

Annual Report 2005



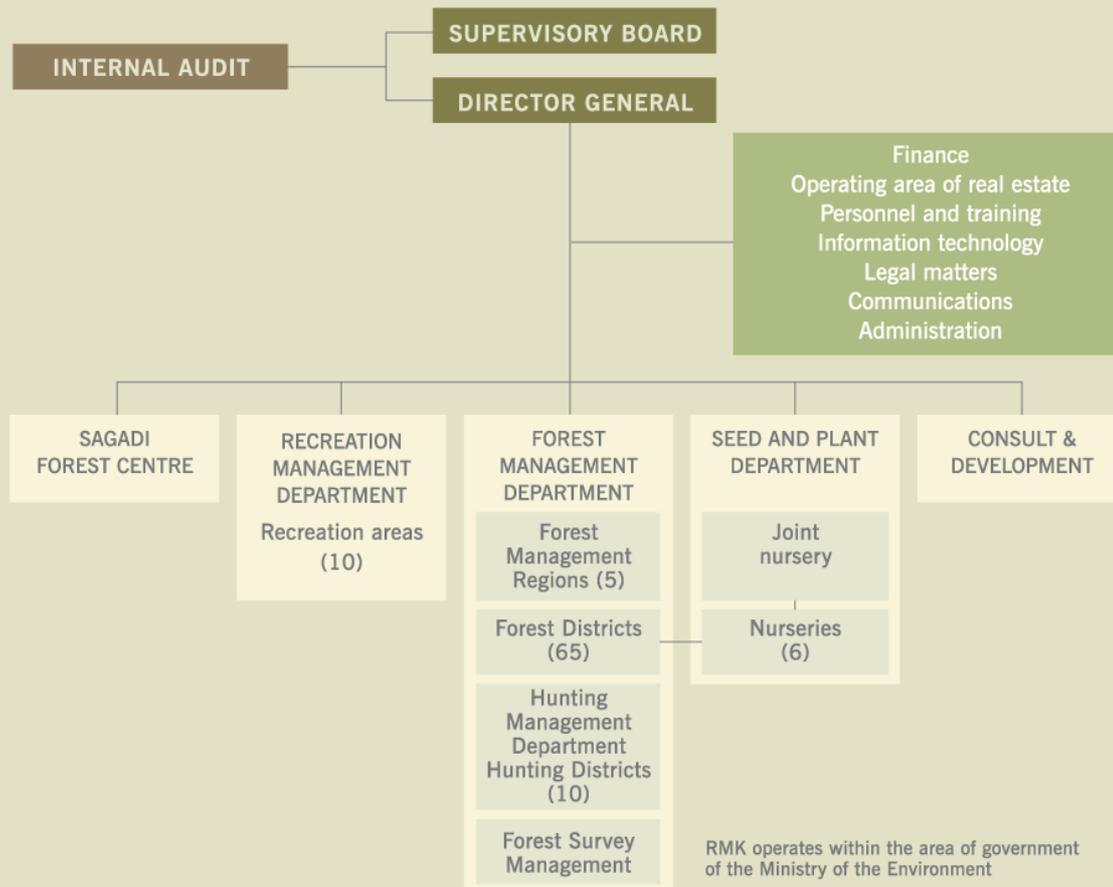
# Main indicators 2005

Total area of state forest land (ha)	1 083 000
Number of forest districts	65
Number of employees	1182
Realised net turnover (million EEK)	1107
Operating profit (million EEK)	136
Revenue from forests transferred to the state budget (million EEK)	178
Total investments (million EEK)	133
Volume of reforestation work (ha)	4856
Number of plants used for reforestation (million)	10,4
Volume of work performed for ensuring the right of public access and promotion of environmental awareness (million EEK)	17,7
Number of visitors to recreation areas of RMK during high season (June-November)	600 000

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## ORGANIZATIONAL STRUCTURE



## MISSION

RMK is a prudent manager of state-owned forests who in maintaining the assets and resources entrusted to its care, ensures a balance between environmental, economic, and social principles.

## VISION

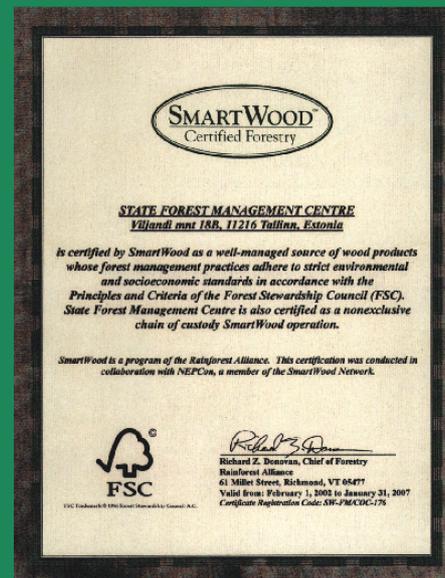
RMK manages state forests in a way which ensures the best value for each part of the forest.

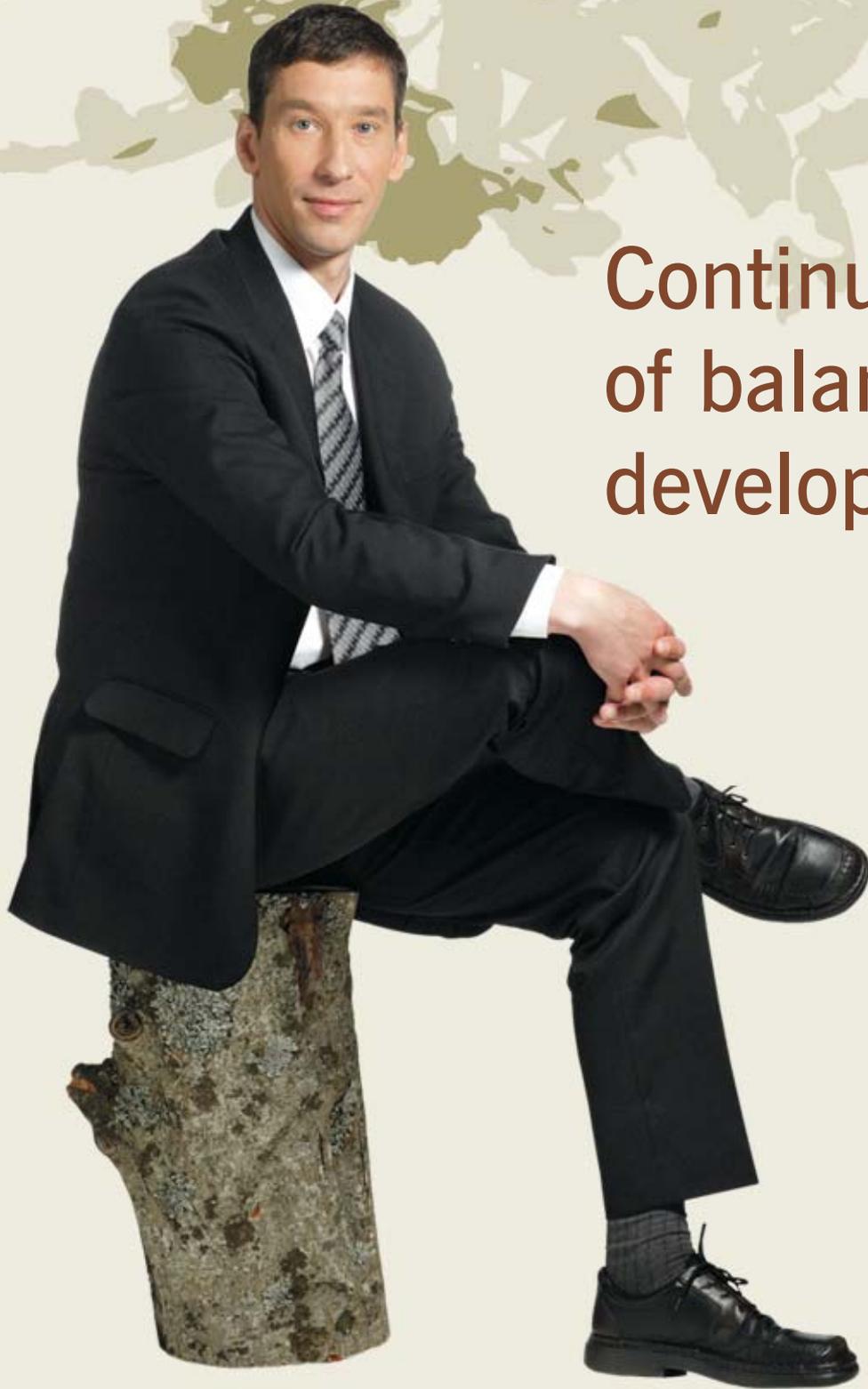
## MAIN VALUES

Integrity, positivity, teamwork.

# RMK – a good master to the state forest

Approximately 37% of Estonian forests belong to the state. State forests of Estonia are maintained and managed by the State Forest Management Centre (RMK). The main fields of activity are forestry, hunting, recreation, and seed and plant management, as well as providing consultations. The most important task of RMK is the balanced management of the forest resource of the state ensuring a good environmental condition of the forests. At the same time, the obligations of RMK also include supplying stable raw material to the forest industry and revenue from forests to the state. RMK offers versatile nature education and recreation possibilities in the forest to all Estonians. Almost 1200 people all over Estonia work for the state commercial enterprise: the turnover of RMK surpassed the billion kroon margin in 2005. The main office of the organisation is located in Tallinn and the structural units operate in all counties. Since 2002, the activities of RMK have been in compliance with the ISO 14001 and FSC sustainable development standards.





## Continuation of balanced development

## Statement of Chairman of Supervisory Board

**RMK has become a strong co-operation partner for the state as well as to different interest groups. We have acted as an organisation that is capable of reacting in a sufficiently flexible manner to the changes in the surrounding environment while fulfilling the aims set forth by the state as the owner in every way.**

On occasions when the state has needed help in forestry, RMK has been ready to react quickly. Be the work eliminating storm damages, saving birds, or something else in connection with nature. Our energetic personnel made up of great specialists from all over Estonia provides magnificent possibilities for this. For example, in the late summer of 2005, RMK managed to promptly rearrange its works at the request of the Ministry of the Environment and rapidly carried out hogweed control all over Estonia.

### **An environmentally sustainable attitude towards state forest**

The principle of state forest management is that in all forests managed by RMK, activities follow silviculture goodwill traditions. The successful renewal of the ISO 14001 environmental management certificate and the FSC forestry certificate are proof of the above.

Our activities have not been limited to only state forest. The conference "Are you saving or polluting?" organised by RMK turned out fascinating; the stress was placed upon the green tax reform and possibilities for its application in Estonian circumstances. The active exchange of ideas led to proposals that would definitely deserve exhaustive revision and attention from the public.

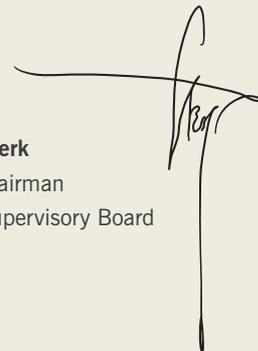
Another example of activities directed at environmentally friendly behaviour is the initiative by RMK to blueprint a broader forest drainage strategy. A wide-ranging discussion in society allows us to specify the principles of forest drainage. It also helps to better evaluate the environmental impact of drainage and reduction of harmful effects in

all owners' forests. The Sagadi Forest Centre, which has gone through a pleasantly quick development, has become an independent profit centre. The centre continues with greatly appreciated work in the field of forest-related cultural heritage and nature education through its nature school and other undertakings directed at the public.

### **Balance must be kept in the forest**

Last year, the turnover of RMK surpassed the billion kroon margin for the first time. RMK is among the biggest enterprises in the Estonian public sector. Even though logging volumes have decreased year by year due to the rise in the number of protected territories, RMK manages to continually increase turnover, profit and investments thanks to a good marketing strategy.

In 2005, ten years passed since the start-up of the Estonian Forestry Development Programme. To celebrate, we organised an international seminar. At the seminar, forestry specialists from Estonia and elsewhere recognised that the creation of RMK has turned out to be one of the most successful projects of the programme. As a state commercial enterprise, RMK has managed to develop different usages for forest in a balanced manner and to be a profit-making enterprise to the owner at the same time.



**Olav Etverk**  
RMK Chairman  
of the Supervisory Board

A man with glasses, wearing a light blue dress shirt, a pink striped tie, and dark trousers, stands against a background of stylized green foliage. He has a dark jacket draped over his left shoulder. In his left hand, he holds a circular cross-section of a tree trunk, showing distinct concentric growth rings. The text 'Concentric tree rings of RMK' is overlaid on the right side of the image.

## Concentric tree rings of RMK

## Statement of Director General

The Annual Report 2005 is like one tree ring in the history of a hundred-year-old forest. In order to understand the forest's complete story, you have to know about all the years. The forest called RMK has grown its seventh concentric tree ring.

### We develop in unison with Estonian economy

2005 was successful for Estonian economy, the gross domestic product (GDP) increased a record 10,6% during the third quarter and according to the analysts' forecasts, the year's total economic growth will reach 10%. Also RMK's sales revenue increased considerably in the past year; compared to 2004, the sales revenue grew 13,2%, amounting to 1,107 billion kroons. The main reasons for the increase in sales revenue were the decrease of cutting right percentage and transfer mostly to the sale of timber, also the continuous demand for saw and construction logs and fuelwood in the domestic market.

After the January storm, cutting volumes defined in the development plan had to be quickly re-evaluated. Proceeding from the principles of sustainable forestry, we did not increase the cutting volume because of storm damages but instead, replaced the planned regeneration and thinning cutting areas with sanitary cuttings and sanitary clear cuttings in storm-damaged areas. Most importantly, the storm-damaged timber was cleared up on time, the regeneration and thinning works left undone are waiting on the work lists for the next years.

### A good result is achieved with co-operation

The year 2005 was another big storm year. As in the case of all earlier storms (the last ones were in 2001 and 2002), the loggers managed to eliminate storm damage in management forests by joint effort. The wind-fallen and damaged trees in reservations will stay where they are in order to increase biological diversity in forests.

A good outcome often results from strenuous work. Every RMK employee plays a greater or lesser role in achieving each result – through his or her goal-oriented activity, dedication and motivation. RMK can only be as good as its employees are. Our co-operation partners, subcontractors and customers have the same significant role. Without their contribution, we would not have achieved as good results as we did. Thanks to everyone's co-operation, we dare to claim that state forests are sufficiently well-regenerated, -maintained, -managed and -protected; our activities have corresponded with the requirements set forth in the sustainable forest management certificate.

### State forest is open to everyone

Estonian people have been connected with land and forest for a long time. In difficult times, forest has always been a great help and provided support to people. An increasingly fast-paced lifestyle and modified living standards have taken more and more people out of forests, into cities, and therefore, forest and forest-related activities remain far and incomprehensible to people. In the framework of forest-related rights, state forest managed by RMK is open to everyone; our task is to make people better understand forest and what takes place there. In such a manner, we evolve side-by-side with the forest.

Ülo Viilup  
RMK Director General



# Main events in 2005

## JANUARY

January 9 – the whole of Estonia was foraged by a storm that tore down approximately 582 000 cubic metres of state forest. The South-West and North East region forest districts were damaged most severely.

In January, the Hunting Management Office was formed with the task to ensure hunting facilities on the hunting grounds administered by RMK and to preserve viable game populations.

The RMK and Eesti Ühispank jointly held the forest theme competition “Forest – Joy and Worry”.

## FEBRUARY

February 3–4, the RMK traditional winter games were held in Kääriku.

In February, Forest School 2005 set to work with the goal to raise awareness about forestry among the participants. 16 journalists as well as interested people from RMK and other institutions under the administration of the Ministry of the Environment sat at the school desk.

## MARCH

On March 11, the forestry round table convened in Tartu for the second time in order to consider the most acute issues concerning forest use. On March 17, RMK and Environmental Inspectorate employees met in Saaremaa to discuss questions that had arisen in everyday work and to strengthen further co-operation.

In March, the environmental management certificate ISO 14001 and the FSC forestry certificate (confirming rational utilization and sustainability) external audits were carried out once again. The audit resulted in the successful renewal of the certificates.

## APRIL

The 13th forest week started in Kilingi-Nõmme as announced by the president of the Republic of Estonia, Arnold Rüütel. It was soon followed by a forestry conference. On April 27, RMK co-operation chamber convened for the first time; its main target is increasing transparency and participation in decision-making within the organisation.

## MAY

Sagadi Forest Museum wolf-themed exhibition “Old Grey” received the Little Museum Rat Award for best exposition topic.

The forest planting campaign “Plant Your Own Tree” took place for the second time. The Estonian Public Relations Agency named the 2004 “Plant Your Own Tree” campaign the year’s best public relations accomplishment. May 12–13, the environmental conference “Are You Saving or Polluting the Nature?” was held in Sagadi manor. This was the first conference in Estonia where the green tax reform was under closer examination.

In May, the former Laugu forester’s lodge was opened. The aim of its rehabilitation was to introduce forest management and the cultural heritage of forestry to the general public.

RMK started servicing the shelter area’s electric power lines to reduce the number of power cuts caused by trees falling on power lines.

With the leadership of RMK and the Estonian Museum of Natural History, the competition of wild animal photographs “Bloodless Hunt” was held for the eighth time in the Suure-Jaani Hunting District from May 20–22.

The weekly Eesti Ekspress photographer Ingmar Muusikus won first place for his sensational portrayal of the Great Spotted Woodpecker.

## JUNE

Antsla Forest District Centre was elected the most beautiful forest district centre.

European state forest managers met in Jurmala.

The representatives of 22 European countries decided to form the State Forest Association and to start with state managers' comparative analyses.

The RMK traditional summer games were held in Kääriku.

## AUGUST

In the framework of the hogweed control strategy project, RMK employees repelled hogweed in 517 colonies on 235 hectares. Altogether, the control project cost 1.4 million kroons.

The winners at the international loggers cup competition "Loggers Cup Otepää 2005," organised in Otepää from August 16–19, were German loggers; Estonia came in third after Finland. At the Varbola IX Wood Days, 37 craftsmen completed 60 remarkable works of art; of all the pieces, Enrico Peldi work "The Devil's grandmother" was sold at the highest price.

## SEPTEMBER

An impressive seminar at Sagadi celebrated the passing of ten years since the initiation of the Estonian Forestry Development Programme – one of the main strategic founding acts of Estonian forestry development.

A new hunting complex was opened at the Kilingi-Nõmme Hunting District. The hunted game assembly centre can hold up to 15 elks.

A Forest Drainage Day was held in Tudu where the central topic was the need to form a strategy for managing drainage systems.

September 29–30, Forest District Managers' Days were held in Läänemaa Roosta holiday village.

## OCTOBER

RMK and Eesti Energia (Estonian Energy) distributive network started co-operating in order to better service shelter area electric lines while following sustainable management principles for forests.

RMK and the Estonian Road Administration concluded a co-operation agreement that defines the preservation of roads, buildings and road areas with the activities accompanied by forestry works.

The RMK Sagadi Forest Centre was formed; its main task is the integral management of the Sagadi manor complex and the promotion of sustainable use and protection of forests.

As a joint operation of MTÜ Timur and RMK, in the framework of the forest clean-up campaign "Clean the forest!" 1100 volunteers all over Estonia collected 92 tons of garbage from Estonian forests.

In October, the Estonian Council of Environmental NGOs (EKO) that unites environmental and nature preservation organisations and RMK concluded an agreement of goodwill.

The Laasimetsa forest drainage object was completed. Its reconstruction cost 4.8 million kroons.

## NOVEMBER

Two RMK thinning harvesters were introduced at Rava forest district that cost 4.28 million kroons in total.

In November, the forest workers trade union reached its 100th year of activity; at the moment, over 2000 members belong to the union.

At the Estonian Forest University forest house, the 85th anniversary of Estonian state forest management was celebrated with presentations on forestry and forest policy. RMK representatives discussed the preliminary version of the main document on forest drainage systems management strategy with the aim to coordinate with interest groups.

## DECEMBER

Rein Hanson's film "Sõber – kaber" (Friend – follow deer) premiered in Tallinna Kinomaja on December 1. The film portrays the roebuck's life in Estonian forests in all seasons. In December, the FSC external audit was once again carried out. This time it evaluated RMK's correspondence to SmartWood temporary forest management standards in Estonia.



Environmental and Quality Manager  
Olev Lillemets:

## Environmental management in every employee's focus

The main aim of RMK environment domain's activity is to ensure the continuity of the chosen environmental policy and good environmental operation in the whole organisation so that environmental aspects would be the daily focus of all our employees. As a result of the joint effort of the entire staff, RMK's activity has corresponded to the requirements of the environmental management certificate ISO 14001 and the sustainable forestry certificate FSC for many years already.

In 2005, the most important events in the environment and quality domain were probably the two successfully completed ISO 14001 recertification audits, the second of which had to do with the transfer to the standard's new version EVS EN ISO 14001 2005. We consider the successfully completed FSC audits equally relevant achievements. With further activities in mind, we highly appreciate the conclusion of the goodwill agreement with the Estonian Council of Environmental NGOs that unites environmental and nature preservation organisations, the professionally active communication with Ministry

of Environment's Nature Conservation Department, and several joint projects with different partners.

The integral operation of the environmental domain is guaranteed by RMK's environmental management system which we continued to regulate and audit as customary during the past year. However, the aloofness of the environmental management system from the organisation's general management has become a problem as separateness increases the system's artificiality and decreases the employees' motivation to be involved in it.

As a solution, we are creating RMK's integrated management system that would encompass, in addition to environmental management, also quality management and work environment management. Therefore, the most important short-run task is the development of an RMK integral management hierarchy based on the operating environmental management pattern, which is preceded by a complete mapping of all main and support processes.

Development Manager  
Andres Onemar:

## Consistency and flexibility bring success



RMK proceeds from long-term strategy in its activities. This provides both our employees and partners with a clear understanding of how the national forest is developed and which means can be used for this purpose. Based on this strategy, we have compiled the organisation's development plan, concentrating on the continuation of sustainable management and balanced development of the national forest.

Up until the present moment, we have developed all the main services for the management of the forest as well as various support services – the broadening of which logically belongs amongst RMK's most important development directions. Therefore, for example, taking inventory of the national forest and compiling forest management plans have become an irreplaceable tool in planning forestry. This raises the quality of forestry activities and gives operative information about the condition of national forests and new necessary actions. This will allow us to assist the state in taking inventory of the forests in nature reserves in a specific and complex manner.

In Plant Cultivation, an international state business association for growing forestry plants with closed roots has successfully been launched with RMK's tools and know-how. In the future, the priority of the expansion of the plant cultivation field will belong to storage (establishing a refrigeration warehouse), preservation of forest regeneration material, and the organisation of logistics.

Over the years, RMK has outlined and created a well-functioning recreational infrastructure that many companies

in the tourist industry use all over Estonia. We consider the fact that the private sector is willing to partake in the design, establishment, and maintenance of new recreational objects a very good sign. Joint action also allows directing holiday-makers to the areas best suited for this purpose as well as involving the local community. RMK is planning to broaden co-operation with present and new partners.

The Real Estate Office in co-operation with the Information Technology Office have developed proper data bases about the public property vested in RMK. Proceeding from this, we are able to utilize real estate much more efficiently and economically, also to launch and administer the projects that are essential to developing real estate.

Investments into the Forest Museum and Nature School located in Sagadi manor create a good premise for vigorous development of the internationally acclaimed nature education centre connected with the forest. Our opinion is that the quality of nature education and people's nature awareness can only be raised by establishing vibrant centres.

RMK's development continues with the skilful and constant improvement of forest management, the growth of investments in the state forest and in the direction of flexible development in the organisation needed for this. We pay attention to the planning and implementation of all activities geared towards the goals mentioned, because only in such a manner can we be certain of the preservation of the state forest and its great value for future generations.



Manager of Sagadi Forest Centre  
Krista Keedus:

## A new beginning for the Sagadi manor complex

On November 1, 2005, RMK Sagadi Forest Centre started operations; proceeding from the RMK development plan, the centre was established on the bases of the Sagadi Forest School, Forest Museum, Sagadi manor administration, hotel and restaurant.

The main task of the Forest Centre is the integral management of the Sagadi manor complex and promotion of protection and sustainable usage of forests. Sagadi Forest Centre organises environmental and nature education related to the forest, preserves and promotes forestry cultural heritage, manages the Sagadi manor complex and offers tourism services.

Greater changes took place in the Forest Museum's work. In 2005, the garner-coach house was renovated and reconstructed for the Forest Museum's permanent exposition and temporary exhibitions. The Forest Museum's exposition area increased to 751 square metres in the new building. The cost of the construction investment amounted to 6,95 million kroons and the object was completed in November. The Forest Museum has operated in Sagadi since 1987 and in addition to the forestry collection also encompassed the manor's country estate exposition. The Museum's aim is to introduce forest nature and forestry, to collect and preserve forestry-related cultural heritage, and everything connected with the history of Sagadi manor.

In 2005, 27 600 people visited the museum. Most revenue came from ticket sales – 536 000 kroons in total. In addition, 100 000 kroons accumulated from using the manor estate for different events, seminars and parties.

The compilation and opening of the exhibition “Aspen – a tree for many tastes” belongs among the most significant events of the previous year. Also the journey of the wolf-themed exhibition “Old Grey” (from 2004) to different museums and nature centres in Estonia and the traditional Sagadi Wood Days carried out in co-operation with the Nature School.

The Nature School, which started to operate in 1999, continued its activities, directing both children and adults to nature and the forest. Most participants in the Nature School's different programmes were pupils from comprehensive schools; in 2005, more than 4000 pupils participated. With financing from the Environmental Investments Centre and other partners, RMK financed carrying out 148 one-day pupil programmes. In the framework of the Nature School, biological diversity trainings were organised for our forest districts' employees last year with a total of 100 participants.

Personnel Manager  
Ülle Pällö:

## Establishment of co-operation chamber is the year's key word



One of the most important key words in the personnel field in 2005 was the establishment of the co-operation chamber. With this step, we hoped to significantly improve the distribution of in-house decisions and management information and co-operation relations. The co-operation chamber is made up of managers from different areas, whose task is to ensure quick information exchange and feedback inside their unit.

Over the years, trade unions have become some of RMK's biggest partners and we are bound by a valid collective agreement. As the establishment of appropriate work conditions to increase efficiency can be considered the most important part of a collective agreement, then each year we agree on employees' work and pay conditions as well as solutions to social issues. In December, we concluded the wage settlement for 2006, according to which the subsistence wage limit in RMK is 3000 kroons a month.

We applied the new wage system which is similar to the previous wage system especially with regards to performance-related pay. As a new component of performance-related pay, we have adopted performance-related pay for a company's economic results, which is decided by the RMK Board. Last year, this sum was set at 7% of every employee's 2005 basic salary fund.

In training, similarly to the previous years, the main emphasis was on information technology, management and teamwork, also finances and working environment. The specific in-service and development programme trainings directed at the organisational development of RMK continued for key persons.



## forestry

# Management of forest in a sustainable and efficient manner

Forestry is RMK's broadest field of activity that stands for the well-being of sustainable development of state forest and raising the value of forest. Our task is to protect and guard forest owned by the state, to do forestry work, to plant and grow the new forest generation and also to sell forest and timber.

We have set clear environmental protection goals for ourselves and consider them in all our undertakings. Environmental responsibility has been divided between the organisation's employees. Our capability to consider and fulfil environmental goals are continually confirmed by the environment management certificate ISO 14001 and FSC sustainable forestry certificate attributed to the RMK.

As one of the main events in 2005, we can point out the recertification of the environmental management system and the transfer to the new version of the ISO 14001 standard, which we managed excellently. The FSC regular audits also took place and they confirmed RMK's correspondence to the internationally acclaimed sustainable forestry standard.

### The January storm as a serious challenge

The greater part of RMK lumbering is made up of regeneration cuttings and silvicultural improvement cuttings. Most of our profits come from the sale of timber – therefore, what happens in the timber market determines the success of many of the organisation's other goals. The January storm played a big part in directing forestry activities last year as it caused extensive forest damage. One of the strongest storms of the past years broke down more than 582 000 cubic metres of standing crop on 18 000 hectares of state forest in total. Due to a humid winter and a shortage of loggers, work was complicated but all in all we managed it quite well.

In 2005, RMK sold 1.841 million cubic metres of timber at the average price of 528 kroons per cubic metre as lumber. We sold 0.24 million cubic metres at the average price of 269 kroons per cubic metre as standing crop. The enterprise earned correspondingly 971.3 million kroons from lumber and 64.3 million kroons from standing crop sales. As a comparison, in 2004, we marketed 1.8 million cubic metres of timber (with the average price of 466 EEK/cubic metres) as lumber and 0.4 million cubic metres of timber (with the average price of 278 EEK/cubic metres) as standing forest. The decrease of standing forest cutting right sales volume compared to 2004 was due to the smaller standing forest cutting volumes planned for 2005. RMK directs most of the earned profits back into the forest. In 2005, we invested 53.59 million kroons in forest improvement.

The number of woodcutters working in the forest has gone down significantly which is why the proportion of machine cuttings in logging increased during the past year. We began to conclude long-term and sizeable contracts for logging to support the efficient utilization of our partners' forest cutting machines. The shortage of workers for thinning became a serious problem. In order to alleviate the situation we used more and more harvesters also for thinning; in 2005, we bought two additional harvesters.

### A complicated year for marketing

In 2005, the sale of timber proved complicated for two main reasons: as a result of the January storm, the selling proportion of tree species, and in early summer, the period of work stoppage reduced timber export possibilities.

During the first six months, the proportion of fir-wood increased significantly, because the storm damaged fir forests with radices close to the surface most. Older forests with higher productivity were damaged more and because of this, there was a glut of fir log in Estonia. Our special recognition belongs to AS Imavere Saeveski, who agreed to buy storm log even in midsummer after all other sawmills had reached the end of their buying cycle. The storm also caused problems in fulfilling hardwood sales contracts. The situation was most complicated regarding birch log in the North-West region. As no birch

could be retrieved from the storm areas, we had to do loggings in forest stands with a majority of birch.

In addition to the problems of the volume fulfilment of sales contracts, we also suffered from a fall in the sales price. During the year, the prices of conifer logs, and conifer and birch pulpwood dropped. Fuelwood was scarcer and because of the high demand for it, the prices rose to record level. At the same time, the standing crop cutting right sale decreased as the glut in the timber market caused a decline in response.

### Forest improvement in the planned capacity

RMK looks after the regeneration of all clear cut areas to ensure sustainable forest management so that the state forest's area and volume would not decrease and the state forest's value would increase as a whole. In 2005, we carried out silvicultural works on 4856 hectares in total; forest planting made up 4074 hectares and forest sowing 782 hectares. The forest grounds' additional area of renewable land was 2080 hectares and the silviculture maintenance area was 12 334 hectares.

In order to establish a new forest generation, we organised a tree planting campaign all over RMK under the familiar heading "Plant your own tree". In silviculture, plants with a closed root system are becoming more popular; in order to simplify the volunteers work and our own, we also used more planting tubes. In 2005, 23% of the 9.4 million plants (without addition) for planting were plants with a closed root system.

### Reforms in silviculture have been made

In 2005, preparations for the Forest Survey Management Department's work came to an end. Forest survey specialists who had received special in-service training and a corresponding certificate took up office in forest survey management's all 28 operating districts.

By the end of the year, we compiled new management plans for forest districts. In connection with the aforementioned, we invested 55 000 hectares of forests and updated the 154 000 compartment descriptions in the data base which makes up one third of the compartments'



Director of Forest Management  
Raivo Völli:

## Guaranteeing state forest's further development

2005 will be remembered because of the exceptional January storm. Logging the forest areas damaged by the strong storm in a watery winter and shortage of loggers brought wrinkles of worry on quite a few foresters' faces, but in the end everything worked out.

On the whole, the year was quite ordinary for forest management. We worked hard to ensure the state forest's stable and goal-oriented development. We managed the environmental management system's recertification and the transfer to the new ISO 14001 standard version very well. The drainage strategy fundamental document was completed by the end of the year; this is a big help in managing forest drainage systems.

The campaign "Plant your own tree" was successfully held in all our regions. We also have to point out the work to ward off the dangerous foreign species hogweed which brought RMK's efficiency and good teamwork very clearly to the forefront.

evaluation description volume. We also upgraded the geographic information systems with several new applications that are necessary for compiling management plans.

### Environmental awareness at the forefront

In the last year, both RMK employees' and subcontractors' environmental trainings continued. All subcontractors have to follow RMK environmental requirements when carrying out forest works. Placing strict requirements and following goodwill rules in forest works guarantee sustainable forest management. The spring-summer cuttings strategy was continually implemented and from April 22 until June 22 many cuttings were abandoned for the period of nesting and cubbing.

In autumn, more than 1000 volunteers along with RMK employees participated in the national campaign "Clean the forest!" 92 tons of trash was collected from the state forest during the cleaning campaign. As there are still many people who irresponsibly take their trash to big road-side forests, this campaign appeals to the conscience of those who pollute nature and asks them to be more caring toward their own and their children's living environment.

In 2005, the weak spots of forest drainage strongly emerged. In connection with this, we completed the drainage systems' management fundamental document by the end of the year; the document's co-ordination with different interest groups will end in 2006. From 2003 to 2005, we also participated in the LIFE-Nature-types of forest habitat protection project with a co-financing in the amount of two million kroons.

We received experience of strong teamwork from the successful completion of the summertime hogweed control works. In two weeks, we warded off the dangerous foreign species on almost 235 hectares in RMK forest districts. This once again confirmed our employees' ability to manage in complicated situations and showed RMK's readiness to carry out different environmental projects with partners.

# Indicators

## FOREST MANAGEMENT 2005

SILVICULTURE (ha)	2003	2004	2005
Seeding	1 030	885	782
Planting	3 977	4 027	4 074
Replenished forest plantation	1 781	1 727	2 080
Tending of crops	11 193	12 307	12 334
Conversion of renewed areas to young growth	6 651	9 313	8 876
Lopping of trees		554	521

## CUTTING 2005

Type of cutting	Area (ha)	Cutting volume (m <sup>3</sup> )
Regeneration cutting	5 495	1 351 940
incl clear cutting	5 091	1 315 037
Selection cutting	116	2 242
Improvement cutting	38 891	867 709
incl cleaning	10 810	124 929
thinning	5 740	298 243
sanitary cutting	22 341	444 537
Deforestation	348	51 316
Theft and illegal cutting	39	2 825
<b>Total</b>	<b>44 888</b>	<b>2 276 033</b>

## INVESTMENTS 2005

Forestry improvement	60%
Related to reforestation and timber transport equipment and other production	8%
Buildings and structures	13%
Improvement of vehicles of operation managers	18%
IT and office equipment	1%
<b>Total</b>	<b>88.79 million kroons</b>

## BIGGEST CUSTOMERS ACCORDING TO PURCHASE QUANTITIES

Stora Enso Mets AS	170 665 m <sup>3</sup>
Imavere Saeveski AS	138 737 m <sup>3</sup>
Nor-Est Wood AS	130 155 m <sup>3</sup>
Stora Enso Timber AS	116 061 m <sup>3</sup>
Repo Vabrikud AS	79 194 m <sup>3</sup>
Metsäliitto Eesti AS	77 197 m <sup>3</sup>



hunting management

## Respecting the ancient wisdom of hunting

Times change, with it hunting methods and of course hunters too. The present day is characterised by the accrual of various new hunting traditions, only the custom of respecting game lasts from generation to generation. The year 2005 celebrates the beginning of a new phase in RMK hunting management – the Hunting Management Office started its work as a new business unit that values the year-round principles of caring for game and honours the ancient wisdom of hunting.

The Hunting Management Office's obligation is to guarantee hunting possibilities on the hunting grounds it manages and to preserve viable game population. For the sale of hunting packages and provision of other hunting management services, the necessary buildings and facilities were given in the utilisation of hunting districts.

### Tending to animals all-year-round

RMK manages ten hunting districts that make up almost 9% of all hunting grounds in Estonia. In 2005, RMK managed 361 000 hectares of hunting grounds in total. Game populations were continually in good condition: for this, 3.35 kroons per hectare is spent on direct bio-technical works in RMK hunting districts.

The numerousness of large game has been considered positive in the last years: in 2005, according to the game count 1480 moose, 4860 roe deer, 190 red deer, 1930 wild boars, 121 lynxes, 86 brown bears, 31 wolves and 1330 beavers lived in RMK hunting regions.

In order to maintain the numerousness and variety of game, RMK continually performs game maintenance. In 2005, 230 game feed trays, 300 wild boar feeding places, 460 high seats and hunting pulpits and 920 salt-lick-stones for game were maintained on RMK hunting grounds. 170 hectares of forage fields were established for wild animals.



### Hunting continues to be popular

The aim of hunting in a state forest is to preserve the allowed number of game, and this leads to increasing hunting quota. Hunting in the hunting districts managed by RMK is also continually popular: in 2005, over 11 000 hunting days were spent in RMK hunting districts. Altogether 543 different joint hunts with the participation of 4553 hunters were organised in RMK hunting regions. The individual hunt for large game was held on 3343 hunting days and for small game on 2180 hunting days.

Hunting service for a fee was provided to customers on over 2400 hunting days, 16% of the hunters participating in them were from Estonia. Finnish hunters dominated among foreigners. 1209 wild boars, 538 moose, 612 wild deer, 9 lynxes, 15 red deer, 3 bears and 4 wolves were hunted on RMK managed hunting grounds during the hunting season in 2005. On average, in 2005, 6.6 large game were hunted per 1000 hectares of hunting ground.

The fiscal year turned out successful for us because we fulfilled the revenue plan to the extent of 99.3%. For the first time, the products of hunting were realized mostly by auction. The turnover for one hectare of hunting ground grew 15% in a year and was 30.46 kroons per hectare in 2005.



Head of Hunting Management Department  
Kalev Männiste:

## The year of record investments

In 2005, almost 9 million kroons were invested in the hunting management buildings and machinery which is more than during all previous years in RMK history. The necessary buildings were handed over to hunting districts in order to sell hunting packages and to provide other hunting management services. By the beginning of elk shooting season, the hunting houses had been reconditioned and were ready to receive guests.

By the end of the year, all hunting districts on the mainland finally got the authorisation to use the assembly centres for hunted game. The hunting districts with bigger large game hunting quota were provided with ATVs and trail sleds for transporting game.

During the previous year, the hunting management office's international relations enlivened. After a pause of several years, the RMK delegation participated in Europe's largest hunting fair in Dortmund, where we developed a number of new collaboration relations.



## recreation

# We offer various forest recreation possibilities

The main goal in the recreation field is to offer as diverse possibilities for recreation in state forest as possible, without damaging the forest and its biota. We focus on establishing recreation places and distributing related information and we also give visitors instructions on how to behave in state forest in a responsible manner.

State forest welcomes nature lovers seven days a week and 24 hours a day. According to forest-related rights, Estonians may visit state forest anytime. In order to not hurt the forest with too many visitors, RMK follows certain principles in arranging recreation. One of the most important ones that our department's 21 employees follow in their activities – on 10 recreation areas and 6 nature centres – is nature's tolerance limit.

In 2005, we took our entire recreational infrastructure under close observation. We thoroughly looked over and discussed the development demands of all recreation and forest houses, huts, observation towers, picnic and campfire sites and other objects of nature preservation. We also considered different possibilities for raising people's nature awareness, emphasizing the sustainable management of forest and responsible use of nature.

### The focus is on people's nature awareness

The Recreation Department's longstanding work for blue-printing a complete system for hiking in nature has given good results. If earlier we mainly dealt with inviting people to the forest, then during the past year, we concentrated on shaping visitors' aware behaviour in our messages. 15 300 people altogether participated in the events and programmes promoting nature awareness organised by RMK recreation areas' nature centres in 2005.

We spent 3 million kroons in order to inform the public about the possibilities of forest recreation; 0,4 million of it was financed by the European Union LIFE programme. 9 main and 6 supportive information stations were involved in informing; in addition, our homepage also gave forest recreation-related topical information. Maps introducing 10 RMK recreation areas' nature trails to hikers were also completed. The campaign "Go to the forest" familiar from last year was perfected with new messages that value the forest: "Preserve the forest", "Know the forest," "Ask for advice". These messages were sustained and forwarded by the Forest Friend character.

RMK nature houses and centres used 1,8 million kroons to organise programmes, exhibitions, competitions and theme events to raise the public's nature awareness. As a new idea, we tested the web-based nature trails' game "Forest Buddy" directed at schools, which found both popularity and spirited response.

### Foresters as information providers and supervisors

Visitors' awareness and behaviour are some of the most important factors in preserving RMK recreation areas' landscapes, nature and protection. For this reason, the Recreation Department harmonized RMK nature centres' foundations and requirements for activity during the past year. Based on past experience, we came to the conclusion that explanatory messages which vigorously stress sustainable forest management and responsible use of nature in all centres help to shape nature aware attitudes in visitors and thereby help better preserve and protect our recreation areas.



Head of Recreation Department  
Marge Rammo:

## Planning development of recreation areas for the next five years

In 2005, we started planning RMK recreation areas' activities for the next five years. Compiling the new recreation areas' usage regulation plans made me think more about what has been done so far. On the bases of research and surveillance data, we started to analyse the visitors and usage of recreation areas today and forecasting future usage. We give most attention to the questions of how to preserve recreation area values, to consider different influences and guarantee balanced usage and development. We also do specific work to better direct visitors in landscapes by means of waymarks and maps, also to provide more varied information about objects in nature.

We have focused on a new activity – valuation of forest heritage, display and binding to recreation area infrastructure. The most prominent event in connection with the latter last year was reconditioning Laugu forester's guard station and opening RMK Saaremaa recreation area as one object. Laugu forester's guard station introduces the pristine profession and life of the forester. The old forester's guard station is an exciting and memorable stopping place for all people travelling in nature and offers attractive possibilities to organise different forest-related programmes and events. We plan to continue accentuating forestry heritage all over Estonia in order to diversify visitation possibilities in our recreation areas and to provide them with added value.

In order to preserve the look of the landscapes and to ensure responsible and nature-friendly use of recreation areas, we executed the project “Forester” on a trial-basis in five RMK recreation areas in 2005. The forester as an information provider, supervisor and discipline – keeper monitored the orderliness of recreation area objects and gave prompt feedback.

In summer, we carried out an inquiry among recreation area visitors; its aim was to find out the most acute problems and the objects that receive the highest numbers of visitors. Co-operation to evaluate the load tolerance of landscapes continued with the Forest Protection and Regeneration Centre. We used 5,7 million kroons for maintenance of RMK recreation areas, 5,3 million kroons for establishing new objects and reconstructing the existing ones.

### Co-operation projects develop the field

In 2005, close co-operation with Finnish Forest Management continued; together, we organised a joint seminar of recreation management. The main topics looked at the use of visitor inquiries and visit volumes count results in developing and managing recreation areas, also informing visitors and binding cultural heritage with the recreation area activities and possibilities for hiking in nature.

We consider longstanding international co-operation very important as it enables us to acquire new skills and experience mediated by partners, to compare our situation with other countries and to jointly plan the development of the field. A good example of practical co-operation is the Nordic-Baltic work group “Methods of monitoring visitors,” which began in 2004 and continued its work in 2005. One of the three work group meetings was held in Estonia; in the framework of the meeting, we got the opportunity to introduce RMK’s recreational activities to neighbouring countries also in nature. With financing from the Nordic Council of Ministers and the Swedish Environmental Protection Agency, work will also continue in 2006 with the aim to compile a common manual of visitor research and visit volume monitoring.

We consider co-operation with different domestic partners just as important, among others local authorities, environmental authorities, reservations and so on. In 2005, the main focus was on the compilation of RMK recreation areas’ new usage regulation plans; different partners and interest groups have been involved in the plans also. A common understanding for development of recreation possibilities and an accurate distribution of roles ensures a higher standard in recreation management and more possibilities for users.



## RECREATION IN 2005

- In 10 recreation areas, 395 different objects have been prepared and placed at the disposal of nature lovers, including:
  - 82 marked nature trails (hiking trails, study trails, skiing trails, cycling trails)
  - 145 picnic and campfire sites
  - 62 rest areas
  - 42 camping sites
  - 11 observation towers
  - 13 forest houses
  - 12 forest huts
  - 5 holiday homes
- 15 300 people participated in the events and programmes organised in recreation areas by nature centres
- 32 000 people visited the information centres of recreation areas in summertime
- RMK recreation areas were visited on 600 000 occasions during high season from May to November
- 3867 visitors used the services of holiday homes
- Visitors of recreation areas used 1823 m<sup>3</sup> of firewood
- Visitors of the recreation areas left 3083 m<sup>3</sup> of trash in the trash cans

## nursery management

# Tending to forest progeny

The main goal of the Nursery Management Department is to produce quality plants and seeds with the best hereditary properties to satisfy the demands of state forest. At the same time, our production capacities and quality production have been earning more and more attention from many private consumers.

In addition to tending to state forest progeny, the Nursery Management Department's second most important goal is to earn profit from sale of plants and seeds to private consumers. We have set the sustainable use of resources in production of reforestation material as our field's environmental target; we consider ensuring forest seed entity and storage of the corresponding reserve, which would correspond to the whole country's demands our main social target.

### A rainy autumn complicated work

The Nursery Management Department grows forest plants in RMK's 18 forest districts and in the Joint Nursery established on the basis of six larger nurseries. Altogether, 125 hectares of production land belongs to the units involved in growing forest plants; in addition to this, we also have almost 5000 square metres of conservatories.

We grow most of our plants mainly in open-ground nurseries. The realisation volume of plants is approximately 10-11 million plants a year. RMK planting stock production volume has remained at the same level for years.

For 2005, we had planned to cover the state forest's demand for plants with our production in the amount of 77% (8,84 million plants). The actual plant delivery turned out 0,98 million less than originally planned. The decrease in volume came from the mortality of pine seedling. The exceptionally rainy weather in the autumn of 2004 caused pine seedlings to become infected with a fungicide in Estonian nurseries and about 30% of plants perished. Spruce and birch plant orders were fulfilled. The state forest's demand for seeds, 1021 kilograms in total, was guaranteed to the volume of the orders.

### Private plant producers' interest increases

Last year, RMK earned a profit of 0,67 million kroons from plant sales to private customers and the earlier sales target was fulfilled to the extent of 130%. Profit increased due to the increase in spruce transplant sales volume. At the same time, consumers' interest in pine seedlings was surprisingly modest and we were able to sell just 0,35 million of the planned 0,60 million pine seedlings.

The sales revenue from seeds in total was 62% bigger than planned. During the previous year, the Nursery Management Department sold 707 kilograms of seed in the value of 0,70 million kroons in total. Spruce seed was most popular and the total weight amounted to 333 kg. The reason for the rise in seed sales is the increase of private plant producers' volumes and expansion of private forests' sown area.

### Investments into development of nurseries

A conservatory sized 1100 m<sup>2</sup> with the cost of 0,85 million kroons was built in the Joint Nursery Kullega nursery last year. According to the plans, new forest seed orchards were also established. The planned spruce seed orchard was established following the new, so-called double rows system that has been tested in Finland. With this, we could economize on land and according to research, seed bearing should improve too. We also established a silver birch orchard on 1,7 hectares with the planned 509 inocula.

### Environmentally friendly production

The environmental target of the Nursery Management Department is to produce reforestation material by sustainable use of resources. For this purpose, we have expanded the area of covering veils so that spruce and pine seedlings could be grown under the covering veil. We are planning to continue building new film greenhouses with automated watering and fertilization systems in our larger nurseries.

In order to increase the use of renewable sources of energy, the Kullenga cone drier is being renovated stage by stage, where oil shale naphtha boilers will be replaced with more energy sparing oil boilers.



Head of Nursery Management Department  
Esko Krinal:

## New Act regulates activities in the field

By the end of 2005, the parliament Riigikogu passed the Plants' Propagation and Species Protection Act, which is the founding document for our field and significantly influenced further development of nursery management. All activities within the field should now become more regulated, because the new act defines the rules for production, inspection and marketing of plants.

Another positive fact about last year's results is that the sale of seed to private consumers grew and was 67% higher than planned. The greater demand for seed proceeded from the increase in private plant producers' volumes and expansion of private forests' sown area. We should also highlight customers' innovative attitude, because in 2005, ordering plants and seeds over the internet became more popular.

## Indicators

### PLANTS

	Growing (thousand pieces)	Usage in state forest (thousand pieces)	Sold to private forests (thousand pieces)
pine	2 300	1 954	346
spruce	5 750	5 546	204
birch	410	280	130
<b>Total</b>	<b>8 460</b>	<b>7 780</b>	<b>680</b>

### SEED

	Stocking (kg)	Usage in state forest (kg)	Usage in RMK nurseries (kg)	Sold to other proprietors
pine	1 240	497	225	243
spruce		7	281	333
birch		14	13	83
<b>Total</b>	<b>1 240</b>	<b>518</b>	<b>519</b>	<b>659</b>

### NURSERY MANAGEMENT IN 2005

- 10,4 million plants were planted in state forest, incl:
  - 2,9 million pine plants
  - 6,5 million spruce plants
  - 0,9 million birch plants
  - 0,1 million other plants
- RMK nurseries grew 8,5 million plants, 7,8 million of which were planted in state forests
- 2,6 million plants were purchased from private producers:
  - 0,95 million pine plants
  - 1,00 million spruce plants
  - 0,65 million birch plants
- 0,68 million plants were sold to private forest owners
- In spring 2005, 519 kg of seed was sown on 8,9 hectares of land; by autumn, 17 million small plants had sprouted from seeds
- 7,4 million spruce seedlings were replanted on 23,5 hectares
- The total number of plants (seedlings and plants) growing in RMK nurseries at the end of the year was
  - ca 25 million in the joint nursery
  - ca 9 million in the nurseries of the forest districts

## consultations

# Sharing valuable forestry experience

The activities of the RMK Consultation Department have expanded year-to-year as more and more people have come to our specialists for advice in making different forestry-related decisions. We consider the strategic development of sustainable and balanced management of state forest in our work. A growing number of foreign partners have also begun to value our experience – for many of them, we have become long-term strategic advisers.

In 2005, the Consultation Department's turnover amounted to four million kroons, increasing almost threefold compared to the previous year. During the past year, 19 projects were executed or managed, which is more than twice as many as in 2004. The average number of projects per employee was 6.33 and the turnover was 1.34 million kroons per employee. According to the sources of funds, 56% account for projects funded by government institutions or funds (inc KIK). RMK's development activities encompassed a third of the Consultation Departments work, the percentage of other clients was 12%.

The following projects can be highlighted as most important: the Estonian forestry sector's sustainable development macro model's creation as a follow-up project; establishment of the e-learning environment at Luua Forestry School; compilation of the methodology of illegal use of forest; fire monitoring in Estonian forests; management of hogweed control projects. In 2005, we prepared and set off with the implementation of the "Cultural heritage of forestry" and "Utilization of logging waste in state forest" projects financed by the European Union structural funds.

### Strategic solutions for development

Several strategic projects were in the focus of the Consultation Department; the aim of the projects was to ensure the balanced development of forestry. One such task is working out the Estonian forestry sector's sustainable development macro model. The aim of the project that was launched in 2003 and ends in 2006 is to compile the Estonian forestry sector's sustainable development macro model that would enable to evaluate the impact of different forestry policy decisions over a longer period of time and create an optimal application for identifying areas for further research. In two years, we have created a consolidated Estonian forestry sector sustainable development model and have started compiling simulations and analyses for key questions awaiting resolution in forestry.

We are moving in the same direction with compiling a strategy for evaluating illegal use of forest with the goal of defining the activities considered illegal forestry and the possibilities of surveillance used in Estonia. The illegal use of forest evaluation directive provides the premise for getting an objective overview of the situation and intensifying environmental supervision.



The project “Utilization of logging waste in state forest” concentrated on the evaluation of logging waste as an energetically usable renewable resource and the calculation of actual volume of output. The premise is still the consideration of sustainable forestry requirements and taking into account the present technological possibilities. In the framework of a several year long project, we are blueprinting the environmental, technological, and logistical solutions for logging waste collection and treatment that are most suitable for Estonian forest types in order to also test them on pilot ground. This creates possibilities for quicker utilization of logging waste and provides investors with objective information about using logging waste in the production of bio energy.

### **Practical forestry projects**

In the framework of the project “Establishment of e-learning environment at Luua Forestry School,” we organised a study in the Estonian forestry sector focuses on the necessity and extent of e-learning and the feasibility of its implementation in carrying out proficiency and in-service training. We also established access to the forestry information system and necessary conditions for using this software for studies and research in a computer classroom for at least 10 people.

During the past year, we also launched the hogweed control project grounded on control strategy 2005-2010 based on the habitat data for non-native species of hogweed (*Heracleum*) finished in 2004. The timeframe for the implementation of the project was extremely limited and as the work had to be done all over Estonia, it meant that the number of people involved was very high – over 320 people were directly involved in warding off hogweed and also specialists who were connected with the project’s organisation of work.

### **Conferences broaden outlook**

With RMK Consultation Department’s leadership and help of partners, there was an environmental conference “Are you saving or polluting the nature?” held in May that concentrated on the ecological tax reform. There was a common effort to look for solutions for the implementation of an ecological economy model to preserve balance

in the environment while maintaining the economy's capacity to compete. The conference targeted company managers and top specialists, and received very positive feedback.

In September, we organised the international seminar "10 years from the compilation of Estonian forestry's development plan." Specialists discussed the fulfilment of the goals and tasks set forth in the Estonian forestry development plan – what do the people who were active at that time think ten years later and what is forestry's vision for the next decade. RMK's development and contribution to ensure the continuity of forestry in Estonia received strong recognition from functional specialists in partner states.

### The international extent of co-operation

The extent of international activities is manifested in the forestry cultural heritage project financed by the European Union structural fund Interreg III A, which we are carrying out with the Finnish Forestry Development Centre Tapio. RMK is the only key partner originating from Estonia amongst the joint projects financed from this fund. During the two-year project, there will be an inventory of forestry cultural heritage based on a specific methodology in Harju-, Lääne- and Raplamaa counties on almost 260 000 hectares. The collected data will enable to raise the forest owners' awareness, to make the right decisions, and to better display the cultural heritage objects in our country.

In 2005, the forest fire monitoring project also received a significant follow-up. The aim of the project is to decrease the number of forest fire outbreaks and the scope of burnt areas. In the framework of this project, we are working on the mobility of fire monitoring surveillance to make it more efficient as well as on surveillance from stationary observation stations. We are also currently formulating plans for preventive work and the modernisation of fire monitoring towers' surveillance devices. Last year, we began to look for solutions to modernise our surveillance equipment. In the framework of the latter, we will co-operate with the Brandenburg State's Ministry of Environment in the Federal Republic of Germany and the enterprise Treuhand-und Geschäftsbesorgungs GmbH.



Head of Consultation Department  
Heiki Hepner:

## Valuation of forest as a precious biological property

Right decisions, reliability, and transparency are the premise of successful entrepreneurship which requires the availability of comprehensive information. This directly concerns companies that own standing forest. This is why they have the obligation to include biological property in accountancy.

The best indicator for gauging the value of property is its market value. Forest, being one type of biological property, has very different values. As for the market value today, we are able to evaluate accurately enough only the value of timber. The main condition for taking stock of it is that the company has control over the mentioned forests and possesses the right to the profits the forest will yield in the future. It is also quite important to evaluate the forests' value and acquisition cost in a fair and reliable manner.

In 2004, the Consultation Department blueprinted the methodology for evaluating forest managed by RMK as biological property. This methodology was approved by independent auditors and by today, we have already consulted several other forest managers in evaluating their property. At the end of 2005, the RMK-managed state forest biological property was appraised at almost 28 billion kroons.

# RMK main indicators 2001–2005



Financial Director  
Jaanus Laas:

## Investing profit in our activities



In 2005, RMK's turnover surpassed the billion kroon margin for the first time amounting to 1.107 billion kroons. A large part of the turnover was made up of timber and standing forest sales – correspondingly 970.2 and 64.3 billion kroons. The forest revenue tax to be transferred to the state budget was 178.1 million kroons and land tax was in the amount of 59.2 million. The enterprise earned a profit of 136 million kroons.

The value of the forests that RMK manages as biological property amounts to 28 billion kroons. 66.6 percent or 543 000 hectares of state forests are made up of commercial forest where the main part of our economic activities take place. In one year, the volume increment of non-managed standing forest was from 24.2 million cubic metres to 28.7 million cubic metres that is by 18.6 percent. In a year, the value of state forest has increased by 1.28 billion kroons. The increase in value

was caused by a rise in the commercial value of timber, mostly saw log and fuelwood.

The profit earned from the sale of the right to cut standing forest and the sale of timber we mainly invest in the improvement of silviculture facilities, purchase of new forest machines, and improvement of working conditions and establishment or modernisation of recreational common national property objects.

In 2005, RMK used 132.9 million kroons to procure or improve capital assets. We bought forest machines in the amount of 7.4 million, and means of transport in the amount of 18.8 million kroons. We invested 33.9 million in improving working conditions and 14.3 million kroons for the continuation of info technological development. The volume of common national property investments amounted to 4.9 million kroons.

# Balance sheet

(in kroons)	31.12.2005	31.12.2004
<b>ASSETS</b>		
<b>Current assets</b>		
Cash at bank and in hand	22 852 222	268 668 580
Short-term financial investments	330 000 000	0
RECEIVABLES AND PREPAYMENTS		
Trade receivables	87 196 079	61 285 672
Other short-term receivables	2 537 724	2 847 439
Accrued income	181 580	4 010 210
Prepayments for services	606 599	980 641
Total receivables and prepayments	90 521 982	69 123 962
INVENTORIES	16 907 598	16 537 884
FIXED ASSETS FOR SALE	329 696	1 364 210
<b>Total current assets</b>	<b>460 611 498</b>	<b>355 694 636</b>
<b>Fixed assets</b>		
MISCELLANEOUS LONG-TERM RECEIVABLES	157 383	208 536
TANGIBLE ASSETS	834 628 384	372 764 788
INTANGIBLE ASSETS	13 482 445	13 264 923
<b>Total fixed assets</b>	<b>848 268 212</b>	<b>386 238 247</b>
<b>TOTAL ASSETS</b>	<b>1 308 879 710</b>	<b>741 932 883</b>
<b>LIABILITIES</b>		
SHORT-TERM LIABILITIES		
Loan liabilities	0	6 736
DEBTS AND PREPAYMENTS		
Trade creditors	24 908 437	14 285 257
Other short- term payables	699 297	2 172 309
Taxes payable	16 027 097	14 488 833
Contractors' payables	37 381 271	22 608 542
Deferred payment on revenue from forests	13 412 099	9 731 550
Other deferred revenue of future periods	20 203	25 584
Trade prepayments for goods and services	345 867	205 837
Total debts and prepayments	92 794 271	63 517 912
Other liabilities	15 684 000	15 684 000
Total short-term liabilities	108 478 271	79 208 648
LONGTERM LIABILITIES		
Targeted financing	2 052 806	1 236 423
Total long-term liabilities	2 052 806	1 236 423
<b>Total liabilities</b>	<b>110 531 077</b>	<b>80 445 071</b>
<b>Net assets</b>		
State capital	190 817 959	190 817 959
Retained profit	871 621 557	375 674 817
Net profit for the financial year	135 909 117	94 995 036
<b>Total net assets</b>	<b>1 198 348 633</b>	<b>661 487 812</b>
<b>TOTAL LIABILITIES</b>	<b>1 308 879 710</b>	<b>741 932 883</b>

# Income statement

(in kroons)	2005	2004
Sales revenue	1 107 018 905	978 113 464
Other revenue	10 882 700	7 320 585
Variation in inventories of finished goods and work in progress	445 891	-22 315 586
Capitalised production expenses	77 952	0
Goods, raw material and services	543 591 291	481 390 636
Other operating costs	155 265 038	138 493 991
Staff costs	229 407 928	192 387 485
Write- downs of fixed assets	57 624 256	62 032 879
Other operating costs	5 031 841	762 275
<b>Operating profit</b>	<b>127 505 094</b>	<b>88 051 197</b>
<b>FINANCIAL INCOME AND EXPENSES</b>		
Interest expense	0	-613 230
Other financial income and expenses	8 404 023	7 557 069
<b>Total financial income and expenses</b>	<b>8 404 023</b>	<b>6 943 839</b>
<b>Net profit for financial year</b>	<b>135 909 117</b>	<b>94 995 036</b>

Translation of the Estonian Original

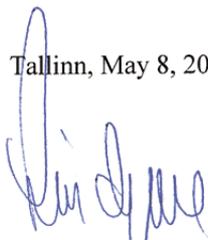
**AUDITOR'S REPORT  
TO THE SUPERVISORY BOARD OF RIIGIMETSA MAJANDAMISE KESKUS**

We have audited in accordance with International Standards on Auditing the financial statements of state with-profit institution Riigimetsa Majandamise Keskus (hereafter "RMK") for the financial year ended December 31, 2005, from which the accompanying summarized financial statements, presented on pages 34-35, were derived. In our report dated March 28, 2006 we expressed an opinion that the financial statements, from which the accompanying summarized financial statements were derived, presented fairly, in all material respects, the financial position of RMK as of December 31, 2005, and the results of its operations and its cash flows for the financial year then ended in accordance with Estonian generally accepted accounting principles.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of RMK's financial position and the results of their operations for the period and of the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.

Tallinn, May 8, 2006



Hanno Lindpere  
Ernst & Young Baltic AS



Erki Usin  
Authorized auditor

**Annual Report of RMK for 2005**

Compiled under the order of the Communications Department of RMK

The Annual Report has been printed on environmentally friendly and 100% of recycled paper Cyclus Offset.

