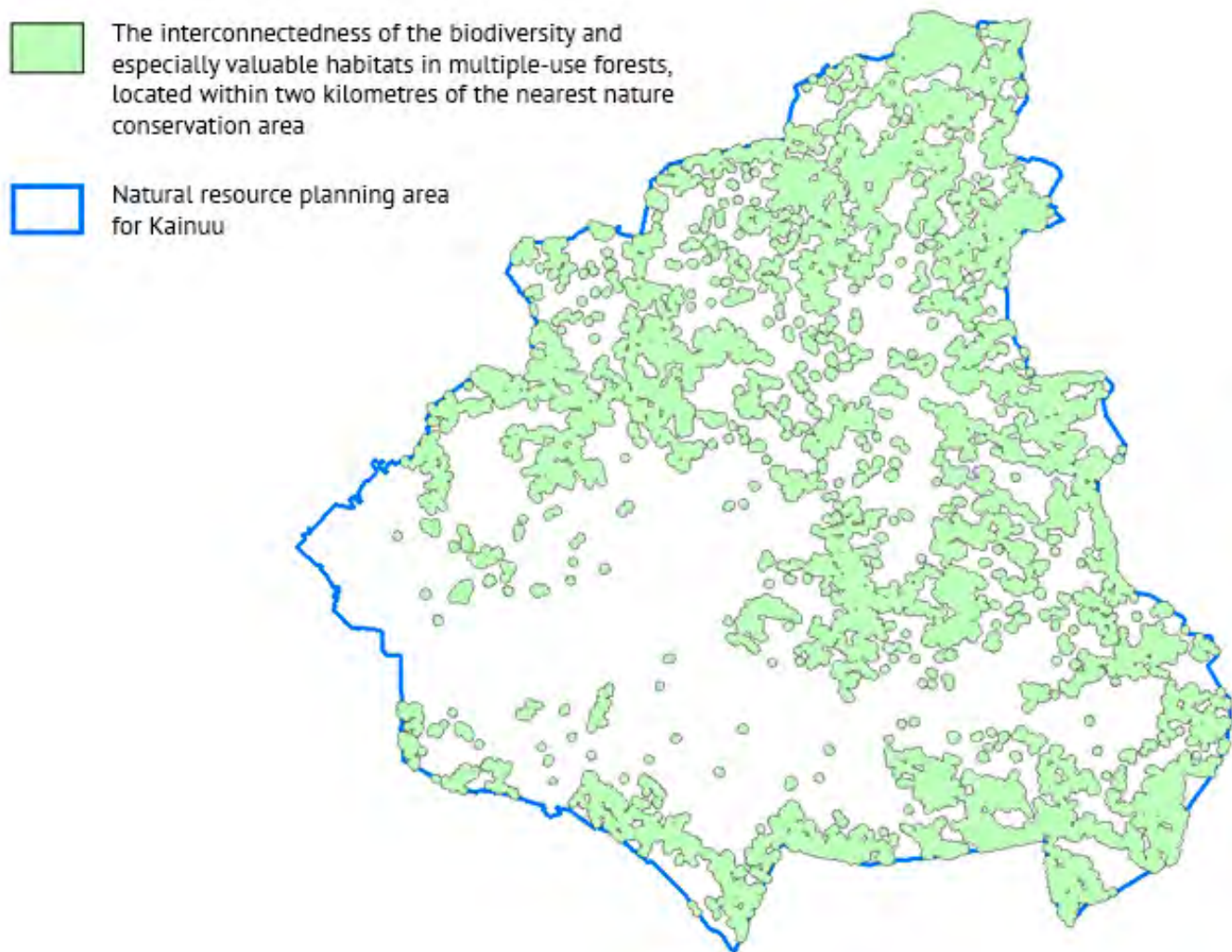
An analysis of interconnectedness conducted in Kainuu indicated that almost 70 per cent of species-rich, forest habitats are located within half a kilometre of the nearest nature conservation area. More than 96 per cent are located within two kilometres of nature conservation areas. For most species, half a kilometre is a sufficiently short distance to tie habitats together.



Four distances were used as criteria in the interconnectedness analysis: 200 m, 500 m, 2,000 m, and 5,000 m. Habitats are considered to be interconnected if they intersect each other at these distances.

-  Biodiversity and especially valuable habitats in multiple-use forests
-  Protected areas
-  Natural resource planning area for Kainuu





## Management measures helped endangered species

Metsähallitus' nature conservation professionals manage some of Finland's most valuable natural environments and cultural attractions. Far-sighted conservation work has improved the integrity and effectiveness of the conservation network and helped to slow down the loss of biodiversity. Ecological management and restoration measures have created habitats for vulnerable species and promoted their survival. Nature conservation projects were carried out with a range of partners, based on funding from organisations such as the EU.

The Species-rich LIFE project, which ended in 2016, focussed on the management of 64 habitats containing valuable species, including herb-rich forests, deciduous forests, meadows and sunny grasslands. These are the most vulnerable habitats, with the richest variety of species, which would be at risk without management efforts. The project alleviated the pressure on species such as the near-threatened Clouded Apollo butterfly (*Parnassius mnemosyne*) and critically endangered flat bark beetle (*Cucujus cinnaberinus*). These two species are so-called umbrella species, whose conservation results in the protection of many other rare species and their habitats.

Long-term efforts to conserve the vulnerable white-backed woodpecker have borne fruit, slowly but surely, and the gradual growth of the population has begun. The mass migration of thousands of individuals from the east has boosted the local population. A record number of white-backed woodpeckers was observed in the 2016 surveys conducted by Metsähallitus, WWF Finland and BirdLife Finland: the territory of a pair was recorded at more than 250 observation sites, with 140 confirmed nests. The number of territories increased by almost 70 compared to previous years, and the previous record for nests, 125 in 2014, was clearly exceeded.



The nesting result for golden eagles was below average in 2016. Inspections of nests revealed around 360 territories inhabited by golden eagles. Of the total of 529 golden eagle territories identified in Finland, some 450 were occupied in the last five years. The main reason for the weak result was the poor nutritional situation, but bad weather conditions may also have played a part.

One of the aims of an extensive seven-year project, launched towards the end of the year for the management of the forest reindeer population, is to restore this native Finnish subspecies to its original habitats in the regions of Pirkanmaa and South Ostrobothnia. The entire population of this species, some 4,400 individuals, is only found in Finland and Russian Karelia. This EU-LIFE project is being implemented by Metsähallitus Game and Fisheries Services, alongside nine project partners.

**Cases:**

> [Landscape Ecological Planning Results Now Available for All Online](#)

**Read more:**

> [About the Protection of Species and Habitats by Metsähallitus](#)

*Photo: Jari Salonen*



## Landscape Ecological Planning Results Now Available for All Online

Metsähallitus has updated its landscape ecological analysis methods. Landscape ecological planning involves coordinating the ecological, economic, social and cultural values of state-owned land and water areas. Such planning takes account of nature in large forest areas as a phenomenon encompassing multiple-use forests, nature reserves and special recreational areas. The first plan implemented using the new method was drawn up for the region of Eastern Lapland in 2015.

In 2016, information based on landscape ecological plans was entered in Metsähallitus' public Excursionmap.fi service and published in January 2017. Various land-use decisions concerning state-owned land and water areas were transferred to the service. Areas in various land-use categories have their own specific instructions. For example, key ecological sites are partially or completely excluded from forestry. In areas reserved for recreation and tourism, such as hiking areas, the special features of the area are taken into account in all activities.

The service also provides detailed information on cultural heritage sites on state-owned land and in water areas.

Geographical information in the Excursionmap.fi service is completed once a year on the basis of surveys by Forestry and notifications by people moving about in the wild.

*Photo: Tuulikki Halla*



## Sustainability from Forests

Metsähallitus manages state-owned commercial forests as multiple-use forests, in which various goals are implemented and coordinated. Multiple-use forests are certified under the PEFC certification scheme. The certification is based on operating methods agreed in national and international cooperation, and regular supervision by an independent external party. Certification proves that wood has been procured from sustainably managed forests. Metsähallitus' PEFC forest certification, PEFC-monitoring and the ISO 14001 environmental management system are audited by Inspecta Certification.

90 per cent of state-owned multiple-use forests are located in eastern and northern Finland. Thanks to successful forest management, the volume of growing stock in multiple-use forests has increased by more than 50 million cubic metres in 10 years, and now amounts to 308 million cubic metres.

In addition to the forest industry, multiple-use forests are important for the promotion of biodiversity, recreation, reindeer husbandry, the Sámi culture, and employment. In 2016, Metsähallitus invested EUR 56 million in preserving and promoting these important social functions.



## Metsähallitus' general social obligations

Provisions on Metsähallitus' general social obligations are laid down in the Act on Metsähallitus (234/2016). Accordingly, Metsähallitus must pay sufficient attention to the conservation of biodiversity and its enhancement in the appropriate manner, alongside other objectives specified for the management, use and protection of forests, the marine environment and other natural resources. Metsähallitus must also take account of requirements related to the recreational use of the natural environment, and the promotion of employment.

In addition, the management, use and protection of the natural resources managed by Metsähallitus must be coordinated in the Sámi Homeland, as referred to in the Act on the Sámi Parliament (974/1995), in such a way that the preconditions for the Sámi culture are safeguarded, and in the reindeer herding area referred to in the Reindeer Husbandry Act so that the obligations set out in the Reindeer Husbandry Act are met.

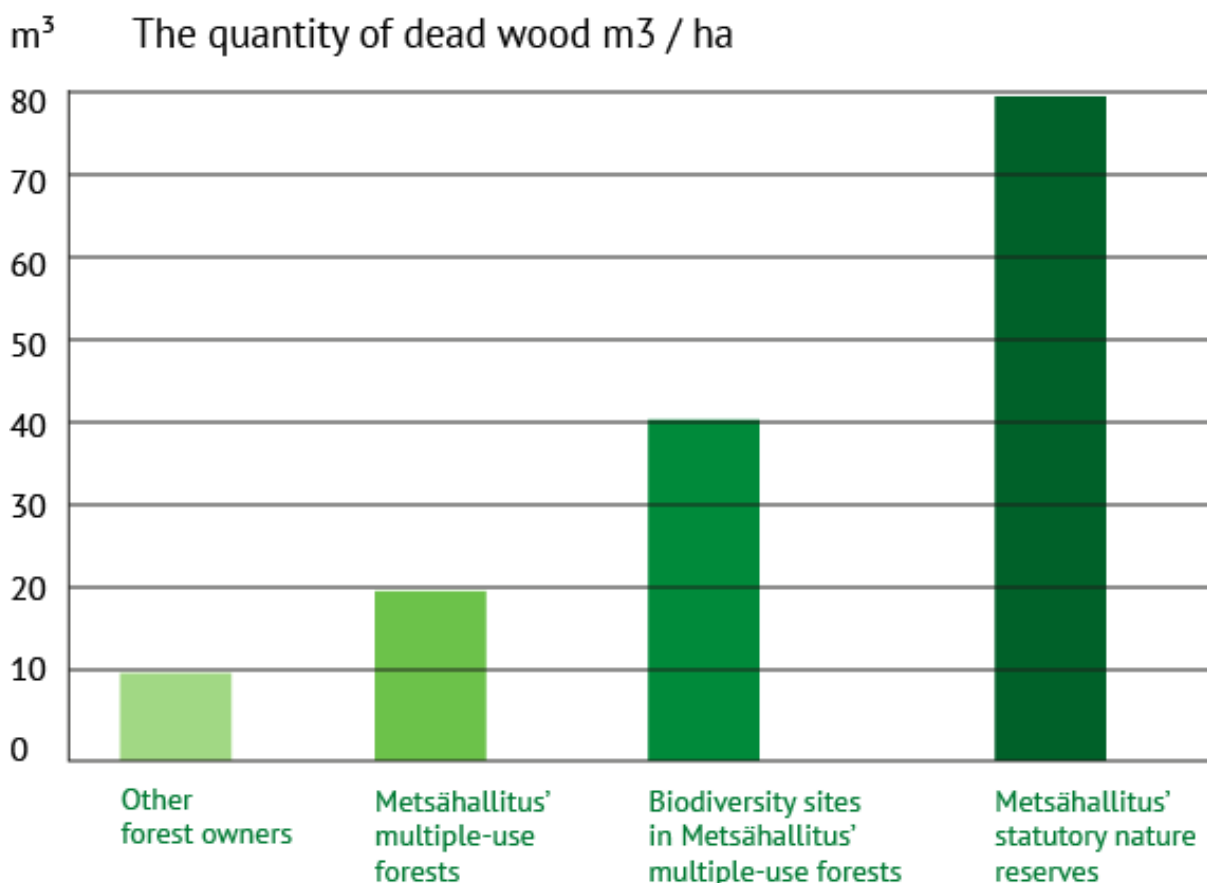
Qualitative indicators are used to describe the benefits of Metsähallitus' general social obligations. In reporting, the development of structural features critical to biodiversity, including the quantities of decaying wood and mature aspen trees, as well as recreational use, are monitored.

## More decaying wood in state-owned forests than in private forests

The quantity of dead wood, or decaying wood, is an important structural feature of forests in terms of protecting biodiversity. Approximately one quarter of Finnish forest species, some 4,000 species, are directly or indirectly dependent on decaying wood.

Metsähallitus Forestry's multiple-use of forests is restricted, in terms of its ability to generate biodiversity benefits, because most of the land in question is situated in northern Finland, such land is more nutrient-poor than average and the most biologically diverse sites are already included in protected areas. The most ecologically significant sites in multiple-use forests, such as herb-rich forests and spruce mires, are excluded from forestry or managed with care, preserving the natural values of the site. These sites contain more dead wood than standard multiple-use forests and the trend is favourable towards species that require dead wood.

In addition, retention trees are left at logging sites. Most of these are living trees, which become dead wood naturally, over time. Naturally dead trees, which are still standing before logging, are also valuable as retention trees.

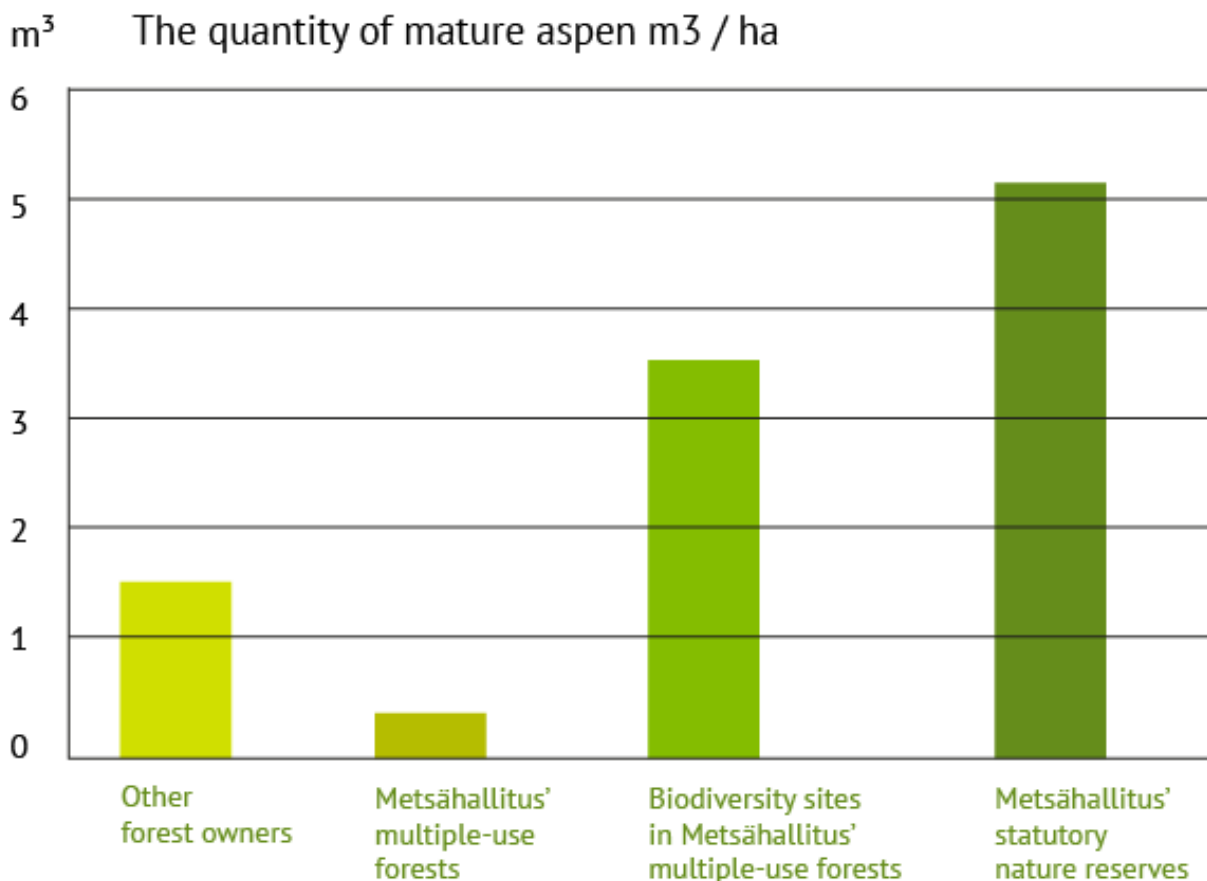




## Mature aspen trees, particularly in sites considered key in terms of ecology

Aspen trees play a key role in protecting forest biodiversity. They provide a habitat for several vulnerable insects, fungi, mosses and lichens.

Aspen is relatively numerous in ecologically important sites in multiple-use forests. One of the reasons for aspen being less common in ordinary multiple-use forests lies in the fact that state-owned lands are located in areas that are more nutrient-poor than average. In Lapland, aspen is found in the diversity sites of multiple-use forests in particular.



## Multiple-use forests generate recreational benefits worth 200 euros for every visit

In addition to protected and recreational hiking areas, multiple-use forests provide diverse benefits for recreational use. These benefits were assessed on the basis of the usage surveys, conducted in 2014-2015, relating to the road network in multiple-use forests. For example, the multiple-use forests in Kainuu attracted 500,000 visits in one year. This means that, on average, one person visited for each hectare of multiple-use forests in the region of Kainuu.

Recreational use accounts for 85 per cent of the use of the road network built for forestry use. The road network provides access to multiple-use forests and facilitates their diverse recreational use, including hunting, berry picking, fishing and outdoor activities with dogs. Improved physical fitness is the most significant of the impacts on health and well-being, but enhanced mental and social well-being is also important. The interviewees estimated that the boost to their well-being was worth 200 euros per visit to multiple-use forests.



## Environmental goals of forestry met comfortably

In 2016, six million cubic metres of timber were sold from state-owned multiple-use forests. Timber was harvested from an area accounting for 2.5 per cent of multiple-use forests. Intermediate felling, which leaves shelterwood as forest cover, accounted for over 58 per cent of all felling. The proportion increased by five per cent from the previous year.

Metsähallitus' Environmental Guidelines for Practical Forest Management lay down clear environmental requirements for forestry operators and for continuous improvement. Annual monitoring is conducted to assess the implementation of these requirements.

Timber harvesting is monitored with regard to the extent to which the characteristics and species occurrences of valuable habitats remain unchanged during regeneration felling. In 2016, this was highly successful and the characteristics of valuable habitats were completely or almost completely preserved on 98.6 per cent of their total area on regeneration sites (in 2015: 95%).

Retention trees are important for many species dependent on decaying wood. According to monitoring results, an average of 11.7 valuable retention trees, compliant with the target level specified in Metsähallitus' Environmental Guidelines for Practical Forest Management, were left on each hectare managed through regeneration felling in 2016. The number of retention trees compliant with the requirements of forest certification, 21 trees per hectare, clearly exceeded the requirements specifying 10 trees per hectare.

Special felling techniques were applied on sites that are valuable in terms of biodiversity, recreation or scenery, in order to preserve forest cover and scenic views. Special felling operations accounted for 6.4 per cent of all felling (in 2015: 6%).

### Case:

[› Natural Habitat Types and Species – Essential Parts of Biodiversity](#)

*Photo: Jari Salonen*



## Natural Habitat Types and Species – Essential Parts of Biodiversity

**The habitats and occurrences of species requiring urgent protection in state-owned multiple-use forests were reviewed in 2016 on the basis of maps. Some sites were investigated in the wild. The review targeted all habitats of species requiring urgent protection and entered in the registers of the environmental administration.**

The environmental administration has estimated that 569 species in Finland require urgent protection. Most such species are invertebrates, mosses and lichens, but the Saimaa ringed seal, arctic fox, golden eagle, Eastern Pasque Flower (*Pulsatilla patens*) and the Large Blue (*Glaucopsyche arion*) butterfly are also included. The flying squirrel is not a species requiring urgent protection.

The situation was good in most habitats of species requiring urgent protection in multiple-use forests. Most of the habitats were already protected; they are either in a natural site protected by a decision taken by Metsähallitus, or in an area, including sparsely wooded mires, where forestry is not practised for some other reason.

However, some sites require management or restoration in order for conditions to remain favourable for the species. Two mire sites were restored in Lapland, by removing trees and blocking drainage ditches. Over the next few years, sunlit habitats will be managed in southern Finland in order to ensure more favourable conditions for species dependent on light and warmth.

### **Read more:**

[› Species and Habitats](#)

*Photo: Martti Rikkonen*



## Customers and Stakeholders

**Metsähallitus has a wide range of customers and stakeholders, with forms of cooperation ranging from trading to guidance, information exchange and interaction. Its operations also accommodate the land use requirements of research, education, the Defence Forces and the Border Guard.**

In forestry, the biggest customers are Finnish forest industry companies producing pulp, paper and sawn timber. Metsähallitus supplies timber to more than a hundred destinations.

Metsähallitus' largest private customer segment comprises fishermen, hunters and hikers. In 2016, more than 138,000 fishing and hunting licences were sold and 5.7 million visits made to national parks and other protected areas and hiking destinations. Many travel companies also operate on state-owned lands and waters, using Metsähallitus' structures or areas. Metsähallitus engages in long-term cooperation with hundreds of companies across Finland.

### Natural resource planning together with stakeholders

A multitude of wishes and expectations relate to the use of state-owned land and water areas. Planning strives to coordinate these without exceeding the limits of sustainable use. A key tool in this is natural resource planning, launched in southern Finland in 2016, which steers the use of state-owned land and water areas.

One of the objectives of the natural resource for Kainuu, completed in 2015, was to enhance interaction with stakeholders. The cooperation group, established by Metsähallitus in Suomussalmi in November 2016 to discuss topical issues, consists of local partners in the fields of business and administration, as well as representatives of hobby groups. In the first meeting in November, discussion topics included Hossa National Park and the handling of forests in the area. A similar group will also be established in Kuhmo.

### Careful consideration of the preconditions of the Sámi culture

The purpose of the voluntary Akwé: Kon Guidelines is to secure the participation of Sámi parties in a variety of projects and plans, such as the preparation of use and management plans for protected areas, and decisions taken on them. The Guidelines help Metsähallitus to perform its statutory social obligations to ensure the preservation of the Sámi culture.

The Akwé: Kon Guidelines, adopted in 2004, are based on the United Nations Convention on Biological Diversity, Article 8 (j), concerning respect for the knowledge and practices of indigenous communities. In Finland, the Guidelines are intended for the assessment of the cultural, environmental and social impacts of projects and plans in the Sámi Homeland, if the projects are likely to affect the culture, livelihoods and cultural heritage of the Sámi.

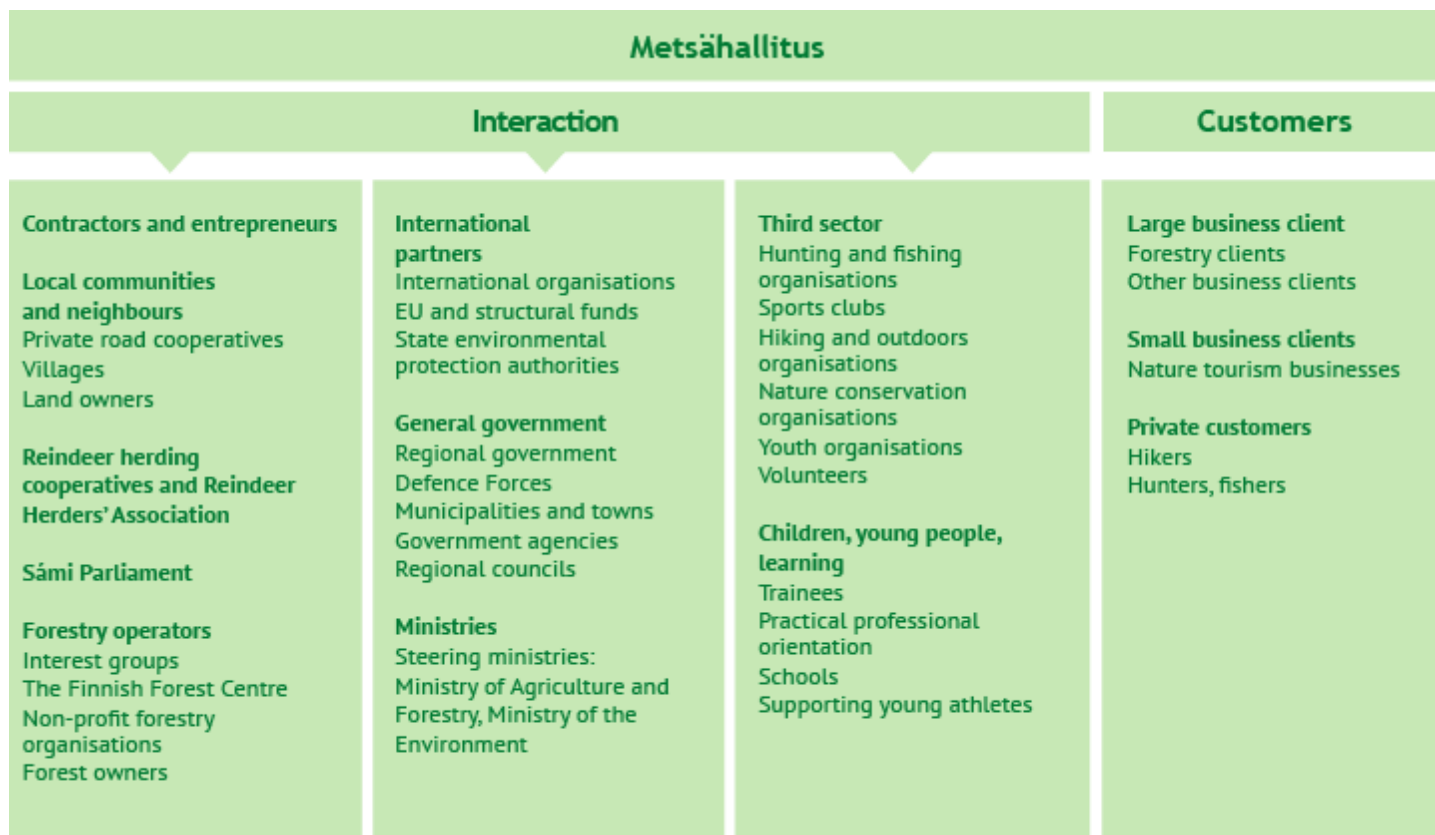
The Akwé: Kon Guidelines were first introduced to Metsähallitus in the management plan for the Hammastunturi wilderness area, and subsequently in the management plans of the Kevo Strict Nature Reserve and Malla Strict Nature Reserve. The management plan for the Vätsäri wilderness area, in which the Guidelines have been applied, is due for completion in 2017. The Akwé: Kon process was also used in the planning of forestry measures in the Muddusjärvi reindeer herding cooperative's area in 2016. Metsähallitus and the Sámi Parliament began the process of reforming the Guidelines in 2017.

## Ecological management and nature conservation together with partners

Metsähallitus coordinates several nature conservation and ecological management projects, or is involved such projects as a partner. The inland water conservation project FRESHABIT LIFE IP was launched at the beginning of 2016. Together with 30 partners, Metsähallitus enhances the condition of inland waters and improves biodiversity through concrete restoration measures. The project benefits not only inland water ecology but also local entrepreneurs, visitors using the water bodies for recreational purposes, and future generations who get to enjoy cleaner inland waters.

Making a tangible contribution to activities that benefit the natural environment appeals to many people. Metsähallitus offers a wide range of voluntary work opportunities for everyone. In 2016, a total of 3,788 volunteers engaged in voluntary work in protected area management and in the best interests of endangered species or sustainable game populations and fish stocks. The number of volunteers increased from the previous year. The vast majority of volunteer activities were based on cooperation with associations and organisations.

Metsähallitus has joined forces with the Criminal Sanctions Agency to employ prisoners from open penal institutions to help in the management of protected areas. In 2016, the input of prisoners to various maintenance and restoration projects in protected areas amounted to 60 person-years.





**Cases:**

- › [Long-term Efforts to Promote the Sámi Language and Culture](#)
- › [Natural Resource Planning Is a Team Game](#)
- › [Voluntary Work Safeguarded the Nesting of the Saimaa Ringed Seal](#)
- › [Towards a Future Without Crime](#)

## Personnel

Metsähallitus systematically promotes well-being in the workplace and occupational health and safety in a number of ways. Fair and impartial treatment of all employees, and the continuous learning and development of the working community are shared responsibilities, and everyone is entitled to good management and transparent feedback.

Metsähallitus employs around 1,500 professionals. nn per cent of them work on a fixed-term basis. Men account for nn% of employees and women for nn%. The average age of personnel is nn years. The majority of Metsähallitus' personnel, approximately nn people, work in offices around the country. Approximately nn people work in Metsähallitus' headquarters in Tikkurila, Vantaa. The offices in Rovaniemi, Oulu, Ivalo, Jyväskylä and Kuopio have the next highest headcount.

At the end of 2016, cooperation negotiations were conducted in Forestry Ltd for loggers. The purpose of the negotiations was to find ways to improve the productivity and profitability of logging work, particularly during the winter season, when working conditions are most challenging and costs are at their highest.

### Employees' working capacity is good

In cooperation with Promenade Research Ltd, a HR4 Group Ltd company, Metsähallitus conducted a new type of employee survey in order to obtain more comprehensive information on the success of change management, employee well-being linked to performance, and staff working capacity. The response rate was 66, which is slightly higher than in the previous year.

Positive factors included the equal treatment of men and women, commendable occupational safety activities and the high rating given for the work of immediate supervisors. The staff's enthusiasm and high energy affect the performance of the organisation as a whole, and this aspect of working capacity was examined by means of an emotional indicator. On a scale of 1 to 5, Metsähallitus' working capacity was rated at 3.86, which is good. The various components of this aspect include the clarity of responsibilities, the experience of being appreciated within the work community, opportunities to influence one's own work and learning new things. Factors threatening occupational well-being included greater hurry and the feeling that working hours are inadequate for the tasks in hand.

### New tool for the development of leadership

Metsähallitus' and Terveystalo's occupational health care contract was extended for the period 2017-2019. Last year, all subsidiaries were included in the occupational health care contract, ensuring uniform services for all staff.

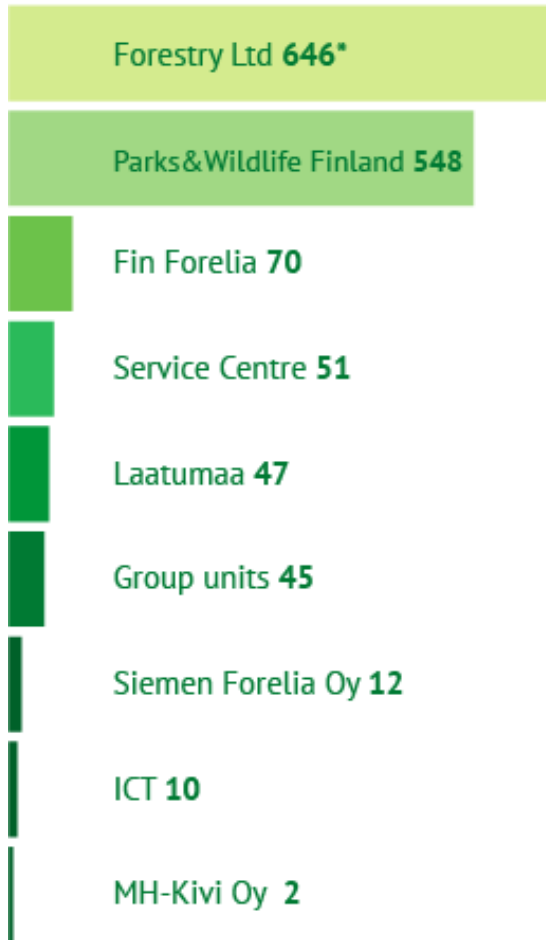
In order to develop managerial work, a supervisor assessment survey, tailor-made for Metsähallitus in collaboration with Arc Ltd, was adopted. The initial results will be available in early 2017.

Induction training was arranged for new Metsähallitus employees. Supervisor training in employment relationship and occupational health and safety issues was tailored for managers in Parks & Wildlife Finland. Occupational health and safety training sessions continued. The emphasis was still on anticipatory driving courses and safety training card courses. Indoor air quality issues have been on the agenda as well, requiring broad-based cooperation with various stakeholders. Metsähallitus' operating model to ensure a good indoor air environment was updated.

## Personnel by profit centre

*permanent and temporary employees*

### Person-years by profit centre, p-y 1431



*Photo: Kari Leo*



## Long-term Efforts to Promote the Sámi Language and Culture

Metsähallitus has promoted the use of the Sámi language for many years; these efforts were recognised in 2009 by an award for promoting the Sámi language. Since then, we have targeted efforts at the nature-related and cultural education of Sámi children. Sámi language film camps were organised in 2013-2015 and, in 2016, more than 600 schoolchildren received wilderness and nature education in Sámi as part of the Wilderness Sponsors tour.

Personnel were provided with intense support in using the Sámi language in the 2010s and the results can now be seen in the way our staff use languages in forums such as discussions and meetings. A Sámi-speaking Communications Officer arranges discussions with our Sámi personnel.

Metsähallitus has extensive websites written in the Northern Sámi, Inari Sámi and Skolt Sámi languages. A wide range of material is translated into Northern Sámi in particular, as well as into Inari and Skolt Sámi whenever the issue involves these linguistic regions.

Social media content is also produced in Sámi. The Sámi language Facebook page 'Sámi meahcit ja luondu' has more than 500 followers and material is produced for the page several times a week. The Sámi language is also present in Twitter, whenever the Sámi Communications Officer uses his personal account for Metsähallitus' tweets in the Sámi language.

Interpretation is provided at Metsähallitus' public events and meetings with the local population, so that the Sámi can use their native language. We also cooperate with other Sámi actors, including Yle Sápmi, the Sámi Education Institute, the Sámi Museum Siida and Sámi associations.

### Read more:

[> About Metsähallitus in Sámi](#)

*Photo: Kaisa Sirén*



## Natural Resource Planning Is a Team Game

**In 2016, Metsähallitus launched the preparation of a natural resource plan for Southern Finland. The area of the plan covers 16 regions, of which approximately one million hectares of land and two million hectares of water are state-owned and managed by Metsähallitus.**

Planning is done in collaboration with three cooperation groups. The cooperation groups for Eastern Finland, Western Finland and the Sea and Coastal area comprise almost 60 representatives of major regional organisations, including regional councils, municipalities, educational institutions and businesses, and representatives of organisations ranging from professional fishermen to nature conservation associations.

Expectations expressed with respect to Metsähallitus in cooperation groups' workshops include various types of economic benefits, as well as activities promoting employment, hiking, fishing and hunting. The health effects of forests were strongly emphasised.

– The planning involves the charting and coordination of the various objectives so as to ensure the ecological, social and economic sustainability of the areas, says Regional Director Markku Vainio of Metsähallitus, Chairman of the natural resource project steering group.

Mikko Hautasaari, director of the tourism and hospitality business of the **Northern Karelia Cooperative Society (PKO)**, views the cooperation as highly significant:

– Metsähallitus is an important partner for us in many ways, particularly on account of our hotel business in Koli. The planning process is a key tool enabling us to anticipate the future and find new operating models from the perspective of regional vitality, for example.

– At present, Metsähallitus is a very interesting organisation and a key stakeholder for a wide range of actors. The planning process is an excellent arena for holding dialogue and having an impact,” says Mari Walls, President and CEO of **Natural Resources Institute Finland**, Chairman of the Sea and Coastal Area Cooperation Group.

Due for completion in May, the plan will steer the use of state-owned land and water areas in southern Finland in 2017-2022.

*Photo: Jari Salonen*





## Towards a Future Without Crime

Cooperation between Metsähallitus and the **Criminal Sanctions Agency** continued at several sites in 2016. Prisoners from the Hämeenlinna, Kerava, Laukaa, Suomenlinna and Vilppula open penal institutions serviced national parks in southern Finland, made signs for Vallisaari island off the coast of Helsinki, and renovated the Mustajärvi hut in the Evo hiking area. In particular the servicing of the enormously popular Vallisaari island, which was opened to the public in the summer, would have been impossible without cooperation with the open prison of Suomenlinna.

The natural environment, teamwork, and solving challenges that crop up during the course of work improve the prisoners' physical fitness, self-confidence and belief in their own abilities.

– Above all, the work benefits the prisoners themselves. They get to try out freedom in practical and physical outdoor work, and everyone does the job to the best of their abilities. This may be the first job in which they have been trusted with responsibility. It is an important step on the way towards freedom. In addition, the work strengthens their confidence in their own skills and abilities. Work at wilderness destinations is a step towards freedom and a normal life, says Tuula Tarvainen, Director of **Laukaa Prison**.

The work done by the prisoners keeps hiking facilities in better condition, which directly benefits taxpayers and nature tourism businesses.

Metsähallitus' work sites are a tool in the rehabilitation of prisoners towards a future without crime. All other tasks and issues related to prisoners are managed by the prisons. The prisoners work for Metsähallitus Parks & Wildlife Finland and are treated as employees.

*Photo: Kai Takala*



## Voluntary Work Safeguarded the Nesting of Saimaa Ringed Seal

In winter 2016, artificial snowdrifts were built for the third consecutive year to improve the nesting conditions of Saimaa ringed seals in poor snow conditions. The seals' breeding success depends entirely on the snow and ice cover, because they make nests in snowdrifts piled on lake ice by the shore. The nest protects the pup from the cold and predators, while offering the mother a peaceful site for nursing her offspring.

In mild winters, the snowdrifts are insufficient for nesting by seals. The innovative technique, developed by the University of Eastern Finland, of providing man-made snow mounds is vital to protecting the Saimaa ringed seal population.

In January 2016, snow conditions on Lake Saimaa varied, with moderate snowdrifts on the shores of islands and islets in wide open water areas, but none in small-scale water areas. Of the total of 174 people participating in making the snow mounds, 147 were volunteers. All in all, 211 snowdrifts were made in different parts of Lake Saimaa, and the work was completed in a matter of two weeks.

Metsähallitus coordinated the efforts and contribution of the **University of Eastern Finland** and **WWF Finland** played a key role – alongside the staff of local **Centres for Economic Development, Transport and the Environment** – by participating in building the artificial snowdrifts.

According to a nest census carried out in the spring, approximately half of the 86 seal pups observed were born in nests in artificial snow mounds, and their mortality rate remained as low as in winters with good snow conditions. The man-made snowdrifts are an effective method of improving the survival rate of Saimaa ringed seal pups. An excellent network of locals forms an essential part of the related practical work.

### Read more:

› [Saimaa Ringed Seal Conservation Measures Are Yielding Results](#)

*Photo: Mervi Kunnasranta, UEF*

## Glossary

**Bioeconomy:** Bioeconomy refers to the utilisation of renewable materials derived from natural sources and the development and deployment of the related innovations and technologies.

**Ecosystem service:** Ecosystem services refer to the various material and immaterial services and benefits people obtain from nature, including natural resources and processes, biodiversity etc.

**Harvesting stand:** A forest area allocated for cutting measures.

**Multiple-use forest:** Metsähallitus' productive forest lands are multiple-use forests. Forest ecosystem services are secured during the use and management of such land. Such services include timber production, recreational use, the preconditions for reindeer husbandry and Sámi culture, and forest biodiversity.

**National park:** National parks are large nature reserves. They ensure biodiversity and provide people with the opportunity to exercise in a natural environment.

**Regenerated area:** An area that has undergone regeneration felling and on which a new forest will be planted.

**Regeneration felling:** Felling of a forest stand which is sufficiently mature for regeneration from the forestry point of view, or that has reached the desired age or diameter.

**Retention trees:** A retention tree is a tree left permanently standing in connection with felling. These trees, which are of various species and ages, promote biodiversity and diversify the structure of the forest, providing nutrition over time for several species dependent on decaying wood.

**Special felling:** To preserve forest biodiversity, landscape values or multiple use of a forest, felling at a site is performed in a special way that is distinct from thinning or regeneration felling. For example, a large number of trees can be removed from sunlit eskers to provide more light for species that favour hot sunny habitats. In other cases, only a few trees can be removed, in order to preserve the forest cover and shade.

**Thinning or intermediate felling:** Intermediate felling is a forestry measure that improves the financial yield of forests. It involves the removal of poor quality trees, or trees that hamper the growth of the best trees in the forest stand. The trees left standing grow larger in diameter, enabling the forest stand to reach the regeneration felling stage sooner.

**Uneven-aged forestry:** Uneven-aged forestry involves forest regeneration by cutting small-scale openings, or reducing the shading impact of large trees by crown thinning. In this way, trees of various ages grow in the forest at all times and no clear cutting occurs.



# Board of Directors' Report for the Financial Period 15 April-31 December 2016

The new Act on Metsähallitus entered into force on 15 April 2016. As a result, the former enterprise was terminated on 14 April 2016 and the new Metsähallitus enterprise, in compliance with the new Act, began operating on 15 April 2016. Due to the structural change resulting from the reform, the financial statements do not include comparative information on the previous year.

The financial period of Forestry Ltd, established in the process, was the same as that of the enterprise. All other subsidiaries provide financial statements for the period 1 January-31 December. These subsidiaries are included in the consolidated financial statements for the period 15 April-31 December 2016.

## The key changes resulting from the new Act

Based on the new Act on Metsähallitus, Metsähallitus' enterprise manages state-owned land and water property, which comprises about one third of Finland's total surface area. The Ministry of Agriculture and Forestry is responsible for the related ownership steering. In matters related to public duties, Metsähallitus is also steered by the Ministry of the Environment.

The enterprise engages in market-based business operations through its subsidiaries. Metsähallitus Group comprises the enterprise and subsidiaries. Property development, public administrative duties and Group operations are organised as part of the enterprise. Group operations and shared service units also form part of the enterprise. Public administrative duties form a separate unit within the enterprise.

The business was incorporated in order to ensure its competitive neutrality. The Forestry business was incorporated into Metsähallitus Forestry Ltd. This company does not own forests, but it has the right to engage in forestry in state-owned commercial and multiple-use forests, for an access right fee. Laatumaa, the property business unit within Metsähallitus, remains part of the enterprise. Laatumaa is responsible for property leasing, development, sales and purchases.

The state-owned land and water areas managed by Metsähallitus form an entity which is best managed within a single organisation. Metsähallitus' public administrative duties are also related to managing state-owned land and water assets. In the organisational reform, national parks, wilderness areas and other protected areas remained the responsibility of the unit in charge of public administrative duties. Game and fisheries management and the Director, Game and Fisheries, now play a stronger role in terms of their public administrative duties.

The organisational reform strengthened the Board of Directors' role in the management of the enterprise. The Board of Directors' duties include steering and supervising Metsähallitus' operations, and the strategic management, administration and appropriate organisation of Metsähallitus' operations. In addition, in accordance with the new Act on Metsähallitus, natural resources plans are subject to approval by the Board. The coordination of land use objectives now plays a more prominent role in the work of the Board.

It has become increasingly important to manage Metsähallitus as a group and coordination is emphasised in the operational steering of all units. Activities supporting core activities, including systems, are implemented at Group level in order to improve the efficiency and quality of operations.

The opening balance sheet of the new enterprise was confirmed by the Finnish Parliament. Equity in the enterprise's balance sheet consists of basic capital and other equity.

The business is practised on the basis of the assets included in the basic equity, EUR 2,601.5 million in total.



Other equity is divided into two parts. For the management of its public administrative duties, Metsähallitus administers state-owned protected areas and wilderness areas, other areas assigned or acquired for conservation purposes, as well as other property necessary to executing its public administrative duties. This property is worth a total of EUR 977.0 million and is included in Metsähallitus' other equity. In addition, other equity includes land and water areas which are not protected or exploited economically. They are recorded in the enterprise's other equity, at a value of EUR 224.8 million. This part of other equity includes public water areas, among others.

The property was revalued in the opening balance sheet. The land and water property used by the business, i.e. basic equity, was valued at fair value. This raised the value of the land and water areas by EUR 90.1 million. The Government sets a yield requirement on basic equity used for business purposes. The annual dividend payment target is determined on the basis of this yield requirement. The dividend is paid from the operating profit.

Property included in other equity, used for the purposes of executing public administrative duties, was transferred to the new enterprise at book value.

The working capital of forestry operations, EUR 78.3 million in total, was transferred to the new Forestry company as a capital contribution. Related items were valued at book value. During the set up phase, the new company's equity ratio was 50 per cent.

## Operations During the Financial Period 15 April-31 December 2016

On 25 October, the Ministerial Committee on Economic Policy confirmed the ownership policy guidelines (prepared by the Ministry of Agriculture and Forestry and the Ministry of the Environment) for Metsähallitus for the period 2016-2020.

The guidelines emphasise Metsähallitus' role in managing the land and water property it administers as a single entity in line with the Government's real-estate strategy. The use of areas is planned in accordance with the natural resource plans, aiming for the highest possible social benefit and cost efficiency. Metsähallitus' common processes and systems are managed and developed as cost-effective systems.

The profit target for operations remains ambitious. The intention is to raise the return on investment to 4.6 per cent by 2020. This corresponds to a new balance sheet structure, with a level of income of around EUR 120 million. This will require a profitability improvement in Metsähallitus' business operations and the utilisation of sustainable felling potential.

Biodiversity and the recreational use of nature are an important part of Metsähallitus' operations. The level of social obligations will remain high in Metsähallitus business operations. Various degrees of use restrictions currently apply to approximately 530,000 hectares of Metsähallitus' forests in commercial use, due to biodiversity, recreational use and reindeer husbandry requirements. The overall social benefit is even taken into account in Metsähallitus' property business, creating the preconditions for the related business activities.

The unit managing public administrative duties is responsible for the use and management of Finland's network of protected areas on state-owned land and water areas in Metsähallitus' possession, and in private Nature Reserves in cooperation with the owners and Centres for Economic Development, Transport and the Environment. The same unit is responsible for hunting, fishing and off-road traffic, collecting fishing management fees, providing social nature and hiking services, and managing species protection duties in all state-owned land and water areas.

The ownership policy guidelines aim to improve the productivity of Parks & Wildlife Finland and to increase its impact. The conservation status of habitats will be improved in areas used by Parks & Wildlife Finland. Use for the purposes of tourism, recreation, hunting and fishing will be developed on the basis of demand, in order to enhance the well-being effects of various areas and create business opportunities for entrepreneurs.

The Board of Directors confirmed Metsähallitus' strategy for 2017-2020, on the basis of the ownership policy guidelines.

The main strategic guidelines describe Metsähallitus' new intent: We guarantee the best possible return on state-owned land across generations; We enhance the vitality of regions; We lead the way in responsible operations and halt the loss of biodiversity on state-owned lands; We operate uniformly and efficiently, making use of the opportunities afforded by digitalisation.

During the financial period, demand for services provided by Metsähallitus was strengthened by the general economic situation, which showed signs of recovery in the fourth quarter of the year. Growth in tourism and interest in outdoor activities were reflected both in the higher demand for services provided by Parks & Wildlife Finland and Game and Fisheries, and in property development.

The legal reform and its implementation did not affect demand for Metsähallitus' services and the provision of such services.

The group turnover totalled EUR 246.4 million and the group profit EUR 55.9 million. Other operating income amounted to EUR 13.3 million and fixed asset transfer profits to EUR 10.3 million. Funding received from State budget funds for public administrative duties totalled EUR 33.8 million. During the financial period, the total number of person-years was 1,027, of which the enterprise accounted for 497.

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

## Business Performance

The Group's business consists of subsidiaries and the business operations of Laatumaa, the enterprise's property development unit.

Turnover, EUR million	238.2
Operating profit, EUR million	64.4
Share of turnover, %	27
Result, EUR million	57.1
Dividend paid to the state, EUR million	116.7
Return on investment (%)	2.4
Investment (% of turnover)	5
Solvency ratio (%)	97
Number of person-years in business operations	639

### Profit and balance sheet

Metsähallitus Group's operating profit totalled EUR 57.1 million and its turnover EUR 238.2 million. It mainly consisted of timber sales and rental income. Turnover from forestry totalled EUR 218.5 million, and the rest comprised rental income, sales of seeds, seedlings and soil and rock resources. Other operating income amounted to EUR 16.2 million, of which property sales revenue accounted for EUR 10.3 million.

The largest expense item, external services, coming to EUR 106.6 million in total, mainly consisted of services purchased from forest service and transport companies. These expenses were directly linked to the harvest volumes.

Staff expenses amounted to EUR 41.6 million and included EUR 9.6 million of additional pension contributions. This was paid in connection with the incorporation of Forestry, as staff pension liabilities transferred from the state system to a private insurance company. In addition, employee costs included a non-recurring item worth EUR 1.1 million.

Depreciation totalled EUR 2.7 million. The majority of property used in business operations consists of land and water areas, which are not subject to depreciation. Depreciation was mainly related to buildings, forest roads, property development and information systems.

Other operating costs, EUR 29.2 million in total, include EUR 8.5 million of expenses related to the cartel trial. Helsinki District Court issued its decision on the raw timber cartel case in June. The District Court dismissed the claims for damages made by Metsähallitus and ordered Metsähallitus to pay the opposing party's legal costs. Processing of the case continues in higher court instances.

In December, the Board decided to initiate a reorganisation of its seedling business, which has shown a loss for several years. The enterprise wrote down the value of the subordinated loan it had made based on the precautionary principle. The Group recorded a provision of EUR 3 million, related to the restructuring.

The cost-effectiveness of the various business operations has been systematically improved. Staff expenses, excluding non-recurring items, totalled EUR 31.0 million and accounted for 13 per cent of turnover during the financial period. Other expenses, excluding the non-recurring item relating to the court proceedings, totalled EUR 20.7 million, or 8.6 per cent of turnover.

The balance sheet total for business operations was EUR 3,017.0 million, of which the enterprise accounted for EUR 2,997.5 million. During the financial period, business operations received land areas from the State through transfer of possession and inheritance, at a total value of EUR 1.1 million.



## Investments and sale of assets

Investments totalling EUR 6.9 million were covered by cash-flow financing. The largest investments were related to property development.

Since the beginning of the financial period, costs incurred from the construction of forest roads have no longer been treated as investments. Forestry Ltd is responsible for building and maintaining the forest roads required for its operations. The company builds these roads on state-owned land and does not have right of ownership to the roads. Road construction expenditure is classified as other long-term expenses, allocated over a period of 10 years. During the financial period, the costs incurred from the construction and renovation of forest roads totalled EUR 5.1 million.

The transfer price from the sale of fixed assets totalled EUR 7.7 million and EUR 4.5 million in profits were recorded for sales. Losses recorded for sales amounted to EUR 13.8 thousand.

<b>Business operations</b>	No.	Book value	Transfer price	Profits	Losses
Sales - land and water areas	427	1,156,304.22	5,518,532.18	4,376,054.96	13,827.00
Sales – buildings	5	13,510.64	134,018.00	120,507.36	0.00
Change in land use for public administration duties	94	2,020,890.83	2,020,890.83	0.00	0.00
Other - land areas	7	4,002.56	4,002.56	0.00	0.00
<b>Total</b>	<b>533</b>	<b>3,194,708.25</b>	<b>7,677,443.57</b>	<b>4,496,562.32</b>	<b>13,827.00</b>

## Financing

According to the new law, Group financing can be managed by the Group's internal bank, which means that the enterprise and companies may lend money to each other on market terms. For reasons of competition neutrality, the enterprise cannot guarantee the loans of its subsidiaries. These guarantee arrangements were revoked at the beginning of the financial period.

The enterprise and subsidiaries have no long-term loans. The enterprise gave Fin Forelia Ltd a loan of EUR 5 million on subordinated loan terms. At the end of the financial period, leasing liabilities totalled EUR 4.6 million, mainly related to automotive and ICT equipment.

The Enterprise secures liquidity with a committed loan agreement of EUR 20 million and a commercial paper programme of EUR 50 million. Some of the subsidiaries have lines of credit.

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

Cash flow from business operations totalled EUR 35.9 million. Investments amounted to EUR 6.9 million. The sale of assets for EUR 13.9 million increased the cash flow.

During the financial period, EUR 106.7 million relating to the profit for 2015 and EUR 10 million for the financial period 1 January to 14 April 2016 were paid in dividends to the state. The cash flow from financing activities showed a deficit of EUR 60.0 million.

The Group's liquid funds totalled EUR 33.4 million at the beginning of the financial period and EUR 3.9 million at the end. At the end of the financial period, the Group's short-term interest-bearing loans totalled EUR 59.9 million.

## Financial performance by business

**The enterprise's** operating profit was 51.0 million euros. The largest source of income was the EUR 57 million in compensation paid by the Forestry company for the right to use state-owned forests.

Laatumaa is engaged in the property development business, responsible for property leasing, development, sales and purchases. Laatumaa's operating profit amounted to EUR 21.7 million.

Group operations and shared service units form part of the parent enterprise. Income from the services provided by the Group to various units and companies totalled EUR 10.5 million.

**Metsähallitus Forestry Ltd** manages state-owned multiple-use or commercial forests, and harvests and sells timber. As previously, Metsähallitus Forestry takes account of social impacts such as preserving biodiversity, ensuring recreational access to forests, promoting employment, and securing favourable preconditions for the Sámi culture and reindeer husbandry.

The company's turnover totalled EUR 219.4 million and its profit EUR 3.2 million. The company's operations commenced at a challenging time of the year regarding profit performance: just after the spring timber deliveries were completed and the summer, a quiet season for sales, lay ahead with costs related to forest management work. The result includes EUR 9.6 million of non-recurring pension expenses and EUR 1.2 million of other items, both relating to the incorporation.

The company's balance sheet, which mainly consisted of working capital items, totalled EUR 71.5 million. The company's solvency ratio was 75.5 per cent. Return on equity was 6.0 per cent.

Forestry Ltd's first financial period was from 15 April to 31 December 2016. Separate financial statements were prepared for this period. Other subsidiaries of Metsähallitus prepared separate financial statements for the period 1 January-31 December 2016. The results of these subsidiaries are consolidated in the Group's result for the financial period of the enterprise, that is for the period 15 April-31 December 2016.

**Siemen Forelia Oy** specialises in the production and sales of cultivated forest tree seeds, plus diverse services related to the harvesting and processing of seeds. The company cultivates seeds on special sites across the country. In order to develop its operations, it has formed networks with research institutions and customers. The company's profit for the financial period 15 April-31 December totalled EUR 163 thousand. Profit for the full year was EUR 360 thousand.

**MH-Kivi Oy** is a subsidiary of Metsähallitus, engaged in the rock material business. Metsähallitus sold most of its earth material business in 2013. The civil action between the parties to the transaction was processed through arbitration in February 2016. The claims made by MH-Kivi and Metsähallitus were accepted. The opposing party has taken legal action to overrule the decision made through arbitration. Processing of the matter continues. The other party to the civil action, the largest customer of the company, engaged in a reorganisation and MH-Kivi Oy recorded all receivables from them as a credit loss. As a consequence, the company's profit for the period 15 April-31 December 2016 turned negative, totalling EUR 323 thousand. The company's result for the full year showed a loss of EUR 288.

**Fin Forelia Oy** produces forest tree saplings. The company's operations have shown a loss in recent years. The sector has suffered from excess production. Due to cuts in production volumes and growth in the bioeconomy sector, market expectations for the future are brighter. During the year under review, the planned cuts to the company's production capacity were implemented and activities were concentrated in three nurseries. The company's profit for the financial period 15 April-31 December was EUR 895 thousand. The company's result for the full year showed a loss of EUR 121 thousand.

## Evaluation of financial performance and comparable profit for the calendar year 2016

The structure, implemented on 15 April 2016, compliant with the new Act on Metsähallitus and the related non-recurring items and the non-standard financial period do not enable the direct comparison of the financial performance with previous financial years.

The enterprise prepared financial statements for the financial period 1 January to 14 April 2016. The comparable result for 2016 was prepared by combining the two financial periods of 2016 and taking account of the costs resulting from the restructuring.

**Profit and Loss Account, Business Operations**

EUR million	Year 2016	Year 2015
TURNOVER	332.9	337.2
Other operating income	26.4	28.5
External services	162.5	164.1
Staff expenses	52.7	46.2
Depreciation, amortisation and impairment	3.8	3.9
Other operating costs	37.3	32.9
<b>OPERATING PROFIT</b>	<b>103.3</b>	<b>116.2</b>
Operating profit %	31%	34%
Income taxes	6.5	8.8
<b>PROFIT DURING THE FINANCIAL YEAR</b>	<b>93.7</b>	<b>107.9</b>

The 2016 result includes costs associated with the restructuring under the new Act on Metsähallitus in the Group, amounting to EUR 11.7 million in total, of which the additional pension costs of employees accounted for EUR 9.6 million.

In addition, the result for 2016 includes EUR 12.6 million in non-recurring items. These include compensation for the legal costs of the opposing party in the legal proceedings concerning a cartel in raw timber sales, and a provision related to corporate restructuring. The operating profit, adjusted for restructuring expenses and non-recurring items, totalled EUR 127.6 million.

In the result for 2015, the negative impact of non-recurring items was EUR 5.6 million. The operating profit, adjusted for non-recurring items for the year 2015, amounted to EUR 121.8 million. In terms of operating profit, there was an improvement of 4.8 per cent from 2015 to 2016.

## Goals Set for the Business

The service and other operational goals set for Metsähallitus' business and the profit and dividend payment goals for the financial period 15 April-31 December 2016, and the attainment of those goals.

### The goals set by Parliament

When processing the Government proposal for a supplementary budget for 2016, Parliament defined the following objectives for Metsähallitus' business for the period 15 April-31 December 2016.

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

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

The impact of taking these general social obligations into account was EUR 56.1 million on the direct operating profit during the calendar year 2016 (EUR 55.6 million in 2015).

Metsähallitus releases a follow-up report, General social obligations, as part of the financial statements. The report includes a more detailed account of the content, measurement and monitoring of these obligations, alongside the benefits obtained.

#### 2. Number of investments and investment commitments

Realised investments totalled EUR 6.9 million, falling below the maximum sum of EUR 20 million defined by Parliament. Investment commitments given totalled EUR 5.9 million of the maximum sum of EUR 20 million defined by Parliament.

#### 3. Maximum amount for business loans

The maximum amount for business loans set by Parliament was EUR 80 million. Metsähallitus has no long-term loans. Metsähallitus secures its liquidity with a committed loan agreement of EUR 20 million and a commercial paper programme of EUR 50 million. At the end of the financial period, Metsähallitus' business had EUR 59.9 million in short-term interest-bearing debt.

#### 4. Maximum amount for business guarantees

Metsähallitus provided EUR 0.7 million in collateral for its operations to parties outside the Group. The authorisation granted by Parliament was EUR 2.5 million.

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

In addition to the aforementioned objectives, the Ministry of Agriculture and Forestry defined the following service and other objectives for Metsähallitus' business for the period 15 April-31 December 2016.

The objectives were based on the Ownership Policy relating to Metsähallitus, confirmed on 31 January 2012.

#### 1. Service targets and other operational goals

Natural resource planning for southern Finland was launched in the summer of 2016. Natural resource planning refers to long-term planning of the sustainable use of state-owned land and water areas. It involves the preparation, in collaboration with stakeholders, of a plan for the period 2017-2022, guiding the use of state-owned land and water areas and exploiting new opportunities. The aim of natural resource planning is to coordinate the various requirements for use, so as to achieve the maximum overall benefit for society. The plan will be completed in the spring of 2017.



A multiple-use solution for state-owned land areas protects and enhances biodiversity, including outside protected areas, in multiple-use forests. Metsähallitus' multiple-use forests include around 80,000 sites of high natural value, and some 40,000 habitats of threatened species that secure biodiversity. Sites of high natural value were successfully taken into account and their characteristics preserved in all lines of work monitored in 2016. The characteristics of valuable habitats were completely preserved on 98.6% of their total area on regeneration sites.

Retention trees are important to many species dependent on decaying wood. An average of 11.7 retention trees, compliant with the target level specified in Metsähallitus' Environmental Guidelines for Practical Forest Management, were left on each hectare managed through regeneration felling. The result meets the target level specified by Metsähallitus - 10 trees per hectare.

The number of retention trees compliant with the requirements of forest certification, 21 trees per hectare, clearly exceeded the requirements specifying 10 trees per hectare.

Special fellings accounted for 12.7 per cent of regeneration felling in 2016. This can be considered appropriate in terms of the recreational use of forests. Metsähallitus engages in close cooperation with reindeer husbandry. All felling, soil preparation and road construction plans, as well as tourism trail agreements, were sent to reindeer herding cooperatives, discussed when appropriate and amended. Regular co-operation negotiations were conducted both with the Reindeer Herders' Association and the reindeer herding cooperatives. According to the feedback received, cooperation between reindeer herding cooperatives and Metsähallitus has functioned as agreed.

Metsähallitus' operations in the Sámi Homeland has complied with the Natural Resource Plan. The agreement between Metsähallitus, the Sámi Parliament, Skolt Village Meetings and the reindeer herding cooperatives in the Sámi Homeland, on cooperation procedures and the consideration of reindeer herding, was complied with. A special area plan was under preparation for the Juutua-Tuulispää recreational forest, in cooperation with local users in the area and the Akwé: Kon working group, appointed by the Sámi Parliament. The plan will be completed in 2017.

Metsähallitus' compliance with its general social obligations resulted in an estimated EUR 56.1 million decrease in operating profit (calculated) (2015: EUR 55.6 million).

In order to preserve biodiversity, promote the use of nature for recreational purposes and secure favourable conditions for the practice of reindeer husbandry and Sámi traditions, restrictions were placed on 524,000 (15.0%) hectares of forested land with a yield requirement (2015: 528,000 hectares and 15.1%). A total of 285,000 hectares (8.2%) were fully excluded from commercial use and 239,000 hectares (6.8 %) were in limited use. These factors reduced Metsähallitus' calculated operating profit by EUR 50.7 million. In addition, other factors related to the promotion of reindeer husbandry and Sámi culture, the promotion of employment, and an increase in planning costs decreased the operating profit by EUR 5.5 million.

## **2. Operating profit and dividend payment goal for the financial period 15 April to 31 December 2016**

Metsähallitus' operating profit totalled EUR 57.1 million. The result fell short of the target, set at EUR 63.7. The enterprise's operating profit was EUR 51.0 million.

Return on investment for the basic equity of the enterprise was 2.4 per cent, below the defined key figure of 3.5 per cent. This key figure is not comparable with the figures previously presented for the 12-month accounting period.

The Ministry set EUR 86 million as the target for dividend paid to the state on the profit for the period and retained earnings, to be paid during the year 2017. When adopting the financial statements, Parliament will make its final decision on the sum to be paid to the state as dividend.

The retained earnings from business operations entered in the balance sheet of the enterprise totalled EUR 89.0 million at the end of the financial period, of which profit for the period was EUR 51.0 million. Retained earnings facilitate the payment of the target dividend to the state.

The long-term objective set by the Ministry is to improve the profitability of the businesses. Forestry Ltd and Siemen Forelia Oy made a profit during the financial period. Fin Forelia and MH-Kivi Oy both had positive operating profits but, due to the restructuring of Fin Forelia and the prolonged civil action of MH-Kivi, the overall result showed a loss. The comparable profitability of Metsähallitus' business for 12 months in 2016 remained at the 2015 level.

## Public Administrative Duties

The unit in charge of public administrative duties is responsible for managing the public administrative duties of Metsähallitus. These duties form part of the enterprise.

Separate financial statements are prepared for the public administrative duties, as part of the Group's financial statements. The steering ministries defined goals for the public administrative duties for the entire budgetary year of 2016. Separate financial statements have been prepared for the full year, 1 January to 31 December 2016.

Information on the business accounting relating to public administrative duties for the period 15 April to 31 December 2016 is consolidated with the Group's and the enterprise's financial statements.

### Profit and Loss Account, Public Administrative Duties

EUR million	15 Apr–31 Dec 2016
Turnover	9.0
Other income	2.3
Raw materials and services	6.9
Staff expenses	19.8
Depreciation	1.3
Other operating costs	18.2
<b>Operating profit</b>	<b>-34.8</b>
Financing for other operations from the Budget	33.8
<b>Profit/loss for financial period</b>	<b>-0.9</b>

Turnover consists of the income from operations related to public administrative duties which are subject to a charge. Fishing and hunting licences account for most such income. Funding received from state budgets amounted to EUR 33.8 million.

The value of land and water areas used for public administrative duties was EUR 941.6 million. The value of built property, including the buildings and service structures in national parks and protected areas, and buildings in cultural heritage sites, was EUR 19.9 million. Other equity related to public administrative duties increased during the financial period. Transfers of possession added EUR 13.5 million to the balance sheet.

The funding of public administrative duties is managed separately from the Group's other funding. Cash flow from operations during the period showed a deficit of EUR 6.9 million. Liquid funds at the beginning of the financial period totalled EUR 14.2 million and EUR 7.8 million at the end of the financial period.

Metsähallitus owns two subsidiaries for the management of public administrative duties. The results of these companies are taken into account in the consolidated financial statements for the period 15 April-31 December. Nuuksiokeskus Ltd showed a loss of EUR 503 thousand for the financial period, and EUR 327 thousand for the full year. Kiinteistöosakeyhtiö Järviluonnon keskus was inactive during the financial period.

## Metsähallitus Employees

Business operations, person-years	15 April-31 December 2016
Laatumaa	33.0
Group operations	31.7
Shared service units	43.5
Forestry Ltd	470.5
Fin Forelia Oy	49.6
MH Stone Ltd.	1.4
Siemen Forelia Oy	8.9
<b>Total</b>	<b>638.6</b>
<b>Parks &amp; Wildlife Finland</b>	<b>388.5</b>
<b>Group total</b>	<b>1,027.0</b>

During the period under review, the total number of person-years worked in the group was 1,027. At the beginning of the financial period, all staff members of the enterprise's Forestry unit transferred to the new company. Forestry Ltd is the largest employer within the Group. During the financial period, the total number of person-years worked amounted to 470.5. Of this total, office employees accounted for 208.2 and other employees for 262.3 person-years.

The total number of person-years in the enterprise's business was 108.2 and 388.5 in Parks & Wildlife Finland. The total for the enterprise was 496.7 person-years. Wages and salaries paid by the Group totalled EUR 42.3 million. The parent enterprise's share of this was EUR 22.5 million. The Group has no employees abroad.

All of Metsähallitus employees have been included in a profit sharing system since the beginning of 2008. The bonus criteria are linked to objectives set for the financial result and the quality and impacts of operations. The maximum bonus is 8 per cent of the total payroll. No payable bonuses accrued for the year under review.

In the autumn, Metsähallitus conducted an employee survey. Positive factors included the equal treatment of men and women, commendable occupational safety activities and the high rating given for the work of immediate supervisors. The staff's enthusiasm and high energy affect the performance of the organisation as a whole, and this aspect of working capacity was examined using an emotional indicator. On a scale of 1 to 5, Metsähallitus' working capacity was rated at 3.86, which is good. The various components of this aspect include the clarity of responsibilities, the experience of being appreciated within the working community, opportunities to influence one's own work and learning new things. Factors threatening occupational well-being included greater hurry and the feeling that working hours are inadequate for the tasks in hand.

The implementation of the new strategy and definition of the values of the new Metsähallitus began in December, by involving the employees in the restructuring effort.

### Administration and management

The Board of Directors appointed for Metsähallitus on 26 March 2015, served as the Board of Directors of the new Metsähallitus during the period 15 April-30 May 2016. Arto Tiitinen was the Chairman of the Board and Kai Kaatra the Vice Chairman. The Board members were Anne Ilola, Janne Seurujärvi, Tuija Soanjärvi and Helena Säteri, and Pertti Itkonen as the employee representative.

On 26 May 2016, the Government appointed the first Board of Directors for Metsähallitus for the period 1 June 2016-31 March 2019 in accordance with the new legislation.

Timo Laitinen was appointed Chairman of the Board, Kai Kaatra Vice Chairman and the members of the Board as follows: Johanna Ikäheimo, Simo Rundgren, Tuija Soanjärvi, Liisa Tyrväinen, Helena Säteri and Pertti Itkonen as the employee representative.

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

Until 31 August, Metsähallitus' Director General was Esa Härmälä. Pentti Hyttinen was appointed Director General from 1 September.

Metsähallitus' Management Group members are Jussi Kumpula, CEO, Forestry Ltd; Thomas Hallenberg, Director; Rauno Väisänen, Executive Director, Parks & Wildlife Finland until 31 August and, from 1 September, Timo Tanninen; Jukka Bisi, Director, Game and Fisheries; Kirsti Lehtovaara, Director of Finance; Juha Mäkinen, Director of Communications; Susanna Oikarinen, General Counsel; and Tapio Pouta, Director, Human Resources and Development.

The wages and salaries paid to the Board and Managing Director totalled EUR 347,515 during the period.



## Corporate Governance of Metsähallitus

Metsähallitus has posted a description, approved by the Board of Directors, of its corporate governance on its website. The description outlines matters such as Metsähallitus' legal status, the Group's basic structure, ownership steering, the steering of public administration duties, the Board of Directors, the Management Group, remuneration, internal supervision, auditing and external audit functions, and communications.

### Responsibility

Metsähallitus draws up a separate responsibility report as part of its Annual Report.

### Risk management and key risks

The goal of Metsähallitus' risk management is to ensure the achievement of set targets, the fulfilment of legal obligations and operational continuity. Metsähallitus takes a moderate stance on risk-taking. The significance of risks is assessed as a combination of the probability and impact of any given incident. Risks are divided into strategic, operational and economic risks, and the risk of damage. Risks are managed using a systematic risk management process. An estimate of the established targets and our own position form the basis of the risk management process. Risks are related to existing objectives and future possibilities.

Metsähallitus' Board of Directors approves the risk management policy and assesses the need to amend the policy on an annual basis. Each year, the Board of Directors receives a progress report on Metsähallitus' risks and their management. The audit committee assists the Board in monitoring risk management. The Managing Director bears overall responsibility for risk management. Risks are managed where they arise. Managers of profit units and subsidiaries are in charge of risk management within their unit/company. The chief financial officer is in charge of the risk management process and control of risk management. The head of risk management at Metsähallitus is in charge of the coordination, development, guidance and reporting models associated with risk management, as well as supporting risk management within the organisation.

Key risks in terms of achieving Metsähallitus' goals include the development of timber and property prices and sales; the quantity and value of land areas in commercial forestry remaining at the level required by the goals set; and the balance of tasks and funding of Parks & Wildlife Finland. The time required for wind power projects permit procedures may delay the progress of such projects. The effectiveness of developing new products and services and maintaining a good reputation influence the attainment of objectives. General appreciation of Metsähallitus' activities has an impact on the operating conditions for recreational activities, conservation efforts and forestry. Further risks that may affect operational activities include natural conditions and uncertainties in the operation of information systems. The success of development projects in progress has an effect on the attainment of objectives.

Metsähallitus manages about a third of Finland's land area. Metsähallitus maintains information on risks related to contaminated sites. These risks are classified as primary and secondary responsibilities in accordance with the related legislation. Metsähallitus mainly bears secondary responsibility. The statement on contaminated soils is updated on a regular basis. The most recent statement was drawn up in 2016.

## Key Events After the Financial Period

The operations of Metsähallitus and the Group ran according to plan in the first part of 2017. At the beginning of February, Terhi Vires, M.Sc. (Econ.) took up the position of Director of Human Resources at Metsähallitus. She is a member of the Management Group.

### Outlook and goals set by the owner for 2017

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

The owner has set targets for Metsähallitus' business-based services and operations, and its profit and dividend payment, for 2017 on the basis of the new ownership policy guidelines. The targets are based on the profitability of the business and its general social benefits.

The profit target set for the Business Operations Group is EUR 100.7 million, corresponding to a 4.0 per cent of return on invested basic equity. The preliminary target for the payment of dividend from the operating profit of the enterprise's business in 2017 is EUR 94.9 million.

Financial performance is largely dependent on the development of timber demand and prices. Metsähallitus' other key business area, the property business, faces a challenging outlook on the demand side, and land-use planning and other permit processes may delay projects.

The targets set for public administrative duties are based on performance agreements concluded with the steering ministries. The performance agreements mainly focus on the same themes as in 2016. The Hossa National Park will be opened in June, in honour of the 100th anniversary of Finland's independence.

### Board of directors' proposal for the distribution of retained earnings

Metsähallitus enterprise's retained earnings total EUR 88,091,436.53, of which the profit for the financial period is EUR 50,089,516.01.

The enterprise's retained earnings total EUR 89,001,932.00, of which the profit for the financial period is EUR 51,000,011.48.

The retained earnings of the enterprise's public administrative duties were negative by EUR 910,495.47, which was entirely due to the loss for the financial period.

The Board of Directors proposes that the loss recorded for the public administrative duties, EUR 910,495.47 be entered as a reduction in the other equity related to the enterprise's public administrative duties, and, in accordance with the preliminary profit target set by the Ministry, EUR 86,000,000.00 be paid as a dividend on the operating profit, and the remaining EUR 3,001,932.00 be entered under retained earnings for the business.

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

# Profit and Loss Account

	Note	Metsähallitus Group 15 Apr–31 Dec 2016	Metsähallitus 15 Apr–31 Dec 2016
TURNOVER	1.1	246,378,020.00	77,287,869.66
Variation in inventories of finished products and change to work in progress		261,649.04	0.00
Other operating income	1.2	13,276,355.64	18,058,998.26
Raw materials and services			
Raw materials and consumables			
Purchases during the financial year		9,023,323.81	3,044,609.53
Variation in inventories		3,354,557.86	68,004.44
External services		110,363,900.24	4,244,506.06
Raw materials and services, total		122,741,781.91	7,357,120.03
Staff expenses			
Wages and salaries		42,355,337.11	22,476,041.68
Social security expenses			
Pension expenses		17,081,192.51	3,962,573.92
Other social security expenses		1,951,969.64	827,007.12
Staff expenses, total		61,388,499.26	27,265,622.72
Depreciation, amortisation and impairment			
Depreciation according to plan	1.4	4,433,074.52	3,061,937.66
Depreciation, amortisation and impairment in total		4,433,074.52	3,061,937.66
Other operating costs		42,259,201.28	33,047,849.62
<b>OPERATING PROFIT</b>		<b>29,093,467.71</b>	<b>24,614,337.89</b>
Financial income and expenses			
Income from other investments under non-current assets		36,155.96	35,931.96
Other interest and financial income		32,943.40	27,060.20
Interest and other financial expenses		128,745.40	89,423.88
Impairment of non-current assets		3,000,000.00	5,000,000.00
Financial income and expenses in total	1.6	-3,059,646.04	-5,026,431.72
<b>PROFIT BEFORE FINANCING FOR OTHER OPERATIONS FROM THE STATE BUDGET</b>		<b>26,033,821.67</b>	<b>19,587,906.17</b>
Financing for other operations from the Budget	1.3	33,846,270.34	33,846,270.34
<b>PROFIT BEFORE FINANCIAL STATEMENT TRANSFERS AND TAXES</b>		<b>59,880,092.01</b>	<b>53,434,176.51</b>
Income taxes		4,163,559.08	3,344,660.50
Minority share		160,501.13	0.00
<b>PROFIT DURING THE FINANCIAL YEAR</b>		<b>55,877,034.06</b>	<b>50,089,516.01</b>

## Balance Sheet (EUR)

	Note	Metsähallitus Group 31 December 2016	Metsähallitus 31 December 2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets			
Intangible rights		1,251,563.67	1,014,811.67
Other intangible assets		4,801,612.72	227,782.72
Intangible assets in total		6,053,176.39	1,242,594.39
Tangible assets			
Land and water areas		3,821,779,249.02	3,819,495,890.69
Roads		28,866,068.26	28,861,651.57
Buildings and structures		48,334,414.90	31,400,890.25
Machinery and equipment		3,151,118.22	155,679.32
Other tangible assets		687,521.07	10,599.04
Advance payments and work in progress		15,911,045.84	11,874,776.70
Tangible assets in total		3,918,729,417.31	3,891,799,487.57
Investments			
Shares in Group's subsidiaries	1.8	0.00	71,990,747.24
Other shares and holdings	1.10	2,086,307.30	2,490,403.17
Other receivables		24,100.00	1,800.00
Investments in total		2,110,407.30	74,482,950.41
<b>NON-CURRENT ASSETS IN TOTAL</b>		<b>3,926,893,001.00</b>	<b>3,967,525,032.37</b>
<b>CURRENT ASSETS</b>			
Inventories			
Finished products		19,831,585.48	1,776,308.10
Work in progress		1,003,044.03	0.00
Inventories in total		20,834,629.51	1,776,308.10
Receivables			
Non-current receivables			
Other receivables	1.11	2,205,015.72	24,000.00
Non-current receivables in total		2,205,015.72	24,000.00



Current receivables			
Accounts receivable		45,254,291.19	2,235,011.62
Receivables from Group's subsidiaries	1.12	0.00	412,144.12
Other receivables	1.13	1,586,915.24	1,353,693.60
Prepayments and accrued income	1.14	2,562,729.00	2,431,370.60
Current receivables in total		49,403,935.43	6,432,219.94
Cash in hand and at banks		11,950,580.12	10,843,987.24
<b>CURRENT ASSETS IN TOTAL</b>		<b>84,394,160.78</b>	<b>19,076,515.28</b>
<b>ASSETS IN TOTAL</b>		<b>4,011,287,161.78</b>	<b>3,986,601,547.65</b>

<b>BALANCE SHEET (EUR)</b>		<b>Metsähallitus Group</b>	<b>Metsähallitus</b>
		<b>31 December 2016</b>	<b>31 December 2016</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>	1.15		
Basic equity		2,601,514,970.45	2,601,514,970.45
Other equity		224,811,974.00	224,811,974.00
Other equity of public administrative duties		977,009,010.43	977,009,010.43
Retained earnings		37,096,954.82	38,001,920.52
Profit for the financial year		55,877,034.06	50,089,516.01
<b>EQUITY IN TOTAL</b>		<b>3,896,309,943.76</b>	<b>3,891,427,391.41</b>
<b>MINORITY SHARE</b>	1.16	5,671,807.92	0.00
<b>PROVISIONS</b>			
Other provisions	1.17	3,915,410.50	0.00
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>	1.18		
Loans from financial institutions		2,039,934.70	0.00
Other liabilities		821,100.00	820,850.00
Non-current liabilities in total		2,861,034.70	820,850.00
<b>Current liabilities</b>	1.19		
Loans from financial institutions		59,989,320.43	59,989,320.43
Advances received		4,557,262.82	4,418,409.85
Accounts payable		11,855,729.85	4,292,130.25
Debts to Group's subsidiaries	1.20	0.00	11,097,789.67
Other liabilities (incl. interest-bearing)	1.21	7,484,278.38	5,067,461.70

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Accruals and deferred income	1.22	18,606,961.44	9,488,194.34
Deferred tax liabilities		35,411.98	0.00
Current liabilities in total		102,528,964.90	94,353,306.24
LIABILITIES IN TOTAL		105,389,999.60	95,174,156.24
EQUITY AND LIABILITIES IN TOTAL		<b>4,011,287,161.78</b>	<b>3,986,601,547.65</b>

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# Cash Flow Statement

	Metsähallitus Group 15 Apr–31 Dec 2016	Metsähallitus 15 Apr–31 Dec 2016
<b>CASH FLOW FROM BUSINESS OPERATIONS</b>		
Payments from sales	239,304,493.72	61,154,585.07
Payments from other operating income	2,516,669.05	7,530,043.87
Payments from operating charges	-241,344,463.86	-70,238,549.04
Cash flow from business operations, before financial items and taxes	476,698.91	-1,553,920.10
Interest paid and other financial expenses	-128,745.40	-89,423.88
Interest income from business operations	32,943.40	27,060.20
Dividends received	36,155.96	35,931.96
Direct taxes	-4,163,559.08	-3,344,660.50
Cash flow before the State's budget funding	-3,746,506.21	-4,925,012.32
State's budget funding for other operations	33,846,270.34	33,846,270.34
Cash flows from operating activities	30,099,764.13	28,921,258.02
<b>INVESTMENTS</b>		
Purchase of environmental protection areas, shares	158,911.22	158,911.22
Purchase of fixed assets, funding by Ministry	-1,946,032.03	-1,946,032.03
Purchase of fixed assets, funding by the EU		
Purchase of fixed assets, other funding	-397,249.95	-397,249.95
Investments in subsidiaries' shares		-13,617,000.00
Investments in tangible and intangible assets	-7,886,132.93	-6,753,265.05
Sale of tangible and intangible assets	14,403,243.27	14,174,414.23
Shareholder investment in/return on environmental protection areas and shares	-158,911.22	-158,911.22
Funding received for the construction of nature centres etc.	2,445,106.86	2,445,106.86
Cash flows from investing activities	6,618,935.22	-6,094,025.94
<b>FINANCING</b>		
Change in other non-current, interest-bearing loans	-7,050,038.67	0.00
Change in other non-current, non-interest-bearing loans	821,100.00	300.00
Change in current loans from financial institutions	49,877,288.85	49,998,456.60
Change in Group loans to subsidiaries	0.00	6,542,663.50
Contribution to State revenue	-116,569,037.01	-116,569,037.01
Cash flows from financing activities	-72,920,686.83	-60,027,616.91
<b>CHANGE IN LIQUID FUNDS</b>		
Liquid funds on 15 Apr	48,152,567.60	48,044,372.07
Liquid funds on 31 Dec	11,950,580.12	10,843,987.24
Net change in cash and cash equivalents	-36,201,987.48	-37,200,384.83





# Notes to the Financial Statements 2016

The 2016 financial statements have been prepared in accordance with the Act on Metsähallitus (234/2016) and Government decree (1368/2016).

The financial statements of the enterprise and Group cover the period 15 April to 31 December 2016. The former enterprise was terminated on 14 April 2016 and the new Metsähallitus enterprise, compliant with the new Act, began operating on 15 April 2016.

## Financing for public administrative duties from the state budget

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

## Valuation and allocation principles

### NON-CURRENT ASSETS

By a Government decision (27 October 2016), state-owned land and water assets were transferred into the possession of Metsähallitus' business operations on 15 April 2016, as defined in the new Act. Other assets related to business operations and assets managed in relation to public administrative duties were transferred at book value. Simultaneously, the basic equity of business operations was raised and the losses associated with public administrative duties from the previous financial year, and the loss for the first part of the year 2016, were transferred as a reduction in other equity related to public administrative duties.

Areas dedicated to traditional sources of livelihood and most public water areas were transferred into a separate, other equity item on the accounts.

Following this, all assets transferred into or out of the possession of business operations without a consideration were measured at fair value, upon the transfer. Once the enterprise has received a decision on the transfer of assets and an auditor's report, the assets will be recorded as having been added to or deducted from the asset account of the balance sheet. The counter item is "Equity adjustment" under "Other liabilities" on the balance sheet, from which the transfer to or from basic equity is performed after the ministry has issued its decision, as necessary, on the change in basic equity.

Assets transferred to or away from public administrative duties are remeasured at the book value of the releasing party. The transfer of assets is recorded on the basis of the received decision on transfer in or out of the asset account of the balance sheets. The counter item is "Other equity" of public administrative duties.

Other non-current assets that can be depreciated are recorded in the acquisition cost, from which depreciations are deducted according to plan. Asset items are depreciated using the straight-line method, over their estimated useful life. Depreciations, for a decrease in substance, have been performed for the remeasured gravel resources.

During the financial period, the enterprise wrote down EUR 5.0 million of a subordinated loan made to a subsidiary, based on the profit performance outlook of the company.

The Group recorded a total of EUR 3.0 million in expenses and statutory provisions in relation to the restructuring of the sapling business.

### VALUATION OF CURRENT ASSETS

#### Inventories

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

**Financial assets**

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

**Comparability with the previous year**

In accordance with the new Act, Metsähallitus and Metsähallitus Group began operating on 15 April 2016.

The Group's and enterprise's profit and loss account and balance sheet with notes, and the cash flow statement for the financial period 15 April-31 December, do not include comparative data for the previous year.

The result and balance sheet of Metsähallitus Group, Business Operations Group and public administrative duties for the entire year are presented as business information with comparison figures for the previous year. No results for the enterprise and business operations are presented for the entire year, due to the reorganisation.

Separate pro forma financial statements and an annual report for the calendar year 2016 were prepared in relation to the public administrative duties.

**ADJUSTMENTS TO RESULTS, BALANCE SHEET AND DATA FOR THE PREVIOUS FINANCIAL YEAR**

During the financial year, no adjustments were made to the results, balance sheet or data for the previous financial year.

**STRUCTURAL CHANGES IN THE ORGANISATION**

During the period, the forestry business was incorporated into a fully-owned subsidiary.

**Notes to the consolidated financial statements 2016**

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

The results for subsidiaries are included in the consolidated financial statements for the period 15 April to 31 December 2016.

Internal Group transactions, as well as internal Group receivables and liabilities, have been eliminated.

Minority shares have been separated from equity and profit for the financial year and presented as separate items in the consolidated profit and loss account and balance sheet.

# Notes to Profit and Loss Account

MEUR

Turnover by business unit	Note 1.1	Metsähallitus Group 15 Apr–31 Dec 2016	Metsähallitus 15 Apr–31 Dec 2016
Forestry Business		218.2	56.7
Property development		10.2	10.5
Sale of soil and rock resources		2.1	0.0
Seed and sapling production		7.2	0.0
Other		8.6	10.1
<b>Total</b>		<b>246.3</b>	<b>77.3</b>
<b>Other operating income</b>	<b>1.2</b>		
Gains on the sale of fixed assets		10.8	10.6
Other income		2.5	7.5
<b>Total</b>		<b>13.3</b>	<b>18.1</b>
<b>Funding received from the State budget</b>	<b>1.3</b>		
Financing for other operations from the Budget during the financial period as income on an accrued basis		33.8	33.8
More detailed information on the distribution of the item into the main titles of expenditure and administrative sectors is provided in the separate financial statements on public administrative duties			
<b>Depreciation according to plan</b>	<b>1.4</b>		
Intangible assets		1.0	0.4
Depreciation for decrease in substance		0.0	0.0
Roads		0.9	0.9
Buildings and structures		2.0	1.6
Machinery and equipment, other tangible assets		0.5	0.1
<b>Total</b>		<b>4.4</b>	<b>3.1</b>

Depreciation according to plan, depreciation periods:

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

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

<b>Other interest and financial income</b>	1.6	<b>Metsähallitus Group 15 Apr–31 Dec 2016</b>	<b>Metsähallitus 15 Apr–31 Dec 2016</b>
Dividend income from external sources		0.0	0.0
Interest income		0.0	0.0
<b>Total</b>		<b>0.1</b>	<b>0.1</b>
<b>Interest and other financial expenses</b>			
Interest expenses		0.1	0.1
Reduction in value from the subordinated loan to subsidiary		0.0	5.0
Provision for the reorganisation of subsidiary's business		3.0	0.0
<b>Total</b>		<b>3.1</b>	<b>5.1</b>
 Financial income and expenses in total		 -3.1	 -5.0

## Notes to Balance Sheet

Non-current assets (mill. EUR)	Note 1.7							
<b>Metsähallitus Group</b>								
	Intangible assets	Land and water areas	Roads, land and water constr.	Buildings and structures	Machinery and equipment, other tangible assets	progress Projects	In shares and holdings, other receivables	Total
Acquisition cost on 14 Apr	6.2	3,721.6	95.9	109.8	30.4	13.7	3.5	3,983.5
Reduction in value on 14 Apr	0.0	-4.0	0.0	0.0	0.0	0.0	-1.0	-5.0
Increases	5.4	113.6	1.4	0.2	0.1	2.2	0.0	122.9
Decreases	0.0	4.6	0.0	1.3	0.0	0.0	0.4	6.3
Reduction in value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost on 31 Dec	<b>11.5</b>	<b>3,826.6</b>	<b>97.3</b>	<b>108.8</b>	<b>30.4</b>	<b>15.9</b>	<b>2.1</b>	<b>4,095.0</b>
Accumulated depreciation and impairment losses 14 April	4.4	4.8	67.5	59.2	26.1	0.0	0.0	164.4
Accumulated depreciation relating to decreases and transfers	0.0	0.0	0.0	-0.7	0.0	0.0	0.0	-0.7
Depreciation during the financial year	1.0	0.0	0.9	2.0	0.5	0.0	0.0	4.4
Accumulated depreciation on 31 Dec	5.5	4.8	68.4	60.5	26.6	0.0	0.0	168.2
Book value on 14 Apr	1.7	3,712.9	28.4	50.7	4.2	13.7	2.4	3,814.0
Book value on 31 Dec	6.1	3,821.8	28.9	48.3	3.8	15.9	2.1	3,926.9
Production machinery and equipment, book value					<b>3.0</b>			
<b>Metsähallitus</b>								
	Intangible assets	Land and water areas	Roads, land and water constr.	Buildings and structures	Machinery and equipment, other tangible assets	progress Projects	In shares and holdings	Total
Acquisition cost on 14 Apr	5.3	3,714.1	96.4	86.7	16.8	13.7	54.2	3,987.2
Reduction in value on 14 Apr	0.0	-1.8	0.0	0.0	0.0	0.0	-30.0	-31.8
Increases	0.0	113.5	1.4	0.2	0.0	0.0	50.6	165.8
Decreases	0.0	4.6	0.0	1.3	0.0	1.8	0.3	8.0
Reduction in value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost on 31 Dec	<b>5.3</b>	<b>3,821.3</b>	<b>97.8</b>	<b>85.7</b>	<b>16.8</b>	<b>11.9</b>	<b>74.5</b>	<b>4,113.2</b>



Accumulated depreciation and impairment losses 14 April	3.7	1.8	68.0	53.3	16.5	0.0	0.0	143.3
Accumulated depreciation relating to decreases and transfers	0.0	0.0	0.0	-0.7	0.0	0.0	0.0	-0.7
Depreciation during the financial year	0.4	0.0	0.9	1.6	0.1	0.0	0.0	3.1
Accumulated depreciation on 31 Dec	4.0	1.8	68.9	54.3	16.6	0.0	0.0	145.7
Book value on 14 Apr	1.6	3,710.5	28.4	33.5	0.3	13.7	24.2	3,812.1
Book value on 31 Dec	1.2	3,819.5	28.9	31.4	0.2	11.9	74.5	3,967.5
Production machinery and equipment, book value on 31 Dec					0.0			

Shares in subsidiaries	Note 1.8	Holding %	Carrying amount in the parent company (EUR)
<b>Metsähallitus</b>			
Fin Forelia Oy, Kuopio		100	1,000,000.00
Metsähallitus Forestry Ltd, Rovaniemi		100	50,649,635.81
MH-Kivi Oy, Oulu		100	5,500,000.00
Siemen Forelia Oy, Jyväskylä		100	2,476,000.00
Kiinteistö Oy Järviuonnon keskus, Rantasalmi		66.7	165,111.43
Nuuksiokeskus Oy, Espoo		68.1	12,200,000.00
<b>Total</b>			<b>71,990,747.24</b>
<b>Holdings company shares</b> 1.9			
<b>Metsähallitus</b>			
Oy Estar Studios LTD, Rovaniemi		19.98	0.00

Other shares and holdings	Note 1.10	Metsähallitus Group 2016	Metsähallitus 2016
<b>Shares and holdings. book value (MEUR)</b>			
Shares in subsidiaries		0.0	72.0
Shares in associated undertakings		0.0	0.0
Other shares and receivables		2.1	2.5
<b>Total</b>		<b>2.1</b>	<b>74.5</b>

Non-current receivables	1.11	Metsähallitus Group 2016	Metsähallitus 2016
Other receivables		0.0	0.0
Guaranteed deposits		2.2	0.0
<b>Total</b>		<b>2.2</b>	<b>0.0</b>
Receivables from Group's subsidiaries (MEUR)	1.12		Metsähallitus 2016
Accounts receivable			0.2
Other receivables			0.0
Prepayments and accrued income			0.2
<b>Total</b>			<b>0.4</b>

	Note	Metsähallitus Group 2016	Metsähallitus 2016
Other receivables, current (MEUR)	1.13		
Other prepayments, prepaid expenses		0.0	0.0
Deferred VAT and tax assets		1.6	1.3
<b>Total</b>		<b>1.6</b>	<b>1.4</b>
Current prepayments and accrued income (MEUR)	1.14		
Life projects, accrued income		0.7	0.7
EU Structural Fund projects, accrued income		1.2	1.2
Employment programme projects, accrued income		0.0	0.0
Project receivables, other accrued income		0.3	0.3
Other prepaid expenses, purchase invoices		0.4	0.3
<b>Total</b>		<b>2.6</b>	<b>2.4</b>
Equity (MEUR)	1.15		
Basic equity on 14 Apr		2,509.7	2,509.7
Transfers of possession, inheritance by the State		-0.2	-0.2
Changes in land use		1.5	1.5
Other changes, including basic equity return and value adj.		90.5	90.5
<b>Basic equity on 31 Dec</b>		<b>2,601.5</b>	<b>2,601.5</b>
Other equity on 14 Apr		0.0	0.0
Increase		224.8	224.8
<b>Other equity on 31 Dec</b>		<b>224.8</b>	<b>224.8</b>

Other equity of public administrative duties on 14 Apr		1,199.6	1,199.6
Transfers of possession, inheritance by the State		13.5	13.5
Changes in land use, others, incl. the transfer of losses from public administrative duties		-235.8	-235.8
Shareholder investment in purchase of environmental conservation areas		-0.2	-0.2
<b>Other equity on 31 Dec</b>		<b>977.0</b>	<b>977.0</b>
Retained earnings on 1 Jan		106.5	106.6
Profit for the period 1 Jan-14 Apr, previous losses from public administrative duties		47.2	48.0
Contribution to State revenue		-116.6	-116.6
<b>Retained earnings on 31 Dec</b>		<b>37.1</b>	<b>38.0</b>
<b>Profit for the financial year 15 Apr-31 Dec</b>		<b>55.9</b>	<b>50.1</b>
Results for previous financial year and current financial year on 31 Dec		93.0	88.1
<b>Equity in total on 31 Dec</b>		<b>3,896.3</b>	<b>3,891.4</b>
<b>Minority share</b>	<b>1.16</b>		
Kiinteistö Oy Järviluonnon keskus		0.5	
Nuuksiokeskus Oy		5.1	
<b>Minority share in total</b>		<b>5.7</b>	
<b>Provisions (MEUR)</b>	<b>1.17</b>		
Other provisions		0.9	
Provision for the reorganisation of subsidiary's business		3.0	
<b>Provisions, total</b>		<b>3.9</b>	
<b>Total of long-term loans due in a period exceeding 5 years</b>	<b>1.18</b>		
		<b>Metsähallitus Group</b>	<b>Metsähallitus 2016</b>
<b>Total</b>		<b>2.0</b>	<b>0.0</b>
<b>Amount of debt not paid to the State (MEUR)</b>	<b>1.19</b>		
Debt to the State, withholding tax liabilities, social security contribution liabilities, VaEL, TyEL		1.7	1.2
<b>Debts to Group's subsidiaries (MEUR)</b>	<b>1.20</b>		<b>Metsähallitus 2016</b>
Accounts payable			0.3
Accruals and deferred income			0.7
Consolidated liabilities			10.1
<b>Total</b>			<b>11.1</b>

<b>Other liabilities (MEUR)</b>	1.21	<b>Metsähallitus Group 2016</b>	<b>Metsähallitus 2016</b>
VAT liabilities		4.9	3.2
Withholding taxes and social security contributions and other debts related to statutory personnel expenses (payment of salaries)		1.1	0.6
Equity reviews		1.2	1.2
Other		0.2	-0.1
Total		7.5	5.1
<b>Accruals and deferred income (MEUR)</b>	1.22		
Differentiated statutory personnel expenses		0.6	0.5
Holiday pay liabilities, including social security expenses		12.5	6.6
Tax averaging		0.8	0.0
Other		4.7	2.3
Total		18.6	9.5

## Other Notes

1.23

Contingent liabilities (MEUR)	Metsähallitus Group 2016	Metsähallitus 2016
Leasing liabilities		
paid during the financial year	1.1	1.0
to be paid during the following year	2.6	2.4
to be paid at a later date	2.3	2.2
Business mortgages	0.9	0.0
Bank guarantee liabilities	2.3	0.7
Other banking liabilities	1.5	1.0
Deposited securities, guarantee deposits	0.8	0.0
Guarantee for subsidiary's liabilities, limits	0.0	0.0
Investment commitments	5.9	5.9

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

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

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

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

### The responsibility for remediation of contaminated sites

In areas administered by Metsähallitus, the responsibility involved in contaminated soil areas lies primarily with the party who was responsible for the contaminating activity.

As the holder of the area, Metsähallitus may be held responsible for the remediation costs of the contaminated soil if the primary responsible party is unable to do so.

### Related-party transactions

Public administrative duties receive Budget funding for their operations. The item is reported in the enterprise's and group's profit and loss as income on an accrued basis, described in more detail in the separate financial statements.

A contribution to State revenue was paid for the year 2015 and for the period 1 January to 14 April 2016.

1.24

Number of employees during the period, person-years	Metsähallitus Group 2016	Metsähallitus 2016
Employees	309	0
Supervisors	718	497
Total	1,027	497



	1.25		
<b>Calculated deferred tax assets and liabilities for the calendar year</b>		<b>Metsähallitus Group 2016</b>	
Calculated deferred tax assets			
from postponed depreciations			0.6
from subsidiary losses			4.1
from provisions			0.2
<b>Total</b>			<b>4.9</b>
	1.26		
<b>Auditors' fees (1000 EUR)</b>		<b>Metsähallitus Group 2016</b>	<b>Metsähallitus 2016</b>
KPMG Audit			
audit, financial year		45.9	28.1
audit, previous financial year		12.7	0.0
tax consulting		0.0	0.0
other services		276.6	264.3
<b>Total</b>		<b>335.2</b>	<b>292.4</b>

## Other Notes

### PROFIT AND LOSS ACCOUNT (EUR), total 1.1.–14.4.2016 and 15.4.–31.12.2016

	Metsähallitus Group 1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
TURNOVER	341,350,377.48	343,347,564.36
Variation in inventories of finished products and change to work in progress	261,649.04	-2,344,143.12
Other operating income	23,323,517.29	27,493,958.15
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	10,108,444.66	10,161,264.98
Variation in inventories	1,553,652.18	2,567,627.06
External services	158,431,969.44	160,048,079.15
Raw materials and services, total	170,094,066.28	172,776,971.19
Staff expenses		
Wages and salaries	56,383,229.94	57,912,530.01
Social security expenses		
Pension expenses	19,469,135.41	11,630,555.56
Other social security expenses	2,947,526.54	2,654,502.47
Staff expenses, total	78,799,891.89	72,197,588.04
Depreciation, amortisation and impairment		
Depreciation according to plan	6,336,675.49	6,738,170.53
Depreciation, amortisation and impairment in total	6,336,675.49	6,738,170.53
Other operating costs	53,664,503.01	47,833,662.79
<b>OPERATING PROFIT</b>	<b>56,040,407.14</b>	<b>68,950,986.84</b>
Financial income and expenses		
Income from other investments under non-current assets	49,892.46	89,289.32
Other interest and financial income	43,473.54	507,166.20
Interest and other financial expenses	195,624.99	105,740.95
Impairment of non-current assets	3,000,000.00	6,241.46
Financial income and expenses in total	-3,102,258.99	484,473.11
<b>PROFIT BEFORE FINANCING FOR OTHER OPERATIONS FROM THE STATE BUDGET</b>	<b>52,938,148.15</b>	<b>69,435,459.95</b>
Financing for other operations from the Budget	46,001,997.82	45,295,307.16
<b>PROFIT BEFORE FINANCIAL STATEMENT TRANSFERS AND TAXES</b>	<b>98,940,145.97</b>	<b>114,730,767.11</b>
Income taxes	6,530,726.66	8,792,264.39
Minority share	104,367.75	95,543.93
<b>PROFIT DURING THE FINANCIAL YEAR</b>	<b>92,513,787.06</b>	<b>106,034,046.65</b>

## Other Notes

### BALANCE SHEET (EUR), total 14 April 2016 and 31 December 2016

	Metsähallitus Group 31 December 2016	31 December 2015
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Intangible rights	1,251,563.67	841,134.50
Other intangible assets	4,801,612.72	404,003.03
Intangible assets in total	6,053,176.39	1,245,137.53
Tangible assets		
Land and water areas	3,821,779,249.02	3,710,294,077.02
Roads	28,866,068.26	26,366,696.50
Buildings and structures	48,334,414.90	51,784,728.49
Machinery and equipment	3,151,118.22	3,718,879.58
Other tangible assets	687,521.07	754,078.55
Advance payments and work in progress	15,911,045.84	16,049,751.23
Tangible assets in total	3,918,729,417.31	3,808,968,211.37
Investments		
Shares in Group's subsidiaries	0.00	0.00
Other shares and holdings	2,086,307.30	2,452,278.53
Other receivables	24,100.00	24,100.00
Investments in total	2,110,407.30	2,476,378.53
<b>NON-CURRENT ASSETS IN TOTAL</b>	<b>3,926,893,001.00</b>	<b>3,812,689,727.43</b>
<b>CURRENT ASSETS</b>		
Inventories		
Finished products	19,831,585.48	20,534,204.82
Work in progress	1,003,044.03	1,592,427.83
Inventories in total	20,834,629.51	22,126,632.65
Receivables		
Non-current receivables		
Other receivables	2,205,015.72	75,015.72
Prepayments and accrued income		
Non-current receivables in total		

Current receivables		
Accounts receivable	45,254,291.19	36,917,204.80
Other receivables	1,586,915.24	947,638.37
Prepayments and accrued income	2,562,729.00	2,628,485.14
Current receivables in total	49,403,935.43	40,493,328.31
Securities	0	0.00
Cash in hand and at banks	11,950,580.12	26,273,445.07
<b>CURRENT ASSETS IN TOTAL</b>	<b>84,394,160.78</b>	<b>88,968,421.75</b>
<b>ASSETS IN TOTAL</b>	<b>4,011,287,161.78</b>	<b>3,901,658,149.18</b>

## OTHER NOTES

**BALANCE SHEET (EUR), total 14 April 2016 and 31 December 2016**

	<b>Metsähallitus Group 31 December 2016</b>	<b>31 December 2015</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Basic equity	2,601,514,970.45	2,509,674,701.59
Other equity	224,811,974.00	0.00
Other equity of public administrative duties	977,009,010.43	1,197,874,890.09
Retained earnings	460,201.83	461,570.29
Profit for the financial year	92,513,787.06	106,034,046.65
<b>EQUITY IN TOTAL</b>	<b>3,896,309,943.77</b>	<b>3,814,045,208.62</b>
<b>MINORITY SHARE</b>	<b>5,671,807.92</b>	<b>5,776,175.67</b>
<b>PROVISIONS</b>		
Other provisions	3,915,410.50	778,675.00
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Loans from financial institutions	2,039,934.70	7,202,553.49
Other liabilities	821,100.00	907,682.60
<b>Non-current liabilities in total</b>	<b>2,861,034.70</b>	<b>8,110,236.09</b>
<b>Current liabilities</b>		
Loans from financial institutions	59,989,320.43	15,112,198.51
Advances received	4,557,262.82	11,590,213.67
Accounts payable	11,855,729.85	10,956,411.77
Other liabilities (incl. interest-bearing)	7,484,278.38	15,368,078.39

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Accruals and deferred income	18,606,961.43	19,889,873.34
Deferred tax liabilities	35,411.98	31,078.12
Current liabilities in total	102,528,964.89	72,947,853.80
LIABILITIES IN TOTAL	105,389,999.59	81,058,089.89
EQUITY AND LIABILITIES IN TOTAL	<b>4,011,287,161.78</b>	<b>3,901,658,149.18</b>

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## Profit and Loss Account, Business Operations (EUR)

	Note	Business Operations Group 15 Apr–31 Dec 2016	Business operations 15 Apr–31 Dec 2016
TURNOVER	2.1	238,246,446.54	68,447,075.71
Variation in inventories of finished products and change to work in progress		261,649.04	0.00
Other operating income	2.2	16,245,132.45	20,920,633.85
Raw materials and services			
Raw materials and consumables			
Purchases during the financial year		6,868,757.58	384,148.62
Variation in inventories		3,286,553.42	0.00
External services		106,634,920.40	142,555.77
Raw materials and services, total			
Staff expenses			
Wages and salaries		25,989,344.72	6,119,651.14
Social security expenses			
Pension expenses		14,259,458.20	1,140,839.61
Other social security expenses		1,342,089.46	217,126.94
Staff expenses, total		41,590,892.38	7,477,617.69
Depreciation, amortisation and impairment			
Depreciation according to plan	2.3	2,735,842.66	1,765,622.03
Depreciation, amortisation and impairment in total			
Other operating costs		29,280,507.84	20,230,307.22
<b>OPERATING PROFIT</b>		<b>64,355,753.75</b>	<b>59,367,458.23</b>
Financial income and expenses	2.5		
Income from other investments under non-current assets		36,127.96	35,903.96
Other interest and financial income		30,729.52	24,865.07
Interest and other financial expenses		122,078.90	83,555.28
Impairment of non-current assets		3,000,000.00	5,000,000.00
Financial income and expenses in total		-3,055,221.42	-5,022,786.25
<b>PROFIT BEFORE FINANCIAL STATEMENT TRANSFERS AND TAXES</b>		<b>61,300,532.33</b>	<b>54,344,671.98</b>
Income taxes		4,163,559.08	3,344,660.50
<b>PROFIT DURING THE FINANCIAL YEAR</b>		<b>57,136,973.25</b>	<b>51,000,011.48</b>

## Balance Sheet, Business Operations (EUR)

	Note	Business Operations Group 31 December 2016	Business operations 31 December 2016
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets			
Intangible rights		896,453.72	660,423.73
Other intangible assets		4,755,665.13	227,782.72
Intangible assets in total		5,652,118.85	888,206.45
Tangible assets			
Land and water areas		2,879,439,721.33	2,877,886,257.76
Roads		28,654,335.40	28,649,918.71
Buildings and structures		13,600,603.19	11,429,271.43
Machinery and equipment		1,313,500.48	0.00
Other tangible assets		387,081.48	10,599.04
Advance payments and work in progress		15,879,003.92	11,842,734.78
Tangible assets in total		2,939,274,245.80	2,929,818,781.72
Investments			
Shares in Group's subsidiaries	2.7	0.00	59,625,635.81
Other shares and holdings	2.9	1,348,602.62	1,752,698.49
Other receivables	2.10	22,300.00	0.00
Investments in total		1,370,902.62	61,378,334.30
<b>NON-CURRENT ASSETS IN TOTAL</b>		<b>2,946,297,267.27</b>	<b>2,992,085,322.47</b>
<b>CURRENT ASSETS</b>			
Inventories			
Finished products		18,055,277.38	0.00
Work in progress		1,003,044.03	0.00
Inventories in total		19,058,321.41	0.00
Receivables			
Non-current receivables			
Other receivables		2,205,015.72	24,000.00
Non-current receivables in total		2,205,015.72	24,000.00
Current receivables in total			
Accounts receivable		43,539,077.40	518,897.83
Receivables from public administrative duties	2.11	182,333.23	67,651.67
Receivables from the enterprise's subsidiaries	2.12	0.00	271,094.86

Receivables from associated undertakings			
Other receivables	2.13	1,568,599.45	1,345,038.77
Prepayments and accrued income	2.14	192,491.26	93,588.16
Current receivables in total		45,482,501.34	2,296,271.29
Cash in hand and at banks		3,932,025.14	3,080,711.44
CURRENT ASSETS IN TOTAL		70,677,863.61	5,400,982.73
ASSETS IN TOTAL		<b>3,016,975,130.88</b>	<b>2,997,486,305.20</b>

## BALANCE SHEET, BUSINESS OPERATIONS, EUR

	Note	Business Operations Group 31 December 2016	Business operations 31 December 2016
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Basic equity		2,601,514,970.45	2,601,514,970.45
Other equity		224,811,974.00	224,811,974.00
Retained earnings		37,048,440.42	38,001,920.52
Profit for the financial year		57,136,973.25	51,000,011.48
EQUITY IN TOTAL	2.15	2,920,512,358.12	2,915,328,876.45
MINORITY SHARE		0.00	0.00
<b>PROVISIONS</b>			
Other provisions	2.16	3,915,410.50	0.00
<b>LIABILITIES</b>			
<b>Non-current</b>			
Loans from financial institutions	2.17	2,039,934.70	0.00
Other liabilities (incl. interest-bearing)		815,600.00	815,350.00
<b>Current</b>			
Loans from financial institutions	2.18	59,989,320.43	59,989,320.43
Advances received		452,045.47	312,292.50
Accounts payable		9,866,408.09	2,335,929.08
Payables to public administrative duties	2.19	340,611.94	245,753.25
Debts to Group's subsidiaries	2.20	1,509.08	10,983,108.11
Other liabilities (incl. interest-bearing)	2.21	6,789,939.08	4,377,720.90
Accruals and deferred income	2.22	12,216,581.49	3,097,954.48
Deferred tax liabilities		35,411.98	0.00

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LIABILITIES IN TOTAL	92,547,362.26	82,157,428.75
EQUITY AND LIABILITIES IN TOTAL	<b>3,016,975,130.88</b>	<b>2,997,486,305.20</b>

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# Cash Flow Statement, Business Operations (EUR)

	Business Operations Group 15 Apr–31 Dec 2016	Business operations 15 Apr–31 Dec 2016
<b>CASH FLOW FROM BUSINESS OPERATIONS</b>		
Payments from sales	239,788,413.93	61,421,945.93
Payments from other operating income	5,894,573.25	10,800,806.85
Payments from operating charges	-204,228,267.52	-32,968,981.00
Cash flow from business operations, before financial items and taxes	41,454,719.66	39,253,771.78
Interest paid and other financial expenses	-122,078.90	-83,555.28
Interest income from business operations	30,729.52	24,865.07
Dividends received	36,127.96	35,903.96
Direct taxes	-4,163,559.08	-3,344,660.50
Cash flows from operating activities	37,235,939.16	35,886,325.03
<b>INVESTMENTS</b>		
Investments in subsidiaries' shares	0.00	-13,617,000.00
Investments in tangible and intangible assets	-7,965,845.44	-6,863,162.55
Sale of tangible and intangible assets	14,147,352.25	13,869,123.16
Cash flows from investing activities	6,181,506.81	-6,611,039.39
<b>FINANCING</b>		
Change in other non-current, interest-bearing loans	-7,045,028.11	0.00
Change in other non-current, non-interest-bearing loans	815,600.00	-80.95
Change in current loans from financial institutions	49,877,288.85	49,998,456.60
Change in Group loans to subsidiaries	0.00	6,542,663.50
Contribution to State revenue	-116,569,037.01	-116,569,037.01
Cash flows from financing activities	-72,921,176.27	-60,027,997.86
<b>CHANGE IN LIQUID FUNDS</b>	-29,503,730.30	-30,752,712.22
Liquid funds on 15 Apr	33,435,755.44	33,833,423.66
Liquid funds on 31 Dec	3,932,025.14	3,080,711.44
Change	-29,503,730.30	-30,752,712.22



# Notes to Profit and Loss Account, Business Operations (EUR)

Turnover by business unit	2.1	<b>Business Operations Group 15 Apr–31 Dec 2016</b>	<b>Business operations 15 Apr–31 Dec 2016</b>
Forestry Business		218,472,593.48	56,671,572.64
Property development		10,222,604.59	10,473,679.49
Sale of soil and rock resources		2,050,487.55	0.00
Seed and sapling production		7,211,349.94	0.00
Other		289,410.98	1,301,823.58
<b>Total</b>		<b>238,246,446.54</b>	<b>68,447,075.71</b>
of which turnover for public administrative duties and its subsidiaries		292,855.44	224,834.05
and other subsidiaries		5,972.00	5,972.00
		0.00	57,935,060.14
<b>Other operating income</b>	<b>2.2</b>		
Gains on the sale of fixed assets		10,350,559.20	10,119,827.00
Income from services to public administrative duties		5,269,969.87	5,167,813.00
Income from services to subsidiaries		994.00	5,363,777.61
Other income		623,609.38	269,216.24
<b>Total</b>		<b>16,245,132.45</b>	<b>20,920,633.85</b>
<b>Depreciation according to plan</b>	<b>2.3</b>		
Intangible assets		909,382.59	263,098.47
Depreciation for decrease in substance		45,134.03	20,363.12
Roads		891,238.72	890,888.96
Buildings and structures		734,711.77	591,271.48
Machinery and equipment, other tangible assets		155,375.55	0.00
<b>Total</b>		<b>2,735,842.66</b>	<b>1,765,622.03</b>

Depreciation according to plan, depreciation periods:

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

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

<b>Other interest and financial income</b>	<b>2.5</b>	<b>Business Operations Group 15 Apr–31 Dec 2016</b>	<b>Business operations 15 Apr–31 Dec 2016</b>
Dividend income from external sources		36,127.96	35,903.96
Dividend income from subsidiaries		0.00	0.00
Dividend income from associated undertakings		0.00	0.00
Interest income		30,729.52	24,865.07
<b>Total</b>		<b>66,857.48</b>	<b>60,769.03</b>
<b>Interest and other financial expenses (EUR)</b>			
Interest expenses		122,078.90	83,555.28
Interest expenses to subsidiaries		0.00	0.00
Reduction in value of associated undertakings' shares		0.00	0.00
Reduction in value of subsidiaries' shares		0.00	0.00
Reduction in value from the subordinated loan to subsidiary		0.00	5,000,000.00
Provision for the reorganisation of subsidiary's business		3,000,000.00	0.00
<b>Total</b>		<b>3,122,078.90</b>	<b>5,083,555.28</b>
<b>Financial income and expenses in total</b>		<b>-3,055,221.42</b>	<b>-5,022,786.25</b>

# Notes to Balance Sheet, Business Operations

	Note							
Non-current assets (mill. EUR)	2.6							
Business Operations Group	Intangible assets	Land and water areas	Roads, land and water constr.	Buildings and structures	Machinery and equipment, other tangible assets	In progress Projects	Other shares and holdings, other receivables	Total
Acquisition cost on 14 Apr	5.2	2,568.6	94.1	47.4	20.6	13.6	2.7	2,754.6
Reduction in value on 14 Apr	0.0	-4.0	0.0	0.0	0.0	0.0	-1.0	-5.0
Increases	5.3	322.9	1.4	0.2	0.0	2.3	0.0	332.1
Decreases	0.0	3.2	0.0	0.4	0.0	0.0	0.3	3.9
Reduction in value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost on 31 Dec	<b>10.5</b>	<b>2,884.3</b>	<b>95.5</b>	<b>47.2</b>	<b>20.7</b>	<b>15.9</b>	<b>1.4</b>	3,077.7
Accumulated depreciation and impairment losses 14 April	4.0	4.8	65.9	33.1	18.8	0.0	0.0	128.9
Accumulated depreciation relating to decreases and transfers	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	-0.2
Depreciation during the financial year	0.9	0.0	0.9	0.7	0.2	0.0	0.0	2.7
Accumulated depreciation on 31 Dec	4.9	4.8	66.8	33.6	19.0	0.0	0.0	131.5
Book value on 14 Apr	1.3	2,559.8	28.2	14.3	1.8	13.6	1.7	2,620.6
Book value on 31 Dec	5.7	2,879.4	28.7	13.6	1.7	15.9	1.4	2,946.3
Production machinery and equipment					1.7			
Book value on 31 Dec								
Business operations	Intangible assets	Land and water areas	Roads, land and water constr.	Buildings and structures	Machinery and equipment, other tangible assets	In progress Projects	Other shares and holdings	Total
Acquisition cost on 14 Apr	4.3	2,561.8	94.6	38.6	9.7	13.5	40.7	2,763.3
Reduction in value on 14 Apr	0.0	-1.8	0.0	0.0	0.0	0.0	-29.7	-31.4
Increases	0.0	322.8	1.4	0.2	0.0	0.0	50.6	375.1
Decreases	0.0	3.2	0.0	0.4	0.0	1.7	0.3	5.6
Reduction in value	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition cost on 31 Dec	<b>4.3</b>	<b>2,879.7</b>	<b>95.9</b>	<b>38.5</b>	<b>9.7</b>	<b>11.8</b>	<b>61.4</b>	3,101.3

Accumulated depreciation and impairment losses 14 April	3.1	1.8	66.4	26.6	9.7	0.0	0.0	107.6
Accumulated depreciation relating to decreases and transfers	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	-0.2
Depreciation during the financial year	0.3	0.0	0.9	0.6	0.0	0.0	0.0	1.8
Accumulated depreciation on 31 Dec	3.4	1.8	67.3	27.0	9.7	0.0	0.0	109.2
Book value on 14 Apr	1.1	2,558.3	28.2	12.0	0.0	13.5	11.1	2,624.2
Book value on 31 Dec	0.9	2,877.9	28.6	11.4	0.0	11.8	61.4	2,992.1
Production machinery and equipment, book value on 31 Dec					0.0			

Shares in subsidiaries	Note 2.7	Holding %	Carrying amount in the parent company (EUR)
Metsähallitus			
Fin Forelia Oy, Kuopio		100	1,000,000.00
Metsähallitus Forestry Ltd, Rovaniemi		100	50,649,635.81
MH-Kivi Oy, Oulu		100	5,500,000.00
Siemen Forelia Oy, Jyväskylä		100	2,476,000.00
<b>Total</b>			<b>59,625,635.81</b>

Holdings company shares	Note 2.8		
Metsähallitus Oy Estar Studios LTD, Rovaniemi		19.98	0.00

Shares and holding, book value (EUR)	Note 2.9	Business Operations Group 2016	Business operations 2016
Shares in subsidiaries		0.00	59,625,635.81
Shares in associated undertakings		0.00	0.00
Holdings company shares		0.00	0.00
Other shares and holdings		716,835.48	1,120,931.35
Joint forest holdings		631,767.14	631,767.14
<b>Total</b>		<b>1,348,602.62</b>	<b>61,378,334.30</b>

<b>Investments, other receivables, EUR</b>	2.10		
Subscription fee receivables		<b>22,300.00</b>	<b>0.00</b>
<b>Receivables from public administrative duties, EUR</b>	2.11		
Accounts receivable		155,660.13	42,501.67
Prepayments and accrued income		26,673.10	25,150.00
<b>Total</b>		<b>182,333.23</b>	<b>67,651.67</b>
<b>Receivables from subsidiaries (EUR)</b>	2.12		
Accounts receivable		0.00	165,019.79
Other receivables		0.00	0.00
Prepayments and accrued income		0.00	106,075.07
<b>Total</b>		<b>0.00</b>	<b>271,094.86</b>
<b>Other receivables, current (EUR)</b>	2.13		
Other prepayments, prepaid expenses		17,948.46	7,290.71
VAT receivables		212,902.93	0.00
Deferred tax assets		1,337,748.06	1,337,748.06
Other receivables		0.00	0.00
<b>Total</b>		<b>1,568,599.45</b>	<b>1,345,038.77</b>
	Note		
<b>Current external prepayments and accrued income (EUR)</b>	2.14	<b>Business Operations Group 2016</b>	<b>Business operations 2016</b>
Accrued interest		0.00	0.00
Deferred tax assets		0.00	0.00
Other prepaid expenses/purchase invoices		145,629.75	93,588.16
Other accrued income		46,861.51	0.00
<b>Total</b>		<b>192,491.26</b>	<b>93,588.16</b>



<b>Equity (EUR)</b>	2.15		
Basic equity on 14 Apr		2,509,674,701.59	2,509,674,701.59
Transfers of possession		-168,070.20	-168,070.20
Inheritance by the State		0.00	0.00
Changes in land use		1,512,561.17	1,512,561.17
Other		90,495,777.89	90,495,777.89
Basic equity on 31 Dec		2,601,514,970.45	2,601,514,970.45
Other equity on 1 Jan		0.00	0.00
Increase		224,811,974.00	224,811,974.00
Other equity on 31 Dec		224,811,974.00	224,811,974.00
Retained earnings on 1 Jan		117,069,490.73	117,102,658.91
Profit for the period 1 Jan-14 Apr 2016		36,547,986.70	37,468,298.62
Contribution to State revenue		-116,569,037.01	-116,569,037.01
Retained earnings on 31 Dec		37,048,440.42	38,001,920.52
Profit for the financial year		57,136,973.25	51,000,011.48
Equity in total on 31 Dec		2,920,512,358.12	2,915,328,876.45
<b>Provisions (EUR)</b>	2.16		
Other provisions (EUR)		915,410.50	0.00
Provision for the reorganisation of subsidiary's business		3,000,000.00	0.00
Total		3,915,410.50	0.00
<b>Total of long-term loans due in a period exceeding 5 years, EUR</b>	2.17	<b>Business Operations Group 2016</b>	
Total		2,039,934.70	
<b>Amount of debt not paid to the State (EUR)</b>			
Debt to the State, withholding tax liabilities, social security contribution liabilities, VaEL, TyEL	2.18	783,461.62	294,505.94
<b>Payables to public administrative duties (EUR)</b>	2.19		
Accounts payable		29,988.22	14,717.11
Accruals and deferred income		310,623.72	231,036.14
Total		340,611.94	245,753.25

<b>Payables to subsidiaries (EUR)</b>	<b>2.20</b>		
Accounts payable		0.00	180,418.04
Other liabilities		0.00	0.00
Accruals and deferred income		1509.08	713,037.36
Consolidated liabilities		0.00	10,089,652.71
<b>Total</b>		<b>1,509.08</b>	<b>10,983,108.11</b>
<b>Other external liabilities (EUR)</b>	<b>2.21</b>		
VAT liabilities		4,564,525.91	2,880,026.73
Withholding taxes and social security contributions and other debts related to statutory personnel expenses (payment of salaries)		669,128.62	206,573.42
Equity reviews		1,277,308.55	1,277,308.55
Other		278,976.00	13,812.20
<b>Total</b>		<b>6,789,939.08</b>	<b>4,377,720.90</b>
<b>External accruals (EUR)</b>	<b>2.22</b>		
Differentiated statutory personnel expenses		114,333.00	87,932.52
Holiday pay liabilities, including social security expenses		7,781,425.34	1,915,489.99
Tax averaging		814,564.72	0.00
Other		3,506,258.43	1,094,531.97
<b>Total</b>		<b>12,216,581.49</b>	<b>3,097,954.48</b>

## Other Notes, Business Operations (EUR million)

Contingent liabilities	2.23	Business Operations Group 2016	Business operations 2016
Leasing liabilities			
paid during the financial year		0.6	0.5
to be paid during the following year		2.6	2.4
to be paid at a later date		2.3	2.2
Business mortgages		0.9	0.0
Bank guarantee liabilities		2.3	0.7
Other banking liabilities		1.5	1.0
Deposited securities, guarantee deposits		0.0	0.0
Guarantee for subsidiary's liabilities, limits		0.0	0.0
Investment commitments		5.9	5.9

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

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

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

### The responsibility for remediation of contaminated sites

In areas administered by Metsähallitus, the responsibility involved in contaminated soil areas lies primarily with the party that was responsible for the contaminating activity.

As the holder of the area, Metsähallitus may be held responsible for meeting the remediation costs of the contaminated soil, if the primary responsible party is unable to do so.

### Related-party transactions

A contribution to State revenue was paid for the year 2015 and for the period 1 January to 14 April 2016.

Calculated deferred tax assets and liabilities for the calendar year	2.24	Business Operations Group 2016
Calculated deferred tax assets		
from postponed depreciations		0.6
from subsidiary losses		3.8
from provisions		0.2
Total		4.5

Self-financed investments	2.25	Business Operations Group 2016		Business operations 2016	
		Investments planned	Actual 15 Apr-31 Dec	Investments planned	Actual 15 Apr-31 Dec
Land, water and gravel areas		6.7	2.6	6.7	2.6
Roads, plot processing works		4.3	0.2	4.3	0.2
Machinery and equipment, wind power projects		5.6	3.1	5.6	3.1
Buildings and structures		0.2	0.2	0.2	0.2
Other		2.5	1.9	2.2	0.8
<b>Total</b>		<b>19.2</b>	<b>8.0</b>	<b>18.9</b>	<b>6.9</b>

## Other Notes, Business Operations

### PROFIT AND LOSS ACCOUNT, BUSINESS OPERATIONS (EUR), total 1.1.–14.4.2016 and 15.4.–31.12.2016

	Business Operations Group 1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
TURNOVER	332,930,294.02	337,246,150.31
Variation in inventories of finished products and change to work in progress	261,649.04	-2,344,142.12
Other operating income	26,404,231.75	28,458,179.00
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	7,377,596.01	6,851,274.23
Variation in inventories	1,384,191.86	2,409,382.98
External services	153,696,985.12	154,822,016.96
Raw materials and services, total	162,458,772.99	164,082,674.17
Staff expenses		
Wages and salaries	34,918,856.78	36,529,576.34
Social security expenses		
Pension expenses	15,880,991.12	7,916,005.72
Other social security expenses	1,966,205.19	1,763,929.59
Staff expenses, total	52,766,053.09	46,209,511.65
Depreciation, amortisation and impairment		
Depreciation according to plan	3,780,720.56	3,900,259.27
Depreciation, amortisation and impairment in total	3,780,720.56	3,900,259.27
Other operating costs	37,279,036.04	32,988,399.31
<b>OPERATING PROFIT</b>	<b>103,311,592.13</b>	<b>116,179,342.79</b>
Financial income and expenses		
Income from other investments under non-current assets	49,811.36	89,155.12
Other interest and financial income	41,031.83	496,490.10
Interest and other financial expenses	186,748.41	102,144.29
Impairment of non-current assets	3,000,000.00	6,241.46
Financial income and expenses in total	-3,095,905.22	477,259.47
<b>PROFIT BEFORE FINANCIAL STATEMENT TRANSFERS AND TAXES</b>	<b>100,215,686.91</b>	<b>116,656,602.26</b>
Income taxes	6,530,726.66	8,792,264.39
Minority share	0.00	0.00
<b>PROFIT DURING THE FINANCIAL YEAR</b>	<b>93,684,960.25</b>	<b>107,864,337.87</b>



## Other Notes, Balance Sheet 2015–2016

**BALANCE SHEET, BUSINESS OPERATIONS (EUR), total 14 April 2016 and 31 December 2016**

	Business Operations Group 2016	2015
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Intangible rights	896,453.72	329,329.55
Other intangible assets	4,755,665.13	372,066.52
Intangible assets in total	5,652,118.85	701,396.07
Tangible assets		
Land and water areas	2,879,439,721.33	2,558,953,264.69
Roads	28,654,335.40	26,107,687.46
Buildings and structures	13,600,603.19	14,763,665.98
Machinery and equipment	1,313,500.48	1,490,606.91
Other tangible assets	387,081.48	426,468.48
Advance payments and work in progress	15,879,003.92	16,018,716.77
Tangible assets in total	2,939,274,245.80	2,617,760,410.29
Investments		
Shares in Group's subsidiaries		
	0.00	0.00
Other shares and holdings	1,348,602.62	1,714,573.85
Other receivables	22,300.00	22,300.00
Investments in total	1,370,902.62	1,736,873.85
<b>NON-CURRENT ASSETS IN TOTAL</b>	<b>2,946,297,267.27</b>	<b>2,620,198,680.21</b>
<b>CURRENT ASSETS</b>		
Inventories		
Finished products	18,055,277.38	18,588,436.40
Work in progress	1,003,044.03	1,592,427.83
Inventories in total	19,058,321.41	20,180,864.23

Receivables		
Non-current receivables		
Other receivables	2,205,015.72	75,015.72
Non-current receivables in total	2,205,015.72	75,015.72
Current receivables		
Accounts receivable	43,539,077.40	35,713,173.85
Receivables from public administrative duties	182,333.23	2,046,892.63
Other receivables	1,568,599.45	792,805.45
Prepayments and accrued income	192,491.26	194,262.56
Current receivables in total	45,482,501.34	38,747,134.49
Securities	0.00	0.00
Cash in hand and at banks	3,932,025.14	11,865,114.92
CURRENT ASSETS IN TOTAL	70,677,863.61	70,868,129.36
ASSETS IN TOTAL	<b>3,016,975,130.88</b>	<b>2,691,066,809.57</b>

## OTHER NOTES, BUSINESS OPERATIONS

BALANCE SHEET, BUSINESS OPERATIONS (EUR), total 14 April 2016 and 31 December 2016

	Business Operations Group 2016	2015
EQUITY AND LIABILITIES		
EQUITY		
Basic equity	2,601,514,970.45	2,509,674,701.59
Other equity	224,811,974.00	0.00
Retained earnings	500,453.42	9,205,152.86
Profit for the financial year	93,684,960.25	107,864,337.87
EQUITY IN TOTAL	2,920,512,358.12	2,626,744,192.32
MINORITY SHARE	0.00	0.00
PROVISIONS		
Other provisions	3,915,410.50	778,675.00

LIABILITIES		
Non-current liabilities		
Loans from financial institutions	2,039,934.70	7,202,553.49
Other liabilities (incl. interest-bearing)	815,600.00	902,932.60
Non-current liabilities in total	2,855,534.70	8,105,486.09
Current liabilities		
Loans from financial institutions	59,989,320.43	15,112,198.51
Advances received	452,045.47	2,105,269.66
Accounts payable	9,866,408.09	9,459,935.01
Payables to public administrative duties	340,611.94	948,775.17
Debts to Group's subsidiaries	1,509.08	919.49
Other liabilities (incl. interest-bearing)	6,789,939.08	14,463,229.28
Accruals and deferred income	12,216,581.49	13,317,050.92
Deferred tax liabilities	35,411.98	31,078.12
Current liabilities in total	89,691,827.56	55,438,456.16
LIABILITIES IN TOTAL	92,547,362.26	63,543,942.25
EQUITY AND LIABILITIES IN TOTAL	<b>3,016,975,130.88</b>	<b>2,691,066,809.57</b>

## Profit and Loss Account, Public Administrative Duties (EUR)

	Public administrative duties 15 Apr–31 Dec 2016
TURNOVER	9,072,228.56
Other operating income	2,321,603.22
Raw materials and services	
Raw materials and consumables	
Purchases during the financial year	2,677,179.20
Variation in inventories	68,004.44
External services	4,164,232.63
Raw materials and services, total	6,909,416.27
Staff expenses	
Wages and salaries	16,356,390.54
Social security expenses	
Pension expenses	2,821,734.31
Other social security expenses	609,880.18
Staff expenses, total	19,788,005.03
Depreciation, amortisation and impairment	
Depreciation according to plan	1,296,315.63
Other operating costs	18,153,215.19
<b>OPERATING PROFIT</b>	<b>-34,753,120.34</b>
Financial income and expenses	
Income from other investments under non-current assets	28.00
Other interest and financial income	2,195.13
Interest and other financial expenses	5,868.60
Impairment of non-current assets	0.00
Financial income and expenses in total	-3,645.47
<b>PROFIT BEFORE FINANCING FOR OTHER OPERATIONS FROM THE STATE BUDGET</b>	<b>-34,756,765.81</b>
Financing for other operations from the Budget	33,846,270.34
<b>PROFIT/LOSS FOR FINANCIAL PERIOD</b>	<b>-910,495.47</b>

## Balance Sheet (EUR)

	Public administrative duties 31 December 2016
<b>ASSETS</b>	
<b>NON-CURRENT ASSETS</b>	
Intangible assets	
Intangible rights	354,387.94
Intangible assets in total	354,387.94
Tangible assets	
Land and water areas	941,609,632.93
Roads	211,732.86
Buildings and structures	19,971,618.82
Machinery and equipment	155,679.32
Advance payments and work in progress	32,041.92
Tangible assets in total	961,980,705.85
Investments	
Shares in Group's subsidiaries	12,365,111.43
Other shares and holdings	737,704.68
Other receivables	1,800.00
Investments in total	13,104,616.11
<b>NON-CURRENT ASSETS IN TOTAL</b>	<b>975,439,709.90</b>
<b>CURRENT ASSETS</b>	
Inventories	
Finished products	1,776,308.10
Inventories in total	1,776,308.10
Receivables	
Current receivables	
Accounts receivable	1,716,113.79
Receivables from enterprise's business operations	245,753.25
Receivables from the enterprise's subsidiaries	141,049.26
Other receivables	8,654.83
Prepayments and accrued income	2,337,782.44
Current receivables in total	4,449,353.57
Cash in hand and at banks	7,763,275.80



CURRENT ASSETS IN TOTAL	13,988,937.47
ASSETS IN TOTAL	<b>989,428,647.37</b>

## BALANCE SHEET (EUR)

	Public administrative duties 31 December 2016
EQUITY AND LIABILITIES	
EQUITY	
Other equity	977,009,010.43
Retained earnings	0.00
Profit/loss for financial period	-910,495.47
EQUITY IN TOTAL	976,098,514.96
LIABILITIES	
Other liabilities, non-interest-bearing	5,500.00
Current	
Advances received	4,106,117.35
Accounts payable	1,956,201.17
Debts to enterprise's business operations	67,651.67
Debts to Group's subsidiaries	114,681.56
Other liabilities (incl. interest-bearing)	689,740.80
Accruals and deferred income	6,390,239.86
LIABILITIES IN TOTAL	13,330,132.41
EQUITY AND LIABILITIES IN TOTAL	<b>989,428,647.37</b>

# Cash Flow Statement, Public Administrative Duties (EUR)

	<b>Public administrative duties 15 Apr–31 Dec 2016</b>
<b>CASH FLOW FROM BUSINESS OPERATIONS</b>	
Payments from sales	2,410,457.69
Payments from other operating income	1,912,475.83
Payments from operating charges	-45,106,624.80
Cash flow from business operations, before financial items and taxes	-40,783,691.28
Interest paid and other financial expenses	-5,868.60
Interest income from business operations	2,195.13
Dividends received	28.00
State's budget funding for other operations	33,846,270.34
Cash flow from operations	-6,941,066.41
<b>INVESTMENTS</b>	
Purchase of environmental protection areas, shares	158,911.22
Purchase of fixed assets, funding by Ministries	-1,946,032.03
Purchase of fixed assets, funding by the EU	
Purchase of fixed assets, other funding	-397,249.95
Investments in tangible and intangible assets	391,187.97
Sale of tangible and intangible assets	
Shareholder investment in purchase of environmental protection areas and shares	-158,911.22
Funding received for the construction of nature centres etc.	2,445,106.86
Cash flows from investing activities	493,012.85
<b>FINANCING</b>	
Change in other non-current, non-interest-bearing loans	380.95
Cash flows from financing activities	380.95
<b>CHANGE IN LIQUID FUNDS</b>	-6,447,672.61
Liquid funds on 15 Apr	14,210,948.41
Liquid funds on 31 Dec	7,763,275.80
Change	-6,447,672.61

## Other Notes

### PROFIT AND LOSS ACCOUNT, PUBLIC ADMINISTRATIVE DUTIES (EUR), total 1.1.–14.4.2016 and 15.4.–31.12.2016

	Public administrative duties	
	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
TURNOVER	11,326,871.36	10,722,082.26
Other operating income	2,880,425.62	2,540,884.67
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	3,337,821.84	3,721,187.51
Variation in inventories	169,460.32	158,245.08
External services	5,819,130.19	5,762,895.01
Raw materials and services, total	9,326,412.35	9,642,327.60
Staff expenses		
Wages and salaries	21,454,771.31	21,372,991.65
Social security expenses		
Pension expenses	3,588,144.29	3,714,549.84
Other social security expenses	981,321.35	890,572.88
Staff expenses, total	26,024,236.95	25,978,114.37
Depreciation, amortisation and impairment		
Depreciation according to plan	1,978,432.25	2,299,419.93
Other operating costs	23,785,389.22	22,235,577.36
<b>OPERATING PROFIT</b>	<b>-46,907,173.79</b>	<b>-46,892,472.33</b>
Financial income and expenses		
Income from other investments under non-current assets	81.10	134.20
Other interest and financial income	2,422.96	10,667.35
Interest and other financial expenses	7,823.56	1,743.78
Impairment of non-current assets	0.00	400,000.00
Financial income and expenses in total	-5,319.50	-390,942.23
<b>PROFIT BEFORE FINANCING FOR OTHER OPERATIONS FROM THE STATE BUDGET</b>	<b>-46,912,493.29</b>	<b>-47,283,414.56</b>
Financing for other operations from the Budget	46,001,997.82	45,295,307.16
<b>PROFIT/LOSS FOR FINANCIAL PERIOD</b>	<b>-910,495.47</b>	<b>-1,988,107.40</b>

## Other Notes

### BALANCE SHEET, PUBLIC ADMINISTRATIVE DUTIES, EUR, total 14 Apr 2016 and 31 Dec 2016

Balance sheet for the full year 2016, Public Administrative Duties (2)	Public administrative duties 31 December 2016	31 December 2015
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Intangible rights	354,387.94	510,749.58
Intangible assets in total	354,387.94	510,749.58
Tangible assets		
Land and water areas	941,609,632.93	1,150,610,917.57
Roads	211,732.86	259,009.04
Buildings and structures	19,971,618.82	22,011,936.33
Machinery and equipment	155,679.32	308,822.06
Advance payments and work in progress	32,041.92	31,034.46
Tangible assets in total	961,980,705.85	1,173,221,719.46
Investments		
Shares in Group's subsidiaries	12,365,111.43	12,365,111.43
Holdings in associated undertakings	0.00	0.00
Other shares and holdings	737,704.68	737,704.68
Other receivables	1,800.00	1,800.00
Investments in total	13,104,616.11	13,104,616.11
<b>NON-CURRENT ASSETS IN TOTAL</b>	<b>975,439,709.90</b>	<b>1,186,837,085.15</b>
<b>CURRENT ASSETS</b>		
Inventories		
Finished products	1,776,308.10	1,945,768.42
Inventories in total	1,776,308.10	1,945,768.42
Receivables		
Current receivables		
Accounts receivable	1,716,113.79	1,203,600.67
Receivables from enterprise's business operations	245,753.25	952,317.52
Receivables from the enterprise's subsidiaries	141,049.26	222.56
Receivables from associated undertakings	0.00	0.00
Other receivables	8,654.83	154,358.13
Prepayments and accrued income	2,337,782.44	2,433,982.05

Current receivables in total	4,449,353.57	4,744,480.93
Securities	0.00	0.00
Cash in hand and at banks	7,763,275.80	14,295,650.20
<b>CURRENT ASSETS IN TOTAL</b>	<b>13,988,937.47</b>	<b>20,985,899.55</b>
<b>ASSETS IN TOTAL</b>	<b>989,428,647.37</b>	<b>1,207,822,984.70</b>

## OTHER NOTES

BALANCE SHEET, PUBLIC ADMINISTRATIVE DUTIES, EUR, total 14 Apr 2016 and 31 Dec 2016

	Public administrative duties 31 December 2016	31 December 2015
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Other equity	977,009,010.43	1,197,874,890.09
Retained earnings	0.00	-8,545,514.50
Profit/loss for financial period	-910,495.47	-1,988,107.40
<b>EQUITY IN TOTAL</b>	<b>976,098,514.96</b>	<b>1,187,341,268.19</b>
<b>LIABILITIES</b>		
Non-current		
Other liabilities, non-interest-bearing	5,500.00	4,750.00
Current		
Advances received	4,106,117.35	9,485,044.01
Accounts payable	1,956,201.17	1,484,390.83
Debts to enterprise's business operations	67,651.67	2,015,297.27
Debts to Group's subsidiaries	114,681.56	35,137.71
Other liabilities (incl. interest-bearing)	689,740.80	889,027.10
Accruals and deferred income	6,390,239.86	6,568,069.59
<b>LIABILITIES IN TOTAL</b>	<b>13,330,132.41</b>	<b>20,481,716.51</b>
<b>EQUITY AND LIABILITIES IN TOTAL</b>	<b>989,428,647.37</b>	<b>1,207,822,984.70</b>





# Auditors' Report

To the Government

## Audit of Financial Statements

### Opinion on the financial statements and the report of the Board of Directors

We have audited the financial statements of Metsähallitus (Business ID 0116726-7) for the financial period 15 April to 31 December 2016. The financial statements include the Group's, parent enterprise's, business operations', Business Operations Group's and public administrative function's balance sheets, profit and loss accounts, cash flow statements and notes to the financial statements.

In our opinion, the financial statements and the consolidated financial statements have been prepared in accordance with the rules and regulations applicable to the preparation of financial statements and give a true and fair account of the operations, finances, financial performance and financial responsibilities during the financial period.

Metsähallitus' corporate governance has been compliant with the Act on Metsähallitus and the decisions taken by Parliament, the Government and ministries, as well as other steering decisions.

Internal control and audits have been appropriately organised in Metsähallitus.

In addition, the Board of Directors and the Director of Parks & Wildlife Finland have prepared a pro forma annual report and financial statements on public administrative duties for the period 1 January–31 December 2016, including the balance sheet, profit and loss account, cash flow statement and notes to the financial statements. For the pro forma financial statements, the profit and loss accounts for the financial periods 1 January 1 to 14 April 2016 and 15 April to 31 December 2016 have been summed up and, as the result for the financial period, the balance sheets present the combined result for the aforementioned financial periods. We have issued a separate report on the general audit of the pro forma financial statements relating to public administrative duties.

### Basis for the opinion

We conducted our audit in accordance with good auditing practices in Finland. Our responsibilities under good auditing practice are further described under **Auditor's responsibilities in the audit of financial statements**. We are independent of the parent enterprise, the business operations and business operations' group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors, Managing Director and Director of Parks & Wildlife Finland relating to the financial statements

The Board of Directors, Managing Director and Director of Parks & Wildlife Finland are responsible for the preparation of the financial statements and reports of the Board of Directors, which give a true and fair account in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors, Managing Director and Director of Parks & Wildlife Finland are also responsible for such internal control as they deem necessary to enabling the preparation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors, Managing Director and Director of Parks & Wildlife Finland are responsible for assessing the parent enterprise's and the Business Operations Group's ability to continue as a going concern, disclosing, as applicable, matters relating to the going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent enterprise or the group or cease operations, or there is no realistic alternative but to do so.

### Auditor's responsibilities in the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent enterprise's or the group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We arrive at conclusions on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent enterprise or the group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in such a manner that the financial statements give a true and fair view.
- We obtain sufficient appropriate audit evidence, regarding the financial information of the entities or business activities within the group, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Other reporting requirements

### Other information

The Board of Directors, Managing Director and Director of Parks & Wildlife Finland are responsible for other information. The other information comprises information included in the Board of Directors' Report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, it is our responsibility to read the other information included in the Board of Directors' report and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the Board of Directors' report has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the Board of Directors' report is consistent with the information in the financial statements and the report has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the Board of Directors' report, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 6 March 2017

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

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



## Giant Trucks Enable Timber Transport That is Kinder to the Climate

Metsähallitus' giant truck trial expanded in the autumn of 2016, when two 84-tonne timber trucks known as the Little Giants began transporting timber in northern and eastern Finland. P&A Trans uses the Little Giants to transport timber from Metsähallitus' multiple-use forests in Lapland to the Rovaniemi railway terminal. The transport company Kuljetusliike O. Malinen Oy's Little Giant transports timber from forests in Kainuu to wood processing plants in Kuhmo, Uimaharju in Joensuu, Oulu, Lieksa and Kuopio.

In addition to the Little Giants, a large 104-tonne giant truck transports timber from Upper Lapland to Rovaniemi for Metsähallitus. Deployed by Ketosen Kuljetus Oy a couple of years ago, the truck is the largest vehicle combination in Europe, aside from oversize transports subject to special permits.

The giant trucks form part of the Finnish Transport Safety Agency Trafi's High Capacity Transport truck experiment. The higher transport capacity of timber trucks has a wide range of benefits. If 20 percent of the annual transport volume of Metsähallitus Forestry Ltd were transported by 100-tonne giant trucks and 80 percent by 84-tonne Little Giants instead of the current 76-tonne fleet, the number of loads would be reduced by over ten thousand a year. This would involve a reduction in the annual mileage of three million kilometres and save more than a million litres of fuel. The amount of carbon dioxide emissions, which are harmful to the climate, would fall by around three million kilos.

Giant trucks currently handle around two percent of Metsähallitus's timber transports. We are working towards increasing that proportion in the coming years.

*Photo: Juri Laurila*