Q3/2011

INTERIM REPORT 1 JANUARY–30 SEPTEMBER 2011

FINNVERA

FINNVERA GROUP

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Contents

Apart from the parent company Finnvera plc, the Finnvera Group comprises the following subsidiaries: three companies, Seed Fund Vera Ltd, Veraventure Ltd and Matkailunkehitys Nordia Oy, engaged in venture capital investments; Finnish Export Credit Ltd, which administers interest equalisation and provides export financing based on withholding tax agreements, and Spikera Oy focusing on asset management.

Business Operations

The needs of SMEs to obtain financing for working capital and the slight increase in investments raised the demand for Finnvera's financing in January–September when compared against the same period a year ago. The demand for loans, guarantees and export guarantees in domestic financing totalled EUR 1,331 million, or 13 per cent more than the year before.

The loans and guarantees for domestic financing granted by Finnvera totalled EUR 672 million, which is 6 per cent more than during the first nine months of 2010. The amount of countercyclical financing granted nearly doubled: in all, 307 enterprises received a total of EUR 148 million.

In total, the financing offered by Finnvera for export transactions during the period under review (including export credit guarantees, special guarantees and export guarantees) amounted to EUR 3,295 million. The total sum of offers more than doubled on the sum for the first nine months of 2010, whereas the number of offers given was about one quarter less. The traditional export sectors, such as telecommunications, the forest industry and ship financing, dominated export projects.

In contrast, demand for new export credit guarantees and special guarantees declined to EUR 3,793 million, down from EUR 4,847 million the year before. Correspondingly, the number of applications fell by nearly one fifth.

The Company's Financial Trend

Financial performance

The financial statements of the Finnvera Group and the parent company, Finnvera plc, for the period 1 January–30 September 2011 have been drawn up according to 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.

The parent company Finnvera plc's financial performance was better than had been anticipated although it fell short of the level attained the year before. The main factors contributing to the smaller profit were higher impairment losses on receivables and increased guarantee losses. However, changes in outstanding credit risks were moderate, and the risk level rose only slightly during the period under review.

By contrast, the Finnvera Group's financial performance was slightly better than during the corresponding period the year before. The main contributing factor was the increase in the value of the venture capital investments made by the subsidiaries.

The annual profits from domestic financing and export financing are transferred to two separate funds on the parent company'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 September 2011, the assets of the funds totalled EUR 377 million. The State Guarantee Fund and the State of Finland are responsible for Finnvera's losses only if the losses cannot be covered by assets in these two funds.

In June of the current year, a fund for venture capital investments was established on the balance sheet, under unrestricted equity. This fund is used for monitoring the assets granted 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 was entered into the fund for venture capital investments.

Finnvera plc

The profit of the parent company, Finnvera plc, for January–September totalled EUR 42 million (49 million), or EUR 7 million less than during the corresponding period the year before.

Export financing, or the separate result of export credit and special guarantee activities referred to in §4 of the Act on the State Guarantee Fund, accounted for EUR 38 million of the total sum. Owing to the cancellation of a subordinated loan because of the loss made in 2010, venture capital investments showed a profit of EUR 4 million, while the profit of domestic credit and guarantee activities was EUR 0.1 million.

Finnvera Group

In January–September, the Finnvera Group's profit came to EUR 48 million (45 million), or EUR 3 million more than during the first nine months of 2010. The Group companies and associated companies had an effect of EUR 6 million on the profit (–3 million).

The main factor improving the result on the previous year was the increase in the value of the venture capital investments made by the subsidiaries. During the period under review, changes in the value of venture capital investments amounted to EUR 8 million, whereas the figure a year earlier had been EUR –3 million. Other factors having a positive effect on the result were the increase in the parent company's net interest income following the rise in the general interest level, and the increase in fee and commission income. The main factors decreasing the result were the parent company's greater credit and guarantee losses calculated after the State's compensation for losses.

Interest income and expenses and interest subsidies

The Group's net interest income during the period under review came to EUR 47 million, or EUR 4 million more than the year before. At the end of September, both the mean interest rate paid by clients for loans and the mean interest rate paid for borrowing were higher than at the same time last year. The mean interest rate for lending was 3.47 per cent (2.76) and that for acquisition of funds 1.60 per cent (1.02).

The national interest subsidy and the interest subsidy paid by the European Regional Development Fund (ERDF) totalled EUR 11 million (12 million), which was passed on to clients. ERDF support accounted for 50 per cent of the total amount of interest subsidy.

Fee and commission income and expenses

The Group's fee and commission income increased on the previous year by EUR 5 million, to EUR 72 million.

Export credit guarantees and special guarantees accounted for EUR 48 million and domestic credits and guarantees for EUR 24 million of the total fee and commission income.

Fee and commission expenses totalled EUR 2 million.

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 7 million. They include changes in the fair value of venture capital investments and interest rate and currency swaps, as well as exchange rate differences. The change in the fair value of venture capital investments was EUR 8 million, while other items amounted to EUR –1 million.

Other income

Other operating income in the Group totalled EUR 5 million. The biggest item entered into other income was the cancellation of a subordinated loan of EUR 4 million owing to the loss shown by Seed Fund Vera Ltd for 2010. In addition, other income includes the management fee paid by the State Guarantee Fund for management of the old portfolio for export credit guarantee and special guarantee products arisen before 1999, a management fee pertaining to ERDF financing, and rental income.

Impairment losses on receivables, guarantee losses

In domestic financing, the parent company's losses, impairment losses and provisions for credits and guarantees amounted to EUR 61 million (45 million). Of the losses, EUR 67 million was credit and guarantee losses materialised, EUR 4 million was cancellations of losses recorded earlier, and EUR 2 million was decreases in impairment losses on receivables and in provisions.

Compensation by the State and the ERDF (European Regional Development Fund) for the losses materialised totalled EUR 21 million (16 million), or 34 per cent. The Government's decision to cut credit and guarantee loss compensation in 2011 had an effect on this sum. Finnvera's additional self-risk share for losses arisen in 2011 is EUR 10 million, of which EUR 7.5 million was recorded during the period under review. Thus, after the compensation for losses, Finnvera's share of credit and guarantee losses, impairment losses and provisions came to EUR 40 million (28 million).

In export financing, no major losses were recorded and no major increases were made in provisions for losses during the period under review. Losses on export credit guarantees and special guarantees amounted to EUR 4 million (6 million) during the first nine months of the year.

In the consolidated income statement, credit and guarantee losses, impairment losses on receivables, and provisions totalled EUR 44 million (35 million).

Other expenses

The Group's administrative expenses totalled EUR 30 million (30 million), of which personnel expenses accounted for 70 per cent. Other operating expenses included depreciation and costs associated with real property.

Balance sheet

On 30 September, the consolidated balance sheet total was EUR 2,603 million (2,664 million), while the parent company's balance sheet total came to EUR 2,189 million (2,303 million). Among the subsidiaries, Finnish Export Credit Ltd, with a balance sheet total of EUR 420 million, and Seed Fund Vera Ltd, with a balance sheet total of EUR 104 million, had the greatest impact on the consolidated balance sheet.

At the end of September, Finnvera plc's outstanding credits totalled EUR 1,692 million, or EUR 39 million less than the year before. The Group's outstanding credits came to EUR 2,050 million.

Since the end of 2010, Finnvera plc's outstanding domestic guarantees have increased by EUR 54 million, totalling EUR 1,119 million on 30 September. The book value of the outstanding commitments, as referred to in the Act on the State's Export Credit Guarantees, amounted to EUR 8,485 million (7,935 million). Outstanding commitments arising from export credit guarantees and special guarantees (current commitments and offers given) totalled EUR 10,189 million (8,933 million).

The parent company's non-current liabilities as per 30 September totalled EUR 1,212 million. Of this sum, EUR 893 million consisted of bonds. The liabilities include subordinated loans of EUR 36 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 50 million in derivative liabilities. These arise from interest rate and currency swaps and pertain to non-current liabilities. Liabilities decreased by EUR 191 million during the period under review. The Group's non-current liabilities totalled EUR 1,600 million.

Other liabilities include a debt of EUR 28 million owed to the State. This debt pertains to the subsidies that were received for the acquisition of shares in subsidiaries and that 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 -17,000 for the Group.

At the end of the period under review, the Group's unrestricted funds had a total of EUR 440 million, of which the fund for domestic operations accounted for EUR 136 million, the fund for export credit guarantee and special guarantee operations EUR 241 million, and the fund for venture capital investments EUR 18 million. Retained earnings totalled EUR 46 million.

Capital adequacy and acquisition of funds

At the end of September, the Finnvera Group's capital adequacy ratio was 15.3 per cent (14.8). The goal is to keep capital adequacy at a minimum of 12.0 per cent. Finnvera plc's capital adequacy was 14.9 per cent (14.5). Capital adequacy has been calculated using the Basel II standard method.

The parent company had no new long-term acquisition of funds during the first nine months of the year. EUR 185 million in non-current loans was paid back. The Group's acquisition of funds amounted to EUR 0.5 million.

Changes in Group Structure

On 30 September 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, of which Finnvera's holding was 92.6 per cent, and Matkailunkehitys Nordia Oy, of which Finnvera owned 63.5 per cent.

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

Personnel

At the end of September, the Group had 412 employees (418 on 31 December 2010), of whom 394 held a permanent post and 18 a fixed-term post.

Changes in the Operating Environment and in Industrial and Ownership Policies

An export credit transfer model

On 22 September 2011, the Cabinet Committee on Economic Policy approved a new export credit transfer model for adoption at the start of 2012.

The new export credit transfer model will be taken into use in order to improve the opportunities of Finnish export companies to provide financing for their customers. Finnish Export Credit Ltd will be responsible for financing export credits arranged by commercial banks and for the interest equalisation associated with the credits, while Finnvera plc acquires the necessary funds and manages liquidity. The financing will comply with the OECD terms, and the accompanying credit risks will be covered with Finnvera's export credit guarantees. The total outstanding credits granted for the export credit transfer model may not exceed EUR 3 billion.

Adoption of the export credit transfer model will require certain legislative amendments and approval by the Finnish Parliament.

Granting of counter-cyclical financing to continue

To ensure the provision of financing for Finnish SMEs, the Cabinet Committee on Economic Policy also 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. The final implementation of the decision still requires that the Government amend its commitment to compensate Finnvera for credit and guarantee losses.

Export credit guarantees still have major global importance

The statistics published by the Berne Union are a good indication of the global importance of export credit guarantees. These statistics show that demand for export credit guarantees has been brisk and continues to increase in most export credit agencies. Despite larger volumes, no major losses have been recorded. Like Finnvera, nearly all major export credit operators have shown a profit in several years. However, the coming years may change the situation because the outlook is exceptionally challenging.

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 guarantee and credit institutions 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).

Events after the Period under Review

Appointments at Finnvera

Finnvera's Supervisory Board decided on organisational changes on 4 October 2011. Domestic Regional Financing and Financing for Growth and Internationalisation are merged to form one unit responsible for Finnvera's business areas engaged in SME financing and for the preparation of the related credit decisions.

Following this decision, on 20 October 2011, Finnvera's Board of Directors appointed **Annamarja Paloheimo** (47), LL.M., as Senior Vice President responsible for the new Unit of Financing for SMEs and Internationalisation. Paloheimo has served as Senior Vice President at Finnvera since 2006 and has been responsible for financing for growth and internationalisation. Annamarja Paloheimo reports to Managing Director Pauli Heikkilä.

Executive Vice President **Veijo Ojala**, responsible for domestic financing, will retire at the beginning of January 2012 after having reached the pensionable age. Executive Vice President **Topi Vesteri** continues to answer for export financing and acts as the Managing Director's first deputy.

Finnvera's Board of Directors has appointed **Merja Välimäki** (49), M.Sc. (Economics & Business Administration), as Chief Audit Executive of the Audit and Assessment Unit. The unit is responsible for internal auditing and for evaluating and developing the quality system. Välimäki has served as Internal Audit Manager at Finnvera since 2007. Merja Välimäki reports to the Board of Directors.

The organisational changes and the associated appointments will become effective as of the beginning of 2012.

Changes in Finnish Export Credit Ltd

In conjunction with the launching of a new permanent export credit transfer model and in order to ensure sufficient resources, the functions for export financing, funding and liquidity 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.

These changes also mean that Managing Director **Jyrki Wirtavuori** of Finnish Export Credit Ltd is leaving the Group. He is succeeded by **Anita Muona**, Head of Leagal Services of Finnvera's Export Financing, whose appointment as the Managing Director of Finnish Export Credit Ltd became effective as of 18 November.

The MEE Group launched electronic exchange of customer information

The Act on the Customer Data System for Enterprise Services has made it possible for Finnvera to exchange customer information. Public operators now have the opportunity to adopt joint customer management and better coordination when working with client enterprises. On 5 October 2011, the electronic exchange of customer information was adopted officially by Finnvera, Tekes, and the Centres for Economic Development, Transport and the Environment (ELY Centres) – all actors in the MEE Group. The information exchange service improves the opportunities to prepare for negotiations on financing since the enterprise's client relationship with Tekes and the ELY Centre and the relevant contact persons are known.

Outlook for the Rest of the Year

Restlessness on the financial market and uncertain prospects for the world economy will slow down economic growth in Finland, too. The cautious growth in industrial investments is likely to halt almost completely, as the export prospects of companies are declining.

So far, demand for Finnvera's SME financing has not increased on a larger scale, with the exception of counter-cyclical financing. Some enterprises are preparing for a declining economic trend; in consequence, financing for working capital is in greater demand than before.

Economic uncertainty will continue to reduce demand for exports, as well as demand for export credit guarantees. Because of the lack of trust on the market and stricter regulations imposed on banks, banks must raise their capital adequacy: this is mostly done by reducing long-term lending, which means that long-term financing will become a bottleneck when financing is arranged for exports. In Finland, measures are taken to improve the availability of financing by introducing credit-type export financing. According to the new model, Finnvera acquires funds from the market by using State guarantees, and Finnvera's subsidiary, Finnish Export Credit Ltd, uses these funds to finance bank-arranged credits to companies. The proposals for credit-type export financing are currently handled by Parliament.

The number of bankruptcies and companies in distress, as well as Finnvera's credit losses, may still increase during the current year if economic growth comes to a halt.

Finnvera's profit for the current year is estimated to be lower than in 2010. However, if more risks materialise at the same time as the economy dips, the estimated profit may shrink considerably.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR 1,000)	Note	1 Jan–30 Sep 2011		1 Jan–30 Sep 2010	
INTEREST INCOME					
Loans		56 171		50 724	
Subsidies passed on to customers		10 760		12 241	
Export credit and special guarantee receivables		189		148	
Guarantee receivables		978		644	
Other		3 030	71 128	2 122	65 879
INTEREST EXPENSES			-24 559		-23 402
OTHER INTEREST SUBSIDIES			0		102
NET INTEREST INCOME			**46 568**		**42 579**
NET FEE AND COMMISSION INCOME			70 369		66 211
GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE	**8)**		7 190		-1 098
NET INCOME FROM INVESTMENTS					
Debt securities		763		666	
Shares and participations		0		0	
Investment property		-25		-12	
Associates		-1	736	95	748
OTHER OPERATING INCOME			5 003		5 024
ADMINISTRATIVE EXPENSES					
Employee benefit expenses					
Wages and salaries		-16 797		-16 551	
Social security costs		-4 360		-4 093	
Other administrative expenses		-9 094	-30 251	-9 075	-29 718
OTHER OPERATING EXPENSES			-4 818		-5 264
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS					
Loans and guarantees	**2)**	-61 149		-45 095	
Credit loss compensation from state		20 756		16 290	
Export credit guarantees and special guarantees		-3 503	-43 897	-6 099	-34 904
OPERATING PROFIT			**50 902**		**43 578**
INCOME TAX EXPENSE					
Current tax expense		-101		1 148	
Deferred tax expenses		-2 344	-2 445	674	1 821
PROFIT FOR THE PERIOD			**48 456**		**45 399**
COMPONENTS OF OTHER COMPREHENSIVE INCOME					
Change in the fair value of shares			37		943
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			**48 494**		**46 342**
Distribution of the profit for the period					
Attributable to					
Equity holders of the parent company			48 356		45 663
Minority interest			100		-264
			48 456		**45 399**
Distribution of the total comprehensive income for the period					
Attributable to					
Equity holders of the parent company			48 393		46 606
Minority interest			100		-264
			48 494		**46 342**

CONSOLIDATED BALANCE SHEET

ASSETS (EUR 1,000)	Note		30 Sep 2011		31 Dec 2010
Loans and receivables from credit institutions			132 542		160 813
Loans and receivables from customers					
Loans		2 049 515		2 071 135	
Guarantee receivables		27 912		26 926	
Receivables from export credit and special guarantee operations		4 608	2 082 034	5 154	2 103 216
Investments					
Debt securities		113 580		169 445	
Associates		67 122		50 088	
Other shares and participations		92 062		87 576	
Investment property		478	273 242	1 213	308 321
Derivatives	3)		54 636		56 054
Intangible assets			1 913		2 328
Property and equipment					
Properties		1 424		1 481	
Equipment		1 612	3 036	1 774	3 255
Other assets					
Credit loss receivables from the state		20 252		8 252	
Other		4 701	24 953	5 358	13 609
Prepayments and accrued income			30 668		16 521
Tax assets			0		17
			2 603 024		**2 664 135**

LIABILITIES (EUR 1,000)	Note			30 Sep 2011			31 Dec 2010
Liabilities to credit institutions	4)		185 000			270 000	
Liabilities to other institutions	4)		436 151			394 326	
Debt securities in issue	4)		893 323			997 163	
Derivatives	3)		0			877	
Provisions			45 720			37 819	
Other liabilities			54 243			55 363	
Accruals and deferred income			199 581			183 925	
Tax liabilities			3 741			1 366	
Capital loans	4)		85 823	1 903 582		89 841	2 030 680
EQUITY							
Equity attributable to the parent company's shareholders							
Share capital			196 605			196 605	
Share premium			51 036			51 036	
Fair value reserve			-17			-54	
Unrestricted funds							
Fund for domestic operations		135 753			125 249		
Fund for export credit guarantees and special guarantees		241 378			186 368		
Other		17 529			0		
Retained earnings		45 783	440 443	688 067	62 941	374 558	622 145
Minority interest				11 374			11 310
				2 603 024			**2 664 135**

FINNVERA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Share capital	Share premium	Fair value reserve	Fund for domestic operations	Fund for export credit guarantees and special guarantee	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 Jan 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 period			815				26 410	27 225	-235	26 990
Transfer to funds				-8 682	33 079	-59	-24 397	-59	0	-59
Adjustments							1 214	1 214	-502	713
Balance at 30 Sep 2010	**196 605**	**51 036**	**-184**	**125 249**	**186 368**	**0**	**26 314**	**585 388**	**11 261**	**596 649**
Balance at 1 Jan 2011	**196 605**	**51 036**	**-54**	**125 249**	**186 368**	**0**	**62 941**	**622 145**	**11 310**	**633 455**
Total comprehensive income for the period			37				48 356	48 393	100	48 493
Transfer to funds				10 504	55 010	17 529	-65 513	17 529		17 529
Adjustments							0	0	-36	-36
Balance at 30 Sep 2011	**196 605**	**51 036**	**-17**	**135 753**	**241 378**	**17 529**	**45 783**	**688 067**	**11 374**	**699 441**

CONSOLIDATED STATEMENT OF CASH FLOW

(EUR 1,000)	Jan–Sep 2011	Jan–Sep 2010
Cash flows from operating activities		
Withdrawal of loans granted	-309 650	-332 948
Repayments of loans granted	278 284	236 528
Purchase of investments	-8 138	-11 646
Proceeds from investments	1 488	78
Interest received	50 331	45 963
Interest paid	-19 078	-19 321
Interest subsidy received	9 489	10 826
Payments received from commission income	81 223	96 300
Payments received from other operating income	13 738	17 347
Payments for operating expenses	-41 518	-41 156
Claims paid	-25 714	-27 538
Taxes paid	-143	1 198
Net cash used in (-) / from (+) operating activities (A)	**30 312**	**-24 369**
Cash flow from investing activities		
Purchase of property and equipment and intangible assets	-494	-395
Purchase of other investments	0	0
Proceeds from other investments	1 399	10 352
Dividends received from investments	354	526
Net cash used in (-) / from (+) investing activities (B)	**1 260**	**10 483**
Cash flows from financing activities		
Rights issue	17 529	0
Proceeds from loans	70 073	201 177
Repayment of loans	-197 855	-275 761
Payments of derivatives	0	0
Dividends paid	-97	0
Net cash used in (-) / from (+) financing activities (C)	**-110 350**	**-74 584**
Net change in cash and cash equivalents		
(A+B+C) increase (+) / decrease(-)	**-78 778**	**-88 470**
Cash and cash equivalents at		
the beginning of the period	**380 309**	**385 137**
Cash and cash equivalents at the end of the period	**301 531**	**296 666**
Cash and cash equivalents at the end of the period		
Receivables from credit institutions	132 542	104 423
Debt securities	113 580	143 690
Investments in short-term interest funds	55 409	48 553
	301 531	**296 666**

NOTES TO THE ACCOUNTS

ACCOUNTING PRINCIPLES

Finnvera's Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting,* as adopted by the EU. The principles for drawing up the financial statements are described in Finnvera's Financial Statements for 2009.

The Interim Report also presents data for the parent company Finnvera plc because the rules of the Oslo Stock Exchange require their presentation when bonds have been issued in Norway.

1. 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 public organisations providing services for enterprises (Finpro, Tekes, ELY Centres, TE Office) 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.

Intra-group transactions, receivables and liabilities are eliminated in the consolidated financial statements.

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's offices are located in Finland and its clientele encompasses a wide spectrum of enterprises in various sectors.

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN 2011– 30 SEP 2011

(EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internalisation	Export financing	Capital investments	Eliminations	Total
Net interest income	8 560	24 462	7 663	4 629	1 254	0	46 568
Net fee and commission income	3 003	14 533	10 020	42 796	17	0	70 369
Net impairment loss on financial assets	-2 952	-28 882	-12 243	170	1	412	-43 493
Operating expenses *	-8 627	-10 416	-5 544	-7 530	-3 494	1 750	-33 861
Depreciation and amortization	-210	-320	-252	-425	0	0	-1 207
Other income, net**	-2	167	-49	173	14 044	-1 808	12 525
Operating profit	**-229**	**-455**	**-404**	**39 812**	**11 823**	**354**	**50 902**
Total assets	**252 200**	**953 496**	**347 122**	**893 210**	**176 497**	**-19 502**	**2 603 024**
Loans and receivables from customers	281 877	1 088 166	351 113	357 369	21 376	-17 865	2 082 034
Total liabilities	**196 048**	**743 709**	**312 374**	**574 010**	**95 644**	**-18 202**	**1 903 582**

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN 2010–30 SEP 2010

(EUR 1,000)

	Mikro-finansiering	Regional finansiering	Tillväxt- och internationali-serings-finansiering	Export-finansiering	Kapital-placerings-verksamhet	Elimi-neringar	Totalt
Net interest income	8 938	22 480	7 349	2 693	1 119	0	42 579
Net fee and commission income	3 428	12 865	8 416	41 480	22	0	66 211
Net impairment loss on financial assets	-5 417	-18 601	-5 714	-4 209	-42	0	-33 982
Operating expenses *	-9 162	-10 208	-5 209	-7 061	-3 198	1 641	-33 197
Depreciation and amortization	-286	-436	-368	-695	0	0	-1 785
Other income, net**	112	210	-13	2 888	2 260	-1 705	3 752
Operating profit	**-2 386**	**6 310**	**4 460**	**35 097**	**161**	**-64**	**43 578**
Total assets	**328 720**	**1 074 445**	**379 028**	**324 429**	**19 755**	**-1 310**	**2 125 068**
Loans and receivables from customers	294 645	983 747	386 267	751 671	186 746	-3 116	2 599 961
Total liabilities	**244 108**	**785 616**	**342 442**	**492 644**	**120 830**	**-1 680**	**1 983 960**

*) Operating expenses = Administration expenses + Other operating expenses - Depreciation and amortisation
**) Other income, net = Gains and losses from financial instruments carried at fair value + Net income from investments + other operating income

2. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

Loans and receivables are considered impaired when there is objective evidence of impairment.
Objective evidence on a customer's capability to fulfil obligations is based on risk classification of the customers, past experience and estimates made by the management about the effect of delayed payments on the accruing of receivables.
The principles applied in determination of impairment were specified in 2007, and the recognised losses on loans, advances and guarantees amounted EUR 43,897 thousand in the first nine months (1 Jan–30 Sep 2010 EUR 34,904 thousand).

3. DERIVATIVES (EUR 1,000)

	30 Sep 2011			31 Dec 2010		
	Fair value positive	Fair value negative	Total nominal value	Fair value positive	Fair value negative	Total nominal value
Interest rate derivatives	0	0	0	573	0	50 000
Currency derivatives	54 636	0	920 693	55 481	-877	925 372
Total derivatives	**54 636**	**0**	**920 693**	**56 054**	**-877**	**975 372**

Derivatives are held for hedging borrowings. Derivatives and hedged liabilities are measured at fair value through profit or loss and their fair value changes are recognised through profit or loss (the fair value option).

4. CHANGES IN LIABILITIES (EUR 1,000)

Liabilities to credit institutions and other institutions	**Nominal value**	**Carrying amount**
Carrying amount at 1 Jan 2011	664 064	664 326
New loans	52 544	52 544
Repayments	-97 564	-97 564
Changes in fair value	2 019	1 845
Carrying amount at 30 Sep 2011	**621 063**	**621 151**

Debt securities in issue (EUR 1,000)	**Nominal value**	**Carrying amount**
Carrying amount at 1 Jan 2011	983 333	997 163
Debt securities in issue	0	0
Repayments	-99 700	-99 700
Changes in fair value	-10 307	-4 139
Carrying amount at 30 Sep 2011	**873 327**	**893 323**

Borrowings are measured at fair value in the case they are hedged (fair value option).

Capital loans (EUR 1,000)		**85 823**

5. CONTINGENT LIABILITIES AND COMMITMENTS (EUR 1,000)

	30 Sep 2011	31 Dec 2010
Off-balance sheet items		
Guarantees	1 119 156	1 065 252
Export guarantees and special guarantees	10 189 427	8 933 320
Total guarantees	**11 308 583**	**9 998 572**
Binding financing offers	**1 103 282**	**849 837**

6. RELATED PARTIES (EUR 1,000)

Transactions with the state-owned companies (State-owned companies and associates in which the state ownership is at minimum 20 %)	Financial income 1–9/2011	Purchases of services 1–9/2011	Balance of receivables 30 Sep 2011	Balance of guarantees 30 Sep 2011	Balance of liabilities 30 Sep 2011
	89	597	14 184	426	254 273

7. KEY FIGURES AND THEIR CALCULATION

	30 Sep 2011	30 Sep 2010
Equity ratio	26,9	22,4
Capital adequacy ratio	15,3	14,8
Expense-income ratio	0,3	0,3

Calculation of key figures:

Equity ratio %	equity attributable to equity holders of the parent + minority interest *100 / balance sheet total
Capital adequacy ratio	calculated as per Basel II Standard
Expense-income ratio	administration expenses + other operating expenses / net interest income + gains and losses from financial instruments carried at fair value + net fee and commission income + net income from investments + other operating income

8. GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (EUR 1,000)

	30 Sep 2011	30 Sep 2010
Derivatives	-2 359	43 976
Liabilities designated fair value through profit and loss	1 180	-44 641
Exchange rate differences	-124	2 369
Venture capital investments; fair value changes	8 493	-2 802
	7 190	**-1 098**

FINNVERA PLC'S COMPREHENSIVE INCOME STATEMENT

(EUR 1,000)	Note	1 Jan–30 Sep 2011		1 Jan–30 Sep 2010	
INTEREST INCOME					
Loans		43 824		37 252	
Subsidies passed on to customers		10 760		12 241	
Export credit and special guarantee receivables		189		148	
Guarantee receivables		978		644	
Other		2 539	58 290	1 614	51 900
INTEREST EXPENSES			-13 236		-10 837
OTHER INTEREST SUBSIDIES			0		102
NET INTEREST INCOME			**45 054**		**41 165**
NET FEE AND COMMISSION INCOME			69 403		65 120
GAINS AND LOSSES FROM FINANCIAL INTRUMENTS CARRIED AT FAIR VALUE	8)		-1 295		1 735
NET INCOME FROM INVESTMENTS					
Shares and participations		577		808	
Debt securities		0		0	
Investment property		0	577	0	808
OTHER OPERATING INCOME			5 014		5 062
ADMINISTRATIVE EXPENSES					
Employee benefit expenses					
Wages and salaries		-15 687		-15 538	
Social security costs		-4 087		-3 957	
Other administrative expenses		-8 223	-27 998	-8 243	-27 739
OTHER OPERATING EXPENSES			-4 770		-5 155
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS					
Loans and receivables	2)	-61 159		-44 131	
Credit loss compensation from state		20 756		16 290	
Export credit and special guarantee		-3 503	-43 907	-6 099	-33 940
OPERATING PROFIT			**42 078**		**47 056**
INCOME TAX EXPENSE					
Taxes on previous years			0		1 578
PROFIT/LOSS FOR THE PERIOD			**42 078**		**48 635**
OTHER COMPREHENSIVE INCOME					
Change in the fair value of shares			-109		108
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			**41 970**		**48 742**

FINNVERA PLC'S BALANCE SHEET

ASSETS (EUR 1,000)	**Note**		**30 Sep 2011**		**31 Dec 2010**
Loans and receivables from credit institutions					
Payable on demand		44 132		80 629	
Other than payable on demand		27 212	71 344	28 363	108 992
Loans and receivables from customers					
Loans		1 692 260		1 731 111	
Guarantee receivables		27 912		26 926	
Receivables from export credit and special guarantee operations		4 608	1 724 780	5 154	1 763 192
Investments					
Debt securities		109 680		163 945	
Investments in group companies		164 784		164 784	
Associates		602		602	
Other shares and participations		15 470		15 778	
Investment property		385	290 921	494	345 602
Derivatives			49 570		53 784
Intangible assets			1 843		2 298
Property and equipment					
Properties		1 424		1 481	
Equipment		1 604	3 028	1 766	3 246
Other assets					
Credit loss receivables from the state		20 252		8 252	
Other		4 977	25 229	5 698	13 950
Prepayments and accrued income			22 581		12 172
TOTAL ASSETS			**2 189 296**		**2 303 235**

LIABILITIES (EUR 1,000)	**Note**			**30 Sep 2011**			**31 Dec 2010**
Liabilities to credit institutions	4)		185 000			270 000	
Liabilities to other institutions							
At fair value through profit or loss	4)		48 262			46 282	
Debt securities in issue							
At fair value through profit or loss	4)		893 323			997 163	
Derivatives	3)		0			877	
Provisions			45 720			37 819	
Other liabilities			54 149			55 174	
Accruals and deferred income			192 056			180 616	
Capital loans	4)		85 823	1 504 334		89 841	1 677 772
EQUITY							
Share capital			#VIITTAUS!			196 605	
Share premium			#VIITTAUS!			51 036	
Fair value reserve			#VIITTAUS!			-149	
Unrestricted funds							
Fund for domestic operations		135 753			125 249		
Fund for export credit guarantees and special guarantees		241 378			186 368		
Fund for venture capital investments		17 529			0		
Retained earnings		42 919	437 579	684 962	66 354	377 972	625 464
TOTAL LIABILITIES AND EQUITY				**2 189 296**			**2 303 235**

FINNVERA PLC'S STATEMENT OF CHANGES IN EQUITY

(EUR 1,000)	Share capital	Share premium	Fair value reserve	Fund for domestic operations	Fund for export credit guarantees and special guarantee	Fund for venture capital investments	Retained earnings	Total
Balance at 1 Jan 2010	**196 605**	**51 036**	**-231**	**133 931**	**153 289**	**0**	**25 238**	**559 868**
Total comprehensive income for the period			108				48 634	48 742
Transfer to funds				-8 682	33 079	0	-24 397	0
Balance at 30 Sep 2010	**196 605**	**51 036**	**-123**	**125 249**	**186 368**	**0**	**49 475**	**608 610**
Balance at 1 Jan 2011	**196 605**	**51 036**	**-149**	**125 249**	**186 368**	**0**	**66 354**	**625 463**
Total comprehensive income for the period			-109				42 078	41 970
Transfer between funds				10 504	55 010	17 529	-65 514	17 529
Balance at 30 Sep 2011	**196 605**	**51 036**	**-258**	**135 753**	**241 378**	**17 529**	**42 919**	**684 962**

FINNVERA PLC'S STATEMENT OF CASH FLOW

(EUR 1,000)	1 Jan–30 Sep 2011	1 Jan–30 Sep 2010
Cash flows from operating activities		
Withdrawal of loans granted	-253 712	-325 653
Repayments of loans granted	260 709	216 049
Interest received	39 705	33 823
Interest paid	-10 213	-9 029
Interest subsidy received	9 489	10 826
Payments received from commission income	78 676	93 736
Payments received from other operating income	13 156	14 980
Payments for operating expenses	-37 190	-37 290
Claims paid	-25 714	-27 538
Taxes paid	0	1 578
Net cash used in (-) / from (+) operating activities (A)	**74 906**	**-28 518**
Cash flow from investing activities		
Purchase of property and equipment and intangible assets	-533	-390
Purchase of other investments	0	0
Proceeds from other investment	796	10 340
Dividends received from investments	88	18
Net cash used in (-) / from (+) investing activities (B)	**352**	**9 968**
Cash flows from financing activities		
Rights issue	17 529	0
Proceeds from loans	0	201 177
Repayment of loans	-184 700	-261 704
Net cash used in (-) / from (+) financing activities (C)	**-167 171**	**-60 527**
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease(-)	**-91 913**	**-79 077**
Cash and cash equivalents at the beginning of the period	**272 937**	**264 488**
Cash and cash equivalents at the end of the period	**181 024**	**185 411**
Cash and cash equivalents at the end of period		
Receivables from credit institutions	71 344	47 221
Debt securities	109 680	138 190
	181 024	**185 411**

FINNVERA

FINNVERA PLC

1. 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 fi nancing 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 offi cial 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's offices are located in Finland and its clientele encompasses a wide spectrum of enterprises in various sectors.

FINNVERA PLC:S INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN 2011–30 SEP 2011

(EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internationalisation	Export financing	Capital investments	Finnvera plc total
Net interest income	8 560	24 425	7 663	4 406	0	45 054
Net fee and commission income	3 003	14 533	10 020	41 847	0	69 403
Net impairment loss on financial assets	-2 952	-28 882	-12 243	170	0	-43 907
Operating expenses *	-8 627	-10 376	-5 544	-7 016	0	-31 563
Depreciation and amortization	-210	-320	-252	-424	0	-1 205
Other income, net**	-2	193	-49	137	4 017	4 296
Operating profit	**-229**	**-427**	**-404**	**39 120**	**4 017**	**42 078**
Total assets	**252 200**	**952 723**	**347 122**	**492 783**	**144 468**	**2 189 296**
Loans and receivables from customers	281 877	1 087 829	351 113	3 961	0	1 724 780
Total liabilities	**196 048**	**743 036**	**312 374**	**179 209**	**73 667**	**1 504 334**

FINNVERA PLC:S INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN 2010–30 SEP 2010

(EUR 1,000)

	Mikro-finansiering	Regional finansiering	Tillväxt- och internationali-serings-finansiering	Export-finansiering	Kapital-placerings-verksamhet	Totalt
Net interest income						
Net fee and commission income	8 938	22 488	7 349	2 389	0	41 164
Net impairment loss on financial assets	3 428	12 865	8 416	40 411	0	65 120
Operating expenses *	-5 417	-18 601	-5 714	-4 209	0	-33 941
Depreciation and amortization	-9 162	-10 166	-5 209	-6 573	0	-31 110
Other income, net**	-286	-436	-368	-693	0	-1 783
Operating profit	113	221	-14	2 635	4 651	7 606
	-2 386	**6 371**	**4 460**	**33 960**	**4 651**	**47 056**
Total assets						
Loans and receivables from customers	**294 645**	**982 317**	**386 267**	**400 933**	**180 942**	**2 245 104**
	328 720	1 074 109	379 028	8 926	0	1 790 783
Total liabilities						
	244 108	**783 932**	**342 442**	**146 656**	**119 356**	**1 636 494**

*) Operating expenses = Administration expenses + Other operating expenses - Depreciation and amortisation

**) Other income, net = Gains and losses from financial instruments carried at fair value + Net income from investments + other operating income

Inter-segment revenue is not significant.

2. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

Loans and receivables are considered impaired when there is objective evidence of impairment.
Objective evidence on a customer's capability to fulfil obligations is based on risk classification of the customers, past experience and estimates made by the management about the effect of delayed payments on the accruing of receivables.
The principles applied in determination of impairment were specified in 2007, and the recognised losses on loans, advances and guarantees amounted EUR 43,907 thousand in the first nine months (1 Jan–30 Sep 2010 EUR 33,940 thousand).

3. DERIVATIVES (EUR 1,000)

	30 Sep 2011			31 Dec 2010		
	Fair value positive	**Fair value negative**	**Nominal value**	**Fair value positive**	**Fair value negative**	**Nominal value**
Interest rate derivatives	0	0	0	573	0	50 000
Currency derivatives	49 570	0	821 501	53 211	877	879 353
Total derivatives	**49 570**	**0**	**821 501**	**53 784**	**877**	**929 353**

Derivatives are held for hedging borrowings. Derivatives and hedged liabilities are measured at fair value through profit or loss and their fair value changes are recognised through profit or loss (the fair value option).

4. CHANGES IN LIABILITIES (EUR 1,000)

Liabilities to other institutions	**Nominal value**	**Carrying amount**
Carrying amount at 1 Jan 2011	316 019	316 282
New loans	0	0
Repayments	-85 000	-85 000
Changes in fair value	2 155	1 980
Carrying amount at 30 Sep 2011	**233 174**	**233 262**

Debt securities in issue (EUR 1,000)	**Nominellt värde**	**Bokförings-värde**
Carrying amount at 1 Jan 2011	983 333	997 163
Debt securities in issue	0	0
Repayments	-99 700	-99 700
Changes in fair value	-10 307	-4 139
Carrying amount at 30 Sep 2011	**873 327**	**893 323**

Borrowings are measured at fair value in the case they are hedged (fair value option).

Capital loans (EUR 1,000)	**85 823**

5. CONTINGENT LIABILITIES AND COMMITMENTS (EUR 1,000)

	30 Sep 2011	31 Dec 2010
Off-balance sheet items		
Guarantees	1 119 156	1 065 252
Export guarantees and special guarantees	10 189 427	8 933 320
Total guarantees	**11 308 583**	**9 998 572**
Binding financing offers	**266 494**	**196 565**

6. RELATED PARTIES (EUR 1,000)

Transactions with the state-owned companies (State-owned companies and associates in which the state ownership is at minimum 20 %)	**Financial income** Jan–Sep 2011	**Purchases of services** Jan–Sep 2011	**Balance of receivables** 30 Sep 2011	**Balance of guarantees** 30 Sep 2011
	4	**873**	**0**	**399**

7. KEY FIGURES AND THEIR CALCULATION

	30 Sep 2011	30 Sep 2010
Equity ratio	31,3	27,1
Capital adequacy ratio	14,9	14,5
Expense-income ratio	0,3	0,3

Calculation of key figures:

Equity ratio %	equity * 100 / balance sheet total
Capital adequacy ratio	calculated as per Basel II Standard
Expense-income ratio	administration expenses + other operating expenses / net interest income + gains and losses from financial instruments carried at fair value + net fee and commission income + net income from investments + other operating income

8. GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (EUR 1,000)

	Jan–Sep 2011	Jan–Sep 2010
Liabilities designated fair value through	-3 338	42 294
profit and loss	2 159	-42 956
Exchange rate differences	-116	2 397
Venture capital investments; fair value changes	0	0
	-1 295	**1 735**

Osavuosikatsauksen allekirjoitukset
Underskrifter för delårsrapporten
Signatures of the Board of Directors on the Interim Report

Helsinki 17.11.2011

Kalle J. Korhonen
Puheenjohtaja
Ordförande
Chairman

Pirkko-Liisa Hyttinen

Heikki Solttila
Varapuheenjohtaja
I vice ordförande
First Vice Chairman

Timo Kekkonen

Esko Hamilo
II varapuheenjohtaja
II vice ordförande
Second Vice Chairman

Timo Lindholm

Marjaana Aarnikka

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