

The logo for SITRA, consisting of the word "SITRA" in a bold, white, sans-serif font, positioned in the upper right corner of a green horizontal band.

SITRA

BOARD REPORT AND FINANCIAL STATEMENTS 2010

**2010 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 2010 to Parliament.

Helsinki, 3 March 2011

On behalf of Sitra, the Finnish Innovation Fund

Timo Kalli
Chairperson

Anton Mäkelä
Secretary

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2010 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 2010 includes the Supervisory Board's statement, Sitra's financial statements and report on operations, and an audit report by the auditors appointed by Parliament.

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 2010 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.

2010 marked the 43rd year of operations for Sitra, the Finnish Innovation Fund. During the year, Sitra continued its independent and active operations, building a successful Finland for tomorrow and promoting systemic change. Sitra's resources and wide array of measures are focused on a few key areas at a time, which promote a dynamic Finnish society able to renew itself. The operations in the selected key areas are organised as extensive programmes for many years, or shorter development programmes comprising a number of projects and measures which share the same objective and mutually support and complement each other.

During the year under review, Sitra executed a strategy process and, as a result, Sitra further clarified its vision and strategic goals. The strategy and operating model, approved in 2009, has been considered as good with respect to its content, so this time the focus was mainly on clarifications. Sitra's operating model and social role were also further clarified and specified. In the strategy process, Sitra's vision was updated to more accurately describe the future that Sitra aims for in Finland. Sitra's updated vision is as follows: Finland succeeds as a global pioneer in sustainable well-being. The mission remains unchanged: Sitra is building a successful Finland for the future.

The following were highlighted as the strategic objectives: Sitra renews thinking on good life, Sitra seeks operating models which renew society, with people as the starting point, and Sitra boosts business aimed at creating sustainable well-being. This means that a focus on people and sustainability were the themes covering all of Sitra's operations.

In Sitra's programme operations, the Energy Programme, the Municipal Programme and the Growth Programme for the Mechanical Industry continued as planned in 2010. New programmes launched in 2010 were the Landmarks Programme as well as the Public Leadership and Management Programme, which seeks to develop the management of public administration.

In addition to the aforementioned programmes, the themes that are significant for Finland's future were addressed by two development programmes.

The Energy Programme continued the work to improve the efficiency of energy use in communities and to increase energy awareness. The objective of the programme is to increase well-being by reducing energy consumption and emissions. **The Growth Programme for the Mechanical Industry** sought solutions for how the Finnish mechanical engineering industry can also find success and create new business in the future. The internationalisation of entrepreneurship and the global acquisition of new customerhips were considered as a key operating strategy which enables growth. **The Municipal Programme**, launched in 2009, continued its work to develop municipal service production and renew the service structures for higher productivity rates of the services and for more optimal use of the resources in the future. **The Landmarks Programme**, launched during the year under review, aimed to energise the renewal of the countryside by means of innovative experiments and projects. The five-year programme boldly seeks different perspectives and promotes innovative activities in order to find new meanings for the countryside. **The Public Leadership and Management Programme**, also launched during 2010, focused on a renewal of public administration as required by the sustainability gap in public finances, the ageing population, citizens' increasingly diverse service needs, and the global economy's competitive factors which have a regional impact. The customer-orientation of services, productive administration, service production methods and co-operation in the public administration had an important role in the programme's pilot projects.

An overall impact evaluation of Sitra's completed programmes was launched in late 2010, and the results will be available in spring 2011.

Sitra's first development programme, Wellsprings of the Finnish Vitality, completed in spring 2010, gathered 200 decision-makers and opinion-leaders to consider the challenges and opportunities related to the future of Finland. The goal of the programme was to increase understanding of the depth of the ongoing social transition and promote decision-maker and opinion-leader commitment to the measures required

by the changes. The ideas compiled in the report of the development programme will be further processed in Sitra's strategic thinking, as well as concrete, energising projects funded by Sitra, and in the new Synergise Finland development programme to be launched during spring 2011.

Using strategic design as a tool for social problem-solving was further developed and communicated in the international Helsinki Design Lab development programme, for example, and also applied in practice in the Low2No project where a sustainable building is being planned for Jätkäsaari in Helsinki, and new premises are also being planned for Sitra in this conjunction. The objective of sustainable development showed throughout Sitra's operations as it specified an aim to become carbon-neutral by 2017, marking the 50th anniversary of the fund.

As a business developer, Sitra aims to promote the emergence of new, growing business in Finland, particularly on the basis of ecosystems and ecological models that cut across the borders separating technological and industrial sectors. Sitra's role is to be an active, patient and responsible owner. As concerns venture capital investments, Sitra's strategy is implemented by making investments on market terms. The goal of the investments is to leave a lasting mark and impact on the business sector and society. In addition to established market instruments, Sitra also develops new ones and promotes the dissemination of interna-

tional practices and international capital investments in Finland.

During the year, Sitra exited 10 companies in full and one partially. New corporate investments were allocated to the strategic focus areas of the programmes. During the year, Sitra made an initial investment in five companies in total. At year end, there were 44 companies in Sitra's portfolio.

The market value of Sitra's endowment capital at the end of 2010 was €697 million. Invested assets yielded +9.3% in 2010, whereas the yield in the previous year was +14.6%.

Sitra practices responsible investment activities. Its decision-making also observes questions related to social responsibility. The objective is to continuously develop the procedures and practices for responsibly investing 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 3 March 2011, 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 profit of € 6,565,998.80 from the financial year 2010 to the retained surplus account.

Helsinki, 3 March 2011

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Sitras financial statements for 2010

Board report

Sitra's operating environment

The Finnish economy recovered from the global financial crisis of 2008 and 2009 more quickly than expected as a result of a determined recovery policy and the good international demand of the Finnish export industry. Consequently, the employment rate was higher than expected and domestic demand was active, particularly due to an increase in the consumption demand of households and frequent housing investments. At the end of the year, several listed Finnish companies reported excellent results.

The key challenge for Finland was related to the state of public finances – it was considered that they improve too slowly and continue to fall short of the overall production level. In Finnish society, it was understood that there is no return to the growth of 2008 before the downturn without extensive structural changes which successfully increase the number of jobs and improve the productivity of work.

The global megatrends strengthened further: as accelerated by the financial crisis, the focus of the world is moving from the West to the East at an increasingly rapid pace. At the same time, the world is becoming increasingly polarised. The new boundary conditions set by climate change are highlighted and become increasingly clearer. The significance of national interests in the market also increases when competing over the decreasing amount of natural resources, energy, minerals, water and food.

During the year under review, Finnish society started to look for a new direction and future: the public debate, which was discordant at times, sought new initiatives and proposals as well as experiments and views so that society could renew itself. The changes that took place in the operating environment further strengthened Sitra's position, creating more space and demand for an independent visionary and implementer such as Sitra.

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 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 from the yield from its endowment capital, but also from operative financing activities. Owing to diligent, successful management of finances, Sitra was able to fully continue its operations in 2010 despite the uncertainty in the Finnish economy. The investments in 2010 were the most extensive in Sitra's history.

Sitra further clarified its strategic goals during the year under review. A shift from industrial structures and thinking towards a sustainable people-oriented service economy is a significant structural change concerning Finland. In all its operations, Sitra aims to enable and support the implementation of this extensive change. As an independent actor, Sitra can address nationally important challenges through its programmes, development programmes, strategy processes and foresight work.

Sitra's strategic goals can be divided into three sections.

Firstly, Sitra wants to renew thinking on the good life and to be involved in expanding the concept of well-being, and, through research, reports and pilot projects, to help people become aware of and identify the various dimensions of a good life, including sustainable lifestyle decisions, experienced well-being, activity and a sense of belonging.

Secondly, Sitra seeks operating models which renew society, with people as the starting point, and supports structural changes in society which encourage individuals, organisations and companies to choose sustainable solutions and operating methods. The goal is to carry out pilot projects and distribute best practices to promote open, participative social operating models which take the different needs of people into account. Sitra focuses on developing a society which enables diversity in public service production, entrepreneurship and daily life choices, and renews Finnish leadership thinking and the operating models building on it.

Thirdly, Sitra's strategic goal is to carry out active analysis operations and venture capital investments to accelerate business operations which aim for sustainable well-being and support the development of busi-

ness models creating sustainable well-being. The goal is to promote the creation of new service business and entrepreneurial operations where the share of services is growing.

During the year under review, Sitra also further clarified its role as a societal opinion leader. In the future, Sitra will move from addressing a number of separate issues to fewer, but more extensive themes. Various methods will be employed to work on the themes, including mutually complementary programmes and development programmes carried out in parallel. In this way, Sitra seeks to further increase its impact.

In its operations, Sitra aims to more efficiently utilise its existing strengths at the decision-maker level, while increasing the amount of network-like grassroots activities. This also shows in Sitra's communications and participation in public debate. Sitra aims to operate as an active debater in different forums and to communicate its expertise, know-how and experiences in societal debate through different channels.

Sitra promotes the introduction of new thinking methods and agile operating methods primarily in Finland, but since Finland is a part of a world without frontiers, Sitra's operations are founded on a global perspective and relevant international networking. In Sitra's vision, Finland will succeed as a global pioneer in sustainable well-being.

Operations in 2010

Creating a shared agenda

In the year under review, Sitra's shared agenda was extensively processed further. The Wellsprings of the Finnish Vitality development programme, which was completed in the spring and where 200 decision-makers and opinion leaders worked on Finland's future challenges and opportunities, had a significant impact on Sitra's strategy work. The development programme clearly stated that Finnish well-being and competitiveness can no longer be based on old recipes for success. This deals with thinking and operating methods: in the rapidly changing and complex global world, a single vision for Finland and the big plan implementing it can no longer be determined top-down. Finland is shifting

from the thinking and operating methods of the old industrial age to a human- and solution-oriented service society.

The ideas compiled in the report of the Wellsprings of the Finnish Vitality development programme are further processed in Sitra's strategic thinking and also in concrete vitality projects funded by Sitra. The development programme will continue through the Synergise Finland development programme prepared in the autumn. The goal of the new development programme is to act as a channel for Sitra and to synergise Finland, provide new information and understanding, implement synergising thinking in practice and to network and influence socially important matters. The Synergise Finland development programme can also be seen as an extension to Sitra's previous training for decision-makers.

A renewal of the operations of the national foresight network was launched during the year under review, and the role of strategic intelligence was reinforced to support Sitra's strategy work and development, and to support the programmes with the tools of the intelligence operations.

To promote Sitra's objectives, strategic design was developed as a tool for resolving demanding social issues. Using strategic design as a tool for social problem-solving was further developed and communicated at the international Helsinki Design Lab event in September, for example, and also applied in practice in Sitra's Low2No project where a sustainable building is being planned for Jätkäsaari in Helsinki, and new premises are also being planned for Sitra in this conjunction.

In November, Sitra set an objective of becoming carbon-neutral by 2017, marking the 50th anniversary of the fund. By developing its operating methods, Sitra is preparing to move to the premises by abiding by the principles of sustainable development in Jätkäsaari in a few years.

Introducing Sitra's strategic goals into daily work was a significant internal development theme during the year under review, and this was implemented by establishing a steering panel system functioning throughout Sitra. The steering panel measures the results and impact of Sitra's work by means of strategy, finance and HR indicators, among others.

Sitra's duty is to test and pilot new initiatives. This principle was implemented in practice through societal and business development projects, as well as develop-

ment within Sitra. Sitra's open corporate website project is an example of this. The aim of the project is to share the results of Sitra's work and to develop them online with stakeholders to an increasing extent. All results achieved during the development project, such as the tools and the source code, will be made freely available for similar projects, and during the project, public debate is initiated with respect to the working methods in the IT and online sector, and to competitive tendering practices, for example.

Programme operations

Municipal Programme (2009–2013)

It is inevitable that the share of municipal well-being services in the gross national product will increase as a result of the ageing population. This will really put the public economy to the test and require that the productivity of municipal services is substantially improved by deploying new operating methods. The projects in Sitra's Municipal Programme develop municipal service production and renew the service structures to achieve higher productivity rates for services in the future and to optimally use resources. The goal is to provide municipal residents with a better service, organised in an optimal way.

The willingness of the Municipal Programme and municipal actors to renew, harmonise and improve the efficiency of operations in co-operation was practically implemented through the establishment of information administration and finance and HR administration service centres in the autumn of 2010. The purpose of the national service centres is to achieve significant productivity improvements in the municipal economy: it is expected that the rise in expenditure will be reduced by billions of euros by 2015. The aim of the service centre operations is to provide citizens with more extensive services across municipal boundaries.

A report published by the Municipal Programme in June 2010 presented an alternative model for renewing the healthcare financing and steering system, which would ensure equal basic healthcare for citizens and resolve the diverse challenges related to the existing system. The report also promoted a societal debate concerning the need for renewal.

Service vouchers represent municipal residents' personal freedom of choice to obtain social and healthcare

services from private service providers. The Municipal Programme piloted the use of the service vouchers in basic healthcare, day-care, services for the disabled and the elderly, and in special healthcare so that the gained experiences and operating models could also be introduced more extensively in social and healthcare services. The advanced service voucher system increases the freedom of choice regarding services, results in more diverse service production, makes pricing more transparent, and develops co-operation between municipalities and service providers.

The Municipal Programme actively promoted the launch of the personal health record platform, i.e. the Taltioni service, during the year under review. With the service, citizens can manage, utilise and provide information related to their health and well-being by means of the Internet and mobile technology. As a digital service platform, Taltioni will make it possible to use healthcare and well-being services regardless of time, place and organisation. The uniform platform solution is also expected to create an innovative business environment for companies providing healthcare and well-being services.

The Municipal Programme launched the second health kiosk in Finland with the City of Lahti in the spring of 2010. The first health kiosk has operated in Ylöjärvi since the summer of 2009. The purpose of the two-year pilot and research is to find out whether the health kiosk can represent a new service offering model in the more extensive structural renewal of the healthcare system. According to evaluation reports issued by the University of Tampere in the autumn of 2010, the easy-access services of health kiosks are a way of improving customer orientation and the availability of health care services, and also probably providing these services cost-effectively and with real impact.

Public Management and Leadership Programme (2010–2013)

The sustainability gap in public finances, the ageing population, the increasingly diverse service needs of citizens, and the global economy's competitive factors with a regional impact require a renewal of public administration. The Public Management and Leadership Programme seeks people-oriented and socially sustainable solutions for identified challenges. The customer-orientation of services, productive administration, service production methods and co-operation in

the public administration had an important role. The need for renewal also challenges public administration management systems and leadership methods.

The Public Leadership and Management Programme primarily uses pilot projects to find new ideas and solution models: new leadership thinking is tested and developed in an actual operating environment. Fifteen projects were launched during the first operating year. In addition, some pilots related to staff rotation and incentive systems in the public sector are being prepared. The projects are typically implemented as co-operation projects where the maximum share of Sitra funding is 50%.

The "A renewable village in a city" (Uudistuva kylä kaupungissa) project related to the service and procurement strategy of the City of Hämeenlinna deals with increasing citizens' opportunities to influence and freedom of choice. The experimental perspective is first of all related to the residents themselves being involved in service implementation. The services will also be reorganised around service needs by the age groups of the residents (the life cycle model). Among other things, the project assesses how the multi-provider model affects service flexibility. The "On the side of the customer" (Asiakkaan asialla) project of the City of Järvenpää also has a similar customer perspective, and the renewing service structure in the project is based on a customer-oriented organising model.

Co-operation across public administration sector boundaries has already been developed for a long time in Finland, but the problem has been that there are no shared principles. Based on the programme's survey work, Sitra's proposal for the state corporate steering and management model was announced in December in the year under review, also serving as an initiative for the government programme negotiations that will take place in spring 2011. The model reviewed the state group as a comprehensive system which requires group strategic thinking and the contentual expansion of group steering. The model also addressed operations management, objective-setting and resourcing. From the perspective of Sitra and the Public Leadership and Management Programme, Finland has an opportunity here to also internationally act as an active developer and pioneer.

Co-operation across sector boundaries was also carried out in the Traffic Revolution development pro-

gramme, launched in December in the year under review, after almost six months of preparations. The project is implemented in co-operation with the Ministry of Transport and Communications, the Ministry of Finance, the Ministry of the Environment, and the Ministry of Employment and the Economy. The results of the project, radically renewing community and traffic planning, will be announced in the spring of 2011.

The "Koukkuniemi 2020" project deploys different methods to review how the multi-provider model affects the development of the public service structure. One of the objectives is to pilot how suitable a social enterprise is for providing municipal services. At the same time, the project also develops leadership models to empower the staff and to promote sustainable productivity. In addition, the development of value-based municipal service procurement is promoted so that it motivates the qualitative development of the services for the elderly to enable a good life at old age. The project, launched in the summer of 2010, is implemented as part of the service system renewal of the City of Tampere.

The starting point of the programme is that management and leadership have a key role in the renewal of public administration. In addition to establishing operating models and concepts, the programme therefore has one shared objective concerning all activities: to establish new Finnish leadership thinking by identifying the leadership content and framework which are the most important with respect to the future. The *uusijohtajuus.fi* website, introduced in December in the year under review, is a shared discussion forum for parties interested in the public administration management development. Creating genuine, credible interaction requires a bottom-up approach: ready-made mindsets are not handed over from above, but they are found by finding them together during the process.

Energy Programme (2008–2012)

Built environments have a significant impact on the prevention of climate change. Buildings and built environments also constitute a very important part of the Finnish national assets. The future development of our living and working environments and our ways of living have a key role in the establishment of a sustainable society and have an extensive impact on our well-being. Sitra's Energy Programme aims to increase

well-being by decreasing the energy use and greenhouse gas emissions of communities.

During the year under review, together with the Finnish Funding Agency for Technology and Innovation (Tekes), the Ministry of the Environment and a team of experts, the programme prepared a national action programme to improve the energy efficiency of built environments. ERA17 – For an Energy-Smart Built Environment 2017 – placed built environments in the important position they are supposed to be in and showed the way back to the forefront. The ERA17 action programme included all objectives of the Energy Programme, and many projects of the Energy Programme are directly related to the action programme. The Energy Programme will support the implementation of the action programme in the future.

The Energy Programme also co-operated with the Ministry of the Environment in updating building regulations. A shift from building-element-specific energy efficiency steering to calculating the overall energy of buildings is an important systemic change which promotes innovation. The programme also funded reports which created a foundation for the ERA17 work and the updating of the building regulations, and also for increasing the volume of wooden apartment building construction in Finland.

It also is about systemic change when buildings become energy sellers and buyers. The Energy Performance of Buildings Directive (EPBD) will require nearly a zero energy level from all new public buildings as of 2019, and from all new buildings as of 2021. The programme enabled the construction of the Luukku zero energy house and its successful participation in the Solar Decathlon Europe competition. The apartment building projects by Kuopas-talo in Kuopio and Mes-tariasunnot in Järvenpää also showed that nearly zero energy construction can already be put in practice. The projects are important milestones when progressing towards the energy efficiency level required by the EPBD Directive.

The programme's pilot project in Skaftskärr, Porvoo, concerning community planning, showed that improving energy-efficiency and reducing the amount of greenhouse gases can and should already be started in zoning. Based on the project results, it could be said that energy maintenance and emissions reviews should be included in all zoning activities. The signifi-

cance of harmonising the community structure was also highlighted as a discussion topic along with the development of zoning.

The Low2No project in Jätkäsaari, Helsinki, promoted the model of sustainable development and urban development. The project comprehensively studied durability in urban construction at the scale of one block. The ECO2 project in Tampere promoted the same objectives at the scale of a city. Several energy counselling projects improved citizen awareness and information supply. A joint national project with the Ministry of Employment and the Economy to develop energy counselling achieved an important interim objective through the appointment of Motiva as the national co-ordination centre for energy counselling.

In addition to the energy counselling projects, the voice of citizens was highlighted through the Peloton co-operation. The Peloton project identifies energy gatekeeper groups affecting energy choices, develops new forms of working with them, while increasing citizens' understanding of the impact that their decisions as consumers have on energy efficiency. The Little Big Book of Energy was an important, practical guide for energy-efficient housing.

In the business sector, co-operation was carried out with LED and smart grid corporate networks. Neapo Oy, a portfolio company of the Energy Programme, received an acknowledgement from the Teknologiasta Tuotteiksi Foundation for its innovative building solutions for modular new construction and renovation.

Landmarks Programme (2010–2014)

The Landmarks Programme, launched at the start of 2010, announced a barometer at its seminar in February, which further reinforced the view created during the preparations of the programme: Finns consider the countryside to be a special resource. According to a survey, the restorative nature of the rural environment is important to Finns, and the business sector sees it as holding new business opportunities.

In fact, the programme's leading theme strengthened during the year. According to the theme, the countryside is seen from the perspective of the opportunities it provides and the demand created for it. The survey revealed an interesting fact concerning Finnish identity: Finns should no longer be divided accord-

ing to their place of residence into rural residents and urban residents, since as many as 36% considered themselves to be both.

The Landmarks Programme, focuses on innovative and bold trials and projects. Publications and communications highlight new views and ways of thinking about the countryside, while initiating a discussion about the change in the relationship to the countryside. The surveys also more extensively identify the demand placed on the countryside by Finns. Several projects were launched during the year under review, and the strategy was further specified according to the principles of a learning programme.

In late spring, the survey "Local food now – From trend to market" promoted local food by finding ways of how local food can be supplied from producers to consumers. Local food has been discussed for decades now. There is no longer a lack of demand, but the sector requires new business models at the moment.

The next annual version of the barometer, surveying the meanings given by Finns to the countryside, was prepared during the autumn. At the same time, the countryside relationship of the media and pioneers was surveyed by means of discourse analysis and trend analysis. All three reports will be published in late winter 2011.

Bioeconomy and local energy emerged as key themes. The local utilisation of energy and material flows is sensible and profitable, and bioeconomy creates green growth. In fact, the programme demanded that legislation should support decentralised bioeconomy instead of restricting it. Landmarks challenges the one-sided view saying that ecological efficiency can only be increased through centralisation. Long transportation distances, for example, can be avoided by producing local energy and using it locally.

The programme still has a lot of work to do in meeting the increased need of Finns for a multi-location approach, and in researching the themes of centralisation and decentralisation. Enabling a multi-location approach without causing a strain on the environment requires new social structures and operating models.

The intangible significance of the countryside is emphasised by the growing trend that people no longer solely look for individual, superficial enjoyment, but deeper meanings. There is a growing demand for silence and natural environments. Many projects in the

programme look for the elements of a good life which the countryside can offer.

Growth Programme for the Mechanical Industry (2008–2011)

The mechanical and metal product industry is facing a structural change which all companies, particularly SMEs in the sector's subcontracting field, still have not fully realised. Confidence in the situation recovering to its previous state continued to be strong. Major Finnish mechanical engineering companies continued their internationalisation, which already started at the beginning of the last decade, and as a result of this, a considerable number of jobs and workplaces moved to other countries, closer to the growth markets and less expensive labour. Consequently, new procurement and co-operation chains outside Finland were established for these international companies, and the chains further reinforce and accelerate the change.

Finnish workshops in the SME sector are very local, they have only some international operations or none at all, and their operations are very work-oriented, whereas the product development preconditions and design are very deficient. The competitiveness of these companies is also weighed down by a lack of marketing functions and know-how. However, the companies' technical expertise and production quality are at a very high level internationally.

The objective of the Growth Programme for the Mechanical Industry is to renew companies in the mechanical industry through development projects and venture capital investments so that the Finnish mechanical industry will also find future success in the global economy with its expertise and competitiveness. The focus of the programme in 2010 was to encourage companies to pay attention to the ongoing change and to consider ways of reacting to it. The programme's key messages with respect to the change were seeking a new customer base in the international market, and becoming established abroad as a result, the capacity to deliver large units and to solve the customer's problems, i.e. design and product development, as well as developing general business know-how with a particular emphasis on strategic planning and management as well as board work.

During the year under review, the programme invested in two companies, Mesera Oy and Meteco Oy.

Both companies are transforming from being exclusively domestic subcontracting companies to companies which serve international companies and sell their own solutions and also some products of their own. The objective of the investments was to give an example of the change and the opportunities and challenges related to it. The investment activities still continue.

Internationalisation was promoted through country projects where the opportunities of the export markets were introduced to domestic companies in the mechanical engineering industry at a one-day seminar in Finland and then visiting the target country in question. The target countries of the 2010 country projects were China and Russia. As a follow-up on the Russia project, Russian corporate executives were invited to familiarise themselves with the Finnish subcontracting industry. The concept was so popular that the programme was requested to arrange a similar, slightly more extensive visit in the autumn of 2011. Sweden is the target of the next country project.

The "Teollinen Suomi" book, published in the spring of 2010, discusses the structural change of the industry and evaluates the future of industrial Finland. To understand the preconditions of internationalisation, a website was built with Gia International to provide the most recent information and studies from the international market.

The deep recession affected both the sector and the action plan of the programme, increasing the emphasis on the themes related to internationalisation and the change in the operating environment. Otherwise, the programme abided by the original plan.

Business development and investment activities

During the year under review, Sitra further clarified its role as a business developer and a venture capitalist. Sitra's investment activities support the development of Finnish business operations in order to achieve the societal impact as set out in Sitra's strategy. The sectors for investing in are selected on societal grounds, but the investment activities as such are fully market-based. The goal of the investments is to leave a lasting mark and impact on the business sector and society.

Instead of sector- and technology-based projects, Sitra acts in business development as a developer of mar-

ket- and solution-based business ecosystems and new business models. All of Sitra's five programmes act as a business development project in their respective sector regardless of whether it is the changing mechanical engineering and metal sector, or the changing significance of the countryside.

During the year under review, a new business model based on social entrepreneurship was actively developed in co-operation with the Ministry of Employment and the Economy, and organisations and companies in the sector. The operations are resulting in a definition of social enterprises, operations promoting entrepreneurship according to the operating model, and financing models enabling the launch of entrepreneurship.

With respect to business ecosystems, Sitra was actively involved in the development of a decentralised process of bioethanol production, where the aim was to combine the production's raw materials, by-products and production logistics into a commercially profitable ecosystem. During the year, Sitra also developed its own processes related to the selection of business development projects.

Sitra carries out a significant, traditional part of its business development work as the owner of individual companies, through the responsible, active role of an owner in venture capital investment. In its investment activities, Sitra continued to actively manage and develop its portfolio companies. The decrease in the volume of the entire venture capital investment sector and the caution to make new investments continued, having started at the end of 2008. This set extensive challenges to the implementation of further investment rounds, particularly in obtaining new international investors for the Finnish market. Without exception, the schedules of the financing rounds were extended more than usual. However, Sitra continued responsible ownership with co-investors, and the further financing of the best target companies was secured.

During the year, Sitra exited 10 companies in full and one partially. The trading prices reflected the market situation, and not all of them met the level that would have been expected in a normal situation.

New corporate investments were allocated to the strategic focus areas of the programmes. During the year, Sitra made an initial investment in five companies in total. During 2010, the fund investment strategy was updated with an aim to increasingly utilise Sitra's international fund investments as a means to provide

information for Sitra's own operations and for utilisation through social influencing in Finland. Fund investments are expected to yield a good profit, and Sitra's own operations can also be developed with them.

Domestic fund investments develop Finnish business, directly creating a social impact in this way. Foreign fund investments provide Finnish companies with contacts abroad and information about the markets and new technology. A further aim of foreign fund investments is to find new business opportunities for Finnish companies in new market areas. The fund investments are utilised as well as possible in both providing information and finding opportunities to make direct joint investments with funds. One joint investment was implemented, and several opportunities were evaluated together.

Three new fund investment decisions were made in 2010. Sitra invested in the AC Cleantech Growth Fund I, the first Finnish venture capital fund in the Cleantech sector. In addition, a fund decision was made in conjunction with the reorganisation of Finnish technology funding, and another fund decision was made to open up the Chinese market to Finnish and other Nordic companies.

Sitra's Energy Programme has carried out concrete co-operation with the management companies of the Capricorn and Chrysalix funds. The funds have provided the programme with high-quality information about the market, technology and the companies in the sector, and it has been possible to utilise this information in Sitra's investment activities, for example. Co-operation has also been carried out in reviewing and evaluating the project flow of the Finnish energy sector and by inviting fund representatives to speak at the sector's events in Finland to provide international views for Finnish actors.

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. During the year under review, the Supervisory Board convened five times. Its members are the MPs Timo Kalli (chairperson), Antti Kalliomäki (vice-chairperson), Martti Korhonen, Mika Lintilä,

Pekka Ravi, Tanja Karpela, Marja Tiura, Jutta Urpilainen and Ben Zyskowicz. Anton Mäkelä, Master of Laws, acted as Secretary to the Board.

Board of Directors

Sitra's Board of Directors convened seven times during the year. Its members are: State Secretary Raimo Sailas (Chairperson), Permanent Secretary Erkki Virtanen (Vice-Chairperson), Permanent Secretary Harri Skog, Professor Anne Kovalainen, Professor Anu Bradford and Sitra's President Mikko Kosonen. Raimo Sailas, the long-standing Chairperson of the Board, left the position on 31 December 2010. The Supervisory Board appointed Under-Secretary of State Martti Hetemäki as the Chairperson of the Board for 2011–2012 term of office.

Auditors

The following individuals, who were appointed by Parliament, acted as Sitra's auditors at the end of the year: Olli Nepponen MP as Chairperson (with Lenita Toivakka as Deputy), and members Eero Heinäluoma MP (Tarja Filatov), Esko Kiviranta MP (Jari Leppä), Markku Koskela, APA (Hannu Riippi, APA), and Kari Manner, APA (Eero Prepula, APA, CPFA). The Secretary was Professor Kalervo Virtanen, APA. The authorised public accounting 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 at the end of 2010 was 116 (115 in 2009). Due to our programme- and project-oriented operations, 40% of the personnel has fixed-term employment contracts. The majority have completed a university degree and have solid work experience in various sectors and organisations.

HR administration processes were further developed during the year under review. A balanced set of indicators, i.e. a steering panel, was created as part of the man-

agement system. The control panel includes strategic, financial and HR indicators. The HR indicators compile feedback concerning four perspectives: the personal resources of the staff, co-operation between individuals, and the operations between the units, while reviewing the entire workplace's leadership, trust and climate. The results of the surveys are included as a key element in development discussions.

Documentation related to development discussions was developed in digital format. The updated incentive system, introduced at the start of 2010, was connected to both the steering panel and development discussions. Evaluating the observance of Sitra's values and issuing shared feedback were also highlighted as essential parts of development discussions.

A competence strategy was prepared as part of Sitra's strategy work to identify the most important competencies for securing the strategy from the perspective of skills, operating methods and contact networks. A responsible owner was appointed for each competence, and the duty of the owner is to make sure that Sitra's operations are sufficiently developed with respect to the area in question.

Sitra extensively invested in well-being at work during the year under review. As part of this work, a competitive tendering process was executed for the occupational healthcare partner, and co-operation was launched in April 2010. The operating methods and procedures of proactive occupational healthcare were prepared in co-operation with the new partner.

Sitra's endowment capital

The origins of Sitra's endowment capital lie in a donation made by the Bank of Finland in 1967. The market value of Sitra's endowment capital at the end of 2010 was €697 million. The market value development of the endowment capital follows the developments in the international financial markets. Invested assets yielded +9.3% in 2010, whereas the yield in the previous year was 14.6%.

Responsibility for managing most of Sitra's endowment capital investments has been entrusted to external asset management companies. The last equity mandate was given up in the summer of 2010 by terminating the international equity stock mandate managed by Morgan

Stanley. Most of the direct mandates had already been converted into a fund format the year before. The share of fund investments is now 95% of the endowment capital (90% in the preceding year).

A competitive tendering process was carried out during 2010 to find an international stock fund to replace the terminated mandate. After the process, the assets were invested in the Aberdeen Global World Equity Fund. International stock market investments have also been made through the JPMorgan Global Equity Fund. In addition, Sitra has made investments in the Handelsbanken Eurooppa Indeksi fund and in three funds that focus on emerging markets (JPMorgan Emerging Markets Equity, Carnegie East European and HSBC GIF Indian Equity). Sitra has also made three investments in the following funds in the cleantech sector: Impax Environmental Markets, Fondita 2000+ and eQ Clean Energy.

Sitra's investments in Finnish shares are channelled through the following funds: Alfred Berg Finland, Danske Invest Suomi Yhteisöosake, OP-Suomi Arvo and OP-Focus.

Sitra's investments in public loans in the euro area are in the Alfred Berg Obligaatio and the Sampo Yhteisöobligaatio fund. Sitra also has investments in the euro area's business loans of a good credit rating through the Blue Bay Investment Grade Bond and the Tapiola corporate bond fund. Short-rate investments are managed by means of the Alfred Berg Korke and the Sampo Yhteisökorko fund.

Endowment capital investments have also been made in venture capital funds, hedge funds, real estate and a real estate fund. The total allocation of Sitra's endowment capital in 2010 was the following: shares 49%, interest-bearing securities 45% and others 9%.

For Sitra, responsible investment means Sitra observes social responsibility when making decisions. In addition, Sitra's objective is to continuously develop its procedures and practices for responsibly investing the endowment capital. Almost 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 Profit

The Board of Directors proposes that the surplus for the financial year, which is €6,565,998.80, be carried forward to the retained surplus account.

Profit and loss account

		1.1.–31.12.2010	1.1.–31.12.2009
		€	€
INCOME			
Profit from investment sales		31 631 453,17	17 459 784,18
Interest income		705 327,28	3 452 380,59
Dividend income		2 459 507,87	4 346 981,50
Rental income		642 536,24	828 765,43
Other investment income		9 807 300,95	11 495 986,64
Total income		45 246 125,51	37 583 898,34
EXPENSES			
Personnel costs	2)	-11 903 350,33	-10 300 183,71
Expenses from projects	3)	-16 276 536,43	-8 596 794,03
Investment expenses		-5 465 855,82	-7 407 853,58
Depreciation	4)	-314 883,38	-379 626,84
Other expenses		-4 719 500,75	-4 247 252,74
Total expenses		-38 680 126,71	-30 931 710,90
NET PROFIT FOR THE YEAR	1)	6 565 998,80	6 652 187,44

Balance sheet

		31.12.2010	31.12.2009
		€	€
ASSETS			
Long-term assets			
Tangible assets	5)	16 103 564,15	15 130 512,14
Intangible assets	5)	117 338,86	182 961,33
Investments	6)	645 356 623,30	677 863 312,63
Long-term assets total	1)	661 577 526,31	693 176 786,10
Short-term assets			
Receivables	7)	390 389,68	340 847,71
Financial assets	8)	906 199,50	4 012 269,50
Short-term assets total		1 296 589,18	4 353 117,21
ASSETS TOTAL		662 874 115,49	697 529 903,31
EQUITY AND LIABILITIES			
Equity			
Endowment capital		235 463 097,04	235 463 097,04
Retained earnings		415 378 598,44	408 726 411,00
Profit/loss for the year		6 565 998,80	6 652 187,44
Equity total		657 407 694,28	650 841 695,48
Short-term liabilities			
Other liabilities	9)	5 466 421,21	46 688 207,83
Short-term liabilities total		5 466 421,21	46 688 207,83
EQUITY AND LIABILITIES TOTAL		662 874 115,49	697 529 903,31

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.

Sitra's accounts observe the principles laid down in the Finnish Accounting Act with the following exceptions:

- Expenses incurred from R&D relating to programme activities are entered as expenses, and the same applies to the associated loans for which repayment is conditional.
- Repayments related to financing decisions (income) are recorded only after payment has been received and the right of possession to the instruments has been transferred.

Changes concerning the preparation principles in 2010, comparison features

The risk reserve of venture capital investments was removed

Venture capital investments are recorded at the original acquisition cost or a lesser sum, determined by internal valuation. In accordance with the principle of prudence, a risk reserve of a total of EUR 5.6 million in 2009 was made in early-stage investments (seed funding).

Commitment recording was discontinued

Only the paid share of fund investments is recorded in the balance sheet. Previously, fund investments were recorded at the sum according to the commitments. The financial statements 2009 included EUR 30.6 million of unpaid commitments (fund investments and liabilities from funding operations). The comparison figures for 2009 have not been changed accordingly, but the liabilities have been regrouped for easier comparison.

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 venture 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

2010

1 000 Eur

Income	Endowment capital	Programmes and development	Support functions	Total
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
Total income	42 488	2 759	0	45 246
Expenses				
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
Total expenses	-380	-30 373	-7 928	-38 680
NET PROFIT FOR THE YEAR	42 108	-27 614	-7 928	6 566
ASSETS				
Long-term assets	Endowment capital	Programmes and development	Support functions	Total
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
Long-term assets total	574 017	71 339	16 221	661 578

OPERATING SEGMENTS
2009
1 000 Eur

Income	Endowment capital	Programmes and development	Support functions	Total
Profit from investment sales	17 318	142	0	17 460
Interest income	3 370	83	0	3 453
Dividend income	4 097	250	0	4 347
Rental income	829	0	0	829
Other investment income	10 175	1 303	17	11 495
Total income	35 789	1 778	17	37 584
Expenses				
Personnel costs	0	-6 739	-3 561	-10 300
Expenses from projects	0	-8 172	-425	-8 597
Investment expenses	2 510	-9 918	0	-7 408
Depreciation	0	0	-380	-380
Other expenses	0	-1 043	-3 204	-4 247
Transfer to operations	0	-1 055	1 055	0
Total expenses	2 510	-26 927	-6 515	-30 932
NET PROFIT FOR THE YEAR	38 299	-25 149	-6 498	6 652
ASSETS				
Long-term assets	Endowment capital	Programmes and development	Support functions	Total
Tangible assets	0	0	15 131	15 131
Intangible assets	0	0	183	183
Endowment capital investments	576 869	0	0	576 869
Venture capital investments	0	100 994	0	100 994
Long-term assets total	576 869	100 994	15 314	693 177

2 PERSONNEL COSTS

1 000 Eur	2010	2009
Wages and salaries	-8 890	-7 681
Pension expenses	-1 629	-1 241
Other statutory payroll expenses	-480	-658
Other payroll expenses	-904	-720
	-11 903	-10 300
Number of personnel at year end	2010	2009
Programmes and development	69	68
Support functions	47	47
	116	115
Management wages and remuneration		
1 000 Eur	2010	2009
Supervisory Board	41	30
Board of Directors	34	46
President	235	221
	310	297

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 788,100 (8.9% of the total wage expenses) has been reserved in the financial statements 2010 to be paid to the personnel as incentive bonus.

The corresponding sum for 2009 was EUR 531,600 amounting to 6.9% of 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

1 000 Eur	2010	2009
Energy Programme	-2 934	-1 849
Public Leadership and Management Programme	-1 011	0
Growth Programme for the Mechanical Industry	-440	-263
Municipal Programme	-6 299	-3 143
Landmarks Programme	-727	0
Strategic renewal	-1 046	-700
Strategic processes	-2 035	-2 217
Support functions	-1 785	-425
	-16 277	-8 597

4 DEPRECIATION

1 000 Eur	2010	2009
Planned depreciation		
Machinery and equipment	-208	-270
Other capitalised expenditure	-95	-97
Renovation of office premises	-12	-13
	-315	-380

5 TANGIBLE AND INTANGIBLE ASSETS

During the year, Sitra acquired fixed assets amounting to EUR 0.2 million (EUR 0.2 million in 2009).

1 000 Eur	Book value 1.1.2010	Increases	Decreases	Depreciation the year 31.12.2010	Book value 31.12.2010
Machinery and equipment	282	174	0	208	248
Other capitalised expenditure	183	29	0	95	117
Renovation of office premises	75	0	0	12	63
Other tangible assets	256	0	0	0	256
	796	203	0	315	684

1 000 Eur	2010	Brought forward fixed assets	2009
Shares and participations			
Shares in office premises	15 528	1 019	14 509
Other shares	9	0	9
	15 537	1 019	14 518

6 INVESTMENTS

1 000 Eur	2010	Change	2009
6.1 Endowment capital investments			
6.1.1 Bonds	4 228	-550	4 778
6.1.2 Fund investments	549 495	25 550	523 945
6.1.3 Private equity fund investments	7 844	-2 785	10 629
6.1.4 Shares	4 851	-21 316	26 167
6.1.5 Real estate investments	7 138	-3 105	10 243
6.1.6 Short-term investments	461	-646	1 107
	574 017	-2 852	576 869
6.2 Venture capital investments			
6.2.1 Programmes	15 008	5 173	9 835
6.2.2 Business development and direct investments	13 079	1 344	11 735
6.2.3 Fund investments	41 980	-34 737	76 717
6.2.4 Other investments	1 272	-1 435	2 707
	71 339	-29 655	100 994

6.1 Endowment capital investments

1 000 Eur	Book value	Market value
6.1.1 Bonds		
Leverator Oyj 21.6.2016	4 228	4 237
6.1.2 Fund investments		
Equity funds		
Aberdeen Global - World Equity	40 107	44 053
Alfred Berg Finland B	33 424	48 699
Carnegie East European	3 245	3 925
Danske Invest Finland Samfundsaktie	33 063	49 325
eQ Clean Energy 1 K	2 267	2 267
Fondita 2000+B	6 024	6 591
Handelsbanken Europa Index	10 717	10 813
HSBC GIF Indian Equity	2 500	4 547
Impax Envir mkts Ireland-A	11 027	12 596
JP Morgan A Global Equity X	39 317	55 316
JPM Emerging Markets Equity I ACC	16 926	25 847
OP Focus	3 189	3 716
OP-Suomi Arvo	39 445	54 392
Bond funds		
Alfred Berg Korke B (kasvu)	56 698	57 649
Alfred Berg Obligaatio B	65 335	69 198
BlueBay Investment Grade Bond	29 951	32 273
Sampo Yhteisökorko	68 576	73 587
Sampo Yhteisöobligaatio	55 718	55 718
Tapiola Yrityskorko A	20 051	21 413
Other quoted investments		
ABN AMRO Global Multi Strategy Fund	0	717
BNP Paribas Property Securities Fund Europe	5 038	5 061
UBP/Selectinvest ARV MC ser C/2009 EUR RR	1 308	1 518
UBP/Selectinvest ARV MC ser P (Q) EUR	5 569	9 008
Fund investments total	549 495	648 229

6.1.3 Private equity fund investments

Access Capital Fund LP	0	0
Access Capital Fund II LP	744	744
Atlas Venture Fund IV LP	725	1 812
Boston Millennia Partners II LP	1 862	2 172
Crescendo IV LP	0	2 426
First European Fund Investments	1 773	1 773
European Fund Investments II LP	2 688	2 688
Finnventure Rahasto V Ky	53	53
Total	7 844	11 668

6.1.4 Shares

Nokia	2 134	21 559
Technopolis Plc	2 717	2 717
Total	4 851	24 276

6.1.5 Real estate investments

	Book value	Market value
Kiinteistö Oy Itämerentori 2 (invested assets)	5 459	7 212
Erottajan Pysäköintilaitos Oy	1 679	1 771
Total	7 138	8 983

6.1.6 Short-term investments

	461	461
Endowment capital investments total	574 017	697 854

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	
Energy Programme				
AW-Energy Oy	10 %	1 094	0	1 094
Neapo Oy	9 %	900	180	1 080
Norrhydro Group Oy	18 %	1 180	326	1 506
Scancool Oy Ab	17 %	500	0	500
Viola Systems Oy	25 %	800	0	800
		4 474	506	4 980
Growth Programme for the Mechanical Industry				
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	625	1 606
Sabriscan Oy	19 %	500	0	500
Shanghai Fimet Medical Instrument Co. Ltd	13 %	278	0	278
		4 405	3 625	8 030
Municipal Programme				
Avain Technologies Oy	33 %	1 500	359	1 859
Kuntamaisema Oy	40 %	60	0	60
Telekardio Oy	30 %	198	0	198
Vivago Oy	33 %	3 311	619	3 930
		5 069	978	6 047
Landmarks Programme				
Fixteri Oy	13 %	250	700	950
Watrec Oy	46 %	739	300	1 039
		989	1 000	1 989
Programmes total				21 046
Cumulative change in value				-6 038
Book value				15 008

6.2.2 Business development and direct investments

Shares, participations and other investments held by Sitra

Business development and strategic investments 1 000 Eur	Shares and participations		Capital loans and other loans	Amount total
	Holding	Amount	Amount	
BioTie Therapies Oyj	8 %	13 851	673	14 524
BonAlive Biomaterials Oy	23 %	410	0	410
EC-Engineering Oy	32 %	965	0	965
Fibrogen Inc.	3 %	3 515	0	3 515
FIT Biotech Oyj Plc	23 %	5 080	3 300	8 380
Galilaeus Oy	48 %	11 038	118	11 156
Innotalli Oy	44 %	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	33 %	5 033	618	5 651
Nexstim Oy	28 %	5 282	2 478	7 760
Odum Oy	45 %	885	130	1 015
Quatrx Pharmaceuticals Co	2 %	3 895	318	4 213
Stellac Oy	40 %	1 868	0	1 868
Waterix Oy	37 %	511	0	511
Vivoxid Oy	32 %	5 362	1 490	6 852
		67 169	11 512	78 681

Venture capital funds and operational investments

Operational investments 1 000 Eur	Holding	Amount	Amount	total
Akela Pharma Inc.	3 %	8 829	0	8 829
Boneca Oy	33 %	750	1 383	2 133
Deltagon Group Oy	17 %	71	0	71
Heptagon Oy	0	5 648	0	5 648
Innomedica Oy	51 %	262	571	833
Kyrönmaan Juustomestarit Oy	15 %	34	366	400
Neomed Oy	10 %	12	136	148
Panphonics Oy	22 %	1 534	0	1 534
Prowellness Oy	13 %	1 947	54	2 001
Seven Networks	1 %	1 718	0	1 718
Solibri Oy	14 %	150	472	622
Space Systems Finland Oy	13 %	970	0	970
		21 925	2 982	24 907
New business development total				103 588
Cumulative change in value				-90 509
Book value				13 079

6.2.3 Fund investments

Sitra's investments in funds

1 000 Eur	Amount
AC Cleantech Growth Fund I Ky	2 300
Aloitusrahasto Vera Oy	2 000
Apple Tree Partners II L.P.	1 426
Armada Mezzanine Fund III Ky	1 617
Atlas Venture Fund III	1 598
Baltic Investment Fund III	730
Boston Millennia Partners L.P.	1 540
CapMan Russia Fund L.P.	1 688
Capricorn Cleantech Fund NV	5 500
Chrysalix Energy III Ltd	1 146
Crescendo III, L.P.	1 890
Diamondhead Ventures L.P.	2 007
EBRD North-West and West Russia Regional Venture Fund	0
Eqvitec Teknologiarahasto I Ky	1 436
Folmer Equity Fund I Ky	99
Hambros Advanced Technology Trust III L.P.	462
HealthCap 1999 K.B.	4 459
InnKap 2 Partners	955
InnKap 3 Partners	2 779
Inveni Secondaries Fund I Follow-on Ky	8
Inveni Secondaries Fund I Ky	7 494
Inveni Secondaries Fund II Follow-on Ky	749
Inveni Secondaries Fund II Ky	2 101
Inveni Secondaries Fund III Ky	3 647
Matkailunkehitys Nordia Oy	3 229
MB Equity Fund Ky	0
Merlin Biosciences Fund L.P.	6 279
PMI Venture Fund L.P.	1 404
Russian Technology Fund L.P.	200
Sitra Management Oy	470
Strategic European Technologies N.V.	4 146
Technologieholding Central and Eastern European Fund N.V.	0
Trident Capital Fund V	2 028
Hälsöfonden Ab	5 992
Ventech Capital II, L.P.	3 573
Verdane ETF II SPV Ky	3 520
Fund investments total	78 472
Cumulative change in value	-36 492
Book value	41 980

Due to the change in the financial statements policy mentioned in the preparation principles, the amount of fund investments has decreased by EUR 33.6 million from 2009.

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
East Office of Finnish Industries Oy	5 %	50	0	50
Eigenvalue Oy	14 %	432	0	432
Enterprike Software Ltd	0 %	0	23	23
Geniem Oy	0 %	0	200	200
Kibron Oy	0 %	0	823	823
Kitewing Sports Oy Ab	0 %	0	17	17
Kuntokumppanit Oy	0 %	0	365	365
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
Rinheat Oy	0 %	0	600	600
Santhera Pharmaceuticals AG	1 %	3 661	0	3 661
u-Nav Microelectronics Corporation	1 %	516	0	516
		4 797	3 270	8 067
Other investments total				8 067
Cumulative change in value				-6 795
Book value				1 272

7 RECEIVABLES

Interest for the financial year has been entered as income from investment operations and came to EUR 0.1 million (EUR 0.1 million in 2009).

8 FINANCIAL ASSETS

1 000 Eur	2010	2009
Bank accounts	906	4 012

9 OTHER LIABILITIES

1 000 Eur	2010	2009
Personnel expense liabilities	2 948	2 980
Accounts payable	1 904	1 237
Liabilities from funding operations	90	33 633
Other short-term liabilities	524	8 837
	5 466	46 688

Due to the change in the financial statements policy mentioned in the preparation principles, the liabilities from funding operations have decreased by EUR 33.6 million from 2009. Other short-term liabilities in 2009 include a risk reserve of EUR 5.6 million, entered as income in the financial statements 2010.

OPEN FUND COMMITMENTS 31 DECEMBER 2010	30 617	33 633
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OFF-BALANCE-SHEET LIABILITIES 31 DECEMBER 2010

1 000 Eur	2010	2009
Programmes		
Health Care Programme	112	1 149
Municipal Programme	3 750	3 554
Energy Programme	5 349	3 193
Growth Programme for the Mechanical Industry	1 407	108
Landmarks	1 765	0
Public Leadership and Management Programme	10 731	0
Strategic processes	826	1 580
Strategic renewal	1 267	1 157
New business development	2 601	4 749
Fund investment	15 615	6 000
Other funding	1 171	245
Total	44 594	21 736

SIGNATURES TO SITRA'S BOARD REPORT AND FINANCIAL STATEMENTS

Helsinki, 17 February 2011

Martti Hetemäki
Anu Bradford
Harri Skog

Erkki Virtanen
Anne Kovalainen
Mikko Kosonen

Auditor's 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 2010 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.

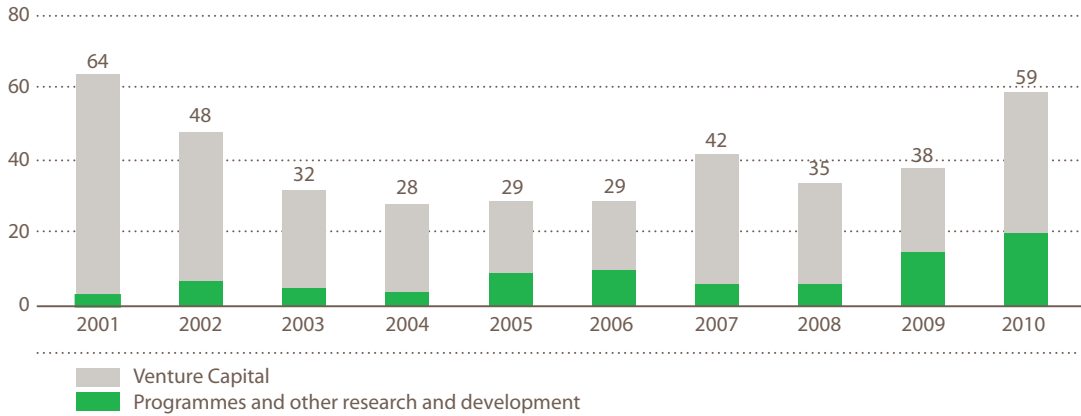
We recommend the financial statements be adopted and that the members of the Board of Directors and President be discharged from liability for the financial period we have audited. We recommend that the net profit for the financial year is dealt with in the manner set out in the Board report.

Helsinki, 18 February 2011

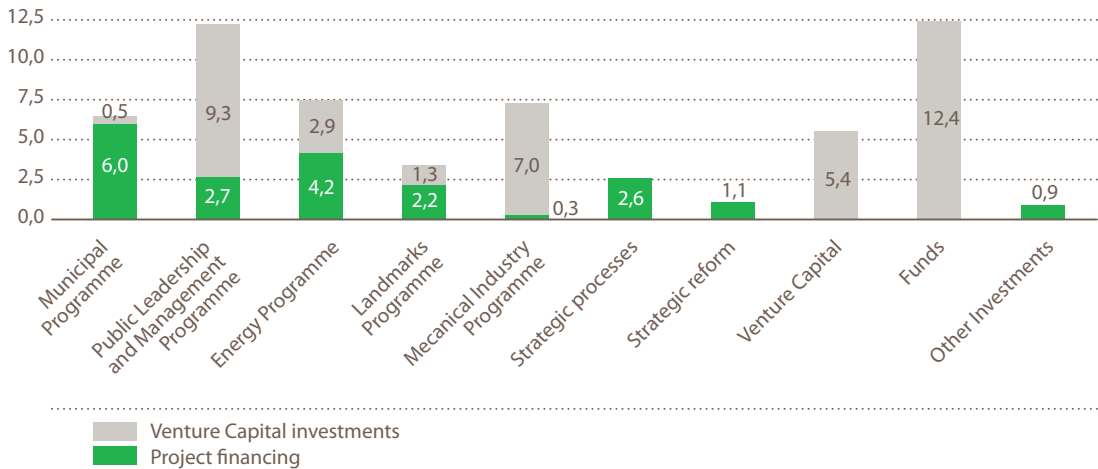
Olli Nepponen
Esko Kiviranta
Kari Manner, APA

Eero Heinäluoma
Markku Koskela, APA
./ Kalervo Virtanen, APA

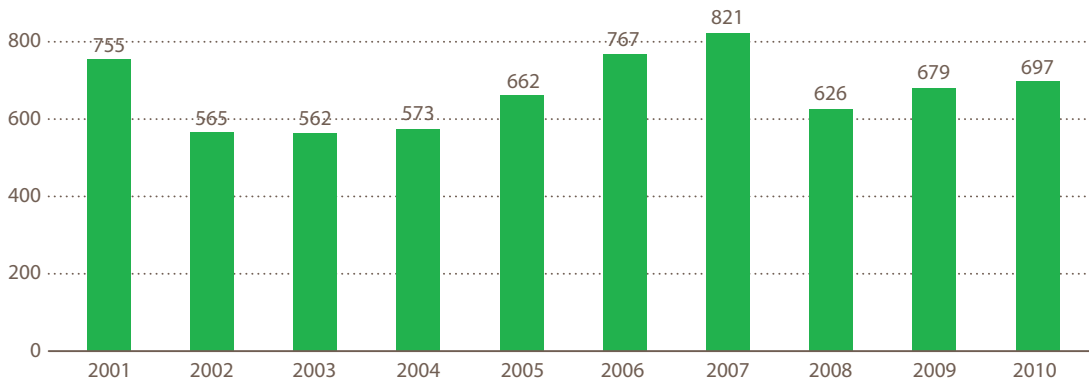
FUNDING DECISIONS 2001-2010, MILLION €



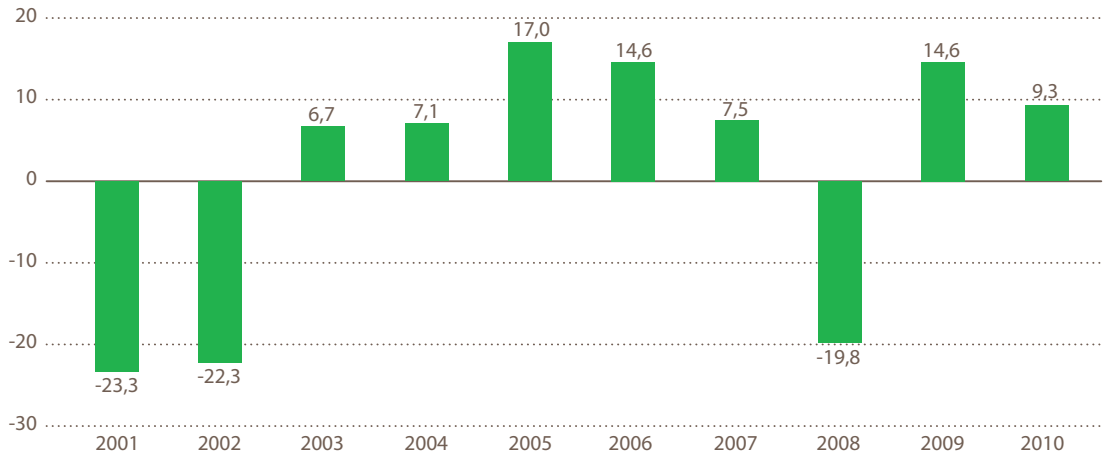
FUNDING DECISIONS BY AREAS OF OPERATION 2010, MILLION €



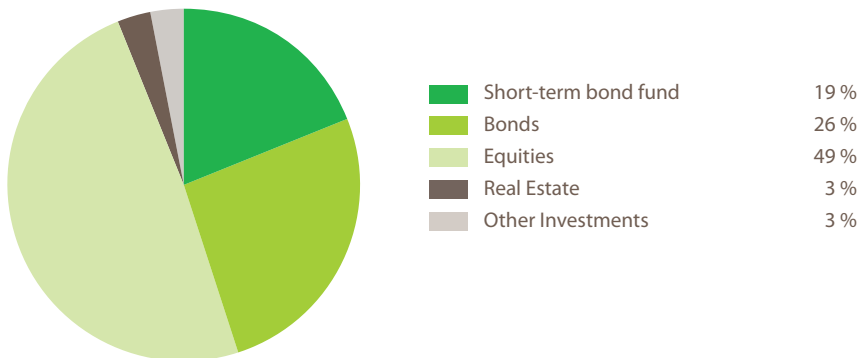
MARKET VALUE OF ENDOWMENT CAPITAL 2001-2010, MILLION €



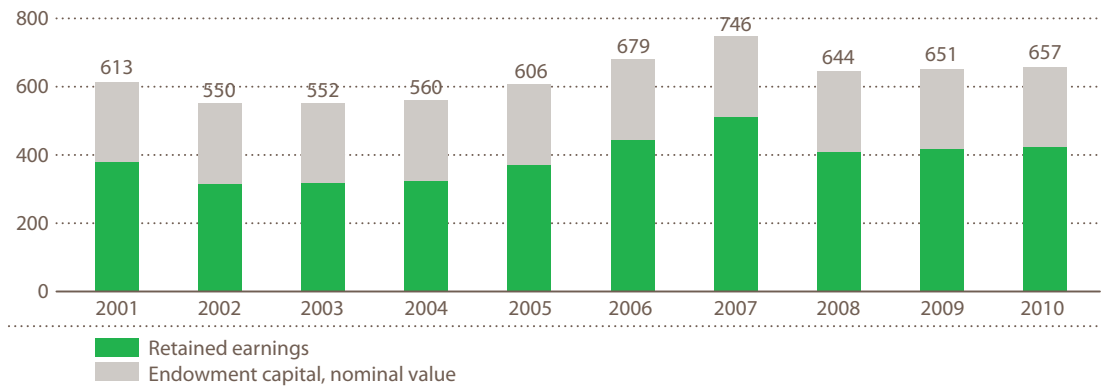
INCOME FROM ENDOWMENT CAPITAL 2001–2010, %



INVESTMENT PORTFOLIO 31 DECEMBER 2010



SITRA'S EQUITY 2001–2010, MILLION €





SITRA

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ISSN 1797-5298