

Metsähallitus – 2009 Annual Report



150 VUOTA

EDELLÄKÄVIJÄ





Good results for a challenging year

2009 was a good year for Metsähallitus, considering our operational environment and the situation in which our customers found themselves. We achieved the targets set for us by the ministries governing our operations. Profit for the year increased to EUR 57.7 million, we took care of the public services in our charge as agreed, and we achieved, by a healthy margin, the targets set for us with regard to nature conservation, recreation usage, fishing and hunting services as well as the productivity trend of the operations funded from the state budget.

The turnover of Metsähallitus Group's business operations was EUR 290 million, which is some EUR 50 million less than that of 2008. As in previous years, most of the profit came from forestry. Our last year's operations stand up well to any comparison in all of our fields of activity, although some of our businesses recorded losses for the very challenging year. We were able to adapt to the difficult circumstances experienced by our customer base. Metsähallitus took responsibility for the employment of its personnel and subcontractors by ensuring a normal amount of forest management work. We actively developed our processes in the utilisation of renewable energy sources.

The overall productivity of the public services and administrative duties handled by Metsähallitus continued to improve, rising by approximately five per cent in 2008. We clearly met the targets set for us concerning safeguarding the natural and cultural values of national parks and other protected areas, protecting threatened species, and managing game and fish stocks. Services for hunters improved as we expanded the sale of fishing permits via the internet and mobile phones to include hunting permits.

The number of visitors to national parks is steadily increasing. Thanks to a method developed jointly by us and the Finnish Forest Research Institute (METLA), the local and regional economic effects of national parks and recreational areas could, for the first time, be comprehensively assessed: the funds invested by society in recreational services in these areas stream back to benefit local businesses and jobs many times over. It is important to safeguard the continuity of this funding in order to maintain the services and facilities and to meet protection goals even as visitor numbers keep growing.

Metsähallitus completed its 150th year of operations. In addition to inspiring jubilee celebrations, the year was also marked by development schemes in the state administration. The regional administration was revamped, and overhaul plans for forest and game management organisations were drafted. The aim to renew the organisation of state enterprises turned out to be difficult, as there are more societal aspects linked to Metsähallitus than other state enterprises. Work to develop a new model for state enterprises continues.

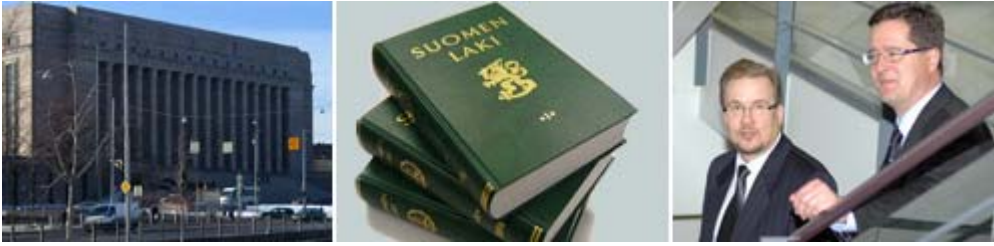
Solutions were reached in several forest disputes that had been ongoing for years in Lapland. In an overall measure outlined by our new strategy, we also implemented a significant investment in the Forest Biodiversity Programme for Southern Finland (METSÖ). Improving the possibilities for productive activities in compliance with multiple goals is proof of solid know-how in the overall

planning for various types of state land – and also a strong argument in favour of a continued holistic management approach.

Successful reconciliations, new information on the impact of our Nature Heritage Services on local and regional economies, our long-term and solid role in the country's timber supplies as well as our active approach in the development of sustainable business based on natural resources further raise Metsähallitus's stature as a responsible and efficient service provider and steward of state land and waters.

Metsähallitus's personnel has worked hard and successfully to implement our strategy and to achieve our goals, for which I wish to extend my heartfelt thanks. I also wish to thank our customers and other co-operation partners for our fruitful collaboration and their confidence in us.

Jyrki Kangas
Director General



Management and administration

A state-owned enterprise, Metsähallitus runs both business operations and fulfils public administration duties. The Group's business and public administration activities are differentiated in terms of function and budgeting as well as in the financial statements.

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

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

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

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

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

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

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

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



Personnel

Great expertise and shining stars

2009 was in many ways an exceptional year for Metsähallitus personnel. The 150th anniversary of the state forest administration was celebrated throughout the country, and a large number of the personnel participated in the events, for example putting their heart and soul into plays performed at several locations. At the same time, the dire financial climate and disagreements related to Metsähallitus's future organisation caused anxiety and insecurity among the personnel.

According to survey results, the personnel value Metsähallitus more than ever as an employer. One indication of the atmosphere are the positive feelings felt about coming to work – feelings influenced by factors such as mutual trust at work, relations between colleagues, and how safety matters are handled. The survey results were positive also in this respect. The absence rate due to accidents went down in 2009 by a further 40 per cent compared with the previous year.

Ethical leadership is a fairly new topic in surveys. Results from a study carried out with Metsähallitus show that the employees regard their supervisors' actions as responsible. Ethically correct action as well as overall fairness in interaction and work is not only required from leaders – each and every employee is responsible for their own words and actions. Ethical leadership is also linked to well-being at work and mutual trust. Exemplary leadership continues to be a primary goal in Metsähallitus's personnel management.

It should be especially noted that the people at Metsähallitus are highly motivated to achieve professional betterment: nearly everyone is willing to learn new things and hone their existing skills.



Forestry

Timber trade without compromising biodiversity

As in many other fields, the year 2009 in the forest product market was characterised by the global recession. Due to weak demand, forest industry companies downsized their operations and continued with closures of their production facilities.

Despite the challenging financial climate, the demand for Metsähallitus's timber supplies persisted close to the levels of previous years: the marketable timber deliveries totalled around 4.8 million cubic metres. The Forestry unit's turnover amounted to EUR 239.6 million.

Metsähallitus covers approximately 6–8 per cent of the Finnish forest industry's entire timber requirement, and the raw material harvested from Northern Finland's forests in particular has great local significance. Due to last year's exceptional circumstances in the timber trade, Metsähallitus's market share exceeded 10 per cent. Systematic long-term forest management and the current age structure of the stands will guarantee increased, yet sustainable felling volumes from state forests in coming years.

Forest management with multiple goals

The forests under Metsähallitus's stewardship are intended for multiple uses – in addition to timber production, many other objectives are also considered, including the biodiversity of forest habitats, tourism, reindeer husbandry, game management and securing the preconditions for the Sámi people to practise their culture. Active conservation measures are taken even in commercially managed state forests, including special fellings, management of wetland and xerothermic habitats, and prescribed burning for habitat management goals.

The National Climate and Energy Strategy approved by the Finnish Government envisages intensified use of renewable energy sources, including a major role for forest energy. The Forestry unit started a two-year wood energy project to increase supplies from state-owned forests. The aim of this development project is to create functional practices for the sale and delivery of wood energy and also to increase the volume of wood energy harvested from state forests to one terawatt hour. The project has proceeded as scheduled.

Employment for local communities

The Forestry unit reacted to the recession by exercising rigid cost discipline while still aiming to keep the volume of operations as normal as possible to avoid adverse employment impacts. Forest management and seedling stand tending measures were carried out as planned. The volume of such work will increase over the years and will continue to make up the bulk of the workload of Metsähallitus's some 650 forestry workers.

The backbone of Metsähallitus's timber harvesting and haulage operations are specialised entrepreneurs. The number of these harvester and timber truck operators amounts to around 150. Metsähallitus softened the impact of last year's decreased felling and haulage volumes by offering its contract entrepreneurs other types of work and by harvesting more energy wood. Forest road renovations and repairs were continued in compliance with the investment programme started in 2007, amounting to approximately EUR 10 million.

Innovative methods

As Finland's largest individual forest owner and wood supplier, Metsähallitus plays a key role in the development of forestry and timber harvesting methods. In addition to in-house development schemes, the Forestry unit also participates in various joint projects and research programmes. New methods were developed for harvesting energy wood, allocation of road investments, and assessment of the impact of fellings on the visual landscape.

Metsähallitus also surveyed the applicability of laser scanning for stand planning and determining the necessity of drainage repairs. The joint projects included developing training in timber harvesting methods with improved fuel economy and a joint research project with the Finnish Forest Research Institute (METLA) and other partners, extending over several years and looking into the impacts of the harvesting methods maintaining the forest cover.

Protecting biodiversity in south and north

Metsähallitus implements the goals laid down for the National Forest Programme and the Forest Biodiversity Programme for Southern Finland (METSO). As a part of the METSO programme and in compliance with the Government resolution, Metsähallitus extended the protected areas on state land by 10,000 hectares. The 104 areas to be placed under conservation were selected jointly by Forestry and Natural Heritage Services experts. These areas will be amalgamated in protected forests permanently removed from forestry use.

Significant milestones were reached in the reconciliation of forest disputes during the latter half of 2009. In August, Metsähallitus and three Sámi reindeer herders from Nellim in Lapland settled their disagreement, formerly under review in various courts of law and the UN Human Rights Committee. The agreement specifies the lands in Nellim available for Metsähallitus's forestry operations and which lands are to be excluded from felling for the next 20 years. The agreement also terminated all lawsuits between the parties.

Furthermore, an agreement was reached in a dispute of several years concerning wilderness-like forests of Central Lapland. A heated debate had been going on for a number of years about the land use in so-called Forest Lapland map areas presented by environmental organisations in 2006. A final agreement was reached in a steering group which consisted of, in addition to Metsähallitus and Greenpeace, the Regional Council of Lapland, Lapland Regional Environment Centre, Finnish Reindeer Owners' Association, and representatives from the forest industry and the Sámi Parliament. As a result of these negotiations, the sections in the most natural state in these areas will be permanently excluded from forestry by Metsähallitus's own decision. Restricted forestry use will be allowed in some areas, and some will stay open for regular forestry, taking into account the needs of multiple use.



Business Portfolio

Fresh winds in the green markets

State land and waters offer many more business opportunities than just forestry, and for Metsähallitus developing these is the responsibility of the Business Portfolio. Diverse business operations offer people employment, contracting and subcontracting opportunities – particularly in Eastern and Northern Finland, where the bulk of the state-owned land is. Diverse commercial use of natural resources promotes balanced regional development.

Metsähallitus's strategy outlines the goals for developing the Business Portfolio. The main themes are growth, profitability and innovation – the same themes are also emphasised in the National Natural Resource Strategy.

Morenia Oy offers customers soil resources and recycled products from the steel industry, and also studies the possibilities to utilise marine aggregate resources. Laatumaa offers building plots and real estate development services. Fin Forelia Oy produces tree seedlings for forests at its nurseries throughout Finland. Siemen Forelia Oy offers forest tree seeds. Eräsetti Oy and Wild North are well-regarded service providers for nature tourism. The business portfolio also includes Metsähallitus Holding Oy, a company that owns and develops the Group's investments connected to its business operations and related sectors. Metsähallitus is furthermore a shareholder in Estar Studios Oy, a location provider serving international film productions.

To promote national energy goals, Metsähallitus Laatumaa actively participates in the project development of wind farms, co-operating with players in the energy industry. Laatumaa has concluded project development contracts for wind power sites with nearly all the energy companies operating in Finland.

The combined turnover of the Business Portfolio companies amounted to EUR 50 million in 2009. Laatumaa, a business unit of Metsähallitus, and Fin Forelia Oy achieved good results, whereas Morenia Oy, Siemen Forelia Oy and the nature tourism business (Villi Pohjola – Eräsetti Wild North) reported red figures. In addition to the recession, which hampered construction and tourism, major one-off changes to inventory and goodwill weakened Morenia's and Siemen Forelia's returns.



Laatumaa

Leased plots increasingly popular

The impact of the financial downturn was felt painfully in Laatumaa's construction plot business: holiday home plot sales and leases decreased by 27 per cent from 2008. Towards the end of 2009 the outlook became markedly brighter, however, and the result for the entire year was relatively good in view of the circumstances. The popularity of plot leasing in particular increased, for the first time exceeding plot sales. More than half of all the new plot handovers to customers were leases. Laatumaa achieved a good result despite the difficult market conditions.

In Kuopio, Eastern Finland, the 98-hectare Pieni Neulamäki area was sold to the municipality for EUR 2 million. A letter of intent was additionally signed by the parties concerning an area of approximately 400 hectares, with the aim to carry out land use planning on it by means of a land use agreement.

For the land sales business, 2009 was a successful year. Laatumaa augmented the old conservation programmes with new land for EUR 1.1 million (780 ha), while the land procurement in compliance with the Forest Biodiversity Programme for Southern Finland (METSO) amounted to EUR 3.3 million. The set targets were clearly exceeded.

Operating within the framework of a funding programme started in 1996, Laatumaa had by the end of 2009 acquired a total of 122,000 hectares of land for conservation with an estimated value of EUR 205 million. The acquisitions for the METSO programme furthermore amount to 5,000 hectares, valued at EUR 20 million. These activities are now completed as regards Metsähallitus, as land acquisitions for conservation purposes will transfer entirely to the jurisdiction of the Centres for Economic Development, Transport and the Environment as of 1 January 2010.

Commercial forest land acquisitions amounted to a modest EUR 2.3 million (870 ha) because the purchases were put on hold due to a funding shortage early in the year. Land acquisitions for the Defence Forces amounted to EUR 0.9 million (170 ha). 1,360 hectares of commercial forest land was sold.

The wind power business was started up in early 2009. The two projects made public early in 2009, Mielmukkavaara in Muonio, Lapland, and the Oulunsalo-Hailuoto area in the Gulf of Bothnia, have reached the statement stage in the environmental impact assessment process. A third joint project in the Kuolavaara-Keulakkopää area in the municipalities of Sodankylä and Kittilä, Lapland, was announced in September. The staff of the wind power team increased to three persons during 2009.

Laatumaa sells and leases holiday home plots and other building land administered by Metsähallitus, and deals in forest estates. Laatumaa develops areas suitable for wind power production in co-operation with industrial operators and thus responds to the increasing demand for renewable energy.



Fin Forelia Oy Prime seedlings for Finnish forests

Fin Forelia Oy achieved a positive result in 2009, and its turnover increasing by 8 per cent compared with 2008. The positive trend in the company's earnings was created in part by the transformation started in 2008 towards a more process-oriented operational model based on well-defined and continuously developing processes.

Fin Forelia's key customers include forest management associations and purchasing rings formed by them, the forest industry, and public bodies. Customers appreciate the quality of Fin Forelia's forest tree seedlings as well as the value-adding accuracy of deliveries both in terms of quantity and timeliness.

The annual overall demand for forest tree seedlings will decrease in Finland by approximately 10 to 20 per cent during the next few years, which in seedling numbers equals 15 to 35 million. The demand for services is changing as well: instead of buying seedlings only, customers are increasingly requiring services related to the planting and tending of the stand during the first few years. Fin Forelia has taken the anticipated development in customers' requirements into account in its operations and is ready to react to the changing needs and expectations.

Fin Forelia Oy was established in 2007 through a merger of Forelia Oy and Fin Taimi Oy. In 2009, Forelia Oy was merged with Fin Forelia Oy.

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



Villi Pohjola – Eräsetti Wild North Pioneer in fair and sustainable tourism

The year 2009 was trying for the entire tourism industry. According to preliminary data from Statistics Finland, the demand for accommodation services decreased by around 900,000 overnight stays from the previous year's figure. The number of passengers on international flights to the airports of Northern Finland in December 2009 decreased by nearly one third compared with December 2008 and has shrunk by 43 per cent in two years.

Villi Pohjola – Eräsetti Wild North weathered the stormy year with less damage than the average industry company. Eräsetti Wild North's turnover for the entire year decreased and amounting to around EUR 3.7 million. As for Villi Pohjola, private cottages took up a larger share of the business while the demand for business tourism and seasonal Christmas trips decreased, and the turnover amounted to EUR 4.3 million.

Local partners and online services

Villi Pohjola – Eräsetti Wild North is a nature tour and hunting and fishing trip operator as well as a destination management company (DMC) operating Finland-wide. International customers account for more than half of its turnover. The in-house programme services are based in Lapland, in Rovaniemi and Saariselkä, while a significant portion of the services are procured from hundreds of partners, mainly small businesses, operating throughout Finland.

Villi Pohjola is a pioneer in online services: at the moment, some 60 per cent of the cottages can be reserved online. The goal is to make even weekly bookings available online during 2010. Co-operation with Villi Pohjola makes online systems and international markets a feasible reality even for small businesses.

77,522 fishing permits were sold in 2009, including more than 8,000 highly praised mobile permits. Due to low game stocks, the quota of hunting permits was smaller than in previous years. The hunting permit sales amounted to 31,909, down by 19 per cent from the previous year. The score received in a customer satisfaction survey carried out in connection with quarry feedback collection, 4.0 on a scale of 1 to 5, indicates that customers are highly satisfied with our sales services.

Cabin retreat: an ecological choice

Wild North maintains approximately 500 rental cabins throughout Finland. As an agent, Wild North added 120 new privately-owned rental cabins to its list. The usage rate of the cabins was excellent. Satisfied nature lovers want to come back for a relaxing cabin retreat time and again: 97.7 per cent of the respondents in our customer survey were willing to book a cabin again in future.

Our operations are based on respect for the natural environment and conservation of nature, raw materials, energy and water. Wilderness cabins are heated by wood, and the lighting is provided by

candles and lanterns. Customers are instructed to sort their waste. The amount of waste is minimised, and recycling is arranged as appropriate.

Villi Pohjola is a pioneer of fair and sustainable tourism in Finland. We have been certified under the ISO 14 001 environmental management system for over a decade. Eräsetti Wild North was the first Finnish tour operator to upgrade its snowmobile fleet to fuel-thrifty four-stroke vehicles in compliance with the company's new sustainable tourism policy, attracting praise from both customers and our own staff.

The Villi Pohjola – Eräsetti Wild North business unit offers nature tourism and outdoor experiences set in Finland's pristine natural environment. Villi Pohjola – Eräsetti Wild North is a leading Northern Scandinavian operator in hunting, fishing, nature and adventure tourism as well as a pioneer in fair and sustainable tourism.



Siemen Forelia Oy Cultivated seed for enhanced quality

Siemen Forelia Oy delivered to the markets a wide range of highly cultivated forest tree seeds. The genetic improvement of forest seed has greatly benefited the quality and hardiness of trees and may increase their volume growth by up to 20 per cent. Siemen Forelia sold seeds throughout Finland and tested a record quantity of cultivated seed applicable in southern Lapland.

In 2009, Siemen Forelia started up a new biofuel power plant utilising domestic renewable fuels for heat production at its Saarijärvi seed extractory. The Rovaniemi seed centre launched a joint seed testing programme with the Finnish Food Safety Authority's (Evira) Loimaa unit and, in germination processes, adopted procedures even closer to the International Seed Testing Association's standards.

Siemen Forelia has taken further steps in the development of the quality chain for forest tree seed supplies, both internally and externally in co-operation with the Finnish Forest Research Institute (METLA). Siemen Forelia's seed orchards are located throughout the country from the southern coast to Lapland. Towards the end of the year, an efficiency boosting programme on the utilisation, condition and quality of seed orchards was started jointly with the authorities. Siemen Forelia also started its own development schemes aimed at improving the efficiency and quality of internal processes.

Due to a very poor seed harvest, the yield from seed collected in 2009 remained low. The company's financial result was negative. Impaired goodwill was written down.

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



Morenia Group Solid as a rock

Morenia's turnover decreased in 2009 for the first time in 13 years. The reduction was approximately 25 per cent, roughly equalling the industry association Infra's estimate for the entire industry.

Morenia's biggest customer projects in 2009 were the construction of a motorway on no. 4 main road at Kemi, repairs on the Ostrobothnia trunk railway line, the Hanhima–Kiistala road project, and embankments for the Defence Forces. Morenia additionally delivered aggregates for concrete plants. In 2009, Morenia's traditional aggregate business service portfolio was expanded with mineral supplies to industrial users. The opening of new extraction sites close to growing urban centres increased Morenia's share of the aggregate market in Kuopio and, towards the end of the year, also Tampere's western region.

Morenia Group's turnover for 2009 amounted to EUR 23 million (approx. EUR 30 million in 2008). The production facilities reacted effectively to the decrease in turnover. The profit was in particular burdened by fixed costs based on the assumption of continuing growth, availability problems with recycled products, and non-recurring stocktaking measures. Despite the challenging market situation, Morenia achieved clearly positive cash flow from business operations.

Morenia's local entrepreneurs, who operate the extraction sites, make up an essential part of our customer-service chain, particularly regarding contacts with private builders and other retail customers. Our diverse services cover aggregate sales, loading, delivery and even small-scale contracting. Thanks to the well-functioning distribution network, Morenia's highly professional in-house sales organisation can focus on serving key customers.

According to Statistics Finland, the entire infrastructure industry has been suffering from stagnant profitability for several years. The industry is looking for new business models and innovations to eliminate any inefficiencies and lost opportunities hindering profitability improvement. Morenia started up its own productivity improvement programme in early 2009 and also participates in the industry's joint productivity project (TUKEFIN).

Morenia is starting its 15th year of operations with a new mission: "The most durable solutions from stone – Finnish stone".

E. Hyvönen's turnover (EUR 2.1 million) remained on par with the 2008 level. The company engages in civil engineering and aggregate contracting, crushing services, municipal engineering, road maintenance contracting, rental of machinery, including operators, and abnormal load transports.

Morenia Baltic OÜ's operating profit for 2009 was marginally positive despite the exceptionally strong impact of the global recession in the Baltic region, but the company's turnover decreased

even further from last year's level. The market was characterised by the entry of new international players with an aggressive competitive approach and, as a result, by intensive price competition. Many construction projects planned for 2009 were furthermore postponed to a later date.

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



Natural Heritage Services

Attractive protected areas benefit local economies

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

NHS holds the stewardship of national parks and other nationally important protected areas. In 2009, NHS fine-tuned its already highly efficient operations and achieved a productivity increase of nearly five per cent. The Ministry of the Environment allocates to NHS most of the funding set aside by the Parliament for nature protection and outdoor recreation. The Ministry of Agriculture and Forestry additionally provides funding for operations such as maintaining hiking areas and for the control of fishing and hunting. Most of the funding for game and fishery management comes from fishing and hunting permits, however.

These funds benefit society in several ways. A comprehensive, well-managed network of protected areas is an important remedy against the loss of biodiversity as well as a part of the solution for adapting to and combating climate change. Nature's treasures also yield financial benefits: according to a study implemented by NHS and the Finnish Forest Research Institute (METLA) in 2009, the state funds invested in the hiking facilities of national parks and hiking areas stream back to benefit the local businesses and jobs many times over.

Wealth of information to aid decisions on protection and usage policies

The implementation of the National Forest Programme and the Forest Biodiversity Programme for Southern Finland (METSO), covering the whole of the country below Southern Lapland, started in compliance with a Government resolution in 2008 and will continue until 2016. NHS is in charge of the data collection from and nature management in protected areas in compliance with METSO, and in Southern Finland also in private conservation areas.

The Forestry and NHS units jointly selected 10,000 hectares from state-owned managed forests for additional conservation in compliance with the METSO targets. These areas, permanently set aside from forestry use, will link with the existing protected areas and thus help to secure the biodiversity of forest habitats in Finland.

Metsähallitus's METSO-related operations are based on data collected through inventories and stored in a geographical information system (GIS) involving both private and state-owned protected areas. In 2009, inventory data on habitat types from 11,000 hectares of state-owned protected areas and from nearly 7,000 hectares of private protected areas was stored in the GIS. A large number of

species-specific inventories were also carried out, the most intensively studied groups of species being birds, bracket fungi, lichens, mosses and beetles.

1,700 hectares of forests and forested mires underwent restoration in state-owned protected areas within the scope of the METSO programme. Management measures were taken in herb-rich forests and other valuable habitats both on state land and in private reserves. Metsähallitus monitors the cost efficiency of the restoration and nature management programmes in co-operation with METLA.

Ecological inventories have been actively carried out also north of the METSO area, in more than 35,000 hectares of Central Lapland's eutrophic peatlands and northern fell areas. The scope of the inventories furthermore includes ancient relics and settlement sites, hunting grounds, and other objects of cultural heritage in the areas concerned.

Inventories of both ecological value and cultural heritage are necessary for planning the use of the areas to reconcile the conservation values and the needs of activities such as nature tourism. Entrepreneur and visitor surveys are also carried out at the most popular nature tourism destinations. Drawing on this information, Metsähallitus prepared long-term management and land-use plans for several areas, including the Seitsemien, Liesjärvi, Riisitunturi, and Perämeri National Parks in 2009. The opinions of the authorities as well as local business owners and residents are taken into account during the planning stage.

NHS biologists inventoried underwater marine habitats by scuba diving in an area totalling nearly 6,000 hectares, including archipelagos off Rauma and Ekenäs. The inventories help to decide on the correct allocation of protection measures. NHS is furthermore participating in the EU Life+-funded FINMARINET project started in 2009, and continuing up to 2012, to survey the marine Natura 2000 sites.

Saving the Saimaa Ringed Seal: emphasis on voluntary restrictions on trap-net fishing

The protection of the Saimaa Ringed Seal was heatedly debated in Finland in 2009; no more than 44 pups were born, out of which six had already died in the nest. The number of seals found dead in fishing gear in 2009 amounted to six, while there were a further 12 individuals for which the cause of death remains unknown. The Ministry of Agriculture and Forestry set the target to increase the coverage of voluntary fishing restrictions to 1,500 square kilometres for the spring season, during which the hazard of becoming entangled in nets is most significant for pups. The goal was nearly reached by the end of the year, as agreements were concluded between Metsähallitus and the concerned associations for joint ownership of water areas. 96 per cent of the known pups born in 2000 or thereafter were born in the area covered by the present agreement.

Metsähallitus is responsible for promoting the nation-wide protection and population monitoring programmes for specific threatened species. Several voluntary activists participate in these programmes by checking nests for breeding success. Of the bird species, the White-backed Woodpecker population has continued to gain strength, and the Peregrine Falcon achieved above-average breeding results, while those of Northern Finland's White-tailed Eagle population were at the average level. The breeding success of the Golden Eagle and the Gyrfalcon was very poor due to low prey populations.

Local businesses benefit from national park and hunting area facilities

The number of visits to national parks reached 1,943,500 – an all-time high. The estimated total number of visits to all outdoor destinations maintained by Metsähallitus in 2009 amounted to 4.7 million.

The funds the state has invested in nature conservation and free-of-charge hiking facilities lays a solid foundation for the long-term development of the commercial tourism business. NHS co-operated with METLA to develop a new calculation model, basing on an American system, to systematically estimate the impact of Finland's protected areas on local economies. According to the results published in 2009, the funds invested in the most popular destinations bring up to a 20-fold return in the form of local income.

Hunters and fishermen visiting northernmost Finland also benefit the local economies by bringing in millions of euros, which compensate for the funds allocated for the management of hunting and fishing resources.

Sustainable game and fish stocks secure the future of recreational hunting and fishing

NHS closely monitors the game and fish stocks on state land as well as the catch and kill numbers, and accordingly controls the numbers of issued hunting and fishing permits in order to maintain sustainable populations. The hunting quotas are based on the long-standing triangulation monitoring programme, and a pointing-dog-assisted transect count method adopted in Northern Lapland. NHS personnel additionally monitor the catch and kill numbers using a computer system for game planning and monitoring (RSSJ).

An operational model for active management of game habitats developed by NHS was adopted as a part of the normal planning procedure for managed forests. A total of 500 hectares of bird wetlands, pine swamps and peatland habitats of the Willow Grouse underwent restoration.

While fishermen have for some time been able to purchase their permits by mobile phone, a similar service was now also launched for a number of hunting permits in 2009. By calling the automated numbers, one can procure a short-term permit for small game other than wildfowl.

The filing of specific permit applications online was also made possible in 2009, and half of the applicants immediately made use of the system. The total sales of various hunting permits amounted to 31,900 and fishing permit sales to 77,500, while the number of awarded snowmobile trail permits was 6,839.

Measures to diversify fishing and transform the current structure of fishing gear were started by means of additional funding granted in 2009. Metsähallitus participated in the renovation of forest streams to increase trout spawning areas in the Northern Ostrobothnia region and in the management measures for supporting professional fishing in the reservoirs of Lapland.



Social responsibility

Responsible operations

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

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

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

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

Restrictions were applied on 18 per cent of the forested land area used by the Forestry unit in 2009 to promote biodiversity, recreation, reindeer husbandry and Sámi culture. The restrictions concerned 632,000 hectares of forest included in Metsähallitus's profit targets. 39 per cent of this area was completely excluded from forestry use and 61 per cent was in limited use. The restrictions applied to forests and land use resulted in a calculated decrease of EUR 38 million in Metsähallitus's operating profit. Factors related to reindeer husbandry, Sámi culture and employment promotion resulted in an operating profit decrease of EUR 7 million.

Youth outreach an important aspect of Metsähallitus's activities

Metsähallitus actively promotes knowledge of forest- and nature-related themes among young people, both at its own locations and in co-operation with other nation-wide actors. Metsähallitus is an active partner in the Finnish Forest Association's co-operation with schools. In 2009, Metsähallitus helped to organise the national forest quiz for school pupils as well as forest-themed outings and weeks around Finland. Metsähallitus is also a member of the Finnish Association for Environmental Education, and functioned as the main sponsor of the national Environmental Education Days.

Last year, Metsähallitus's customer service outlets and locations in the field provided guidance for 20,470 children and teenagers. Nuuksio National Park was the first in Finland to start up Junior Ranger learning and exploration activities for 11 to 15-year-olds. Proceeds from the timber auction to celebrate Metsähallitus's 150th anniversary were used to implement several youth-oriented projects jointly with vocational schools active in the field, the Lusto Finnish Forest Museum, and the Guides and Scouts of Finland.

Metsähallitus is also a major employer of young people. During 2009, 130 persons under 25 years of age worked at Metsähallitus units in long-term seasonal work or trainee positions. 83 comprehensive school pupils additionally spent two work experience weeks with Metsähallitus. Forest regeneration work, mainly in Northern Finland, offered an intensive work stint of a few weeks for 400 teenagers.

Youth initiatives started up during the jubilee year will be further developed. One example is the Pilke exhibition to be built in Rovaniemi, where emphasis will be on creating learning environments suitable for schools and starting up Junior Ranger activities in Lapland.

Metsähallitus celebrated its 150th anniversary

Metsähallitus completed its 150th year of operations in 2009, and celebrated the jubilee in high spirits, with due respect for the past but also with a strong focus on the future. The events recounted the meaning of forests and forest administration for Finnish society, including the nation's turning points, cultural heritage, and cultural reinvention.

The jubilee year started out on 12 May with the publication of Metsähallitus's 150th anniversary book 'Forest state – Metsähallitus and Finland 1859–2009', authored by Veijo Åberg, MA, and Antti Parpola, M.Sc., from Oy Spiritus Historiae Ab. The weighty assessment of the national forest administration's significance as a part of Finnish society was nominated for the 2009 Tieto-Finlandia, the country's most prestigious literary prize for non-fiction.

Various anniversary events were organised for Metsähallitus's personnel, stakeholders and customers. The main celebration took place in the historical hotel Aulanko in Hämeenlinna on 13 May where more than 450 guests enjoyed a programme kicked off with a traditional timber auction, the proceeds of which Metsähallitus donated to various programmes supporting forest-related education for children and teenagers throughout the country. During an afternoon walk, the guests had a chance to admire the nearby park forest preparing for the spring and the inquisitive white-winged inhabitants newly reintroduced to the old swan pond. The day was rounded off with a forest banquet.

Thousands of visitors to exhibitions and events

Metsähallitus was featured in two jubilee exhibitions. 'Encounters in the Forest' was created jointly with the Lusto Finnish Forest Museum and distilled the agency's firm societal links and the related upheavals as well as the changes in forest-related values into a dramatic journey through time. The exhibition, which in addition to the Lusto museum at Punkaharju in Southeast Finland, also appeared in Arktikum, the Provincial Museum of Lapland in Rovaniemi, was seen by nearly 49,000 people.

The 'Time Tree' exhibition toured Metsähallitus's own customer service outlets, accounting for the agency's operations throughout the decades as seen through the eyes of children and teenagers. More than 52,000 visitors saw the Time Tree at various locations. The exhibitions will go continue their tour of regional museums and other locations until the end of 2010.

The jubilee was further marked with 45 other events across the country, attracting more than 4,000 visitors and including concerts at northern hiking destinations as well as forest-themed movies at the National Audiovisual Archive in Helsinki. The events enjoyed extremely positive feedback. Many of them were successfully realised together with new co-operation partners.

Timber auction brought wood and forest closer to home

Proceeds from the timber auction were used to fund various causes: 20 schools in the capital region went on excursions to follow the route of timber from forest to sawmill and afterwards created wooden objects at school. The young craftsmen's and -women's work was exhibited at the Helsinki Forest Fair. Some of the funds were used to complete underground infrastructure at a youth camp centre in Evo, Southern Finland. Youngsters in Rovaniemi brainstormed novel forestry practices, and a regional vocational school in Oulu will use the donation to develop renewable-energy-related training equipment. More than 20 school classes from the South Savo and Kymi regions will have

the opportunity to learn about the use of forests at the Lusto Forest Museum's workshops during spring 2010.