OWNERSHIP STEERING
GOVERNMENT OFFICE

2008 Annual Report of the Ownership Steering Department in the Prime Minister's Office

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1 Preface by the Minister

In 2008, a period of exceptionally vigorous economic growth was transformed into an international financial crisis of unprecedented intensity and extent. Cut-backs in production and mill closures started during the preceding year continued in the forest sector. In a matter of months, the economic cool down triggered by the overseas financial crisis brought substantial chunks of the real economy to a halt.

State-owned companies were not spared from the effects of the downturn. On the one hand, this led to strong demands for the state to step in to stop the cut-backs in jobs; on the other hand, the State was expected to pursue a policy that gave due consideration to other shareholders. As an owner, the State cannot require companies faced with international competition to refrain from adapting to the market conditions. In the long term, no company can operate at a loss.

Crises create situations in which it is important to retain the capacity for swift action. In particular, this was highlighted when an Icelandic investor announced that it would be giving up its holding of almost 15 per cent in Elisa Corporation. Prompt action was taken in collaboration with domestic partners to secure Finnish ownership of this major infrastructure system. However, as a result of these developments, the State's potential for quick decision-making had to be reassessed.

In December, a decision was made to centralise the State's minority shareholdings in eight listed companies into a company called Solidium Oy, a wholly state-owned company now authorised to both sell and buy shares.

Consequently, Solidium will be a new efficient instrument in the State's toolkit to look after the citizens' shareholder interests. Solidium may – alone or together with other actors – acquire shares in companies in which state ownership is deemed to be important, for example in order to secure supplies in times of crisis.

For the State Ownership Steering Department, 2008 was the first full year of operations in which centralised ownership steering was exercised. The biggest challenge facing the state ownership policy is to reconcile people's expectations with the companies' need to adapt to evolving market conditions and, in the case of certain companies, the ethical codes of conduct of stock exchanges.

The benefits offered by the centralisation of ownership steering became abundantly clear during the reporting period. With the current system of a single minister responsible for steering, decision-making is now more straightforward and quicker and the decisions more consistent.

It is also worthwhile to note that issues relating to state ownership have been discussed in the Cabinet Committee on Economic Policy in a positive atmosphere.

As a result of the centralisation of state ownership steering, its analysis function is now better resourced to produce data of an extremely high standard on which decision-making can be based. At the same time, reporting on state ownership has been diversified. A case in point is this annual report that provides an extensive overview of the State's activities as a long-term owner and recent developments in state corporate ownership.

A new State Shareholdings and Ownership Steering Act was enacted at the beginning of 2008.

Such a legal reform was called for, as was indicated by the experiences accumulated during the first year. The division of powers between Parliament and the Government concerning state shareholdings is today more clear-cut, which has lent added support for a more active approach to state ownership steering. Under the new regulations, corporate restructuring and sales of shares can now be implemented more flexibly.

Jyri Häkämies
Minster responsible for state ownership steering

2 Introduction

This annual report provides an overview of state ownership steering in companies for which the State Ownership Steering Department in the Prime Minister's Office was responsible in 2008.

At the beginning of 2008, the State Ownership Steering Department administered state shareholdings in a total of 38 companies, 12 of which had stock exchange listings. Additionally, the State owns 15 companies with special assignments administered by the ministries responsible for the fields of activity that the companies are engaged in.

In October 2008, the Government submitted a proposal to Parliament to transfer all state-owned equities in non-strategic listed companies (Kemira Corporation, Metso Corporation, Outokumpu Corporation, Rautaruukki Corporation, Sampo Corporation, Sponda Corporation, Stora Enso Corporation and TeliaSonera Corporation) to Solidium Oy, a wholly state-owned holding company. Parliament approved the proposal. The said eight listed companies defined as being non-strategic to the State are included in this annual report.

At the end of 2008, the State Ownership Steering Department in the Prime Minister's Office administered shareholdings in four listed and 26 non-listed companies. From the perspective of the State's role as an owner, a combining factor in all these companies is that their activities and the State's shareholdings are primarily evaluated according to financial criteria. These companies operate on market terms and seek to generate added value for the owners.

The companies included in this annual report are quite different in terms of size and line of business. More information is available to the public on listed companies than other firms, and the market capitalisation of listed companies can be determined on a daily basis according to the share price. For these reasons, state corporate shareholdings in this annual report are subdivided into four categories:

- Listed companies monitored by the State Ownership Steering Department;
- Companies in which stock is held by Solidium
- Non-listed companies with net sales exceeding EUR 25 million;
- Non-listed companies with net sales less than EUR 25 million.

The purpose of this division is to standardise the presentation of the companies falling in each individual category and to highlight the reasons why it is appropriate to attach importance to different things when evaluating the performance of companies of different sizes.

The data provided in this annual report is 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 generally accepted 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' profit.

3 State ownership steering

3.1 Centralised ownership steering

State ownership steering has been carried out on a centralised basis since 1 May 2007. The cabinet minister responsible for ownership steering at the Prime Minister's Office is Minister of Defence Jyri Häkämies. Functionally, the State Ownership Steering Department established in the Prime Minister's Office (PMO) for the centralised administration of ownership steering is directly subordinate to the responsible minister but administratively it is part of the PMO's organisation.

At the end of 2008, the State Ownership Steering Department in the Prime Minister's Office was responsible for ownership steering in respect of 29 market-based, profit-seeking companies operating in a competitive environment. Additionally, the Department was responsible for the ownership steering of one special assignment company, Solidium Oy.

Outside the centralised steering system, ownership steering in respect of a total of 15 companies performing certain special functions is handled by a number of ministries. As an expert organisation serving all branches of government, the State Ownership Steering Department in the Prime Minister's Office is also responsible for the issuance of instructions and coordination designed to ensure the consistency of ownership steering and good governance in all the special assignment companies.

The State Ownership Steering Department's basic functions consist of the formulation of the ownership strategy and related analysis and monitoring. Ownership strategy focuses on evaluations and decisions concerning the State's role and actions as owner whereas the analysis and monitoring functions focus on building up the expertise that is related to specific companies and fields of activity and required for the formulation of the strategy.

In essence, ownership strategy work also consists of external communications. One of key tasks of the State Ownership Steering Department is to generate and publish clear and comprehensive information on state corporate shareholdings and related administration on a regular basis.

At the end of the 2008, the Department employed 19 civil servants. During the reporting period, a Senior Communications Specialist joined the communications and media relations team. The civil servants work in the following areas: General Management and Administration 6; Communication and Investor Relations 2; Ownership Strategies 4; and Analyses and Monitoring 7.

3.2 Goals of ownership steering

The corporate assets held by the State constitute an important part of the national wealth, which needs to be administered with due care – the goal established for the State Ownership Steering Department.

As an owner, the State seeks to maximise the overall financial and social benefit in the management of its assets. In market-based companies, the purpose of state ownership steering is to achieve the best possible financial result at any given time. Performance in this respect is evaluated in terms of profitability and long-term growth in shareholder value. In special assignment companies that perform certain specific functions, the State as an owner pursues primarily societal goals while seeking to ensure that the operations in general are profitable.

At the same time, management of state holdings must be controllable and enjoy public confidence - the basis for this being that the State acts as a consistent and predictable owner whose holdings contribute to the long-term development of the company involved.

Aside from consistency, the activities of the State as an owner must be as transparent as possible. 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 market-based companies must be able to trust that the companies enjoy no special privileges because of state shareholdings.

Additionally, 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. However, transparency must be accompanied by strict compliance with insider trading rules, confidential treatment of companies' plans and business secrets and non-disclosure of the State's business secrets concerning the management of its ownership policy.

3.3 Legislation governing state ownership steering

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 new law superseded the act of 1991 concerning the State's exercise of powers as a shareholder in certain limited companies engaged in economic activities (740/1991, 'State Company Act'), which in many respects had become outdated.

The Ownership Steering Act governs the State's actions as an owner in all companies, listed and non-listed alike. No exception is made in the act to the laws relating to companies and the securities market. Consequently, all the obligations and limitations imposed by the provisions of the Limited Liability Companies Act, Securities Market Act and the Penal Code concerning the misuse of insider information apply to the State as owner and state-owned companies.

More generally, state ownership steering and the activities of state-owned companies are regulated by the principle that the State, in its capacity as an owner, shall comply with the laws enacted by the State, in its capacity as legislator, and that all the companies wholly or partially owned by the State shall abide by the same norms as Finnish companies with a different ownership base.

Consequently, the state ownership policy and related norms and decisions apply, a priori, equally to listed and non-listed companies. While the state ownership policy is consistent, there are significant differences in the exercise of ownership steering between listed and non-listed companies since ownership steering must give due consideration to the public disclosures, securities market legislation and related application rules and the large number of owners associated with listed companies.

Another difference between these two types of companies is that some of them perform a specific special function assigned by the central government, meaning that the company may, instead of aiming at maximum financial performance, focus on fulfilling such a special function as well and efficiently as possible. However, most of the companies operate on market terms and seek to generate a profit. All the listed companies operate purely on a market basis and therefore no distinction is made between them in terms of regulation or principles of ownership steering based on the size of the state holding.

3.4 Decisions and policies regulating ownership steering

As well as applicable legislation, state ownership steering is governed by the Government Programme and resolutions and the positions adopted by the Cabinet Committee on Economy Policy.

In June 2007, Prime Minister Vanhanen's second cabinet passed a resolution on the state ownership policy outlining the key principles and procedures relating to ownership steering by the State (see Appendix 2). The resolution is to be complied with in ownership policy decision-making and in the management of related duties.

As part of the Government resolution, the Cabinet Committee on Economic Policy issued a statement on competitive remuneration at state-owned and associated companies (see Appendix 3).The statement is applied when the State determines its position on the arrangements to be made at market-based state-owned companies.Where possible, the same policies are pursued in respect of the State's associated companies.The Committee's statement is consistent with the policies announced in 2006.Among other things, the Cabinet Committee on Economic Policy confirmed that the State, as an owner, does not approve of the use of stock options in rewarding corporate executives and key individuals.

In January 2008, the Cabinet Committee on Economic Policy issued a statement confirming the ownership policies. The Committee found it important to a make a clear distinction between a shareholder's role and the business decisions made by the company. At the same time, it was emphasised that listed companies aim at financially profitable operations and cannot be retroactively burdened with any social or regional obligations different from those imposed on other companies.

3.5 Management of state corporate assets in 2008

3.5.1 Overview

The State seeks to develop its wholly or partly owned companies and contribute to their competitiveness and profitability. As an active owner, the State may use its corporate assets to promote the international competitiveness of the Finnish private sector by participating in ownership arrangements and sectoral restructuring projects. If appropriate, the State has disposed of holdings in sectors in which state ownership is no longer justifiable.

The ownership base of state-owned companies has been diversified as a result of share issues and disposals and other ownership restructuring. Investments in shares and shareholding by Finnish actors have increased. At the same time, foreign capital and investors have come to state-owned listed companies in abundant supply.

The starting point in all ownership restructuring in which the State is involved is to achieve the best overall financial result. Consequently, the value of the company or share price is not the sole criterion; due consideration is also to be given to securing favourable operating conditions for Finnish industry and business and promoting competitiveness in the individual sectors, maintaining and increasing skills levels and safeguarding employment. Another objective of ownership restructuring and sale of shares is to create as stable an ownership base as possible.

In February 2008, the State of Finland accepted the purchase offer for its 1,508,500 shares in OMX AB (publ) submitted by Borse Dubai and BD Stockholm AB at a price of SEK 265 per share.The State held a 1.3% stake in OMX.The proceeds from the sale of the shares amounted to EUR 42.8 million.

In April 2008, the State sold its 1,085,642 shares in Elisa Corporation at the price of EUR 16.70 per share.The total transaction price was EUR 18.1 million.Before the sale the State held 0.65% of Elisa's share capital.

Early in the summer 2008 France Telecom submitted an offer to the States of Sweden and Finland for the purchase of their holdings in TeliaSonera Corporation.Finland held a 13.72% stake in TeliaSonera and the Government had authorisation from Parliament to relinquish state ownership to zero.However, the transaction failed to materialise.

Towards the end of 2008, two major projects were completed opening up new vistas for state ownership and its management.One concerned Elisa Corporation (Section 3.5.2) and the other the wholly state-owned holding company Solidium Oy (Section 3.5.3).

3.5.2 State becomes the principal shareholder in Elisa Corporation

In December 2008, the State became the biggest owner in the telecom operator Elisa Corporation with a 9.62% interest in the company. The arrangement was carried out in collaboration with the Varma Mutual Pension Insurance Company from which the State purchased part of the Elisa shares that had come into its possession.

Underlying the deal was a situation, relating to the global financial crisis, in which Elisa's principal shareholder, Novator of Iceland, announced that it was negotiating the sale of all its Elisa shares, i.e., 13.91% of the entire share capital of the company. The shares were sold in a bidding procedure in which there could be no certainty about the final buyer while the information received suggested that the prospective purchasers included a number of actors who could be deemed to be speculators.

The State and the Ownership Steering Department as its representative became involved in the process on the initiative of the National Emergency Supply Agency. The National Emergency Supply Agency held that telecommunications constituted part of the critical national infrastructure that was to be protected and ensured under special legislation (Communications Market Act) and the objectives defined for the emergency supplies system. In the information age, functions vital to society are controlled and supervised via data communications networks and information systems making use of such networks.

Following the evaluation carried out in response to the initiative made by the National Emergency Supply Agency, it was determined that it was of particular importance to the State to ensure that at least one major telecom operator would remain under Finnish ownership. If the Novator shares on sale had ended up in the hands of foreign owners, possibly speculators, the risk of Elisa Corporation being completely taken over by foreign interests would have been greatly increased.

In reality, the only option open to the State to contribute to a Finnish solution was to have the Elisa shares acquired by the State or an actor selected by it. As indicated in the statement by the National Emergency Supply Agency, clear arguments for such action existed. Moreover, a share deal was also deemed to be financially justified in view of the prevailing share price and the company's prospects.

Since the EUR 2.7 million appropriated for share purchases by the State was intended for only facilitating minor special arrangements, the State of Finland could not be involved in the negotiations as a party to the transaction. On 12 October 2008, the Cabinet Committee on Economic Policy seconded the arrangement under which the State Ownership Steering Department signed with the Varma Mutual Pension Insurance Company a conditional agreement – requiring an appropriation approved by Parliament – in which the State undertook to purchase the Elisa shares first to be acquired by Varma, or part of them as determined by Varma, at the original purchase price.

Under this agreement, Varma bought the entire lot of Elisa shares on sale at the price of EUR 11.20 per share. Once the supplementary budget had been approved, Varma announced that the State was to redeem a total of 16 million Elisa shares, i.e., 9.62% of the company's share capital. The share price in the transaction closed between the State and Varma on 19 December 2008 was the same EUR 11.20 per share as paid by Varma, the total being EUR 179.2 million. On the day when the deal was closed, Elisa's share price was a little higher than that, so that the State was able to acquire the shares at a price slightly lower than the then-current market price. For all practical purposes, the agreement between the State and Varma meant that the State assumed the price risk and Varma the financing risk for the shares.

It was a unique arrangement in the history of state ownership in Finland. Following the establishment of Solidium (see Section 3.5.3), it is assumed that in the future similar situations can, if necessary, be handled on regular commercial terms. What was also unique about the transaction was that the State and a major Finnish institutional investor worked together in order to stabilise ownership in Elisa Corporation.

The direct state holding in Elisa Corporation is not fully consistent with the arrangement under which the other state holdings in 'non-strategic' listed companies were transferred to the wholly state-owned Solidium Oy. Most likely, this issue will be reconsidered once Solidium's activities are established on a more permanent footing.

3.5.3 Establishment of Solidium Oy

As a result of the rapidly expanding worldwide financial crisis, there was an urgent need in 2008 to create an instrument that would enable the State to effectively secure domestic anchor ownership in vital Finnish companies.

On 21 October 2008, the Government passed a resolution to transform the wholly state-owned Solidium Oy into a holding company to manage the State's non-strategic shareholdings in listed companies. At the same time, a decision was made to increase its share capital by a contribution in kind consisting of the shares held by the State in eight listed companies, namely Kemira Oyj, Metso Corporation, Outokumpu Oyj, Rautaruukki Corporation, Sampo plc, Sponda Plc, Stora Enso Oyj and TeliaSonera AB. Before the arrangement was made, permission was requested from the Financial Supervision Authority to permit the transfer of the State's holdings in Outokumpu, Rautaruukki and Sponda, all exceeding 30% of their share capital, to Solidium without incurring the obligation to redeem the other shares in the companies as required under the Securities Market Act.

Solidium's mission is to manage its holdings so as to ensure maximum yield for the State. The company is authorised to both increase and decrease state shareholdings and, if necessary, acquire interests in other companies. Solidium's Chief Executive Officer and Board of Directors exercise the powers granted under the Limited Liability Companies Act while the State as an owner, in line with the general principles of the state ownership policy, decides, on the one hand, on the company policies and business models and, on the other, on matters falling under the authority of the general meeting of shareholders.

Solidium will cover its costs with its earnings and, if necessary, acquire new market-based holdings through arm's length transactions using its revenues and borrowed capital. Any profit will be distributed in the form of a dividend to the State, the owner of the company.

Shares were transferred to Solidium within the authority conferred by the Ownership Steering Act, so no parliamentary approval was required. Even so, the arrangement was submitted to Parliament for approval because Solidium's operations are different from on-budget activities, particularly in that the company is allowed to reinvest proceeds earned from the sale of shares. The arrangement was approved by Parliament as part of the second supplementary budget for 2008 at the end of November 2008.

The arrangements required for Solidium's establishment were completed in December 2008 following the passing of the supplementary budget. Solidium Oy's extraordinary meeting of shareholders held on 11 December 2008 resolved to increase the company's share capital and unrestricted equity by an amount equivalent to the fair value of the listed shares contributed in kind. Fair value was determined as the closing price of each share on 11 December 2008 in the public trading organised by Nasdaq OMX Helsinki Oy. The combined value of the transferred shares was EUR 5.3 billion. The extraordinary meeting of shareholders held on 12 December 2008 elected a new Board of Directors for Solidium which immediately initiated the process of appointing the Chief Executive Officer. Solidium's final organisation and the commencement of its activities were postponed to 2009.

4 State's share portfolio

This section provides an analysis of the State's share portfolio during 2008. At several points in the text, direct state shareholdings and indirect holdings through Solidium are discussed as a whole.

4.1 Market capitalisation of the portfolio

At beginning of 2008, the market capitalisation of the state share portfolio was EUR 28.4 billion and that of the shares held directly by the State EUR 8.8 billion. The market capitalisation of the shares owned by Solidium Oy was EUR 5.3 billion. On 31 December 2008, the combined market capitalisation of direct state holdings and indirect holdings through Solidium was EUR 14.1 billion.

Table 1a: Direct state holdings in listed companies 31 Dec 2008

	No. of shares	Shareholding %	Market capitalisation €m	Authorisation for selling shares	Weighting%
Elisa	16 006 000	9.62	196.9	196.9	2.2
Finnair	71 515 426	55.81	349.7	35.8	4.0
Fortum	450 932 988	50.80	6867.7	94.8	78.3
Neste Oil	128 458 247	50.10	1359.1	0	15.5
Total			8773.4	327.5	100.0

Table 1b: State indirect holdings via Solidium in listed companies 31 Dec 2008

	No. of shares	Shareholding%	Market capitalisation €m	Weighting%
Kemira	20 656 500	16.52	122.7	2.3
Metso	15 695 287	11.07	133.7	2.5
Outokumpu	56 440 597	31.10	467.3	8.9
Rautaruukki	55 656 699	39.69	676.8	12.8
Sampo	79 280 080	14.12	1049.7	19.9
Sponda	38 065 498	34.28	118.0	2.2
StoraEnso	97 079 438	12.30	542.0	10.3
TeliaSonera	616 128 221	13.72	2168.8	41.1
Total			5279.0	100.0

When all the state holdings are combined, the total market capitalisation of the portfolio fell by EUR 14.3 million, or 51%, during 2008. Over the same period, the general index of the Nasdaq OMX Helsinki Stock Exchange declined by 53%. At its lowest, the general index dropped to 5,048 points in November. The fall in share prices started to accelerate at the end of 2007 and continued almost without interruption until December 2008. The sharpest fall was experienced in September-October when share prices plummeted by nearly 30%. Underlying this trend were the financial crisis and economic recession.

Figure 1: Market capitalisation of the State's listed share portfolio in 2008, EURm

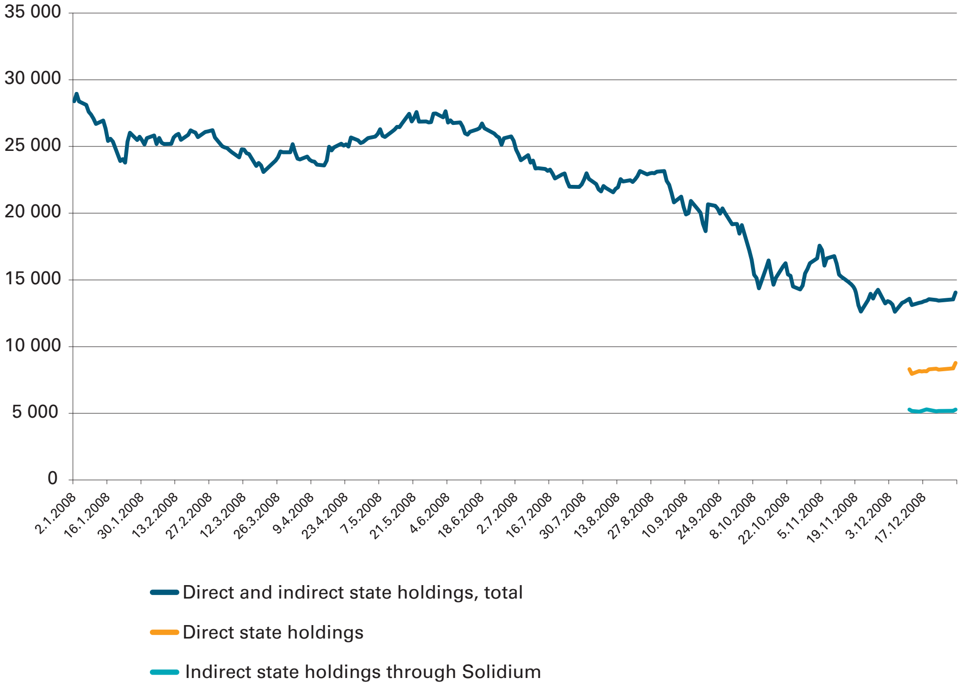
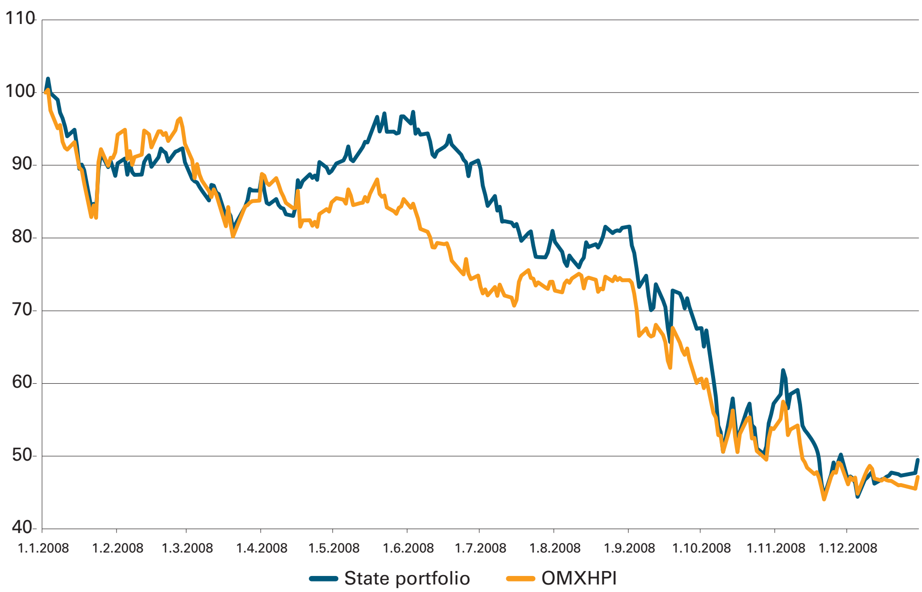


Figure 2: Market capitalisation of the State's listed share portfolio and OMX Helsinki general index in 2008 (1 Jan 2008=100)



Taken over a period of five years, the market capitalisation of the State's listed share portfolio was 7% higher at the end of 2008 than in 2003. Compared with the OMX Helsinki general index, the state portfolio outperformed the general index (state portfolio +6.9%, OMXHPI -10.4%).

Figure 3: Movement in the market capitalisation of the State's listed share portfolio in 2004–2008, EURm

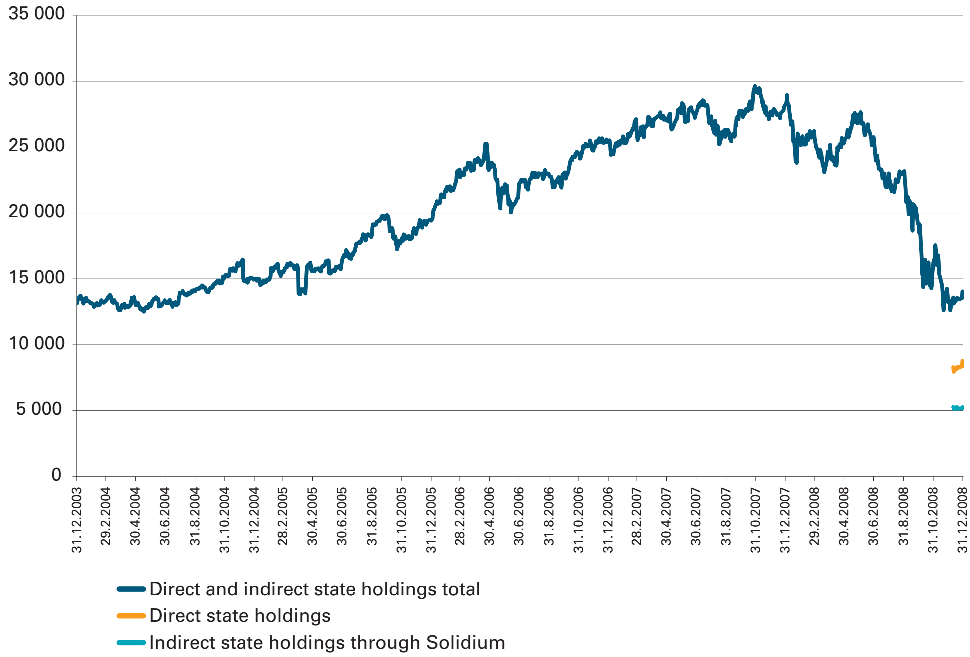
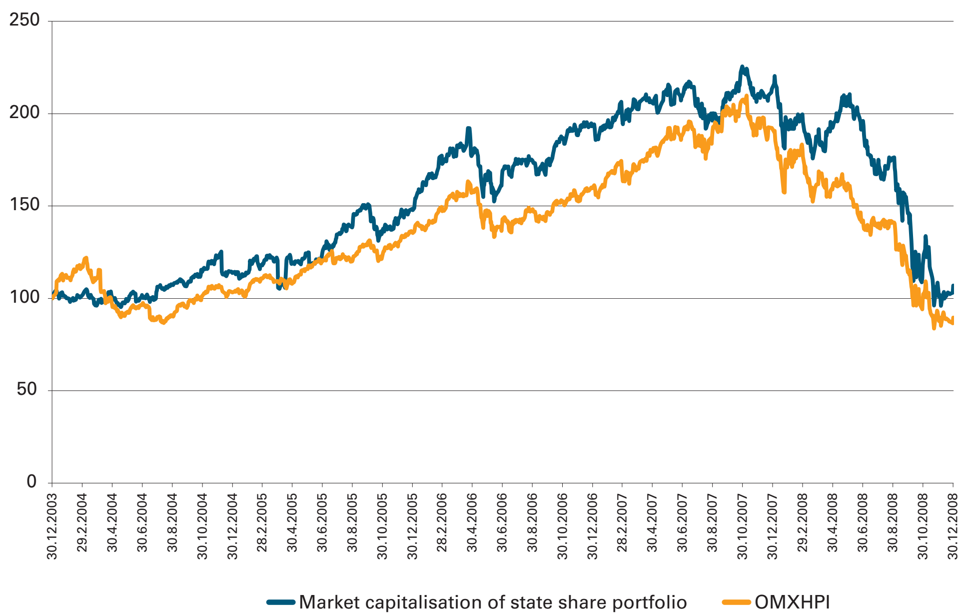


Figure 4: Market capitalisation of the State's listed share portfolio and OMX Helsinki general index in 2004–2008 (30 Dec 2003=100)



4.2 Return on the shares in listed companies

The return on the shares in the State's listed share portfolio was low in 2008. Nevertheless, the average return over a five-year period was 19%. The average five-year volatility of the portfolio is 24%. As the fluctuations in share prices were extremely sharp in 2008, the volatility of the State's share portfolio reached 41%.

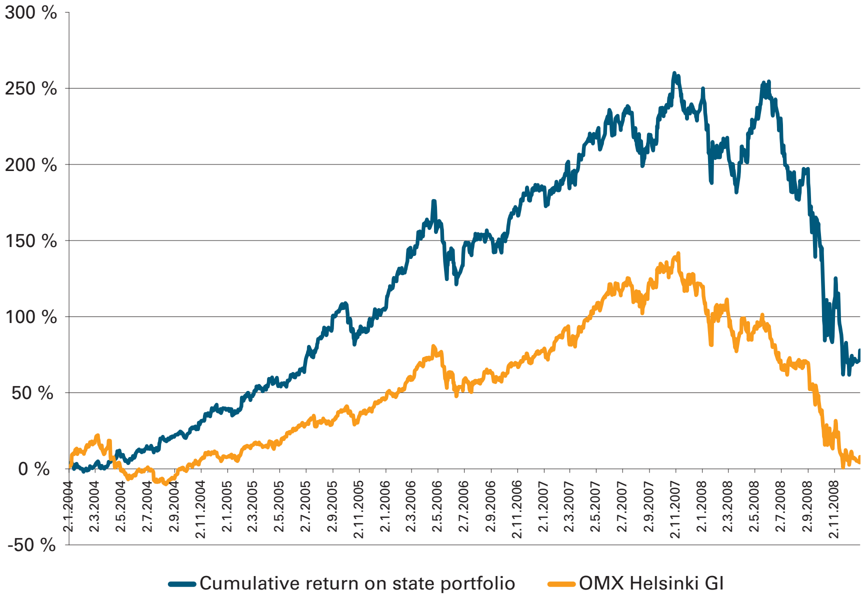
	Return on portfolio[1]	Volatility	Sharpe ratio[2]
2004	39,1 %	14,5 %	2,42
2005	47,0 %	16,2 %	2,69
2006	38,8 %	18,6 %	1,88
2007	19,5 %	16,8 %	0,90
2008	-47,5 %	40,7 %	-1,27

1.1.2004–31.12.2008	
Cumulative return	78,5 %
Average annual return	19,4 %
IRR[3]	17,9 %
CAGR[4]	12,5 %
Volatility	23,6 %
Sharpe ratio	0,65

Figure 5 shows the cumulative rate of return on the state portfolio and the total return index of the Nasdaq OMX Helsinki Stock Exchange during 2004–2008. The return on the portfolio relative to the Helsinki OMX index is partly explained by Fortum's considerable weighting in the portfolio. At the end of the 2008, Fortum's relative weighting was 48.9% when both direct shareholdings and indirect state holdings through Solidium are taken into account. The average annual rate of return on Fortum's shares was 37% during 2004–2008. Of all the shares in the state portfolio, the highest return was yielded by Rautaruukki with an average annual return of 42% over the same period. Rautaruukki's relative weighting in the portfolio was 4.8%.

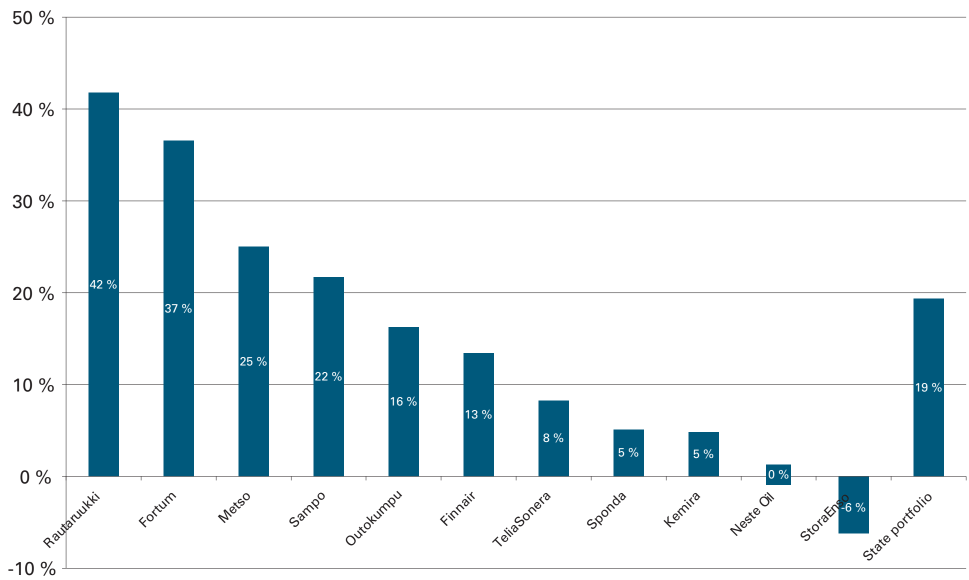
1 Return calculated using the modified Dietz formula.
2 10-year return on government bonds used as risk-free return.
3 Internal rate of return.
4 Compound annual growth rate.

Figure 5: Cumulative return on state portfolio during 2004–2008



Beside Fortum and Rautaruukki, Metso and Sampo achieved an average annual return of over 20% in the review period 2004–2008. The poorest performer is Stora Enso with an average annual return of -6.2%.

Figure 6: Average annual return of listed companies 2004–2008[5]



5 Average annual return calculated with the modified Dietz formula; Neste Oil since 18 April 2005.

4.3 Movement in the relative market capitalisation of listed companies

Figure 7 shows the movement in the total value of listed companies. In the matrix, the total value of the companies is presented on a company-by-company basis and the shares prices relative to the sectoral index.

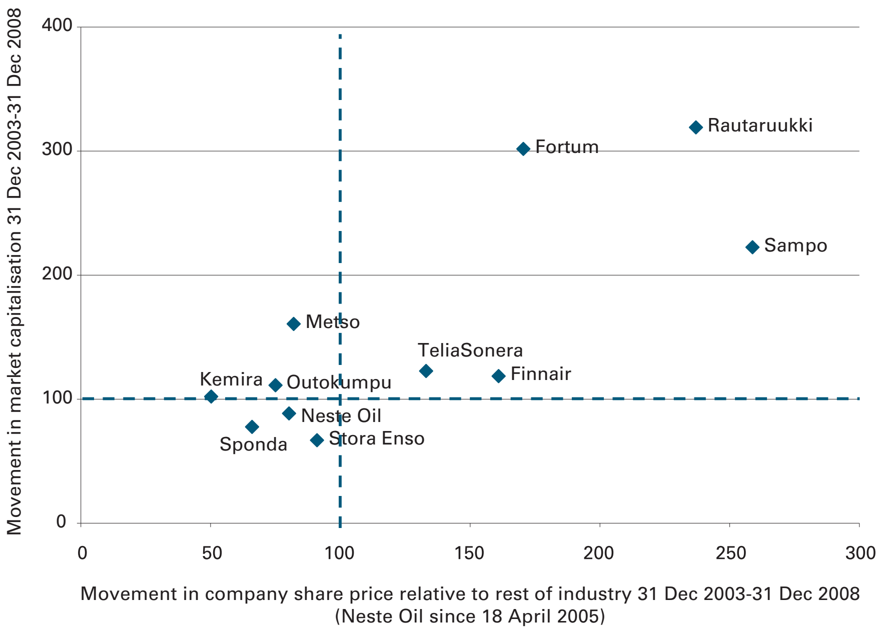
The movement in the market capitalisation of the company can be read on the y axis, the starting level being the horizontal 100-point line. If a company has generated positive total value, it appears above the 100-point line.

The movement in the company's share price relative to the rest of the industry can been seen on the x axis, the starting level being the vertical 100-point line. If the share price outperforms the rest of the industry, the company appears to the right of the 100-point line.

The matrix shows that the best total value has been generated by Rautaruukki and Fortum. In terms of share prices, the best performer relative to the industry index is Sampo.

The poorest performance was put in by Stora Enso. Similarly, the market capitalisation of Neste Oil and Sponda declined. Moreover, the share prices of these companies fell short of the industry index.

Figure 7: Market capitalisation of listed companies during 2004–2008



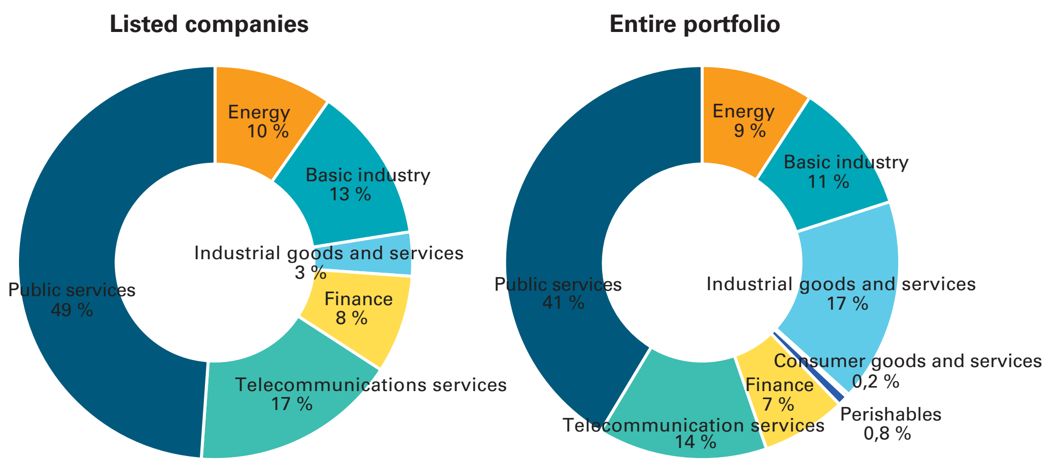
4.4 Relative weightings of shares in state portfolio

When direct state shareholdings and indirect holdings through Solidium are taken overall, Fortum had the heaviest weighting at the end of 2008 with a market capitalisation equivalent to 48.9% of the entire portfolio, followed by TeliaSonera with 15.4%.

Fortum's heavy weighting in the state portfolio was also evident in the sectoral analysis (public services). The second-largest weighting in the state portfolio was telecommunications services. As late as summer 2008, basic industry was the second-largest sector in the portfolio of listed shares. The fall in the price of the shares of companies engaged in basic industry has been sharp. At the same time, the purchase of shares in Elisa Corporation increased the relative weighting of telecommunications services in the portfolio.

When all state holdings are combined, the relative weighting of industrial goods and services in the portfolio increases to 17%.

Figure 8: Portfolio composition by sector on 31 Dec 2008 including companies in which stock is held by Solidium Oy[6]



4.5 Movement in the market capitalisation of the portfolio during 2004–2008

Figure 9 shows the movement in the entire state share portfolio during 2004–2008 including listed and non-listed companies. For listed companies, the value of shareholders' equity has been determined according to market value, and for non-listed companies according to book value. Dividends are recognised on a cash basis. The total value of the portfolio is reduced by the investments made by the State.

6 Listed companies according to market capitalisation on 31 Dec 2008; non-listed companies according to book value of shareholders' equity on 31 Dec 2008..

Figure 9: Market capitalisation of state share portfolio during 2004–2008, EURm

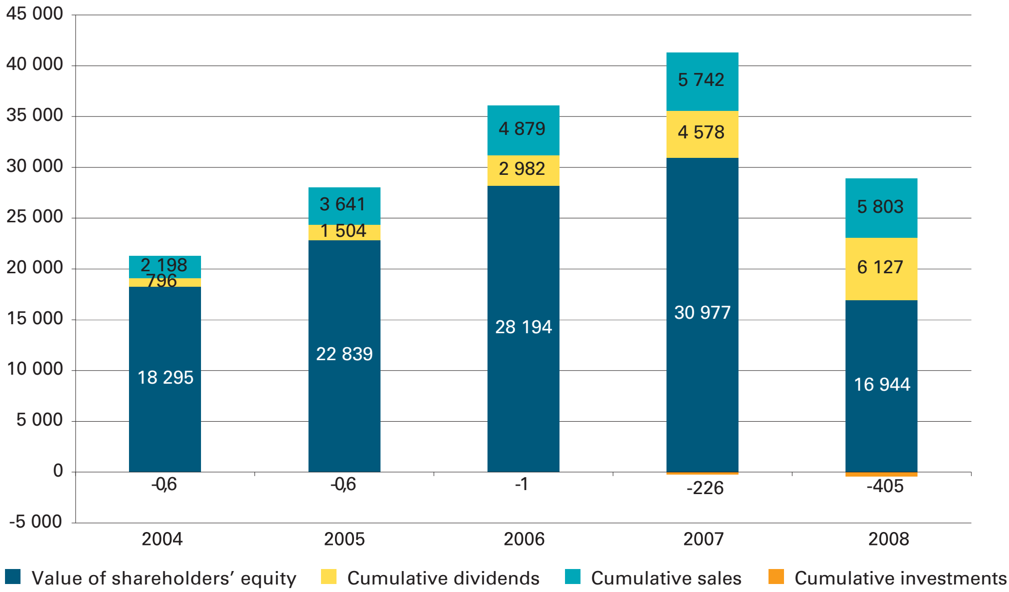
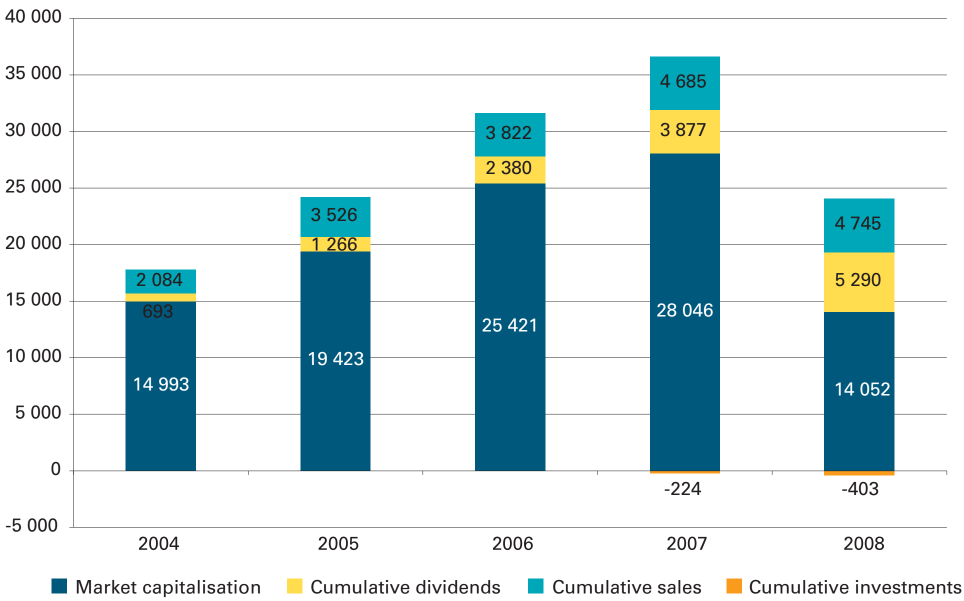


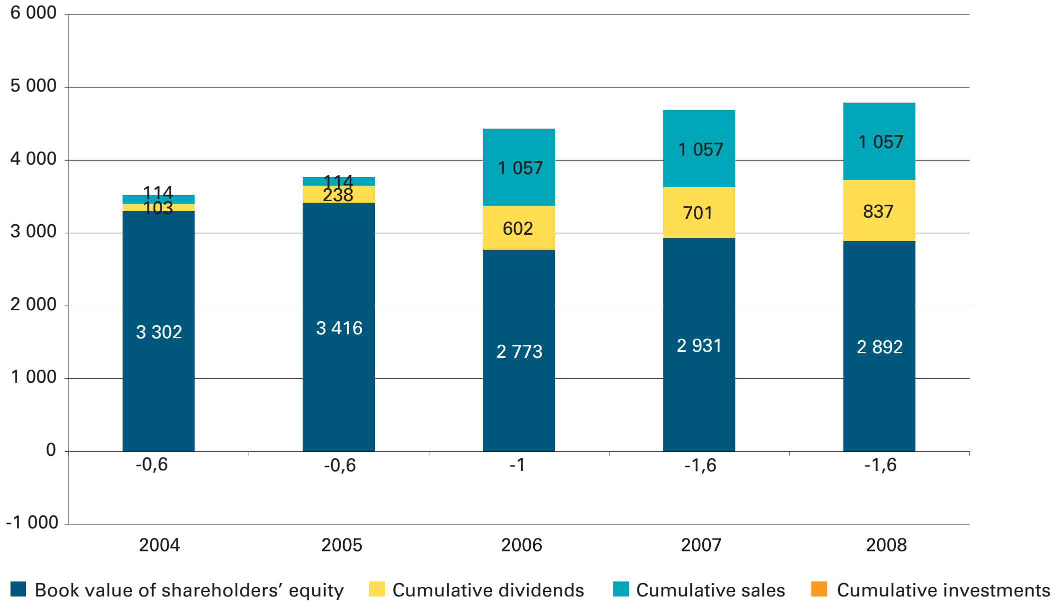
Figure 10: Movement in market capitalisation of state shareholdings in listed companies during 2004–2008, EURm



At the end of 2008, the market capitalisation of the state share portfolio was slightly lower than at the end of 2004. During the period 2004–2008, the State sold shares in listed companies to a total value of EUR 4.7 billion and received a total of EUR 5.3 billion in dividends. Over the same period, the State invested a total of EUR 403 million in listed companies.

The movement in the market capitalisation of the non-listed companies included in the state share portfolio is presented in the following graph. The fall in the book value of shareholders' equity in 2006 is caused mostly by the sale of Kapiteeli Oy in October 2006. At the end of 2008, the book value of the shareholders' equity of non-listed companies was nearly at the same level as at the end of the preceding year.

Figure 11: Movement in the market value of non-listed companies during 2004–2008, €m

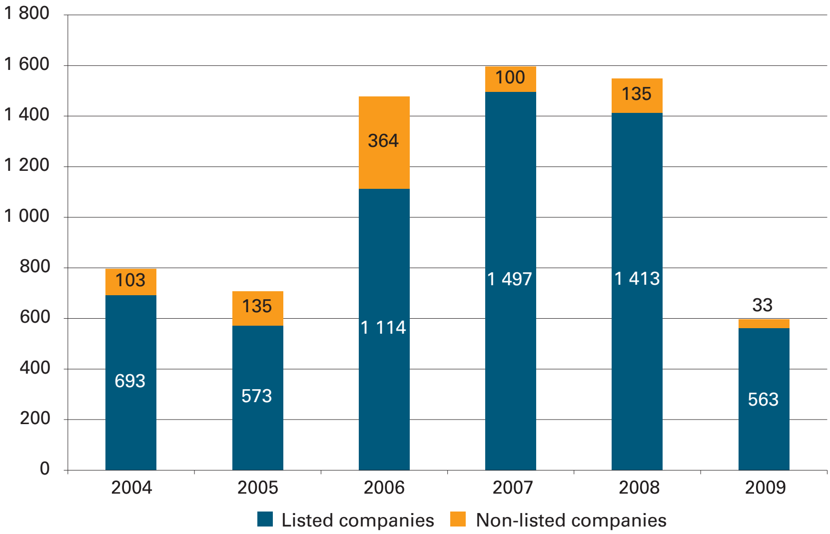


4.6 Dividend yield and payout ratio

In 2008, the companies included in the state portfolio paid to the State dividends based on the financial performance during the preceding financial year in the total amount of EUR 1,548 million, a decrease of EUR 48 million year-on-year. The companies having the greatest impact on dividend income were Fortum and TeliaSonera. The total dividends paid by TeliaSonera to the State fell by EUR 160 million while the amount paid by Fortum increased by EUR 41 million. Dividends paid on the basis of financial performance in 2008 fell considerably compared with the preceding year. In 2009, the dividends received by the State from directly held listed companies totalled EUR 563 million while the corresponding figure for non-listed companies was EUR 33 million[7].

[7] Excluding dividends paid to the State by Solidium Oy.

Figure 12: Dividends received by the State on cash basis during 2004–2009, EURm[8]



In 2007, the average payout ratio for the state shareholdings in listed companies was 60%[9]. The payout ratio for 2007 was reduced by the profit on disposal of over EUR 2.8 billion included in Sampo's net financial result. Over the same period, the payout ratio for the Nasdaq OMX Helsinki Exchange fell to 62% (72% excluding Nokia). This was a consequence of the good result and also of the record-high dividends paid for 2006. According to the total dividends paid in 2007, the dividend yield flowing to the State from the shareholdings in listed companies was 5.6%, higher than the 4.0% average for the companies listed in Helsinki (5.0% excluding Nokia).

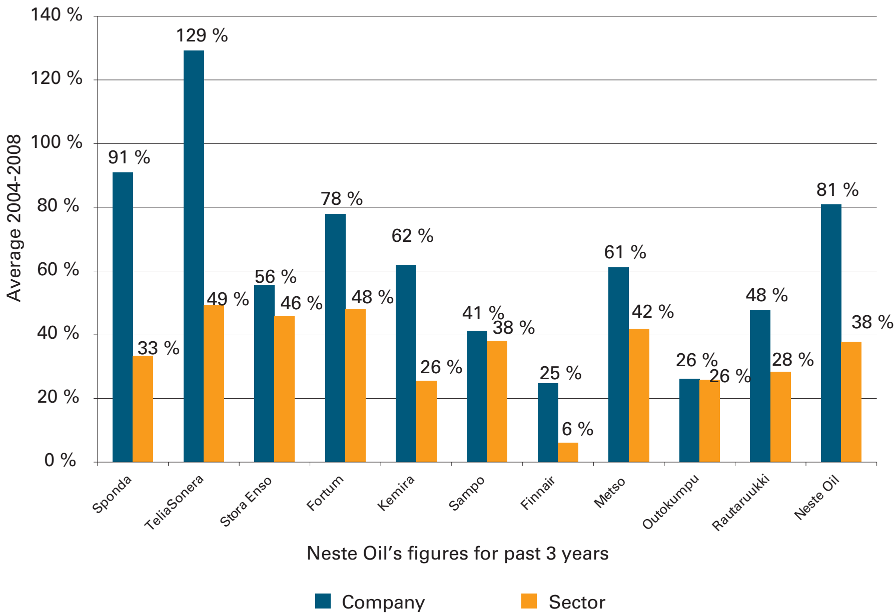
Based on the dividends to be paid for 2008, the average payout ratio for the companies included in the state portfolio, including companies owned by Solidium Oy, was 69%. The corresponding figure for the Helsinki Stock Exchange was 44% (51% excluding Nokia). The State's dividend yield on shareholdings in listed companies reached 5.7%. Although the amount of dividends paid by the companies was reduced, the fall in share prices increased dividend yield. The corresponding figure for the Helsinki Stock Exchange was 4.9% (5.4% excluding Nokia).

In the following graphs, the companies are compared with same-sector companies listed on stock exchanges across the world. The listed companies in the state portfolio paid a higher average dividend than companies operating in the same sector in general.

[8] Part of the reported dividends for 2009 based on proposals by boards of directors.

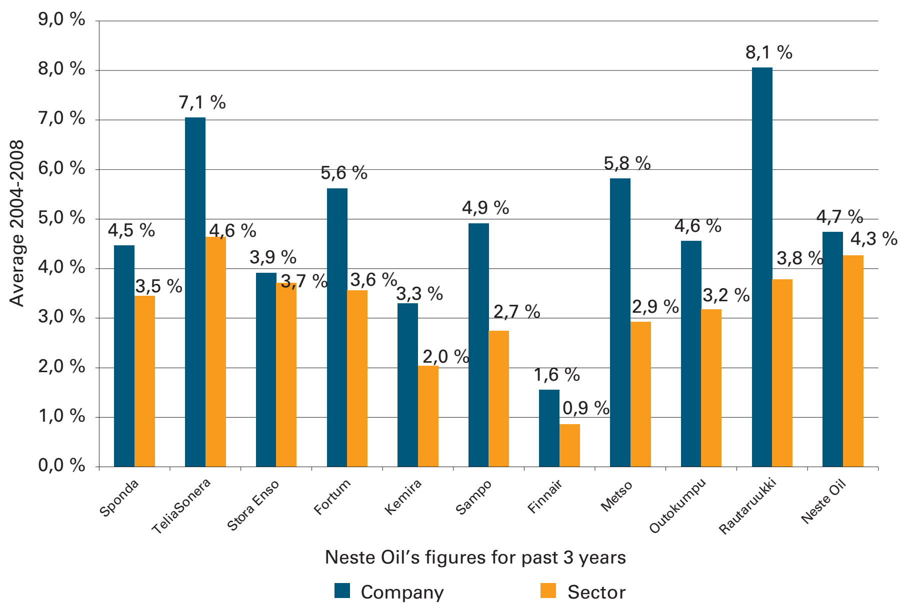
[9] Calculated according to the dividends distributed on the basis of the 2007 financial results and the net results for 2007.

Figure 13: Payout ratio on state shareholdings in listed companies 2004–2008



Over the same period, dividend yields from listed companies in the state portfolio were above the industry average.

Figure 14: Dividend yield on state shareholdings in listed companies 2004–2008



5 Company reviews

The companies are presented in the following order: listed companies monitored by the State Ownership Steering Department; companies in which stock is held by Solidium; non-listed companies with net sales in excess of EUR 25 million; and smaller non-listed companies.

5.1 Listed companies monitored by the State Ownership Steering Department

ELISA CORPORATION telecommunications

State shareholding: 9.62%
Chairman of the Board: Risto Siilasmaa
Chief Executive Officer: Veli-Matti Mattila
Principal places of business in Finland: Helsinki

Elisa Corporation is Finland's market leader in fixed and mobile broadband as well as new-generation 3G mobile communications services. The company has a market share of some 50 per cent of users of 3G services. Apart from the Nordic countries, Elisa has operations in the Baltics and Russia. Elisa's subscriptions totalled 2.9 million at the end of 2008; of these, 2.5 million were in Finland and 0.3 million in Estonia. The company provides some 1.5 million consumer customers and some 15,000 corporate customers with regional services.

The telecommunications sector is strictly regulated. The regulation also applies to the price levels of some of Elisa's products and services. Competition on the Finnish telecommunications market continues to be challenging. The deterioration in the economic situation has not had major effects on Elisa's business operations so far. Elisa cooperates globally with Vodafone and Telenor.

In 2008, net sales fell slightly on the previous year, which was primarily due to the lower interworking traffic and roaming fees in mobile operations in both Finland and Estonia. Handset sales, too, declined and the number of traditional fixed network subscriptions and the volume of traffic decreased. The decline in the number of fixed network subscriptions was partly due to Elisa's increased focus on the profitability of its broadband operations. Revenues from 3G services and mobile broadband operations in particular showed an increase.

EBITDA excluding non-recurring items fell slightly, but there was an improvement in the EBITDA margin, to which new mobile business services and efficiency measures made a contribution. In mobile communications, lower interworking revenues and costs improved profitability.

The improved profitability of the fixed network business was due to changes in broadband subscription prices, discontinuation of the provision of broadband services in certain low-profit geographical areas and improved cost effectiveness.

The financial position and liquidity remained good. Elisa has cash funds, untapped credit facilities and a continuous cash flow sufficient to cover foreseeable financing needs. No major refinancing needs are expected before 2011. Elisa's net debt increased mainly due to a capital repayment. The cash flow after investments increased substantially on the previous year, mainly due to a change in the net working capital.

Elisa will continue to stimulate demand for its services and improve productivity. Long-term growth and productivity will be supported by growing 3G markets and measures to improve efficiency. The 2009 net sales are expected to remain at the same level as in the previous year or fall slightly. Similarly, EBITDA excluding non-recurring items is expected to be the same as in 2008 or slightly lower.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	1,485.0	1,568.4
Operating income	EURm	264.5	302.0
Operating income %	%	17.8	19.3
Total assets	EURm	2,030.5	2,175.6
Market capitalisation at period end	EURm	1,914.1	3,323.4
Equity ratio	%	43.1	47.6
Gearing	%	92.8	71.3
Return on equity	%	18.5	18.8
Return on investment	%	16.0	18.8
Personnel, total		3,017	3,015
Personnel, Finland		300	
Total dividends paid	EURm	93.4	284.9
Dividend received by the State	EURm	9.6	2.0

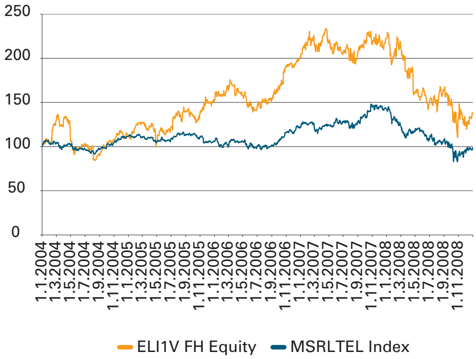
COMPETITORS

Company	Country	Net sales, EURm
TeliaSonera	Sweden	9,591
Telenor	Norway	11,004
Tele2	Sweden	3,658
TDC	Denmark	5,212

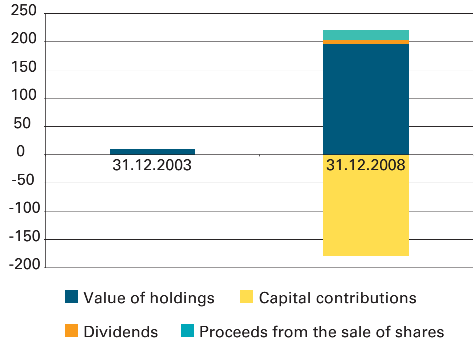
REPORTED INVESTMENTS

Capital expenditure totalled EUR 184 (206) million in 2008. Construction of faster mobile broadband capacity allowing construction of a 3G network was the major investment item in 2008. Capital expenditure is closely monitored to ensure that it does not exceed 12 per cent of net sales. Capital expenditure may also be reduced if the economy continues to deteriorate.

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was 31.9% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

FINNAIR OYJ airline company

State shareholding: 55.78%
Chairman of the Board: Christoffer Taxell
Chief Executive Officer: Jukka Hienonen
Personnel: 9,595
Principal places of business in Finland: Vantaa

Finnair OYJ is a travel industry group offering scheduled flight, holiday travel, travel agency and freight services in Finland and abroad. More than 70% of the consolidated net sales consist of scheduled traffic. Finnair has a home-field advantage in traffic between Europe and Asia. The location of Helsinki-Vantaa Airport allows the fastest connections between a number of European and Asian metropolises. In 2008 Finnair carried 8.3 million passengers and more than 100 million kilos of freight. Major investments are currently being made in Finnair's fleet.

Finnair's result fell into the red in 2008. In the early part of the year, profitability was hampered by high fuel prices and the fall caused in the prices of airline tickets by the worldwide recession. It was not possible to adapt the cost structure to the falling prices sufficiently. A surplus of supply characterised the industry in the past year, and this led to the first bankruptcies in the global airline business.

The outlook for 2009 is challenging for Finnair. Demand is expected to be lower than in the previous years and to focus on the lower-priced classes. The price of fuel is expected to account for some 22% of Finnair's net sales (25% in 2008). The excess supply of flights will not be removed from the market with sufficient speed through multinational arrangements. Freight traffic will follow the global economic trend: the volume of freight plummeted towards the end of 2008.

Traffic to Asia improved Finnair's performance (+16%) as planned. The overall profitability of passenger traffic is, however, lower than expected at the moment. Finnair has adapted its operations by cutting out some of the scheduled passenger traffic with the poorest profitability, by reducing its capacity and by implementing codetermination negotiations to reduce personnel. As a result, 120 employees will be given notice and a good 3,000 will be laid off, mostly for two or three weeks. Further adjustment programmes have been introduced in 2009.

The investments to be made in the fleet will be implemented as planned, but the termination of holiday flight aircraft leases in 2010 will allow the size of fleet to be dimensioned in line with expected demand. The new Airbus fleet will allow greater uniformity in maintenance arrangements and in the training of cabin staff, which will mean cost benefits.

Finnair has some EUR 300 million worth of confirmed credit facilities and EUR 650 million available in credit from the European Investment Bank and pension insurance companies. The company's balance sheet and cash position are strong. Increased difficulty in obtaining financing would be reflected in Finnair's operations primarily through the price level of its leasing contracts.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	2,263	2,181
Operating income*	EURm	-52.1	142
Operating income	%	neg.	6.5
Total assets	EURm	2,076	2,146
Market capitalisation at period end	EURm	586	1037
Equity ratio	%	38.1	47.0
Gearing	%	64.1	40,2
Return on equity	%	-4,8	12.9
Return on investment	%	-2.5	14.2
Personnel, total		9,595	9,480
Personnel, Finland		8,825	n.a.
Total dividends paid	EURm	0	32
Dividends received by the State	EURm	0	18

*) 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 for the next 7 years

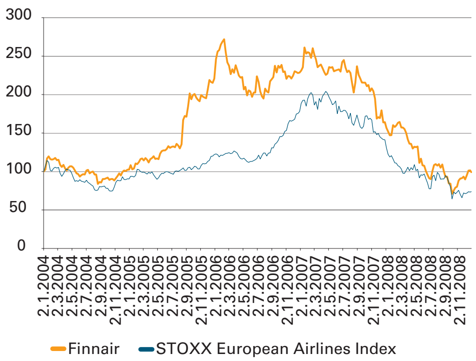
COMPETITORS

Company	Country	Net sales, EURm
SAS	Sweden	5,018
Lufthansa	Germany	24,870
BA	UK	8,932
Air France – KLM	France-Netherlands	24,114

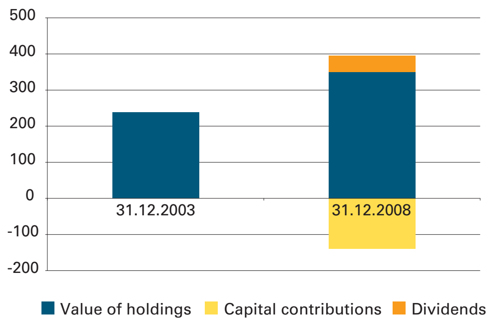
REPORTED INVESTMENTS

Some EUR 400 million will be invested in fleet renewal in 2009 and EUR 300 million in 2010.

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was 1.5% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

FORTUM CORPORATION utilities

State shareholding: 50.8%
Chairman of the Board: Peter Fagernäs (from 8 April 2009 Matti Lehti)
Chief Executive Officer: Mikael Lilius (from 1 May 2009 Tapio Kuula)
Personnel: 15,579
Principal places of business in Finland: Espoo, Imatra, Inkoo, Joensuu, Järvenpää, Kauttua, Kokkola, Kuusamo, Leppiniemi, Lohja, Loviisa, Naantali, Nokia, Oulu, Pori, Vaasa and Vantaa.

Fortum Corporation is a leading energy company focusing on the Nordic countries, Russia and the Baltic Rim. Its core operations cover the generation, distribution and sale of electricity and heat as well as the operation and maintenance of power plants. In 2008, Fortum generated 64.2 (52.2) TWh of electricity and 40.3 (26.1) TWh of heat. In the EU countries, 92% (89%) of Fortum's 2008 electricity generation was carbon dioxide-free. Of Fortum's electricity production, 51.6 TWh was generated in the Nordic countries. This accounted for 13% (13%) of the total electricity consumption in the Nordic countries.

In 2008 Fortum purchased a majority interest in TGC-10, a Russian heat and power generator. At the end of 2008 Fortum held more than 93% of TGC-10.

In 2008, most of Fortum's comparable operating income came from electricity production. Heat production and electricity transfer also contributed to the operating income.

In 2008 Fortum's net assets were distributed in the following manner: Electricity production 35.5%, Heat production 23.1%, Electricity transfer 20.2%, Markets 1.2%, Russia 14.7% and others 5.3%.

In 2008 Fortum's comparable operating income rose 18% to EUR 1,845 (1,564) million, while the profit before taxes fell. This was in part due to a EUR 180 million non-recurring profit item recognised in the first-quarter result in 2007 (associated company), a EUR 232 million sale of shares held in Lenergon recognised in the third-quarter result and increased financial expenses. The company exceeded its strategic targets: the ROE was 18.7% (target over 14%) and the ROI was 15.0% (target over 12.0%). The increase in the number of personnel was due to the acquisition of TGC-10. The cash flow from operating activities totalled EUR 2,002 (1,670) million.

There was a great deal of fluctuation in the price of electricity in 2008. The actual sales price for electricity supplied by Fortum's electricity production sector was EUR 49.3/MWh, i.e. 24% higher than in the previous year. The average price of electricity in Nord Pool was EUR 44.7/MWh and the average regional price in Sweden and Finland was EUR 51/MWh. Fortum has already secured 65% of its 2009 electricity sales through hedging at EUR 53/MWh. The 2010 hedging degree is 50% at EUR 46/MWh.

On 5 February 2009 Fortum submitted an application for the construction of the Loviisa 3 Nuclear Power Plant Unit 3. The total investment will be around EUR 4-6 billion. The company expects to receive a decision on the application within a year.

Fortum's gearing increased 21 percentage points in one year as a result of investments, dividend payment and an increase in the working capital. Bigger coal inventories increased the amount of working capital. The ratio between Fortum's gearing and EBITDA was 2.5 (1.9 at the end of 2007). The figures are below the strategic target of 3.0-3.5. The strong cash flow supports the financing of investments.

Of the Fortum segments, the best result was generated by electricity production. The Heat production segment suffered from increases in both fuel prices and carbon dioxide expenses. The trend in the Distribution segment was stable, but the Markets segment showed a poor result. Integration is proceeding in the Russian segment.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	5,636	4,479
Operating income	EURm	1,963	1,847
Operating income	%	34.8	41.2
Total assets	EURm	20,278	17,674
Market capitalisation at period end	EURm	13,519	27,319
Equity ratio	%	41.6	49.1
Gearing	%	73.5	51.6
Return on equity	%	18.9	19.1
Return on investment	%	15.2	16.6
Personnel, total		15,579	8,303
Personnel, Finland		3,045	2,981
Total dividends paid	EURm	888	1,197
Dividends received by the State	EURm	451	609

COMPETITORS

Company	Country	Net sales, EURm
E.ON	Germany	86,753
EDF	France	64,279
Enel	Italy	61,184
RWE	Germany	48,950
Iberdrola	Spain	25,196
Vattenfall	Sweden	15,005
Verbund	Austria	3,745
Statkraft	Norway	2,800

REPORTED INVESTMENTS

An investment programme covering the Nordic countries and the Baltic Rim and totalling over EUR 3,000 million.

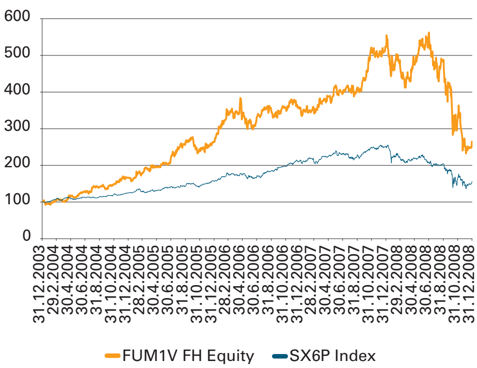
An investment programme for Russia (TGC-10) totalling EUR 2,000 million from 1 January 2009 onwards.

Automatic meter reading, total value EUR 240 million.

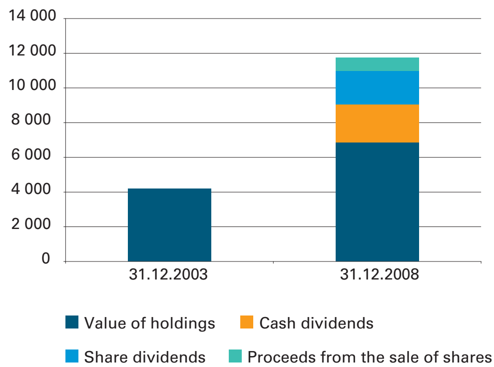
Reliability of electricity transfer, total value EUR 700 million.

In addition, on 5 February 2009 Fortum submitted an application to the Government for the construction of a new nuclear power plant unit. The total value of the investment will be around EUR 4-6 billion. Aside from this, Fortum is participating in the project to construct Finland's fifth nuclear power plant unit with a share of 25%.

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



Valtion tuotto 31.12.2003–31.12.2008 oli 22,9 % p.a. (CAGR, Compound annual growth)

NESTE OIL CORPORATION energy industry

State shareholding: 50.1%
Chairman of the Board: Timo Peltola
Chief Executive Officer: Matti Lievonen
Personnel: 5,174
Principal places of business in Finland: Espoo, Porvoo and Naantali

Neste Oil Corporation is a refining and marketing company focusing on advanced, cleaner-traffic fuels. The company seeks growth in both conventional oil refining and the production of top-quality diesel made of renewable raw materials. Neste Oil's oil refineries are located in Porvoo and Naantali. Their aggregate capacity to distil crude oil totals some 260,000 barrels a day, and their refining capacity is some 15 million tonnes a year.

Neste Oil aims to become the world's leading producer of cleaner fuels and to continue investments in order to increase the capacity of the current refineries. Investments geared to increase Neste Oil's NExBTL production come to close on EUR 1.5 billion in all. Neste Oil seeks growth in two areas: Oil refining and Renewable fuels. The strategy is complemented by Oil retail.

Neste Oil's EUR 750-million diesel investment project was launched in June 2007. The investment is expected to raise the refining margin of the entire company by more than 2 dollars a barrel in the future, calculated on the basis of the total annual production, i.e. some 100 million barrels.

The company's NExBTL production unit in Porvoo was completed in summer 2007. Its capacity is 170,000 tonnes. Another unit of similar size is scheduled for completion in Porvoo in 2009. The planned capacity of Neste Oil's NExBTL unit in Singapore is 800,000 tonnes, and the unit is scheduled for completion in 2010. A unit of similar size is expected to be completed in Rotterdam in 2011.

Neste Oil's net sales in 2008 came to EUR 15,043 million, an increase of 24% on the 2007 figure of EUR 12,103 million. The increase in net sales was primarily due to the high barrel price of crude oil, USD 96.99 (72.52). There was a great deal of fluctuation in the price of crude in 2008. In July, the barrel price of oil hit the record figure of USD 144. The price went down towards the end of the year and stood at some USD 40 a barrel.

The 2008 comparable operating income was EUR 602 (626) million, a fall of 3.8% on the equivalent 2007 figure. The reported operating income was EUR 186 (801) million, including EUR 453 million in inventory losses (inventory gains EUR 174 million). The inventory losses were caused by the rapid fall in the price of oil towards the end of the year. On the other hand, the cash flow from operating activities remained at the previous year's level and was EUR 512 (541) million.

Neste Oil's overall refining margin was improved specifically by the strong margin of diesel in 2008, and it rose to USD 13.39 (10.46) a barrel. On the other hand, the gasoline margin plummeted in 2008, and also the diesel margin fell substantially towards the end of the year. Production restrictions were imposed on production line 4 of the Porvoo refinery from April to October, and the high diesel margin could not be used to its full extent.

The Oil refining segment improved its comparable operating income. Shipping also improved its performance, but the comparable operating income of the Special products segment deteriorated substantially. The profitability of Retail also deteriorated.

Nets Oil's gearing rose 15 percentage points during 2008. Both the net working capital and investments increased. In 2008 investments came to EUR 508 (334) million. The company's targeted debt ratio to total capital is 25-60%. The 2008 figure was 31.5% (23.7%).

The company left the decision to build a hydrogen cracking plant in Naantali unresolved. The joint renewable fuel project planned in Austria with OMV was given up. Neste Oil's subsidiary Neste Jacobs purchased the Rintekno engineering firm, thereby increasing its personnel by more than 200 employees.

The company's CEO Risto Rinne retired on 1 October 2008. The new CEO Matti Lievonen started on 1 December 2008.
CFO Petri Pentti resigned from the service of Neste Oil at the end of September and was succeeded by Ilkka Salonen.

The company announced that it was adopting a new organisational structure as of 1 April 2009. The company is moving from a line to a matrix organisation.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	15,043	12,103
Operating income	EURm	186	801
Operating income	%	1.2	6.6
Total assets	EURm	4,720	4,871
Market capitalisation at period end	EURm	2,713	6,175
Equity ratio	%	46.2	49.9
Gearing	%	46.1	31.1
Return on equity	%	4.2	25.6
Return on investment	%	6.2	26.3
Personnel, total		5,174	4,810
Personnel, Finland		3,984	3,655
Total dividends paid	EURm	205	256
Dividends received by the State	EURm	103	128

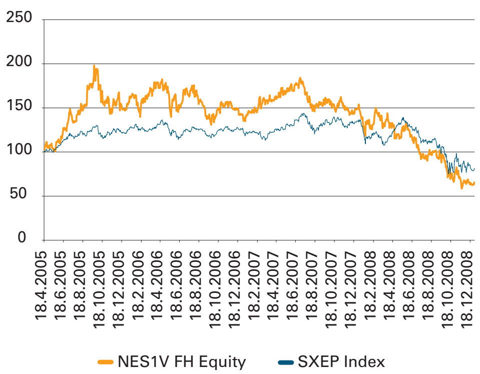
COMPETITORS

Company	Country	Net sales, EURm
OMV	Austria	25,543
Petroplus holding	Switzerland	18,786
MOL	Hungary	13,309
ERG	Italy	11,498
Hellenic Petroleum	Greece	10,131
Saras	Italy	8,556
Motor Oil Hellas	Greece	5,505

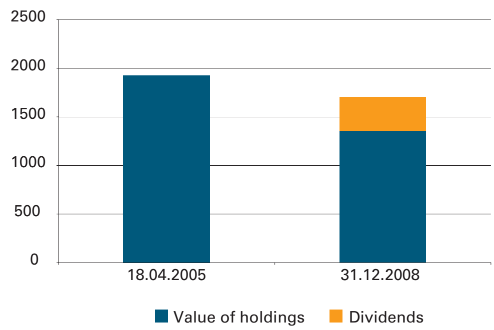
REPORTED INVESTMENTS

Porvoo	NExBTL unit	2009	over EUR 100 million
Singapore	NExBTL unit	2010	EUR 550 million
Rotterdam	NExBTL unit	2011	EUR 670 million
Bahrain	base oil plant	2011	app. EUR125million (Neste Oil's share)
Porvoo	isomerisation unit	2011	app. EUR80million

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was -3.2% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

5.2 Companies in which stock is held by Solidium

KEMIRA OYJ chemical industry

Solidium's shareholding: 16.5%
Chairman of the Board: Pekka Paasikivi
Chief Executive Officer: Harri Kerminen
Personnel: 9,405
Principal places of business in Finland: Helsinki, Vantaa, Harjavalta, Joutseno, Kokkola, Kuusankoski, Siilinjärvi, Tampere, Vaasa, Äetsä, Pori and Oulu

Kemira Oyj's new CEO Harri Kerminen assumed his position on 1 January 2008. In June 2008, the company announced a new strategy under which it will focus on water and fibre management chemistry. Kemira's business operations are organised into the following three customer-oriented business segments, all which share the common denominator, water: Paper, Water and Oil & Mining.

When launching its new strategy, Kemira announced its plan to list Tikkurila on the NASDAQ OMX Helsinki Oy Stock Exchange in early 2009. When announcing its figures for 2008, the company made a new announcement saying that the Tikkurila listing will be postponed. Listing will take place when the market conditions permit it.

Kemira carried out major restructuring during 2002–2006. Following completion of this phase, the company has launched a process to integrate the acquired companies and focus on improving profitability. The company is looking for growth in emerging markets and its future expansion is mostly based on organic growth. The strategy is aimed at improving profitability.

In terms of net sales, Kemira's biggest single business area in 2008 was Kemira Pulp&Paper, which accounted for 37% of the consolidated net sales, followed by Kemira Water with 27%. Kemira Coatings accounted for 23% of the consolidated net sales and Kemira Speciality for 13%.

The biggest contributor to the consolidated operating income in 2008 was Kemira Coatings which accounted for 54% of the total, followed by Kemira Specialty with a 33% share. Kemira Water accounted for 10% and Kemira Pulp&Paper for 2% of the consolidated operating income.

Although Kemira Coatings accounted for the largest percentage of the consolidated operating income, it tied up least capital of all the four business areas. Kemira Coatings' share of the Group's capital employed was 16% while the sector requiring most capital was Kemira Pulp&Paper, which accounted for 40% of capital employed.

As a result of the restructuring carried out by Kemira, the company is now in debt. Over the past few years, its cash flow has been negative following completion of the investments. In 2008, the cash flow was slightly positive, which was due to capital gains of EUR 254 million relating mainly to the establishment of a titanium oxide joint venture company co-founded with Rockwood. However, Kemira's gearing exceeded 100%, which limits its scope for action in developing operations.

During 2008, the company's operating income exclusive of non-recurring items fell by 24% to EUR 132.6 million (EUR 174.6 million). The non-recurring cost of EUR 79.8 million resulting from the company's restructuring and austerity project reduced the reported operating income. The revenue remained at the same level as in 2007.

The fall in operating income was mostly due to the high cost of raw materials and energy in early 2008. Kemira succeeded in raising sales prices, the positive impact of which was felt up to the last quarter. Towards the end of 2008, demand fell considerably, which was mostly reflected in the paint business and paper chemicals.

In line with its strategy, Kemira will, in the short term, focus on strengthening its balance sheet, creating a positive cash flow and increasing its profit. The first priority is to strengthen the balance sheet. In June Kemira announced an austerity programme with the objective of saving a total of approximately EUR 60 million, excluding Tikkurila. Negotiations required under the codetermination legislation were conducted in five localities. They were concluded on 8 October 2008, with a resulting loss of 298 jobs.

In January 2009 Kemira announced another programme to reduce costs by EUR 25 million per year. The programme covers all the Tikkurila personnel (3,800) and may lead to 500 employees being made redundant. The talks being held in Finland concern some 900 people and may result in a reduction of about 200 jobs.

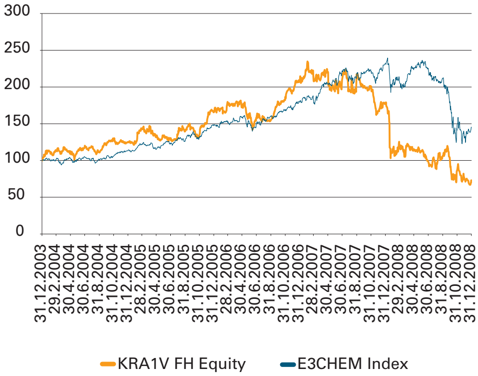
KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	2,833	2,810
Operating income	EURm	74	143
Operating income	%	2.6	5.1
Total assets	EURm	2,860	2,828
Market capitalisation at period end	EURm	720	1,745
Equity ratio	%	34.2	38.6
Gearing	%	107.5	92.3
Return on equity	%	-0.2	5.9
Return on investment	%	2.9	8.1
Personnel, total		9,405	10,007
Personnel, Finland		2,137	2,885
Total dividends paid	EURm	30	61
Dividend received by Solidium (in 2007 the State)	EURm	5	10

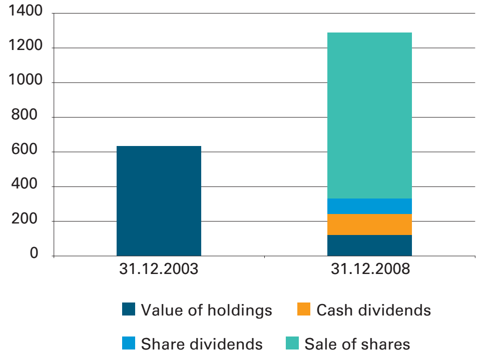
COMPETITORS

Company	Country	Net sales, EURm
Akzo Nobel	Netherlands	15,415
Solvay	Belgium	9,490
Clariant	Switzerland	5,090
Ciba Specialty Chemicals	Switzerland	3,733
Nalco	United States	2,879
Hercules	United States	1,561

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was 13.6% a year during the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth))

METSO CORPORATION metal engineering

Solidium's shareholding: 11.1%
Chairman of the Board: Matti Kavetvuo (since 31 March 2009 Jukka Viinanen)
Chief Executive Officer: Jorma Eloranta
Personnel: 29,322
Principal places of business in Finland: Tampere, Uusikaupunki, Pori, Valkeakoski, Jyväskylä, Järvenpää, Lapua and Helsinki

Metso Corporation is a global supplier of sustainable technologies and services for the mining, construction, power, metal recycling and the pulp and paper industries. The company sells its products and services in more than 100 countries. Metso has engineering, production, procurement, business services, sales and other operations in more than 50 countries.

Metso's net sales and operating income increased from 2007 and the objective for operating income, 10% of net sales, was achieved. However, the demand for the company's products fell sharply during the last few months of 2008 and the order backlog started declining for the first time since 2003. Orders already received worth EUR 150 million were cancelled at the end of the year. The prospects for 2009 are poor but profitability is still expected to remain at a satisfactory level. Metso's order backlog stand at EUR 4.1 billion and further cancellations of orders are still conceivable.

Metso believes there is structural over-supply in the pulp and paper machine industry. By contrast, the fall in the demand for mining and crushing machines is only temporary and the same applies to environmental technology products. In order to adapt to these changes, Metso initiated codetermination negotiations in autumn 2008 with the aim of cutting 900 to 1,200 jobs in the Paper and Automation business lines in Finland. The purpose is to focus the operations on larger units in Finland.

A total of 35% of the net sales was generated by the services business (spare parts, servicing, repairs, modernisations), which accounted for approx. 60% of the operating income. The services business is less susceptible to cyclical fluctuations and the servicing of the growing machine base across the world has expanded business significantly. In the future, Metso will be investing in the services business by increasing its resources in areas close to the customer, particularly in Asia and other emerging markets. However, demand for services is expected to fall during 2009 as well.

Traditionally, Metso's business operations have relied on an effective use of debt leverage, with the result that the equity ratio fell from 38% to 31% in 2008. The company has paid special attention to the security of financing by converting debts into long-term loans and negotiating new credit line and pension loan facilities.

As of the beginning of 2009, Metso redefined its business sectors as follows: Mining and Construction Technology, Energy and Environmental Technology, and Paper and Fiber Technology.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	6,400	6,250
Operating income	EURm	637	580
Operating income	%	10.0	9.3
Total assets	EURm	5,511	5,254
Market capitalisation at period end	EURm	1,208	5,290
Equity ratio	%	28.9	37.7
Gearing	%	76.5	33.4
Return on equity	%	25.6	25.4
Return on investment	%	23.7	26.1
Personnel, total		29,322	26,837
Personnel, Finland		9,252	9,386
Total dividends paid	EURm	99.2	425
Dividends received by Solidium (in 2007 the State)	EURm	110	47

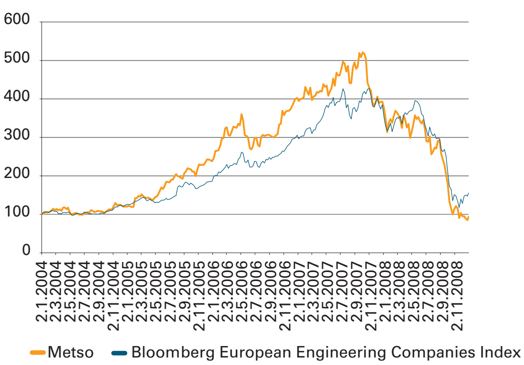
COMPETITORS

Company	Country	Net sales, EURm
Sandvik (mining and civil engineering technology)	Sweden	8,451
Atlas Copco (mining and civil engineering technology)	Sweden	6,766
Flowserve (Energy and environmental technology)	United States	3,206
Honeywell (Energy and environmental technology)	United States	26,199
Voith (Paper and fibre technology)	Germany	4,934
Andritz (Paper and fibre technology)	Austria	3,609

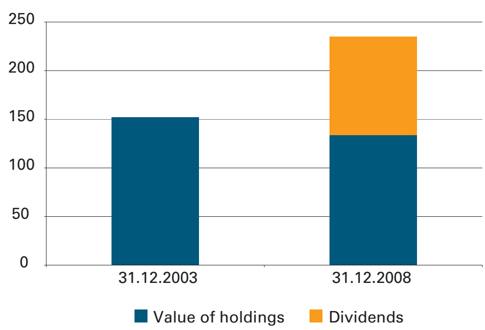
REPORTED INVESTMENTS

Total investments are estimated at EUR 150 million. Investments will be cut back because of the weakness of the global economy.

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was 9.1% a year during the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

OUTOKUMPU OYJ steel industry

Solidium's shareholding: 31.1%
Chairman of the Board: Ole Johansson
Chief Executive Officer: Juha Rantanen
Personnel: 8,471
Principal places of business in Finland: Tornio, Pietarsaari, Veteli, Sorsakoski, Tuusula and Espoo

Outokumpu Oyj is an international company specializing in stainless steel. Outokumpu's objective is to be the leading company in the stainless steel business. The company's customer base includes companies operating across the world in fields such as the process industries, manufacture of industrial machinery, building and construction, and manufacture of domestic appliances.

In 2008 Outokumpu produced a total of 1.4 million tonnes of stainless steel. The company has a presence in about 30 countries. Its largest production facilities are located in Finland, Sweden, the United Kingdom, the United States, and the Netherlands.

The demand for stainless steel fell sharply during the last quarter of 2008. At the same time, the base price for steel remained at a low level. While the volumes of steel supplied by Outokumpu in 2008 were reasonable, the low base price and considerable inventory losses due to the fluctuating raw-material prices resulted in a net loss for the financial year.

The first signs of weakening markets were detected in autumn 2008. In November Outokumpu entered into negotiations with the personnel on the measures required to adjust to the situation. However, as these measures failed to have the desired effect, codetermination negotiations aiming at redundancies were initiated in December. Subsequently, a new round of negotiations was announced in early February 2009. All in all, a reduction of 700 jobs in total, most of them outside Finland, and temporary layoffs for over 2,000 people, primarily in Tornio, will be needed.

Outokumpu has postponed nearly all of its investment programmes (totalling EUR 1.8 billion) by at least 12 months. Given normal market conditions, these investments, if realised, would have improved Outokumpu's profitability and made it less sensitive to the fluctuations in raw-material prices after 2010. In the short term, however, Outokumpu will focus on maximizing its cash flow.

The prospects for 2009 are uncertain. The price trends early in the year have been weak with the base price still remaining low while the stocks of stainless steel have not been reduced quickly. End-user demand has dropped, particularly in the automotive and construction industries. Structural over-capacity is still thought to exist in the production of stainless steel. In early 2009, Outokumpu's mills were running at less than 50% capacity.

Raw material prices are expected to remain low for as long as the global recession continues. Low costs will make stainless steel a competitive product in the long run, which works in Outokumpu's favour. But even though the raw material prices are low, they fluctuate sharply, meaning that Outokumpu is still exposed to inventory losses and speculative fluctuations in demand due to wholesalers.

China's massive investments in stainless steel production, the existing over-capacity, and the need for producers to replace wholesalers by a global sales network of their own point to continued consolidation in steel-making.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	5,474	6,913
Operating income	EURm	-63	589
Operating income	%	-1.2	8.5
Total assets	EURm	5,341	5,910
Market capitalisation at period end	EURm	1,502	3,839
Equity ratio	%	52.3	56
Gearing	%	56.6	38.7
Return on equity	%	-3.6	20.0
Return on investment	%	-0.8	17.2
Personnel, total		8,471	8,108
Personnel, Finland		n.a.	n.a.
Total dividends paid	EURm	90.1	218
Dividends received by Solidium (in 2007 the State)	EURm	28.2	68

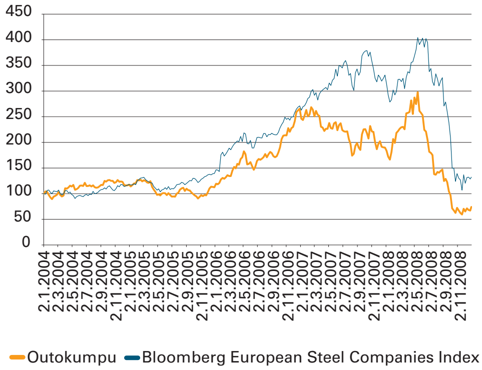
COMPETITORS

Company	Country	Net sales, EURm
Acerinox	Spain	5,051
ThyssenKrupp	Germany	124,936
Arcelor Mittal	Luxembourg	53,426
POSCO	South Korea	16,894

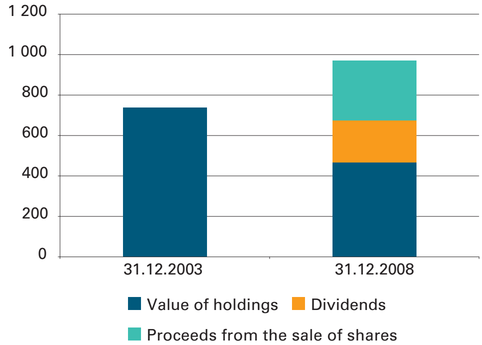
REPORTED INVESTMENTS

The EUR 1.5 billion investment programme has been postponed for the time being. Its focus is on increasing the production of ferrochrome, expanding the manufacture of duplex steel grades and developing the distribution network. The current year, 2009, will mainly see the implementation of the final stages of on-going programmes and maintenance investments.

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was 5.7% a year during the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

RAUTARUUKKI CORPORATION steel industry

Solidium's shareholding: 39.8%
Chairman of the Board: Reino Hanhinen
Chief Executive Officer: Sakari Tamminen
Personnel: 14,953
Principal places of business in Finland: Raahe, Hämeenlinna, Kankaanpää, Lappohja, Oulainen, Pulkkila, Toijala and Kurikka and the head office in Helsinki.

Rautaruukki Corporation supplies metal-based components, systems and integrated systems to the construction and engineering industries. The company has a wide selection of metal products and services. The company has operations in 26 countries. Rautaruukki has three customer-based business divisions: Ruukki Construction, Ruukki Engineering and Ruukki Metals.

Overall Rautaruukki's financial performance in 2008 was good but it declined quickly in December. Demand in all customer industries was strong. In December, demand by a number of customers faced with financial difficulties, particularly in the construction and automotive industry, came to a halt. Annual net sales remained at the same level as in the preceding year and the profitability goals were achieved.

Faced with uncertain demand,, codetermination negotiations were initiated. These negotiations, which were completed in January, led to a reduction of 460 jobs in Finland, 250 of which were made through early retirement schemes, and the lay offs of 3,200 employees. As a result of the declining demand, Rautaruukki stopped one blast furnace at the Raahe Mill that will remain closed until demand picks up.

Because of low demand, Rautaruukki and its customers have larger-than-normal stocks of raw materials and semi-finished goods. During 2008 raw-material prices were exceptionally high: a reduction in stocks will not generate a profit because of the simultaneous pressures to cut prices. New negotiations on raw material prices are underway and the prices are expected to fall. The benefits of decreasing prices will not be felt in Rautaruukki's financial performance until late 2009.

Within Rautaruukki's solutions businesses (Construction, Engineering), demand is expected to remain good in certain customer industries (energy, infrastructure construction) whereas it is assumed that it will decline in others (engineering, shipbuilding). The demand for steel products (Metals) is expected to recover from the exceptionally low level prevailing at the end of the year. Even so, the first quarter of 2009 is expected to be weaker than the last quarter of 2008.

Rautaruukki has a high equity ratio, meaning that is not susceptible to disruptions on the financial market. However, disruptions are reflected in fluctuations in demand by the company's customers.

Approximately half of Rautaruukki's net sales are generated by the solutions businesses and half by steel products. 60% of the operating income is derived from steel products. To a considerable degree, the company's success is still determined by efficient use of capacity and the products pricing price for steel products.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	3,851	3,876
Operating income	EURm	568	637
Operating income	%	14.7	16.4
Total assets	EURm	2,983	2,861
Market capitalisation at period end	EURm	1,706	4,150
Equity ratio	%	66.0	70.4
Gearing	%	7.9	14
Return on equity	%	20,7	24.0
Return on investment	%	25,0	29,6
Personnel, total		14,953	14 ,715
Personnel, Finland		6,955	7,009
Total dividends paid	EURm	187.4	280
Dividends received by Solidium (in 2007 the State)	EURm	75.1	111

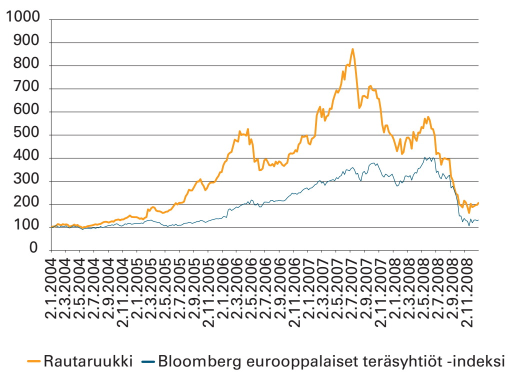
COMPETITORS

Company	Country	Net sales, EURm
Lindab (Construction)	Sweden	898
Kingspan (Construction)	Ireland	1,672
SSAB (Metals)	Sweden	4,956
Voestalpine (Metals)	Austria	10,481
ThyssenKrupp (Metals)	Germany	53,426
ArcelorMittal (Metals)	Luxembourg	124,936

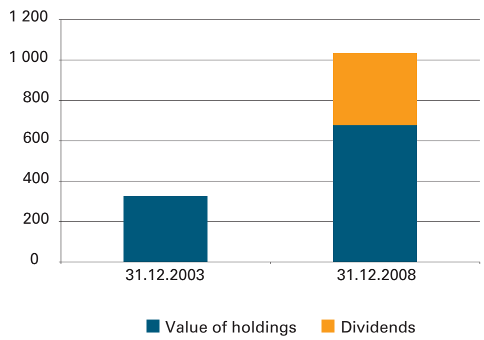
REPORTED INVESTMENTS

Investments will be carried out to maintain maintenance investments and to increase delivery capacity in Eastern Europe. Total investment in 2009 will be under EUR 200 million.

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was 26.0% a year during the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

SAMPO PLC insurance and investment activities

Solidium's shareholding: 14.12%
Chairman of the Board: Georg Ehrnrooth (since 8 April 2009 Björn Wahlroos)
Chief Executive Officer: Björn Wahlroos (since 8 April 2009 Kari Stadigh)
Personnel: 7,458
Principal places of business in Finland: Helsinki

Sampo plc's mission is to create value for its shareholders. The Group strives to make flexible use of the opportunities arising in the market to create shareholder value through transactions such as corporate disposals and acquisitions.

The Sampo Group's business areas are property and casualty insurance and life assurance. The business areas have well-defined strategies based on the return on equity targets. Synergies between P&C insurance and life insurance are minor.

P&C insurance operates under the If brand. If is the largest Nordic P&C insurer with a market share of more than 20%. The company also commands a strong position on the rapidly growing Baltic insurance markets.

Mandatum Life, which is engaged in life assurance, operates in Finland and, via its subsidiary, in the Baltic countries. Mandatum Life's operations are divided into two different kinds of businesses. New sales are focused on unit-linked insurance. Technical provisions, however, mostly comprise of the with-profit insurance portfolio. The objective is to achieve as high returns as possible for the investment assets related to this portfolio. Mandatum Life has a 19 per cent market share in Finland and approximately 11 per cent of the Baltic life assurance market.

Sampo is a significant investor on the Nordic scale with investment assets of approximately EUR 16.5 billion. Sampo plc manages the investment portfolios on behalf of its insurance subsidiaries and also holds significant investment assets itself. Sampo plc is also a major shareholder in the Nordic banking group Nordea.

The Sampo Group's profit before taxes for 2008 amounted to EUR 870 million (3,833*). The Group's earnings per share was EUR 1.18 (1.25). The earnings per share including the change in fair value reserve was EUR –3.52 (0.95). Net asset value per share was EUR 8.28 (13.49). The profit before taxes for P&C insurance amounted to EUR 549 million (534), for life assurance EUR 140 million (342), and for the segment 'Holding' EUR 180 million (95). About EUR 130 million of the profit reported by the segment is explained by the dividends received from Nordea.

In P&C insurance, the company's target is to keep the combined ratio below 95%. The combined ratio for 2008 was 91.8% (90.9%). The Group's targeted return on equity is set above 17.5%. The return on equity collapsed during the year, amounting to –0.8% (19.2%). Although If's insurance technical result remained good, amounting to EUR 548 million (565), the decrease in the fair value reserve to EUR –414 million (0) pushed down the rate of return. The insurance technical result is expected to remain stable in 2009 as well.

In life assurance, the reported net investment income was EUR –222 million (600). The reduction in the fair value reserve was EUR 481 million, amounting to EUR –192 million. The return on equity in life assurance amounted to –68.8% (9.1%). Due to poor capital market conditions, life assurance is not expected to achieve the profit levels of 2006 and 2007.

On 31 December 2008, Sampo plc held about 12% of Nordea's shares. On 6 February 2008 the company received permission from the Swedish authorities to increase its holdings above 10%. The Sampo Group's average acquisition price of Nordea shares was EUR 10.60 per share. The closing price for Nordea on 30 December 2008 was EUR 5.07.

According to a Sampo press release published on 10 February 2009, the company has made a commitment to take up the rights corresponding to its current pro rata shareholding of approximately 12 per cent in relation to a EUR 2.5 billion share issue by Nordea. This amount of the commitment is approximately EUR 315 million.

Sampo has also entered into an agreement whereby it has committed itself to underwriting an additional 13 percent of the rights issue, i.e. EUR 334 million. This commitment will lead to Sampo acquiring additional shares only if the shares offered in the rights issue are not fully subscribed.

Sampo plc's balance sheet on 31 December 2008 included investment assets of EUR 2.8 billion (4.9), of which fixed income instruments covered 39% (44%) and equities 61% (56%).

The Group's return on equity weakened considerably and stood at –32.4% (52.6%). Reported net investment income fell to EUR 275 million (974). The fair value reserve fell to EUR –2,364 million (316).

The Group's solvency still remains excellent. The solvency ratio at the end of 2008 stood at 433.6% (774.6%).

KEY FINANCIAL INDICATORS

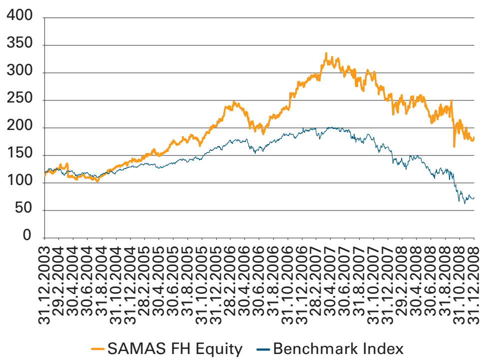
		2008	2007
Premiums written	EURm	4,350	4,458
Profit before taxes	EURm	870	3,833*
Profit before taxes	%	20.0	86.0
Total assets	M€	21,205	25,424
Market capitalisation at period end	M€	7,433	10,382
Equity ratio	%	21.9	30.5
Solvency ratio	%	433.6	774.6
Return on equity	%	–32.4	52.6
Return on assets	%	–7.4	11.5
Personnel, total		7,458	6,974
Personnel, Finland		2,237	2,118
Total dividends paid	EURm	449	694
Dividends received by Solidium (in 2007 the State)	EURm	63	95

*) includes operating income of EUR 2,830 million received from Sampo Bank

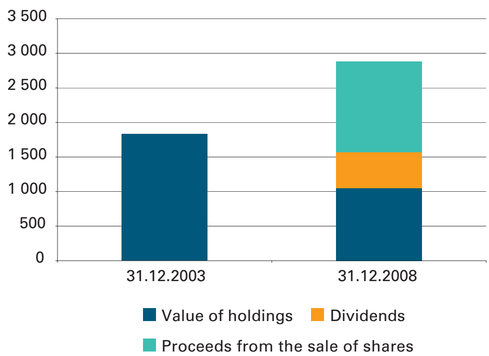
COMPETITORS

Company	Country	Market capitalisation, EURm
Trygvesta	Denmark	2,992
Pohjola Bank	Finland	1,983
Topdanmark	Denmark	1,351
Storebrand	Norway	760
Alm. Brand	Denmark	160

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was 9.5% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

SPONDA PLC property investment

Solidium's shareholding: 34.28%
Chairman of the Board: Lauri Ratia
Chief Executive Officer: Kari Inkinen
Principal places of business in Finland: Espoo, Helsinki and Vantaa

Sponda Plc is a listed property investment company specialising in the ownership, letting and development of office, retail and logistics properties in the largest cities in Finland and Russia. In 2006 Sponda acquired the entire share capital of the Finnish property investment company Kapiteeli Plc. Following the transaction, the market value of Sponda's property portfolio was doubled and the company strengthened its position as one of the leading players in the field.

The company's operations are organised into four business units: Investment Properties, Property Development, Real Estate Funds, and Russia. In 2007 Sponda's strategy was revised so that the company's objective is to accelerate growth, placing particular focus on increasing investments in property development and on stronger expansion of business operations in Russia.

In 2008 Sponda issued a EUR 130 million hybrid bond to Finnish institutional investors, whereby the company improved its equity ratio and ensured the financing of the investments planned for 2008. Sponda also signed an agreement for a syndicated loan of EUR 150 million to refinance its long-term loans.

The office, retail and logistics premises market is a late-cycle sector, so the rent levels continued to develop favourably and occupancy rates still improved in 2008. The company's net operating income improved by some 9% on the previous year; however, the economic occupancy rate of 88.5% (91.2%) fell below that at the end of 2007, which was due to the 40% occupancy rate of the Vuosaari logistics centre, which was brought to completion in November 2008.

Sponda's key risks and uncertainty factors, due to the recession and financial crisis, relate to financing, changes in the fair value of properties, developments in economic occupancy rates, a reduction in market rents and a decline in rental revenues resulting from the insolvency of tenants. These may weaken both the company's equity ratio and its profit. Furthermore, the expanding operations in Russia also increase Sponda's foreign exchange risk.

Sponda forecasts that the company's net operating income will be higher in 2009 than in 2008. The reasons for this are that during 2008 rent levels rose and several fully leased office and retail properties were completed and added to Sponda's investment property portfolio. Due to the state of the market, the company has decided that, in contrast to previous practice, no forecast can be given on its economic occupancy rate, cash flow from operations per share and earnings per share.

Development projects were put on hold in Russia due to financing problems in the second half of 2008, and the buying and selling of completed properties has also slowed down. It is expected that there will be pressure to bring down the rents for office and retail premises in 2009. Sponda's Board of Directors has decided that the Baltic markets will no longer be a strategic investment area for Sponda in the future.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	224.3	211.0
Operating income	EURm	126.2	256.7
Net operating income	EURm	166.8	152.8
Total assets	EURm	3,098.1	2,898.5
Market capitalisation at period end	EURm	260.9	1,171.4
Equity ratio	%	29.3	32.3
Gearing	%	235.4	174.9
Return on equity	%	4.3	17.87
Return on investment	%	4.5	10.0
Personnel, total		141	216
Personnel, Finland		125	210
Total dividends paid	EURm	0,00	55,5
Dividends received by Solidium (in 2007 the State)	EURm	0,00	19,0

COMPETITORS

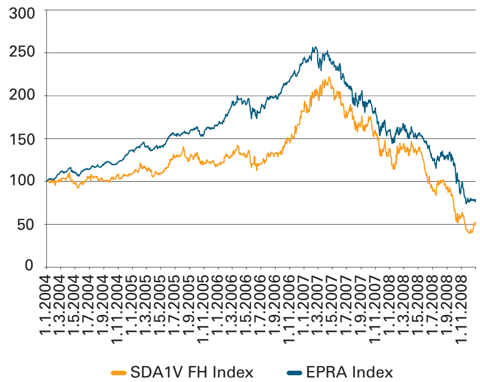
Company	Country	Net sales, EURm
Citycon	Finland	185
Technopolis	Finland	79
Wallenstam	Sweden	116
Fabege	Sweden	205
Hufvudstaden	Sweden	126
Kungsleden	Sweden	390
Castellum	Sweden	231

REPORTED INVESTMENTS

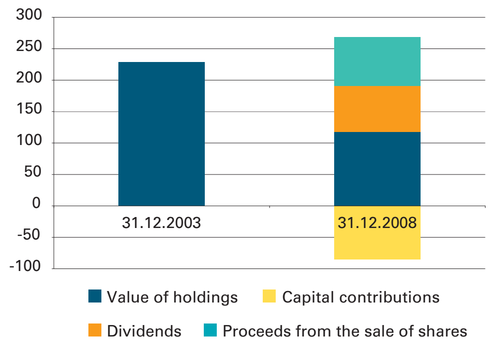
At the end of 2008, the fair value of Sponda's investment property portfolio totalled EUR 2,907.5 million (2,534.9), of which the Russia unit's property portfolio accounted for EUR 258.3 million. In property development investments, an annual level of EUR 150 million has been set as the target, while a property portfolio of EUR 300–400 million has been targeted for investments in Russia by the end of 2009.

Sponda is not committed to any major investments in 2009, and the largest planned development projects have been postponed.

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was -4.3% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

STORA ENSO OYJ forest industry

Solidium's shareholding: 12.3%
Chairman of the Board: Claes Dahlbäck
Chief Executive Officer: Jouko Karvinen
Principal places of business in Finland: Anjalankoski, Heinola, Helsinki, Imatra, Kotka, Oulu, Varkaus and Veitsiluoto

Stora Enso Oyj is a global paper, packaging and forest products company that produces newsprint and book paper, magazine paper, fine paper, consumer board, industrial packaging and wood products. The Group has 32,000 employees and 85 production facilities in more than 35 countries, and is a publicly traded company listed in Helsinki and Stockholm. Customers include publishers, printing houses and paper merchants, as well as the packaging, joinery and construction industries. Stora Enso's annual production capacity is 12.7 million tonnes of paper and board, 1.5 billion square metres of corrugated packaging and 6.9 million cubic metres of sawn wood products, including 3.2 million cubic metres of value-added products. Stora Enso places special emphasis on production capacity, efficient raw material and energy sourcing and effective production processes.

Stora Enso has succeeded in improving its long-term profitability through cost and capacity cuts and pricing adjustments, as well as by increasing domestic wood sourcing in Finland. Furthermore, Stora Enso has extended the repayment period of its outstanding loans and reduced the amount of short-term borrowing. Stora Enso intends to further reduce its working capital and improve the balance between supply and demand.

Demand fell dramatically in the final quarter of 2008. Stora Enso curtailed its production aggressively, which had a large negative impact on the operating profit, but at the same time reduced the company's working capital.

In Europe demand is expected to remain weak for all of the Group's products throughout the first half of 2009 at least. Demand for newsprint is expected to decline. The supply and demand balance has improved on the magazine and coated fine paper markets. A slight pickup in demand for some packaging products is anticipated.

The markets for wood products are very weak as construction activity has slowed down rapidly on all key markets.

In China soft demand for uncoated magazine paper and fine paper is expected. In Latin America seasonal factors and high customer inventory levels are expected to restrain demand for coated magazine paper, keeping prices flat.

Stora Enso raised some prices in Europe at the beginning of 2009, particularly in newsprint, magazine paper, coated fine paper and consumer board. Prices of wood products and most industrial packaging products are expected to be under continued pressure on many markets. Lower prices are predicted for newsprint on export markets outside Europe.

Significant paper and board production curtailments as well as curtailments in pulp and sawmill operations and wood products will be continued during the first half of 2009. At the beginning of 2009, Stora Enso started negotiations concerning large-scale temporary lay-offs in Finland, in addition to which the company is engaging in dialogues in Germany, Sweden and elsewhere to find ways of rapidly adjusting its capacity and costs.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	11,558.2	11,848.5
Operating income	EURm	-726.6	176.9
Operating income	%	-6.3	1.5
Total assets	EURm	12,240.8	15,310.8
Market capitalisation at period end	EURm	5,019.0	8,076.1
Equity ratio	%	46.2	49.3
Gearing	%	64.8	46.0
Return on equity	%	-10.3	-2.8
Return on investment	%	-6.7	1.4
Personnel, total		33,815	36,137
Personnel, Finland		21,641	12,187
Total dividends paid	EURm	157.9	355.3
Dividends received by Solidium (in 2007 the State)	EURm	19.4	43.7

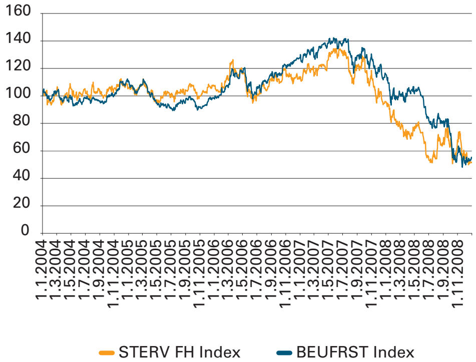
COMPETITORS

Company	Country	Net sales, EURm
Holmen	Sweden	1,794
M-Real	Finland	300
Norske Skog	Norway	19,718
SAP	South Africa	4,368
SCA	Sweden	82,282
UPM Kymmene	Finland	9,461

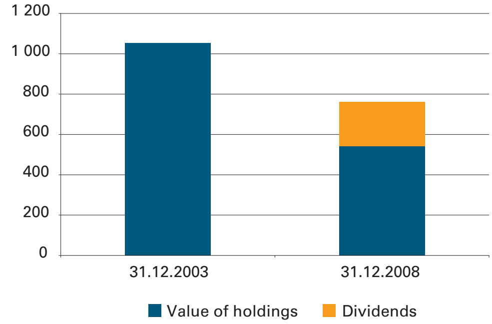
REPORTED INVESTMENTS

Stora Enso reduced its investments as planned, with the investments for the entire year remaining at EUR 704.7 million. The investment budget for 2009 amounts to EUR 500 million, the majority of which is planned to be financed through additional reductions in working capital.

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was –6.3% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

TELIASONERA AB telecommunications

Solidium's shareholding: 13.7%
Chairman of the Board: Tom von Weymarn
Chief Executive Officer: Lars Nyberg
Principal places of business in Finland: Helsinki

TeliaSonera AB is a leading telecommunications company in the Nordic countries and the Baltic countries. TeliaSonera provides telecommunications services in the Nordic countries and the Baltic countries, on the emerging markets of Eurasia – including Russia and Turkey – and in Spain. TeliaSornera offers services for the transmission and packaging of sound, data, information, business transactions and entertainment. TeliaSonera seeks to benefit from the robust growth in mobile communications, broadband services, integrated corporate services and the eastern markets by making full use of new international business areas.

TeliaSonera's growth continued in 2008 and currently it operates in 20 market areas with a total population of 450 million and 135 million subscriptions. The profit for 2008 was a record high, and the company's net sales continued to grow. The operating income before non-recurring items grew as a result of increased income from associated companies in Russia and Turkey. TeliaSonera's balance sheet is strong.

TeliaSonera is organised into four international business areas: Mobility Services, Broadband Services, Integrated Enterprise Services and Eurasia.

The telecommunications market is clearly moving from fixed network services to mobile and Internet-based services. Growth has been strong in mobile, broadband and managed services, all of them being areas expected to continue to boost the growth of the telecom business. TeliaSonera intends to the be market-leader in managing the transition to mobile and Internet-based services. The company is well placed to exploit growth in the best possible way in all the areas in which it operates, including Eurasia.

On its domestic market – Scandinavia and the Baltic countries – TeliaSonera offers a comprehensive range of mobile, broadband and data services as well as voice communications services on the fixed network. TeliaSonera enjoys a strong or a leading position on all these markets. Most of TeliaSonera's domestic operations are wholly owned by the company. The domestic markets are characterised by maturity, a high subscriber density and an increasing rate of change-over from fixed to mobile and IP-based services. An overall objective for all domestic markets is to generate and accelerate growth while retaining profitability. Major potential for growth exists in voice and data communications. Strategic investments are made specifically for individual markets and segments. Corporate acquisitions that expand the range of services are part of the strategy.

Outside the Nordic and Baltic countries, TeliaSonera offers mobile communications services in Spain and several Eurasian markets and, through its associated companies, in Russia and Turkey where it has taken a strong market position. In some of these countries, the landline network infrastructure is undeveloped and therefore the demand for mobile communications services is strong. In Eurasia, the main priorities are to create shareholder value and make full use of the growth in subscriber density.

Growth continued and EBITDA improved in Mobility Services. Intense competition and official regulation created price pressures in all market areas. The profitability of Broadband Services declined. Prices will continue to fall in all market areas while the movement away from conventional fixed-line services will go on. The efficiency measures are necessary because costs cannot be structurally higher than those of competitors'.

The Eurasian business continued to grow. Pressures in respect of prices and EBITDA margins were created by official regulation, increased subscriber density and intensified competition. TeliaSonera retained its position as a market-leader in Kazakhstan and Azerbaijan, while achieving market leadership in Tajikistan and Georgia and holding its own in other market areas. TeliaSonera expanded its operations to Nepal and Cambodia.

As in the past, MegaFon, an associated company, put in a strong performance increasing the number of subscribers. The volume and net sales of the Russian mobile communications continued to show robust growth. The associated company Turkcell also increased its subscriber base and expanded into Belarus.

Net sales, excluding corporate acquisitions, are expected to increase in 2009 compared with 2008. The objective for 2009 is to maintain the EBITDA margin before non-recurring items at the same level as in 2008. Fluctuations in currency exchange rates may increasingly affect SEK-denominated figures.

TeliaSonera's objective is to be among the first telecom operators in the world to launch the next-generation 4G wireless communications network. Work on constructing the network has commenced in Stockholm and Oslo with a view to a commercial launch in 2010.

TeliaSonera operates over a wide geographic area on different product and service markets in an intensely competitive and regulated telecom sector which is relatively independent of business cycles or in which business cycles appear later on.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	103,585.8	96,344.0
Operating income	EURm	28,604.0	26,155.0
Operating income	%	27.6	27.1
Total assets	EURm	264,286.1	216,702.0
Market capitalisation at period end	EURm	171,984.2	220,032.1
Equity ratio	%	53.5	53.5
Gearing	%	38.2	37.6
Return on equity	%	14.7	14.8
Return on investment	%	16.0	16.5
Personnel, total		32,171	31,292
Personnel, Finland		5,458	5,944
Total dividends paid	SEKm	8,082.8	17,962
Dividends	SEKm	1,109	2,465
Dividends received by Solidium (in 2007 the State)	EURm	102	261

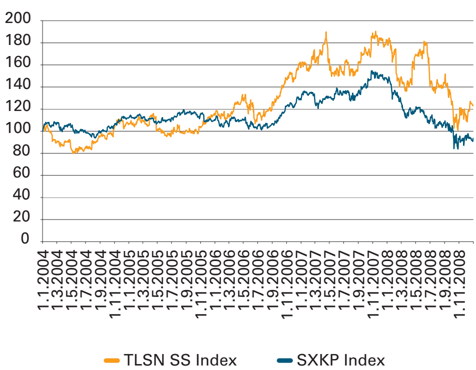
REPORTED INVESTMENTS

Investments in broadband and mobile communications capacity and extensions to the networks operated by acquired companies will continue. Even so, investments in fixed assets relative to net sales are expected to remain slightly lower in 2009 than in the previous year.

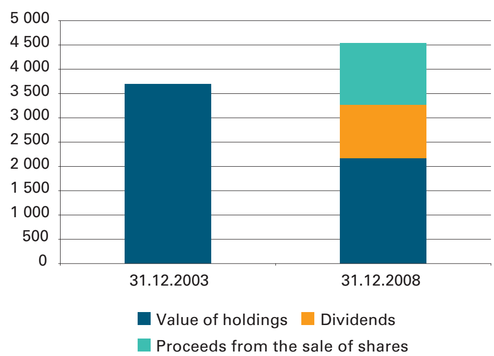
COMPETITORS

Company	Country	Net sales, EURm
Deutsche Telekom	Germany	61,666
France Telecom	France	53,488
Vodafone	UK	39,155
Telefonica	Spain	57,946
KPN	Netherlands	14,427
Telenor	Norway	11,030
Tele2	Sweden	3,665
Telekom Austria	Austria	5,170

SHARE PRICE INDEX



YIELD TO THE STATE, EUR million



The yield to the State was 4.2% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

5.3 Non-listed companies operating on market terms with net sales exceeding EUR 25 million

ALTIA Corporation production and sale of alcohol

State shareholding: 100%
Chairman of the Board: Jarmo Leppiniemi
Chief Executive Officer: Antti Pankakoski
Personnel: 1,123
Principal places of business in Finland: Koskenkorva, Rajamäki and Helsinki

In 2008, total retail sales of alcoholic beverages in Finland fell by 1.2%. While wine sales have continued to grow, albeit at a slower rate, the sales of spirits in Finland decreased by 4.7%. Similarly, the sales of spirits in Altia Corporation's other market areas declined. Altia's net sales increased in Finland but fell in other markets.

The Koskenkorva Distillery ran at full capacity throughout the year. About EUR 5 million was invested in the distillery to boost efficiency while some EUR 3 million was invested in Rajamäki in order to increase production. The investments were justified by the increase in the sale of Finland Vodka, currently produced by a contract manufacturer.

The price of the raw material (barley) remained high, reducing the sales of barley starch and animal feeds. Towards the end of the year, the price of barley fell considerably. Movement in the price of barley and its availability will remain an important factor in terms of the financial performance.

Adjustment measures were taken in Denmark, Sweden and Norway in order to raise profitability.

Currency rates continue to affect Altia's financial performance substantially. The Swedish Krona and Norwegian Kron and the Polish Zloty fell sharply during 2008. In the future, the weakening of these currencies will have a negative impact on Altia's net sales and profit.

There is a clear need for Altia to invest in the Koskenkorva Distillery to increase production capacity. The approximately EUR 20 million of investment scheduled for 2009 will be needed to maintain the volume of business at the current level. Aside from the increasing capacity, Altia will be able to build up its own power-generation capacity or buy energy from external suppliers.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	463.3	494.8
Operating income	EURm	9.0	-47.0
Operating income	%	1.9	neg.
Total assets	EURm	402.2	452.3
Equity ratio	%	30.2	30.4
Gearing	%	91.7	81.6
Return on equity	%	4.8	-30.1
Return on investment	%	13.5	-15.0
Personnel, total		1,123	1,135
Personnel, Finland		n.a.	n.a.
Total dividends paid	EURm	0	5
Dividends received by the State	EURm	0	5

COMPETITORS

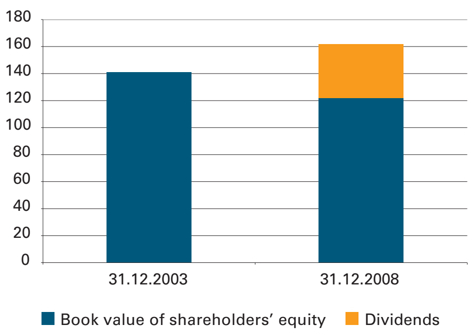
Company	Country	Net sales, EURm
Arcus	Norway	1,494
Maxxium	Netherlands	1,689*

*year 2007

REPORTED INVESTMENTS

Approximately EUR 70 million will be spent on modernizing the Koskenkorva Distillery power plant over the next few years.

YIELD TO THE STATE, EUR million



The yield to the State was 2.7% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

AREK OY system development services for pension insurance

State shareholding: 9%
Chairman of the Board: Jukka Rantala
Chief Executive Officer: Ari Ikonen
Personnel: 30
Principal places of business in Finland: Helsinki

Arek Oy is a company focused on providing information systems for managing pension insurance plans and related services. The company is co-owned by private and public-sector pension insurers and the Finnish Centre for Pensions.

The operations of the company are based on the earnings and accrual system adopted at the beginning of 2007, in which the earnings-related data on pensions are registered. The earnings and accrual database is one of the key information systems in the Finnish employment pension insurance system. Arek Oy's operations were extended on 1 January 2008, when the company assumed responsibility from the Finnish Pension Insurance Centre for the management of the systems database catering for pension institutions. Business liability for the systems was transferred to Arek at the beginning of 2009.

The full impact of the data processing load generated by the earnings and accrual system was felt for the first time in 2008. The services provided by Arek play a key role in the mailing of extracts by the insurance institutions to the insured. The distribution of the register extracts went according to plan.

Arek's financial performance fell slightly short of expectations. The 2008 net sales fell by 10% on the year resulting in a loss of EUR 4.2 million. Mostly this was due to the lower-than-expected use of the services and the extensive non-recurring services provided in 2007. Other factors having a negative impact on the financial performance were downtime compensation payments and write-down of unused services. The weak financial performance was also reflected in the relative profitability. The return on equity was -28% (56%) and return on investment -2.1% (14.4%). Total investments during the reporting period amounted to EUR 11 million.

The biggest challenges are to ensure the quality and availability of the system services provided, the financing of investments and management of the project portfolio. The recession, if protracted, may affect the level of investment expenditure because most of the new investments are financed by borrowing.

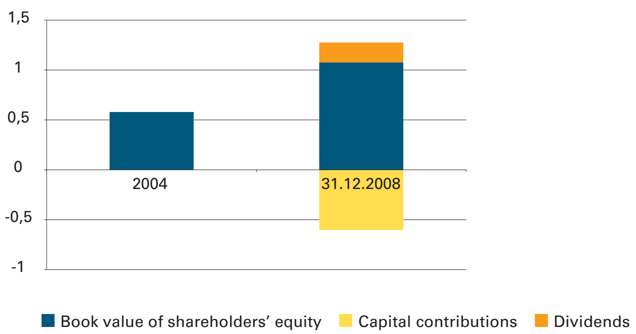
KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	30.8	34.1
Operating income	EURm	-1.8	10.4
Operating income	%	-5.8	30.5
Total assets	EURm	85.5	85.9
Equity ratio	%	13.9	21.6
Gearing	%	533	279
Return on equity	%	-27.7	55.5
Return on investment	%	-2.1	14.4
Personnel, total		30	10
Personnel, Finland		30	10
Total dividends paid	EURm	0	2.4
Dividends received by the State	EURm	0	0.2

REPORTED INVESTMENTS

Arek will continue to develop the earnings and accrual system and the other systems transferred from the Finnish Pension Insurance Centre in the next few years. A key objective for the company is to improve the availability of the systems.

YIELD TO THE STATE, EUR million



The yield to the State was 2.7% a year in the period 3 February 2004–31 December 2008. (CAGR, Compound annual growth)

DESTIA OY infrastructure services

State shareholding: 100%
Chairman of the Board: Eeva-Liisa Virkkunen (up to 14 November 2008 Jorma Wiitakorpi)
Chief Executive Officer: Jukka Laaksovirta
Principal places of business in Finland: Helsinki, Turku, Tampere, Jyväskylä, Oulu, Rovaniemi, Vaasa, Kuopio, Kouvola, Sulkava

Destia Oy is a leading Finnish infrastructure service company that was set up as a wholly state-owned company at the beginning of 2008. The company builds, maintains and designs traffic and industrial environments. Other activities carried out by Destia include transport-related consultation, operation of ferries and land-bound traffic information services. The company invests heavily in research and development. Destia operates in Finland and the neighbouring areas. Its customers include central government organisations, industrial and commercial enterprises, cities and municipalities.

During 2008, the economic downswing did not have a major impact on infrastructure projects. Destia's order stock not recognised in profit or loss for the period stood at a healthy EUR 721 million (658) at the end of the reporting period.

Despite the weakening global economic situation, the infrastructure markets continued to grow at a rate of 3%. Also, the demand for civil engineering services was fairly good. A decision on a stimulus package was made by the Government that will add to the volume of infrastructure projects during 2009–2013. A total of approximately EUR 350 million has been set aside for the regular maintenance of roads, railways tracks, airports and various road, water and track projects. The economic downturn and reduced availability of funding will in particular create problems with launching private projects.

The market situation changed enormously from the lack of human resources predicted at the beginning of the year to the adjustment measures at the end of the year and from the steep increase in building and financial costs to a considerable fall in raw-material prices and interest rates.

The recession is expected to lower the demand for infrastructure construction, which is expected to reduce Destia's net sales for 2009 from the year before. However, the operating income is expected to remain at the 2008 level. Destia's net sales target is still 5.5% and the targeted return on investment 20% by 2011. Aside from a clear improvement in profitability, Destia is looking to expand its business at home and abroad.

On 1 January 2009, Destia revised its organisation by setting up new business divisions called Solutions, Rocks, Infrastructure Construction, Infrastructure Maintenance and International. As well as conventional civil engineering, the company will continue to be engaged in infrastructure construction in the mining, railway track and energy sectors.

KEY FINANCIAL INDICATORS

		Destia Ltd 2008	The Finnish Road Enterprise Destia 2007
Net sales	EURm	717.1	601.9
Operating income	EURm	19.2	10.2
Operating income	%	2.7	1.7
Total assets	EURm	294.4	248.1
Equity ratio	%	33.4	41.6
Gearing	%	44.4	38.8
Return on equity	%	11.4	9.1
Return on investment	%	13.7	8.5
Personnel, total		2,921	2,774
Personnel, Finland		2,787	2,654
Total dividends paid	EURm	4.6	4.6
Dividends received by the State	EURm	4.6	4.6

COMPETITORS

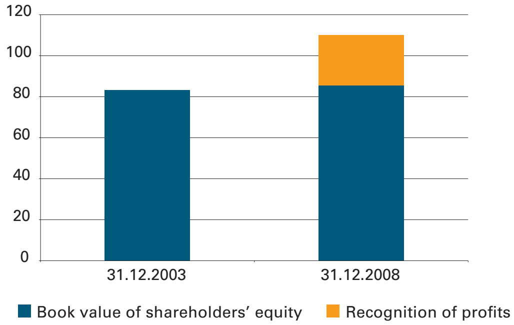
Company	Country	Net sales, EURm
Lemminkäinen Corporation	Finland	2,482
YIT	Finland	3,940
Skanska	Sweden	13,298
NCC	Sweden	5,319
Hochtief	Germany	19,103
Strabag	Austria	9,879
Eiffage	France	13,226
Koninklijke	Netherlands	8,835

REPORTED INVESTMENTS

Gross investments during 2008 amounted to EUR 66.5 million (33.2). Of this, EUR 42.2 million was allocated to construction and equipment while the remaining EUR 24.3 million was mainly used for corporate acquisitions.

During 2008, Destia Ltd bought 80% of the share capital in Maarakennus Jaara Oy, the entire share capital of Lapin Tiemerkintä Oy and increased its stake in Finnroad Oy from 49% to 100% and in the Kaivujyrä Group from 60% to 68%. Destia's ICT service process was taken over by Enfo Oyj. Destia's road-marking operations were sold to Oy Geveko Trading Ab, and as a result of this transaction Lapin Tiemerkintä Oy was also transferred to Geveko. Destia Kalusto Oy commenced operations.

YIELD TO THE STATE, EUR million



The yield to the State was 5.7% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

EDITA PLC graphics industry

State shareholding: 100%
Chairman of the Board: Lauri Ratia
Chief Executive Officer: Timo Lepistö
Personnel: 896
Principal places of business in Finland: Helsinki

Edita Plc is a Nordic communications group that produces and develops products, services and solutions needed by companies and other entities in their communications. In 2008 Edita Plc adopted the International Financial Reporting Standards (IFRS). Consolidated net sales for continuing operations totalled EUR 111 million, and the average number of personnel was 896, 611 of them in Finland. Net sales in Finland amounted to EUR 68 million. Edita's business areas are Marketing Services (marketing communications production services), Print & Distribution (graphic production and logistics services) and Publishing (non-fiction publishing and web-based information services). Marketing communications accounted for 20% of the net sales, graphic production and logistics for 66% and publishing for 14%.

The company's strategy has been to give up large-volume printing with low margins. The company sold the magazine business of Acta Print Oy in autumn 2007 and discontinued its rotogravure printing operations in 2008. In Sweden, the company gave up a major proportion of its bulk printing already at the end of 2006. In 2008, emphasis was shifted from low-margin printing to high-quality direct printing and marketing communications production services. In January 2008, the Print & Distribution business area purchased the Swedish Arkpressen in Västerås Ab, which specialises in direct marketing and advertising materials, and the Finnish Käpylä Print Oy, which specialises in the same line of business. In July 2008, Edita strengthened its Marketing Services business area significantly by purchasing Citat Group AB, which is part of a Swedish marketing communications production group. It will continue to be Edita's objective to strengthen its market position as a producer of printed and digital communications in the Nordic countries.

In 2008, the growth in the graphics industry stagnated, approaching zero level in both Finland and Sweden, and the growth in advertising also slowed down distinctly. In Finland, the growth in media advertising was less than two per cent, while the advertising and media market in Sweden grew by some three per cent. According to statistics on the paper industry, the consumption of fine paper for printing fell two per cent from the previous year. In book publishing, the 2008 growth rate was close to zero while growth in publishing was greatest on the Internet. The prolonged surplus capacity situation that has resulted in intensifying competition in the printing business continued. The entire graphic communications sector is undergoing a radical restructuring with services becoming increasingly digital.

The net sales for Edita's continuing operations showed good progress in 2008, and the operating income continued to be well in the black in spite of a downward turn. Net sales grew by EUR 14 million, i.e. 23.4%. The increase was due to corporate acquisitions. The net sales for Publishing fell. Expenses increased more than net sales, which resulted in a fall in the operating income.

The operating income was EUR 3.6 (5.2) million i.e. 3.3% (5.8%) of the net sales. Mostly, the fall in the operating profit was caused by integration and restructuring costs, deteriorating market conditions and increases in staff, pension and other non-wage payroll costs. Major corporate acquisitions reduced Edita's equity ratio and caused the gearing to rise substantially last year.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	111	90
Operating income	EURm	3.6	5.2
Operating income	%	3.3	5.8
Total assets	EURm	93.0	79.4
Equity ratio	%	31.1	36.7
Gearing	%	83.8	-18.0
Return on equity	%	11.0	13.8
Return on investment	%	9.1	10.7
Personnel, total		896	705
Personnel, Finland		611	570
Total dividends paid	EURm	0.0	0.0
Dividends received by the State	EURm	0.0	0.0

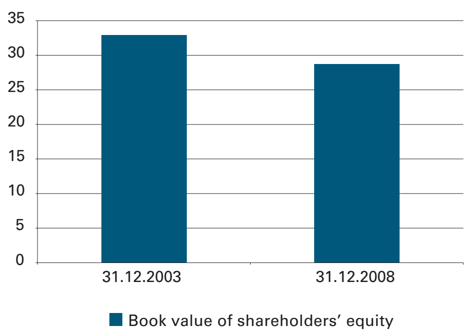
COMPETITORS

Company	Country	Net sales, EURm
Hansaprint	Finland	220
Sanoma Learning & Literature	Finland	390
Elanders	Sweden	228

REPORTED INVESTMENTS

The consolidated 2008 gross investments totalled EUR 37.7 million in 2008. Investments in corporate acquisitions totalled EUR 31.3 million and in other items EUR 6.4 million. The biggest investment item was the acquisition of Citat Group AB. The most significant investments in Finland included a digital printing press purchased for Edita Prima Oy and investments in the extension and modification of two printing presses

YIELD TO THE STATE, EUR million



The yield to the State was -2.7% a year in the period 31.12.2003–31 December 2008. (CAGR, Compound annual growth)

EKOKEM Oy Ab — waste management services, district heating and power generation

State shareholding: 34.1%
Chairman of the Board: Maija-Liisa Friman
Chief Executive Officer: Esa Tommila (from 1 June 2009 Timo Piekkari)
Personnel: 324
Principal places of business in Finland: Riihimäki

Ekokem Oy is the leading Finnish producer of comprehensive services in the field of waste management. Its strengths are familiarity with 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.

After the construction of a third incineration line, no material development needs are expected in Ekokem's core business, which is advanced thermal treatment of problem waste. However, the efforts required to ensure a high standard of processing and the increasingly stringent environmental protection requirements call for continuous maintenance and replacement inputs. Ekokem will also face intensifying competition in its core business as an increasing number of companies are offering hazardous waste recovery and processing services. Energy generation from waste is a growing business area for the company, which has launched a project to design a new waste-to-energy plant in Riihimäki. The construction of second waste-to-energy plant represents a major investment in environmental business in Finland.

Ekokem's net sales increased substantially in 2008, as the new waste-to-energy plant generated net sales throughout the year. Thanks to the new facility, the operating income also increased on the previous year. The proportion of the consolidated net sales sensitive to economic fluctuations decreased, which will contribute to steady growth and profitability in the next few years. Ekokem's second waste-to-energy plant is scheduled to go on stream in spring 2012, after which the new facility will contribute to the Group's growing net sales and operating income.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	96.6	74.3
Operating income	EURm	13.1	8.5
Operating income	%	13.5	11.5
Total assets	EURm	157.8	155.9
Equity ratio	%	62.6	60
Gearing	%	16.2	20.9
Return on equity	%	8.5	8.0
Return on investment	%	11.1	8.1
Personnel, total		324	302
Personnel, Finland		324	302
Total dividends paid	EURm	3.5	3.2
Dividends received by the State	EURm	1.2	1.09

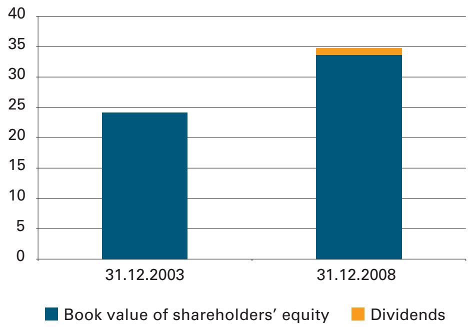
COMPETITORS

Company	Country	Net sales, EURm
Lassila & Tikanoja	Finland	606
Sita Finland	Finland	70
Destia	Finland	717

REPORTED INVESTMENTS

2nd waste-to-energy plant in Riihimäki, planning stage

YIELD TO THE STATE, EUR million



The yield to the State was 7.5% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

FCG FINNISH CONSULTING GROUP OY consulting company

State shareholding: 6%
Chairman of the Board: Risto Parjanne
Chief Executive Officer: Seppo Mäki (from 1 February 2009 Paul Paukku)
Personnel: 859
Principal places of business in Finland: Helsinki

FCG Finnish Consulting Group Oy is a multi-industry consulting company. The Group's services focus on infrastructure, environmental and community planning, training, skills enhancement and international development consulting.

The Group was established on 1 September 2005, so 2006 was its first full calendar year of operations. In 2008, the consolidated net sales totalled EUR 79.4 (73.2) million and operating income came to EUR 2.9 (3.0) million. The 2008 operating income was roughly the same as in the previous financial period. The Group's balance sheet remained strong, and the equity ratio improved slightly.

In April, the company purchased the entire share capital of ISAI Consulting, a Joensuu-based consultancy firm (Itä-Suomen Aikuisinstituutti Oy). The company was merged with FCG Efeko Oy. Konsulttitoimisto Terra Oy was merged with FCG International Oy in April, and FCG IP-Tekniikka Oy was merged with FCG Planeko Oy. The name of FCG Suunnittelukeskus Oy was changed to FCG Planeko Oy.

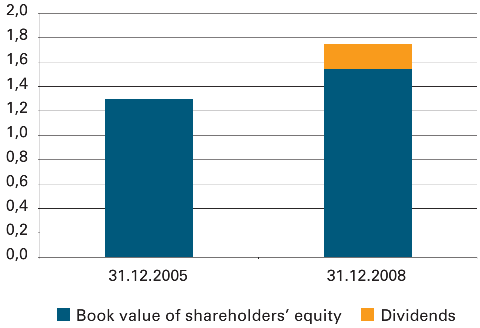
Paul Paukku stepped in as the new CEO on 1 February 2009 upon the retirement of his predecessor Seppo Mäki.

The company expects the 2009 consolidated net sales to be at the 2008 level. No major changes are expected in the profits levels either. In spring 2009, the company estimated that the orders in hand for planning and consulting services will remain at the normal level.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	79.4	73.2
Operating income	EURm	2.9	3.0
Operating income	%	3.7	4.1
Total assets	EURm	42.4	42.3
Equity ratio	%	67.8	65.0
Return on equity	%	9.7	7.4
Personnel, km		859	816
Total dividends paid	EURm	1.18	0.984
Dividends received by the State	EURm	0.072	0.060

YIELD TO THE STATE, EUR million



The yield to the State was 9.3% a year in the period 01.09.2005–31 December 2008. (CAGR, Compound annual growth)

FINGRID OYJ power transmission

State shareholding:12.3% (votes 16.4%)
Chairman of the Board: Arto Lepistö
Chief Executive Officer: Jukka Ruusunen
Personnel: 241
Principal places of business in Finland: Helsinki

Fingrid Oyj's scope of business comprises transmission of electricity in the national grid, balance trade of electricity and sales of emergency reserve power. Aside from its normal business operations, the company is responsible for the electricity transmission system in Finland. Additionally, an obligation has been imposed on the company to develop the operation of the electricity market both within Finland and internationally.

Enjoying a position of a natural monopoly, Fingrid's financial prospects are stable and its operations do not involve any major financial risks. There were no significant extensive faults in the grid during 2008. However, a number of short-term disruptions were experienced in the Russian cross-border connection in the early autumn of 2008 due to the Russian grid. When the problems were worst, the imports were reduced by 900 MW.

Grid revenue for 2008 fell slightly from the previous year due to a decrease in the grid transmission volume. This, in turn, was due to decreased electricity consumption. The sales volume of balance power increased by about 70 per cent on the previous year. The financial results for 2008 were affected by the negative change of EUR 14 million in the fair value of electricity derivatives.

In the event that the legislation included in the so-called third internal market package of the EU is adopted, Fortum's holdings in Fingrid should be cancelled, as is also the case with Pohjolan Voima's direct holding in Fingrid.

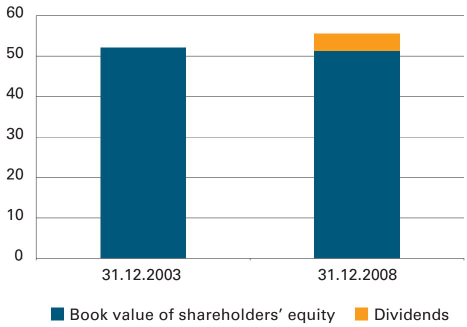
KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	382.3	334.6
Operating income	EURm	68.4	90.7
Operating income	%	17.9	27.1
Total assets	EURm	1,561.6	1,564.8
Equity ratio	%	26.7	27.5
Gearing	%	174	175
Return on equity	%	6.6	10.3
Return on investment	%	5.8	7.3
Personnel, total		241	241
Personnel, Finland		241	241
Total dividends paid	EURm	6.7	7.2
Dividends received by the State	EURm	0.83	0.88

REPORTED INVESTMENTS

The company will implement an investment programme of about EUR 1.6 billion by 2017. The investments will enable the connection of one new nuclear power unit and 2,000 megawatts of geographically decentralised wind power capacity to the Finnish grid by 2020.

YIELD TO THE STATE, EUR million



The yield to the State was 1.3% a year in the period 31.12.2003–31 December 2008. (CAGR, Compound annual growth)

GASUM CORPORATION — transmission and wholesale of natural gas

State shareholding: 24%
Chairman of the Board: Antero Jännes
Chief Executive Officer: Antero Jännes
Personnel: 215
Principal places of business in Finland: Espoo and Valkeala

Gasum Oy's scope of business comprises the import, transmission and wholesale of natural gas. Customers include the industry, power-generation plants and small properties. Gasum's business is relatively stable. The dip in the company's financial performance is mainly due to the increase in the import prices of natural gas not being reflected in sales prices in all respects. As it is, the losses made in certain natural gas deliveries reduced the operating income for 2008 to about one third of the previous year, although net sales for 2008 were up 43% on the previous year.

Gasum is anticipating a rise in the annual consumption of natural gas in Finland from the present 45 TWh to around 48 TWh by 2020. Growth is mainly expected in power and heat cogeneration. A key project in terms of the bigger than above-mentioned increase in consumption is the construction of a main transmission pipeline in the Turku region, on which a letter of intent was signed in early 2008.

Neste Oil announced in October 2008 that it will postpone its decision on the investment to be made in Naantali. In February 2009, the company announced the write-down on the planning costs for the Naantali investments and anticipated that the Naantali refinery will not be included in the company's investment programme over the next few years. Consequently, the project to construct the natural gas pipeline in the Turku region is open.

While the prospects for the demand for natural gas in Finland are positive, the capacity for pipeline gas in particular is limited. Another factor that may restrict the use of natural gas is the increasing incineration of waste in southern Finland. The ongoing restructuring in the forestry industry may also have an adverse impact on natural gas consumption in some locations due to the closure of production facilities that use natural gas. The current situation highlights the importance of other uses of natural gas, such as LNG and transport fuels, as well as the combined use of natural gas and biogas.

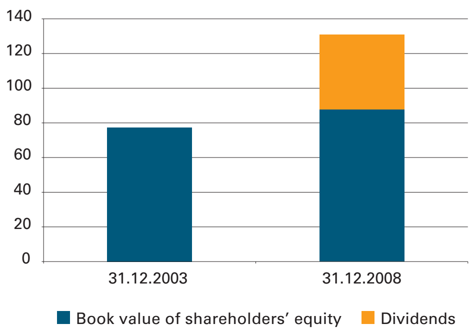
KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	1,218.2	852.1
Operating income	EURm	33.8	92.6
Operating income	%	2.8	10.9
Total assets	EURm	671.6	634.3
Equity ratio	%	54.5	61.2
Gearing	%	5.3	-2.9
Return on equity	%	6.9	17.7
Return on investment	%	8.8	21.6
Personnel, total		215	189
Personnel, Finland		215	189
Total dividends paid	EURm	24.7	47.7
Dividends received by the State (PMO's share)	EURm	5.9(3.1)	11.4(5.9)

REPORTED INVESTMENTS

Construction of a natural gas liquefaction plant and a storage facility for liquefied natural gas in Porvoo.

YIELD TO THE STATE, EUR million



The yield to the State was 11.1% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

ITELLA CORPORATION postal services

State shareholding: 100%
Chairman of the Supervisory Board: Eero Lehti;
Chairman of the Board of Directors: Eero Kasanen
Chief Executive Officer: Jukka Alho
Personnel: 31,672
Principal places of business in Finland: Helsinki, Jyväskylä, Lahti, Turku, Tampere, Oulu, Kuopio, Seinäjoki, Vantaa

Itella operates in the information and material logistics markets in Northern and Central Europe and in Russia, as well as providing postal services in Finland. Itella's business areas are mail communication, information logistics and material logistics. NetPosti is an online consumer transaction service provided by Itella.

Of the consolidated net sales, 31% (26%) were generated outside Finland. Net sales grew in all the three business groups. Acquisitions accounted for 9.6% of the growth in net sales. Growth was 7.1% in Finland and 34.1% in other countries.

The deteriorating economy had a negative impact on profitability, and the operating income fell clearly. The main reasons for lower profits were the sharp increase in the cost of labour and increased fuel costs.

The dramatic change in the business cycle affected the demand for all services in all the countries except Russia. Business operations in Russia developed as expected.

As a result of the corporate acquisitions made during 2008, Itella's net sales will increase considerably in 2009. However, profitability is expected to fall short of the previous year's level due to a substantial increase in production costs. Efforts will be made to cut overheads and improve efficiency in the management and control of discretionary costs.

Risks related to economic developments in Russia will also be reflected in Itella in the future. The EU Postal Services Directive, which will take effect in 2011, will probably impact on industry regulations and competition. Exchange rate fluctuations will also have a considerably greater impact than before.

During the reporting period, Itella established Itella IPS Oy (Itella Payment Services) which has applied for a payments traffic corporation license in line with the Credit Institutions. The company's goal is to join the Finvoice electronic invoice system developed by the Finnish banking sector.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	1,952.9	1,710.6
Operating income	EURm	69.0	101.8
Operating income	%	3.5	6.0
Total assets	EURm	1,370.5	1,119.1
Equity ratio	%	50.8	65.5
Gearing	%	14.2	-37.1
Return on equity	%	2.8	11.1
Return on investment	%	9.8	15.6
Personnel, total		28,163	25,623
Personnel, Finland		23,496	23,293
Total dividends paid	EURm	10*	39
Dividends received by the State	EURm	10*	39

*Board of Directors' proposal

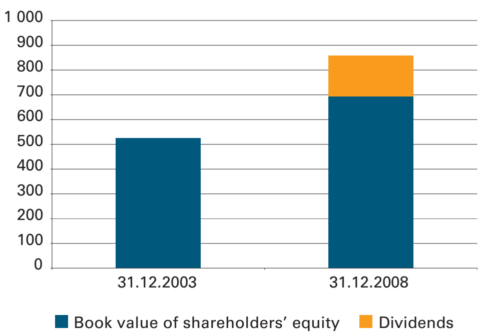
COMPETITORS

Company	Country	Net sales, EURm
DPWN	Germany	54,474
Österreichische Post	Austria	2,441
Posten Sverige	Sweden	2,835
TNT	Netherlands	10,983
Post Danmark	Denmark	1,619
Posten Norge	Norway	

REPORTED INVESTMENTS

Itella's capital expenditure for 2008 totalled EUR 110.4 million (71.9). Acquisitions amounted to EUR 241.1 million (22.3). The most significant acquisition was the Russian NLC. Of the Group's capital expenditure, EUR 129.4 million was allocated to Finland and EUR 222.1 million to international operations. In addition to acquisitions, major investments were made in the modernisation of mail sorting and delivery in Finland. As part of this project, further investments amounting to around EUR 160 million will be made in sorting and delivery network equipment, systems and buildings between 2007 and 2010. Itella made a decision to invest approximately EUR 40 million in a logistics centre to be built in the city of Lahti, Finland.

YIELD TO THE STATE, EUR million



The yield to the State was 9.1% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

KEMIJOKI OY electricity production

State shareholding: 50.1%
Chairman of the Board: Matti Ruotsala
Chief Executive Officer: Aimo Takala
Personnel: 273
Principal places of business in Finland: Rovaniemi

Kemijoki Oy was established in 1954 by the State of Finland and Imatran Voima Oy and Veitsiluoto Oy, both at that time being state-owned companies.

Kemijoki Oy's core business is electricity generation. The company is currently Finland's largest producer of hydroelectric power and related services. The company owns twenty hydropower plants, sixteen of which are located on the Kemijoki River watercourse, two on the Lieksanjoki River and two on the Kymijoki River. In addition, the company regulates the water levels in the artificial lakes of Lokka and Porttipahta, and the Kemijärvi and Olkkajärvi lakes. The company is also engaged in regional electricity grid operations and the sale of products and services related to hydroelectric power technology.

The electricity produced by the company is sold at cost to its shareholders in proportion to the number of hydroelectric power shares (Class A shares) held, meaning that, with the exception of the State's involvement, the company operates according to the principle known as 'Mankala'.

In 2008 the company generated a total of 5,447 GWh of electricity. This was an all-time high for the company, exceeding the average annual production by 24% and representing 32% of all the hydropower produced in Finland. The total output of Kemijoki's power plants at the end of 2008 amounted to 1,078 MW, with the average hydropower generation reaching approximately 4,400 GWh.

The consolidated net sales for 2008 totalled EUR 44.9 million, and the loss for the financial period amounted to EUR 7.1 million. The parent company's net sales for 2008 totalled EUR 43.3 million, and the result for the financial year was EUR 0.7 million, equivalent to the total amount of dividends payable under the articles of association.

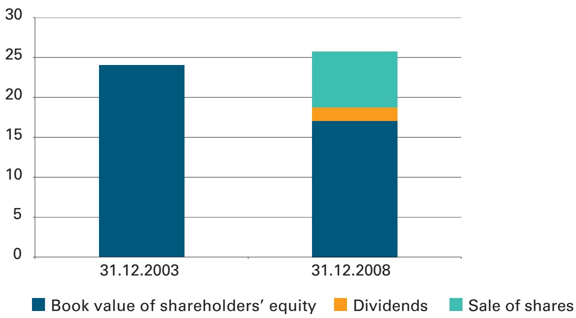
KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	44.9	41.5
Operating income	EURm	0.5	-0.2
Operating income	%	1.1	-0.5
Total assets	EURm	434.6	421.4
Equity ratio	%	29.5	32.2
Gearing	%	212.8	186.4
Return on equity	%	-5.4	-4.7
Return on investment	%	0.1	-0.1
Personnel, total		273	270
Personnel, Finland		273	270
Total dividends paid	EURm	0.7	0.7
Dividends received by the State	EURm	0.3	0.3

REPORTED INVESTMENTS

According to the company's investment plan, the output of Kemijoki Oy's power plants will increase from the present 1,078 MW to more than 1,200 MW in 2017

YIELD TO THE STATE, EUR million



The yield to the State was 1.4% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

PATRIA PLC — defence equipment industry, aviation equipment industry

State shareholding: 73.2%
Chairman of the Board: Risto Virrankoski
Chief Executive Officer: Heikki Allonen (up to 18 August 2008 Jorma Wiitakorpi)
Personnel: 2,810
Principal places of business in Finland: Helsinki, Tampere, Jämsä, Hämeenlinna and Vammala

Patria delivers materiel and services to the defence forces of several countries and to the civilian sector. Defence materiel and services accounted for 86% and the civilian sector for 14% of the net sales in 2008. Approximately 45% of the net sales were generated in Finland and 55% abroad.

The 2008 net sales fell slightly compared with the preceding year. However, operating income decreased to less than a quarter of that for 2007. The single most important reason for the reduced operating income was the impairment loss of EUR 20.6 million recognised on capitalised development expenses related to the Airbus A380 and A400M programs.

Patria's order stock is good, standing at around EUR 1,192 million on 31 December 2008. Of this amount, EUR 480 million consists of orders received by Millog Oy from the Finnish Defence Forces over the coming eight years.

The police investigation into Patria's business operations will continue regarding both a vehicle deal in Slovenia and a howitzer deal in Egypt, to be followed by the consideration of charges.

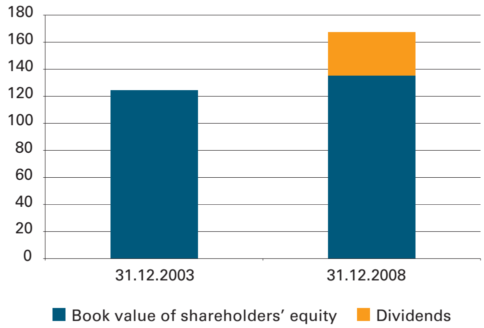
KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	534.6	541.2
Operating income	EURm	8 9	37.3
Operating income	%	1.7	6.9
Total assets	EURm	503.1	515.1
Equity ratio	%	40	48.1
Gearing	%	55.1	19.6
Return on equity	%	0.4	11.8
Return on investment	%	3.1	14.6
Personnel, total		2,810	2,662
Personnel, Finland		2,810	2,662
Total dividends paid	EURm	0	11.4
Dividends received by the State	EURm	0	8.35

COMPETITORS

Company	Country	Net sales, EURm
General Dynamics	United States	20,023
BAE Systems	UK	20,968
Rheinmetall	Germany	3,869

YIELD TO THE STATE, EUR million



The dividend yield to the State was 6.1 % a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

MINT OF FINLAND LTD metal engineering industry

State shareholding: 100%
Chairman of the Board: Raimo Sailas
Chief Executive Officer: Maarit Aarni-Sirviö
Personnel: 268
Principal places of business in Finland: Vantaa

Mint of Finland Ltd is a leading producer of coins in the Nordic countries and in the Baltic region, and the company is one of the leading mints in Europe. Consolidated net sales totalled EUR 96 million in 2008, and the average number of personnel was 268, 160 of them in Finland. Net sales in Finland amounted to EUR 31.4 million. Circulation coins accounted for 23% of the net sales, numismatic products for 74% and other products for 3%.

The Group comprises a total of 13 subsidiaries, including the subsidiaries of the subsidiaries. The parent company Mint of Finland Ltd produces Finnish euro coinage, commemorative coins and coin medals, and circulation coins for export. The subsidiary AB Myntverket has produced Swedish circulation coins and official commemorative coins. The company has been part of the Mint of Finland Group since 2002. Its subsidiary Mint of Norway Ltd produces the official Norwegian circulation coins, commemorative coins and coin medals. The company has been part of the Group since 2003 with Mint of Finland holding 50% of its share capital. Oy Nordic Moneta Ab sells and markets numismatic products made by the Mint of Finland Group.

Over-capacity continues to be a problem in the most important market areas, meaning intensifying competition and continuous challenges for all the international actors in the sector. In the future, combining marketing skills with technological expertise will be of increasing importance. Diversification of operations and extension of the range of products and services will continue to be the key success drivers in the face of intensifying competition.

In accordance with the new strategy approved by the company Board in 2008, the vision of Mint of Finland is to become one of the largest producers of coinage in Europe, with its success based on efficient production, strategic market expertise, cooperation or co-ownership with its coin blank supplier, and continuous product development. The company's vision is to lead the way in the design and production technology of commemorative coins. In its production of reward items, the company focuses on products that offer the best margins.

In 2008, net sales by Mint of Finland fell, and the financial result was negative. The net sales decreased by EUR 24.5 million, i.e. 20.3% on the previous year. Most of this fall was due to reduced net sales of circulation coins, but the result and net sales of Nordic Moneta, which sells numismatic products, also clearly fell short of the budget. In addition to the decrease in net sales, the profitability of Mint of Finland was strained by various non-recurring transactions, such as the sale of Svenska Medalj, organisational changes and related human resources arrangements, and write-downs of inventories as a result of lower price levels in metals. The consolidated operating loss was EUR 1.8 million, and the result for the financial year showed a loss of EUR 3.8 million (profit of EUR 1.1 million in 2007). The stagnation of domestic demand at its current level, intensifying competition on the export markets, the economic recession and raw material prices pose challenges to the profitability of operations.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	96.0	120.5
Operating income	EURm	-1.8	4.8
Operating income	%	-1.9	4.0
Total assets	EURm	72.3	84.6
Equity ratio	%	87	82
Gearing	%	-51	-54
Return on equity	%	-6.7	1.8
Return on investment	%	0.0	9.2
Personnel, total		268	263
Personnel, Finland		160	145
Total dividends paid	EURm	0	1.8
Dividends received by the State	EURm	0	1.8

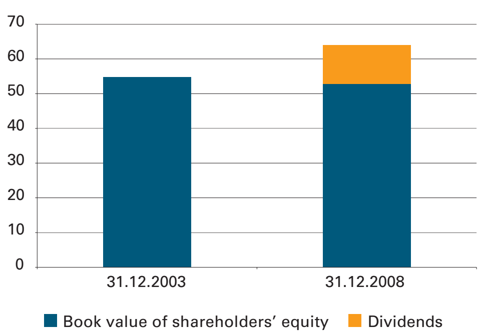
COMPETITORS

Company	Country	Net sales, EURm
Royal Canadien Mint	Canada	431
Spanish Royal Mint	Spain	311
Austrian Mint AG	Austria	396
Monnaie de Paris	France	112
The British Royal Mint	UK	194

REPORTED INVESTMENTS

The Group's capital expenditure totalled EUR 1.7 million in 2008.

YIELD TO THE STATE, EUR million



The yield to the State was 3.1% a year during the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

RASKONE LTD — repair and servicing of utility vehicles, leasing, truck accessory installations

State shareholding: 85%
Chairman of the Board: Tuomo Rönkkö
Chief Executive Officer: Jyrki Kaskinen
Personnel: 1,002
Principal places of business in Finland: Helsinki

Raskone Oy's operations are based on its expertise in servicing vehicle fleets consisting of several marks and independence from specific manufacturers and an understanding of the business its customers are engaged in. Its operations include the maintenance of heavy-duty vehicles and machinery, repair and servicing of cars and vans, leasing of utility vehicles and truck accessory installations. A new business area introduced at the beginning of 2008 is materials services (spare parts).

Net sales in 2008 totalled EUR 181.6 million, an increase of 22% on the previous year, partly due to the acquisition of the ABB forklift business and growth in the vehicle fleet of Easy Km. The consolidated result showed a loss of EUR 0.078 million. The 2008 result was specifically burdened by lower residual values, partly due to the alteration in car taxation. The result was further reduced by depreciation on goodwill.

In the future, Raskone will continue its efforts to win contracts for certain repair services from central and local government.

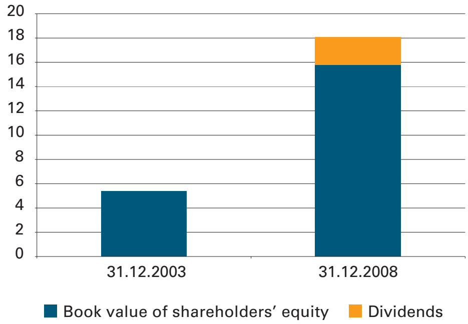
KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	181.6	148.8
Operating income	EURm	2.0	5.5
Operating income	%	1.1	3.7
Total assets	EURm	86.6	74.3
Equity ratio	%	21.8	26.1
Gearing	%	170.2	161.4
Return on equity	%	-0.4	14.9
Return on investment	%	4.0	9,.8
Personnel, total		1,002	941
Personnel, Finland		1,002	941
Total dividends paid	EURm	0	0.5
Dividends received by the State	EURm	0	0.425

COMPETITORS

Company	Country	Net sales, EURm
Veho/servicing	Finland	not specified
LeasePlan	Finland	17(y 2007)
ALD	Finland	230

YIELD TO THE STATE, EUR million



The yield to the State was 27.3% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

VAPO OY energy production, environmental business, sawmill industry

State shareholding: 50.1%
Chairman of the Board: Juho Lipsanen from 10 September 2008
(Heikki Niskakangas up to 14 August 2008)
Chief Executive Officer: Matti Hilli
Personnel: 1,780
Principal places of business in Finland: Jyväskylä, Nurmes, Lieksa, Vilppula and Forssa

Vapo is the leading producer of renewable fuels and refined fuel products, a major producer of bioelectricity and district heating, and a supplier of diverse environmental business solutions in the Baltic Sea region. At the same time, Vapo has substantial sawmill operations in Finland.

Summer 2008 was the second bad year running for Vapo in terms of weather, which reduced sales of peat and increased costs. The warm weather early in the year reduced the demand for fuels and district heating, which had an adverse impact on Vapo's profitability. The downturn in the sawmill industry resulted in a loss. Vapo's 2008 net sales declined only slightly compared with the previous year, while the operating income fell over 50% short of the previous year's figure.

The peat production conditions in summer 2009 will be of crucial importance to Vapo's net sales and performance in 2009.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	631.8	660.6
Operating income	EURm	21.1	55.5
Operating income	%	3.3	8.4
Total assets	EURm	764.3	788.4
Equity ratio	%	42.2	43.5
Gearing	%	99.1	90,4
Return on equity	%	0.8	10.4
Return on investment	%	5.6	9.9
Personnel, total		1,780	1,820
Personnel, Finland		948	967
Total dividends paid	EURm	14.3	17.0
Dividends received by the State	EURm	7.2	6.5

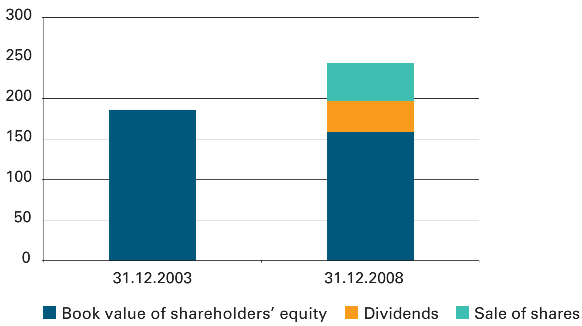
COMPETITORS

Company	Country	Net sales, EURm
Turveruukki Oy	Finland	17
Stora Enso Oyj	Finland	11,028
Biolan Oy	Finland	25

REPORTED INVESTMENTS

At the end of 2008, Vapo had 12 district heating plants under construction

YIELD TO THE STATE, EUR million



The yield to the State was 5.6% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth))

VR-GROUP LTD railway transport

State shareholding: 100%
Chairman of the Board: Lauri Ratia
Chief Executive Officer: Henri Kuitunen up to 4 March 2009, acting Pertti Saarela, Mikael Aro from mid-summer 2009 at the latest
Personnel: 12,516
Principal places of business in Finland: Helsinki, Tampere, Kouvola, Hyvinkää, Pieksämäki, Oulu, Riihimäki, Turku, Seinäjoki, Joensuu, Imatra, Lappeenranta, Kotka, Jyväskylä, Kuopio, Kokkola, Pori, Iisalmi, Hamina and Ylivieska

VR Ltd is a transport group operating in a number of transport sectors. It engages in railway operations providing both passenger and freight transport services. Additionally, VR Group offers road transport services by coach and freight transport services by truck. The Group has a sub-group specialising in railway track construction and maintenance, including companies providing catering, restaurant and telecommunications services.

While VR Group's main market area is Finland, a substantial share of its freight transport operations is international. Some 50% of its net sales are generated by rail transport. VR Group's net sales totalled EUR 1,530 million in 2008, and the average number of personnel was 12,516, 12,234 of them in Finland. Net sales in Finland amounted to EUR 1,488 million. Rail transport accounted for 50.4% of net sales, road transport for 20.4%, track construction and maintenance services for 21.9% and other services for 7.3%.

VR Group's goal is to provide an easy-to-use network in collaboration with other public transport operators for both domestic long-distance services and the commuter services in the Helsinki metropolitan area. In international transport, VR is making preparations to raise train speeds on rail connections to Russia and to respond to growing passenger volumes. In freight transport, VR Group is aiming at expanding its market share. In international freight transport, VR will focus on developing transport services in Russia and other CIS countries. The 12 environmental promises made by VR Group lay the foundation for the Group's environmental operations and the environmental programmes of the Group companies. In order to reduce its impact on the climate, VR will halve the carbon dioxide emissions in its rail services and reduce the specific energy consumption of passenger services by 20% by 2012. At the beginning of 2009, VR switched to the exclusive use of hydroelectric power.

While VR's net sales made good progress in 2008, its financial result fell. Net sales grew by EUR 196 million, i.e. 14.7%. Growth came in particular from track network construction and maintenance services and passenger services but freight transport grew as well. The number of train journeys increased by 4.9% and the volume of goods transport by 4.1%. Domestic freight transport fell by 2.7%, but cross-border transport by rail or rail-ferry increased by 16.8%. Expenses increased at a faster rate than net sales, resulting in a weaker financial performance. The operating income was EUR 74.4 (87.1) million, or 4.9% (5.8%) of the net sales. The profit for the financial period was EUR 56.2 (66.4) million. Non-recurring capital gains reached

EUR 18.4 million, the same as in the previous year. The increase in energy costs was greater than expected because of the high fuel prices during the first half of the year. Staff costs went up, primarily as a result of the increases in pension premiums due to the weakening investment market. All major VR Group companies showed a positive result in 2008. The impacts of the economic crisis began to show clearly in VR's freight transport in November and December 2008, when transport volumes were substantially lower than in the corresponding period in 2007.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	1,530	1,334
Operating income	EURm	74	87
Operating income	%	4.9	6.5
Total assets	EURm	1,623	1,594
Equity ratio	%	82.4	84.1
Gearing	%	-10.5	-9.7
Return on equity	%	4.3	5.1
Return on investment	%	6.3	7.2
Personnel, total		12,516	12,540
Personnel, Finland		12,234	12,331
Total dividends paid	EURm	0.0	54.8
Dividends received by the State	EURm	0.0	54.8

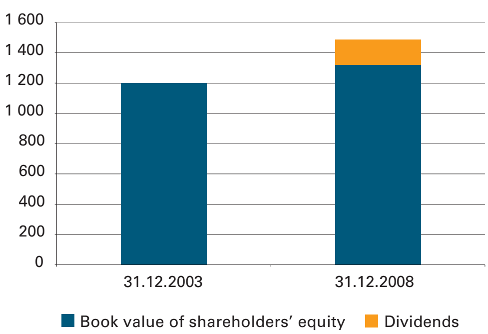
COMPETITORS

In passenger transport, private cars, coach transport, air transport.
In freight transport, trucking companies, cargo vessels.

REPORTED INVESTMENTS

Total investments by the Group reached EUR 111.6 million in 2008, with the rolling stock of VR Ltd accounting for EUR 41.4 million. Of this, the biggest investments were made in new freight wagons and the modernisation of the passenger rolling stock.

YIELD TO THE STATE, EUR million



The yield to the State was 4.4% a year in the period 31 December 2003–31 December 2008. (CAGR, Compound annual growth)

5.4 Non-listed companies operating on market terms with net sales under EUR 25 million

ART AND DESIGN CITY HELSINKI Oy Ab urban planning

State shareholding: 35.2%
Chairman of the Board: Yrjö Sotamaa
Chief Executive Officer: Kari Halinen
Personnel: 4
Principal places of business in Finland: Helsinki

Art and Design City Helsinki Ltd (ADC) is a development company aiming to create the conditions and produce the services in the Arabianranta area of Helsinki that will turn it into the leading art and design centre of creative industry in the Baltic region. To accomplish this, the company produces marketing, training and other services and is engaged in implementing various development and other projects (such as the Helsinki Living Lab). Additionally, ADC has been involved in implementing various innovations in the Arabianranta area, such as a district data network and its digital residential services, shared yards and art projects.

Currently the company is co-owned by the State, the City of Helsinki, Iittala Group Ltd, the University of Art and Design Helsinki Foundation, the Helsinki Pop and Jazz Conservatory Foundation, Arabian Palvelu Oy, University of Helsinki Funds and Stiftelsen Arcada.

The Helsinki Living Lab, a commercialisation project launched in February 2007, was completed in May 2008. Within the framework of this commercialisation scheme, development projects were implemented in Arabianranta by a number of companies such as Saunalahti, Destia and Kesko. For the company, completing the Living Lab project and applying its results were the most challenging task during the financial year 2008. Additionally, the company completed the overhaul of the www.arabianranta.fi portal and launched the new service during the reporting period. The company held a seminar entitled "What's next Arabianranta?" during which the strategies for developing the area were re-evaluated up to 2015. As a continuation to the Living Lab project in 2008, ADC started working on a separate tool intended for updating the Helsinki Living Lab projects and creating a tourism strategy for Arabianranta.

Net sales by the company came to EUR 0.448 million in 2008, an increase of 4.5% on the previous financial period. The result was slightly negative.

The current economic recession will affect the development expenditure of companies and may complicate the implementation of ADC's projects. Additionally, the downturn in the building industry is expected to delay the completion of Arabianranta by a couple of years.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	0.4	0.4
Operating income	EURm	-0.01	-0.02
Operating income	%	-3.2	-5.8
Total assets	EURm	0.4	0.5
Equity ratio	%	86	75.8
Gearing	%	-92.6	-91
Return on equity	%	-0.9	-4.4
Return on investment	%	-0.9	-4.4
Personnel, total		4	4
Personnel, Finland		4	4
Total dividends paid	EURm	0	0
Dividends received by the State	EURm	0	0

BOREAL PLANT BREEDING LTD

breeding and marketing of cultivated plants

State shareholding: 65%
Chairman of the Board: Timo Tolvi
Chief Executive Officer: Markku Äijälä
Personnel: 75
Principal places of business in Finland: Jokioinen

Boreal Plant Breeding Ltd breeds and markets varieties of field crops for professional farmers operating in the harsh growing conditions prevailing in northern Europe. The company's product portfolio includes the rights to the plant varieties developed by the company and basic seeds marketed through seed companies. Boreal is the market leader in its sector in Finland. Two-thirds of all the arable land in Finland is cultivated using the some 70 varieties of plants bred by Boreal. Aside from operating on the Finnish market, Boreal is aiming at expanding its exports.

The main varieties in Boreal's breeding programmes are cereals, oil crops, grasses, potatoes and peas. While the breeding activities are concentrated at Jokioinen, the company also operates a testing network with facilities across Finland. The company has developed biotechnology-based plant breeding methods and acquired expertise in the use of manipulation programmes based on genetic engineering.

The State owns 65% of the company, the other shareholders being Hankkija-Maatalous Oy (7%), Yara Finland (7%), Raisio Research Foundation (7%), Tilasiemen Oy (7%), the Central Union of Agricultural Producers and Forest Owners MTK (6.5%), and the Central Union of Swedish-Speaking Agricultural Producers in Finland SLC (0.5%).

The financial period 2007/2008 was characterised by major fluctuations in cereal prices, which also affected the seeds trade. As a result of the downward trend in cereal prices that started in summer 2008, sales stagnated not only in cereals but also in seeds. The royalty market grew compared with the previous year thanks to the increased cereal production areas in 2008.

The financial period was exceptionally long, 18 months. Net sales adjusted for the regular 12-month reporting period fell slightly from the previous financial year. Financial performance was eroded, due in part to the change in the duration of the financial period, the seasonal nature of the business, and the general increase in cost levels. The company's solvency remains sound.

While Boreal's market share has gone down slightly from the previous year, it is still over 60%. The company aims at retaining its substantial market share in the whole of Finland and increasing its net sales. To achieve growth, efforts will be made to increase market shares in southern Finland and in Sweden and Russia. Additionally, the company has also invested in developing biotechnology-based methodology.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	9.5	6.5
Operating income	EURm	0.3	0.6
Operating income	%	3.3	9.8
Total assets	EURm	7.5	8.03
Equity ratio	%	79.0	79.6
Gearing	%	-14.7	-43.7
Return on equity	%	3.9	8.7
Return on investment	%	5.7	11.4
Personnel, total		75	70
Personnel, Finland		75	70
Total dividends paid	EURm	0.1	0.22
Dividends received by the State	EURm	0.06	0.15

HAUS KEHITTÄMISKESKUS OY — supplementary training and development services

State shareholding: 100%
Chairman of the Board: Heikki Joustie
Chief Executive Officer: Markku Sauri
Personnel: 43
Principal places of business in Finland: Helsinki

HAUS Kehittämiskeskus Oy (~finnish institute of public management) is a training and development company focusing on public management and human resources development in Finland as well as international training and consulting activities, primarily in Europe and in the EU's neighbouring areas. Net sales in 2008 totalled EUR 6.1 million and the average number of personnel was 43. HAUS's main business areas are management and leadership development, training services and HAUS International. Training accounted for 77.4% of the net sales, international operations for 22.4% and other sales for 0.2%. Aside from this, the company is planning to launch a new HAUS College business unit operating on a non-profit basis as soon as the company receives the required license for the provision of vocational adult education as of 1 August 2009.

HAUS's mission is to provide training, coaching and customised expert services. The company focuses on developing public administration and related policies in support of the strategic goals defined by the central government. HAUS seeks to increase its market share in central government training services, become a major actor in local government training, provide services for the public-private sector interface, and to engage in the export of its expert services.

Although HAUS's net sales grew in 2008, its financial result declined. Net sales increased by 6.9%, or EUR 0.4 million. The biggest increase in net sales was in management training, up 40% on the previous year. Another factor contributing to the improved net sales was the 20% increase in sales to local government. Expenses increased at a faster rate than net sales, resulting in a weaker financial performance. The operating income showed a loss of EUR 12,000 (a profit of EUR 0.1 million in 2007) and was -0.2% (1.5%) of net sales. The result for the financial period showed a profit of EUR 10,000 (EUR 0.1 million). On the whole, operations in Finland achieved a positive result. The declining financial performance was mostly due to the loss made in international operations and the lower-than-expected demand for services in open training in the latter half of the year. As a result of the decrease in the amount of pre-payments received from international operations, total assets shrank substantially. While the company failed to reach its financial objectives, net sales developed as outlined in the corporate strategy. Competition in the sector is tough and the current economic crisis will only intensify it.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	6.1	5.7
Operating income	EURm	-0.0	0.1
Operating income %	%	-0.2	1.5
Total assets	EURm	1.4	3.1
Equity ratio	%	37.7	38.1
Gearing	%	-82	-192
Return on equity	%	1.9	21.3
Return on investment	%	2.6	22.1
Personnel, total		43	39
Personnel, Finland		43	39
Total dividends paid	EURm	0.0	0.0
Dividends received by the State	EURm	0.0	0.0

LABTIUM OY laboratory services

State shareholding: 100%
Chairman of the Board: Raimo Korpinen
Chief Executive Officer: Harry Sandström
Personnel: 100
Principal places of business in Finland: Espoo and Rovaniemi

Labtium's mission is to provide testing, laboratory and expert services with the aim of allowing customers to focus on their core operations. More specifically, Labtium focuses on providing testing and laboratory services for georesearch, ore prospecting and environmental research purposes and the needs of the process industry. Labtium was established on 5 July 2007 by incorporating the chemical laboratory operations of the Geological Survey of Finland into a separate limited liability company wholly owned by the State. Operations started on 1 September 2007. The company's first financial period began on 5 July 2007 and ended on 31 December 2008.

Labtium's net sales for the first financial period totalled EUR 10.5 million and the company incurred a loss of EUR 0.172 million. Non-recurring items such as the cost of establishment of administrative structures, financial administration and the telecommunications system put a strain on the company's performance.

Because of the falling world-market prices of basic metals and the economic recession, the company expects the volume of mining and ore prospecting to decline in 2009. This will have a substantial effect on the demand for Labtium's laboratory services in this business sector. In contrast, the market for environmental research and monitoring services is expected to remain at its previous level despite the recession.

Labtium's operations will also be considerably affected by the Geological Survey of Finland's decision to invite competitive tenders for the laboratory services as of 2010.

KEY FINANCIAL INDICATORS

		5.7.2007–31.12.2008	2007
Net sales	EURm	10.5	n/a
Operating income	EURm	-0.284	n/a
Operating income %	%	-2.8	n/a
Total assets	EURm	4.6	n/a
Equity ratio	%	78.9	n/a
Gearing	%	-46.8	n/a
Return on equity	%	-4.8	n/a
Return on investment	%	-4.8	n/a
Personnel, total		100	n/a
Personnel, Finland		100	n/a
Total dividends paid	EURm	0	n/a
Dividends received by the State	EURm	0	n/a

MOTIVA OY consultation on energy efficiency, renewable energy and materials efficiency

State shareholding: 100%
Chairman of the Board: Juhani Wiio
Chief Executive Officer: Jouko Kinnunen
Personnel: 31
Principal places of business in Finland: Helsinki

Motiva provides expert and project services in order to improve energy efficiency and the sustainable use of renewable energy. Another important business area is the promotion of materials efficiency. The natural resources strategy currently being prepared in Finland will open up new opportunities, particularly for Motiva's materials efficiency operations.

Motiva serves as an 'in-house' unit within the central government, meaning that it faces no actual competition in its energy and materials efficiency services, whereas its subsidiary Motiva Services Oy operates strictly on a market basis in a competitive environment. The plan is that the subsidiary will specifically focus on areas where the market is not yet mature.

Motiva's services are used by ministries, other government agencies, companies and consumers. Motiva also implements international projects that support the provision of services in Finland, such as EU-funded projects. Breakdown of net sales by customer category in 2008:

- Ministry of Employment and the Economy	53%
- other ministries	7%
- other central government	8%
- companies and local government	10%
- EU Commission and foreign countries	22.5%

The net sales in were EUR 5.1 million (EUR 4.0 million) and the financial result EUR 72,645 (EUR -153,696). The 2008 result was burdened by an investment of some EUR 140,000 in developing the operations of the materials efficiency unit.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	5.1	4.0
Operating income	EURm	0.046	-0.172
Operating income %	%	0.9	-4.3
Total assets	EURm	2.7	2.5
Equity ratio	%	53	55
Gearing	%	-42.4	-41.7
Return on equity	%	5.4	-10.9
Return on investment	%	6.0	-24.8
Personnel, total		31	28
Personnel, Finland		31	28
Total dividends paid	EURm	0.03	0.02
Dividends received by the State	EURm	0.03	0.02

SANTAPARK LTD theme park

State shareholding: 32.1%
Chairman of the Board: Juha Laakkonen, (Raimo Korpinen up to 18 November 2008)
Chief Executive Officer: Heikki Martikainen (Wille Rajala up to 15 December 2008)
Personnel: 5
Principal places of business in Finland: Rovaniemi

Santapark started operations in December 1998 as an amusement park but has since been converted into a theme park featuring Lapland and Santa Claus. The cave is a centre for various events and exotic experiences.

Santapark offers products and services with themes based on Christmas, Lapland's natural surroundings and the activities of Santa Claus and his little assistants. Off-season activities focus on events for various groups with special programmes. During the past few financial periods, the company's product concept has further refined. The company's net sales consist of admission fees, product sales and restaurant operations. In a normal year, Santapark attracts around 60,000 visitors.

During the financial period ending in April 2008, the number of visitors to Santapark fell because the park had be closed for the summer due to the renovation carried out to eliminate the problems caused by the presence of mould and particles in the cave. Nevertheless, the company's net sales increased by 15%, and the financial result rose to EUR 0.18 million. In relative terms, profitability and solvency improved on the previous year. Various events intended for incentive groups constituted the fastest-growing part of net sales in the 2007/2008 financial period. In its operations, the company focused on product conceptualisation and improvements to the physical environment.

The State sold its interest in Santapark in March 2009.

KEY FINANCIAL INDICATORS

		2007/2008	2006/2007
Net sales	EURm	1.8	1.6
Operating income	EURm	0.2	0.1
Operating income %	%	13	5.6
Total assets	EURm	1.8	1.7
Equity ratio	%	50.1	42.3
Gearing	%	70.1	94.2
Return on equity	%	22.0	5.7
Return on investment	%	14.8	6,0
Personnel, total		5	4
Personnel, Finland		5	4
Total dividends paid	EURm	0	0
Dividends received by the State	EURm	0	0

SILTA OY human resource management outsourcing services

State shareholding: 10.14%
Chairman of the Board: Jukka Wuolijoki
Chief Executive Officer: Janne Kalliomäki
Personnel: 300
Principal places of business in Finland: Helsinki, Kemijärvi, Pieksämäki, Turku, Tampere and Vaasa

Silta Oy provides payroll, pension foundation, pension fund and personnel fund management services, recruitment and outplacement services, and advanced specialist services for human resources management. Consolidated net sales totalled EUR 23.5 million in 2008, and the average number of personnel was 300. Silta Group's main area of business is to provide payroll services to companies, corporations and public sector organisations, which accounted for 70% of the consolidated net sales. Pension fund services accounted for 13%, consultation for 11% and other sales for 6% of the net sales.

The Silta Group's aim is to be a company specialising in comprehensive human resource management services. Silta provides HR management services that span the entire life cycle of employment, from recruitment to retirement. Introduced in 2008, the HR1 brand communicates the company's objective of becoming the leading player in the HR management sector in Finland.

Silta Oy is owned by Logica Suomi Oy (44.9%), Varma Mutual Pension Insurance Company (39.1%), the State of Finland (10.14%), and Sampo plc (5.8%).

The Silta Group's profitability decreased substantially in 2008, but the result remained positive. Profitability was weakened by the increase in costs, which exceeded the growth in net sales. The Group's return on investment decreased last year to 10% compared with 18.5% in the previous year. Net sales grew by 18%, while expenses grew by 23%. Part of the growth in net sales was due to the acquisition of the executive search, recruitment and outplacement companies of Konsulttitoimisto Jaakko Lehto Oy in October 2007, but volumes were also up in payroll, fund and outplacement services. The company is seeking to further streamline its production processes. In 2009, the company will initiate a project to prepare the specifications for a new large-scale payroll system.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	23.5	19.9
Operating income	EURm	0.4	1.1
Operating income	%	1.7	5.7
Total assets	EURm	8.7	9.9
Equity ratio	%	53.5	53.2
Gearing	%	–36	–65
Return on equity	%	6.0	18.5
Return on investment	%	10.0	25.5
Personnel, total		300	275
Personnel, Finland		300	275
Total dividends paid	EURm	0.4	0.9
Dividends received by the State	EURm	0.04	0.09

FINNISH SEED POTATO CENTRE LTD

maintenance, production and marketing of potato varieties

State shareholding: 22%
Chairman of the Board: Reijo Moilanen
Chief Executive Officer: Lauri Juola
Personnel: 12
Principal places of business in Finland: Tyrnävä

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. The company had a total of 30 potato varieties in production in 2008. The Group's parent company with a 51% stake in the company is HG Vilper Oy, a company owned by 25 potato farmers.

The company's net sales for 2008 were better than expected and nearly at the level of the previous financial year. However, the increased cost level ate into the profitability. The company generated operating income of EUR 0.16 million, a decrease of 22% on the previous year. The operating margin fell to 4.8 per cent, and the company's net result decreased on the previous financial year. SPK's net sales are primarily influenced by weather conditions, plant diseases, and the market price for potatoes. The most significant investment of the financial year was the purchase of business premises. The investment is expected to enhance profitability over the next few years.

In 2009 net sales are expected to fall from the present level due to the harvest in summer 2008. The company is expanding its business in order to broaden its contract farming activities not only in the Ostrobothnia High Grade region but also in other parts of Finland. In summer 2009, the total contract farming area will exceed 380 hectares.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	3.4	3.4
Operating income	EURm	0.2	0.2
Operating income	%	4.8	6.1
Total assets	EURm	3.1	2.4
Equity ratio	%	25.7	29.8
Gearing	%	124.5	137.2
Return on equity	%	13.5	25.9
Return on investment	%	10.1	13.3
Personnel, total		12	12
Personnel, Finland		12	12
Total dividends paid	EURm	-	-
Dividends received by the State	EURm	-	-

SUOMEN VILJAVA OY cereal handling and storage services

State shareholding: 100%
Chairman of the Board: Kari Kolu
Chief Executive Officer: Kari Nurmentaus
Personnel: 91
Principal places of business in Finland: Kokemäki, Naantali, Vantaa, Mustio, Koria, Loimaa, Rauma, Ylivieska, Seinäjoki, Loviisa, Perniö, Turenki, Kuopio and Helsinki

Suomen Viljava Oy is a wholly state-owned company. Its main field of activity is the handling and storage of cereals and cereal-type raw materials.

Key players in the sector as regards commercial storage and handling include the cereal-based industry, cereal traders, and Suomen Viljava Oy. The majority of Finland's reserve stock cereals are stored in the company's silos. Cereal handling and storage accounted for the majority of the company's net sales of EUR 17 million.

Suomen Viljava Oy has a storage capacity of 1.4 million tonnes in 21 different locations. The company handles nearly 2 million tonnes of cereals and other products annually.

The company's net sales for 2008 fell by approximately 3% on the previous period. The company generated an operating income of EUR 4 million, a decrease of 10% on the previous year. The 2008 cereal harvest was unprecedentedly good (4.2 million tonnes), but the falling cereal prices decreased export volumes and handling revenues. Storage volumes remained at the average level. Profitability decreased slightly compared with the previous financial period. The company remains highly solvent. The company's net sales and financial performance are affected by the total cultivated area, crop level and the world market price and demand for cereals.

KEY FINANCIAL INDICATORS

		2008	2007
Net sales	EURm	16.7	17.2
Operating income	EURm	4.0	4.4
Operating income	%	23.6	25.5
Total assets	EURm	28.3	28.0
Equity ratio	%	73.0	74.6
Gearing	%	11.1	7.8
Return on equity	%	13.3	14.9
Return on investment	%	15.7	17.4
Personnel, total		91	93
Personnel, Finland		91	93
Total dividends paid	EURm	3.0	3.0
Dividends received by the State	EURm	3.0	3.0

6 Economic value added generated by the companies

Economic value added indicates the profit generated by a company's business operations relative to the amount of capital tied up in its activities. As it always costs money to employ capital, a certain cost must be ascribed to it. This cost is the weighted average cost of capital that consists of the cost of borrowed capital and the required return on equity.

The following table indicates the annual economic value added generated by the companies included in the State's share portfolio during 2007–2008 (excluding Sampo plc because its field of activity is not suitable for this type of evaluation). Additionally, the table shows the amount of capital employed during 2008 and the weighted average cost of capital at the end of 2008.

Table 2: Economic value added generated by the companies during 2007–2008

	Capital employed	WACC 2008	Economic value added, EURm 2008	2007
Elisa	1687	7,8 %	67	101
Finnair	684	6,1 %	-86	72
Fortum	12478	6,2 %	1039	854
Kemira	1890	5,8 %	-48	-9
Metso	2551	9,3 %	259	221
Neste Oil	3031	8,0 %	-96	404
Outokumpu	4218	6,9 %	-425	382
Rautaruukki	2088	9,8 %	225	289
Sponda	3038	5,6 %	-33	46
Stora Enso	8268	6,9 %	-1240	-890
TeliaSonera	18196	6,8 %	1155	1151
Non-listed companies, total			-76	38

WACC = Weighted average cost of capital

Of all non-listed companies, the greatest economic value added was generated by Itella and Destia. The highest negative economic value added was created by the VR-Group and Vapo.

While the table reflects the companies' financial performance during the reporting period, it also shows that a business that ties up a large amount of capital does not always produce economic added value even if it generated a book profit. The point of this analysis is that companies should generate a profit equivalent to at least the cost of capital employed. If not, the economic value added of the company is negative in the reporting period.

The concept of cost of capital includes the notion of the cyclical fluctuations and riskiness of business operations ('beta figure'). The floor for the cost of capital is provided by the market interest rate to which the cost of equity funding is added according to the company's risk exposure. Additionally, the cost of capital reflects the company's capital structure.

7 Effectiveness

The goal for the State's active ownership steering policy in respect of companies operating on market terms is to achieve profitability and increase shareholder value in the long term. As an investor, the State seeks to ensure a healthy return. To attain these goals, the State makes use of the tools and means available to any owner.

Shares may be disposed of and corporate restructuring carried out when necessary or possible. Another key asset is the knowledge and expertise accumulated by the companies, which plays an important part in promoting business and industry and creating favourable conditions for economic development and employment.

The main tools available to the State Ownership Steering Department in the discharge of its duties are the preparation of independent ownership strategies and the development of good corporate governance. When sole owner, the State may freely impose obligations on companies beyond ordinary financial objectives without compromising the position of other shareholders or infringing upon their rights. 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. Minority shareholdings may be justified by financial arguments. However, the significance of qualified minorities in issues central to state ownership steering and policy is limited. As an owner, the State will 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.

The greater focus on dividend policy and the determined efforts to develop corporate governance procedures have made state-owned companies more attractive to investors. When a company improves its performance, its share prices increases, thereby increasing the value of the shares held by the State as well.

With regard to ownership policy, it is important to a make a clear distinction between a shareholder's role and the business decisions made by the company. Listed companies operating in a competitive environment aim at financially profitable operations and cannot be burdened with any social or regional obligations different from those imposed on other companies. In the long term, companies develop and help maintain the employment rate best when they are profitable and so make a positive contribution to the entire economy.

A large part of the State's current holdings are justified by security-of-supply considerations even if state ownership is a legacy of historical developments. Although the State's ownership interests are not limited exclusively to the security of supplies in times of crisis, it is advisable to give due consideration to what society should really control or own.

State shareholdings in companies operating on market terms may be reduced in a controlled fashion while, however, ensuring that the State's strategic interests as an owner are duly taken into account. Irrespective of any disposals of holdings, the Government seeks to guarantee that Finnish institutions will continue to remain significant shareholders in Finnish listed companies. Following the transfer of the shares in listed companies to Solidium on 31 December 2008, the Government is still authorised by Parliament to spend a further EUR 0.3 billion for expanding state holdings in companies (EUR 9.3 billion on 31 Dec 2007).

In 2008 the total return on state shareholdings in listed companies was -47.5% (19.9% in 2007). Over the same period, the market capitalisation of the portfolio fell 51% while the OMX Helsinki general index dropped 53%. The value of the state share portfolio has declined due to the financial crisis and economic recession.

The corporate assets held by the State constitute an important part of the national wealth. As a result of unfavourable market trends, the combined market capitalisation of the State's holdings in listed companies stood at EUR 14,052 million on 31 December 2008 (the corresponding figure for 31 December 2007 being EUR 28,046). Of this, the State's direct holdings accounted for EUR 8,773 million and indirect holdings through Solidium Oy for EUR 5,279 million.

7.1 Dividends

Today dividend income is of some importance to the central government finances. Based on the results of the preceding financial year, the State received a total of EUR 1,597 billion in dividends in 2007. In 2008, listed and non-listed companies in which the State held stocks paid it dividends totalling EUR 1,548 million. The largest dividends flowed to the State from its holdings in Fortum Corporation and TeliaSonera AB even though the dividends paid by TeliaSonera for 2007 fell considerably from the year before.

Over the past ten years, the average dividend yield from the State's holdings in listed companies has clearly improved. Compared with the average for all the companies on the main list, the dividend yield to the State on its holdings was 1.6 times higher. For 2008, the dividend yield from holdings included in the State's listed company portfolio was 5.7% (5.6% for 2007) whereas the average of the main-list companies was 4.9% (4.0%). Compared with the 10-year average for all the main-list companies, the dividend yield to the State from its holdings was 1.3 times higher. In 2008, the payout ratio of companies included in the State's listed company portfolio was 69% while the average for main-list companies was 44%. The increase in dividend yield has also been reflected in the State's dividend earnings. While the dividends received by the State in 1999 were EUR 335 million, they had more than quadrupled by 2008.

7.2 Disposals and purchases

In 2008, the proceeds earned by the State from the sale of its shares totalled EUR 60.9 (863) million. By issuing new shares, companies have raised new capital to strengthen their balances sheets while the State has relinquished part of its holdings in some of them. When such measures are taken, the objective has been to strengthen the companies' capital structure to create conditions for companies to develop and shares to increase in value. During 2008, state-owned companies did not issue any new shares.

On 1 February 2008, the State of Finland accepted an offer to purchase its 1.25% stake in OMX AB (publ) submitted by Borse Dubai and BD Stockholm AB at a price of EUR 42.8 million.

On 5 June 2008, the State of Finland was informed of a bid for TeliaSonera by France Telecom. TeliaSonera's Board of Directors refused the offer. The talks held between France Telecom and TeliaSonera on 30 June 2008 failed to reach an outcome that would have satisfied the State of Finland in order for it to sell its holdings in TeliaSonera to France Telecom. Following an evaluation of the situation, the State of Finland concurs with TeliaSonera's Board.

On 22 April 2008, the State sold its 0.65% interest in Elisa Corporation for a total price of EUR 18.1 million.

On 19 December 2008, the State of Finland purchased 16,000,000 Class A shares in Elisa Corporation. The transaction price was EUR 11.20 per share, or EUR 179,200,000 in total. The shares represent approximately 9.6% of Elisa Corporation's share capital and votes. (See section 3.5.2).

7.3 Ownership restructuring

All ownership restructuring carried out in state-owned companies aims at an optimum overall outcome. Consequently, the objective is not only to secure a high price but also to create a steady ownership base and favourable business conditions in the industry involved and to enhance Finland's competitiveness.

The share issues, disposals and various restructuring schemes implemented by the State in its companies have diversified their ownership base and extended share investment by Finnish investors over the years. At the same time, foreign capital has come to Finland in the form of investments in state-owned companies.

At the beginning of the decade, foreign investors held 5 to 50% of the share capital of listed state-owned companies while in the early 1990s the corresponding figure was 0 to 10%. In 2008, the shareholdings of foreign owners in listed state-owned companies varied considerably, the average, however, being 40%. Aside from Patria Plc, Gasum Oy and FCG Finnish Consulting Group Oy, most of the non-listed state-owned companies have no foreign ownership. On an average, the State owned approximately one third of the partially state-owned listed companies, the largest stakes being held in Finnair Plc (55.8%), Fortum Corporation (50.8%) and Neste Oil Corporation (50.1%). Many of the non-listed companies are wholly owned by the State (100%). The State's interest in the ten largest non-listed companies exceeds 50%, except for Fingrid Oyj and Gasum Oy, in which the holdings are 12.3% and 24.0%, respectively.

Through ownership and sectoral restructuring, the State as an owner has contributed to the creation of many Finnish companies that have achieved a strong competitive and market position in the global marketplace, prime examples being Stora Enso Oyj and Metso Corporation. Additionally, a number of companies enjoying a strong position in the Nordic market, such as Fortum Corporation, Neste Oil Corporation, TeliaSonera AB, and Sampo plc, have been created as a result of ownership restructuring.

On 11 December 2008, the State of Finland relinquished its shares in Kemira Oyj, Metso Corporation, Outokumpu Oyj, Rautaruukki Corporation, Sampo plc, Sponda Plc, Stora Enso Oyj and TeliaSonera AB (Publ.) as a contribution in kind as defined in the Limited Liability Companies Act to its wholly owned company Solidium Oy. The market capitalisation of the assets transferred to Solidium was EUR 5,279 million on 31 December 2008. Solidium's mission was to manage its holdings so as to ensure maximum yield for the State. The company is authorised to both increase and decrease state shareholdings and, if necessary, acquire interests in other companies. (See section 3.5.2).

As the second largest shareholder in Kemira Corporation, the State thinks that demerging Tikkurila and listing it on the NASDAQ OMX Helsinki Oy Stock Exchange are fully justified and supports the plan launched by the Kemira Board on 18 June 2008. As the listing is likely to be based on partial distribution of dividend, Tikkurila would have a broad ownership base with the State as an important owner. Majority shareholding as a whole would remain in Finnish ownership. Demerging Tikkurila would clarify Kemira's business structure and improve the company's potential for developing its business areas. A successful share issue and listing would improve Kemira's financial position by increasing the amount of capital available for organic growth and acquisitions. For the State and other shareholders, this would create greater potential for increasing shareholder value. As a result of the weakening of the capital, debt and world market, a decision was made to postpone the listing of Tikkurila on the NASDAQ OMX Helsinki Oy Stock Exchange scheduled for early 2009. Listing will take place when permitted by market conditions.

At the beginning of 2008, the Finnish Road Enterprise was incorporated as Destia Ltd.

7.4 Net sales

In 2008, the combined net sales of all listed state-owned companies was EUR 68,117 million (EUR 67,315 million in 2007) while that of non-listed companies was EUR 8,068 (7,206) million. In 2008, the combined net sales of all listed state-owned companies was EUR 16,143 million

(EUR 14,039 million in 2007) while that of non-listed companies was EUR 6,534 (4,904) million. Last year the combined net sales of both types of companies exceeded the 2007 figure by 2.2%.

7.5 Human resources

In 2008, listed and non-listed state-owned companies employed a total of 220,203 people (212,336 in 2007) worldwide. The total number of employees working for these companies in Finland in 2008 was 99,944 (102,574). In 2008, listed state-owned companies employed a total 166,975 people, of whom 53,380 worked in Finland. In 2008, non-listed state-owned companies employed a total 53,228 people of whom 46,564 worked in Finland.

7.6 Investments

Total investments by listed and non-listed state-owned companies in 2008 reached approximately EUR 8 billion. Finland's share of the investments was close to EUR 2.5 billion.

7.7 Taxes

Total state taxes paid by listed and non-listed state-owned companies in 2008 were less than EUR 1 billion.

7.8 Sites

Aside from the Greater Helsinki Area, listed and non-listed state-owned companies had sites all over Finland.

Appendices

Appendix 1 Key financial indicators

The tables below present the 2007 and 2008 key financial indicators of the companies included in the State's share portfolio, EUR million

2008	Net sales	Operating income	Operating income	Total assets	Equity ratio	Gearing	ROE	ROI
Elisa	1485,0	264,5	17,8 %	2030,5	43,1 %	92,8 %	18,5 %	16,0 %
Finnair	2264,0	-52,1	-2,3 %	2076	38,0 %	64,1 %	-4,8 %	-2,5 %
Fortum	5636,0	1963,0	34,8 %	20278	41,6 %	73,5 %	18,9 %	15,2 %
Kemira	2832,7	74,0	2,6 %	2859,7	34,2 %	107,5 %	-0,2 %	2,9 %
Metso	6400,0	637,2	10,0 %	5511	28,9 %	76,5 %	25,6 %	23,7 %
Neste Oil	15043,0	186,0	1,2 %	4720	46,2 %	46,1 %	4,2 %	6,1 %
Outokumpu	5474,0	-63,0	-1,2 %	5339	52,4 %	56,6 %	-3,6 %	-0,8 %
Rautaruukki	3851,0	567,0	14,7 %	2981	65,9 %	7,9 %	20,7 %	25,0 %
Sampo*	4350,0	870,0	20,0 %	21205	21,9 %	433,6 %	-32,4 %	
Sponda	224,3	126,2		3098	29,3 %	235,4 %	4,3 %	4,5 %
Stora Enso	11558,2	-726,6	-6,3 %	12241	46,2 %	64,8 %	-10,3 %	-6,7 %
TeliaSonera	9468,5	2614,6	27,6 %	24158	53,5 %	38,2 %	16,0 %	16,0 %

* Net sales = premiums written, operating income = profit before taxes, operating income % = profit before taxes %, gearing = solvency ratio

Altia	463,3	9,0	1,9 %	402,2	30,2 %	91,7 %	4,8 %	13,5 %
Arek	30,8	-1,8	-5,8 %	85,5	13,9 %	532,7 %	-27,7 %	-2,1 %
Art and Design City Helsinki	0,4	0,0	-3,2 %	0,4	86,3 %	-92,6 %	-0,9 %	-0,9 %
Boreal Plant Breedin**	9,5	0,3	3,3 %	7,5	79,0 %	-14,7 %	3,9 %	5,7 %
Destia	717,1	19,3	2,7 %	294,3	33,4 %	44,1 %	11,7 %	13,7 %
Edita	111,1	3,6	3,3 %	93,7	31,1 %	83,8 %	11,0 %	9,1 %
Ekokem	96,6	13,1	13,5 %	157,8	62,6 %	16,2 %	8,5 %	11,1 %
Fingrid	382,3	68,4	17,9 %	1561,6	26,7 %	174,0 %	6,6 %	5,0 %
FCG Finnish Counsulting Group	79,4	2,9	3,7 %	42,4	67,8 %		9,7 %	
Gasum	1218,2	33,8	2,8 %	671,6	54,5 %	5,3 %	6,9 %	8,8 %
HAUS Finnish Institute of Public Management	6,1	0,0	-0,2 %	1,4	37,7 %	-82,3 %	1,9 %	2,6 %
Itella	1952,9	69,0	3,5 %	1370,5	50,8 %	14,2 %	2,8 %	9,8 %
Kemijoki	44,9	0,5	1,2 %	434,7	29,5 %	212,8 %	-5,4 %	0,1 %
Labtium	10,5	-0,3	-2,7 %	4,6	78,8 %	-46,8 %	-4,8 %	-4,8 %
Motiva	5,1	0,0	0,9 %	2,7	52,9 %	-42,4 %	5,4 %	4,1 %
Patria	534,6	8,9	1,7 %	503,1	40,0 %	55,1 %	0,4 %	3,3 %
Mint of Finland	96,0	-1,8	-1,9 %	72,3	86,6 %	-51,2 %	-6,7 %	0,0 %
Raskone	181,6	2,0	1,1 %	86,5	21,8 %	170,2 %	-0,4 %	3,8 %
SantaPark***	1,8	0,2	13,0 %	1,8	50,1 %	70,1 %	22,0 %	14,8 %
Silta	23,5	0,4	1,7 %	8,7	53,5 %	-36,0 %	6,0 %	10,0 %
Finnish Seed Potato Centre	3,4	0,2	4,8 %	3,1	25,7 %	124,5 %	13,5 %	10,1 %
Suomen Viljava	16,7	4,0	23,6 %	28,3	73,0 %	11,1 %	13,3 %	15,7 %
Vapo	631,8	21,1	3,3 %	764,3	42,3 %	99,1 %	0,8 %	5,6 %
VR-Group	1530,4	74,4	4,9 %	1623,1	82,4 %	-10,5 %	4,3 %	6,3 %

** Period 1 July 2007 to 31 December 2008
*** Period 1 May 2007 to 30 April 2008

2007	Net sales	Operating income	Operating income	Total assets	Equity ratio	Gearing	ROE	ROI
Finnair	2180,5	141,5	6,5 %	2146	47,0 %	40,2 %	12,8 %	14,0 %
Fortum	4479,0	1847,0	41,2 %	17674	49,1 %	51,6 %	19,1 %	16,6 %
Kemira	2810,2	143,1	5,1 %	2828	38,6 %	92,3 %	5,9 %	8,1 %
Metso	6250,0	579,8	9,3 %	5254	35,0 %	30,7 %	25,2 %	26,0 %
Neste Oil	12103,0	801,0	6,6 %	4871	49,8 %	31,1 %	25,6 %	26,3 %
OMX	456,0	138,4	30,4 %	1296	41,8 %	29,5 %	20,1 %	19,4 %
Outokumpu	6913,0	589,0	8,5 %	5911	56,5 %	38,7 %	20,0 %	17,2 %
Rautaruukki	3876,0	637,3	16,4 %	2862	70,4 %	1,0 %	24,0 %	29,0 %
Sampo*	4458,0	3833,0	86,0 %	25424	30,5 %	774,6 %	52,5 %	
Sponda	211,0	256,7		2899	32,2 %	175,0 %	17,9 %	10,0 %
Stora Enso	13373,6	246,2	1,8 %	15311	49,3 %	39,2 %	-2,8 %	2,1 %
TeliaSonera	10204,3	2770,2	27,1 %	22952	53,5 %	37,6 %	14,8 %	16,5 %

* Net sales = premiums written, operating income = profit before taxes, operating income % = profit before taxes %, gearing = solvency ratio

Altia	494,7	-47,0	-9,5 %	453,3	30,3 %	81,6 %	-30,1 %	-15,0 %
Arek	34,1	10,4	30,5 %	85,9	21,6 %	279,0 %	55,5 %	14,4 %
Art and Design City Helsinki	0,4	0,0	-5,8 %	0,5	75,8 %	-91,4 %	-4,4 %	-4,4 %
Boreal Plant Breeding**	6,5	0,6	9,8 %	8,0	79,6 %	-43,7 %	8,7 %	11,4 %
Destia	601,9	10,2	1,7 %	248,1	41,6 %	38,8 %	9,1 %	8,5 %
Edita	90,0	5,2	5,8 %	79,4	36,7 %	-18,0 %	13,8 %	10,7 %
Ekokem	74,3	8,5	11,4 %	155,9	60,0 %	20,9 %	8,0 %	8,8 %
Fingrid	334,6	90,7	27,1 %	1565,0	27,5 %	175,4 %	10,3 %	7,3 %
FCG Finnish Counsulting Group	73,2	3,0	4,1 %	42,3	65,1 %	-32,8 %	7,4 %	11,9 %
Gasum	852,1	92,6	10,9 %	634,3	61,2 %	-2,9 %	17,7 %	22,5 %
HAUS Finnish Institute of Public Management	5,7	0,1	1,5 %	3,1	38,1 %	-192,3 %	21,3 %	22,1 %
Itella	1710,6	101,8	6,0 %	1119,1	65,4 %	-37,1 %	11,1 %	15,6 %
Kemijoki	41,5	-0,2	-0,5 %	421,4	32,3 %	186,4 %	-4,7 %	-0,1 %
Motiva	4,0	-0,2	-4,3 %	2,5	54,9 %	-41,7 %	-13,5 %	-10,9 %
Patria	541,2	37,3	6,9 %	518,1	48,5 %	19,0 %	11,7 %	15,6 %
Rahapaja	120,5	4,8	4,0 %	84,6	82,3 %	-53,8 %	1,8 %	9,2 %
Raskone	148,8	5,5	3,7 %	74,3	26,1 %	161,4 %	15,0 %	9,9 %
SantaPark***	1,6	0,1	5,6 %	1,7	42,3 %	94,2 %	5,7 %	6,0 %
Silta	19,9	1,1	5,7 %	9,9	53,2 %	-64,8 %	18,5 %	25,5 %
Suomen Seed Potato Centre	3,4	0,2	6,1 %	2,4	29,8 %	137,2 %	25,9 %	13,6 %
Suomen Viljava	17,2	4,4	25,5 %	28,0	74,6 %	7,8 %	14,9 %	17,4 %
Vapo	660,6	55,5	8,4 %	788,4	43,8 %	91,0 %	10,3 %	9,9 %
VR-Group	1334,1	87,1	6,5 %	1593,5	84,1 %	-9,7 %	5,1 %	7,2 %

** Period 1 July 2006 to 30 June 2007
*** Period 1 May 2006 to 30 April 2007

Appendix 2 Government resolution on state ownership policy 31 May 2007

The State's corporate assets constitute a significant proportion of national worth, and the state aims in managing these assets to achieve as good as possible an overall social and economic result.

The State's ownership policy is expected to be open, predictable and consistent. The State aims as an owner to be consistent and to implement the same basic guidelines, irrespective of which Ministry has responsibility for company-specific ownership steering. The centralising of ownership steering implemented on 1 May 2007 has ensured that the ownership steering of companies operating in a competitive environment has been separated from regulatory duties in an open and credible way.

The State is an owner in very different types of companies. While some of the companies carry out special assignments closely related to State administration, most are involved in purely market-based business. With some of them, however, certain strategic interests of the State are involved, which must be taken into consideration when arranging ownership steering. In addition, some of the market-based companies are publicly listed, which means that the securities markets and related regulation must be taken into consideration when dealing with ownership steering and ownership arrangements. Between the different companies there are also substantial differences relating to the companies' significance, ownership structure and the State's ownership share, and these, too, must also be taken into consideration in the general principles of ownership policy and ownership steering.

This resolution outlines the key principles and operating practices of the State's ownership steering. The resolution is addressed to the authorities responsible for ownership policy, not to the companies, so that in all situations it is clear that decision-making on ownership policy belongs to the authorities, and decision-making on business issues to the companies' own organs. Cooperation between different Ministries in the ownership steering of special assignment companies and strategically important companies has been specified in the annexes to the resolution.

The distribution of tasks between the responsible Ministry and the Cabinet Committee on Economic Policy in ownership steering decisions is based on the fact that important decisions relating to the State's ownership policy or to the implementation of ownership steering require the approval of the Cabinet Committee on Economic Policy. In addition, the Cabinet Committee on Economic Policy will issue policies and recommendations supplementing the resolution as required.

Based on the general grounds stated above, the Government has today decided to make the following resolution on the goals and principles of the State's ownership policy, the matter having been considered by the Cabinet Committee on Economic Policy and the Cabinet Finance Committee.

1. The State's corporate ownership and ownership goals

The State is the majority owner in seventeen and a significant minority owner in twenty-two companies that operate on market terms. In addition, the State is an owner in fifteen special assignment companies, which have a certain task assigned to them by the State or some kind of exemption by which they do not operate in a competitive environment. When subsidiaries and sub-groups belonging to state-owned companies and associated companies are taken into consideration, the number of commercial companies rises to more than 1,000. The affiliated companies include a significant number of foreign companies.

In 2006 the state-owned companies and associated companies employed around 215,000 people, of whom around half were in Finland and half in foreign affiliated companies. The majority of these were employed by associated companies, and the proportion of state-owned companies has continually fallen as companies have been partly or completely privatised.

Ownership goals in special assignment companies

In companies entrusted with special State assignments, the State as an owner has primarily social goals, although it is also a general goal that operations are profitable. Certain companies are regulated by separate statutes, which also prescribe standards for the State's ownership policy and ownership steering.

Owing to the social goals set for the companies entrusted with special assignments, these companies must remain under the sole ownership of the State or at least under the State's control. In these companies, the goals of the State's ownership are based on as good as possible an overall social and economic result. This is evaluated primarily on the basis of how and at what cost the company carries out the assignments and achieves the goals set by the Ministry responsible for the administration of the field in question, i.e. how the company fulfils its social service assignment.

Ownership goals in companies operating on market terms

Most of the state-owned companies and associated companies operate on market terms. This means that the companies' operating principles, financial structure and earning targets must be comparable with those of other companies operating in the same field. The State owner's strategic interests relating, for example, to maintaining and securing infrastructure or obligations to provide basic services may also apply to companies operating on market terms, but they still operate according to clear business principles. The goal of ownership steering in such companies is to achieve the best possible overall economic result at the time in question. This is evaluated on the basis of profitability and long-term growth of shareholder value. Ownership is evaluated on the basis of the State's strategic interests and on the maintenance of the authority needed to safeguard these interests.

2. The goals: profitability and cost-efficiency

Both companies entrusted with special State assignments and companies operating on market terms must aim at economically profitable operations. If the State is the sole owner of a company entrusted with a special assignment, the company's social service duty can be taken into consideration when setting its profitability goals. If such a company has other owners, departing from normal profitability goals is only possible if based on jointly agreed conditions. Companies operating on market terms always have normal goals for profitability and competitiveness. If other goals, relating, for example, to industrial, regional and employment policy as well as environmental protection, are set for a market-based state-owned company, all owners must agree on them or any additional expenses caused to the company must be compensated based on decisions made beforehand in a manner that does not violate obligations arising from Finland's membership of the EU.

When deciding on the State's general support measures, companies operating on market terms must be treated in the same way as other comparable companies. Market-based companies are granted state guarantees on the same terms applied to other companies, and they do not enjoy a special status or privileges. The State is not liable for the companies' debts or other obligations unless separate unless separate guarantee agreements have been made to this effect. When deciding on the financing and guarantee arrangements of companies entrusted with special State assignments, attention is paid to the companies' obligations and to the company's financing needs caused by these, as well as to obligations arising from Finland's EU membership.

Corporate expansion through acquisitions and establishment of subsidiaries is part of normal business operations, and decisions relating to this are made by the companies' governing organs and management. Similarly, the companies' governing organs and management shall decide on the sale and closure of operations that are part of normal business.

Contact between the owner and the company in companies solely owned by the State shall be arranged so that the unit responsible for ownership steering is made aware in advance about significant decisions affecting the field of business and strategy. In companies with other owners, this is ensured within the framework of normal communication between the management and the largest or most significant owners, primarily by the Chairman of the Board and the Managing Director assuming responsibility for contacts with the owners. When evaluating restructuring arrangements and changes in the field of business of companies entrusted with a special State assignment, special attention must be paid to not endanger the capacity to handle the special assignments.

3. Starting point for ownership steering

The primary goal of the State's ownership policy and ownership steering is to develop the companies and support long-term growth of shareholder value. The main elements in fulfilling this goal are open and consistent owner behaviour, the proposing of responsible and expert members for the Boards of Directors of companies, the owner's input to the companies' management resources and management commitment, as well as the consideration of the interests of all the owners and other interest groups. The owner's main tools include independent preparation of owner strategy and development of corporate governance.

The Government's Ownership Steering Department is responsible for the preparation of ownership steering policies and the consistency of ownership steering practices. Ownership steering shall be arranged so that the State owner does not participate in business decision-making other than in Shareholders' Meetings. A company's result shall be the responsibility of the company's executive management and governing organs, which shall make decisions concerning operations within the framework of the Companies Act and the Articles of Association.

In order to take the State's strategic interests into consideration, arrangements for cooperation shall be established between the Ownership Steering Department and the Ministries responsible for the interests in question. To ensure the consistency of special assignment companies' ownership steering practices and to enhance the financial monitoring of the companies, the same kind of cooperation arrangements shall be established.

In companies handling special assignments, the State is an active owner that determines the content of the assignment and its significance for the goals set for the company. The company's business strategy is determined by the company's management and governing organs. Coordinating business strategy and the special assignment calls for cooperation between the responsible Ministry and the company's management and governing organs. The earnings target and other goals are decided by the responsible Ministry, following the recommendations of the Cabinet Committee on Economic Policy as required.

The basis for ownership steering in companies operating on market terms is shareholder equality: the State does not require or accept any exemptions, and the Ministries do not intervene in the decision-making of the Boards of Directors and executive management of the companies. Ownership steering is based on independent monitoring and preparation of ownership strategy, based on which the State makes statements on strategic and economic issues relating to the company as required. The company's Board of Directors and executive management inquire in advance about the main owners' opinions, at least if the activities planned in the company require the use of company shares as means of payment or any other company arrangement that is decided at the Shareholders' Meeting. In practice, discussions are also held with the main owners about questions and key restructuring arrangements affecting business strategy, even if power of decision is held by the Board of Directors. In such cases, the representatives of the State hold discussions with the company's management and Chairman of the Board, just like the other main owners in corresponding situations.

The general goal when arranging the governance and decision-making of companies is to develop and maintain good corporate governance. The State in its capacity as owner supports high-quality and open reporting about the company's finances and operations. The companies are expected to be familiar with Finnish and international corporate governance recommendations and to implement them according to best practice.

In terms of ownership steering, the company's main decision-making organ is the Board of Directors, whose members are experts independent of the company. When proposing board members, the main considerations are the candidates' experience and expertise, as well as securing for the boards adequate cooperation skills and versatile knowledge.

Ownership steering is arranged so that the State has direct representation at least on the boards of all companies that are solely owned by the State, in which the State is a majority owner or in which the State is a minority owner with actual control. When a state official is proposed as a board member, the starting point is that a board member represents the company and all its shareholders and is not allowed to act on the basis of the State's shareholder interests. A state official serving as a board member works therefore in compliance with the Companies Act, the Securities Market Act and related guidelines, as well as other civil law legislation concerning the company. A state official serving as a board member does not participate in preparation and decision-making relating to the State's ownership steering of the company or in ownership policy decision-making relating to the company. In the case of a publicly listed company, communication between a board member and the officials handling ownership steering tasks must be done so that restrictions imposed on ownership policy decision-making by the possession of insider information are taken into consideration.

Supervisory Boards are justified only in companies entrusted with special assignments as well as in market-based companies in which there are strategic interests connected with state ownership. The Supervisory Boards of other companies shall be discontinued. The terms of office of Supervisory Boards shall be standardised and the tasks and authority of Supervisory Boards specified so that they take into consideration as much as possible the special assignment entrusted to the company or the strategic interests connected with the company.

One key starting point for ownership steering is to ensure the companies' competitiveness to the extent that the owner can influence it. This also applies to salaries and remuneration schemes. Excessive benefits are unacceptable, but the State as an owner is prepared to promote arrangements that guarantee to companies opportunities to compete for expert and committed management and other personnel. Management remuneration schemes shall take into account the ownership policy goals resulting from the long-term nature of the State's ownership and the sufficiently long periods of personal commitment necessary to achieve such goals. Remuneration shall be fair, so that other personnel, too, are motivated and rewarded either through personnel funds or other methods. Remuneration schemes in companies entrusted with special State assignments shall be designed to take into consideration the significance of both the goals relating to the special assignment and the business goals of the company in question.

4. Ownership policy goals set for companies' operations

The State's ownership policy is based on growth of shareholder value that takes into consideration all interested parties. Integrating company profitability and growth targets requires, however, that the statutory obligations of Finland and other operating countries be attended to in an exemplary manner. Particularly important are respect for the position and rights of personnel as well as acting responsibly from an environmental perspective. Responsibility for decision-making relating to these lies with the companies' management and Boards of Directors.

The State considers it important that personnel representation and sufficient opportunities to have an influence in companies' governing organs are safeguarded, at least within the framework laid down by the Act on Employee Involvement. The goal of companies' human resources policy shall be that companies are exemplary employers who comply with labour market agreements and who continually and proactively develop their human resources policy.

The State as an owner is prepared to encourage arrangements that create favourable conditions for the creation of new jobs. The State, moreover, values a long-term human resources policy that takes into consideration the continuity of employment relationships and employees' skills capital while also taking various cost pressures into consideration. Contact between the owner and the company in companies solely owned by the State shall be arranged so that the owner is made aware in advance about significant measures affecting the position of personnel.

The goal of companies' environmental policy shall be exemplary and responsible behaviour, based on compliance with legislation and international agreements and honouring the justified expectations of different interested parties. The State as an owner is prepared to promote arrangements by which companies aim to coordinate production, economic and environmental goals in a way that promotes the companies' competitiveness.

As the State is a long-term owner, the companies' dividend payment and dividend policy is of key importance to it. The State values predictive dividend policies that take into account both the company's financing needs and the shareholder interest and are based as far as possible on a relatively steady flow of dividends comparable with the flow of dividends in the company's field of business. The State's dividend expectations are evaluated on an annual basis, taking into consideration the company's self-sufficiency needs and development opportunities.

5. Changes in ownership base and ownership arrangements

All decisions relating to changes in the companies' ownership base and to ownership arrangements are made according to authorisations determined by Parliament.

Companies entrusted with special assignments shall remain under the sole ownership of the State or at least within the State's control. Expanding the ownership base of such companies can mainly be considered only if the special assignment loses all or part of its importance or if the participation of other owners or an increase in their share of ownership are expected to make the management of the assignment more efficient.

Companies operating on market terms can be divided into two groups in terms of change of ownership base: companies in which the State mainly has an investor interest and companies in which the State has a strategic interest connected with ownership. If the State has mainly an investor interest in a company, it can give up its ownership fully or partly, and the maintenance of the State's majority ownership or controlling minority pursuant of the Companies Act ceases to have any independent significance. If the State has a special strategic interest in a company, connected with the basic functions of society for example, a significant ownership is generally justified.

The general starting point for ownership arrangements is achieving the best possible overall economic result. The main criterion is not only the selling price of the company or shares, rather the following issues are also taken into consideration: improving the competitiveness of the national economy and business, securing domestic industry and sector-specific operating conditions, maintaining and increasing skills, and safeguarding employment.

The goal of ownership arrangements and sales of shares is also to ensure as stable an ownership base as possible. Opportunities for national institutions and small investors as well as company personnel to become shareholders and participate in sales of shares are promoted where applicable.

6. Cooperation of Ministries in ownership steering

The annexes to this resolution outline the working procedures by which cooperation is arranged between the Prime Minister's Office and Ministries in the ownership steering of companies entrusted with special State assignments as well as in the ownership steering of companies operating on market terms, in which the State has a strategic interest.

Annex 1.
Cooperation between the PMO's Ownership Steering Department and Ministries in the ownership steering of companies operating on market terms which are strategically important to the State

Annex 2.
The role of the PMO's Ownership Steering Department in the ownership steering of companies entrusted with special State assignments

Appendix 3 Statement by the Finnish Cabinet Committee on Economic Policy on 7 June 2007

Competitive remuneration system at state-owned and associated companies based on building shareholder value

It is in the shareholders' common interest that a company has a proficient and motivated management working in line with its shareholders objectives and that it can both recruit and retain professionals needed for successful performance. Therefore, the state owner, for its part, must provide the company with opportunities to compete for professional executives and other key employees under competitive terms, while ensuring that remuneration does not lead to excesses jeopardising the targets set for remuneration schemes by the shareholder.

The composition of the board of directors, board members' proficiency and ensuring their commitment form other key elements for the shareholders. Therefore, shareholders must see to it that board compensations are commensurate with the chairman's and members' level of commitment and time spent on their duties.

Corporate ownership steering must also pay attention to the fact that the success of companies does not rest, or is not due to, solely on their management or board of directors. Considering that highly skilled and motivated staff form one of the cornerstones of business success, it is necessary to provide all staff with a fair opportunity to benefit from the company's good profit performance.

Regardless of whether the State is a sole shareholder, majority shareholder or an important minority shareholder, it has a special interest in ensuring that remuneration applying not only to the management, key staff and board members but also the staff as a whole contributes to securing and improving companies' business opportunities and competitiveness. However, it is also essential for a major shareholder that remuneration be based on results which have benefited the shareholder(s). For this reason, the Cabinet Committee on Economic Policy has adopted the following guidelines on

- Salaries and other remuneration applying to state-owned companies' management and other key employees;
- Staff remuneration; and
- Remuneration applying to members of state-owned companies' administrative bodies.

The guidelines apply to the corporate ownership steering of all companies in which the State is of the majority owner, as well as when defining the policy of the State as an owner. Whenever applicable, the State's associated companies should also follow these guidelines. Each company tending to the State's special duties must elaborate company-specific remuneration criteria, giving due consideration to the company's special duties and success in its performance.

In this statement, the Cabinet Committee on Economic Policy requires as transparent a remuneration system as possible.

1. The remuneration system applying to management and key employees is based on profitability and shareholder value growth

In the main, it is the board of directors' duty to make decisions on management remuneration. Shareholders expect the board of directors to monitor developments in remuneration practices and ensure competitive remuneration. At the same time, however, the board of directors must ensure that decisions on remuneration will not lead to exorbitant benefits under any circumstances. The underlying principle is that basic salaries must be competitive and that additional staff remuneration is based on measurable profitability and good performance. When analysing a company's performance, it is necessary to use such criteria which demonstrates the company's better performance vis-à-vis its competitors in an impartial way and which also takes account of shareholder value generated by the company.

In view of these bases and criteria:

1.1. Top management's and key staff's remuneration must be treated as a larger whole comprising a fixed basic salary, fringe benefits, performance-based bonus schemes, share-based bonus schemes and other individual terms included in the employment or service contract, such as the age of retirement and the amount of pension.

1.2. The remuneration system must, in a fair and verifiable way, be based on the company's success and the generation of growth in shareholder value. The basic salary level must be sized so as to be reasonable and all bonuses and remuneration schemes must be tied to profit performance.

1.3. When using profit-based bonuses, it is necessary to take account of the application of share-based incentive schemes in such a way that no overlapping schemes bring unreasonable benefits to the same persons. The criteria for annual bonuses and long-term (a minimum of three years) remuneration schemes must not allow for two different bonuses to be paid on the same grounds.

1.4. A profit-based bonus may not account for more than 40 per cent of the basic salary, unless there are special grounds for higher rates, for example, due to the company's strategy and targets, or competition within the industry.

1.5. Share-based remuneration must be designed in such a way that the annual amount of the extra reward, paid on the basis of a long-term share-based remuneration scheme, does not exceed the beneficiary's annual basic salary, unless there are special grounds for deviation. Growth in the value of already-earned shares is in the common interest of shareholders.

1.6. It is essential that the use of the share-based remuneration lead to shareholder commitment on a long-term basis and based on sufficient holdings, thus being in the top management's and key staff's interests and consistent with those of shareholders. Share-based remuneration must be proportioned to total compensation in such a way that matters related to the company's size, line of business and risk level as well as the management's duties, special competencies and the current shareholdings of the group covered by the share-based remuneration scheme are taken into account.

1.7. Terms permitting exorbitant pension benefits and retirement under 60 years of age must not be accepted in the service contracts of managing directors and other top executives. In addition, the 60-year age limit must be reviewed in the light of the objective of raising the general retirement age.

1.8. With respect to salary payable to managing directors and other top executives during the term of notice and their severance pay, the aim must be to find solutions in line with general practices or similar (in this case, the maximum compensation should be a salary of 12 months +12 months).

2. Remunerating and incentivising management and key staff should be based on salary and share-based remuneration schemes tied to shareholding.

As a shareholder, the State does not approve of the use of stock options as remuneration schemes. International examples and the related wide-ranging debate demonstrate that stock options do not always generate a level of management commitment or ensure managerial conduct that would promote shareholder interest and increase shareholder value in the long term. Using share-based remuneration schemes must be based on justifications closely related to expectations set for the company and the development of its operations, and these schemes must be used to seek commitment based on shareholding.

The key objectives in the development of remuneration and remuneration schemes still include enhancements of their explicitness, motivational power and sustainability. Every scheme must (i) be consistent with the State's role as a shareholder, (ii) contribute to improved shareholder value and motivate staff on a long-term basis, and (iii) have reasonable terms and be predictable in a way which prevents unreasonable remuneration. The State requires boards of directors to take these aspects into consideration and to pay particular attention to the system's motivational power and the prevention of excesses.

When developing remuneration systems, special attention must be paid to the relationship between the eligible person's input and the amount of his/her remuneration. Key staff involved in share-based remuneration schemes must be able to contribute to remuneration through their personal input. However, in many cases, this is only possible for strategic management and a limited number of key employees. In addition, it is necessary to pay attention to the motivating effect required for share-based schemes, which may not be used for the sake of the remuneration level alone. For this reason, aiming to optimise the size of the target group entitled to share-based remuneration is justified.

In view of these bases and criteria applying to management and key staff remuneration,

2.1. share-based bonus schemes founded on profitability and a rise in the shareholder value are primarily used as tools of share-based rewarding. The company assumes primary responsibility for defraying the costs of remuneration and shareholders assume secondary responsibility.

2.2. Share-based remuneration schemes must include restrictions on share disposals, ensuring the beneficiaries' commitment to the company and improved shareholder value. However, these restrictions may not be unreasonable in terms of their duration or number. Shareholding corresponding to approximately one year's salary, the amount in excess of this remaining outside the scope of the restrictions, can normally be regarded as a reasonable objective. Moreover, the disposal of shares should not be possible before a minimum of a two-year shareholding period.

2.3. The share-based remuneration schemes of unlisted companies must include redemption terms or redemption price terms ensuring the liquidation of shares after the termination of employment or as soon as the shareholding has exceeded the target level. With regard to share-based schemes, management and key staff shareholdings in companies wholly owned by the State may not reduce the State's holdings and voting rights to below 90.1 per cent.

2.4. Companies must use long-term remuneration schemes motivating beneficiaries and clearly tied to the creation of shareholder value.

3. Compensation of members of administrative bodies is primarily based on pecuniary emoluments

The Ministry of Trade and Industry has annually commissioned surveys of the compensation level and practices applying to members and chairmen of listed companies' boards of directors. With respect to supervisory boards, a similar reference group does not exist, and the compensation level must also be assessed in relation to supervisory board duties, which vary from one company to another. According to these surveys, state-owned companies' and associated companies' average compensation payable to boards of directors is at a competitive level, but it is necessary to assess board emoluments regularly in relation to the general remuneration level.
Instead of conventional pecuniary emolument, many listed companies have adopted procedures, whereby board compensation is partly paid either as company shares (the share-based bonus model) or is tied, as an incentive, to the company's share price performance. Neither does the State approve of option schemes as a form of compensation for members of administrative bodies. However, the share-based compensation model recommended by the company's other institutional shareholders may also be in line with the interests of the State as an owner whenever it contributes to highlighting the role of the board of directors in ensuring

the company's long-term development and greater shareholder value. The State has no motive to lead the way in this issue, but as the share-based compensation model continues to become more common, it must be considered an alternative model for state-owned companies and the State's associated companies. In this case too, the adoption of the share-based compensation model must be assessed separately for each company, taking all company-specific factors carefully into account.

In view of these bases and aspects applying to compensation payable to members of administrative bodies,

3.1. Compensation payable to chairmen and members of the boards of directors of state-owned companies and the State's associated companies must remain commensurate with that of competitors. As a general rule, board emoluments are paid in cash.

3.2. State-owned companies and the State's associated companies may, for special reasons, apply share-based compensation to board members, if this form of compensation becomes standard practice in typical, competing companies. Option schemes for boards of directors should not be applied.

3.3. Compensation payable to chairmen and members of supervisory boards must primarily be assessed on the basis of their tasks.

4. The benefits of success belong to all staff

Staff must have a fair opportunity to benefit from the company's success. The companies' performance-based remuneration and bonus schemes must guarantee their staff a fair share of good results. In the remuneration of the staff, the main rewarding tools are result-based bonuses and staff funds.

In view of these bases and aspects:

4.1. Remunerating employees based on company profitability and results must extend to all staff in the manner considered by each company. These remuneration tools comprise performance-based bonuses and staff funds, and performance-based bonuses channelled into these funds can also be used to buy the company's shares traded on the stock exchange.

5. Transparent remuneration and disclosure of important information

Rewarding is primarily a means to ensure recruitment of good and skilled management and staff, as well as their commitment to the company. At the same time, rewarding is a signal to the investors of how the company's owners have invested in the management, Board of Directors and staff. It is important for both shareholders and potential investors to be capable of assessing whether the remuneration system in place is appropriate and proportionate to the company's success. As a result of the State's involvement as a shareholder, a requirement for greater openness than usual pertains to the remuneration system because it is necessary to guarantee the controllability of the shareholder.

Considering that long-term remuneration schemes based on the value of shares are of special importance to shareholders, it is advisable for listed companies to disclose their adoption even when there are no statutory disclosure requirements in this respect.

In order to achieve the necessary degree of openness, the company is required to disclose – either in its printed annual report, or in default of such a report, in some other, appropriate way – relevant information on its remuneration system. In addition, the State as a shareholder will ensure that this information regarding state-owned companies can be found via one web address.

The web pages on ownership steering will provide direct links to the web pages of listed state-owned and associated companies. Information regarding unlisted companies must be available via one web address, covering at least the following information available in a sufficiently readable form:

5.1. Company name and the State's shareholding and votes

5.2. The Article of the Line of Business appearing in the Articles of Association.

5.3. The income statement, or the summarised income statement, and the balance sheet for the previous financial year.

5.4. The managing director's name, total remuneration paid during the previous calendar year, and a description of his/her remuneration components.

5.5. Information on the size of the board of directors and of any group of key staff, as well as on compensation schemes applying to them.

5.6. The name of the chairman, vice-chairman and members of the board of directors, and their total remuneration, including the criteria for its determination.

5.7. Information on performance-based and profit-based bonuses, staff funds and any other remuneration mechanisms within the remuneration system applying to other staff.

Appendix 4 Key provisions of the 2007 State Shareholdings and Ownership Steering Act

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. Up until the end of 2007, the applicable law was the act of 1991 concerning the State's exercise of powers as a shareholder in certain limited companies engaged in economic activities (740/1991, 'State Company Act'), The fundamental differences between the two lie in the provisions concerning decision-making powers and the legal norms governing the arrangements made in respect of the State's holdings in corporate entities; the new act did not mark changes in state ownership steering or its operating principles.

The state ownership policy and related norms and decisions apply, a priori, equally to listed and non-listed companies. While the state ownership policy is consistent, there are significant differences in the exercise of ownership steering between listed and non-listed companies since ownership steering must give due consideration to the public disclosures, securities market legislation and the related application guidelines and the large number of owners associated with listed companies.

Another difference between companies fully or partly owned by the State and other companies is that some of them perform a specific special function assigned by central government, meaning that the company may, instead of aiming at maximum financial performance, focus on fulfilling such a special function as well and as efficiently as possible. However, all the companies affected by state ownership steering operate, at least partly, on market terms and seek to make a profit. All the listed companies operate purely on a market basis and no distinction is made between them in terms of regulation or principles of ownership steering, irrespective of whether the State is a majority or minority shareholder.

The Ownership Steering Act is not a 'special act' with regard to the Limited Liability Companies Act and the Securities Market Act and does not therefore contain any provisions that would depart from those set forth in the said two acts. Additionally, the government proposal for the law has been drafted so as to ensure that due account is taken of current legislation.

A key objective for the legal reform was to clarify the powers of the various state actors and to update the technical details of the law to harmonise it with the provisions of the Limited Liability Companies Act, the Securities Market Act, etc.

Under the new law, it is Parliament that determines in which companies the State may relinquish sole ownership or control. As in the past, Parliament continues to exercise the ultimate decision-making powers in specifying the limits for state shareholdings in state majority-owned or minority-owned companies. In accordance with the inherent logic of the new act, the limits for state shareholdings in certain companies were changed because parliamentary authorisation is only required in two instances and the shareholding limits were adjusted to them. At that point in time, no decisions on relinquishing or reducing state shareholdings were made.

Key elements of the new act:

- The reform underlined Parliament's role in passing decisions concerning shareholdings in special assignment companies and market-based companies of strategic importance to the State. At the same time, the reform awarded more powers to the Government in respect of companies in which the State had no strategic interests.

- It was stipulated that parliamentary authorisation will be required for the relinquishment of sole ownership or a controlling interest (based on section 92 of the Constitution Act). As a result of the reform, the threshold for parliamentary authorisation was abolished or lowered in respect of nine companies – three of them being listed companies – and raised in respect of 15 companies.

- The various situations in which holdings are relinquished are now regulated in the Act in the same manner as in the Limited Liability Companies Act and Securities Market Act. The new provisions are neutral in terms of the means employed, meaning that what is crucial is the final outcome, not the method of technical implementation.

- The Act and the general grounds presented specify the criteria for the evaluation of the transaction price in a way similar to the procedures applied to the determination of value in connection with normal corporate acquisitions with due regard to the accepted practice in case of major share deals.

- The terminology has been updated and the provisions concerning the division of powers and duties between the Government and the ministries drafted so as to ensure maximum consistency and comprehensiveness.

Like the former State Company Act, the new Ownership Steering Act will only apply to companies in which the State has direct holdings. The Act is based on the exercise of shareholder rights in a group parent company as defined in the Limited Liability Companies Act. Consequently, the Act does not apply to the subsidiaries of unincorporated state enterprises in which shareholder control is exercised by the Board of such as an unincorporated enterprise in accordance with the State Enterprise Act, nor to the subsidiaries of groups of companies in which control is exercised by the parent company bodies as provided in the Limited Liability Companies Act.

Section 1 defines the scope of application of the Act. The Act applies to decision-making relating to state shareholdings and ownership steering. Consequently, the Act is intended for owners and will not concern the companies or affect their decision-making in any way.

Section 2 provides definitions of the concepts used in the Act, such as the decisions relating to share shareholding and state ownership steering. According to the Act, ownership steering refers to "the exercising of the State's right to vote in general meetings as well as to other measures by which the State as a shareholder contributes to companies' administration and operating principles".

The general grounds for this provision state that "in reality, it is the Board of Directors and executive management of the company that sound out the principal shareholders as regards major investments and other such projects" and that in such situations "informal contacts and exercise of influence based on ownership are an important part of ownership steering and an active approach to ownership".

At listed companies, the decisions as to what issues are discussed with the shareholders and when are always made by the Board of Directors or CEO. No obligation to do so can be imposed by the owners on a listed company. Investments and major changes to strategy are discussed with the shareholders because such decisions will require their endorsement at a later date. By contrast, issues falling within the exclusive competence of the Board of Directors are not presented to the shareholders in advance. Such issues include programmes to improve efficiency and profitability that may involve a considerable impact on human resources.

Sections 3 to 6 define the authority of the parties representing the State as an owner. Under section 5, the powers vested in the State as a shareholder and other ownership steering are exercised by the ministry responsible for ownership steering, i.e. the Prime Minister's Office.

Sections 7 and 8 concern the relinquishment of shares belonging to the State and the determination of fair value.

Section 9 stipulates the authority to issue decrees for the implementation of the Act. The decree issued under this provision identifies four companies in which the shares and votes held by the State represent less than 10% of the share capital as state associated companies. In August 2008 the companies were Arek Oy and FCG Finnish Consulting Group Oy.

Appendix 5 Limited Liability Companies Act and the competencies conferred thereunder

The current Limited Liability Companies Act entered into force on 1 September 2006. Chapter 1 of the Act sets out the general principles of limited liability company law. These include, among other things, the purpose of generating profit from which there can be a deviation only if so provided in the Articles of Association, the equal treatment of shareholders, and the duty of the management to promote the interests of the company.

Chapter 5, Section 1 on the General Meeting provides that shareholders shall exercise their decision-making powers at the General Meeting. Furthermore, in Section 2 of the same Chapter it is provided that the General Meeting shall only make decisions on matters that fall within its competence under the Limited Liability Companies Act. The General Meeting has no right to decide on matters that fall within the general competence of the Managing Director and the Board of Directors, and a shareholder only has the right to have a matter falling within the competence of the General Meeting under the Limited Liability Companies Act dealt with by the General Meeting. The General Meeting cannot thus be used as an instrument for amending or revoking the decisions made by the Board of Directors. The shareholders' decision-making powers only concern matters referred to as General Meeting matters in the Limited Liability Companies Act.

Business decisions are matters falling within the competence of the Board of Directors of the respective listed company on which the owner's opinion is not needed and decisions are not made by the General Meeting. If the owners are dissatisfied with the actions of the company's Board of Directors, the General Meeting may replace the Board of Directors or some of its members, but it cannot cancel the decisions of the former Board of Directors or give binding guidelines to the new Board of Directors.

The Boards of Directors of companies majority-owned by the State and of the State's associated companies are obliged to comply with the provisions of the Limited Liability Companies Act. Neither Boards of Directors nor any of their individual members have a right to deviate from the owners' common interest, which, for all listed companies, is expressly to generate profit for the shareholders. Deviations to this principle are possible in wholly state-owned unlisted companies, because there are no other owners. If the company has even one other owner, the afore-mentioned principle will apply without limitation, regardless if this other owner only holds one share while all the remaining shares are owned by the State.

- Chapter 1, Section 7 of the Limited Liability Companies Act prevents the General Meeting and the company's Board of Directors and management from making a decision that would confer an unjusfied benefit on a shareholder at the expense of the company or another shareholder. According to the underlying reasoning of this provision, this is to prevent "conferring an unjustified benefit of any kind on, for example, a majority shareholder at the expense of a minority shareholder".

Appendix 6 Insider trading rules as defined in the Securities Market Act

Under the Securities Market Act and the provisions of Chapter 51 of the Penal Code related thereto, disclosure of insider information is forbidden and disallowed as a criminal offence.

In 2005, Chapter 5 of the Securities Market Act was amended to include a new provision prohibiting the disclosure of insider information. According to the general grounds presented for the provision, it was specifically intended to limit access by shareholders to any advance information concerning the actions or decisions of the Board of Directors.

"Section 2 would provide provisions concerning a new way of committing an act of disclosure of insider information as compared with the present Penal Code. Under the new provision, it would not be permissible to disclose insider information to another person unless it was necessary for the performance of their regular duties in the course of their work or practice of profession. If insider information is disclosed by an issuer or a party acting on behalf of an issuer, such information should, as a rule, be publicized immediately. However, such information must not be published if the person receiving the information is obligated to hold it in confidence. The purpose of the proposed provision is to prevent the risk of any misuse of insider information. The disclosure of insider information concerning the operations of the company to third parties, as part of the performance of their regular duties or practice of profession, may be justified in certain situations. However, any disclosure of such information must be duly justified with regard to the operations of the company involved, and the recipient of such information must be aware of the confidential nature of the information received. The non-disclosure obligation required under the provision may, for example, be based on contract negotiations being conducted by the company where the company representatives may be required to disclose presumably confidential information to the other party. Any non-disclosure obligations imposed in connection with such contract negotiations will then remove the obligation to disclose the information to the market.

In practice, the prohibition of disclosure by a person appointed to the Board of Directors by a significant shareholder is further underlined by the obligation of such an appointee not to disclose such information to such a shareholder. Under the Penal Code, the existing provision cannot be deemed to limit the right of a member of Board of Directors to disclose insider information to the company by which they are appointed to the Board, providing that such insider information is not misused as defined in the provision concerning such misuse. However, the prohibition of disclosure does not apply to companies belonging to the same Group because, in such a case, any disclosure of such information may be deemed to be related to the performance of their regular duties".

In reality, the prohibition of disclosure means that issues may not even be discussed with owners in advance unless co-operation on the part of the owners is called for or if the disclosure is deemed to take place as part of the regular duties of the person doing so. The said amendment and, in particular, the arguments presented in support of the proposal have, in practice, restricted communications between the companies and the State in its capacity as an owner. As argued in the general grounds for the Ownership Steering Act, the point of departure for the ownership steering is the objective to keep in active contact with company management and be duly informed. However, in listed companies final decisions on any issues discussed will be made by the company representatives.

Appendix 7 Sources of information used

The Ownership Steering Department assumes full responsibility for the information and views presented in this annual report. The texts prepared by the Ownership Steering Department are based on the information disclosed by the companies, such as the annual reports, releases and web pages of the respective companies, or other information publicly available about the companies and the sectors in which they operate.

The companies' financial information has been collected from the financial statements released by the companies themselves. The financial information has been analysed using the equity analysis platform employed by the Ownership Steering Department. The platform is developed by Valuatum Oy. Based on valuation theory and analysis models commonly employed by the equity market, the platform is used by several professional investors.

The key financial indicators calculated for the companies often involve choices about the items to be included in the calculation. These choices and valuations have been made by the Ownership Steering Department, which thus assumes responsibility for the key financial indicators presented in this report.

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