# INTERIM REPORT 1 JANUARY–31 MARCH 2010

FINNVERA

# FINNVERA GROUP

# INTERIM REPORT 1 JANUARY-31 MARCH 2010

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## Business Operations

Demand for Finnvera's domestic financing during the first quarter of the year totalled EUR 419.3 million, or 37 per cent less than during the same period the year before. The number of applications was 8 per cent lower than during the corresponding period last year, but higher than in 2008.

The value of loans and guarantees granted by Finnvera amounted to EUR 211.0 million, or 23 per cent less than during the first quarter in 2009. A total of EUR 15.7 million in counter-cyclical financing was granted to almost 60 enterprises.

Demand for export credit guarantees and special guarantees during the period under review came to EUR 1,476.8 million, or 47 per cent less than the year before. In contrast, the number of applications doubled. The total value of export credit guarantees and export guarantees offered by Finnvera was EUR 421.6 million (509.1 million). Export projects pertained to the traditional export sectors, i.e. telecommunications, forest industry, power generation and shipbuilding.

## The Company's Financial Trend

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

### Financial performance

The Finnvera Group's profit for the period under review totalled EUR 12.6 million. Financial performance for the corresponding period in 2009 was EUR –0.8 million; in other words, financial performance improved by EUR 13.5 million on the previous year.

The factors having the greatest effects on the Group's financial performance were the net increase of EUR 4.7 million in Finnvera plc's fee and commission income and expenses, and the decline of EUR 8.8 million in Finnvera's share of impairment losses on receivables and guarantee losses; the latter sum was fully attributable to the parent company. Owing to the amendment made to the State's commitment to compensate for credit and guarantee losses, the State's compensation for losses was cut by one quarter, or by EUR 1.8 million out of a total reduction of EUR 7.0 million in the State's share. In 2009, the cut had been EUR 4.0 million. However, this was revoked later in the year because of the loss shown by Finnvera's domestic operations. Moreover, a residual tax of EUR 1.5 million paid in 2009 but refunded during the period under review improved the Group's performance.

The parent company, Finnvera plc, showed a profit of EUR 12.8 million, or EUR 13.7 million more than for the corresponding period in 2009.

The Group's fee and commission income of EUR 22.5 million included EUR 15.6 million in fees and commissions received by the parent company for export credit guarantees and special guarantees, and EUR 5.0 million in commissions paid for domestic guarantees. The Group's handling fees for loans and guarantees totalled EUR 1.7 million while the Group's other fee and commission income came to EUR 0.2 million. Fee and commission expenses totalled EUR 0.3 million.

Gains and losses from items carried at fair value include changes in the fair value of liabilities and in the fair value of interest rate, and currency swaps concluded to hedge these liabilities (EUR –1.4 million) and exchange rate differences (EUR 1.4 million).

Net income from investments includes EUR 0.1 million in dividends and EUR 0.2 million in net income from shares on sale.

The Group's other operating income, EUR 0.4 million, includes the management fee paid by the State Guarantee Fund for management of the 'old' portfolio of export credit guarantees and special guarantees arisen before 1999, and a management fee associated with financing granted by the ERDF.

Interest subsidies paid by the State and by the European Regional Development Fund (ERDF) to Finnvera plc totalled EUR 4.2 million (4.2 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 4.1 million, of which EUR 1.0 million came from the ERDF and EUR 1.2 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 that Finnvera plc's clients paid for loans on 31 March 2010 was 2.61 per cent (4.48), while the mean interest rate paid by Finnvera for borrowing was 0.94 per cent (3.26).

### Impairment losses on receivables, guarantee losses

Finnvera plc's share of impairment losses on receivables and guarantee losses came to EUR 12.8 million, of which credits and domestic guarantees accounted for EUR 11.9 million and export credit guarantees and special guarantees for EUR 0.9 million. During the corresponding period the year before, these losses amounted to EUR 21.5 million; thus, there was a decrease of EUR 8.8 million. The subsidiaries had no losses.

Finnvera plc's final credit and guarantee losses for the period under review amounted to EUR 13.2 million. EUR 1.4 million in losses recorded earlier was cancelled; thus, net losses came to EUR 11.8 million (11.1 million). In addition, the income statement includes an increase of EUR 4.8 million in individually and collectively assessed impairment losses on loans and in provisions for guarantee losses. Thus, the parent company's impairment losses on credits and guarantees totalled EUR 16.6 million. After the reduction of EUR 1.8 million in the State's compensation for losses, the State's and the ERDF's share was EUR 4.8 million; thus, Finnvera's share of losses totalled EUR 11.9 million.

During the period under review, the claims paid by the parent company by virtue of export credit guarantees and special guarantees amounted to EUR 1.8 million. Funds recovered totalled EUR 0.1 million. Provisions for guarantee losses and recovery receivables decreased by EUR 0.8 million. Thus, total losses came to EUR 0.9 million (0.9 million).

### Outstanding commitments

On 31 March, Finnvera's outstanding credits amounted to EUR 1,702.9 million (1,663.9 million). Outstanding domestic guarantees totalled EUR 1,020.1 million (1,007.0 million). The entire Group's loan receivables were EUR 2,054.3 million.

The book value of Finnvera plc's outstanding commitments, as referred to in the Act on the State's Export Credit Guarantees, came to EUR 7,709.7 million as per 31 March 2010 (7,930.2 million). Outstanding commitments arising from export credit guarantees and special guarantees (current commitments and offers given) totalled EUR 9,743.1 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 83.3 million.

The parent company's non-performing and other zero-interest receivables totalled EUR 146.9 million on 31 March (128.8 million).

### Capital adequacy and acquisition of funds

The Finnvera Group's capital adequacy calculated according to the Basel II Framework and excluding the activities involving export and special guarantees was 14.5 per cent at the end of the period under review, including the result for the period. The parent company's capital adequacy was 14.2 per cent.

No new loans were withdrawn during the first quarter of the year. In total, EUR 75 million in loans were repaid.

At the end of the period under review, the Group's long-term liabilities totalled EUR 1,719.3 million. The figure for the parent company was EUR 1,368.3 million, of which subordinated loans accounted for EUR 93.4 million.

## Changes in Group Structure

No changes took place in Group structure during the first quarter of the year.

On 31 March 2010, the Group comprised five subsidiaries, one company providing services in the sector of business premises, and six associates.

## Personnel and Corporate Governance

On 31 March 2010, the Finnvera Group had 439 employees (427), of whom 402 (405) had permanent contracts and 37 (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.

At its meeting on 27 April 2010, Finnvera's Annual General Meeting elected new members to the company's Supervisory Board and Board of Directors.

The new members on the Supervisory Board are: **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 to the Board of Directors 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 while **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.

The Annual General Meeting also adopted the Consolidated Financial Statements and the Parent Company's Financial Statements for the period 1 January–31 December 2009, and approved the proposal made by the Board of Directors for the use of the parent company's profit for the financial year.

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

## Foreseeable Risks and Future Prospects

Demand for financing is expected to increase as the economy and investments are reviving. On the other hand, disturbances on the international financial market may create new uncertainties.

Revival of exports is slow and varies from one sector to the next. Financial markets have recovered but, on the other hand, uncertainties in economic developments and in banking regulation will raise the demand for export credit guarantees. However, it is unlikely that the demand for guarantees would reach the record levels of 2008 and 2009.

According to the current estimate, the financial performance for this year is likely to remain at the same level as in 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 - 31 March 2010 | | | 1 Jan - 31 March 2009 | | |
|---|---|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | | | |
| Loans | | 16 368 | | | 18 727 | | |
| Subsidies passed on to customers | | 4 151 | | | 4 124 | | |
| Export credit and special guarantee receivables | | 25 | | | 47 | | |
| Guarantee receivables | | 112 | | | 474 | | |
| Other | | 128 | + | 20 784 | 298 | + | 23 669 |
| **INTEREST EXPENSES** | | | - | 7 828 | | - | 10 637 |
| **OTHER INTEREST SUBSIDIES** | | | + | 68 | | + | 87 |
| **NET INTEREST INCOME** | | | + | **13 025** | | + | **13 120** |
| **NET FEE AND COMMISSION INCOME** | | | + | 22 188 | | + | 17 318 |
| **GAINS AND LOSSES FROM FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE** | **8)** | | + | 12 | | + | 2 248 |
| **NET INCOME FROM INVESTMENTS** | | | | | | | |
| Debt securities | | 0 | | | 0 | | |
| Shares and participations | | 338 | | | 2 084 | | |
| Investment property | | 4 | | | 60 | | |
| Associates | | 6 | + | 349 | 2 | + | 2 146 |
| **OTHER OPERATING INCOME** | | | + | 430 | | + | 950 |
| **ADMINISTRATIVE EXPENSES** | | | | | | | |
| **Employee benefit expenses** | | | | | | | |
| Wages and salaries | | 5 804 | | | 5 893 | | |
| Social security costs | | 1 504 | | | 1 681 | | |
| **Other administrative expenses** | | 3 052 | - | 10 359 | 3 801 | - | 11 375 |
| **OTHER OPERATING EXPENSES** | | | - | 1 680 | | - | 2 138 |
| **NET IMPAIRMENT LOSS ON FINANCIAL ASSETS** | | | | | | | |
| Loans and guarantees | **2)** | 16 611 | | | 22 470 | | |
| Credit loss compensation from state | | -4 750 | | | -1 806 | | |
| Export credit guarantees and special guarantees | | 911 | - | 12 772 | 857 | - | 21 522 |
| **OPERATING PROFIT** | | | + | **11 191** | | + | **748** |
| **INCOME TAX EXPENSE** | | | | | | | |
| Current tax expense | | -1 459 | | | 1 581 | | |
| Deferred tax expenses | | 14 | - | -1 445 | 9 | - | 1 590 |
| **PROFIT FOR THE PERIOD** | | | | **12 636** | | | **-843** |
| **COMPONENTS OF OTHER COMPREHENSIVE INCOME** | | | | | | | |
| Change in the fair value of shares | | | + | 904 | | - | -1 494 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | | + | **13 540** | | - | **-2 336** |
| **Distribution of the profit for the period** | | | | | | | |
| Attributable to | | | | | | | |
| Equity holders of the parent company | | | | 12 636 | | | -843 |
| Minority interest | | | | 23 | | | 53 |
| | | | + | **12 659** | | - | **-790** |
| **Distribution of the total comprehensive income for the period** | | | | | | | |
| Attributable to | | | | | | | |
| Equity holders of the parent company | | | | 13 540 | | | -2 410 |
| Minority interest | | | | 0 | | | 74 |
| | | | + | **13 540** | | - | **-2 336** |

## CONSOLIDATED BALANCE SHEET

(EUR 1,000)

### ASSETS

| | | 31 March 2010 | | 31 Dec 2009 |
|---|---|---|---|---|
| **Loans and receivables from credit institutions** | | 113 861 | | 167 566 |
| **Loans and receivables from customers** | | | | |
| Loans | 2 054 255 | | 1 992 500 | |
| Guarantee receivables | 36 233 | | 32 501 | |
| Receivables from export credit and special guarantee operations | 3 754 | 2 094 243 | 4 417 | 2 029 419 |
| **Investments** | | | | |
| Debt securities | 120 847 | | 175 979 | |
| Associates | 42 040 | | 40 895 | |
| Other shares and participations | 79 034 | | 74 870 | |
| Investment property | 1 326 | 243 246 | 1 249 | 292 993 |
| **Derivatives** | | 32 805 | | 8 536 |
| **Intangible assets** | | 3 176 | | 3 540 |
| **Property and equipment** | | | | |
| Properties | 7 525 | | 8 021 | |
| Equipment | 2 268 | 9 793 | 2 148 | 10 169 |
| **Other assets** | | | | |
| Credit loss receivables from the state | 13 659 | | 9 371 | |
| Other | 5 600 | 19 260 | 5 429 | 14 800 |
| **Prepayments and accrued income** | | 26 424 | | 11 570 |
| **Tax assets** | | 567 | | 853 |
| **TOTAL ASSETS** | | **2 543 374** | | **2 539 446** |

## CONSOLIDATED BALANCE SHEET

(EUR 1,000)

| | | | 31 March 2010 | | | 31 Dec 2009 | |
|---|---|---|---|---|---|---|---|
| **LIABILITIES** | **Note** | | | | | | |
| **Liabilities to credit institutions** | **4)** | | 654 749 | | | 418 154 | |
| **Liabilities to other institutions** | **4)** | | 79 502 | | | 367 064 | |
| **Debt securities in issue** | **4)** | | 891 704 | | | 861 256 | |
| **Derivatives** | **3)** | | 3 288 | | | 11 191 | |
| **Provisions** | | | 40 049 | | | 38 535 | |
| **Other liabilities** | | | 57 079 | | | 58 210 | |
| **Accruals and deferred income** | | | 138 201 | | | 121 037 | |
| **Tax liabilities** | | | 1 649 | | | 1 602 | |
| **Capital loans** | **4)** | | 93 394 | 1 959 615 | | 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** | | | -96 | | | -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 | | | 59 | | |
| Retained earnings | | 12 563 | 324 239 | | 23 086 | 310 365 | |
| **Minority interest** | | | 11 975 | 583 759 | | 11 998 | 569 004 |
| **TOTAL LIABILITIES AND EQUITY** | | | | **2 543 374** | | | **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 | | | -1 494 | | | | -843 | -2 336 | -74 | -2 410 |
| Adjustments | | | | | | | 2 011 | 2 011 | -189 | 1 822 |
| Transfer to funds | | | | -7 417 | 22 647 | | -15 230 | 0 | 0 | 0 |
| **Balance at 31 March 2009** | **196 605** | **51 036** | **-2 108** | **133 931** | **153 289** | **59** | **6 419** | **539 231** | **12 362** | **551 593** |
| **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 | | | 904 | | | | 12 659 | 13 563 | -23 | 13 540 |
| Adjustments | | | | | | | 1 215 | 1 215 | 0 | 1 215 |
| Transfer to funds | | | | -8 682 | 33 079 | | -24 397 | 0 | 0 | 0 |
| **Balance at 31 March 2010** | **196 605** | **51 036** | **-96** | **125 249** | **186 368** | **59** | **12 563** | **571 784** | **11 975** | **583 759** |

## CONSOLIDATED STATEMENT OF CASH FLOW

(EUR 1,000)

| | 1-3/2010 |
|---|---|
| **Cash flows from operating activities** | |
| Withdrawal of loans granted | -113 799 |
| Repayments of loans granted | 64 229 |
| Purchase of investments | -4 104 |
| Proceeds from investments | 76 |
| Interest received | 9 768 |
| Interest paid | -2 476 |
| Interest subsidy received | 2 237 |
| Payments received from commission income | 32 093 |
| Payments received from other operating income | 4 531 |
| Payments for operating expenses | -16 177 |
| Claims paid | -9 449 |
| Taxes paid | 1 480 |
| **Net cash used in (-) / from (+) operating activities (A)** | **-31 592** |
| | |
| **Cash flow from investing activities** | |
| Purchase of property and equipment and intangible assets | -195 |
| Purchase of other investments | 0 |
| Proceeds from other investments | 0 |
| Dividends received from investments | 513 |
| **Net cash used in (-) / from (+) investing activities (B)** | **318** |
| | |
| **Cash flows from financing activities** | |
| Rights issue | 0 |
| Proceeds from loans | 0 |
| Repayment of loans | -76 697 |
| Payments of derivatives | 0 |
| **Net cash used in (-) / from (+) financing activities (C)** | **-76 697** |
| | |
| **Net change in cash and cash equivalents (A+B+C) increase (+) / decrease(-)** | **-107 971** |
| | |
| **Cash and cash equivalents at the beginning of the period** | **385 137** |
| **Cash and cash equivalents at the end of the period** | **277 166** |
| | |
| **Cash and cash equivalents at the end of the period** | |
| Receivables from credit institutions | 113 861 |
| Debt securities | 120 847 |
| Investments in short-term interest funds | 42 460 |
| | **277 167** |



FINNVERA

## 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 - 31 MARCH 2010**
(EUR 1,000)

| | Micro financing | Regional financing | Financing for growth and internalisation | Export financing | Capital investments | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| Net interest income | 2 947 | 6 840 | 2 228 | 847 | 162 | 0 | 13 024 |
| Net fee and commission income | 1 109 | 4 188 | 2 504 | 14 387 | 0 | 0 | 22 188 |
| Net impairment loss on financial assets | -1 544 | -9 991 | -868 | -369 | 0 | 0 | -12 772 |
| Operating expenses * | -3 053 | -3 509 | -1 764 | -2 550 | -1 057 | 572 | -11 360 |
| Depreciation and amortization | -112 | -171 | -141 | -256 | 0 | 0 | -680 |
| Other income, net** | -144 | -392 | -232 | 1 478 | 646 | -565 | 791 |
| **Operating profit** | **-797** | **-3 035** | **1 727** | **13 537** | **-249** | **7** | **11 191** |
| Loans and receivables from customers | 318 101 | 1 050 940 | 371 446 | 336 156 | 18 910 | -1 310 | 2 094 243 |
| **Total assets** | **293 477** | **966 663** | **378 290** | **726 180** | **182 908** | **-4 143** | **2 543 374** |
| **Total liabilities** | **241 216** | **775 814** | **337 041** | **488 481** | **118 742** | **-1 679** | **1 959 615** |

*) 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 18,022 thousand in the first three months (31.3.2009 EUR 21,522 thousand).

## 3. DERIVATIVES

(EUR 1,000)

| | 3/2009 | | | 12/2009 | | |
|---|---|---|---|---|---|---|
| | **Fair value positive** | **Fair value negative** | **Total nominal value** | **Fair value positive** | **Fair value negative** | **Total nominal value** |
| Interest rate derivatives | 1 573 | 0 | 50 000 | 6 876 | 11 191 | 734 830 |
| Currency derivatives | 31 232 | 3 288 | 790 776 | 1 660 | 0 | 50 000 |
| **Total derivatives** | **32 805** | **3 288** | **840 776** | **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 | -75 000 | -75 000 |
| Changes in fair value | 24 051 | 24 034 |
| **Carrying amount at 31 March 2010** | **733 898** | **734 251** |

| **Debt securities in issue** (EUR 1,000) | **Nominal value** | **Carrying amount** |
|---|---|---|
| Carrying amount at 1 Jan 2010 | 848 795 | 861 256 |
| Debt securities in issue | 0 | 0 |
| Repayments | 0 | 0 |
| Changes in fair value | 24 984 | 30 447 |
| **Carrying amount at 31 March 2010** | **873 779** | **891 703** |

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

| | |
|---|---|
| **Capital loans** (EUR 1.000) | **93 394** |

## 5. CONTINGENT LIABILITIES AND COMMITMENTS

| (EUR 1,000) | **31 March 2010** | **31 Dec 2009** |
|---|---|---|
| **Off-balance sheet items** | | |
| Guarantees | 1 020 089 | 1 006 987 |
| Export guarantees and special guarantees | 9 743 094 | 9 664 982 |
| Total guarantees | **10 763 183** | **10 671 969** |
| Binding financing offers | **1 006 380** | **952 869** |

## 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 - 31 March 2010** | **Purchases of services 1 Jan - 31 March 2010** | **Balance of receivables 31 March 2010** | **Balance of guarantees 31 March 2010** |
|---|---|---|---|---|
| | **44** | **293** | **17 925** | **633** |

## 7. KEY FIGURES AND THEIR CALCULATION

| | 31 March 2010 | 31 Dec 2009 |
|---|---|---|
| Equity ratio | 23,0 | 22,4 |
| Capital adequacy ratio | 14,5 | 15,0 |
| 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) | 31 March 2010 | 31 March 2009 |
|---|---|---|
| Derivatives | 30 874 | 43 100 |
| Liabilities designated fair value through profit and loss | -32 275 | -41 589 |
| Exchange rate differences | 1 378 | 737 |
| Venture capital investments; fair value changes | 36 | 0 |
| | **12** | **2 248** |



FINNVERA

## FINNVERA PLC

## COMPREHENSIVE INCOME STATEMENT

| (EUR 1,000) | Note | 1 Jan - 31 March 2010 | | | 1 Jan - 31 March 2009 | | |
|---|---|---|---|---|---|---|---|
| **INTEREST INCOME** | | | | | | | |
| Loans | | 11 317 | | | 17 634 | | |
| Subsidies passed on to customers | | 4 151 | | | 4 124 | | |
| Export credit and special guarantee receivables | | 25 | | | 47 | | |
| Guarantee receivables | | 112 | | | 474 | | |
| Other | | 558 | + | 16 163 | 920 | + | 23 199 |
| **INTEREST EXPENSES** | | | - | 3 468 | | - | 10 444 |
| **OTHER INTEREST SUBSIDIES** | | | + | 68 | | + | 87 |
| **NET INTEREST INCOME** | | | + | **12 763** | | + | **12 842** |
| **NET FEE AND COMMISSION INCOME** | | | + | 21 874 | | + | 17 156 |
| **GAINS AND LOSSES FROM FINANCIAL INTRUMENTS CARRIED AT FAIR VALUE** | 8) | | - | 6 | | + | 2 234 |
| **NET INCOME FROM INVESTMENTS** | | | | | | | |
| Shares and participations | | 247 | | | 1 614 | | |
| Debt securities | | 0 | | | 0 | | |
| Investment property | | 0 | + | 247 | 200 | + | 1 814 |
| **OTHER OPERATING INCOME** | | | + | 451 | | + | 677 |
| **ADMINISTRATIVE EXPENSES** | | | | | | | |
| **Employee benefit expenses** | | | | | | | |
| Wages and salaries | | 5 483 | | | 5 604 | | |
| Social security costs | | 1 459 | | | 1 616 | | |
| **Other administrative expenses** | | 2 773 | - | 9 714 | 3 227 | - | 10 448 |
| **OTHER OPERATING EXPENSES** | | | - | 1 650 | | - | 2 114 |
| **NET IMPAIRMENT LOSS ON FINANCIAL ASSETS** | | | | | | | |
| Loans and receivables | 2) | 16 611 | | | 22 470 | | |
| Credit loss compensation from state | | -4 750 | | | -1 806 | | |
| Export credit and special guarantee | | 911 | - | 12 772 | 857 | - | 21 522 |
| **OPERATING PROFIT** | | | + | **11 192** | | + | **639** |
| **INCOME TAX EXPENSE** | | | | | | | |
| Taxes on previous years | | 1 578 | + | 1 578 | | - | 1 548 |
| **PROFIT/LOSS FOR THE PERIOD** | | | + | **12 771** | | - | **909** |
| **OTHER COMPREHENSIVE INCOME** | | | | | | | |
| Change in the fair value of shares | | | + | 70 | | - | 107 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | | + | **12 841** | | - | **1 016** |

## FINNVERA PLC

| BALANCE SHEET | | 31 March 2010 | | 31 Dec 2009 |
|---|---|---|---|---|
| (EUR 1,000) | | | | |
| **ASSETS** | | | | |
| **Loans and receivables from credit institutions** | | 48 456 | | 96 807 |
| **Loans and receivables from customers** | | | | |
| Loans | 1 702 924 | | 1 663 889 | |
| Guarantee receivables | 36 233 | | 32 501 | |
| Receivables from export credit and special guarantee operations | 3 754 | 1 742 912 | 4 417 | 1 700 807 |
| **Investments** | | | | |
| Debt securities | 112 948 | | 167 681 | |
| Investments in group companies | 165 265 | | 165 265 | |
| Associates | 4 052 | | 4 052 | |
| Other shares and participations | 15 822 | | 15 822 | |
| Investment property | 563 | 298 650 | 493 | 353 313 |
| **Derivatives** | | 32 805 | | 8 536 |
| **Intangible assets** | | 3 132 | | 3 502 |
| **Property and equipment** | | | | |
| Properties | 6 131 | | 6 456 | |
| Equipment | 1 994 | 8 126 | 2 045 | 8 501 |
| **Other assets** | | | | |
| Credit loss receivables from the state | 13 659 | | 9 371 | |
| Other | 5 913 | 19 573 | 5 732 | 15 103 |
| **Prepayments and accrued income** | | 17 952 | | 7 425 |
| **TOTAL ASSETS** | | **2 171 606** | | **2 193 995** |



FINNVERA

## FINNVERA PLC

## BALANCE SHEET

(EUR 1,000)

| | Note | | 31 March 2010 | | | 31 Dec 2009 | |
|---|---|---|---|---|---|---|---|
| **LIABILITIES** | | | | | | | |
| **Liabilities to credit institutions** | 4) | | 343 154 | | | 418 154 | |
| **Liabilities to other institutions** | | | | | | | |
| At fair value through profit or loss | 4) | | 40 058 | | | 37 919 | |
| **Debt securities in issue** | | | | | | | |
| At fair value through profit or loss | 4) | | 891 704 | | | 861 256 | |
| **Derivatives** | 3) | | 2 811 | | | 9 726 | |
| **Provisions** | | | 40 049 | | | 38 535 | |
| **Other liabilities** | | | 56 918 | | | 57 362 | |
| **Accruals and deferred income** | | | 130 810 | | | 117 781 | |
| **Capital loans** | 4) | | 93 394 | 1 598 897 | | 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** | | | -161 | | | -232 | |
| **Unrestricted funds** | | | | | | | |
| Fund for domestic operations | | 125 249 | | | 133 931 | | |
| Fund for export credit guarantees and special guarantees | | 186 368 | | | 153 289 | | |
| Retained earnings | | 13 612 | 325 229 | 572 709 | 25 238 | 312 458 | 559 868 |
| **TOTAL LIABILITIES AND EQUITY** | | | | **2 171 606** | | | **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 | | | -106 | | | -909 | -1 015 |
| Transfer between funds | | | | -7 417 | 22 647 | -15 230 | 0 |
| **Balance at 31 March 2009** | **196 605** | **51 036** | **-419** | **133 931** | **153 289** | **-68** | **534 374** |
| **Balance at 1 Jan 2010** | **196 605** | **51 036** | **-231** | **133 931** | **153 289** | **25 238** | **559 868** |
| Total comprehensive income for the period | | | 70 | | | 12 771 | 12 841 |
| Transfer between funds | | | | -8 682 | 33 079 | -24 397 | 0 |
| **Balance at 31 March 2010** | **196 605** | **51 036** | **-161** | **125 249** | **186 368** | **13 612** | **572 709** |

## FINNVERA PLC'S STATEMENT OF CASH FLOW

(EUR 1,000)

| | 1 Jan - 31 March 2010 |
|---|---|
| **Cash flows from operating activities** | |
| Withdrawal of loans granted | -114 041 |
| Repayments of loans granted | 65 687 |
| Purchase of investments | 0 |
| Proceeds from investments | 0 |
| Interest received | 9 200 |
| Interest paid | -2 448 |
| Interest subsidy received | 2 237 |
| Payments received from commission income | 31 316 |
| Payments received from other operating income | 2 168 |
| Payments for operating expenses | -14 644 |
| Claims paid | -9 449 |
| Taxes paid | 1 578 |
| **Net cash used in (-) / from (+) operating activities (A)** | **-28 396** |
| | |
| **Cash flow from investing activities** | |
| Purchase of property and equipment and intangible assets | -191 |
| Purchase of other investments | 0 |
| Proceeds from other investment | 504 |
| Dividends received from investments | 0 |
| **Net cash used in (-) / from (+) investing activities (B)** | **313** |
| | |
| **Cash flows from financing activities** | |
| Rights issue | 0 |
| Proceeds from loans | 0 |
| Repayment of loans | -75 000 |
| **Net cash used in (-) / from (+) financing activities (C)** | **-75 000** |
| | |
| **Net change in cash and cash equivalents (A+B+C) increase (+) / decrease(-)** | **-103 083** |
| | |
| **Cash and cash equivalents at the beginning of the period** | **264 488** |
| **Cash and cash equivalents at the end of the period** | **161 405** |
| | |
| **Cash and cash equivalents at the end of period** | |
| Receivables from credit institutions | 112 949 |
| Debt securities | 48 456 |
| | **161 405** |

## 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 - 31 MARCH 2010**
(EUR 1,000)

| | Micro financing | Regional financing | Financing for growth and internalisation | Export financing | Capital investments | Finnvera plc total |
|---|---|---|---|---|---|---|
| Net interest income | 2 947 | 6 845 | 2 228 | 743 | 0 | 12 763 |
| Net fee and commission income | 1 109 | 4 188 | 2 504 | 14 073 | 0 | 21 874 |
| Net impairment loss on financial assets | -1 544 | -9 991 | -868 | -369 | 0 | -12 772 |
| Operating expenses * | -3 053 | -3 469 | -1 764 | -2 400 | 0 | -10 686 |
| Depreciation and amortization | -112 | -171 | -141 | -255 | 0 | -679 |
| Other income, net** | -144 | -409 | -231 | 1 476 | 0 | 692 |
| **Operating profit** | **-797** | **-3 007** | **1 728** | **13 268** | **0** | **11 192** |
| | | | | | | |
| **Total assets** | **293 477** | **963 527** | **378 290** | **363 167** | **173 145** | **2 171 606** |
| Loans and receivables from customers | 318 101 | 1 050 595 | 371 446 | 2 769 | 0 | 1 742 911 |
| | | | | | | |
| **Total liabilities** | **241 351** | **774 557** | **337 198** | **129 581** | **116 210** | **1 598 897** |

**FINNVERA PLC:S INCOME STATEMENT AND BALANCE SHEET BY SEGMENTS FOR THE PERIOD 1 JAN 2009 - 31 MARCH 2009**
(EUR 1,000)

| | Micro financing | Regional financing | Financing for growth and internalisation | Export financing | Capital investments | Finnvera plc total |
|---|---|---|---|---|---|---|
| Net interest income | 2 933 | 5 729 | 1 782 | 2 398 | 0 | 12 842 |
| Net fee and commission income | 1 072 | 3 637 | 2 141 | 10 306 | 0 | 17 156 |
| Net impairment loss on financial assets | -2 572 | -11 644 | -7 041 | -265 | 0 | -21 522 |
| Operating expenses * | -3 155 | -3 937 | -1 946 | -2 384 | 0 | -11 422 |
| Depreciation and amortization | -220 | -349 | -232 | -339 | 0 | -1 140 |
| Other income, net** | 482 | 2 968 | 414 | 1 156 | 0 | 5 020 |
| **Operating profit** | **-1 460** | **-3 596** | **-4 882** | **10 872** | **0** | **934** |
| | | | | | | |
| **Total assets** | **345 985** | **831 203** | **284 506** | **301 163** | **114 468** | **1 877 325** |
| Loans and receivables from customers | 300 652 | 839 239 | 304 254 | 137 | 0 | 1 444 282 |
| | | | | | | |
| **Total liabilities** | **247 579** | **677 080** | **253 165** | **103 647** | **61 185** | **1 342 656** |

*) 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 12, 772 thousand in the first three months (31 Dec.2009 EUR 21, 522 thousand).

**3. DERIVATIVES**

| (EUR 1,000) | **31 March 2010** | | | **31 Dec 2009** | | |
|---|---|---|---|---|---|---|
| | **Fair value positive** | **Fair value negative** | **Nominal value** | **Fair value positive** | **Fair value negative** | **Nominal value** |
| Interest rate derivatives | 1 573 | 0 | 50 000 | 1 660 | 0 | 50 000 |
| Currency derivatives | 31 232 | 2 811 | 751 071 | 6 876 | 9 726 | 736 344 |
| **Total derivatives** | **32 805** | **2 811** | **801 071** | **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 | -75 000 | -75 000 |
| Changes in fair value | 2 155 | 2 139 |
| **Carrying amount at 31 March 2009** | **382 858** | **383 211** |

| **Debt securities in issue**<br>(EUR 1,000) | **Nominal value** | **Carrying amount** |
|---|---|---|
| Carrying amount at 1 Jan 2010 | 848 795 | 861 256 |
| Debt securities in issue | 0 | 0 |
| Repayments | 0 | 0 |
| Changes in fair value | 24 984 | 30 447 |
| **Carrying amount at 31 March 2009** | **873 779** | **891 703** |

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

| | |
|---|---|
| **Capital loans**<br>(EUR 1.000) | **93 394** |

| **5. CONTINGENT LIABILITIES AND COMMITMENTS** | **31 March 2010** | **31 Dec 2009** |
|---|---|---|
| (EUR 1,000) | | |
| **Off-balance sheet items** | | |
| Guarantees | 1 020 089 | 1 006 987 |
| Export guarantees and special guarantees | 9 743 094 | 9 664 982 |
| **Total guarantees** | **10 763 183** | **10 671 969** |
| Binding financing offers | **219 735** | **251 773** |

**6. RELATED PARTIES**

(EUR 1,000)

| **Transactions with the state-owned companies**<br>(State-owned companies and associates in which the state ownership is at minimum 20 %) | **Financial income 1 Jan - 31 March 2010** | **Purchases of services 1 Jan - 31 March 2010** | **Balance of receivables 31 March 2010** | **Balance of guarantees 31 March 2010** |
|---|---|---|---|---|
| | **2** | **292** | **120** | **633** |



FINNVERA

## 7. KEY FIGURES AND THEIR CALCULATION

| | 31 March 2010 | 31 March 2009 |
|---|---|---|
| Equity ratio | 26,4 | 28,5 |
| Capital adequacy ratio | 14,2 | 14,1 |
| 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)

| | 31 March 2010 | 31 March 2009 |
|---|---|---|
| Derivatives | 31 184 | 45 331 |
| Liabilities designated fair value through profit and loss | -32 586 | -43 855 |
| Exchange rate differences | 1 396 | 758 |
| | **-6** | **2 234** |

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

Helsinki 20.5.2010

Kalle J. Korhonen

Pekka Huhtaniemi

Pirkko-Liisa Hyttinen

Timo Kekkonen

Timo Lindholm

Marja Merimaa

Janne Metsämäki

Heikki Solttila

Pauli Heikkilä
Toimitusjohtaja
Verkställande direktör
Managing Director

## FINNVERA PLC

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