



SITRA

BOARD REPORT AND FINANCIAL STATEMENTS 2012

**2012 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 2012 to Parliament.

Helsinki, 7 March 2013

On behalf of Sitra, the Finnish Innovation Fund

Ben Zyskowitz
Chairperson

Anton Mäkelä
Secretary

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2012 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 2012 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

In accordance with the act governing Sitra, the Finnish Innovation Fund, Sitra's Supervisory Board submits an annual report on the organisation's operations to the Finnish Parliament. In addition to the Supervisory Board's statement, Sitra's annual report for 2012 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 2012 marked the 45th year of operations for Sitra, the Finnish Innovation Fund. During the year, Sitra continued to pursue independent and active measures for promoting stable and balanced development in Finland. The operating environment was difficult to predict in 2012. The debt levels of Western countries and attempts to resolve the euro crisis placed a strain on social peace in several European countries, while Asia continued to grow in importance in the world economy. In Finland, a decline in competitiveness and the dependency ratio increased the pressure for structural reform, at the same time as Finland was called upon to contribute to the resolution of the euro crisis. Sitra, being a future-oriented organisation addressing systemic challenges, has a particularly important role to play in times like these.

Sitra is valued not only as an expert body and background influence but also as a player in experimentation and development. Thus, it is excellently placed to lend its weight to key issues in society, both in the preparation stages and when implementing practical reforms. The projects and programmes that concluded in 2012 testify to the widespread impact that Sitra has on various levels of society at large.

Sitra's long-term efforts to shape the energy efficiency of our environment, to influence regional planning and to outline national energy regulations will take years to come to fruition. But expert calculations are already showing that the changes in the built-up environment initiated through Sitra's *Energy* programme have the potential to reduce heating and electricity consumption in buildings to a significant extent by the year 2020. The projected reduction will mean that Finland's emissions in 2020 will be about 5% lower than the baseline trend.

Sitra encourages Finns to take more responsibility for their own well-being and that of friends and family. The *Terveyskioski (Walk-in Clinic)*, *Palveluseteli (Service*

voucher) and *Terveystaltio (Personal health record)* projects are examples of Sitra measures that have helped to revamp the service structures of the Finnish health-care system, providing citizens with more choices. Walk-in clinics have brought low-threshold health services to shopping centres, and the *Service voucher* project has broadened the range of choices available. This has been achieved through initiatives such as training local authority decision-makers on introducing the vouchers, the introduction of guide materials and the experimentation and dissemination of best practices. The *Personal health record* project has involved designing and implementing a reliable personal online health account, known as the *Taltioni* online service, for better and more independent monitoring by citizens of their own personal health and treatment. The service also enables online interaction with healthcare professionals.

Since 2008, Sitra has taken steps to develop into a coherent organisation with a shared vision and goals. During the year under review, a major reform in content and functions was carried out at Sitra. This reform provided Sitra with greater reactivity, clarified the link between strategy and day-to-day operations and ensured that sufficient time and funding are allocated to certain selected topics. Instead of running separate programmes, Sitra adopted a system of themes and key areas that work towards our vision. For the organisation, this reform meant a shift from programme-oriented operations to a matrix organisation. The new organisation was launched in May 2012, and all programmes still running at that time were wound down by the end of the year.

Sitra's overall work is now governed by two themes – *Ecological Sustainability* and *Empowering Society* – while its practical initiatives are grouped under a variety of key areas. As of the end of 2012, there were eight of these key areas.

Under the **Ecological Sustainability** theme, Sitra created the prerequisites for an ecologically sustainable society by influencing lifestyles and the use of natural resources. The key areas under this theme focus on promoting business which solves ecological problems and fosters competitiveness, economic growth and well-being.

The *Energy* and *Landmarks* programmes that concluded in 2012 included the project clusters *Citizens*

and energy efficiency, Built environment, New rural thinking and Local green economy solutions. The purpose of local energy efforts, which are connected to local green economy solutions, is to enable private citizens in Finland to engage in energy generation on their own. In order to ensure the desired results, it was decided to continue this part of the programme in 2013. All other projects were implemented as planned and were wound down in 2012.

During the year under review, sufficiency of natural resources and improving resource efficiency emerged as new focus points under the theme. Several new potential key areas were explored for the purpose of reorienting operations, and in October 2012 a decision was made to launch two new ones: *Resource wisdom* and *Industrial symbiosis*.

The purpose of the **Empowering Society** theme is to encourage Finns to take more responsibility for their well-being and that of their family and friends while promoting business aimed at solving social problems and well-being issues.

Most of the projects in the *Municipal* programme, the *Public Administration Management Development* programme and the *Landmarks* programme, all of which concluded in 2012, were implemented as planned. Ongoing projects were transferred to the *Leadership* and *Well-being business from nature* key areas.

During 2012, people-oriented and efficient public services, the availability of online services and the population's access to public information emerged as focus points under the theme. Several potential new key areas were explored for the purpose of reorienting operations, and three new ones were launched towards the end of the year: *Solutions for public service management*, *Towards an information society* and *Solutions for e-wellbeing*.

In 2012, Sitra revisited its economic policy training function by introducing a pilot course in sustainable economic policy management.

Business development is one of the cornerstones of

Sitra's operations. Sitra's business development measures consist of new market and network development projects supporting the themes, investments in funds and enterprises, and active-ownership development in enterprises where Sitra has a holding.

Sitra makes direct, market-driven capital investments in individual enterprises in an effort to attain its strategic goals. Sitra's fund investments are aimed not only at generating profits but at finding new operating models, examples and networks that Finland can take advantage of as a pioneer in sustainable well-being. Foreign fund investments yield information and contacts that can be useful in Finland.

During 2012, Sitra fully withdrew from six companies and partly from one company. New corporate investments were targeted at strategic areas within the themes. During the year, Sitra made an initial investment in five enterprises, and at the end of the year there were 35 enterprises in the Sitra capital investment portfolio.

The market value of Sitra's endowment capital at the end of 2012 was EUR 651 million. Invested assets yielded 10.4% in 2012, compared to -8.0% in the previous year.

Sitra practices responsible investment activities. Social responsibility issues are taken into account in decision-making. 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.

It is the considered opinion of the Supervisory Board that Sitra's finances are stable and that its operations are well managed. At its meeting on 7 March 2013, 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 surplus of EUR 12 577 163,31 from the financial year 2012 to the retained surplus/deficit account.

Helsinki, 7 March 2013

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Sitra's financial statements for 2012

Board report

Sitra's operating environment

Sitra's operating environment was difficult to predict in 2012. The high level of debt in Western countries and the attempts to resolve the euro crisis placed a strain on social peace in several European countries. Meanwhile, Asia continued to grow in importance in the world economy, and the global redistribution of labour progressed.

The public debate on the issues of climate change and natural resources was sidelined somewhat in 2012 by the prolonged problems in the national economy, even though the findings from several studies indicated that our planet's ability to sustain the human population is under threat. The Rio 20+ summit failed to generate a significant leap towards ecological sustainability. Difficulties in supranational decision-making have been all too evident on both environmental and economic issues.

Finland's ongoing business structure transition continued in 2012. A decline in competitiveness and the dependency ratio increased the pressure for structural reform. It has been challenging to gain acceptance for arduous structural reforms while our resources have also been called upon to contribute to the resolution of the euro crisis. Demands for transparency in decision-making and publicity of information continue to grow.

In difficult times, a major portion of public debate and the interests of public institutions focus on tackling short-term challenges. However, many acute problems are a manifestation of long-term systemic challenges. Sitra, being a future-oriented organisation addressing such systemic challenges, has a particularly important role to play in times like these.

Sitra's duty and objectives

Sitra, the Finnish Innovation Fund, is a public fund with the statutory 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 opportu-

nity 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.

Sitra considers the greatest challenge to Finland's stable and balanced development in the future to be the realisation of perceived well-being while simultaneously accounting for the various dimensions of sustainability. For sustainable well-being to be possible in Finland, we need economic growth based on enterprises. However, this economic growth must not compromise the sustainable use of natural resources.

The mission of Sitra is to build a successful Finland for tomorrow's world. The vision of Sitra states that Finland will succeed as a pioneer of sustainable well-being.

The strategic objectives of Sitra are:

- We encourage Finns to take more responsibility for their own well-being and that of friends and family.
- We create the prerequisites for an ecologically sustainable society by influencing lifestyles and the use of natural resources.
- We promote business activity aimed at solving ecological, social and well-being problems.

Since 2008, Sitra has taken steps to develop into a coherent organisation with a shared vision and goals. During the year under review, a major reform in content and functions was carried out. Instead of running separate programmes, we adopted a system of themes and key areas that work towards our vision. Our main operating focus is on effectiveness and its continuous monitoring. The content and focus points of the themes and key areas are constantly updated in the continuous strategy development process.

Our themes are broadly-defined subject areas selected for the strategy period that are essential for the realisation of the vision of Sitra. There are two themes: *Ecological Sustainability* and *Empowering Society*. Our key areas are practical projects that run for about two years and are designed to put the aforementioned strategic objectives into practice. They are the basic units of operations planning, implementation and monitoring at Sitra.

Operations in 2012

From programmes to key areas

A procedural reform was launched at Sitra in autumn 2011. The new organisation was launched in May 2012, and all programmes still running at that time were wound down by the end of the year.

This reform provided Sitra with greater reactivity, clarified the link between strategy and day-to-day operations, and ensured that sufficient time and funding are allocated to certain selected topics.

In addition to themes and key areas, five centres of expertise were set up: *Strategy, Business development and funding, Communications and partnerships, Key area development* and *Assistant services*. All personnel employed in the key areas also belong to a centre of expertise. The matrix organisation was designed so that both themes are responsible for the attainment of Sitra's strategic objectives. Performance management of the key areas is the responsibility of the themes; brainstorming, preparation, implementation and completion processes in the key areas and related competence development are managed by the centres of expertise.

Ecological sustainability

In accordance with Sitra's revised strategy, we create the prerequisites for an ecologically sustainable society, by affecting lifestyles and the use of natural resources. An active ownership role and business investments also support our efforts to resolve ecological problems in socially and economically sustainable ways.

The Energy and Landmarks programmes that concluded in 2012 included the project clusters *Citizens and energy efficiency, Built environment, New rural thinking* and *Local green economy solutions*. The purpose of local energy efforts, which are connected to *Local green economy solutions*, is to enable private citizens in Finland to engage in energy generation on their own. In order to ensure the desired results, it was decided to continue this part of the programme in 2013. All other projects were implemented as planned and were wound down in 2012.

The *Citizens and energy efficiency* cluster concluded with the publication of the book *Valomerkki* (Lights out) with Atena Kustannus. The book was well received

in the media and is available in bookshops. We also enabled the organising of the international conference *BEhavE 2012 – Energy Efficiency and Behaviour* by Motiva. Sitra also deployed the proactive quality control model in building supervision in Porvoo and Vaasa.

The 80 or so projects implemented to improve energy efficiency in the *Built environment* cluster had a significant impact. Expert consultants Gaia Oy estimate that the changes in the built-up environment initiated through the Sitra Energy Programme have the potential to reduce heating and electricity consumption in buildings to a significant extent by the year 2020. The projected reduction will mean that Finland's emissions in 2020 will be about 5% lower than the baseline trend.

One of the most highly visible projects in 2012 was the Lantti net zero energy house built at the Tampere Housing Fair together with Aalto University, the Housing Fund of Finland and TA-Yhtymä Oy. This was the first ever net zero energy detached house built on a near-commercial basis in Finland. This project was borne out of the new energy regulations that came into force on 1 July 2012. Sitra played a major role in their preparation.

The Lantti house formed part of a more extensive cooperation project with the Housing Fair Finland Co-op. Sitra investigated the energy efficiency and annual energy costs of the houses at the housing fair and displayed them for the benefit of visitors. The E number (illustrating energy efficiency) and other details were presented on easily readable billboards outside each house. The ECO2 project promoting energy efficiency was continued with the City of Tampere, and energy efficiency emerged as one of the main themes of the housing fair.

Sitra contributed to local planning reform in the Skaftkärr project in Porvoo. At the conclusion of this project, the Ministry of the Environment committed to issuing national instructions on how energy efficiency and emissions considerations should be incorporated into local planning. The project proved that local planning can have a major impact on the energy efficiency of residential areas and housing. With local planning following the Skaftkärr model, it would be possible to reduce carbon dioxide emissions by 0.1 to 0.2 megatonnes per year. This local planning model would also enable significant financial savings.

In autumn 2011, Sitra launched the 'Rural areas in Finland's strategy' process with the Ministry of Agriculture and Forestry and the Ministry of Employment and the Economy. The process resulted in 20 concrete

proposed measures for boosting sustainable growth in rural areas. The process also established a consensus concerning the need of new, demand-driven operating models. The process results and the publications in which they were written up supported preparations for the coming EU programming period and rural development. The proposed measures and operating models were tested in nine pilot projects for three months. These pilots showed that it is possible to gain significant results on a small budget and a tight schedule. The 'experimentation grant' project implemented by the Etelä-Savo Centre for Economic Development, Transport and the Environment was particularly successful, and this funding instrument will be introduced into wider use in the next EU programming period.

The new operating models were implemented at several interest group meetings during the year. For instance, the Ministry of Agriculture and Forestry teamed up with Sitra at an innovation seminar intended to lay the groundwork for participation in the European Network for Rural Development. A new kind of online workshop was offered to interest groups at the *Varaslähtö tulevaan* (Head start to the future) event.

Local green economy solutions projects aiming to promote private energy production have improved understanding among those in the public and private sectors of the need for user-oriented solutions and of the obstacles currently existing in the operating environment. The challenges facing solar energy and other renewable energy sources were explored nationwide by surveying residents, enterprises and pioneering users for their experiences and by drawing up a consultation paper together with those working in the field. The Ministry of Employment and the Economy, Finnish Energy Industries and the Committee for the Future of the Finnish Parliament have already begun to address these challenges. Two troubleshooter task forces began their work at Motiva on commission from the Ministry of Employment and the Economy at the end of 2012. Measures for improvement will also be incorporated in the climate and energy strategy.

Sitra contributed to the continued development of biodynamic and local food business concepts and demand-driven business development. New biodynamic and local food business models were well featured in the government's local food development programme prepared by the Ministry of Agriculture and Forestry. Using the business model enabled by Sitra, *Tukkuutori* in Helsinki is developing into a unique national centre for local food. In the current chal-

lenging market situation, it is an outlet for local food projects in various regions and for the presentation, testing, sale and distribution of products from small producers and processors. The national food expertise centre *Food West* is continuing to disseminate these concepts and operating models nationwide.

During the year under review, sufficiency of natural resources and improving resource efficiency emerged as new focus points. Several potential new key areas were explored for the purpose of reorienting operations, and in October 2012 a decision was made to launch two new ones: *Resource wisdom* and *Industrial symbiosis*. *Resource wisdom* is about pursuing resource efficiency to benefit a municipality, its business life and its residents: acting locally will improve local well-being and economic prosperity. *Industrial symbiosis* is about improving resource efficiency in materials circulation and material flows.

Empowering society

In accordance with Sitra's revised strategy, we encourage Finns to take more responsibility for their own well-being and that of friends and family. The new key areas under this theme launched in late 2012 are for promoting business aiming at resolving social and well-being problems.

Most of the projects in the *Municipal* programme, the *Public Administration Management Development* programme and the *Landmarks* programme, all of which concluded in 2012, were implemented as planned. Continuing projects were transferred to key areas under this new theme.

In the *Leadership* key area, the focus was on local and central government development. In the numerous projects in this key area, models were developed for a new kind of participatory leadership and new operating practices. The new practices were tried out, and the projects also involved cross-sector cooperation. Interaction between customers and service providers was the main point of interest in service development.

In the *Uudistuva kylä kaupungissa (Revitalising a village in a town)* project, services for children and adolescents in Hämeenlinna were revised and local government practices changed; new cooperation pathways were established and local citizens activated. The achievements of this project may be replicated in other towns and cities.

The *Sujuvampaan lainvalmisteluun (Smoother legis-*

lative preparation) project of the Ministry of Justice was about improving the quality and productivity of the legislation preparation process by creating new, concrete operating models. Sitra is one of the funding providers in this project. During the year under review, the project involved describing an ideal model for legislation preparation and drawing up proposals for steering the process at the government level. The legislation work in the government programme's spearhead projects is being carried out according to the principles outlined in the aforementioned project. The project prepared for a broader introduction of the ideal model, and a proposal for a common government legislation preparation training programme was drafted. The first training pilot could be implemented in 2013–2014.

The Ministry of Finance and the Prime Minister's Office launched the *Governments for the Future* project together with Sitra. The purpose of the project is to find ideas for reforming central government, with the project's outcomes being included in plans for an administration reform aimed at more coherent government. Administrative authorities from Sweden, the UK, Austria and Scotland were invited to participate in the project. The OECD is also a partner. The project will continue until the end of 2013.

In the two-year *Terveystaltio* (Personal health record) project, the development of new solutions and operating practices was promoted, along with the introduction of a new, citizen-oriented approach and practice in the healthcare sector. The project also laid the groundwork for more customised and more cost-effective services. In spring 2012, the Taltioni cooperative was set up to administer the national personal health account developed by Sitra. The members of the cooperative are private and public healthcare service providers, ICT enterprises and third-sector bodies. With the health account and online services, citizens will have better opportunities to monitor their care balance independently. The services also enable online interaction with healthcare professionals.

The *Terveyskioski* (Walk-in clinic) and *Palveluseteli* (Service voucher) projects focused on a reform of the service structures in the healthcare system and on increasing the freedom of choice for customers. The low-threshold *Terveyskioski* operating model and the outcomes of experimental and research projects were distributed among local government decision-makers. Several local authorities have set up low-threshold service points to complement their basic healthcare services. This operating model is more customer-oriented,

allows better access to services and enables services to be provided more cost-effectively.

The *Palveluseteli* project supported experiments to find good practices and generally applicable models for implementation of the *service voucher* concept. Several practical guides and publications were produced. The project dealt with services for the elderly and disabled people, daycare, oral health, basic healthcare and specialist medical care.

In the *Well-being business from nature* key area, Sitra has promoted the health and well-being benefits of the natural environment in services, built-up environments and new, user-oriented well-being business. A publication was prepared on the well-being benefits of the natural environment and nature-inclusive services for children and adolescents. This key area also involved boosting sustainable service design and development of user-oriented services through the *Kasvunvara* (Room for growth) workbook and related workshops.

During 2012, people-oriented and efficient public services, availability of online services and access by citizens to public information emerged as focus points under the theme. Several potential new key areas were explored for the purpose of reorienting operations, and in October 2012 a decision was made to launch three new ones: *Solutions for public service management*, *Towards an information society* and *Solutions for e-well-being*.

The *Solutions for public service management* key area is for producing models and tools for evaluating the current well-being status of various population groups and to anticipate future needs for development of the service network. This information will be processed into decision-making tools through situational awareness, models and tools. A preliminary study was conducted with the South Karelia Social and Health Care District in 2012.

The *Towards an information society* key area aims to influence the everyday lives of citizens so that they will have broader and easier access to online services. The goal is to expand the use of online services and to give citizens more potential for influence and more choice. In 2012, a preliminary business plan for setting up a national identification cooperative was drawn up with banks, telecom operators and the central government.

The *Solutions for e-well-being* key area is focusing on effecting a shift from the treatment of illnesses to their prevention, and on the early intervention in the promotion of well-being. The goal in this key area is that

Finland will become a pioneer in online self-care services. A completely new business and service environment is to be set up in Finland, thereby also creating new jobs. Opening up public information and business based on that information is also a focus area.

During the year under review, the key area involved supporting the emergence of application innovations and dissemination of their use in self-care. Examples of self-care services include chronic illness management, health and exercise diaries, health coaching and the transfer of laboratory results. Also, experimental projects were launched to create a concept that would enable Finland to become a world leader in healthcare e-transactions. This would attract significant investments to Finland and foster further innovations.

Opening up public data is a new growth sector. Data is considered 'open' when it is made available for reuse legally, technically and free of charge. The challenge in Finland is that so far there is no serious business in this area. Sitra was involved in the Helsinki Region Infoshare project where data concerning the Helsinki metropolitan area was opened up for access by citizens, enterprises, universities, research institutions and local government. The data being offered was compiled in the hri.fi online service, where it is available without limitation and free of charge. The online service was further developed on the basis of feedback and international comparison. The Helsinki Region Infoshare project gained a great deal of publicity in 2012 and was given the *Kaupunginjohtajan vuoden saavutus* (Mayor's achievement of the year) award.

Business development and investment activities

Sitra's business development measures consist of new market and network development projects supporting its themes, investments in funds and enterprises, and active-ownership development in enterprises where Sitra has a holding.

Sitra makes direct, market-driven capital investments in individual enterprises for the purpose of achieving of its strategic goals. Sitra fund investments are aimed not only at generating profits but at finding new operating models, examples and networks that Finland can take advantage of as a pioneer in sustainable well-being.

During 2012, for example, Sitra supported the improvement of operating environments for startup enterprises by providing funding for the *Finnish Business Angels Network* (FiBAN) and the Startup foun-

ation. Also, the Finnish Social Enterprise Mark was granted to more than 30 enterprises. This mark is awarded by the Association for Finnish Work, and Sitra has been closely involved in its development.

Targeted short-term projects were used to support the sourcing of international expertise for Finnish enterprises, the networking of startup enterprises and the publicising of the agenda of the parliamentary growth enterprise group. Also, Sitra and other funding providers supported VC Zone activities, which aim at persuading international capital investors to invest in Finnish enterprises. A process for ideas development in Sitra's new key areas was developed on the basis of the operating model of Sitra's in-house business forum.

During the year, Sitra invested in five new enterprises, withdrew completely from six and partly from one. Decisions were made to continue funding nine enterprises already in the portfolio. As in previous years, the current economic situation severely hampered capital investment activities in all Western countries. In Finland too, investment volume in the sector was down on the previous year. 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.

In 2012, Sitra fund investment decisions were targeted at Finland, as in previous years. Decisions were made to invest in two funds that operate internationally but are based in Finland.

In June, Sitra decided to invest in Dasos Timberland Fund II, which invests in forest properties. The projected earnings of the fund are based on sustainable forest management. The investment was motivated by the fact that the fund operates within the domain of Sitra's *Ecological sustainability* theme, and by the creation and development of new business based on forest resources.

The other fund investment decision involved Power Fund III, which focuses on technologies to reduce the use of natural resources and on renewable energy technology. The fund makes capital investments in startup and growth enterprises, mainly in Europe and selectively elsewhere in Europe. This fund is the only Finnish operator in its investment segment. This investment brought Sitra a front-row view of new business through the fund's investment targets and project portfolio.

Other social influence

Training

Sitra's training strengthens the capabilities of Finnish decision-makers and opinion leaders to tackle key future social challenges and opportunities together. *New Democracy*, the second in a series of *Synergise Finland* forums launched in 2010, concluded in March 2012. The third forum, with the theme *Sustainable economy*, was launched in October. Some 30 decision-makers and opinion leaders have participated in each forum.

Leadership training for sustainable economic policy will start in spring 2013. Future training courses were planned in connection with the third *Synergise Finland* forum in autumn 2012. A pilot course to test and develop the course concept was also launched, with some 20 opinion leaders participating.

Strategic design

The Design Exchange Program (DEP) project was launched on the co-initiative of Sitra and the Ministry of Employment and the Economy; it was one of the projects of the World Design Capital (WDC) year. The purpose of the project is to develop and support the adoption of new operating practices and design capabilities to resolve major social challenges. Another purpose is to develop new, user-oriented planning tools for the public sector. The long-term goal of the project is to increase strategic design expertise and to foster a new generation of strategic planners in Finland for public sector organisations to exploit in the future.

In 2012, four public sector organisations hired a DEP designer for one year. They were stationed at the Ministry of Employment and the Economy, the Ministry of the Environment, the City of Lahti Land Use Unit and the City of Helsinki Social Services Department.

The HDL 2012 project involved working on a case study concerning the controlled implementation of innovative projects. Partners in the project included experts in the field from Chile, the UK, Denmark and the USA. The findings of the study will be published in book form in 2013.

Administration

Supervisory Board

Sitra's Supervisory Board is made up of the Parliamentary Supervisory Council of the Bank of Finland, which is appointed by The Finnish Parliament. The supervisory board met four times during the year under review. Its members are the MPs Ben Zyskowitz (chairperson), Pirkko Ruohonen-Lerner (vice-chairperson), Jouni Backman, Timo Kalli, Mari Kiviniemi, Marjo Mätkäinen-Kallström, Lea Mäkipää, Petteri Orpo (from 22 November 2012), Jan Vapaavuori (until 21 November 2012) and Pia Viitanen. Anton Mäkelä LL.M. was secretary to the supervisory board.

Board of Directors

Sitra's Board of Directors met eight times during the year under review. 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

As at the end of 2012, the following individuals appointed by parliament were Sitra's auditors: Esko Kiviranta MP (chairperson) (deputy member: Professor Markku Koskela, Authorised Public Accountant); and Lenita Toivakka MP (Sanna Lauslahti MP); Mika Kari MP (Raimo Piirainen MP); Eero Prepula APA, CPFA (Juha Selänne APA); and Tom Sandell APA, CPFA (Kauko Tuupainen MP). The secretary was Professor Markku Koskela 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 principal auditor was Juha Wahlroos APA.

Personnel

As at the end of 2012, Sitra had 106 employees (2011: 115). Because the operations of Sitra are mainly undertaken in fixed-term key areas and projects, a considerable percentage – more than 30% – of employees are in a fixed-term employment relationship. Because of the diversity of employment at Sitra, personnel turnover is

high. The majority of Sitra employees have completed a university degree and have solid work experience in various sectors and organisations.

A constantly changing organisation whose success is based on whatever strong expertise is called for at any given time requires its personnel to be capable of adjustment, be goal-oriented and willing to take responsibility, besides having communications skills, flexibility, networking skills and project expertise. These are basic Sitra competencies that every employee is expected to have. In 2012, the focus in personnel development was on improving employee reorientation capacity.

Every employee has goals that are updated every six months. These are based on the personal development goals of the employee and on shared goals at the Sitra level and at the level of the function where the employee is located. Our rewards and incentives model covers all employees equally.

Sitra leadership has been defined together with our personnel. It consists of seven component areas. At the beginning of 2012, employees gave feedback on each component area to their supervisors. The feedback was discussed with the supervisors at joint and one-on-one development discussions. Every supervisor set himself/herself a feedback-based development goal together with his/her own supervisor. Attainment of this goal will be evaluated at the beginning of 2013.

Well-being at work was promoted through the practices of proactive occupational healthcare and targeted measures. Despite the major reorganisation and changes in job duties involved in the key area reform, the results of the personal resource questionnaire conducted together with occupational healthcare continued to improve, ranking above the national average for the third year running.

Sitra's endowment capital

Financial news in 2012 was dominated by stories of the high debt levels in developed countries. The Greek national debt was cut in the spring, and private investors had to write off some of their receivables. Further debt restructuring is being discussed. Problems in the banking sector in Spain led to an intervention by the European Central Bank. There are aims to regulate the banking sector more consistently at the EU level, and in the USA President Barack Obama, newly re-elected, faces the challenge of reducing the federal deficit. A balance must be found between raising taxes and cut-

ting spending, or the economic growth of the USA will be threatened. Southern Europe is already in a recession, and economic growth in Germany is also slowing down. The GDP of the euro zone is expected to continue to drop in 2013.

As at the end of 2012, the market value of Sitra's endowment capital was EUR 651 million. Invested assets yielded a return of 10.4% in 2012 despite the insecure investment environment. The stock market has fluctuated wildly, and changes in the general willingness to take risks have shown in stock prices. Fixed-income investments produced a good return, as interest rates went down. The total allocation of the endowment capital as at the end of 2012 was as follows: shares 49%, interest rate instruments 47% and others 4%. 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.

Fixed-income investments were transferred from eurozone government bonds with the highest credit rating to emerging market debt funds and high yield funds, as in the previous year. Sitra decided to invest in the Capman Nordic Real Estate capital fund, which invests in commercial and office properties in the Nordic countries, and in the Real Estate Debt and Secondaries capital fund. The first closings of these funds were done in spring 2013. In addition to these, decisions were made to invest in the Sentica Buyout IV capital fund, which invests in Finnish unlisted companies, and in the Vaaka Partners Buyout Fund II capital fund.

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 surplus

The Board of Directors proposes that the net surplus for the financial year, EUR 12 577 163,31 be carried forward to the retained surplus/deficit account.

Profit and loss account

| | | 1.1.–31.12.2012 | 1.1.–31.12.2011 |
|-------------------------------------|-----------|------------------------|------------------------|
| | | € | € |
| INCOME | | | |
| Profit from investment sales | | 31 705 492,13 | 17 332 885,46 |
| Interest income | | 474 370,41 | 761 127,64 |
| Dividend income | | 978 438,56 | 1 401 176,90 |
| Rental income | | 275 467,55 | 379 007,53 |
| Other investment income | | 6 038 973,27 | 6 324 268,69 |
| Total income | | 39 472 741,92 | 26 198 466,22 |
| EXPENSES | | | |
| Personnel costs | 2) | -11 804 743,52 | -11 900 504,93 |
| Expenses from projects | 3) | -7 952 481,38 | -13 165 440,41 |
| Investment expenses | | -1 943 742,78 | -27 395 067,84 |
| Depreciation | 4) | -216 022,63 | -228 859,31 |
| Other expenses | | -4 978 588,30 | -4 704 120,31 |
| Total expenses | | -26 895 578,61 | -57 393 992,80 |
| SURPLUS/DEFICIT FOR THE YEAR | 1) | 12 577 163,31 | -31 195 526,58 |

Balance sheet

| | | 31.12.2012 | 31.12.2011 |
|--|-----------|-----------------------|-----------------------|
| | | € | € |
| ASSETS | | | |
| Long-term assets | | | |
| Tangible assets | 5) | 423 573,72 | 488 943,29 |
| Intangible assets | 5) | 68 569,20 | 67 920,00 |
| Investments | 6) | 643 754 242,58 | 628 804 985,66 |
| Long-term assets total | 1) | 644 246 385,50 | 629 361 848,95 |
| Short-term assets | | | |
| Receivables | 7) | 551 366,99 | 298 457,36 |
| Financial assets | 8) | 408 641,88 | 1 831 041,37 |
| Short-term assets total | | 960 008,87 | 2 129 498,73 |
| ASSETS TOTAL | | 645 206 394,37 | 631 491 347,68 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Endowment capital | | 235 463 097,04 | 235 463 097,04 |
| Accrued surplus/deficit | | 390 749 070,66 | 421 944 597,24 |
| Surplus/deficit for the financial year | | 12 577 163,31 | -31 195 526,58 |
| Equity total | | 638 789 331,01 | 626 212 167,70 |
| Short-term liabilities | | | |
| Other liabilities | 9) | 6 417 063,36 | 5 279 179,98 |
| Short-term liabilities total | | 6 417 063,36 | 5 279 179,98 |
| EQUITY AND LIABILITIES TOTAL | | 645 206 394,37 | 631 491 347,68 |

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. The most recent trading quote was used for valuation of shares. 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 recognised 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 |
| • ICT equipment | 3 years |

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 numbered references refer to the corresponding entries in the profit and loss account and the balance sheet.

1 OPERATING SEGMENTS

2012

Eur 1 000

| Income | Endowment capital | Key areas and development | Support functions | Total |
|-------------------------------------|-------------------|---------------------------|-------------------|----------------|
| Profit from investment sales | 31 706 | 0 | 0 | 31 706 |
| Interest income | 298 | 176 | 0 | 474 |
| Dividend income | 817 | 161 | 0 | 978 |
| Rental income | 276 | 0 | 0 | 276 |
| Other investment income | 4 100 | 1 935 | 4 | 6 039 |
| Total income | 37 196 | 2 273 | 4 | 39 473 |
| Expenses | | | | |
| Personnel costs | 0 | -8 522 | -3 283 | -11 805 |
| Expenses from projects | 0 | -7 462 | -490 | -7 952 |
| Investment expenses | 9 813 | -11 757 | 0 | -1 944 |
| Depreciation | 0 | 0 | -216 | -216 |
| Other expenses | 0 | -2 425 | -2 554 | -4 979 |
| Total expenses | 9 813 | -30 166 | -6 543 | -26 896 |
| Surplus/deficit for the year | 47 009 | -27 893 | -6 539 | 12 577 |
| ASSETS | | | | |
| Long-term assets | Endowment capital | Key areas and development | Support functions | Total |
| Tangible assets | 0 | 0 | 423 | 423 |
| Intangible assets | 0 | 0 | 69 | 69 |
| Endowment capital investments | 569 778 | 0 | 0 | 569 778 |
| Venture capital investments | 0 | 73 976 | 0 | 73 976 |
| Long-term assets total | 569 778 | 73 976 | 492 | 644 246 |

OPERATING SEGMENTS

2011

Eur 1 000

| Income | Endowment capital | Key areas 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 |
| Total income | 23 850 | 2 334 | 14 | 26 198 |
| Expenses | | | | |
| 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 |
| Total expenses | -19 457 | -28 542 | -9 395 | -57 394 |
| Surplus/deficit for the year | 4 393 | -26 208 | -9 381 | -31 196 |
| ASSETS | | | | |
| Income | Endowment capital | Key areas 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 |
| Long-term assets total | 562 091 | 66 714 | 557 | 629 362 |

2 PERSONNEL COSTS

| Eur 1 000 | 2012 | 2011 |
|----------------------------------|----------------|----------------|
| Wages and salaries | -8 815 | -8 846 |
| Pension expenses | -1 680 | -1 676 |
| Other statutory payroll expenses | -488 | -507 |
| Other payroll expenses | -822 | -872 |
| | -11 805 | -11 901 |

The number of personnel at the end of the year was 106 (2011: 115).

Management wages and remuneration

| Eur 1 000 | 2012 | 2011 |
|--------------------|-------------|-------------|
| Supervisory Board | 32 | 31 |
| Board of Directors | 46 | 46 |
| President | 241 | 247 |
| | 319 | 324 |

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

The monthly remuneration of the chair of the Board of Directors was EUR 1,000, the monthly remuneration of the vice-chair of the Board of Directors was EUR 840 and the monthly remuneration of other members was 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 650,600 (8% of the total wage expenses) has been reserved in the financial statements 2012 to be paid to the personnel as incentive bonus. The corresponding sum for 2011 was EUR 650,800 amounting to 8% of the total wage expenses. The maximum amount of the valid incentive bonus system is 15% of the total wage expenses.

3 EXPENSES FROM PROJECTS

| Eur 1 000 | 2012 | 2011 |
|--|---------------|----------------|
| Ecological sustainability | -2 245 | -4 737 |
| Ecological Sustainability and Empowering Society | -2 695 | -3 804 |
| Growth Programme for the Mechanical Industry | -104 | -314 |
| Centres of expertise | -2 417 | -2 076 |
| Support functions | -491 | -2 234 |
| | -7 952 | -13 165 |

4 DEPRECIATION

| Eur 1 000 | 2012 | 2011 |
|-------------------------------|-------------|-------------|
| Planned depreciation | | |
| Machinery and equipment | -124 | -143 |
| Other capitalised expenditure | -42 | -74 |
| Renovation of office premises | -50 | -12 |
| | -216 | -229 |

5 TANGIBLE AND INTANGIBLE ASSETS

During the year, Sitra acquired fixed assets amounting to EUR 0.2 million (2011: EUR 0.1 million).

| Eur 1 000 | Book value 1.1.2012 | Increases | Decreases | Depreciation for the year 31.12.2012 | Book value 31.12.2012 |
|-------------------------------|--------------------------------|------------------|------------------|---|----------------------------------|
| Machinery and equipment | 174 | 108 | 0 | 124 | 158 |
| Other capitalised expenditure | 68 | 43 | 0 | 42 | 69 |
| Renovation of office premises | 50 | 0 | 0 | 50 | 0 |
| Other tangible assets | 256 | 0 | 0 | 0 | 256 |
| | 548 | 151 | 0 | 216 | 483 |

| Eur 1 000 | 2012 | 2011 |
|---------------------------|-------------|-------------|
| Shares and participations | 9 | 9 |
| | 9 | 9 |

6 INVESTMENTS

| Eur 1 000 | 2012 | muutos | 2011 |
|---|----------------|---------------|----------------|
| 6.1 Endowment capital investments | | | |
| 6.1.1 Bonds | 2 782 | -908 | 3 690 |
| 6.1.2 Fund investments | 553 842 | 8 904 | 544 938 |
| 6.1.3 Private equity fund investments | 5 003 | -388 | 5 391 |
| 6.1.4 Shares | 6 200 | 102 | 6 098 |
| 6.1.5 Real estate investments | 1 634 | -22 | 1 656 |
| 6.1.6 Short-term investments | 318 | 1 | 317 |
| | 569 778 | 7 689 | 562 091 |
| 6.2 Venture capital investments | | | |
| 6.2.1 Business development and direct investments | 30 856 | 4 083 | 26 773 |
| 6.2.2 Fund investments | 42 112 | 2 430 | 39 682 |
| 6.2.3 Other investments | 1 008 | 751 | 257 |
| | 73 976 | 7 264 | 66 712 |

6.1 Endowment capital investments

| Eur 1 000 | Book value | Market value |
|---|----------------|----------------|
| 6.1.1 Bonds | | |
| Leverator Oyj 21.6.2016 | 2 782 | 2 788 |
| 6.1.2 Fund investments | | |
| Equity funds | | |
| Aberbeen Global - World Equity A2 | 40 900 | 50 708 |
| Alfred Berg Finland B (kasvu) | 32 360 | 34 077 |
| Carnegie East European | 3 021 | 3 448 |
| Danske Invest Suomi Yhteisöosake | 43 146 | 46 033 |
| Fondita 2000+ | 11 748 | 13 328 |
| Handelsbanken | 10 777 | 11 693 |
| HSBC GIF Indian Equity | 2 500 | 3 486 |
| Impax Envir MKTS Ireland-A eur | 11 027 | 11 367 |
| JP Morgan Funds- Global Unconstrained Equity Fund X Eur | 38 935 | 58 827 |
| JPM Emerging Markets Equity I EUR ACC | 24 746 | 25 306 |
| OP Focus A | 3 264 | 3 355 |
| OP-Suomi Arvo A | 38 365 | 46 034 |
| Bond funds | | |
| Afred Berg korko B (kasvu) | 44 576 | 45 386 |
| Aktia Emergin Markets Bond + D | 6 011 | 6 909 |
| Blue Bay Investment Grade Bond Fund I | 35 103 | 37 295 |
| Danske Invest Emerging Markets Debt K | 7 026 | 8 216 |
| Danske Invest Valtionobligatio K | 28 976 | 31 126 |
| Danske Invest Yhteisökorko K | 59 730 | 63 312 |
| EVLI European High Yield B | 10 005 | 11 817 |
| Nordea Valtionlaina AAA I K | 24 130 | 26 534 |
| OP-EMD Local Currency A | 6 987 | 7 875 |
| OP-Obligaatio Prima A | 28 341 | 30 316 |
| SEB Global High Yield B | 10 018 | 11 142 |
| Tapiola Yrityskorko A | 20 296 | 25 287 |
| Other quoted investments | | |
| BNP Paribas Property Securities Fund Europe | 5 530 | 5 595 |
| UBP/Selectinvest ARV MC ser C/2011 EUR RR | 5 569 | 9 018 |
| UBP/Selectinvest ARV MC ser P (Q) EUR | 754 | 1 004 |
| Fund investments total | 553 842 | 628 491 |

6.1.3 Private equity fund investments

| | | |
|---------------------------------|--------------|--------------|
| Access Capital Fund LP | 0 | 66 |
| Access Capital Fund II LP | 64 | 1 463 |
| Atlas Venture Fund IV LP | 0 | 9 |
| Boston Millennia Partners II LP | 1 264 | 968 |
| Crescendo IV LP | 1 032 | 587 |
| First European Fund Investments | 647 | 464 |
| European Fund Investments II LP | 1 940 | 2 016 |
| Finnventure Rahasto V Ky | 56 | 87 |
| Total | 5 003 | 5 658 |

6.1.4 Shares

| | | |
|---------------------|--------------|---------------|
| Nokia Oyj | 2 134 | 8 150 |
| Suominen Yhtymä Oyj | 1 556 | 1 556 |
| Technopolis Plc | 2 511 | 2 511 |
| Total | 6 200 | 12 217 |

6.1.5 Real estate investments

| | Book value | Market value |
|-------------------------------|-------------------|---------------------|
| Erottajan Pysäköintilaitos Oy | 1 634 | 1 786 |
| Total | 1 634 | 1 786 |

6.1.6 Short-term investments

| | | |
|--|----------------|----------------|
| | 318 | 318 |
| Endowment capital investments total | 569 778 | 651 258 |

6.2.1 Business development and direct investments

Shares, participations and other investments held by Sitra

| Eur 1 000 | Shares and participations | | Capital loans and | Amount total |
|--|---------------------------|--------|-------------------|----------------|
| | Holding | Amount | other loans | |
| | | | Amount | |
| Aw-Energy Oy | 10% | 1 436 | 417 | 1 853 |
| BioTie Therapies Oyj | 3% | 12 207 | 673 | 12 880 |
| Deltagon Group Oy | 17% | 45 | 0 | 45 |
| Fibrogen Inc. | 3% | 3 515 | 0 | 3 515 |
| Fimet Oy | 47% | 496 | 0 | 496 |
| FIT Biotech Oyj Plc | 39% | 8 755 | 825 | 9 580 |
| Fixteri Oy | 38% | 1 749 | 0 | 1 749 |
| Fluid House Oy | 10% | 150 | 1 000 | 1 150 |
| Galilaeus Oy | 44% | 11 038 | 1 103 | 12 141 |
| KC-Holding 3 Oy | 42% | 2 165 | 0 | 2 165 |
| Kuntamaisema Oy | 34% | 60 | 0 | 60 |
| Kuntien Tiera Oy | 0% | 0 | 5 000 | 5 000 |
| Medhelp Group Oy | 27% | 6 278 | 2 387 | 8 665 |
| Medixine Oy | 17% | 1 026 | 0 | 1 026 |
| Mesera Oy | 21% | 2 000 | 2 203 | 4 203 |
| Meteco Oy | 42% | 2 231 | 0 | 2 231 |
| Mobidiag Oy | 10% | 5 183 | 618 | 5 801 |
| Neapo Oy | 38% | 2 340 | 180 | 2 520 |
| Neomed Oy | 10% | 13 | 135 | 148 |
| Nexstim Oy | 21% | 8 367 | 0 | 8 367 |
| Norrhydro Group Oy | 18% | 1 180 | 326 | 1 506 |
| Odum Oy | 45% | 885 | 0 | 885 |
| One1 Oy | 13% | 150 | 0 | 150 |
| Panphonics Oy | 22% | 1 534 | 0 | 1 534 |
| Quatrx Pharmaceuticals Co | 2% | 3 895 | 318 | 4 213 |
| Savo-Solar Oy | 9% | 230 | 1 177 | 1 407 |
| Seven Networks | 1% | 1 718 | 0 | 1 718 |
| Shanghai Fimet Medical Instruments Co. | 13% | 278 | 0 | 278 |
| Solibri Oy | 14% | 150 | 350 | 500 |
| Suomen Aitokauppa Oy | 24% | 461 | 0 | 461 |
| Taltioni Osuuskunta | 0% | 0 | 3 000 | 3 000 |
| Viola Systems Oy | 20% | 800 | 0 | 800 |
| Vivago Oy | 36% | 3 623 | 620 | 4 243 |
| Vivoxid Oy | 38% | 6 982 | 260 | 7 242 |
| WoodPrime Oy | 37% | 750 | 0 | 750 |
| | | 91 690 | 20 592 | 112 282 |
| Business development and direct investments total | | | | 112 282 |
| Cumulative change in value | | | | -81 426 |
| Book value | | | | 30 856 |

6.2.2 Fund investments

Sitra's investments in funds

| Eur 1 000 | Amount |
|---|----------------|
| AC Cleantech Growth Fund I Ky | 4 600 |
| Aloitusrahasto Vera Oy | 2 000 |
| Apple Tree Partners II L.P. | 289 |
| Armada Mezzanine Fund III Ky | 2 321 |
| Baltic Investment Fund III | 364 |
| Boston Millennia Partners L.P. | 1 540 |
| CapMan Russia Fund L.P. | 3 266 |
| Capricorn Cleantech Fund NV | 9 000 |
| Chrysalix Energy III Ltd | 2 018 |
| Crescendo III, L.P. | 1 802 |
| Diamondhead Ventures L.P. | 1 582 |
| EBRD North-West and West Russia Regional Venture Fund | 0 |
| Eqvitec Teknologiarahasto I Ky | 1 377 |
| Folmer Equity Fund I Ky | 1 215 |
| HealthCap 1999 K.B. | 4 459 |
| InnKap 2 Partners | 955 |
| InnKap 3 Partners | 2 509 |
| Inveni Secondaries Fund I Follow-on Ky | 2 |
| Inveni Secondaries Fund I Ky | 7 494 |
| Inveni Secondaries Fund II Follow-on Ky | 715 |
| Inveni Secondaries Fund II Ky | 2 098 |
| Inveni Secondaries Fund III Ky | 3 449 |
| Lifeline Ventures Fund I ky | 975 |
| Matkailunkehitys Nordia Oy | 3 229 |
| MB Equity Fund Ky | 0 |
| Merlin Biosciences Fund L.P. | 6 179 |
| Palvelurahasto Ky | 684 |
| Russian Technology Fund L.P. | 140 |
| Sitra Management Oy | 470 |
| Strategic European Technologies N.V. | 3 406 |
| Trident Capital Fund V | 1 828 |
| Terveysrahasto Oy | 4 745 |
| Ventech Capital II, L.P. | 3 672 |
| Verdane ETF II SPV Ky | 3 424 |
| VisionPlus Fund I Ky | 827 |
| Fund investments total | 82 634 |
| Cumulative change in value | -40 522 |
| Book value | 42 112 |

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.

6.2.3 Other investments

| Eur 1 000 | Shares and participations | | Capital loans and other loans | Amount total |
|---|---------------------------|--------------|-------------------------------|---------------|
| | Holding | Amount | Amount | |
| Aura Mare Oy (Sybimar Oy) | 0% | 0 | 750 | 750 |
| Easdaq S.A. | 0% | 138 | 0 | 138 |
| Eigenvalue Oy | 14% | 432 | 0 | 432 |
| Innotalli Oy | 48% | 170 | 0 | 170 |
| 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 |
| Santhera (Juvantia) | 1% | 3 661 | 0 | 3 661 |
| | | 4 401 | 1 614 | 6 015 |
| Other investments total | | | | 6 015 |
| Cumulative change in value | | | | -5 008 |
| Book value | | | | 1 007 |

7 RECEIVABLES

Interest for the financial year has been entered as income from investment operations and amounted to EUR 0.01 million (2011: EUR 0.01 million).

8 FINANCIAL ASSETS

| Eur 1 000 | 2012 | 2011 |
|---------------|------|-------|
| Bank accounts | 409 | 1 831 |

9 OTHER LIABILITIES

| Eur 1 000 | 2012 | 2011 |
|---|---------------|---------------|
| Personnel expense liabilities | 2 767 | 2 891 |
| Accounts payable | 1 373 | 1 796 |
| Liabilities from funding operations | 1 900 | 90 |
| Other short-term liabilities | 377 | 502 |
| | 6 417 | 5 279 |
| OPEN FUND COMMITMENTS 31.12.2012 | 28 262 | 28 869 |

OFF-BALANCE-SHEET LIABILITIES 31.12.2012

| Eur 1 000 | 2012 | 2011 |
|-----------------------------------|---------------|---------------|
| Ecological sustainability | 1 143 | 6 430 |
| Empowering society | 4 439 | 18 340 |
| Machine Industry Growth Programme | 0 | 904 |
| Centres of expertise | 2 924 | 960 |
| Business development | 12 218 | 2 749 |
| Fund investment | 59 729 | 40 829 |
| Other funding | 237 | 859 |
| Total | 80 690 | 71 071 |

SIGNATURES TO BOARD REPORT AND FINANCIAL STATEMENTS

Helsinki, 13 February 2013

Martti Hetemäki
Anne Kovalainen
Kirsi Sormunen

Erkki Virtanen
Harri Skog
Mikko Kosonen

Auditors' report

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 2012 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 Oy 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.

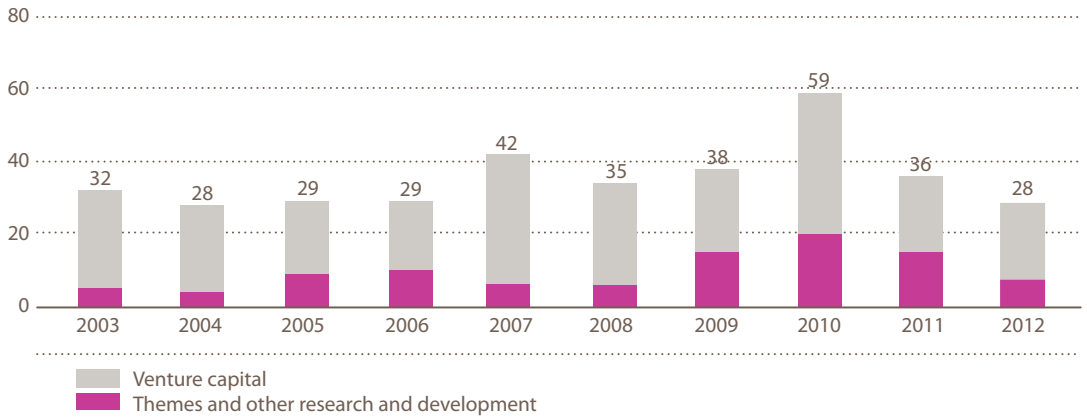
We recommend the financial statements be adopted and that the members of the Board of Directors and President be discharged from liability for the financial period we have audited. We recommend that the surplus for the financial year is dealt with in the manner set out in the Board report.

Helsinki, 15 February 2013

Esko Kiviranta
Mika Kari
Lenita Toivakka

Eero Prepula, APA, CFPA
Tom Sandell, APA, CFPA
Markku Koskela, APA

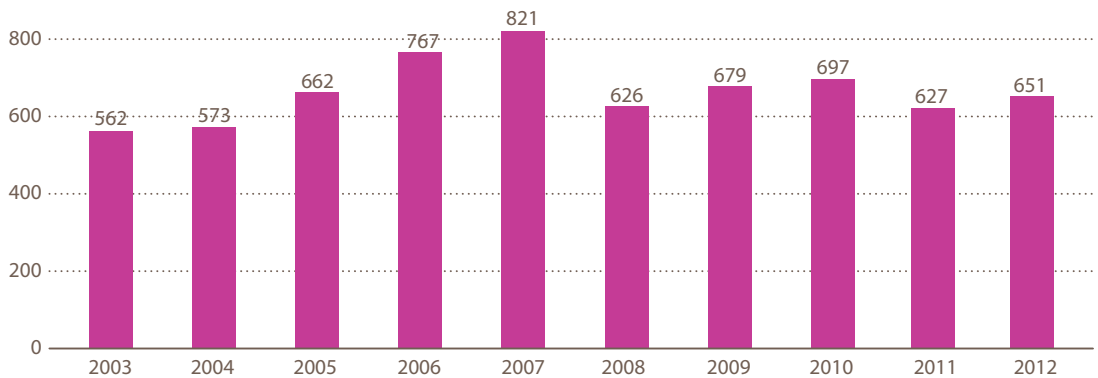
FUNDING DECISIONS 2003 – 2012, MILLION €



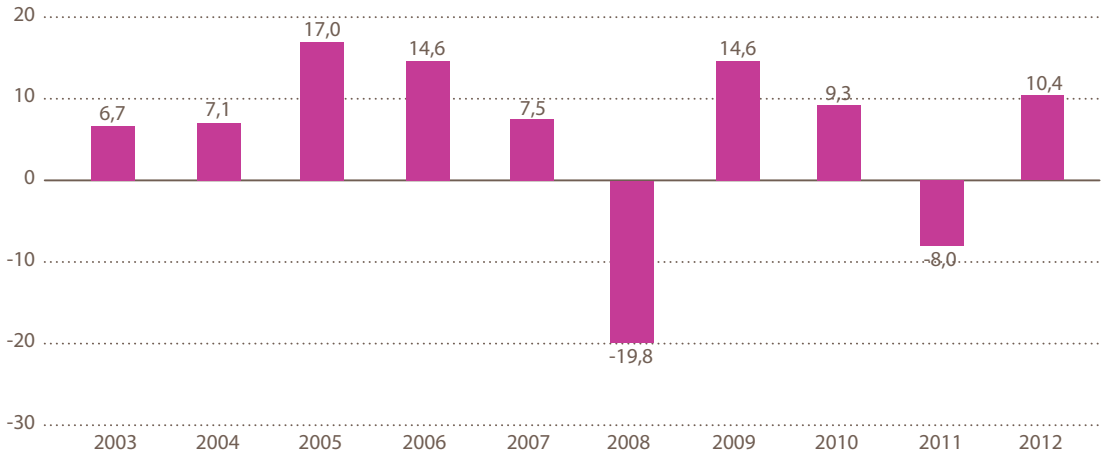
FUNDING DECISIONS BY AREAS OF OPERATION 2012, MILLION €



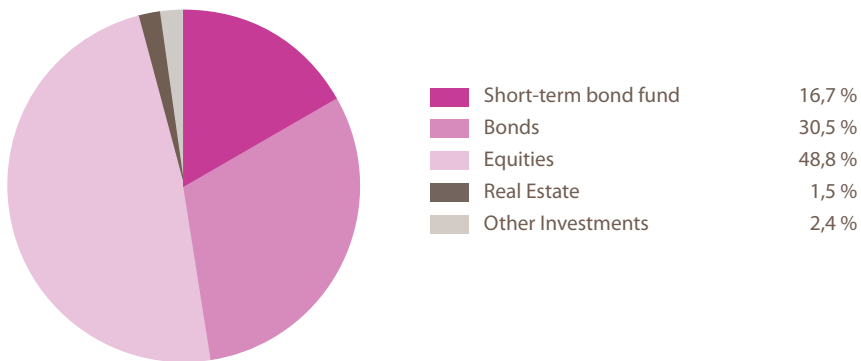
MARKET VALUE OF ENDOWMENT CAPITAL 2003 – 2012, MILLION €



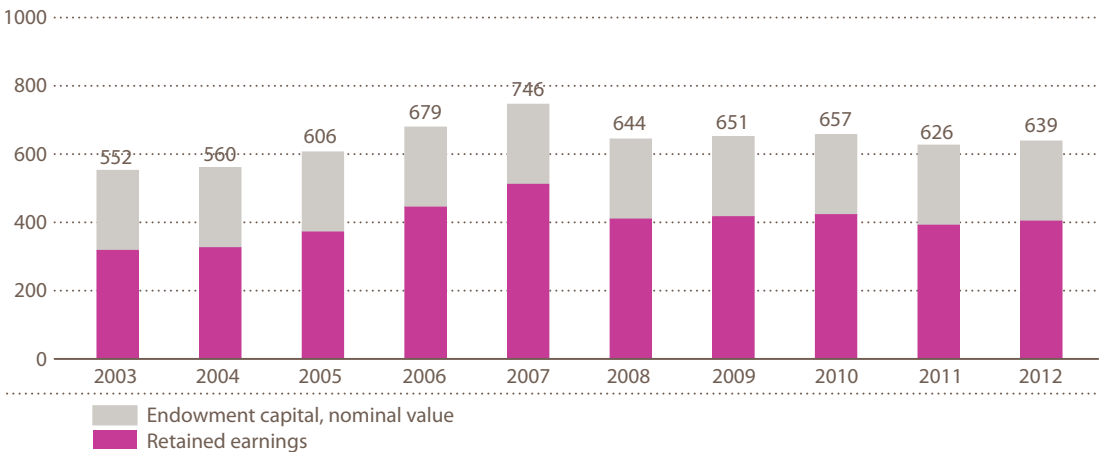
INCOME FROM ENDOWMENT CAPITAL 2003 – 2012, %



INVESTMENT PORTFOLIO 31 DECEMBER 2012



SITRA'S EQUITY 2003 – 2012, MILLION €





SITRA

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