



GOVERNMENT OWNERSHIP STEERING



FINANCIAL ANNUAL REPORT 2015

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PRIME MINISTER'S OFFICE
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LET'S PUT THE BALANCE SHEETS TO WORK!

A new government was elected for the country during the reporting period 2015. At the same time, responsibility for the State's ownership policy was assumed by the undersigned. After a challenging yet successful year, the Government staked out a new policy in spring 2016 for managing its corporate assets. It was crystallised in the Government Resolution on State-Ownership Policy released in May.



THE FOUNDATION FOR THE NEW POLICY WAS LAID IN THE Government Programme which calls for using state ownership as a tool of active reform of Finnish society. Capital reserves need to be put to more efficient use, and current holdings need to be managed more actively. It is imperative that we generate new economic activity in this country. The first step is to put the balance sheets to work.

One area where there is potential for action by the State in its capacity as an owner and shareholder is the development of the platform economy. Investments in the platform economy may foster new private business and create opportunities for assuming a leading role in new areas. This, in turn, will contribute to the attainment of the Government's long-term employment objectives.

The market capitalisation of state-owned companies relative to the GDP is greater in Finland than any other country in Europe. The Government's new policy seeks to ensure that the corporate assets held by the State are put to more efficient use to boost economic growth and employment. As an owner and shareholder, the State should stake out evolutionary paths for the companies in which it holds interests in order to generate growth. To achieve this, a specific off-budget Business Development Company will be established during 2016. This arrangement will make it possible to use the released capital reserves to generate new business, reinforce the capital base of the companies held in the development company's portfolio and implement corporate restructuring schemes more efficiently. Initially, state holdings in the following companies will be transferred to the business devel-

opment company: Altia, Arctia, Ekokem, Kemijoki, Neste, Nordic Morning, Finland Post, Raskone and Vapo.

The Government's ownership policy involves a long-term approach that calls for a parliamentary commitment spanning several electoral periods. To ensure managed implementation and reinforce the role of Parliament in this context, a Parliamentary Advisory Council will be established in the Prime Minister's Office for this purpose. It will serve in an advisory capacity, reviewing the Government's ownership policy, evaluating the general principles of ownership steering and more generally determining the limits of changes in government holdings for which parliamentary authorisations are required. The Advisory Council will not be consulted regarding the actual business in which the individual companies are engaged.

The State holds major interests in companies deemed to involve a specific strategic interest. This strategic interest has been secured by ensuring either a 100 per cent or 50.1 per cent stake in these companies. The limits of ownership and adjustments to these limits are determined by Parliament. Aside from these limits, it has been found appropriate to introduce an additional lower limit of 33.4 per cent to safeguard the strategic interest. It is enough, for example, to veto any unwanted amendments to articles of association.

In the second supplementary budget for 2016, the Government proposes to Parliament that the limits in respect of Gasum and Finngrid be raised from zero to 50.1 per cent. In contrast, the new lower limit would be applied to Vapo and Neste where the minimum holding would be reduced from 50.1 to 33.4 per cent. With Arctia and Finland Post, the authorisation limit would fall from 100 to 50.1 per cent and in Kemijoki from 50.1 per cent to zero. The proposed company-specific limits for state ownership are based on an assessment of the companies' strategic significance.

At the same time, the ministries responsible for ownership steering in respect of the various state-owned companies were re-assessed. Aside from the gaming company in respect of which the decision has already been made, responsibility for ownership steering will be assumed by the Prime Minister's Office from the Ministry of Transport and Communications for Finnavia and Finnair and from the Ministry of Education and Culture for the Finnish Aviation Academy. Additionally, responsibility for ownership steering in respect of Finrail will be reassigned

from the Prime Minister's Office to the Ministry of Transport and Communication. The timetable for the transfers will be determined in more detail following due assessment of the individual companies.

Values provide the foundation on which all decision-making is based. State-owned companies need to set a moral example on value-based management and corporate social responsibility. Underlying this concept is the idea that the success of a company is largely determined by the success of the community in which it operates.

In a global economy, it is of great importance that state-owned companies adopt a long-term view in their efforts to shore up their competitiveness. Corporate social responsibility is an integral part of sustainable competitiveness. For instance, it should be reflected in the principle that taxes are paid to the country in which the profits are earned. Minimisation of taxes through the use of tax havens is unacceptable. At the same time, efforts must be made to ensure companies' capacity for renewal while taking proper care of the personnel.

As a shareholder in listed companies, the State wishes to promote people's capitalism by encouraging personnel to acquire shares in their employer companies. Similarly, the State urges the executives of listed companies to personally invest in the equities of the companies that they manage, for example in connection with recruitment and otherwise. This is a way of demonstrating commitment, an entrepreneurial spirit and confidence in the company's growth and development. In the State's view, future executive contracts of employment to be concluded by listed companies and comparable unlisted companies should not specify levels of compensation where the pay for the notice period and severance package combined exceeds the regular 12 months' pay.

I wish to thank all stakeholders for the successful management of the State's corporate holdings during 2015 and given the new policies I believe that we will put in an even better performance in the future.

Wishing you all a sunny summer,

Juha Sipilä
Prime Minister



GIANT SHOWS GREATER AGILITY

The market capitalisation of all state holdings in various companies is estimated at around EUR 30 billion. Of this, interests in listed companies account for about half, or EUR 15 billion, with the remaining 48 non-listed companies standing for the rest. At beginning of the 2000s, the State's corporate assets were even greater. Whatever the reasons, it probably does not come as a surprise to anybody that the requirements being imposed on sound and active ownership have greatly intensified over the past few years in areas such as.

BOARD APPOINTMENTS, EXECUTIVE REMUNERATION, corporate responsibility and sustainability and, more recently, the tax footprint. Familiar themes to everybody, not least to the State. Every year, the State appoints board members or proposes candidates to around 30 annual general meetings of shareholders. Identifying and selecting people with business acumen capable of meeting the requirements presented by the companies and increasing shareholder value is the main tool available to an owner and shareholder. By the time people in other countries started demanding that a minimum of 40 per cent of board positions should be reserved for women, the Finnish State had passed that mark by a wide margin. Guidelines for executive remuneration have been in place for some twenty years and every new policy decision on remuneration has also spilled over to the private sector. Similarly, the CSR reporting obligation imposed by the State is often cited as the motive for assessing the standard of reporting in the Finnish context. The latest requirement concerns tax footprint reporting. Here too Finland is a pioneer even by European standards, thanks to the efforts of the State.

Of course, there is no denying that the State has also failed as an owner. Political guidance has been offered

where none was needed, and public officials have not always acted in a way likely to maximise shareholder value. But it is not so much a question of mistakes, rather the fact that the world is changing. This holds true for Solidium, for instance. The holding company was established in 2008 to respond to the conditions prevailing at that time. Over the years, the demands made in respect of state holdings have changed to the extent that Solidium's business model no longer responds to the requirements of the times. However, the holding company model has proved to be an effective tool conducive to agility. It is just that its business model needs to be more adaptable to present-day concerns in terms of political power and responsibility.

The State's share portfolio is disproportionately large. Relative to the size of the economy, it is one of the largest – if not the largest – in the world. No interest or holding should be an end in itself; instead, it must be justified by sound arguments. This is something that has not yet been fully achieved. Instead of competing with the private sector, the State should act as an enabler when the private sector is unable to accomplish something unaided. However, progress is being made towards this goal by continually challenging the status quo.

One category of state holdings is represented by what is known as 'special assignment companies' with a specific mission defined by the State, sometimes even



PHOTO: LAURA KOTILA

by law. This is a situation that needs to be challenged on an ongoing basis – would it be possible to fulfil these obligations in some other way? If this obligation is lifted, the company will become just another corporate asset held by the State. Some of these holdings are deemed to represent a certain strategic interest, typically the maintenance of emergency stocks of critical supplies. If, however, this strategic interest is removed, what is left is a pure financial invest-

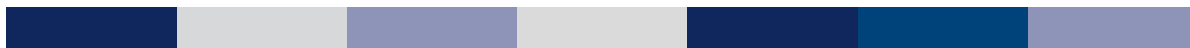
ment which needs to be judged by financial criteria. Even though the current trend is positive, the number of state-owned companies has increased. This is due to the fact that some state functions have been incorporated, something that will continue into the foreseeable future. The resulting increase in the number of state-owned companies is – or at least should be – a temporary phase on the way towards the desired end state. The goal should be to reduce the number of state-owned companies. Regardless of the number of companies, the State is duty-bound to manage its large portfolio responsibly. No owner, as such, makes a company bad.

At its best, the state-owner is proactive. At its worst, it is erratically reactive. To a limited company, reactive populism is simply toxic.

When this happens, decisions are not guided by efforts to increase shareholder value, but by motives designed to gain political capital. To avoid a reactive policy, competent preparation by civil servants and a pragmatic approach on the part of political decision makers are called for. Failing that, it is easy to end up in a situation where the state-owned companies become subject to conflicting requirements. If and when it is required that companies must be operated on a commercial basis, let us allow them to do so. The same applies to the State itself: if projects are put out to open tender, it should not be done just for its own sake, it should be done in order to improve the standard of service and user experience.

Currently there are 63 companies in the State's portfolio. The Government has announced that changes are in the pipeline. Last winter the State offered training for non-listed companies in view of potential listing. It is just one example of how this giant is becoming increasingly agile.

Eero Heliövaara
Director General



STATE ACQUIRES GAZPROM'S INTERESTS IN GASUM

IN DECEMBER 2015, THE FINNISH STATE BOUGHT all PJSC Gazprom's shares in the gas company Gasum Ltd. Previously, Gazprom held a 25 per cent interest in Gasum. As a result of this transaction, Gasum became a wholly state-owned Finnish company. The decision to buy the Gasum shares was motivated by the fact that gas in its various forms plays a central role in Finnish energy policy and enables a cost-effective transition towards a carbon-neutral society.

Gasum is actively developing the Finnish gas market. Efforts to develop the gas pipeline market and infrastructure in southern Finland will continue. At the same time, the company is investing heavily in the production of domestic biogas, as well as building the infrastructure for liquefied natural gas (LNG) independently of the gas network. The investments in gas will make it possible to reduce the use of coal and oil-based products in the future and replace them with gas, a considerably lower-emission option not only for industry, but also for the co-generation of electricity and heat and for land and sea transport.

PREPARATIONS FOR THE MERGER OF FINNISH GAMING AND BETTING OPERATORS BEGIN

PREPARATIONS FOR THE MERGER OF THE THREE Finnish gaming and betting operators – Fintoto Oy, Veikkaus Oy and Finland's Slot Machine Association (RAY) – began in the autumn of 2015. As a first step, the Prime Minister's Office established a temporary company called FRV Oy to prepare the integration. Later in the second phase of the combination, a completely new, wholly state-owned gaming company will be founded. The Finnish State owns 55 per cent of the shares in FRV with the three gaming operators holding 15 per cent each. The Ministry of the Interior will be responsible for drafting the legislation on lotteries and distribution of revenues. Progress of the project will be monitored by Parliament. FRV will be responsible for ensuring operational cooperation during the transition until the new laws on the merger are enacted, presumably as of 1 January 2017. The existing gaming and betting operators will continue to operate independently until the new laws enter into force.

The merger of the gaming operators is based on an unanimous report issued during the previous electoral term with parliamentary support. The objective is to maintain the monopoly of the Finnish gaming system, which is based on the exclusive rights of the national operators. It is the most effective way of reducing the negative social and health effects of money games and preventing misuse. Additionally, the revenues from gaming and betting will continue to be used for public-interest purposes.

KONGSBERG ACQUIRES MINORITY INTEREST IN PATRIA

IN MARCH 2016, THE FINNISH STATE SIGNED an agreement to sell 49.9 per cent of Patria Industries, a defence company, to Kongsberg Defence & Aerospace AS. A key objective of the transaction was to further improve Patria's competitiveness and boost its profitable growth. The partnership will offer Patria new opportunities in servicing, system deliveries and production of components for the aerospace industry. Patria, Kongsberg and Nammo, a joint venture co-owned by Patria and the State of Norway, will together form a leading Nordic company in its field.

Kongsberg is an international, knowledge-based group that supplies high-technology systems and solutions to customers in the oil and gas industry, the merchant marine, and the defence and aerospace industries. With a presence in over 25 countries, the company operates a worldwide marketing network. The company has concluded strategic partnering agreements with leading international defence industry operators.

ALTIA IMPROVES PROFITABILITY

ALTIA'S CONSOLIDATED OPERATING INCOME rose to EUR 25.3 (-18.6) million, which is 6.6 (-4.4) per cent of total sales. Operating profit excluding non-recurring items increased by 2.0 percentage points, representing 6.2 per cent of net sales. The return on investment increased to 8.6 (-4.0) per cent. Underlying the strong performance was the restructuring of operations carried out over the past two years and a number of strategic changes.

FINNAIR TURNED ON TRACK

DESPITE A MODEST INCREASE IN NET SALES, Finnair put in a good performance showing an operating income of EUR 23.7 million (EUR -36.5 million). The return on investment increased to 12.2 (-6.5) per cent. Year-on-year, the company's financial result improved in each quarter.

WORKING GROUP PROPOSES ADJUSTMENT TO THE HOLDING COMPANY MODEL

THE CIVIL SERVICE WORKING GROUP APPOINTED to assess the role of Solidium Oy, a state-owned holding company, submitted its report to Minister Sirpa Paatero in May 2015. In its report, the working group consisting of experts from the Prime Minister's Office, Ministry of Finance and Ministry of Employment and the Economy concluded that the holding company model had proved useful in managing the State's corporate assets. The working group proposed that the guidelines be updated to better reflect the objectives established for Solidium by the State in its capacity as the owner of the company.

NESTE POSTS IMPRESSIVE PROFITS

NESTE ACHIEVED A RECORD OPERATING INCOME of EUR 925 (583) million, up almost 60 per cent on 2014. All business areas succeeded in improving their financial performance. The price of crude continued to fall which made a dent in sales, yet the margins remained high. The average return on investment after taxes exceeded the long-term target level of 15 per cent.

STATE OWNERSHIP STEERING

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



**SUPPORT FOR LONG-TERM GROWTH
IN SHAREHOLDER VALUE**

COMPANY DEVELOPMENT

**PROMOTION OF SUSTAINABILITY
AND CORPORATE RESPONSIBILITY**

PRIMARY OBJECTIVES

The key objectives and principles for the **OWNERSHIP STEERING POLICY** are established in the Government Programme for the entire electoral period.

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

SPECIAL ASSIGNMENT COMPANIES

OTHER MINISTRIES

7 ministries

- Responsibility for ownership steering

21 companies at the end of 2015

MAIN TOOLS OF OWNERSHIP STEERING

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



OPERATION AND OBJECTIVES OF OWNERSHIP STEERING

This 2015 annual financial report will review the operations of the State Ownership Steering Department in the Prime Minister's Office and the holdings in its portfolio.

AT END OF 2015, THE STATE HELD SHARES IN a total of 63 companies of which 26 were special assignment companies, while 37 operated purely on a commercial basis. Some of the companies are of special strategic interest as defined by the respective ministries. Of the commercial companies, ownership steering was exercised by the Prime Minister's Office in respect of 21 companies and by the Ministry of Finance in respect of one company. Solidium Oy, the state-owned holding company, was responsible for 12 companies in which it held a non-controlling interest. All the commercial companies operate in a competitive environment under the same conditions as their competitors.

Ownership steering in respect of special assignment companies is exercised by the respective ministries and ministers. The objectives established for these companies is that the special mission assigned to them is successfully accomplished. However, their business operations are managed on a market basis.

Operation of ownership steering

Underlying state ownership steering policy is the government programme specifying the main objectives and

programmes for the government term. The Government resolution on ownership steering policy outlines the key principles and operating practices of ownership steering by the State.

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

The State ownership policy applies to listed and non-listed companies alike. In reality, all significant differences between listed and non-listed companies in the context of ownership steering are due to the securities market legislation governing listed companies. Another substantial difference exists between commercial companies and special-assignment companies. The latter are to serve a specific predetermined function as effectively as possible.

State ownership steering must be exercised in a manner that permits contacts between the companies and the State, in its capacity as a major owner. All insider trading rules are complied with without exception; company plans and business secrets are treated in the strictest con-

fidence; and non-disclosure of the State's business secrets in the context of the management of its ownership policy is duly ensured. In terms of practical ownership steering, there is a fundamental distinction between listed and non-listed companies, because the latitude given to the management of listed companies to inform a single shareholder is strictly limited.

As an owner, the State calls for transparency in all corporate activities, respect for the employees, and responsible action with regard to the environment. When appointments are made to boards of directors and executive management, due consideration must be given to the attainment of equality objectives by ensuring that both genders enjoy equal opportunities for career advancement. Executive remuneration must be based on the company's competitiveness and financial performance.

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

The primary communications channel used by the Ownership Steering Department is the website valtioniomistus.fi and [@valtioniomistus](https://twitter.com/valtioniomistus). They provide information on the latest developments in state ownership steering, regulations and policies governing ownership steering and topical issues related to companies.

Objectives of ownership steering

As an owner, the State seeks to maximise the overall financial and social benefit in the management of its

assets. The financial benefits generated by the companies consist of dividends and potential extensions of the ownership base. The social benefits accrue as a result of the State's actions as an owner in a society where changing social needs have to be considered at every turn.

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

As an owner, the State shall act as transparently and responsibly 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 the commercial companies must be able to trust that such companies enjoy no special privileges because of State shareholdings.

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vnk.fi

REMUNERATION
BOARD APPOINTMENTS
IMPACT ON SOCIETY
CORPORATE SOCIAL RESPONSIBILITY



REMUNERATION

STATE-OWNED COMPANIES ARE DIVIDED INTO listed companies, commercial companies and special assignment companies entrusted with a specific state-defined mission.

Listed companies include all state-owned listed companies (incl. Solidium companies); commercial companies include non-listed companies engaged in business

operations on a commercial basis; and special assignment companies include other state-owned companies (incl. the companies of the Technical Research Centre of Finland VTT). The information provided here concerns Chief Executive Officers and all the figures released are median values. The comparative data are derived from companies listed on NASDAQ OMX Helsinki Ltd. The comparative data on non-listed companies are divided into large cap companies (sales exceeding EUR 500 million) and medium cap companies (sales less than EUR 500 million).

Fixed basic salary means taxable monthly income, inclusive of all perquisites convertible into cash in addition to the regular salary. Fixed monthly salaries have been rounded up to the nearest thousand. Performance-based bonus means a bonus based on the annual financial result of the company. Long-term incentives include share-linked schemes, long-term cash bonuses or similar rewards requiring a commitment or an earnings period exceeding one year. A supplementary pension is a pension in addition to the statutory pension. In a defined benefit system, the amount of the pension benefit is predetermined based on pay history or part of it. In an accrual based system, the pension premium is pre-defined and the pension benefit determined by the premiums accrued and the return earned on the premiums.

STATE-OWNED COMPANIES	Qty		Benchmark
LISTED COMPANIES	15	State-owned listed companies	NASDAQ OMX Helsinki listed companies
COMMERCIAL COMPANIES	21	State-owned non-listed commercial companies	Non-listed large cap companies (sales over € 500m)
SPECIAL TASK COMPANIES	21	State-owned non-listed special task companies	Non-listed mid-cap companies (sales under € 500m)

COMPONENTS OF REMUNERATION

Fixed salary	Taxable income including perquisites
Performance bonus	Bonus for annual financial result or performance
Max. performance bonus	Maximum bonus under performance bonus scheme
Target performance bonus	Bonus level based on attainment of objectives; typically half of the maximum
Long-term incentive	Cash and share-linked systems with an earning/commitment period of over one year
Supplementary pension	Defined benefit or accrual-based supplementary pension in addition to statutory pension

Movement in basic salaries

Generally, the fixed monthly salaries of CEOs in state-owned companies in 2015 were at a par with market levels. At listed companies, the median monthly salary was EUR 52,000 (2014: EUR 52,000), which was equivalent to the companies of comparable size listed on NASDAQ OMX Helsinki Ltd. At commercial companies, the median CEO

salary was EUR 18,000 (2014: (EUR 18,000) and at special assignment companies EUR 15,000 (no comparative data available because of changes since 2014). At large cap companies included in the comparative statistics, the median monthly salary in 2015 was EUR 36,000 and at medium cap companies EUR 24,000. The fixed monthly salaries of executive management did not increase at state-owned companies relative to 2014. Similarly, the movement of salaries in the reference group was 0 per cent.

Performance-based bonuses paid

At state-owned companies, the median maximum performance-based bonus was 60 per cent of the basic annual salary, slightly below the market level applied by listed peer companies. For commercial companies, the ceiling for performance-based bonuses was 38 per cent and for special assignment companies 30 per cent of the basic annual salary. The maximum performance bonus at large cap companies in the reference group was 56 per cent and at medium cap companies 50 per cent of the basic annual salary. The maximum bonuses paid under the incentive schemes of state-owned companies in 2015 remained largely at the same level as in 2014.

At state-owned companies, the performance-based bonuses earned in 2014 and paid out in 2015 were 29 per cent of the **basic annual salary**, the corresponding figures being 12 per cent for commercial companies and 17 per cent for special assignment companies. In 2015, the market median was 39 per cent of the basic annual salary for listed reference companies, 35 per cent for non-listed large cap companies, and 15 per cent for medium cap companies.

The profit-based bonuses paid by state-owned listed companies in 2015 were 46 per cent of the **maximum performance-based** bonus, the corresponding figures for commercial companies being 44 per cent and for special assignment companies 65 per cent of the maximum. In 2015, the market median for the reference group was 53 per cent of the maximum for listed companies, 60 per cent for large cap companies and 29 per cent for mid cap companies.

The performance-based bonuses paid by state-owned listed companies in 2015 were 85 per cent of the **target bonus**, the corresponding figures for commercial companies being 71 per cent and for special assignment companies 117 per cent of the target. In 2015, the market median of peer companies was 90 per cent for

listed companies, 106 per cent for large cap companies and 76 per cent for medium cap companies.

Long-term incentive rewards

Of the CEOs of listed state-owned companies, practically all had long-term incentive plans while the corresponding figure for CEOs at commercial companies was over 30 per cent. By contrast, the CEOs of special assignment companies have no long-term incentive schemes in place. As the earnings periods under the schemes are long and the rewards are not paid out annually, the bonuses earned under them vary considerably from year to year. Consequently, the bonuses paid are not comparable year-on-year.

At the state-owned companies offering long-term incentive rewards, the target level median was 40 per cent of the basic annual salary.

Supplementary pensions and other benefits

Of the CEOs of listed state-owned companies, some 70 per cent had supplementary pension plans while the corresponding figure for CEOs of commercial and special assignments companies were over 30 per cent and about 25 per cent, respectively. Most of them are accrual-based plans with only a few defined-benefit plan remaining at present. The annual contributions towards the CEOs' supplementary pensions represent some 20 per cent of the fixed annual salary, which is consistent with the prevailing market level. Of the CEOs of the listed reference companies, over 75 per cent had supplementary pension plans; the corresponding figures for the CEOs of large and medium cap companies are approximately 85 per cent and 50 per cent, respectively.

CHIEF EXECUTIVE OFFICERS	STATE-OWNED COMPANIES		
	Listed companies	Commercial companies	Special task companies
Fixed monthly salary, €	52 000 €	18 000 €	15 000 €
Maximum performance bonus, % of salary	60 %	38 %	30 %
Performance bonus paid, % of salary	29 %	12 %	17 %
Performance bonus paid, % maximum	46 %	44 %	65 %
Performance bonus paid, % of target	85 %	71 %	117 %

REMUNERATION
BOARD APPOINTMENTS
 IMPACT ON SOCIETY
 CORPORATE SOCIAL RESPONSIBILITY



AS A SHAREHOLDER, THE STATE ACTS EXACTLY IN THE SAME WAY AS PRIVATE OWNERS

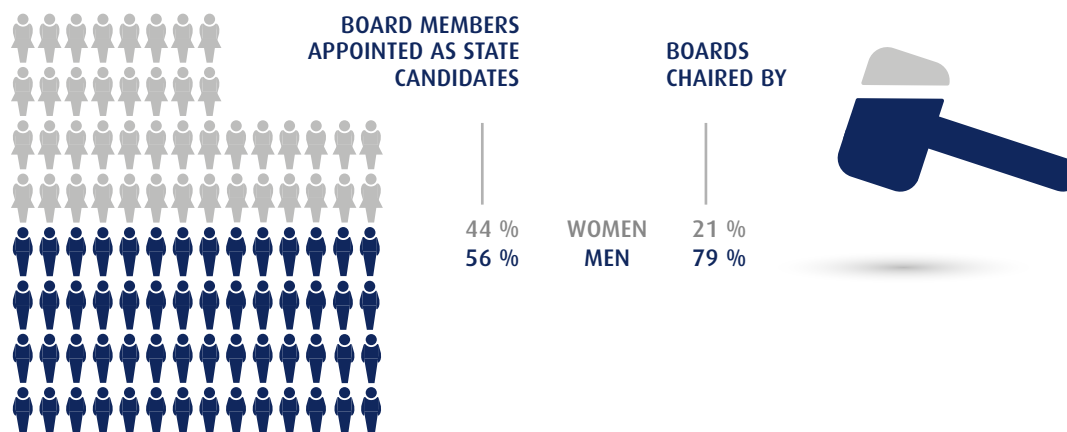
The State's expectations regarding the boards of directors of state-owned companies and their workings are identical to those of private shareholders with no extraordinary restrictions or requirements being imposed. Even in companies in which the State holds interest, the boards of directors are free to make decisions independently. In its exercise of ownership steering, the State complies with the division of duties and responsibilities between the various company organs and shareholders as provided in the Limited Liability Companies Act.

HOWEVER, THE ROLE OF THE BOARD OF directors extends far beyond the duties and obligations imposed by law. For example, it is the board of directors that makes decisions on the appointment and dismissal of the chief executive officer and determine the company's strategy, which must be up to date and capable of responding to the developments taking place in the operating environment. The board must act responsibly and be able to identify the changes in society that affect, say, the expectations of the stakeholders. Risk management must be forward-looking and the board of directors capable of identifying the most relevant risks affecting the business operations. All risk-taking must be calibrated to the company's risk-bearing capacity. When risks are realised, the company must take prompt and determined action to minimise losses.

Over the past few years, increasingly stringent requirements are being imposed on directors serving on a company board. The operating environment and business models have been and are being reshaped by technological advancements and globalisation. Similarly, recent changes in the financial markets have posed new challenges which each board member is called upon to tackle. There is no return to the past and the rate of change shows no signs of slowing down.

As the board of directors seek to increase the value of the company, they need to consider the interests of all the shareholders. Even if a single owner holds a clear controlling interest in the company, the board may not exclusively pursue the interests of such a majority shareholder.

Accordingly, the main task of the owners is to ensure that the board possesses sufficiently diversified expertise and capabilities to provide maximum support for the executive management in running the business.



The board's expertise must be wide-ranging and not just limited to the line of business that the company itself is engaged in. The boards of directors of companies operating in the world market must also have experience in international business.

A good board of directors is diversified not only in terms of its expertise but also in its composition. Both genders and people of different age groups should be equally represented. The State's objective is that neither gender should have less than 40 per cent of the State's board appointments. Failure to meet this objective can usually be explained by the total number of board positions available or the number of members that the State is authorised to appoint under shareholders agreements.

The general meeting of shareholders – in which the State is represented either by the minister responsible for ownership steering or a person designated by the minister – appoints the members of the board of directors and often also the chair of the board. In wholly state-owned companies, the Ownership Steering Department proposes the candidates directly to the meeting of shareholders. When identifying potential candidates for board membership, the State draws upon a resource pool put together and maintained by an external expert. At many of the companies in which the State is not the sole owner, the largest shareholders form a nomination committee to prepare the issues related to the composition and remuneration of the board and to propose candidates

for board membership to the meeting of shareholders. Solidium Oy, the wholly state-owned holding company, seeks to be active in the nomination committees of the companies in which it holds interests.

In 2015, the Ownership Steering Department proposed candidates for board membership to the annual general meetings (AGMs) of shareholders or the nomination committees of 28 companies. All in all, there were a total of 172 members on these boards, of whom the State had appointed 146. At the meetings of shareholders held during the year, a new chair of the board of directors was elected for a total of seven companies. Of all State-appointed members, women accounted for 44 per cent of the total in 2015. Six boards of directors were also chaired by women.

During 2016, the Ownership Steering Department has proposed or will propose candidates to the AGMs or nomination committees of 30 companies. All in all, these boards of directors have 178 members, of whom the State may appoint 156. At the AGMs held this spring, the duties of the chair of the board were transferred to a new person in six companies. Of the appointees, 22 will begin their first term on the board of directors of a state-owned company. About 43 per cent of the state-appointed board members are women. The number of female chairs of board will increase from 2014 as the boards of directors of eight companies are currently chaired by women. Two of them are first-timers as a chair of the board of a state-owned company.

REMUNERATION
 BOARD APPOINTMENTS
IMPACT ON SOCIETY
 CORPORATE SOCIAL RESPONSIBILITY



THE STATE OWNER HAS THE ROLE OF ENABLER

IN 2015, THE COMBINED NET SALES OF STATE-owned companies in respect of which ownership steering is exercised by the Prime Minister's Office and Solidium reached EUR 73 billion. All in all, they employed 196,000 people, of whom 78,000 worked in Finland. The total dividends paid by these companies to the State out of the 2015 profits amounted to EUR 1.1 billion. The aggregate amount of taxes paid by the companies ownership-steered by the Prime Minister's Office was EUR 5.8 billion.

Proceeds from the sale of direct holdings in the State's portfolio during 2010–2015 totalled EUR 152 million. Solidium's proceeds from the sale of shares during 2010–2015 totalled some EUR 3.5 billion. In 2015, the sales proceeds were approximately EUR 1.2 billion.

The State holds controlling or non-controlling interests in a total of 60 companies. It owns shares in the largest companies listed on the Nasdaq OMX Helsinki Stock Exchange. State-owned companies operate in a wide range of fields. As far as limited companies go, the State is

just one of the shareholders, which is why the Ownership Steering Department must give due consideration to the other shareholders as well. Most of the State's direct holdings are held in energy and logistics companies, whereas Solidium's portfolio includes basic industry, engineering workshops and information technology.

As an owner, the State seeks to maximise the overall financial and social benefit in the management of its assets. The social benefits are derived from due consideration of the social factors in the ownership policy and steering. Financial performance is measured by the revenues generated by the companies in the form of dividends and sales proceeds. As an owner of companies, the State must not be just reactive; where possible, it should also take proactive action. The State plays an important role as an enabler. It can implement projects of national importance that may otherwise fail to be launched or achieved by the private sector alone.

The State's corporate holdings are divided into three categories. Special assignment companies have specific state-specified objectives related to some central function vital to society. Ownership steering in respect

of special assignment companies is exercised on a commercial basis with due regard to the operational costs resulting from performance of the state-assigned function. These companies are expected to be financially sustainable despite their special mission. Some of the operations of these companies are governed by specific statutes that shape ownership policy and ownership steering by the State.

Companies operating on a purely commercial basis are subdivided into companies of strategic interest and companies of financial interest. No limit is established by Parliament for the size of the holdings in companies of financial interest and decisions regarding their ownership base may be made by the Government. Strategic interests are defined by the ministries responsible for the oversight and regulation in the field involved. Strategic interests may relate to the maintenance of emergency stocks or infrastructure, national defence or the obligation to provide basic services. Companies operating in a competitive environment are always governed by normal objectives regarding profitability and competitiveness. State ownership of a company may not distort its competition neutrality. The State needs to make sure that the company enjoys the same privileges and fulfils the same obligations as other players in the market.

Irrespective of the type of interest concerned, the State requires that company operations are sustainable. This supports the long-term growth of shareholder value which, for the State's part, also involves a social aspect. Corporate social responsibility is an important compo-

nent of a company's reputation. Being an integral part of society, companies need to control the implications of their operations for the environment and stakeholder groups and be able to act as responsible corporate citizens in every respect.

Although the State imposes certain requirements on the limited companies in which it holds interests, they are only obliged to comply to the extent proportional to the State's ownership share. When the State holds a non-controlling interest in a company, it represents the views and positions of a major minority owner. With regard to its ownership steering activities, the State abides by the division of responsibilities and duties between the corporate bodies and owners as provided in the Limited Liability Companies Act. According to the principles of good governance, the board of directors and members of the executive management have their own responsibilities, obligations and rights. In real terms, this means that instead of managing the companies, the State only serves as an owner and shareholder. Obviously, if the State is the sole owner of a company, operational management is closer to the owner than in a company with distributed ownership.

With commercial companies, ownership steering and regulation are kept apart. With special assignment companies, the ministry serving as the regulatory authority in the field of activity involved may also be responsible for ownership steering in respect of the company it oversees. In the case of commercial companies, overlapping ownership and regulation could lead to the distortion of competition neutrality.

REMUNERATION
BOARD APPOINTMENTS
IMPACT ON SOCIETY
CORPORATE SOCIAL RESPONSIBILITY



CORPORATE SOCIAL RESPONSIBILITY AND TAX FOOTPRINT

As an owner, the State's goal is to exercise its influence as a shareholder to promote responsible policies and so increase the shareholder value of the companies.

IN THE OWNER'S VIEW, CORPORATE SOCIAL responsibility (CSR) contributes to the companies' financial performance and so plays an important role in the efforts to increase shareholder value. Corporate social responsibility issues have been integrated as part of the financial analysis and strategic efforts of the Ownership Steering Department. The State has pursued an active dialogue with the companies in which it holds interests on the results of this work.

Especially with small and medium-sized companies, we have not yet achieved the hoped-for results in terms of establishing adequate CRS objectives and measuring performance. As an owner, the State expects companies to closely integrate corporate social responsibility into their business operations and efficient CRS management based on the identification of the issues essential to the company. Clear and ambitious CRS objectives are an important part of an efficient management system. Consequently, CRS objectives and reporting will most likely be highlighted in the future Government guidelines for state ownership.

Many companies are in their business strategies paying growing attention to current megatrends, such as

climate change and its mitigation, scarcity of resources, population growth and urbanisation. Aside from the carbon footprint, water footprint, clean water and access to it are gaining importance as part of overall corporate responsibility and sustainability. Human rights and the tax footprint remain topical issues in the context of corporate social responsibility.

Overall, positive steps have been taken in performance in CRS management by the companies held in the portfolio of the Prime Minister's Office during 2015. A large number of companies have improved their performance relative to 2014 and the worst under-achievers have taken a giant leap forward. The State sees an efficient and goal-oriented CRS management system as an important contributor to shareholder value, which can only be increased by a CRS policy fully integrated into the corporate culture and business. No doubt, the expectations of the other stakeholders regarding CRS issues have also grown, but the owner's views have clearly had an impact.

One particularly positive development is that an increasing number of companies are finding CSR-related business opportunities. For the State, corporate social responsibility is, above all, a way of increasing the value of its holdings. The new business opportunities created

by CSR is the finest outcome of the efforts to attain these goals. At the same time, the ability to identify and manage CSR-related risks has improved since 2014.

Tax reporting

The European Commission's proposal on public tax transparency rules for multinationals operating in the EU was submitted on 12 April 2016. The aim is that the proposal will amend the Accounting Directive. According to the proposal, tax-related information must be published also for operations in so-called tax havens, and aggregated data must be provided for total taxes paid outside the EU. In Finland, state majority-owned companies have been obligated to report their country-by-country tax-related information since 2015.

At the end of 2015, the State held a total of 28 companies in its portfolio. Only two of them failed to report on their tax footprint in spring 2016. Almost all companies have improved the level of reporting at least in some respects relative to 2014.

More than one third provided a description of the organisation and management of tax issues. Two thirds outlined the principles of their tax planning, tax strategy and its objectives in their reports. Most, however, just declared that they complied with the local laws and regulations. A majority of the companies explained the principle of materiality they applied, which was the amount, almost without exception. When information was excluded, it was usually done with reference to confidentiality.

Of the tax-related key indicators, the companies reported net sales, profit before taxes and the number of personnel. A few companies used in-house indicators to report their tax information. One third failed to report taxes by country or type of tax; however, some reported

the figures for Finland separately. A few companies disclosed the public subsidies received. Some provided information on operations in tax havens or reported that they had no such operations. More than half of the companies also disclosed the figures for the reference year.

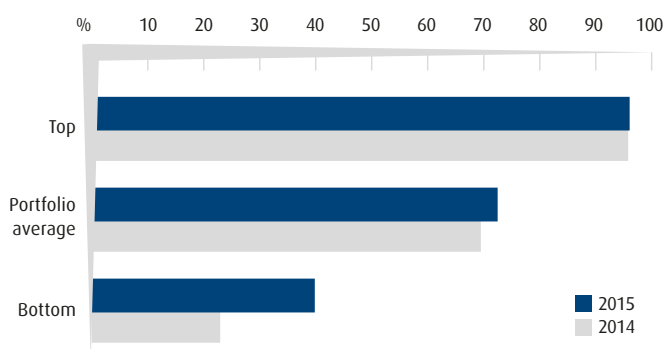
In 2015, the taxes paid and accounted for by the companies totalled EUR 5.8 (6.5) billion. Total taxes accounted for and paid to Finland amounted to some EUR 4.5 (4.8) billion. As far as the individual types of tax are concerned, it was noted that the actual business income tax accounted for only a small portion of all the taxes paid by the companies. The biggest sources of tax revenues were excise duties and value added tax (net), followed by taxes on earned income and employer contributions.

The aggregate profit of all the companies combined amounted to EUR 0.8 (EUR 5.1) billion before taxes. The comparability of taxable profits is complicated by the large non-recurring items during the reporting period and significant tax-exempt increases accumulated during the previous year. In 2015, companies in Finland showed an aggregate profit of EUR 1.0 (4.0) billion out of which a total of 0.1 (0.2) billion was paid in taxes. According to the reports, 70 (70) per cent of the total reported net sales of the companies was generated in Finland. Of all the people employed by the companies, 73 (74) per cent worked in Finland.

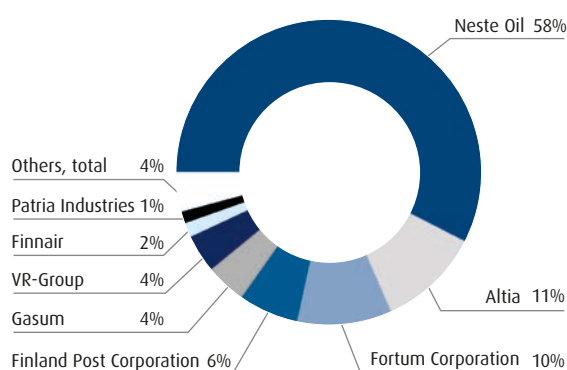
Of the aggregate of accrued taxes paid by all the companies, the countries for which no specific figures were provided accounted for 7 (10) per cent of the total. The figures for these countries showed an aggregate profit of EUR 0.6 (0.8) billion, of which 0.04 (0.03) billion was paid in income taxes. Of the combined net sales of all the companies, 21 (22) per cent was generated in countries of which no specific reports were provided. Of the personnel, 7 (7) per cent were employed in these countries.

STANDARD OF CSR MANAGEMENT AND ADMINISTRATION

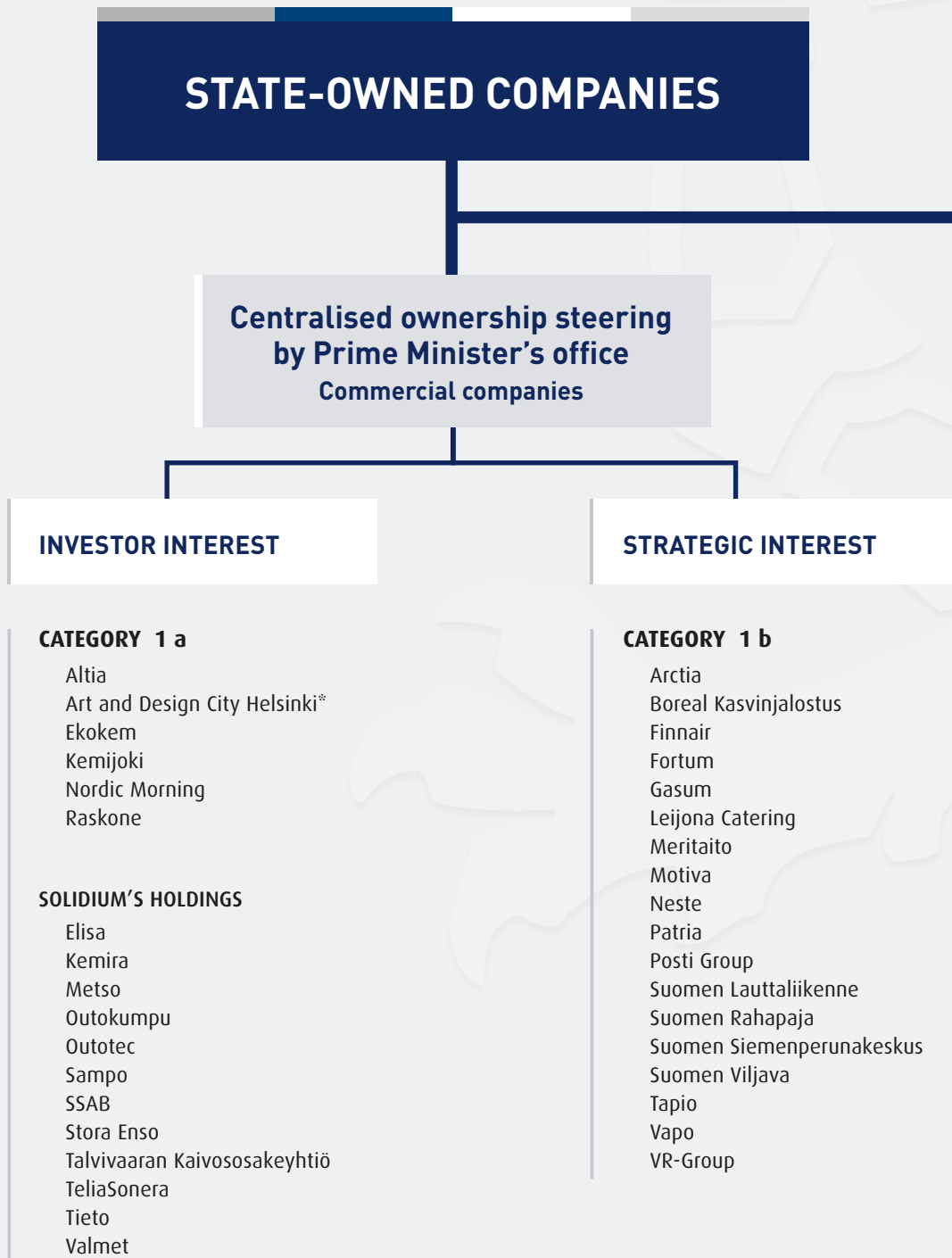
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TAX FOOTPRINT



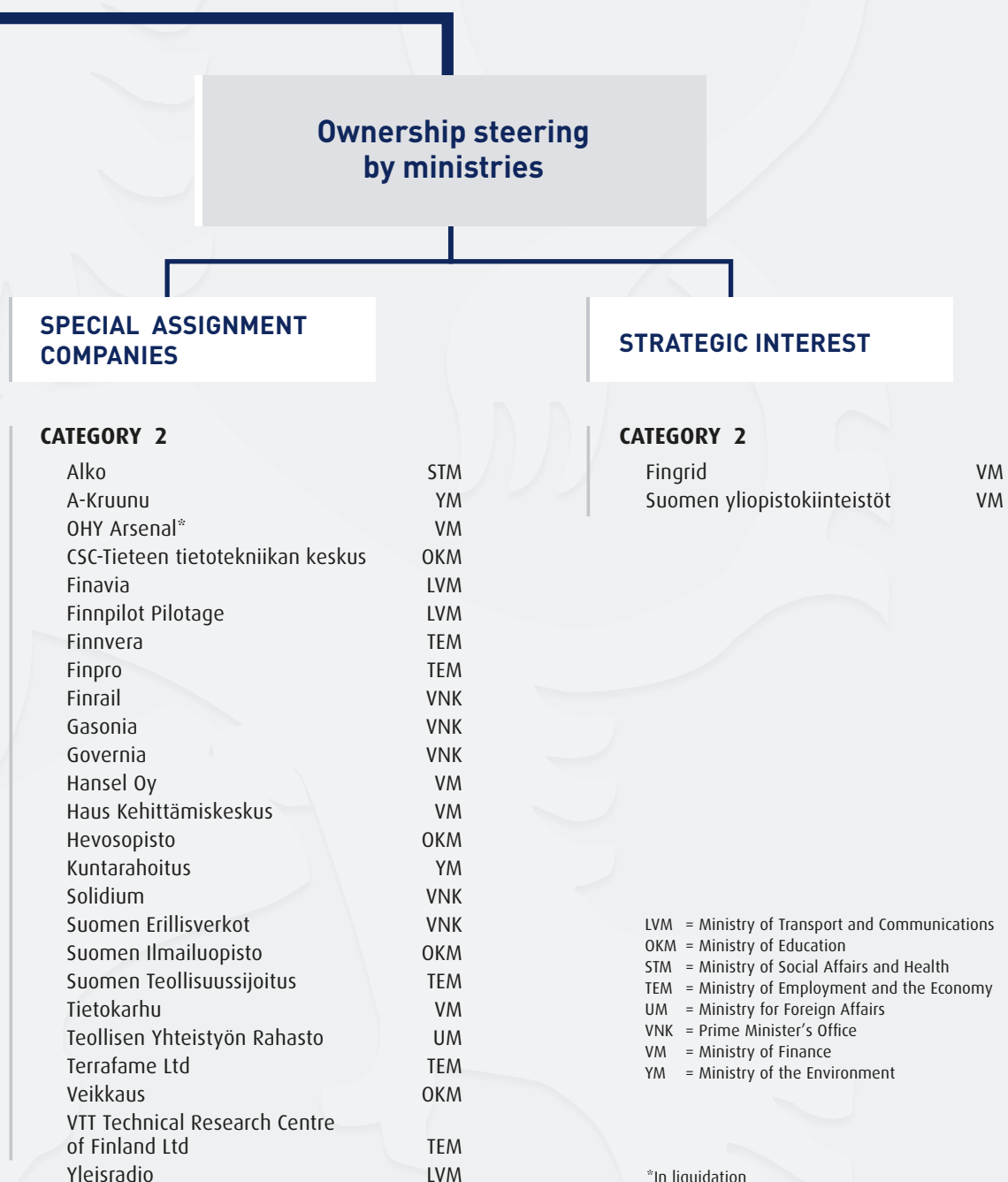
CATEGORIES OF STATE-OWNED COMPANIES



At the end of the reporting period, the Ownership Steering Department was responsible for the ownership steering in respect of 29 companies, three of which were listed companies (Finnair Plc, Fortum Corporation and Neste Corporation) and five special assignment companies (Finrail Oy,

Gasonia Oy, Solidium Oy, Governia Oy and State Security Networks Ltd).

Solidium Oy, a wholly state-owned holding company, is one of the companies overseen by the Ownership Steering Department. At the end of 2015, Solidium held shares in 12 companies, all minority interests.



BASIC INFORMATION ON PORTFOLIO COMPANIES

LISTED COMPANIES	Net sales EURm	Operating income EURm	Operating income %
Finnair Plc	2324,0	121,7	5,2 %
Fortum Corporation	3702,0	4245,0	114,7 %
Neste Corporation	11130,6	698,7	6,3 %

NON-LISTED COMMERCIAL COMPANIES	Net sales EURm	Operating income EURm	Operating income %
Altia Plc	380,7	25,3	6,6 %
Arctia Ltd	62,1	18,1	29,1 %
Boreal Plant Breeding Ltd	10,4	0,5	4,8 %
Ekokem Corporation	258,3	17,4	6,8 %
Finnish Seed Potato Centre Ltd	3,3	-0,4	-11,1 %
Gasum Corporation	915,5	126,4	13,8 %
Kemijoki Oy	38,7	2,7	7,0 %
Leijona Catering Oy	73,5	5,0	6,8 %
Meritaito Ltd	27,5	-2,2	-8,0 %
Mint of Finland Ltd	88,2	-2,2	-2,5 %
Motiva Oy	8,2	0,2	2,3 %
Nordic Morning Plc	104,9	-0,2	-0,2 %
Patria Plc	427,1	46,4	10,9 %
Posti Group Corporation	1650,3	55,9	3,4 %
Raskone Ltd	60,3	-1,3	-2,1 %
Suomen Lauttaliikenne Oy	49,6	9,3	18,8 %
Suomen Viljava Oy	19,7	3,6	18,2 %
Tapio Ltd	9,1	0,1	0,6 %
Vapo Oy	486,9	36,9	7,6 %
VR-Group Ltd	1231,4	65,4	5,3 %

SPECIAL ASSIGNMENT COMPANIES	Net sales EURm	Operating income EURm	Operating income %
Finrail Oy	36,9	1,7	4,5 %
Gasonia Oy		-0,02	
Governia Oy	71,3	-3,0	-4,2 %
Solidium Oy		534,5	
State Security Networks Ltd	85,6	8,5	10 %

Total assets EURm	Equity ratio	Return on investment	Return on equity	Gearing	Personnel
2050,3	36,0 %	11,8 %	14,4 %	45,8 %	4817
22767,0	60,9 %	22,7 %	33,6 %	-15,8 %	7835
6793,0	45,7 %	14,7 %	19,5 %	41,6 %	4856

Total assets EURm	Equity ratio	Return on investment	Return on equity	Gearing	Personnel
466,7	36,6 %	10,8 %	13,4 %	11,9 %	879
193,9	73,1 %	11,8 %	10,6 %	-16,9 %	273
10,5	79,2 %	6,2 %	3,0 %	-17,3 %	73
440,4	39,1 %	6,9 %	6,0 %	66,0 %	677
4,3	47,9 %	-13,5 %	-18,5 %	50,8 %	14
1425,5	39,4 %	10,9 %	22,0 %	118,0 %	319
474,2	18,4 %	0,6 %	1,0 %	442,2 %	42
27,0	76,5 %	26,8 %	20,8 %	-73,7 %	462
29,8	61,7 %	-8,9 %	-11,6 %	27,1 %	226
67,5	46,4 %	-3,6 %	-12,8 %	78,2 %	191
4,3	56,3 %	8,9 %	6,3 %	-47,4 %	74
75,7	48,5 %	-0,3 %	-0,6 %	27,6 %	709
499,1	47,0 %	18,0 %	20,1 %	16,5 %	2806
1304,8	47,2 %	7,1 %	6,1 %	-10,4 %	21598
20,8	16,0 %	-9,8 %	-52,8 %	159,6 %	490
57,2	74,4 %	23,2 %	18,5 %	-47,9 %	312
22,1	89,6 %	16,5 %	12,8 %	2,5 %	94
15,4	63,4 %	1,6 %	0,1 %	-54,7 %	54
838,2	37,9 %	6,2 %	6,6 %	128,7 %	961
1800,5	83,5 %	4,6 %	3,3 %	-20,5 %	8615

Total assets EURm	Equity ratio	Return on investment	Return on equity	Gearing	Personnel
11,0	19,0 %	117,0 %	93,9 %	-440,0 %	447
497,2	47,6 %		-1 %	109 %	-
320,5	48,6 %	-1,5 %	-4,4 %	55,8 %	330
	81,1 %				12
243,0	88,9 %	5,2 %	4,5 %	-10,8 %	294



MOVEMENT IN THE VALUE OF THE STATE'S SHARE PORTFOLIO

THE MARKET CAPITALISATION AND TOTAL return of the State's share portfolio fell clearly short of the general stock market performance. Its value fell by 5.9 per cent to EUR 10.2 (10.9) billion, while the benchmark index rose by 10.8 per cent. The portfolio of directly held listed companies gave a negative return of -0.5 per cent. At the same time, the gross index of the Nasdaq OMX Helsinki Stock Exchange went up by 14.9 per cent in 2015. Solidium's portfolio returned 6.9 per cent whereas the benchmark index increased by 15.9 per cent.

The decrease in the value of the listed company portfolio was largely due to the sharp fall in the price of Fortum's share with a 23 per cent lower closing price at the end of 2015. Moreover, Fortum's share lagged clearly behind its benchmark index. Neste's share price in-

creased by 38 per cent and Finnair's by 118 per cent. Both Finnair and Neste performed well relative to the benchmark index.

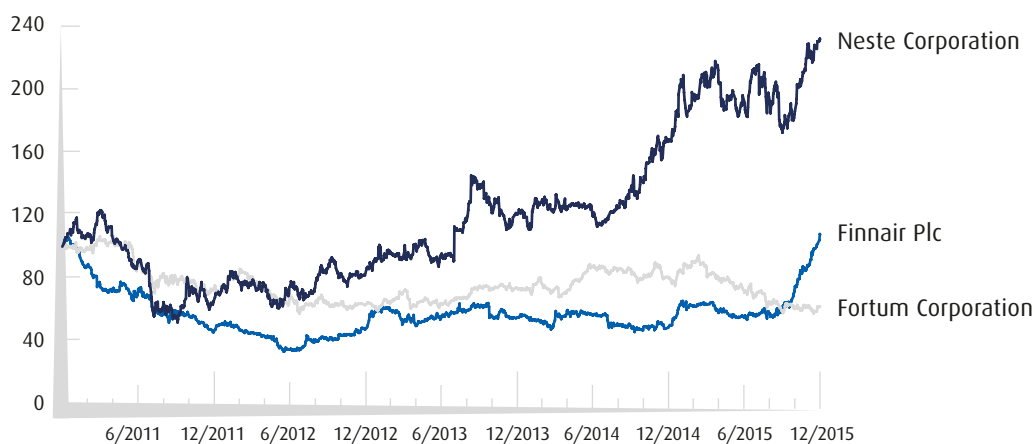
The following table shows the movement in the market capitalisation of the State's holdings in listed companies.

	State share-holding	Market capitalisation, EURm		
		2015	2014	2013
Finnair	55,8 %	388	177	198
Fortum	50,8 %	6 277	8 103	7 499
Neste	50,1 %	3 549	2 577	1 846
Totalt		10 214	10 857	9 543
Solidium holdings		6 836	7 616	8 172
Totalt		17 050	18 473	17 715

Over the past five years, the market capitalisation of the companies in which the State has direct holdings has developed as indicated in the graph below. Overall, the market capitalisation of the portfolio has fallen from EUR 12.1 billion as of late 2010 to the current EUR 10.2 bil-

lion. This explained by the fall in Fortum's share price and its significant weight in the portfolio. Partly, this has been compensated by the sharp increase in Neste's market capitalisation. The five-year annual return from the portfolio is 2.1 per cent.

MARKET VALUE 2011-2015



While the dividends received by the Prime Minister's Office in 2015 decreased from the exceptionally high level in the previous year, it was still acceptable in terms of long-term averages. Partly this was due to the fall in Solidium's dividends from EUR 1,087 million in 2014 to 706 million in 2015. By contrast, the combined dividends paid by listed and non-listed companies in respect of which the Prime Minister's Office is responsible for ownership steering increased to EUR 814 (656) million, of which non-listed companies account for EUR 144 (77) million, an all-time high. The biggest single contributing factor was the increase in the dividends paid by VR-Group Ltd to EUR 100 million.

Another reason for the increase in dividends is the guidelines issued by the State in 2015 calling for a review of dividend policies and capital structures by non-listed commercial companies. This trend is expected to continue and the total dividends paid by non-listed commercial companies out of their 2015 earnings to increase even further.

However, the State's total dividends from direct holdings in listed companies will fall to EUR 624.5 (669.7) million as a result of the fall in Fortum's share price.

Neste, by contrast, increased its dividend to EUR 1.0 (0.65) per share. The portfolio's dividend decreased

to 6.1 (6.2) per cent. From the owner's point of view, the State's portfolio of direct holdings in listed companies continued to generate a healthy return as compared to the OMX Helsinki Stock Exchange A list average of 4.9 (4.7) per cent. Solidium's portfolio gave a dividend yield of 5.5 (5.5) per cent.

DIVIDENDS RECEIVED BY THE PRIME MINISTER'S OFFICE 2011-2015, EUR MILLION



COMPANY REVIEWS

AT THE END OF THE YEAR 2015 the Ownership Steering Department was responsible of three listed companies, 21 non-listed companies operating on a commercial basis and five companies with special assignments. The infographic on this page illustrates key figures of commercial portfolio.

NET SALES

23,1 EUR BILLION

28,6 EUR BILLION

■ 2015

■ 2014

OPERATING INCOME

5,5 EUR BILLION

3,7 EUR BILLION

■ 2015

■ 2014

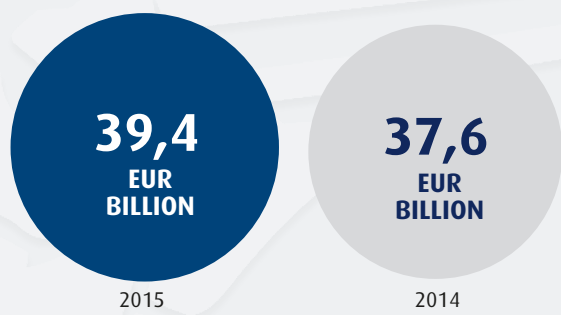
COMPARABLE OPERATING PROFIT

2,0 EUR BILLION

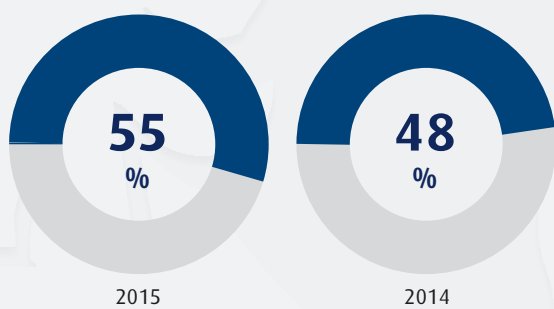
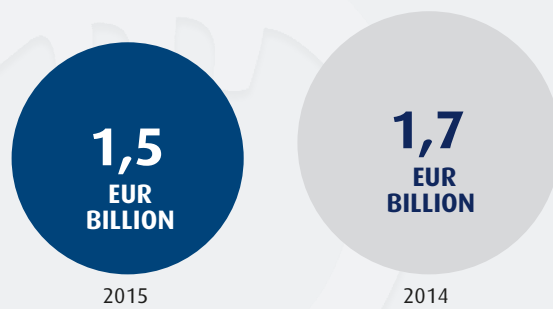
1,9 EUR BILLION

■ 2015

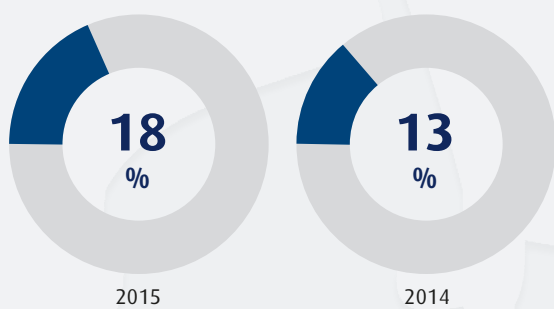
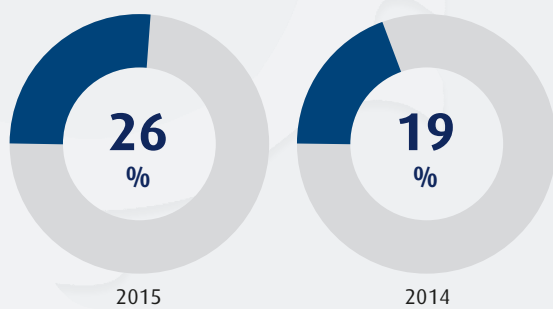
■ 2014



DIVIDENDS RECEIVED BY THE STATE



RETURN ON EQUITY





REVENUE FROM PASSENGER TRAFFIC INCREASED AND SUSTAINABILITY IMPROVED

FINNAIR IS A TRAVEL INDUSTRY GROUP offering scheduled flight, travel agency and freight services in Finland and abroad. The core of Finnair's strategy lies in the traffic between Asia and Europe. From Helsinki Airport, the company is able to fly to and from several destinations in Asia within 24 hours, which is an important competitive advantage in terms of the utilisation of the company's fleet. Finnair serves 15 Asian destinations across nine countries, three North American destinations and approximately 60 destinations in Europe. In 2015, the company's passenger volume exceeded for the first time the limit of 10 million passengers: the number of passengers was 10.3 (9.6) million. The amount of cargo carried was 131 (149) million kilograms.

In 2015, Finnair started a new growth-driven era when the operation of A350 wide-body aircraft commenced. The new aircraft will increase the company's passenger traffic and cargo capacity. To accommodate the projected growth, Finnair launched the recruitment of new pilots and cabin crew. The company also announced

an investment of EUR 80 million in a new cargo terminal at Helsinki Airport.

In November, Finnair announced that it had successfully completed the Norra transaction. Staffpoint and Kilco Oy acquired from Finnair 60 percent of the shares in Nordic Regional Airlines AB (previously named Flybe Nordic AB). Norra operates domestic and Northern European routes for Finnair on a contract flying basis. The operations of Nordic Global Airlines Ltd, Finnair's associated company specialised in cargo traffic, were discontinued for financial reasons.

Despite the unstable financial situation, airline traffic grew in Finnair's main markets in 2015. Airbus forecasts that the volume of traffic between China and Western Europe will grow at a rate of more than five percent annually during the period 2013–2033. This provides a foundation for reaching Finnair's objective to double Asian revenues by 2020 from the 2010 level.

Finnair's financial targets are a 6 percent EBIT margin and 17 percent EBITDAR margin over cycle, adjust-

ed gearing of less than 175 percent and a minimum of 7 percent return on capital employed.

Revenue from passenger traffic increased

Finnair's net sales picked up in 2015, following the decline of the previous two years. Revenue from passenger traffic increased by around three percent, and revenue from the sale of ancillary services, where the company seeks considerable growth, exceeded the limit of EUR 100 million. Revenue from cargo traffic fell by around 20 percent. Operating income came to EUR 24 (-36.5) million.

Finnair's operational costs excluding fuel costs have increased slightly year-on-year. Fuel costs decreased by nearly 10 percent due to the fall in the market price of fuel, but the appreciation of the dollar against the euro weakened the effect of the price development. Fuel is the company's largest single cost item, accounting for 26 percent of the company's net sales. Personnel costs accounting for 15 percent of the net sales.

The net result was EUR 89.7 (-82.5) million. Net cash flow from operating activities was solid, and the net cash flow from investments was positive despite the A350 purchases. Finnair concluded sale and leaseback arrangements of two A350 aircraft, which had a non-recurring positive impact of approximately EUR 80 million on the company's operating income. The third A350 aircraft was initially funded by cash until it, too, was financed under a leasing arrangement after the end of the financial year.

The company issued a EUR 200 million hybrid bond in October and redeemed a share of approximately EUR 80 million of the previously issued EUR 120 million hybrid bond. The hybrid bond is recognised in the company's equity and it improves the company's balance sheet structure.

The new phase of growth in long-haul traffic

At the end of 2015, the fleet operated by Finnair included a total of 46 aircraft, three of which were new A350 aircraft. Additionally, by the end of the year,

FINNAIR PLC

STRATEGIC INTEREST OF OWNERSHIP

To ensure effective air services in Finland

CHAIRMAN OF THE BOARD

Klaus W. Heinemann

MEMBERS OF THE BOARD

Maija-Liisa Friman, Jussi Itävuori,
Jouko Karvinen, Gunvor Kronman,
Jaana Tuominen, Nigel Turner

CHIEF EXECUTIVE OFFICER

Pekka Vauramo

INDUSTRY SECTOR

Airline company

State shareholding 55,8 %



KEY FINANCIAL INDICATORS	2015	2014
Net sales	EURm 2,324	2,285
Operating income*	EURm 121.7	-72.5
Operating margin	% 5.2	-3.2
Total assets	EURm 2,050	1,885
Equity ratio	% 36.0	27.7
Gearing**	% 45.8	107.5
Return on equity	% 14.4	-13.8
Return on investment	% 11.8	-6.5
Total personnel at 31 Dec.	4,817	4,981
Personnel, Finland (approx.)	4,001	4,305
Total dividends paid	EURm 0	0
Dividends received by the State	EURm 0	0
Investments	EURm 330	82

* The operating income reported by the State Ownership Steering Department includes changes in the value of derivatives, capital gains, etc.

** Includes estimates of leasing payments over the next seven years.

Finnair owned 13 aircraft operated by Norra, and had subleased 17 aircraft mainly to Norra.

Finnair has ordered a total of 19 A350 aircraft from Airbus. Finnair estimates to have a total of seven of these aircraft by the end of 2016, and the last aircraft is estimated to be delivered by the end of 2023. The value of the investment is approximately EUR 2 billion. To increase its feeder traffic capacity, the company will expand and modernise its European fleet. Small narrow-body aircraft previously used for regional traffic will be replaced with six new, larger A321 narrow-body damp-leased aircraft. Additionally, the company decided to increase the number of seats in narrow-body aircraft during 2017 to increase its capacity.

The A350 aircraft have a quarter lower per-seat fuel consumption than the A340 wide-body aircraft being replaced, and they are also more cost-effective. At the same time, the fleet modernisation will also improve travel and working comfort, and provide the company with better opportunities for selling ancillary services. Finnair will install a wireless broadband connection to all A350 aircraft.

Responsible global citizen

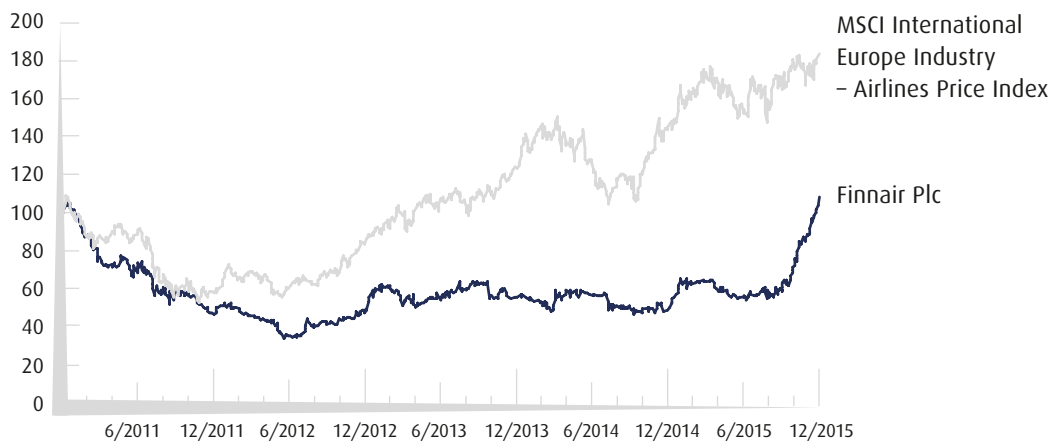
The new fleet is important for Finnair not only in terms of profitable growth, but also in terms of corporate responsibility: by operating an environmentally-friendly fleet,

Finnair responds to the expectations for more responsible airline traffic. The company’s target is to reduce its CO₂ emissions by 20 percent per revenue tonne kilometre from the 2009 level by 2017. The company engages in cooperation with the industry’s operators and authorities to reduce the climate impacts of aviation. From the UN Sustainable Development Goals, Finnair picks up key aspects in terms of their relevance to Finnair’s operations and focuses particularly on these areas in its work. As regards social responsibility, the company focuses in the development of wellbeing at work and leadership.

Finnair adopted the GRI G4 standard in its sustainability reporting and updated its materiality analysis. The material themes are the environment, economy, ethical business conduct and responsible sourcing, the personnel and the customer. The most significant effects of corporate responsibility relate to securing the safety of the customers and personnel, maintaining the company’s financial competitiveness, the company’s role in Finnish society, and the continuous improvement of fuel efficiency.

CDP, an organisation promoting sustainability reporting, identified Finnair as a Nordic leader in reporting climate change related information. The World Airline Awards chose Finnair as the best airline in Northern Europe for the sixth time in a row. The award is based on a world-wide survey of some 18 million travellers from more than 160 countries.

SHARE PRICE 2011-2015





UPDATED STRATEGY GEARED TO GROWTH AND CONTINUED PROFITABILITY

FOR YEARS NOW, THE FINNISH ENERGY SECTOR has been beset by highly challenging market conditions. No signs of a turn for the better were detected in 2015 as the wholesale price of electricity continued to fall. No changes are expected in the near term.

Fortum's updated strategy was published in February 2016. By its new strategy, Fortum seeks to respond to a weak market situation that may persist for quite some time and look for growth in business areas that are independent of Nordic wholesale electricity prices. Fortum's vision is to be a forerunner in clean energy. Consequently, sustainable development and emission-free production remain the cornerstones of its strategy. More clearly than before, it foresees substantial improvements in efficiency, restructuring, increased investments in solar and wind power and a sharper focus on clean energy solutions offered to cities and urban areas. Potential investments in these priority areas may reach a billion euros. At the same time, Fortum aims to create a completely new energy business. The strategy responds to current megatrends, such as climate change, resource scarcity, circular economy, digitisation and urbanisation.

All these drivers generate growing business opportunities that Fortum definitely needs to seize and succeed in. The company also updated its business structure and revamped the executive management team in support of the new strategy.

Aside from its strategic outlines, Fortum reviewed its financial targets. The long-term target for return on capital employed (ROCE) was revised down to 10 per cent from the previous 12 per cent, which reflects the difficult market conditions. To achieve these objectives, it is important to direct the potential investments in growth correctly and ensure a healthy return. The strong balance sheet further reinforced by the capital gains from the sale of the power transmission business gives an excellent cash position for the implementation of the strategy. The target ratio of net debt to EBITDA remained unchanged at 2.5. This makes it possible to reallocate EUR 4 to 6 billion of capital.

Renewable energy and its subsidised build-up have reshaped the market. As a result, much of the traditional electricity and heat production has faced challenges in profitability. Further challenges to the energy industry are

also posed by the sharp fall in commodity prices. Fortum will continue its efforts to improve productivity and competitiveness and reduce the fixed cost base by EUR 100 million during 2016–2017. Ongoing enhancement of efficiency and the new cost-reduction programme combined with a strong balance sheet offers a much-needed buffer in the harsh market conditions.

Investment programme for Russia due for completion in early 2016

Fortum Corporation was able to bring its EUR 4.5 billion investment programme in Russia to a conclusion in early 2016. The Russia segment generated about one quarter of the company's profits in 2015. However, the weak rouble and the problems facing the Russian economy made the country a highly challenging operating environment. Even so, Fortum was able to increase the operating income earned by the Russia segment by EUR 40 million to EUR 201 (161) million. The objective established for the Russia segment is to achieve an operating income of RUB 18.2 billion during 2017–2018. Key factors affecting the business in Russia include economic growth, the exchange rate of the rouble, future regulation of the district heating sector and developments in the wholesale electricity market and generation capacity.

Market conditions remain challenging

Fortum's operating income in 2015 was poor. The net sales in continuing operations decreased to EUR 3,459 (4,088) million due to falling electricity prices and the weak rouble. Additionally, financial performance was adversely affected by the write-down related to the closure of Oskarshamn nuclear power plant units 1 and 2. The price of electricity fell due to the high volume of hydropower generation, mild winter, expansion of subsidised wind power production and declining commodity prices. Another development eating into profits was the increased cost burden, particularly in nuclear power generation in Sweden. Fortum's reported operating income from continuing operations was EUR 150 million in the red (1,296) and comparable

FORTUM CORPORATION

STRATEGIC INTEREST OF OWNERSHIP

To also ensure sufficient electricity generation in exceptional circumstances

CHAIR OF THE BOARD

Sari Baldauf

MEMBERS OF THE BOARD

Minoo Akhtarzand, Heinz-Werner Binzel, Eva Hamilton, Kim Ignatius, Tapio Kuula, Veli-Matti Reinikkala, Jyrki Talvitie

CHIEF EXECUTIVE OFFICER

Pekka Lundmark

INDUSTRY SECTOR

Utilities

State shareholding 50,8 %



KEY FINANCIAL INDICATORS		2015	2014
Net sales (continuing)	EURm	3,702 (3,459)	4,751 (4,088)
Operating income (continuing)	EURm	4,245 (-150)	3,428 (1,296)
Operating income	%	115	72.2
Comparable operating income	EURm	922 (808)	1,351 (1,085)
Total assets	EURm	22,767	21,375
Equity ratio	%	61	51
Gearing	%	-15.8	39
Return on equity	%	33.6	30.2
Return on investment	%	22.7	19.5
Personnel, total		7,835	8,592
Personnel, Finland		1,959	2,040
Total dividends paid	EURm	977	1,155
Dividends received by the State	EURm	496	586
Investments	EURm	626	774

operating income EUR 808 (1,085) million. The company concluded the sale of its power distribution business in 2015. For the sale of the networks in Sweden, Fortum recognised a capital gain of EUR 4.3 billion, which improved its financial result and strengthened the balance sheet. At the end of 2015, the ratio of net debt to EBITDA was -0.5 while the net cash assets amounted to over EUR 2 billion.

During 2015 Fortum's share price fell 23 per cent. At the year-end share price, the dividend per share of EUR 1.1 meant a dividend yield of 7.9 per cent.

Forerunner in clean energy

As its vision implies, Fortum Corporation has established ambitious goals as a producer of clean energy. The business opportunities foreseen in the new strategy arise from the prospects created by resource scarcity and the efforts to mitigate climate change. Following the introduction of new climate targets, the global energy system is expected to become more low-carbon. At the same time, there is greater awareness of preferred solutions among customers. Energy production will be decentralised while growing cities will need new sustainable solu-

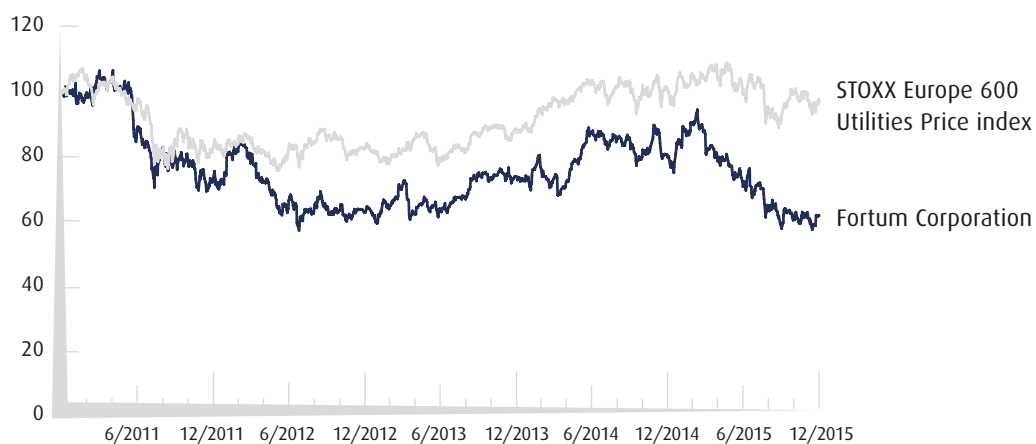
tions. With its updated strategy, Fortum is in a better position to benefit from the business opportunities created by the CSR megatrends in the changing energy market.

About 64% of Fortum's total electricity production, Russia included, was CO₂ emission-free.

The company had established clear-cut goals for reducing greenhouse gas emissions and improving energy efficiency and achieved them for 2015.

In corporate social responsibility, occupational health & safety continued to be prioritised. Fortum managed to maintain a high standard of occupational safety and achieve improvements in the subcontractors' performance as well. By contrast, the company failed to attain its objective in reducing the number of serious accidents. Safety will continue to rank high on Fortum's CRS agenda. The goal is to eliminate all serious accidents at work by 2020. For 2016, the company has defined wellness-at-work as one of the group-wide indicators. Human rights issues are included in the assessment of country and counterparty risks, investments, supplier chain audits and the requirements imposed on suppliers. The human rights aspect will be further accentuated if operations are expanded in countries like India or to other areas outside the domestic market.

SHARE PRICE 2011-2015





RECORD HIGH COMPARABLE OPERATING PROFIT, ALL BUSINESS AREAS IMPROVED

NESTE OIL CORPORATION IS A COMPANY specialising in oil refining and renewables as well as offering clean motor fuels and industrial products. In 2015, the company changed its name from Neste Oil to Neste. Over the past few years, the company's production of renewable fuels has increased and its goal is to grow as a producer of other products based on renewable feedstocks, such as various bio-based products for the chemicals industry.

Neste's conventional oil refineries are located in Porvoo and Naantali, Finland, and their total production capacity is some 15 million tonnes per year. The company's two renewable diesel refineries are located in Singapore and Rotterdam in the Netherlands. Additional renewable diesel capacity is available at the Porvoo refinery. The company's renewable diesel production capacity is 2.4 million tonnes per year.

Neste's performance is measured by the following sustainability indexes: The Global 100; Dow Jones Sustainability Index; CDP Forest; CDP Climate Change; Storebrand Sustainable Development Fund; and STOXX Global ESG Leaders. The company is engaged in an active dialogue with its stakeholders. In response to this

exchange, Neste narrowed down its CRS reporting by focusing on two themes: climate and resource scarcity and a sustainable supply chain. The 2015 CRS report is the first report prepared in accordance with the GRI (Global Reporting Initiative) G4 Guidelines.

Neste uses only 100% certified palm oil in its refining operations. It succeeded in achieving the ability to use exclusively waste-and-residue based feedstocks ahead of the timetable established for the project. However, the company seeks to optimise the feedstock mix according to the market conditions. In 2015, waste-and-residue raw materials accounted for 68% of all renewable feedstocks.

Neste's vision is to create responsible choices every day. The company pursues two strategic objectives: it wants to be the Baltic Sea downstream champion and to grow in the global renewable feedstock-based markets. Aside from renewable fuels, the company seeks growth in the chemicals industry. This would make it possible to replace fossil raw materials by renewables in the production of plastics, paints, adhesives, etc.

At its Capital Markets Day in September 2015 Neste announced – in addition to its two strategic targets – that

its objective was that 20 per cent of the sales of renewable products are derived from non-traffic applications by 2020. Neste targets to generate EUR 100 million in additional EBIT in Renewable Products by 2020.

Neste made the decision to invest in renewable fuels many years ago. In 2015, this business area generated EUR 2.4 billion in sales making the company the global leader in renewable fuels. The markets are global. This goes to show that if the focus is fixed on just Finland, a lot of opportunities, if the not the entire business, may be lost.

Market conditions, finances and corporate social responsibility

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

Crude oil price changes, supply and demand balances together with uncertainties related to political decision making on biofuel mandates, the US Blender's Tax Credit and other incentives are reflected in the oil and renewable fuel markets.

In 2015, Neste used 68 (62) per cent of the inputs coming from waste and residues as feedstock for Renewables production. Sustainability and corporate social responsibility lie at the heart of Neste's strategy. The assessment of materiality – a key concept of CRS – is updated every two years, most recently in late 2014 and early 2015. Currently greater attention is being paid to financial responsibility, themes related to materials efficiency and human rights. The materiality assessment is due for another update during 2016.

An important part of Neste's CSR efforts is the interaction with stakeholders. The company seeks to engage in an active dialogue with them. In this context, the company wishes to provide information on its operations on one hand and listen to the views of the stakeholders regarding its activities on the other.

In February 2015, Neste held a stakeholder workshop in which representatives of the key stakeholder

NESTE CORPORATION

STRATEGIC INTEREST OF OWNERSHIP

To secure nationwide fuel supply with due consideration given to security of supply aspects

CHAIR OF THE BOARD

Jorma Eloranta

MEMBERS OF THE BOARD

Maija-Liisa Friman, Laura Raitio,
Jean-Baptiste Renard, Willem Schoeber,
Kirsi Sormunen, Marco Wiren

CHIEF EXECUTIVE OFFICER

Matti Lievonon

INDUSTRY SECTOR

Energy

State shareholding 50,1 %



KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	11,131	15,011
Operating income	EURm	699	150
Operating income	%	6.3	1.0
Total assets	EURm	6,793	6,494
Equity ratio	%	45.7	41.0
Gearing	%	41.6	61.0
Return on equity	%	19.5	2.1
Return on investment	%	14.7	3.3
Personnel, total		4,856	4,833
Personnel, Finland	EURm	3,279	3,309
Total dividends paid	EURm	256	166
Dividends received by the State	EURm	128.5	83.5
Investments	EURm	505	272

groups gave feedback on the company’s materiality assessment. Based on the discussions held in the workshop, the stakeholders regard financial responsibility as a key area of CRS efforts. Additionally, the company was urged to pay greater attention to the social conditions of the people in its supply chain. Calls were also made for a climate policy. Stakeholder groups hoped that the customer perspective would also be integrated into the company’s value chain thinking and wanted more information in support of responsible decision making.

In December 2015, Neste signed a group-wide human rights commitment, another example of concrete action in the CRS context. Strategic corporate responsibility has opened up significant new business opportunities for Neste.

Financial year 2015

Neste’s comparable operating income of EUR 925 (583) million was the best in its history despite the record-extensive maintenance shutdown at the Porvoo refinery. The low price of crude increased demand for oil products across the world. In particular, the increased

demand affected the reference refining margin of petrol which rose by over USD 5. Other factors contributing to robust financial performance included the strong dollar and the increasingly stringent biofuel requirements being imposed in the USA and EU. The low price of crude also improved the profitability of refining operations. Total net sales declined as a result of the fall in oil prices.

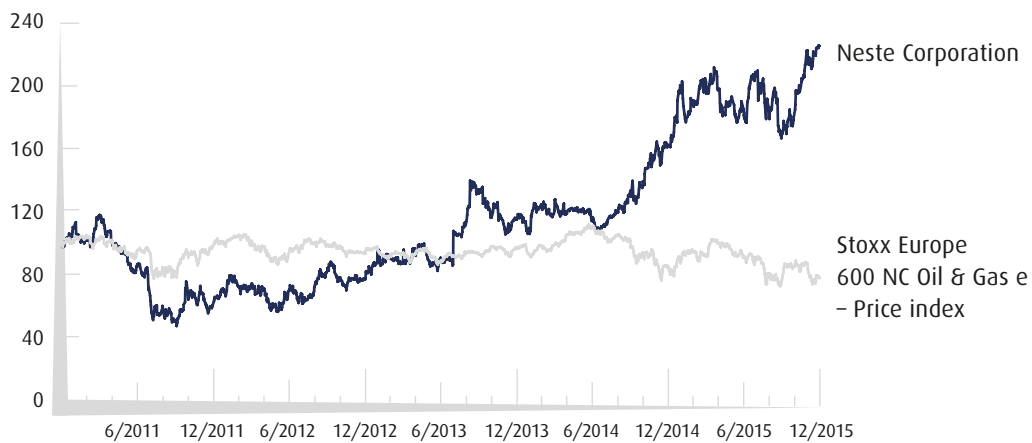
The comparable operating income from Oil Products for 2015 was EUR 439 (285) million; from Renewable Products EUR 402 (239) million; and from Oil Retail EUR 84 (68) million. Despite the positive development of Renewable Products, Oil Products continue to generate most of the company’s operating income.

Neste’s leverage ratio was 29.4 (37.9), meaning that it was within the target range of 25–50 per cent reported by the company. For the first time in the company’s history, the Return On Average Capital Employed (ROACE) exceeded 15 per cent the strategic target. The ROACE was 16.3 (10.1) per cent.

Investments in 2015 totalled EUR 505 (272) million.

Neste decided to discontinue with economic forecasts as of the beginning of 2015.

SHARE PRICE 2011–2015



ALTIA PLC

CHAIRMAN OF THE BOARD

Sanna Suvanto-Harsaae

MEMBERS OF THE BOARD

Kim Henriksson, Minna Huhtaniska,
Annikka Hurme, Jarmo Kilpelä, Kasper Madsen

CHIEF EXECUTIVE OFFICER

Pekka Tennilä

INDUSTRY SECTOR

The manufacture, marketing, sale, export and import of alcohol beverages and the manufacture and sale of industrial products and services

KEY FINANCIAL INDICATORS

		2015	2014
Net sales	EURm	380.7	426.3
Operating income	EURm	25.3	-18.6
Operating margin	%	6.6	-4.4
Total assets	EURm	466.7	501.5
Equity ratio	%	36.6	28.7
Gearing	%	11.9	34.2
Return on equity	%	13.4	-11.6
Return on investment	%	10.8	-3.5
Personnel, total		879	987
Personnel, Finland		470	498
Total dividends paid	EURm	10.4	0
Dividends received by the State	EURm	10.4	0
Investments	EURm	11.3	16.7

State shareholding 100 %



ALTIA IS THE MARKET LEADER IN SPIRITS AND wine in the Nordic and Baltic countries. Altia is no longer of any strategic importance to the State, and Parliament has approved the proposal to lift the requirement to sustain a qualified majority holding in Altia.

Clear improvement in profitability

In 2015, Altia's net sales declined by 10.7 percent on the previous year. The net sales of alcoholic beverages fell short of the previous year due to streamlining of the product portfolio and discontinuation of contract manufacturing at the Svendborg plant in Denmark. In 2016, the decline in net sales is expected to be smaller than in 2015.

Improving profitability was the primary objective for 2015. As a result of the improvement in operational efficiency, operating income exclusive of non-recurring items increased to EUR 23.6 (17.9) million. In 2016, operating profit exclusive of non-recurring items and relative profitability are expected to further improve on the previous year, assuming market conditions do not deteriorate.

Altia's balance sheet strengthened, and liquidity was good. Net cash flow from operating activities totalled EUR 34.8 (17.1) million. Capital expenditure totalled EUR 11.3 (16.7) million and was primarily relat-

ed to the modernisation of the old power plant in Koskenkorva and the improvement of operating efficiency at the Rajamäki plant. The previous year's capital expenditure was mainly related to the construction of the bioenergy power plant in Koskenkorva.

The Rajamäki plant produced 64.4 (65.7) million litres of spirits and wine, while the Tabasalu plant in Estonia produced 5.0 (5.0) million litres. Altia purchased nearly 191 million kilos of barley for the Koskenkorva plant, which represents approximately 15% of Finland's total barley crop.

More transparency to corporate responsibility

Altia commenced reporting on its corporate responsibility objectives and the progress made in respect of them. Employee well-being and good leadership are among the most important responsibility themes. The company carried out a materiality analysis and produced a materiality matrix based on its stakeholder survey conducted for the second time. The carbon dioxide emissions of the new bioenergy power plant at Altia's Koskenkorva distillery reduced by 35%, and the plant's energy self-sufficiency increased from 20% to 46% in 2015.



ARCTIA LTD

STRATEGIC INTEREST OF OWNERSHIP

To ensure winter navigation that meets the transport needs of Finnish business and industry

CHAIRMAN OF THE BOARD

Christer Granskog

MEMBERS OF THE BOARD

Maire Laitinen, Ilpo Nuutinen,
Antti Pankakoski, Päivi Söderholm

CHIEF EXECUTIVE OFFICER

Tero Vauraste

INDUSTRY SECTOR

Specialised shipping company

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	62.1	61.3
Operating income	EURm	18.1	16.8
Operating margin	%	29.1	27.4
Total assets	EURm	193.9	185.7
Equity ratio	%	73.1	72.7
Gearing	%	-16.9	-15.6
Return on equity	%	10.6	10.0
Return on investment	%	11.8	11.3
Personnel, total		273	261
Personnel, Finland		273	261
Total dividends paid	EURm	7.5	7.9
Dividends received by the State	EURm	7.5	7.9
Investments	EURm	14.7	15.6

State shareholding 100 %



ARCTIA IS A SPECIALISED SHIPPING COMPANY that provides icebreaking services and specialised services for multipurpose icebreakers. Icebreaking accounted for 39 percent of the company's net sales and 33 percent of the operating income for 2015. The Offshore business has served as an important performance driver for the company during the past few years.

Financial performance remained solid

A good utilisation rate increased the company's net sales and operating income on the previous year. The results for the financial year rose to a record-high level of EUR 14.6 (12.9) million. The ice winter was exceptionally mild, but Arctia managed to keep the utilisation rate of its fleet at a good level by operating three vessels outside the icebreaking season. This was made possible by Icebreaker Otso's conversion to a polar breaker and an agreement on chartering the vessel for ice management duties off the coast of Greenland. The company's balance sheet remained strong as a result of its solid financial performance. However, the capital structure will undergo changes following the purchase of Icebreaker Polaris from the Finnish Transport Agency. The icebreaker will transfer to the company's ownership after its completion in 2016. In the ageing fleet, the new icebreaker

will improve the reliability of icebreaking services in the Baltic Sea.

Market changes call for new drivers of growth

Arctia's mission is to effectively secure Finnish marine traffic, to improve cost-effectiveness and to create new opportunities for growth. The market situation in the polar markets was challenging following the rapid decline in the price of oil and raw materials. The company's contract portfolio for 2016 is solid, but the expiry of the ice management agreement concluded with Shell and the decline of the arctic offshore market in North America make it necessary for the company to develop alternative business and to broaden its client base. As it is, the future challenges lie in sustaining the fleet's utilisation rate and profitability.

During the reporting period, Arctia clarified essential aspects of corporate responsibility and the place of corporate responsibility in the company's management system and strategy. Through its business operations, Arctia secures the environmental safety of vulnerable sea areas. For Arctia, safety – both occupational and environmental safety – is the starting point for all operations. The clients and stakeholder engagement are given pronounced emphasis in corporate responsibility endeavours as a whole.

BOREAL PLANT BREEDING LTD

STRATEGIC INTEREST OF OWNERSHIP

To ensure the breeding of plant varieties suited to northern climate areas that is necessary for the functioning of the markets, and to maintain the ownership of breeding material; the supply of varieties is also important for security of supply

CHAIR OF THE BOARD

Riitta Viren

MEMBERS OF THE BOARD

Markus Eerola, Pekka Hurtola,
Jyrki Lepistö, Birgitta Vainio-Mattila

CHIEF EXECUTIVE OFFICER

Markku Äijälä

INDUSTRY SECTOR

Breeding and marketing cultivated plants

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	10.4	9.8
Operating income	EURm	0.5	0.5
Operating margin	%	4.8	5.5
Total assets	EURm	10.5	10.5
Equity ratio	%	83.5	79.9
Gearing	%	-17.3	-25.9
Return on equity	%	5.6	7.3
Return on investment	%	6.2	8.3
Personnel, total		73	72
Personnel, Finland		73	72
Total dividends paid	EURm	0.23	0.3
Dividends received by the State	EURm	0.14	0.2
Investments	EURm	1.7	1.7

State shareholding 60,75 %



BOREAL PLANT BREEDING LTD BREEDS AND markets varieties of field crops for the growing conditions prevailing in Finland and other northern regions. In Finland, the company's market position remained strong in 2015. The market share in cereal varieties was 56 (57) percent. For grasses, the market share was more than 70 percent. Export markets showed positive developments in Sweden, Estonia and Lithuania in particular.

Purchase of fields securing the preconditions for the company's operations

In 2015, the company's net sales grew by 6.4 percent on the previous year and stood at EUR 10.4 million. The growth in net sales was due to the increase in seed sales and increased sales of plant breeding services to the National Emergency Supply Centre. Operating income remained at the previous year's level reaching EUR 0.5 million, which amounts to 4.8 (5.5) percent of net sales. The equity ratio remained high and stood at 83.5 (79.9) percent.

Boreal has renovated its greenhouses and started using geothermal heat as a source of energy. The company has also acquired significant amounts of field land required for plant breeding.

The company continues to seek growth from the export markets.

Sustainable development and resource efficiency as priority areas in corporate responsibility

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

EKOKEM CORPORATION

CHAIR OF THE BOARD

Juha Vanhainen

MEMBERS OF THE BOARD

Pia Björk, Leena Karessuo,
Marko Hyvärinen, Tiina Tuomela

CHIEF EXECUTIVE OFFICER

Karri Kaitue

INDUSTRY SECTOR

Environmental business, energy production

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	258.3	200.8
Operating income	EURm	17.4	35.2
Operating margin	%	6.8	17.5
Total assets	EURm	440.4	310.5
Equity ratio	%	39.1	55.9
Gearing	%	66.0	20.6
Return on equity	%	6.0	17.1
Return on investment	%	6.9	16.2
Personnel, total		677	465
Personnel, Finland		323	324
Total dividends paid	EURm	7.0	11.3
Dividends received by the State	EURm	2.4	3.8
Investments	EURm	117.0	16.6

State shareholding 34,08 %



EKOKEM IS THE LEADING PROVIDER OF comprehensive environmental services in Finland. Its strengths include: a close understanding of its clients and personalised customer service. Ekokem's core expertise comprises the handling of hazardous waste, other waste recovery, energy production, remediation of contaminated soil and groundwater, and environmental construction.

Ekokem Corporation

Ekokem's net sales in 2015 grew by 29 percent on the previous year to EUR 258.3 million. This was mostly due to the acquisition of the Danish Nord Group. Operating income declined on the previous year to EUR 17.4 (35.2) million. The decline in operating income was due to the lower price of electricity and district heat compared to the previous year and the periodic downtime at Ekokem's

plants. The company will continue with the improvement of its cost efficiency and the availability of its plants.

Ekokem will construct an Eco Refinery and a Plastic Refinery in Riihimäki. These investments will significantly expand the company's circular economy business.

Ekokem's strategy aims at continued growth. To this end, the company has initiated a capital structure assessment, which is aimed at securing resources for developing the company in the future as well.

Corporate responsibility themes

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

GASUM CORPORATION

STRATEGIC INTEREST OF OWNERSHIP

To ensure gas supply, and the State's majority holding in the company that owns the network for the transmission of gas from different sources

CHAIRMAN OF THE BOARD

Juha Rantanen

MEMBERS OF THE BOARD

Timo Koponen, Charlotte Loid,
Päivi Pesola, Jarmo Väisänen

CHIEF EXECUTIVE OFFICER

Johanna Lamminen

INDUSTRY SECTOR

Natural gas and biogas

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	915.4	1,079.0
Operating income	EURm	126.3	5.1
Operating margin	%	13.8	0.5
Total assets	EURm	1425.5	1621.1
Equity ratio	%	39.4	28.4
Gearing	%	118.0	142.5
Return on equity	%	22.0	-1.1
Return on investment	%	10.8	0.6
Personnel, total		319	319
Personnel, Finland		267	275
Total dividends paid	EURm	50.0	20.0
Dividends received by the State	EURm	50.0	15.0
Investments	EURm	45.6	51.5

State shareholding 100 %



THE STATE OF FINLAND BECAME GASUM'S SOLE owner following the acquisition of the 25% stake in the company held by OAO Gazprom on 15 January 2016. The State owns Gasum through its special assignment company Gasonia that purchased the shares by means of financing in the form of loans.

Biogas and lng as drivers of growth

The Finnish consumption of natural gas in 2015 decreased by around 11 percent on the previous year to 26.0 (29.3) TWh. The sale of natural gas decreased in combined heat and power production in particular as a result of warm weather. Operating income was considerably improved by the capital gain on the sale of local distribution networks. In December 2015, the supply contract with Gazprom was amended to the effect that the price linkage of the supply price of gas to the market price of oil will be lessened and the basic price will decrease. This will improve the competitiveness of natural gas in Finland.

Gasum's biogas business grew strongly during 2015. Biogas deliveries totalled 40.8 (26.3) GWh. The use of biogas increased in industry, in heating companies and in traffic.

LNG deliveries increased in 2015 and totalled 376,700 (284,000) tonnes. The company's Pori terminal is due for completion in 2016 and the Manga Tornio joint terminal project in 2018.

In 2015, annual trading by the Gasum subsidiary Gas Exchange Ltd amounted to 992 (1,891) GWh, which corresponds to 4 (6) percent of the natural gas consumption in Finland.

Environmental friendliness and supply security prioritised in corporate responsibility

Gasum's corporate responsibility themes are a carbon-neutral future and innovations; better society with the company's stakeholders; safety and security of supply; and an understanding of life-cycle impacts.



KEMIJOKI OY

CHAIRMAN OF THE BOARD

Matti Ruotsala

MEMBERS OF THE BOARD

Risto Andsten, Elina Engman,
Tapio Jalonen, Tapio Korpeinen,
Pekka Manninen, Jukka Ohtola

CHIEF EXECUTIVE OFFICER

Tuomas Timonen

INDUSTRY SECTOR

Electricity production

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	38.7	38.6
Operating income	EURm	2.7	-6.2
Operating margin	%	7.0	-16.1
Total assets	EURm	474.2	452.9
Equity ratio	%	18.0	17.0
Gearing	%	442.2	476.2
Return on equity	%	1.0	-12.5
Return on investment	%	0.6	-1.4
Personnel, total		42	78
Personnel, Finland		42	78
Total dividends paid	EURm	0.8	0.7
Dividends received by the State	EURm	0.4	0.4
Investments	EURm	33.3	14.4

State shareholding 50,1 %



KEMIJOKI OY ENGAGES IN HYDROPOWER generation and has a total of 20 power plants located on the rivers Kemijoki, Kymijoki and Lieksanjoki. The electricity produced by the company is sold at cost to its shareholders in proportion to the number of hydroelectric power shares held. In the new operating model, the company purchases the majority of its operations as services from its contracting partners.

Refurbished machinery guarantees cost-effectiveness and high availability

In 2015, Kemijoki Oy generated a total of around 5.3 TWh of hydropower, which is around 20 percent more than the average hydropower production (4.4 TWh). The river Kemijoki accounts for around 90 percent of the electricity produced and the rivers Lieksanjoki and Kymijoki for the remaining 10 percent. The company's power production in 2015 represented around one third of the hydropower electricity produced in Finland. The total availability of power plants remained good.

The growth in the company's operating income for 2015 is due to capital gains on the sale of fixed assets. The company has concentrated on operating as a power generator, and during the financial year, the company disposed of its regional power network.

Kemijoki Oy's total output currently amounts to around 1150 MW. The machinery of the Taivalkoski power plant will be refurbished during 2015–2017. The licensing process concerning the Sierilä power plant is pending for the time being.

Corporate responsibility focused on the quality of watercourses and the development of fish stocks

In 2015, the company continued to take part in several fish stock development projects. The ongoing efforts to improve landscapes and watercourses were continued in the form of shore protection, landscaping and clearing.

LEIJONA CATERING OY

STRATEGIC INTEREST OF OWNERSHIP

To secure the operation of the Defence Forces by producing the catering services required in all circumstances

CHAIR OF THE BOARD

Riitta Laitasalo

MEMBERS OF THE BOARD

Anne Gullsten, Hannu Kuusela, Sinikka Mustakari, Teemu Penttilä, Juha Rannikko

CHIEF EXECUTIVE OFFICER

Ritva Paavonsalo

INDUSTRY SECTOR

Restaurant services

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	73.5	66.2
Operating income	EURm	5.0	4.3
Operating margin	%	6.8	6.4
Total assets	EURm	27.0	24.4
Equity ratio	%	76.4	73.3
Gearing	%	-73.7	-76.3
Return on equity	%	20.8	21.0
Return on investment	%	26.8	25.7
Personnel, total		462	466
Personnel, Finland		462	466
Total dividends paid	EURm	1.6	1.2
Dividends received by the State	EURm	1.6	1.2
Investments	EURm	1.4	0.7

State shareholding 100 %



LEIJONA CATERING OY COMMENCED ITS operations at the beginning of 2012. During its first years of operation, the company focused on developing its strategy, revising its organisation and management model, and on sales and marketing. The company's largest client is the Finnish Defence Forces. The company seeks growth from staff and student canteen operations. During 2015, Leijona Catering opened four new restaurants. Following the end of the financial period, Leijona Catering has opened two new restaurants.

Continued increase in net sales

In 2015, net sales increased by 11 percent on the previous year. The substantial increase in new sales was due to the opening of new staff canteens and the increase in the Finnish Defence Forces' exercise operations. Operating income improved as well, accounting for 6.8 (6.4) percent of the net sales. In 2016, the net sales are expected to increase and profitability is expected to remain at a good level. The company's liquidity was good, and the equity ratio was 76.4 percent. Investments in 2015 totalled around EUR 1.4 million.

The four-year protection period for the personnel transferred to the company that took effect as part of the

incorporation expired at the end of 2015. The partnership agreement with the Finnish Defence Forces expires on 31 December 2017, following which the Defence Forces may put garrison restaurants out to open tender.

Focusing on matters that can be genuinely influenced

The corporate responsibility efforts of Leijona Catering comprise its personnel, the supply chain, the environment and financial responsibility. The company's ambition is to constantly reduce the environmental load arising from its operations throughout the food chain. The company also requires that its partners take due account of environmental matters. The attainment of environmental goals is monitored on a systematic basis. The principal key figures being monitored are energy and water consumption and the amount of waste.

Customer responsiveness will be improved, and in 2015, Leijona's customer promises were jointly worked on with the personnel.

The company's entire personnel are insured under a separate medical expenses insurance policy. In 2015, the company's occupational health and safety system was awarded with the OHSAS 18001 certificate.

MERITAITO LTD

STRATEGIC INTEREST OF OWNERSHIP

To produce hydrographic survey services related to the preparedness and readiness of the Navy in all circumstances

CHAIRMAN OF THE BOARD

Mats Rosin

MEMBERS OF THE BOARD

Taru Keronen, Eeva Niskavaara, Heikki Martela, Jukka Ohtola

CHIEF EXECUTIVE OFFICER

Jari Partanen

INDUSTRY SECTOR

Waterways maintenance and hydrographic surveying

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	27.5	31.2
Operating income	EURm	-2.2	0.4
Operating margin	%	-8.0	1.3
Total assets	EURm	29.8	30.6
Equity ratio	%	61.7	67
Gearing	%	27.1	13.4
Return on equity	%	-11.6	1.4
Return on investment	%	-8.9	1.7
Personnel, total		226	228
Personnel, Finland		226	228
Total dividends paid	EURm	-	-
Dividends received by the State	EURm	-	-
Investments	EURm	4.2	2.2

A year of challenges

Meritaito's field of activity comprises waterway management; operation and maintenance of canals; duties related to the prevention and combat of environmental damage; hydraulic engineering; planning and specialist services; hydrographic surveying; and other duties related to waterways and hydraulic engineering. Meritaito is the market leader in its field in Finland. Meritaito's largest customers are the Finnish Transport Agency and the Finnish Environment Institute.

In 2015, the company's net sales declined by 11.8 percent on the previous year. Domestic sales declined by around 12 percent while international sales increased by around 40 percent, accounting for some 8 percent of net sales. The Finnish Transport Agency's share of the net sales declined to 67 percent. In hydrographic surveying, the competitive situation is made increasingly stringent by the merchant vessel subsidies granted to large international operators. Finnish hydrographic surveying vessels have not been approved as eligible for merchant vessel subsidy. The operating income turned negative as a result of the decline in net sales.

The financial position and liquidity were at a moderate level in 2015. Investments in 2015 totalled around EUR 4.2 million. Meritaito acquired a 24 percent share in Saariston Merikuljetus Oy and a 50 percent share in New Port Imatra Oy.

State shareholding 100 %



In line with its new business plans, Meritaito places special focus on internationalisation. However, Finland will remain as the company's largest market area. After the end of the financial period, Meritaito won a competitive bidding contract on hydrographic surveying from Norway, which can be regarded as making headway in international markets.

The company's development projects implemented in 2015 include: alterations for converting a waterway maintenance vessel into an offshore surveying vessel, the expansion of the company's geotechnical services, the establishment of a joint venture for boat harbour services, and investments in new SeaDatics and SeaStore services.

Preparedness for handling quality non-conformances and customer satisfaction

Meritaito sets targets for safety, quality and ethical and environmental performance and monitors their attainment. The company has an incentive bonus scheme in place that covers its entire personnel. Development projects in 2015 were ethical guidelines and the related training as well as the preparation of a long-term business plan and the related incentive scheme.

MOTIVA OY

STRATEGIC INTEREST OF OWNERSHIP

To ensure objective expert services to promote energy and resource efficiency and renewable energy

CHAIRMAN OF THE BOARD

Salla Vainio

MEMBERS OF THE BOARD

Anja Kahri, Pekka Kettunen, Jarmo Muurman, Arto Rajala

CHIEF EXECUTIVE OFFICER

Jouko Kinnunen

INDUSTRY SECTOR

Consulting in the energy sector and material functions

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	8.2	8.0
Operating income	EURm	0.2	0.2
Operating margin	%	2.3	2.8
Total assets	EURm	4.3	4.4
Equity ratio	%	52.5	59.4
Gearing	%	-47.4	-62.9
Return on equity	%	6.3	6.9
Return on investment	%	8.9	9.1
Personnel, total		74	70
Personnel, Finland		74	70
Total dividends paid	EURm	0.3	0.3
Dividends received by the State	EURm	0.3	0.3
Investments	EURm	0.1	0.0

State shareholding 100 %



MOTIVA OY IS AN EXPERT COMPANY THAT offers services for improving resource efficiency. Resource efficiency means the effective use of energy, materials and water to create maximal added value and welfare in a sustainable manner with due account taken of the environmental, economical and social aspects involved. The knowledge and solutions offered by Motiva helps public sector organisations, businesses and consumers to make resource efficient and sustainable choices.

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

The growth of Motiva Group's net sales in 2015 fell short of the target, and the parent company's net sales declined. This was due to not only the weak economic situation, but also to scarcer government appropriations for promoting resource efficiency. The revenue from ecoblabelling administered by the subsidiary declined slightly.

The consolidated operating income fell clearly short of the previous year, but solvency and liquidity remained sound.

Promotion of sustainable development

The preservation of natural resources and environmental protection are of increasingly pronounced significance in society. Energy and material efficiency serve as means for mitigating climate change. Their significance as competitive company assets will increase. Of special importance for Motiva's business are the energy efficiency agreements related to the National Energy and Climate Strategy, which are coordinated by the Energy Authority. The Energy Authority orders an energy work programme from Motiva complete with the related preparations and follow-up. The scarcer government appropriations for promoting resource efficiency will have a negative effect on Motiva's business, for this reason the company seeks to increase its sale of services to enterprises.

Highly skilled and competent personnel are a crucial factor for Motiva's success. Competence development was one of the company's priorities last year.

NORDIC MORNING PLC

CHAIRMAN OF THE BOARD

Per Sjödel

MEMBERS OF THE BOARD

Maritta Iso-Aho, Anni Ronkainen,
Jukka Ruuska, Petri Vihervuori,
Anne Årneby

CHIEF EXECUTIVE OFFICER

Timo Lepistö

INDUSTRY SECTOR

Graphics industry and marketing
communications

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	104.9	106.6
Operating income	EURm	-0.2	3.4
Operating income %	%	-0.2	3.2
Total assets	EURm	75.7	75.1
Equity ratio	%	48.6	51.8
Gearing	%	27.6	2.2
Return on equity	%	-0.6	9.8
Return on investment	%	-0.3	7.0
Average personnel		709	660
Personnel, Finland		271	286
Total dividends paid	EURm	2.0	2.0
Dividends received by the State	EURm	2.0	2.0
Investments	EURm	7.8	4.0

State shareholding 100 %



NORDIC MORNING IS THE LEADING communications group in the Nordic region, whose home markets, Finland and Sweden, developed in different directions in 2015. In Sweden, media investments grew, while in Finland, media investments declined. Customers' needs are increasingly directed to new technology, data, analytics and strategic services that help them operate efficiently in the changing digital environment. The Group's strategy is directed towards comprehensive customer service, where synergy and cooperation between different business areas are sought for by means of digital provision of services and expertise.

Nordic Morning revised its service strategy and organised its operations accordingly into three business areas as of 1 January 2015:

The Visibility & Service Design business area comprises strategic media planning, programmatic display, search engine optimisation and marketing, conversion optimisation as well as strategic design, user experience design and digital service management.

The Content business area comprises strategic content design, production and marketing, social media,

online services, videos, blogs and digital and printed customer magazines and reports.

The Campaign & Dialogue business area comprises, among other things, loyalty marketing and personalised, targeted direct marketing campaigns.

Consolidated net sales for 2015 fell by 1.6 percent. The decline in consolidated net sales was primarily due to the lower demand for printed products, the contraction of net sales in the Content business area and the depreciation of the Swedish krona. 39 percent of net sales were generated in Finland and 61 percent in Sweden. Operating income was EUR -0.2 (3.4) million. Operating income exclusive of non-recurring items was EUR -0.1 (1.0) million.

Supported by the Group's values of renewal, respect and responsibility, the corporate responsibility programme is firmly integrated within Nordic Morning's strategy. The company's key corporate responsibility aspects include developing communications, developing good leadership, attracting and retaining employees and enhancing environmental responsibility.

PATRIA PLC

STRATEGIC INTEREST OF OWNERSHIP

To secure the operation of the Defence Forces by producing defence materiel and services required in all circumstances

CHAIRMAN OF THE BOARD

Christer Granskog

MEMBERS OF THE BOARD

Sari Helander, Marko Hyvärinen,
Kirsi Komi, Kari Rimpä

CHIEF EXECUTIVE OFFICER

Heikki Allonen

INDUSTRY SECTOR

Defence, security and aviation products and services

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	427.7	462.0
Operating income	EURm	46.8	56.0
Operating margin	%	10.9	12.1
Total assets	EURm	475.8	491.3
Equity ratio	%	49.7	45.3
Gearing	%	15.9	17.0
Return on equity	%	17.7	18.2
Return on investment	%	18.5	18.4
Total personnel (on average)		2,806	2,546
Personnel, Finland		2,746	2,436
Total dividends paid	EURm	13.9	13.9
Dividends received by the State	EURm	13.9	13.9
Investments	EURm	23.9	8.1

State shareholding 90,4 %



(In March 2016, the State sold a 49.9 percent stake to the Kongsberg Group.)

PATRIA PLC IS AN INTERNATIONAL PROVIDER of defence, security and aviation life-cycle services and technology solutions. The company's customers include the defence forces of different countries as well as authorities and operators from the civilian sector. Patria's products include armoured wheeled vehicles, mortar systems and system integrations, among other things. Defence materiel and their maintenance accounted for 93 (89) percent and civilian products for 7 (11) percent of net sales in 2015. 31 (50) percent of net sales were generated outside Finland.

Consolidated net sales declined as expected, reflecting the reductions made in defence appropriations during the preceding years, which for quite some time now has been evident in the reduced number of new orders and in Patria's order stock in general. However, since the latter half of 2015, demand in the defence industry market picked up due to the erosion of global security. An exception in the general development of the order stock was the year 2014, when Patria's subsidiary Millog concluded an extended partnership agreement with the Finnish Defence Forces. The integration of the operations of the garrison repair workshops of the Finnish Army and the maintenance centres of the Finnish Navy

as part of Millog's business operations was successfully carried out during 2015. Despite the decline in net sales, profitability remained satisfactory.

The most important new projects in 2015 included an agreement for the delivery of a Common Field Command System (KEJO) for all Finnish Public Protection and Disaster Relief (PPDR) authorities, a strategic partnership agreement on the provision of life-cycle services for military aircraft and aviation systems, and an agreement on the delivery of AMV vehicles to the Middle East.

Kongsberg became a new minority shareholder

The State of Finland announced that it is looking for a new minority shareholder for Patria following Airbus Group NV's demerger in December 2014. In March 2016, the State sold a 49.9 percent stake in Patria to the Norwegian Kongsberg Group. Kongsberg has a worldwide marketing network in place, and a partnership with the company will offer Patria new opportunities in the servicing business, in system deliveries and in the production of components for the aviation industry, among other things.



POSTI GROUP CORPORATION

STRATEGIC INTEREST OF OWNERSHIP

To produce postal services under the universal service obligation throughout Finland

CHAIRMAN OF THE SUPERVISORY BOARD

Markku Rossi

CHAIRMAN OF THE BOARD

Arto Hiltunen

MEMBERS OF THE BOARD

Petri Järvinen, Petri Kokko, Jussi Kuutsa, Kirsi Nuotto, Marja Pokela, Suvi-Anne Siimes, Arja Talma

CHIEF EXECUTIVE OFFICER

Heikki Malinen

INDUSTRY SECTOR

Postal services

KEY FINANCIAL INDICATORS

	2015	2014
Net sales	EURm 1,650.3	1,858.7
Operating income	EURm 55.9	5.8
Operating margin	% 3.4	0.3
Total assets	EURm 1,304.8	1,291.3
Equity ratio	% 47.2	45.3
Gearing	% -10.4	16.9
Return on equity	% 6.1	-0.7
Return on investment	% 7.1	1.1
Personnel, total	21,598	23,289
Personnel, Finland	16,874	18,025
Total dividends paid	EURm 18.0	0.0
Dividends received by the State	EURm 18.0	0.0
Gross investments	EURm 60.6	57.5

State shareholding 100 %



POSTI'S BUSINESS OPERATIONS HAVE BEEN divided into four business groups: Postal Services, Parcel and Logistics Services, Itella Russia, and OpusCapita. In Finland, the company operates under the name Posti and in other countries of operation under the name Itella. Posti has operations in 9 countries.

Posti announced its new strategy in the summer of 2015, with the primary objectives of renewing Posti to make it a customer-oriented, first-class service company and pursuing profitable growth in new services. Posti's ambition is to be Finland's largest postal and logistics company with the broadest service range and network.

Posti Group's net sales in 2015 amounted to EUR 1,859 million, down 11 percent on the previous year. Net sales declined across all of the business groups. The declining delivery volumes of letters and publications reduced net sales by EUR 75 million. Domestic freight transport volumes decreased as the total market continued to decline. Itella Russia's net sales were eroded by the weak ruble and the problems the Russian economy is facing. Businesses and organisations generate 96 percent of Posti Group's total net sales.

The operating income exclusive of non-recurring items amounted to EUR 48.7 (50.8) million. Posti sold several properties during the financial year, recognising a total capital gain of EUR 44.2 million. The non-recurring items also include EUR 8.4 million in personnel restructuring costs and EUR 28.6 million in impairment, provisions and other items.

Posti's business environment in 2015 was difficult. Additionally, Posti is currently undergoing a significant multi-year structural transformation of its industry. Letter volumes are declining, and the cornerstones of the company's strategy are to react to the declining volumes and pursue strong growth in new businesses.

Posti has renewed its operations in response to tightening competition and declining mail delivery volumes. Restructuring measures implemented in summer 2015 included rearranging the domestic terminal network and launching the renewal of Posti's retail network. The new collective agreement for the postal industry, signed in late November, also supports Posti's renewal and the improvement of Posti's competitiveness.

RASKONE LTD

CHAIRMAN OF THE BOARD

Kai-Petteri Purhonen

MEMBERS OF THE BOARD

Ilpo Nuutinen, Sinikka Mustakari,
Anu Ora, Klaus Sundström

CHIEF EXECUTIVE OFFICER

Timo Seppä

INDUSTRY SECTOR

Repair and servicing of utility vehicles

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	60.3	62.4
Operating income	EURm	-1.3	-2.8
Operating margin	%	-2.2	-4.5
Total assets	EURm	20.8	22.5
Equity ratio	%	16.0	25.3
Gearing	%	159.6	102.3
Return on equity	%	-52.8	-91.8
Return on investment	%	-9.8	-14.6
Total personnel (on average)		490	536
Personnel, Finland		490	536
Total dividends paid	EURm	0	0
Dividends received by the State	EURm	0	0
Investments	EURm	0.6	0.9

State shareholding 85 %
(Governia Oy 15 %)



RASKONE PROVIDES ITS CUSTOMERS WITH life-cycle services for utility vehicles. Raskone is Finland's leading company specialising in the servicing and maintenance of utility vehicles. Its repair shops in 21 locations form a network with a nationwide coverage. The company provides maintenance services for heavy-duty vehicles, trailers, work machinery, cars and vans as well as superstructures. The business is based on the company's ability to service vehicles and machinery of all makes.

Reduced operating loss

The demand for Raskone's services correlates with vehicle mileages. The market situation in the sector has been difficult for several years now due to the economic recession. Even though the amount of vehicle mileages increased during 2015, the level still remains low compared to the time before the recession. Minor growth was also seen in the registration of new trucks and vans.

Raskone succeeded in stopping the decline of its net sales despite the market situation by focusing on customer service and active sales efforts. Operating losses reduced and improved by around EUR 1.5 million on the previous year. The figure of the comparison year includes non-recurring items related to personnel reductions.

In 2015, Raskone sold all of its shares in subsidiary Pajakulma Oy to the wholly state-owned special assignment company Governia Oy. The company made a write-down of around one million euros related to the sale of Pajakulma Oy. In 2014, an impairment loss of EUR 6.8 million was recognised for Pajakulma shares. Following the transaction, Raskone will focus on the development of its core business operations.

The company's equity ratio continued to weaken. The balance sheet structure is improved by the subordinated loan extended to the company. Raskone's liquidity improved slightly.

Investments in competencies and new service concepts

Raskone improved the competencies of its mechanics and created new service concepts to better address the customers' needs. The more stable economic situation provides the company with an opportunity to make continued investments in the development of corporate responsibility as well. Raskone succeeded in reducing its accident frequency by half during the year.



SUOMEN LAUTTALIIKENNE OY

STRATEGIC INTEREST OF OWNERSHIP

To ensure ferry and cable ferry services as part of the public road network

CHAIRMAN OF THE BOARD

Pertti Saarela

MEMBERS OF THE BOARD

Juha Heikinheimo, Kati Niemelä,
Matti Pajula, Minna Pajumaa

CHIEF EXECUTIVE OFFICER

Mats Rosin

INDUSTRY SECTOR

Ferry and water transport services

SUOMEN LAUTTALIIKENNE IS RESPONSIBLE FOR the State's cable ferry and ferry services as part of the public road network. Suomen Lauttaliikenne is responsible for the ferry and cable ferry traffic throughout Finland on a total of 44 routes. All but one cable ferry locations on Finland's lakes are operated by Suomen Lauttaliikenne. The ferries transport around ten million passengers and five million vehicles annually.

Activities and processes were further improved

Net sales for 2015 were up 1.2 percent on the previous year. Operating income fell by 20.3%. The cost benefits obtained from efficiency improvements have been passed on directly to customer prices and investments. The company's financial position remained solid. Net sales for 2016 are expected to remain at the previous year's level. Operating income is expected to fall slightly short of that in 2015 due to increasingly stringent competition, increase in the depreciable amount and development projects.

Net investments in 2015 totalled EUR 0.5 million. The company's principal risk is its ageing fleet. The company has addressed this risk with an extensive investment programme. A new environmentally friendly hybrid ferry that will operate on the Parainen-Nauvo route in 2017 was ordered at the end of 2015.

The increasingly stringent competition poses a challenge for Suomen Lauttaliikenne. The company's largest

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	49.6	49.0
Operating income	EURm	9.3	11.7
Operating margin	%	18.8	23.9
Total assets	EURm	57.2	53.9
Equity ratio	%	74.4	72.8
Gearing	%	-47.9	-33.2
Return on equity	%	18.5	26.5
Return on investment	%	23.2	33.9
Personnel, total		312	318
Personnel, Finland		312	318
Total dividends paid	EURm	6.0	5.0
Dividends received by the State	EURm	6.0	5.0
Investments	EURm	0.5	9.1

State shareholding 100 %



client is the Centre for Economic Development, Transport and the Environment for Southwest Finland; other clients comprise private road maintenance associations and operators who lease the vessel fleet. 95 percent of orders are received from the Finnish Transport Agency and the Centres for Economic Development, Transport and the Environment. The Centre for Economic Development, Transport and the Environment seeks to increase the number of service providers and so promote competition in the sector. In late 2015, the Centre for Economic Development, Transport and the Environment for Southwest Finland put seven of the routes currently operated by the company out to open tender, for six of which the competitive tendering process was halted in February 2016.

Quality and responsibility as competitive assets

The company's values are safety, service-mindedness and profitability. Development activities were continued in respect of ECO-driving training and the utilisation of alternative forms of energy. The results of both the personnel and customer satisfaction survey improved. To improve customer service, digital communications channels will be developed in support of the web pages.

MINT OF FINLAND LTD

CHAIRMAN OF THE BOARD

Hanna Sievinen

MEMBERS OF THE BOARD

Pekka Hurtola, Pekka Leskinen,
Riitta Mynttinen, Ari Viinikkala,
Anna Maija Wessman

CHIEF EXECUTIVE OFFICER

Paul Gustafsson

INDUSTRY SECTOR

Metals

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	88.2	76.2
Operating income	EURm	-2.2	-2.6
Operating margin	%	-2.5	-3.4
Total assets	EURm	67.5	74.4
Equity ratio	%	46.4	47.6
Gearing	%	78.2	69.5
Return on equity	%	-12.8	-9.6
Return on investment	%	-3.6	-3.9
Total personnel (on average)		191	212
Personnel, Finland		63	61
Total dividends paid	EURm	0	0
Dividends received by the State	EURm	0	0
Investments	EURm	1.6	0.5

State shareholding 100 %



MINT OF FINLAND GROUP IS THE LEADING MINT in Scandinavia and the Baltics. Its business is to design, market and mint money, and produce coin blanks. Circulation coins are an important export item for Mint of Finland. There is strong demand for the company's expertise in the production of circulation coins in many countries in Asia, Africa and South America. Collectors' items include collector and commemorative coins, coin sets and collections, and numismatic medals. In addition to circulation coins and collector items, the company also produces coin blanks.

Mint of Finland Group is among the most technologically advanced mints in the world. Mint of Finland is one of the few operators in the industry capable of offering a complete service to its customers, from the production of coin blanks to tool manufacturing and the minting of coins. Exports accounted for 94 (94) percent of the company's net sales. The circulation coin market is global. Mint of Finland has built up its presence in new market areas.

Demand for coins as a means of cash payment continued at a satisfactory level despite the development of

new means of payment. Even though consumer surveys seem to indicate a decline in cash payment, this has not yet been reflected either in the amount of metal coins made or in the demand for them.

In 2015, Mint of Finland's net sales grew by around 16 percent. The increase in net sales was mainly attributable to growth in the circulation coin business. Operating income remained negative, but the loss was slightly smaller than the year before. The operating margin was positive. The notable fall in the prices of nickel, copper and steel – the main raw materials of metal coins – during 2015 spilled over into the early part of 2016. This significantly affects revenue and profitability in the sector. Mint of Finland simplified its group structure during 2015. Among other things, the two companies operating in Germany were merged and the functions combined. The holding in the joint venture in Norway was divested.

Mint of Finland is building for the future by striving for customer satisfaction, responsibility and profitability in everything it does. Customers expect absolute security from Mint of Finland.



FINNISH SEED POTATO CENTRE LTD

STRATEGIC INTEREST OF OWNERSHIP

To protect plant health and maintain security of supply by producing healthy seed potato material suitable for Finnish conditions

CHAIRMAN OF THE BOARD

Ossi Paakki

MEMBERS OF THE BOARD

Kauko Matinlauri, Antti Lavonen,
Jouko Lähteenoja Alf-Håkan Romar,
Jyrki Siira

CHIEF EXECUTIVE OFFICER

Paula Ilola

INDUSTRY SECTOR

The maintenance, production and marketing of potato varieties

KEY FINANCIAL INDICATORS	2015	2014
Net sales	EURm 3.2	3.2
Operating income	EURm -0.368	-0.036
Operating margin	% -11.4	-1.1
Total assets	EURm 4.3	3.6
Equity ratio	% 47.9	41.0
Gearing	% 50.8	50.3
Return on equity	% -19.7	0
Return on investment	% -13.5	-1.4
Personnel, total	14	13
Personnel, Finland	14	13
Total dividends paid	EURm 0	0
Dividends received by the State	EURm 0	0
Investments	EURm 0.089	0.13

State shareholding 22 %



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. During the financial period, the company had a total of 22 potato varieties in production for the domestic market, all of which were maintained by the company in greenhouse-based production – from food potatoes to starch potatoes and from new potatoes to winter potatoes. Additionally, the company has more than 20 varieties in production for export markets.

Research and development as a guarantee of quality

The company's net sales in 2015 grew by 1.2 percent on the previous year reaching EUR 3.2 million. The operating income showed a loss due to the decline in other income, the impairment of the value of the stock from

the 2015 growing season and the weak markets of spring 2015. However, the company's equity ratio rose due to the revaluation of field land carried out and is at a good level. The company will not pay out any dividends for the financial year 2015.

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

The company has also continued the development and commercialisation of the aeroponic method related to seed potato production.

Plant health and security of supply as priority areas in corporate responsibility

SPK contributes to the attainment of corporate responsibility through the prevention of plant diseases and the promotion of supply security.

SUOMEN VILJAVA OY

STRATEGIC INTEREST OF OWNERSHIP

To ensure, in a competition-neutral way, the functioning of the cereal storage and handling market and the undisturbed execution of tasks related to food chain security of supply and EU intervention measures

CHAIRMAN OF THE BOARD

Petri Alava

MEMBERS OF THE BOARD

Michael Hornborg, Pekka Kettunen,
Helena Tammi, Tanja Viljanen

CHIEF EXECUTIVE OFFICER

Pasi Lähdetie

INDUSTRY SECTOR

Cereal handling and storage services

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	19.7	19.0
Operating income	EURm	3.6	3.7
Operating margin	%	18.2	19.0
Total assets	EURm	22.1	23.8
Equity ratio	%	89.6	85.1
Gearing	%	2.5	-6.1
Return on equity	%	12.8	13.8
Return on investment	%	16.5	16.6
Personnel, total		94	91
Personnel, Finland		94	91
Total dividends paid	EURm	3.3	3.0
Dividends received by the State	EURm	3.3	3.0
Investments	EURm	2.9	2.0

State shareholding 100 %



SUOMEN VILJAVA'S MAIN FIELD OF ACTIVITY IS the handling and storage of cereals and cereal-type raw materials. The company has stocks at 22 locations around Finland. They cover all of Finland's major cereal production areas. Nearly half of the cereals eventually sold in Finland go through Viljava's stocks. In effect, Viljava has an important role to play not only in the emergency stockpiling of cereals, but also in the entire food chain, as the provider of cargo handling and storage services related to the export and import of cereals. The company contributes to ensuring the functionality of the cereal production chain and logistics, from primary production to processing, distribution and consumption.

During 2015, Suomen Viljava received and dispatched a total of 2.3 (2.2) million tonnes of cereal, which is the second largest volume to date in the company's history. However, the amount cereal in the company's stocks did not reach the previous years' level, as the average amount stored during the year was 782,000 (807,000) tonnes of cereal.

In its port stocks, Viljava started to operate in three shifts when large ships were loaded. The utilisation rate of the company's storage and handling capacity was good

during the summer months, and the company's cereal drying capacity was in full use until the late autumn as the harvest season continued later than in previous years. Cereal was steadily supplied to the market during the year.

Viljava's net sales increased slightly, and the net result remained at the previous year's level. The company recognised an impairment loss of EUR 0.5 million for stocks of poor profitability. The company intends to dispose of these stocks.

Viljava aiming at growth

The company is aiming at growth in line with its new strategy. Growth will be sought for in the storage of agribulk products in addition to cereals. The company has developed the receipt of cereal at its Naantali stock and will continue its investments in port stocks in the next few years. The storing of pellets commenced at the Turenki stock and that of milk powder at the Loimaa stock. Viljava also invests in dust removal and will in the future seek to utilise all of the grain dust generated by its operations in its own heating boilers or by selling dust briquettes to be burned elsewhere

TAPIO LTD

STRATEGIC INTEREST OF OWNERSHIP

To ensure for forestry long-term security of supply for high-quality forest tree seed material suitable for Finnish conditions

CHAIR OF THE BOARD

Anne Ilola

MEMBERS OF THE BOARD

Tuula-Riitta Markkanen, Matti Mäkelä, Marja Pokela

CHIEF EXECUTIVE OFFICER

acting CEO Olli Äijälä, Panu Kallio as of the 1st of May 2016

INDUSTRY SECTOR

Forestry and bioeconomy services

KEY FINANCIAL INDICATORS

2015

Net sales	EURm	9.1
Operating income	EURm	0.1
Operating margin	%	0.6
Total assets	EURm	15.4
Equity ratio	%	63
Gearing	%	-54.7
Return on equity	%	0.1
Return on investment	%	1.6
Personnel, total		54
Personnel, Finland		54
Total dividends paid	EURm	0.01
Dividends received by the State	EURm	0.01
Investments	EURm	1.1

State shareholding 100 %



TAPIO LTD COMMENCED ITS OPERATIONS AS a company at the beginning of 2015, following the incorporation of the Forestry Development Centre. In addition to the parent company that provides expert services for the State, the Tapio Group also comprises Metsäkustannus Oy and Tapio Silva Ltd, the business concept of which also includes a seed production business in addition to the provision of expert services. Tapio Ltd's largest client is Ministry of Agriculture and Forestry.

Special focus on the clarification of strategy during the first year of operation

In line with its revised strategy, the Tapio Group operates in four business areas: forest bioeconomy consulting, commercialised expert services, media, and forest tree seed production. During the reporting year, the company focused on the commercialisation of services and digitalisation. Tapio also invested in seed production by acquiring more seed cultivations. The stringent competition made the sales targets hard to achieve. The net result of the Group's first year of operation was slightly posi-

tive. The company's performance was in part weakened by Pohjan Taimi's net result. The return on capital employed was modest. However, Tapio has made progress in the development of its operations, and in the future, the company's ability to grow in a profitable manner and to make more effective use of the capital tied in business operations will be of pronounced significance.

Positive expectations on the market

The investment decisions made in the forest industry have increased confidence in the viability of bioforestry markets. Tapio's business is based on the opportunities arising from the bioeconomy and the sustainable and responsible use of forests and on finding sustainable solutions for the customer. However, the challenges of the global economy and public finances are reflected in the customers' decisions, which in turn poses challenges for growing Tapio's sales. In the future, Tapio will focus not only on profitable growth, but also on the utilisation of intra-group synergies and on further improvement of cost efficiency and competitiveness.

VAPO OY

STRATEGIC INTEREST OF OWNERSHIP

To ensure domestic fuel supply for energy production in all circumstances

CHAIRMAN OF THE BOARD

Jan Lång

MEMBERS OF THE BOARD

Perttu Rinta, Risto Kantola, Minna Pajumaa, Hannu Linna, Pirita Mikkonen

MANAGING DIRECTOR

Tomi Yli-Kyyny

INDUSTRY SECTOR

Energy production, environmental business

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	486.9	847.4
Operating income	EURm	36.9	50.1
Operating margin	%	7.6	5.9
Total assets	EURm	838.2	786.9
Equity ratio	%	37.9	39.4
Gearing	%	128.7	110.3
Return on equity	%	6.6	1.2
Return on investment	%	6.2	3.9
Personnel, total		961	1,091
Personnel, Finland		707	759
Total dividends paid	EURm	12.0	0
Dividends received by the State	EURm	6.01	0
Investments	EURm	88.4	65.0

State shareholding 50,1 %



VAPO'S BUSINESS OPERATIONS INCLUDE THE production of peat and wood-based fuels, pellets, district heat and the environmental business.

Vapo's special ambition is to reduce the burden on water bodies arising from peat production, to which end the company has invested a total of EUR 30 million in water treatment and responsible peat production.

Renewal in the company's business structure

Vapo's net sales for the financial year 1 May 2014 – 30 April 2015 totalled EUR 486.9 million and operating income came to EUR 36.9 million. The company's net sales fell on the previous year due to the shorter financial period and the sale of the Hankasalmi sawmill. The rather good operating income was a result of the relatively good peat harvest during the summer of 2014.

Vapo's equity ratio has remained at a satisfactory level. Cost efficiency and the improvement of operating practices are constantly on the company's agenda.

At the beginning of 2016, Vapo also closed the sale of its sawmills in Nurmes and Lieksa, following which the company is now even more clearly an energy company. Efforts will be made to extend the use of pellets in Finland to power plants and district heat production. Entirely new business is sought from water protection and biomaterials.

Corporate responsibility improving the condition of watercourses

Vapo's environmental commitments from 2016 are:

- Less humus and solid matter will be emitted to waterways from new peat production areas than before peat production.
- Emissions monitoring will cover 100% of production areas during the production season.
- Areas released from peat production will be in new use within 2 years following the end of production operations.

VR-GROUP LTD

STRATEGIC INTEREST OF OWNERSHIP

To ensure continuity of sufficient railway transport

CHAIRMAN OF THE SUPERVISORY BOARD

Ville Tavio

CHAIRMAN OF THE BOARD

Hannu Syrjänen

MEMBERS OF THE BOARD

Riku Aalto, Heikki Allonen, Jarmo Kilpelä, Roberto Lencioni, Liisa Rohweder, Tuija Soanjärvi, Maija Strandberg

CHIEF EXECUTIVE OFFICER

Mikael Aro

INDUSTRY SECTOR

Railway and road transport including track construction and maintenance

KEY FINANCIAL INDICATORS

	2015	2014
Net sales	EURm 1,231.4	1,367.2
Operating income	EURm 65.4	90.4
Operating margin	% 5.3	6.6
Total assets	EURm 1,800.6	1,876.8
Equity ratio	% 83.5	82.5
Gearing	% -20.5	-21.6
Return on equity	% 3.3	4.5
Return on investment	% 4.6	6.3
Personnel, total	8,615	9,689
Personnel, Finland	8,101	9,109
Total dividends paid	EURm 100.0	100.0
Dividends received by the State	EURm 100.0	100.0
Gross investments	EURm 119.8	169.0

State shareholding 100 %



VR GROUP HAS THREE CORE BUSINESS SECTORS:

VR, providing passenger services; VR Transpoint, providing logistics services; and VR Track, specialising in infrastructure engineering. Passenger services include rail passenger services operated by VR and bus and coach services provided by Pohjolan Liikenne.

Decline in net sales and profitability

In 2015, net sales fell by 9.9 percent on the previous year's level. Net sales fell in all business sectors. Operating income fell by 27.7%. The decline was most noticeable in long-distance passenger trains, whereas logistics and infrastructure engineering improved their operating income. When bus and coach services were opened for competition, competition in domestic long-distance traffic intensified significantly. Increasing the company's net sales for 2016 is perceived as highly challenging, and improving its operating income is considered difficult.

VR launched a programme for improving the competitiveness of trains as a mode of long-distance transport. The competitiveness programme seeks annual savings in excess of EUR 50 million.

VR has concluded an agreement on exclusive rights to passenger rail traffic until the end of 2024. In February 2016, the Ministry of Transport and Communications

and VR entered into an agreement on the content of the traffic purchased as a service and traffic operated under the public service obligation.

Securing funding for investments by way of improved performance will guide VR's operations in the next few years. Total capital expenditure in 2015 amounted to EUR 119.8 million, of which leasing agreements accounted for EUR 29.8 million. Investment in rolling stock totalled EUR 70.6 million. VR's level of capital expenditure during the next 10 years amounts to a total of around EUR 1.5 billion. VR disposed of its business operations in Hungary and sold its switch production and continuous welded rail operations to associated companies.

Customer orientation and safety

At VR, responsibility is integrated as part of the Group strategy. VR set five new environmental pledges for the years 2013–2020. An environmental programme was created to support the environmental pledges, in which each of VR's separate business operations recorded their own measures to be taken to fulfil the promises. With regard to personnel, the main themes are the development of supervisory work and the promotion of wellbeing and working ability. The company's incentive scheme covers the entire personnel.

FINRAIL OY**SPECIAL ASSIGNMENT**

To ensure an equal provision of rail traffic control services to all railway operators

CHAIRMAN OF THE BOARD

Kimmo Mäki

MEMBERS OF THE BOARD

Pia Björk, Yrjö Poutiainen,
Jarmo Väisänen, Kaija Sellman

CHIEF EXECUTIVE OFFICER

Pertti Saarela

INDUSTRY SECTOR

Traffic control services

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	36.9	36.0
Operating income	EURm	1.7	1.6
Operating margin	%	4.5	4.6
Total assets	EURm	11	6.8
Equity ratio	%	19	11
Gearing	%	-440	-805
Return on equity	%	94	184
Return on investment	%	117	226
Personnel, total		447	432
Personnel, Finland		447	432
Total dividends paid	EURm	0.6	-
Dividends received by the State	EURm	0.6	-
Investments	EURm	1.3	-

State shareholding 100 %



FINRAIL WAS SPLIT FROM THE VR GROUP AT the end of 2014, and the company commenced its business operations as an independent company at the beginning of 2015. The purpose of the arrangement was to secure competition neutrality in traffic control services. Finrail provides traffic control, traffic planning and passenger information services for the state railway network. The principal customer is the Finnish Transport Agency, and the contract concluded with the agency is crucial for the company's business as a whole. The subsidiary Finlogic provides services for freely competitive markets.

Focus on efficiency improvement and controlled growth

Operating as an independent company called for investments in management and information systems, as well as organisational adjustments in support of the goals pursued. The company's principal strategic goals are the improvement of the effectiveness of operational activities and the controlled growth of business operations. Finrail acquired from VR-Track operating centres that provide operating centre services for electrified tracks, which serves as a good example of the growth sought

by the company in different areas of traffic control. The company's financial performance remained stable during 2015. The company has been able to improve the efficiency of operational traffic control.

From the corporate central government point of view, it would be optimal if the company's resources and expertise could be put to maximal use in different areas of traffic control. In the future, the significance of traffic control is expected to increase even further, following the increase of competition in rail traffic. From the company, this calls for solid competence in operating in an increasingly challenging business environment.

Responsibility for safety is an essential part of business

Finrail's business operations are highly safety-critical, which lays special emphasis on the effectiveness of the management and risk control system. In effect, Finrail renewed its safety policies during the reporting year. Punctuality and customer orientation are also of pronounced significance in traffic control operations. In the future, the company seeks to develop the management of corporate responsibility and its closer integration as part of the company's strategy.

GOVERNIA OY

SPECIAL ASSIGNMENT

To serve as a state investment company that can be used for special ownership restructuring purposes

CHAIRMAN OF THE BOARD

Jarmo Kilpelä

MEMBERS OF THE BOARD

Rita Linna, Ilkka Salonen,
Taina Susiluoto, Petri Vihervuori

CHIEF EXECUTIVE OFFICER

Timo Kankuri

INDUSTRY SECTOR

Investment operations

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	71.3	99.6
Operating income	EURm	-3.0	6.8
Operating margin	%	-4.2	6.8
Total assets	EURm	320.5	289
Equity ratio	%	48.6	56.4
Gearing	%	55.8	28.4
Return on equity	%	-4.4	1.6
Return on investment	%	-1.5	2.4
Personnel, total		330	176
Personnel, Finland		330	176
Total dividends paid	EURm	-	-
Dividends received by the State	EURm	-	-
Investments	EURm	56.5	18.4

State shareholding 100 %



GOVERNIA OY IS A WHOLLY STATE-OWNED special assignment company whose balance sheet is actively used for off-exchange special ownership arrangements. Additionally, the company is tasked with the development of the companies in its ownership. Governia's most important subsidiaries are Kruunuasunnot Oy, Cinia Group Ltd, Turun telakkakiinteistöt Oy and Pajakulma Oy.

An active year in the performance of the special assignment

Important events in 2015 in view of the performance of the company's special assignment were the acquisition of the entire share capital of Pajakulma from Raskone, an investment of EUR 8 million made for the implementation of the sub-sea cable project, and the extension of a EUR 10 million junior loan to C-Lion 1 Oy. As regards the ownership of Pajakulma, of special importance were the measures taken to revitalise and enhance the effectiveness of business operations. Governia extended a subordinated loan of EUR 0.55 million to the company for securing its capital adequacy.

Dominant in Cinia Group's operations in 2015 was the implementation of the sub-sea cable project.

The company succeeded well in the project as the cable installation was brought to completion on schedule in January 2016. The sub-sea cable secures the data communications connections in northern regions and supports the growth opportunities of the Finnish digital economy and industrial internet. The challenge for the future is to succeed in the sale of capacity. Cinia Group's software services business was formed at the beginning of the reporting year following Cinia One's acquisition of the entire share capital of Kilosoft Oy.

Governia's consolidated net sales in 2015 amounted to EUR 71.4 (99.6) million. The decline in net sales was due to the successful disposal of Easy Km, which will further increase the figures of the comparison year. The consolidated result showed a loss of EUR 3 million. The result was burdened by an impairment of EUR 2.3 million.

Governia's subsidiaries prepare their own corporate responsibility reports. Governia partakes in the management and monitoring of corporate responsibility matters within the Group through its duties as a board member. In the future, the stronger integration of corporate responsibility aspects as part of the strategic steering of the subsidiaries will also gain in importance in the management of Governia's corporate assets.

SOLIDIUM OY

SPECIAL INTEREST OF OWNERSHIP

To reinforce and consolidate domestic ownership in listed companies of national significance, and increase the value of its holdings in the long term

CHAIR OF THE BOARD

Heikki Bergholm

MEMBERS OF THE BOARD

Eero Heliövaara,
Anni Vepsäläinen

CHIEF EXECUTIVE OFFICER

Kari Järvinen

INDUSTRY SECTOR

Investment operations

KEY FINANCIAL INDICATORS		1 July–31 Dec 2015	1 July–31 Dec 2014	1 July–30 June 2014
Net sales	EURm	0.0	0.0	0.0
Operating income	EURm	-1.9	190.5	534.5
Profit for the financial year	EURm	-439.8	-348.5	216.6
Return on investments at fair value	%	-2.5	-4.8	4.3
Dividends and capital repayments received	EURm	7.9	0.0	275
Administrative cost ratio	%	0.05	0.08	0.07
Net asset value	EURm	6,389.6	6,642.3	6,853.6
Shareholders' equity	EURm	3,384.4	3,965.2	4,090.3
Financial liabilities	EURm	350.0	950.0	350.0
Equity ratio	%	90.6	80.0	81.1
Personnel, total		12	12	12
Personnel, Finland		12	12	12
Profit distribution*	EURm	266	1,087	1,527
Distributed profits received by the State*	EURm	266	1,087	1,527

State shareholding 100 %



SOLIDIUM OY IS A WHOLLY STATE-OWNED limited liability company with a mission to reinforce and consolidate domestic ownership in companies of national significance and to increase the financial value of its holdings in the long term. Solidium manages the State's holdings in non-strategic listed companies. Solidium's portfolio includes twelve listed companies in which it holds a non-controlling interest.

Solidium wields influence in these companies primarily by being actively involved in board appointments. The objective is to form highly efficient boards of directors that meet the companies' needs in terms of shareholder value. As a responsible owner, Solidium is also involved in corporate social responsibility (CRS) issues. Solidium accomplishes its mission through analysis, discussions and exertion of influence. Among its responsibilities are also CRS issues where the objective is to increase and protect shareholder value. To achieve its goals as a sharehold-

er, Solidium is engaged in active communications with the board of directors, chief executive officer and other management of each of the companies in its portfolio.

Solidium's financial year is from 1 July to 30 June. During the calendar year, Solidium acquired shares to a total value of EUR 145 million. It bought shares in Outotec for EUR 34 million. As a result of these transactions, Solidium's interest in Outotec increased by 3.7 percentage points from 11.0 to 14.7 per cent. Solidium acquired shares in Metso for EUR 111 million during the calendar year. As a result, its stake in Metso increased by 3.0 percentage points from 11.7 to 14.7 per cent.

During the calendar year 2015, Solidium sold shares for approximately EUR 1,164 million.

In February 2015, Solidium sold shares in TeliaSonera. As a result, its holding in TeliaSonera decreased from 4.6 to 3.2 per cent. The proceeds from the sale were approximately EUR 1.069 billion.

* A total of EUR 1,527 million was paid in distributed profits for the financial year ending on 30 June 2014 as follows: EUR 900 on 26 August 2014; EUR 187 million on 16 December 2014; and EUR 440 million on 4 March 2015

In spring 2015, Solidium sold shares in Outokumpu. As a result, its interest in the company decreased by 3.7 percentage points to 26.2 per cent. The proceeds from the sale were approximately EUR 95 million.

Solidium announced in April 2016 that it would take part in the SSAB's SEK 5 billion rights issue. Solidium pledged to subscribe for SSAB's new shares for its pro rata entitlement, corresponding to approximately SEK 900 million, i.e. roughly EUR 98 million. Swedish SSAB and Rautaruukki merged in July 2014.

During the calendar year, Solidium received some EUR 283 million in dividends. Because of the sale of shares, the total dividends earned by the company have declined over the past five years as follows: 2011: EUR 422 million; 2012: EUR 399 million; 2013: EUR 398 million; 2014 EUR 350 million; and 2015: EUR 275 million. In August 2015, Solidium received additional dividends from Metso in the amount of EUR 8 million.

During the half-year period, Solidium paid the State EUR 266 million in distributed profits, followed by another payment of EUR 440 million in March 2015.

A reversal of impairment of EUR 584 million on the Outokumpu, Outotec, SSAB and Talvivaara Mining Company shares had been recognised in the financial statements of the previous financial year. In the half-year report of 31 December 2015, an impairment totalling EUR 446 million was recognised, of which EUR 195 million relates to shares in Outokumpu, EUR 60 million to shares in Outotec, and EUR 191 million to shares in SSAB.

Solidium's financial liabilities were reduced by EUR 600 million during the half-year period, due to the repayment of a convertible bond.

The National Audit Office carried out an audit of the company and issued a report in May 2015 offering a number of recommendations for both the State and Solidium. Additionally, the minister responsible for own-

SOLIDIUM'S INVESTMENT PORTFOLIO AT 31 DECEMBER 2015

INVESTMENTS, TOTAL	EUR	Weight %	EQUITIES, TOTAL	EUR	Weight %
Elisa	584 506 790	8 %	Elisa	584 506 790	9 %
Kemira	281 749 427	4 %	Kemira	281 749 427	4 %
Metso	457 691 676	6 %	Metso	457 691 676	7 %
Outokumpu	297 977 229	4 %	Outokumpu	297 977 229	4 %
Outotec	91 526 382	1 %	Outotec	91 526 382	1 %
Sampo	3 132 895 920	43 %	Sampo	3 132 895 920	46 %
SSAB	204 928 140	3 %	SSAB	204 928 140	3 %
SSAB A	65 167 909		SSAB A	65 167 909	
SSAB B	139 760 231		SSAB B	139 760 231	
Stora Enso	815 052 444	11 %	Stora Enso	815 052 444	12 %
Stora Enso A	467 005 871		Stora Enso A	467 005 871	
Stora Enso R	348 046 573		Stora Enso R	348 046 573	
Talvivaara	9 645 369	0 %	Talvivaara	9 645 369	0 %
TeliaSonera	628 300 528	9 %	TeliaSonera	628 300 528	9 %
Tieto	183 309 133	3 %	Tieto	183 309 133	3 %
Valmet	148 588 054	2 %	Valmet	148 588 054	2 %
Equities, total	6 836 171 092	94 %	Equities, total	6 836 171 092	100 %
Money market instruments, total	456 646 466	6 %			
Investments, total	7 292 817 558	100 %			

ership steering appointed a civil service working group in spring 2015 to prepare a report on the strengths and weaknesses of Solidium's current mode of operations from the point of view of ownership steering, and to propose measures.

Equities accounted for about 94 per cent of Solidium's investment portfolio at the end of the reporting period on 31 December 2015. The greatest weight in equities was on Sampo, which accounted for 46 per cent of the total.

Solidium's money market investments stood at EUR 457 million on 31 December 2015 (EUR 1,398 million on 30 June 2015). During the half-year reporting period, the level of money market investments was affected by distributed profits, repayment of the convertible bond and the investments made in equities.

The total return from Solidium's share portfolio fell short of the weight-limited OMX Helsinki Cap GI gross

index both during the reporting period and over the past 12 months.

The return from holdings in engineering and metals companies was negative and the overall return fell short of the benchmark index.

The yield from TeliaSonera remained negative and fell short of the benchmark index, which also affected the overall return of Solidium's portfolio. By contrast, the return on Elisa, a company engaged in the same line of business, was the highest. Elisa and TeliaSonera are equally weighted in the portfolio.

The dividend yield from Solidium's share portfolio calculated at 2015 year-end share prices and the dividends proposed in the financial statements was 5.5 per cent and the payout ratio 81 per cent. The corresponding figures for the Helsinki Stock Exchange are 4.9 per cent dividend yield and 85 per cent payout ratio.

PROFIT DISTRIBUTION

RETURN ON INVESTMENTS	1.7.2015 – 31.12.2015	1.1.2015 – 31.12.2015	RETURN ON EQUITIES, 1 JANUARY–31 DECEMBER 2015, %	
Total return on share portfolio	-3,6 %	6,3 %	Elisa	63 %
Investments in money market instruments	0,1 %	0,2 %	Sampo	26 %
Return on investments	-2,5 %	6,9 %	Tieto	22 %
OMX Helsinki Cap GI	3,6 %	15,9 %	Stora Enso	16 %
			Kemira	15 %
			TeliaSonera	-10 %
			Valmet	-11 %
			Metso	-12 %
			Outotec	-21 %
			Outokumpu	-43 %
			SSAB	-51 %
			Talvivaara	

STATE SECURITY NETWORKS LTD

SPECIAL ASSIGNMENT

Construction and operation of communications networks used by public administration authorities that are critical to the nation's security as well as other security networks and the provision of related services and consulting

CHAIR OF THE BOARD

Jarmo Väisänen

MEMBERS OF THE BOARD

Teemu Anttila, Lea Jokinen, Harri Martikainen, Sohvi Rajamäki, Esa Rautalinko, Elina Selinheimo

CHIEF EXECUTIVE OFFICER

Timo Lehtimäki

INDUSTRY SECTOR

Operation of communications networks

KEY FINANCIAL INDICATORS		2015	2014
Net sales	EURm	85.6	40.9
Operating income	EURm	8.5	0.2
Operating margin	%	10	0.6
Total assets	EURm	243	138.4
Equity ratio	%	88.9	85.0
Gearing	%	-10.8	-12.9
Return on equity	%	4.5	0.4
Return on investment	%	5.2	-0.1
Personnel, total		294	117
Personnel, Finland		294	117
Total dividends paid	EURm	-	-
Dividends received by the State	EURm	-	-
Investments	EURm	9.9	7.1

State shareholding 100 %



STATE SECURITY NETWORKS GROUP IS A STATE-owned company with a special mission to ensure critical management capabilities in times of crisis and secure the provision of information society services under all circumstances. Aside from the parent company, the Group includes the subsidiaries Suomen Virveverkko Oy, Virve tuotteet ja palvelut Oy, Suomen Turvallisuusverkko Oy and Leijonaverkot Oy.

Integration of security networks operations

As a result of the transfer of the security networks business on 1 March 2015, the Group's field of activity expanded and the number of personnel increased substantially. The company succeeded in taking over the business in a controlled manner. At the same time, the company extended its range of services by rolling out a wireless broadband network intended for security-critical users. A wide range of responsibilities related to communications networks were assumed by State Security Networks in the process. Future efforts will focus on more efficient utilisation of group synergies, specifically at customer interfaces, and digitisation.

The security network operations increased the company's net sales and operating income in 2015. The Telecommunication Facilities segment continued to put in a good performance contributing to the financial result more than any other segment. The occupancy rate of Leijonaverkot's premises improved relative to 2014. State Security Networks received EUR 6.5 million in price subsidies to secure the functioning of the authorities' terrestrial trunked radio network VIRVE.

State Security Networks plays a key role in ensuring national security

The security and reliability of communications services are key elements of State Security Networks' mission and corporate responsibility. The challenges related to the security of the information society, digitisation and the increasingly networked functions will only highlight this aspect in the future. Consequently, the recognition and management of corporate social responsibility (CRS) risks will continue to be of growing importance. The management of CRS issues at State Security Networks is based on the company's strategy and values and its CRS objectives are integrated into its business goals.

SOURCES OF DATA

THE DATA PROVIDED IN THIS ANNUAL REPORT are based on the information that is publicly available. An attempt has been made to select information on the companies and the share portfolio held by the State that is essential in the eyes of the State Ownership Steering Department. The Ownership Steering Department carries out independent analyses of the companies to for-

mulate its own view of their status and performance. Valuatum Oy's equity analysis platform is used for the analysis work. The key financial indicators presented in the report are ratios calculated by the State Ownership Steering Department using the following formulae. Consequently, the key indicators may differ from those calculated by the companies themselves. One of the reasons for the differences is the items included in the companies' comparable profit.

Operating income %	=	$\frac{\text{operating income}}{\text{net sales}}$	x 100
Equity ratio %	=	$\frac{\text{shareholders' equity} + \text{minority interest}}{\text{total assets} - \text{advances received}}$	x 100
Return on investment %	=	$\frac{\text{profit before taxes} + \text{interest and other financial cost}}{\text{average capital employed}}$	x 100
Return on equity %	=	$\frac{\text{net profit}}{\text{shareholders' equity (average for the financial period)}}$	x 100
Gearing %	=	$\frac{\text{interest bearing net debt}}{\text{shareholders' equity}}$	x 100
Dividend yield %	=	$\frac{\text{dividend/share}}{\text{share price}}$	x 100
Payout ratio %	=	$\frac{\text{dividend/share}}{\text{net earnings/share}}$	x 100

LISTED COMPANIES	Ownership steering	Group	State shareholding	Minimum level of shareholding
Elisa Corporation	Solidium	1a	10.0 %	0.0 %
Finnair Plc	VNK	1b	55.8 %	50.1 %
Fortum Corporation	VNK	1b	50.8 %	50.1 %
Kemira Oyj	Solidium	1a	16.7 %	0.0 %
Metso Corporation	Solidium	1a	14.5 %	0.0 %
Neste Corporation	VNK	1b	50.1 %	50.1%
Outokumpu Oyj	Solidium	1a	26.2 %	0.0 %
Outotec Oyj	Solidium	1a	14.5 %	0.0 %
Sampo Plc	Solidium	1a	11.9 %	0.0 %
SSAB	Solidium	1a	17,1%	0,0 %
Stora Enso Oyj	Solidium	1a	12.3 %	0.0 %
Talvivaara Mining Company Plc	Solidium	1a	15.2 %	0.0 %
Telia Sonera AB	Solidium	1a	3.2 %	0.0 %
Tieto Corporation	Solidium	1a	10.0 %	0.0 %
Valmet Corporation	Solidium	1a	11.1 %	0.0 %
Total		15		

UNLISTED COMMERCIAL COMPANIES	Ownership steering	Group	State shareholding	Minimum level of shareholding
Altia Plc	VNK	1a	100.0 %	0.0 %
Arctia Ltd	VNK	1b	100.0 %	100.0 %
Art and Design City Helsinki Oy Ab ¹⁾	VNK	1a	35.2 %	0.0 %
Boreal Plant Breeding Ltd	VNK	1b	60.8 %	50.1 %
Ekokem Corporation	VNK	1b	34.1 %	0.0 %
Fingrid Oyj	VM	1b	53.1 % [*]	0.0 %
Finnish Seed Potato Centre Ltd	VNK	1b	22.0 %	0.0 %
Gasum Corporation	VNK	1b	100.0 % ^{**}	0.0 %
Kemijoki Oy	VNK	1a	50.1 %	50.1 %
Leijona Catering Oy	VNK	1b	100.0 %	100.0 %
Meritaito Ltd	VNK	1b	100.0 %	100.0 %
Mint of Finland Ltd	VNK	1b	100.0 %	50.1 %
Motiva Oy	VNK	1b	100.0 %	100.0 %
Nordic Morning Plc	VNK	1a	100.0 %	0.0 %
Patria Plc	VNK	1b	90.4 %	50.1 %
Posti Group Corporation	VNK	1b	100.0 %	100.0 %
Raskone Ltd	VNK	1a	85.0 %	0.0 %
Suomen Lauttaliikenne Oy	VNK	1b	100.0 %	100,0 %
Suomen Viljava Oy	VNK	1b	100.0 %	100.0 %
Tapio Ltd	VNK	1b	100.0 %	100.0 %
Vapo Oy	VNK	1b	50.1 %	50.1 %
VR-Group Ltd	VNK	1b	100.0 %	100.0 %
Total		22		
Total of commercial companies		37		

COMPANIES ENTRUSTED WITH SPECIAL STATE ASSIGNMENTS	Ownership steering	Group	State shareholding	Minimum level of shareholding
A-Kruunu Oy	YM	2	100.0 %	100.0 %
Alko Oy	STM	2	100.0 %	100.0 %
OHY Arsenal Ltd ¹⁾	VM	2	100.0 %	100.0 %
CSC Scientific Computing Ltd	OKM	2	100.0 %	100.0 %
Finavia Corporation	LVM	2	100.0 %	100.0 %
Finnish Aviation Academy Ltd	OKM	2	49.5 %	0.0 %
Finnish Fund for Industrial Cooperation Ltd (Finnfund)	UM	2	90.4 %	50.1 %
Finnish Industry Investment Ltd	TEM	2	100.0 %	100.0 %
Finnpilot Pilotage Ltd	LVM	2	100.0 %	100.0 %
Finnvera Oyj	TEM	2	100.0 %	100.0 %
Finpro Oy	TEM	2	100.0 %	100.0 %
Finrail Oy	VNK	2	100.0 %	100.0 %
Gasonia Oy	VNK	2	99.0 %	0.0 %
Governia Oy	VNK	2	100.0 %	100.0 %
Hansel Ltd	VM	2	100.0 %	100.0 %
Haus Kehittämiskeskus Oy	VM	2	100.0 %	100.0 %
Horse Institute Ltd	OKM	2	25.0 %	0.0 %
Municipality Finance Plc	YM	2	16.0 %	0.0 %
Solidium Oy	VNK	2	100.0 %	100.0 %
State Security Networks Ltd	VNK	2	100.0 %	100.0 %
Suomen yliopistokiinteistöt Oy	VM	2	33.3 %	..
Terrafame Ltd	TEM	2	100.0 %	0.0 %
Tietokarhu Oy	VM	2	20.0 % ²⁾	50.1 %
Veikkaus Oy	OKM	2	100.0 %	100.0 %
VTT Technical Research Centre of Finland Ltd	TEM	2	100.0 %	100.0 %
Yleisradio Oy	LVM	2	100.0 %	100.0 %
Total		26		
Total (number)		63		

* The State's share of the votes 70,9 %

** Ownership partly through Gasonia Oy, State has one K-share

¹⁾ In liquidation

²⁾ Percentage of votes 80%

LVM = Ministry of Transport and Communications
OKM = Ministry of Education and Culture
STM = Ministry of Social Affairs and Health

TEM = Ministry of Employment and the Economy
UM = Ministry for Foreign Affairs
VM = Ministry of Finance

VNK = Ownership Steering Department
in the Prime Minister's Office
YM = Ministry of the Environment

Company Group 1 a: The State as an owner has only or almost exclusively a strong shareholder interest.

Company Group 1 b: Besides a strong shareholder interest, the company is connected with strategic interests owing to which the State is to remain so far a strong shareholder or to safeguard in other ways the strategic interests concerned, if the shareholding is reduced or relinquished.

Company Group 2: The State as an owner has a special interest related to regulation or official duties: the company has an industrial, societal or other political mission defined by the State or some other special role.



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