

The logo for SITRA, featuring the word "SITRA" in a bold, white, sans-serif font against a blue background.

**SITRA**

**BOARD REPORT AND FINANCIAL STATEMENTS 2011**



**2011 ANNUAL REPORT OF  
SITRA,  
THE FINNISH INNOVATION FUND**

**TO PARLIAMENT**

Under Section 9, subsection 1, paragraph 9 of the Act on Sitra, the Finnish Innovation Fund (717/1990), Sitra's Supervisory Board hereby respectfully submits its annual report on Sitra's operations in 2011 to Parliament.

Helsinki, 7 March 2012

On behalf of Sitra, the Finnish Innovation Fund

**Ben Zyskowitz**  
Chairperson

**Anton Mäkelä**  
Secretary



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## **2011 ANNUAL REPORT OF SITRA, THE FINNISH INNOVATION FUND, TO PARLIAMENT**

*Under the Act on Sitra, the Finnish Innovation Fund (717/1990), Sitra's Supervisory Board comprises the Supervisory Council of the Bank of Finland, which is appointed by Parliament. Under Section 9(1)(9) of the Act, the Supervisory Board must submit an annual report on Sitra's operations to Parliament.*

*This annual report for 2011 includes the Supervisory Board's statement, Sitra's financial statements and report on operations, and an audit report by the auditors appointed by Parliament.*

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# The Supervisory Board's statement

Under the Act on Sitra, the Finnish Innovation Fund, Sitra's Supervisory Board submits an annual report on Sitra's operations to Parliament. In addition to the Supervisory Board's statement, Sitra's annual report for 2011 consists of the financial statement, the related Board report, and the auditing report by auditors appointed by Parliament. The Board report discusses the operations of Sitra in detail.

The year 2011 marked the 44th year of operations for Sitra, the Finnish Innovation Fund. During the year, Sitra continued its independent and active operations to promote the steady and balanced development of Finland. Sitra also engaged in active discourse with the major operators and opinion leaders in Finnish society. The year will be remembered for the culmination of the European debt crisis and the increasing volatility of the markets, which makes it difficult to predict their future trends. In 2010, Sitra was able to continue full operations despite Finland's uncertain economic conditions; in 2011, however, adjustments were necessary to align Sitra's investments with its new financial position. On the other hand, the rapid changes in the operational environment emphasised Sitra's role in foresight and practical operations.

During the year, Sitra built a new strategy and operational model and set the objective at becoming a pioneer in sustainable well-being. The new shared vision and strategy is aimed at increased effectiveness and sensitivity of operations. To ensure the strategic agility of Sitra's operations, a new project organisation with three sustainable well-being themes was designed to be adopted in 2012. The programme-oriented operational model, active since 2004, will be terminated by the end of 2012.

The three new themes derived from Sitra's strategy are sustainable lifestyles and smart use of natural resources, renewable leadership and well-being services, and bottlenecks and new opportunities of economic growth. In 2012, the primary projects of the various programmes will be carried out within the three themes.

In 2011, programmes continued to operate according to plan. **The Municipal Programme** continued its work to secure the public economy through new service structures and better productivity of municipal services. The projects within the Municipal Programme particularly aim at improving well-being services to

achieve better availability and quality and increased freedom of choice, and at enabling cost-effective service production. The programme also promotes fundamental change of municipal service structures by introducing new, alternative views into the discourse.

**The Public Leadership and Management Programme** aimed at finding new solutions to respond to the primary issues in the operational environment, such as the sustainability gap in the economy, the aging population and the changes in service needs. During the year, operations focused on three content areas: in the area of state administration, corporate steering was a primary issue; in the municipal field, the focus was on human-oriented service development; and in the area of management, on new leadership thinking.

**The Energy Programme** carried out several practical projects that proved that the use of energy by communities and the people, as well as their greenhouse emissions, can be significantly decreased. Through good examples and influencing regulations the programme can help return Finland back to the top in energy efficiency. Energy efficiency of the built environment plays a crucial role in the reduction of emissions. In addition to energy efficiency, people's lifestyle is an important factor. Therefore, the programme aims to create the preconditions and structures that enable people to make low-carbon choices.

**The Landmarks Programme**, which was named for its concern with the meanings of the countryside, aims to find new viewpoints to the future role of the countryside in creating a good life for people and in sustainable development solutions. The primary means to achieve these ends are the development of business operations and the promotion of communications and networking. The programme works to identify future demand targeted at the countryside and changes in the demand. During the year, the programme developed, tested and energised business operations to meet this demand, such as new business models for local food operations, local energy service solutions, operational models for a decentralised bioeconomy and the creation of product and service packages based on the effect of nature on well-being.

**The Growth Programme for the Mechanical Industry** continued to look for solutions in an environment where globalisation strongly affects the Finnish

mechanical industry. The programme used development projects, events, publications and capital investment to increase the companies' awareness of the need for changes. The objective was to encourage companies to find new opportunities for export, international business and product development. The year 2011 was this programme's final year. An external assessment in the form of interviews will be carried out by Taloustutkimus on the outcome and impact of the programme.

Investment operations and the development of business operations continued in 2011. Operations consist of surveys and development projects concerning the markets and the ecosystems aimed at international business operations, investments in funds and companies, and development work on the portfolio company level through active ownership. Investments in funds aim to promote the growth and international operations of Finnish companies and to utilise the expertise and networks of international funds. In addition to the social impact and operative co-operation, a good profit expectation is also required of fund investments.

During the year, Sitra fully withdrew from 16 companies and partly from one company. New corporate investments were targeted at the strategic programme

areas. In 2011, Sitra made initial investments in a total of three companies. At the end of the year, Sitra's portfolio contained 36 companies.

The market value of Sitra's endowment capital at the end of 2011 was €627 million. Invested assets yielded -8.0% in 2011, whereas the yield in the previous year was +9.3%.

Sitra practices responsible investment activities. Its decision making observes questions related to social responsibility. The objective is to continuously develop the procedures and practices for responsible investment of the endowment capital. Most of the treasurers that Sitra uses have already signed the UN Principles for Responsible Investment, or otherwise observe the moral perspective.

According to the Supervisory Board's understanding, Sitra's finances are stable and its operations are well managed. At its meeting on 7 March 2012, the Supervisory Board adopted Sitra's profit and loss account and balance sheet as proposed by the auditors. At the same meeting, the Supervisory Board approved the Board of Directors' proposal to carry forward the net loss of €31,195 526.58 from the financial year 2011 to the retained surplus/deficit account.

Helsinki, 7 March 2012

**Ben Zyskowicz**  
**Pirkko Ruohonen-Lerner**  
**Jouni Backman**  
**Timo Kalli**  
**Mari Kiviniemi**  
**Marjo Matikainen-Kallström**  
**Lea Mäkipää**  
**Jan Vapaavuori**  
**Pia Viitanen**  
**./Anton Mäkelä**

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## Sitra's financial statements for 2011

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# Board report

## Sitra's operating environment

In 2011, Sitra's operating environment became increasingly difficult to predict. The year will be remembered for the serious threats presented by the European debt crisis. The crisis extended to the entire financial system and thoroughly shook the markets. Lack of trust in the ability to make political decisions in Europe and the euro area gave further momentum to the crisis.

The rapid rate of the current global development has become visible in the new trend of fragmentation of the value chains of global production structures around the world. Entire industries are creating decentralised production models based on the new global distribution of tasks. At the same time, the focus of the global economy is moving to the growing markets of the developing world, particularly Asia, with increasing speed.

In Finland, the development revealed a challenge: the importance of clearly defining the kinds of global value networks we wish to be connected to in the future.

In the domestic discourse, serious attention was paid to the public economy's capacity and the so-called sustainability gap. Critical development challenges for the public economy included its ability to renew and the improvement of the productivity of work.

The need for strategic agility in Finland, the rapid rate of change in the operational environment in 2011 and the complexity of events emphasised Sitra's role as an institution of vision and practical action. Sitra became an even stronger specialist that develops the good life, new business aimed at sustainable well-being, and operational models that renew society.

## Sitra's duty and objectives

Sitra, the Finnish Innovation Fund, is a public fund with the duty to promote stable and balanced development in Finland, the quantitative and qualitative growth of its economy and its international competitiveness and co-operation. Being independent and operating directly under the supervision of the Finnish Parliament, Sitra has an exceptionally good opportunity to

address key questions related to Finland's economic growth and well-being.

Sitra mainly finances its operations with the yield from its endowment capital, but also from operative financing activities. For Sitra's endowment capital investments, 2011 was a year of challenges. The market situation reflected the extremely uncertain development of the investment environment, and the steep drop in the stock markets during the year pushed the yield of the endowment capital investments below a profitable level. While Sitra was able to fully continue its operations in 2010, despite the uncertainty of the Finnish economy, 2011 created the need to adjust Sitra's investments according to the new financial position. During the year, Sitra engaged in active discourse with various operators and opinion leaders in society. We aim to influence the agendas of major decision makers, but also participate in open interaction, such as the discussion on the service voucher experiments in the social media.

Sitra emphasises the solid foundation of the Nordic society and well-being model. The model must, however, be partially rebuilt to encompass not only economic growth, but also ecological sustainability, equal human worth that is reflected in the quality of life, and social and cultural justice.

Sitra proposed five themes for the new government programme, including practical measures to implement the proposed themes. Sitra's proposals were the following: The renewal of the funding of Finnish health and social care, the adoption of a corporate steering model in state administration, a shared customer database for public administration, a climate, energy and natural resources policy to support land use, construction and civil engineering operations, and the targeting of public support at early business stages and the internationalisation of the small and middle-sized business sector.

During the year, Sitra built a new strategy and operational model and set the objective of becoming a pioneer in sustainable well-being. The new shared vision and strategy is aimed at increased effectiveness and sensitivity of operations. These can be achieved by focusing all operations on three themes: 1) sustainable lifestyles and the smart use of natural resources; 2) renewable leadership and well-being services; and 3) bottlenecks and new opportunities of economic

growth. Each theme will include a group of practical development and change projects, so-called focus areas.

Within its new strategy, Sitra will increase its emphasis on research and development of sustainable well-being and build an even stronger role as a social educator and network builder. The change also includes giving up the programme-based model used since 2004.

## Operations in 2011

### Programme operations

#### *Municipal Programme*

The public economy can only be secured through new service structures and improved productivity rates for services. The projects within the Municipal Programme particularly aim at improving well-being services to achieve better availability and quality and increased freedom of choice, and at enabling cost-effective service production. The programme also promotes fundamental change of municipal service structures by introducing new, alternative views into the discourse.

The Taltioni service, developed in the personal health records platform and services project, can be used by health care customers to keep, use and share information on their own health and well-being. In 2011, the Taltioni project promoted a financially feasible electronic service platform that bears international comparisons. At the same time, an ecosystem was developed on the same platform. The new ecosystem would create an innovative business environment for public and private health and well-being service providers and enable the development and propagation of electronic health and well-being services that complement each other. In the future, society would benefit from better productivity and an increasing emphasis on preventive health care. The innovative Taltioni platform creates opportunities of global interest for Finland and Finnish operators.

The service voucher project has carried out experiments and implementation projects with municipalities and municipal federations for three years within various social and health services. The last year of the project saw the completion of these processes. The pro-

jects helped create best practices models for the various services to adopt and manage the service voucher system. The use of service vouchers already expanded greatly in 2010 when one-third of all Finnish municipalities used the vouchers. In 2011, roughly two-thirds of municipalities use the vouchers, multiplying the amount of money used for the services. Service vouchers can be used to improve the availability of services, promote freedom of choice and shorten queues.

The Health kiosk project has carried out two-year health kiosk experiments in Ylöjärvi and Lahti to test whether a low threshold operational model could represent a new service production model in a more extensive structural renewal of health care. According to a study at the University of Tampere, the low threshold services provided by health kiosks can improve customer-orientation and availability as well as the cost-efficient production of services. Experiences and results gained from the health kiosk experiments have been propagated to municipal decision makers more extensively through meetings and communication since autumn 2011. The objective is to establish 50 health kiosks in Finland during the next two years.

The Municipal Programme and university hospitals worked together to have a survey done on the suitability of leading international patient information systems for the Finnish health care system. The survey, published at the beginning of the year, showed that a model with one single information system is a possible option for Finland. This would require the establishment of buyer and executor roles on a national level as well as adjustments to laws to enable a binding overall steering at the national level.

A planned withdrawal from the municipal service centres established in 2010, Kuntien Tiera Oy and Kunnan Taitoa Oy, which Sitra had assisted in the launching phase, was carried out in the spring 2011.

#### *Public Leadership and Management Programme*

Changes in the operational environment challenge the public administration to develop its operations in many ways. Identified problems, such as the financial sustainability gap, an aging population and changes in services needs, require solutions that are not simple and certainly not easy. The Public Leadership and Management Programme looks for new solutions using many methods, including experiments, pilots and surveys.

The programme aims to add to well-being by increasing people's freedom of choice and opportunities of being heard, creating better productivity and new business operations through multiprovider models, strengthening co-operation across the branches of public administration, and creating a more efficient and human-oriented public administration through better leadership. During the year, operations focused on three content areas: in the area of state administration, corporate steering was a primary issue; in the municipal field, the focus was on human-oriented service development; and in the area of management, on new leadership thinking.

The state corporate steering and management project emphasised the management of themes across ministerial borders, co-ordination of politics led by the prime minister, and the development of the management and human resources policy of the corporate state. Promotion of corporate steering was commented on in the new government programme, and the policy definitions of the project were also included in the government's strategic implementation plan. In addition, the government legislation plan's projects particularly follow the good legislative drafting process outlined in the Effective Legislative Drafting project of Sitra and the Ministry of Justice. The international project currently being prepared on the same subject has also raised interest. As an example of an experiment crossing the borders of administrative levels, the project on the role of museums in promoting well-being, carried out in co-operation with the National Board of Antiquities, can be mentioned.

The wide interest raised by the Traffic revolution project shows that the project succeeded in materialising several change needs that had long been growing under the surface. The new traffic and community planning model, which combines various operators, accommodates considerations related to land use, housing, traffic and the service structure, as well as the operational prerequisites of businesses. The results are used as a basis for further projects. The outcome of the Traffic revolution project is also used in the preparation of the new government transport policy report. The Traffic revolution project was carried out in co-operation with the Ministry of Transport and Communications, the Ministry of Finance, the Ministry of Employment and the Economy, the Ministry of the Environment, the Finnish Transport Agency, TraFi, RYM Oy and Tivit Oy.

In the area of human-oriented service development, Sitra has been involved in the development of services for children and young people, specialised care and making public databanks more openly available. Peer production and joint development models have also been prepared for the customer interface. Project operations implemented in the various service branches and the results so far achieved were summarised in *Meiltä meille* (From us to us) publication. The concepts described in the publication are to be propagated as widely as possible.

Questions of leadership have been approached from wide perspectives. Project viewpoints – shared leadership and empowerment – build an understanding of leadership as a social and interactive process. Projects focusing on information management, staff productivity and job rotation examine the means of leadership. Multidimensional leadership contents were thus introduced to complement the quantitative results of the Leadership Barometer.

#### *Energy Programme*

The reduction of greenhouse emissions can no longer wait. Finland is committed to this global challenge. The energy efficiency of the built environment plays a crucial role in the achievement of emission goals. The built environment, including buildings, construction work and transportation, is responsible for nearly 60% of the total energy consumption in Finland. In addition to energy efficiency, the people's lifestyle is an important factor. Therefore, it is important to create preconditions and structures that enable people to make low-carbon choices.

The Energy Programme carries out practical projects that prove that the use of energy by communities and people, as well as their greenhouse gas emissions, can be significantly decreased. Through good examples and influencing regulations the programme can help return Finland back to the top in energy efficiency.

When the national ERA17 (For an Energy-Smart Built Environment 2017) action programme was completed, a follow-up team was established to help accelerate several projects. The leaders of the six largest Finnish cities established a Mayors' climate network. A renewal of building supervision methods proceeded as a co-operation project between Oulu, Vaasa and Porvoo, and an energy-efficient land use planning target, Porvoo's Skaftkärr area, was brought to the implemen-

tation phase. The Energy Programme was also involved in the renewal of national building regulations.

The EEMontti competition for renovation building was launched. It was targeted at the 500,000 one-family houses with electrical heating, which form the greatest national energy saving potential. New solutions were sought for these. Another objective was to establish repair services using a single service point. Guidelines and models were developed for land use planning to ensure that energy solutions and emissions would be adequately considered in the construction process, right from the land use planning stage. The Low2No project involved an international design team in completing a general plan for the Airut block in Jätkäsaari, and models for the construction and maintenance of the area were developed.

The production of guide materials (for example, an energy guideline for housing cooperatives) continued and various sustainable construction design contests, such as E2, and close to zero energy house demonstrations, such as Lantti and Onnelanpolku, were supported.

The ECO2 project in Tampere gained a solid position as part of the city's administrative system. The operational model developed within the project has also been propagated to other Finnish Cities through the Mayors' climate network chaired by Tampere. The joint national project with the Ministry of Employment and the Economy to develop national energy counselling was completed. Motiva, which was appointed as the national co-ordination centre for energy counselling, continues to implement and develop counselling activities.

Peloton workshops for energy use gatekeeper groups were held for retail professionals and the HR management of various businesses and organisations. Two Peloton Innovation Camps were organised late in the year to develop consumer-oriented solutions and business ideas to tackle the climate change and energy crisis. The camps were very popular: more than 300 applications were received, and approximately 140 people took part in the events.

Sitra invested in Savo-Solar Oy, which manufactures solar heat absorbers, and successfully withdrew from Oy Scancool Ab as the entire share capital of the company was sold to Oilon International Oy. The AW-Energy wave energy farm to be built on the Portuguese coast reached the assembly stage. The development of Norrhydro Oy, Neapo Oy and Viola Systems Oy contin-

ued according to plans. Active exchange of information with Sitra's international fund partners – Capricorn, CrysaliX and SEFI – also continued.

Based on an audit carried out in September 2011, Sitra was granted the right to use the WWF's Green Office logo. Sitra's internal environmental programme was launched in 2010. It has included the assessment of Sitra's carbon footprint, adoption of a subsidised commuter ticket and company bikes, establishment of an internal channel for environmental issues and providing instructions for employees to cut their individual carbon footprints.

#### *Landmarks Programme*

The Landmarks Programme, which was named for its concern with the meanings of the countryside, aims to find new viewpoints for the future role of the countryside in creating a good life for people and in sustainable development solutions. The programme has been active since 2010. It aims to change the image of the countryside so that it is no longer seen as a development target but a well-being resource and an environment full of potential for sustainable solutions, available to everyone.

The primary means that the Landmarks Programme utilises to achieve these ends are the development of business operations and the promotion of communications and networking. The programme works to identify future demand targeted at the countryside and changes in the demand. The programme develops, tests and energises business operations to meet this demand, such as new models for local food operations, local energy service solutions, operational models for a decentralised bioeconomy and the creation of product and service packages based on the effect of nature on well-being.

The communications and networking activities are used to raise fresh viewpoints and ways of seeing the countryside. They also encourage discussion on the new meanings and potential of the countryside. Surveys help identify the demand that Finns place on the countryside.

In March, the Landmarks Programme published the second Landmarks barometer, which looked into what the countryside means to Finns. Belief in the significance of the countryside for Finland's future has increased during a period of nearly two years; compared to the previous barometer, the number of peo-

ple who see a positive future for the countryside has doubled in relation to the number of those who see no positive future.

The trend analysis published in the spring 2011 surveyed the attractions of the countryside from the viewpoint of pioneering communities and identified nine future consumer groups. The survey led to the creation of the Onni workbook, a tool for considering the business potential of new target groups and new demand. In the summer 2011, the programme organised the Brändää Provinssi (Brand the Province) photography contest to visualise the countryside of the future. The entered photos were used to compile an image gallery that reflects the versatility, freedom, alternatives and positive potential offered by the countryside.

In the autumn, the programme launched a workshop process on the countryside's role in the wider Finnish strategic context. The process will be carried out in co-operation with the Ministry of Agriculture and Forestry, the Rural Policy Committee and the Ministry of Employment and the Economy. The objective is to adjust the role of the countryside in the Finnish policies that cross traditional sector borders. The process will continue until the spring 2012.

The Landmarks Programme challenged the predominant view on the bioeconomy. The bioeconomy is often seen as merely a business sector that utilises biomass or biotechnology. However, when seen as a social strategy, the bioeconomy could be a key factor in the fight against the challenges our society is facing, such as climate change and the depletion of natural resources. The Distributed Bio-Based Economy – Driving Sustainable Growth report, which was published within the programme in September, presents a vision of the structure of the bioeconomy in society in 2050. The future bioeconomy will be glocal, that is, both global and local.

During the year, the Landmarks Programme has been seeking better eco-efficient housing solutions. User-oriented business solutions concerning renewable energy, energy efficiency and recycling have been accelerated. A turnkey energy service experiment is in progress with a greenhouse in Salo and an online recycling shop in Hämeenlinna. In future, a comparison and group purchase service for local energy will be tested.

Green care gained an increasingly important position as a major programme theme. In a workshop for Green care operators organised in March, coordinated

further measures were agreed on to develop the networks and business concepts in the field. To support these objectives, an online virtual community was established for Green Care Finland ry. In addition to these efforts, the programme has promoted the adoption of service design and organised workshops to develop concepts such as landscape or peace and quiet. In 2012, the operators in the field will receive a service design workbook to assist them in their work.

Organic and local food are no longer trends but permanent phenomena. The Landmarks Programme has helped supply and demand meet more efficiently and used investments and experiments to assist in the creation of new food service concepts. In the summer 2011, the programme invested in two companies: Suomen Aitokauppa Oy and Suomen Luomutukku Oy. New minor logistics and distribution models have been tested with operators such as the Makumaku online shop and Seulo Palvelut Oy.

#### *Growth Programme for the Mechanical Industry*

The planning of the mechanical industry growth programme began in early 2007 when the Finnish mechanical and metal industries started to show the effects of globalisation. Large domestic corporations had already relocated some operations, such as manufacture and sales, away from Finland to be closer to the growing markets and to cut production costs. At the same time, internationally operating domestic key customers in the mechanical industry developed their global purchase networks.

Finnish subcontracting industries did not notice the accelerating structural change but retained the established operational models and customer relationships. Companies lacked the big picture of the changing operational environment and the opportunities and threats that the changes provided.

The Growth Programme for the Mechanical Industry aims to help companies recognise their needs for change and, as a result, to aid the development and renewal of operations. The means include development projects, events, publications and capital investments. The objective is to encourage companies to actively seek new solutions for export, international business operations, product development and solution-oriented sales instead of offering mere services. The programme targets subcontractors, engineering offices and product companies.

The starting point for the programme was to use capital investment to build companies that work on the listed themes. The investment environment has not been favourable, and profitable investment targets have been difficult to find. The programme portfolio contains three companies. No new investments have been made in 2011. Investment targets are developed through active ownership: Board operations have been developed and feasible strategies and plans have been created for the companies. The structures of the companies have been adjusted to conform to the new strategies.

Internationalisation of the companies was advanced through country projects in which the potential of the export market was introduced to domestic mechanical and metal product companies. Market information was distributed in seminars targeted at a wide industry audience. In 2011, the seminars were followed by a week-long excursion to selected target countries: Sweden, Poland and Brazil.

An event was organised for major Russian mechanical industry corporations to provide them with an opportunity to look into the co-operation options offered by Finnish companies. The event was organised in co-operation with the 2011 Subcontracting Fair. The number of Russian and Finnish companies participating in the event was considerably higher than in the previous year. There is a preliminary agreement that Sitra will support Tampere Trade Fairs Ltd in the organisation of a similar excursion this year.

Two publications were completed at the end of 2011. *Ratkaisujen Suomi: unelmista töitä* (A Finland of Solutions: Dreams into Jobs) was written by nine influential Finns and edited by Sitra. The publication considers the renewal opportunities of Finnish industries and businesses in the near future, and how they could better respond to the challenges of a changing world.

Sitra and the Federation of Finnish Technology Industries commissioned a mechanical industry competitiveness survey from the Research Institute of the Finnish Economy (ETLA). The survey was also published as a book that compares the operational environment and competitiveness of the Finnish mechanical industry to those of the most important countries providing competition.

The year 2011 was this programme's final year. An external assessment in the form of interviews will be carried out by Taloustutkimus on the outcome and impact of the programme.

## Business development and investment activities

Sitra's business development operations consist of surveys and development projects concerning the markets and the ecosystems aimed at international business operations, investments in funds and companies, and development work on the portfolio company level through active ownership.

Sitra makes direct capital investments in individual portfolio companies to advance the development of ecosystems according to its strategy and to accelerate the creation of renewable business sectors.

Sitra's investments in funds aim to promote the growth and international operations of Finnish companies and to utilise the expertise and networks of international funds. In addition to social impact and operative co-operation, a good profit expectation is also required of fund investments.

In 2011, Sitra looked into the ways of utilising the expertise of international funds in Finland and accelerating the adoption of new operational models for funds. The most important survey projects were concerned with promotion of and experimenting with new, internationally proven operational models in Finland and the improvement of the capital market.

The promotion of new operational models in 2011 included the introduction of the social corporation model into Finland with the partner network's support, and the support of the business angel investment syndication model with the FiBAN angel network. In addition, targeted projects investigated the financing opportunities in young and growing businesses and the access of more advanced businesses into the established capital market. Sitra's aim of developing active ownership and good governance in its portfolio companies was supported by the new *Hallitustyöskentely Sitran kohdeyrityksissä* (Board work in Sitra's target companies) publication.

Sitra also launched an internal quarterly business forum. Its purpose is to identify and select new potential focus areas and to enable more efficient utilisation of Sitra's entire internal expertise. The first forum focused on subjects such as the means of utilising the special business opportunities of arctic areas. Targeted and short-term projects were also used to continue experiments that open publically produced data, create new business, increase openness and reduce costs in the public sector.

New opportunities for direct capital investments were selected together with the programme organisations and carried out and managed with capital investment professionals. During the year, Sitra invested in three new portfolio companies and withdrew from 15 companies. Continued funding was also granted to ten companies. The current economic conditions significantly slowed down the operations in the capital investment field throughout the Western world; in Finland, investment volumes also saw major reductions. The increasingly difficult market situation stretched the schedules of the investment rounds and made it even more difficult to put together joint investments with multiple sources of funding. However, a good number of new international investor partners were involved in the continued investments in advanced companies.

Fund investments were targeted at Finland; this was found necessary because many capital investors withdrew from the funding of businesses in the early stages of operations, which created the need for new capital investment teams. Approximately 10 domestic fund projects were assessed, together with a significant number of international funds.

In May, Korona Invest Oy founded the Palvelurahasto Ky fund with the purpose of investing in service companies with a socially responsible emphasis. The municipal and service structure renewal promotes the creation of new companies owned by the public, private and third sectors, which need capital and business expertise. Sitra invested in the fund due to its ability to aid the creation of new service producers where the public and private sector meet and thus add to the mix of services offered.

In June, Sitra decided to invest in the Lifeline Venture Fund Ky I, which has a background in serial entrepreneurship. Its key personnel have brought about a high number of international investments in young Finnish businesses. Lifeline Ventures invests in young network, game, and medical technology businesses.

In October, a decision was made to invest in a new kind of fund that develops Finnish digital gaming and health care applications. The investment was based on the belief in the potential and reasonable profitability of these ecosystems and the will to provide funds for a new kind of operational model and strengthen the funding systems available to young businesses.

## Administration

### Supervisory Board

Sitra's Supervisory Board is made up of the Parliamentary Supervisory Council of the Bank of Finland, which is appointed by Parliament. A new Supervisory Board was appointed on 30 June 2011. During the year under review, the Supervisory Board convened three times with the previous composition and three times with the new composition.

The members of the previous Supervisory Board were the MPs Timo Kalli (Chairperson), Antti Kalliomäki (Vice-Chairperson), Tanja Karpela, Martti Korhonen, Mika Lintilä, Pekka Ravi, Marja Tiura, Jutta Urpilainen, and Ben Zyskowitz. Anton Mäkelä, Master of Laws, acted as secretary to the Supervisory Board.

The members of the new Supervisory Board are the MP's Ben Zyskowitz (Chairperson), Pirkko Ruohonen-Lerner (Vice-Chairperson), Jouni Backman, Timo Kalli, Mari Kiviniemi, Marjo Matikainen-Kallström, Lea Mäkipää, Jan Vapaavuori, and Pia Viitanen. Anton Mäkelä, Master of Laws, acted as secretary to the Supervisory Board.

### Board of Directors

Sitra's Board of Directors convened seven times during the year. Its members are: Permanent Under-Secretary Martti Hetemäki (Chairperson), Permanent Secretary Erkki Virtanen (Vice-Chairperson), Permanent Secretary Harri Skog, Professor Anne Kovalainen, Professor Anu Bradford, and Sitra's President Mikko Kosonen.

### Auditors

The following individuals, who were appointed by Parliament, acted as Sitra's auditors at the end of the year: Esko Kiviranta MP (Chairperson), Professor and Authorised Public Accountant Markku Koskela (Deputy), and as members Lenita Toivakka MP (Sanna Lauslahti MP), Mika Kari MP (Raimo Piirainen MP), APA, CPFA Eero Preppula (APA Juha Selänne) and APA, CPFA Tom Sandell (Kauko Tuupainen MP). The Secretary was Professor Markku Koskela, APA. The authorised public account-

ing firm PricewaterhouseCoopers Oy, appointed by the Supervisory Board, was responsible for Sitra's internal audit and for auditing Sitra's investments. The auditor in charge was Juha Wahlroos, APA.

## Personnel

The number of Sitra's personnel remained at the same level as in the previous years, being 115 at the end of 2011 (116 in 2010). Due to the programme- and project-oriented operations, 40% of the personnel are employed under fixed-term employment contracts. The majority have completed a university degree and have solid work experience in various sectors and organisations.

A steering panel was used to monitor the achievement of Sitra's objectives. In development discussions, the panel was used to select individual and shared (Sitra and function level) objectives for each employee.

The Competence Strategy was worked on further in close co-operation with the personnel. Five basic competences that the entire personnel must possess were identified and defined during the year. The profile descriptions of the basic competences will be used, for example, in recruitment and development discussions.

The development of supervisor work was launched in the function-specific workshops organised in March. In the workshops, feedback and suggestions for development were compiled on the basis of the results of the "Best Place to Work" atmosphere survey in Finland. Development of leadership continued in three supervisor forums that worked towards the definition of new leadership at Sitra and its elements together with supervisors and the personnel at the end of 2011.

Well-being at work was promoted through the practices of proactive occupational healthcare and targeted measures. The personal resource questionnaire targeted at the personnel indicated a positive trend, and the results were slightly above the Finnish average.

## Sitra's endowment capital

The year 2011 was a year of many dramatic events. The earthquake in Japan and the Fukushima nuclear disaster, the Arab Spring, and the war in Libya shocked the world. In the financial market, the excessive debt



of the developed world became a major problem. The United States had to raise its public finances debt ceiling, and confidence in the ability of all euro countries to survive their debts was quickly lost in Europe. This, in turn, led to the increased differences between the risk premiums of loans within the euro area. The International Monetary Fund, the European Central Bank and the European Union have joined forces to manage the European debt crisis.

The market value of Sitra's endowment capital at the end of 2011 was €627 million. The total allocation of the endowment capital was as follows: shares 45%, interest rate instruments 51% and others 4%. Invested assets resulted in a loss of -8.0%, as the stock market fell around the world. Most of Sitra's endowment capital is invested in funds. Sitra makes allocation decisions, but the fund managers independently decide on individual investments according to the fund's rules.

When the European debt crisis worsened in the autumn 2011, it was decided that investments in government bonds in the euro area would be converted into more secure investments, and that investments in any loans to Italy, Spain, Ireland, Portugal and Greece would be avoided. Sitra withdrew its investments in the Sampo Yhteisöobligaatio and Alfred Berg Obligaatio funds, and the assets were transferred to the Sampo Valtionobligaatio, OP-Obligaatio Prima and Nordea Valtionlaina AAA funds, which have rules to only allow investments in loans with a top credit rating.

In 2011, Sitra decided to invest in loans to developing countries and high yield interest rate instruments. Investments were made in the developing country

loan funds Aktia Emerging Markets +, OP-EMD Local Currency and Danske Invest Emerging Markets Debt, and to high yield funds EVLI European High Yield and SEB Gyllenberg High Yield.

Together with Etera, the co-owner of the Itämerentori 2 real estate, Sitra sold the real estate to Exilion Real Estate I Ky, which is a real estate private equity fund founded by a group of pension insurers. Sitra committed to continuing to lease its current premises in the building until April 2016.

Sitra participated in the special issue of Suominen Corporation in October. The issue was used to raise funds for the purchase of nonwoven fabric operations from Ahlstrom Oyj.

For Sitra, responsible investment means that Sitra observes social responsibility when making decisions. When new investment targets are tendered, commitment to responsible investment is one of the criteria evaluated. We also aim to continuously develop the procedures and practices for responsibly investing the endowment capital. Nearly all treasurers that Sitra uses have signed the UN Principles for Responsible Investment and observe the moral perspective in their investment activities.

## Proposal for the disposal of deficit

The Board of Directors proposes that the net loss for the financial year, €31,195,526.58, be carried forward to the retained surplus/deficit account.

# Profit and loss account

		1.1.–31.12.2011 €	1.1.–31.12.2010 €
<b>INCOME</b>			
Profit from investment sales		17 332 885,46	31 631 453,17
Interest income		761 127,64	705 327,28
Dividend income		1 401 176,90	2 459 507,87
Rental income		379 007,53	642 536,24
Other investment income		6 324 268,69	9 807 300,95
<b>Total income</b>		<b>26 198 466,22</b>	<b>45 246 125,51</b>
<b>EXPENSES</b>			
Personnel costs	2)	-11 900 504,93	-11 903 350,33
Expenses from projects	3)	-13 165 440,41	-16 276 536,43
Investment expenses		-27 395 067,84	-5 465 855,82
Depreciation	4)	-228 859,31	-314 883,38
Other expenses		-4 704 120,31	-4 719 500,75
<b>Total expenses</b>		<b>-57 393 992,80</b>	<b>-38 680 126,71</b>
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>1)</b>	<b>-31 195 526,58</b>	<b>6 565 998,80</b>

# Balance sheet

		31.12.2011 €	31.12.2010 €
<b>ASSETS</b>			
<b>Long-term assets</b>			
Tangible assets	5)	488 943,29	16 103 564,15
Intangible assets	5)	67 920,00	117 338,86
Investments	6)	628 804 985,66	645 356 623,30
<b>Long-term assets total</b>	<b>1)</b>	<b>629 361 848,95</b>	<b>661 577 526,31</b>
<b>Short-term assets</b>			
Receivables	7)	298 457,36	390 389,68
Financial assets	8)	1 831 041,37	906 199,50
<b>Short-term assets total</b>		<b>2 129 498,73</b>	<b>1 296 589,18</b>
<b>ASSETS TOTAL</b>		<b>631 491 347,68</b>	<b>662 874 115,49</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Endowment capital		235 463 097,04	235 463 097,04
Retained earnings		421 944 597,24	415 378 598,44
Profit/loss for the year		-31 195 526,58	6 565 998,80
<b>Equity total</b>		<b>626 212 167,70</b>	<b>657 407 694,28</b>
<b>Short-term liabilities</b>			
Other liabilities	9)	5 279 179,98	5 466 421,21
<b>Short-term liabilities total</b>		<b>5 279 179,98</b>	<b>5 466 421,21</b>
<b>EQUITY AND LIABILITIES TOTAL</b>		<b>631 491 347,68</b>	<b>662 874 115,49</b>

# Accounting principles

## Presenting the financial statements

The presentation format of the profit and loss account is based on a cost-type-specific profit and loss account. The balance sheet is presented as a shortened balance sheet.

## Valuation of investments

Shares, participations and bonds in endowment investments have been valued at the lower of either original acquisition cost or the market value, in accordance with market principle. Value adjustments have been made by acquisition item. Both Finnish and foreign shares have been entered according to their share price on the last day of the financial year. Bonds and debentures have been valued according to the price given by Investment Research Finland Ltd.

The balance sheet value of investments in portfolio companies and funds is recorded at the historical acquisition value of the companies and the invested value of funds or a lesser sum determined by internal valuation. The internal valuation procedure for direct investments is performed twice a year. The necessary value adjustments in the accounts are made on the basis of the valuation. The value of investments in ven-

ture capital funds is calculated using the same principles, where applicable. The basis of their value is the same as that given by the funds for their portfolios.

## Valuation of fixed assets

Planned depreciation on fixed assets is calculated from the original acquisition value as equal instalments according to the useful life of the fixed assets.

### *Planned depreciation periods:*

- |                                 |          |
|---------------------------------|----------|
| • other capitalised expenditure | 5 years  |
| • renovation of office premises | 10 years |
| • machinery and equipment       | 5 years  |
| • computer equipment            | 3 years  |

Depreciation on invested assets has been calculated in the same way as depreciation on fixed assets.

## Items in foreign currencies

Receivables and payables in foreign currencies have been translated into euros at the average exchange rate in force on the last day of the financial year.

# Notes to the financial statements

## NOTES TO THE PROFIT AND LOSS ACCOUNT AND THE BALANCE SHEET (IN EUR 1,000)

Further details on the content of the items in the profit and loss account and the balance sheet are given in the notes. The number refers to the corresponding entry in the profit and loss account and the balance sheet.

### 1 OPERATING SEGMENTS 2011

1 000 Eur

Income	Endowment capital	Programmes and development	Support functions	Total
Profit from investment sales	17 100	233	0	17 333
Interest income	339	422	0	761
Dividend income	1 232	169	0	1 401
Rental income	379	0	0	379
Other investment income	4 800	1 510	14	6 324
<b>Total income</b>	<b>23 850</b>	<b>2 334</b>	<b>14</b>	<b>26 198</b>
<b>Expenses</b>				
Personnel costs	0	-7 499	-4 402	-11 901
Expenses from projects	0	-10 931	-2 234	-13 165
Investment expenses	-19 457	-7 938	0	-27 395
Depreciation	0	0	-229	-229
Other expenses	0	-2 174	-2 530	-4 704
Transfer to operations	0	0	0	0
<b>Total expenses</b>	<b>-19 457</b>	<b>-28 542</b>	<b>-9 395</b>	<b>-57 394</b>
<b>NET PROFIT/LOSS FOR THE YEAR</b>	<b>4 393</b>	<b>-26 208</b>	<b>-9 381</b>	<b>-31 196</b>
<b>ASSETS</b>				
Long-term assets	Endowment capital	Programmes and development	Support functions	Total
Tangible assets	0	0	489	489
Intangible assets	0	0	68	68
Endowment capital investments	562 091	0	0	562 091
Venture capital investments	0	66 714	0	66 714
<b>Long-term assets total</b>	<b>562 091</b>	<b>66 714</b>	<b>557</b>	<b>629 362</b>

**OPERATING SEGMENTS**
**2010**
**1 000 Eur**

<b>Income</b>	<b>Endowment capital</b>	<b>Programmes and development</b>	<b>Support functions</b>	<b>Total</b>
Profit from investment sales	31 631	0	0	31 631
Interest income	527	178	0	705
Dividend income	1 704	755	0	2 460
Rental income	643	0	0	643
Other investment income	7 982	1 825	0	9 807
<b>Total income</b>	<b>42 488</b>	<b>2 759</b>	<b>0</b>	<b>45 246</b>
<b>Expenses</b>				
Personnel costs	0	-8 295	-3 608	-11 903
Expenses from projects	0	-14 492	-1 785	-16 277
Investment expenses	-380	-5 086	0	-5 466
Depreciation	0	0	-315	-315
Other expenses	0	-1 248	-3 471	-4 719
Transfer to operations	0	-1 251	1 251	0
<b>Total expenses</b>	<b>-380</b>	<b>-30 373</b>	<b>-7 928</b>	<b>-38 680</b>
<b>NET PROFIT/LOSS FORTHE YEAR</b>	<b>42 108</b>	<b>-27 614</b>	<b>-7 928</b>	<b>6 566</b>
<b>ASSETS</b>				
<b>Long-term assets</b>	<b>Endowment capital</b>	<b>Programmes and development</b>	<b>Support functions</b>	<b>Total</b>
Tangible assets	0	0	16 104	16 104
Intangible assets	0	0	117	117
Endowment capital investments	574 017	0	0	574 017
Venture capital investments	0	71 339	0	71 339
<b>Long-term assets total</b>	<b>574 017</b>	<b>71 339</b>	<b>16 221</b>	<b>661 578</b>

**2 PERSONNEL COST**

<b>1 000 Eur</b>	<b>2011</b>	<b>2010</b>
Wages and salaries	-8 846	-8 890
Pension expenses	-1 676	-1 629
Other statutory payroll expenses	-507	-480
Other payroll expenses	-872	-904
	<b>-11 901</b>	<b>-11 903</b>
<b>Number of personnel at year end</b>	<b>2011</b>	<b>2010</b>
Programmes and development	66	69
Support functions	49	47
	<b>115</b>	<b>116</b>
<b>Management wages and remuneration</b>		
<b>1 000 Eur</b>	<b>2011</b>	<b>2010</b>
Supervisory Board	31	34
Board of Directors	46	41
President	247	235
	<b>324</b>	<b>310</b>

The monthly remuneration of the Chair of the Supervisory Board is EUR 454, the monthly remuneration of the Vice-Chair of the Supervisory Board is EUR 337 and the monthly remuneration of other members is EUR 227. The monthly remuneration of the Secretary is EUR 252.

The monthly remuneration of the Chair of the Board of Directors is EUR 1,000, the monthly remuneration of the Vice-Chair of the Board of Directors is EUR 840 and the monthly remuneration of other members is EUR 670. The President does not receive separate remuneration for Board membership.

Sitra's Supervisory Board decides on the wage criteria and the total wages of the President. The entire personnel of Sitra is covered by the incentive bonus system decided on by the Board of Directors. Based on the system, EUR 650,800 (8% of the total wage expenses) has been reserved in the financial statements 2011 to be paid to the personnel as incentive bonus.

The corresponding sum for 2010 was EUR 788,100 amounting to 8.9% of the total wage expenses. The maximum amount of the valid incentive bonus system at the Sitra level is 15% and at the personnel level 25% of the total wage expenses.

**3 EXPENSES FROM PROJECTS**

<b>1 000 Eur</b>	<b>2011</b>	<b>2010</b>
Energy Programme	-3 070	-2 934
Public Leadership and Management Programme	-1 383	-1 011
Growth Programme for the Mechanical Industry	-314	-440
Municipal Programme	-2 421	-6 299
Landmarks Programme	-1 667	-727
Strategic renewal	-850	-1 046
Strategic processes	-1 226	-2 035
Support functions	-2 234	-1 785
	<b>-13 165</b>	<b>-16 277</b>

**4 DEPRECIATION**

<b>1 000 Eur</b>	<b>2011</b>	<b>2010</b>
Planned depreciation		
Machinery and equipment	-143	-208
Other capitalised expenditure	-74	-95
Renovation of office premises	-12	-12
	<b>-229</b>	<b>-315</b>

**5 TANGIBLE AND INTANGIBLE ASSETS**

During the year, Sitra acquired fixed assets amounting to EUR 0.1 million (EUR 0.2 million in 2010).

<b>1 000 Eur</b>	<b>Book value 1.1.2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Depreciation the year 31.12.2011</b>	<b>Book value 31.12.2011</b>
Machinery and equipment	248	70	2	142	174
Other capitalised expenditure	117	24	0	73	68
Renovation of office premises	63	0	0	13	50
Other tangible assets	256	0	0	0	256
	<b>684</b>	<b>94</b>	<b>2</b>	<b>228</b>	<b>548</b>

<b>1 000 Eur</b>	<b>2011</b>	<b>2010</b>
Shares and participations		
Shares in office premises	0	15 528
Other shares	9	9
	<b>9</b>	<b>15 537</b>

**6 INVESTMENTS**

<b>1 000 Eur</b>	<b>2011</b>	<b>Change</b>	<b>2010</b>
<b>6.1 Endowment capital investments</b>			
6.1.1 Bonds	3 690	-538	4 228
6.1.2 Fund investments	544 938	-4 557	549 495
6.1.3 Private equity fund investments	5 391	-2 453	7 844
6.1.4 Shares	6 098	1 247	4 851
6.1.5 Real estate investments	1 656	-5 482	7 138
6.1.6 Short-term investments	317	-144	461
	<b>562 091</b>	<b>-11 927</b>	<b>574 017</b>
<b>6.2 Venture capital investments</b>			
6.2.1 Programmes	14 783	-225	15 008
6.2.2 Business development and direct investments	11 990	-1 089	13 079
6.2.3 Fund investments	39 682	-2 298	41 980
6.2.4 Other investments	257	-1 015	1 272
	<b>66 712</b>	<b>-4 627</b>	<b>71 339</b>



**6.1 Endowment capital investments**

<b>1 000 Eur</b>	<b>Book value</b>	<b>Market value</b>
<b>6.1.1 Bonds</b>		
Leverator Oyj 21.6.2016	3 690	3 698
<b>6.1.2 Fund investments</b>		
<b>Equity funds</b>		
Aberdeen Global - World Equity A2	40 477	44 799
Alfred Berg Finland B	30 157	34 646
Carnegie East European	2 673	2 859
Danske Invest Finland Samfundsaktie	31 402	38 337
eQ Clean Energy 1 K	1 321	1 321
Fondita 2000+	8 108	8 567
Handelsbanken Europa Index AI	9 999	10 007
HSBC GIF Indian Equity	2 500	2 541
Impax Envir MKTS Ireland-A eur	10 279	10 427
JP Morgan A Global Equity X Eur	39 116	51 124
JPM Emerging Markets Equity I ACC	16 754	21 822
OP Focus A	2 751	2 756
OP-Suomi Arvo A	34 819	40 081
<b>Bond funds</b>		
Alfred Berg Korko B (kasvu)	58 497	59 671
Aktia Emergin Markets Bond + D	6 000	6 009
Blue Bay Investment Grade Bond Fund I	29 935	32 228
Blue Bay Investment Grade Bond Fund R	16	16
Danske Invest Emerging Markets Debt K	3 964	3 964
EVL I European High Yield B	7 000	7 068
Nordea AAA Government Bond Fund I K	28 033	28 510
OP-EMD Local Currency A	3 962	4 034
OP-Obligaatio Prima A	34 103	34 813
Sampo Valtionobligaatio K	39 502	39 538
Sampo Yhteisökorko Kasvu	69 578	74 229
SEB Gyllenberg High Yield B	3 000	3 024
Tapiola Yrityskorko A	20 189	22 711
<b>Other quoted investments</b>		
BNP Paribas Property Securities Fund Europe	4 290	4 300
UBP/Selectinvest ARV MC ser C/2010 EUR RR	944	1 178
UBP/Selectinvest ARV MC ser P (Q) EUR	5 569	8 791
<b>Fund investments total</b>	<b>544 938</b>	<b>599 370</b>

**6.1.3 Private equity fund investments**

Access Capital Fund LP	0	470
Access Capital Fund II LP	666	1 913
Atlas Venture Fund IV LP	0	8
Boston Millennia Partners II LP	1 241	1 035
Crescendo IV LP	0	902
First European Fund Investments	1 169	682
European Fund Investments II LP	2 259	2 051
Finnventure Rahasto V Ky	56	188
<b>Total</b>	<b>5 391</b>	<b>7 250</b>

**6.1.4 Shares**

Nokia Corporation	2 134	10 507
Suominen Corporation	1 733	1 733
Technopolis Plc	2 231	2 231
<b>Total</b>	<b>6 098</b>	<b>14 471</b>

**6.1.5 Real estate investments**

	<b>Book value</b>	<b>Market value</b>
Erottajan Pysäköintilaitos Oy	1 656	1 778
<b>Total</b>	<b>1 656</b>	<b>1 778</b>

**6.1.6 Short-term investments**

	317	317
<b>Endowment capital investments total</b>	<b>562 091</b>	<b>626 884</b>

**6.2.1 Programmes**

Shares, participations and other investments held by Sitra

1 000 Eur	Shares and participations		Capital loans and other loans	Amount total
	Holding	Amount	Amount	
<b>Energy Programme</b>				
AW-Energy Oy	9 %	1 436	0	1 436
Neapo Oy	15 %	1 800	180	1 980
Norrhydro Group Oy	18 %	1 180	326	1 506
Savo-Solar Oy	8 %	230	370	600
Viola Systems Oy	25 %	800	0	800
		5 446	876	6 322
<b>Growth Programme for the Mechanical Industry</b>				
Fimet Oy	47 %	496	0	496
Fluid House Oy	10 %	150	1 000	1 150
Mesera Oy	21 %	2 000	2 000	4 000
Meteco Oy	25 %	981	1 250	2 231
Shanghai Fimet Medical Instruments Co. Ltd	13 %	278	0	278
		3 905	4 250	8 155
<b>Municipal Programme</b>				
Kuntamaisema Oy	34 %	60	0	60
Vivago Oy	33 %	3 311	620	3 931
		3 371	620	3 991
<b>Landmarks Programme</b>				
Fixteri Oy	50 %	1 050	700	1 750
Suomen Aitokauppa Oy	0 %	0	100	100
Suomen Luomutukku Oy	9 %	125	75	200
Watrec Oy	46 %	739	300	1 039
		1 914	1 175	3 089
<b>Programmes total</b>				<b>21 557</b>
<b>Cumulative change in value</b>				<b>-6 774</b>
<b>Book value</b>				<b>14 783</b>

**6.2.2 Business development**

Shares, participations and other investments held by Sitra

<b>Business development and strategic investments</b> 1 000 Eur	<b>Shares and participations</b>		<b>Capital loans and other loans</b>	<b>Amount total</b>
	<b>Holding</b>	<b>Amount</b>	<b>Amount</b>	
BioTie Therapies Oyj	3 %	12 920	673	13 593
BonAlive Biomaterials Oy	23 %	410	0	410
EC-Engineering Oy	32 %	964	0	964
Fibrogen Inc.	3 %	3 515	0	3 515
FIT Biotech Oyj Plc	23 %	8 755	225	8 980
Galilaeus Oy	44 %	11 038	353	11 391
Innotalli Oy	43 %	170	0	170
KC-Holding 3 Oy	42 %	2 000	0	2 000
Medhelp Group Oy	42 %	6 278	2 387	8 665
Medixine Oy	18 %	1 026	0	1 026
Mobidiag Oy	32 %	5 183	618	5 801
Nexstim Oy	21 %	8 367	0	8 367
Odum Oy	45 %	885	0	885
Quatrx Pharmaceuticals Co	2 %	3 895	318	4 213
Vivoxid Oy	28 %	5 622	1 360	6 982
		<b>71 028</b>	<b>5 934</b>	<b>76 962</b>

**Venture capital funds and operational investments**

<b>Operational investments</b> 1 000 Eur	<b>Holding</b>	<b>Amount</b>	<b>Amount</b>	<b>Total</b>
Boneca Oy	33 %	750	1 383	2 133
Deltagon Group Oy	17 %	45	0	45
Neomed Oy	10 %	13	135	148
Panphonics Oy	22 %	1 534	0	1 534
Seven Networks	1 %	1 718	0	1 718
Solibri Oy	14 %	150	472	622
		<b>4 210</b>	<b>1 990</b>	<b>6 200</b>
<b>New business development total</b>				<b>83 162</b>
<b>Cumulative change in value</b>				<b>-71 172</b>
<b>Book value</b>				<b>11 990</b>

### 6.2.3 Fund investments

Sitra's investments in funds

1 000 Eur	Amount
AC Cleantech Growth Fund I Ky	3 600
Aloitusrahasto Vera Oy	2 000
Apple Tree Partners II L.P.	168
Armada Mezzanine Fund III Ky	1 620
Atlas Venture Fund III	1 506
Baltic Investment Fund III	680
Boston Millennia Partners L.P.	1 540
CapMan Russia Fund L.P.	2 485
Capricorn Cleantech Fund NV	7 300
Chrysalix Energy III Ltd	1 631
Crescendo III, L.P.	1 805
Diamondhead Ventures L.P.	2 006
EBRD North-West and West Russia Regional Venture Fund	0
Eqvitec Teknologiarahasto I Ky	1 436
Folmer Equity Fund I Ky	620
HealthCap 1999 K.B.	4 459
InnKap 2 Partners	955
InnKap 3 Partners	2 539
Inveni Secondaries Fund I Follow-on Ky	2
Inveni Secondaries Fund I Ky	7 494
Inveni Secondaries Fund II Follow-on Ky	721
Inveni Secondaries Fund II Ky	2 101
Inveni Secondaries Fund III Ky	3 482
Matkailunkehitys Nordia Oy	3 229
MB Equity Fund Ky	0
Merlin Biosciences Fund L.P.	6 194
Palvelurahasto Ky	377
Russian Technology Fund L.P.	140
Sitra Management Oy	470
Strategic European Technologies N.V.	3 406
Trident Capital Fund V	2 057
Terveysrahasto Oy	4 965
Ventech Capital II, L.P.	3 437
Verdane ETF II SPV Ky	3 481
<b>Fund investments total</b>	<b>77 906</b>
<b>Cumulative change in value</b>	<b>-38 224</b>
<b>Book value</b>	<b>39 682</b>

Through its wholly owned subsidiary Sitra Management Oy, Sitra has holdings in the following management companies and profit-distributing companies:

**Management companies:**

Baltic SME Management B.V.  
BIF Management Ltd  
Oy Nordic Russian Management Company Ltd

**Profit-distributing companies:**

BIF Management Ltd  
Bio Fund Management Oy  
Eqvitec Partners Oy  
RTF Founders L.P.

6.2.4 Other investments 1 000 Eur	Shares and participations		Capital loans and other loans	Amount total
	Holding	Amount	Amount	
Easdaq S.A.	0 %	138	0	138
Eigenvalue Oy	14 %	432	0	432
Geniem Oy	0 %	0	200	200
Kitewing Sports Oy Ab	0 %	0	17	17
Lepo Product Oy	0 %	0	5	5
Santhera Pharmaceuticals (Finland) Oy Ltd	0 %	0	440	440
Navicre Oy	0 %	0	252	252
Oseir Oy	0 %	0	150	150
Ras-Met Oy	0 %	0	395	395
Santhera (Juvantia)	1 %	3 661	0	3 661
		<b>4 231</b>	<b>1 459</b>	<b>5 690</b>
<b>Other investments total</b>				<b>5 690</b>
<b>Cumulative change in value</b>				<b>-5 433</b>
<b>Book value</b>				<b>257</b>

## 7 RECEIVABLES

Interest for the financial year has been entered as income from investment operations and came to EUR 0.01 million (EUR 0.1 million in 2010).

## 8 FINANCIAL ASSETS

1 000 Eur	2011	2010
Bank accounts	1 831	906

**9 OTHER LIABILITIES**

<b>1 000 Eur</b>	<b>2011</b>	<b>2010</b>
Personnel expense liabilities	2 891	2 948
Accounts payable	1 796	1 904
Liabilities from funding operations	90	90
Other short-term liabilities	502	524
	5 279	5 466
<b>OPEN FUND COMMITMENTS 31 DECEMBER 2011</b>	<b>28 869</b>	<b>30 617</b>

**OFF-BALANCE-SHEET LIABILITIES 31 DECEMBER 2011**

<b>1 000 Eur</b>	<b>2011</b>	<b>2010</b>
Programmes		
Energy Programme	4 156	5 349
Public Leadership and Management Programme	11 057	10 731
Growth Programme for the Mechanical Industry	904	1 407
Municipal Programme	7 283	3 750
Landmarks Programme	2 274	1 765
Strategy	960	826
Business development	2 749	3 868
Fund investment	40 829	15 615
Other funding	859	1 171
<b>Total</b>	<b>71 071</b>	<b>44 482</b>

**SIGNATURES TO SITRA'S BOARD REPORT AND FINANCIAL STATEMENTS**

Helsinki, 13 February 2012

**Martti Hetemäki**  
**Anu Bradford**  
**Harri Skog**

**Erkki Virtanen**  
**Anne Kovalainen**  
**Mikko Kosonen**

# Auditors' report

As the auditors appointed by Parliament, we have audited the accounts, financial statements, annual report and administration of Sitra, the Finnish Innovation Fund for the financial period 1 January – 31 December 2011 in accordance with good audit practices. The financial statements include a profit and loss account, balance sheet and notes to the financial statements.

Authorised Public Accountants PricewaterhouseCoopers have performed the internal audit and audit of funded projects. We have familiarised ourselves with the reports that have been prepared on the audits.

As our opinion, we state that the financial statements and annual report give a true and adequate

picture of the result and financial position of Sitra's activities, pursuant to the rules and regulations on drawing up financial statements and annual reports that are in force in Finland. There are no inconsistencies in the information in the annual report and financial statements.

We recommend the financial statements be adopted and that the members of the Board of Directors and President be discharged from liability for the financial period we have audited. We recommend that the net loss for the financial year is dealt with in the manner set out in the Board report.

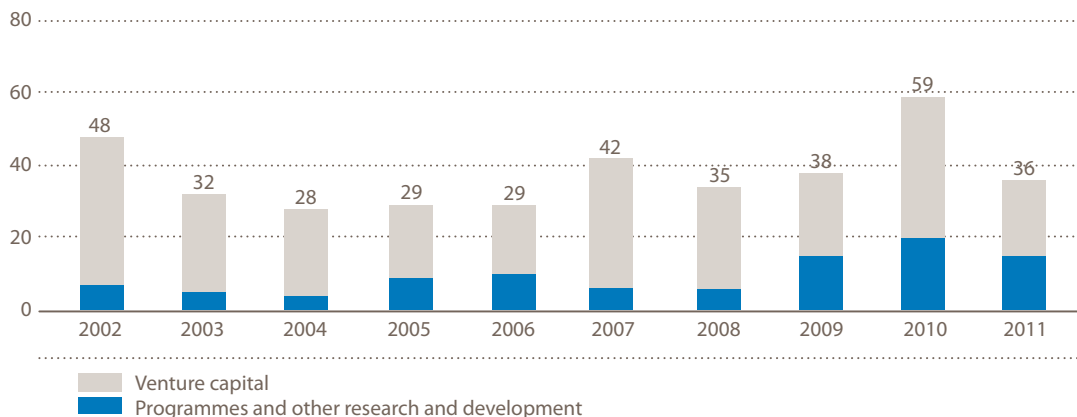
Helsinki, 17 February 2012

**Esko Kiviranta**  
**Lenita Toivakka**  
**Tom Sandell, APA, CFPA**

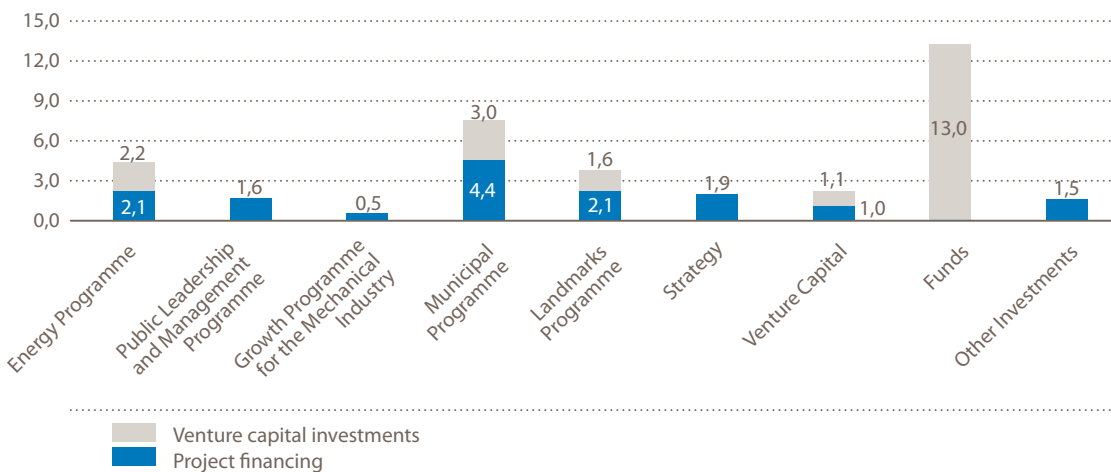
**Eero Prepula, APA, CFPA**  
**Markku Koskela, APA**



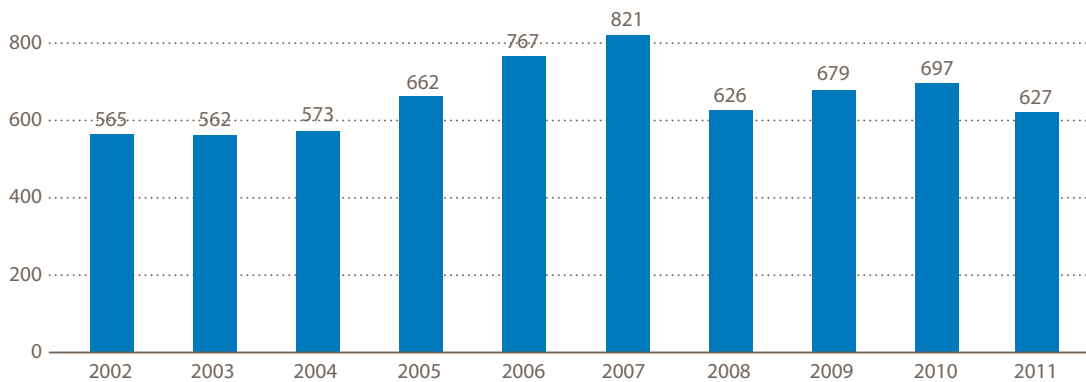
### FUNDING DECISIONS 2002–2011, MILLION €



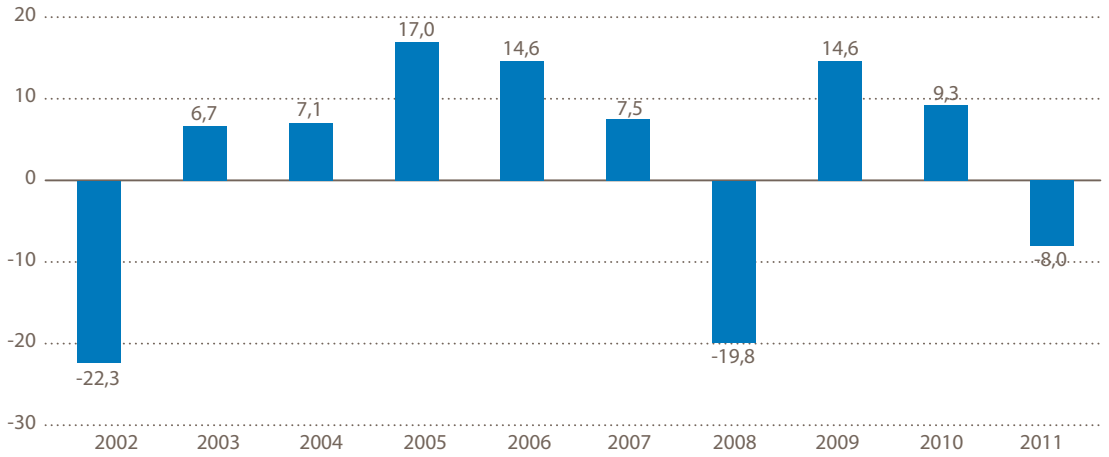
### FUNDING DECISIONS BY AREAS OF OPERATION 2011, MILLION €



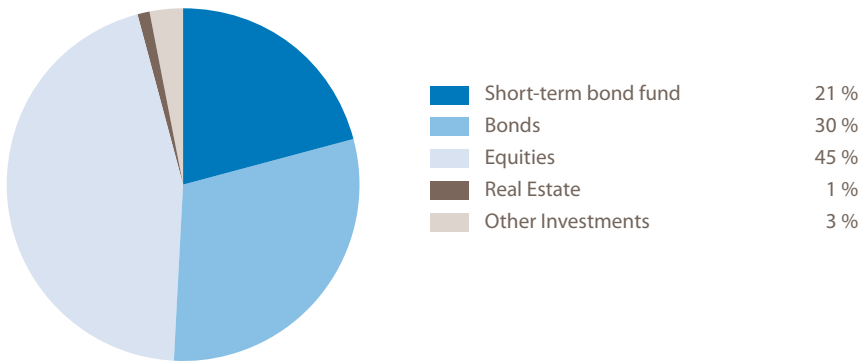
### MARKET VALUE OF ENDOWMENT CAPITAL 2002–2011, MILLION €



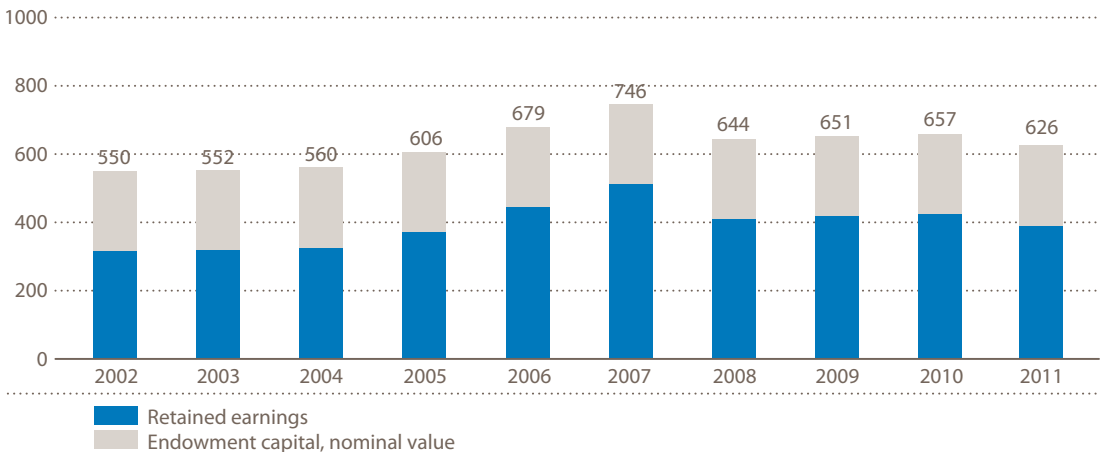
### INCOME FROM ENDOWMENT CAPITAL 2002–2011, %



### INVESTMENT PORTFOLIO 31 DECEMBER 2011



### SITRA'S EQUITY 2002–2011, MILLION €





The logo for SITRA, featuring the word "SITRA" in a bold, white, sans-serif font against a blue background. The letters are closely spaced and have a clean, modern appearance.

# SITRA

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