Q2/2010

INTERIM REPORT 1 JANUARY–30 JUNE 2010

FINNVERA

FINNVERA GROUP

INTERIM REPORT 1 JANUARY-30 JUNE 2010

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Business Operations

Demand for Finnvera's loans, guarantees and export guarantees in domestic financing totalled EUR 862.3 million in January–June. This was 39 per cent less than during the corresponding period the year before. Measured by the number of applications, demand declined by 11 per cent but was still considerably brisker than during the first six months of 2008.

The value of the loans and domestic guarantees granted by Finnvera came to EUR 469.8 million, or 33 per cent less than in the previous year. The number of loan and guarantee decisions also fell by 10 per cent from the year before, but was still clearly higher than during the first six months of 2008.

Demand for export credit guarantees and special guarantees in January–June 2010 totalled EUR 4,050.2 million (3,600.6 million). The total sum was 12 per cent higher than during the corresponding period in 2009, while the number of applications rose by 48 per cent.

The financing offered by Finnvera for export transactions (including export credit guarantees, special guarantees and export guarantees) totalled EUR 1,071.8 million (3,820.8 million). The total sum of offers fell by 68 per cent from last year, but the number of offers was 64 per cent higher than during the first half of 2009. In export financing, like in domestic financing, both the number of applications and the number of offers given were clearly higher than those during the corresponding period in 2008.

During the period under review, Seed Fund Vera Ltd made positive decisions on initial and further investments in 32 enterprises (46); the total sum was EUR 7.6 million (11.1 million).

On 30 June 2010, Finnvera had 29,060 clients (27,898), of whom 128 were exporters or their financiers (121).

The Company's Financial Trend

As an issuer of debt instruments, Finnvera adopted the International Financial Reporting Standards (IFRS) as of 1 January 2007. The Interim Report for 1 January–30 June 2010 has been drawn up in accordance with the IFRS approved by the EU.

Financial performance

Finnvera plc

The parent company's profit for the period 1 January–30 June 2010 totalled EUR 29.6 million, or 29.7 million more than during the corresponding period in 2009 (–0.1 million). EUR 22.5 million of the profit came from export credit guarantees and special guarantees. Credits and guarantees in domestic financing accounted for EUR 1.4 million of the profit. The rest of the profit came from the cancellation of a subordinated loan because of the loss shown by Seed Fund Vera Ltd in 2009, from other operating income and from a tax refund.

The Finnvera Group

The Finnvera Group's financial performance for 1 January–30 June 2010 was EUR 26.2 million, or EUR 28.9 million better than for the corresponding period the year before (–2.7 million).

The factors having the greatest effects on the Group's improved financial performance were the net increase of EUR 6.8 million in the parent company's fee and commission income and expenses, and the decline of EUR 16.7 million in the parent company's share of impairment losses on receivables and guarantee losses, calculated after the State's compensation for credit losses. Another factor improving the financial performance was that, owing to a complaint assessment, the tax authorities refunded a residual tax of EUR 1.6 million paid in 2009.

The main factors reducing the profit were a decline of EUR 2.9 million in net interest income, from EUR 30.9 million the year before to EUR 28.0 million, and a reduction of EUR 1.0 million in net income from investments.

Fee and commission income includes EUR 30.4 million as fees collected on the parent company's export credit guarantees and special guarantees, and EUR 10.0 million as domestic guarantee commissions. The Group's income from handling fees on loans and guarantees totalled EUR 3.7 million while the Group's other fee and commission income came to EUR 0.6 million. Fee and commission expenses, which came to EUR 0.7 million, have been deducted from the corresponding income.

Gains and losses from financial instruments carried at fair value through profit or loss totalled EUR –1.1 million. They include EUR –1.8 million for changes in the fair value of debts and the interest rate and currency swaps concluded to hedge them, EUR 3.1 million for exchange rate differences, and EUR –2.4 million for changes in the fair value of venture capital investments.

Other operating income includes the management fee paid by the State Guarantee Fund for the management of the old portfolio for export credit guarantee and special guarantee products arisen before 1999, as well as a management fee pertaining to ERDF financing, in total EUR 0.3 million. The cancellation of a subordinated loan of EUR 3.6 million corresponds to Finnvera's share of the loss shown by Seed Fund Vera Ltd in 2009, calculated according to Finnvera's holding in the company.

The interest subsidy paid by the State and by the European Regional Development Fund (ERDF) to the parent company totalled EUR 8.2 million (8.3 million). The basic interest subsidy on credits granted before 1999 totalled EUR 0.1 million. The interest subsidy passed on directly to clients for reducing their interest rates on loans amounted to EUR 8.2 million, of which EUR 2.1 million came from the ERDF and EUR 2.3 million was national interest support associated with that of the ERDF. Granting of credits eligible for interest support from the ERDF began on 1 April 2001.

The mean interest rate paid by the parent company's clients for loans was 2.63 per cent on 30 June 2010 (3.26), while the mean interest rate for the parent company's borrowing was 0.92 per cent (1.66).

Impairment losses on receivables, guarantee losses

The impairment losses on the parent company's receivables and guarantee losses totalled EUR 26.5 million (43.2 million). Of this sum, domestic credits and guarantees accounted for EUR 29.9 million (45.2 million), the State's compensation for credit losses for EUR 9.2 million (8.7 million), and export credit guarantees and special guarantees for EUR 5.8 million (6.6 million). The investment losses incurred by Seed Fund Vera Ltd came to EUR 1.0 million.

The parent company's final credit and guarantee losses amounted to EUR 27.5 million and EUR 3.1 million in losses which were recorded earlier were cancelled; net losses therefore came to EUR 24.4 million (23.3 million). In addition, the income statement includes an increase of EUR 5.5 million in individually and collectively assessed impairment losses on loans and guarantees (21.9 million). Thus, the parent company's impairment losses on credits and guarantees totalled EUR 29.9 million. Since the credit loss compensation that the State is committed to pay was cut by EUR 3.5 million, the compensation paid by the State and the ERDF amounted to EUR 9.2 million. Thus, the parent company's share of the losses was EUR 20.7 million.

The claims paid by the parent company by virtue of export credit guarantees and special guarantees came to EUR 6.1 million. Funds recovered amounted to EUR 0.2 million, provisions for guarantee losses increased by EUR 0.8 million and recovery receivables decreased by EUR 0.9 million. Thus, the total losses were EUR 5.8 million.

Outstanding commitments

At the end of the period under review on 30 June 2010, the parent company's outstanding credits totalled EUR 1,729.5 million (EUR 1 663,9 million as per 31 December 2009) and outstanding guarantees EUR 1,026.0 million (1,007.0 million as per 31 December 2009). On 30 June 2010, the entire Group's outstanding credits were EUR 2,099.0 million.

The book value of the outstanding commitments, as referred to in the Act on the State's Export Credit Guarantees (current commitments and half of the offers given) as per 30 June 2010 was EUR 7,844.5 million (7,930.2 million on 31 December 2009). Outstanding commitments arising from export credit guarantees and special guarantees (current commitments and offers given) totalled EUR 9,970.6 million at the end of the period under review (9,665.0 million).

At the time this Interim Report was drawn up, the total value of the parent company's outstanding claims for indemnification was EUR 10.8 million.

The parent company's non-performing and other zero-interest claims totalled EUR 146.7 million as per 30 June 2010. On 31 December 2009, they had been EUR 128.8 million.

Capital adequacy and acquisition of funds

The Finnvera Group's capital adequacy calculated according to the Basel II Framework, including the profit for the period, was 14.8 per cent on 30 June 2010. The parent company's capital adequacy was 14.3 per cent.

In April and June 2010, Finnvera floated two bonds of NOK 800 million each. Their euro equivalent totalled EUR 200.8 million. In all, EUR 217.9 million in debts was repaid.

At the end of the period under review, the Group's long-term liabilities totalled EUR 1,808.9 million. The figure for the parent company was EUR 1,433.5 million, of which subordinated loans accounted for EUR 89.8 million.

Risk Management

Credit risks in domestic operations

Economic uncertainty affected credit risks in domestic operations during the first half of the year. Compared against the previous year, however, changes in outstanding credits levelled off and the weakening of the credit portfolio slowed down. The increase in outstanding commitments was moderate when compared to the corresponding period in 2009. At the end of June, outstanding commitments totalled EUR 3.1 billion, which was EUR 60 million more than at the turn of the year.

Aside from the rise in outstanding commitments, credit risks were increased by a decline in the risk ratings of some clients and changes made in the grounds for valuing collateral. At the end of June, non-performing and zero-interest claims accounted for 3.8 per cent of outstanding commitments.

Impairment losses on receivables and guarantee losses were 34 per cent less than during the corresponding period in 2009. However, the economic situation still involves major uncertainties; credit risks in domestic operations will therefore remain at a high level in 2010. Business turnaround is an important means for limiting losses when enterprises encounter difficulties. The goal is to restore profitable business in cooperation with other financiers.

Venture capital investments and investments in subsidiaries

Subsidiaries monitor the risks of their own investments independently and report on these risks separately. The investment portfolios of companies engaged in venture capital investments are valued as recommended by the Finnish Venture Capital Association.

In addition, the companies are monitored by classifying each subsidiary by means of risk rating methods. The parent company's liability for investments on 30 June 2010 is specified below. No changes occurred in investments during the period under review.

Name	Liability (MEUR)
Seed Fund Vera Ltd	89.0
Veraventure Ltd	48.6
Finnish Export Credit Ltd	20.1
Matkailunkehitys Nordia Oy	6.8
Spikera Oy	0.1

Foreign risk-taking

At the end of the period under review, Finnvera's outstanding commitments in foreign operations totalled EUR 9.9 billion, or EUR 0.3 billion more than at the start of the year. Measured by the number of applications, the demand for export credit guarantees remained brisk during the first half of the year as exporters and banks hedged their risks. The ratings of buyers, banks and countries subject to risks continued to decline slightly but this trend is expected to level off during the second half of the year. Fairly few losses have been realised in export credit guarantee operations so far, but continued uncertainty in the economy will increase the risk of losses in the future. The risks associated with certain individual business concentrations, the shipyard and shipping industries, and some banks are high.

Finnvera plc's subsidiary Finnish Export Credit Ltd (FEC) administers interest equalisation on behalf of the government, engages in export financing based on withholding tax agreements and provides refinancing for export credits.

The value of outstanding loans arranged by Finnish Export Credit for export financing totalled EUR 901 million as per 30 June 2010 (EUR 563 million on 31 December 2009). Outstanding loans pertaining to refinancing amounted to EUR 268 million as per 30 June 2010 (280 million). The credit risk associated with export financing and refinancing has been covered using Finnvera's guarantee or bank guarantees.

The value of interest equalisation agreements as at 30 June 2010 totalled EUR 1.6 billion, or EUR 0.1 billion less than at the start of the year. Offers given totalled EUR 6.2 billion, or EUR 1.0 billion more than at the start of the year. The State Treasury monitors the risk position and is responsible for hedging measures that help keep the overall risk of the agreements within set limits.

The State of Finland is directly responsible for any losses incurred in interest equalisation and gets any profits gained thereby; interest equalisation therefore does not affect the Finnvera Group's financial performance.

Changes in Group Structure

In May–June, Finnvera sold one subsidiary and four associates that had provided real-estate services within the Group.

At the end of the period under review, the Group had five subsidiaries and two associates.

Personnel and Corporate Governance

On 30 June 2010, the Finnvera Group had 446 employees (427 on 31 December 2009), of whom 401 (405) had permanent contracts and 45 (22) had fixed-term contracts.

Supervisory Board, Board of Directors and auditor

Finnvera's Annual General Meeting elects the members of the Supervisory Board and the Board of Directors.

The Annual General Meeting elected the following new members to the Supervisory Board on 27 April 2010: Lasse Hautala, Member of Parliament; Anna-Maja Henriksson, Member of Parliament; Jarmo Hietanen, Chairman; Tapio Mäkeläinen, Labour Market Director; and Jarkko Wuorinen, Chairman. Johannes Koskinen, Member of Parliament, was re-elected Chairman of the Supervisory Board. Kyösti Karjula, Member of Parliament, was re-elected First Vice Chairman and Reijo Paajanen, Member of Parliament, Second Vice Chairman. The following members continue on the Supervisory Board: Kaija Erjanti, Director; Sinikka Hurskainen, Member of Parliament; Matti Kauppila, Member of Parliament; Leila Kurki, Senior Adviser; Ville Niinistö, Member of Parliament; Petri Pihlajaniemi, Member of Parliament; Hannele Pohjola, Director, Innovation and Growth Policy; Tuomo Puumala, Member of Parliament; Tuija Saari, Liaison Officer; and Timo Vallittu, Chairman.

The new regular members elected by the Annual General Meeting to the Board of Directors on 27 April 2010 are Timo Lindholm, Chief Economist, and Heikki Solttila, Financial Counsellor. Kalle J. Korhonen, Under-Secretary of State, continues to chair the Board of Directors. Heikki Solttila, Financial Counsellor, was elected the First Vice Chairman and Pekka Huhtaniemi, Under-Secretary of State, continues as the Second Vice Chairman. The following members continue on the Board of Directors: Pirkko-Liisa Hyttinen, Regional Director; Timo Kekkonen, Director; Marja Merimaa, Labour Market Counsellor; and Janne Metsämäki, Head of Unit, Economic and Industrial Policy. Governmental Counsellor Elise Pekkala and Financial Counsellor Kristina Sarjo continue as deputy members.

On 15 June 2010, Finnvera's Extraordinary General Meeting of Shareholders elected Under-Secretary of State Esko Hamilo to the Board of Directors. He will also serve as the Second Vice Chairman of the Board as of 1 August 2010. Hamilo succeeds Pekka Huhtaniemi, who has taken up the post of Finland's Ambassador to London.

KPMG Oy Ab was elected Finnvera's regular auditor with Raija-Leena Hankonen, Authorised Public Accountant, as the principal auditor.

Changes in the Operating Environment and in Industrial and Ownership Policies

Study on public financing to stimulate growth

In January, Minister of Economic Affairs Mauri Pekkarinen commissioned Professor Vesa Puttonen to investigate public-sector measures for promoting enterprise growth. The investigator's report was published in May, after which the Ministry of Employment and the Economy appointed a working group to study the practical implementation of the measures presented in the report. The working group, consisting of civil servants, submitted its report at the end of June.

The EU's state aid rules applied to Finnvera's guarantees

As of the start of 2010, Finnvera's guarantees are included within the scope of the European Union's state aid rules.

Depending on the type of aid selected, the calculation of aid is specific to each project or each company. In a case of project-specific aid, the amount of aid may not exceed a certain percentage of the project costs, as defined by the EU Commission. Company-specific aid has a certain maximum limit for the aid that the company can receive within a period of three tax years. The calculation also includes aid that the company receives, or has received, from other public bodies, such as municipalities, Centres for Economic Development, Transport and the Environment, and Tekes.

Finnvera's authorisation to grant loans and guarantees

On 24 February 2010, the Ministry of Employment and the Economy decided that the total sum of non-subsidised loans and guarantees that Finnvera is authorised to grant in 2010 is EUR 800 million. In addition, in line with the State Budget for 2010, Finnvera can grant EUR 138.3 million in credits covered by regional interest subsidy schemes and a total of EUR 134.3 million in credits encompassed by special interest subsidy schemes in accordance with aid programmes supported on industrial policy grounds. Thus, the total sum of credits and guarantees covered by the State's commitment to compensate for losses that Finnvera can grant during 2010 is EUR 1,072.6 million.

Support for projects in neighbouring areas

The Government has granted an appropriation of EUR 800,000 for projects carried out in Finland's neighbouring areas in Russia in 2010. In the projects financed by the Ministry for Foreign Affairs, Finnvera serves as an expert and as a liaison organisation.

Finnvera sold its premises

Finnvera's properties in Kuopio and Rovaniemi and Finnvera's shares in property companies in Joensuu, Lappeenranta, Mikkeli, Oulu, Pori and Vaasa were sold during the period under review. Negotiations on the sale of premises in Jyväskylä and Kajaani continue. Finnvera will remain in all of its premises which were sold as a lessee with a five-year lease. Finnvera and Senate Properties have signed a lease on business premises in the Väinölänniemi section of Kuopio. Finnvera is selling its premises because property ownership is not the company's core business. The selling of the premises has no effect on the number of regional offices or their personnel.

Events after the Period under Review

There have been no essential events after the period under review.

Foreseeable Risks and Future Prospects

A turn in the economy seems to have taken place during late spring together with a rise in export demand. However, it will still take some time before the upswing in the export transactions of large companies and increased requests for tender are concretised as deals and financing needs among SMEs. Several investments in renewable energy are being planned but their launch seems to be waiting for government decisions about energy subsidies. Company acquisitions and various ownership arrangements are gaining momentum. The increase in investments, too, has been modest so far. Prospects have not improved much for companies that have already been in difficulty, and credit losses may rise towards the end of the year.

Finland's capital goods exports have started to revive, which helps maintain export demand. At Finnvera, outstanding commitments pertaining to the exports of telecommunications networks, in particular, are increasing. Banks are uncertain about the details of the new bank regulation system under preparation and its effects on the market. This makes it more difficult to arrange long-term enterprise financing and financing for the buyers of capital goods exports, even when collateral is available. Active demand for short-term credit insurance continues. This implies that there are still market failures in the availability of credit insurance. The European Commission is expected to issue a stand on the provision of credit insurance by public guarantee institutions in industrialised countries.

According to the current estimate, Finnvera's financial performance for 2010 is likely to be better than that for 2009. However, if more risks materialise than has been anticipated, the situation may change considerably.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR 1,000)	Note	1 Jan - 30 June 2010			1 Jan - 30 June 2009		
INTEREST INCOME							
Loans		32 879			35 414		
Subsidies passed on to customers		8 249			8 346		
Export credit and special guarantee receivables		118			218		
Guarantee receivables		399			1 672		
Other		1 807	+	43 452	2 861	+	48 511
INTEREST EXPENSES			-	15 597		-	17 828
OTHER INTEREST SUBSIDIES			+	137		+	189
NET INTEREST INCOME			+	**27 991**		+	**30 873**
NET FEE AND COMMISSION INCOME			+	43 990		+	36 853
GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE	8)		-	1 092		-	53
NET INCOME FROM INVESTMENTS							
Debt securities		0			-260		
Shares and participations		157			1 493		
Investment property		-1			-65		
Associates		47	+	203	41	+	1 208
OTHER OPERATING INCOME			+	4 815		+	2 883
ADMINISTRATIVE EXPENSES							
Employee benefit expenses							
Wages and salaries		11 761			11 778		
Social security costs		2 874			3 317		
Other administrative expenses		6 164	-	20 799	7 359	-	22 453
OTHER OPERATING EXPENSES			-	3 369		-	7 484
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS							
Loans and guarantees	2)						
Credit loss compensation from state		30 883			45 866		
Export credit guarantees and special guarantees		-9 226			-8 659		
		5 792	-	27 449	6 585	-	43 792
OPERATING PROFIT			+	**24 291**		+	**1 964**
INCOME TAX EXPENSE							
Current tax expense		-1 268			1 614		
Deferred tax expenses		-615	-	-1 883	-832	-	782
PROFIT FOR THE PERIOD				**26 175**		-	**2 747**
COMPONENTS OF OTHER COMPREHENSIVE INCOME							
Change in the fair value of shares			+	815		-	1 183
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			+	**26 990**		-	**3 930**
Distribution of the profit for the period							
Attributable to							
Equity holders of the parent company				26 410		-	2 527
Minority interest			-	235		-	219
			+	**26 175**		-	2 747
Distribution of the total comprehensive income for the period							
Attributable to							
Equity holders of the parent company				27 226		-	3 688
Minority interest			-	235		-	242
			+	**26 990**		-	**3 930**

CONSOLIDATED BALANCE SHEET

(EUR 1,000)

ASSETS

		30 June 2010		31 Dec 2009
Loans and receivables from credit institutions		182 665		167 566
Loans and receivables from customers				
Loans	2 098 980		1 992 500	
Guarantee receivables	30 157		32 501	
Receivables from export credit and special guarantee operations	2 834	2 131 972	4 417	2 029 419
Investments				
Debt securities	150 411		175 979	
Associates	38 130		40 895	
Other shares and participations	57 617		74 870	
Investment property	1 133	247 291	1 249	292 993
Derivatives		46 930		8 536
Intangible assets		2 721		3 540
Property and equipment				
Properties	1 550		8 021	
Equipment	1 924	3 474	2 148	10 169
Other assets				
Credit loss receivables from the state	18 612		9 371	
Other	5 096	23 708	5 429	14 800
Prepayments and accrued income		20 124		11 570
Tax assets		770		853
TOTAL ASSETS		**2 659 655**		**2 539 446**

CONSOLIDATED BALANCE SHEET

(EUR 1,000)

	Note		30 June 2010			31 Dec 2009	
LIABILITIES							
Liabilities to credit institutions	4)		273 154			418 154	
Liabilities to other institutions	4)		421 726			367 064	
Debt securities in issue	4)		1 024 150			861 256	
Derivatives	3)		3 355			11 191	
Provisions			38 811			38 535	
Other liabilities			58 080			58 210	
Accruals and deferred income			152 473			121 037	
Tax liabilities			1 417			1 602	
Capital loans	4)		89 841	2 063 006		93 394	1 970 442
EQUITY							
Equity attributable to the parent company's shareholders							
Share capital			196 605			196 605	
Share premium			51 036			51 036	
Fair value reserve			-184			-1 000	
Unrestricted funds							
Fund for domestic operations		125 249			133 931		
Fund for export credit guarantees and special guarantees		186 368			153 289		
Other					59		
Retained earnings		26 314	337 931		23 086	310 365	
Minority interest			11 261	596 649		11 998	569 004
TOTAL LIABILITIES AND EQUITY				**2 659 655**			**2 539 446**

FINNVERA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	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 2009	**196 605**	**51 036**	**-614**	**141 348**	**130 642**	**59**	**20 480**	**539 556**	**12 625**	**552 181**
Total comprehensive income for the period			-1 183				-2 527	-3 710	-219	-3 929
Adjustments								0	-212	-212
Transfer to funds				-7 417	22 647		-15 230	0	0	0
Balance at 30 June 2009	**196 605**	**51 036**	**-1 797**	**133 931**	**153 289**	**59**	**2 723**	**535 846**	**12 194**	**548 040**
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
Adjustments							1 214	1 214	-502	713
Transfer to funds				-8 682	33 079	-59	-24 397	-59		-59
Balance at 30 June 2010	**196 605**	**51 036**	**-184**	**125 249**	**186 368**	**0**	**26 314**	**585 388**	**11 261**	**596 649**

CONSOLIDATED STATEMENT OF CASH FLOW

(EUR 1,000)

	1 Jan - 30 June 2010	1 Jan - 30 June 2009
Cash flows from operating activities		
Withdrawal of loans granted	-225 980	-338134
Repayments of loans granted	158 628	130137
Purchase of investments	-7 336	-6108
Proceeds from investments	76	5024
Interest received	32 405	42881
Interest paid	-15 632	-22641
Interest subsidy received	6 598	11164
Payments received from commission income	77 278	40903
Payments received from other operating income	8 954	15848
Payments for operating expenses	-26 886	-11788
Claims paid	-20 051	-30964
Taxes paid	1 360	-1958
Net cash used in (-) / from (+) operating activities (A)	**-10 586**	**-165636**
Cash flow from investing activities		
Purchase of property and equipment and intangible assets	-332	-922
Purchase of other investments	0	0
Proceeds from other investments	10 347	0,0
Dividends received from investments	422	811
Net cash used in (-) / from (+) investing activities (B)	**10 437**	**-111,0**
Cash flows from financing activities		
Rights issue	0	0
Proceeds from loans	188 040	345160
Repayment of loans	13	-149778
Payments of derivatives	-219 597	-189
Net cash used in (-) / from (+) financing activities (C)	**-31 544**	**195 193**
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease(-)	**-31 693**	**29 446**
Cash and cash equivalents at the beginning of the period	**385 076**	**243 518**
Cash and cash equivalents at the end of the period	**353 383**	**272 964**
Cash and cash equivalents at the end of the period		
Receivables from credit institutions	182 668	175 828
Debt securities	150 410	63 119
Investments in short-term interest funds	20 305	34 017
	353 383	**272 964**

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 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 during 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.

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.

In the consolidated financial statements intra-group transactions, receivables and liabilities are eliminated.

Assessment of the profitability of Finnvera's segments, and decisions concerning resources allocated to segments, are based on operating profit.

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

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN 2009 - 30 JUNE 2010
(EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internalisation	Export financing	Capital investments	Eliminations	Total
Net interest income	5 973	14 460	4 979	1 753	825	0	27 991
Net fee and commission income	2 274	8 378	5 325	28 014	0	-1	43 990
Net impairment loss on financial assets	-3 539	-15 936	-3 107	-3 903	-963	0	-27 449
Operating expenses *	-6 128	-7 120	-3 630	-4 979	-2 195	1 137	-22 915
Depreciation and amortization	-201	-307	-258	-486	0	0	-1 253
Other income, net**	41	-310	-195	3 588	2 113	-1 310	3 926
Operating profit	**-1 580**	**-834**	**3 114**	**23 987**	**-221**	**-174**	**24 291**
Loans and receivables from customers	324 065	1 055 605	381 049	353 820	18 744	-1 310	2 131 972
Total assets	**303 995**	**999 652**	**396 575**	**773 457**	**189 196**	**-3 220**	**2 659 655**
Total liabilities	**252 653**	**808 773**	**354 100**	**525 467**	**123 688**	**-1 676**	**2 063 006**

CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN 2009 - 30 JUNE 2009
(EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internalisation	Export financing	Capital investments	Eliminations	Total
Net interest income	6 054	13 607	5 491	3 985	1 736	0	30 873
Net fee and commission income	2 223	8 374	4 327	21 923	12	-6	36 853
Net impairment loss on financial assets	-3 514	-20 002	-14 261	-5 395	-620	0	-43 792
Operating expenses *	-6 403	-7 763	-3 852	-5 202	-2 317	1 063	-24 474
Depreciation and amortization	-1 397	-2 294	-1 099	-673	0	0	-5 463
Other income, net**	768	3 513	663	314	127	-1 346	4 039
Operating profit	**-2 269**	**-4 565**	**-8 731**	**14 952**	**-1 062**	**-289**	**-1 964**
Loans and receivables from customers	318 995	944 283	333 239	24 529	17 323	-1 335	1 637 034
Total assets	**354 438**	**896 696**	**299 747**	**351 710**	**128 094**	**-3 250**	**2 027 435**
Total liabilities	**256 848**	**741 942**	**272 288**	**148 221**	**61 467**	**-1 370**	**1 479 396**

*) 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 30,883 thousand in the first six months (30.6.2009 EUR 45,866 thousand).

3. DERIVATIVES

(EUR 1,000)	6/2010			12/2009		
	Fair value positive	**Fair value negative**	**Total nominal value**	**Fair value positive**	**Fair value negative**	**Total nominal value**
Interest rate derivatives	1 271	0	50 000	1 660	0	50 000
Currency derivatives	45 660	3 355	847 032	6 876	11 191	734 830
Total derivatives	**46 930**	**3 355**	**897 032**	**8 536**	**11 191**	**784 830**

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 2010	784 847	785 217
New loans	0	0
Repayments	-158 137	-158 137
Changes in fair value	66 423	67 799
Carrying amount at 30 June 2010	**693 133**	**694 879**

Debt securities in issue (EUR 1,000)	**Nominal value**	**Carrying amount**	**Nominal interest rate**	**Maturity**
Carrying amount at 1 Jan 2010	848 795	861 256		
Debt securities in issue				
NOK 800 million	99 626	99 626	3,86	23.4.2015
NOK 800 million	101 551	101 551	3,45	29.6.2015
Repayments	-72 900	-72 900		
Changes in fair value	25 860	34 617		
Carrying amount at 30 June 2010	**1 002 932**	**1 024 150**		

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

Capital loans (EUR 1.000)	**89 841**

5. CONTINGENT LIABILITIES AND COMMITMENTS

(EUR 1,000)	**30 June 2010**	**31 Dec 2009**
Off-balance sheet items		
Guarantees	1 025 996	1 006 987
Export guarantees and special guarantees	9 970 603	9 664 982
Total guarantees	**10 996 599**	**10 671 969**
Binding financing offers	**991 900**	**952 870**

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 Jan - 30 June 2010**	**Purchases of services n - 30 June 2010**	**Balance of receivables 30 June 2010**	**Balance of guarantees 30 June 2010**
	115	**538**	**19 618**	**478**

7. KEY FIGURES AND THEIR CALCULATION

Equity ratio	22,4	27,0
Capital adequacy ratio	14,8	13,6
Expense-income ratio	0,3	0,4

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 June 2010**	**30 June 2009**
Derivatives	42 621	30 464
Liabilities designated fair value through profit and loss	-44 403	-28 100
Exchange rate differences	3 077	-82
Venture capital investments; fair value changes	-2 386	-2 335
	-1 092	**-53**

FINNVERA PLC

COMPREHENSIVE INCOME STATEMENT

(EUR 1,000)	Note	1 Jan - 30 June 2010			1 Jan - 30 June 2009		
INTEREST INCOME							
Loans		23 782			34 551		
Subsidies passed on to customers		8 249			8 346		
Export credit and special guarantee receivables		118			218		
Guarantee receivables		399			1 672		
Other		1 029	+	33 576	1 782	+	46 568
INTEREST EXPENSES			-	6 765		-	17 527
OTHER INTEREST SUBSIDIES			+	137		+	189
NET INTEREST INCOME			+	**26 948**		+	**29 230**
NET FEE AND COMMISSION INCOME			+	43 258		+	36 466
GAINS AND LOSSES FROM FINANCIAL INTRUMENTS CARRIED AT FAIR VALUE	**8)**		+	1 339		+	2 256
NET INCOME FROM INVESTMENTS							
Shares and participations		808			1 652		
Debt securities		0			0		
Investment property		0	+	808	306	+	1 958
OTHER OPERATING INCOME			+	4 865		+	2 943
ADMINISTRATIVE EXPENSES							
Employee benefit expenses							
Wages and salaries		11 029			11 113		
Social security costs		2 764			3 180		
Other administrative expenses		5 595	-	19 388	6 474	-	20 766
OTHER OPERATING EXPENSES			-	3 330		-	7 454
NET IMPAIRMENT LOSS ON FINANCIAL ASSETS							
Loans and receivables	**2)**	29 920			45 246		
Credit loss compensation from state		-9 226			-8 659		
Export credit and special guarantee		5 792	-	26 486	6 585	-	43 172
OPERATING PROFIT			+	28 016		+	1 462
INCOME TAX EXPENSE							
Taxes on previous years			+	1 578		-	1 548
PROFIT/LOSS FOR THE PERIOD			+	29 594		-	86
OTHER COMPREHENSIVE INCOME							
Change in the fair value of shares			-	4		+	64
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			+	**29 591**		-	**22**

FINNVERA PLC

BALANCE SHEET

(EUR 1,000)

		30 June 2010		31 Dec 2009
ASSETS				
Loans and receivables from credit institutions		94 756		96 807
Loans and receivables from customers				
Loans	1 729 488		1 663 889	
Guarantee receivables	30 157		32 501	
Receivables from export credit and special guarantee operations	2 834	1 762 480	4 417	1 700 807
Investments				
Debt securities	144 411		167 681	
Investments in group companies	164 784		165 265	
Associates	602		4 052	
Other shares and participations	15 810		15 822	
Investment property	384	325 990	493	353 313
Derivatives		44 836		8 536
Intangible assets		2 780		3 502
Property and equipment				
Properties	1 550		6 456	
Equipment	1 914	3 464	2 045	8 501
Other assets				
Credit loss receivables from the state	18 612		9 371	
Other	5 376	23 988	5 732	15 103
Prepayments and accrued income		15 238		7 425
TOTAL ASSETS		**2 273 531**		**2 193 995**

FINNVERA PLC

BALANCE SHEET

(EUR 1,000)

	Note		30 June 2010			31 Dec 2009	
LIABILITIES	**Note**						
Liabilities to credit institutions	**4)**		273 154			418 154	
Liabilities to other institutions							
At fair value through profit or loss	**4)**		46 324			37 919	
Debt securities in issue							
At fair value through profit or loss	**4)**		1 024 150			861 256	
Derivatives	**3)**		4 788			9 726	
Provisions			38 811			38 535	
Other liabilities			57 973			57 362	
Accruals and deferred income			149 032			117 781	
Capital loans	**4)**		89 841	1 684 073		93 394	1 634 127
EQUITY							
Equity attributable to the parent company's shareholders							
Share capital			196 605			196 605	
Share premium			51 036			51 036	
Fair value reserve			-235			-232	
Unrestricted funds					133 931		
Fund for domestic operations		125 249			153 289		
Fund for export credit guarantees and special guarantees		186 368			25 238		
Retained earnings		30 435	342 052	589 458		312 458	559 868
TOTAL LIABILITIES AND EQUITY				**2 273 531**			**2 193 995**

FINNVERA

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	Retained earnings	Total
Balance at 1 Jan 2009	**196 605**	**51 036**	**-313**	**141 348**	**130 642**	**16 071**	**535 389**
Total comprehensive income for the period			64			-86	-22
Transfer between funds				-7 417	22 647	-15 230	0
Balance at 30 June 2009	**196 605**	**51 036**	**-249**	**133 931**	**153 289**	**755**	**535 367**
Balance at 1 Jan 2010	**196 605**	**51 036**	**-231**	**133 931**	**153 289**	**25 238**	**559 868**
Total comprehensive income for the period			-4			29 594	29 590
Transfer between funds				-8 682	33 079	-24 397	0
Balance at 30 June 2010	**196 605**	**51 036**	**-235**	**125 249**	**186 368**	**30 435**	**589 458**

FINNVERA PLC'S STATEMENT OF CASH FLOW

(EUR 1,000)

	1 Jan - 30 June 2010	1 Jan - 30 June 2009
Cash flows from operating activities		
Withdrawal of loans granted	-223 198	-323 602
Repayments of loans granted	144 474	128 333
Purchase of investments	0	0
Proceeds from investments	0	2 785
Interest received	22 800	40 828
Interest paid	-7 107	-22 039
Interest subsidy received	6 598	11 164
Payments received from commission income	75 667	40 513
Payments received from other operating income	4 682	15 873
Payments for operating expenses	-24 072	-9 457
Claims paid	-20 051	-30 964
Taxes paid	1 578	-1 548
Net cash used in (-) / from (+) operating activities (A)	**-18 629**	**-148 114**
Cash flow from investing activities		
Purchase of property and equipment and intangible assets	-328	-922
Purchase of other investments	0	0
Proceeds from other investment	10 340	0
Dividends received from investments	18	375
Net cash used in (-) / from (+) investing activities (B)	**10 030**	**-547**
Cash flows from financing activities		
Rights issue	0	0
Proceeds from loans	201177	341 116
Repayment of loans	-217 900	-145 000
Net cash used in (-) / from (+) financing activities (C)	**-16 723**	**196 116**
Net change in cash and cash equivalents (A+B+C) increase (+) / decrease(-)	**-25 322**	**47 455**
Cash and cash equivalents at the beginning of the period	**264 488**	**133 904**
Cash and cash equivalents at the end of the period	**239 166**	**181 359**
Cash and cash equivalents at the end of period		
Receivables from credit institutions	**94 756**	125 940
Debt securities	**144 410**	55 419
	239 166	**181 359**

FINNVERA PLC

1. SEGMENT INFORMATION

Segment reporting in Finnvera 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 during 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.

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.

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

FINNVERA PLC:S INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN 2010 - 30 JUNE 2010
(EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internationalisation	Export financing	Capital investments	Finnvera plc total
Net interest income	5 973	14 465	4 979	1 531	0	26 948
Net fee and commission income	2 274	8 378	5 325	27 281	0	43 258
Net impairment loss on financial assets	-3 539	-15 936	-3 107	-3 903	0	-26 485
Operating expenses *	-6 128	-7 069	-3 630	-4 640	0	-21 467
Depreciation and amortization	-201	-307	-258	-485	0	-1 251
Other income, net**	41	-326	-196	3 364	4 130	7 013
Operating profit	**-1 580**	**-795**	**3 114**	**23 148**	**4 130**	**28 016**
Total assets	**303 995**	**998 206**	**396 575**	**391 514**	**183 241**	**2 273 531**
Loans and receivables from customers	324 065	1 055 268	381 049	2 098	0	1 762 480
Total liabilities	**252 653**	**807 095**	**354 100**	**148 049**	**122 176**	**1 684 073**

FINNVERA PLC:S INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN 2009 - 30 JUNE 2009
(EUR 1,000)

	Micro financing	Regional financing	Financing for growth and internationalisation	Export financing	Capital investments	Finnvera plc total
Net interest income	6 054	13 631	5 491	4 054	0	29 230
Net fee and commission income	2 223	8 374	4 327	21 542	0	36 466
Net impairment loss on financial assets	-3 514	-20 002	-14 261	-5 395	0	-43 172
Operating expenses *	-6 403	-7 705	-3 852	-4 804	0	-22 764
Depreciation and amortization	-1 397	-2 293	-1 099	-667	0	-5 456
Other income, net**	768	3 816	663	169	1 742	7 158
Operating profit	**-2 269**	**-4 179**	**-8 731**	**14 899**	**1 742**	**1 462**
Total assets	**354 438**	**893 854**	**299 747**	**313 128**	**114 468**	**1 975 635**
Loans and receivables from customers	318 995	943 947	333 239	1 329	0	1 597 510
Total liabilities	**256 848**	**740 158**	**272 288**	**111 533**	**59 441**	**1 440 268**

*) 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 26,486 thousand in the first three months (30 June 2009 EUR 43,172 thousand).

3. DERIVATIVES

(EUR 1,000)

	30 June 2010			31 Dec 2009		
	Fair value positive	**Fair value negative**	**Nominal value**	**Fair value positive**	**Fair value negative**	**Nominal value**
Interest rate derivatives	1 271	0	50 000	1 660	0	50 000
Currency derivatives	43 565	4 788	801 072	6 876	9 726	736 344
Total derivatives	**44 836**	**4 788**	**851 072**	**8 536**	**9 726**	**786 344**

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 2010	455 703	456 072
New loans	0	0
Repayments	-145 000	-145 000
Changes in fair value	8 411	8 405
Carrying amount at 30 June 2010	**319 114**	**319 477**

Debt securities in issue (EUR 1,000)	**Nominal value**	**Carrying amount**	**Nominal interest rate**	**Maturity**
Carrying amount at 1 Jan 2010	848 795	861 256		
Debt securities in issue				
NOK 800 million	99 626	99 626	3,86	23.4.2015
NOK 800 million	101 551	101 551	3,45	29.6.2015
Repayments	-72 900	-72 900		
Changes in fair value	25 860	34 617		
Carrying amount at 30 June 2010	**1 002 932**	**1 024 150**		

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

Capital loans (EUR 1.000)	89 841

5. CONTINGENT LIABILITIES AND COMMITMENTS

(EUR 1,000)	**30 June 2010**	**31 Dec 2009**
Off-balance sheet items		
Guarantees	1 025 996	1 006 987
Export guarantees and special guarantees	9 970 603	9 664 982
Total guarantees	**10 996 599**	**10 671 969**
Binding financing offers	**216 702**	**251 773**

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 Jan - 30 June 2010**	**Purchases of services 1 Jan - 30 June 2010**	**Balance of receivables 30 June 2010**	**Balance of guarantees 30 June 2010**
	3	**536**	**60**	**478**

FINNVERA

7. KEY FIGURES AND THEIR CALCULATION

	30 June 2010	30 June 2009
Equity ratio	25,9	27,1
Capital adequacy ratio	14,3	13,0
Expense-income ratio	0,3	0,4

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)

	30 June 2010	30 June 2009
Derivatives	41 238	32 547
Liabilities designated fair value through profit and loss	-43 022	-30 222
Exchange rate differences	3 123	-69
	1 339	**2 256**

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

Helsinki 26 August 2010

Kalle J. Korhonen

Esko Hamilo

Pirkko-Liisa Hyttinen

Timo Kekkonen

Timo Lindholm

Marja Merimaa

Janne Metsämäki

Heikki Solttila

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