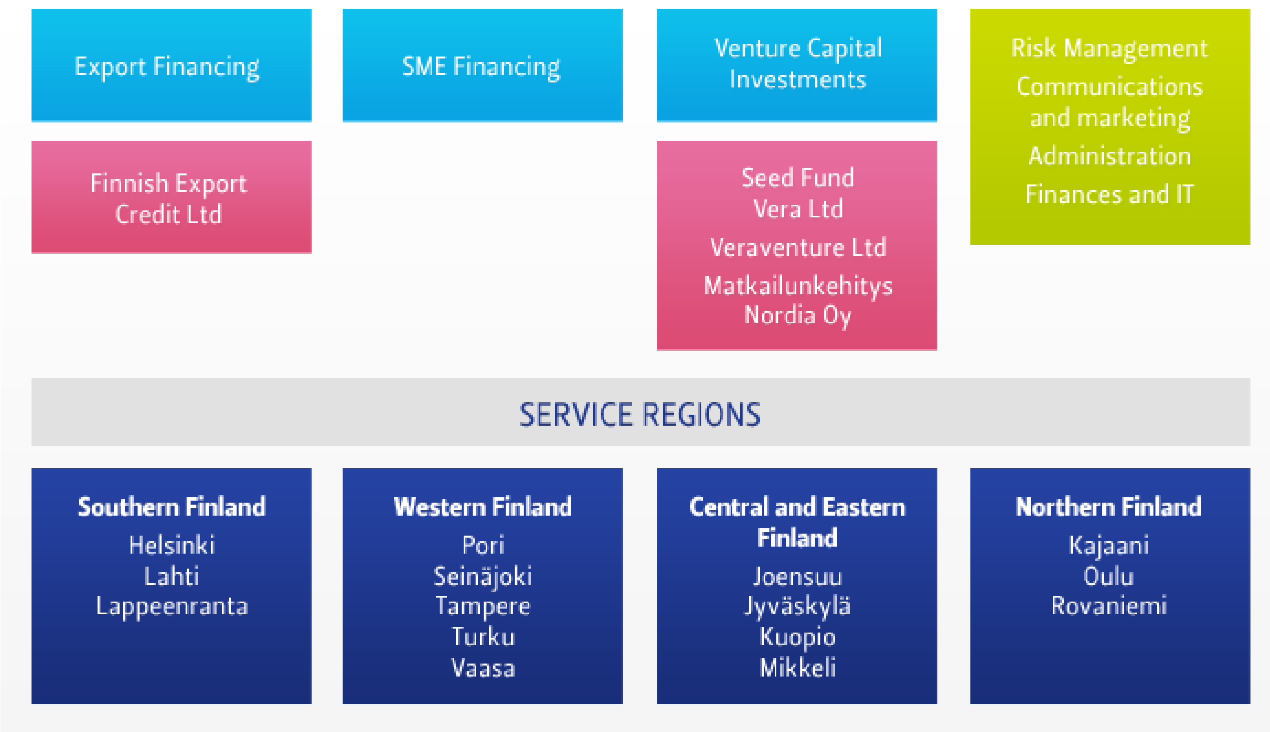
Finnvera's
Annual Report 2011

FINNVERA

Finnvera in brief

Finnvera plc is a specialised financing company, owned by the State of Finland, which supplements the financial services offered by the private sector. Finnvera provides financing for various stages in the life of an enterprise: for its start, growth and internationalisation, as well as for protection against export risks. As a new activity at the outset of 2012, Finnvera began to provide financing for export credits through its subsidiary, Finnish Export Credit Ltd.

FINNVERA GROUP 1 JAN 2012–



The Finnvera Group reinforces the capacity and competitiveness of Finnish enterprises by offering loans, domestic guarantees, venture capital investments, export credit guarantees, as well as interest equalisation and financing services for export credits. The company does not issue grants or direct business subsidies; financing is granted for a consideration, and the fees payable by clients correspond to the risk involved. Interest subsidies granted by the State of Finland and by the European Regional Development Fund reduce the price paid by clients for financing in areas assisted on regional policy grounds and in the Objective Regions of the EU. The risks involved in financing are shared between Finnvera and other providers of funding. The funds needed for granting credits to enterprises are obtained from the financial market.

Finnvera has official Export Credit Agency (ECA) status.

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The Finnvera Group reinforces the capacity and competitiveness of Finnish enterprises.

Finnvera’s operations are steered by the relevant legislation and by the obligations laid down in international treaties, as well as by the industrial and ownership policy goals determined by the State. The State compensates Finnvera for some of its credit and guarantee losses, and a long-term goal of economic self-sustainability *) has been set for Finnvera’s operations.

*) Economic self-sustainability means that, in the long run, Finnvera must be able to cover its own operating expenses, and the credit and guarantee losses at its responsibility, with income received from commercial operations.

Role and impact of operations

Role

By providing financing, Finnvera strives to promote:

- the operations of small and medium-sized enterprises
- the internationalisation and exports of enterprises
- the realisation of the government's regional policy goals

Finnvera's role is to supplement the financial market. The Ministry of Employment and the Economy monitors and supervises Finnvera and sets annual goals for the company's operations. When determining these goals, attention is paid to the Finnish Government Programme, the Ministry's corporate strategy, the policy objectives of the Ministry's administrative branch, and the goals of EU programmes.

Attainment of the goals is measured, for instance, by the number of starting and growing enterprises and new jobs that Finnvera's financing has helped to make possible. In addition, the evolution of the ratio between exports covered by export credit guarantees and Finland's total exports is followed over time. The goals set for 2011 focused on the targeting of financing at growth companies and venture capital investments and on improving the competitiveness of export financing services.

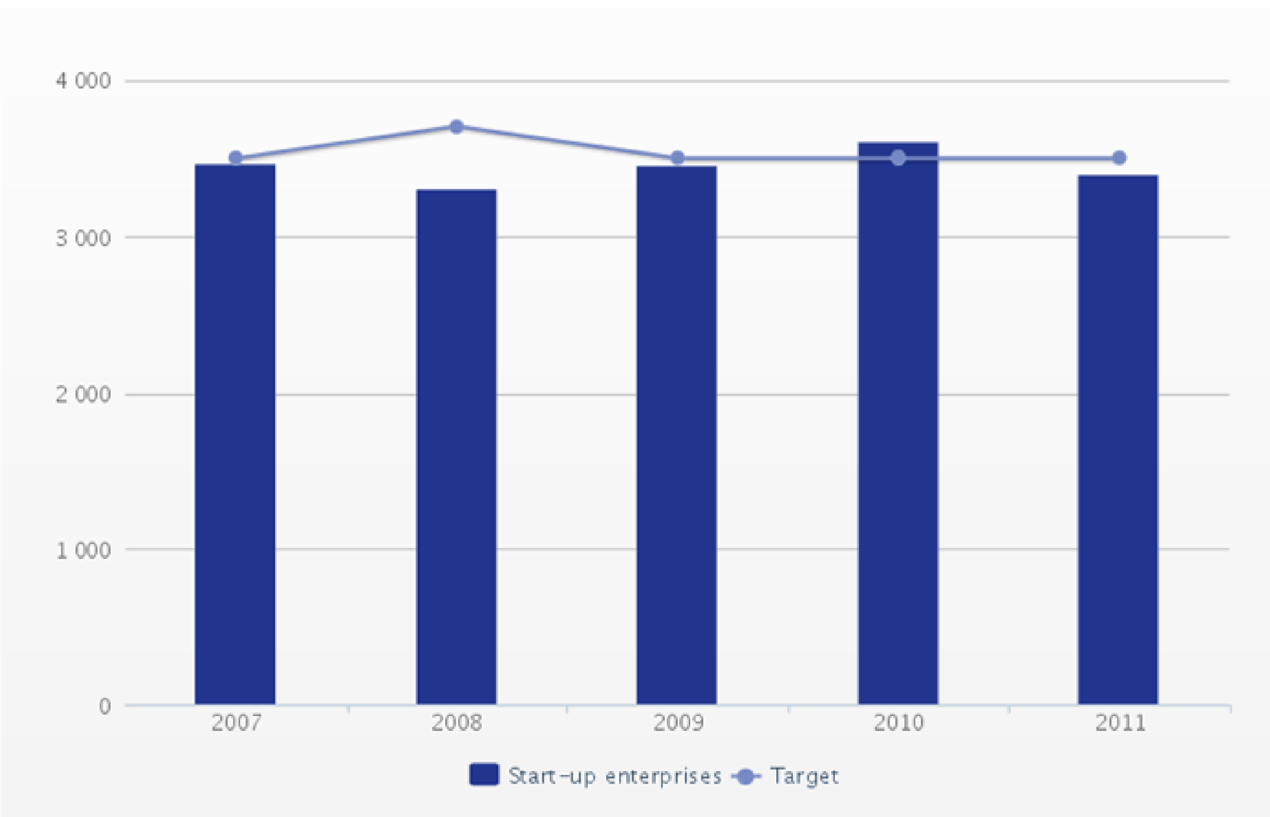
Impact of operations

Finnvera's SME financing is divided into three areas, depending on the focus of operations: micro-financing (incl. start-ups); financing for growth and internationalisation; and regional financing. At the beginning of 2012, these three areas formed a new unit: Financing for SMES and Internationalisation.

There are not many financing options available for starting enterprises in Finland. Owing to the uncertain economic situation, less private capital than before is available for early-stage financing. Finnvera can take greater risks than private financial institutions, thereby facilitating the creation of new business.

If Finnvera did not provide financing services aimed at start-up enterprises or did not make early-stage venture capital investments, the consequence could be that fewer new enterprises would be established in Finland, or that their growth and development would be considerably slower than it is with the help of Finnvera's financing. Every year, Finnvera participates in the financing of about 3,500 start-up enterprises. This corresponds to an average of about ten per cent of companies established annually in Finland.

START-UP ENTERPRISES, NUMBER

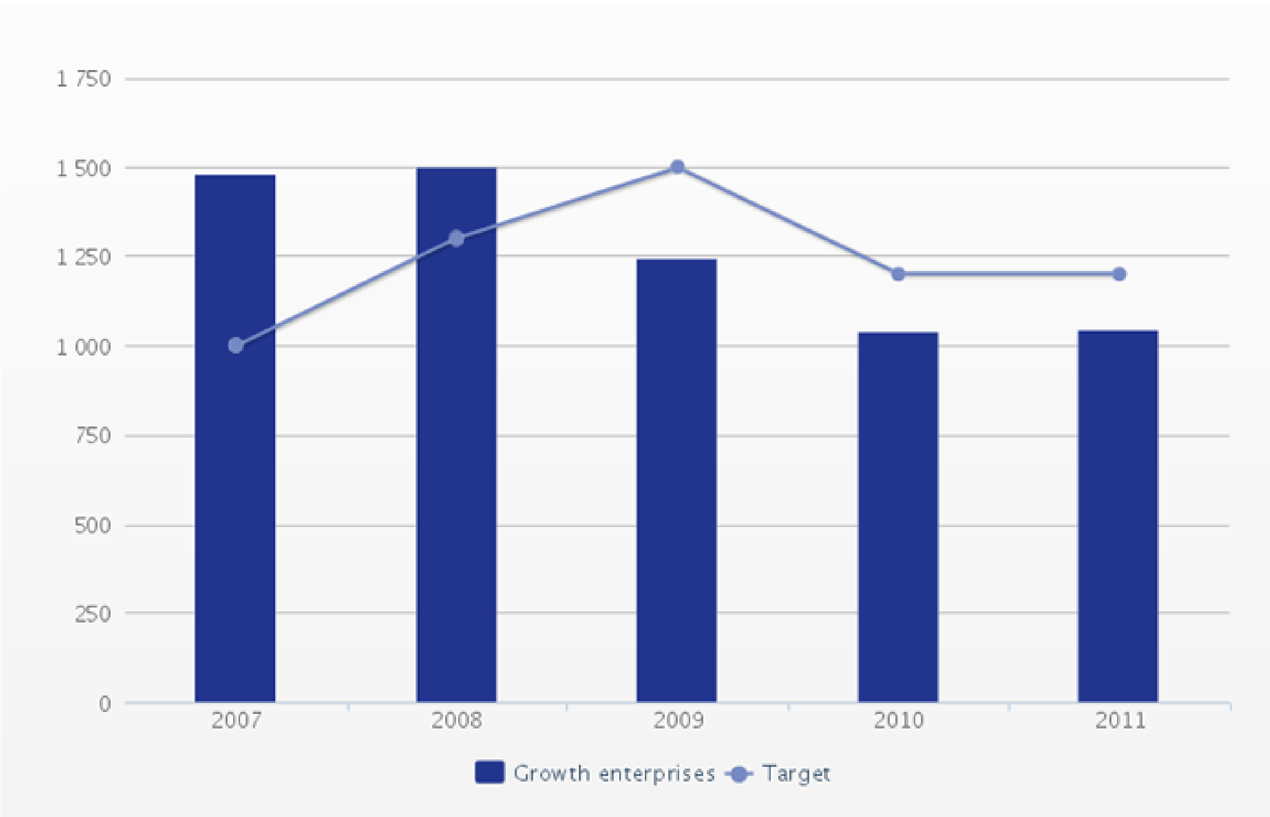


In 2011, Finnvera's aim was to provide financing for 3,500 starting enterprises. In the end, financing was granted to a total of 3,397 start-ups.

In venture capital investments, the goal is to create financing solutions that would help early-stage enterprises, within a period of two to five years, to develop into companies that would also attract private investors and financiers. In the medium term, the aim is to grow start-ups into medium-sized enterprises that contribute to the Finnish economy, for instance, as employers and future export companies.

Financing for growth and internationalisation provides Finnish SMEs with financing options for international trade, as well as financing for growth, thereby helping companies to expand their business.

GROWTH ENTERPRISES, NUMBER

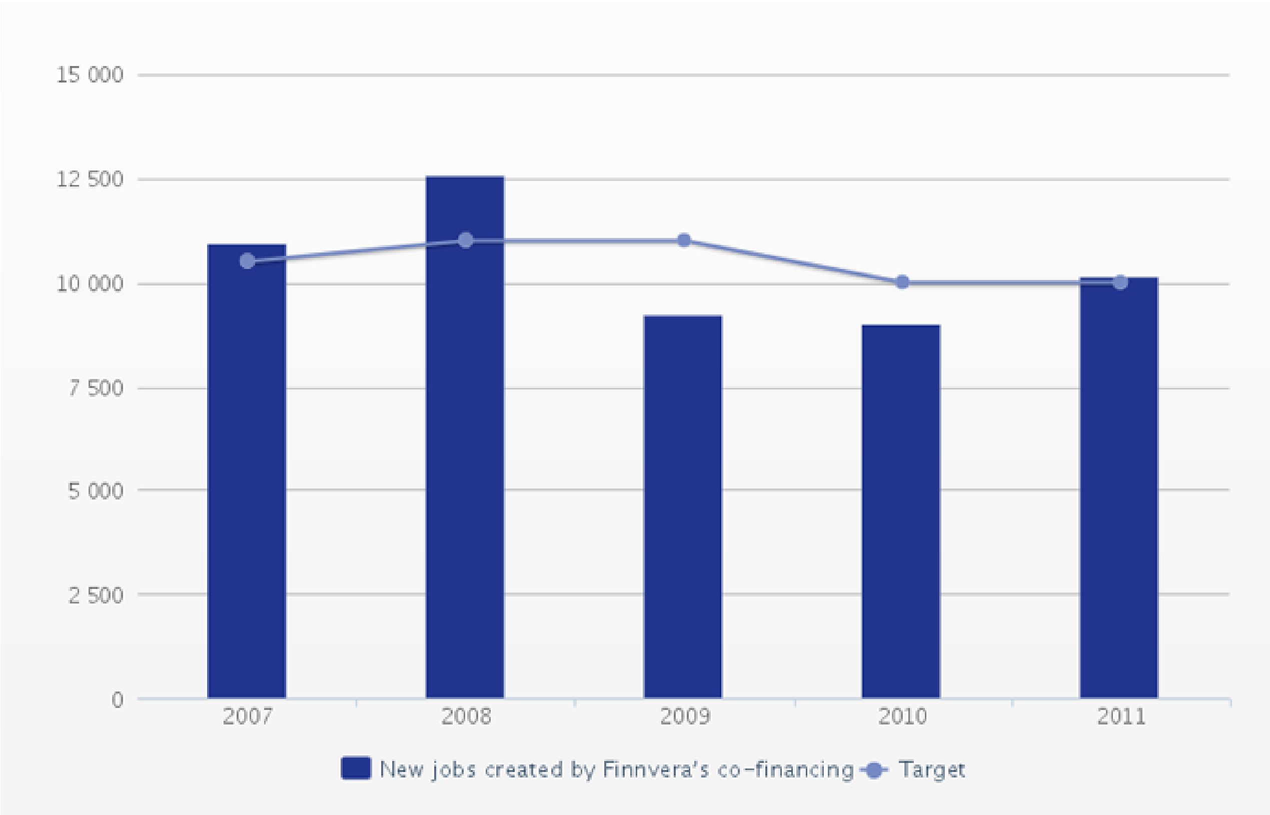


In 2011, Finnvera's aim was to provide financing for over 1,200 growth enterprises. Financing was granted to 1,043 enterprises.

Domestic regional financing improves the financing options available for Finnish SMEs operating on the domestic market. Although these companies do not seek international growth, they play an important role in the Finnish economy, for instance, as employers. Finnvera's regional financing is also intended to slow down and alleviate the negative effects of regional restructuring and to keep regions viable.

Moreover, in cooperation with other actors, Finnvera participates in planning and implementation in areas of abrupt structural change when, for instance, a major employer in the region winds up its operations. In 2011, there were eleven areas of abrupt structural change, and the financing granted by Finnvera to enterprises in these areas totalled EUR 97 million.

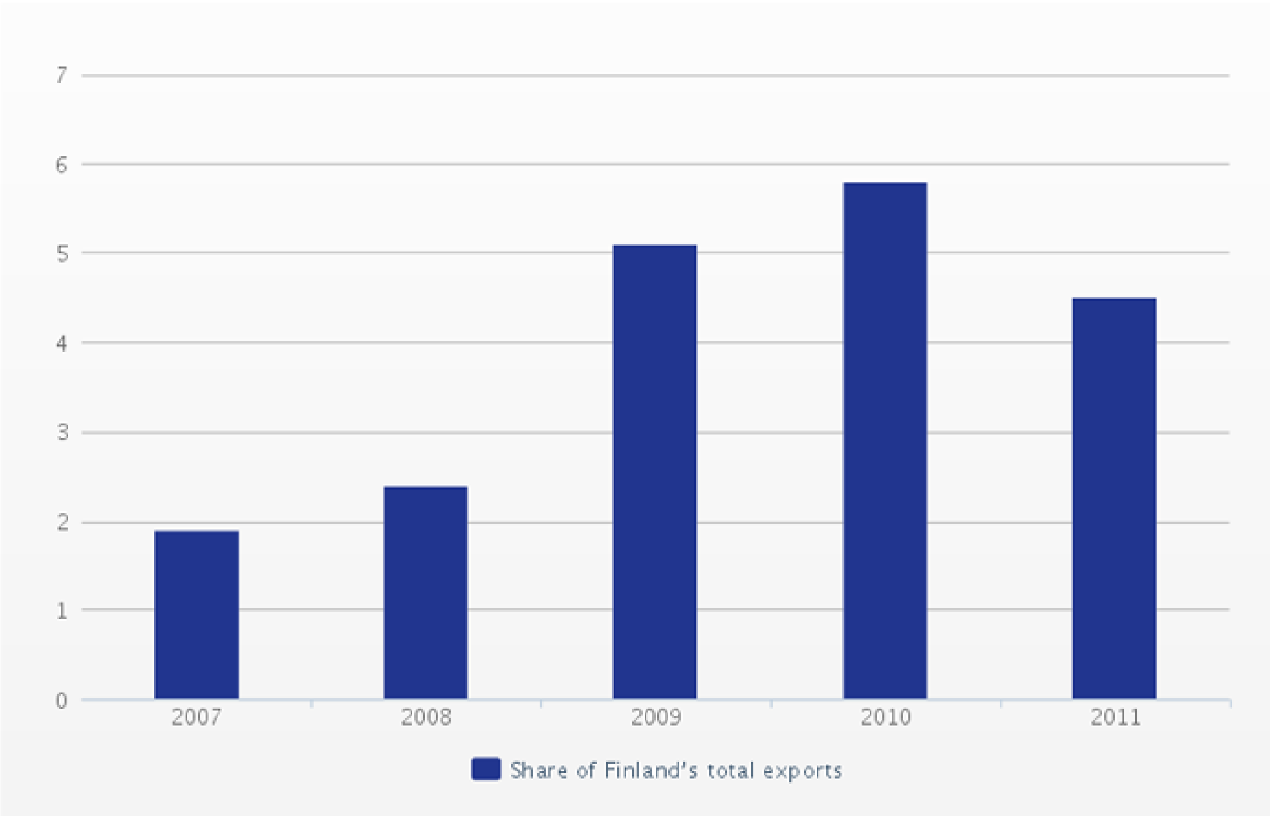
IMPACT ON EMPLOYMENT, JOBS



In 2011, Finnvera's aim was to contribute, through its financing, to the creation of 10,000 new jobs in Finland. Finnvera's co-financing helped to create 10,159 new jobs.

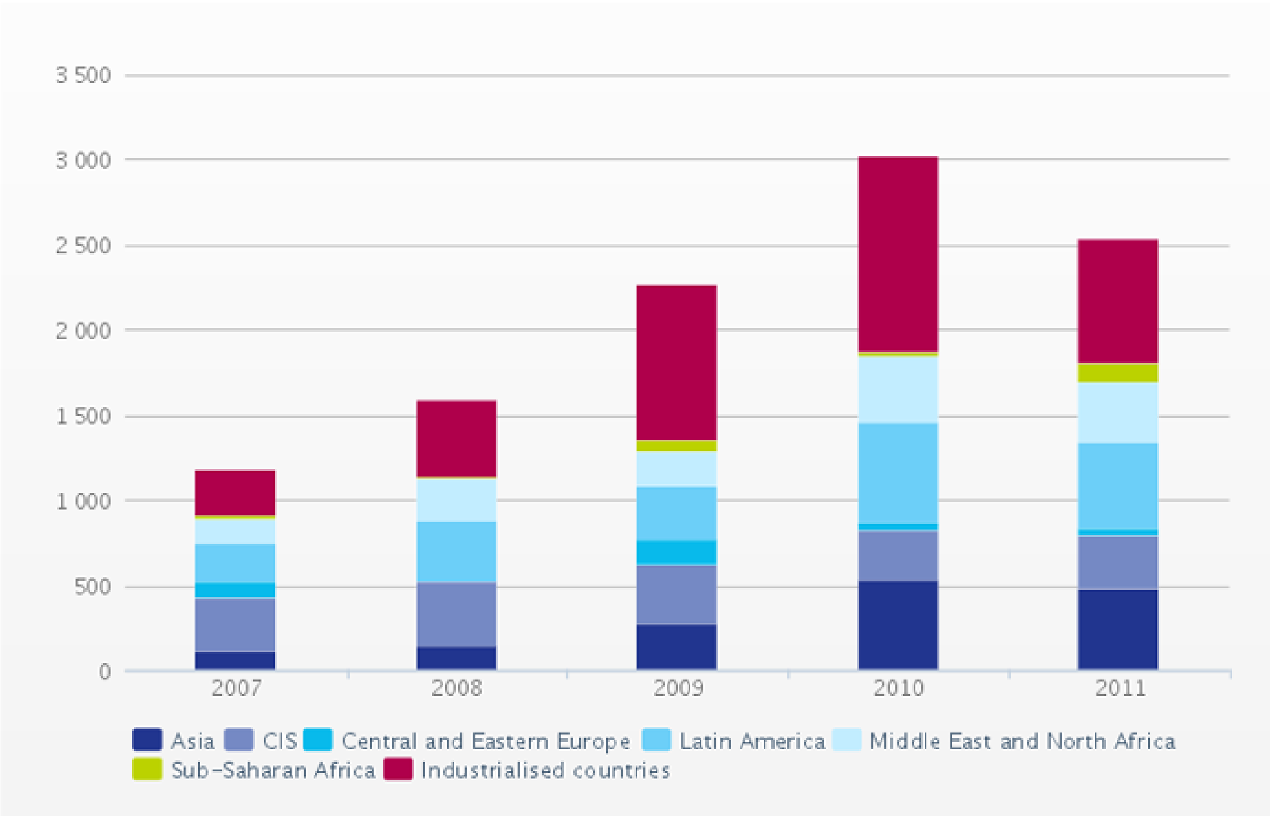
To be eligible for export credit guarantees, exports must meet the requirement of Finnish interest. This means that the export project must be examined from the perspective of the Finnish economy. The financing and its arrangement may be a factor affecting the conclusion of an export transaction. The importance of Finnvera's export financing, especially in longer arrangements exceeding seven years, has clearly increased during the past few years. In consequence, the share of exports covered by Finnvera's guarantees has, within a couple of years, risen from about two per cent to about six per cent of Finland's total exports. Indirectly, export financing is very important for the Finnish economy and thereby for well-being of Finns.

EXPORTS COVERED BY EXPORT CREDIT GUARANTEES, % OF FINNISH EXPORTS



The value of exports covered by export credit guarantees is monitored in Finnvera's industrial policy goals. This amounted to EUR 2,537 million, corresponding to 4.5 per cent of Finland's total exports.

FOREIGN RISK-TAKING: EXPORTS COVERED BY GUARANTEES BY REGION 31 DEC, MEUR



Vision, values and strategy

By supplementing the financial market and by providing financing, Finnvera promotes the business of SMEs, the exports and internationalisation of enterprises, and the realisation of the State's regional policy goals.

Vision

Together with its partners, Finnvera contributes actively to the success of its clients by providing internationally competitive solutions for risk financing.

Values

Finnvera's value statement, An Expert Esteemed by Clients, characterises the company's mode of operations. The company's value base is grounded in:

- trust
- partnership and
- focus on solutions

Strategy

Legislation relating to Finnvera defines the tasks whereby Finnvera influences the development of enterprise and employment in Finland. The industrial and ownership policy goals, confirmed by the Ministry of Employment and the Economy, apply to issues such as the focus of operations, the impact and efficiency of operations, and capital adequacy.

Financing is grounded in the acts and decrees relating to Finnvera, the Government's commitments on guarantee and credit losses, and in the credit and guarantee policy confirmed by Finnvera's Board of Directors.

Clients are at the core of Finnvera's values, vision and strategy. Finnvera carries out its operations in accordance with an ISO 9001 certified system. The operating system and its effectiveness are evaluated by means of studies, and the system is developed on the basis of the results obtained.

Finnvera Group's strategic goals 2012-2015

1. We offer locally operating small enterprises timely and efficient financing solutions for the establishment of undertakings.
2. Taking regional development aims into account, we provide financing for the reorganisation, investments and growth of enterprises operating on the domestic market.
3. We offer the Finnvera Group's financing services to growing and internationalising companies.
4. We offer export companies internationally competitive solutions for export financing that benefit the Finnish economy.
5. We improve productivity and customer satisfaction by means of effective procedures. We ensure internationally competitive know-how through constant development of the work organisation and personnel.

Finnvera's strategy process

Finnvera's strategy is updated annually. The process starts early in the year when the company's Board of Directors reviews the attainment of the goals set for the previous year and holds a preliminary discussion of new goals. The background information needed for the work is obtained from analyses of operating environment, monitoring corresponding organisations in other countries, and from a strategy survey conducted among personnel.

The corporate strategy of the Ministry of Employment and the Economy (MEE) is completed annually at the end of February and it provides the outline for Finnvera's strategy work. Thereafter, the business and support units prepare their own preliminary views of Finnvera's strategic goals. A summary of preliminary strategic goals is formulated at the turn of May June, after which the units set their own annual goals based on the company's goals. These are reviewed when the annual planning and budgeting process starts in September. At that time, the ownership and industrial policy goals set by the MEE for Finnvera are also available. Finnvera's Board of Directors confirms the strategy and annual goals in December.

In September, an online survey was conducted to explore personnel's views on issues concerning Finnvera's future and the development of the company's activities. Personnel responded actively to the survey, and comments were received from over 70 people. Most of the responses dealt with very practical issues, and some of the measures proposed have already been implemented.

Corporate responsibility

Finnvera's operations are grounded in legislation, and the company operates responsibly, adhering to good administrative practice. The company's activities have extensive social impacts on enterprise and employment.

Financial services

Finnvera enables financing solutions that consist of financial services offered by both the Finnvera Group and other public and private actors.

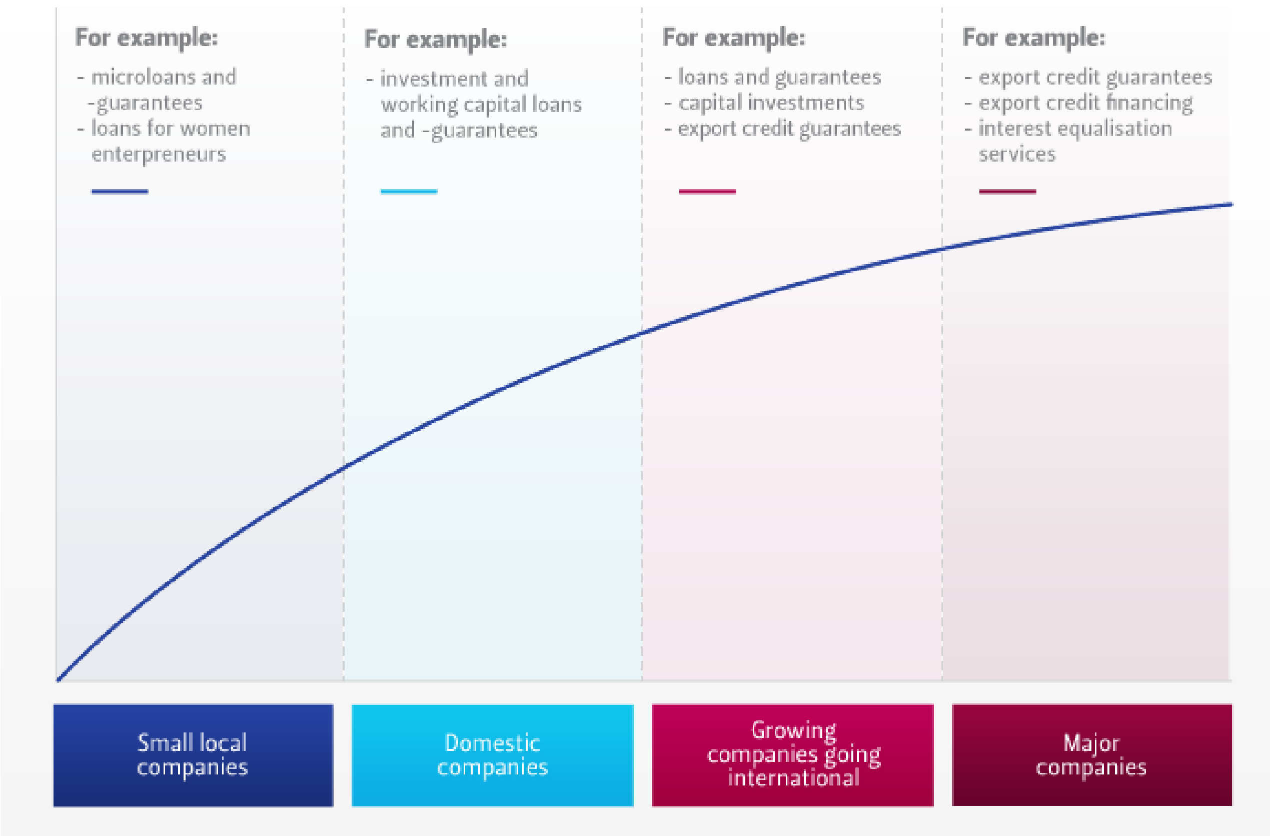
Finnvera offers:

- loans
- guarantees
- direct venture capital investments
- export credit guarantees and other financial services for exports

Finnvera carries out venture capital investments through its subsidiaries – Veraventure Ltd, Seed Fund Vera Ltd and Matkailunkehitys Nordia Oy.

Finnish Export Credit Ltd, another subsidiary of Finnvera, administers the interest equalisation system for export credits and domestic ship financing in accordance with the OECD Arrangement. At the start of 2012, Finnish Export Credit Ltd began to offer export credit financing based on the parent company's acquisition of funds.

A COMPANY'S LIFE CYCLE AND PRODUCTS



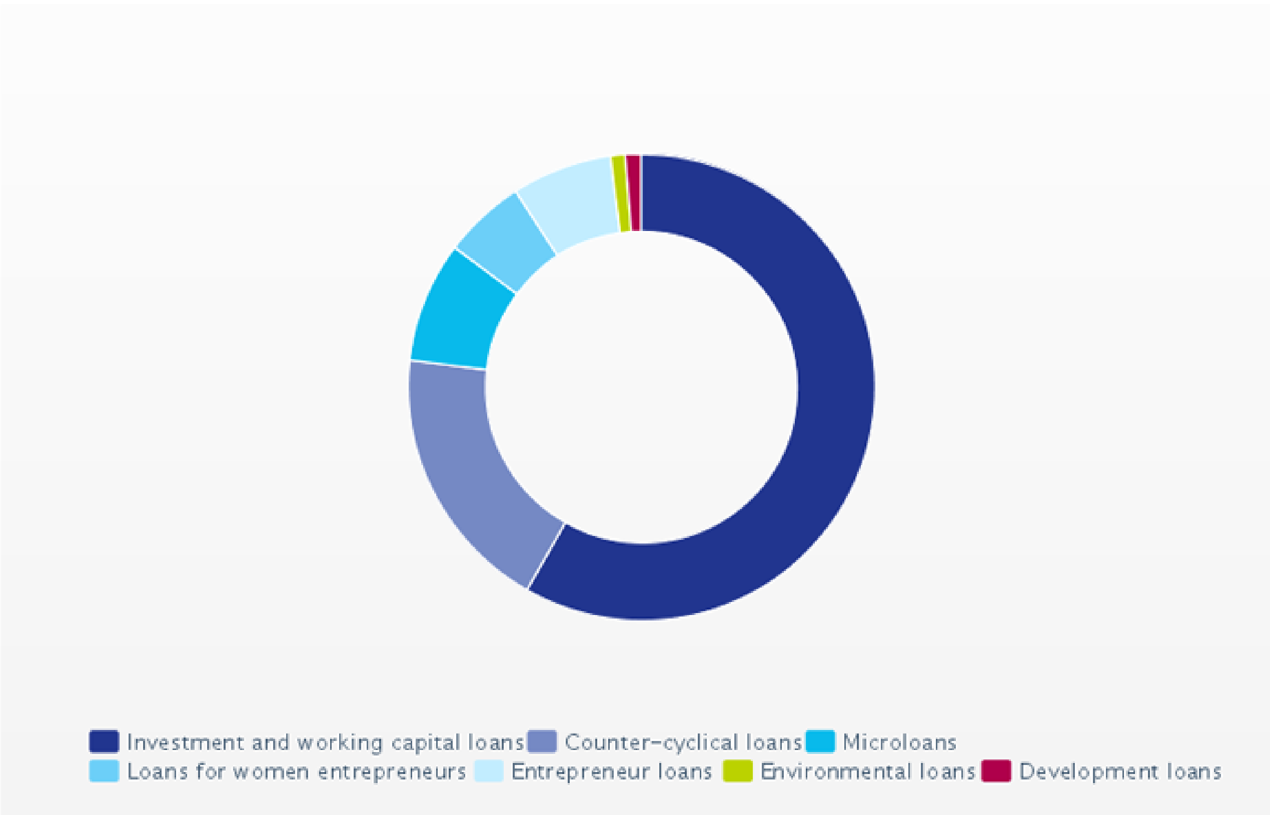
Finnvera's financial services are a viable solution for various stages in a company's life cycle.

SMEs can apply for Finnvera's financing at various stages of their life cycle. Finnvera's financing is available for enterprises in a situation of change when they have a good business idea and the potential for success, and their operations are on a sound basis. Situations of change include the starting of a business, a change of generation and other company reorganisations.

Loans

Finnvera provides loans for various purposes: the establishment of a company; investments; growth; and other development of operations.

LOANS GRANTED BY PRODUCT 2011, MEUR

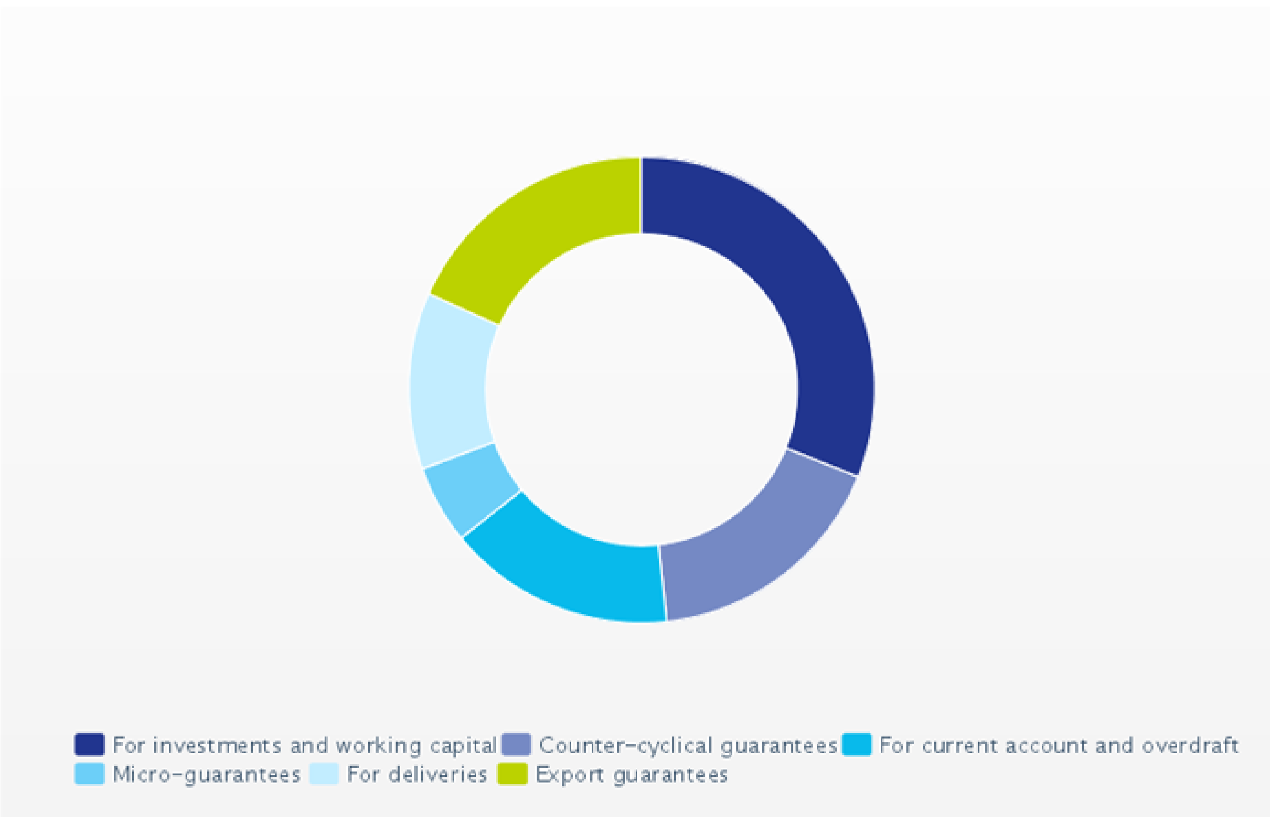


Guarantees

Finnvera provides guarantees as security for companies' financing needs at various stages of enterprise operations. Applications for guarantees can be filed for setting up a company, for investments, growth and internationalisation.

An SME can use Finnvera's guarantees as security for credits granted by banks and financing and insurance companies and for other commitments.

GUARANTEES GRANTED BY PRODUCT 2011, MEUR



Export credit guarantees

Finnvera's diverse selection of export credit guarantees provides exporters and financiers with solutions for covering export risks and for easing financing problems.

As of the beginning of 2012, Finnvera and its subsidiary Finnish Export Credit Ltd have been able to finance export credits granted by banks. The new model is intended for arranging financing for foreign customers who buy Finnish capital goods. Finnish Export Credit Ltd also administers the interest equalisation system for officially supported credits.

Venture capital investments

Public early-stage venture capital investments are concentrated in the Finnvera Group. Finnvera makes direct investments in early-stage innovative companies and develops regional venture capital investment activities by investing in regional equity funds organised as limited companies and in Vigo accelerator funds.

In venture capital investments, Finnvera's financing products are direct share capital investments and subordinated loans. The investments are made as minority investments. The fund's holdings range from 10 to 40 per cent. The maximum initial investment is EUR 500,000.

Service network

Finnvera's domestic operations are divided into four service regions: Southern Finland; Western Finland; Central and Eastern Finland; and Northern Finland. In these areas, the company has a network of 15 regional offices. The regional offices serve SMEs and provide financing solutions in cooperation with other public and commercial providers of financing.

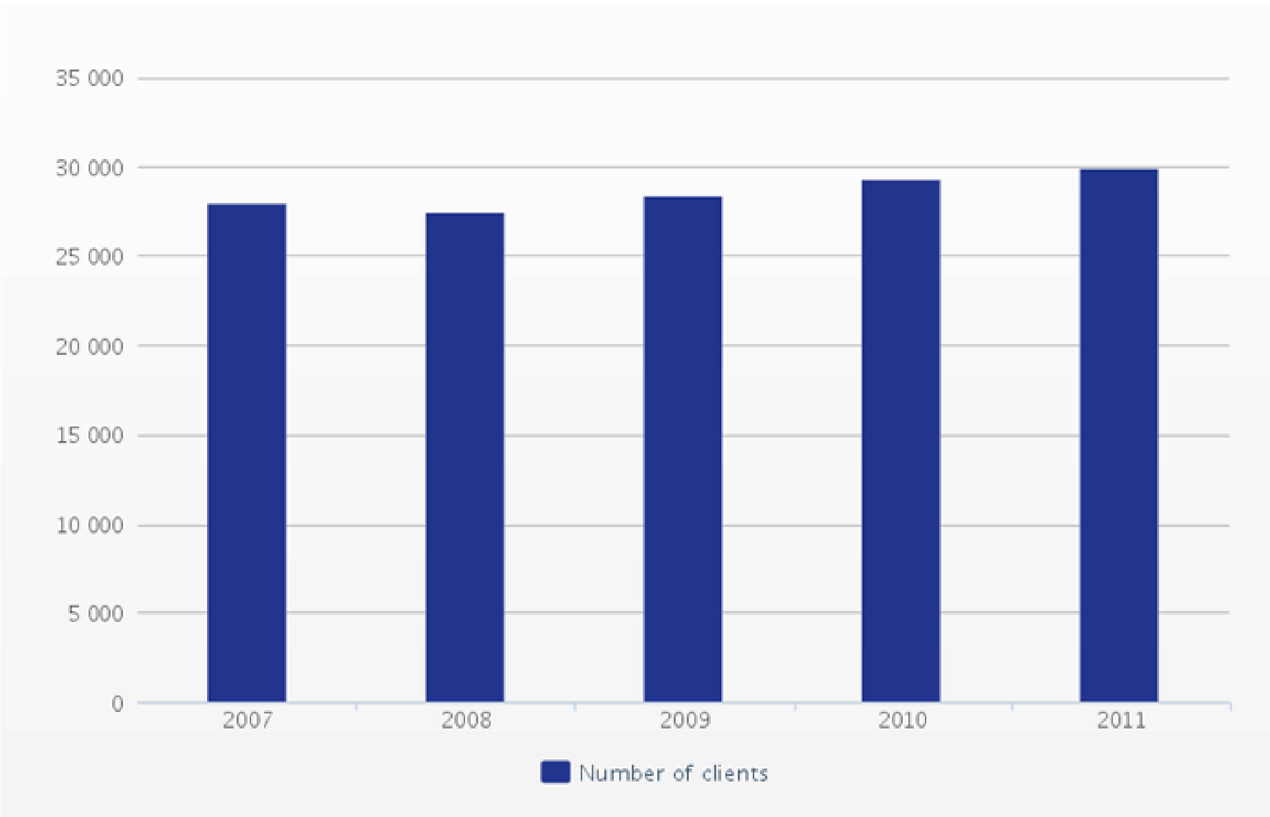
In domestic micro-financing, Finnvera works in close cooperation with regional business advisory organisations, such as the Enterprise Agencies and municipal business companies. In 2011, these cooperation partners gave nearly 1,300 opinions on eligibility for financing; this sped up the processing of applications for financing submitted by starting enterprises. Cooperation with banks in the financing of small enterprises was also active and increased during the year. In 2011, the volume of micro-guarantees granted by Finnvera to banks as security for their credits to small enterprises was 37 per cent greater than the year before.

The Export Financing Unit serves large export companies operating in Finland and is responsible for foreign risk-taking. Together with Finnish and international providers of financing, the unit's experts based in Helsinki offer exporters and their foreign buyers services relating to export financing.

Clients

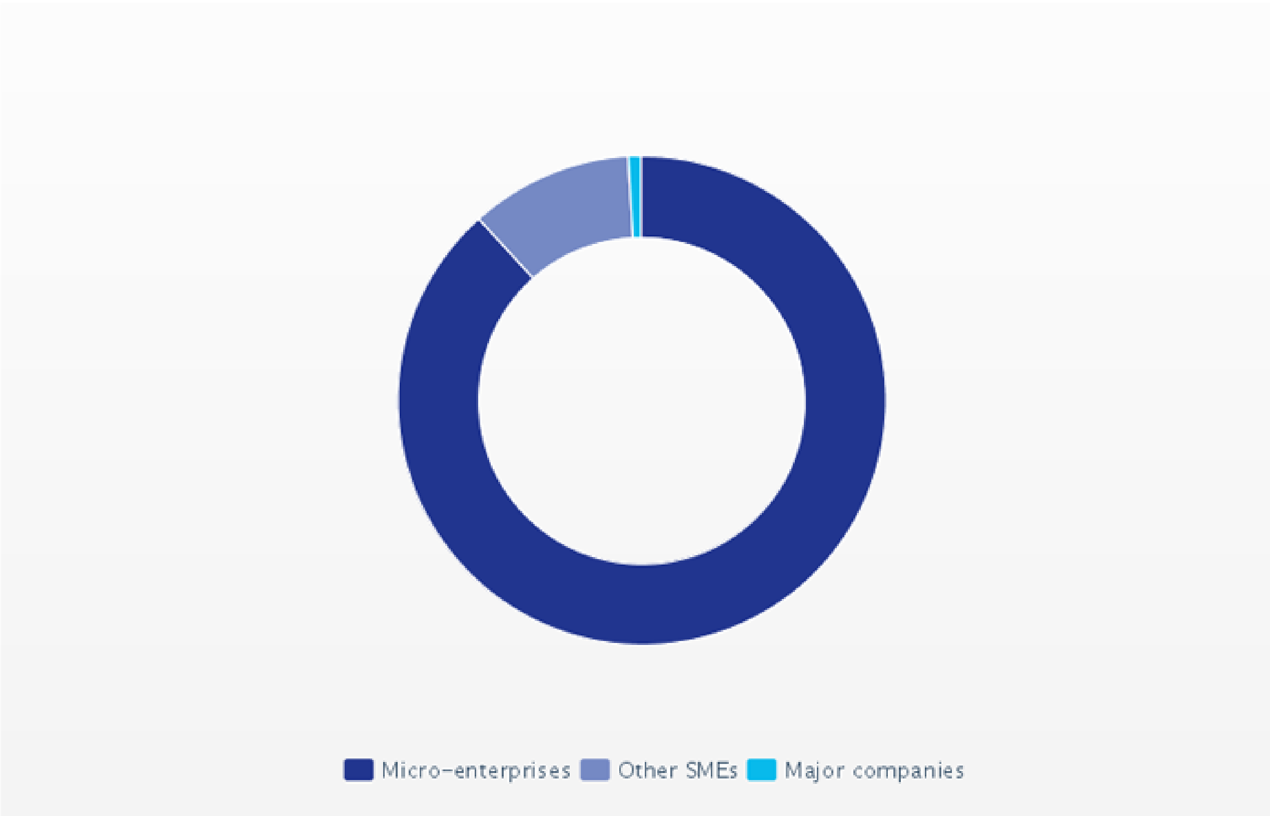
The number of Finnvera's clients continued to increase, approaching 30,000. At the end of 2011, Finnvera had over 29,900 clients, or 580 more than the year before. Of this number, 68 per cent were micro-enterprises, 11 per cent were SMEs, less than one per cent were large enterprises, and 20 per cent were entrepreneurs who had been granted an Entrepreneur Loan for investment in share capital or for their contribution to a partnership. The most rapid increase in the number of clients was recorded in the regions of Lahti, Helsinki and Oulu.

CLIENTS, NUMBER



The clients of the Unit of Financing for SMEs and Internationalisation and of the Unit of Venture Capital Investments are Finnish SMEs of different sizes, from start-ups to companies seeking growth through internationalisation. The clients of the Export Financing Unit are large Finnish enterprises engaged in export trade, their foreign buyers, and domestic and foreign banks providing financing for exports.

CLIENTS BY ENTERPRISE SIZE 31 DEC 2011, %



As the client enterprise continues to grow, more financing is needed for new investments, internationalisation or exports. Finnvera may participate in the company's financial arrangements if funding cannot be obtained from financiers operating on market terms, for instance, owing to insufficient collateral. A prerequisite is also that the company has the potential for profitable business. Export financing services enable exports and provide protection against export risks.

Client turnover is the fastest in micro-financing, where the sums involved are the smallest and the repayment periods the shortest.

The feedback received from clients and cooperation partners throughout the year at meetings, in telephone conversations, by e-mail or through the website is recorded in the electronic feedback system. This feedback is used to develop Finnvera's operations. In 2011, nearly 130 comments or opinions were received through the feedback system. Most of the comments pertained to the online services, and the proposals for improvements will be taken into account when the online services are developed.

Finnvera's client and stakeholder surveys

Every second year, Finnvera conducts client and stakeholder surveys, which provide information that is used to support the strategic planning and development of operations. The most recent surveys were carried out in spring 2011. The data were collected through an internet survey, which was supplemented with telephone interviews. In total, about 2,250 responses were received. The results were completed in May.

The surveys explored clients' and stakeholders' satisfaction, impressions and views of the impacts of Finnvera's operations. In addition, clients were asked to evaluate the services provided in the various business areas.

According to the results, the corporate clients of both SME financing and export financing are very satisfied with Finnvera's operations, and the impressions of the company's financial services have become stronger across the board. Corporate clients feel that the benefits gained through cooperation with Finnvera and the quality of services were either good or very good for all business areas. The grades given for the professional competence and know-how of Finnvera's experts and for the handling of the customer relationship have also risen when compared against the results of the two previous surveys. Finnvera's public image is positive and strong among stakeholders.

Improvements were also suggested: stakeholders hoped that Finnvera would maintain more regular contacts, would disseminate information about its activities, and would be in closer contact with international funds making venture capital investments.

The survey findings were utilised during the year when developing the operations of Finnvera, its business units and regional offices, and when planning the operations of the support units and setting goals for them.

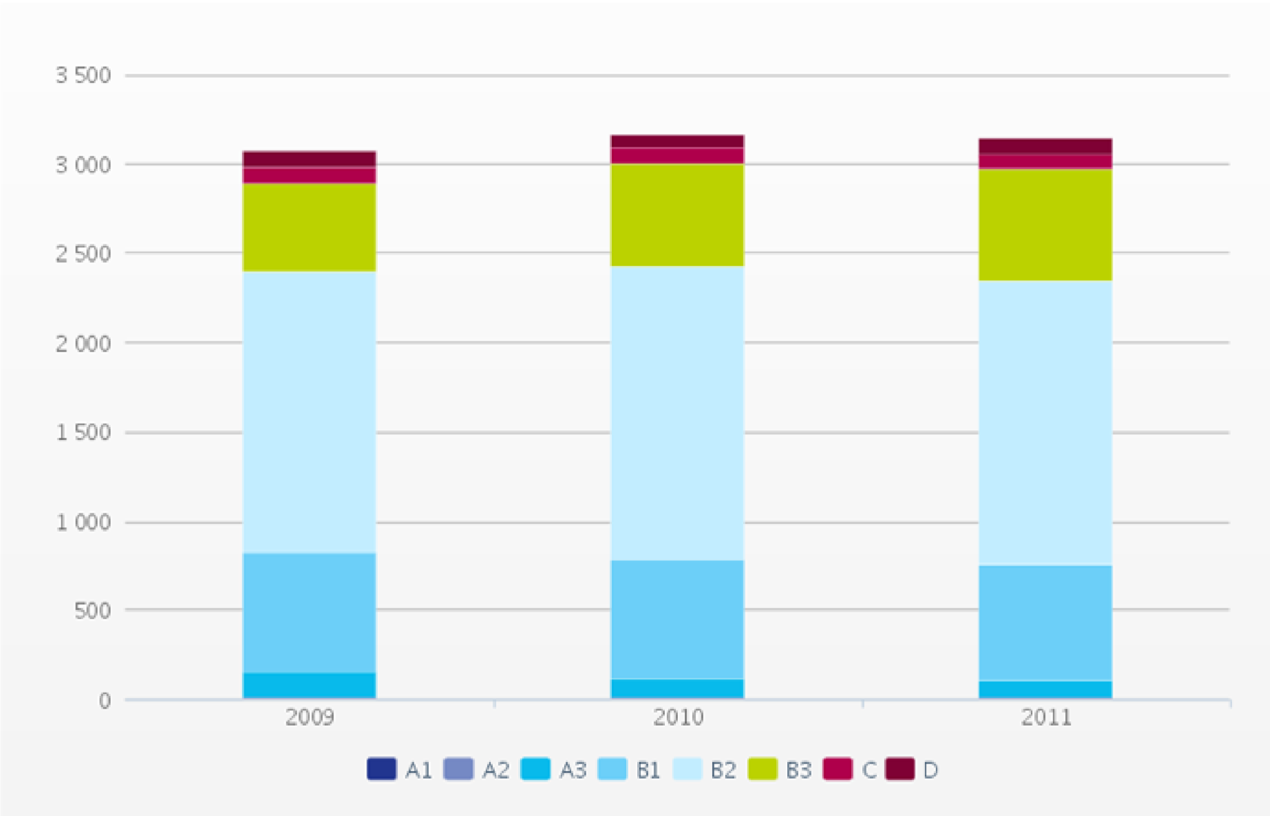
Risk-taking

Controlled risk-taking is an integral part of Finnvera's operations. However, in accordance with the goal of self-sustainability set for Finnvera's operations, income received from commercial operations must, in the long run, cover both the company's own operating expenses and the credit and guarantee losses for which it bears responsibility. Finnvera can take greater risks than commercial financial institutions because the State of Finland covers some of the credit and guarantee losses that arise. On average, the State compensates Finnvera for half of the annual credit losses incurred in SME financing. Any loss for domestic operations remaining after the State's compensation for credit losses is covered from the fund for domestic operations on the balance sheet.

The risks involved in financing are shared between Finnvera and other providers of funding. Above all, Finnvera's financing is based on the enterprise's potential for success. Even though the need for collateral is examined separately for each project, Finnvera usually provides loans and guarantees without full collateral. In SME financing, the collateral gap in proportion to the commitments is about 70 per cent. In 2010, the corresponding figure was 55 per cent. The price of financing offered by Finnvera reflects the fact that the risks involved in Finnvera's loan and guarantee portfolio are clearly greater than those of banks. For this reason, the financing provided by Finnvera is slightly more expensive than bank financing.

In recent years, Finnvera has increased its risk-taking both in the financing of companies' domestic operations and in the financing of exports. The uncertain economic situation has somewhat weakened the clients' risk categories, which is shown by an increase in the relative share of both non-performing receivables and arrears. Counter-cyclical financing has also increased Finnvera's outstanding commitments and risk level. Materialised credit losses in SME financing are annually about 2 to 3 per cent of the outstanding commitments. In 2011, the credit and guarantee losses in SME financing and impairment losses on receivables totalled EUR 83 million (68 million) before the State's credit loss compensation.

SME FINANCING: OUTSTANDING COMMITMENTS BY RISK CATEGORY, 31 DEC, MEUR



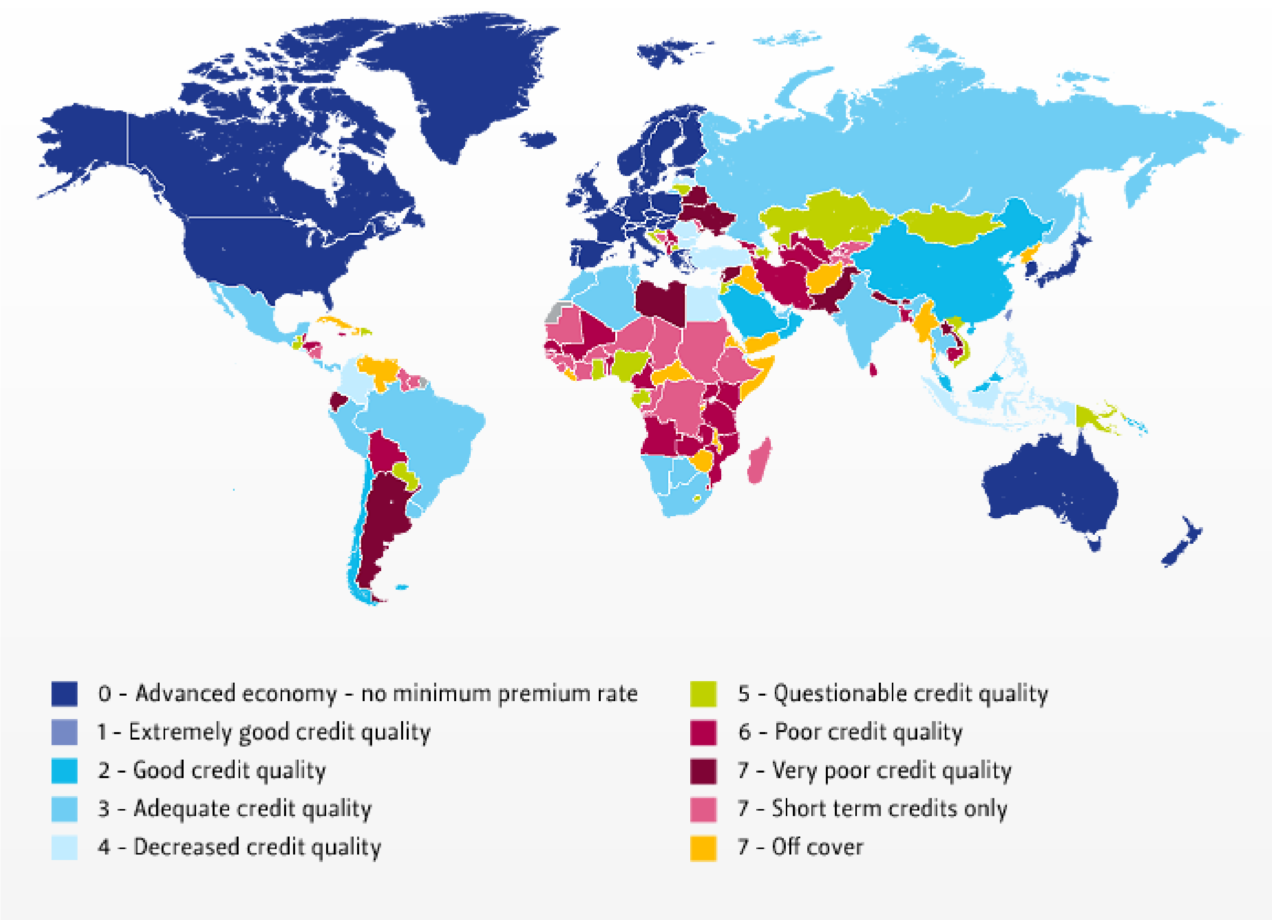
Any losses from export financing are covered from profits arising in previous years that have been transferred to the fund for export credit guarantee and special guarantee operations on Finnvera's balance sheet. The State Guarantee Fund and the State of Finland are responsible for Finnvera's losses if they cannot be covered by the assets in Finnvera's funds.

In recent years, exports covered by Finnvera's export financing have accounted for an increasing share of all exports. Export credit guarantees are used to cover both political and commercial risks. The price of export credit guarantees is based on the risk category reflecting the credit risk of the country, undertaking, enterprise, bank or project. In 2011, exports covered by guarantees accounted for 4.5 per cent of total exports and for 8.2 per cent of exports to countries with political risk.

Losses and provisions for losses in export credit guarantee and special guarantee operations came to EUR 4 million (5 million).

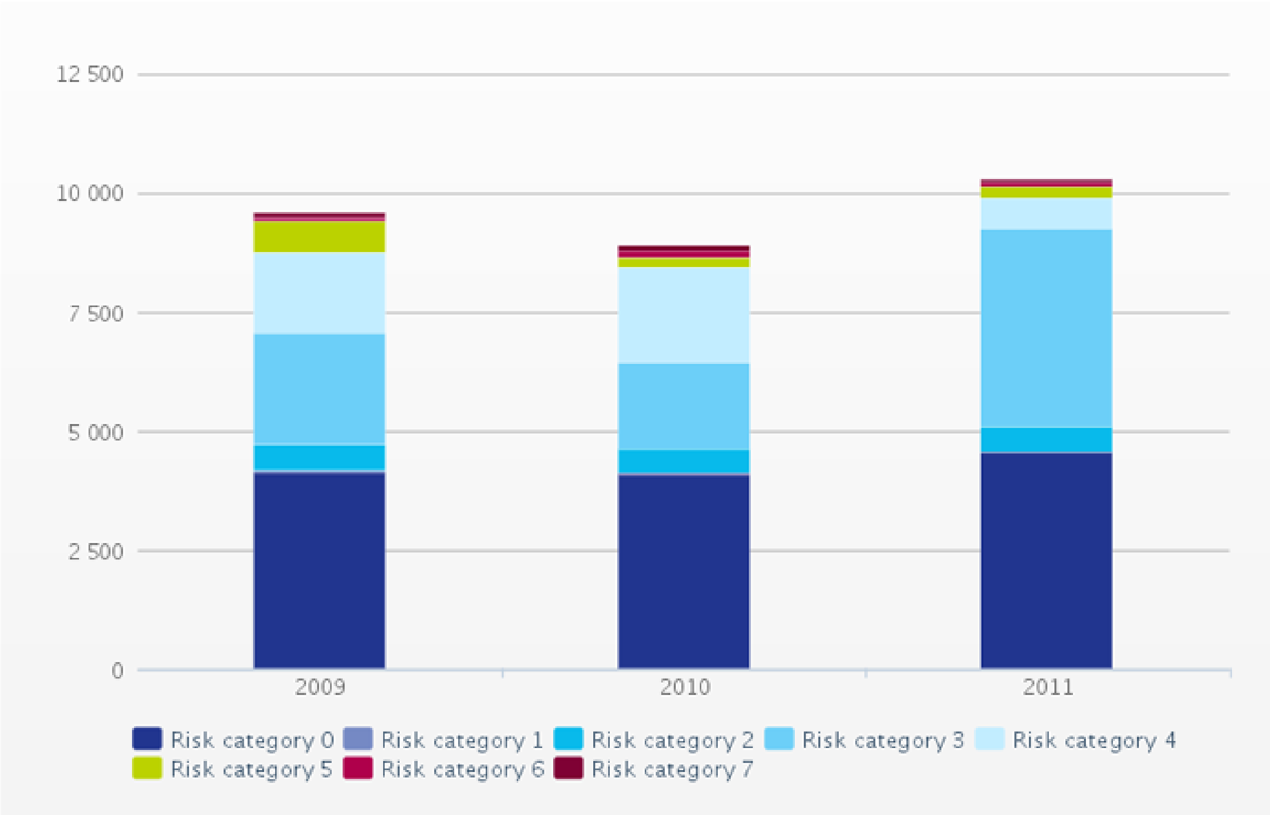
One of the main changes in country risk categories was the improvement of Russia's category to 3/7 once the country had overcome the economic crisis. Among countries involving political risk, Russia ranks the highest in terms of Finnvera's country exposure. In consequence, the improvement in the country risk category also reduced the total risk calculated for Finnvera's export credit guarantee portfolio. Outstanding commitments now concentrate in country risk categories 0 and 3. The former category comprises the Western industrialised countries, while the latter includes such important and growing markets as Uruguay, Brazil and India as well as Russia. The Arab Spring weakened the categories of countries in North Africa and the Middle East. It became necessary to adopt a tighter guarantee policy for Libya, Yemen and Syria. The new crisis country in Europe was Belarus, where the economic upheaval limited risk-taking. Owing to outstanding bank commitments, Bhutan became a new country in the portfolio. More generally, too, risk-taking in high-risk countries, such as Bangladesh, Lebanon, Pakistan and Belarus, is a typical feature of outstanding bank commitments.

FINNVERA'S COUNTRY RISK CLASSIFICATION 31 DEC 2011



Finnvera classifies countries into eight categories. The classification is based on methods used by export credit agencies and on country risk assessment.

FOREIGN RISK-TAKING: OUTSTANDING COMMITMENTS BY COUNTRY RISK CATEGORY, 31 DEC, MEUR



Project assessment

SME financing

In connection with each application for financing, Finnvera assesses the applicant's prerequisites for profitable business. Opinions given by Finnvera's regional cooperation partners are used to assist when assessing the business of small start-up enterprises

Enterprise analysis entails a comprehensive investigation and understanding of the enterprise's business: confidential discussions between the entrepreneur and Finnvera on the enterprise's plans at various stages of development and growth. The discussions encompass the enterprise's current status, future expectations and financing needs.

Meetings, any other material available, and Finnvera's own knowledge of financing and the sector concerned help formulate an idea of both the preconditions for granting financing and the risks involved. Whenever necessary, Finnvera negotiates with other financiers in order to find the best possible overall solution for financing. Finnvera's representative and the entrepreneur also discuss what the increase in loan capital would mean for the entrepreneur personally, especially in the event that the business does not prove to be as successful as forecast.

Enterprise analysis is one of the cornerstones of Finnvera's credit risk management. The enterprise's assets must be used as collateral for some of the financing granted by Finnvera. However, Finnvera does not base its financing decision on the collateral available from the enterprise. More important is the assessment of the enterprise's business potential.

Export financing

Finnvera's country policy and the eight country risk categories form the basis for project assessments in guaranteeing export risks. For creating country policies, Finnvera analyses the business environment and financing sector in the buyer's country, the government's solvency and the associated risks.

Finnvera makes an overall assessment of the risks included in the export transaction for which the guarantee is applied. In the analysis, the following factors are considered: the financing structure; the creditworthiness of the borrower and/or buyer; the host country; and the operating environment. The environmental review focuses on the level of environmental protection measures associated with the project carried out in the host country and any risks that may be involved. The review is based on environmental studies conducted on the project. The project is benchmarked against the host country's national environmental norms and international standards.

Turnaround

A turnaround manager helps to look for solutions for companies' financial problems

The monitoring of client companies' financial and operational situation is part of Finnvera's risk management. If the client is found to have financial problems, these are discussed together with the client. This activity is referred to as 'turnaround'. Turnaround measures are taken when normal development measures have not produced the result desired.

Finnvera's aim is to respond to any weakening in the client enterprise's situation as early as possible. Early identification of problems is particularly relevant during an economic downturn. At the same time, turnaround helps Finnvera to secure its claims.

In the best of cases, turnaround means that the enterprise solves its financial difficulties and continues its operations profitably and competitively. For Finnvera, successful turnaround means smaller credit losses. Rapid and expert turnaround is also good for society: it can help the company to avoid bankruptcy and loss of jobs.

It must be accepted, however, that not all enterprises can benefit from turnaround. Turnaround does not always succeed, but since the financier and the entrepreneur share a joint interest in the matter, it is worth giving it a try.

Enterprises are also expected to show some initiative of their own: the enterprise and its stakeholders must be committed to the measures agreed. The work is often done with the help of competent, experienced consultants and lawyers.

Technically, turnaround can be organised in three different ways, which are:

- voluntary turnaround;
- official restructuring as referred to in the Restructuring of Enterprises Act; and
- controlled bankruptcy.

Of these three, voluntary turnaround and restructuring are the most commonly used methods.

Finnvera and the bank helped to finance turnaround

The turnover of enterprise X plummeted by about 30 per cent in 2009, and operations were slowly adapted to the new situation. The financial year 2010 was also difficult, and the enterprise's principal bank granted the enterprise extensions for the repayment of its loan.

The beginning of the financial year 2011 looked better and orders were coming in, but the summer changed everything. The enterprise was no longer able to adapt its operations to a second rapid fall in turnover.

The principal bank's risk-taking limit was reached, and it was hoped that Finnvera would share the risk when new deals were financed. Finnvera analysed the foreign buyers and concluded that the deals were eligible for financing, but the enterprise's overall situation was difficult, nor was it able to submit enough transparent information about its operations and its current standing.

Finnvera and the bank agreed to have a limited independent business review (IBR) conducted on the enterprise in order to obtain a better general idea of the enterprise's balance sheet. It was additionally agreed that an outside chief restructuring officer (CRO) be appointed for the enterprise. Together with his team, the CRO was quickly able to launch the repatriation of the enterprise's long-term receivables from abroad. This reinforced Finnvera's impression that the enterprise's basic business was sound. Finnvera and the bank agreed on a financing package for the enterprise, enabling the enterprise to withdraw funds as the turnaround progressed.

Acquisition of funds

Finnvera's long-term acquisition of funds takes place by issuing bonds and other debt instruments on capital markets. The aim is to diversify the acquisition of funds between various currencies and investor sources.

In accordance with the guidelines on the acquisition of funds, the funds are converted into euros using currency and interest rate swaps. No exchange rate or interest risks are taken in the acquisition of funds. Nor does Finnvera trade in currency, interest or derivative products for speculative purposes.

Both the excellent creditworthiness of the State of Finland and State guarantees enable the use of many different financing sources. Finnvera's status and operations as a specialised financing company owned by the State also make it possible to obtain financing from EU institutions.

Stakeholders

Cooperation with stakeholders in Finland

Finnvera engages in close cooperation with other public organisations providing enterprise services, for instance, within the Enterprise Finland service concept. In addition to Finnvera, the Enterprise Finland service includes the Centres for Economic Development, Transport and the Environment (ELY Centres), Tekes, Finpro and a few other bodies. They offer information, financing and contacts for enterprises and entrepreneurs. In October, Finnvera, Tekes and the ELY Centres started the electronic exchange of client information. The exchange of information applies to strictly restricted client data and is based on confidentiality and secrecy.

Finnvera has cooperation agreements with several other organisations promoting enterprise, such as the Federation of Finnish Enterprises, the Finnish Family Firms Association, and the Central Association of Women Entrepreneurs in Finland. The agreements apply, for instance, to the arrangement of joint events and communications. Their purpose is to increase awareness of Finnvera and to promote the acquisition of clients and demand for financing.

Cooperation is particularly close with private providers of financing, such as banks, non-life and pension insurance companies, and venture capitalists.

Each Finnvera regional office has its own regional committee consisting of business managers and representatives of organisations in the region. The committee meets two or three times a year. In addition, the Head Office and Export Financing have their own committees. Committee work has the goal of increasing interaction between clients and Finnvera.

Finnvera also maintains open and active relations with the media and arranges meetings with representatives of the media both regionally and nationally.

FINNVERA'S DOMESTIC STAKEHOLDERS

Active year of cooperation 2011

As part of Enterprise Finland, Finnvera participated in the Oma yritys (Own company) 2011 event. In October, a conference for experts in enterprise and ownership arrangements, Omistajanvaihdos (Ownership change) 2011, was organised in Helsinki.

The seminar round Kilpailukykyä viennistä ja kansainvälistymisestä (Competitiveness from Exports and Internationalisation) was arranged for the fourth time in 2011. Besides Finnvera, the participants included all Enterprise Finland bodies, industrial organisations and other actors promoting the internationalisation of enterprises. The seminars were held in 12 localities.

As a cooperation partner, Finnvera also participated in the Kasvajat (Growers) 2011 tour, organised by Kauppalehti newspaper. In April–May, Finnvera's experts contributed to five events targeted at growth-oriented enterprises and organised in various localities in Finland. The events attracted in total over 350 attendees, most of whom were entrepreneurs.

For several years, Finnvera has cooperated with the Federation of Finnish Enterprises and its regional and local organisations. The aim is to be in close interaction with small and medium-sized enterprises. One of the most visible events is the annual entrepreneur conference Valtakunnalliset Yrittäjäpäivät, in which Finnvera also participates as a cooperation partner. About 2,000 entrepreneurs from all over Finland attend the event each year. The 2011 conference was held in Seinäjoki in October.

Finnvera, the Federation of Finnish Enterprises and the Ministry of Employment and the Economy determine the economic outlook of Finnish SMEs by jointly conducting an SME Barometer Survey twice a year. The survey results, published in spring and autumn 2011, measured SMEs' views of changes in economic factors impacting on their own business. In addition to questions pertaining to the economic outlook, the survey charted factors affecting the operating environment of enterprises, such as their growth strategy, financing and barriers to employment.

Research cooperation was expanded by introducing an annual survey on funding to be conducted by Finnvera, the Confederation of Finnish

Industries, the Federation of Finnish Enterprises, the Bank of Finland, the Federation of Finnish Financial Services, and the Ministry of Employment and the Economy. The survey charts companies' experiences and expectations concerning the acquisition and availability of external funding and problems associated with funding. The planning of the survey began in September 2011, and the first survey will be conducted in early 2012.

Finnvera administers the SijoittajaExtra service targeted at business angels. The service provides the opportunity to invest in early-stage innovative Finnish companies. During 2011, seven investor events were held for the business angels registered in the investor service.

The first investor event intended for Finnish and foreign investors, Enterprise Finland Venture Forum, was organised together with Tekes and Finnish Industry Investment Ltd. As a cooperation partner, Finnvera also participated in the Money Talks seminars arranged by Technopolis.

International cooperation with stakeholders

Finnvera participates in international cooperation in its own sector, for instance, within the OECD and the EU, the Paris Club of public creditors, the Network of European Financial Institutions for SMEs (NEFI), and within the Berne Union, the international cooperation organisation for providers of insurance against political and credit risks.

International stakeholders in export credit guarantee and special guarantee operations:

COOPERATION BETWEEN STATES

WTO – World Trade Organisation

OECD – The OECD Export Credit Group and the Participants to the Export Credit Arrangement

EU – The European Council Working Group on Export Credits: the Union's stands concerning work within the OECD

Paris Club – a cooperation forum for public creditors

COOPERATION BETWEEN FINANCIAL INSTITUTIONS

Berne Union – International Union of Credit and Investment Insurers

Bilateral cooperation with other insurance institutions/ reinsurance and cooperation agreements

NEFI – Network of European Financial Institutions for SMEs

ISLTC – Institutions of the European Union Specialising in Long-Term Credit

EAPB – European Association of Public Banks

EMN – European Microfinance Network

EIF – European Investment Fund

EIB – European Investment Bank

The OECD discussed environmental issues

The OECD members adopted a new agreement on premium rates on 1 September 2011. Since the new agreement also encompasses the pricing of commercial risks, it levels out competition between various guarantee institutions. The minimum rates are based on the risk classification of the object under risk.

Working groups within the OECD had active discussions on the updating of the Council Recommendation on Common Approaches on the Environment and Officially Supported Export Credits. A sector-specific agreement on renewable energy generation was also under discussion. Its scope is likely to expand to cover projects mitigating climate change. Both discussions were nearing completion at the turn of the year, and the final texts of the agreements will probably be adopted in early 2012.

New aspects in the environmental recommendation include the consideration of human rights issues in project assessment and the reporting of greenhouse gas emissions from projects. Human rights issues pertain, among others, to the use of child labour, forced labour and life-threatening occupational health and safety situations.

The OECD agenda also included guarantee terms for ship credits. The current agreement on rates does not apply to ships. Instead, the OECD Arrangement has a separate sector understanding for ships. It has also been proposed that the repayment terms for officially supported export credits should be revised in the railway sector.

The EU exemption for short-term credit insurance ended

Owing to the financial crisis that started in 2008, Finland and many other European Union Member States applied for and received permission from the European Commission to grant guarantees for exports to EU Member States and other Western industrialised countries even in cases when the repayment term is less than two years. Finnvera continued to guarantee these transactions until 31 December 2011, when the temporary permission expired.

The EU initiated discussion on revision of the rules concerning short-term credit insurance. The new permanent rules will enter into force at the beginning of 2013. The definition of 'marketable risk' is under deliberation: what types or risks are covered by private insurance companies as part of their core business that public export credit agencies should not pursue.

NEFI promotes European SME financing

The activities of the Network of European Financial Institutions for SMEs (NEFI) concentrated on mutual cooperation among the 17 member institutions, on the maintenance and development of cooperation at European level, and on international cooperation. NEFI issued statements on the financing programmes included in the European Commission's SME policy and participated in meetings arranged by the Commission. The network's operations have enhanced the members' understanding of matters pertaining to the Commission's SME financing policy and have enabled continuous contacts with EU institutions. Efficient networking has also led to visible results. Among other things, it has improved access to the Commission's programmes for SME financing.

Berne Union focused on availability of export financing in the Basel III environment

Berne Union training activity was actively utilised in 2011. The Berne Union issued statements on the negative impact of Basel III bank regulation on export financing. Finnvera's Executive Vice President Topi Vesteri served as Chairman of the Berne Union's Medium & Long Term Committee in the period 2009–2011.

Venture capital investments increased international cooperation

A network was set up together with leading European venture capitalists. In addition to around 30 private investors, the network includes Finnvera and High-Tech Grunderfonds of Germany. Cooperation is also conducted with other Nordic early-stage investors through the Nordic Seed Capital Initiative.

Finnvera is a member of the Finnish Venture Capital Association (FVCA), the European Private Equity and Venture Capital Association (EVCA), and the European Business Angel Network (EBAN).

Finnvera hosted the meeting of environmental experts from OECD guarantee agencies in September

The OECD environmental experts have two or three meetings per year. Expert-level cooperation and exchange of information are an integral part of the implementation of the OECD Recommendation on the environment. The Recommendation provides all guarantee institutions in the OECD member countries with common approaches for the environmental classification and review of projects. The goal is to harmonise the assessment procedure.

The group of environmental experts reviews the projects carried out. The participants in the Helsinki meeting used examples to illustrate how a project is defined and classified, and they exchanged information on how the standards issued by the International Finance Corporation (IFC) have been used in projects. The agenda also included technical issues pertaining to the Recommendation under revision.

Cooperation facilitates networking with international colleagues and enables experts to learn the procedures and best practices of other guarantee institutions.

In Helsinki in September, Finnvera hosted an informal meeting attended by more than 50 experts from 24 countries.

Managing Director's review

A year of quick turns

My review in Finnvera's Annual Report for 2010 began with the following summary, which is a suitable starting point for a review of 2011: "The global economic tailspin was brought under control in 2010. The monetary and fiscal policy measures taken in various countries helped the economy to regain cautious growth, but many factors are still causing uncertainty."

Signs of cautious growth were indeed in the air in spring 2011, but then something happened in the summer and the market atmosphere changed completely. The euro crisis did not let up and the credit rating of the United States was downgraded. It's hard to single out a reason why the economic atmosphere changed so rapidly, but the threat of a serious market disruption was again real.

The euro crisis dominated the news throughout the autumn, but enterprise financing continued almost normally in Finland and there was no such significant weakening of the real economy as one could have expected on the basis of the sombre news. The risks, however, are increasing.

Hefty rise in export credit guarantees

Banks operating in Finland and Finnvera together provided slightly more financing for enterprises than in 2010. The number of export credit guarantees that came into effect rose sharply, although Finnvera received fewer new applications than the year before. Our venture capital investments focusing on starting innovative enterprises, and the associated business angel network, worked actively to increase the financing options available to start-up enterprises.

The after-effect of the recession a couple of years back was still visible in domestic financing for SMEs – especially for very small enterprises. Bankruptcies and restructuring remained at a high level in Finland and, owing to the credit losses that materialised, the result for Finnvera's domestic operations was close to zero. However, thanks to the fee and commission income brought about by the rise in outstanding export credit guarantees, the Finnvera Group's financial performance was positive.

New tasks for Finnvera

The new Government Programme set several tasks for Finnvera. In addition to the financial crisis, stricter control of the banking sector limits banks' possibilities for financing large and long-term export credits. For this reason, and in line with the Government Programme, Finnvera is starting to provide financing for export credits at the beginning of 2012. The acquisition of funds for the system is guaranteed by the State and is launched at the same time.

Other new issues recorded in the Government Programme include measures for increasing Finnvera's risk-taking capacity in domestic financing and potential changes in the division of labour among the State-owned venture capital investment companies. Concrete measures in these issues will probably be taken in early 2012. Extensive international evaluations of Finnvera and Tekes will begin at the same time. I believe that the evaluation results, to be obtained in spring, will provide new insight both for us and for the Ministry of Employment and the Economy, which monitors our operations. Organisational changes carried out at the Ministry during 2011 meant that responsibility for Finnvera's supervision was transferred to the new Enterprise and Innovation Department.

Owing to its new and altered tasks, Finnvera also implemented a reorganisation at the beginning of 2012. The continuous development of the entire Group's activities is based on an ISO 9001 certified system.

In autumn 2011, Finnvera began the active exchange of client information with Tekes and the Centres for Economic Development, Transport and the Environment. Our common goal is to improve and harmonise the services available to corporate clients.

Challenging outlook

Most of our client companies are still doing relatively well, but the various indicators and barometer surveys have inevitably indicated a more pessimistic turn. There is reason to assume that 2012 will be challenging in many ways.

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> We exist for our clients. Our work is based on efficient cooperation with our partners.

When examining the economic problems that started in 2008 and their management on the whole, I think we can point to two particular strengths for Finland: an active approach and response speed. At Finnvera, the total volume of export financing doubled and that of SME financing rose by about 30 per cent between 2008 and 2011. At the same time, our portfolio of venture capital investments has grown, with well over a hundred new enterprises. These changes would not have been possible without the tasks designated to us by our owner, the State of Finland, and the support we have received for carrying out them.

Although our tasks and responsibilities have increased, the number of personnel in the Finnvera Group has not risen; we have therefore succeeded in enhancing the productivity of our own work. I wish to thank our competent personnel who have shown strong commitment to our revised tasks and their constant development.

We are there for our clients and our task is to share risks. This work is based on good, effective cooperation with the principal sources of financing, i.e. banks and other private providers of funding. I'd also like to extend warm thanks to all our partners. Together we'll boldly face the challenges of 2012!

Pauli Heikkilä
Managing Director

Operating environment

In early 2011, it was still assumed that the world economy would continue its recovery from the deep recession, even though the debt crises of some European countries were looming in the background. It was generally thought that the Finnish economy and total production would increase by about four per cent on the previous year. It was also expected that the economies of the countries important to Finnish exports, such as Germany, Sweden and Russia, would continue to grow steadily. During the first quarter, the orders received by industry actually increased, although growth of production slowed slightly.

During the second quarter, however, growth almost came to a halt in many European countries. Especially countries with a high public debt plunged into a circle of indebtedness, losing the trust of the markets. In the second quarter, the growth rate of industry's orders and production failed to reach expectations, and during the summer the economic outlook for the rest of the year became increasingly uncertain.

In the autumn, global economic prospects declined markedly in terms of both economic growth and international trade. In Finland, there was a downturn in industrial production, and the volume of orders on hand fell below the average. Even though the number of orders received by industry during the last quarter of the year was more or less at the same level as the year before, industrial production declined from the figure in 2010 and production capacity was clearly underutilised.

At the end of the year, a new recession was predicted for Europe, and 2012 started in an uncertain atmosphere.

Operation of the financial markets

Fiscal and monetary policies were tightened in the euro zone in early 2011 with the aim of terminating the counter-cyclical stimulus measures and restoring the balance of the public economy. In Finland, the availability of financing for enterprises was still good during the first few months of the year.

Dark clouds gathered over the European banking sector during the summer and autumn. The European Central bank lowered its key interest rate by 0.25 percentage points in both November and December. The aim was to strengthen the euro zone economy in the struggle against the debt crisis. Increased uncertainty on the financial markets pushed up risk margins, adding to financing costs on both State and business loan markets. In Finland, however, enterprise financing continued to operate almost normally, and in autumn 2011 the total value of enterprise credits was increasing by about five per cent on the previous year.

According to the SME barometer survey published in September, companies' expectations of economic trends became clearly more cautious in autumn 2011. Adapting to the consequences of the economic crisis and preparing for a new downturn in the economy reduced companies' willingness to invest and to acquire outside funding. In particular, small enterprises were wary about borrowing. The importance of working capital was highlighted, and enterprises applied for loans, in particular, for their working capital needs. The number of enterprises encountering difficulties in meeting their payments continued to be high.

Owing to heightened distrust in the markets and tighter regulation of banks, banks must improve their capital adequacy, which takes place mainly by reducing long-term lending. In consequence, long-term financing is becoming a bottleneck, especially in export financing arrangements.

Key Figures

FINNVERA GROUP

	2011	2010	2009	2008	2007
Net interest income and net fee and commission income, MEUR	157.9	154.2	136.1	121.2	128.6
Administrative expenses, MEUR	42.0	41.4	42.7	41.1	42.1
Write-down on receivables and guarantee losses, MEUR	87.3	74.6	96.4	86.3	44.8
Credit loss compensation from the State, MEUR	31.9	25.4	32.2	28.4	12.5
Operating profit or loss, MEUR	66.4	62.0	18.3	9.2	56.4
Profit for the year, MEUR	63.7	62.9	17.7	8.1	53.1
Return on equity, %	9.3	10.5	3.2	1.5	10.3
Return on assets, %	2.4	2.4	0.8	0.5	3.2
Equity ratio, %	24.7	23.8	22.4	30.6	30.8
Capital adequacy ratio, %	15.5	14.6	15.0	15.7	19.5
Expense-income ratio	0.3	0.3	0.3	0.3	0.3
Balance sheet total, MEUR	2 890.2	2 664.1	2 539.4	1 803.6	1 766.5
Shareholders' equity, MEUR	714.8	633.5	569.0	552.2	544.5
- of which unrestricted funds, MEUR	455.8	374.6	310.4	292.5	285.0
Personnel at year-end	413	418	432	415	415

Finnvera plc, SME Financing					
Financing granted, MEUR	977.0	913.7	1 194.7	1 027.8	896.9
Outstanding commitments as per the balance sheet at year's end					
- Outstanding credits, MEUR	1 660.2	1 731.1	1 663.9	1 382.3	1 368.9
- Outstanding guarantees, MEUR	1 092.8	1 065.3	1 007.0	882.8	827.4
Start-up enterprises	3 397	3 611	3 457	3 307	3 467
New jobs	10 159	8 994	9 214	12 541	10 907
Finnvera plc, Export Financing					
Export credit guarantees and special guarantees offered, MEUR	3 795.6	2 379.6	4 449.7	6 300.8	1 816.1
Guarantees that came into effect, MEUR	3 158.7	2 642.4	3 759.8	3 844.9	764.0
Total outstanding commitments, MEUR	10 365.2	8 930.2	9 665.0	8 292.5	4 980.2
Finnvera plc, clients and personnel					
Number of clients, SME Financing and Export Financing together	29 900	29 300	28 400	27 500	28 000
Personnel at year's end	391	397	411	395	397
- permanent contracts	376	381	390	374	383
-fixed-term contracts	15	16	21	21	14

IMPACTS OF FINNVERA'S ACTIVITIES

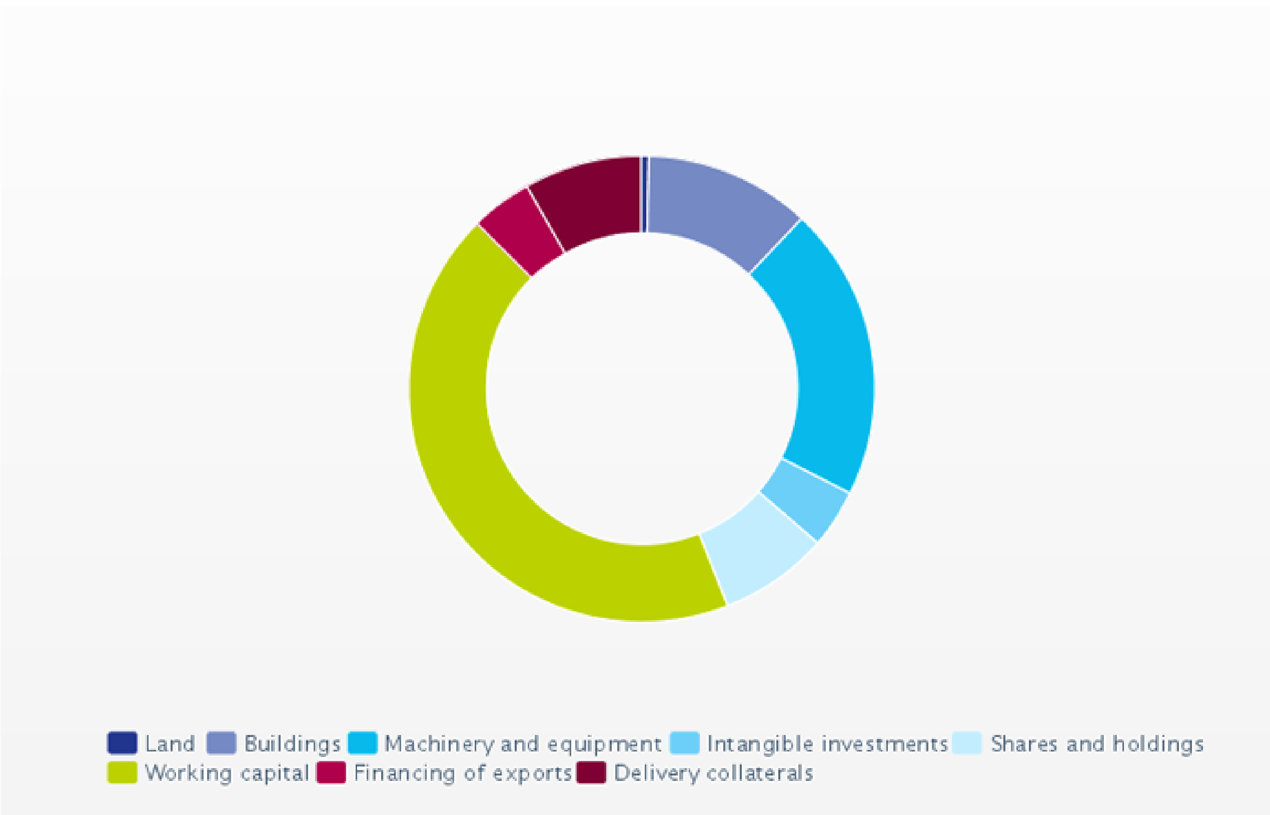
	2011	2010	2009	2008	2007
Domestic financing					
Loans, domestic guarantees and export guarantees granted, MEUR	977.0	913.7	1 194.7	1 027.8	896.9
– Financing for assisted areas*	407.5	403.8	476.2	437.6	353.7
Number of starting enterprises created with the help of financing	3 397	3 611	3 457	3 307	3 467
Number of new jobs created with the help of Finnvera's financing	10 159	8 994	9 214	12 541	10 907
Financing/new job, EUR 1,000	96	102	130	82	82
Financing of exports					
Export credit guarantees and special guarantees offered, MEUR					
- SMEs	79.1	100.3	79.6	76.8	38.3
- Major companies	3 716.6	2 279.3	4 370.2	6 224.0	1 777.8
Total	3 795.7	2 379.6	4 449.7	6 300.8	1 816.1
- of which foreign risk	3 705.7	1 899.6	4 127.8	4 248.4	1 626.8
Guarantees that came into effect, MEUR					
- SMEs	42.8	79.7	73.8	43.0	43.3
- Major companies	3 115.9	2 562.8	3 686.0	3 801.9	720.7
Total	3 158.7	2 642.4	3 759.8	3 844.9	764.0
- of which foreign risk	2 883.7	2 642.4	2 446.6	2 719.8	705.7
Exports covered by export credit guarantees, %					
- Share of Finland's total exports	4.5	5.8	5.1	2.4	1.9
- Share of exports to countries with political risk	8.2	9.5	8.0	4.4	4.0
Number of clients	29 900	29 300	28 400	27 500	28 000

*Assisted areas were revised in 2007

Business in 2011

Despite the European debt crisis, the bank financing of small and medium-sized enterprises worked well in Finland in 2011. Demand for Finnvera's SME financing rose by 13 per cent on the previous year. The total volume applied for was EUR 1,795 million (1,583 million). As in 2010, the greatest demand was recorded for enterprises' working capital needs. Although investments on the whole were rather low in 2011, the relatively steady amount of replacement investments and other investments improving productivity increased the demand for investment financing on the previous year. Demand for SME financing for environmental protection and sustainable development remained clearly lower than had been anticipated, especially with respect to renewable energy.

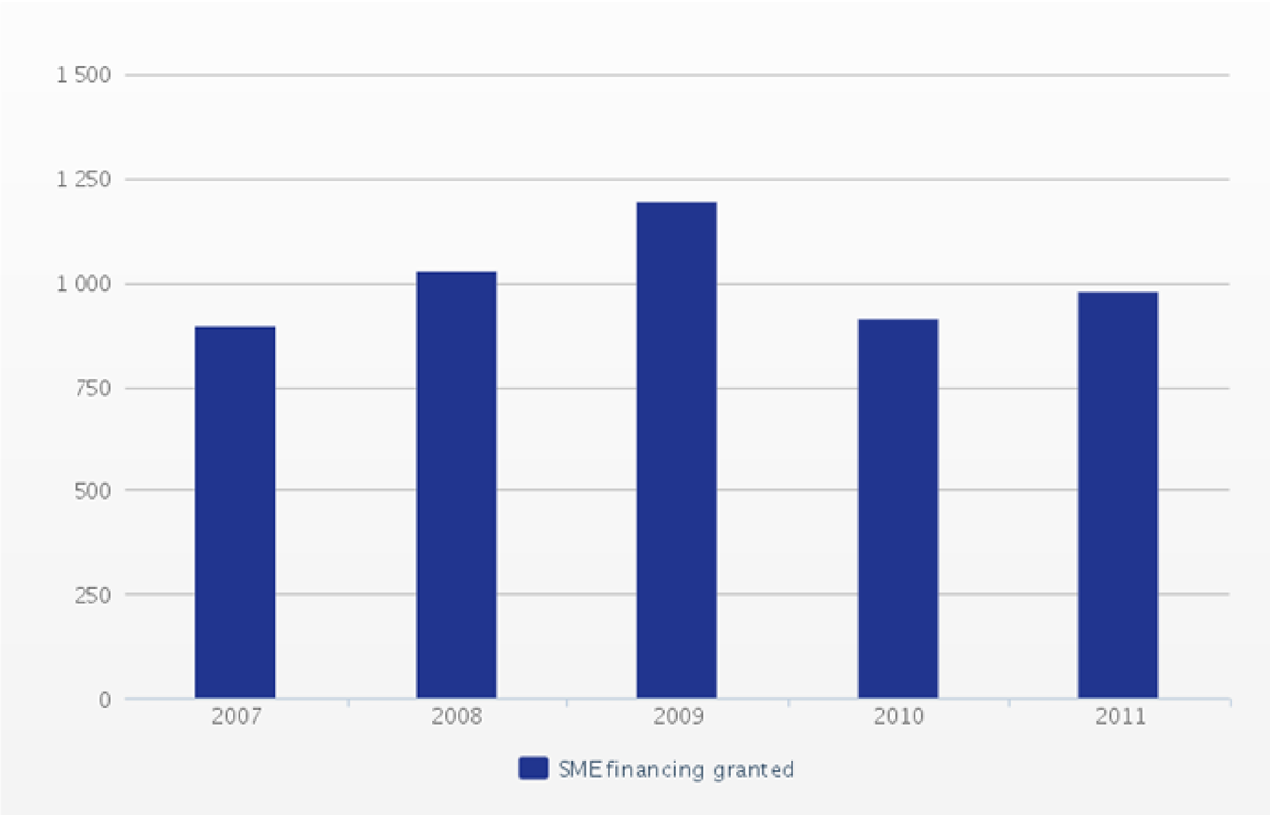
SME FINANCING: STRUCTURE OF FINANCING PROJECTS 2011, %



Altogether 44 per cent of the projects in SME financing pertained to investments.

The loans and guarantees granted by Finnvera amounted to EUR 866 million, or three per cent more than in 2010. Of this total, around 20 per cent, or EUR 173 million (105 million), consisted of counter-cyclical financing. The amount of counter-cyclical financing increased by 64 per cent on the previous year: it was granted to a total of 410 enterprises (303). Counter-cyclical financing is intended for enterprises that have difficulties in obtaining financing because of weaker economic prospects and uncertainty on financial markets. During the year, Finnvera was involved in the financing of 1,052 ownership arrangements (1,045); the total sum was EUR 135 million (137 million).

SME FINANCING GRANTED, MEUR

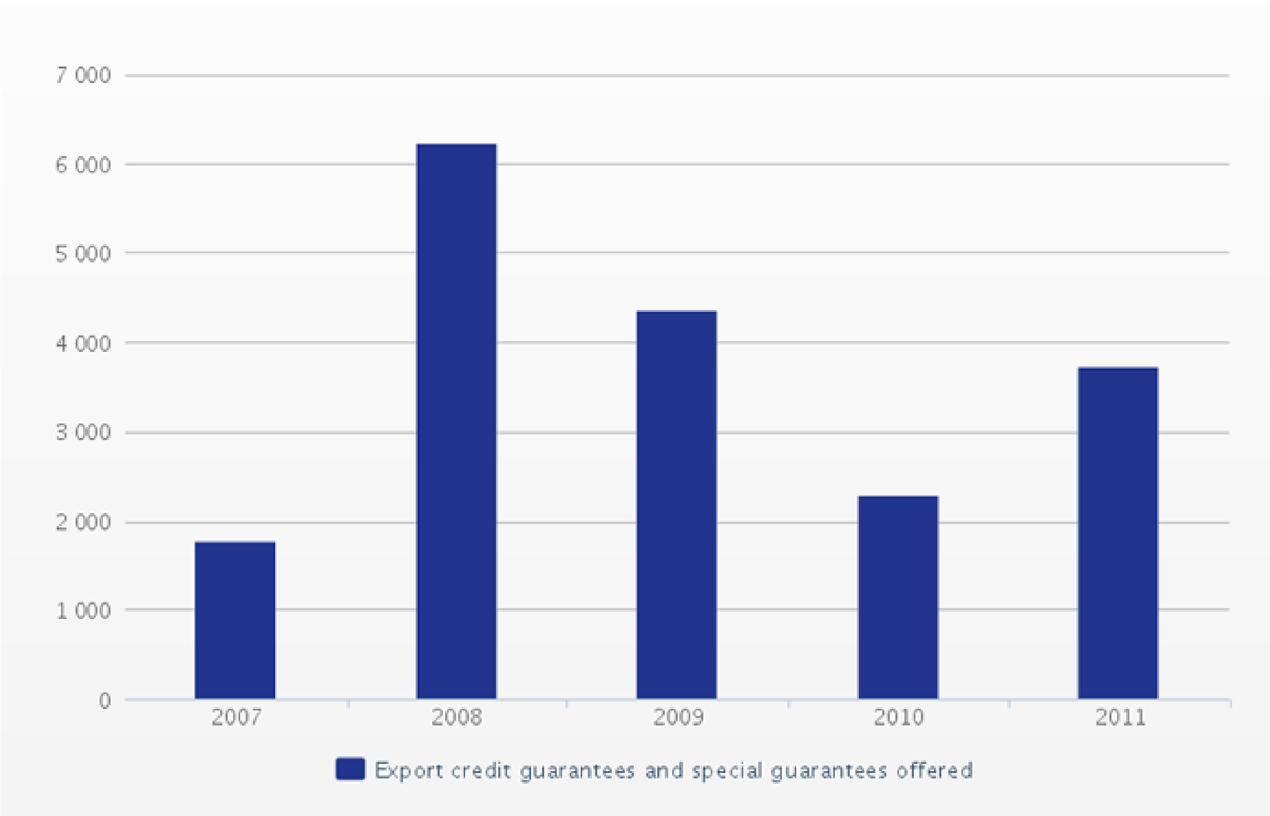


Direct venture capital investments totalled EUR 15 million (18 million), and they were offered to a total of 71 enterprises (73). Altogether 17 initial investments were made during the year (19), totalling EUR 6 million (7 million). Follow-on investments numbered 56 (63), totalling EUR 9 million (11 million).

Demand for export financing declined by about one third on the previous year, totalling EUR 4,862 million (7,088 million). Apart from seasonal variation in individual capital goods transactions, the fall in demand stemmed from the uncertain market situation, which made enterprises postpone their investment decisions. In addition, owing to the Basel III regulatory framework that will be adopted within the next few years, the role of banks seems to be shifting from the provision of large export credits towards arranging these credits. Partly for this reason, it has become more difficult to secure long-term, large export credits on the market.

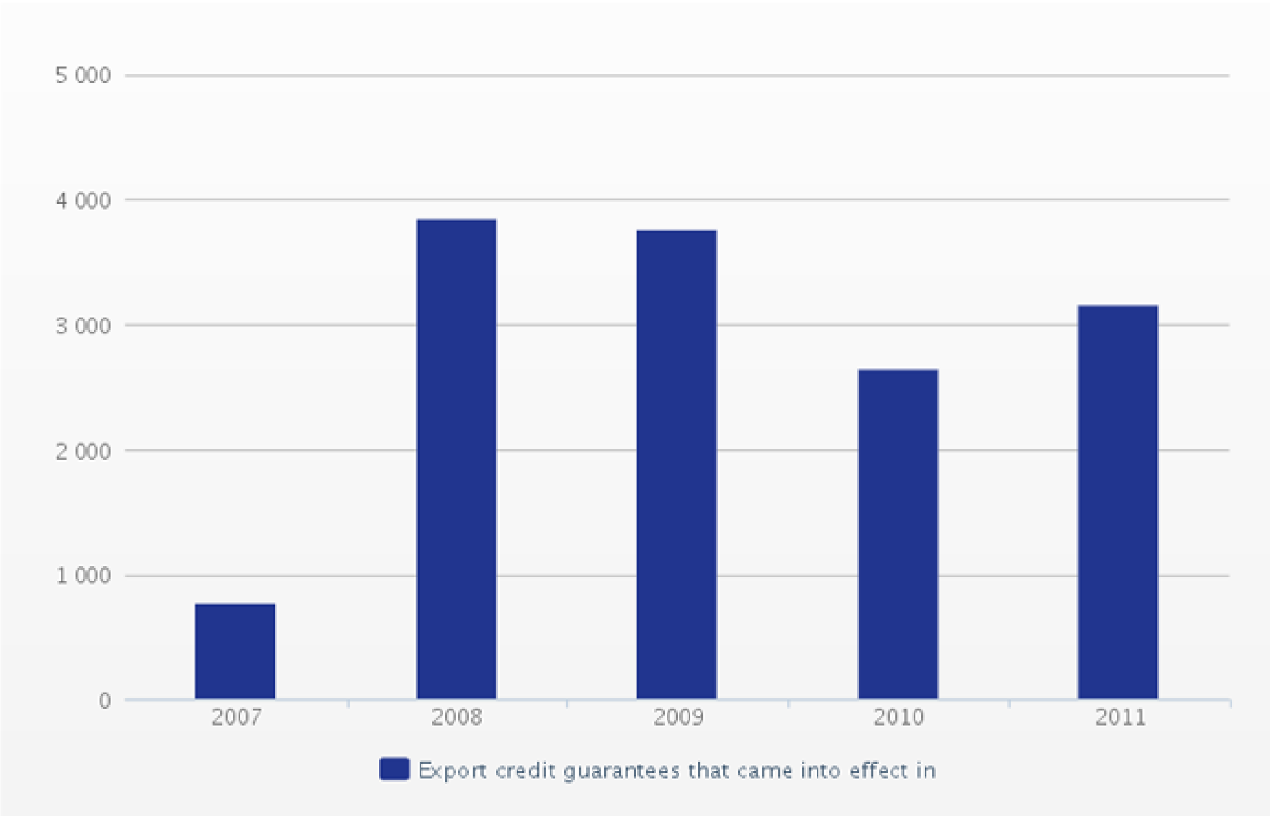
The amount of financing offered for the funding of export transactions is largely based on projects started in 2010 or even earlier, and the total amount of export credit guarantees and special guarantees offered rose by nearly 60 per cent on the previous year, to EUR 3,796 million (2,380 million). Foreign risk-taking accounted for 98 per cent, or EUR 3,706 million, of this total. Of the export credit guarantees and export guarantees offered, 28 per cent pertained to exports to industrialised countries, 26 per cent to Latin America, and 21 per cent to Africa.

EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEES OFFERED, MEUR



The value of guarantees that came into effect also increased from the previous year by about 20 per cent, to EUR 3,258 million (2,707 million). Guarantees come into effect when the export transactions have been concluded. Most of the guarantees that came into effect pertained to Finland's traditional export sectors, such as telecommunications, the energy sector and the forest industry. Commitments were distributed among 95 countries and several hundreds of clients. Among individual countries, the biggest commitments pertained to exports to the United States, Uruguay, Russia and Brazil.

EXPORT CREDIT GUARANTEES THAT CAME INTO EFFECT IN, MEUR



Finnvera had over 29,900 SME financing and export financing clients at the end of 2011. This was two per cent more than the year before.

SUMMARY BY BUSINESS AREA

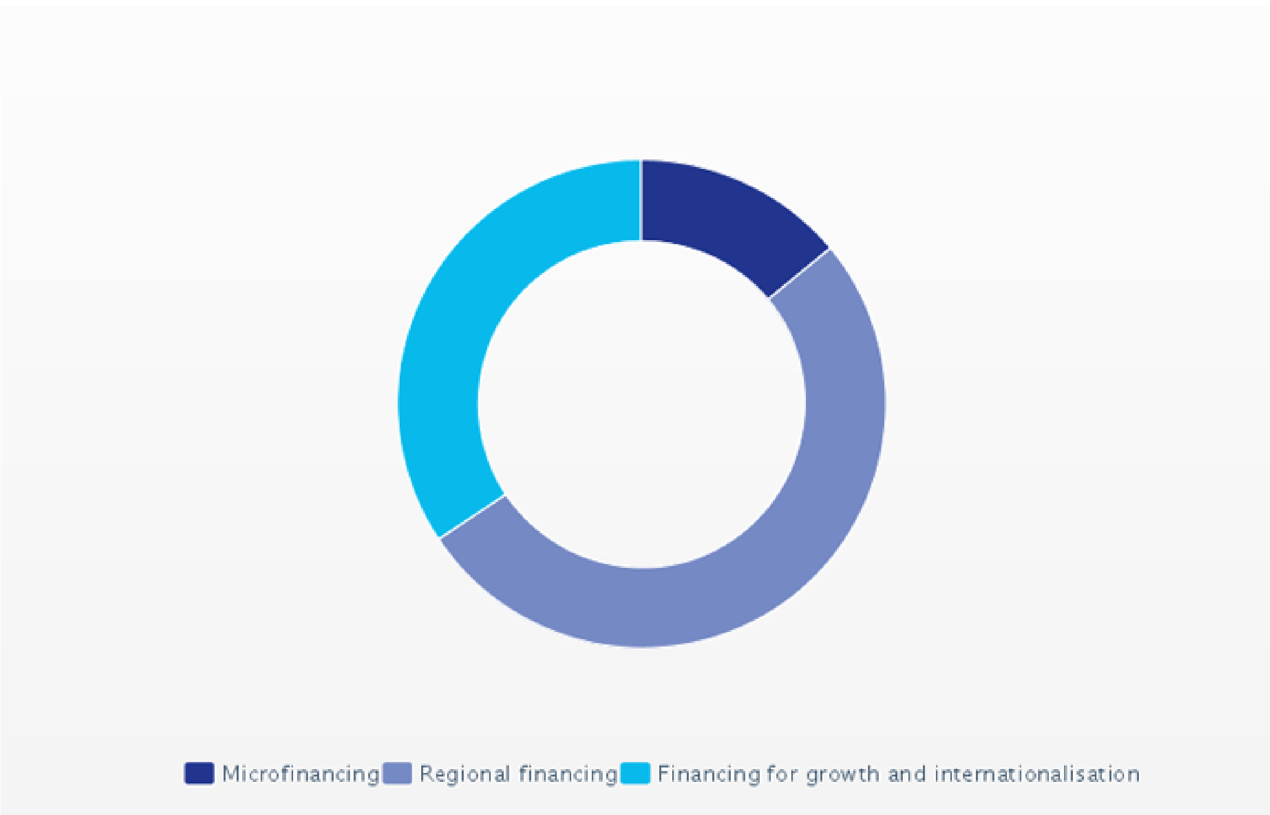
	Loans, domestic guarantees and export guarantees offered	Export credit guarantees offered	Total 1 Jan–31 Dec 2011	Outstanding commitments 31/12/2011	Clients 31/12/2011
	MEUR	**MEUR**	**MEUR**	**MEUR**	**Number**
Micro-financing	135.2	0.2	135.4	393.8	19 622
Regional financing	500.1	10.9	511.0	2 064.5	8 998
Financing for growth and internationalisation	332.4	62.7	395.1	946.6	1 168
Financing of exports	9.3	3 721.7	3 731.0	10 000.0	118
Total	**977.0**	**3 795.5**	**4 772.5**	**13 404.9**	**29 906**

SME financing

Finnvera's SME financing is divided into three segments: microfinancing; regional financing; and financing for growth and internationalisation. The segmentation has been done as follows:

- **Microfinancing:** small enterprises employing fewer than ten people and operating locally
- **Regional financing:** small and medium-sized enterprises (SMEs) that have Finland as their market area
- **Financing for growth and internationalisation:** SMEs that seek growth through internationalisation, either by engaging in export transactions or by establishing operations outside Finland

SME FINANCING GRANTED BY BUSINESS AREA 2011, %



Of the SME financing granted in 2011, microfinancing accounted for 14 per cent, regional financing for 51 per cent and financing for growth and internationalisation for 34 per cent.

In SME financing, the financing needs are mainly associated with either investments or working capital. However, the need for financing varies and depends on the size of the enterprise and the project and the stage of the enterprise's life cycle. A starting enterprise applies for financing for initial investments and for launching its operations, such as for the acquisition of the initial inventory or investments in furnishings. The average financing or guarantee for a bank loan granted by Finnvera to a starting enterprise is about EUR 20,000. Regional financing is also often associated with the growth of business, investments and various situations of change, such as change of generation or other ownership arrangements.

A growth enterprise may need financing, for example, for the acquisition of bigger machines or equipment or for working capital. The need for working capital may increase during a financial year for various reasons, such as seasonal fluctuations, the maintenance of the merchandise inventory, and the management of sales receivables. Financing may also be used for developing and adapting a company's products or services to the export market or, alternatively, for the development of export marketing.

An internationalising enterprise, on the other hand, needs to finance expansion outside Finland, for example through a company acquisition or by establishing a subsidiary, a joint venture or an office abroad. Aside from working capital, Finnvera provides financing for both pre-delivery and post-delivery security associated with the export transactions of internationalising enterprises. The financing or guarantee offered by Finnvera for growth and internationalisation is on average EUR 800,000–900,000, but the needs vary from case to case. The largest commitments for clients may be several millions of euros.

Finnvera usually accounts for less than 50 per cent of a client enterprise's total need for funding. In exceptional cases, Finnvera can be the only outside financier for small projects; in such situations, Finnvera's share of financing is higher. In personal entrepreneur loans, Finnvera's share can be at most 80 per cent of the equity investment.

Before the financing decision, Finnvera conducts an enterprise analysis assessing the enterprise's business, competitiveness and the ability to manage its financial obligations. Based on the findings of the enterprise analysis, Finnvera decides whether it will finance the project and what its share of the project funding will be.

At the end of 2011, the outstanding commitments for SME financing stood at EUR 3,044 million (3,079 million).

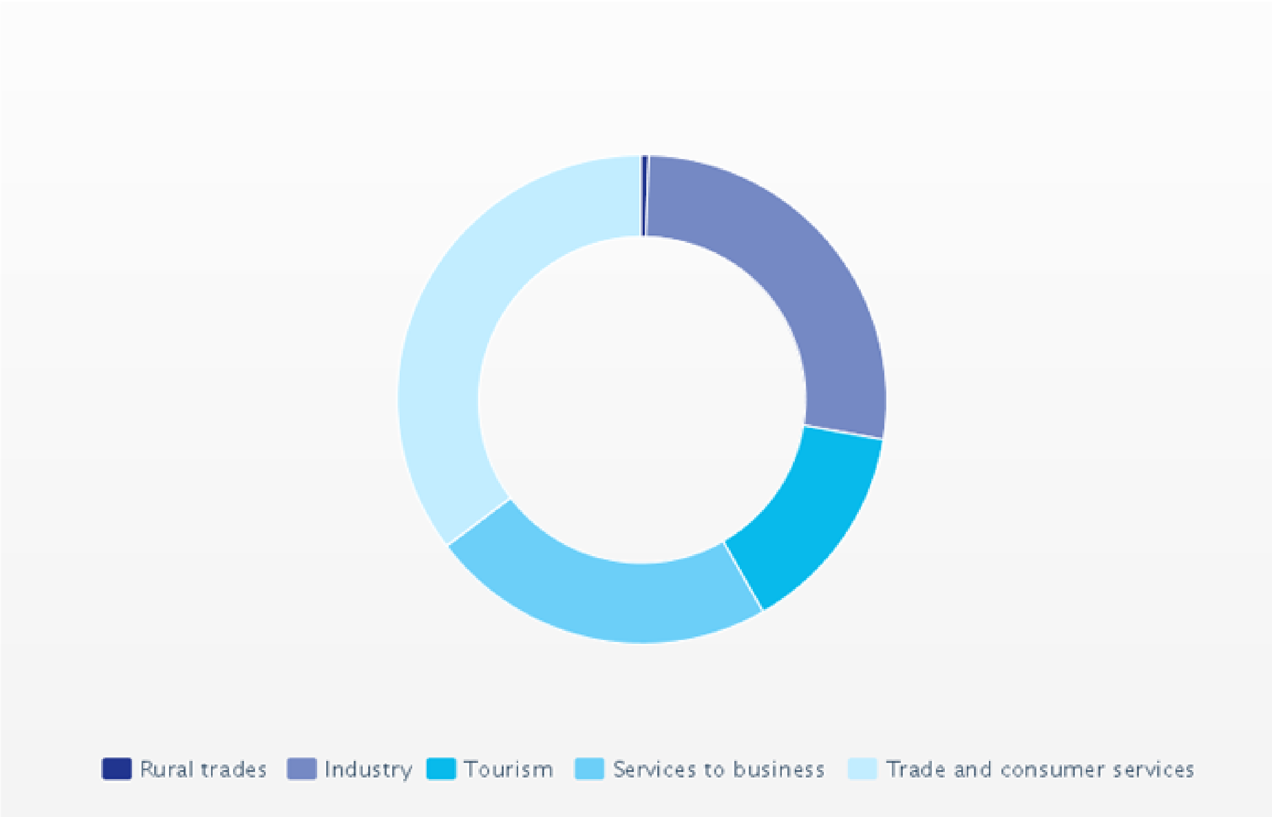
Year 2011 in brief

2011 was slightly brisker for SME financing than the previous year, but demand for financing was still clearly lower than during the years of economic growth. Most of the financing granted during the past year was used for working capital. Replacement investments and investments improving productivity were carried out moderately, but financing for new investments was very low.

The value of microfinancing granted in 2011 totalled EUR 135 million. The financing granted fell by 13 per cent from the previous year. The decrease stemmed primarily from the fact that demand for financing among start-ups was less than before. Increased economic uncertainty and weaker consumer demand slowed down the establishment of new undertakings. After a busy start of the year, the number of applications for financing received from start-up enterprises diminished towards the end of the year.

In 2011, Finnvera provided financing for a total of 3,397 starting enterprises, whereas the corresponding figure in 2010 was 3,611.

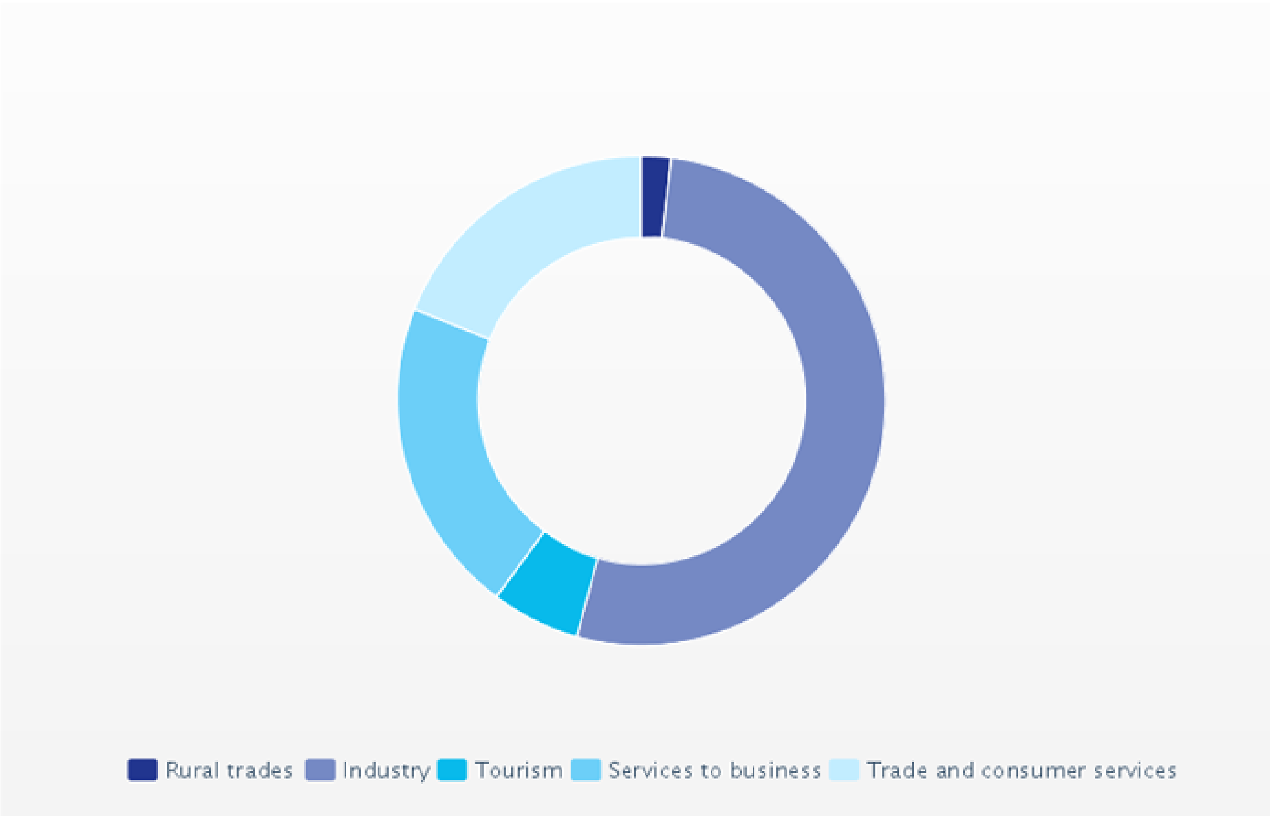
MICROFINANCING GRANTED BY SECTOR 2011, MEUR



In 2011, 72 per cent of microfinancing was granted to the service sector.

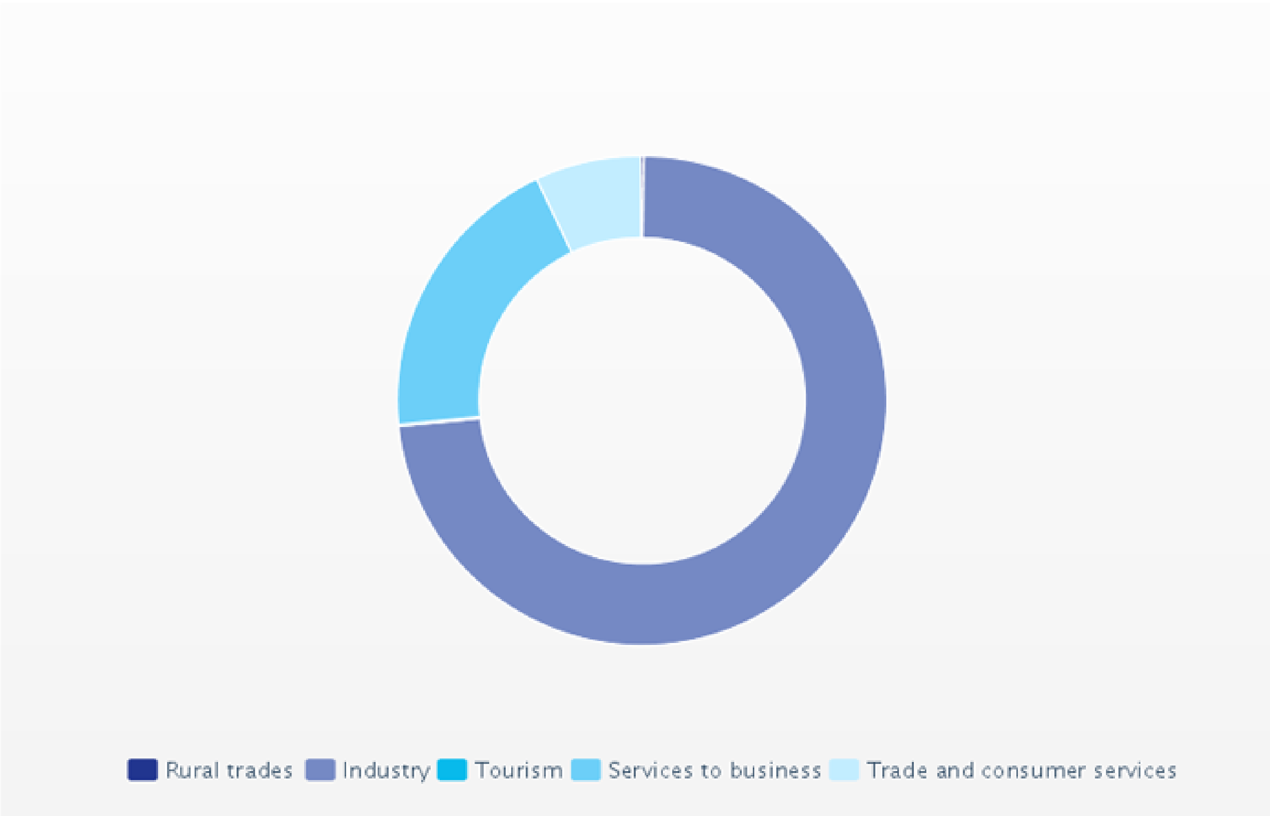
The amount of regional financing granted in 2011 was EUR 500 million, or two per cent more than in 2010. During 2011, four areas were named as areas of abrupt structural change. These included Ylä-Pirkanmaa and Äänekoski. Together with other public and private actors, Finnvera provided a total of EUR 97 million for these areas.

REGIONAL FINANCING GRANTED BY SECTOR IN 2011, MEUR



Financing for growth and internationalisation granted in 2011 came to EUR 332 million. This was 24 per cent more than in 2010. The change stemmed mainly from the increased working capital needs of growth enterprises. Most of the financing offered during the year, or 70 per cent, pertained to working capital.

FINANCING FOR GROWTH AND INTERNATIONALISATION GRANTED BY SECTOR IN 2011, MEUR



Industrial companies accounted for 73 per cent of financing granted to growing and internationalising enterprises in 2011.

Finnvera's counter-cyclical financing was taken into use on 6 March 2009, at the height of the economic crisis. In 2011, counter-cyclical financing was granted, especially during the first half of the year, to a total of 410 enterprises. Since 2009, about 1,200 enterprises have utilised Finnvera's counter-cyclical financing.

> ”
> It has been a pleasure to see that, even in a difficult market situation, some companies are doing well, are growing and are actively seeking opportunities for expansion, for example through company acquisitions.
> - Annamarja Paloheimo, Senior Vice President.

The consequences of the financial crisis that began in 2008 were still felt among the clientele of Finnvera's SME financing. Nearly 470 client companies (429) went into liquidation or wound up operations during 2011.

Development of SME financing

In 2011, the emphasis in the development of SME financing was on measures to increase the efficiency of Finnvera's processes and on the systems for online services. During the past year, 65 per cent of micro-financing applications were received through online services (58).

Advisory telephone services were also developed further. During the year, Finnvera's Telephone Service answered over 15,000 calls. Most calls concerned micro-financing and online services.

Early in 2011, Finnvera extended the maximum repayment period of counter-cyclical financing from six years to ten years. The minimum loan and guarantee period is two years. In addition, the scope of counter-cyclical guarantees was expanded to include accounts with overdraft facilities, counter-security for individual bank guarantees, and bank guarantee limits, as well as promissory notes. These changes are meant to make it easier for enterprises to arrange working capital and security for delivery agreements. In order to ensure domestic SME financing, the Government decided to continue the validity of counter-cyclical financing until the end of 2012.

Since the beginning of April 2011, Finnvera has been able to give environmental guarantees as security for credits granted for projects pertaining to renewable energy and improving energy efficiency, as well as for environmental protection investments. The guarantees are suited to companies of all sizes.

Venture capital investments

Finnvera's venture capital investments enable, start and accelerate the growth and internationalisation of early-stage enterprises by strengthening their equity. Investments are made in technology enterprises and in technology-intensive or innovative service enterprises that have potential for developing into growth enterprises.

Finnvera works actively to increase the value of the enterprise for its owners, for example by having a seat on the enterprise's Board. Finnvera has the role of a minority investor, and often the financing round also includes other financiers. Between 2006 and 2011, Finnvera made direct venture capital investments in a total of 173 enterprises.

Investments are also made in regional funds managed by private operators and in funds established in connection with the Vigo acceleration programme. Regional funds make investments when enterprises undergo situations of change, for example during a change of generation or when arrangements are made for management buy-out (MBO) or management buy-in (MBI). Accelerator funds invest in innovative young enterprises that have international potential and the wish to grow quickly. At the end of 2011, Finnvera had investments in a total of 14 regional funds and in one accelerator fund. Through these investments in funds, Finnvera had indirect holdings in about 180 Finnish SMEs at the end of 2011.

In addition, the Business Area manages, maintains and develops a business angel network and offers the network a stream of projects for private funding. Altogether 179 active private investors had registered at Finnvera's SijoitajaExtra network by the end of 2011.

Venture capital investments are organised through three subsidiaries of Finnvera plc: Veraventure Ltd (holding 100%); Seed Fund Vera Ltd (93%); and Matkailunkehitys Nordia Oy (66%). These companies hold in total EUR 180 million for investment. Of this sum, about EUR 120 million had been invested at the end of the year. In July 2011, Finnvera received EUR 18 million from the European Regional Development Fund (ERDF) for venture capital investments.

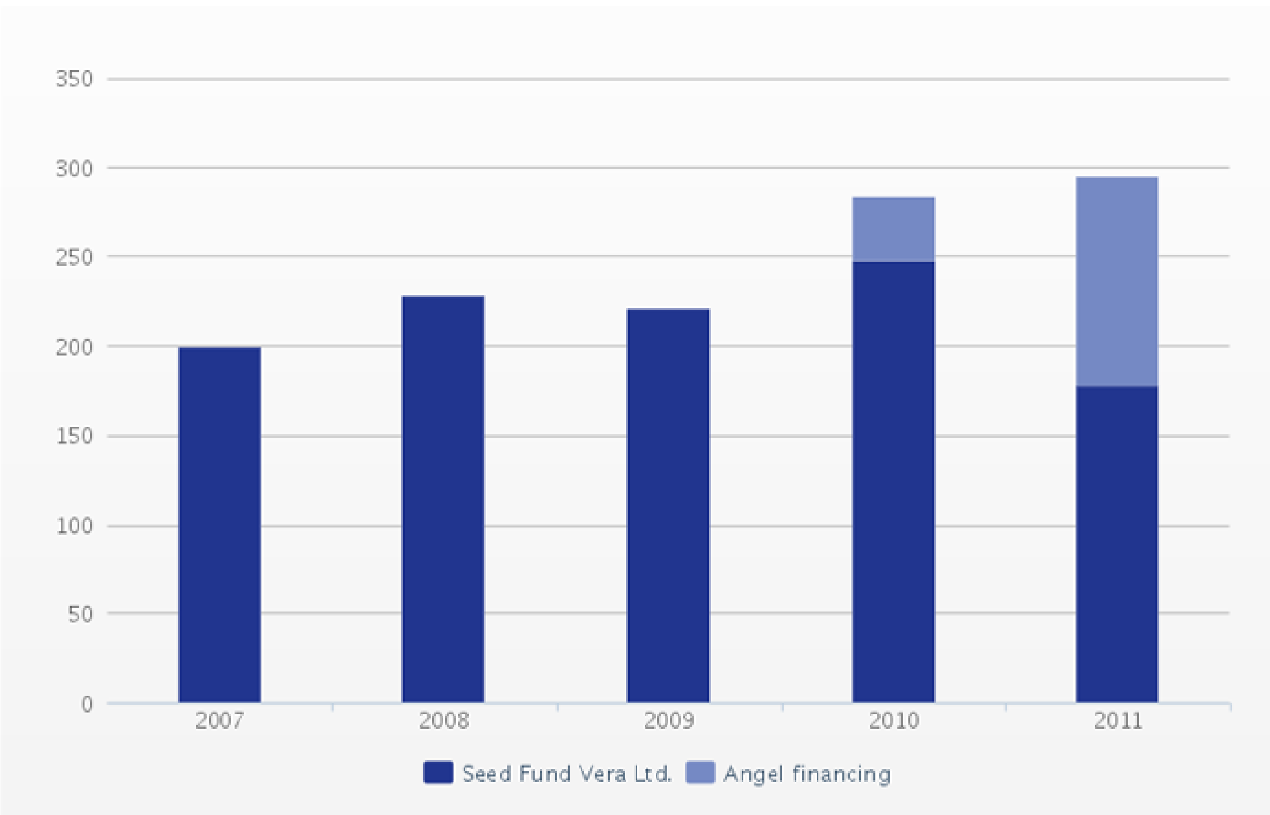
Matkailunkehitys Nordia Oy invests mainly in enterprises in the travel sector. At the end of 2011, the fund had investments in 13 undertakings.

Year 2011 in brief

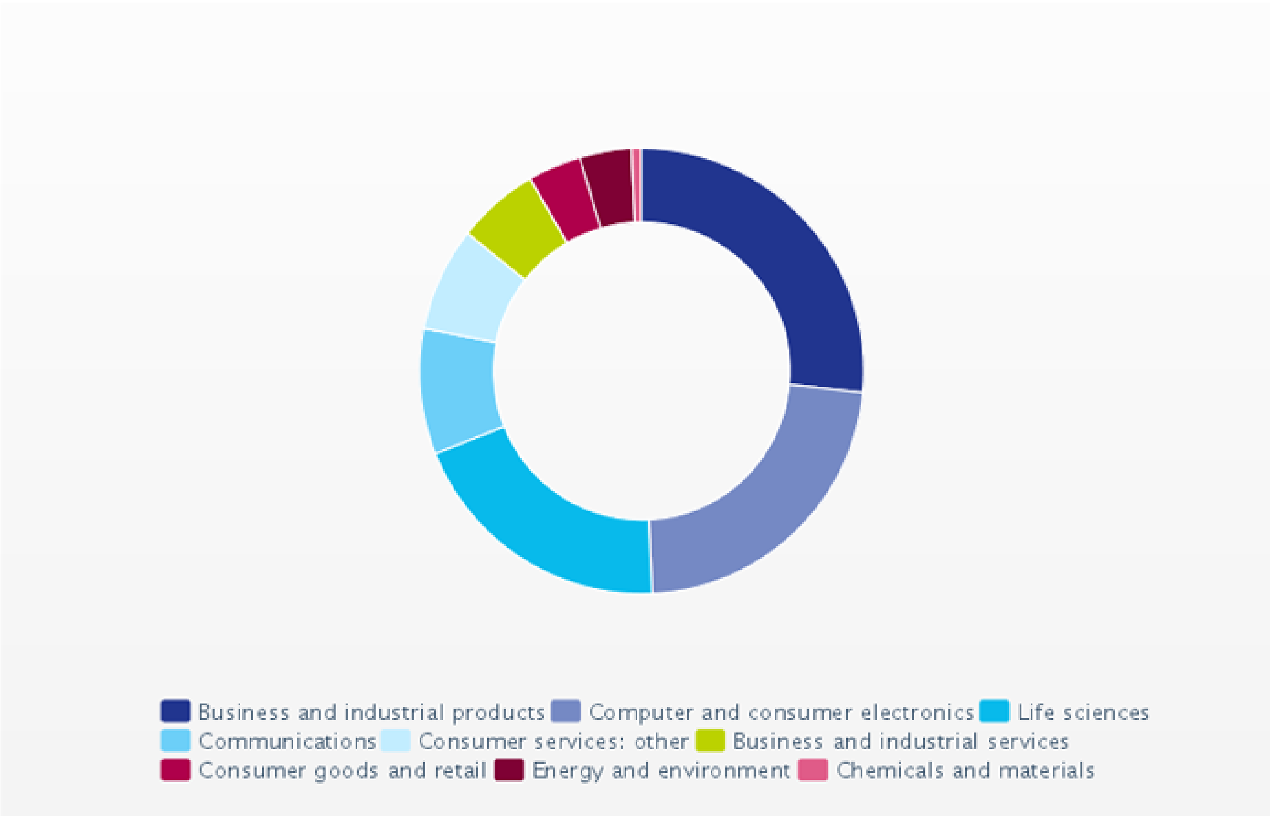
The project stream for Finnvera's direct investments, i.e. the demand for venture capital investment financing, has remained steadily high since these activities began in 2006. In total, 295 projects were received in 2011 (284). During the past year, 117 projects were passed directly to the business angel network.

The number of investments made was somewhat smaller than the year before: direct venture capital investments numbered 73 (82). The value of the investments also declined slightly from the previous year, from EUR 18 million to 15 million. Of the projects financed, 17 were initial investments (19). Their total sum was EUR 6 million (7 million). Follow-on investments numbered 56 (63), totalling EUR 9 million (11 million).

DIRECT INVESTMENT PROJECT STREAM, NUMBER OF PROJECTS



EARLY-STAGE PORTFOLIO COMPANIES BY SECTOR, 31 DEC 2011, %



Since decision-making in an uncertain market situation is often slower than during times of rapid growth, investments and purchase decisions are easily postponed until a later date. This also slows down the growth and internationalisation of the portfolio companies and may protract exiting from the companies. In 2011, there were a total of 11 exits, in full or in part, where the portfolio company was sold either to an industrial buyer or to another venture capitalist. Five portfolio companies went into liquidation.

Development of venture capital investments

In 2011, the development of venture capital investments focused on the development of processes, the business angel network and cooperation with business angels. Finnvera's venture capital investment operations were certified as part of the Finnvera Group's ISO 9001 quality certification. An online channel through which entrepreneurs can approach business angels directly with an investment request was created during the past year.

In 2011, Finnish business angels formed their own association, FiBAN (Finnish Business Angels Network). Finnvera has taken an active part in launching the operation.

Other new developments included the first investment in a Vigo accelerator fund, and the receipt of an allocation from the European Regional Development Fund (ERDF) for venture capital investments. Finnvera directs the ERDF allocation through Seed Fund Vera Ltd to early-stage venture capital investments. The first investments from this allocation were made in 2011. The aim is to make over 40 investments by the end of 2015.

Internationalisation of venture capital investments was continued in 2011 by maintaining active contacts with other funds and business angel networks.

Export financing

The purpose of Finnvera's export financing is to increase Finnish companies' opportunities to engage in export trade. Finnvera offers export companies and export financiers internationally competitive export credit guarantees and credit insurance to cover export and project risks. Guarantees can be used to minimise political and commercial risks arising from exports, thereby improving the financing options available for export transactions. The fee charged for the guarantees is based on an estimate of the risk involved.

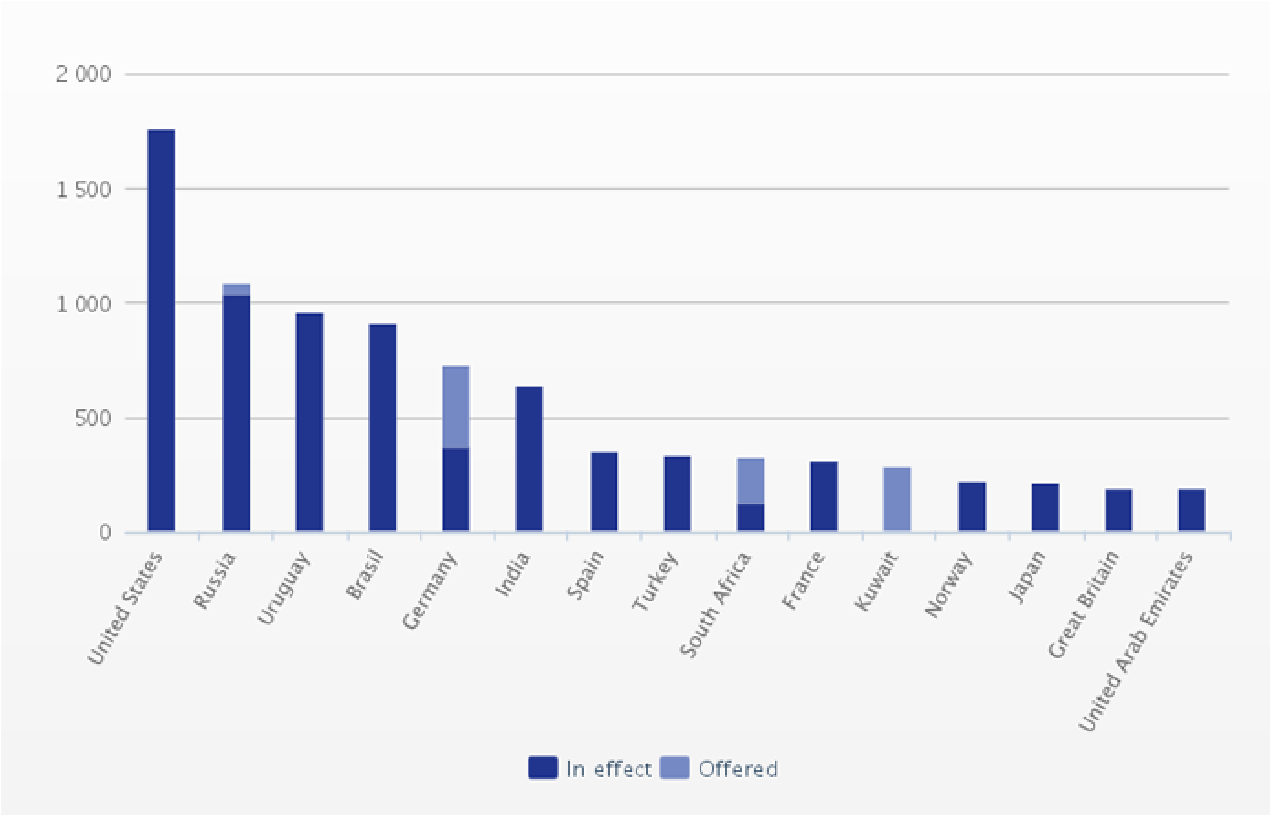
Export credits and export credit guarantees are subject to international regulations. Official export credit agencies, such as Finnvera, are required to ensure that the export transactions they guarantee adhere to internationally acceptable payment terms. The OECD Arrangement sets guidelines for officially supported export credits that have a repayment term of two years or longer. The guidelines concern, for example, the minimum cash payment and the maximum repayment period. Separate regulations have been set for certain sectors and projects, such as ship credits. Finnvera can grant a guarantee only when the business concerned is deemed to be profitable. To be eligible for guarantees, exports must meet the requirement of Finnish interest.

”
It's very important to safeguard competitive conditions for Finnish export companies. The new export credit financing system helps to ensure their competitive standing. -Topi Vesteri, Executive Vice President

Finnvera and Finnish Export Credit Ltd are Finland's official export credit agencies (ECA). Finnish Export Credit manages the interest equalisation system for officially supported export credits, which improves the opportunities of financial institutions to arrange long-term and fixed-rate financing for exports. In 2009–2011, Finnish Export Credit also managed the temporary model for funding export credits. As of the beginning of 2012, Finnvera and Finnish Export Credit are applying a new, permanent model for offering export credit financing for credits arranged by banks.

Export financing clients represent a wide range of business sectors. They include all major Finnish exporters of capital goods and a large number of smaller companies. At the end of 2011, outstanding commitments for Finnvera's export financing totalled EUR 10.3 billion. Compared with the end of 2010, outstanding commitments increased by 16 per cent.

BIGGEST COUNTRY EXPOSURES 31 DEC 2011, EXPOSURE, MEUR



Year 2011 in brief

Owing to the Basel III regulatory framework that will be adopted within the next few years, it has become more difficult to secure long-term large export credits on the market. This was already seen as an increase in the demand for export financing in 2010. However, the demand for export credit guarantees in 2011 was nearly one third less than the year before. Apart from seasonal fluctuations in individual capital goods transactions, the uncertain market situation postponing investment decisions also contributed to the decline in demand. The greatest demand was recorded in export projects where the repayment period is over seven years.

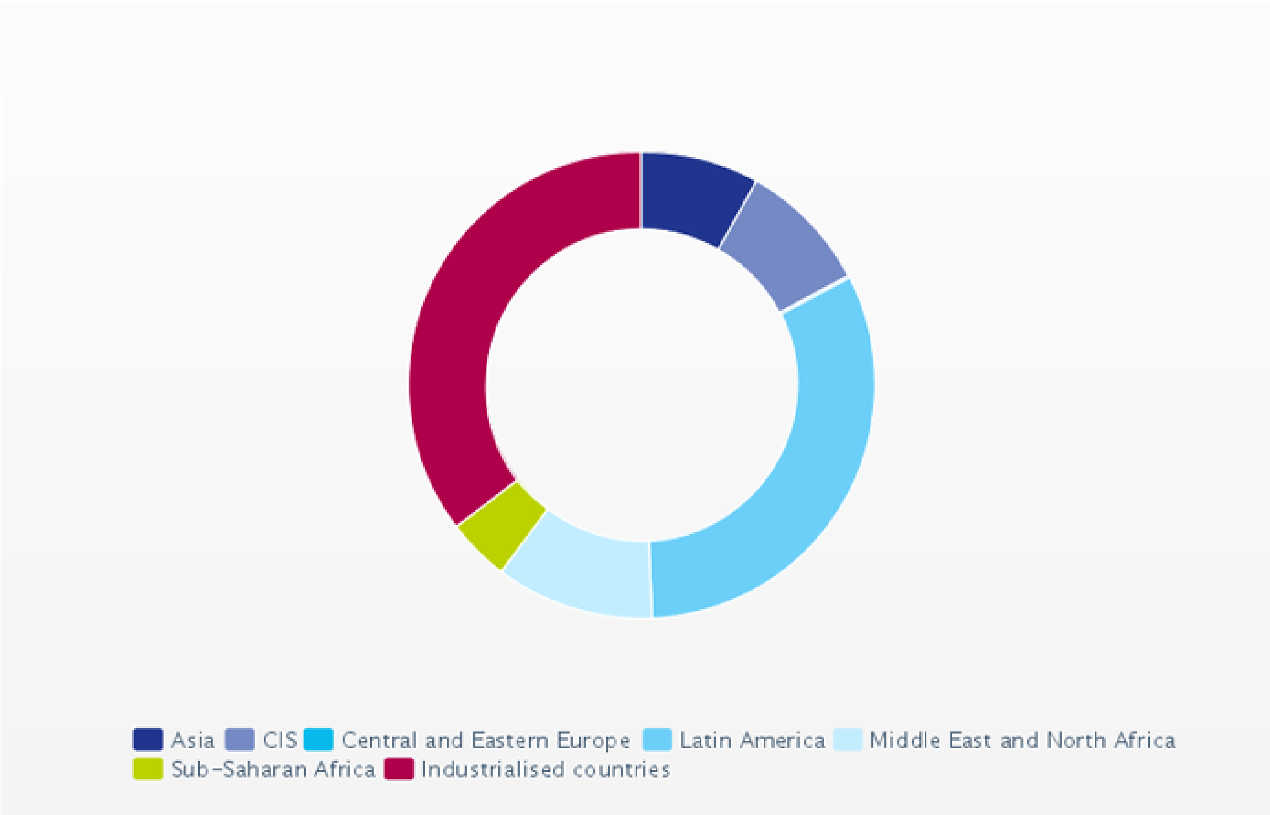
Offers given for export credit guarantees and special guarantees totalled EUR 3.9 billion (2.4 billion); this was over one and a half times more than in 2010. The number of offers given was 30 per cent less than the year before.

In total, 71 per cent of the guarantees offered concerned traditional Finnish sectors, such as telecommunications and the energy, forest and shipbuilding industries. Among geographical regions, the share for Latin America increased the most, to 26 per cent of the offers given. Among individual countries, the most guarantees were granted for exports to Uruguay, Germany, South Africa and Russia.

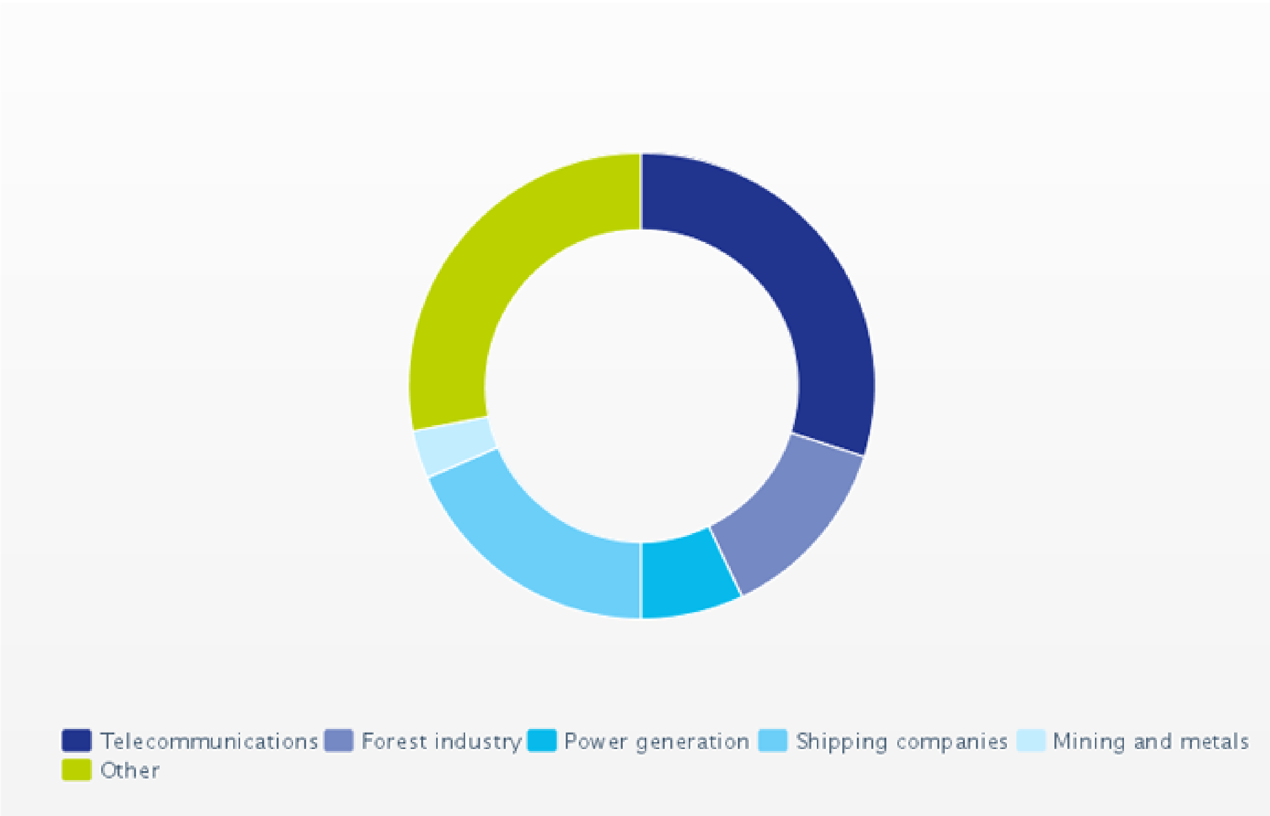
Short-term credit insurance (repayment period under two years) was applied for and granted, under the European Commission's special permission for exports, to 30 Western industrialised countries, including EU Member States. Credit insurance was offered to 54 applicants, totalling EUR 27 million. The Commission's temporary permission expired at the end of 2011. Short-term credit insurance to Western industrialised countries can no longer be granted in 2012. The granting of credit insurance for exports to Russia continues normally, irrespective of the repayment period.

The value of guarantees that came into effect in 2011 totalled EUR 3.2 billion (2.6 billion). The guarantees offered come into effect about one year after the application. In other words, many projects launched in 2010 were carried out in 2011. No significant changes in the number or size of projects or in the clientele took place during the year.

EXPORT CREDIT GUARANTEES THAT CAME INTO EFFECT BY REGION, 2011, MEUR



EXPORT CREDIT GUARANTEES THAT CAME INTO EFFECT BY SECTOR, 2011, MEUR



Development of export financing

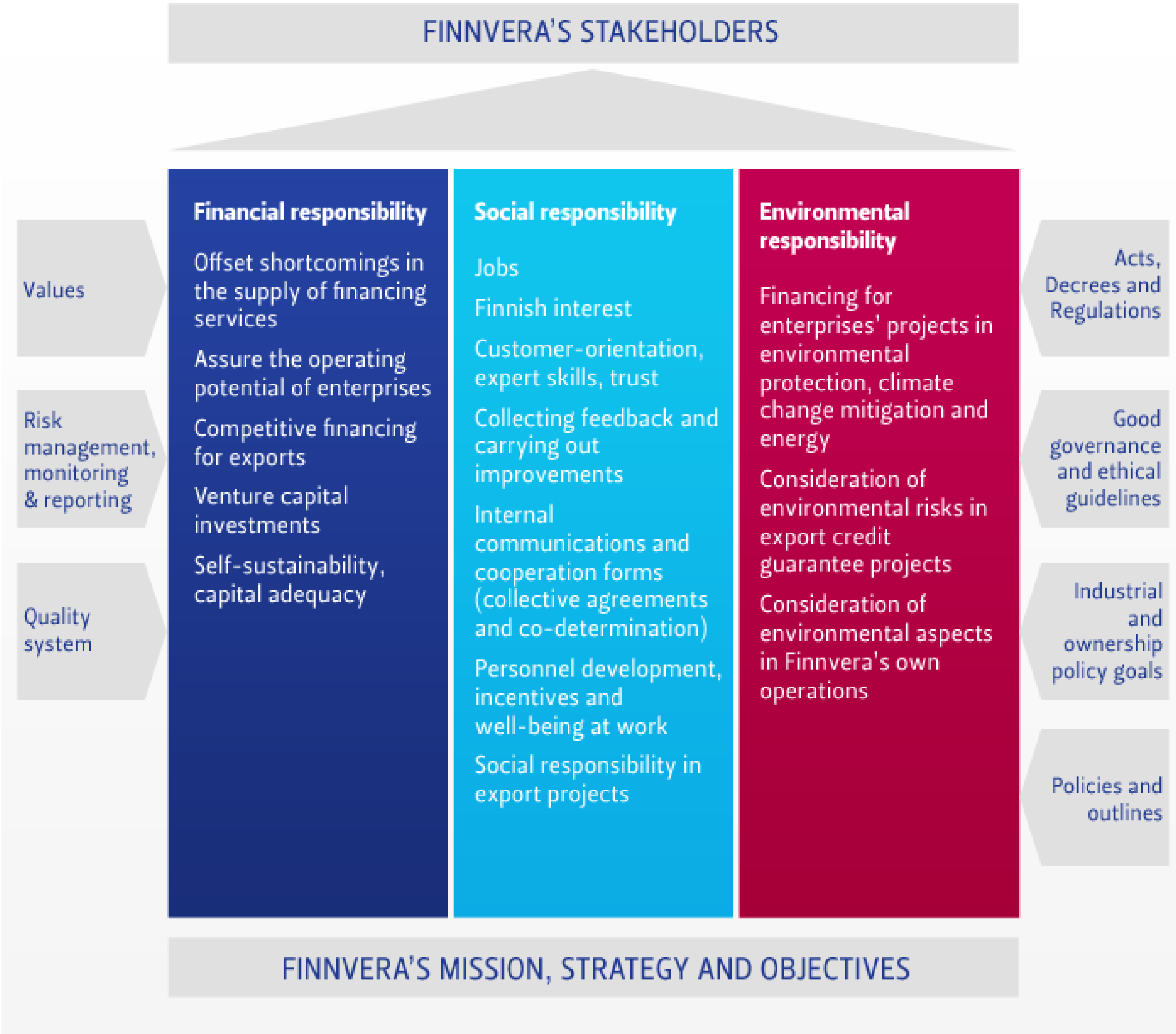
The development of export financing in 2011 focused mainly on improving the efficiency of processes and on development work associated with the funding of export credits.

A permanent system for financing exports was decided during the year. Apart from granting guarantees, Finnvera can also promote exports by providing financing for export credits as of 2012. The new model makes the financing of export credits less dependent on the willingness of commercial operators to offer long-term funding. In order to launch the financing of export credits, the operations and other resources of Finnish Export Credit and Finnvera's export financing are concentrated in Finnvera. At the start of 2012, the personnel of Finnish Export Credit Ltd transferred to Finnvera, retaining their previous benefits.

Corporate responsibility

Principles for corporate responsibility approved by Finnvera's Board of Directors on 12 January 2012:

— For Finnvera, corporate responsibility means adherence to responsible modes of operation in its contacts with all stakeholders.
— Finnvera carries out its mission and strategy in accordance with the laws, regulations and industrial and ownership policy goals guiding the company's operations.
— Finnvera's corporate responsibility rests on the foundation of the company's values and good governance. In practice, it is manifested as financial, social and environmental responsibility.
— The daily tools for acting responsibly at Finnvera include theme-specific policies and guidelines and a management system which are kept up to date.


FINNVERA'S STAKEHOLDERS
Values
Risk management, monitoring & reporting
Quality system
Financial responsibility
Offset shortcomings in the supply of financing services
Assure the operating potential of enterprises
Competitive financing for exports
Venture capital investments
Self-sustainability, capital adequacy
Social responsibility
Jobs
Finnish interest
Customer-orientation, expert skills, trust
Collecting feedback and carrying out improvements
Internal communications and cooperation forms (collective agreements and co-determination)
Personnel development, incentives and well-being at work
Social responsibility in export projects
Environmental responsibility
Financing for enterprises' projects in environmental protection, climate change mitigation and energy
Consideration of environmental risks in export credit guarantee projects
Consideration of environmental aspects in Finnvera's own operations
Acts, Decrees and Regulations
Good governance and ethical guidelines
Industrial and ownership policy goals
Policies and outlines
FINNVERA'S MISSION, STRATEGY AND OBJECTIVES

Financial responsibility

Finnvera bases all its operations on the principle of financial responsibility. With its services, the Finnvera Group offsets shortcomings in the supply of financial services and strengthens the operating potential and competitiveness of Finnish enterprises by providing loans, domestic guarantees, venture capital investments and export credit guarantees.

Through the Ministry of Employment and the Economy, Finnvera's owner – the State of Finland – sets goals for the company. Finnvera's success in promoting employment, enterprise activities, regional development, growth and internationalisation of enterprises, and exports is measured and evaluated yearly.

By implementing its basic mission and by managing its own business responsibly, Finnvera has an impact on the development of the entire Finnish economy.

— Each year, Finnvera co-finances about 3,500 starting enterprises, which is on average about ten per cent of the enterprises established in Finland annually.
— The exports covered by Finnvera's guarantees account for approximately five per cent of Finland's total exports. Indirectly, too, export financing plays an important role for the Finnish economy and thereby for well-being of Finns.
— Finnvera's services improve the financing options available for Finnish SMEs operating on the domestic market. These enterprises are important for the Finnish economy, for example as employers.
— Each year, Finnvera finances on average 20–30 domestic SMEs that are expanding their operations abroad.
— Finnvera uses regional financing to slow down and alleviate the negative effects of regional restructuring and to keep regions viable.
— The goal of venture capital investments is, over the medium term, to turn innovative start-ups into companies that help support the Finnish economy, for example as employers and future export companies.

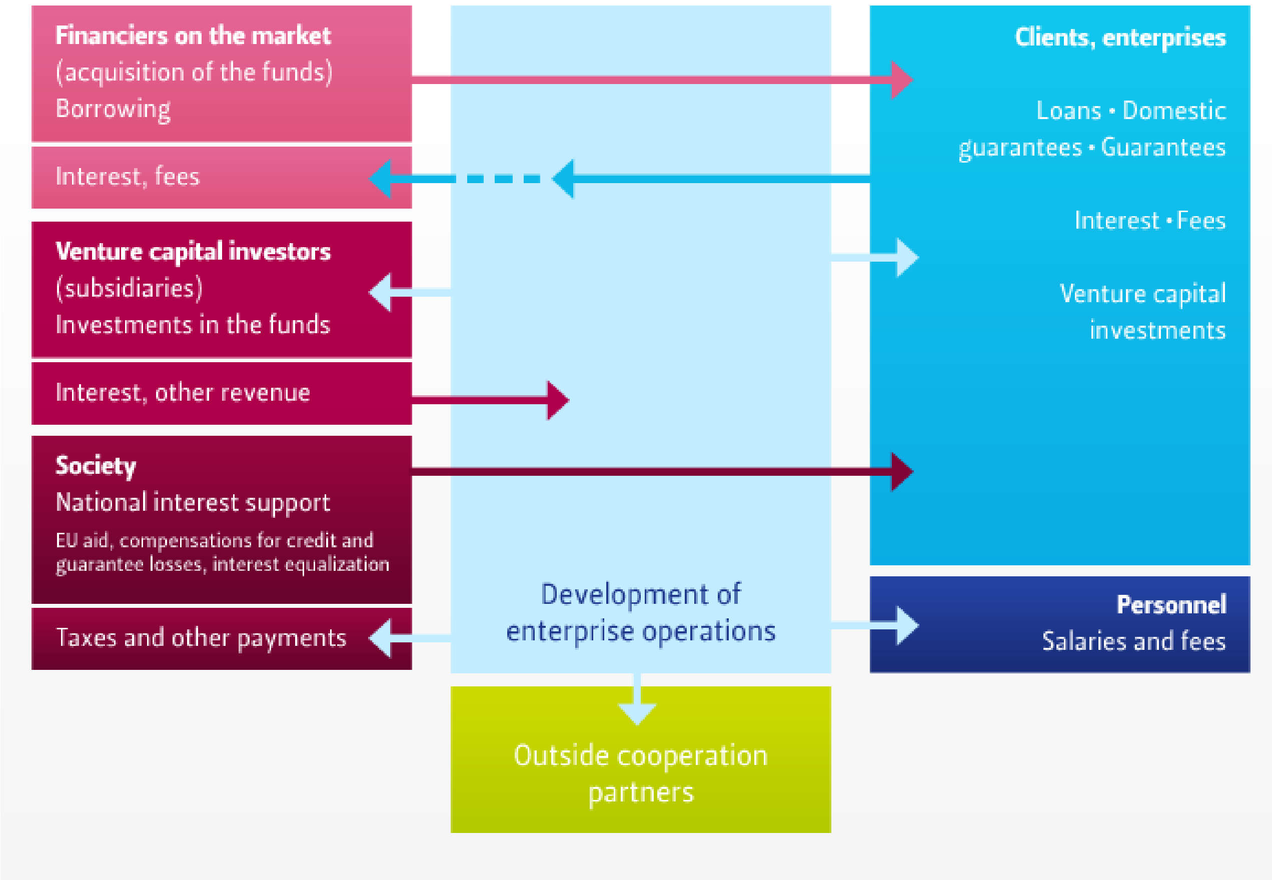
IMPACTS OF FINNVERA'S ACTIVITIES

	2011	2010	2009	2008	2007
Domestic financing					
Loans, domestic guarantees and export guarantees granted, MEUR	977.0	913.7	1 194.7	1 027.8	896.9
- Financing for assisted areas*	407.5	403.8	476.2	437.6	353.7
Number of starting enterprises created with the help of financing	3 397	3 611	3 457	3 307	3 467
Number of new jobs created with the help of Finnvera's financing	10 159	8 994	9 214	12 541	10 907
Financing/new job, EUR 1,000	96	102	130	82	82
Financing of exports					
Export credit guarantees and special guarantees offered, MEUR					
- SMEs	79.1	100.3	79.6	76.8	38.3
- Major companies	3 716.6	2 279.3	4 370.2	6 224.0	1 777.8
Total	3 795.7	2 379.6	4 449.7	6 300.8	1 816.1
- of which foreign risk	3 705.7	1 899.6	4 127.8	4 248.4	1 626.8
Guarantees that came into effect, MEUR					
- SMEs	42.8	79.7	73.8	43.0	43.3
- Major companies	3 115.9	2 562.8	3 686.0	3 801.9	720.7
Total	3 158.7	2 642.4	3 759.8	3 844.9	764.0
- of which foreign risk	2 883.7	2 642.4	2 446.6	2 719.8	705.7
Exports covered by export credit guarantees, %					
- Share of Finland's total exports	4.5	5.8	5.1	2.4	1.9
- Share of exports to countries with political risk	8.2	9.5	8.0	4.4	4.0
Number of clients	29 900	29 300	28 400	27 500	28 000

*Assisted areas were revised in 2007

Financial impacts and indicators

Aside from its proper operations, Finnvera also has indirect economic impacts on the society around it.



The table below shows the key indicators for financial responsibility in 2011 and 2010:

KEY INDICATORS FOR FINANCIAL RESPONSIBILITY, MEUR

	2011	2010
Revenue		
-Net interest income, and fee and commission income and expenses	153.4	150.6
Subsidies and compensation for losses		
- Interest subsidies passed on to clients and other interest subsidies	14.2	160.3
- Compensation for credit and guarantee losses	31.9	25.4
Impairment losses on receivables, guarantee losses	86.6	72.9
Operating expenses	38.9	38.4
- Personnel expenses	27.4	27.4
- Other administrative expenses	11.5	11.0
Other business expenses	6.4	7.0
Taxes		
- Taxes on previous years	-	+ 1.6

Economic self-sustainability and capital adequacy

According to the goal of self-sustainability set for Finnvera, the company's income from operations must be sufficient in the long term to cover its operating expenses and its share of any credit and guarantee losses incurred.

Finnvera's capital adequacy must be sufficient in order to ensure the company's ability to bear risks and to keep the costs of funding as reasonable as possible. The company must plan its operations so that it can maintain a capital adequacy ratio of at least 12 per cent. At the end of 2011, the capital adequacy of the Finnvera Group was 15.5 per cent. The year before, the corresponding figure was 14.6 per cent.

Social responsibility

Personnel

According to the annual personnel survey, Finnvera's employees value their jobs and are satisfied with their work, which they experience as challenging, meaningful and relevant. Clear goals and targets guide working. Maintenance of professional skills and competence is a priority. Personnel also feel that well-being at work is important and that they have sufficient strength for a balanced division between work and leisure.

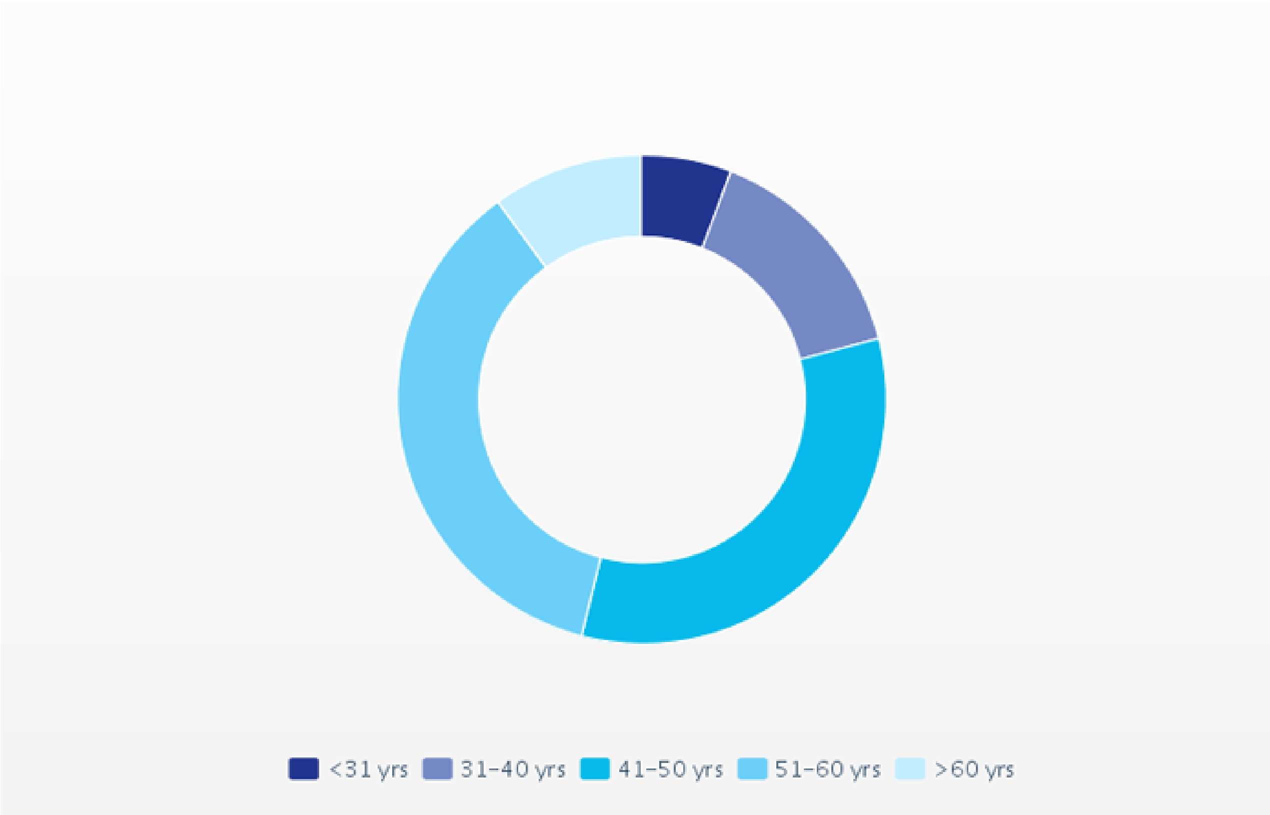
Finnvera's employees are also satisfied with their supervisors' work. The points of departure for personnel management at Finnvera are mutual trust, commitment to joint goals, cooperation and ensuring high-level expertise.

At the end of 2011, the Finnvera Group had 397 permanent employees and 16 fixed-term employees. Summer jobs were provided for 17 university students.

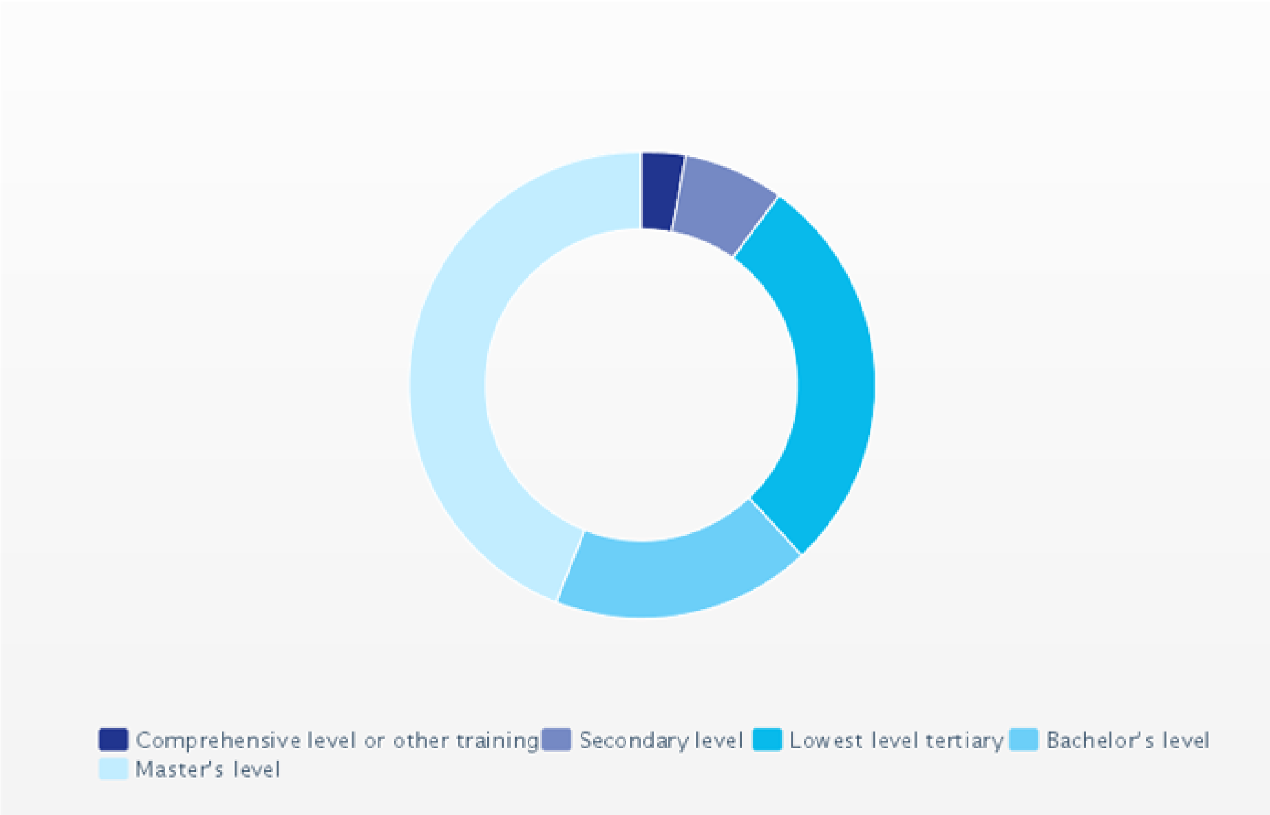
Finnvera's employees are highly educated: about 90 per cent of them have completed tertiary-level education; 45 per cent have a Master's degree. More than three out of four have education in the social or economic sectors.

Women account for 62 per cent of the personnel. Employment relations are relatively long, on average 16 years. Every tenth employee has worked for Finnvera or its predecessors for over 30 years. The mean age among personnel at the end of 2011 was 48 years.

PERSONNEL AGE DISTRIBUTION 2011, %



PERSONNEL EDUCATION 2011, %



Cooperation and personnel involvement

Finnvera's approach is characterised by genuine interaction, the consulting of personnel and the involvement of personnel in decision-making. The atmosphere of the work organisation, managers' work and personnel well-being are measured annually by conducting surveys among the personnel. The results of the survey are utilised when developing the activities of units, when planning training and when developing the organisation.

Finnvera's terms of employment are laid down in a company-specific labour agreement signed by the employers' association and three employees' associations. The agreement is based on what is known as a continuous negotiation process.

Personnel have one representative on Finnvera's Supervisory Board and three representatives in the Corporate Management Team. The Corporate Management Team discusses all issues having broad ramifications for personnel; the elected representatives of personnel groups also participate in the preparation of these issues. The Co-determination Committee handles issues falling within the scope of the more complex negotiation procedure defined in legislation.

Rewards and motivation

Each person’s salary is based on job requirements and on personal work performance. Job requirements are assessed in cooperation with personnel representatives. Personal work performance is evaluated during performance discussions held yearly between the employee and the supervisor. A matrix developed specifically for the evaluation of performance and skills and adopted in 2011 is used as an aid in the evaluation process. The pay brackets for the job requirement categories and the ways in which earnings trends are monitored both internally and in relation to the external pay market are agreed through the pay system. The goal of the pay policy is to keep salaries close to the median for the financial sector.

One-off bonuses are used to reward exceptionally good work performance, participation in various projects, training or otherwise exemplary conduct. About one per cent of the total amount of wages and salaries is budgeted for bonuses. The maximum bonus that can be paid to an individual employee in a calendar year corresponds to the person’s four-week salary.

Personnel development and job rotation

Development and training at the Group level strive to strengthen Finnvera’s core competences as defined by the Management Group and the Board of Directors. Internal, examination-type training programmes have been created for the largest professional groups. About 60 per cent of Finnvera employees come under the scope of these programmes. In addition to in-house training, personnel have the opportunity to participate in professional training arranged by outside operators.

The programmes tailored for various professional groups enhance competence and the management of common practices. They also provide Finnvera’s experts with the opportunity to develop as in-house trainers. The number of person-days devoted to in-house training totalled about 900 in 2011.

Thanks to the expert exchange programme agreed with Finpro and Tekes, experts employed by one organisation can work in the other organisations for a fixed period.

Personnel well-being

Working methods are constantly under development. Efforts are made to strengthen motivation by applying a delegating and open approach to management and by encouraging personnel participation. Constant development of professional skills and opportunities for learning and renewal improve coping at work. A balanced division between work and leisure and first-rate occupational health care services also support well-being at work.

Working hours are kept as flexible as possible, and the entire personnel is entitled to apply flexitime.

Environmental responsibility

Finnvera as a provider of financing for projects in environmental protection, climate change mitigation and energy

Climate and other environmental protection offers growth potential for Finnish SMEs that have solid know-how, for example, in the renewable energy or waste processing sectors. Aside from domestic demand, these sectors provide promising export opportunities.

Energy and climate policy issues are on the agenda both in Europe and globally. In their efforts to combat climate change, many countries have agreed to cut their greenhouse gas emissions and to increase their energy efficiency.

Finland has long traditions in the use of renewable energy and bioenergy, especially energy produced from wood. Together with other EU Member States, Finland is committed to additional measures: the target is to raise the share of renewable energy on average to 38 per cent of total consumption by 2020. The target is supported by the feed-in tariff system that encourages, for example, the building of power plants that utilise renewable energy sources.

Many types of financing for investments

Finnish companies are well positioned to develop technical solutions for renewable energy and to promote the generation and use of renewable energy. Energy conservation and more efficient utilisation of raw materials bring economic benefits to companies and to the whole of society. One example of this is the use of low-grade timber and wood chips for heat and power generation.

Finnvera wants to promote the development, growth and internationalisation of the Finnish environment sector by co-financing environmental projects having the prerequisites for profitable business. In addition to projects associated with renewable energy generation implemented in Finland, Finnvera has granted financing to a few projects where companies have exported environmental technology.

> “By granting financing, Finnvera wants to promote the use of renewable energy because it also creates new enterprises and jobs.”

Apart from loans, Finnvera’s financing instruments include, for example, environmental guarantees. They are suited not only for environmental investments but also for renewable energy investments and projects improving energy efficiency. An environmental guarantee generally covers 50 per cent of the credit to be guaranteed. Before the financing decision, Finnvera assesses the profitability of the applicant’s business, the feasibility of the investment project, and its environmental impact.

Although the volume of financing granted by Finnvera’s SME Financing for investments in machinery and equipment in 2011 increased by 20 per cent on the previous year, the demand for financing intended for sectors such as environmental protection and sustainable development was clearly lower than anticipated, especially with respect to renewable energy. However, it is believed that demand for these environmental projects will pick up in 2012.

Finnvera wants to increase risk-taking in various projects pertaining to sustainable development. This means that Finnvera’s share of the total funding for these projects can be greater than usual. Finnvera may also make venture capital investments in start-up enterprises developing or utilising new environmental technology.

An environment-friendly investment

Polttoväri Oy, located in Mustasaari, is a subcontractor specialising in coating. Company was founded in 1989. It offers coating services for metal products. The company's strength lies in the versatile selection of preliminary treatments and in high-quality coating. The company employs 40 people.

In addition to the traditional powder coating and wet painting methods, the company is licensed to use the Delta MKS coating system in Finland. The method is environmentally friendly and chromium-free. Examples of Delta-coated products include coloured screws and fasteners and customer-specific metal products.

In its operations, Polttoväri Oy considers issues pertaining to quality, the environment, and occupational health and safety. The company has certified ISO 9001:2000 quality system, the ISO 14001:2004 environmental management system, and the OHSAS 18001 Occupational Health and Safety Management System.

Polttoväri Oy pays attention to environmental aspects. For example, the company has acquired a new coating line and has modernised its old production lines. Among other things, the new, fully automatic conveyor uses backwashing to minimise the transport of cleaning agent residues as waste. The new drying ovens save energy and the heat released from the process is also utilised.

Finnvera wants to be a co-financier in industrial companies' investment projects that promote environmental protection. With its investment, Polttoväri Oy made a considerable contribution to the environment and energy conservation, for which reason Finnvera's Environmental Loan was a suitable addition to the project funding.

Export credit guarantees and the environment

In export financing, the environmental impact of projects *) to be guaranteed is considered as part of the overall risk assessment. The assessment determines the location of the project, the level of the project's environmental impact, and whether the environmental issues involve financial risks or risks to reputation.

The tools used by export financing are environmental policy and the system of reviewing environmental impacts. In developing these tools, both the principles of the Act on the State's Export Credit Guarantees and the OECD recommendations on the environment and export credits have been taken into account. The principles applying to export credit agencies in OECD countries guarantee a level playing field for exporters irrespective of their country.

The environmental policy determines which guarantee applications fall within the scope of environmental review. The extent of the review is based on the importance of potential adverse environmental impacts.

The environmental reviews of export financing are based on environmental studies conducted on the projects elsewhere. Applicants supply this information to Finnvera. During the actual review, it is determined whether the projects meet the expectations set by the host country and by international environmental standards.

With the consent of the parties concerned, Finnvera publishes environmental information on the projects. Some data on projects in Category A are already disclosed before a guarantee is granted. Information is also given on some guarantees that have come into effect.

Finnvera monitors the environmental aspects of certain projects during their realisation and operation until the credit associated with the export credit guarantee has been repaid. The aspects monitored may include the following: emissions into the air and into water and their environmental impacts; the state of groundwater; noise; the environmental sustainability of raw material acquisitions for the project; the state of the management systems implemented; industrial accidents; and public debate on the environmental aspects of the project.

*) A project means realisation of a construction, plant or design, other interference with the natural environment or landscape, including the exploitation of natural resources in the ground. New plants and major expansions or modifications of existing plants are projects.

**) Environmental categories of projects: A – potentially significant adverse environmental impacts; B – less adverse environmental impacts than those of Category A; C – no adverse environmental impacts or they are minimal; “Non-project” – e.g. a supply of spare parts or a replacement investment that does not increase production capacity, emissions or the use of raw materials.

A look at 2012

Market outlook

According to Finnvera's view, 2012 will be a more challenging year than 2011. Restlessness on the financial market and uncertain prospects for the world economy will slow down economic growth.

According to the first statistics for 2012, SMEs will continue to need financing for their working capital. The low level of investments by companies reduces demand for Finnvera's financing but, on the other hand, banks would like to see Finnvera participating increasingly often in financing projects, to share risks with them. Close cooperation between Finnvera and banks ensures that SMEs with prerequisites for profitable business will receive financing even during a period of low economic activity.

Finnvera makes venture capital investments in start-ups, especially in innovative technology and service companies. During an economic downturn, it becomes increasingly difficult for venture capitalists to exit from portfolio companies. This may extend investment periods and may make the negotiations on exits more challenging.

The uncertainty on the financial market, triggered by the high debt rates of developed economies and followed by the contraction of economic growth, has darkened the future expectations of export companies. Demand for export financing is greatly influenced by how the economies of Finland's key export countries, such as Sweden, Russia and Germany, will develop. At present, it seems that export volumes may fall even more permanently.

At the beginning of 2012, Finnvera adopted a new role, providing financing for export credits. In this arrangement, Finnvera finances long-term export credits that banks have granted to the buyers of Finnish capital goods. A similar model is applied in our major competitor countries. Thus, the system levels the playing field between Finnish exporters of capital goods and their competitors abroad.

Priorities

At the start of 2012, Finnvera changed its organisation. The company's microfinancing, regional financing and financing for growth and internationalisation were merged to form the Unit of Financing for SMEs and Internationalisation. With the reform, the financial services offered by Finnvera to SMEs and the development of financing products are in the same unit. The new unit is headed by Senior Vice President Annamarja Paloheimo.

The financing offered by the company is targeted at priority areas determined according to the strategy selected. The goal of the SME Export Finance Programme launched in January is not only to make SMEs more familiar with the payment models and financing options available for export transactions but also to develop Finnvera's know-how and cooperation with Russian partners in St. Petersburg and Moscow.

At the start of 2012, Finnvera began to finance export credits. Finnvera acquires the funds needed for this from the market, by issuing State-guaranteed bonds and commercial papers. The successful launching of the new model required not only resources but also new kinds of expertise.

The personnel employed by Finnish Export Credit Ltd transferred to the parent company, Finnvera plc, at the start of 2012. The goal is to provide clients with comprehensive service for export financing. For tax reasons, Finnish Export Credit Ltd will continue to serve as the lender.

In early 2012, an assessment will be carried out of measures that contribute to meeting targets specified in the Government Programme, which require Finnvera to increase its risk-taking capacity in both export financing and SME financing. In addition, the division of labour between the State-owned venture capital investment companies may be altered.

An international evaluation of the activities of Finnvera and Tekes, commissioned by the Ministry of Employment and the Economy, is in progress. The results will be ready during spring 2012.

Introduction

The State of Finland owns the entire stock of Finnvera. The Enterprise and Innovation Department of the Ministry of Employment and the Economy is responsible for the ownership and industrial policy steering of Finnvera.

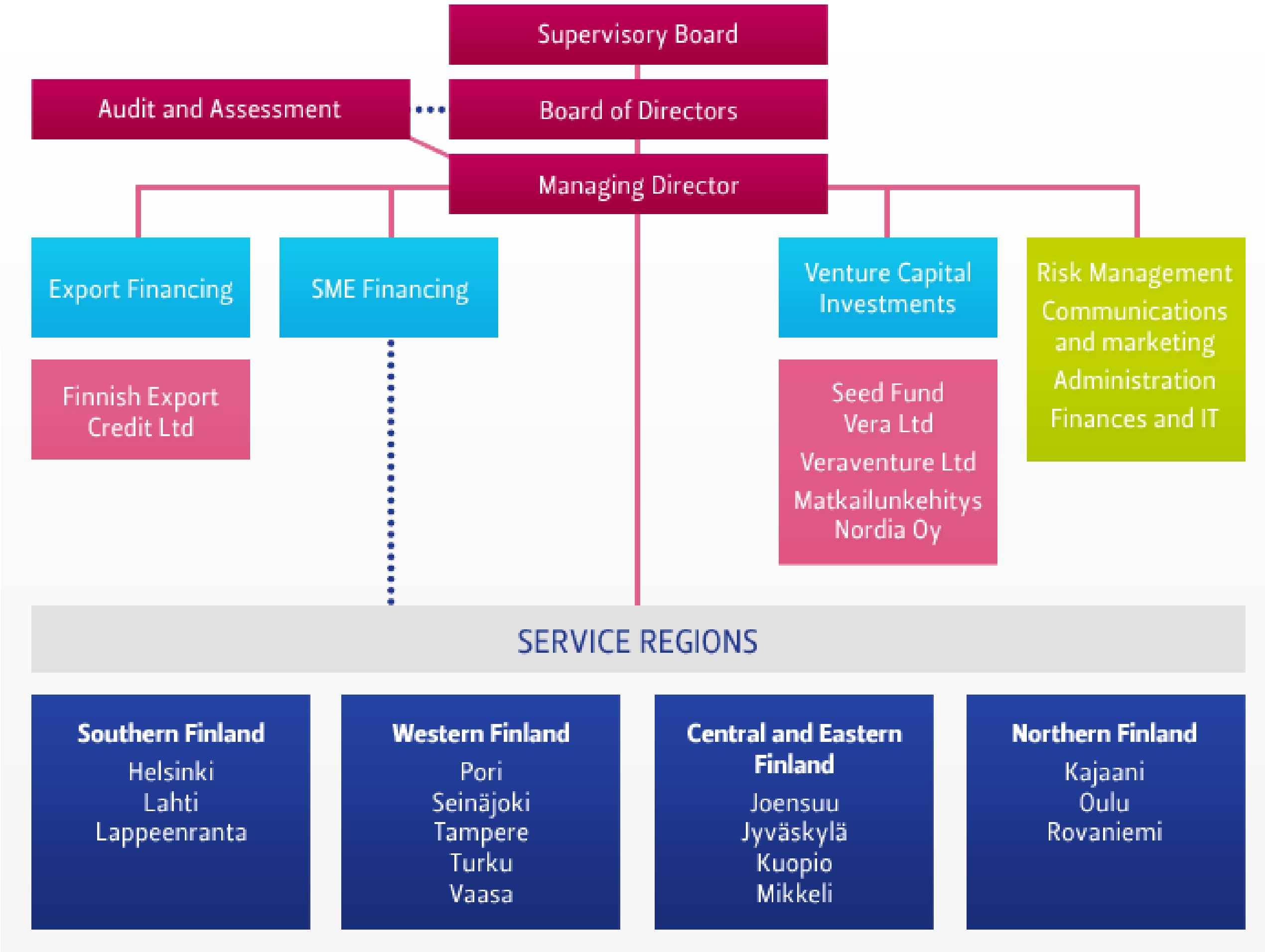
The goal of good corporate governance, as practised by Finnvera, is to ensure transparency throughout the organisation. Finnvera's Board of Directors approves the principles and guidelines steering the operations. The principles for good practices, confirmed by the Board of Directors, guide the personnel so that their actions help solidify Finnvera's role as a specialised financing company and as an expert esteemed by clients.

The principles of disqualification and the guidelines on insider information are part of Finnvera's ethical guidelines.

— Principles of Good Conduct (in Finnish)
— Guidelines for Ensuring Impartiality
— Guidelines on Insider Information (in Finnish)

The corporate organs responsible for Finnvera's administration and operations are the General Meeting of Shareholders, the Supervisory Board, the Board of Directors, and the Managing Director.

FINNVERA GROUP 1 JAN 2012 –



The General Meeting of Shareholders can decide on issues assigned to it by law and the Articles of Association. The General Meeting elects the members and deputy members of the Supervisory Board and the Board of Directors, and the Chairs and Vice Chairs of both bodies.

The Supervisory Board supervises the company's administration. It gives the Annual General Meeting its opinion on the financial statements and the auditors' report, and decides on issues that concern considerable reduction or expansion of the company's operations or substantial reorganisation of the company.

The Board of Directors is responsible for the company's administration and for the proper organisation of activities. The Board approves the company's strategy and annual plans, the interim reports and the financial statements, as well as the risk management principles. The Board advances the company's development and ensures that the operations conform to law and meet the goals set by the owner. The Board also decides important individual cases of financing. The Board supervises and monitors the company's executive management and appoints and dismisses the company's Managing Director and other members of the upper management.

The Managing Director is responsible for the company's operational administration in keeping with the guidelines and regulations issued by the Board of Directors. In management of the tasks specified in the Limited Liability Companies Act, the Managing Director is assisted by the Management Group and the Corporate Management Team.

Operating principles

Policies observed by Finnvera

The main guidelines, principles and policies observed by Finnvera in its activities are:

- ownership policy
- country and guarantee policy
- credit policy
- risk management principles
- environmental policy and publicity policy in export credit guarantee operations
- personnel policy outlines
- ethical guidelines
- IT policy outlines
- communications policy outlines
- principles for cooperation agreements
- guidelines and procedures for procurement

Industrial and ownership policy goals

The Ministry of Employment and the Economy monitors and supervises Finnvera's operations. Each year the Ministry sets industrial and ownership policy goals for Finnvera. When determining these goals, attention has been paid to the Finnish Government Programme, the Ministry's corporate strategy, the policy objectives of the Ministry's administrative branch, and the goals of EU programmes.

On the basis of the industrial and ownership policy goals set, an assessment is made on how well Finnvera has succeeded in promoting, for instance, enterprise, employment, the growth and internationalisation of enterprises, and exports.

The uncertain economic situation was reflected in the attainment of Finnvera's industrial and ownership policy goals for 2011, and not all goals were met.

Supervisory Board

Finnvera's Supervisory Board consists of a minimum of eight and a maximum of eighteen members. The General Meeting elects the members, who have a term of office of one year.

The fees paid to the members of the Supervisory Board are in agreement with the recommendation issued by the Ministry of Employment and the Economy on fees paid to the administrative bodies of State-owned companies. The fees paid in 2011 totalled EUR 123,000.

Members on 31 December 2011:

Chairman
Johannes Koskinen, Member of Parliament (Finnish Social Democratic Party)

First Vice Chairman
Kyösti Karjula, Agronomist (Centre Party)

Second Vice Chairman
Reijo Paajanen, Entrepreneur (Coalition Party)

Maria Bäck, First Vice Chairman, Finnish Association of Business School Graduates

Kaija Erjanti, Head of Financial Markets, Federation of Finnish Financial Services

Lasse Hautala, Member of Parliament (Centre Party)

Sinikka Hurskainen, Artist (Finnish Social Democratic Party)

Leila Kurki, Senior Adviser, Finnish Confederation of Professionals STTK

Timo Leppänen, Managing Director, Kajaanin Tilitaito Oy

Jari Myllykoski, Member of Parliament (Left Alliance)

Tapio Mäkeläinen, Labour Market Director, Federation of Finnish Commerce

Petri Pihlajaniemi, Entrepreneur (Coalition Party)

Hannele Pohjola, Director, Innovation and Growth Policy, Confederation of Finnish Industries EK

Tuomo Puumala, Member of Parliament (Centre Party)

Olli Rantanen, Legal Counsel, Documentation, Finnvera plc

Timo Vallittu, Chairman, Industrial Union TEAM

Board of Directors

Finnvera's Board of Directors comprises a minimum of six members and a maximum of nine members plus two deputy members. The General Meeting of Shareholders elects the members for a term of one year at a time.

The Audit Committee of the Board of Directors assists the Board in its supervisory tasks. The Board of Directors selects the Audit Committee's members and chairman from among the Board members, for a term of one year at a time. In 2011, the Audit Committee members were Chairman Kalle J. Korhonen, Vice Chairman Heikki Solttila and Board member Timo Kekkonen.

The fees paid to the members of the Board of Directors are in agreement with the recommendation issued by the Ministry of Employment and the Economy on fees paid to the administrative bodies of State-owned companies. The fees paid in 2011 totalled EUR 157,300.

Members on 31 December 2011:

KALLE J. KORHONEN
M.Sc. (Tech.)
Chairman

Kalle J. Korhonen has chaired Finnvera's Board of Directors since 1999. He worked at the Ministry of Employment and the Economy as Permanent Under-Secretary of State and as Head of the Corporate Steering Unit until 30 November 2011. He held various posts in the Ministry of Trade and Industry from 1973 onwards and worked at the Finnish Consulate in Munich in 1990–1992.

HEIKKI SOLTTILA
M.Soc.Sc.
First Vice Chairman

Financial Counsellor Heikki Solttila has been the First Vice Chairman of Finnvera's Board of Directors since 2010. He heads a unit at the Financial Markets Department of the Ministry of Finance. He has been in the employ of the Ministry of Finance for 12 years; before that, he worked, e.g., for the Bank of Finland, Postipankki, and the Industrialisation Fund of Finland.

ESKO HAMILO
B.Soc.Sc.
Second Vice Chairman

Under-Secretary of State Esko Hamilo has been Finnvera's Second Vice Chairman since 2010. He has been employed by the Ministry for Foreign Affairs for nearly 40 years, serving, e.g. as Ambassador to Australia and France. During 2007–2010, he worked at the Prime Minister's Office, serving as the Prime Minister's adviser in international affairs.

MARJAANA AARNIKKA
LL.M.

Commercial Counsellor Marjaana Aarnikka has been a member of Finnvera's Board of Directors since 8 April 2011. She works at the Enterprise and Innovation Department of the Ministry of Employment and the Economy and is responsible for financing for the internationalisation of enterprises. She has held different positions at the Ministry of Employment and the Economy for 20 years, most recently as Programme Director in the Government Policy Programme for Employment, Entrepreneurship and Worklife.

PIRKKO-LIISA HYTTINEN
psychologist, Ph.D.

Business Director Pirkko-Liisa Hyttinen has been a member of Finnvera's Board of Directors since 2008. She works as Business Director at Psykologian TietoTaito Oy. Before that, she worked in HR management duties in industry.

TIMO KEKKONEN
M.Sc. (Engineering)

Director Timo Kekkonen has been a member of Finnvera's Board of Directors since 2008. He works at the Confederation of Finnish Industries (EK) as Director responsible for the innovation environment and competences. Before that, he worked at the Ministry of Trade and Industry and the Finnish Innovation Fund Sitra.

TIMO LINDHOLM
M.Soc.Sc., eMBA

Executive Vice President Timo Lindholm has been a member of Finnvera's Board of Directors since 2010. He works in the Federation of Finnish Enterprises. Before that, he was employed by the OP-Pohjola Group in various analysis tasks for over 20 years, serving as the Chief Economist for the last ten years.

Deputy members

ELISE PEKKALA, LL.M., LL.M. (Eur.)
Deputy Member

Deputy Director General Elise Pekkala has been a deputy member of Finnvera's Board of Directors since 2004. She works at the Labour and Trade Department of the Ministry of Employment and the Economy.

KRISTINA SARJO, LL.M.
Deputy Member

Financial Counsellor Kristiina Sarjo has been a deputy member of Finnvera's Board of Directors since 2003. She works at the Financial Markets Department of the Ministry of Finance and heads the Unit for International Affairs.

Management Group and Corporate Management Team

Management Group

Finnvera's Management Group comprises the Managing Director, the Executive Vice President, the Senior Vice President for SME Financing, the Managing Director of the subsidiary engaged in venture capital investment, the General Counsel for Administration, the Senior Vice Presidents for Finances and Communications, and the Vice Presidents of the Service Regions. The Management Group discusses issues relating to the strategy, business, policy outlines for client work, and ownership steering. The Management Group meets once a month.

The Managing Director is responsible for the company's operational administration in keeping with the guidelines and regulations issued by the Board of Directors. In management of the tasks specified in the Limited Liability Companies Act, the Managing Director is assisted by the Management Group and the Corporate Management Team.

Members:

Pauli Heikkilä (1962), D.Sc. (Tech.)
Managing Director

Topi Vesteri (1956), LL.M.
Executive Vice President, Export Financing

Veijo Ojala (1951), M.Soc.Sc.
Executive Vice President, Domestic Regional Financing

Annamarja Paloheimo (1964), LL.M.
Senior Vice President, Financing for Growth and Internationalisation

Leo Houtsonen (1958), M.Sc. (Econ. & Bus. Adm.)
Managing Director, Veraventure Ltd
Managing Director, Seed Fund Vera Ltd

Ulla Hagman (1969), M.Sc. (Econ. & Bus. Adm.)
Senior Vice President, Finances and IT

Risto Huopaniemi (1975), LL.M.
General Counsel, Administration

Tarja Svartström (1971), M.Sc.
Senior Vice President, Corporate Communications and Marketing as of 9 May 2011

John Erickson (1956), M.A.
Vice President, Western Finland

Pentti Kinnunen (1954), M.Sc. (Econ. & Bus. Adm.)
Vice President, Northern Finland

Hannu Puhakka (1959), M.Sc. (Tech.)
Vice President, Central and Eastern Finland

Kari Villikka (1955), M.Sc. (Tech.)
Vice President, Southern Finland

Corporate Management Team

The Corporate Management Team assists the Managing Director in the management of the tasks specified in the Limited Liability Companies Act and discusses matters that have a major impact on Finnvera's personnel. Besides the members of the Management Group, the Corporate Management Team includes the Managing Director of Finnish Export Credit Ltd and the Vice President responsible for asset management. The Corporate Management Team also includes representatives of the personnel organisations. The Corporate Management Team meets every second month.

Members:

Heikki Lähdesmäki (1961), M.Sc. (Econ. & Bus. Adm.)
Finance Manager

Matti Männikkö (1954), M.Sc. (Tech.)
Vice President, Administration, Asset Management

Tuija Saari (1952), LL.M.
Liaison Officer

Ilse Salonen (1959), B.Sc. (Bus. Adm.)
Finance Assistant

Jyrki Wirtavuori (1950), LL.M., until 18 November 2011
Managing Director, Finnish Export Credit Ltd

Regional organisation

Finnvera's regional organisation is divided into four service regions. The Vice Presidents of service regions also act as Directors of Regional Offices in their own regions.

Service Region for Southern Finland

Vice President
Kari Villikka, M.Sc. (Tech.)
Helsinki

Directors of Regional Offices:

Satu Mäkelä, M.Sc. (Econ. & Bus. Adm.)
Lappeenranta

Pasi Pirinen, M.Sc. (Tech.)
Lahti

Service Region for Central and Eastern Finland

Vice President
Hannu Puhakka, M.Sc. (Tech.)
Joensuu

Directors of Regional Offices:

Tarja Tikkanen, LL.M.
Kuopio

Jukka-Pekka Jordan, M.Sc. (Econ. & Bus. Adm.)
Mikkeli

Asko Saarinen, M.Sc. (Tech.), eMBA
Jyväskylä

Service Region for Western Finland

Vice President
John Erickson, M.A.
Vaasa

Directors of Regional Offices:

Kari Hytönen, M.Sc.
Seinäjoki

Juha Ketola, M.Sc. (Tech.)
Tampere

Martti Kytöluhta, M.Sc. (Econ. & Bus. Adm.)
Pori

Seija Pelkonen, M.Soc.Sc.
Turku

Service Region for Northern Finland

Vice President
Pentti Kinnunen, M.Sc. (Econ. & Bus. Adm.)
Oulu

Directors of Regional Offices:

Pauli Piilma, LL.M.
Kajaani

Kari Tuominen, M.Sc. (Econ. & Bus. Adm.)
Rovaniemi

Report of the Board of Directors

Worldwide economic uncertainty continued to cast a shadow over 2011, and the debt crisis in the euro zone contributed to a lack of confidence on financial markets. The budding growth noted in the spring wilted in the summer, and the euro crisis dominated the news throughout autumn. Despite the uncertainty factors, enterprise financing continued almost normally in Finland.

In SME financing, Finnvera's 2011 was busier than the year before. Demand clearly increased, and the total volume of loans and guarantees granted by Finnvera for domestic operations was three per cent greater than in 2010. Investments continued to be low, and well over half of the financing offered was used for working capital. Counter-cyclical financing accounted for one fifth of all loans and domestic guarantees granted to SMEs, exceeding the figure for 2010 by clearly over a half. The weakened interest in the establishment of new undertakings was evident in a decline in the number of applications submitted by start-up enterprises, especially towards the end of the year.

Uncertainty and slower economic growth were also reflected in shrinking demand for export credit guarantees. The downturn in the availability of long-term export financing and the postponement of investment decisions were other factors contributing to the fall in demand. Demand for export credit guarantees and special guarantees was nearly one third less than in 2010, but the volume of offers given was over one and a half times more than the year before.

Temporary provision of funding ended

The arrangement for providing funding for export credits, which commenced at the beginning of 2009, came to an end on 30 June 2011. The goal of the arrangement, which was intended to be temporary, was to enhance the availability of financing for the customers of Finnish exporters of capital goods.

Finnvera to start financing export credits

In its report submitted on 11 March 2011, the Export Financing 2011 working group proposed that Finland should have a permanent financing system for export credits based on Finnvera's acquisition of funds.

On 22 September 2011, the Cabinet Committee on Economic Policy approved the adoption of a new permanent model for financing export credits as of the beginning of 2012. The President of the Republic approved the legal statutes concerning the system on 29 December 2011. According to the new model, Finnvera's subsidiary, Finnish Export Credit Ltd, grants credits, while the parent company, Finnvera, is responsible for the necessary acquisition of funds and liquidity management. Finnvera acquires the funds needed for export credits by issuing debt instruments and commercial papers guaranteed by the State of Finland.

The objective of the new export financing system is to ensure the competitiveness of Finnish export companies. The system is intended for arranging financing for foreign customers who buy Finnish capital goods. Banks continue to have an important role in the arrangement of financing for export transactions, because the bank negotiates the terms of the buyer credit and manages the credit. The bank selected by the buyer arranges a long-term export credit on OECD terms, which it may transfer to Finnish Export Credit for financing. The buyer credit arrangement always includes Finnvera's export credit guarantee. Finnvera makes the decisions on export credits and export credit guarantees in line with its normal criteria.

The total volume of outstanding export credits can be at most EUR 3 billion.

As of the beginning of 2012, the export financing services provided by Finnvera and Finnish Export Credit are concentrated in Finnvera's Export Financing Unit.

Minimum rates for export credit guarantees adopted

On 1 September 2011, Finnvera and other export credit agencies in the OECD countries adopted new, jointly agreed minimum levels for the pricing of export credit guarantees. The OECD agreement on premium rates evens out price competition between export credit agencies in various countries.

Since 1999, all export credit agencies in the OECD countries have adhered to jointly agreed country-specific minimum rates in the pricing of political and sovereign risks. From now on, minimum premium rates will also be used in the pricing of commercial risks. The minimum rates are based on the classification of the country risk and the risk pertaining to the obligor (buyer, borrower or guarantor).

Granting of counter-cyclical financing to continue

To ensure the provision of financing for Finnish SMEs, the Cabinet Committee on Economic Policy decided on 22 September 2011 that Finnvera's counter-cyclical financing, in use between the years 2009 and 2011, would be continued until the end of 2012. Implementation of the decision was finalised on 21 December 2011, when the Government amended its commitment to compensate Finnvera for credit and guarantee losses.

Counter-cyclical financing is intended for enterprises with at most 1,000 employees that have difficulties in obtaining financing because of weaker economic prospects and uncertainty on financial markets. It can be granted to enterprises that are deemed to have the prerequisites for profitable business once the economic situation improves. Another precondition for granting this financing is that the enterprise's other principal financiers are also willing to grant additional funding or to reschedule their receivables.

The counter-cyclical financing granted by Finnvera from 6 March 2009 to the end of 2011 amounted to approximately EUR 470 million. When granting counter-cyclical loans and guarantees, Finnvera can take greater risks than normal owing to the higher compensation for losses applied by the State. The compensation paid by the State for any losses that might arise is proportionally higher than the compensation for losses arising from Finnvera's other financing products.

The MEE Group launched electronic exchange of client information

The Act on the Client Information System of Enterprise Services made it possible for Finnvera to exchange information on clients. Public operators now have the opportunity to adopt joint client management and better coordination when working with client enterprises.

The actors within the MEE Group – Finnvera, Tekes and the Centres for Economic Development, Transport and the Environment (ELY Centres) – officially adopted the electronic exchange of client information on 5 October 2011. The exchange of information makes the processing of projects and decision-making more efficient.

The confidential use of client information and the secrecy of information have been ensured not only through legislation but also by providing training and by restricting users' rights.

Funding from the ERDF for venture capital investments

The Ministry of Employment and the Economy allocated EUR 18 million from the operational programmes of the European Regional Development Fund (ERDF) to Finnvera for venture capital investments. Through the ERDF funding, Finnvera can continue its early-stage investments in innovative start-up enterprises and increase risk-taking while taking regional development targets into account.

Finnvera's venture capital investments under one brand

Finnvera makes venture capital investments in starting, innovative enterprises and in regional funds. The investments are carried out through subsidiary companies. Several different names were previously in use when communicating Finnvera's venture capital investments. To increase clarity, Finnvera stopped using the subsidiaries' names in communications in 2011 and will now use only one name and brand – 'Finnvera's venture capital investments' – for all activities in this sector. In all other respects, Finnvera's subsidiaries Veraventure Ltd and Seed Fund Vera Ltd, which are responsible for the company's venture capital investments, will continue as before.

Through the Growth Channel to international markets

The Growth Channel is a new service model encompassing actors under the Ministry of Employment and the Economy (the ELY Centres, Finnvera, Finpro, the National Board of Patents and Registration, Finnish Industry Investment and Tekes). The model was piloted in Uusimaa, Pirkanmaa and Northern Ostrobothnia in 2011. Altogether 21 IT enterprises participated in the pilot stage. In November, the operating model was expanded to cover all sectors and the whole of Finland.

The Growth Channel is intended for SMEs seeking rapid growth and internationalisation. The goal of the service is to ensure that the enterprises selected for it can efficiently utilise the public expert and financing services that best suit their needs.

The Foreign Ministry's support to SMEs for project preparation in Russia ended

The Finnish Ministry for Foreign Affairs has supported the development of cooperation between Finland and Russia since 2003 by financing project studies conducted by Finnish SMEs. Finnvera has served as an expert and a liaison organisation in projects financed by the Ministry. For budgetary reasons, the granting of this support ended on 31 December 2011.

Business trends

Financial performance

The consolidated financial statements and the parent company's financial statements for 2011 have been drawn up in accordance with the International Financial Reporting Standards (IFRS). The income statement is presented as one statement (statement of comprehensive income) in accordance with the revised IAS 1 Presentation of Financial Statements, which Finnvera adopted on 1 January 2009.

As in the previous year, the financial performance of the Finnvera Group and that of the parent company, Finnvera plc, for 2011 were clearly in the black. However, the parent company's profit declined from that in 2010, owing to higher impairment losses and credit and guarantee losses in SME financing. The Group's financial performance was about the same as the year before. At the Group level, the positive trend in the value of the subsidiaries' venture capital investments compensated for the increased losses recorded in SME financing.

Within the past few years, Finnvera's outstanding commitments and their risk levels have risen significantly. The rise in risk level is reflected in SME financing, for example as poorer risk ratings for client enterprises and as an increase in the relative share of non-performing receivables and payment delays. Another indication of the higher risk level is that the losses materialised in SME financing in 2011 were clearly greater than those in 2010. In export financing, outstanding commitments have more than doubled within four years. In export financing, no major losses were recorded and no major increases were made in provisions for losses during the year.

The annual profits from SME financing and export financing are transferred to two separate funds on Finnvera's balance sheet. Correspondingly, losses from domestic operations are covered from the fund for domestic financing, while losses from export credit guarantees and special guarantees are covered from the fund for export financing. There is no cross-subvention between the funds. At the end of the year, before appropriations, the assets of the funds totalled EUR 377 million. The State Guarantee Fund and the State of Finland are responsible for Finnvera's losses if the losses cannot be covered by assets in these two funds.

In 2011, a fund for venture capital investments was established on Finnvera's balance sheet, under unrestricted equity. This fund is used for monitoring the assets allocated by the European Regional Development Fund (ERDF) for venture capital investments. In June 2011, the Ministry of Employment and the Economy granted Finnvera EUR 18 million for venture capital investments during the ERDF programme period 2007–2013. This sum has been entered into the above fund for venture capital investments.

Finnvera plc

The parent company's financial performance in 2011 totalled EUR 58,365,731.33 (65,513,482.91), or around EUR 7 million less than in 2010.

EUR 54 million (54 million) of the profit for 2011 came from export credit guarantees and special guarantees, as referred to in the Act on the State Guarantee Fund. The rest of the profit came from the cancellation of a subordinated loan because of the loss shown by Finnvera's subsidiary, Seed Fund Vera Ltd, in 2010. The result of credit and guarantee operations in SME financing was +/- 0.

When the financial performance for 2011 is examined by business area, export financing accounted for EUR 55 million (54 million), SME financing for EUR –0.4 million (5 million), and the above cancellation of the subordinated loan for EUR 4 million (4 million) of the result.

Finnvera Group

The Finnvera Group's financial performance for 2011 totalled EUR 63,736,738.61 (62,850,377.05), or around EUR 1 million more than in 2010. The Group companies and associated companies had an effect of EUR 5 million on the profit (–3 million).

When compared against the previous year, the main factors improving the result were changes in the fair value of the venture capital investments (EUR 7 million) and the increase of EUR 3 million in the net interest income. An increase of EUR 6 million in impairment losses on receivables and in guarantee losses reduced the profit from 2010.

INTEREST INCOME AND EXPENSES AND INTEREST SUBSIDIES

The Group's net interest income for 2011, EUR 63 million, was EUR 3 million more than the year before. At the end of the year, the mean interest rate paid by clients for loans and the mean interest rate paid for borrowing were higher than a year earlier. The mean interest rate for lending was 3.52 per cent (2.90) and that for borrowing 1.65 per cent (1.26).

The interest subsidy paid by the State and by the European Regional Development Fund (ERDF) to the parent company and passed on to clients totalled EUR 14 million (16 million).

FEE AND COMMISSION INCOME AND EXPENSES

The Group's fee and commission income totalled EUR 98 million. This was EUR 1 million more than in the previous year.

The fee and commission income included EUR 65 million as fees from the parent company's export credit guarantees and special guarantees, EUR 31 million from domestic credits and guarantees, and EUR 1.5 million as fees collected by the subsidiaries. The fee and commission expenses of EUR 2 million (2 million) were mostly expenses incurred in reinsurance.

GAINS AND LOSSES FROM ITEMS CARRIED AT FAIR VALUE

The Group's gains from items carried at fair value through profit or loss totalled EUR 6 million (–1.3 million). They include exchange rate differences and changes in the fair value of interest rate and currency swaps and venture capital investments.

OTHER INCOME

Gains on the sale of shares and holdings amounted to EUR 0.5 million (1 million); dividends received totalled EUR 0.4 million (0.6 million).

Other operating income in the Group totalled EUR 5 million (5 million). This item included the management fee paid by the State Guarantee Fund for management of the portfolio for export credit guarantee and special guarantee products arising before 1999, a management fee pertaining to ERDF financing, rental income, and Finnvera's share of the cancellation of a subordinated loan because of the loss shown by Seed Fund Vera Ltd in 2010.

IMPAIRMENT LOSSES ON RECEIVABLES, GUARANTEE LOSSES

The parent company's impairment losses on receivables and credit and guarantee losses amounted to EUR 83 million (68 million), or EUR 15 million more than in the previous year. The losses consisted of materialised credit and guarantee losses, EUR 86 million (66 million), cancellations of losses recorded earlier, EUR –6 million (–6 million), and increases in provisions for impairment losses, EUR 2 million (8 million).

The State's and the ERDF's compensation for the losses materialised totalled 37 per cent, or EUR 32 million (25 million). After the compensation, Finnvera's share of the impairment losses on credits and guarantees came to EUR 51 million (43 million). By a Government decision, the compensation for credit and guarantee losses was cut by EUR 10 million in 2011. In 2012 the Government made another decision cancelling EUR 4.3 million of this cut, owing to the loss shown by the credit and guarantee operations of SME financing. The remaining EUR 5.7 million is added to Finnvera's liability for the losses incurred through the credit and guarantee operations of SME financing in 2011.

Claims paid by virtue of export credit guarantees and special guarantees came to EUR 4 million (14 million). Funds recovered and the change in recovery receivables totalled EUR 1 million (4 million). Provisions for guarantee losses increased by EUR 1 million (–5 million); thus, the net claims shown by the income statement came to EUR 4 million (5 million).

In the consolidated income statement, impairment losses on receivables and guarantee losses totalled EUR 55 million (49 million), of which credit losses incurred by the subsidiaries accounted for EUR 1 million (2 million).

OTHER EXPENSES

The Group's administrative expenses totalled EUR 42 million (41 million), and those of the parent company EUR 39 million (38 million). Personnel expenses accounted for 70 per cent of both items. Other operating expenses included depreciation and costs associated with real estate property.

Separate results

The separate result of export credit and special guarantee activities referred to in Section 4 of the Act on the State Guarantee Fund (444/1998) totalled EUR 54 million (54 million). Correspondingly, the result of Finnvera plc's other activities totalled EUR 4 million. The separate income statements are presented under Notes to the Financial Statements, note no. 30.

Balance sheet

At year's end, the consolidated balance sheet total was EUR 2,890 million, while the parent company's balance sheet total came to EUR 2,331 million. Among the subsidiaries, Finnish Export Credit Ltd, with a balance sheet total of EUR 665 million, and Seed Fund Vera Ltd, with a balance sheet total of EUR 105 million, had the greatest impact on the consolidated balance sheet.

At year's end, Finnvera's outstanding credits totalled EUR 1,660 million, which was EUR 71 million less than a year earlier. The Group's outstanding credits came to EUR 2,256 million. During the year, Finnvera plc's outstanding domestic guarantees increased by EUR 28 million, to EUR 1,093 million at year's end. The book value of the outstanding commitments, as referred to in the Act on the State's Export Credit Guarantees, amounted to EUR 8,594 million (7,446 million). Outstanding commitments arising from export credit guarantees and special guarantees (current commitments and offers given) totalled EUR 10,365 million (8,930 million).

The parent company's non-current liabilities at year's end totalled EUR 1,175 million. Of this sum, EUR 904 million consisted of bonds. The liabilities include subordinated loans of EUR 35 million received by Finnvera from the State for investment in the share capitals of Seed Fund Vera Ltd and Veraventure Ltd, and a subordinated loan of EUR 50 million granted for strengthening the capital adequacy of Finnvera plc. In addition, the balance sheet includes EUR 53 million in derivative liabilities. These arise from interest rate and currency swaps and pertain to non-current liabilities. Liabilities increased by EUR 61 million during the year. The Group's non-current liabilities totalled EUR 1,811 million.

Other liabilities include a debt of EUR 28 million owed to the State. This debt pertains to the subsidies received for the acquisition of shares in subsidiaries and which must be repaid as per contract terms.

The fair value reserve shows the difference between the fair value and acquisition value of publicly quoted shares and investment funds, in total EUR 0.1 million for the Group.

As at 31 December 2011, the fund for domestic operations had EUR 136 million and the fund for export credit guarantee and special guarantee operations had EUR 241 million.

Capital adequacy and acquisition of funds

At the end of 2011, the capital adequacy ratio of the Finnvera Group was 15.5 per cent (14.6). According to the target set, the capital adequacy ratio should be at least 12 per cent.

At the end of 2011, Finnvera plc's capital adequacy stood at 15.2 per cent (14.5). Capital adequacy has been calculated using the Basel II standard method.

In all, EUR 223 million in non-current loans was paid back during the year. The Group's acquisition of funds amounted to EUR 305 million.

Group structure and its changes

On 31 December 2011, apart from the parent company, the Finnvera Group comprised three companies owned 100 per cent by Finnvera: Finnish Export Credit Ltd, Veraventure Ltd and Spikera Oy. In addition, the Group included Seed Fund Vera Ltd, in which Finnvera's holding is 92.6 per cent, and Matkailunkehitys Nordia Oy, in which Finnvera holds 63.5 per cent.

There were two associated companies, one of which is a real-estate company for Finnvera's premises.

Risk management

At the end of 2011, outstanding commitments for SME financing totalled EUR 3.1 billion. In practice, outstanding commitments remained unchanged during 2011, as the withdrawals of new loans and the entry into force of guarantees were at the same level as the repayments of old commitments. The change was small when compared against the growth recorded during the past two years.

The rise in the risk level of outstanding commitments was moderate during 2011 when enterprises' risk ratings no longer weakened as they had in the previous years. The overall risk level is still significantly higher than it was prior to the recession. Most commitments are in risk categories B1 and B2. The growth in new commitments took place mostly in category B2. Commitments in risk category B3 are still high because the financial situation of these companies has not yet improved.

The volume of credit and guarantee losses and impairment losses amounted to EUR 83 million in 2011. The amount of losses rose by EUR 15 million on the previous year. One reason was the increase in the bankruptcies of client companies.

At the end of 2011, outstanding commitments for export financing totalled EUR 10.3 billion. Of this sum, EUR 43 million consisted of 'old liability' under the State Guarantee Fund's direct responsibility. Outstanding commitments increased by EUR 1.4 billion during the year. At year's end, a significant share of the current guarantees and binding offers was in the country risk categories 0 and 3. This is also where most of the guarantees granted during the year were entered.

The volume of enterprises' commercial commitments, associated with export guarantees and special guarantees, increased by 15 per cent during 2011, to EUR 9.2 billion at year's end. The sectors with the highest commitments were telecommunications, shipping companies, shipyards, and the forest industry. These sectors accounted for a total of 88 per cent of corporate commitments. Altogether 37 per cent of the commitments were in category B1, which is close to investment grade, or in better categories. New risks were mostly taken in categories B1–B3.

The volume of guarantee losses was low in 2011.

Finnvera plc's investments in companies engaged in venture capital investments increased by EUR 18 million during 2011, to EUR 155 million at year's end. The sums placed in venture capital investments are distributed among many enterprises, either directly or through regional funds; this reduces the risk these activities pose to Finnvera.

Attainment of industrial policy and ownership policy goals

The Act on the State-owned Specialised Financing Company (443/1998) contains provisions on Finnvera's economic operating principles.

In defining Finnvera's industrial policy goals, attention has been paid to the Government Programme, to the Ministry's strategy and to the objectives of EU programmes.

The worldwide economic uncertainty, and its effects on financial markets and on Finland's economic growth, contributed to the fact that Finnvera did not attain all of its industrial and ownership policy goals in 2011.

Corporate governance

Personnel

At the end of the year, Finnvera plc had 391 employees, of whom 376 held a permanent post and 15 a fixed-term post. The Group had 413 employees.

The salaries and fees paid to the personnel totalled EUR 22 million for the parent company and EUR 23 million for the Group.

Supervisory Board and auditor

The new members on the Supervisory Board, elected by the Annual General Meeting on 8 April 2011, are Maria Bäck, First Vice Chair (Finnish Association of Business School Graduates); Jari Myllykoski, Member of Parliament (Left Alliance); Timo Leppänen, Managing Director (Kajaanin Tilitaito Oy); and Olli Rantanen, Legal Counsel, Documentation (Finnvera). Johannes Koskinen, Member of Parliament, was re-elected Chairman of the Supervisory Board. Kyösti Karjula, M.Sc. (Agriculture) was re-elected First Vice Chairman and Reijo Paajanen, Entrepreneur, Second Vice Chairman. The following members continue on the Supervisory Board: Kaija Erjanti, Head of Financial Markets; Lasse Hautala, Member of Parliament; Sinikka Hurskainen, Artist; Leila Kurki, Senior Adviser; Tapio Mäkeläinen, Labour Market Director; Petri Pihlajaniemi, Entrepreneur; Hannele Pohjola, Director, Innovation and Growth Policy; Tuomo Puumala, Member of Parliament; and Timo Vallittu, Chairman.

Members of Parliament Anna-Maja Henriksson and Ville Niinistö resigned from the Supervisory Board when they were appointed Government Ministers.

The company's regular auditor is KPMG Oy Ab. The auditor with main responsibility is Raija-Leena Hankonen, Authorised Public Accountant.

Board of Directors

The new regular member elected for the Board of Directors is Marjaana Aarnikka, Commercial Counsellor (Ministry of Employment and the Economy). Kalle J. Korhonen, Under-Secretary of State, continues to chair the Board of Directors. The First Vice Chairman is Heikki Solttila, Director, and the Second Vice Chairman is Esko Hamilo, Under-Secretary of State. The following Board members were re-elected: Pirkko-Liisa Hyttinen, Business Director; Timo Kekkonen, Director; Timo Lindholm, Executive Vice President; and Janne Metsämäki, Head of Unit, Economic and Industrial Policy. Elise Pekkala, Deputy Director General, and Kristina Sarjo, Director, continue as deputy members.

Janne Metsämäki resigned from the Board of Directors when he was appointed State Secretary.

Changes in Group management

Finnvera's Supervisory Board decided on organisational changes on 4 October 2011. Domestic Regional Financing and Financing for Growth and Internationalisation were merged on 1 January 2012 to form one unit responsible for Finnvera's business areas engaged in SME financing and for the preparation of the related credit decisions. Based on this decision, Finnvera's Board of Directors appointed Annamarja Paloheimo LL.M. as Senior Vice President responsible for the new Unit of Financing for SMEs and Internationalisation. The appointment was made on 20 October 2011.

On 7 April 2011, Finnvera's Board of Directors appointed Tarja Svartström M.Sc. (Agriculture and Forestry to serve as Senior Vice President, Communications and Marketing at Finnvera as of 9 May 2011. She will also be a member of Finnvera's Management Group.

In conjunction with the launching of the permanent export credit transfer model, and in order to ensure sufficient resources, the functions for export financing, financial administration, acquisition of funds and asset management within Finnish Export Credit and Finnvera will be concentrated in Finnvera. As of the beginning of 2012, the personnel of Finnish Export Credit Ltd will be employees of Finnvera, retaining their former benefits. In connection with these changes, Managing Director Jyrki Wirtavuori of Finnish Export Credit Ltd left his employment with the Group. The new Managing Director as of 18 November 2011 is Anita Muona, formerly the Head of Legal Services at Finnvera's Export Financing.

Events after the period under review

Finnvera introduces SMEs to export financing

In cooperation with banks, Finnvera provides Finnish SMEs with a new kind of opportunity to learn about export financing arrangements. The SME Export Finance Programme is intended for SMEs that engage actively in direct exports. The programme has a practical approach and concentrates on each company's own export transactions. It is suited to SMEs whose business is profitable and rests on a sound foundation.

The programme seeks to improve the skills of SMEs to acquire financing for export transactions, thereby increasing exports. Cooperation between the company, the bank and Finnvera on real export transactions is the central feature of the programme. Other programme partners are Fintra and the International Chamber of Commerce ICC.

Authorisation to grant financing in 2012

The total amount of non-subsidised loans and guarantees that Finnvera can grant for investments and working capital in 2012 is EUR 700 million. The amount authorised is the same as in 2011. It takes into account the factors affecting the demand for financing, such as the weak economic development. The decision on authorisation was made by the Cabinet Finance Committee upon presentation by the Ministry of Employment and the Economy.

Future prospects and impending risks

Restlessness on the financial market and uncertain prospects for the world economy will slow down economic growth in Finland, too. Demand for Finnvera's financing for working capital among SMEs continues to be high. The low level of investments by companies reduces the demand for Finnvera's financing but, on the other hand, banks would like to see Finnvera participating increasingly often in financing projects, to share risks with them.

The uncertainty in the financial market, triggered by the high debt rates of developed economies, has darkened the future expectations of export companies. The new instrument for financing export credits granted by banks is likely to increase Finnvera's share of buyer credit arrangements. Demand for export financing is greatly influenced by how the economies of Finland's key export countries, such as Sweden, Russia and Germany, will develop and how Finland's own competitiveness will develop.

The uncertainty factors associated with economic trends make it more difficult to predict Finnvera's financial performance. According to the current estimate, the financial performance for 2012 is likely to fall below that for 2011.

Key figures

Finnvera Group	2011	2010	2009	2008	2007
Net interest income and net fee and commission income, MEUR	157.9	154.2	136.1	121.2	128.6
Administrative expenses, MEUR	42.0	41.4	42.7	41.1	42.1
Write-down on receivables and guarantee losses, MEUR	87.3	74.6	96.4	86.3	44.8
Credit loss compensation from the State, MEUR	31.9	25.4	32.2	28.4	12.5
Operating profit or loss, MEUR	66.4	62.0	18.3	9.2	56.4
Profit for the year, MEUR	63.7	62.9	17.7	8.1	53.1
Return on equity, %	9.3	10.5	3.2	1.5	10.3
Return on assets, %	2.4	2.4	0.8	0.5	3.2
Equity ratio, %	24.7	23.8	22.4	30.6	30.8
Capital adequacy ratio, %	15.5	14.6	15.0	15.7	19.5
Expense-income ratio	0.3	0.3	0.3	0.3	0.3
Balance sheet total, MEUR	2 890.2	2 664.1	2 539.4	1 803.6	1 766.5
Shareholders' equity, MEUR	714.8	633.5	569.0	552.2	544.5
– of which unrestricted funds, MEUR	455.8	374.6	310.4	292.5	285.0
Personnel at year's end	413	418	432	415	415

Formulas for the key indicators

Return on equity % (ROE)

$$\frac{\text{Operating profit/loss – income taxes}}{\text{Equity + minority share + accumulated appropriations deducted by the deferred tax liability (average of the beginning and the end of the year)}} \times 100$$

Return on assets % (ROA)

$$\frac{\text{Operating profit/loss – income taxes}}{\text{Total assets in average (average of the beginning and the end of the year)}} \times 100$$

Equity ratio %

$$\frac{\text{Equity + minority share + accumulated appropriations deducted by the deferred tax liability}}{\text{Total assets}} \times 100$$

Capital adequacy ratio

2008-2011 calculated according to Basel II standard method. Until 2007 calculated in accordance with the Financial Supervision Regulation 106.7.

Expense-income ratio

$$\frac{\text{Administrative expenses + other operating expenses}}{\text{Net interest income + net fee and commission income + gains/losses from financial instruments carried at fair value + net income from investments + other operating income}}$$

The Board of Directors' proposal for measures concerning the profit for the financial period

The parent company's profit for the financial period was EUR 58,365,731.33 euros.

The Board of Directors proposes that, by virtue of Section 4 of the Act on the State-Owned Specialised Financing Company, the profit be transferred to unrestricted equity funds as follows:

— Profit from domestic operations to the fund for domestic operations EUR 4,017,371.19
— Profit from export credit guarantee and special guarantee operations to the fund for export credit guarantee and special guarantee operations EUR 54,348,360.14

Consolidated financial statements

Comprehensive income statement

(EUR 1 000)	Note		1 Jan–31 Dec 2011		1 Jan–31 Dec 2010
Interest income	1				
- Loans		76 398		68 903	
- Subsidies passed on to customers		14 182		16 162	
- Export credit guarantee and special guarantee receivables		243		167	
- Guarantee receivables		1 297		1 055	
- Other		4 835	96 955	3 069	89 356
Interest expenses	1		-34 338		-30 302
Other interest subsidies	1		0		132
Net interest income	1		**62 617**		**59 185**
Net fee and commission income	2		95 260		94 986
Gains and losses from financial instruments carried at fair value through profit or loss	3		6 019		-1 348
Net income from investments	4				
- Shares and participations		903		1 374	
- Investment property		-22		-24	
- Associates		-2	878	97	1 447
Other operating income	5		5 489		5 442
Administrative expenses					
Employee benefit expenses	6				
- Wages and salaries		23 311		23 301	
- Social security costs		5 950		5 871	
Other administrative expenses	7	12 718	-41 979	12 197	-41 370
Other operating expenses	8		-6 495		-7 130
Net impairment loss on financial assests	9				
- Loans and guarantees		83 705		70 003	
- Credit loss compensation from the state		-31 868		-25 360	
- Export credit guarantees and special guarantees		3 590	-55 427	4 580	-49 223

Operating profit			**66 361**		**61 989**
Income tax expense	10				
- Current and previous periods' tax expense		-364		1 036	
- Deferred tax expense		-2 260	-2 625	-174	862
Profit for the period			**63 737**		**62 850**
Components of other comprehensive income					
- Change in the fair value of shares			146		946
Total comprehensive income for the year			**63 883**		**63 796**
Distribution of profit for the period					
- Attributable to equity holders of the parent company			63 760		63 037
- Non-controlling interest			-23		-187
			63 737		**62 850**
Distribution of total comprehensive income for the year					
- Attributable to equity holders of the parent company			63 905		63 983
- Non-controlling interest			-23		-187
			63 883		**63 796**

Consolidated balance sheet

Assets (EUR 1 000)	**Note**		**31 Dec 2011**		**31 Dec 2010**
Loans and receivables from credit institutions	11		192 516		160 813
Loans and receivables from customers	12				
- Loans		2 256 059		2 071 135	
- Guarantee receivables		42 036		26 926	
- Receivables from export credit guarantee and special guarantee operations		4 121	2 302 216	5 154	2 103 216
Investments	13				
- Debt securities		120 238		169 445	
- Associates	28	70 366		50 088	
- Other shares and participations	28	104 862		88 069	
- Investment property		55	295 521	719	308 321
Derivatives			52 911		56 054

Intangible assets	14			1 892			2 328
Property, plant and equipment	15						
- Properties			1 425			1 481	
- Other tangible assets			1 548	2 973		1 774	3 255
Other assets	16						
- Credit loss receivables from the state			13 913			8 252	
- Other			4 642	18 555		5 358	13 609
Prepayments and accrued income	17			23 631			16 521
Tax assets	18			0			17
				2 890 215			**2 664 135**

Liabilities (EUR 1 000)	**Note**			**31 Dec 2011**			**31 Dec 2010**
Liabilities to credit institutions	19		185 000			270 000	
Liabilities to other institutions	19		635 298			394 326	
Debt securities in issue	20		904 428			997 163	
Derivatives	21		0			877	
Provisions	22		47 094			37 819	
Other liabilities			56 043			55 363	
Accruals and deferred income	23		257 973			183 925	
Tax liability	18		3 725			1 366	
Subordinated liabilities	24		85 823	2 175 384		89 841	1 930 680

Equity (EUR 1 000)	25						
Equity attributable to the parent company's shareholders							
- Share capital			196 605			196 605	
- Share premium			51 036			51 036	
- Fair value reserve			92			-54	
Unrestricted funds							
- Fund for domestic operations		135 753			125 249		
- Fund for export credit guarantee and special guarantee operations		241 378			186 368		
- Fund for venture capital investments		17 529			0		
- Retained earnings		61 187	455 846		62 941	374 558	
Share equity held by non-controlling interest			11 251	714 831		11 310	633 455
				2 890 215			**2 664 135**

Consolidated statement of changes in equity

Legend:
A = Share capital
B = Share premium
C = Fair value reserve
D = Fund for domestic operations
E = Fund for export credit guarantee and special guarantee operations
F = Fund for venture capital investments
G = Retained earnings
H = Total
I = Share of equity held by non-controlling interest
J = Total equity

Equity attributable to the parent company's shareholders (EUR 1 000)

	A	B	C	D	E	F	G	H	I	J
Balance at 1 January 2010	196 605	51 036	-1 000	133 931	153 289	59	23 086	557 006	11 998	569 004
Total comprehensive income for the year/change in the fair value of shares			946				63 037	63 983	-187	63 796
Transfer into funds				-8 682	33 079	-59	-24 397	-59	0	-59
Adjustments							1 215	1 215	-502	713
Balance at 31 December 2010	196 605	51 036	-54	125 249	186 368	0	62 941	622 145	11 310	633 455
Balance at 1 January 2011	196 605	51 036	-54	125 249	186 368	0	62 941	622 145	11 310	633 455
Total comprehensive income for the year/change in the fair value of shares			146				63 760	63 906	-23	63 883
Transfer into funds				10 503	55 010	17 529	-65 513	17 529		17 529
Adjustments							0	0	-35	-35
Balance at 31 December 2011	196 605	51 036	92	135 753	241 378	17 529	61 187	703 580	11 251	714 831

Consolidated statement of cash flows

Cash flows from operating activities (EUR 1 000)	**1 Jan–31 Dec 2011**	**1 Jan–31 Dec 2010**
Withdrawal of loans granted	-629 738	-420 933
Repayments of loans granted	393 878	332 889

Purchase of investments	-18 370	-16 467
Proceeds from investments	7 498	78
Interest received	82 370	79 439
Interest paid	-34 440	-32 029
Interest subsidy received	14 772	15 425
Payments received from commission income	169 974	160 478
Payments received from other operating income	35 881	34 424
Payments for operating expenses	-52 866	-50 038
Claims paid	-44 686	-39 549
Taxes paid	-243	1 038
Net cash from operating activities (A)	**-75 970**	**64 755**
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	-1 001	-777
Proceeds from other investment	644	4 690
Dividends received from investments	364	526
Net cash used in investing activities (B)	**7**	**4 439**
Cash flows from financing activities		
Proceeds from issue of share capital	17 529	0
Proceeds from loans	304 674	213 398
Repayment of loans	-248 883	-287 420
Dividens paid	-35	0
Net cash used in financing activities (C)	**73 285**	**-74 022**
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	**-2 678**	**-4 828**
Cash and cash equivalents at the beginning of the period	**380 309**	**385 137**
Cash and cash equivalents at the end of the period	**377 631**	**380 309**
Cash and cash equivalents at the end of period		
Receivables from credit institutions	192 516	160 813
Debt securities	120 238	169 445
Investments in short-term interest funds	64 877	50 052
	377 631	**380 309**

Summary of significant accounting principles

Notes to the consolidated financial statements

Basic information of the company

Finnvera provides financing for the business of small and medium-sized enterprises (SMEs), for exports and internationalisation, and helps implement the government's regional policy objectives.

The Group's parent company is a Finnish limited liability company established in accordance with Finnish law and domiciled in Kuopio. Its registered address is Haapaniemenkatu 40, 70111 Kuopio. The Board of Directors approved the financial statements on 8 March 2012.

Copies of the consolidated financial statements are available on the Internet, at www.finnvera.fi, or in the Group's head offices at Haapaniemenkatu 40, 70110 Kuopio and Eteläesplanadi 8, 00100 Helsinki.

Accounting principles for the consolidated financial statements

The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) complying with the IFRSs effective on 31 December 2011 that refer to the standards and their interpretations adopted in accordance with the procedures laid down in IAS Regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements also comply with the requirements of the Finnish Accounting and Limited Liability Companies Acts.

In 2011 Finnvera adopted the following IFRSs:

— Revised IAS 24 Related Party Disclosures (applied to financial periods starting on 1 January 2011 or thereafter). The amendments facilitate the presentation of related party transactions of government-related entities. Finnvera's ownership steering is the responsibility of the Ministry of Employment and the Economy. As related party information is presented transactions with those state majority-owned companies and state associated companies whose ownership steering is the responsibility of the Ministry of Employment and the Economy as well as transactions with the State Treasury.
— Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applied to financial periods starting on 1 January 2011 or thereafter). With the introduction of the amendments, prepayments made for a defined benefit asset can in some cases be entered as an asset item on the balance sheet instead of an expense entry, when the arrangement includes a minimum funding requirement.
— IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applied to financial periods starting on 1 July 2010 or thereafter). The interpretation provides guidance on how to account for the extinguishment of a financial liability, in full or in part, by the issue of equity instruments. IFRIC 19 is applied retroactively.
— Improvements to IFRSs, May 2010 (applied generally to financial periods starting on 1 July 2010 or thereafter). The amendments have had no significant impact on the consolidated financial statements.

The adoption of the following standards and interpretations has had no impact on the consolidated financial statements:

— Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
— IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
— Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
— Amendments to IFRS 2 Share-based Payments – Group Cash-settled Share-based Payment Transactions.

The preparation of financial statements in conformity with IFRS requires that the management make certain estimates and assumptions and use judgment in application of the accounting principles. The estimates and assumptions affect the amounts of assets and liabilities as well as the disclosure of contingent liabilities on the balance sheet, and the amounts of income and expenses in the income statement. The estimates and assumptions are based on the best available information at the time of closing the books. The actual results may differ from the estimates made.

In the accounting principles' section 'Accounting principles requiring the management's judgment and the key sources of estimation uncertainty', information is provided about the accounting principles in which the management's judgment or the key sources of estimation uncertainty may have the greatest effect on the figures presented.

Principles of consolidation

SUBSIDIARIES

The consolidated financial statements include the financial statements of the parent company and its subsidiaries. Subsidiaries are entities controlled by the parent company. Control exists when the parent company has the power, directly or indirectly, to govern the financial or operating policies of a subsidiary so as to obtain benefits from its activities. When subsidiaries are acquired, they are consolidated from the date of acquisition up to the date when the control ceases.

In accordance with the exemption granted under IFRS 1, the acquisition costs arising from business combinations prior to the IFRS transition date 1 January 2006 have not been restated. The Group has not made company acquisitions after the date of transition.

Intra-group transactions, internal receivables and liabilities, unrealised profits on internal transactions, and intra-group profit distributions are eliminated in the consolidation.

NON-CONTROLLING INTEREST

Non-controlling interest is reported as a separate item within the equity of the consolidated balance sheet and in the profit for the period in the consolidated income statement.

ASSOCIATES

Associated companies are entities in which the Group has significant influence but not control over the financial and operational policies of the entity. Significant influence generally exists when the Group has 20 to 50 per cent of the voting shares of the entity. Associated companies are consolidated using the equity method of accounting.

Equity investments made by Finnvera through its subsidiaries are treated in the alternative manner allowed by IAS 28 Investments in Associates at fair value, as investments recognised through profit or loss. Changes in fair value are recognised in the income statement during the financial periods in which they are incurred.

Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are recognised using the exchange rates prevailing at the dates of the transactions, and assets and liabilities denominated in foreign currencies are converted using the exchange rates at the balance sheet date. Foreign exchange gains and losses arising on conversion are recognised in the income statement item Gains and losses from financial instruments carried at fair value through profit or loss.

Recognition of income and expenses

NET INTEREST INCOME

Interest income and interest expenses are recognised in the income statement over the maturity of the contract using the effective interest rate method. All fees received and paid, interest points that are an integral part of the effective interest rate of the contract, as well as transaction costs and any other premiums or discounts are taken into consideration in calculating the effective interest rate. Interest and commission subsidies received from the State are recognised correspondingly over the maturity of the contract using the effective interest rate method.

FEES AND COMMISSION INCOME AND EXPENSES, NET

Credit and guarantee fees are recognised in the income statement over the maturity of the contract. Other commission income and expenses are usually recognised when the service is rendered.

GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

Gains and losses (both realised and unrealised) from derivatives, liabilities measured at fair value and venture capital investments as well as exchange rate differences are presented under the income statement item Gains and losses from financial instruments carried at fair value through profit or loss.

NET INCOME FROM INVESTMENTS

Gains and losses from shares, participations and debt securities classified as available for sale, impairments of these items as well as income and expenses arising from investment properties are presented under the item Net income from investments.

The item Net income from investments also presents the net income from associates and the dividends received. Dividends are recognised as income in the period in which the right to receive the payment is established.

Government grants

Finnvera receives interest and commission subsidies from the State as well as compensation for credit and guarantee losses that have arisen from credits and guarantees that Finnvera has granted on certain regional policy grounds agreed with the State. Credit and guarantee loss compensation is paid for credits and guarantees that have been granted without protective security.

Interest and commission subsidies are recognised over the maturity of the contract using the effective interest rate method, and compensation received for credit losses is recognised when the contractual right to receive such compensation is established.

Cash and cash equivalents

Cash and cash equivalents comprise deposits payable on demand.

Financial instruments

CLASSIFICATION

Financial assets and financial liabilities are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, financial liabilities at fair value through profit or loss and other financial liabilities.

FINANCIAL ASSETS AND LIABILITIES RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS

Balance sheet items recognised at fair value through profit or loss comprise financial assets and liabilities held for trading, derivatives held for trading, and financial liabilities designated at fair value through profit or loss.

Finnvera has no financial assets or liabilities held for trading. Financial items recognised at fair value through profit or loss comprise derivatives and those liabilities designated at fair value through profit or loss for which the interest rate risk or the currency risk has been hedged using these derivatives.

Finnvera applies the fair value option in accordance with IAS 39 Financial Instruments: Recognition and Measurement to the above mentioned items that are accounted for as an aggregate in accordance with the company’s risk management strategy.

Fair value changes in assets recognised fair value through profit or loss are recognised in the income statement under the item Gains and losses from financial instruments carried at fair value through profit or loss.

Venture capital investments made by the Group are classified as financial assets at fair value through profit or loss upon initial recognition.

Such investments are measured at fair value and the resulting change in fair value is recognised in the income statement as incurred. (For the fair value of venture capital investments, see the section Determination of fair value).

LOANS AND OTHER RECEIVABLES

Contracts with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Upon initial recognition, loans and receivables are measured at fair value plus any directly attributable costs. Subsequently, these items are measured at amortised cost using the effective interest method.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-derivative financial assets that are classified as available for sale or that do not belong to any other category of financial assets are classified as available-for-sale financial assets.

In Finnvera, debt securities as well as shares and holdings other than those held for venture capital investment activities are classified as available-for-sale financial assets. Upon initial recognition, these assets are measured at fair value plus any transaction costs directly attributable to the acquisition. Subsequently, available-for-sale financial assets are measured at fair value and the change in fair value is recognised in components of other comprehensive income and in equity in the fair value reserve. If there is objective evidence of impairment on an asset classified as an available-for-sale financial asset, the accumulated loss recognised in equity is entered in the income statement.

OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise other liabilities to credit institutions and customers, as well as debt securities in issue, that are not classified as financial liabilities at fair value through profit or loss.

State subsidies and grants received for the purpose of acquisition of subsidiaries are also classified as other financial liabilities based on the repayment obligation relating to these assets in certain situations.

Financial liabilities are recorded in the balance sheet at the amount of the consideration received, adjusted for any transaction costs incurred, and are measured at amortised cost using the effective interest method.

Finnvera treats the zero-interest subordinated loans granted to the Group by the State at nominal value due to their special nature and the related special clauses.

IAS 32 Financial Instruments: Presentation and Disclosure defines a financial liability as a contractual obligation to deliver financial assets to another entity and an equity instrument as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Impairment losses on receivables, and credit and guarantee losses

An impairment loss is recorded on loans and receivables when there is objective evidence of impairment as a result of one or more loss events and this has an impact on future cash flows to be received.

Objective evidence of a customer's capability to fulfil obligations is based on the risk classification of customers, past experience and estimates made by the management about the effect of delayed payments on the accruing of receivables.

Impairment is assessed individually and collectively. Receivables where the customer's total risk exposure is significant are assessed individually. For the purposes of assessing receivables collectively, the receivables are divided into subgroups that are similar in terms of credit risk.

An impairment loss is recognised if the present value of the future cash flows discounted at the receivable's original effective interest rate is lower than the carrying amount of the receivable. The amount recovered at the realisation of the collateral, as well as the credit loss compensation received from the State, are taken into account in the assessment.

An impairment loss is recognised as a realised loss when the customer has been found insolvent in liquidation proceedings, has ceased operations, or the receivables have been written off in either a voluntary or statutory loan arrangement.

Determination of fair value

Fair value of financial instruments is determined on the basis of published price quotations on an active market. If a published price quotation in an active market does not exist for a financial instrument in its entirety, but an active market exists for its components, fair value is determined on the basis of relevant market prices for the components. If the market is not active or the security is unlisted, fair value is determined by using generally accepted valuation techniques.

The fair values of financial liabilities recognised at fair value through profit or loss and derivatives are determined through discounted cash flows.

Fair values of venture capital investments are determined using an applicable valuation method and in accordance with the guidelines of the European Venture Capital Association (EVCA). The effect of any options and conversion options on the value of the ownership is taken into consideration when determining the fair value. If a reliable determination of fair value is not possible, venture capital investments are measured at cost less any impairment losses.

Recognition and derecognition of financial assets and financial liabilities

Loans and receivables are recognised on the balance sheet when a customer takes out a loan, available-for-sale financial assets and derivatives are recognised using trade date accounting, and financial liabilities at fair value through profit or loss are recognised when the consideration is received.

Financial assets are derecognised from the balance sheet when the contractual right to the asset expires or when the rights are transferred to another party. Financial liabilities are derecognised when the related obligations are fulfilled.

Leases

Leases are classified as finance leases and operating leases. The classification is based on whether the substantial risks and rewards incidental to ownership are transferred to the lessee. Finnvera does not have leases classified as finance leases.

Finnvera enters into operating leases both as a lessee and as a lessor. Lease payments payable and receivable under operating leases are recognised as income or an expense on a straight-line basis over the lease term. Operating leases are mostly contracts relating to premises.

Intangible assets

Intangible assets include the development costs of IT applications and software, if their cost can be measured reliably and it is probable that the Group will gain economic benefit from the assets.

Intangible assets are carried at historical cost less accumulated amortisations and impairment losses, and they are amortised over their estimated useful life, which is five years.

Property, plant and equipment

Property, plant and equipment comprise property, machinery and equipment in the company's own use. Properties in which a significant part of the floor area is used by Finnvera or its subsidiaries are classified as property in own use.

Property, plant and equipment are carried at historical cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated over their estimated useful lives as follows:

Property	30–40 years
Machinery and equipment	5–7 years

Impairment of intangible assets and property, plant and equipment

At every balance sheet date, the carrying amounts of intangible assets and property, plant and equipment are reviewed to determine whether there are indications of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is entered into the income statement when the carrying amount of an asset exceeds its recoverable amount.

Investment property

Investment property is held to earn rental income and for capital appreciation. Investment property is carried at historical cost less accumulated depreciation and impairment losses (cost model). The useful lives and depreciation bases for investment property are the same as for corresponding property in own use. The fair values of investment property are disclosed in the notes. The fair values are based on information from actual sales of corresponding property in a corresponding location and in a similar condition on the market as well as on rental value calculated on the basis of market information. For major property items, the valuation is based on a valuation carried out by an independent assessor.

Provisions

EMPLOYEE BENEFITS

Pension plans are classified as either defined benefit plans or defined contribution plans. Under a defined contribution plan, the Group pays fixed contributions to a pension insurance company and has no legal or constructive obligation to pay further contributions. Obligations resulting from a defined contribution plan are expensed in the period to which they relate. The cost of providing defined benefit plans is charged to the income statement over the working lives of the employees participating in the plan on the basis of actuarial calculations. The pension plan assets measured at fair value at the balance sheet date are deducted from the present value of the pension obligation to be recognised on the balance sheet, taking into account the recognised actuarial gains and losses. Actuarial gains and losses are recognised in the income statement over the expected average remaining working lives of the employees participating in the plan to the extent that such gains and losses exceed the greater of: 10% of the present value of the defined benefit obligation or 10% of the fair value of the assets.

PROVISIONS FOR EXPORT CREDIT GUARANTEE LOSSES

A provision for export credit guarantee losses is recognised when the Group has a present legal or constructive obligation to pay a guarantee indemnity, realisation of the obligation is probable and it can be determined reliably.

PROVISIONS FOR GUARANTEE LOSSES

A provision for guarantee losses is recognised according to the same principles as the impairment losses recognised on loans and receivables either individually or collectively by groups of receivables.

Income taxes

Income taxes in the income statement consist of current tax based on the taxable profit for the period and deferred tax. The tax expense is recognised in the income statement except for tax relating to items, changes in the fair value of which are charged or credited in components of comprehensive income or directly to equity, in which case the tax is also charged or credited directly to equity.

Deferred taxes are calculated for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are determined using tax rates enacted by the balance sheet date.

An amendment to the Income Tax Act passed by Parliament entered into force through a Government Decree issued on 20 December 2007. The amendment made Finnvera plc exempt from income taxation from 1 January 2007.

Accounting principles requiring the management’s judgment and the key sources of

estimation uncertainty

To a certain extent, the preparation of financial statements requires the making of judgments. In Finnvera, the essential judgments concern the determination of the fair value of financial instruments and investments made by the associated companies, the impairment testing of loans and receivables, and the provision to be made for guarantee commitments.

The fair values of financial liabilities recognised at fair value through profit or loss and derivatives are determined through discounted cash flows. In determining the fair value of financial instruments, it is essential to assess the method for determining the fair value and the verifiability of the market parameters. In calculating the fair value of liabilities, the discount rate of the issuing bank is adjusted if necessary to correspond to the market average interest rates used in long-term interest rate swaps.

Fair values of venture capital investments are determined using an applicable valuation method and in accordance with the guidelines of the European Venture Capital Association (EVCA). If a reliable determination of fair value is not possible, venture capital investments are measured at cost less any impairment losses.

The impairment testing of receivables is prepared either individually or collectively. The impairment testing is based on estimates on future cash flows to be received. The provision to be made for guarantee commitments is based on the management's assessment of the probable amount of expenditure that needs to be covered by the provision. Collective impairments are based on an assessment of future losses based on historical data.

Application of new standards

The IASB has published the following new and amended standards and interpretations. They are applied as of the effective date of each standard and interpretation. If the effective date is not the first day of a financial period, they are applied as of the beginning of the next financial period following the effective date.

— Amended IAS 1 Presentation of Financial Statements (applied to financial periods starting on 1 July 2012 or thereafter). With the introduction of the amendment, items of other comprehensive income are required to be grouped into those that will and will not subsequently be classified to profit or loss. The EU has not yet adopted the amendment.
— Amended IAS 12. Amendment to recognition of a deferred tax liability or receivable for investment property measured using the fair value model in IAS 40 – Investment Property (applied to financial periods starting 1 January 2012 or thereafter). The EU has not yet adopted the amendment.
— Amended IAS 19 Employee Benefits (applied to financial periods starting on 1 January 2013 or thereafter). With the introduction of the amendment, actuarial gains and losses are recognised immediately in other comprehensive income.
— IAS 27 Separate Financial Statements (applied to financial periods starting 1 January 2013 or thereafter). The EU has not yet adopted the standard.
— IAS 28 Investments in Associates and Joint Ventures (applied to financial periods starting 1 January 2013 or thereafter). The EU has not yet adopted the standard.
— Amended IFRS 7 Financial Instruments: Disclosures – transfers of financial assets (applied to financial periods starting 1 July 2011 or thereafter). The amendment enhances disclosures for derecognised financial assets. The EU has not yet adopted the amendment.
— IFRS 9 Financial Instruments (applied to financial periods starting 1 January 2015 or thereafter). IFRS 9 is part of IASB project aimed at replacing IAS 39 Financial Instruments: Recognition and Measurement. The new standard deals with the measurement of financial assets in terms of classification. The rest of the guidelines in IAS 39 concerning impairment of financial assets and hedge accounting are still in force. The EU has not yet adopted IFRS 9.

— IFRS 10 Consolidated Financial Statements (applied to financial periods starting 1 January 2013 or thereafter). Principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The EU has not yet adopted the standard.
— IFRS 11 Joint Arrangements (applied to financial periods starting 1 January 2013 or thereafter). Reporting principles for an entity that has an interest in an arrangement in which two or more parties have joint control (joint arrangements). The EU has not yet adopted the standard.
— IFRS 12 Disclosure of Interests in Other Entities (applied to financial periods starting 1 January 2013 or thereafter). The EU has not yet adopted the standard.
— IFRS 13 Fair Value Measurement (applied to financial periods starting 1 January 2013 or thereafter). The EU has not yet adopted the standard.

Risk management

IFRS consolidated financial statements, notes to risk management

Finnvera works as a financier supplementing the financial market and takes higher credit risks than financiers operating on commercial grounds.

Role and responsibilities of risk management

Risk management is of central importance for the maintenance of Finnvera's ability to take risks and for the attainment of economic objectives in the long run. Finnvera's Board of Directors and the top management are responsible for arranging and organising internal control and risk management. The Board of Directors approves decision-making powers, the principles of risk management and the outlines for risk-taking. For its part, the goal of risk management is to ensure prerequisites for implementing the company's strategy.

Working independently of Finnvera's business areas, the Risk Management Unit is responsible for developing risk management policy, methods and guidelines, and for monitoring the company's risk standing. The Risk Management Unit reports to the Managing Director. Internal auditing monitors and ensures that guidelines approved by the Board of Directors are followed. Practical measures regarding risk management are part of day-to-day management and are implemented by the entire Finnvera organisation and Group companies.

The Risk Management Unit is also responsible for coordinating the development and maintenance of risk classification systems and for monitoring the functionality of classification systems.

Controlled risk-taking

The State of Finland compensates Finnvera for some of the losses that arise in SME financing. Using revenues from its operations, Finnvera must cover its own share of any domestic credit and guarantee losses incurred from one economic cycle to the next. The State Guarantee Fund and the State of Finland secure the foreign country, bank and enterprise risks stemming from export credit guarantee operations. In the long term, profits from operations must cover the expenses and guarantee losses arising from operations. Finnvera's goal is to take credit risks in a controlled manner in line with its operating principles, and to hedge against other risks or to minimise them. Some of the investments in subsidiaries consist of capital invested by the State through the parent company, while some is capital invested directly by the parent company.

Risk-taking in SME financing is guided by means of the credit policy and the risk-taking goals specific to each business area. These take into account, for example, differences in clientele and operating environment. The risk-taking goals are based on the targets set for Finnvera vis-à-vis its ownership policy, profitability and effectiveness. Risk-taking pertaining to export credit guarantees is guided by means of country and guarantee policies ratified by the Board of Directors. In addition, a hedging policy has been approved for export credit guarantee operations. In consequence, instruments such as reinsurance or credit derivatives may be used for protection against some credit risks.

In line with their strategic policies, the subsidiaries engaged in venture capital investment focus their risk-taking on start-ups and growth enterprises. The parent company manages risks arising in subsidiaries through ownership steering. In addition, the subsidiaries are within the scope of the risk management and internal auditing practised in the Group.

Credit and guarantee risks

The risk of a credit loss arises when a debtor or another counterparty does not meet its obligations to the full. In SME financing, the reason for credit losses is usually the insolvency of a corporate client. In the case of export credit guarantees, a guarantee loss may stem from the inability or unwillingness of a country, bank or corporate client to meet its payments.

Management of credit risks in SME financing is based on the assessment of credit risks for each enterprise. Finnvera applies a risk classification system of eight categories, which is based on long-term observation of insolvency events for each risk category. The scale in use has seven categories for operating enterprises and one category for insolvent enterprises. When a decision on financing is made, the account manager is responsible for assessing the credit risk, for applying the risk classification and for drafting the financing proposal. The risk rating of Finnvera's client companies is updated at least every second year. The value of any available collateral is also assessed and updated in a similar way.

For granting export credit guarantees, Finnvera classifies countries into eight categories. The classification is based on methods used by export credit agencies and on country risk assessment. Since there may be considerable differences between individual countries, even within the same category, risk-taking is based on a separately defined country policy. Various factors affect the determination of the country category: assessment of the country's ability to manage its external liabilities; expectations of the future trend of the country's economy; and political stability and the legislative framework. Finnvera keeps a close eye on the economic and political situations of countries and makes adjustments to its country policy depending on the changes that have occurred. The category of each country is checked at least once a year.

The taking of bank risks is based on an assessment of each country's banking system and on the risk analyses and risk ratings of individual banks. On the basis of both qualitative and quantitative factors, a risk-taking outline is determined for each individual bank, depending on the risk category. The risk rating of banks is updated whenever needed and always when new projects are introduced.

The taking of enterprise risks is based on an analysis of the enterprise's management, business and finances. The analysis may be concise in the case of small and short-term guarantees. The analysis results in internal risk classification of eight categories, which partly corresponds to the risk classification method used by international rating agencies. The classification is updated when new projects are introduced and at least once a year.

Financing decisions are made in accordance with the authorisations decided by the Board of Directors so that the amount of liability and risk have an impact on the decision-making level. The biggest financing decisions are made by Finnvera's Board of Directors.

Various means are applied to client monitoring: annual analysis of the client enterprise's financial statements; regular contacts with the client; and continuous monitoring of the client's payment behaviour and operations. In its monitoring, Finnvera utilises data from various sources:

from its own control systems, from beneficiaries of guarantees, and from public registers on payment defaults. Clients with elevated risks are selected for special monitoring. In the case of the greatest risks, a report on the special monitoring is drawn up quarterly. The probability of credit losses and any needs for claim-specific write-downs are assessed at the same time.

The risk-taking realised is followed monthly by means of a diverse set of indicators. The main indicators in Finnvera's risk management are as follows: distribution of current commitments and the change in commitments by risk category; payment defaults and non-performing receivables; the anticipated statistical value of credit losses, describing the amount of risk-taking in terms of outstanding commitments and the financing granted; and the credit losses that have materialised.

Interest rate and currency risk

Interest rate and currency risks associated with Finnvera's provision of funding for export credits are managed by reconciling the terms of borrowing and lending, for example, by means of interest rate and currency swaps. Limits have been set for the consequent interest rate and currency risks. These limits are monitored actively, and the Board of Directors receives reports on them on a regular basis. The effect of market risks on Finnvera's performance is deemed to be small.

Provision has been made for any claims that may need to be paid in US dollars by virtue of export credit guarantees granted. The associated currency risk has been reduced so that an amount corresponding to any foreseen losses in US dollars has been deposited in dollar accounts.

Liquidity risk

Finnvera has arranged long-term provision of funding for export credits by using several sources of financing. Guarantees granted by the State of Finland can also be utilised for securing the availability of funding for export credits. Cash assets, deposits and short-term investments in targets meeting the criteria for credit rating ensure short-term liquidity.

The potentially high claims arising from export credit guarantee operations may lead to an unexpected need for money. Finnvera has entered into contractual arrangements with the State of Finland to prepare for the realisation of such liquidity risk.

Operational risks

An operational risk is a risk of loss caused by insufficient or inoperable internal processes, systems, human resources or external events. Operational risks also include legal risks and the risk of damage to reputation.

The management of operational risks has been developed systematically since 2006, and operational risks have been registered since the beginning of 2007. Potential risks have been charted and the severity of any consequences they might involve has been assessed for all business areas and support units. In addition, Finnvera has drawn up risk scenarios that, if materialised, would have serious consequences for the company's operations. Responsibility for the implementation of actions to avert the risk scenarios and other severe potential risks has been divided between the various organisational units in line with their tasks. Finnvera has an ISO 9001 quality certificate that guides the management of operational risks, the associated work and the improvement of the quality of the company's operations. Safeguards are taken against operational risks, for example, by introducing internal control mechanisms, by developing processes, information systems and the quality of operations, and by taking out insurance against risks.

Venture capital investments

Within the Finnvera Group, venture capital investments are carried out by Veraventure Ltd, Seed Fund Vera Ltd and Matkailunkehitys Nordia Oy. Investments made in these companies are included within the scope of Finnvera plc's credit risk monitoring.

Risk management done by the subsidiaries engaged in venture capital investment is based on limiting the size of investments, on sharing the risk with other investors, and on sufficient distribution of the investment portfolio.

The companies engaged in venture capital investment comply with the recommendations issued by the European Venture Capital Association (EVCA) on the valuation of portfolio companies and fund investments. After the transition to IFRS, investments are carried at fair value in accordance with the above-mentioned recommendations.

Capital management, capital adequacy and external risk weight

Finnvera calculates its capital adequacy by using the Basel II standard method even though Finnvera is not officially required to apply the Basel II Framework methods. The adequacy of equity is examined in relation to future and current credit risks by using management accounting, including an indicator describing economic capital, and by assessing the amounts of credit losses that would arise in potential extreme situations.

Owing to the nature of its business, Finnvera must ensure that the amount of equity is sufficient in relation to the credit risks taken. Equity and retained earnings have been allocated to the fund for domestic operations and to the fund for export credit guarantee and special guarantee operations. Finnvera's domestic financing includes the compensation for credit and guarantee losses paid by the State. At present, the compensation for credit and guarantee losses varies between 35 and 80 per cent of the outstanding credits and guarantees. In regard to export credit guarantee operations, the State of Finland is responsible, e.g. through the State Guarantee Fund, for losses arising during the financial period that have exceeded the assets in the fund for export credit guarantee and special guarantee operations.

On 31 December 2011, the fund for domestic operations totalled EUR 136 million and the fund for export credit guarantee and special guarantee operations EUR 241 million.

It has been ensured through legislation that, in the capital adequacy calculations of banks, the risk weight of Finnvera's guarantees is the same as that of the State of Finland, which was determined at zero as per 31 December 2011.

Finnvera Group

1. CREDIT RISKS

Receivables (EUR 1 000)	**31 Dec 2011**	**31 Dec 2010**
Loans and receivables from credit institutions	192 516	160 813
Loans and receivables from customers	1 719 935	1 813 178
Debt securities	120 238	169 445

Derivatives	52 911	56 054
Total	**2 085 600**	**2 199 490**

Finnish Export Credit's receivables, EUR 582,281 thousand, guaranteed by Finnvera, have been deducted from 'Receivables from customers' in the Group.

Contingencies	(Note 26)	**13 493 006**	**10 845 308**

2. RECEIVABLES FROM CUSTOMERS AND GUARANTEES WHOSE VALUE HAS NOT IMPAIRED

Risk class (EUR 1 000)	31 Dec 2011	%	31 Dec 2010	%
A1	0	0%	143	0%
A2	11 375	0%	12 226	0%
A3	70 967	2%	77 666	2%
B1	487 874	14%	507 808	16%
B2	1 500 286	44%	1 574 690	50%
B3	597 663	18%	545 044	17%
C	89 274	3%	94 227	3%
D	55 329	2%	66 626	2%
Other *	582 281	17%	290 038	9%
Total	**3 395 049**	**100%**	**3 168 468**	**100%**

* Risk class Other include Finnish Export Credit's credits guaranteed by Finnvera; the information in risk classes A1-D pertain to domestic financing.

3. CONCENTRATIONS

3.1. Receivables from customers and guarantees by industry (EUR 1 000)

	31 Dec 2011	31 Dec 2010
Rural trades	28 627	30 139
Industry	2 017 295	1 773 093
Tourism	201 901	231 461
Services to business	694 916	660 579
Trade and consumer services	452 310	473 196

Total	**3 395 049**	**3 168 468**

3.2. Commercial commitments of the export credit guarantee operations by industry (EUR 1 000)

			31 Dec 2011			31 Dec 2010
	Offered	In force	Total	Offered	In force	Total
Telecommunications	368 586	3 059 286	3 427 872	997 717	2 494 778	3 492 494
Wood processing	79 360	1 486 611	1 565 970	117 588	556 380	673 967
Power generation	85 853	140 039	225 892	47 604	68 215	115 819
Shipping companies	350 550	2 803 905	3 154 455	119 894	2 678 067	2 797 961
Metal industry and ore mining	13 796	214 988	228 785	6 954	172 901	179 854
Other	30 139	550 451	580 591	33 815	553 244	587 059
Total	**928 285**	**8 255 280**	**9 183 564**	**1 323 572**	**6 523 584**	**7 847 156**

3.3. Bank commitments of the export credit guarantee operations (EUR 1 000)

			31 Dec 2011			31 Dec 2010
	Offered	In force	Total	Offered	In force	Total
Banks and financing	27 586	616 544	644 129	0	537 063	537 063

4. COMMITMENTS BY AREA

4.1. Loans and guarantees by area (EUR 1 000)

	31 Dec 2011	31 Dec 2010
Finland	2 812 768	2 741 911
Other *	582 281	290 038
Total	**3 395 049**	**3 168 468**

* Area Other include Finnish Export Credit’s credits guaranteed by Finnvera.

4.2. Commitments of the export credit guarantee operations by area (EUR 1 000)

			31 Dec 2011			31 Dec 2010
	Offered	In force	Total	Offered	In force	Total
Asia	71 150	1 227 702	1 298 852	96 710	1 190 674	1 287 384

CIS*	79 030	1 099 096	1 178 126	121 075	1 002 611	1 123 686
Central and East Europe	14 635	181 969	196 604	17 721	192 660	210 381
Latin America	1 260	1 972 088	1 973 348	32 073	1 078 166	1 110 239
Middle East and North Africa	279 039	655 534	934 573	360 591	545 809	906 400
Sub-Saharan Africa	195 854	198 634	394 488	2 907	142 038	144 945
Industrial countries	360 796	4 024 379	4 385 175	720 496	3 426 688	4 147 184
Total	**1 001 764**	**9 359 402**	**10 361 166**	**1 351 573**	**7 578 646**	**8 930 219**

* The term CIS area is used for the 12 independent, former Soviet Union countries.

5. COLLATERAL SHORTAGE (EUR 1 000)

Legend:
A = Risk category
B = Amount of commitment
C = Amount of collaterals
D = Collateral shortage
E = Collateral shortage-%
F = Amount of commitment
G = Amount of collaterals
H = Collateral shortage
I = Collateral shortage-%

(EUR 1 000)				**31 Dec 2011**				**31 Dec 2010**
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**
A1	0	0	0	0 %	143	66	77	54 %
A2	11 375	5 567	5 808	51 %	12 226	7 356	4 870	40 %
A3	70 967	26 696	44 272	62 %	77 666	34 863	42 803	55 %
B1	487 874	149 856	338 018	69 %	507 808	166 711	341 097	67 %
B2	1 500 286	532 991	967 295	64 %	1 574 690	572 118	1 002 572	64 %
B3	597 663	155 379	442 284	74 %	545 044	142 272	402 772	74 %
C	89 274	25 056	64 218	72 %	94 227	19 922	74 305	79 %
D	55 329	8 637	46 692	84 %	66 626	17 387	49 239	74 %
Total	**2 812 768**	**904 182**	**1 908 586**	**68 %**	**2 878 430**	**960 695**	**1 917 735**	**67 %**
Other *	582 281	0	582 281	100 %	290 038	0	290 038	100 %

* Risk category Other include Finnish Export Credit's credits guaranted by Finnvera, information in risk categories A1-D pertains to domestic

6. IMPAIRED LOANS AND GUARANTEES FOR WHICH A GUARANTEE PROVISION HAS BEEN MADE

Impairment losses on individually assessed loans and guarantee provisions

Loans (EUR 1000)					**31 Dec 2011**
Risk category	**B2**	**B3**	**C**	**D**	**Total**
Commitment before the impairment	0	77 092	3 609	7 571	88 272
Impairment loss	0	29 899	1 700	2 630	34 229
Commitment after the impairment	0	47 193	1 909	4 941	54 043

Guarantees (EUR 1 000)					**31 Dec 2011**
Risk category	**B2**	**B3**	**C**	**D**	**Total**
Commitment before the guarantee provision	0	77 554	6 681	15 987	100 222
Guarantee provision	0	12 234	2 770	9 744	24 748
Commitment after the guarantee provision	0	65 320	3 911	6 243	75 474

Impairment losses on collectively assessed loans and guarantee provisions

Loans (EUR 1000)					**31 Dec 2011**
Risk category	**B2**	**B3**	**C**	**D**	**Total**
Commitment before the impairment	7 969	25 454	18 202	43 005	94 630
Impairment loss	876	7 079	6 965	19 300	34 220
Commitment after the impairment	7 093	18 375	11 237	23 705	60 410

Guarantees (EUR 1 000)					**31 Dec 2011**
Risk category	**B2**	**B3**	**C**	**D**	**Total**
Commitment before the guarantee provision	1 758	2 323	6 663	33 609	44 353
Guarantee provision	162	565	1 957	14 243	16 927
Commitment after the guarantee provision	1 596	1 758	4 706	19 366	27 426

Impairment losses on individually assessed loans and guarantee provisions

Loans (EUR 1000)					**31 Dec 2010**
Risk category	**B2**	**B3**	**C**	**D**	**Total**
Commitment before the impairment	0	59 265	9 531	14 890	83 686

Impairment loss	0	28 004	4 916	5 573	38 493
Commitment after the impairment	0	31 261	4 615	9 317	45 193

Guarantees (EUR 1 000)					**31 Dec 2010**
Risk category	**B2**	**B3**	**C**	**D**	**Total**
Commitment before the guarantee provision	0	55 756	0	6 896	62 652
Guarantee provision	0	14 835	0	2 670	17 505
Commitment after the guarantee provision	0	40 921	0	4 226	45 147

Impairment losses on collectively assessed loans and guarantee provisions

Loans (EUR 1000)					**31 Dec 2010**
Risk category	**B2**	**B3**	**C**	**D**	**Total**
Commitment before the impairment	7 202	19 910	16 098	53 001	96 211
Impairment loss	840	5 334	6 200	23 682	36 056
Commitment after the impairment	6 362	14 576	9 898	29 319	60 155

Guarantees (EUR 1 000)					**31 Dec 2010**
Risk category	**B2**	**B3**	**C**	**D**	**Total**
Commitment before the guarantee provision	4 641	7 025	4 483	28 768	44 917
Guarantee provision	531	1 775	1 315	12 243	15 864
Commitment after the guarantee provision	4 110	5 250	3 168	16 525	29 053

7. PAST DUE RECEIVABLES

(EUR 1 000)	**31 Dec 2011**	**31 Dec 2010**
1 day–3 months	12 995	12 199
3–6 months	13 668	4 403
6–12 months	10 274	9 567
Over 12 months	22 685	35 319
Total	**59 622**	**61 488**

As past due receivables have been presented unpaid interests, loan instalments and guarantee commission payments at the balance sheet date of the entire financing portfolio, including loans subject to a possible impairment.

8. LIQUIDITY RISK

The guarantees in the table have been broken down according to their due dates. An individual guarantee may give rise to indemnity at any time during its period of validity. There is no historical information as to when such indemnities have been realized during the life cycle of a guarantee.

Maturity of liabilities 31 Dec 2011 (EUR 1 000)

	Carrying amount	Payable	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years
Liabilities to credit institutions	185 000	190 329	41 124	61 872	87 333	0	0
Liabilities to the public and public sector	635 298	763 515	1 835	57 710	305 370	369 930	28 670
Debt securities in issue	904 428	968 775	788	261 635	706 352	0	0
Subordinated liablities	85 823	85 823	0	0	0	50 000	35 823
Binding financing offers		2 039 006	502 006	700 000	837 000	0	0
Total liabilities	**1 810 549**	**4 047 448**	**545 753**	**1 081 217**	**1 936 055**	**419 930**	**64 493**
Derivatives – receivables	52 911	920 111	788	160 914	707 790	50 619	0
Derivatives – liabilities	0	833 804	855	133 160	649 051	50 738	0
Derivatives – net	**52 911**	**86 307**	**-67**	**27 754**	**58 739**	**-119**	**0**
Guarantees		1 196 363	128 924	357 787	603 599	96 019	10 034

Maturity of liabilities 31 dec 2010 (EUR 1 000)

	Carrying amount	Payable	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years
Liabilities to credit institutions	270 000	276 105	76 443	11 311	188 351	0	0
Liabilities to the public and public sector	394 326	487 356	0	88 558	158 945	211 348	28 505
Debt securities in issue	997 162	1 103 519	773	139 030	963 716	0	0
Subordinated liablities	89 840	89 840	0	0	0	50 000	39 840
Binding financing offers		849 837	849 837	0	0	0	0
Total liabilities	**1 751 328**	**2 806 657**	**927 053**	**238 899**	**1 311 012**	**261 348**	**68 345**
Derivatives – receivables	56 054	1 045 302	773	133 570	863 946	47 012	0
Derivatives – liabilities	877	941 105	1 656	97 964	795 713	45 772	0

Derivatives – net	**55 177**	**104 197**	**-883**	**35 606**	**68 233**	**1 240**	**0**
Guarantees		1 155 848	184 118	344 222	517 199	104 434	5 875

Liquidity management is described under notes to risk management.

9. INTEREST RATE RISK

Determination of the interest rate on receivables and liabilities 31 Dec 2011 (EUR 1 000)

	Carrying amount	Payable	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years
Receivables from credit institutions	164 329	164 329	164 329	0	0	0	0
Receivables from customers	2 302 216	2 302 216	819 429	870 935	274 957	291 100	45 794
Debt securities	120 238	120 400	116 700	3 700			
Total receivables	**2 586 783**	**2 586 945**	**1 100 458**	**874 635**	**274 957**	**291 100**	**45 794**

Loans and receivables from credit institutions does not include the ERDF assets deposited, EUR 28 187 000. Their use is regulated separately.

	Carrying amount	Payable	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years
Liabilities to credit institutions	185 000	185 000	115 000	70 000	0	0	0
Liabilities to others	635 298	631 525	0	37 285	232 967	333 434	27 839
Debt securities in issue	904 428	886 691	103 173	228 965	554 553	0	0
Subordinated liabilities	85 823	85 823	0	0	0	50 000	35 823
Total liabilities	**1 810 549**	**1 789 039**	**218 173**	**336 250**	**787 520**	**383 434**	**63 662**
Derivatives – receivables	52 911	836 591	0	128 966	657 725	49 900	0
Derivatives – liabilities	0	801 565	147 792	653 773			0
Derivatives – net	**52 911**	**35 026**	**-147 792**	**-524 807**	**657 725**	**49 900**	**0**

The table presents the interest rate determination dates for interest-bound receivables and liabilities as well as for interest rate and currency swaps hedging the liabilities.

Determination of the interest rate on receivables and liabilities 31 Dec 2010 (EUR 1 000)

	Carrying amount	Payable	< 3 months	3–12 months	1–5 years	5–10 years	> 10 years

Receivables from credit institutions	160 813	160 813	132 848	0	27 965	0	0
Receivables from customers	2 103 216	2 103 216	529 578	1 236 012	158 794	150 551	28 281
Debt securities	169 445	169 600	164 100	5 500			
Total receivables	**2 433 474**	**2 433 629**	**826 526**	**1 241 512**	**186 759**	**150 551**	**28 281**
Liabilities to credit institutions	270 000	270 000	180 000	90 000	0	0	0
Liabilities to others	394 326	392 406	0	72 213	109 670	183 106	27 417
Debt securities in issue	997 162	983 334	102 564	201 282	679 488	0	0
Subordinated liabilities	89 840	89 840	0	0	0	50 000	39 840
Total liabilities	**1 751 328**	**1 735 580**	**282 564**	**363 495**	**789 158**	**233 106**	**67 257**
Derivatives – receivables	56 054	975 372	102 564	147 302	679 487	46 019	0
Derivatives – liabilities	877	934 105	230 333	703 773			0
Derivatives – net	**55 177**	**41 268**	**-127 769**	**-556 471**	**679 487**	**46 019**	**0**

The table presents the interest rate determination dates for interest-bound receivables and liabilities as well as for interest rate and currency swaps hedging the liabilities.

Sensitivity to interest rate

An immediate increase of 1 percentage unit increases the net interest income by EUR 7.2 million and an equal decrease in the interest rate decreases the net interest income by EUR 7.2 million during the following 12 months.

The fair value of available-for-sale money market funds and debt securities increases by EUR 0.2 million if the interest rates decrease by 1 percentage unit. Respectively, their fair value decreases by EUR 0.2 million of the interest rates increase by 1 percentage unit. The change in the fair value is recognised in the balance sheet.

The changes in fair values of liabilities at fair value through profit or loss and the interest rates of the derivatives hedging them offset each other and therefore they do not have an impact on the profit or loss.

10. CURRENCY RISK

The Company's profit is affected by the changes in the US dollar exchange rate. The table below presents the effect of 10 % in the U.S. dollar exchange rate on the Company's profit.

	31 Dec 2011	31 Dec 2010
The USD strengthens by 10% against the euro	1 215	753

The USD weakens by 10% against the euro	-996	-616

The currency risk stems from the dollar account that is kept as provision for export credit guarantee losses denominated in dollars; its amount decreased by EUR 1 million during 2011.

Segment information

Segment reporting in Finnvera Group is based on internal business areas and organisational structure.
Client enterprises have been divided into business areas according to their size and the need for financing at their development stage. A service concept has been devised for each business area. Finnvera's segments are micro-financing, regional financing, financing for growth and internationalisation, export financing, and venture capital investments.

Micro-financing clients are enterprises with less than 10 employees that operate locally. Micro-financing provides financial services for the start-up and development of enterprises in cooperation with regional enterprise services and other financiers.

The clients of regional financing are SMEs and, on special grounds, large enterprises. The clientele includes companies engaged in production or services. In cooperation with other financiers, regional financing provides financing solutions especially for development and growth needs and for changes of generation.

The clients of financing for growth and internationalisation are SMEs with a growth strategy based on internationalisation. Some clients already operate on the international market and engage in exports, while others are still at the start of this development. In general, these enterprises also use the services of other organisations providing services for growth enterprises (Finpro, Tekes, Centres for Economic Development, Transport and the Environment) and make use of the services offered by Finnvera for export financing.

Export financing clients are mostly exporters operating in Finland and classified as large enterprises, as well as domestic and foreignbodies providing financing for these exports. Finnvera has official Export Credit Agency (ECA) status. Export financing offers competitive export credit guarantee services to meet client needs.

Three of Finnvera's subsidiaries – Veraventure Ltd, Seed Fund Vera Ltd and Matkailunkehitys Nordia Oy – make venture capital investments in enterprises. Another subsidiary, Finnish Export Credit Ltd, administers the interest equalisation system associated with export credits granted on OECD terms and domestic ship financing.

Income, expenses, assets and liabilities are allocated to each segment when they are deemed to fall within that segment or when such allocation is otherwise sensible. All income and expenses have been allocated to segments. There is no notable intra-segment business.

Assessment of the profitability of Finnvera's segments, and decisions concerning resources allocated to segments, are based on operating profit. The assets and liabilities of segments are valued according to the principles for drawing up the consolidated financial statements.

Finnvera Group has operations only in Finland and its clientele consists of a wide spectrum of clients in various sectors.

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD

1 JAN–31 DEC 2011

(EUR 1 000)	Micro financing	Regional financing	Financing for growth and internatio- nalization	Export financing	Capital invest- ments	Elimi- nations	Total
Net interest income	11 257	32 002	9 927	6 726	2 705	0	62 617
Net fee and commission income	3 989	19 234	13 520	58 519	-1	0	95 260
Net impairment loss on financial assets, guarantee and security losses	-3 022	-35 821	-15 973	121	-1 145	412	-55 427
Operating expenses*	-11 729	-14 463	-8 183	-10 166	-4 814	2 448	-46 906
Depreciation and amortization	-269	-415	-310	-551	-24	0	-1 569
Other income/expenses**	36	-100	-135	1 201	13 890	-2 508	12 385
Operating profit	**261**	**437**	**-1 154**	**55 851**	**10 612**	**352**	**66 360**
Total assets	**248 283**	**929 271**	**341 554**	**1 213 110**	**177 163**	**-19 168**	**2 890 214**
Receivables from customers	281 249	1 076 662	344 885	596 648	20 637	-17 865	**2 302 216**
Total liabilities	**191 641**	**718 571**	**307 556**	**877 884**	**97 598**	**-17 865**	**2 175 384**

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN–31 DEC 2010

(EUR 1 000)	Micro financing	Regional financing	Financing for growth and internatio- nalization	Export financing	Capital invest- ments	Elimi- nations	Total
Net interest income	12 395	31 356	9 873	3 756	1 806	0	59 185
Net fee and commission income	4 480	17 282	11 475	61 750	-1	0	94 986
Net impairment loss on financial assets, guarantee and security losses	-6 337	-23 856	-14 734	-2 659	-1 636	0	-49 223
Operating expenses*	-11 822	-14 567	-7 528	-9 902	-4 531	2 197	-46 153
Depreciation and amortization	-381	-581	-482	-891	-13	0	-2 348
Other income/expenses**	-188	-766	-329	3 244	5 837	-2 662	5 137
Operating profit	**-1 852**	**8 868**	**-1 726**	**55 297**	**1 462**	**-465**	**61 585**
Total assets	**289 232**	**998 701**	**379 359**	**800 124**	**197 982**	**-3 404**	**2 661 994**
Receivables from customers	315 347	1 077 020	366 793	325 560	19 807	-1 310	**2 103 216**

Total liabilities	238 161	798 037	341 720	520 936	131 849	-1 701	2 029 002

* Operating expenses = Administrative expenses + Other operating expenses – Depreciation and amortization
** Gains/losses from financial instruments carried at fair value + Net income from investments + Other operating income

Inter-segment revenue is not significant.

Financial assets and liabilities

FINANCIAL ASSETS 31 DEC 2011

(EUR 1 000)	Loans and receivables	Financial instruments carried atfair value	Available-for-sale financial assets		Total	Fair value
Loans and receivables from credit institutions	192 516				192 516	192 516
Loand and receivables from customers	2 302 216				2 302 216	2 376 173
Debt securities			120 238		120 238	120 238
Derivatives		52 911			52 911	52 911
Investments in associates		69 765			69 765	69 765
Shares and participations		24 181	80 680	*	104 862	104 862
Other financial assets	27 529				27 529	27 529
	2 522 260	**146 857**	**200 919**		**2 870 036**	**2 943 993**

The Company does not have financial receivables held for trading or held-to-maturity.

* Because the fair value of the Finnish Fund for Industrial Cooperation Ltd, included in the figure, cannot be determined reliably, the shares have been valued at original acquisition cost.

FINANCIAL LIABILITIES 31 DEC 2011

(EUR 1 000)	Loans and receivables	Financial instruments carried atfair value	Available-for-sale financial assets	Total	Fair value
Liabilities to credit institutions		185 000		185 000	185 000
Liabilities to other institutions	53 673	581 624		635 298	701 069

Debt securities in issue	804 428	100 000		904 428	904 428
Derivatives	0			0	0
Other financial liabilities		254 676		254 676	254 676
Subordinated liabilities		85 823		85 823	85 823
	858 101	**1 207 123**		**2 065 225**	**2 130 996**

The Company does not have financial liabilities held for trading.

FINANCIAL ASSETS 31 DEC 2010

(EUR 1 000)	Loans and receivables	Financial instruments carried atfair value	Available-for-sale financial assets	Total	Fair value
Loans and receivables from credit institutions	160 813			160 813	160 813
Loand and receivables from customers	2 103 216			2 103 216	2 097 246
Debt securities			169 445	169 445	169 445
Derivatives		56 054		56 054	56 054
Investments in associates		49 486		49 486	49 486
Shares and participations		21 746	65 830 *	87 576	87 576
Other financial assets	17 661			17 661	17 661
	2 281 690	**127 286**	**235 275**	**2 644 250**	**2 638 280**

The Company does not have financial receivables held for trading or held-to-maturity.

* Because the fair value of the Finnish Fund for Industrial Cooperation Ltd, included in the figure, cannot be determined reliably, the shares have been valued at original acquisition cost.

FINANCIAL LIABILITIES 31 DEC 2010

(EUR 1 000)	Loans and receivables	Financial instruments carried atfair value	Available-for-sale financial assets	Total	Fair value
Liabilities to credit institutions		270 000		270 000	270 000
Liabilities to other institutions	93 958	300 368		394 326	394 326
Debt securities in issue	897 163	100 000		997 163	997 163
Derivatives	877			877	877

Other financial liabilities		180 381	180 381	180 381
Subordinated liabilities		89 841	89 841	89 841
	991 998	**940 590**	**1 932 587**	**1 932 588**

The Company does not have financial liabilities held for trading.

Hierarchye for recognition at fair value

FINANCIAL ASSETS 31 DEC 2011

(EUR 1 000)	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value			
- Derivatives		52 911	
- Investments in associates			69 765
- Shares and holdings			24 181
Saleable			
- Debt securities		120 238	
Shares and holdings	80 680		
	80 680	**173 149**	**93 946**

FINANCIAL LIABILITIES 31 DEC 2011

(EUR 1 000)	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair valuetd>			
- Liabilities to other institutions		53 673	
- Debt securities in issue		804 428	
- Derivatives		0	
		858 101	

FINANCIAL ASSETS 31 DEC 2010

(EUR 1 000)	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value			

- Derivatives		56 054	
- Investments in associates			49 486
- Shares and holdings			21 746
Saleable			
- Debt securities		169 445	
- Shares and holdings	65 830		
	65 830	**225 499**	**71 232**

FINANCIAL LIABILITIES 31 DEC 2010

(EUR 1 000)	Level 1	Level 2	Level 3
Financial instruments carried at fair value			
- Liabilities to other institutions		93 958	
- Debt securities in issue		897 163	
- Derivatives		877	
		991 998	

Level 1: Investments in shares and funds are valued at market price based on active trading.

Level 2: The values of interest rate and currency swaps are based on estimates of prices for terminating agreements and for concluding new, corresponding agreements. These estimates are given by banks operating actively on the market. The banks base their pricing on market interest rates and exchange rates. The fair values of liabilities are based on the value calculated on the basis of exchange rates and market interest rates on the reference day (current value of liabilities).

Level 3: Venture capitalists' investments are valued using a procedure that includes assessments by the management.

Financial assets and liabilities recognized at fair value

LEVEL 3 – FINANCIAL ASSETS

Financial instrumentscarried at fair value (1 000e)	31 Dec 2011	31 Dec 2010
Balance 1 January	71 232	57 365
Profits and losses entered in the income statement, in total	7 571	-1 487
Acquisitions	16 282	15 944
Sales	-1 139	-591

Balance 31 Dec	**93 946**	**71 232**
Profits and losses entered in the income statement for the instruments held by Finnvera on 31 December.	7 168	-2 335

Notes

Notes to the consolidated income statement

NOTE NO. 1

NET INTEREST INCOME (EUR 1 000)		2011		2010
Interest income				
Loans to customers		76 398		68 903
Subsidies passed on to customers				
- Regional interest subsidy	1 483		1 544	
- Interest subsidy to special loans	5 599		6 059	
- Interest subsidy from the ERDF	3 357		4 034	
- National interest subsidy (ERDF)	3 742	14 182	4 525	16 162
Interest on export credit guarantee and special guarantee receivables		243		167
Interest on guarantee receivables		1 297		1 055
Other interest income				
- On receivables from credit institutions	2 153		1 257	
- On debt securities, available-for-sale	1 917		1 161	
- On other	765	4 835	650	3 069
Total interest income		**96 955**		**89 356**
Interest expenses				
On liabilities to credit institutions		3 236		3 405
On liabilities to other institutions		16 579		16 680
On debt securities in issue		14 237		9 826
Other interest expenses		286		391
Total interest expenses		**34 338**		**30 302**
Other interest subsidy				
Basic subsidy to loans granted before 1999		0		132

Net interest income	**62 617**	**59 185**

Interest income on financial assets which are not carried at fair value totalled	**96 955**	**89 356**

Interest expenses on financial liabilities which are not carried at fair value totalled	**21 255**	**21 302**

Interest income include interest accrued on impaired loans	**3 060**	**2 655**

Interest subsidy from the state and the European Regional Development Fund

The basis for the interest subsidy for the loans granted before 1999 is the loan portfolio per 31 December and for the loans granted between 1999–2011 the interest subsidy is calculated based on the passage of time similar to interest. In 2001 the Group began to grant such investment and working capital loans to which interest subsidy from the funds of the European Regional Development Fund (ERDF), besides the state's national interest subsidy, is received.

The interest subsidy is divided to subsidy directly passed on to customers and to basic interest subsidy paid to loans granted before 1999. The interest subsidy passed on to customers includes in the interest income and the basic interest subsidy is presented as a separate item before the net interest income.

(EUR 1 000)	**2011**	**2010**
Interest-subsidized loans and guarantees in total at 31 December	**664 734**	**777 206**

NOTE NO. 2

NET FEE AND COMMISSION INCOME (EUR 1 000)	**2011**	**2010**
Fee and commission income		
From export credit guarantees and special guarantees	65 070	67 420
From other guarantees	23 785	20 918
From credit operations	8 109	7 226
From other	538	1 043
Total fee and commission income	**97 502**	**96 607**

All fee and commission income is from financial assets which are not carried at fair value totalled.

Fee and commission expenses		
From reinsurance	2 075	1 448
From borrowing	113	121

From payment transactions	55	53
Total fee and commission expenses	**2 242**	**1 621**
Fee and commission expenses from financial assets which are not carried at fair value totalled	**2 129**	**1 500**
Net fee and commission income	**95 260**	**94 986**

NOTE NO. 3

Gains/losses from financial instruments carried at fair value through profit or loss

(EUR 1 000)			**2011**			**2010**
	Gains and losses from sale	**Changes in fair value**	**Total**	**Gains and losses from sale**	**Changes in fair value**	**Total**
Derivatives	0	-1 165	-1 165	0	55 705	55 705
Liabilities carried at fair value	0	-621	-621	0	-58 248	-58 248
Shares and participations	-68	7 168	7 100	849	-2 249	-1 400
Translation differences	0	705	2 595	0	2 595	-436
	-68	**6 087**	**6 019**	**849**	**-2 197**	**-1 348**

Gains/losses by categories of financial instruments (categories in accordance with IAS 39)

(EUR 1 000)			**2011**			**2010**
	Gains and losses from sale	**Changes in fair value**	**Total**	**Gains and losses from sale**	**Changes in fair value**	**Total**
Liabilities carried at fair value	0	5 314	5 314	0	-3 944	-3 944
Loans and other receivables	0	0	0	0	0	0
	0	**5 314**	**5 314**	**0**	**-3 944**	**-3 944**

NOTE NO. 4

NET INCOME FROM INVESTMENTS (EUR 1 000)	**2011**	**2010**
Available-for-sale financial assets		

Shares and participations				
- Gains/losses	471		873	
- Impairment losses	0	471	-87	787
Dividends		432		588
Total available-for-sale financial assets		**903**		**1 374**
Investment property				
Rental income	3		25	
Depreciation	-25		-46	
Gains/losses from sale	0	**-22**	-3	**-24**
Share of profit of associates		-2		97
Total net income from investments		**878**		**1 447**

NOTE NO. 5

OTHER OPERATING INCOME (EUR 1 000)	**2011**	**2010**
Fee for the management of the old liability	251	249
Management fee for the handling of ERDF loans	563	528
Capital loan written off	4 017	3 553
Rental income	177	399
Other	481	713
	5 489	**5 442**

NOTE NO. 6

EMPLOYEE BENEFIT EXPENSES (EUR 1 000)		**2011**		**2010**
Wages and salaries		23 311		23 301
Social security costs				
Pension costs				
- Defined contribution plans	3 573		3 641	
- Defined benefit plans	847		781	

- Other social security costs	1 531	5 950	1 449	5 871
Total		**29 261**		**29 173**

Personnel in average		
Permanent full-time	372	382
Permanent part-time	25	12
Temporary	16	28
Total	**413**	**422**

NOTE NO. 7

AUDITOR'S FEES (EUR 1 000)		**2011**		**2010**
Fees for auditing	127		124	
Fees for expert services provided by auditors	41	**168**	5	**129**

NOTE NO. 8

OTHER OPERATING EXPENSES (EUR 1 000)	**2011**	**2010**
Rental expenses	3 925	3 449
Expenses from property in own use	954	1 257
Other expenses	47	77
Total	**4 926**	**4 783**
Depreciation and amortization		
Intangible assets	1 163	1 834
Property, plant and equipment		
- Properties	10	42
- Machinery and equipment	396	472
Total	**1 569**	**2 348**
Total other operating expenses	**6 495**	**7 130**

NOTE NO. 9

NET IMPAIRMENT LOSS ON FINANCIAL ASSSETS (EUR 1 000)	2011	2010
Receivables written down as credit and guarantee losses		
- Credit losses	66 680	50 075
- Guarantee losses	20 213	17 237
Reversal of losses recognized		
- Credit losses	-4 245	-4 069
- Guarantee losses	-1 299	-1 694
Change in impairment of individually assessed loans during the period	2 979	4 416
Change in impairment of collectively assessed loans during the period	-624	4 039
Total impairment losses on loans and guarantees	**83 705**	**70 003**
The state's and the ERDF's share of the parent company's final credit and guarantee losses	**-31 868**	**-25 360**
Finnvera plc's share	**51 837**	**44 643**

The state and the ERDF compensate Finnvera Plc for the final losses on loans and guarantees granted without a securing collateral. On 31 December 2011 these loans and guarantees totalled EUR 2,780 (2,784) million. The compensation was 39.5% (42.3%) of the credit and guarantee losses recognized during the period.

EXPORT CREDIT GUARANTEES AND SPECIAL GUARANTEENS (EUR 1 000)	2011	2010
Claims paid	4 118	14 001
Change in the claims provision during the period	854	-5 350
Accumulated recoveries	-1 356	-1 903
Change in recovery receivables	-25	-2 169
Impairment losses on export credit guarantee and special guarantee operations recognized in the financial statements	**3 590**	**4 580**
Impairment losses on loans, domestic guarantees and export credit guarantee and special guarantee operations recognized in the income statement	**55 427**	**49 223**

NOTE NO. 10

INCOME TAX EXPENSE (1 000e)	2011	2010

Current period	436	543
Adjustment for prior periods	-72	-1 578
Deferred taxes	2 260	174
Income tax expense in the income statement	**2 625**	**-862**

The parent company Finnvera Plc was made exempt from the income taxation as from 1 January 2007.

Notes to the consolidatefd balance sheet

NOTE NO. 11

LOANS AND RECEIVABLES FROM CREDIT INSTITUTIONS (EUR 1 000)	2011	2010
Payable on demand	164 329	132 450
Other	28 187	28 363
Total	**192 516**	**160 813**

NOTE NO. 12

LOANS AND RECEIVABLES FROM CUSTOMERS (EUR 1 000)	2011	2010
Loans		
Subordinated loans	55 209	77 571
Other loans	2 200 850	1 993 513
Total loans	**2 256 059**	**2 071 084**
Guarantee receivables	**42 036**	**26 926**
Receivables from export credit guarantee and special guarantee operations		
Fee and commission receivables	421	1 251
Recovery receivables	3 700	3 903
Total receivables from export credit guarantee and special guarantee operations	**4 121**	**5 154**
Total receivables from customers	**2 302 216**	**2 103 165**
Impairment losses on individually assessed loans (EUR 1 000)		

Impairment losses at the beginning of the period	38 493	38 431
(-) Credit losses realized during the period on which an impairment loss has been earlier recognized	-17 498	-7 630
(+) Impairment losses recognized during the period	20 387	11 640
(-) Reversal of impairment losses	-9 550	-5 691
Effect of discounting	2 397	1 743
Impairment losses at the end of the period	**34 229**	**38 493**
Impairment losses on collectively assessed loans at the beginning of the period	36 057	32 671
Impairment losses on collectively assessed loans recognized during the period	-1 836	3 386
Impairment losses on collectively assessed loans at the end of the period	**34 221**	**36 057**
Total impairment losses	**68 450**	**74 550**
Impairment losses on individually assessed guarantees (EUR 1 000)		
Impairment losses at the beginning of the period	17 505	13 151
(-) Guarantee losses realized during the period on which an impairment loss has been earlier recognized	-5 225	-5 500
(+) Impairment losses recognized during the period	12 710	10 485
(-) Reversal of impairment losses	-724	-895
Effect of discounting	482	264
Impairment losses at the end of the period	**24 748**	**17 505**
Impairment losses on collectively assessed guarantees at the beginning of the period	15 864	16 003
Impairment losses on collectively assessed guarantees recognized during the period	1 063	-139
Impairment losses on collectively assessed guarantees at the end of the period	**16 927**	**15 864**
Total impairment losses	**41 675**	**33 369**

An impairment loss on loans and other receivables is recognized when objective evidence of their impairment exists. The objective evidence of a customer's ability to fulfil its obligations is based on the customers' risk classification as well as on the Company's experience and the management's estimate of effect of defaults on the recovery of loan receivables.

NOTE NO. 13

(EUR 1 000)	**2011**	**2010**
Investments		
Debt securities	120 238	169 445
Associates	70 366	50 088

Other shares and participations	104 862	88 069
Investment property	55	719
	295 521	**308 321**
Debt securities		
Available-for-sale		
- Certificates of deposits	3 300	5 500
- Commercial papers	99 857	96 002
- Other	17 082	67 942
	120 238	**169 445**

Investments have been made to non-publicly quoted debt securities.

(EUR 1 000)	**2011**	**2010**
Associates		
At the beginning of the period	50 088	40 895
Share of profit for the period	0	0
Additions	21 983	12 282
Disposals	-1 705	-3 089
At the end of the period	**70 366**	**50 088**

Associates accounted for using the equity method in 2011

Name	**Carrying amount**	**Ownership**	**Assets**	**Liabilities**	**Carrying net sales**	**Profit/Loss**
Iin Micropolis Oy	76	23.08 %	351	355	51	-17
Kiinteistö Oy Kajaanin Kauppakatu	526	36.43 %	1 588	3	106	4

Associates accounted for using the equity method in 2010

Name	**Carrying amount**	**Ownership**	**Assets**	**Liabilities**	**Carrying net sales**	**Profit/Loss**
Iin Micropolis Oy	76	23.08 %	419	408	309	14
Kiinteistö Oy Kajaanin Kauppakatu	526	36.43 %	1 588	8	110	2

(EUR 1 000)	**2011**	**2010**
Other shares and participations		

At fair value through profit or loss	24 181	21 746
Available-for-sale	80 680	66 323
	104 862	**88 069**
Other shares that are publicly quoted	**65 295**	**50 557**
Investment property		
Acquisition cost		
- Acquisition cost at 1 Jan	3 246	3 236
- Additions	0	1
- Disposals	-727	-16
- Transfers between items	-405	25
Acquisition cost at 31 Dec	**2 114**	**3 246**
Accumulated depreciation and impairment losses		
Accumulated depreciation and impairment losses at 1 Jan	2 033	1 987
Depreciation for the period	25	46
Accumulated depreciation and impairment losses at 31 Dec	**2 058**	**2 033**
Carrying amount at 1 Jan	1 213	1 249
Carrying amount at 31 Dec	55	1 213
Total investments	**295 521**	**308 322**
Fair value of investment property	55	1 213
Investment property companies' shares that are publicly quoted	0	494

NOTE NO. 14

INTANGIBLE ASSETS (EUR 1 000)	**2011**	**2010**
Acquisition cost		
Acquisition cost at 1 Jan	34 360	33 859
- Additions	895	501
- Disposals	-226	0
Acquisition cost at 31 Dec	**35 029**	**34 360**

Accumulated amortization and impairment losses		
Accumulated amortization and impairment losses at 1 Jan	32 032	30 319
Amortization for the period	1 105	1 713
Accumulated amortization and impairment losses at 31 Dec	**33 137**	**32 032**
Carrying amount at 1 Jan	2 328	3 540
Carrying amount at 31 Dec	1 892	2 328

Amortization is included in the other operating expenses in the income statement.

NOTE NO. 15

PROPERTY, PLANT AND EQUIPMENT (EUR 1 000)			**2011**			**2010**
	Properties	**Machinery and equipment**	**Total**	**Properties**	**Machinery and equipment**	**Total**
Acquisition cost						
Acquisition cost at 1 Jan	7 985	10 150	18 135	12 798	9 961	22 758
- Additions	12	173	185	23	191	215
- Disposals	0	-4	-4	-4 836	-2	-4 838
Acquisition cost at 31 Dec	**7 997**	**10 320**	**18 317**	**7 985**	**10 150**	**18 135**
Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses at 1 Jan	6 504	8 376	14 880	6 341	7 904	14 245
Depreciation for the period	68	396	464	163	472	635
Acc. depreciation and impairment losses at 31 Dec	**6 572**	**8 772**	**15 344**	**6 504**	**8 376**	**14 880**
Carrying amount at 1 Jan	1 481	1 774	3 255	6 456	2 056	8 513
Carrying amount at 31 Dec	1 425	1 548	2 973	1 481	1 774	3 255

Depreciation is included in the other operating expenses in the income statement.

NOTE NO. 16

OTHER ASSETS (EUR 1 000)	2011	2010
Credit loss receivables from the state and the ERDF	13 913	8 252
Other	4 642	5 358
	18 555	**13 609**

The state and the European Regional Development Fund (ERDF) has granted Finnvera commitments to partially compensate Finnvera for the credit and guarantee losses. The commitments enable Finnvera to take higher risks in domestic business than financiers operating on commercial grounds.

NOTE NO. 17

PREPAYMENTS AND ACCRUED INCOME (EUR 1 000)	2011	2010
Interest	4 310	3 038
Fee and commission receivables	8 930	6 318
Prepayments and other accrued income	10 391	7 165
Total prepayments and accrued income	**23 631**	**16 521**

NOTE NO. 18

TAX ASSETS AND LIABILITIES (EUR 1 000)	2011	2010
Tax assets		
- Deferred tax assets at 1 Jan	17	721
- Increase/decrease to income statement during the period	0	-418
- Increase/decrease to other items in comprehensive income during the period	-17	-286
Deferred tax assets at 31 Dec	**0**	**17**
Tax liabilities		
Current income tax liabilities	46	3
Deferred tax liabilities		

- On fair value changes recognized in fair value reserve	3 680	1 363
	3 725	**1 366**
Deferred tax liabilities at 1 Jan	1 363	1 589
- Increase/decrease to income statement during the period	2 243	-244
- Increase/decrease to other items in comprehensive income during the period	74	18
Deferred tax liabilities at 31 Dec	**3 680**	**1 363**

NOTE NO. 19

LIABILITIES TO CREDIT AND OTHER INSTITUTIONS (EUR 1 000)			**2011**			**2010**
	Nominal value	**Change in fair value**	**Carrying amount**	**Nominal value**	**Change in fair value**	**Carrying amount**
Credit institutions	185 000	0	185 000	270 000	0	270 000
Other institutions						
- At fair value through profit or loss	53 673	0	53 673	93 696	263	93 958
- At amortized cost	581 624	0	581 624	300 368	0	300 368
	820 298	**0**	**820 298**	**664 064**	**263**	**664 326**

NOTE NO. 20

DEBT SECURITIES IN ISSUE (EUR 1 000)			**2011**			**2010**
	Nominal value	**Change in fair value**	**Carrying amount**	**Nominal value**	**Change in fair value**	**Carrying amount**
Bonds						
- At fair value through profit or loss	786 691	17 737	804 428	883 333	13 829	897 163
- At amortized cost	100 000	0	100 000	100 000	0	100 000
	886 691	**17 737**	**904 428**	**983 333**	**13 829**	**997 163**
Average interest rate, %		1.77			1.26	

Liabilities have been measured at fair value when they have been hedged with derivatives (fair value option).

An amount equaling the nominal value of a liability is repaid at the maturity date.

The change in fair value does not include the change in credit risk because the liabilities have been guaranteed by the state of Finland, whose credit risk has not changed.

NOTE NO. 21

DERIVATIVES, CONTRACTS ENTERED IN HEDGING PURPOSES (EUR 1 000)			2011			2010
	Fair value, positive	Fair value, negative	Nominal value, total	Fair value, positive	Fair value, negative	Nominal value, total
Currency derivatives						
- Interest rate swaps and foreign exchange derivatives	52 911	0	925 372	55 481	-877	734 830
Interest rate derivatives						
- Interest rate swaps	0	0	50 000	573	0	50 000
Total derivatives	**52 911**	**0**	**975 372**	**56 054**	**-877**	**784 830**

Derivatives hedge liabilities. The derivative contracts and the liabilities hedged with them have been measured at fair value and the changes in their fair values have been recognized in the income statement (fair value option).

NOTE NO. 22

PROVISIONS (EUR 1 000)	2011	2010
Provision for export credit guarantee losses at 1 Jan	3 101	8 326
- Provisions made during the period	1 374	0
- Provisions used during the period	-427	-5 225
Provision for export credit guarantee losses at 31 Dec	**4 048**	**3 101**
A provision for export credit guarantee losses is recognized when the Group has a constructive and legal obligation to pay a guarantee indemnity, the realization of the obligation is probable and it can be measured reliably.		
Provision for domestic guarantee losses at 1 Jan	33 369	29 154
- Provisions made during the period	13 773	10 346
- Provisions reversed during the period	-5 949	-6 395
- Effect of discounting	482	264
Provision for domestic guarantee losses at 31 Dec	**41 675**	**33 369**

A provision for domestic guarantee losses is recognized when objective evidence exists of impairment of guarantees' value. The objective evidence of a customer's ability to fulfil its obligations is based on the customers' risk classification as well as on the Company's experience and the management's estimate of effect of defaults on the recovery of loan receivables.

Defined benefit pension plans at 1 Jan	1 004	1 055
- Change during the period	22	-51
Defined benefit pension plans at 31 Dec	**1 026**	**1 004**

Other provisions	**345**	**345**
Total provisions	**47 094**	**37 819**

Employee benefits

Defined benefit pensions plans

The group pension insurances for the personnel and the management of Finnvera are defined benefit plans.

Balance sheet items arising from the defined benefit obligation		
Fair value of plan assets	6 548	5 774
Fair value of plan assets	-4 719	-4 443
	1 829	1 331

Unrecognized actuarial gains (+) or losses (-)	-803	-327
Net liability recognized in the balance sheet	**1 026**	**1 004**

Expenses recognized in the income statement		
Current service costs	631	711
Interest on obligation	306	338
Expected return on plan assets	-286	-317
Losses (+) and profits (-) from the reduction of the arrangement and from meeting the obligation	1	-73
Total expenses recognized in the income statement	**652**	**659**

Actual return on plan assets	**-87**	**146**

Change in the fair value of plan assets		
Fair value at 1 Jan	4 443	4 978
Expected return on plan assets	286	317
Contributions paid into the plan	630	710
Effect of fulfilling the plan and reducing the obligation	-267	-1 390
Actuarial gains (+) or losses (-)	-373	-172

Fair value of plan assets at 31 Dec	**4 719**	**4 443**

Change in the present value of the obligation		
Present value at 1 Jan	5 774	6 386
Current service costs	631	711
Interest on obligation	306	338
Effect of fulfilling the plan and reducing the obligation	-303	-1 550
Actuarial gains (-) or losses (+)	140	-111
Present value of the obligation at 31 Dec	**6 548**	**5 774**

Amounts for the current and previous periods		
Defined benefit obligation	6 548	5 774
Plan assets	-4 719	-4 443
Surplus/deficit	**1 829**	**1 331**
Experience adjustments arising on plan assets	-373	-172
Experience adjustments arising on plan liabilities	-763	-111

The expected return on plan assets has been determined by the insurance company. Information about the distribution of plan assets by asset category is not available.

Actuarial assumptions		
Discount rate, %	4.75	5.30
Expected return on plan assets, %	5.08	6.00
Future salary increases, %	2.30	3.50
Inflation, %	2.00	2.00
Future pension increases, %	2.10	2.10
Turnover of personnel, %	2.00	3.20
Expected average remaining working life (years)	8	9

Finnvera expects to pay EUR 560,000 in contributions to defined benefit plans in 2012.

NOTE NO. 23

ACCRUALS AND DEFERRED INCOME (EUR 1 000)	2011	2010
Interest	6 907	5 629
Advance interest payments received	739	561
Guarantee premiums paid in advance	244 575	172 494
Other accruals and deferred income	5 798	5 244

Total accruals and deferred income	258 018	183 928

NOTE NO. 24

SUBORDINATED LIABILITIES, FINNVERA PLC (EUR 1 000)			2011			2010
Subordinated loans from the state in 2005 and 2007 *		EUR	5 823		EUR	9 841
- Increase in the share capital of Seed Fund Vera Ltd		Interest rate, %	0		Interest rate, %	0
		Loan period	20 years		Loan period	20 years
Subordinated loan from the state in 2009 *		EUR	30 000		EUR	30 000
- Increase in the share capital of Seed Fund Vera Ltd	22 500	Interest rate, %	0	22 500	Interest rate, %	0
- Increase in the share capital of Veraventure Ltd	7 500	Loan period	15 years	7 500	Loan period	15 years
Subordinated loan from the state in 2009 **		EUR	50 000		EUR	50 000
		Interest rate, %	0		Interest rate, %	0
		Loan period	7 years		Loan period	7 years

* The loans are to be used as investment raising the share capital of Seed Fund Vera Ltd and Veraventure Ltd. The loans will be paid back in one instalment at the end of the loan period, provided that the restricted equity and other non-distributable items, as shown in the balance sheet, remain fully covered after the repayment. In the event that the venture capital company's financing operations show a loss, the corresponding amount will be deducted from the loan principals to be recovered. The loss shown by Seed Fund Vera Ltd in 2010, EUR 4,017 thousand, was deducted from the principal in 2011.

** The loan is to be used for raising the capital adequacy of Finnvera plc and for improving the company's capacity to meet the demand for its products, especially counter-cyclical loans and guarantees, owing to the prolonged financial crisis. The loan will be repaid in one instalment at maturity, provided that the company's unrestricted equity and total subordinated liabilities at the time of payment exceed the loss recorded on the balance sheet adopted for the latest financial period or on a balance sheet included in more recent financial statements.

NOTE NO. 25

EQUITY (EUR 1 000)	2011	2010
Equity attributable to the parent company's shareholders		

Share capital		196 605		196 605
Reserves				
- Restricted reserves				
-> Share premium reserve	51 036		51 036	
-> Fair value reserve	92	51 128	-54	50 982
- Unrestricted reserves				
-> Fund for domestic operations	135 753		125 249	
-> Fund for export credit guarantee and special guarantee operations	241 378		186 368	
-> Other unrestricted reserves	17 529	394 660	0	311 617
- Retained earnings				
-> Profit/loss for previous periods	-2 573		-96	
-> Profit/loss for the period	63 760	61 187	63 037	62 941
Total equity attributable to the parent company's shareholders		703 580		622 145
Share of equity held by non-controlling interests		11 251		11 998
Total equity		**714 831**		**634 143**

Share capital	**Number of shares**	**Ownership**	**Number of shares**	**Ownership**
The state	11 565	100 %	11 565	100 %

RESERVES

Share premium

The share premium reserve has been formed before the new regulations of the Companies' Act came into force on 1 September 2006. The reserve includes the difference of EUR 42.9 million between the acquisition cost and the nominal value of KERA's shares and EUR 0.1 million that was generated in the transfer of assets of Takuukeskus and the acquisition of Fide Oy's shares as well as EUR 8.1 million generated by the raise of share capital of Finnvera as the shares of Finnish Export Credit Ltd were acquired.

Fund for domestic operations and fund for export credit guarantee and special guarantee operations

In 2006 the laws regulating the operations of Finnvera Plc were amended so that separate funds to cover future losses from domestic operations and from export credit guarantee and special guarantee operations were established in equity. Losses from export credit guarantee and special guarantee operations will be covered by resources from the State Guarantee Fund only when the export credit guarantee and special guarantee fund is insufficient. The retained earnings from the domestic operations were transferred to the fund for domestic operations and the retained earnings from the export credit guarantee and special guarantee operations were transferred to the fund for export credit guarantee and special guarantee operations.

Fund for venture capital investments

During the financial period, a fund for venture capital investments was established in the unrestricted equity on the balance sheet. The purpose is to monitor the assets allocated for venture capital investments in accordance with ERDF operational programmes. The Ministry of Employment and the Economy has allocated to Finnvera the sum of EUR 17.5 million, to be used for venture capital investments in accordance with ERDF operational programmes during the programme period 2007–2013. These assets have been recorded in the above fund.

Fair value reserve

The reserve includes the fair value change of available-for-sale financial assets. The items recognized in the fair value reserve are taken to the income statement when an available-for-sale financial asset is disposed of or an impairment loss on such an asset is recognized.

Other notes

NOTE NO. 26

CONTINGENCIES AT 31 DEC (EUR 1 000)	**2011**	**2010**
Outstanding total commitments for export credit guarantees and special guarantees at 31 Dec		
Export credit guarantees		
- Buyer credit guarantees	9 223 145	7 919 777
- Credit risk guarantees	132 293	157 719
- Export receivables guarantees	158 243	132 646
- Letter of credit guarantees	351 643	243 494
- Bank risk guarantees	12 576	25 126
- Investment guarantees	86 087	83 933
- Bond guarantees	72 336	105 775
- Finance guarantees	134 524	115 024
	10 170 848	**8 783 494**
Special guarantees		
- Environmental guarantees	83 468	42 687
- Ship guarantees	110 853	107 094
- Venture capital guarantees	45	45
	194 366	**149 826**
Total export credit guarantees and special guarantees	**10 365 214**	**8 933 320**
Provision for export credit guarantees	-4 048	-3 101
Total	**10 361 166**	**8 930 219**

At the balance sheet date, the Company has outstanding claims for indemnification EUR 16.5 (9.6) million in total. These commitments have not been recognized as expense in the financial statements because the claims are still being processed.

	2011	**2010**
Binding financing offers	2 039 006	849 837

	Total	**Group and associated companies**	**Total**	**Group and associated companies**

Domestic guarantees	1 092 833		1 065 252	
Carrying amount of the liability according to the Act on the State's Export Credit Guarantees	8 593 821	2 231 396	7 446 485	684 021
Liability for special guarantees	194 366		87 533	
	9 881 020	**2 231 396**	**8 599 270**	**684 021**

When calculating the carrying amount of the liability according to the Act on the State's Export Credit Guarantees, the commitments arisen from current export credit guarantees are taken into account in their entirety insofar as the guaranteed capital is concerned, without any other items that might be indemnified in addition to the capital. Moreover, half of the liability arisen from binding guarantee offers is taken into account insofar as the guaranteed capital is concerned.

NOTE NO. 27

OPERATING LEASES (EUR 1 000)	**2011**	**2010**
Non-cancellable minimum lease payments payable for premises leased under operating lease contracts		
Within one year	412	646
Between one and five years	14 387	3 807
Later than five years	0	658
Total	**14 799**	**5 111**
Non-cancellable minimum lease payments receivable from premises leased under operating lease contracts		
Within one year	97	137
Total	**97**	**137**

Group companies

NOTE NO. 28

FINNVERA PLC'S SHARES AND HOLDINGS IN 2011 (EUR 1 000)

Shares and holdings in Group companies

Name and domicile of the company	**Sector**	**Holding of all shares, %**	**Share of votes**
Seed Fund Vera Ltd, Kuopio	Development and investment company	92.61 %	92.61 %
Matkailunkehitys Nordia Oy, Kuopio	Development and investment company	63.52 %	63.52 %

Spikera Oy, Kuopio	Development and investment company	100.00 %	100.00 %
Finnish Export Credit Ltd, Helsinki	Export financing and interest equalization	100.00 %	100.00 %
Veraventure Ltd, Kuopio	Development and investment company	100.00 %	100.00 %

Shares and holdings in associates

Name and domicile of the company	Sector	Holding of all shares, %	Share of votes
Iin Micropolis Oy, Ii	Development company	23.08 %	23.08 %
Kiinteistö Oy Kajaanin Kauppakatu 1	Real estate company	36.43 %	36.43 %

Subsidiaries' shares and holdings in 2011

	Sector	Holding of all shares, %	Share of votes	Equity	Profit for the year
Spikera Oy					
Kiinteistö Oy Kotkan kisällinkatu 6, Kotka	Real estate company	100.00 %	100.00 %	3	404
Myllymäen Teollisuuskiinteistö Oy, Jämsänkoski	Real estate company	50.00 %	50.00 %	52	7
Seed Fund Vera Ltd					
7signal Oy	Use and control services of data processing and equipment	23.72 %	23.72 %	-267	-694
Abacus Diagnostica Oy	Manufacture of chemical products, not classified elsewhere	20.96 %	20.96 %	-457	-1 005
APL Systems Oy	Private security services	21.96 %	21.96 %	17	-90
CadFaster Oy	Design and manufacture of software	23.39 %	23.39 %	542	-363
CWP Coloured Wood Products Oy	Sawing, planing and preservative treatment of wood	25.34 %	25.34 %	76	-206
Ekogen Oy	Electrotechnical design	21.50 %	21.50 %	-12	-36
Enercomp Oy	Machine and process design	30.02 %	30.02 %	3	-133
Enviprobe Oy	Wholesale trade of machinery and equipment, not classified elsewhere	25.03 %	25.03 %	-18	-167
Finnester Coatings Oy	Manufacturing of other rubber products	30.08 %	30.08 %	15	-2
Finnomedo Oy	Medical research and development	23.33 %	23.33 %	-2	-20
Gasera Oy	Manufacture of measurement, testing and navigation instruments and equipment	22.33 %	22.33 %	16	-4
Global Business Call Oy	Wireless network management and service	35.29 %	35.29 %	10	-71
Goodmill Systems Oy	Design and manufacture of software	48.28 %	48.28 %	-468	-747
HammerKit Oy	Design and manufacture of software	20.40 %	20.40 %	87	0

Helpten Oy	Wireless network management and services	24.05 %	24.05 %	214	-371
Idem Oy	Wireless network management and services	40.15 %	40.15 %	-31	-875
Ironstar Helsinki Oy	Video game publishing	36.15 %	36.15 %	-73	-403
Juno Medical Oy	Manufacture of radiation equipment and electronic medical and therapy equipment	25.07 %	25.07 %	324	-434
Mendor Oy	Industrial design	25.40 %	25.40 %	61	-1 469
Miradore Oy	Design and manufacture of software	26.28 %	26.28 %	503	-57
Myontec Oy	Manufacture of measurement, testing and navigation instruments and equipment	31.90 %	31.90 %	52	-90
Nervogrid Oy	Data processing, server rental and related services	28.57 %	28.57 %	579	-382
Numcore Oy	Manufacture of electronic components	24.01 %	24.01 %	281	-160
Ozics Oy	Manufacture of measurement, testing and navigation instruments and equipment	20.39 %	20.39 %	921	-230
Pharmatest Services Ltd	Other technical testing and analysis	21.34 %	21.34 %	172	-584
Powerkiss Oy	Machine and process design	22.20 %	22.20 %	26	-472
Reliplay Oy	Other advertising service	22.51 %	22.51 %	15	-185
RM5 Software Oy	Design and manufacture of software	20.79 %	20.79 %	121	-98
Safera Oy	Machine and process design	29.08 %	29.08 %	24	-355
Sensinode Oy	Design and manufacture of software	30.37 %	30.37 %	966	599
Steam Republic Oy	Recording studios; publishing of sound and music recordings	26.72 %	26.72 %	-371	-299
StreamPlay Oy	Computer equipment and software consulting	23.87 %	23.87 %	109	-281
Tassu ESP Oy	Metal treatment and coating	24.11 %	24.11 %	144	-88
Techila Technologies Oy	Design and manufacture of software	29.57 %	29.57 %	226	-325
Telespro Finland Oy	Retail trade in health care supplies	20.33 %	20.33 %	118	3
Ultranat Oy	Other scientific research and development	20.40 %	20.40 %	60	-44
Vailoma Oy (Tripsay)	Web portals	23.76 %	23.76 %	25	-65
Wello Oy	Hydro and wind power generation	20.78 %	20.78 %	1 913	-57
Wisteq Oy	Manufacture of electronic components	23.08 %	23.08 %	172	-78
Voyantic Oy	Electrotechnical design	27.08 %	27.08 %	160	111
Veraventure Ltd					
Aboa Venture III Ky	Venture capital investments	2.26 %	2.26 %	2 777	203
Clean Future Fund Ky	Venture capital investments	35.30 %	35.30 %	-	-
Indekon Oy	Venture capital investments	46.50 %	46.50 %	3 301	56
Itä-Suomen Rahasto Oy	Venture capital investments	33.94 %	33.94 %	9 645	-490

JyväsSeed Fund Oy	Venture capital investments	40.00 %	40.00 %	1 310	-86
Luoteis-Venäjä Rahasto Oy	Venture capital investments	69.99 %	49.99 %	3 401	-450
Länsi-Suomen Pääomarahasto Oy	Venture capital investments	40.12 %	40.12 %	5 864	-163
Midinvest Oy	Venture capital investments	29.85 %	29.85 %	4 164	-294
Pikespo Invest Oy Ltd	Venture capital investments	49.05 %	49.05 %	14 929	340
Spinno-Seed Oy	Venture capital investments	28.30 %	28.30 %	2 257	-640
Teknoventure Oy	Venture capital investments	48.30 %	48.30 %	15 266	-365
Uudenmaan Pääomarahasto Oy	Venture capital investments	39.03 %	39.03 %	14 929	340
Virtaa Hämeeseen Oy	Venture capital investments	21.71 %	21.71 %	4 751	-18
Wedeco Oy Ab	Venture capital investments	39.76 %	39.76 %	12 639	86
Matkailunkehitys Nordia Oy					
Ski resort Ukkohalla Oy	Ski resort	25.00 %	25.00 %	225	9
Himos-Patalahti Golf Oy	Golf course	50.00 %	50.00 %	1 499	-1
Hotelli Luostotunturi Oy, Sodankylä	Hotel and restaurant business	33.30 %	33.30 %	-350	-427
Hotelli Mesikämmen Oy, Ähtäri	Hotel and restaurant business	25.00 %	25.00 %	57	-127
Hotelli Pyhätunturi Oy, Pelkosenniemi	Hotel and restaurant business	30.12 %	30.12 %	-475	-79
Kalajoen Kylpylähotelli Sani Oy, Kalajoki	Hotel and restaurant business	45.00 %	45.00 %	282	53
Kiinteistö Oy Luoston Tuotto 1, Sodankylä	Real estate company	20.80 %	20.80 %	1 602	-98
Kristina Cruises Oy, Kotka	Cruises	20.00 %	20.00 %	3 337	-33
Kultaranta Resort Oy, Naantali	Hotel and restaurant business	20.00 %	20.00 %	1 825	-522
Levi Magic Oy, Kittilä	Project / No operations	22.56 %	22.56 %	824	-4
Savonlinnan Seurahuone Oy, Savonlinna	Hotel and restaurant business	100.00 %	100.00 %	2 662	445
Yyterin Kylpylähotelli Oy, Pori	Hotel and restaurant business	50.00 %	50.00 %	1 239	138

FINNVERA PLC'S SHARES AND HOLDINGS IN 2010 (EUR 1 000)

Shares and holdings in Group companies

Name and domicile of the company	Sector	Holding of all shares, %	Share of votes
Seed Fund Vera Ltd, Kuopio	Development and investment company	92.61 %	92.61 %
Matkailunkehitys Nordia Oy, Kuopio	Development and investment company	63.52 %	63.52 %
Spikera Oy, Kuopio	Development and investment company	100.00 %	100.00 %
Finnish Export Credit Ltd, Helsinki	Viennin rahoitus ja korontasaus	100.00 %	100.00 %

Veraventure Ltd, Kuopio	Development and investment company	100.00 %	100.00 %

Shares and holdings in associates

Name and domicile of the company	Sector	Holding of all shares, %	Share of votes
Iin Micropolis Oy, Ii	Development company	23.08 %	23.08 %
Kiinteistö Oy Kajaanin Kauppakatu 1	Real estate company	36.43 %	36.43 %

Subsidiaries' shares and holdings in 2010

	Sector	Holding of all shares, %	Share of votes	Equity	Profit for the year
Spikera Oy					
Kiinteistö Oy Kotkan kisällinkatu 6, Kotka	Real estate company	100.00 %	100.00 %	-400	-99
Myllymäen Teollisuuskiinteistö Oy, Jämsänkoski	Real estate company	50.00 %	50.00 %	52	7
Seed Fund Vera Ltd					
7signal Oy	Use and control services of data processing and equipment	21.69 %	21.69 %	14	-688
Abacus Diagnostica Oy	Manufacture of chemical products, not classified elsewhere	20.96 %	20.96 %	29	-690
APL Systems Oy	Private security servicest	21.96 %	21.96 %	107	-152
Oy ClaroVision Ltd	Entertainment electronics retailing	20.41 %	20.41 %	83	-294
Enercomp Oy	Machine and process design	30.02 %	30.02 %	3	-177
Enviprobe Oy	Wholesale trade of machinery and equipment, not classified elsewhere	25.03 %	25.03 %	80	-254
Finnester Coatings Oy	Manufacturing of other rubber products	22.00 %	22.00 %	-129	-24
Finnomedo Oy	Medical research and development	23.33 %	23.33 %	14	-91
Fortecta Finland Oy	Wholesale trade of machinery and equipment, not classified elsewhere	20.00 %	20.00 %	6	-94
Gasera Oy	Manufacture of measurement, testing and navigation instruments and equipment	22.33 %	22.33 %	27	-113
Global Business Call Oy	Wireless network management and service	35.29 %	35.29 %	22	-68
Goodmill Systems Oy	Design and manufacture of software	25.58 %	25.58 %	-51	-796
HammerKit Oy	Design and manufacture of software	20.40 %	20.40 %	242	-26
Ironstar Helsinki Oy	Video game publishing	28.84 %	28.84 %	110	-243
Miradore Oy	Design and manufacture of software	26.28 %	26.28 %	221	-87

Mopedi Oy	Computer equipment and software consulting	23.63 %	23.63 %	-29	-20
Myontec Oy	Manufacture of measurement, testing and navigation instruments and equipment	31.90 %	31.90 %	100	-159
Nervogrid Oy	Data processing, server rental and related services	23.00 %	23.00 %	548	-23
Reliplay Oy	Other advertising service	22.51 %	22.51 %	80	-322
Safera Oy	Machine and process design	24.52 %	24.52 %	8	-526
Sensinode Oy	Design and manufacture of software	36.32 %	36.32 %	-731	-319
Steam Republic Oy	Recording studios; publishing of sound and music recordings	26.72 %	26.72 %	96	-405
StreamPlay Oy	Computer equipment and software consulting	23.87 %	23.87 %	-20	-209
Tassu ESP Oy	Metal treatment and coating	24.11 %	24.11 %	-49	-30
Techila Technologies Oy	Design and manufacture of software	21.46 %	21.46 %	172	-151
Vailoma Oy (Tripsay)	Web portals	24.00 %	24.00 %	7	-151
Wello Oy	Hydro and wind power generation	22.46 %	22.46 %	134	-147
Veraventure Ltd					
Itä-Suomen Rahasto Oy	Venture capital investments	33.94 %	33.94 %	14 929	340
Pikespo Invest Oy Ltd	Venture capital investments	49.00 %	49.00 %	7 274	208
Indekon Oy	Venture capital investments	46.50 %	46.50 %	3 245	300
Midinvest Oy	Venture capital investments	29.85 %	29.85 %	4 457	-988
Teknoventure Oy	Venture capital investments	48.30 %	48.30 %	15 631	-1 576
Spinno-Seed Oy	Venture capital investments	28.30 %	28.30 %	2 897	-570
Wedeco Oy Ab	Venture capital investments	39.76 %	39.76 %	12 553	-295
JyväsSeed Fund Oy	Venture capital investments	40.00 %	40.00 %	1 396	-388
Uudenmaan Pääomarahasto Oy	Venture capital investments	41.13 %	41.13 %	11 989	460
Luoteis-Venäjä Rahasto Oy	Venture capital investments	69.99 %	49.99 %	3 851	-106
Länsi-Suomen Pääomarahasto Oy	Venture capital investments	40.12 %	40.12 %	4 306	-176
Virtaa Hämeeseen Oy	Venture capital investments	21.71 %	21.71 %	4 768	-319
Matkailunkehitys Nordia Oy					
Hotelli Luostotunturi Oy, Sodankylä	Hotel and restaurant business	33.29 %	33.29 %	-92	-279
Hotelli Mesikämmen Oy, Ähtäri	Hotel and restaurant business	25.00 %	25.00 %	184	-15
Hotelli Pyhätunturi Oy, Pelkosenniemi	Hotel and restaurant business	30.12 %	30.12 %	-396	-349
Kalajoen Kylpylähotelli Sani Oy, Kalajoki	Hotel and restaurant business	45.00 %	45.00 %	252	111

Kiinteistö Oy Luoston Tuotto 1, Sodankylä	Real estate company	20.80 %	20.80 %	1 602	-98
Kristina Cruises Oy, Kotka	Cruises	20.00 %	20.00 %	3 370	627
Kultaranta Resort Oy, Naantali	Hotel and restaurant business	20.00 %	20.00 %	2 478	-522
Levi Magic Oy, Kittilä	Project / No operations	22.56 %	22.56 %	114	828
Savonlinnan Seurahuone Oy, Savonlinna	Hotel and restaurant business	49.00 %	49.00 %	2 468	180
Yyterin Kylpylähotelli Oy, Pori	Hotel and restaurant business	50.00 %	50.00 %	985	211

NOTE NO. 29

Related parties

The relationships within the Group are presented in note no. 28. Related parties include the following: the parent company, its subsidiaries and associated companies; companies and associates outside the Finnvera Group where the State holds the majority of shares and where the Ministry of Employment and the Economy exercises ownership steering; and the State Treasury. Related parties also include the members of the Supervisory Board and the Board of Directors, the Managing Director and the Executive Vice President.

(EUR 1 000)	2011	2010
The related party transactions		
Finance income	143	168
Services purchased		1 136
Loans	10 434	17 961
Balance of liabilities	581 625	300 368
Guarantees		552
Management employee benefit expenses		
Salaries and other short-term employee benefits	685	622
Termination benefits - A termination compensation corresponding an 18-month-salary, if the employment is terminated by the Company		
The total salary, remuneration and social security costs of the parent company's Managing Director and his deputy		
Managing Director	376	339
Deputy Managing Director	309	283
Total	**685**	**622**
The total salaries, remuneration and social security costs of the members and deputy members of the parent company's Board of Directors	**161**	**175**

The remuneration paid to the parent company's Board of Directors - Monthly remuneration: chairman of the Board EUR 1,500, deputy chairman EUR 850, member EUR 700 and deputy member EUR 400 - Attendance allowance for all members EUR 500 / meeting		
The total salaries, remuneration and social security costs of the members and the deputy members of the Supervisory Board	**126**	**134**
The remuneration paid to the Supervisory Board - Monthly remuneration: chairman of the Board EUR 1,000, deputy chairman EUR 600 and member EUR 500 - Attendance allowance for all members EUR 200 / meeting		

Finnvera plc's financial statements

Comprehensive income statement

(EUR 1 000)	Note		1 Jan–31 Dec 2011		1 Jan–31 Dec 2010
Interest income	1				
- Loans		58 613		51 033	
- Subsidies passed on to customers		14 182		16 162	
- Export credit guarantee and special guarantee receivables		243		167	
- Guarantee receivables		1 297		1 055	
- Other		3 463	77 799	2 344	70 761
Interest expenses	1		-18 229		-13 891
Other interest subsidies	1		0		132
Net interest income	**1**		**59 570**		**57 002**
Net fee and commission income	2		93 810		93 565
Gains and losses from financial instruments carried at fair value through profit or loss	3		-1 056		87
Net income from investments	4				
- Shares and participations			598		810
Other operating income	5		5 461		5 471
Administrative expenses					
Employee benefit expenses	6				
- Wages and salaries		21 760		21 869	
- Social security costs		5 592		5 546	
Other administrative expenses	7	11 544	-38 896	11 022	-38 437
Other operating expenses	8		-6 412		-6 976
Net impairment loss on financial assests	9				
- Loans and guarantees		82 985		68 367	
- Credit loss compensation from the state		-31 868		-25 360	
- Export credit guarantees and special guarantees		3 590	-54 707	4 580	-47 586
Operating profit			**58 366**		**63 935**
Income tax expense	10				

- Current and previous periods' tax expense	0	1 578
Profit for the period	**58 366**	**65 514**
Components of other comprehensive income		
- Change in the fair value of shares	-88	83
Total comprehensive income	**58 277**	**65 596**

Balance sheet

Assests (EUR 1 000)	**Note**		**31 Dec 2011**		**31 Dec 2010**
Loans and receivables from credit institutions	11				
- Payable on demand		107 586		80 629	
- Other than payable on demand		28 187	135 772	28 363	108 992
Loans and receivables from customers	12				
- Loans		1 660 245		1 731 111	
- Guarantee receivables		42 036		26 926	
- Receivables from export credit guarantee and special guarantee operations		4 121	1 706 402	5 154	1 763 192
Investments	13				
- Debt securities		116 938		163 945	
- Investments in Group companies		164 784		164 784	
- Associates	28	602		602	
- Other shares and participations	28	15 803	298 127	16 272	345 602
Derivatives	21		49 628		53 784
Intangible assets	14		1 846		2 298
Property, plant and equipment	15				
- Properties		1 425		1 481	
- Other tangible assets		1 541	2 966	1 766	3 246
Other assets	16				
- Credit loss receivables from the state		13 913		8 252	
- Other		4 604	18 517	5 698	13 950
Prepayments and accrued income	17		17 764		12 172
			2 231 022		**2 303 235**

Liabilities (EUR 1 000)	**Note**		**31 Dec 2011**		**31 Dec 2010**
Liabilities to credit institutions	19	185 000		270 000	

Liabilities to other institutions	19						
At fair value through profit or loss			0			46 282	
Debt securities in issue	20						
- At fair value through profit or loss			904 428			997 163	
Derivatives	21		0			877	
Provisions	22		47 094			37 819	
Other liabilities	18		53 902			55 174	
Accruals and deferred income	23		253 504			180 616	
Subordinated liabilities	24		85 823	1 529 752		89 841	1 677 772
Equity (EUR 1 000)	25						
Share capital			196 605			196 605	
Share premium			51 036			51 036	
Fair value reserve			-237			-149	
Unrestricted funds							
- Fund for domestic operations		135 753			125 249		
- Fund for export credit guarantee and special guarantee operations		241 378			186 368		
Fund for venture capital investments		17 529			0		
- Retained earnings		59 207	453 866	701 270	66 354	377 972	625 464
				2 231 022			**2 303 235**

Statement of changes in equity

Legend:
A = Share capital
B = Share premium
C = Fair value reserve
D = Fund for domestic operations
E = Fund for export credit guarantee and special guarantee operations
F = Fund for venture capital investments
G = Retained earnings
H = Total

(EUR 1 000)	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Balance at 1 January 2010	196 605	51 036	-232	133 931	153 289	0	25 238	559 867
Total comprehensive income for the year/Change in the fair value of shares			83				65 513	65 596

Transfer into funds				-8 682	33 079		-24 397	0
Balance at 31 December 2010	196 605	51 036	-149	125 249	186 368	0	66 354	625 463
Balance at 1 January 2011	196 605	51 036	-149	125 249	186 368	0	66 354	625 463
Total comprehensive income for the year/change in the fair value of shares			-88				58 366	58 277
Transfer into funds				10 504	55 010	17 529	-65 514	17 529
Balance at 31 December 2011	196 605	51 036	-237	135 753	241 378	17 529	59 207	701 270

Statement of cash flows

(EUR 1 000)	**1 Jan–31 Dec 2011**	**1 Jan–31 Dec 2010**
Cash flows from operating activities		
Withdrawal of loans granted	-337 066	-403 124
Repayments of loans granted	357 595	305 099
Interest received	59 939	55 647
Interest paid	-17 619	-13 870
Interest subsidy received	14 772	15 425
Payments received from commission income	166 344	157 058
Payments received from other operating income	33 657	33 863
Payments for operating expenses	-47 259	-47 072
Claims paid	-44 686	-39 549
Taxes paid	0	1 578
Net cash used in operating activities (A)	**185 677**	**65 055**
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	-1 040	-772
Proceeds from other investment	41	4 675
Dividends received from investments	88	18
Net cash used in investing activities (B)	**-911**	**3 921**
Cash flows from financing activities		
Proceeds from loans	17 529	201 177
Repayment of loans	-222 521	-261 704
Net cash used in financing activities (C)	**-204 992**	**-60 527**

Net change in cash and cash equivalents (A+B+C) increase (+) / decrease (-)	**-20 226**	**8 449**
Cash and cash equivalents at the beginning of the period	**272 937**	**264 488**
Cash and cash equivalents at the end of the period	**252 710**	**272 937**
Cash and cash equivalents at the end of period		
Receivables from credit institutions	135 772	108 992
Debt securities	116 938	163 945
	252 710	**272 937**

Segment information

Segment reporting in the Finnvera Group is based on internal business areas and organisational structure. Client enterprises have been divided into business areas by size, need for financing and development stage. A service concept has been devised for each business area. Finnvera's segments are micro-financing, regional financing, financing for growth and internationalisation, export financing, and venture capital investments. Micro-financing clients are enterprises with less than 10 employees that operate locally. Micro-financing provides financial services for the start-up and development of enterprises in cooperation with regional enterprise services and other financiers. The clients of regional financing are SMEs and, on special grounds, large enterprises. The clientele includes companies engaged in production or services. In cooperation with other financiers, regional financing provides financing solutions especially for development and growth needs and for changes of generation. The clients of financing for growth and internationalisation are SMEs with a growth strategy based on internationalisation. Some clients already operate on the international market and engage in exports, while others are still at the start of this development. In general, these enterprises also use the services of other organisations providing services for growth enterprises (Finpro, Tekes, Centres for Economic Development, Transport and the Environment) and make use of the services offered by Finnvera for export financing.

Export financing clients are mostly exporters operating in Finland and classified as large enterprises, as well as domestic and foreign bodies providing financing for these exports. Finnvera has official Export Credit Agency (ECA) status. Export financing offers competitive export credit guarantee services to meet client needs.

Three of Finnvera's subsidiaries – Veraventure Ltd, Seed Fund Vera Ltd and Matkailunkehitys Nordia Oy – make venture capital investments in enterprises. Another subsidiary, Finnish Export Credit Ltd, administers the interest equalisation system associated with export credits granted on OECD terms and domestic ship financing.

Income, expenses, assets and liabilities are allocated to the relevant segment when they are deemed to fall within that segment or when such allocation is otherwise sensible. All income and expenses have been allocated to segments. There is no notable intra-segment business.

Assessment of the profitability of Finnvera's segments, and decisions concerning resources allocated to segments, are based on operating profit. The assets and liabilities of segments are valued according to the principles applied for the consolidated financial statements.

The Finnvera Group has operations only in Finland and its clientele encompasses a wide spectrum of enterprises in various sectors.

FINNVERA PLC'S FINANCIAL PERFORMANCE, ASSETS AND LIABILITIES, BY SEGMENT, 1 JAN–31 DEC 2011

(EUR 1 000)	Micro financing	Regional financing	Financing for growth and internatio-nalization	Export financing	Capital invest-ments	Total
Net interest income	11 257	31 971	9 927	6 415	0	59 570
Net fee and commission income	3 989	19 234	13 520	57 067	0	93 810
Net impairment losses on loans, domestic guarantees and export credit guarantees	-3 022	-35 834	-15 973	121	0	-54 707
Operating expenses*	-11 729	-14 414	-8 183	-9 440	0	-43 766
Depreciation and amortization	-269	-415	-310	-548	0	-1 543
Other income/expenses**	36	-83	-135	1 166	4 017	5 002
Operating profit	**261**	**459**	**-1 154**	**54 781**	**4 017**	**58 366**
Total assets	**248 283**	**928 756**	**341 554**	**567 960**	**144 468**	**2 231 022**
Receivables from customers	281 249	1 076 662	344 885	3 605	0	1 706 402
Total liabilities	**191 641**	**718 162**	**307 556**	**238 727**	**73 667**	**1 529 752**

FINNVERA PLC'S FINANCIAL PERFORMANCE, ASSETS AND LIABILITIES, BY SEGMENT, 1 JAN–31 DEC 2010

(EUR 1 000)	Micro financing	Regional financing	Financing for growth and internatio-nalization	Export financing	Capital invest-ments	Total
Net interest income	12 395	31 362	9 873	3 371	0	57 001
Net fee and commission income	4 480	17 282	11 475	60 328	0	93 565
Net impairment losses on loans, domestic guarantees and export credit guarantees	-6 337	-23 856	-14 734	-2 659	0	-47 586
Operating expenses *	-11 821	-14 492	-7 528	-9 240	0	-43 081
Depreciation and amortization	-381	-581	-482	-888	0	-2 332
Other income/expenses**	-188	-742	-330	2 977	4 651	6 368
Operating profit	**-1 852**	**8 973**	**-1 726**	**53 889**	**4 651**	**63 935**
Total assets	**289 232**	**997 290**	**379 359**	**445 733**	**191 621**	**2 303 235**

Receivables from customers	315 347	1 076 684	366 793	4 368	0	1 763 192
Total liabilities	**238 161**	**796 331**	**341 720**	**171 525**	**130 035**	**1 677 772**

* Operating expenses = Administrative expenses + Other operating expenses – Depreciation and amortization
** Gains/losses from financial instruments carried at fair value + Net income from investments + Other operating income

Inter-segment revenue is not significant.

Financial assets and liabilities

FINANCIAL ASSETS 31 DEC 2011

(EUR 1 000)	Loans and receivables	Financial instruments carried at fair value	Available-for-sale financial assets		Total	Fair value
Loans and receivables from credit institutions	135 772				135 772	135 772
Loand and receivables from customers	1 706 402				1 706 402	1 703 579
Debt securities			116 938		116 938	116 938
Derivatives		49 628			49 628	49 628
Shares and participations			15 803	*	15 803	15 803
Other financial assets	22 830				22 830	22 830
	1 865 004	**49 628**	**132 741**		**2 047 374**	**2 044 551**

The Company does not have financial receivables held for trading or held-to-maturity.

* Because the fair value of the Finnish Fund for Industrial Cooperation Ltd, icluded in the figure, cannot be determined reliably, the shares have been valued at original acquisition cost.

LIABILITIES 31 DEC 2011

(EUR 1 000)	Financial instruments carried at fair value	Other financial liabilities	Total	Fair value

Liabilities to credit institutions		185 000	185 000	185 000
Debt securities in issue	804 428	100 000	904 428	904 428
Other financial liabilities		251 012	251 012	251 012
Subordinated liabilities		85 823	85 823	85 823
	804 428	**621 835**	**1 426 263**	**1 426 263**

The Company does not have financial liabilities held for trading.

FINANCIAL ASSETS 31 DEC 2010

(EUR 1 000)	Loans and receivables	Financial instruments carried at fair value	Available-for-sale financial assets	Total	Fair value
Loans and receivables from credit institutions	108 992			108 992	108 992
Loand and receivables from customers	1 763 192			1 763 192	1 757 204
Debt securities			163 945	163 945	163 945
Derivatives		53 784		53 784	53 784
Shares and participations			15 778 *	15 778	15 778
Other financial assets	13 667			13 667	13 667
	1 885 851	**53 784**	**179 723**	**2 119 358**	**2 113 370**

The Company does not have financial receivables held for trading or held-to-maturity.

* Because the fair value of the Finnish Fund for Industrial Cooperation Ltd, icluded in the figure, cannot be determined reliably, the shares have been valued at original acquisition cost.

LIABILITIES 31 DEC 2010

(EUR 1 000)	Financial instruments carried at fair value	Other financial liabilities	Total	Fair value
Liabilities to credit institutions		270 000	270 000	270 000
Liabilities to other institutions	46 282	0	46 282	46 282
Debt securities in issue	897 163	100 000	997 163	997 163
Derivatives	877		877	877
Other financial liabilities		177 445	177 445	177 445

Subordinated liabilities		89 841	89 841	89 841
	944 322	**637 286**	**1 581 608**	**1 581 608**

The Company does not have financial liabilities held for trading.

Hierarchy for recognition at fair value

FINANCIAL ASSETS 31 DEC 2011

(EUR 1 000)	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value			
- Derivatives		49 628	
Saleable			
- Debt securities		116 938	
- Shares and holdings	15 803		
	15 803	**166 566**	

FINANCIAL LIABILITIES 31 DEC 2011

(EUR 1 000)	**Level 1**	**Level 2**	**Level 3**
Financial instruments carried at fair value			
- Liabilities to other institutions		0	
- Debt securities in issue		804 428	
- Derivatives		0	
		804 428	

FINANCIAL ASSETS 31 DEC 2010

(EUR 1 000)	**Level 1**	**Level 2**	**Level 3**

Financial instruments carried at fair value		
- Derivatives		53 784
Saleable		
- Debt securities		163 945
- Shares and holdings	15 778	
	15 778	**217 729**

FINANCIAL LIABILITIES 31 DEC 2010

(EUR 1 000)	Level 1	Level 2	Level 3	
Financial instruments carried at fair value				
- Liabilities to other institutions		46 282		
- Debt securities in issue		897 163		
- Derivatives		877		
				944 322

Level 1: Investments in shares and funds are valued at market price based on active trading.

Level 2: The values of interest rate and currency swaps are based on estimates of prices for terminating agreements and for concluding new, corresponding agreements. These estimates are given by banks operating actively on the market. The banks base their pricing on market interest rates and exchange rates.

The fair values of liabilities are based on the value calculated on the basis of exchange rates and market interest rates on the reference day (current value of liabilities).

Notes

Notes to the income statement

NOTE NO. 1

NET INTEREST INCOME (EUR 1 000)	2011	2010
Interest income		

Loans to customers		58 613		51 033
Subsidies passed on to customers				
- Regional interest subsidy	1 483		1 544	
- Interest subsidy to special loans	5 599		6 059	
- Interest subsidy from the ERDF	3 357		4 034	
- National interest subsidy (ERDF)	3 742	14 182	4 525	16 162
Interest on export credit guarantee and special guarantee receivables		243		167
Interest on guarantee receivables		1 297		1 055
Other interest income				
- On receivables from credit institutions	1 538		1 186	
- On debt securities, available-for-sale	1 846		1 092	
- On other	79	3 463	66	2 344
Total interest income		**77 799**		**70 761**
Interest expenses				
On liabilities to credit institutions		3 233		3 405
On liabilities to other institutions		473		268
On debt securities in issue		14 237		9 826
Other interest expenses		286		392
Total interest expenses		**18 229**		**13 891**
Other interest subsidy				
Basic subsidy to loans granted before 1999		0		132
Net interest income		**59 570**		**57 002**
Interest income on financial assets which are not carried at fair value totalled		**77 799**		**70 892**
Interest expenses on financial liabilities which are not carried at fair value totalled		**5 242**		**4 890**
Interest income include interest accrued on impaired loans		**3 060**		**2 655**

Interest subsidy from the state and the European Regional Development Fund

The basis for the interest subsidy for the loans granted before 1999 is the loan portfolio per 31 December and for the loans granted between 1999–2011 the interest subsidy is calculated based on the passage of time similar to interest. In 2001 the Group began to grant such investment and working capital loans to which interest subsidy from the funds of the European Regional Development Fund (ERDF), besides the state’s national interest subsidy, is received.

The interest subsidy is divided to subsidy directly passed on to customers and to basic interest subsidy paid to loans granted before 1999. The interest subsidy passed on to customers includes in the interest income and the basic interest subsidy is presented as a separate item before the net interest income.

(EUR 1 000)	2011	2010
Interest-subsidized loans and guarantees in total at 31 December	**664 734**	**777 206**

NOTE NO. 2

NET FEE AND COMMISSION INCOME (1 000e)	2011	2010
Fee and commission income		
From export credit guarantees and special guarantees	65 070	67 420
From other guarantees	23 785	20 918
From credit operations	7 138	6 777
From other	57	70
Total fee and commission income	**96 050**	**95 185**
All fee and commission income is from financial assets which are not carried at fair value.		
Fee and commission expenses		
From reinsurance	2 075	1 448
From borrowing	113	121
From payment transactions	54	51
Total fee and commission expenses	**2 241**	**1 620**
Fee and commission expenses from financial assets which are not carried at fair value totalled	2 128	1 499
Net fee and commission income	**93 810**	**93 565**

NOTE NO. 3

Gains/losses from financial instruments carried at fair value through profit or loss

(EUR 1 000)			2011			2010
	Gains and losses from sale	Changes in fair value	Total	Gains and losses from sale	Changes in fair value	Total

Derivatives	0	-3 279	-3 279	0	54 098	54 098
Liabilities carried at fair value	0	1 495	1 495	0	-56 642	-56 642
Translation differences	728		728	2 631		2 631
	728	**-1 784**	**-1 056**	**2 631**	**-2 544**	**87**

Gains/losses by categories of financial instruments (categories in accordance with IAS 39)

(EUR 1 000)			**2011**			**2010**
	Gains and losses from sale	**Changes in fair value**	**Total**	**Gains and losses from sale**	**Changes in fair value**	**Total**
Liabilities carried at fair value	0	-1 784	-1 784	0	-2 544	-2 544
Loans and other receivables	728	0	728	2 631	0	2 631
	728	**-1 784**	**-1 056**	**2 631**	**-2 544**	**87**

NOTE NO. 4

NET INCOME FROM INVESTMENTS (EUR 1 000)	**2011**	**2010**
Available-for-sale financial assets		
Shares and participations		
- Gains/losses	509	791
Dividends	88	18
Total available-for-sale financial assets	**597**	**809**

NOTE NO. 5

OTHER OPERATING INCOME (EUR 1 000)	**2011**	**2010**
Fee for the management of the old liability	251	249
Management fee for the handling of ERDF loans	563	528
Capital loan written off	4 017	3 553
Rental income	307	478

Other	323	663
	5 461	**5 471**

NOTE NO. 6

EMPLOYEE BENEFIT EXPENSES (EUR 1 000)		**2011**		**2010**
Wages and salaries		21 760		21 869
Social security costs				
Pension costs				
- Defined contribution plans	3 521		3 387	
- Defined benefit plans	604		781	
- Other social security costs	1 467	5 592	1 378	5 546
Total		**27 352**		**27 415**
Personnel in average				
Permanent full-time		352		363
Permanent part-time		24		12
Temporary		15		26
Total		**391**		**401**

NOTE NO. 7

AUDITOR'S FEES (EUR 1 000)		**2011**		**2010**
Fees for auditing	100		104	
Fees for expert services provided by auditors	41	141	5	109

NOTE NO. 8

OTHER OPERATING EXPENSES (EUR 1 000)	**2011**	**2010**

Rental expenses	3 915	3 384
Expenses from property in own use	954	1 257
Other expenses	1	2
Total	**4 869**	**4 643**
Depreciation and amortization		
Intangible assets	1 139	1 822
Property, plant and equipment		
- Properties	10	42
- Machinery and equipment	394	469
Total depreciation and amortization	**1 543**	**2 333**
Total other operating expenses	**6 412**	**6 976**

NOTE NO. 9

NET IMPAIRMENT LOSS ON FINANCIAL ASSETS (EUR 1 000)	**2011**	**2010**
Receivables written down as credit and guarantee losses		
- Credit losses	65 947	48 439
- Guarantee losses	20 213	17 237
Reversal of losses recognized		
- Credit losses	-4 233	-4 069
- Guarantee losses	-1 299	-1 694
Change in impairment of individually assessed loans during the period	2 979	4 415
Change in impairment of collectively assessed loans during the period	-624	4 039
Total impairment losses on loans and guarantees	**82 985**	**68 367**
The state's and the ERDF's share of the parent company's final credit and guarantee losses	**-31 868**	**-25 360**
Finnvera plc's share	51 117	43 007

The state and the ERDF compensate Finnvera Plc for the final losses on loans and guarantees granted without a securing collateral. On 31 December 2011 these loans and guarantees totalled EUR 2,780 (2,784) million. The compensation was 39.5 % (42.3 %) of the credit and guarantee losses recognized during the period.

Export credit guarantees and special guarantees (EUR 1 000e)	**2011**	**2010**

Claims paid	4 118	14 001
Change in the claims provision during the period	854	-5 350
Accumulated recoveries	-1 356	-1 903
Change in recovery receivables	-25	-2 169
Impairment losses on export credit guarantee and special guarantee operations recognized in the financial statements	**3 590**	**4 579**
Impairment losses on loans, domestic guarantees and export credit guarantee and special guarantee operations recognized in the income statement	**54 707**	**47 586**

NOTE NO. 10

INCOME TAX EXPENSE (EUR 1 000)	2011	2010
Current period		
Adjustment for priod periods	0	-1 578
Income tax expense in the income statement	**0**	**1 578**

Finnvera plc was made exempt from the income taxation as from 1 January 2007.

Notes to balance sheet

NOTE NO. 11

LOANS AND RECEIVABLES FROM CREDIT INSTITUTIONS (EUR 1 000)	2011	2010
Payable on demand	107 586	80 629
Other	28 187	28 363
Total	**135 772**	**108 992**

NOTE NO. 12

LOANS AND RECEIVABLES FROM CUSTOMERS (EUR 1 000)	2011	2010

Loans		
Subordinated loans	52 953	72 284
Other loans	1 607 291	1 658 827
Total loans	**1 660 245**	**1 731 111**
Guarantee receivables	**42 036**	**26 926**
Receivables from export credit guarantee and special guarantee operations		
Fee and commission receivables	421	1 251
Recovery receivables	3 700	3 903
Total receivables from export credit guarantee and special guarantee operations	**4 121**	**5 154**
Total receivables from customers	**1 706 402**	**1 763 191**
Impairment losses on individually assessed loans (EUR 1 000)		
Impairment losses at the beginning of the period	38 493	38 431
(-) Credit losses realized during the period on which an impairment loss has been earlier recognized	-17 498	-7 630
(+) Impairment losses recognized during the period	20 387	11 640
(-) Reversal of impairment losses	-9 550	-5 691
Effect of discounting	2 397	1 743
Impairment losses at the end of the period	**34 229**	**38 493**
Impairment losses on collectively assessed loans at the beginning of the period	36 057	32 671
Impairment losses on collectively assessed loans recognized during the period	-1 836	3 386
Impairment losses on collectively assessed loans at the end of the period	**34 220**	**36 057**
Total impairment losses	**68 449**	**74 550**
Impairment losses on individually assessed guarantees (EUR 1 000)		
Impairment losses at the beginning of the period	17 505	13 151
(-) Guarantee losses realized during the period on which an impairment loss has been earlier recognized	-5 225	-5 500
(+) Impairment losses recognized during the period	12 710	10 485
(-) Reversal of impairment losses	-724	-895
Effect of discounting	482	264
Impairment losses at the end of the period	**24 748**	**17 505**
Impairment losses on collectively assessed guarantees at the beginning of the period	15 864	16 003
Impairment losses on collectively assessed guarantees recognized during the period	1 063	-139

Impairment losses on collectively assessed guarantees at the end of the period	**16 927**	**15 864**
Total impairment losses	**41 675**	**33 369**

An impairment loss on loans and other receivables is recognized when objective evidence of their impairment exists. The objective evidence of a customer's ability to fulfil its obligations is based on the customers' risk classification as well as on the Company's experience and the management's estimate of effect of defaults on the recovery of loan receivables.

NOTE NO. 13

(EUR 1 000)	2011	2010
Investments		
Debt securities	116 938	163 945
Investments in Group companies	164 784	164 784
Associates	602	602
Other shares and participations	15 803	15 778
Investment property	0	494
	298 127	**345 602**
Debt securities		
Available-for-sale		
- Commercial papers	99 857	96 002
- Other	17 082	67 943
Total debt securities	**116 938**	**163 945**

Investments have been made to non-publicly quoted debt securities.

(EUR 1 000)	2011	2010
Investments in Group companies		
At the beginning of the period	164 784	165 265
Disposals	0	-481
At the end of the period	**164 784**	**164 784**
Associates		
At the beginning of the period	602	4 052
Disposals	0	-3 451
At the end of the period	**602**	**602**

Associates accounted for using the equity method in 2011

Name	Carrying amount	Ownership	Assets	Liabilities	Carrying net sales	Profit/Loss
Iin Micropolis Oy	76	23.08 %	351	355	51	-17
Kiinteistö Oy Kajaanin Kauppakatu	526	36.43 %	1 588	3	106	4

Associates accounted for using the equity method in 2010

Name	Carrying amount	Ownership	Assets	Liabilities	Carrying net sales	Profit/Loss
Iin Micropolis Oy	76	23.08 %	419	408	309	14
Kiinteistö Oy Kajaanin Kauppakatu	526	36.43 %	1 588	8	110	2

(EUR 1 000)	2011	2010
Other shares and participations		
Available-for-sale	15 803	15 778
	15 803	**15 778**
Other shares that are publicly quoted	**417**	**12**
Investment property		
Acquisition cost		
- Acquisition cost at 1 Jan	1 953	2 071
- Additions	0	0
- Disposals	-405	-118
Acquisition cost at 31 Dec	**1 548**	**1 953**
Accumulated depreciation and impairment losses		
Accumulated depreciation and impairment losses at 1 Jan	1 459	1 578
Impairment losses	88	-119
Accumulated depreciation and impairment losses at 31 Dec	**1 548**	**1 459**
Carrying amount at 1 Jan	494	493
Carrying amount at 31 Dec	0	494
Total investments	**298 127**	**345 603**

Fair value of investment property	0	494
Investment property companies' shares that are publicly quoted	0	494

NOTE NO. 14

INTANGIBLE ASSETS (EUR 1 000)	**2011**	**2010**
Acquisition cost		
Acquisition cost at 1 Jan	34 265	33 769
Additions	630	496
Acquisition cost at 31 Dec	**34 895**	**34 265**
Accumulated amortization and impairment losses		
Accumulated amortization and impairment losses at 1 Jan	31 967	30 267
Amortization for the period	1 081	1 700
Accumulated amortization and impairment losses at 31 Dec	**33 048**	**31 967**
Carrying amount at 1 Jan	2 298	3 502
Carrying amount at 31 Dec	1 846	2 298

Amortization is included in the other operating expenses in the income statement.

NOTE NO. 15

PROPERTY, PLANT AND EQUIPMENT (EUR 1 000)			**2011**			**2010**
	Properties	**Machinery and equipment**	**Total**	**Properties**	**Machinery and equipment**	**Total**
Acquisition cost						
Acquisition cost at 1 Jan	7 984	9 983	22 591	12 797	9 794	22 591
Additions	12	173	185	23	191	214
Disposals	0	-4	-4	-4 836	-2	-4 838
Acquisition cost at 31 Dec	**7 996**	**10 152**	**18 148**	**7 984**	**9 983**	**17 967**

Accumulated depreciation and impairment losses						
Accumulated depreciation and impairment losses at 1 Jan	6 504	8 217	14 721	6 341	7 749	14 090
Depreciation for the period	68	394	462	163	468	631
Acc. depreciation and impairment losses at 31 Dec	**6 572**	**8 611**	**15 183**	**6 504**	**8 217**	**14 721**
Carrying amount at 1 Jan	1 480	1 766	3 246	6 456	2 045	8 501
Carrying amount at 31 Dec	1 424	1 541	2 965	1 480	1 766	3 246

Depreciation is included in the other operating expenses in the income statement.

NOTE NO. 16

OTHER ASSETS (EUR 1 000)	2011	2010
Credit loss receivables from the state and the ERDF	13 913	8 252
Other	4 604	5 698
	18 517	**13 950**

The state and the European Regional Development Fund (ERDF) has granted Finnvera commitments to partially compensate Finnvera for the credit and guarantee losses. The commitments enable Finnvera to take higher risks in domestic business than financiers operating on commercial grounds.

NOTE NO. 17

PREPAYMENTS AND ACCRUED INCOME (EUR 1 000)	2011	2010
Interest	39	39
Fee and commission receivables	8 550	8 550
Prepayments and other accrued income	9 175	9 175
Total prepayments and accrued income	**17 764**	**17 764**

NOTE NO. 18

TAX ASSETS AND LIABILITIES

Finnvera plc was made exempt from the income taxation as from 1 January 2007

NOTE NO. 19

LIABILITIES TO CREDIT AND OTHER INSTITUTIONS (EUR 1 000)			**2011**			**2010**
	Nominal value	**Change in fair value**	**Carrying amount**	**Nominal value**	**Change in fair value**	**Carrying amount**
Credit institutions	185 000	0	185 000	270 000	0	270 000
Other institutions						
- At fair value through profit or loss	0	0	0	46 019	263	46 282
	185 000	**0**	**185 000**	**316 019**	**263**	**316 282**

NOTE NO. 20

DEBT SECURITIES IN ISSUE (EUR 1 000)			**2011**			**2010**
	Nominal value	**Change in fair value**	**Carrying amount**	**Nominal value**	**Change in fair value**	**Carrying amount**
Bonds						
- At fair value through profit or loss	786 691	17 737	804 428	883 333	13 830	897 163
- At amortized cost	100 000	0	100 000	100 000	0	100 000
	886 691	**17 737**	**904 428**	**983 333**	**13 830**	**997 163**
Average interest rate, %		1.77			1.26	

Liabilities have been measured at fair value when they have been hedged with derivatives (fair value option).

An amount equaling the nominal value of a liability is repaid at the maturity date.

The change in fair value does not include the change in credit risk because the liabilities have been guaranteed by the state of Finland, whose credit risk has not changed.

NOTE NO. 21

DERIVATIVES, CONTRACTS ENTERED IN HEDGING PURPOSES (EUR 1 000e)	**2011**	**2010**

	Fair value, positive	Fair value, negative	Nominal value, total	Fair value, positive	Fair value, negative	Nominal value, total
Currency derivatives						
- Interest rate swaps and foreign exchange derivatives	49 628		786 691	53 211	877	879 353
Interest rate derivatives						
- Interest rate swaps				573		50 000
Total derivatives	**49 628**	**0**	**786 691**	**53 784**	**877**	**929 353**

Derivatives hedge liabilities. The derivative contracts and the liabilities hedged with them have been measured at fair value and the changes in their fair values have been recognized in the income statement (fair value option).

NOTE NO. 22

PROVISIONS (1 000e)	**2011**	**2010**
Provision for export credit guarantee losses at 1 Jan	3 101	8 326
- Provisions made during the period	1 374	0
- Provisions used during the period	-427	-5 225
Provision for export credit guarantee losses at 31 Dec	**4 048**	**3 101**

A provision for export credit guarantee losses is recognized when the Group has a constructive and legal obligation to pay a guarantee indemnity, the realization of the obligation is probable and it can be measured reliably.

Provision for domestic guarantee losses at 1 Jan	33 369	29 154
- Provisions made during the period	13 773	10 346
- Provisions reversed during the period	-5 949	-6 395
- Effect of discounting	482	264
Provision for domestic guarantee losses at 31 Dec	**41 675**	**33 369**

A provision for domestic guarantee losses is recognized when objective evidence exists of impairment of guarantees' value. The objective evidence of a customer's ability to fulfil its obligations is based on the customers' risk classification as well as on the Company's experience and the management's estimate of effect of defaults on the recovery of loan receivables.

Defined benefit pension plans at 1 Jan	1 004	1 055
- Change during the period	22	-51
Defined benefit pension plans at 31 Dec	**1 026**	**1 004**

Other provisions	**345**	**345**
Total provisions	**47 094**	**38 766**

EMPLOYEE BENEFITS

Defined benefit pensions plans

The group pension insurances for the personnel and the management of Finnvera are defined benefit plans.

Balance sheet items arising from the defined benefit obligation		
Present value of funded obligations	6 548	5 774
Fair value of plan assets	-4 719	-4 443
	1 829	1 331
Unrecognized actuarial gains (+) or losses (-)	-803	-327
Net liability recognized in the balance sheet	**1 026**	**1 004**

Expenses recognized in the income statement		
Current service costs	631	711
Interest on obligation	306	338
Expected return on plan assets	-286	-317
Losses (+) and profits (-) from the reduction of the arrangement and from meeting the obligation	1	-73
Total expenses recognized in the income statement	**652**	**659**

Actual return on plan assets	**-87**	**146**

Change in the fair value of plan assets		
Fair value at 1 Jan	4 443	4 978
Expected return on plan assets	286	317
Contributions paid into the plan	630	710
Effect of fulfilling the plan and reducing the obligation	-267	-1 390
Actuarial gains (+) or losses (-)	-373	-172
Fair value of plan assets at 31 Dec	**4 719**	**4 443**

Change in the present value of the obligation		
Present value at 1 Jan	5 774	6 386
Current service costs	631	711
Interest on obligation	306	338
Effect of fulfilling the plan and reducing the obligation	-303	-1 550
Actuarial gains (-) or losses (+)	140	-111
Present value of the obligation at 31 Dec	**6 548**	**5 774**

Amounts for the current and previous periods		
Defined benefit obligation	6 548	5 774
Plan assets	-4 719	-4 443
Surplus/deficit	**1 829**	**1 331**
Experience adjustments arising on plan assets	-373	-172
Experience adjustments arising on plan liabilities	-763	-111

The expected return on plan assets has been determined by the insurance company. Information about the distribution of plan assets by asset category is not available.

Actuarial assumptions		
Discount rate, %	4.75	5.30
Expected return on plan assets, %	5.08	6.00
Future salary increases, %	2.30	3.50
Inflation, %	2.00	2.00
Future pension increases, %	2.10	2.10
Turnover of personnel, %	2.00	3.20
Expected average remaining working life (years)	8	9

Finnvera expects to pay EUR 560,000 in contributions to defined benefit plans in 2011.

NOTE NO. 23

ACCRUALS AND DEFERRED INCOME (EUR 1 000)	**2011**	**2010**
Interest	3 353	2 743
Advance interest payments received	739	561
Guarantee premiums paid in advance	244 575	172 494
Other accruals and deferred income	4 837	4 818
Total accruals and deferred income	**253 504**	**180 616**

NOTE NO. 24

SUBORDINATED LIABILITIES, FINNVERA PLC (1 000e)	**2011**	**2010**

Subordinated loans from the state in 2005 and 2007 *		EUR	5 823		EUR	9 841
- Increase in the share capital of Seed Fund Vera Ltd		Interest rate, %	0		Interest rate, %	0
		Loan period	20 years		Loan period	20 years
Subordinated loan from the state in 2009 *		EUR	30 000		EUR	30 000
- Increase in the share capital of Seed Fund Vera Ltd	22 500	Interest rate, %	0	22 500	Interest rate, %	0
- Increase in the share capital of Veraventure Ltd	7 500	Loan period	15 years	7 500	Loan period	15 years
Subordinated loan from the state in 2009**		EUR	50 000		EUR	50 000
		Interest rate, %	0		Interest rate, %	0
		Loan period	7 years		Loan period	7 years

* The loans are to be used as investment raising the share capital of Seed Fund Vera Ltd and Veraventure Ltd. The loans will be paid back in one instalment at the end of the loan period, provided that the restricted equity and other non-distributable items, as shown in the balance sheet, remain fully covered after the repayment. In the event that the venture capital company's financing operations show a loss, the corresponding amount will be deducted from the loan principals to be recovered. The loss shown by Seed Fund Vera Ltd in 2010, EUR 4,017 thousand, was deducted from the principal in 2011.

**The loan is to be used for raising the capital adequacy of Finnvera plc and for improving the company's capacity to meet the demand for its products, especially counter-cyclical loans and guarantees, owing to the prolonged financial crisis. The loan will be repaid in one instalment at maturity, provided that the company's unrestricted equity and total subordinated liabilities at the time of payment exceed the loss recorded on the balance sheet adopted for the latest fi nancial period or on a balance sheet included in more recent financial statements.

NOTE NO. 25

EQUITY (1 000e)		**2011**		**2010**
Equity attributable to the parent company's shareholders				
Share capital		196 605		196 605
Reserves				
- Restricted reserves				
-> Share premium reserve	51 036		51 036	
-> Fair value reserve	-237	50 799	-149	50 887
- Unrestricted reserves				
-> Fund for domestic operations	135 753		125 249	

-> Fund for export credit guarantee and special guarantee operations	241 378		186 368	
-> Fund for venture capital investments	17 529	394 660		311 617
- Retained earnings				
-> Profit/loss for previous periods	841		841	
-> Profit/loss for the period	58 366	59 207	65 513	66 354
Total equity		**701 270**		**625 463**

Share capital	**Number of shares**	**Ownership %**	**Number of shares**	**Ownership %**
The state	11 565	100 %	11 565	100 %

RESERVES

Share premium
The share premium reserve has been formed before the new regulations of the Companies' Act came into force on 1 September 2006. The reserve includes the difference of EUR 42.9 million between the acquisition cost and the nominal value of KERA's shares and EUR 0.1 million that was generated in the transfer of assets of Takuukeskus and the acquisition of Fide Oy's shares as well as EUR 8.1 million generated by the raise of share capital of Finnvera as the shares of Finnish Export Credit Ltd were acquired.

Fund for domestic operations and fund for export credit guarantee and special guarantee operations
In 2006 the laws regulating the operations of Finnvera Plc were amended so that separate funds to cover future losses from domestic operations and from export credit guarantee and special guarantee operations were established in equity. Losses from export credit guarantee and special guarantee operations will be covered by resources from the State Guarantee Fund only when the export credit guarantee and special guarantee fund is insufficient. The retained earnings from the domestic operations were transferred to the fund for domestic operations and the retained earnings from the export credit guarantee and special guarantee operations were transferred to the fund for export credit guarantee and special guarantee operations.

Fund for venture capital investments
During the financial period, a fund for venture capital investments was established in the unrestricted equity on the balance sheet. The purpose is to monitor the assets allocated for venture capital investments in accordance with ERDF operational programmes. The Ministry of Employment and the Economy has allocated to Finnvera the sum of EUR 17.5 million, to be used for venture capital investments in accordance with ERDF operational programmes during the programme period 2007–2013. These assets have been recorded in the above fund.

Fair value reserve
The reserve includes the fair value change of available-for-sale financial assets. The items recognized in the fair value reserve are taken to the income statement when an available-for-sale financial asset is disposed of or an impairment loss on such an asset is recognized.

Other notes

NOTE NO. 26

CONTINGENCIES AT 31 DEC (EUR 1 000)	**2011**	**2010**

Outstanding total commitments for export credit guarantees and special guarantees at 31 Dec

Export credit guarantees		
- Buyer credit guarantees	9 223 145	7 919 777
- Credit risk guarantees	132 293	157 719
- Export receivables quarantees	158 243	132 646
- Letter of credit guarantees	351 643	243 494
- Bank risk quarantees	12 576	25 126
- Investment guarantees	86 087	83 933
- Bond guarantees	72 336	105 775
- Finance guarantees	134 524	115 024
	10 170 848	**8 783 494**
Special guarantees		
- Environmental guarantees	83 468	42 687
- Ship guarantees	110 853	107 094
- Venture capital guarantees	45	45
	194 366	**149 826**
Total export credit guarantees and special guarantees	**10 365 214**	8 933 320
Provision for export credit guarantees	-4 048	-3 101
Total	**10 361 166**	**8 930 219**

At the balance sheet date, the Company has outstanding claims for indemnification EUR 16.5 (9.6) million in total. These commitments have not been recognized as expense in the financial statements because the claims are still being processed.

	2011	**2010**
Binding financing offers	201 700	196 565

	Total	**Group and associated companies**	**Total**	**Group and associated companies**
Domestic guarantees	1 092 833		1 065 252	
Carrying amount of the liability according to the Act on the State's Export Credit Guarantees	8 593 821	2 231 396	7 446 485	684 021
Liability for special guarantees	194 366		87 533	
	9 881 020	**2 231 396**	**8 599 270**	**684 021**

When calculating the carrying amount of the liability according to the Act on the State's Export Credit Guarantees, the commitments arisen from current export credit guarantees are taken into account in their entirety insofar as the guaranteed capital is concerned, without any other items that might be indemnified in addition to the capital. Moreover, half of the liability arisen from binding guarantee offers is taken into account insofar as the guaranteed capital is concerned.

NOTE NO. 27

OPERATING LEASES (EUR 1 000)	2011	2010
Non-cancellable minimum lease payments payable for premises leased under operating lease contracts		
Within one year	412	646
Between one and five years	14 387	3 807
Later than five years	0	658
Total	**14 799**	**5 111**
Non-cancellable minimum lease payments receivable from premises leased under operating lease contracts		
Within one year	97	137
Total	**97**	**137**

Group companies

NOTE NO. 28

FINNVERA PLC'S SHARES AND HOLDINGS IN 2011 (EUR 1 000)

Shares and holdings in Group companies

Name and domicile of the company	Sector	Holding of all shares, %	Share of votes
Seed Fund Vera Ltd, Kuopio	Development and investment company	92.61 %	92.61 %
Matkailunkehitys Nordia Oy, Kuopio	Development and investment company	63.52 %	63.52 %
Spikera Oy, Kuopio	Development and investment company	100.00 %	100.00 %
Finnish Export Credit Ltd, Helsinki	Export financing and interest equalization	100.00 %	100.00 %
Veraventure Ltd, Kuopio	Development and investment company	100.00 %	100.00 %

Shares and holdings in associates

Name and domicile of the company	Sector	Holding of all shares, %	Share of votes
Iin Micropolis Oy, Ii	Development company	23.08 %	23.08 %

Kiinteistö Oy Kajaanin Kauppakatu 1	Real estate company	36.43 %	36.43 %

FINNVERA PLC'S SHARES AND HOLDINGS IN 2010 (EUR 1 000)

Shares and holdings in Group companies

Name and domicile of the company	Sector	Holding of all shares, %	Share of votes
Seed Fund Vera Ltd, Kuopio	Development and investment company	92.61 %	92.61 %
Matkailunkehitys Nordia Oy, Kuopio	Development and investment company	63.52 %	63.52 %
Spikera Oy, Kuopio	Development and investment company	100.00 %	100.00 %
Finnish Export Credit Ltd, Helsinki	Export financing and interest equalization	100.00 %	100.00 %
Veraventure Ltd, Kuopio	Development and investment company	100.00 %	100.00 %

Shares and holdings in associates

Name and domicile of the company	Sector	Holding of all shares, %	Share of votes
Iin Micropolis Oy, Ii	Development company	23.08 %	23.08 %
Kiinteistö Oy Kajaanin Kauppakatu 1	Real estate company	36.43 %	36.43 %

NOTE NO. 29

Related parties

The relationships within the Group are presented in note no. 28. Related parties include the following: the parent company, its subsidiaries and associated companies; companies and associates outside the Finnvera Group where the State holds the majority of shares and where the Ministry of Employment and the Economy exercises ownership steering; and the State Treasury. Related parties also include the members of the Supervisory Board and the Board of Directors, the Managing Director and the Executive Vice President.

(EUR 1 000)	2011	2010
The related party transactions		
Finance income		17
Services purchased	143	20
Loans	17 865	1 310
Guarantees	582 281	290 038
Management employee benefit expenses		
Salaries and other short-term employee benefits	685	622
Termination benefits - A termination compensation corresponding an 18-month-salary, if the employment is terminated by the Company.		

The total salary, remuneration and social security costs of the Managing Director and his deputy		
Managing Director	376	339
Deputy Managing Director	309	283
Total	**685**	**622**

The total salaries, remuneration and social security costs of the members and deputy members of the Borad of Directors	**161**	**175**
The remuneration paid to the Board of Directors - Monthly remuneration: chairman of the Board EUR 1,500, deputy chairman EUR 850, member EUR 700 and deputy member EUR 400 - Attendance allowance for all members EUR 500 / meeting		

The total salaries, remuneration and social security costs of the members of the Supervisory Board	**126**	**134**
The remuneration paid to the Supervisory Board - Monthly remuneration: chairman of the Board EUR 1,000, deputy chairman EUR 600, member EUR 500 - Attendance allowance for all members EUR 200 / meeting		

NOTE NO. 30

Separate result of activities* referred to in the Act on the State Guarantee Fund §4, and its share of the total result of Finnvera plc

INCOME STATEMENT (EUR 1 000)	**Share of Activities Defined in the Act 1 Jan–31 Dec 2011**		**Share of Other Activities 1 Jan–31 Dec 2011**		**Finnvera Total 1 Jan–31 Dec 2011**	
Interest income						
Interest from the public and public corporations	0		58 613		58 613	
Subsidies passed on to customers	0		14 182		14 182	
Interest from guarantee receivables	244		1 297		1 541	
Other interest income	6 269	6 513	-2 806	71 286	3 463	77 799
Interest expenses		0		18 229		18 229
Other interest subsidies		0		0		0
Net interest income		**6 513**		**53 057**		**59 570**
Net fee and commission income		63 003		30 807		93 810
Gains and losses from financial instruments carried at fair value through profit or loss		728		328		1 056
Net income from investments		0		598		598
Other operating income		519		4 942		5 461
Administrative expenses						
- Wages and salaries	5 609		16 151		21 760	

- Social security costs	1 409		4 183		5 592	
- Other administrative expenses	3 802	10 820	7 742	28 076	11 544	38 896
Other operating expenses		2 004		4 408		6 412
Net impairment loss on financial assets						
- Loans and guarantees	0		82 985		82 985	
- Credit loss compensation from the state	0		-31 868		-31 868	
- Export credit guarantees and special guarantees	3 590	3 590	0	51 117	3 590	54 707
Operating profit		**54 348**		**4 018**		**58 366**
Income taxes						
Taxes on previous years		0		0		0
Profit for the period		**54 348**		**4 018**		**58 366**

* The separate result of export credit guarantee and special guarantee activities refers to the activities for which the state is responsible and which have been defined in §4 of the Act on the State Guarantee Fund (444/1998).

Signatures on the report of the Board of Directors and the financial statements

In Helsinki on 8 March 2012

Kalle J. Korhonen

Heikki Solttila

Esko Hamilo

Marjaana Aarnikka

Pirkko-Liisa Hyttinen

Timo Kekkonen

Timo Lindholm

Pauli Heikkilä

Managing Director

Auditor's report

Note: This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the Annual General Meeting of Finnvera Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Finnvera Plc for the year ended on 31 December 2011. The financial statements comprise both the consolidated and the parent company's balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

— both the consolidated and the parent company's financial statements give a true and fair view of their financial position, financial performance, and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
— the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland
— the information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support the adoption of the financial statements. The proposal by the Board of Directors regarding the treatment of distributable funds is in compliance with the Limited Liability Companies Act. We support that the Supervisory Board and the Board of Directors as well as the Managing Director of the parent company be discharged from liability for the financial period audited by us.

Helsinki, 8 March 2012

KPMG OY AB

Raija-Leena Hankonen
Authorized Public Accountant

Statement by the Supervisory Board

We have reviewed the financial statement of Finnvera plc, including the consolidated financial statements, for the period 1 January–31 December 2011, as well as the auditors' report issued on 8 March 2012.

We propose to the Annual General Meeting that the financial statements, in which the consolidated profit and loss account shows a profit of EUR 63 736 738.61 euros and the parent company's profit and loss account shows a profit of EUR 58 365 731.33, be adopted and that the parent company's profits be used in accordance with the proposal made by the Board of Directors.

Helsinki, 14 March 2012

Johannes Koskinen	Jari Myllykoski
Maria Bäck	Tapio Mäkeläinen
Kaija Erjanti	Reijo Paajanen
Lasse Hautala	Petri Pihlajaniemi
Sinikka Hurskainen	Hannele Pohjola
Kyösti Karjula	Tuomo Puumala
Leila Kurki	Olli Rantanen
Timo Leppänen	Timo Vallittu