ANNUAL REPORT OF THE STATE'S OWNERSHIP STEERING

2013

OWNERSHIP STEERING
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State assets meant to serve all of Finland

As I assumed my current position as the minister responsible for ownership steering in October 2013, the present annual report mostly covers the period when my predecessor Heidi Hautala held this office. I wish to extend my warmest thanks to her and the entire staff for ensuring a smooth transition.

By that time, many important processes to develop ownership steering were already under way: executive remuneration and incentive rewards, tax footprint reporting, and gender equality on boards of directors.

Progress has been made in all these issues. A major step forward was taken during the spring in tax footprint reporting. A decision was made at the Government that all state majority-owned companies will in future be required to submit a tax footprint report as part of their sustainability and corporate responsibility reporting. I hope that the example set by state-owned companies will encourage the private sector to follow suit.

During the past year, ownership steering was repeatedly a subject of lively debate. As a system, central ownership steering exercised in respect of 27 companies by the Prime Minister's Office and in respect of 12 listed companies with a non-controlling state interest by Solidium is relatively new.

In the context of the day-to-day operations of companies, decisions are affected by a range of considerations: corporate finances, expected return, outlook for the future, employment opportunities, the environment, and regional policies. First and foremost, the Ownership Steering Department seeks to ensure that the companies remain vigorous and continue to benefit the State and the country at large.

Additionally, the decision made by the Government in the 2104 spring spending limit session imposed new expectations on ownership steering. The plan is to reduce the budget deficit by selling assets.

Many believe that the primary focus in ownership steering is now on divesting assets. This is not the full story. Investments have been made and shares purchased both in 2013 and in the current year to support domestic production and promote innovation.

When assets are divested the deals are not made in a bazaar – the price and the buyer must be right from the State's point of view. Consequently, the sales processes may be time-consuming.

The State will continue to play an important role in creating jobs and diversifying industry in Finland. At its best, the State may serve as an enabler of new functions and fields of activity. Prime examples of this are a number of significant infrastructure projects being launched that will be of major importance to the future of Finnish industry.

Of all the responsibilities a company has, the most important is to remain competitive and financially profitable.

A sub-sea data cable is being laid from Finland to Germany, which will subsequently be connected to the cable network running along the Finnish railway system. This will facilitate new ICT investments throughout the country.

New energy sources will become available to industry and the cost of energy will be reduced as a result of access to liquefied natural gas. The creation of the LNG network is also important to safeguarding Finland's access to vital resources.

Of all the responsibilities a company has, the most important is to remain competitive and be financially profitable. The Ownership Steering Department seeks to monitor and contribute to this and other corporate responsibility issues as effectively as possible. State assets are not just faceless capital investments – they are meant to serve all of Finland.

Pekka Haavisto
Minister responsible
for Ownership Steering

The State's mission is to enable

The year 2013 was highly interesting in terms of the management of the State's corporate assets. The combined holdings of the various ministries, worth around EUR 30 billion, inspired a lively debate. Underlying this interest as the common denominator was society's role and the State's ability, resolve and potential to influence corporate developments. One of the most keenly debated issues was the significance of state holdings as part of central government finances. The exchange of views on this subject is expected to continue.

The State exerts influence because it owns shares in companies. However, ownership is not an end in itself – there is a purpose to it. When the State's total corporate assets consist of holdings in 60 companies with over 200,000 employees in Finland and abroad, a more analytic debate on the premises of this ownership is called for. It will spur all the parties to improve performance since effective operations are in the best interest of all stakeholders.

The State is an exacting owner and the influence it exerts is based on good governance. This is reflected in board appointments and the State's active cooperation with boards of directors, in particular with the chairs of boards. Board appointees are professionals who are able to contribute to a company's profitable growth and development, and increase shareholder value. There is no room for free riders. The ever-changing challenges facing companies must also be reflected in the composition of the boards.

Beside shareholder value, another important value for the State as an owner is the long-term approach. Boards of directors cannot manage companies exclusively on the basis of accounting figures disregarding the rest of society. An excessive focus on quick profits is often self-defeating, like scoring an own goal. Long-term value generation requires that companies give due consideration to society, which must not be taken to mean that financial performance targets should be compromised.

During 2013, there was also an active debate on the extension of ownership bases. The State should focus on fields of activity and projects that the private sector finds hard to finance on a long-term basis. For example, it is natural for the State to be involved in the energy sector, a highly regulated industry where the investment horizons spans decades. Another natural sector is logistics. For a country like Finland, it represents an extremely important area and today even an opportunity. At the same time, the State must be an enabler. It may become involved in telecommunications, gas and railway networks – but only on private sector terms and so that the private sector ensures competition.

Right now the future looks highly interesting. Europe and other markets important to Finland are facing major challenges. At the same time, Finland is undergoing a structural change that will affect our basic industry in particular. Additionally, advancing digitalisation creates big pressures for change, especially in the service sector. Typically, the significance of state ownership is highlighted in times of crisis. The State is in a position to exert influence because it is an owner.

State holdings are highly significant in terms of balancing the government budget and earning revenues. Through active ownership, the State cannot only manage all its existing assets effectively, but also infuse capital to companies that generate economic growth. Similarly, funds can be allocated to new business as well as evolving entrepreneurial activities in various stages of development. The existence of a well-functioning capital market in Finland is of great importance to the State. From the perspective of these challenges, structural solutions and resource allocation issues will gain importance in the future.

I wish to thank all the stakeholder groups associated with the State's corporate interests for the work done in 2013. Joint efforts to achieve the common goal will continue. The future is full of opportunities.

Eero Heliövaara
Director General

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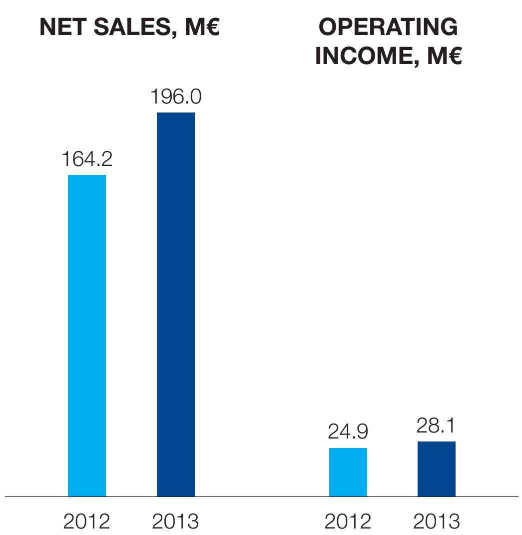
Increasing shareholder value and long-term approach are the most important values for the State as an owner.

Improved performance by many state-owned companies

Ekokem grows through acquisitions

Ekokem's net sales grew by 19.4 per cent to EUR 196.0 (164.2) million in 2013. Growth was mainly due to solutions that improve materials and energy efficiency, investments in activities supportive of the business, acquisitions and the successful completion of productivity-enhancing projects. The operating income increased to EUR 28.1 (24.9) million representing 14.3 per cent of net sales.



Patria

Patria achieves high return on capital employed

For the second year running, Patria's return on capital employed exceeded 25 per cent. The strong growth of net sales continued reaching EUR 824.8 (736.1) million. The operating income was EUR 97.1 (87.0) million. The number of new orders increased clearly year-on-year; despite this, however, the order stock shrank because the volume of defence procurement is declining.

Return on capital employed 25.6%

Destia puts in its best performance ever

Uncertainty in the economy continued during 2013, which had a negative effect on the operating environment in infrastructure construction and on the availability and price of project financing. Despite the challenging market conditions, Destia succeeded in improving its profitability for the third year running. In 2013, the company put in its best financial performance ever. Net sales were EUR 489.7 million and the operating income EUR 18.9 million.

Operating income 18.9 M€

NESTE OIL

The comparable operating income for renewable fuels reached EUR 273 million as opposed to a loss of 56 M€ in 2012

Neste Oil's production capacity for renewable fuels fully in use

The year 2013 was the first full year of operation, during which all the production capacity for renewable fuels was in use. The all-year operating income of renewable fuels was EUR 273 million while the corresponding figure for 2012 was EUR 56 million in the red. Net sales of the fuels totalled EUR 2,493 million. The first 170,000-tonne production plant for renewable fuels was completed in Porvoo in 2007. Today, with a production capacity of two million tonnes a year, Neste Oil is the world's leading producer of renewable diesel. The company's two 800,000-tonne renewable diesel refineries are located in Singapore and Rotterdam in the Netherlands. Additionally, the Porvoo refinery boasts two renewable diesel plants.

The volume of data communications is predicted to triple by 2017.

Sub-sea cable from Finland to Germany

As part of its structural policy programme, the Finnish Government urged the Ownership Steering Department to ensure the completion of the laying of the sub-sea cable between Finland and Germany as quickly as possible. A direct, high-quality data connection to Central Europe will greatly improve the operating conditions of the ICT sector in Finland and make it easier to connect to global networks. The project is of great national importance as it reinforces Finland's role as a leading actor in the expanding digital economy. A fast network creates favourable conditions for Finnish and foreign growth companies. It is estimated that the volume of data communications will triple by 2017. International investments and growing entrepreneurial activity, in turn, stimulate the entire economy and improve employment.

For the purpose of the laying of the sub-sea cable, the wholly state-owned Governia Oy acquired Corenet Ltd. Corenet offers network solutions and services of the highest standard to companies and organisations. Initially, Corenet will be a wholly state-owned company to be converted into an international holding company owned jointly by the State of Finland and institutional investors to assume responsibility for the construction and maintenance of the sub-sea cable.

State Security Networks Ltd applies GRI's new G4 Sustainability Reporting Guidelines

State Security Networks Ltd has developed its corporate responsibility reporting in accordance with GRI's new G4 Sustainability Reporting Guidelines. Reporting by the company meets the requirements of "in accordance" option core.

STATE
OWNERSHIP STEERING

The State's actions as an owner are governed by the State Shareholdings and Ownership Steering Act ('Ownership Steering Act') effective as of the beginning of 2008.

The key objectives and principles for the ownership steering policy are established in the Government Programme for the entire electoral period.

The key principles and operating procedures of ownership steering by the State are set out in the Government resolution on state ownership steering policy.

State ownership policy and steering

Primary objectives

Company development

Promotion of sustainability and corporate responsibility

Support for long-term growth in shareholder value

Main tools of ownership steering

- Meetings of shareholders
- Board appointments
- Investments in management resources and promotion of executive commitment by the owner
- Promotion of good governance
- Independent corporate analysis and ownership strategy
- Promotion of sustainability and corporate responsibility

Organisation of the State Ownership Steering

PARLIAMENT

Regulates the scope of state ownership

Approves incorporations

Allocates budget funds

Government PLENARY SESSION

Decides on acquisitions and divestments

Approves general principles

CABINET COMMITTEE on Economic Policy

Issues the Government resolution on state ownership policy and the statement on executive remuneration, and addresses the issues presented to it

Companies operating on a commercial basis

OWNERSHIP STEERING DEPARTMENT, Prime Minister's Office

Minister Pekka Haavisto

Corporate analysis, ownership strategy and support functions

19 people

Responsibility for ownership steering

27 companies at the end of 2013

Solidium Oy

Wholly state-owned holding company

Portfolio contained shares in 12 listed companies at the end of 2013

Own Board of Directors and CEO

Special assignment companies

OTHER MINISTRIES

7 ministries

Responsibility for ownership steering

21 companies at the end of 2013

Operation and objectives of ownership steering

This annual report provides an overview of state ownership steering in companies that the State Ownership Steering Department in the Prime Minister's Office was responsible for in 2013. At the end of the reporting period, such steering was exercised in respect of 27 companies. Of these, three were listed companies, 21 non-listed companies operating on a commercial basis and three special assignment companies with a specific state-defined mission. At the end of the period, the number of special-assignment companies handled by other ministries was 21.

Solidium Oy, a wholly state-owned holding company, is one of the companies controlled by the Ownership Steering Department. The company is discussed in the Department's annual report in connection with portfolio analyses. At the end of the reporting period, Solidium's portfolio included shares in a total of 12 companies. The company publishes its own annual report.

Operation of ownership steering

The Government Programme announced in June 2011 defines the key objectives and principles established for the ownership steering policy for the entire electoral period. The Government resolution on ownership steering policy announced in November 2011 outlines the key principles and operating practices of ownership steering by the State.

The State's actions as an owner are governed by the State Shareholdings and Ownership Steering Act (1368/2007, hereinafter 'Ownership Steering Act') enacted at the beginning of 2008. The Ownership Steering Act regulates the State's role as an owner in all companies. No exceptions are made in the Act to the provisions of the Limited Liability Companies Act or any other laws relating to companies.

The state ownership policy and related norms and decisions apply, a priori, equally to listed and non-listed companies. In reality, all significant differences between listed and non-listed companies in the context of ownership steering are due to the securities market legislation governing listed companies. Another substantial difference exists between commercial companies and special-assignment companies. As the latter perform a specific function assigned by the central government, they may focus on fulfilling such a special function as well and as efficiently as possible rather than aiming at maximum financial performance.

State ownership steering must be exercised in a manner that permits contacts between the companies and the State in its capacity as a major owner. All insider trading rules are complied with without exception; companies' plans and business secrets are treated in the strictest confidence; and non-disclosure of the State's business secrets concerning the management of its ownership policy is duly ensured. In terms of practical ownership steering, there is a fundamental distinction between listed and non-listed companies because the latitude given to the management of listed companies to inform a single shareholder is strictly limited.

In distinction to previous statements, the recent resolution places greater emphasis on sustainability and corporate responsibility. As an owner, the State calls for transparency in all corporate activities, respect for the employees, and responsible action with regard to the environment. When appointments are made to boards of directors and executive management, due consideration must be given to the attainment of equality objectives by ensuring that both genders enjoy equal opportunities for career advancement. Management incentives must aim at securing competitiveness using criteria based on long-term financial performance and overall success, and the principles of fairness and restraint. All wholly state-owned companies and non-listed companies with a state majority interest are required to prepare a specific corporate responsibility report or include it in their annual reports as a clearly distinguishable section. It is hoped that other non-listed companies with state involvement do so as well.

The opinions issued by the Cabinet Committee on Economic Policy also include statements on incentive remuneration at state-owned companies. Companies in which the State exercises majority control are to follow these opinions, while associated companies are encouraged to apply them where possible. Responsibility for the application of, and compliance with, this instruction in respect of the State rests with the boards of directors. The latest instruction on executive remuneration was issued on 13 August 2012.

The primary channel of communication used by the Ownership Steering Department is its website at www.valtionomistus.fi. The site provides information on the latest developments in state ownership steering, regulations and policies governing ownership steering and topical issues related to companies.

Objectives of ownership steering

As an owner, the State seeks to maximise the overall financial and social benefit in the management of its assets. The financial benefit generated by the companies consists of dividends and potential extensions of the ownership base. The social benefit accrues as a result of the State's actions as an owner in a society where changing social needs have to be considered at every turn.

At the same time, the management of State holdings must be controllable and enjoy public confidence – the basis for this being that the State is a consistent and predictable owner whose holdings contribute to the long-term development of the companies and their shareholder value. The main tools of ownership steering include board appointments; the owner's focus on management resources and executive commitment; the promotion of sound governance; independent corporate analysis; and the preparation of the ownership strategy with due regard to sustainability and corporate responsibility.

As an owner, the State shall act transparently and responsibly. Its policies must enjoy confidence on the securities market in order to ensure that the State's involvement as a major owner will not diminish the value of the listed companies included in its investment portfolio. At the same time, the business associates and competitors of the commercial companies must be able to trust that such companies enjoy no special privileges because of State shareholdings. State-owned companies must operate in the marketplace in accordance with the principle of competitive neutrality.

State ownership websites

Ownership steering: www.valtionomistus.fi

Prime Minister's Office: www.vnk.fi

Remuneration based on the attainment of ambitious business goals

In August 2012, the Cabinet Committee on Economic Policy issued a new statement on remuneration of executive management and key individuals in state-owned companies. The statement duly notes that the State acts as an owner in a wide variety of companies with varying percentages of holdings. At companies operating on a commercial basis, the level of remuneration differs from that of special-assignment companies. Similarly, the bonuses paid by listed companies are different from those paid by non-listed companies.

State-owned companies are all companies in which the State holds interests. Listed companies include all state-owned companies listed on the NASDAQ OMX Helsinki Stock Exchange (including Solidium-owned companies) while commercial companies refer to all non-listed state-owned companies engaged in business activities. All other state-owned companies are special assignment companies (including the VTT companies). The following information pertains to chief executive officers and all the figures indicated are median values. The reference data are based on companies listed on the NASDAQ OMX

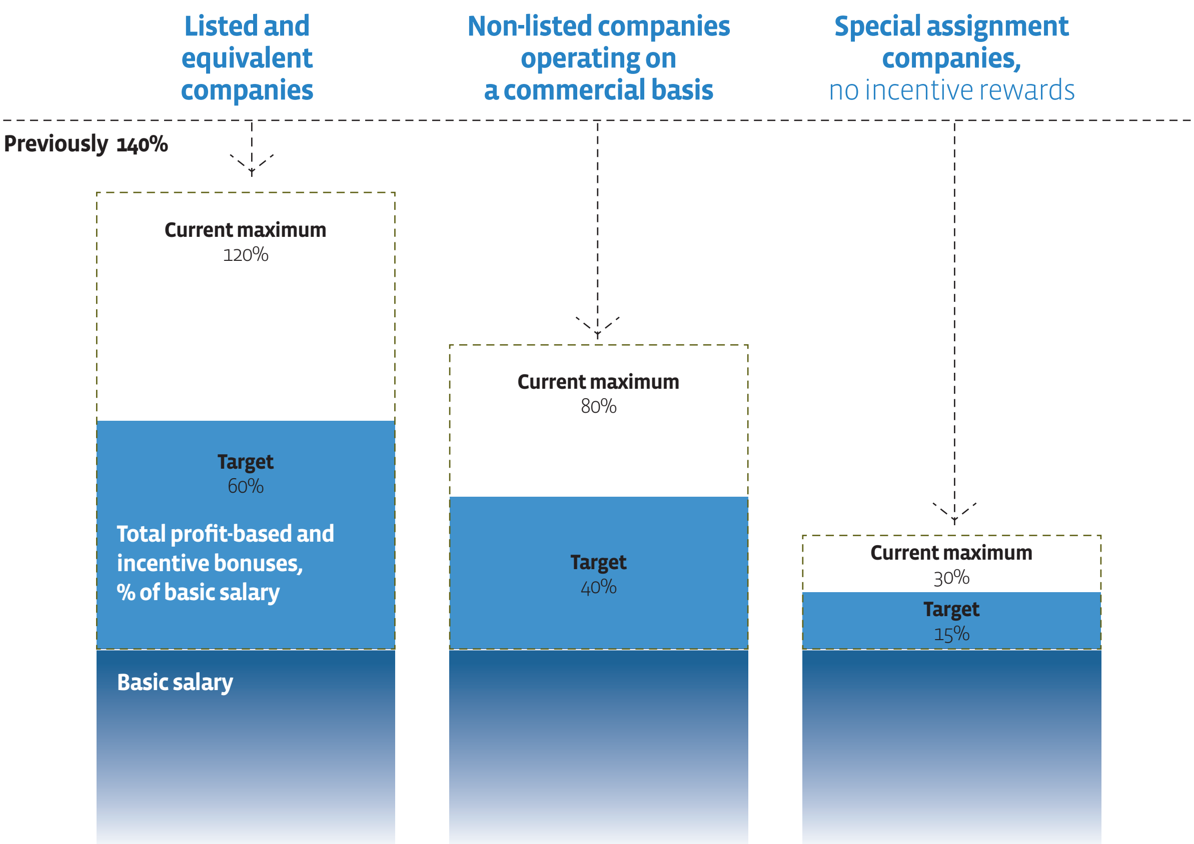
Helsinki Stock Exchange as well as large cap (net sales over EUR 500 million) and mid cap non-listed Finnish companies (net sales under EUR 500 million).

Fixed basic salary means taxable monthly income inclusive of the basic salary and any perquisites measurable in monetary terms. Fixed monthly salaries have been rounded up to the nearest thousand euros. Profit-based compensation means a bonus paid on the basis of annual profits or financial performance. Long-term incentives include share-based plans, long-term cash bonuses or similar items with a stay or earning period exceeding one year. Supplementary pension is a pension complementary to the statutory pension system. In a defined-benefit system, the amount of pension is predefined usually based on pay history or part of it. In an accrual-based system, the pension premium is pre-defined and the amount of pension determined by accrued premiums and the return on such premiums.

On the whole, the fixed monthly salaries of the CEOs in state-owned companies are on a par with the market levels. At listed state-owned companies, the medium fixed monthly salary is EUR 52,000 (EUR 51,000 in 2012), which corresponds to the market rate at companies of equivalent size listed on the NASDAQ OMX Helsinki Stock Exchange. At state-owned commercial companies, the CEO's median monthly salary is EUR 18,000 (EUR 17,000) and at special assignment companies EUR 14,000 (EUR 14,000). In large cap companies, the market median in 2013 was EUR 29,000 and in mid cap companies EUR 17,000. During 2012–2013, the fixed salaries increased moderately at the market rate of approximately two per cent.

At state-owned companies, the profit-based bonuses earned in 2012 and paid out in 2013 were 11 (13) per cent of the fixed salary. At listed state-owned companies, the profit-based bonuses were 24 (28) per cent of the fixed

Bonuses and incentives



According to the statement of the Cabinet Committee on Economic Policy, executive remuneration at state-owned companies must be governed by the principles of transparency and fairness. The levels of remuneration must be based on sufficiently ambitious criteria and steps need to be taken to ensure that the incentive schemes do not lead to excesses.

salary, the corresponding figures for commercial companies and special assignment companies being 8 (5) per cent and 11 (10) per cent of the fixed salary, respectively. In 2013, the market median was 25 per cent for listed companies, 17 per cent for large cap companies and 8 per cent for mid cap companies.

In 2013, the profit-based bonuses paid out at state-owned companies were 47 (50) per cent of the fixed salary. At listed state-owned companies, the profit-based bonuses were 41 (43) per cent of the fixed salary, the corresponding figures for commercial companies and special assignment companies being 20 (40) per cent and 52 (55) per cent of the maximum, respectively. In 2013, the market median was 43 per cent of the maximum for listed companies, 50 per cent for large cap companies and 48 per cent for mid cap companies.

About one third of the CEOs at state-owned companies had a long-term incentive plan in place. The bonuses paid under such long-term plans vary significantly from year to year since the earning periods are long and the bonus-

EU Commission's proposal for directive

Aiming at long-term shareholder value

In April 2014, the European Commission issued a proposal to amend the existing Shareholder Rights Directive. As a result of the proposal, the remuneration plans of the chief executive officers of listed companies would be put to a shareholder vote which would strengthen shareholder engagement. While the objectives of the proposal are commendable, a number of challenges in its practical implementation call for further analysis.

The main goal of the proposal to amend the existing directive is to promote long-term investments in the European market. Aside from remuneration, the proposal addresses the regulation of insider trading and transparency requirements for institutional investors and asset managers.

According to the proposal, listed companies would be required to draft a remuneration policy to be put to a shareholder vote every three years. As part of the remuneration policy, the meeting of shareholders would also determine the maximum level of executive pay. The policy would also need to explain how it contributes to the long-term interests of the company and explain the ratio between average employee pay and executive pay. Additionally, a report on the implementation of the remuneration policy would have to be prepared annually for presentation to the shareholders.

Main benefit: more careful determination of the remuneration criteria

Executive remuneration should always encourage activities that maximise the long-term value creation to shareholders. Few people are likely to disagree with this principle. However, in a world of quarterly reporting, the performance of listed companies is evaluated in the capital market from a very short-term perspective, which often leads to the establishment of short-sighted objectives. For this reason, the EU Commission wishes, through the proposal, to encourage listed companies to turn their attention to more long-term objectives and support a lasting commitment to these goals on the part of both the executive management and shareholders.

I endorse the idea of shareholders having a direct say on executive pay and the general remuneration policies applied by the company. However, it is clear that these principles cannot be determined by the meeting of shareholders. Instead, they have to be carefully prepared by experts and the board of directors before presentation to es are not paid every year. As a result, the bonuses paid under the long-term incentive plans are not comparable at the annual level.

About 40 per cent of the CEOs at state-owned companies had a supplementary pension plan in place. Of the CEOs of state-owned listed companies, over 50 per cent had a supplementary pension plan, the corresponding figures being 60 per cent for commercial companies and about 20 per cent for special assignment companies. Most of these supplementary pension schemes were accrual based with only a few isolated defined-benefit plans remaining. The annual premiums of the CEOs' supplementary pensions were around 20 per cent of the fixed annual pay. Of the CEOs of the listed reference companies, over 60 per cent had a supplementary pension plan, the corresponding figures being 60 per cent for large cap companies and about 30 per cent for mid cap companies.

the meeting. I believe that the requirement for shareholder approval would lead to a more careful preparation of the principles of remuneration, a closer analysis of the applicable criteria, and a more immediate link to the company's long-term strategy. In my opinion, this is the most important argument for the proposal.

ANTTI LAHTINEN

A potential threat is that the disclosure of remuneration policies and maximum pay levels could strengthen the CEOs' bargaining position vis-a-vis the board of directors. Moreover, the proposal for the directive would undoubtedly add to the administrative burden of companies at least to some extent while the goal should rather be to ease this burden.

Here in Finland, listed companies already report quite openly on their remuneration policies and the fees and bonuses paid to executive management and board members. For now, the reports are backward-looking. If the proposal for the directive is adopted, the criteria and objectives of remuneration would be disclosed and explained to the shareholders in advance, which would presumably induce greater commitment to the remuneration plans on the part of the shareholders and so reduce criticism afterwards.

More detailed provisions and limitation of the scope of application called for

Although the strengthening of shareholder engagement is positive in itself, I can also appreciate the challenges related to the proposal. The most obvious of these concerns is the role and responsibility of the board of directors. As the CEO is selected and appointed by the board, it is only logical that the board also determines the principles of remuneration. Hence, the directive should be formulated so as not to limit the freedom of action of the boards of directives excessively. The boards will continue to prepare the remuneration policies while comments by the meetings of shareholders are quite common.

In some countries in recent years, remuneration issues have been referred to AGMs with the main aim of lowering overall executive pay levels. However, surveys suggest that the efforts to reduce remuneration have failed and that the outcome may even have been the opposite. Before the final adoption of the directive, the experiences gained in the various countries from such schemes should be carefully analysed first.

No doubt, the proposal for the directive will inspire a broad-based and thorough debate. Many details need still be mulled over and analysed, and due consideration given to national corporate legislation. Since the executives' mission in companies is to look after the assets of the shareholders, increasing the influence and powers of shareholders is a desirable development despite the challenges involved.

ANTTI LAHTINEN
Chief Executive Officer
The Finnish Shareholders Association

Board appointments – the main task of ownership steering

Appointment of the members to the boards of directors is one of key tasks and main tools of ownership steering. Shareholders exercise their powers at general meetings of shareholders that elect the members of the boards. The mission of board members is to increase the value of the company. In this, the State is no different from private investors: through board appointments, it seeks to contribute to the positive value development of the companies in which it holds interests, particularly in the case of companies operating on a commercial basis. At special assignment companies with a state-defined mission, the boards are expected, at minimum, to ensure that the special assignment is accomplished as effectively as possible. Board-level processes call for a long-term approach, and the boards are required to pay attention to issues affecting society at large, such as corporate responsibility. A good board of directors is able to foresee changes in the operating environment. As an owner, the State respects the independence of the boards of directors in decision making.

The Ownership Steering Department is responsible for the preparations for the AGMs of the companies in which it holds interests and proposes candidates for board membership either directly to the meeting of shareholders or, in case of listed companies with a State controlling interest, to the nomination committees appointed by the meetings of shareholders. Similarly, Solidium Oy, the wholly state-owned holding company, proposes candidates for board seats to the nomination committees of the companies in which it holds shares. Such committees have been established in most of the companies in Solidium's portfolio.

In screening candidates for board membership, the primary criteria are experience and wide-ranging management skills. When selecting board members, the Ownership Steering Department draws upon a resource pool assembled and maintained by a supplier selected by way of open tender every four years. New resources are charted and added according to the needs and wishes indicated by the Department. Both Finnish and foreign resources as well as men and women are gathered in the resource pool on an equal basis. Applications are also accepted for inclusion in the resource pool.

When a new board appointee is sought, the Ownership Steering Department defines the profile of the preferred candidate, which is then used by the operator of the resource pool to list the most suitable candidates or to initiate the process of finding one. The shortlisted candidates are then interviewed by the Department before a proposal for appointment is made to the general meeting of shareholders or nomination committee.

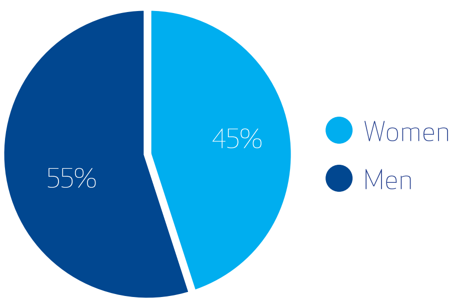
Where possible, board appointees are people whose professional profiles are mutually complementary and who can make a real contribution to the development of the company by taking active part in the board-level processes. Aside from the appointment of the CEO, the board's main tasks are to support and challenge the executive management and define the company's strategic policies. Board members must therefore possess enough expertise in the line of business the company is engaged in. With companies with extensive operations abroad, solid international experience is also one of the selection criteria. In wholly state-owned companies, other considerations in the selection of board members include gender equality to ensure that neither sex holds less than 40 per cent of the board seats. In companies with other owners beside the State, the equality approach will be applied to candidates nominated by the State.

The 40 per cent target of gender representation has been achieved in wholly state-owned companies over the past few years. All appointments have been based on expertise and competence. In companies with a minority interest, the State seeks to promote this goal by stating its position when board members are elected.

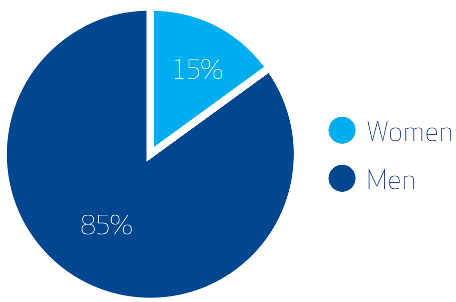
In 2013, the Ownership Steering Department proposed candidates for board membership to the meetings of shareholders or the nomination committees of 26 companies. All in all, there are a total of 164 members on these boards, of whom the State has appointed 138. Of all members appointed as State candidates, women accounted for 47.1 per cent. Four boards of directors, or 15 per cent of the total, were chaired by women. On the boards of companies listed on the Helsinki Stock Exchange, women accounted for an average of 23 per cent of the total.

During 2014, the Ownership Steering Department had proposed or will propose candidates to the AGMs or nomination committees of 27 companies. All in all, these boards of directors have 162 members, of whom the State may appoint 139. About 45 per cent of the state-appointed candidates are women. Most of the companies on whose boards the percentage of either sex is less than 40 per cent cannot achieve this goal because of the number of members. Over 10 per cent of the members that the State is authorised to appoint will be replaced at the AGMs to be held in 2014. This number does not include the government officials serving on the boards of directors. Around nine per cent of the appointees will be first-

Board members appointed as state candidates



Boards chaired by



Statistics reflect the situation after the 2014 AGMs.

timers on the boards of state-owned companies. In 2014, the chair of the board will be replaced at the AGMs of eight companies.

With regard to its ownership steering activities, the State adheres to the division of responsibilities and duties between a company's organs and owners as provided in the Limited Liability Companies Act. Accordingly, it is the owners who appoint the board of directors who, in turn, appoint the executive management. Although the ownership steering exercised by the State cannot directly promote equality in top executive management because of the division of duties laid down in the Limited Liability Companies Act, it sets the example for gender equality in all governing bodies through its own actions.

Aside from gender equality, the State underlines the importance of diversity on the boards of directors from

Finland Chamber of Commerce's third women executive survey

Advances on boards of directors, challenges in management teams

The Finland Chamber of Commerce promotes women for executive management positions at Finnish companies. To obtain hard facts in support of these efforts instead of just opinions and preconceived assumptions, we carried out our first extensive survey of women executives in 2011. In autumn 2013, we published our third survey in this series which was this time extended to include non-listed companies wholly or partially owned by the State.

Promotion of women's leadership through self-regulation is one of the strategic goals of the Finland Chamber of Commerce. We have been involved in the preparation of the Finnish Corporate Governance Code for Listed Companies since its first version completed in 2003. The Code has proved to be a powerful tool in increasing the number of women on the boards of listed companies through self-regulation. Finland holds the EU record for women's participation on the boards of large cap companies serving as an example of how women's position has been successfully improved without legislated quotas.

Women's share of board positions tripled in 10 years

As late as ten years ago, the boards of Finnish listed companies were largely male-dominated. But the situation has changed quickly. In 2003, women accounted for 7 per cent of the board positions at listed companies. As the corresponding figure for 2013 was 23 per cent, women's share had more than tripled in a space of 10 years. Women already account for over 30 per cent of board member at large cap companies, 23 per at mid cap companies and 18 per cent at small cap companies. Only 14 listed companies have no women on the board, all of them small cap companies.

Finnish small cap companies have very low market capitalisation and only an average of 5.1 members on their boards. Often, the board members at these companies are founders or owners, and for one reason or another, most of the founders of growth companies tend to be men. If Finland were to introduce gender quotas for board membership, as is often claimed, the pressures would primarily be felt at these small firms. In my opinion, it does not make sense to subject them to such requirements which are in many cases out of place.

Objectives of gender quality programme achieved at state-owned companies

For years now, the State of Finland has systematically, and successfully, worked towards increasing women's board memberships. The latest gender equality programme for other perspectives as well. At the end of 2013, the State-owner decided to discard the age limit applied to board members as of 2014. Until then, the age limits were 68 to 70.

The dynamics of board appointments has increased, which reflects the quick changes in the operating environment and highlights the need to be able to foresee future developments. As an owner, the State will attached increasing importance to the performance and commitment of state-appointed board members and actively monitor the implementation of the strategic choices. In future, the tenures of the board members will be evaluated more in terms of their track record. Since most companies operate internationally, an increasing number of board members are expected to be recruited from abroad.

2012–2015 establishes a 40 per cent gender target for state-owned companies. As far as the appointments controlled by the State are concerned, this target has been achieved. In 2013, the Ownership Steering Department proposed candidates for board membership to the meetings of shareholders or the nomination committees of 26 companies. All in all, there were a total of 164 members on these boards, of whom the State had appointed 138. Of all State-appointed members, women accounted for 47.1 per cent.

LEENA LINNAINMAA

Few women in line management

Since boards of directors are just tips of the icebergs and day-to-day business is conducted by management teams, we have also wanted to examine women's engagements as chief executive officers or members of management teams. In this respect, the situation is, in my opinion, embarrassingly poor.

There are a total of 856 management team members at Finnish listed companies, of whom 143, or 16.7 per cent, are women. At 31 companies, the management teams include no women at all. While most of these were small cap companies, there were no fewer than four large cap companies with all-male management teams. Only one listed company had a woman CEO, Nina Kopola at Suominen Corporation. Of listed state-owned companies, 14.8 per cent had women in their management teams, less than other listed companies. A sample representing the largest non-listed state-owned companies yields an equivalent percentage of 17.9.

Most women on the executive management level work in support functions such as HR, communications or legal affairs. Very few work in line management or lead business operations. No doubt this explains the virtual non-existence of women CEOs.

Time will not take care of equality

The percentage of women among younger-generation executives is not growing. Of those appointed to management teams under the age of 40, over 80 per cent are still men. Similarly, women account for clearly less 20 per cent of executives in the age group 36 to 45, which is even less than in the age group 46 to 55. These findings do not support the widespread notion that women would be taking executive positions by storm.

No single explanation can be found for the under-representation of women in executive management. Among the underlying reasons are at least traditions; attitudes; stereotypes; the educational choices made by women; lack of effort and excessive self-criticism on the part of the women themselves; difficulties of reconciling work with private life; insufficient networking; and the lack of role models, mentors and sponsors.

Since the reasons are so complex and numerous, there are no simple solutions, either. A wide range of measures and changes in attitudes are called for in homes, schools, companies and the public sector. The Finland Chamber of Commerce promotes the advancement of women to executive positions through self-regulation by conducting surveys, issuing statements and organising a sequel to its well-received mentoring programme for women executives because Finnish companies deserve the best possible business leaders.

LEENA LINNAINMAA
Deputy Director General
Finland Chamber of Commerce

Aiming at a socially and financially sustainable performance

The goal for the State's active ownership steering policy in respect of companies operating on a commercial basis is to achieve continual profitable growth and increase the market capitalisation and shareholder value in the long term. As an owner, the State seeks to ensure a healthy return on its holdings. The financial return consists of dividends and sale proceeds from the extension of the ownership base. At the same time, the State's role as an owner is affected by social considerations whose effects need to be taken into account.

To attain these goals, the State makes use of the tools and means available to any owner. The main instruments for wielding influences are the general meetings of shareholders and board appointments. Recently, the State has paid increasingly close attention to the competence of the board members and their ability to add value to the company. The efforts made in ownership steering have borne fruit and have been recognised externally as well. A panel convened by Stanton Chase, an executive search consultancy, regarded the appointment of Jyrki Talvitie to Fortum's board of directors as the best choice made this spring.

From the State's point of view, one of the keys to having a positive impact in society is responsible action on the part of the companies. As an owner, therefore, the State requires that corporate responsibility lies at the core of a company's business strategy. Generally, it is evident that all the companies in the State's portfolio act responsibly and report on their performance in this respect. Consequently, the State's actions as an owner have made a difference in society. Even so, there are a number of companies with room for improvement along with the top performers.

In accordance with the decisions made by the Government in its spending limit sessions in 2013, the proceeds from state holdings to be allocated to the central government budget will exceed the amount of regular annual dividends. This is accomplished through extraordinary dividends paid by the companies and through the extensions of ownership base implemented by the State-owner. In recent years, dividend income has been of great importance to central government finances. In 2013, the dividends paid to the State by the companies in respect of which ownership steering is exercised by the Ownership Steering Department in the Prime Minister's Office totalled EUR 1,352.8 million (EUR 1,324.3 million). Most of this consisted of the EUR 800 million profit distribution paid by Solidium and the EUR 451 dividends from Fortum. The non-listed companies paid the State total dividends of EUR 45.9 million (EUR 28.4 million) in 2013.

The Government has announced that a total of EUR 1.9 billion out of the state's property, land and corporate assets will be allocated to the state budget by the end of the electoral period. At present, the combined value of all state holdings is EUR 25 to 30 billion. The market capitalisation of all interests in listed companies is EUR 17.8 billion (6 May 2014) divided between Solidium Oy's portfolio of EUR 8.3 billion and the portfolio of direct holdings worth EUR 9.5 billion.

All state holdings in listed companies account for about 10 per cent of the market capitalisation of the Nasdaq OMX Helsinki Stock Exchange. Accordingly, one of the characteristics of state ownership in Finland is that the State is directly or indirectly involved as an owner in a relative large number of listed companies. Following the establishment of Solidium, the administration of non-controlling interests and ownership restructuring became more flexible because Solidium is in a position both to finance its affiliated companies and to buy equities without any specific budget appropriations.

The State's commitment to long-term ownership in corporations of national importance operating in the global marketplace helps keep head offices in Finland. Along with the other major Finnish owners, it greatly contributes to the viability of the Finnish capital market. The State's corporate assets are of great significance to society in this respect as well. Recently, the international competitiveness of Finnish business and industry has

Social impact of state-owned companies in 2013

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of all state holdings
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EUR 8.3 billion and the portfolio of
direct holdings worth EUR 9.5 billion

State-owned companies employ
about 209,000 people worldwide
including some 90,000 in Finland

Total dividends from 2013 profits
EUR 4.4 billion

Tax footprint
total taxes payable EUR 6.9 billion
(companies ownership-steered
by the Department)

Total investments
EUR 5.7 billion

been successfully reinforced through participation in ownership and sectoral restructuring, particularly in the case of Solidium companies.

Also of great importance to the State as an owner are the immaterial expertise and social capital associated with corporate holdings, to which state-owned companies in Finland contribute to a significant degree. Over the years, the companies have accumulated a large body of knowledge and expertise, which plays an important part in promoting business and industry, and creating favourable conditions for economic development and employment. At the same time, the 90,000 employees of state-owned companies in Finland represent significant social capital. All in all, state-owned companies employ around 209,000 people worldwide.

Total investments by state-owned companies in 2013 reached EUR 5.7 billion, an amount which has a tangible, indirect impact on economies. In 2013, the taxes payable by the companies in respect of which ownership steering is exercised by the Ownership Steering Department in the Prime Minister's Office totalled EUR 6.9 billion.

To achieve the aforementioned goals and direct the operations of the companies, the Ownership Steering Department makes use of its two key tools: an independent ownership strategy and the promotion of sound corporate governance. The importance of governance is highlighted when there are several shareholders in a company. When a sole owner, the State may freely impose obligations on companies beyond ordinary financial objectives without compromising the position of the other

An economist's view

Investments in new business called for in economic transition

Over the past few years, Finland's industrial base has crumbled fast and there is not enough capital available to build up new growth. In my opinion, the State could assume a more active role in supporting and financing new business.

The years of Nokia's historic growth are over and intense international competition dims the prospects of any substantial growth in Finland's traditional fields of activity – forestry, paper or engineering. Even though funding today is more readily available than during the decades when Finnish industry was built up, we remain a relatively capital-poor country by international standards. Nor is Finland currently very attractive to major international investors.

If and when we wish to create new business, the State could, in my opinion, assume a more active role in supporting and financing such schemes. By relinquishing some of the traditional corporate holdings, or at least by reducing such holdings substantially, the State-owner could allocate more capital to new growth companies. I think it would make sense to reconsider the necessity of retaining major interests in companies that are already operating efficiently in the open market. Since Finland's industrial base is now much weaker than a few years ago, sales proceeds could conceivably be used for a capital infusion to growth companies emerging in new fields of activity.

Service-level objectives for private companies instead of state ownership

Many state-owned companies have business operations subject to open competitions as well as public service duties. I find that this is likely to hamper the development of these companies as unprofitable service functions tie up capital sorely needed for developing new business. If such financially unprofitable operations are deemed by the State to be necessary, the distinction between such operations and other activities should be clear-cut.

shareholders or infringing upon their rights. Even then, good governance remains one of the cornerstones of sound ownership steering. As a majority shareholder, the State may, if necessary, decide on the issues submitted to the meeting of shareholders alone and thus exercise control over all the issues crucial to the company's management system. As a minority shareholder, the State wields influence in connection with meetings of shareholders, board appointments and other situations requiring action on the part of the owners according to the share of its interest in the company.

Even if the State were a minority shareholder, its stake may be financially significant, particularly in case of listed companies. As an owner, the State will therefore always comply with the Limited Liability Companies Act and the Securities Market Act, exercise its shareholder power at the meetings of shareholders, and will not require any privileges or rights not enjoyed by other shareholders.

As a result of the State's determined efforts to promote good governance practices and to reinforce its role as a fair yet exacting owner, the State has become a pioneer in many areas controlled by the owners. For example, the position adopted on management remuneration developed over the years has given pointers to the private sector as well. Similarly, the positions on the owners' role regarding sustainability and corporate responsibility elaborated over the past few years have had an impact on operations in the private sector.

PASI KUOPPAMÄKI

In my view, state ownership is not necessary for the fulfilment of the social obligations of the companies; instead, this could be ensured through the imposition of public service obligations on the companies. Examples of such business models abound. When postal services are privatised, companies in many countries are required to assume responsibility for the distribution of mail. Operating licences are required for banking and pharmacies and these sectors are closely regulated in Finland, yet the actual operations are run by private companies. The model works, but extensive public obligations may also easily deter potential new owners.

States play a pivotal role in preserving skills and competencies in Finland

Aside from supporting growth companies, the State plays an important part in preserving domestic skills and capabilities in areas where stiff international competition poses a threat to the continuity of operations. One such field, and an obvious one, is shipbuilding. Over the years, we have accumulated a wealth of unique expertise in this area that would be extremely difficult to create out of nothing. From a purely financial point of view, the shipbuilding industry has been struggling with major problems, but I find it important to retain these skills and competencies in the country. To maintain and enhance the human capital created by Nokia, the State could finance growth companies in the IT sector.

Shareholdings secure public finances

In 2008, the State's debts and receivables were of the same order of magnitude; today, however, debts exceed receivables by about 40 per cent. Much of the receivables consist of shares that have in recent years yielded a dividend income exceeding the interest expenditure on debts. Even though I am in favour of reducing state holdings in companies succeeding in the competitive market, the state portfolio provides added security for the rainy day.

In my opinion, Solidium's role as a shareholder should be clarified. Considering the importance of state shareholdings to society, a more distinctive role in Solidium's relation to the State as an owner would be advisable. Now there is a great deal of confusion as to what extent Solidium is a company seeking only shareholder value and to what it extent it pursues the State's industrial policy goals. In this respect, the division between the State's share portfolios could be clearer.

PASI KUOPPAMÄKI
Chief Economist
Danske Bank

Corporate responsibility to be integrated into business operations

In its resolution on ownership policy, the Government issued guidelines for the promotion of corporate responsibility, establishing the objectives and principles of such responsibility, and gave instructions to the ministries on how to address the issue. As provided in the resolution, all wholly state-owned companies and non-listed companies with a state majority interest are required to prepare a specific corporate responsibility report or include it in their annual reports as a clearly distinguishable section. It is hoped that other companies will follow suit. In spring 2014, state-owned companies reported on corporate responsibility in accordance with this requirement for the third time. All companies in which the State holds a controlling interest report on corporate responsibility as part of their annual report or separately. In 2013, the Ownership Steering Department reported on corporate responsibility to the Cabinet Committee on Economic Policy twice as part of its regular overviews of state corporate holdings.

In the present-day environment, it is necessary to integrate corporate responsibility into business operations as a prerequisite for success. Often, it also provides a competitive advantage and serves as a source of innovation. Corporate responsibility is an increasingly important success driver; in the State's view, sustainability offers the opportunity to grow revenues while at the same time it forms an integral part of risk management. The State-owner's goal is to use its shareholder power to promote responsible policies and so increase the shareholder value of companies.

During 2013, the Ownership Steering Department continued its efforts to promote sustainability and corporate responsibility and to develop and reinforce its internal procedures and competence. Corporate responsibility issues have been included in the financial and strategic analysis of the companies. The owner's goal is to formulate an independent view of the state of corporate responsibility at individual companies and influence it through active involvement. The Ownership Steering Department's policy is to engage in a dynamic dialogue with the executive management to address corporate responsibility issues as part of regular meetings with companies. Additionally, the Department organises regular get-togethers for the individuals responsible for corporate responsibility at the state-owned companies under its control to share experiences and invite feedback on its own policies.

The Ownership Steering Department is responsible for a total of 27 companies of different sizes operating in several fields of activity with highly diverging corporate responsibility concerns. Among other things, corporate responsibility is affected by value chains and line of business, the extent of international operations, the local operating environment and the expectations of the stakeholders. Consequently, the risks and opportunities associated with business vary from company to company.

The State's goal is to ensure that all companies – including those in which it holds a minority interest – adopt corporate responsibility as a guiding theme for their business activities and incorporate it in their strategy, risk assessment, board-level and management team processes, and establish objectives for it. The Ownership Steering Department has highlighted the urgency of establishing objectives for and monitoring corporate responsibility management, and has underlined the key role of such objectives in determining remuneration plans. All the companies ownership-steered by the Department have defined specific objectives for corporate responsibility. At the same time, the role of boards of directors has been emphasised in the context of corporate responsibility and its management. Ultimately, corporate responsibility always falls to the board of directors. During the reporting period, corporate responsibility gained in importance on the Governments' agenda as part of business strategies and management systems. Of all the companies in respect of which the Ownership Steering Department exercises control, 76 per cent report on corporate responsibility issues to their boards of directors who monitor performance in this area.

Increasingly, the impacts of business are being evaluated in terms of the entire value chain of the company. With internationalisation and global supply chains, attention is drawn to human rights issues, ethics and anti-corruption policies. In diversified value chains, challenges are presented, in particular, by the risks associated with social responsibility. Another question raised in connection with state-owned companies is where they pay taxes. Of all the companies overseen by the Ownership Steering Department, 24 per cent report their tax footprint by country, while 72 per cent reported that they respect human rights. Five of the companies overseen by the Ownership Steering Department have committed to the Global Compact principles.

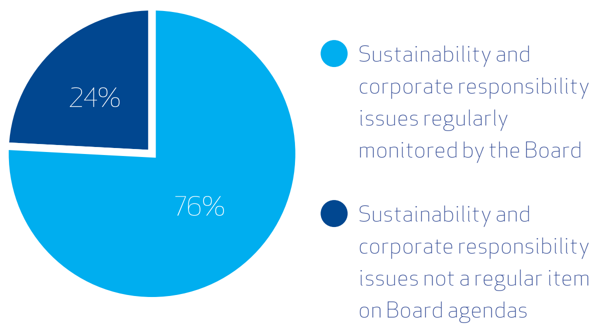
Corporate responsibility has gained importance as a business issue on the agendas of the boards of directors of state-owned companies. However, room for improvement exists and the State's efforts to promote corporate responsibility are based on the principle of continual improvement.

Tax footprint

From the standpoint of corporate responsibility, the transparency of the payment of taxes and access to information are of paramount importance. Until now, companies have been given the opportunity to disclose information on their tax policies and objectives and the countries to which the taxes are paid on a voluntary basis. Under the Accounting Act, only income taxes need to be reported.

Taxes should be paid to the state to which they are due based on the business transacted, not to states with the lowest tax rates. Also, group structures should reflect the actual organisation of activities to eliminate conflicts between the type of business on the one hand and the legal form on the other.

Sustainability and social responsibility on corporate agenda



Risks and opportunities

In international business, the different tax regimes of individual states and the networks of tax agreements offer an opportunity for tax planning. As companies are not obliged to pay any more taxes than required under tax laws, international companies are not breaking the law in trying to make use of the national tax regimes.

As a result of the public debate on the tax footprint, the Ownership Steering Department in the Prime Minister's Office carried out a survey in May 2013 to determine the taxes, broken down by type, paid by the companies within its purview engaged in international business in the various countries in 2012. Companies with operations only in Finland were not required to respond to the survey. A total of 27 companies were asked to provide this information. Replies were received from 12 companies engaged in international business. For 2014, companies have been requested to submit reports on the taxes paid in the various countries in 2013 broken down by the type of tax. The survey has now been extended to all companies and is carried out annually upon completion of the annual financial statements.

As far as the individual types of tax are concerned, it was noted that actual business income tax accounted for only a small portion of all the taxes paid by the compa-

FIBS sustainability survey 2014

Sustainability of increasing importance to companies

The second sustainability survey by Corporate Responsibility Network FIBS was carried out during January-February 2014. The results show that the significance of sustainability to companies continues to grow. Almost half of the respondents say that sustainability constitutes the basis for their business.

The FIBS sustainability survey is the most extensive study in Finland addressing corporate responsibility (CR) at large companies. Its target group consisted of a random sample of the CEOs and CR officers from the largest 1,000 corporations in Finland. Replies were received from 201 respondents. Most of the companies in the survey were limited liability companies, a quarter being listed companies, and almost half engaged in industrial production. A surprisingly high percentage of the respondents, 41 per cent, were CEOs. I find this a highly positive signal as it speaks of the interest in and commitment to corporate responsibility on the part of top executives.

Compared with the previous survey completed in 2013, corporate responsibility has clearly gained in importance in business: 71 per cent of the respondents claim that CR is an important factor in their business operations while the corresponding figure for 2012 was 55 per cent. Although over 40 per cent of companies report that CR activities have helped them increase sales and reduce costs, few set any financial objectives for their CR engagement.

Growing role of investors and owners in promoting sustainability

CR competence is increasing, particularly in executive management and boards of directors. A majority of managements teams (71 per cent) and boards of directors (63 per cent) had one or several members in charge of CR issues. In management teams, this individual was usually the CEO. Even though the wording of the 2014 survey was slightly different from that used in 2013, it is safe to draw the conclusion that the change in boards of directors has been significant. It is a clear message of the growing importance of corporate responsibility. Of all the respondent companies, 44 per cent include the CR component in the executive incentive and remuneration plans and this percentage is increasing.

nies. The biggest sources of tax revenues were excise duties and value added tax. The second biggest item was payroll taxes and employer contributions.

The Government has clarified its position on the disclosure of non-financial information and country-by-country tax reporting by companies. The Finnish Government supports country-by-country tax reporting as well as increased transparency and access to information in corporate reporting.

The State-owner's position is that responsible corporate operations require that taxes are paid to the state to which they are due based on the business transacted. The State-owner finds it desirable that companies report on their tax footprint to all stakeholder groups as part of their regular corporate responsibility reporting, while at the same time explaining their tax strategies and tax planning objectives. Additionally, taxation has been included as one of the issues to be addressed at the corporate responsibility talks between the Ownership Steering Department and the companies. Major tax issues should be addressed at the board level. Boards of directors should give due consideration to ethics, reputation and risk management in shaping their tax strategies.

Even though top executive management remains the key actor promoting corporate responsibility and sustainability in companies, more than half consider investors and owners as the parties effectively steering the CR activities. At state-owned companies, the guidelines established in the Government resolution on the state ownership steering policy have naturally played an important part in this respect.

MIKKO ROUTTI

Environment remains by far the most important CR issue

As in the previous year, nearly 80 per cent of companies perceive the environment as their central CR theme. Fair operating practices, including anti-corruption efforts, responsible purchasing criteria and the payment of taxes remain pivotal to two out of three respondent companies. More than half say that they report their tax footprint. Even though the issue of tax footprint reporting has been extensively debated in the media, the number is actually a couple of per cent lower than in 2013. It seems that state-owned companies are leading the way both in many environmental issues and in tax footprint reporting.

Half of the companies regard preparing for the future and building the brand as the most important reasons for their CR engagement. By contrast, only few companies are driven to invest in CR activities by the opportunities provided for developing new products, services and innovations. It suggests that the internationally growing trend of generating financially viable solutions to social problems has failed to break through in Finland yet.

Integration of CR into overall business operations remains the biggest challenge

Since the previous survey, progress has been made in the sustainability management of supply chains. Today, only 29 per cent of companies continue to find it as the most challenging CR theme as compared to 34 per cent in 2012. CR communications, job satisfaction and well-being at work as well as the management of environmental impacts are now perceived as more challenging themes than earlier. The most challenging CR-related management theme was the integration of CR into the business. It was felt to be a major proposition by half of the respondents. What is satisfying is that companies are increasingly adopting policies designed to protect human rights, even if this theme did not rank among the top concerns.

CR themes are subject of lively public debate, and I believe their importance will grow in the eyes of companies. I fully share the view of the State as an owner and shareholder that conducting business responsibly contributes to financial performance. I hope that the sustainability surveys to be carried out over the next few years will find companies setting tangible and more ambitious financial targets for their CR activities.

MIKKO ROUTTI
Executive Director
Corporate Responsibility Network FIBS

CATEGORIES OF STATE-OWNED COMPANIES

STATE-OWNED COMPANIES

Centralised ownership steering by Prime Minister's office

COMMERCIAL COMPANIES

INVESTOR INTEREST

CATEGORY 1a

- Altia Plc
- Art and Design City Helsinki Oy
- Destia Ltd
- Ekokem Oy
- Kemijoki Oy
- Nordic Morning Plc
- Raskone Ltd

SOLIDIUM'S HOLDINGS

- Elisa Corporation
- Kemira Oyj
- Metso Corporation
- Outokumpu Oyj
- Outotec Oyj
- Rautaruukki Corporation
- Sampo Plc
- Stora Enso Oyj
- Talvivaara Mining Company Plc
- TeliaSonera Finland Oyj
- Tieto Corporation
- Valmet Corporation

STRATEGIC INTEREST

CATEGORY 1b

- Arctia Shipping Ltd
- Boreal Plant Breeding Ltd
- Finnair Plc
- Finnish Seed Potato Centre Ltd
- Fortum Corporation
- Gasum Corporation
- Itella Corporation
- Leijona Catering Oy
- Meritaito Ltd
- Mint of Finland Ltd
- Motiva Oy
- Neste Oil Corporation
- Patria Plc
- Suomen Lauttaliikenne Oy
- Suomen Viljava Oy
- Vapo Oy
- VR-Group Ltd

At the end of the reporting period, the Ownership Steering Department was responsible for the ownership steering in respect of 27 companies, three of which were listed companies (Finnair Plc, Fortum Corporation and Neste Oil Corporation) and three special assignment companies (Solidium Oy, Governia Oy and State Security Networks Ltd). In 2013, the State sold its nine per cent interest in Arek Oy, a company specialised in pension insurance system development services. At the end of 2013, the individual ministries had a total of 21 companies under their control.

Solidium Oy, a wholly state-owned holding company, is one of the companies overseen by the Ownership Steering Department. At the end of 2013, Solidium held shares in 12 companies, all minority interests. The number of portfolio companies grew by one when Metso was demerged to form Metso and Valmet at the turn of 2013–2014.

The project to define the specific duties of the special assignment companies and the State's strategic interests was completed during 2013. The definitions were posted on the ownership steering website in spring 2013. Ekokem Oy was struck from the list of strategically important companies and three university property companies were reclassified as strategic companies having previously been listed as special assignment companies.

Ownership steering by ministries

SPECIAL ASSIGNMENT COMPANIES

SPECIAL ASSIGNMENT COMPANIES

CATEGORY 2

Alko Inc.	MSAH
Asset Management Company Arsenal Ltd	MoF
CSC – IT Centre for Science Ltd	MEC
Equine College Ypäjä	MoJ
Finavia Corporation	MTC
Finnish Aviation Academy Ltd	MEC
Finnish Broadcasting Company Ltd	MTC
Finnish Fund for Industrial Cooperation Ltd	Formin
Finnish Industry Investment Ltd	MEE
Finnpilot Pilotage Ltd	MTC
Finnvera Plc	MEE
Governia Oy	PMO
Hansel Ltd	MoF
Haus Kehittämiskeskus Oy	MoF
Municipality Finance Plc	MoE
Solidium Oy	PMO
State Security Networks Ltd	PMO
Tietokarhu Oy	MoF
Veikkaus Oy	MEC
Yrityspankki Skop Oyj	MoF

STRATEGIC INTEREST

CATEGORY 2

Aalto-University Properties Ltd	MoF
Fingrid Oyj	MoF
Helsingin yliopistokiinteistöt Oy	MoF
University Properties of Finland Ltd	MoF

MTC	Ministry of Transport and Communications
MoJ	Ministry of Justice
MEC	Ministry of Education and Culture
MSAH	Ministry of Social Affairs and Health
Formin	Ministry for Foreign Affairs
MEE	Ministry of Employment and the Economy
PMO	Ownership Steering Department, Prime Minister's Office
MoF	Ministry of Finance
MoE	Ministry of the Environment

Basic information on portfolio companies

	Net sales	Operating income	Operating margin	Balance sheet total
Listed companies				
Finnair	2,400.3	-8.8	-0.4%	2,200.6
Fortum	6,056.0	1,712.0	28.3%	24,420.0
Neste Oil	17,462.0	632.0	3.6%	7,040.0
Non-listed commercial companies				
Altia	475.5	0.7	0.1%	577.7
Arctia Shipping	63.0	17.5	27.8%	175.6
Art and Design City Helsinki	0.4	0.0	3.9%	0.5
Boreal Plant Breeding	9.4	0.7	7.9%	10.2
Destia	489.7	18.9	3.9%	220.1
Ekokem	196.0	28.1	14.3%	278.6
Gasum	1,147.5	36.8	3.2%	768.6
Itella	1,976.8	9.9	0.5%	1,415.7
Kemijoki	35.0	-4.6	-12.6%	457.8
Leijona Catering	65.3	4.0	6.1%	21.3
Meritaito	26.8	-2.7	-10.1%	29.3
Motiva	8.6	0.5	6.1%	4.4
Nordic Morning	121.3	4.0	3.3%	89.3
Patria	824.8	97.1	11.8%	786.5
Raskone	91.5	1.8	2.0%	35.9
Suomen Lauttaliikenne	47.1	8.2	17.5%	43.0
Mint of Finland	97.3	-6.4	-6.6%	76.6
Finnish Seed Potato Centre	3.9	0.4	9.0%	3.3
Suomen Viljava	16.7	2.6	15.9%	25.2
Vapo	616.7	31.7	5.1%	840.5
VR-Group	1,421.2	70.6	5.0%	1,808.8
Special assignment companies				
Governia	124.6	12.2	9.8%	473.3
Solidium		65.5		
Suomen Erillisverkot	38.5	-0.8	-2.10%	135.6

*) CAGR (Arctia Shipping, Meritaito, Suomen Lauttaliikenne 2010–2013, Leijona Catering 2012–2013)

Equity ratio	Return on equity	Return on capital employed	Gearing	Personnel	Yield to State 2009–2013*)
32%	1.5%	2.3%	77.6%	5,803	-10.1%
44%	12.0%	9.2%	74%	9,886	7.3%
42%	19.1%	13.4%	43%	5,049	9.3%
29%	-1.7%	3.5%	65%	1,074	8.9%
71%	11.7%	12.5%	-12%	279	10.6%
86%	4.2%	5.7%	-103%	3	5.1%
78%	5.2%	10.5%	-54%	72	9.7%
44%	18.9%	20.2%	-51%	1,515	0.7%
53%	14.8%	13.9%	32%	479	12.6%
52%	8.3%	6.3%	40%	273	12.4%
47%	1.1%	1.4%	21%	27,253	-0.5%
19%	-7.9%	-10.9%	385%	218	-7.7%
73%	22.9%	27.5%	-79%	485	33.7%
70%	-13.1%	-10.9%	11%	222	7%
64%	16.3%	22.7%	-47%	68	14%
42%	11.9%	8.0%	17%	668	5.6%
49%	20.6%	25.6%	-4%	3,614	14.7%
27%	15.5%	9.5%	66%	749	-12.7%
71%	20.3%	27.9%	-17%	288	91.5%
51%	-17.3%	-8.9%	59%	221	-5.4%
47%	15.5%	10.5%	22%	13	15.4%
81%	8.8%	10.9%	5%	88	12.6%
37%	5.7%	4.7%	127%	1,118	1.9%
84%	4.5%	5.1%	-18%	10,234	2.5%
29%	4.4%	3.5%	169%	253	
89%				11	
86%	-0.4%	-0.6%	-18.5%	110	

Movement in the value of the State's share portfolio

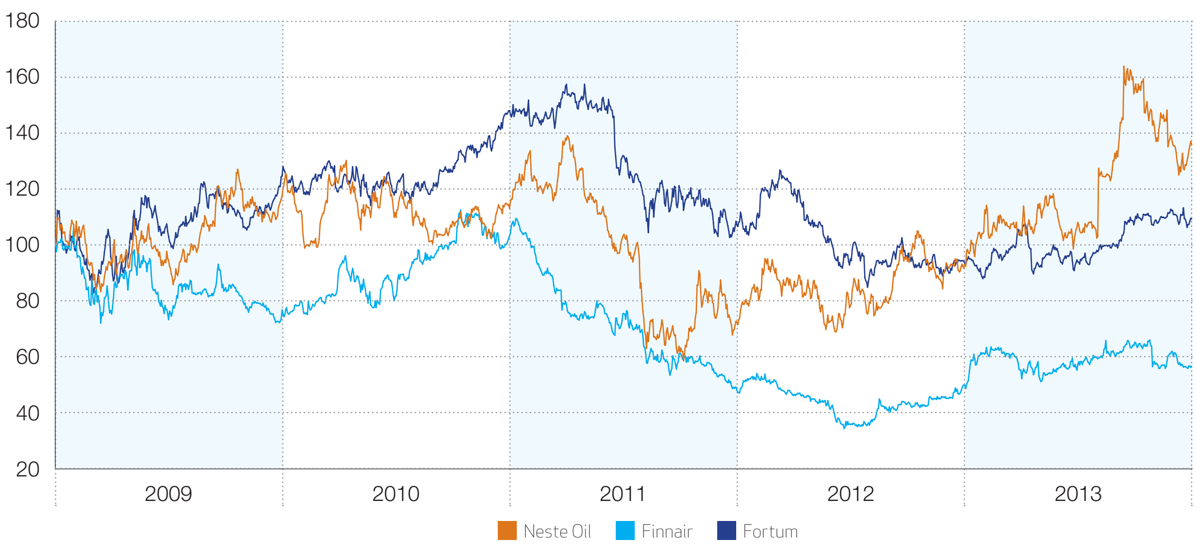
Movement in the value of the State's share portfolio

The market capitalisation of the listed companies in which the State holds interests directly (Finnair Plc, Fortum Corporation and Neste Oil Corporation) increased by EUR 1.7 billion, or 22.3 per cent, in 2013. At the end of the year, the market capitalisation of the portfolio was EUR 9,543 million (EUR 7,806 million). In 2013, the gross index of the Nasdaq OMX Helsinki Stock Exchange went up by 26.5 per cent. Neste Oil, in particular, performed exceptionally well. During 2013, its share price increased by 47 per cent supported by the success of renewable fuels. Total return on the portfolio consisting of companies with direct state holdings was 29.5 per cent in 2013, while the gross index of the Helsinki Stock Exchange over the same period reached 32.2 per cent.

MARKET CAPITALISATION OF STATE HOLDINGS 31 DECEMBER 2013 AND 31 DECEMBER 2012

		31.12.2013		31.12.2012	
	State shareholding	Market capitalisation, EURm	Weight in portfolio	Market capitalisation, EURm	Weight in portfolio
Finnair	55.8%	198	2%	170	2%
Fortum	50.8%	7,499	79%	6,381	82%
Neste Oil	50.1%	1,846	19%	1,255	16%
Total		**9,543**		**7,806**	
Solidium holdings, market capitalisation		8,172		7,176	
Total		**17,715**		**14,982**	

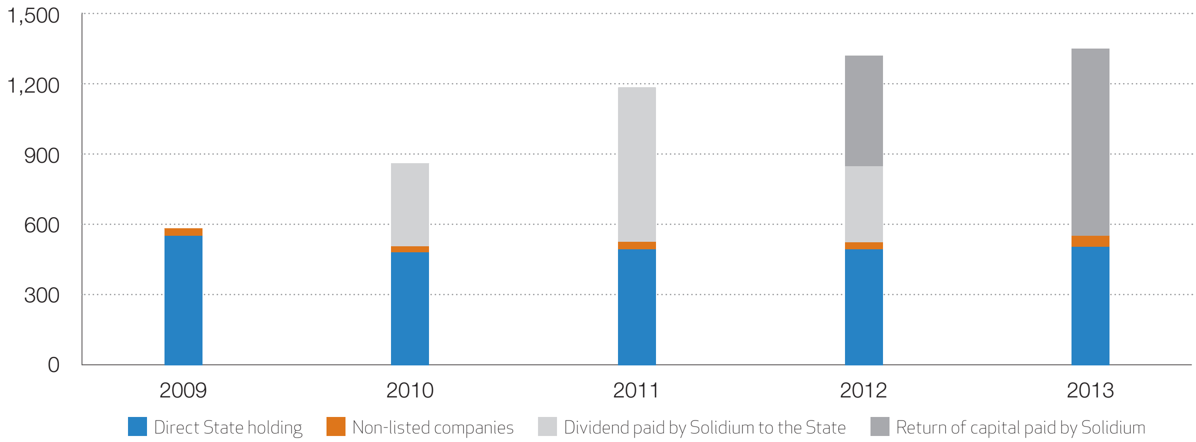
MOVEMENT IN THE MARKET CAPITALISATION OF COMPANIES WITH DIRECT STATE HOLDINGS 2009–2013



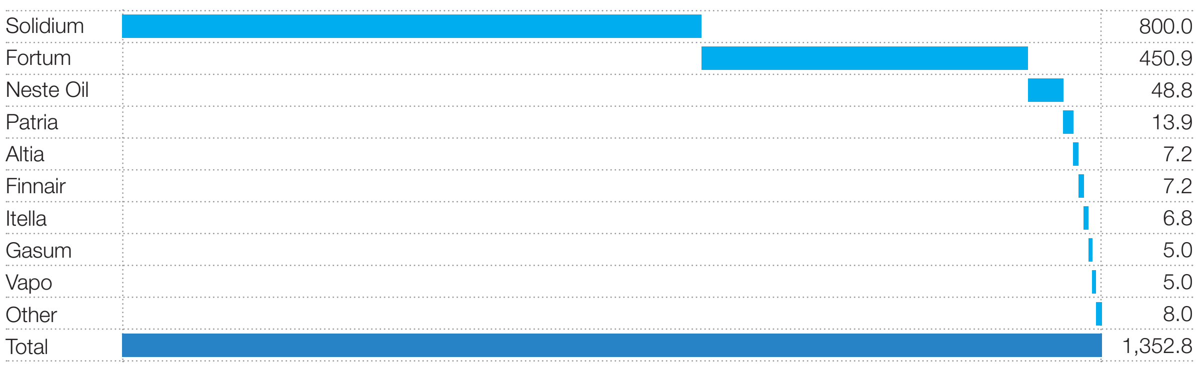
In 2013, the profit distribution paid to the State by the companies in respect of which ownership steering is exercised by the Ownership Steering Department in the Prime Minister's Office totalled EUR 1,352.8 million (EUR 1,324.3 million). Most of this consisted of the EUR 800 million profit distribution paid by Solidium and the EUR 451 million dividends from Fortum. The non-listed commercial companies paid the State total dividends of EUR 45.9 million (EUR 28.4 million) in 2013.

The total dividends paid to the State by directly held listed companies out of their financial result for 2013 reached EUR 579.5 million (EUR 506.9 million). The increase in the dividend paid by Fortum to EUR 1.1 per share increases the total amount of dividends received by the state by EUR 45 million, while the increase in Neste Oil's dividend to EUR 0.68 per share from EUR 0.35 the year before increases the total amount by EUR 35 million. Finnair will not pay any dividends for 2013. The total dividends paid to the State by non-listed commercial companies out of their financial result for 2013 reaches EUR 70.9 million (EUR 45.9 million). This is mainly due to the increase in the dividends paid by VR-Group Ltd and Patria. VR-Group Ltd paid EUR 30 million (EUR 0 million) in dividends for 2013 and Patria EUR 27.8 (13.9) million.

PROFIT DISTRIBUTION RECEIVED BY THE PRIME MINISTER'S OFFICE DURING 2009–2013, EUR MILLION



PROFIT DISTRIBUTION RECEIVED BY THE PRIME MINISTER'S OFFICE IN 2013 BY COMPANY DURING 2009–2013, EUR MILLION

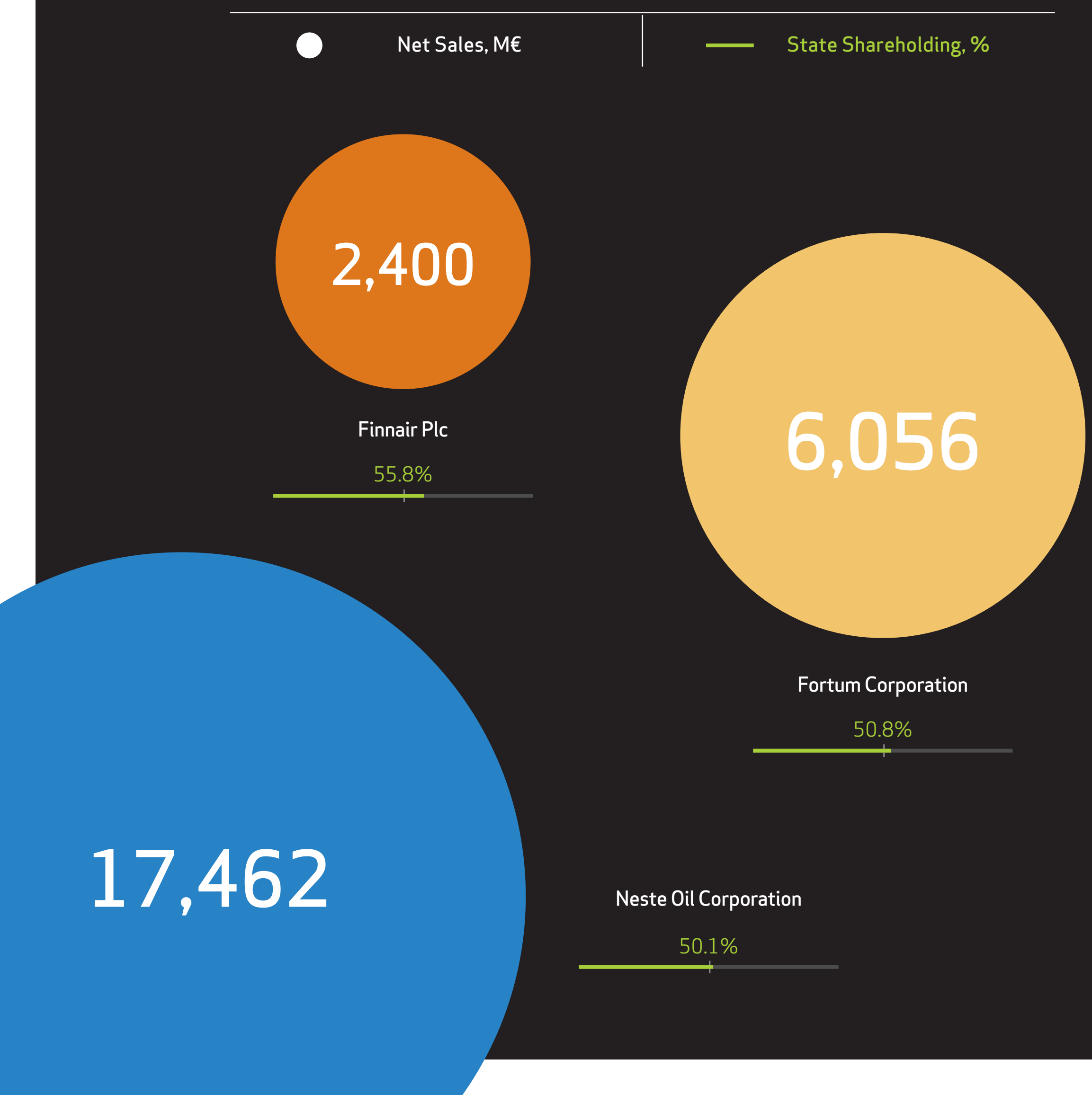


The State's dividend yield on direct shareholdings in listed companies reached 6.1 per cent (6.5 per cent). The dividend yield exceeded that of the main-list companies on the Nasdaq OMX Helsinki Stock Exchange which was 4.6 per cent (4.9 per cent). Consequently, the payout ratio of the listed companies in which the State held direct interests increased in 2013 to 65.8 per cent (63.3 per cent). For all listed companies, the payout ratio was record-high at 79.1 per cent (67.5 per cent).

COMPANY
REVIEWS

At the end of the year 2013 the Ownership Steering Department was responsible of three listed companies, 21 non-listed companies operating on a commercial basis and three companies with special assignments. The infograph on this page illustrates the sizes of these companies.

THE SIZE OF THE COMPANIES IN THE PORTFOLIO



Itella Corporation	1,976.8	100%
VR-Group Ltd	1,421.2	100%
Gasum Corporation	1,147.5	24%
Patria Plc	824.8	73.2%
Vapo Oy	616.7	50.1%
Destia Ltd	489.7	100%
Altia Plc	475.5	100%
Ekokem Corporation	196	34.08%
Governia Oy	124.6	100%
Nordic Morning Plc	121.3	100%
Mint of Finland Ltd	97.3	100%
Raskone Ltd	91.5	85%
Leijona Catering Oy	65.3	100%
Arctia Shipping Ltd	63	100%
Suomen Lauttaliikenne Oy	47.1	100%
State Security Networks Ltd	38.5	100%
Kemijoki Oy	36.5	50.1%
Meritaito Ltd	26.9	100%
Suomen Viljava Oy	16.7	100%
Boreal Plant Breeding Ltd	9.4	60.75%
Motiva Oy	8.6	100%
Finnish Seed Potato Centre Ltd	3.9	22%
Art and Design City Helsinki Oy	0.4	35.2%

Solidium not included here.

FINNAIR

FINNAIR PLC

State shareholding:	55.8%
Strategic interest of ownership:	to secure the functioning of the traffic system and sufficient international flight service with Helsinki-Vantaa Airport as the company's home airport
Chairman of the Board:	Klaus W. Heinemann
Members of the Board:	Maija-Liisa Friman, Jussi Itävuori, Harri Kerminen, Gunvor Kronman, Jaana Tuominen, Nigel Turner
Chief Executive Officer:	Pekka Vauramo
Industry sector:	airline company
Principal places of business in Finland:	Vantaa

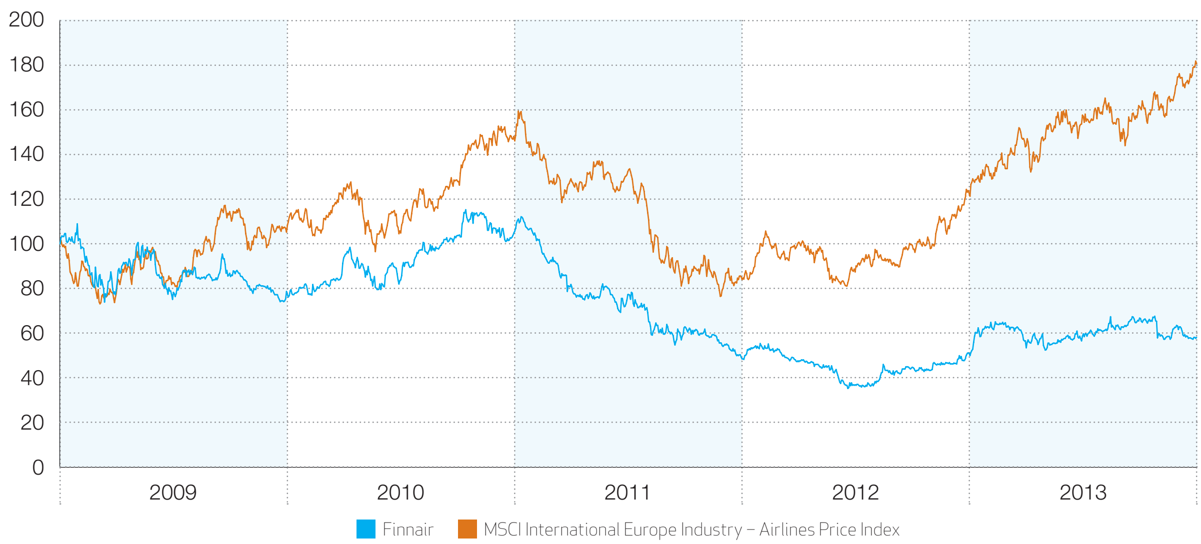
KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	2,400	2,449
Operating income*	EURm	-8.8	34
Operating margin	%	-0.4	1.4
Total assets	EURm	2,201	2,231
Equity ratio	%	32.0	35.4
Gearing**	%	77.6	77.8
Return on equity	%	1.5	1.4
Return on investment	%	2.3	2.8
Total personnel at 31 Dec.		5,803	6,368
Personnel, Finland (approx.)		5,093	5,728
Total dividends paid	EURm	0	12.7
Dividends received by the State	EURm	0	7.2
Investments	EURm	42	41
Taxes paid	EURm	2.7	0.1

Pekka Vauramo
CEO

"Finnair has a very strong brand that we must continue to develop, grow and protect, even as the company undergoes what is perhaps the largest transformation in its history – a transformation that is also painful in certain ways."

* The operating income reported by the State Ownership Steering Department includes changes in the value of derivatives, capital gains, etc.
** includes estimates of leasing payments over the next seven years.

SHARE PRICE 2009–2013



Finnair is a travel industry group offering scheduled flight, holiday travel, travel agency and freight services in Finland and abroad. Based on the geographical location of Helsinki-Vantaa Airport, Finnair enjoys a competitive advantage in traffic between Europe and Southeast Asia. The company offers connections to more than 60 destinations in Europe and 13 destinations in Asia, which accounted for more than 40 per cent of Finnair's passenger traffic revenues in 2013. The company carried more than 9.3 (8.8) million passengers and 147 (148) million kilos of freight.

Finnair continued with the implementation of its structural change and cost-reduction programme during 2013. In 2011, the company launched a programme aiming at a permanent cost reduction of EUR 140 million by 2014. This target was reached ahead of schedule by the end of June 2013. The other savings programme announced in October 2012 targeted additional savings of EUR 60 million by the end of 2014. In total, the company thus aims to achieve permanent savings of EUR 200 million compared to the 2010 unit cost level. The savings achieved by the end of 2013 stood at EUR 155 million. The remaining EUR 35 million of the projected savings are allocated to crew costs and around EUR 8 million to technical services and customer service personnel costs. The savings will be negotiated with personnel groups as agreed in the collective labour agreement negotiations conducted in 2013. In March 2014, the company initiated statutory co-determination negotiations in preparation for an unsatisfactory outcome of the negotiations currently underway. The estimated need for reductions concern a total of 680 people from cabin crew and administration. The negotiations conducted with the cabin crew proved unsuccessful as no consensus could be reached on measures that would be sufficient to permanently reduce the cost level. The company is therefore forced to pursue the targeted saving through co-determination negotiations. The measures taken to increase efficiency and reduce the cost level will be crucial in terms of Finnair's competitiveness.

Other European network carriers like Finnair are also currently implementing their savings programs. The airline sector is faced with a structural change as a result of which competition has intensified. Network carriers are seeking partnership solutions in long-haul traffic in particular. Finnair, too, has joined partnership projects in the transatlantic traffic and flights to Japan. Despite the current weak economic situation, demand for air travel grew in Europe during 2013. Demand also grew in passenger traffic between Asia and Europe. Inside Europe, the growth remained moderate, but several competitors launched new routes in the Asian traffic.

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Finnair continued with the implementation of its structural change and cost-reduction programme.

FINANCIAL PERFORMANCE

Operating income showed a loss

Finnair's net sales declined by 2.0 per cent on 2012. A currency of special importance to the company is the Japanese yen. Its exchange rate against the euro remained low throughout the year, which lowered the sales revenue. Net sales were also reduced due to the weakened demand in leisure and cargo traffic and the preparations made in view of potential strikes. The company's operating income showed a loss. The revenue from flight operations declined. The cost per available seat kilometre excluding fuel decreased as a result of successful cost-reduction measures. Fuel is the company's largest single cost item, accounting for 28 per cent of the company's net sales. The company's net sales totalled EUR 2,400

(2,449) million and operating income came to EUR -5 (43) million, amounting to 1.8 (1.8) per cent of net sales. The net result was EUR 11 (11) million following the disposal of the company's entire holding of shares in Norwegian Air Shuttle ASA, of which the company recognised a capital gain of EUR 34 million. Finnair's net cash flow from operating activities in 2013 stood at EUR 107 (155) million, and the company's financial position remained sound. The company's equity includes a hybrid bond of EUR 120 million issued in November 2012.

The number of Finnair's staff at the end of 2013 was nine percent less than the year before. The number of staff was reduced as a result of the structural change.

Global air travel is expected to continue growing with the fastest growth in the emerging markets. Large numbers of new passengers are expected to come from China, in particular. In effect, the Asian markets continue to serve as the cornerstone of Finnair's growth strategy for the foreseeable future. Finnair's vision is to be the number one airline in the Nordic countries and the most desired option in traffic between Asia and Europe. The company aims at doubling its revenue from Asian traffic in 2010–2020. The company seeks to attain its objectives with the help of a network of partners while itself focusing on its core business. Without the Asia strategy, Finnair's ability to maintain services from Finland to the rest of Europe would be considerably undermined.

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Finnair aims at doubling its revenue from Asian traffic in 2010–2020.

The fleet operated by Finnair comprises 45 aircraft, 15 of which are for long-haul traffic. The average age of the fleet is slightly over ten years. Additionally, the company owns 25 aircraft operated by other airlines, the average age of which is around five years. The fleet investments have been financed with long-term loans and through finance leasing arrangements. During 2013, Finnair received three new aircraft for leisure traffic and scheduled traffic in Europe that will replace the old fleet. The last two aircraft of the same type will be delivered during the first half of 2014. The deliveries of new wide-body aircraft ordered for modernising the long-haul fleet will commence in the latter half of 2015. The company must also make a decision soon on the modernisation of its narrow-body fleet. The investments in a modern fleet are of crucial importance to Finnair's competitiveness since the fuel economy of the new aircraft is greatly superior to the present fleet.

CORPORATE RESPONSIBILITY

Sustainability an integral part of strategic leadership at Finnair

The company prepares its Sustainability Report in accordance with the Global Reporting Initiative (GRI) guidelines and is included in the Leadership Index of the Carbon Disclosure Project (CDP). According to the company's report, of the essential themes, passenger and employee safety, fuel efficiency and competitiveness are of greatest importance to stakeholders and the company's management. Labour relations are also of crucial significance for the company due to its large-scale structural reform – the company's management has defined working together and openness as its operating principles. Finnair expects that all of its partners comply with its ethical guidelines and oversees that the prescribed safety and quality criteria are met.

FORTUM CORPORATION

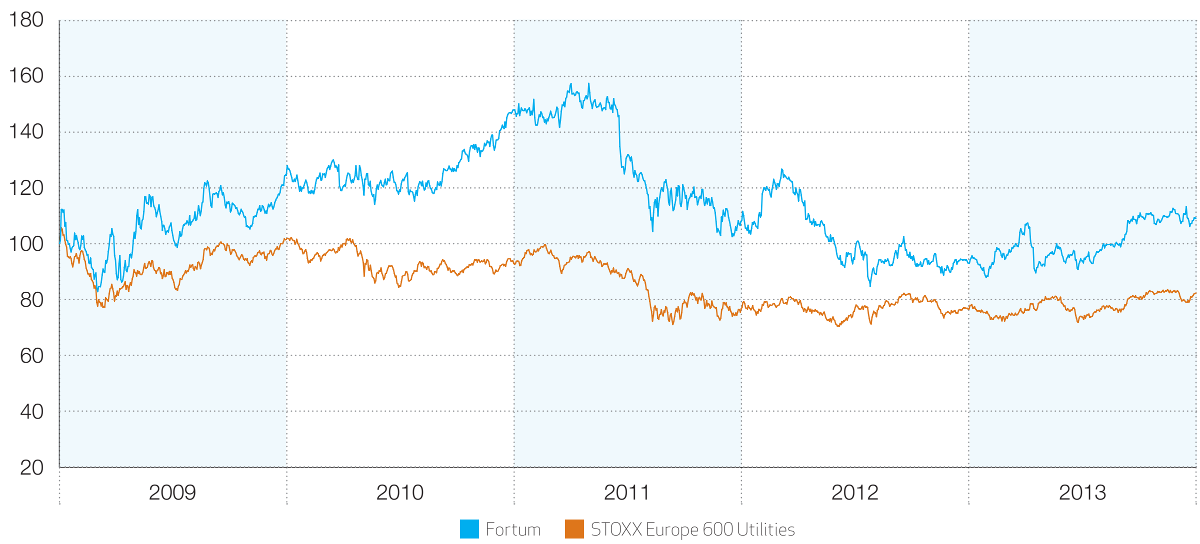
State shareholding:	50.8%
Strategic interest of ownership:	to secure undisturbed energy supply also in exceptional circumstances
Chairman of the Board:	Sari Baldauf
Members of the Board:	Christian Ramm-Schmidt, Minoo Akhtarzand, Heinz-Werner Binzel, Ilona Ervasti-Vaintola, Kim Ignatius, Petteri Taalas, Jyrki Talvitie
Chief Executive Officer:	Tapio Kuula
Industry sector:	utilities
Principal places of business in Finland:	Espoo, Loviisa, Meri-Pori, Oulujoki, Järvenpää, Joensuu, Imatra

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	6,056	6,159
Operating income	EURm	1,712	1,874
Operating income %	%	28.3	30.4
Comparable operating income	EURm	1,607	1,752
Total assets	EURm	24,420	24,561
Equity ratio	%	43.7	43.3
Gearing	%	73.6	73.4
Return on equity	%	12.0	14.4
Return on investment	%	9.2	10.2
Personnel, total		9,886	10,371
Personnel, Finland		2,477	2,647
Total dividends paid	EURm	977	888
Dividends received by the State	EURm	496	451
Investments	EURm	1,299	1,574
Taxes paid	EURm	229	269

Tapio Kuula
CEO

"Despite a challenging operating environment, 2013 was a satisfactory year for Fortum. Although our comparable operating profit decreased, the operative cash flow was very strong, and we continued to implement our investment projects in Europe and Russia with determination."

SHARE PRICE 2009–2013



Fortum is an energy company highly committed to sustainability. The company generates, distributes and sells electricity and heat, and offers related expert services. Fortum is the third largest power generator in the Nordic countries and among the leading heat producers globally. Fortum's carbon exposure is among the lowest in Europe. Fortum's operations are focused on the Nordic countries, Russia, Poland and the Baltic countries. In the future, the integrating European and fast-growing Asian energy markets will provide additional growth opportunities for Fortum.

According to Fortum's strategy, the company's core operations are based on strong competence in CO2-free hydro and nuclear power generation as well as energy-efficient combined heat and power generation. Fortum's strategy is based on three key drivers. In its strategy, the company builds on the strong Nordic core, creates solid earnings growth in Russia and builds a platform for future growth. Along with emissions-free hydro and nuclear power and resource-efficient CHP production, Fortum is developing the use of waste and biomass-based fuels as well as researching opportunities in solar and wave power. In 2013, the company invested in a 5-megawatt solar power plant in India. The company's ambition is to develop its competence in India and in photovoltaic power generation.

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The market situation remained challenging in 2013.

The market situation remained challenging in 2013. Electricity demand was affected by the economic downturn and weakened industrial demand for electricity. In 2013, electricity consumption in the Nordic countries was slightly lower than last year at 386 TWh. Fortum's operations were characterised by low hydro production volumes, but good nuclear availability. In total, electricity production decreased to 68.7 (73.1) TWh. The operating environment was also significantly affected by the strong increase in subsidised renewable energy production.

In 2013, Fortum inaugurated five new production facilities in Northern Europe. Fortum decided to discontinue electricity production at the Inkoo coal-fired power plant due to the facility's poor profitability.

Fortum's investment programme progressed in 2013, and the company commissioned two new power plant units in Nyagan, in Western Siberia. Out of the programme's eight production units, five had been commissioned at the end of 2013. Russia will be an important growth area for Fortum in the forthcoming years. The investment programme is estimated to be completed in the first half of 2015. The market situation was also challenging in Russia, which was affected by the economic downturn. Furthermore, the weakened exchange rate for the rouble posed an added challenge to Fortum's performance.

Fortum completed the assessment of future alternatives for its electricity distribution business and announced that the Finnish networks will be sold. Fortum sold the Finnish networks to Suomi Power Networks Oy for the total consideration of EUR 2.55 billion. In April 2014, the company also announced the decision to sell its Norwegian electricity distribution and heat businesses. The total consideration is EUR 340 million on a debt- and cash-free basis.

FINANCIAL PERFORMANCE

Cash flow improved due to the efficiency programme

Fortum's net sales in 2013 fell by 1.7 per cent to EUR 6,056 (6,159) million. Comparable operating income fell to EUR 1,607 (1,752) million. Cash flow from operating activities was solid and increased to EUR 1836 (1382) million. The improved cash flow was partly due to the company's efficiency programme started in 2012, which was to improve the cash flow by one billion euros in 2013–2014. As part

Sustainable business is a competitive advantage for Fortum.

of its efficiency program, Fortum has divested non-core assets, improved its working capital efficiency and lightened its cost structure. The efficiency programme was half way through at the end of 2013. The company underlines the importance of the efficiency programme in a challenging market situation where external factor are unfavourable to the company.

The decline in Fortum's financial performance was mostly due to the Power Division's low water power volumes. The Power Division's comparable operating for 2013 income was EUR 858 (1,146) million. During 2013, the average system spot price of electricity was EUR 31.2 (38.1) per MWh. The achieved Nordic power price was EUR 46.4 per MWh, EUR 1.8 per MWh higher than in 2012.

The emission allowance prices in 2013 were low due to a significant surplus of allowances. The backloading of auctioned allowances was approved at the turn of 2013–14. The backloading concerns a total of 900 million allowances.

The Russian Division's comparable operating income increased to EUR 156 (68) million. The impact of the capacity under the CSA agreement was EUR 163 (87) million. Comparable operating income includes a compensation of EUR 40 million received for construction delays. The Nyagan power plant unit 1 started receiving capacity payments from the beginning of April 2013 and unit 2 from the beginning of December. Nyagan 3 will be finalised at the end of 2014. Fortum's goal is to achieve an annual operating income level of about EUR 500 million in its Russia Division during 2015. In the current market situation, this is a highly ambitious goal.

Fortum fell short of its targeted return on capital employed. The return on investment totalled 9.2 per cent, the target being 12 per cent, and return on equity 12, the target being 14 per cent. The comparable net debt to EBITDA ratio was 3.4, which exceeded the company's strategic target of 3.0. For the financial year 2013, Fortum pays out EUR 1.1 (1.0) per share in dividends.

CORPORATE RESPONSIBILITY

Sustainable development an integrated part of operating practices and management system

Sustainable development is one of the cornerstones in Fortum's strategy, and sustainable business is the company's competitive advantage. In its operations, Fortum gives balanced consideration to economic, social and environmental responsibility with regard to its own operations and the entire value chain. Sustainable development is integrated as part of Fortum's operating practices and management system. Fortum's Board has developed the systematic handling of sustainable development. Fortum is listed in several sustainability indices.

Mitigating climate change and improving resource efficiency are Fortum's principal approaches to sustainability. In 2013, around 88 per cent of the electricity produced by Fortum in the EU was CO_2 emission-free. In terms of environmental targets, however, the situation is challenging. Specific CO_2 emissions from total energy production have been on the rise with the increased use of fossil fuels, and the overall efficiency of fuel use has decreased.

In social responsibility, the company gave priority to security of supply for electricity and occupational safety. The level of safety was improved with regard to the company's in-house personnel. Contractor safety is a major challenge and remains a priority for the company in 2014. The company has developed the assessment of its operations from the human rights point of view and incorporated the guiding principles on human rights in its procurement processes. Ensuring the responsibility of business partners and the entire supplier chain has been one of the company's priorities and will be emphasised in the future as well.

NESTE OIL CORPORATION

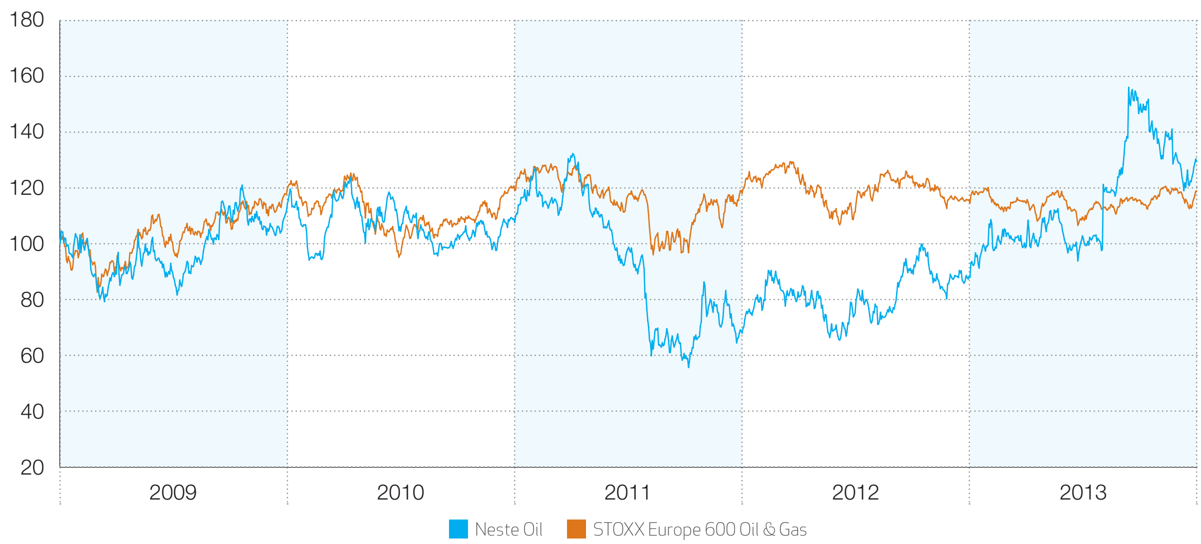
State shareholding:	50.1%
Strategic interest of ownership:	to secure nationwide fuel supply in exceptional circumstances with due consideration given to the security of supply
Chairman of the Board:	Jorma Eloranta
Members of the Board:	Per-Arne Blomqvist, Maija-Liisa Friman, Laura Raitio, Jean-Baptiste Renard, Willem Schoeber, Kirsi Sormunen
Chief Executive Officer:	Matti Lievonen
Industry sector:	energy industry
Principal places of business in Finland:	Espoo, Porvoo, Naantali

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	17,462	17,853
Operating income	EURm	632	321
Operating income %	%	3.6	1.8
Total assets	EURm	7,040	7,398
Equity ratio	%	41.6	34.3
Gearing	%	42.8	76.2
Return on equity	%	19.3	6.3
Return on investment	%	13.4	7.1
Personnel, total		5,049	5,022
Personnel, Finland	EURm	3,572	3,548
Total dividends paid	EURm	166.7	97.6
Dividends received by the State	EURm	83.5	48.8
Investments	EURm	214	292
Taxes paid	EURm	139	108

Matti Lievonen
CEO

"The success of Renewable Fuels in making its business profitable was one of our key achievements during the year."

SHARE PRICE 2009–2013



Neste Oil Corporation is a refining and marketing company concentrating on low-emission, high-quality motor fuels. The company has a presence in 15 countries. Neste Oil produces a comprehensive range of major petroleum products. With its production capacity of two million tonnes a year, Neste Oil is the world's largest producer of renewable diesel. Neste Oil's oil refineries are located in Porvoo and Naantali, and their refining capacity is some 15 million tonnes a year. The company's two 800,000 tonne renewable diesel refineries are located in Singapore and in Rotterdam in the Netherlands. Additional renewable diesel capacity is available at the Porvoo refinery.

Neste Oil's vision is to be the preferred partner in cleaner motor fuel solutions. Neste Oil's high-quality cleaner traffic solutions, together with its unique refining and technological expertise and ability to expand its feedstock base, provide what is a small company in international oil industry terms with a solid foundation for implementing its strategy.

Neste Oil has made investments, particularly in renewable fuel, in line with its strategy for growth. Through its growth investments, the company has created a business of more than EUR 2 billion in terms of net sales.

In 2013, Neste Oil announced that it was planning to exit the shipping business. According to the plan, the company would sell all its own vessels and outsource the ship management functions currently covering them. Ownership of key vessels will remain in Finland. In February 2014, Neste Oil announced that it will outsource its ship management functions to OSM Group AS of Norway.

In February 2013, Neste Oil announced that it will build an isomerisation unit at its Porvoo refinery. This EUR 65 million investment in high-octane gasoline production will come on stream in 2015 with an annual capacity of around 600 000 tonnes.

In its Retail business, Neste Oil announced in April 2013 that it will sell its Polish station network to Shell.

In September 2013, Neste Oil announced that it expects its comparable operating income to improve significantly, estimating it to be higher than EUR 530 million. This is mostly due to Renewable Fuels' good performance.

In December, Neste Oil announced its view on the US Environmental Protection Agency's (EPA) proposal on retaining the biomass-based diesel mandate at the 2013 level and reducing the total renewable fuel mandates by 8 per cent compared to 2013. The company favours higher 2014 mandates for advanced biofuels than those proposed.

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Neste Oil's result for 2013 was strong.

In 2013, Neste Oil used 53 (35) per cent of residue-based inputs as feedstock for producing renewable fuels. The proportion of crude palm oil decreased to 47 (65) per cent.

The key market drivers for Neste Oil's financial performance are refining margins, the price differential between Russian Export Blend (REB) and Brent crude, the USD/EUR exchange rate, and the price differentials between different vegetable oils.

FINANCIAL PERFORMANCE

Improved performance due to Renewable Fuels

Neste Oil's result for 2013 was strong and clearly exceeded the estimate given in September. Comparable operating income was EUR 604 (324) million. The improved performance was due to Renewable Fuels, whose comparable operating income increased by EUR 329 million. Oil Products' result fell by EUR 116 million, while Retail improved its performance by EUR 18 million.

Oil Products remained the greatest result generator in 2013 with its comparable operating income of EUR 280 million. Renewable Fuels' result was nearly the same year-on-year at EUR 273 million.

Oil Products' profitability was affected by the tight market situation. The refining margins on diesel that is of special importance to Neste Oil were lower than the year before. Production was at the previous years' level.

Gasoline margins were also lower year-on-year, and the Urals-Brent price differential was narrower. The proportion of Russian crude oil in refinery input stood at 63% (63%).

Underlying Renewables' solid performance were good margins and high product and sales volumes. Sales outperformed the theoretical production capacity. The positive performance was supported by the regulation of biofuels in the US.

The FAME – palm oil price differential increased to USD 356.0 (234.6) / tonne. The SME – soy oil price differential also increased to USD 388.6 (175.3) / tonne. Neste Oil considerably increased the sale of its renewable fuels in the US market.

The company's cash flow from operating activities before financial items increased to EUR 1,012 (612) million. Neste Oil's balance sheet strengthened during 2013. Equity ratio rose to 41.6 (34.9) per cent.

Investments in 2013 totalled EUR 214 (292) million. Investments in 2014 are expected to total around EUR 300–350 million.

"Neste Oil's approach to sustainability is based on the company's sustainability policy.

CORPORATE RESPONSIBILITY

Sustainability one of Neste Oil's four values

Sustainability represents a central part of Neste Oil's cleaner traffic strategy. Neste Oil's approach to sustainability is based on the company's sustainability policy and is one of the company's four values. The Board of Directors, the Executive Board, Neste Oil Sustainable Way, business areas and support functions form the foundation for the company's sustainability work.

The company's sustainability efforts (Neste Oil Sustainable Way) are crystallised in six focus areas, which are: Customer, Safety, Personnel, Society, Climate and resource efficiency, and Sustainable supply chain.

Neste Oil's materiality matrix covers the company's key themes of sustainability from the perspective of its business and stakeholders. These themes have been categorised according to the focus areas of the sustainability programme. The sustainability matrix is updated every other year. The next update will be carried out in the autumn of 2014.

The key policies and principles covering sustainability at Neste Oil are: Neste Oil's Code of Conduct, Sustainability Policy, Sustainability Principles for Biofuels, Human Resources Policy, and the No-Deforestation and Responsible Sourcing Guidelines for Renewable Feedstock.

A number of external bodies review Neste Oil's sustainability performance. Neste Oil was included in the following reviews, amongst others, in 2013: The Global 100, ranked sixth (4th); the Dow Jones Sustainability Index (7th year in succession); CDP Forest (good performance); the Carbon Disclosure Project, score 72 (79); the Storebrand Sustainabl Development Fund; STOXX® Global ESG Leaders; and the Ethibel Sustainability Indices (excellence).

The company publishes voluntary tax reports. Taxes are not as yet reported by country.

ALTIA PLC

State shareholding:	100.0%
Strategic interest of ownership:	no strategic interest
Chairman of the Board:	Matti Tikkakoski
Members of the Board:	Mikael Aro, Catarina Fagerholm, Minna Huhtaniska, Annikka Hurme, Jarmo Kilpelä, Sanna Suvanto-Harsaae
Chief Executive Officer:	acting Hannu Tuominen, from 1 June 2014 Pekka Tennilä
Industry sector:	production and sale of alcohol
Principal places of business in Finland:	Helsinki, Koskenkorva, Rajamäki

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	475.5	483.3
Operating income	EURm	0.7	29.4
Operating margin	%	0.1	6.1
Total assets	EURm	577.7	594.4
Equity ratio	%	29.2	33.1
Gearing	%	65.4	66.5
Return on equity	%	-1.7	10.8
Return on investment	%	3.5	10.6
Personnel, total		1,074	1,106
Personnel, Finland		504	530
Total dividends paid	EURm	0.0	7.2
Dividends received by the State	EURm	0.0	7.2
Investments	EURm	63.4	33.4
Taxes paid	EURm	3.7	10.8

Pekka Tennilä
CEO

"The year 2013 was characterised by efficiency improvements in production, transition to recyclable PET bottles and the construction of a biomass power plant. We also reviewed the expectations of our stakeholders."

Altia is a leading wine and spirits company offering quality brands in the Nordic and Baltic countries. Altia produces, markets, sells, imports and exports alcoholic beverages on its own behalf and on behalf of its partners. The company serves its consumers, partners and customers close to markets with its wide production, sales and logistics set-up.

FINANCIAL PERFORMANCE

In 2013, the sales of spirits continued to decrease while the sales of wine continued to increase in Altia's sphere of operations. The market shares of both own and partner products declined. Altia's net sales decreased by 1.6% on the previous year. Operating income exclusive of non-recurring items decreased to EUR 17.4 (26.7) million. The restructuring costs and impairment loss mainly related to the relocation of the wine and mulled wine production of the Svendborg plant to the Rajamäki plant resulted in the decrease of operating income inclusive of non-recurring items to EUR 0.7 (29.3) million.

In Finland, the total sales of alcoholic beverages declined by 3.0% (-1.8%). In Sweden, total sales grew by 1.3% (0.7%) from the beginning of the year and 0.8% (1.8%) in Norway. In Estonia, the total market size is estimated to have grown a few percentages during the year. The cross-border trade in Estonia continued to increase; the total alcohol imports by passengers account for as much 27% of spirits consumption and nearly 17% of wine consumption in Finland (National Institute for Health and Welfare 2/2014). The total market size is estimated to have slightly increased in Denmark, but remained at the same level as in the previous year in Latvia.

During 2013, the company acquired the Danish Brøndums aquavit brand (EUR 11.3 million) and the business and brand of the French Larsen SAS (EUR 39.4 million). The impact on capital expenditure of the increase in the value of the cognac inventory was EUR 25.5 million.

Altia's interest-bearing net debt stood at EUR 110.4 (131.7) million at year-end, and gearing and equity ratio decreased slightly.

CORPORATE RESPONSIBILITY

The company's framework for sustainable development consists of financial, environmental and social responsibility. Altia carried out a corporate responsibility materiality analysis for the first time in 2013. Based on the survey results, the Executive Management Team identified the key responsibility topics and development areas for Altia. Altia's responsibility cornerstones are: Altia & Customers, Altia & Environment, Altia & Society and Altia & Personnel.

ARCTIA SHIPPING LTD

State shareholding:	100%
Strategic interest of ownership:	to secure the functioning of shipping operations through the provision of icebreaking services
Chairman of the Board: Members of the Board: Chief Executive Officer:	Christer Granskog Maire Laitinen, Ilpo Nuutinen, Antti Pankakoski, Päivi Söderholm Tero Vauraste
Industry sector: Principal places of business in Finland:	specialised shipping company Helsinki

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	63	75.3
Operating income	EURm	17.5	44.6
Operating margin	%	27.8	59.2
Total assets	EURm	175.6	157
Equity ratio	%	70.7	69.2
Gearing	%	-12.0	-0.9
Return on equity	%	11.7	44.6
Return on investment	%	12.5	32.3
Personnel, total		279	311
Personnel, Finland		279	311
Total dividends paid	EURm	-	-
Dividends received by the State	EURm	-	-
Investments	EURm	17.7	13.3
Taxes paid	EURm	0.4	0.04

Tero Vauraste
CEO

"The Group once again achieved an excellent performance during the fiscal period, with all lines of business achieving a positive result."

Arctia Shipping is a specialised shipping company offering icebreaking, marine construction and ice management services using multi-purpose icebreakers and oil-spill response services. The most important customer of icebreaking services is the Finnish Transport Agency. Offshore's clientele consists of operators in the oil industry. Icebreaking in the Arctic Sea accounted for 56 per cent of the company's net sales in 2013.

FINANCIAL PERFORMANCE

The number of operating days in icebreaking increased considerably in 2013 totalling 573 (375). The company's entire fleet (excluding the Fennica) was engaged in assisting winter navigation in Finland. After the Finnish icebreaking season, the chartering of Arctia's multipurpose icebreakers continued in Alaska. The entire fleet had a solid contract portfolio. The Finnish Transport Agency extended the agreement concerning Arctia's conventional vessels until 2015; the ice management agreements for chartered multipurpose icebreakers were also extended to 2016. In 2013, the company invested in a floating office and a new harbour icebreaker named Kemin Karhu.

Arctia's net sales fell to EUR 63 million from the previous year's EUR 75.3 million. This was partly because the figures of the comparison year also include net sales generated by the multipurpose icebreaker Botnica. The reduction in net sales was also due to the shorter operating period of the multipurpose icebreakers. The multipurpose icebreakers had a utilisation rate of more than 90 per cent. Operating income fell to EUR 17.5 million from the previous year's EUR 19.7 million. The company's balance sheet position remained very strong.

CORPORATE RESPONSIBILITY

Arctia Shipping operates in particularly sensitive sea areas requiring special protection. For this reason, environmental responsibility is of essential significance in terms of business. Demanding working conditions call for special investments in safety and social responsibility. The company's investments in safety paid off in 2013 as the accident frequency decreased significantly. The company's key environmental targets for 2013 related to reducing the consumption of fuel and fresh water. Operating in the Arctic region poses special requirements both for safety and the minimisation of environmental impacts. Responsibility is estimated to be of increasingly pronounced significance in oil companies' subcontractor chains. A sustainable supply chain will be of key importance in the development work over the next few years.

ART AND DESIGN CITY HELSINKI OY

State shareholding:	35.2%
Strategic interest of ownership:	no strategic interest
Chairman of the Board:	Nyrki Tuominen
Members of the Board:	Chandika Chandras, Jan-Erik Krusberg, Markku Löytönen, Sinikka Mustakari, Päivi Paltola-Pekkola, Pekka Saarela
Chief Executive Officer:	Kari Halinen
Industry sector:	urban planning
Principal places of business in Finland:	Helsinki

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	0.4	0.5
Operating income	EURm	0.0	0.0
Operating margin	%	3.9	5.3
Total assets	EURm	0.5	0.5
Equity ratio	%	86.3	80.6
Gearing	%	-103.5	-98.1
Return on equity	%	4.2	8.2
Return on investment	%	5.7	7.5
Personnel, total		3	5
Personnel, Finland		3	5
Total dividends paid	EURm	0.0	0.0
Dividends received by the State	EURm	0.0	0.0
Investments	EURm	0.0	0.0
Taxes paid	EURm	0.0	0.0

"Art and Design City Helsinki Oy makes its expertise available to the entire Helsinki metropolitan area."

Kari Halinen
CEO

Art and Design City Helsinki Oy's (ADC) mission is to contribute to the creation of the applied arts centre to be developed in Arabianranta by providing services in support of the project. To accomplish this, the company produces marketing, training and other services, and is involved in implementing a range of development and other projects.

FINANCIAL PERFORMANCE

ADC coordinates the efforts to develop Arabianranta as a future residential district, an innovative environment for new companies and a campus for seven universities and institutes of education. Since 2001, ADC has operated a virtual media portal – Helsinki Virtual Village – and has provided displays in the Arabia shopping centre and schools. Additionally, ADC has been responsible for developing the local optical fibre network and services.

Nearly 20 different development projects have been brought to completion at Arabianranta with the city district portal used as a research tool. In 2007, ADC commenced the 'Helsinki Living Lab' project that was subsequently expanded to cover the entire metropolitan area. The company is involved in the Arabia Cupoli project where the coordination of joint space concepts between educational institutes and enterprises is negotiated.

The company's original mission and operations are nearing completion. Arabianranta is due for completion in 2014–2015. ADC aims to continue with its city district development efforts using Arabianranta as an innovation platform for city district development, and to offer solutions tested in the district as branded services for other districts.

To a large extent, the company's operations are based on a service production agreement between ADC and the City of Helsinki specifying the services and functions to be provided by the company for the City. As it is, the most significant risk in terms of the company's operations arises from the fact that the service production agreement can only be concluded for one year at a time and thus the value of the order may decrease considerably.

CORPORATE RESPONSIBILITY

According to ADC's strategy, the company conducts its operations in an environmentally responsible manner.

BOREAL PLANT BREEDING LTD

State shareholding:	60.75%
Strategic interest of ownership:	to ensure food security and security of supply
Chairman of the Board:	Kaj Friman
Members of the Board:	Jukka Hollo, Pekka Hurtola, Jyrki Lepistö, Taina Vesanto
Chief Executive Officer:	Markku Äijälä
Industry sector:	breeding and marketing cultivated plants
Principal places of business in Finland:	Jokioinen

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	9.4	9.2
Operating income	EURm	0.7	0.5
Operating margin	%	7.9	5.2
Total assets	EURm	10.2	9.8
Equity ratio	%	77.5	78.0
Gearing	%	-53.7	-41.9
Return on equity	%	5.2	5.7
Return on investment	%	10.5	8.1
Personnel, total		72	74
Personnel, Finland		72	72
Total dividends paid	EURm	0.2	0.2
Dividends received by the State	EURm	0.1	0.1
Investments	EURm	0.2	0.6
Taxes paid	EURm	0.2	0.1

"Strong research and development operations to serve plant breeding."

Markku Äijälä
CEO

Boreal Plant Breeding Ltd breeds and markets varieties of field crops for the growing conditions prevailing in Finland and other northern regions. In Finland, Boreal strengthened its market position in 2013. The company's market share increased to 58% (56%) of cultivated land in cereal and oil plants. The company seeks growth from the export markets. The development of the export of crop varieties was supported by the agreed cooperation with Limagrain. A total of 11 new crop varieties bred by Boreal were accepted to the Finnish list of plant varieties in 2013.

FINANCIAL PERFORMANCE

In 2013, the company's net sales grew by 2.2 per cent and stood at EUR 9.4 (9.2) million. The growth in net sales was due to the increase in royalties from certified seeds and increased sales of plant breeding services to the National Emergency Supply Centre. The increase in net sales raised the operating income to EUR 0.7 (0.5) million or 7.9 (5.2) per cent of net sales. However, the disposal of the Russian subsidiary resulted in a write-down of EUR 0.2 million in finance costs. The return on investment increased. The company's balance sheet remained strong. The equity ratio was 77.5% (78.0%) and the company's net debt is zero.

CORPORATE RESPONSIBILITY

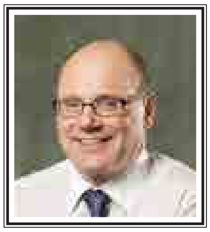
Plant breeding is a sustainability-promoting business. Plant breeding improves the preconditions for crop cultivation in a sustainable manner and promotes the sustainable use of natural resources. Climate change, the increased demand for global food production and the improvement of protein self-sufficiency are examples of the challenges the company seeks to address by means of its breeding operations. Key corporate responsibility aspects include the personnel as well as honest and ethical operating practices. The company's goal is to improve the energy and materials efficiency of its operations.

DESTIA

DESTIA LTD

State shareholding:	100%
Strategic interest of ownership	investor interest
Chairman of the Board: Members of the Board: Chief Executive Officer:	Karri Kaitue Kalevi Alestalo, Elina Engman, Matti Mantere, Solveig Törnroos-Huhtamäki Hannu Leinonen
Industry sector: Principal places of business in Finland:	infrastructure services Jyväskylä, Kouvola, Kuopio, Oulu, Tampere, Vantaa

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	489.7	507.3
Operating income	EURm	18.9	14.0
Operating margin	%	3.9	2.8
Total assets	EURm	220.0	223.5
Equity ratio	%	44.0	35.1
Gearing	%	-50.7	-40.7
Return on equity	%	18.9	15.5
Return on investment	%	20.2	13.3
Personnel, total		1,515	1,591
Personnel, Finland			1,498
Total dividends paid	EURm	0	0
Dividends received by the State	EURm	0	0
Gross investments	EURm	7.3	5.2
Taxes paid	EURm	0.8	0.1



Hannu Leinonen
CEO

"At Destia, we have been able to improve our profitability for three consecutive years despite the challenging market situation. In the year just ended, we achieved the best operating profit in the Group's history."

Destia is a Finnish infrastructure and construction service company whose core business comprises large road projects and infrastructure maintenance requiring special expertise. The focus areas of Destia's strategic growth are in the Rock and Railways businesses and in energy construction. Destia is strongly investing in the development of customer work. Human resources development remains a strategic focus area of the company.

FINANCIAL PERFORMANCE

Destia's net sales decreased by 3.5 per cent. Comparable operating income improved to EUR 18.9 (14.0) million. Relative profitability improved clearly to 3.9 (2.8) per cent. Destia's order stock at the end of 2013 stood at EUR 593.0 (600.8) million, a decrease of 1.3 per cent on the previous year. Destia put special effort in improving its profitability, which had a negative impact on the winning of projects and on the order stock.

Uncertainty in the economy continued during 2013, which had a negative effect on the economic operating environment in infrastructure construction and on the availability and price of project financing. Public-sector infrastructure investments remained steady, but the amount of private-sector infrastructure investments decreased. Public-sector plans also contain some major future projects for the next few years that create basic demand in the infrastructure sector.

CORPORATE RESPONSIBILITY

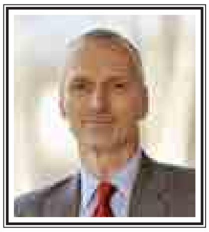
Destia's corporate responsibility development programme was launched in 2013. Destia is working on its corporate responsibility programme, the objective of which is to develop corporate responsibility as an integral part of business operations. Corporate responsibility is reflected in the company's values, mission and strategy as well as in its operating practices. The minimisation of environmental effects is among Destia's primary goals. Occupational safety is an integral part of social responsibility.

EKOKEM

EKOKEM CORPORATION

State shareholding:	34.08%
Strategic interest of ownership:	no strategic interest
Chairman of the Board:	Maija-Liisa Friman
Members of the Board:	Leena Karessuo, Pia Björk, Karri Kaitue, Jukka Ohtola, Tiina Tuomela, Juha Vanhainen
Chief Executive Officer:	Timo Piekkari
Industry sector:	environmental business, energy production
Principal places of business in Finland:	Riihimäki

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	196.0	164.2
Operating income	EURm	28.1	24.9
Operating margin	%	14.3	15.2
Total assets	EURm	278.6	277.7
Equity ratio	%	53.5	49.2
Gearing	%	32.3	38.2
Return on equity	%	14.9	14.5
Return on investment	%	13.2	14.4
Personnel, total		479	398
Personnel, Finland		321	310
Total dividends paid	EURm	9.9	8.4
Dividends received by the State	EURm	3.4	2.9
Investments	EURm	16.0	92.7
Taxes paid	EURm	7.9	2.7



"Ekokem's ambition is to become the leading environmental expert in the Nordic countries."

Timo Piekkari
CEO

Ekokem is the leading provider of comprehensive environmental services in Finland whose strengths include close understanding of its clients and personalised customer service. Ekokem's core expertise comprises the handling of hazardous waste, other waste recovery, energy production, remediation of contaminated soil and groundwater, and environmental construction. Ekokem continued with its investments in the development of a nation-wide service centre network as planned.

FINANCIAL PERFORMANCE

Ekokem's net sales in 2013 grew by 19.4 per cent year-on-year. Similarly, the operating income increased considerably on the previous year. The growth and financial performance were largely due to the fact that the Swedish Sakab AB was now included in the consolidated net sales for the entire year, and that the Riihimäki waste-to-energy plant 2 was in operation throughout the year. Following the completion of major investments, Ekokem's equity ratio rose and is at a good level.

Ekokem Group's net sales and financial performance over the next few years will be affected by the development of Sakab's net sales and profitability, in particular. Ekokem also aims to introduce service concepts developed in Finland in Sweden. Additionally, Sakab has a productivity programme underway to reduce costs. KWH Mirka Ltd's 10-MW eco-power plant in Jepua, Uusikaarlepyy, was commissioned in late 2013 and will have a full-scale impact on the 2014 net sales and result. Ekokem is also planning to invest in waste-to-energy plants elsewhere in Finland. If realised, the investments will further increase the company's net sales.

Ekokem is currently investing in waste-based recycled products, the potential business opportunities of which will become more evident when the development work advances.

CORPORATE RESPONSIBILITY

The essential themes of Ekokem's corporate responsibility are: the preservation of natural resources and waste recovery; the environmental impact of operations; safety; economic responsibility; responsibility for employees; and the company's role in society.

Gasum

GASUM CORPORATION

State shareholding:	24%
Strategic interest of ownership:	to secure domestic control in the gas transmission network
Chairman of the Board:	Johanna Lamminen
Members of the Board:	Björn Ahlnäs, Aleksei Novitsky, Christer Paltschik, Ari Suomilammi, Kristiina Vuori
Chief Executive Officer:	Johanna Lamminen
Industry sector:	transmission and wholesale of natural gas
Principal places of business in Finland:	Espoo, Valkeala

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	1,147.5	1,281.8
Operating income	EURm	36.8	62.1
Operating margin	%	3.2	4.8
Total assets	EURm	768.6	836.2
Equity ratio	%	52.3	48.6
Gearing	%	41.3	45.7
Return on equity	%	8.3	10.6
Return on investment	%	6.3	10.5
Personnel, total		273	259
Personnel, Finland		273	259
Total dividends paid	EURm	17.9	40.0
Dividends received by the State (PMO's share)	EURm	4.3 (2.2)	9.6 (4.96)
Investments	EURm	22.0	21.0
Taxes paid	EURm	7.0	14.9

Johanna Lamminen
CEO

"Gasum prepared for future challenges and seeks growth from LNG."

Gasum's business operations comprise the import, transmission and wholesale of natural gas. Customers include industry, power-generation plants and small properties.

Gasum is also engaged in the development of biogas production and distribution. In 2013, a total of around 31,721 MWh of biogas was injected into the Gasum network – an amount almost seven times that injected in the previous year.

FINANCIAL PERFORMANCE

Although the price of natural gas showed a slight downward trend throughout 2013, the low price levels prevailing in emissions trading and the electricity market adversely affected the competitiveness of natural gas, particularly against coal. In effect, the Finnish consumption of natural gas in 2013 decreased by 5.1 per cent on the previous year to 33.2 (35.0) TWh.

Gasum continued to explore the opportunity to construct a large LNG terminal and an associated connection pipeline between Finland and Estonia in collaboration with an Estonian partner. The solution is expected to be arrived at by the end of May of 2014. The foreseen profitability of LNG is based on the fact that due to the large-scale utilisation of the profitable shale gas deposits in North America, LNG producers have been forced to look for new markets for their products, mainly from Europe and Asia. The opening of a new source of supply could lower the procurement costs of natural gas and hence improve the competitiveness of natural gas over the long term in Finland and elsewhere in the Baltic Sea region.

In early 2014, Gasum acquired a 51 per cent ownership in Skangas, a company engaged in the storage and sale of LNG. Gasum's smaller LNG terminals serving shipping fuel deliveries and the industry are also being planned. Another crucial question in terms of business strategy is the increase of the production and transfer of biogas in Gasum's natural gas network. The company has projects to that effect under way at various parts of Finland, the most important being the biogas production plant planned in Joutseno that would supply biogas via the natural gas network to the Greater Helsinki Area. In Gasum's opinion, supportive measures are required for the project to be realised.

CORPORATE RESPONSIBILITY

According to the company, Gasum's responsibility themes include openness, security of supply, the environment and safety, and the current use and future of gas.

ITELLA CORPORATION

State shareholding:	100%
Strategic interest of ownership:	the provision of postal services subject to the universal service obligation
Chairman of the Board: Members of the Board: Chief Executive Officer:	Mauri Pekkarinen Arto Hiltunen Petri Järvinen, Petri Kokko, Jussi Kuutsa, Marja Pokela, Päivi Pesola, Riitta Savonlahti, Suvi-Anne Siimes Heikki Malinen
Industry sector: Principal places of business in Finland:	postal services Helsinki, Jyväskylä, Kuopio, Lahti, Lappeenranta, Oulu, Seinäjoki, Tampere, Turku, Vantaa

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	1,976.8	1,946.7
Operating income	EURm	9.9	39.0
Operating margin	%	0.5	2.0
Total assets	EURm	1,415.6	1,509.7
Equity ratio	%	47.2	46.4
Gearing	%	21.0	23.3
Return on equity	%	1.1	2.1
Return on investment	%	1.4	4.3
Personnel, total		27,253	27,460
Personnel, Finland		20,263	21,819
Total dividends paid	EURm	0.0	6.8
Dividends received by the State	EURm	0.0	6.8
Gross investments	EURm	61.1	134.7
Taxes paid	EURm	-10.1	16.7

Heikki Malinen
CEO

"Instead of expansion, we are investing in our core operations."

Itella is an international company engaged in the provision of postal, logistics and eCommerce services. Itella's market position is strongest in Finland. In Russia, Itella is the market leader in the warehousing business. International operations account for around 29 per cent of net sales.

FINANCIAL PERFORMANCE

In 2013, Itella's net sales grew by 1.5 per cent on the previous year. Net sales declined in Mail Communications and OpusCapita, but increased in Logistics. The acquisition of groupage business operations in October 2012 was reflected in the growth.

The operating income exclusive of non-recurring items amounted to EUR 50.5 (53.2) million. The reported operating income was EUR 9.9 (39.0) million. It weakened in Mail Communications and Logistics, but improved in OpusCapita. In April, Itella launched a new performance improvement program for 2013–2014, aiming for EUR 100 million in cost savings.

The rate of digitisation in postal services accelerated during 2013. Newspaper and magazine volumes continued to decline. The market situation in logistics and retail was weak in 2013.

CORPORATE RESPONSIBILITY

Corporate responsibility is included as part of Itella's strategy through its mission and values. Itella invests in personnel development in line with corporate responsibility. It is also the first postal company in the world to offer entirely carbon-neutral delivery services. All transport subcontracting in Finland is subject to Itella's environmental accounting. The new digital services reduce environmental loads.

KEMIJOKI OY

KEMIJOKI OY

State shareholding:	50.1%
Strategic interest of ownership:	no strategic interest
Chairman of the Board:	Matti Ruotsala
Members of the Board:	Risto Andsten, Elina Engman, Tapio Jalonen, Tapio Korpeinen, Pekka Manninen, Jukka Ohtola
Chief Executive Officer:	Tuomas Timonen
Industry sector:	electricity production
Principal places of business in Finland:	Rovaniemi

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	36.5	41.0
Operating income	EURm	-4.6	-2.6
Operating margin	%	-12.6	-6.4
Total assets	EURm	457.8	461.5
Equity ratio	%	19.0	20.7
Gearing	%	385.3	365.5
Return on equity	%	-7.9	-8.3
Return on investment	%	-10.9	-0.6
Personnel, total		218	224
Personnel, Finland		218	224
Total dividends paid	EURm	0.7	0.7
Dividends received by the State	EURm	0.4	0.4
Investments	EURm	12.4	11.8
Taxes paid	EURm	0.5	0.3

Tuomas Timonen
CEO

"Kemijoki Oy implemented the change in its operating model in a manner that secures employee benefits."

Kemijoki Oy engages in hydropower generation and has a total of 20 power plants located on the River Kemijoki, the River Kymijoki and the River Lieksanjoki. The company is currently Finland's largest producer of hydroelectric power and related services. The electricity produced by the company is sold at cost to its shareholders in proportion to the number of hydroelectric power shares held.

FINANCIAL PERFORMANCE

In 2013, Kemijoki Oy generated a total of around 4.1 TWh of hydropower, which falls short of the average hydropower production (approx. 4.4 TWh) by about 7 per cent. The River Kemijoki accounted for around 90 per cent of the electricity produced and the River Lieksanjoki and the River Kymijoki for the remaining 10 per cent. The company's power production in 2013 represented around 25 per cent of the hydropower electricity produced in Finland. The total availability of power plants remained good.

The company's financial status remained stable. As in the previous years, the parent company's result for the financial year 2013 equals the total amount of dividends payable under the Articles of Association.

Kemijoki Oy's total output currently amounts to around 1130 MW. The majority of Kemijoki Oy's power plant units were refurbished in 1990–2010, during which period the power upgrades were also made. The company may still construct new hydropower plant capacity and carry out river channel improvements yielding some 38 MW of extra output.

Kemijoki Oy also has the option of extending and enhancing its production in connection with the refurbishment of certain power plants. According to the company's investment plan, the power upgrade of old power plants would yield an extra output of around 60 MW. The total output of the company's power plants at the end of 2017 would total a good 1200 MW. The investments are mainly targeted at the River Kemijoki watercourse area and, to a lesser extent, the River Lieksa.

CORPORATE RESPONSIBILITY

Kemijoki conducts its operations in compliance with its environmental and quality policies that are reviewed annually. The company is also committed to improve its energy efficiency in accordance with the energy efficiency agreement concluded with the Confederation of Finnish Industries. Energy efficiency is incorporated as part of the company's environmental management system.

LEIJONA CATERING

LEIJONA CATERING OY

State shareholding:	100%
Strategic interest of ownership:	provision of catering services for the Finnish Defence Forces
Chairman of the Board:	Soili Suonoja
Members of the Board:	Anne Gullsten, Hannu Kuusela, Sinikka Mustakari, Teemu Penttilä, Kari Rimpi
Chief Executive Officer:	Ritva Paavonsalo
Industry sector:	restaurant services
Principal places of business in Finland:	Kuopio, restaurant operations in 50 locations

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	65.3	64.0
Operating income	EURm	4.0	5.4
Operating margin	%	6.1	8.4
Total assets	EURm	21.3	21.9
Equity ratio	%	72.8	61.6
Gearing	%	-79.0	-67.4
Return on equity	%	22.9	35.6
Return on investment	%	27.5	49.3
Personnel, total		485	552
Personnel, Finland		485	552
Total dividends paid	EURm	1.2	-
Dividends received by the State	EURm	1.2	-
Investments	EURm	0.5	0.1
Taxes paid	EURm	1.5	1.6

Ritva Paavonsalo
CEO

"We at Leijona Catering place our unique expertise at the disposal of not only the Finnish Defence Forces, but also other operators."

The Defence Forces Catering Service Centre was incorporated as a new company at the end of 2011 and the newly established Leijona Catering Oy commenced its operations at the beginning of 2012. Following the incorporation, the personnel of the Defence Forces Catering Service Centre transferred to Leijona Catering Oy as senior employees. The fixed assets and inventories of the Defence Forces Catering Service Centre were also transferred to the new company as a contribution in kind. During its first years of operation, the company focused on developing its strategy, revising its organisation and management model, and putting special efforts into sales and marketing. The company's largest client is the Finnish Defence Forces.

FINANCIAL PERFORMANCE

The company's net sales grew by about 2 per cent on the previous year despite the closing of two garrison restaurants. The growth was due to larger than expected intake of conscripts, moderate price increases and opening of a new staff canteen. Operating income fell by 26 per cent, which was mainly due to an increase in other operating expenses. The company's balance sheet is strong and the company's net debt is zero. The decrease in the number of personnel was mainly due to the terminated employment relationships in the winding up of the Kontioranta and Halli restaurants.

In December 2013, Leijona Catering and the National Institute for Health and Welfare concluded an agreement on the provision of food and catering services to the National Institute for Health and Welfare.

The reform of the Finnish Defence Forces will affect the company's operations through closed garrisons and the shortened duration of military service. The restaurants located in the garrisons to be closed down will be phased out in 2013–2015, which will also result in personnel adjustment measures.

CORPORATE RESPONSIBILITY

The corporate responsibility efforts of Leijona Catering are focused on its personnel, supply chain and environmental performance. Responsible procurement and safety and transparency of the supply chain are of pronounced significance in the food sector. Leijona Catering maintains a high degree of domestic origin in its purchases. Security of supply of the procurement chain and the reliability of partners are of paramount importance.

Leijona Catering has committed to decrease its environmental impact throughout the food chain. In environmental matters, the company's operations are guided by a detailed environmental programme, and in issues related to cooperation by its code of conduct. In the preparation of food and choice of equipment, special emphasis is laid on energy efficiency. Leijona Catering draws up reports in accordance with the applicable Global Reporting Initiative (GRI) guidelines.

MERITAITO LTD

State shareholding:	100%
Strategic interest of ownership:	provision of hydrographic surveying services in Finland's territorial waters
Chairman of the Board: Members of the Board: Chief Executive Officer:	Matti Puhakka Taru Keronen, Pekka Leskinen, Eeva Niskavaara, Jukka Ohtola, Marja Tuderman Jari Partanen
Industry sector: Principal places of business in Finland:	waterways maintenance and hydrographic surveying Helsinki, waterway maintenance stations around Finland

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	26.9	31.8
Operating income	EURm	-2.7	1.7
Operating margin	%	-10.1	5.4
Total assets	EURm	29.3	32.6
Equity ratio	%	69.7	69.1
Gearing	%	11.2	-7.5
Return on equity	%	-13.1	7.7
Return on investment	%	-10.9	7.1
Personnel, total		222	236
Personnel, Finland		222	236
Total dividends paid	EURm	-	-
Dividends received by the State	EURm	-	-
Investments	EURm	1.5	4.5
Taxes paid	EURm	0	0

Jari Partanen
CEO

"Meritaito has succeeded in retaining a sufficient market share that makes continued regional and qualitative service development possible."

Meritaito is a company specialised in the maintenance of waterways, the operation and maintenance of canals and hydrographic surveying. In 2013, all waterways maintenance and hydrographic surveying services were put out to open tender following the expiry of the act on public service obligation in 2012. In order to adapt to the opening of competition, the company developed new cleantech business operations targeted at the global market and marketed under the new SeaHow brand.

FINANCIAL PERFORMANCE

In 2013, the company's net sales declined following the opening of competition and decrease in contract prices to EUR 26.9 million from the previous year's EUR 31.8 million. The price level in contract areas put out to open tender has fallen by about one third of the previous level. The Finnish Transport Agency is the company's most important customer. With regard to other customers, the decline in net sales was due to the poor economic conditions in the construction sector. The decline in net sales was sharpest in expert services owing to the late putting out to open tender of hydrographic surveying contracts. Net sales grew insofar as the new business functions are concerned, but their share of the entire business operations is relatively small. The decline in net sales burdened the company's profitability, and the operating income fell to EUR 2.7 (1.7) million.

CORPORATE RESPONSIBILITY

Corporate responsibility is an integral part of Meritaito's strategy, and as such is integrated as part of the company's operating practices and management system. The new cleantech business is based on the need to protect the environment and to manage environmental risks, which constitute a major business opportunity for the company. The market for the new cleantech business is global, which lays special emphasis on issues such as anti-corruption policies as well as the consideration of the local environment and conditions and risk management. Key corporate responsibility aspects also include safety and social responsibility. The challenging market situation is reflected in pressures for making personnel adjustments which, in turn, highlights the importance of social responsibility. The company's social responsibility indicators showed positive development in 2013. The company also strives at decreasing its environmental impact.

MOTIVA OY

State shareholding:	100%
Strategic interest of ownership:	to promote energy and materials efficiency, and renewable energy
Chairman of the Board:	Salla Vainio
Members of the Board:	Heli Arantola, Pekka Kettunen, Jarmo Muurman, Arto Rajala
Chief Executive Officer:	Jouko Kinnunen
Industry sector:	consulting in the energy sector and material functions
Principal places of business in Finland:	Helsinki

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	8.6	8.9
Operating income	EURm	0.5	0.4
Operating margin	%	6.1	4.4
Total assets	EURm	4.4	4.6
Equity ratio	%	63.6	54.5
Gearing	%	-46.6	-54.6
Return on equity	%	16.3	13.5
Return on investment	%	22.7	18.5
Personnel, total		68	65
Personnel, Finland		68	65
Total dividends paid	EURm	0.3	0.1
Dividends received by the State	EURm	0.3	0.1
Investments	EURm	0.9	0.1
Taxes paid	EURm	0.1	0.1

Jouko Kinnunen
CEO

"The promotion of resource efficiency creates new jobs in Finland. Supported by Motiva, companies and municipalities invest in projects that give rise to new business."

Motiva Oy is an expert company and a competence centre that offers services for using energy and materials more effectively and sparingly, and for promoting the effective and sustainable use of renewable energy. Motiva provides companies, government agencies and consumers with information and solutions to enable them to make resource-efficient and sustainable choices.

The company operates as an in-house entity within the meaning of the Act on Public Contracts (348/2007). Its principal customers include ministries and other central government agencies. The company's subsidiary, Motiva Services Oy, operates on market terms and provides services for companies and municipalities, among others.

FINANCIAL PERFORMANCE

Motiva Group's net sales in 2013 were about the same as the year before, i.e. EUR 8.6 million. The parent company's net sales totalled EUR 6.3 (6.3) million. Nearly 90 per cent of net sales came from Finland. Sales outside of Finland mainly came from other EU countries. The Group's operating income improved by more than 30 per cent, which was due to the subsidiary's improved operating income. The subsidiary's operating income doubled from the previous year. The Group's solvency and liquidity remained good during the financial period.

The subsidiary's net sales in 2013 amounted to EUR 2.7 (2.5) million. The increase in net sales was due to the increased revenue from the administration of the Swan Label and the EU Ecolabel.

Of major significance for Motiva's future are the EU Energy Efficiency Directive and its implementation in Finland, and the national material efficiency programme that was brought to completion in early 2014. The company's future will also be affected by the Energy Authority that commenced its operations at the beginning of 2014, assuming some of the duties of the Ministry of Employment and the Economy related to energy efficiency and the promotion of renewable energy. The effect of this change on Motiva has not been significant so far.

CORPORATE RESPONSIBILITY

For Motiva, the key aspect of corporate responsibility is the personnel. The company's success is crucially dependent on its highly skilled and competent personnel. Of significance in terms of environmental responsibility are the efforts made by Motiva to reduce environmental impacts by providing services and solutions to promote energy and materials efficiency, and the use of renewable energy. Motiva's own operations do not give rise to any significant environmental load.

nordic morning

NORDIC MORNING PLC

State shareholding:	100%
Strategic interest of ownership:	no strategic interest
Chairman of the Board:	Kaj Friman
Members of the Board:	Carina Brorman, Maritta Iso-Aho, Jussi Lystimäki, Eva Persson, Petri Vihervuori
Chief Executive Officer:	Timo Lepistö
Industry sector:	graphics industry and marketing communications
Principal places of business in Finland:	Helsinki

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	121.3	113.2
Operating income	EURm	4.0	-4.1
Operating margin	%	3.3	-3.6
Total assets	EURm	89.3	88.8
Equity ratio	%	42.3	36.3
Gearing	%	16.8	37.0
Return on equity	%	11.9	-13.7
Return on investment	%	8.0	-7.7
Personnel, total		668	705
Personnel, Finland		319	344
Total dividends paid	EURm	1.5	0.0
Dividends received by the State	EURm	1.5	0.0
Investments	EURm	3.6	7.4
Taxes paid	EURm	0.1	-0.001

Timo Lepistö
CEO

"We keep our ear to the ground to sense significant near-future trends and opportunities as well as changes in our customers' needs."

Edita Group became Nordic Morning in April 2013 following the change of the Group's name. Nordic Morning is the leading communications service provider in the Nordic countries. The Nordic Morning Group is made up of the parent company, Nordic Morning, as well as its Finnish and Swedish subsidiaries that operate in different communications sectors. Nordic Morning is also a shareholder in two Swedish companies. The most important changes during the course of the Group's transformation into a modern communications group were the acquisition of the Swedish advertising and communications group Citat in 2008 and the Nordic digital marketing group Klikki in 2011. In 2013, a new company named Edita Bobergs AB was established.

FINANCIAL PERFORMANCE

Nordic Morning's net sales in 2013 increased by 7 per cent to EUR 121.3 (113.2) million. The increase was due to the corporate arrangement concluded and the strengthened Swedish Krona.

Consolidated operating income was EUR 4.0 (-4.1) million. Operating income exclusive of non-recurring items was EUR 4.0 (2.1) million.

Nordic Morning's equity ratio rose by 6 percentage points during the financial year 2013. The company's gearing fell by 20.2 percentage points.

CORPORATE RESPONSIBILITY

Corporate responsibility at Nordic Morning is directed by the CEO, while the Communications Director assumes responsibility for its development and the related communications and reporting together with the CRI team. The company's corporate responsibility is based on recognised policies and guidelines, such as the UN Global Compact and the ISO 14001 environmental management standard. The corporate responsibility process and its priorities are re-assessed on an annual basis. The policies defined in 2010 are still valid today. The company's personnel are very important for Nordic Morning, which is reflected in its corporate responsibility priorities. Edita actively engages in interaction with its stakeholders.

Patria

PATRIA PLC

State shareholding:	73.2%
Strategic interest of ownership:	national defence
Chairman of the Board: Members of the Board: Chief Executive Officer:	Christer Granskog Arto Honkaniemi, Jussi Itävuori, Kirsi Komi, Kari Rimpi, Maximilian Thomasius Heikki Allonen
Industry sector: Principal places of business in Finland:	defence equipment industry, aviation equipment industry Helsinki, Hämeenlinna, Halli

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	824.8	736.1
Operating income	EURm	97.1	87.0
Operating margin	%	11.8	11.8
Total assets	EURm	786.5	744.4
Equity ratio	%	49.5	47.7
Gearing	%	-4.4	7.8
Return on equity	%	21.9	23.1
Return on investment	%	25.6	25.6
Personnel, total		3,614	3,587
Personnel, Finland		2,592	2,567
Total dividends paid	EURm	38.0	19.0
Dividends received by the State	EURm	27.8	13.9
Investments	EURm	36.3	31.4
Taxes paid	EURm	14.8	6.1

Heikki Allonen
CEO

"Although defence force procurements will decrease, several equipment life cycle management projects already under way, and which are progressing as planned, will provide us with operational stability."

Patria Plc is an international provider of defence, security and aviation life-cycle support services and technology solutions. The company's customers include the defence forces of different countries as well as operators from the civilian sector; its areas of expertise cover armoured wheeled vehicles, mortar systems and ammunition. Defence materiel and maintenance accounted for 91 (91) per cent and the civilian sector for 9 (9) per cent of net sales in 2013. Exports accounted for 65 (59) per cent of net sales.

FINANCIAL PERFORMANCE

Patria's net sales increased strongly for the second year running. Net sales in 2013 were 12 per cent higher than in 2012. Patria's subsidiary Millog, a strategic partner of the Finnish Defence Forces, generated 14 (19) per cent of the consolidated net sales, while Patria's 50 per cent-owned Nammo – a company manufacturing ammunition and missile products – accounted for 28 (30) per cent. Patria's relative profitability remained at the previous year's level and the company's result was sound. The company's balance sheet structure is very stable.

During the financial year, the Land business unit delivered the first vehicles produced under the agreement signed with the Swedish Defence Forces to the client. The Systems business unit, on the other hand, brought the Rauma Class Fast Attack Craft life-cycle upgrade project to completion.

The value of new orders received, EUR 623 (432) million, was a clear improvement over the previous year. The order stock nevertheless weakened and stood at around EUR 1.0 (1.2) billion at 31 December 2013. New agreements were concluded on deliveries to South Africa, among others. With the Finnish Defence Forces, Patria signed an agreement on the modernisation of the 'Pasi' personnel carriers. The project will have a significant impact on employment. Defence budgets have been cut both in Finland and in the export markets important to the company. The significance of life-cycle projects to extend the usable life of equipment will increase in importance over new purchases. The changes will be reflected in Patria's net sales and also affect the company's profitability.

During the financial year, Patria increased its holding in Millog Oy to 61.8 per cent of the company's capital stock.

CORPORATE RESPONSIBILITY

For Patria, corporate responsibility is the basis of profitable operations. The principal themes of corporate responsibility are a good partner, a good employer and an ethical operator in its field. Being a good employer is the priority area for 2014.

RASKONE

RASKONE LTD

State shareholding:	85% (Governia Oy 15%)
Strategic interest of ownership:	no strategic interest
Chairman of the Board: Members of the Board: Chief Executive Officer:	Juho Lipsanen Anniina Bergström, Jukka Ohtola, Klaus Sundström, Tiina Tuomela, Helena Walldén Timo Seppä
Industry sector: Principal places of business in Finland:	repair and servicing of utility vehicles Helsinki, repair shops in various parts of Finland

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	91.5	100.2
Operating income	EURm	1.8	-2.0
Operating margin	%	2.0	-2.0
Total assets	EURm	35.9	41.1
Equity ratio	%	26.7	20.0
Gearing	%	65.7	140.1
Return on equity	%	15.5	-19.4
Return on investment	%	9.5	-6.9
Personnel, total		749	801
Personnel, Finland		749	801
Total dividends paid	EURm	0	0
Dividends received by the State	EURm	0	0
Investments	EURm	0.7	3.6
Taxes paid	EURm	0.1	0.1

Timo Seppä
CEO

"It is important to improve Raskone's financial situation so that we will be able to take care of our personnel and serve as a reliable partner for our customers and business partners."

Raskone provides its customers with life-cycle services for utility vehicles. Raskone, the Group's parent company, is Finland's leading company specialising in the servicing and maintenance of utility vehicles and work machinery with a nationwide network of repair shops. Over the past few years, a unified chain has been built up of individual repair shops in 21 locations. The company focuses on the repair and servicing of trucks, vans, work machinery and trailers. The business is based on the company's ability to service vehicles and machinery of all makes. The Group's subsidiary, Pajakulma Oy, designs and implements refitting solutions for utility vehicles and work machinery. Pajakulma is Finland's leading supplier of suspension systems for heavy-duty vehicles.

FINANCIAL PERFORMANCE

The situation of Raskone's sector has long been difficult, and no change was seen in 2013. Vehicle mileages decreased during the year owing to the weak economic situation. This was already the third year in succession with negative financial performance. The truck servicing market reduced by six per cent compared to that of 2012. These factors were reflected in Raskone's operation as low demand for repair shop services.

Raskone's consolidated net sales for 2013 fell nearly 10 per cent short of the previous year. The parent company's net sales decreased by 5 per cent and stood at EUR 73 (77) million. The parent company's operating income was EUR 2.1 (-2.5) million. Performance was improved because of non-recurring items due to the sale of business operations and investments; the performance of actual business operations also improved on the previous year. The capital gains made it possible for the company to repay its debt as a result which its equity ratio rose and its gearing was lower than the year before.

The weak economic situation and the losses incurred over the past three years in succession made it necessary for the company to launch a savings programme targeting cost reductions of EUR 5 million by the end of 2014. The cuts are mainly targeted at personnel costs and were for the most part implemented during 2013.

CORPORATE RESPONSIBILITY

Based on a materiality analysis, Raskone has defined managerial work, securing profitability and the optimisation of distribution and logistics as priority areas in corporate responsibility. The most significant of the foreseen environmental risks relates to the storage and handling of waste oil.

FinFerries

SUOMEN LAUTTALIIKENNE OY

State shareholding:	100%
Strategic interest of ownership:	to secure cable ferry and ferry services as part of the public road network
Chairman of the Board:	Pertti Saarela
Members of the Board:	Lauri Ojala, Virpi Paasonen, Matti Pajula, Minna Pajumaa
Chief Executive Officer:	Mats Rosin
Industry sector:	ferry and water transport services
Principal places of business in Finland:	Turku, Savonlinna and 43 ferry sites around Finland

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	47.1	46.1
Operating income	EURm	8.2	9.5
Operating margin	%	17.5	20.5
Total assets	EURm	43.0	40.0
Equity ratio	%	70.6	64.7
Gearing	%	-17.5	6.5
Return on equity	%	20.3	30.6
Return on investment	%	27.9	40.0
Personnel, total		288	317
Personnel, Finland		288	317
Total dividends paid	EURm	1.0	1.5
Dividends received by the State	EURm	1.0	1.5
Investments	EURm	0.5	19.0
Taxes paid	EURm	1.2	1.8

Mats Rosin
CEO

"Due account will also be taken of safety and environmental factors where the development of the archipelago and other water areas is concerned."

Suomen Lauttaliikenne is responsible for operating the State's ferry and commuter ferry traffic. The total value of ferry operations in Finland amounts to EUR 58 million annually, with Suomen Lauttaliikenne holding nearly 80% of the market. All but one cable ferry locations on Finland's inlakes, which are part of the public road network, are operated by Suomen Lauttaliikenne. The ferries annually transport around ten million passengers and five million vehicles.

FINANCIAL PERFORMANCE

Suomen Lauttaliikenne's net sales for 2013 were up 2.3% on the previous year. Finland Archipelago Shipping Ltd., acquired in May 2012, was now for the first time included in the consolidated figures for the entire year. Operating income decreased by 12.8% mainly because of the provision made related to potential new safety requirements. The company's financial position remained solid.

In 2013, Suomen Lauttaliikenne operated a total of 13 ferry-boats, 62 cable ferries, 8 commuter ferries and 1 tugboat. A new ferry-boat named Stella commenced operating the Korppoo-Houtskari route on 1 January 2013. The oil recovery and commuter vessel Otava, ordered from Uudenkaupungin Työvene in May 2013, will start operating on the Kotka-Pyhtää route in the summer of 2014. The new investments will increase the depreciable amount, and the repair and servicing costs will also increase.

Suomen Lauttaliikenne's largest client is the Centre for Economic Development, Transport and the Environment for Southwest Finland; the other clients comprise private road maintenance associations. The total number of clients is 13, but 95% of the orders are received from the Finnish Transport Agency and the Centres for Economic Development, Transport and the Environment. The Centre for Economic Development, Transport and the Environment seeks to increase the number of service providers and so promote competition in the sector. In 2014, a total of 28 cable-ferry sites and the connection to Hailuoto will be put out to open tender. Suomen Lauttaliikenne has a solid order stock up until the end of 2014.

CORPORATE RESPONSIBILITY

Suomen Lauttaliikenne's level of corporate responsibility management is good. The company's values, jointly defined with the personnel, are safety, service-mindedness and profitability. Suomen Lauttaliikenne maintains and develops a safety and environmental management system for vessels that is based on the ISM Code. The reduction of fuel consumption is one of the environmental promises made by the company. To this end, the company has an ECO-driving training system in place. In 2013, the company carried out a personnel survey and a customer satisfaction survey.

MINT OF FINLAND LTD

State shareholding:	100%
Strategic interest of ownership:	general money supply and securing of the sufficient amount of coins in circulation
Chairman of the Board:	Pentti Kivinen
Members of the Board:	Kalevi Alestalo, Harry Linnarinne, Riitta Mynttinen, Anssi Pihkala, Hanna Sievinen, Anna Maija Wessman
Chief Executive Officer:	Paul Gustafsson
Industry sector:	metals
Principal places of business in Finland:	Vantaa

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	97.3	118.9
Operating income	EURm	-6.4	-5.4
Operating margin	%	-6.6	-4.5
Total assets	EURm	76.6	92.5
Equity ratio	%	51.2	50.3
Gearing	%	59.3	56.6
Return on equity	%	-17.3	-14.5
Return on investment	%	-8.9	-6.8
Personnel, total		230	235
Personnel, Finland		73	76
Total dividends paid	EURm	0	0
Dividends received by the State	EURm	0	0
Investments	EURm	12.4	4.4
Taxes paid	EURm	0.5	0

Paul Gustafsson
CEO

"Mint of Finland is delivering a stronger customer message of corporate social responsibility and aims to be a responsible corporate citizen."

Mint of Finland Group is the leading mint in Scandinavia and the Baltics. Its business is to design, market and mint money, and produce coin blanks. The company designs, markets and mints money. In addition to circulation coins, its products include commemorative and special coins, coin sets and coin blanks. Mint of Finland is one of the few operators in the industry capable of offering a complete service to its customers, from the production of coin blanks to tool manufacturing and minting of coins. Exports accounted for 94 (87) per cent of the company's net sales.

FINANCIAL PERFORMANCE

The year 2013 was a heavy one for Mint of Finland because of the weak market situation worldwide and excess capacity in the sector. The Group's net sales fell by more than 18 per cent, and the operating loss deepened. Net sales decreased in all business areas. The company completed a EUR 3 million efficiency programme. The net result was EUR 6.5 (7.2) million.

The blank production business was converted to the contract manufacturer model, and the sales organisation was centralised to Finland. The company's Finnish functions moved to new premises in summer 2013. The purpose of this move is to cut costs and increase production efficiency.

CORPORATE RESPONSIBILITY

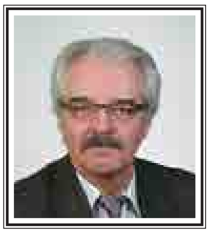
Mint of Finland's ambition is to become the world's most respected operator in the world of coins, and responsible action is seen as an integral part of the company's business strategy. Environmental responsibility and safety are an integral part of the company's business. The company seeks to identify the environmental impacts during the entire life cycle of the coin. Key themes also include responsible personnel policy and management as well as the expectations of stakeholders.

SPK
Suomen siemenperunakeskus Oy

FINNISH SEED POTATO CENTRE LTD

State shareholding:	22%
Strategic interest of ownership:	security of supply and plant health
Chairman of the Board:	Ossi Paakki
Members of the Board:	Kauko Matinlauri, Jouko Lähteenoja, Antti Lavonen, Reijo Moilanen, Jorma Mäkelä
Chief Executive Officer:	Lauri Juola
Industry sector:	maintenance, production and marketing of potato varieties
Principal places of business in Finland:	Tyrnävä

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	3.9	3.5
Operating income	EURm	0.4	0.07
Operating margin	%	9.0	2.0
Total assets	EURm	3.3	3.4
Equity ratio	%	47.4	43.0
Gearing	%	22.2	55.2
Return on equity	%	15.5	3.3
Return on investment	%	10.5	3.2
Personnel, total		13	13
Personnel, Finland		13	13
Total dividends paid	EURm	0.075	0.075
Dividends received by the State	EURm	0.017	0.017
Investments	EURm	0.07	0.06
Taxes paid	EURm	0.081	0.015



"Net sales improved 11 per cent and operating income grew fivefold."

Lauri Juola
CEO

The Finnish Seed Potato Centre Ltd (SPK) is a Finnish seed potato-producing enterprise whose field of activity comprises the cleaning and maintenance of seed material as well as the production, packaging and marketing of basic and certified seed grades. The operations are based on the basic seed maintenance and production agreements signed with Finnish variety owners or representatives. SPK also maintains and produces seed potatoes from the so-called free varieties. During the financial period, the company had a total of 32 potato varieties in production for the domestic market, of which 26 varieties were maintained by the company in greenhouse-based production. Additionally, the company has more than 20 varieties in production for export markets.

FINANCIAL PERFORMANCE

The company's net sales increased in 2013 by 11 per cent year-on-year, reaching EUR 3.9 million. Operating income grew fivefold year-on-year to EUR 0.35 million. The growth in net sales and improved financial performance were mostly due to the high price level of seed potatoes and the potatoes sold as side products. The company's equity ratio continued to rise and is at a good level. For the second time in its history, the company paid out dividends for the financial year 2013.

In autumn 2011, SPK brought into use a new aeroponic cultivation method for the production of seed potatoes. The method increases the number of tubers per plant up to tenfold compared to before. Thanks to the new method, new and promising potato varieties are introduced faster onto the Finnish market from domestic seeds, thus reducing the dependency on foreign registered seeds. The unit costs of production are also considerably reduced. The company continues to develop the method.

The company also continued its involvement in regional and nationwide research concerning potato planting and plant diseases.

CORPORATE RESPONSIBILITY

SPK does not have actual corporate responsibility reporting in place. The company may be regarded as indirectly making a strong contribution to the attainment of corporate responsibility through the prevention of plant diseases and the promotion of the security of supply.

SUOMEN VILJAVA OY

State shareholding:	100%
Strategic interest of ownership:	to influence the functioning of the cereal storage and handling market and the security of supply, and to secure the undisturbed execution of tasks related to EU intervention operations
Chairman of the Board:	Kari Kolu
Members of the Board:	Michael Hornborg, Pekka Kettunen, Helena Tammi, Taina Vesanto
Chief Executive Officer:	Seppo Koponen
Industry sector:	cereal handling and storage services
Principal places of business in Finland:	Vantaa, Naantali, Rauma, Kokemäki, Turenki

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	16.7	17.7
Operating income	EURm	2.6	2.9
Operating margin	%	15.9	16.6
Total assets	EURm	25.2	27.2
Equity ratio	%	81.2	79.1
Gearing	%	5.4	7.6
Return on equity	%	8.8	9.0
Return on investment	%	10.9	11.9
Personnel, total		88	90
Personnel, Finland		88	90
Total dividends paid	EURm	3.0	3.0
Dividends received by the State	EURm	3.0	3.0
Investments	EURm	2.3	3.2
Taxes paid	EURm	0.3	2.2

Seppo Koponen
CEO

"Our cereal storage and handling services are of high quality, and the company's financial performance is steady."

Suomen Viljava's main field of activity is the handling and storage of cereals and cereal-type raw materials. The company operates in 21 central locations in Finland near the areas where cereal is produced. Nearly half of the cereals eventually sold in Finland go through the company's storages. In effect, Suomen Viljava has an important role to play not only in the emergency stockpiling of cereals but also in the entire food chain as the provider of cargo handling and storage services related to the export and import of cereals. The company contributes to ensuring the functionality of the cereal production chain and logistics, from primary production to processing, distribution and consumption.

Suomen Viljava received and dispatched a total of 1.8 (2.2) million tonnes of cereal. At the end of 2013, the company's had 760,000 tonnes of cereal in its stocks, i.e. nearly the same amount as in the beginning of the year. Cereals trade slowed down towards the end of the year due to the low world market price and price expectations on the market. Strong movements in the price of cereals represent an uncertainty factor for the company.

FINANCIAL PERFORMANCE

The 2013 net sales fell by more than 5 per cent to EUR 16.7 (17.7) million. However, the previous year was exceptionally good in terms of storage operations. The decline in net sales also burdened the company's profitability to some extent. The company's operating income stood at EUR 2.6 (2.9) million. Equity ratio rose on the previous year following the reduced balance sheet, which is presently in an excellent state.

The company's investments mainly consisted of repair and refurbishment investments. The company has made special investments in the automation of the control technology used in silos and the recovery of grain dust and briquetting.

CORPORATE RESPONSIBILITY

Suomen Viljava's corporate responsibility approach lays special emphasis on personnel and environmental matters. The company is committed to the conservation of energy and to seek environmentally-friendly solutions in its operations to support the sustainable use of natural resources. The company has created solutions for directing grain dust to reuse instead of hauling it to landfills. The recovered grain dust is briquetted and used for drying cereals and generating heat at the company's own storage facilities. Three of the company's eight dryers utilise grain dust. The company seeks to further improve its energy efficiency and to increase the use of renewable energy. As regards social responsibility, the competence development of the personnel and the promotion of working capacity are seen as priority areas.

VAPO OY

State shareholding:	50.1%
Strategic interest of ownership:	the diversity of domestic energy production
Chairman of the Board: Members of the Board: Chief Executive Officer:	Juho Lipsanen Perttu Rinta, Risto Kantola, Minna Pajumaa, Arto Sutinen, Marja Tuderman Tomi Yli-Kyyny
Industry sector: Principal places of business in Finland:	energy production, sawmill industry, environmental business Jyväskylä, Forssa, Nurmes, Lieksa

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	616.7	652.9
Operating income	EURm	31.7	5.8
Operating margin	%	5.1	0.9
Total assets	EURm	840.5	804.8
Equity ratio	%	37.1	37.1
Gearing	%	127.0	122.0
Return on equity	%	5.7	0.9
Return on investment	%	4.7	0.9
Personnel, total		1,118	1,154
Personnel, Finland		782	770
Total dividends paid	EURm	-	10.0
Dividends received by the State	EURm	-	5.01
Investments	EURm	54.7	48.0
Taxes paid	EURm	-2.0	3.6

"Vapo's ambition is to fulfil its environmental responsibilities without fail."

Tomi Yli-Kyyny
CEO

Vapo's business operations include the production of peat and wood-based fuels, pellets, district heat production, sawmills and the environmental business.

Vapo's special ambition is to reduce the burden on water bodies arising from peat production, to which end the company plans to invest a total of EUR 30 million in water treatment and responsible peat production over a period of three years. The aim is that best available water treatment techniques will be adopted in all peat production areas by the end of 2014.

The financial feasibility of building the traffic fuel plant fired by wood-based raw material as planned by Vapo's subsidiary Forest Btl could not be ascertained. However, efforts will be made to commercialise the developed technology by selling it to third-party companies.

FINANCIAL PERFORMANCE

Vapo's net sales for 2013 fell on the previous year due to the decreased volume of fuel deliveries. The year 2013 was a relatively good year for peat production following two successive bad production seasons.

Good-quality energy peat was sufficiently available in the heating season of 2013/2014. The profitability of peat as well as wood-based fuels and pellets and district heat improved during 2013. Additionally, the losses made by sawmill operations were reduced. Vapo sold its Hankasalmi sawmill in early 2014.

With regard to pellets, the oversupply in Europe is expected to continue for several years; in response to this, Vapo has stopped exporting pellets from Finland. The profitability of Finnish pellet production will be improved by the closedown of Vapo's three small pellet plants. In Sweden, steps will be taken to improve the profitability of pellets by merging the pellet business operations of Vapo and Lantmännen into a company owned 50% by Vapo.

CORPORATE RESPONSIBILITY

Vapo published its new commitments to environmental responsibility in December 2012. First, Vapo only looks for new production areas in peatlands that have already been altered by human activity, mostly by means of drainage. Second, the new production areas will be such that they in fact lower the levels of suspended soils and humic water downstream of the production area. Third, Vapo monitors emissions during the production season in all of its production areas and year-round in half of its production areas.

VR-GROUP LTD

State shareholding:	100%
Strategic interest of ownership:	to promote rail traffic and its functioning
Chairman of the Supervisory Board	Kari Rajamäki
Chairman of the Board:	Hannu Syrjänen
Members of the Board:	Riku Aalto, Christer Granskog, Maaret Heiskari, Jarmo Kilpelä, Antti Mäkelä, Liisa Rohweder, Tuija Soanjärvi
Chief Executive Officer:	Mikael Aro
Industry sector:	railway and road transport including track construction and maintenance
Principal places of business in Finland:	Helsinki, Kouvola, Oulu, Tampere

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	1,421.2	1,437.8
Operating income	EURm	70.6	52.4
Operating margin	%	5.0	3.6
Total assets	EURm	1,808.8	1,773.6
Equity ratio	%	83.5	82.2
Gearing	%	-17.7	-14.3
Return on equity	%	4.5	2.8
Return on investment	%	5.1	4.0
Personnel, total		10,234	11,080
Personnel, Finland		9,720	10,574
Total dividends paid	EURm	30	0
Dividends received by the State	EURm	30	0
Investments	EURm	185.2	106.5
Taxes paid	EURm	2.0	1.7

Mikael Aro
CEO

"All business units were profitable. The improved performance shows that the extensive reforms and efficiency improvements carried out within the Group are bringing results."

VR Group has three core business sectors: VR, providing passenger services; VR Transpoint, providing logistics services; and VR Track, specialising in infrastructure engineering. The business divisions are supported by the train operations and maintenance units and the Russia and International Business division along with Avecra, a company providing restaurant and catering services. Passenger services include rail passenger services operated by VR and the bus and coach services provided by Pohjolan Liikenne. While VR's main market area is Finland, a substantial share of its freight transport operations is international. More than half of its net sales are generated by rail transport.

FINANCIAL PERFORMANCE

VR's comparable net sales grew on the previous year and operating income improved significantly. The figures are not directly comparable to 2012 due to the sale of the groupage business on 1 October 2012 and the sale of smaller foreign operations early in the year. The operating profit for the financial period includes capital gains on the sale of assets, which contributed EUR 19.0 (36.0) million to the operating profit. The company's financial position was sound. The equity ratio was around 84 per cent, and it remains at a high level despite the company's very ambitious investment programme.

In passenger services, the growth in net sales came from the longer routes of long-distance services and from the Allegro services to Russia. In logistics, domestic transport volumes were smaller than in 2012. In rail freight traffic, more than a third of the carryings comprise Russian cross-border import, export and transit traffic, which increased in 2013 by about 20 per cent. Net sales grew in infrastructure engineering with financial performance boosted by a strong order book.

A new maintenance depot for locomotives and passenger trains was completed in Oulu at the end of November 2013. In December 2013, the company decided to purchase new electric locomotives from Siemens. The investment comprises 80 electric locomotives and includes an option for an additional 97.

In November 2013, VR sold the entire share capital of Corenet Ltd to Governia Oy. Vocational training for the railway sector was commenced in the Kouvola Region Vocational College on 1 January 2014. VR discontinued its combined transports in early 2014 for the time being.

CORPORATE RESPONSIBILITY

At VR, responsibility is integrated as part of the Group strategy. VR's most significant goals relate to reducing its carbon dioxide emissions and energy consumption. VR made five new environmental promises for the period 2013–2020. VR can provide transport services that are more environmentally friendly than other forms of transport.

GOVERNIA

GOVERNIA OY

State shareholding:	100%
Strategic interest of ownership:	to serve as a state investment company that can be used for special ownership restructuring purposes
Chairman of the Board: Members of the Board: Chief Executive Officer:	Jarmo Kilpelä Rita Linna, Ilkka Salonen, Taina Susiluoto, Petri Vihervuori Timo Kankuri
Industry sector: Principal places of business in Finland:	investment operations Helsinki

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	124.6	121.3
Operating income	EURm	12.2	5.4
Operating margin	%	9.8	4.5
Total assets	EURm	473.3	380.6
Equity ratio	%	29.0	34.2
Gearing	%	168.8	129.5
Return on equity	%	4.4	0.7
Return on investment	%	3.5	1.9
Personnel, total		253	63
Personnel, Finland		253	63
Total dividends paid	EURm	0.9*	-
Dividends received by the State	EURm	0.9*	-
Investments	EURm	130.6	75.3
Taxes paid	EURm	1.9	1.3

*) Sharecapital of A-Kruunu Oy

Timo Kankuri
CEO

"Governia's role as a tool for developing non-listed companies was highlighted when the company acquired Corenet Ltd as a sub-sea cable management company."

Governia Oy is a wholly state-owned special assignment company tasked to own and develop its currently held non-listed companies and assets, and to carry out arrangements in support of the State's objectives. Governia is a holding company whose most important subsidiaries are Kruunuasunnot Oy, Easy Km Ltd, Corenet Ltd and Turun telakkakiinteistöt Oy.

In November 2013, Governia acquired the entire share capital of Corenet Ltd. The sellers were VR-Group Ltd and TDC Ltd Finland. Corenet was acquired as a sub-sea cable management company. The company owns a 7,100-kilometre long network of fibre optic cables in Finland. The sub-sea cable secures the functionality of direct international telecommunications connections from Finland and supports the growth opportunities of the Finnish digital economy and industrial Internet.

In May 2013, the company purchased the land areas of the STX Turku Shipyard to the ownership of Turun Telakkakiinteistö Oy acquired earlier in the spring.

FINANCIAL PERFORMANCE

Governia Group's net sales increased by 2.8 per cent, reaching EUR 124.6 (121.3) million, of which Easy Km's net sales accounted for EUR 87.9 (92.5) million and the rental income from apartments and areas of land, compensations for use and the sale of properties and shares in property companies a total of EUR 29.5 (28.8) million. The Group's profit before appropriations and taxes amounted to EUR 8.9 (2.0) million. The improved result was due to Easy Km's good financial performance. The Group's equity ratio fell to 29.0 (34.2) per cent. The loan period of Governia's subordinated loan received from the state was extended by ten years, which improves the company's financial position.

CORPORATE RESPONSIBILITY

Corporate responsibility is a tool for steering the business operations of Governia's subsidiaries and an integral part of risk management. The Code of Conduct approved by Governia's Board of Directors applies to all companies within the Group as well as subcontractors who are also required to comply with it. The assessment of corporate responsibility risks is part of the subsidiaries' risk management systems. For Kruunuasunnot, key corporate responsibility aspects include a safe and healthy living environment as well as energy and materials efficiency. In the construction sector, combating the grey economy poses challenges to the company, and ensuring responsibility throughout the subcontracting chain takes on special importance. For Easy Km, the essential themes are responsible business and social responsibility.

SOLIDIUM

SOLIDIUM OY

State shareholding:	100%
Strategic interest of ownership:	special assignment to reinforce and consolidate domestic ownership in companies of national significance, and increase the economic value of the assets in the long term
Chairman of the Board:	Pekka Ala-Pietilä
Members of the Board:	Eija Ailasmaa, Heikki Bergholm, Eero Heliövaara, Markku Hyvärinen, Marketta Kokkonen, Anni Vepsäläinen
Chief Executive Officer:	Kari Järvinen
Industry sector:	investment operations
Principal places of business in Finland:	Helsinki

KEY FINANCIAL INDICATORS		1.7–31.12. 2013	1.7–31.12. 2012	1.7.2012–30.6.2013
Net sales	EURm	0.0	0.0	0.0
Operating income	EURm	123.9	69.6	65.5
Profit for the financial year	EURm	164.5	36.0	-232.3
Return on investments at fair value	%	17.6	8.7	13.9
Dividends and capital repayments received	EURm	0.0	0.0	397.5
Administrative cost ratio	%	0.06	0.05	0.09
Net asset value	EURm	6,936.1	6,532.3	6,909.6
Shareholders' equity	EURm	4,115.3	5,019.1	4,750.8
Interest-bearing debts	EURm	600.0	600.0	600.0
Equity ratio	%	86.8	89.0	88.8
Personnel, total		12	11	11
Personnel, Finland		12	11	11
Profit distribution	EURm	800	800	0
Profit distribution received by the state	EURm	800	800	0

Kari Järvinen
CEO

"Finland needs more long-term investors who want to invest in Finnish companies."

Solidium Oy (Solidium) is a wholly State-owned holding company with a mission to reinforce and consolidate domestic ownership in companies of national significance, and increase the economic value of its assets in the long term. Solidium's portfolio includes twelve listed companies in which it holds a non-controlling interest. The number of portfolio companies grew by one when Metso was demerged to form Metso and Valmet at the turn of 2013.

Solidium's financial year is from 1 July to 30 June. During the first half of the current financial year, Solidium announced its support to Outokumpu's corporate restructuring and the related share issue of EUR 650 million. The value of the arrangement for Solidium was EUR 199 million. In addition Solidium bought shares in Outokumpu from ThyssenKrupp, following which Solidium's holding in the company increased from the present 21.8 per cent to 29.9 per cent.

During the calendar year, Solidium acquired shares for a total of around EUR 39 million as it increased its holding in Outotec from 8.3 per cent to 10 per cent.

Solidium became the largest shareholder in Talvivaara during the calendar year when it subscribed for the company's shares with around EUR 47 million. Solidium's holding in the company increased from 8.9 per cent to 16.7 per cent. Talvivaara's corporate restructuring proceedings were commenced.

During the first half of the financial year starting on 1 July 2013, Solidium sold shares for a total of around EUR 368 million as it disposed of around 1.6 per cent of TeliaSonera's outstanding shares. Solidium's holding decreased from 11.7 to 10.1 per cent.

On 22 January 2014, Solidium announced its support to the combination of Rautaruukki and SSAB. Following the completion of the arrangement, Solidium will become the largest owner of the combined company with its 16.8 per cent holding in total shares and the second largest in terms of the votes with its 10.0 per cent holding in total votes.

In February 2014, Solidium placed Sampo A shares and bonds exchangeable into Sampo A shares. The company placed 2.3 per cent of Sampo's outstanding shares. The placing price of the shares was EUR 450 million and the value of the bonds EUR 350 million.

During the half-year period, Solidium paid a capital repayment of EUR 800 million in profit distribution to the State.

An impairment of EUR 678.7 million on Outokumpu Oyj, Talvivaara Mining Company Plc and Rautaruukki Corporation shares was recognised in financial items in Solidium's financial statements.

SOLIDIUM'S PORTFOLIO AT 31.12.2013:

TOTAL INVESTMENTS

	EUR	weight, %
Elisa	323,587 260	4
Kemira	314,896 418	4
Metso	517,887 803	6
Outokumpu	184,561 370	2
Outotec	139,791 834	2
Rautaruukki	375,125 477	4
Sampo	2,831 884,458	34
Stora Enso	709,028 439	8
Stora Enso A	406,406 299	
Stora Enso B	302,622 140	
Talvivaara	24,224 837	0
TeliaSonera	2,629 298,707	31
Tieto	121,909 472	1
Total investments in shares	**8,172 196,075**	98
Money market placements	**204,254 272**	2
Total investments	**8,376 450,347**	100

TOTAL INVESTMENTS IN SHARES

	EUR	weight, %
Elisa	323,587 260	4
Kemira	314,896 418	4
Metso	517,887 803	6
Outokumpu	184,561 370	2
Outotec	139,791 834	2
Rautaruukki	375,125 477	5
Sampo	2,831 884,458	35
Stora Enso	709,028 439	9
Stora Enso A	406,406 299	
Stora Enso B	302,622 140	
Talvivaara	24,224 837	0
TeliaSonera	2,629 298,707	32
Tieto	121,909 472	1
Total investments in shares	**8,172 196,075**	100

Investments in shares accounted for about 98 per cent of Solidium's investment portfolio at the end of the reporting period on 31 December 2013. In share investments, the greatest weight is on Sampo, which accounts for around 35 per cent of the whole portfolio. Sampo and TeliaSonera make up substantial weights in Solidium's portfolio.

Solidium's money market investments stood at EUR 204 million on 31 December 2013 (EUR 660 million on 30 June 2013). The amount of money market investments during the reporting period was affected by profit distribution, taxes and the disposal of shares.

The total yield of Solidium's share portfolio fell short of the weight-limited OMX Helsinki Cap GI gross index both during the reporting period and over the past 12 months.

RETURN ON INVESTMENTS

	1.7.2013–31.12.2013	1.1.2013–31.12.2013
Total yield of share portfolio	18.7%	24.5%
Money market investments	0.1%	0.3%
Return on investments	17.6%	23.3%
OMX Helsinki Cap GI gross index	24.5%	31.6%

The yield from Solidium's second largest company in terms of weight (31 December 2013), TeliaSonera, fell short of the reference index, which also decreased the yield from Solidium's entire portfolio. The yield from the entire portfolio was also significantly reduced due to the performance of the metal industry companies Rautaruukki and Outokumpu. The yield from Sodium's entire portfolio fell short of the reference index.

SHARE YIELDS, 1.1.–31.12.2013

Sampo	54%
Stora Enso	39%
Elisa	25%
TeliaSonera	24%
Rautaruukki	18%
Tieto	16%
Kemira	8%
Metso	3%
Outotec	-26%
Outokumpu	-49%
Talvivaara	-82%

The dividend yield from Solidium's share portfolio calculated at 2013 year-end share prices and the dividends proposed in the financial statements was 4.8 per cent and the payout ratio 124 per cent. The corresponding figures for the Helsinki Stock Exchange are 4.6 per cent dividend yield and 79 per cent payout ratio.

STATE SECURITY NETWORKS LTD

State shareholding:	100%
Strategic interest of ownership:	construction and operation of communications networks used by public administration authorities that are critical to the nation's security as well as other security networks and the provision of related services and consulting
Chairman of the Board:	Jarmo Väisänen
Members of the Board:	Lea Jokinen, Harri Martikainen, Ilkka Korkiamäki, Sohvi Rajamäki, Elina Selinheimo, Esa Rautalinko
Chief Executive Officer:	Timo Lehtimäki
Industry sector:	operation of communications networks
Principal places of business in Finland:	Helsinki

KEY FINANCIAL INDICATORS		2013	2012
Net sales	EURm	38.5	37.7
Operating income	EURm	-0.8	3.0
Operating margin	%	-2.1	7.9
Total assets	EURm	135.6	125.8
Equity ratio	%	85.7	87.8
Gearing	%	-18.5	-16.7
Return on equity	%	-0.4	2.0
Return on investment	%	-0.6	2.8
Personnel, total		110	91
Personnel, Finland		110	91
Total dividends paid	EURm	-	-
Dividends received by the State	EURm	-	-
Investments	EURm	11.9	13.5
Taxes paid	EURm	0.2	0.3

Timo Lehtimäki
CEO

"The Group's operations are at a critical juncture, and the largest growth relates to the commencement of security network operations. The broader scope and increased significance of its operations in securing the functioning of society has raised the meaning of continuity, risk and security management to a new level."

State Security Networks Group is a state-owned company with a special assignment to secure the critical leadership of our society and the information society services in all conditions. The parent company State Security Networks Ltd is a non-profit company. The Group consists of the parent company State Security Networks Ltd and its wholly-owned subsidiaries Suomen Virveverkko Oy, Virve tuotteet ja palvelut Oy, Suomen Turvallisuusverkko Oy and Leijonaverkot Oy. Certain sets of responsibilities related to communications networks previously attended to by the state and security authorities have been centralised to State Security Networks with the aim of streamlining operations, improving the services and the level of quality, and securing the availability and continuity of services in all conditions. In 2013, the Group put special emphasis on increasing the competence of security network operations. Suomen Turvallisuusverkko Oy is building up its network operator competence to prepare for the transfer of business from the Finnish Defence Forces. The objective is to commence the operation of the government security network in 2014.

FINANCIAL PERFORMANCE

The Group's net sales grew by 0.7 per cent and stood at EUR 38.5 million. The Group's result was burned by the preparations for the commencement of security network operations. Operating loss stood at EUR 0.8 (operating income 3.0) million. Security network operations will only start generating revenue in 2014. A total of EUR 6.5 million of capital has been injected into the company to finance the working capital and investments for security network operations. The company has also received EUR 6.5 million in price/deficit subsidies to secure the functioning of the authorities' terrestrial trunked radio network VIRVE.

CORPORATE RESPONSIBILITY

The management of corporate responsibility is based on the strategy and values of State Security Networks. State Security Networks applies GRI's G4 guidelines in its reporting. The company has defined its value chain and identified the essential aspects of corporate responsibility with due consideration given to the entire value chain. Reliable and secure communications services and responsible and motivated personnel are of pronounced importance in the company's business operations. In reducing environmental impacts, special emphasis is put on improving energy efficiency with regard to machine rooms in particular.

The data provided in this annual report are based on the information that is publicly available. An attempt has been made to select information on the companies and the share portfolio held by the State that is essential in the eyes of the State Ownership Steering Department. The Ownership Steering Department carries out independent analyses of the companies to formulate its own view of their status and performance. Valuatum Oy's equity analysis platform is used for the analysis work. The key financial indicators presented in the report are ratios calculated by the State Ownership Steering Department using the following formulae. Consequently, the key indicators may differ from those calculated by the companies themselves. One of the reasons for the differences is the items included in the companies' comparable profit.

$$\text{Operating income \%} = \frac{\text{operating income}}{\text{net sales}} \times 100$$

$$\text{Equity ratio \%} = \frac{\text{shareholders' equity + minority interest}}{\text{total assets – advances received}} \times 100$$

$$\text{Return on investment \%} = \frac{\text{profit before taxes + interest and other financial cost}}{\text{average capital employed}} \times 100$$

$$\text{Return on equity \%} = \frac{\text{net profit}}{\text{shareholders' equity (average for the financial period)}} \times 100$$

$$\text{Gearing \%} = \frac{\text{interest bearing net debt}}{\text{shareholders' equity}} \times 100$$

$$\text{Dividend yield \%} = \frac{\text{dividend/share}}{\text{share price}} \times 100$$

$$\text{Payout ratio \%} = \frac{\text{dividend/share}}{\text{net earnings/share}} \times 100$$

YIELD

Compound aggregate growth rate

$$\text{CAGR} = \left(\frac{KA_{t+n} + \sum \text{cash flows}_{n...t}}{KA_t} \right)^{1/n} - 1$$

where,
KA = State's proportion of the carrying value of equity

RETURN ON PORTFOLIO

$$\text{Day yield d} = \frac{MA_e - MA_b - C}{MA_b}$$

$$\text{Cumulative yield} = ((1+d_1) \times (1+d_2) \times (1+d_3)...(1+d_t) - 1)$$

where,
MA_e = market capitalisation of the portfolio at day-end
MA_b = market capitalisation of the portfolio at previous day's end
C = cash flows during the day

31.12.2013

Listed companies	Ownership steering	Group	State shareholding	Minimum level of shareholding
Elisa Corporation	Solidium Oy	1a	10.0%	0.0%
Finnair Plc	PMO	1b	55.8%	50.1%
Fortum Corporation	PMO	1b	50.8%	50.1%
Kemira Oyj	Solidium Oy	1a	16.7%	0.0%
Metso Corporation	Solidium Oy	1a	11.1%	0.0%
Neste Oil Corporation	PMO	1b	50.1%	50.1%
Outokumpu Oyj	Solidium Oy	1a	21.8%	0.0%
Outotec Oyj	Solidium Oy	1a	10.0%	0.0%
Rautaruukki Corporation	Solidium Oy	1a	39.7%	0.0%
Sampo Plc	Solidium Oy	1a	14.2%	0.0%
Stora Enso Oyj	Solidium Oy	1a	12.3%	0.0%
Talvivaara Mining Company Plc	Solidium Oy	1a	16.7%	0.0%
Telia Sonera Finland Oyj	Solidium Oy	1a	10.1%	0.0%
Tieto Corporation	Solidium Oy	1a	10.1%	0.0%
Valmet Corporation	Solidium Oy	1a	11.1%	0.0%
Total (number)		**15**		

Unlisted commercial companies	Ownership steering	Group	State shareholding	Minimum level of shareholding
Altia Plc	PMO	1a	100.0%	50.1%
Arctia Shipping Ltd	PMO	1b	100.0%	100.0%
Art and Design City Helsinki Oy	PMO	1a	35.2%	0.0%
Boreal Plant Breeding Ltd	PMO	1b	60.8%	50.1%
Destia Ltd	PMO	1a	100.0%	0.0%
Ekokem Corporation	PMO	1b	34.1%	0.0%
Finnish Seed Potato Centre Ltd	PMO	1b	22.0%	0.0%
Gasum Corporation	PMO	1b	24.0%	0.0%
Itella Corporation	PMO	1b	100.0%	100.0%
Kemijoki Oy	PMO	1a	50.1%	50.1%
Leijona Catering Oy	PMO	1b	100.0%	100.0%
Meritaito Ltd	PMO	1b	100.0%	100.0%
Mint of Finland Ltd	PMO	1b	100.0%	50.1%
Motiva Oy	PMO	1b	100.0%	100.0%
Nordic Morning Plc	PMO	1a	100.0%	0.0%
Patria Plc	PMO	1b	73.2%	50.1%
Raskone Ltd	PMO	1a	85.0%	0.0%
Suomen Lauttaliikenne Oy	PMO	1b	100.0%	100.0%
Suomen Viljava Oy	PMO	1b	100.0%	100.0%
Vapo Oy	PMO	1b	50.1%	50.1%
VR-Group Ltd	PMO	1b	100.0%	100.0%
Total (number)		**22**		
Commercial companies in total		**37**		

Companies entrusted with special state assignments	Ownership steering	Group	State shareholding	Minimum level of shareholding
Aalto University Properties Ltd	MoF	2	33.3%	..
Alko Inc	MSAH	2	100.0%	100.0%
Asset Management Company Arsenal Ltd [1)]	MoF	2	100.0%	0.0%
CSC-IT Center for Science Ltd	MEC	2	100.0%	100.0%
Equine College Ypäjä	MEC	2	25.0%	0.0%
Finavia Corporation	MTC	2	100.0%	100.0%
Fingrid Oyj	MoF	1b	53.1%[*)]	0.0%
Finnish Aviation Academy Ltd	MEC	2	49.5%	0.0%
Finnish Broadcasting Company Ltd	MTC	2	100.0%	100.0%
Finnish Fund for Industrial Cooperation Ltd	Formin	2	90.4%	50.1%
Finnish Industry Investment Ltd	MEE	2	100.0%	100.0%
Finnpilot Pilotage Ltd	MTC	2	100.0%	100.0%
Finnvera Plc	MEE	2	100.0%	100.0%
Governia Oy	PMO	2	100.0%	100.0%
Hansel Ltd	MoF	2	100.0%	100.0%
HAUS Kehittämiskeskus Oy	MoF	2	100.0%	100.0%
Helsingin yliopistokiinteistöt Oy	MoF	2	33.3%	..
Municipality Finance Plc	MoE	2	16.0%	0.0%
Solidium Oy	PMO	2	100.0%	100.0%
State Security Networks Ltd	PMO	2	100.0%	100.0%
Tietokarhu Oy	MoF	2	20.0 [2)] %	50.1%
University Properties of Finland Ltd	MoF	2	33.3%	..
Veikkaus Oy	MEC	2	100.0%	100.0%
Yrityspankki Skop Oyj [3)]	MoF	2	95.2%	0.0%
Total (number)		**23**		
Total, all companies		**60**		

[*)] The State's share of votes 70.9%
[1)] In receivership, 21.05% ownership through Government Guarantee Fund
[2)] The State's share of votes 80%
[3)] In receivership, ownership through Government Guarantee Fund (52.9%) and through companies in which the State has direct controlling interest based on shareholding (42.3%)

MTC = Ministry of Transport and Communications
MoJ = Ministry of Justice
MEC = Ministry of Education and Culture
MSAH = Ministry of Social Affairs and Health
MEE = Ministry of Employment and the Economy
Formin = Ministry for Foreign Affairs
MoF = Ministry of Finance
PMO = Ownership Steering Department, Prime Minister's Office
MoE = Ministry of the Environment

Company Group 1 a:

The State as an owner has only or almost exclusively a strong shareholder interest. In arranging the ownership steering, the following aspects must be taken into consideration: direct controlling interest or authority relating to the State's shareholding; relating owner's risk; and participation in the company's decisionmaking on the basis of ownership.

Company Group 1 b:

Besides a strong shareholder interest, the company is connected with strategic interests owing to which the State is to remain so far a strong shareholder or to safeguard in other ways the strategic interests concerned, if the shareholding is reduced or relinquished.

Company Group 2:

The State as an owner has a special interest related to regulation or official duties: the company has an industrial, societal or other political mission defined by the State or some other special role.

Stakeholders often have conflicting expectations

Should the State hold interests in listed companies? The investor's view is clear-cut: If the state holdings yield a return exceeding the interest on government debt, it is always positive and reduces the pressures to raise taxes.

CEO of LocalTapiola Asset Management Ltd
Tom Liljeström
Sijoitustalous blog 24 February 2014

The Centre Party's message is: while it is important to hold on to assets of strategic importance even more tightly than before, it is all the more important to evaluate the other forms of state ownership even more radically.

MP **Mauri Pekkarinen** (Centre Party)
Parliament session no. 166/2013

Ownership steering is totally confused at state majority-owned companies. Ownership steering and owners should have a say in investment decisions. When the owner does not want to invest part of the profits in Finland, the outcome is foreseeable.

Chairman of Finnish Confederation of Professionals (STTK)
Jorma Malinen
STTK's Newsroom 23 January 2014

Should the State sell its shares to have money to stimulate the economy? The only indisputable reply is that there may be strategic interests to justify state ownership. However, the State's share portfolio includes companies that are not of strategic importance, and so they could be sold. But the sale of shares will not reduce the sustainability gap because it will reduce dividend yield.

Professor **Sixten Korkman**
Helsingin Sanomat newspaper 20 March 2014

It should be pointed out that the ultimate owners of all state-owned companies are all Finns. Parliament is a much better venue than the media – and practically the only venue for discussing the criteria for executive remuneration at state-owned companies.

Ilkka.fi
editorial 12 September 2013

> In certain respects, the private capital market is currently working even less effectively than ten years ago because the State has been actively 'fiddling about' with some investments. The State should quickly define its role: whether it wants to support business or the functioning of the markets.

PROFESSOR OF FINANCE AT AALTO UNIVERSITY **Vesa Puttonen**
Taloussanomat magazine 4 December 2013

> In fact, I believe that the state ownership steering policy is by and large sound and mostly well managed. Of course, while there is always room for improvements, there is no need for any major adjustments. That the State could do better or worse is another story, but that holds for any owner.

MINISTER OF THE ECONOMY AND EMPLOYMENT
Jan Vapaavuori (National Coalition Party)
Blog at vapaavuori.net website 29 January 2014

THE STATE AS AN OWNER LOOKS AFTER OUR COMMON ASSETS.

> The State could be an active owner. It should follow the lead of the private sector where owners are always active.

MINSTER OF LABOUR
Lauri Ihalainen (SDP)
Yle News 28 January 2014

> From the standpoint of the efficiency of society, the question of who provides the welfare services and how is becoming increasingly important, not who owns the means of production. The productivity of services plays a key role in bridging the sustainability gap, and this requires structural changes.

PHD. (POL.SC.) **Risto Ranki**
Kynävieras article on the website of the Suomen Toivo think-tank 8 November 2013

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