Report of the Board of Directors and Financial Statements 2006

FINNVERA

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Report of the Board of Directors

During the period under review, Finnvera continued to build the Finnish innovation environment together with the other organisations involved in the Finnish Growth Company Development Service, i.e. Finpro, Tekes and the Employment and Economic Development Centres. The goal of this cooperation is to provide growth-oriented enterprises with the best available know-how and to lower the risks arising from the growth and internationalisation of enterprises. Finnvera also contributes to the development of the more extensive Enterprise Finland service system, operated by public enterprise service organisations.

Finnvera already had its strategic goals firmly anchored in the Government's Entrepreneurship Policy Programme during the review period of 2005. The new division into business areas, implemented in line with the company's strategy, came into effect on 1 April 2006. The parent company's business operations were divided into four areas: microfinancing; regional financing; financing for growth and internationalisation; and export financing. The new Unit of Financing for Growth and Internationalisation concentrates on the provision of financing for enterprises at various stages of growth and internationalisation. The unit combines Finnvera's know-how in domestic financing and export financing.

Another way to support general prerequisites for entrepreneurial activities, as specified in the Entrepreneurship Policy Programme, was to contribute to the capital management of starting enterprises. During the period under review, Finnvera implemented the goals of the programme through its subsidiaries, Aloitusrahasto Vera Oy and Veraventure Ltd.

Implementation of the strategy requires more personnel at the client interface. The needs for personnel resources, and the direction of these resources, were outlined in 2006. The model applied to the management of Finnvera's Regional Offices was also revised. The short-term changes required by these policy outlines will be carried out within a development project during 2007.

According to the current forecasts concerning Finnvera's business trends, the Finnvera Group's personnel at the end of the strategy period of 2007–2011 should number 380 instead of the present figure of over 400. The changes will be carried out through internal transfers and by training people for new tasks that will open up in the course of the development project. It is estimated that about 60 people will retire from the Group during the strategy period.

At its meeting on 13 December 2005, the Cabinet Committee on Economic Policy supported the proposal that Finnvera plc be exempted from income tax. The Government's proposal for exempting Finnvera from income tax was submitted to the Finnish Parliament on 8 December 2006. The President of the Republic ratified the Act on 9 February 2007. A prerequisite for the tax exemption is that the European Commission is notified thereof as stipulated in the Treaty establishing the European Community. The notification is currently being handled by the Commission. Finnvera's tax exemption cannot become effective until the Commission has issued its decision in the matter. The Act to this effect will enter into force on a date to be determined by Government Decree. The Act will be applied for the first time to determine taxes for the tax year during which the Act enters into force. Tax exemption would make it possible for Finnvera to adjust its pricing and to raise its risk-taking level.

In order to maintain the competitiveness of Finnvera's export credit guarantee system, the rates and guarantee coverage percentages applied to export financing were revised in September. The revised rates of domestic financing were approved towards the end of the year and were adopted in February 2007.

In December, the Government approved new commitments concerning the payment of interest subsidy and special interest subsidy as well as commission support to Finnvera, and the partial compensation for Finnvera's credit and guarantee losses in 2007–2009.

BUSINESS TRENDS

• Financial performance

The Finnvera Group's profit for the year 2006 rose to EUR 34.5 million (EUR 33.5 million). The Group companies and associated companies had an effect of EUR 1.8 million on the profit (EUR 0.7 million).

The parent company's profit was EUR 32,736,518.59 (EUR 32,740,755.81).

Interest income and interest expenses

The interest income of Finnvera plc includes interest subsidy of EUR 18.0 million, passed on by the parent company directly to its clients, and other interest subsidy of EUR 1.0 million. The sums are presented as items of their own in the profit and loss account.

The interest subsidy from the State and from the European Regional Development Fund (ERDF) totalled EUR 19.0 million (EUR 21.1 million), of which the State accounted for EUR 12.1 million and the ERDF plus the associated national interest support for a total of EUR 6.9 million.

Following the rise in the general interest level, both the interest income received from clients and the interest expenses paid by the Group increased. The mean interest rate that clients paid for loans was 5.07 per cent on 31 December 2006 (3.70), while the mean interest rate for borrowing was 3.59 per cent (2.33).

Commissions income

The Group's commissions income totalled EUR 59.4 million. This was EUR 1.1 million less than in the previous year.

Commissions income includes EUR 35.0 million as commissions received by the parent company for export credit guarantee and special guarantee operations, EUR 16.2 million as other guarantee commissions, EUR 5.0 million as handling fees for loans and guarantees, and EUR 3.2 million as other commissions for the Group's financing operations.

Other income

Net income from saleable financial assets came to EUR 2.4 million. This includes profits and losses from the sale of shares in companies where Finnvera's holding is under 20 per cent, as well as any write-downs made on said shares. Among the associated companies, the shares of Incap Corporation and Huippupaikat Oy were sold.

Net income from investment property, EUR -0.2 million, consists of income and expenses on real property that is not in the Group's own use.

Other operating income includes the management fee of EUR 0.8 million paid by the State Guarantee Fund for management of the 'old' liability for export credit guarantees and special guarantees arisen before 1999, as well as a fee of EUR 0.8 million for the management of the ERDF financing.

Write-down losses

In the consolidated profit and loss account, the write-down losses on credits, domestic guarantees and on operations involving export credit and special guarantees totalled EUR 40.0 million (EUR 48.0 million), of which credit losses incurred by the subsidiaries accounted for EUR 0.2 million (0).

The parent company's credit and guarantee losses totalled EUR 34.1 million (EUR 55.5 million). EUR 3.9 million of losses recorded earlier was cancelled; thus, net losses came to EUR 30.2 million (EUR 51.8 million). In addition, the parent company's profit and loss account includes an increase of EUR 4.8 million in write-down losses (EUR 0.3 million); thus, the total sum entered in the profit and loss account for the parent company's write-down losses on credits and guarantees was EUR 35.0 million. Compensation by the State and the ERDF for the credit losses entered totalled EUR 15.0 million or 49.5 per cent.

Claims paid by virtue of export credit guarantees and special guarantees came to EUR 2.7 million. Funds recovered totalled EUR 1.7 million and recovery receivables decreased by EUR 3.8 million; thus, the losses shown by the profit and loss account came to EUR 4.8 million.

Other expenses

The Group's administrative expenses totalled EUR 42.2 million (EUR 39.7 million), of which personnel expenses accounted for 68.0 per cent. The parent company's administrative expenses totalled EUR 40.2 million (EUR 37.8 million), of which personnel expenses accounted for 68.6 per cent. Other operating expenses are costs for business premises.

• Separate results

The separate result of export credit and special guarantee activities referred to in §4 of the Act on the State Guarantee Fund (444/1998) totalled EUR 17.0 million after imputed taxes. Correspondingly, the result of Finnvera plc's other activities totalled EUR 15.7 million. The separate results are presented under Notes to the Accounts, note no. 39.

• Balance sheet

At year's end, the consolidated balance sheet total was EUR 1,767.3 million, while the parent company's balance sheet total came to EUR 1,721.0 million. Among the subsidiaries, Finnish Export Credit Ltd, which showed a balance sheet total of EUR 55.9 million, had the greatest effect on the consolidated balance sheet.

At year's end, Finnvera's outstanding credits totalled EUR 1,372.3 million. Credits fell by EUR 4.0 million during 2006. The Group's outstanding credits came to EUR 1,392.8 million. Outstanding domestic guarantees fell more than outstanding credits, or by EUR 35.5 million. At the end of 2006, domestic guarantees totalled EUR 804.3 million. The book value of the liability, as referred to in the Act on the State's Export Credit Guarantees, amounted to EUR 3,883.0 million (EUR 3,378.8 million). Outstanding commitments arising from export credit guarantees and special guarantees (current commitments and offers given) totalled EUR 5,072.3 million (EUR 4,540.5 million).

The parent company's long-term liabilities at year's end totalled EUR 1,097.9 million. Of this sum, EUR 353.5 million consisted of bonds. The liabilities include a capital loan of EUR 11.5 million received from the State for the share capital of Aloitusrahasto Vera Oy. In addition, the balance sheet includes EUR 19.4 million in derivative contract liabilities. These arise from interest rate and currency swaps and pertain to long-term liabilities. Liabilities fell by EUR 21.2 million during the year. The Group's long-term liabilities totalled EUR 1,129.7 million.

Other liabilities include a debt of EUR 13.9 million owed to the State. This debt pertains to the support that was received for the acquisition of shares in associated companies and that must be repaid as per contract terms.

The above par value fund consists of the following sums: the difference between the acquisition price and the nominal value of Kera's shares, EUR 42.9 million; the sum of EUR 0.1 million arisen in connection with the transfer of the Finnish Guarantee Board's assets and the acquisition of Fide Ltd's shares; and the sum of EUR 8.1 million arisen when Finnvera's share capital was raised in May 2004 for the acquisition of the stock of Finnish Export Credit Ltd. The above par value fund totals EUR 51.0 million.

The market value fund shows the difference between the market value and book value of publicly quoted shares and investment funds, in total EUR 1.1 million in the Group.

As decided by the Annual General Meeting, the parent company's profit for the previous financial year, EUR 32.7 million, was transferred to the reserve fund.

The Acts governing the operations of Finnvera plc were amended during the year so that two separate funds were established on the company's balance sheet: one is used for covering losses incurred in domestic operations and the other for covering losses incurred in operations involving export credit guarantees and special guarantees. After the amendment came into effect on 1 January 2007, losses from export credit guarantees and special guarantees are covered from the State Guarantee Fund only if the company's new internal fund for export credit guarantees and special guarantees does not have sufficient assets. The State Guarantee Fund will continue to serve as a buffer between Finnvera and the State's budget funding in the event that operations involving export credit guarantees and special guarantees give rise to a deficit that cannot be covered using the fund on the company's balance sheet.

The above-mentioned two unrestricted equity funds were founded by decision of the extraordinary meeting of Finnvera plc's shareholders on 12 October 2006. A decision was made to terminate the reserve fund existing on Finnvera plc's balance sheet and to transfer its assets to the two new funds. Profits accumulated from domestic operations, in total EUR 129.9 million, were transferred from the reserve fund to the fund for domestic operations, while the profits accumulated from operations involving export credit and special guarantees, in total EUR 80.2 million, were transferred to the fund for export credit guarantees and special guarantees.

Until this amendment to the Act, Finnvera's annual profits had been transferred to the reserve fund included in the company's restricted equity.

• Capital adequacy and acquisition of funds

At the end of 2006, the capital adequacy ratio of the Finnvera Group was 18.41 per cent (18.06). The target set for capital adequacy is 12–20 per cent.

The Group's own assets stood at EUR 463.1 million, while the risk-weighted receivables, investments and commitments outside the balance sheet totalled EUR 2,515.2 million.

The capital adequacy ratio of Finnvera plc as of 31 December 2006 stood at 19.24 per cent (17.96). The parent company's own assets were EUR 477.6 million, while the risk-weighted receivables, investments and commitments outside the balance sheet totalled EUR 2,482.0 million.

Capital adequacy has been calculated in accordance with the Credit Institutions Act and the regulations issued by the Financial Supervision, even though Finnvera is not governed by the Credit Institutions Act.

The parent company's long-term acquisition of funds totalled EUR 187.7 million. In all, EUR 202.7 million in long-term loans was paid back during the year.

• Group structure and its changes

During the year, the company acquired Veraventure Ltd's shares for EUR 3.5 million and Aloitusrahasto Vera Oy's shares for EUR 20.0 million. The subscription increased the company's holding in Aloitusrahasto Vera Oy to 88.5 per cent.

On 31 December 2006, the Finnvera Group comprised the parent company and the 100% owned Spikera Oy, Veraventure Ltd, Tietolaki Oy, and Finnish Export Credit Ltd, as well as Matkailunkehitys Nordia Oy (63.5% holding), Aloitusrahasto Vera Oy (88.5% holding) and one company providing services in the sector of business premises. The number of associated companies was two.

RISK MANAGEMENT

As a State-owned provider of specialised financing, Finnvera takes higher credit risks than financiers operating on commercial grounds.

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

The State of Finland compensates Finnvera for some of the losses that arise in domestic financing. Using revenues from its operations, Finnvera must cover its own share of any domestic credit and guarantee losses arisen from one economic cycle to the next. In regard to export credit and special guarantees, risks are secured by the State Guarantee Fund and the State of Finland. In the long term, profits from operations must cover the expenses and guarantee losses arising from operations. Finnvera's goal is to take credit risks in a controlled manner in line with its operating principles, and to hedge against other risks or to minimise them.

Domestic risk-taking is guided through risk-taking goals specific to each business area. These take into account, for instance, differences in the clientele and in the operating environment. The risk-taking goals are based on the targets set for Finnvera vis-à-vis its ownership policy, profitability and effectiveness. Risk-taking pertaining to export credit guarantees is guided by means of the country and guarantee policies ratified by the Board of Directors.

Working independently of Finnvera's business areas, the Risk Management Unit is responsible for the development of policy, methods and guidelines for risk management, and for the monitoring of the company's risk standing. The Risk Management Unit reports to the Managing Director. Internal auditing monitors and ensures that the guidelines approved by the Board of Directors are followed. Risk management covers both the parent company, Finnvera plc, and its subsidiaries.

• Risks pertaining to credits and guarantees

The risk of a credit loss arises when a debtor or another counterpart does not meet his obligations to the full. In domestic financing, the reason for a credit loss may be the insolvency of a corporate client. In the case of export credit guarantees, a guarantee loss may stem from the materialisation of a political risk or from the inability or unwillingness of a country, bank or corporate client to meet their payments.

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

Finnvera monitors its risk-taking monthly. The main indicators in Finnvera's risk management are as follows: distribution of current commitments and the change in commitments by risk category; the anticipated statistical value of credit losses, describing the amount of risk-taking in terms of outstanding commitments and the financing granted; and the credit losses that have materialised.

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

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

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

• Calculation of capital adequacy

The operating environment of financial markets underwent major changes at the beginning of 2007 when the calculation of the capital adequacy of banks was revised according to the Basel II Framework. Finnvera is not required to apply Basel II, but a decision has been made to calculate Finnvera's capital adequacy according to the new regulations. The choice of method is currently under study in order to determine the most practical one for Finnvera – the standard model or a more sophisticated model based on internal risk classification.

The Acts governing Finnvera have been amended to the extent necessary in order to keep the risk weight of Finnvera's guarantees at zero in the capital adequacy calculations of banks.

• Market and financing risks

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

Provision has been made for any claims that may need to be paid in US dollars by virtue of export credit guarantees granted. The associated exchange rate risk has been reduced by keeping some liquid assets in dollar accounts.

Finnvera has arranged long-term refinancing by using several sources of financing. The availability of refinancing can be secured by making use of guarantees granted by the State. Liquidity is managed by using short-term investment instruments that must meet the criteria set for credit rating.

• Operational risks

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

During 2006, operational risk events were charted in all business areas and support units. The results obtained from this risk survey, and from the survey of information security risks conducted earlier, have been utilised when assessing the severity of operational risks. Systematic collection and registration of materialised risk events started at the beginning of 2007. Safeguards are taken against operational risks, for instance, by introducing internal control mechanisms, by developing processes, information systems and the quality of operations, and by taking out insurance against risks.

In March 2006, the Industries Department of the Ministry of Trade and Industry conducted an investigation on certain claims that had been presented in public concerning Finnvera's domestic financing projects. It had been queried whether Finnvera had complied with the grounds for disqualification set forth in the Administrative Procedure Act when making certain decisions on financing and whether Finnvera's financing operations were under sufficient internal and external supervision. The investigation showed that the financing projects concerning Hiihtokeskus Iso-Syöte Oy and Kiinteistö Oy Iso-Syötteen Tunturihotelli, and the supervision of the projects, had been conducted according to laws and regulations.

• Venture capital investments

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

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

INDUSTRIAL AND OWNERSHIP POLICY GOALS AND HOW THEY WERE REACHED

The duties and economic operating principles of Finnvera plc are defined in the Act on the State-Owned Specialised Financing Company (443/1998).

In defining the company's industrial policy goals, attention has also been paid to the industrial policy strategy of the Ministry of Trade and Industry and to the objectives of EU programmes.

In keeping with the Government's Entrepreneurship Policy Programme, the emphasis in public venture capital financing is on starting and growing enterprises and on regional funds. Through its subsidiaries (Veraventure Ltd, Aloitusrahasto Vera Oy and Matkailunkehitys Nordia Oy), Finnvera applies venture capital financing to improve the functioning of equity financing markets and to offset shortcomings existing especially in the equity financing of starting innovative enterprises. The funding received by the Finnvera Group from the State for venture capital financing is used so that it enables a rise in the value of the property acquired by means of the funds or that Finnvera can repay the State the capital loan that it received in 2005 for the provision of capital for Aloitusrahasto Vera.

In 2006, the Government made a decision in principle concerning the Enterprise Finland service system. The decision includes outlines for the provision of services for enterprises by publicly funded organisations working in cooperation. Finnvera plc makes an active contribution to the preparation and implementation of the enterprise service reform.

Finnvera's industrial and ownership policy goals are described in more detail at: www.finnvera.fi/>Financial Info>Administration>The State's role as the owner

CORPORATE GOVERNANCE

• Personnel

At the end of the financial year, on 31 December 2006, Finnvera had 415 employees, of whom 395 had permanent posts and 20 had a post for a fixed period. The Group had 432 employees.

The salaries and bonuses paid to the personnel totalled EUR 21.4 million. Of this sum, bonuses accounted for EUR 1.1 million.

The Board of Directors has confirmed the principles that are applied to the bonuses to be paid for 2006. The bonus sums will be assessed in April 2007.

Notes 33 and 36 to the accounts contain more detailed information about the personnel.

• Supervisory Board and auditor

The Annual General Meeting of Finnvera, held on 26 April 2006, elected Johannes Koskinen, Member of Parliament (Finnish Social Democratic Party), Chairman of the Supervisory Board. Kyösti Karjula, Member of Parliament (Finnish Centre Party), continues as the First Vice Chairman and Esko Kurvinen, Member of Parliament (National Coalition Party), continues as the Second Vice Chairman.

The following new members were elected to the Supervisory Board: Reijo Paajanen, Member of Parliament (National Coalition Party); Veli-Matti Töyrylä, Chairman of the Finnish Association of Graduates in Economics and Business Administration (Confederation of Unions for Academic Professionals); Timo Vallittu, Chairman of the Chemical Workers' Union (Central Organisation of Finnish Trade Unions SAK) and Timo Kekkonen Confederation of Finnish Industries (EK).

KPMG Oy Ab was elected as Finnvera plc's regular auditor with Hannu Niilekselä, Authorised Public Accountant, as the principal auditor.

• Board of Directors

At its meeting on 10 May 2006, the Supervisory Board of Finnvera elected Jyrki Kiviharju, Special Adviser, Financing, of the Confederation of Finnish Industries EK to be a regular member of the Board of Directors of Finnvera plc. He succeeds Tarmo Korpela, Special Adviser (EK), who has retired.

Director-General Kalle J. Korhonen of the Ministry of Trade and Industry continued as the Chairman of the Board of Directors. Pekka Laajanen, Governmental Counsellor, Director of Legislative Affairs (Ministry of Finance), was elected First Vice Chairman and Pekka Huhtaniemi, Under-Secretary of State (Ministry for Foreign Affairs), was elected Second Vice Chairman.

The members of the Supervisory Board and the Board of Directors are presented on pages 30–31 of the Report on Operations 2006 and at www.finnvera.fi.

On 20 April 2006, the Board of Directors appointed Annamarja Paloheimo, LL.M., to the post of Senior Vice President in the Unit of Financing for Growth and Internationalisation.

• The role of Spikera Oy

On 9 February 2006, the Board of Directors of Finnvera plc outlined the role of the company's subsidiary Spikera Oy. As a rule, acquisitions of assets to secure Finnvera's receivables and to minimise credit losses will be concentrated in Spikera Oy. As a subsidiary of Finnvera, and before that, of Kera Corporation, Spikera Oy has been involved in acquisitions of property and in structural arrangements for development companies since 1992.

• Publicity policy

The publicity of documents associated with the assessment of environmental risks in certain export projects guaranteed by Finnvera has been handled by various court instances since 2002, when the Finnish Association for Nature Conservation, as part of the Export Credit Campaign, initially requested that Finnvera make available documents on export projects from the years 1994–2002. Finnvera has not relinquished these documents. The decision is based on Section 5 of the Act on the State-Owned Specialised Financing Company, by virtue of which Finnvera is obliged to maintain the same level of confidentiality as that followed by banks in matters concerning their clients.

In April 2006, Helsinki Administrative Court rejected an appeal concerning the case made by the Export Credit Campaign. In July, the Supreme Administrative Court dismissed the appeal because it had been filed too late.

More about Finnvera's publicity policy on page 23 of the Report on Operations 2006.

• Corporate Social Responsibility

In its export guarantee activities, Finnvera is committed to informing Finnish exporters about the OECD Guidelines for Multinational Enterprises. The Center for Human Rights and Environment (CEDHA), an Argentinian civil society organisation, requested the Finnish Ministry of Trade and Industry to conduct an investigation of the pulp mill being constructed by Botnia S.A/Metsä-Botnia Oy in Uruguay and for which Finnvera has given guarantee offers. CEDHA wanted to know whether the Finnish companies participating in the construction of the pulp mill have complied with the relevant OECD guidelines in the assessment of environmental impacts.

In Finland, requests concerning compliance with guidelines are handled by the Ministry of Trade and Industry on the basis of a statement issued by the Finnish Committee on International Investment and Multinational Enterprises (MONIKA). In its request, CEDHA considered Finnvera to be a multinational enterprise.

In October 2006, MONIKA stated that, as a State-owned financing company, Finnvera cannot be considered a company encompassed by the OECD Guidelines for Multinational Enterprises.

More information on the outlines and implementation of Finnvera's corporate social responsibility is given on pages 22–23 of the Report on Operations 2006.

EVENTS AFTER THE END OF THE FINANCIAL PERIOD

• Changes in country risk categories

On 18 January 2007, Finnvera's Board of Directors decided to expand the selection of countries eligible for Letter of Credit Guarantees. The number of new countries in which Letter of Credit Guarantees can be covered is nearly 40, including countries in Eastern Europe, Central Asia and Africa.

On 15 February 2007, Finnvera's Board of Directors confirmed that the new country risk category for Russia will be 3. The special conditions for medium and long-term repayment that had been included in Finnvera's guarantee policy applied to Russia were abolished at the same time. However, in practice, weaknesses and credit risk factors in the Russian operating environment limit the repayment periods that can be accepted. The principal factor underlying the revision of Russia's country risk category is the considerable improvement of the country's external liquidity. The main risk factors are associated with the weak – and even weakening – operating environment and the current standstill in projects undertaken to revise the institutional structures of the economy.

• A Buyer Credit Guarantee agreement for Botnia's pulp mill project in Uruguay

On 12 March 2007, Finnvera plc signed a Buyer Credit Guarantee agreement of USD 230 million for a 10-year export credit issued to Botnia S.A. in Uruguay. The beneficiaries are the commercial banks that finance the export credit. Finnvera's guarantee covers both political and commercial risks. The export credit is used to finance the acquisition of a pulp production line from Andritz Oy in Finland.

Before this, Finnvera had already agreed to reinsure USD 100 million of the guarantee of USD 300 million granted by the Multilateral Investment Guarantee Agency (MIGA) of the World Bank Group against political risks in the project. Finnvera's commitments in the project total USD 330 million, or about EUR 250 million.

The investment is the largest ever carried out in Uruguay, and the project is estimated to create about 8,000 permanent, new jobs in the region.

• ERDF financing started

On 21 February 2007, Finnvera began to make financing decisions pertaining to the European Union's new programme period of 2007–2013. Finnvera has acted as an intermediary between the European Regional Development Fund's support programmes and Finnish SMEs since 2001.

• Aloitusrahasto Vera Oy

In January 2007, Aloitusrahasto Vera Oy received one million euros as additional capital from a new investor, Ilmarinen Mutual Pension Insurance Company. Aloitusrahasto also gave up its investments in some of its target enterprises early in 2007 – the first time this was done.

FUTURE PROSPECTS

If the current strong demand for exports declines, economic growth may slow down and the emphasis of growth may shift towards private consumption. However, the outlook for SMEs continues to be relatively positive in both industry and services.

It seems that the growth in employment and investments among SMEs will remain high at least during the first half of the year. A considerable number of company reorganisations can be expected, for instance, because ageing entrepreneurs will pass on their enterprises to the next generation.

At the start of 2007, the value of export credit guarantee applications for foreign risk-taking that were under processing in Finnvera was low, about two billion euros. However, demand for export credit guarantees has always been cyclic, and it may revive at very short notice.

A factor reducing the demand for export credits is the more active role assumed by international banks and other financial institutions and insurers in the field of export financing. In addition, financial markets in many export countries have developed and constitute an alternative to export credits.

Demand for export credit guarantees will concern increasingly difficult markets, where private financial markets are not operating. The trend in the volumes of export credits associated with deliveries to these markets will partly depend on how the various parties succeed in putting together financing packages that are also satisfactory to Finnvera. Finnvera's outstanding export credit guarantees pertaining to the forest industry's exports of machinery and equipment are increasing.

Keen demand for guarantees for ship projects is likely to continue, especially as concerns pre-delivery guarantees. There are good commercial financing options for the financing of finished ships, but owing to the large size of the projects, Finnvera's input is also needed to share the risk.

It seems at present that the financial performance for the current year is likely to correspond to the estimates given in the business plan and budget. However, if more risks materialise than has been anticipated, the situation may change considerably.

Key Indicators Showing the Group's Financial Trends

MEUR	2006	2005	2004	2003	2002
Turnover	170	171	164	153	153
Operating profit or loss	45	46	55	37	25
% of turnover	26.7	26.6	33.4	24.4	16.2
Profit from ordinary activities after taxes	34	34	38	26	16
% of turnover	20.3	19.9	23.2	17.0	10.5
Return on equity %	7.1	7.4	9.5	7.1	4.8
Return on assets %	2.0	2.0	2.5	1.7	1.1
Equity ratio %	28.6	27.1	27.9	24.1	22.4
Capital adequacy ratio	18.4	18.1	16.4	15.8	14.6
Expense-income ratio	0.4	0.4	0.3	0.3	0.3

Formulas for calculating the key indicators

Turnover = interest income + interest subsidy + income from equity-linked investments + commissions income + net income from securities transactions and currency + operations net income from saleable financial assets + net income from investment property + other operating income

Operating profit or loss = from the Profit and Loss Account

Profit from ordinary activities after taxes = from the Profit and Loss Account

$$\text{Return on equity \% (ROE)} = \frac{\text{operating profit/loss - taxes}}{\text{equity + minority holding + accumulated appropriations minus imputed tax liability (mean between the start and the end of the year)}} \times 100$$

$$\text{Return on assets \% (ROA)} = \frac{\text{operating profit/loss - taxes}}{\text{balance sheet total on average}} \times 100$$

$$\text{Equity ratio \%} = \frac{\text{equity + minority holding + accumulated appropriations minus imputed tax liability}}{\text{balance sheet total (mean between the start and the end of the year)}} \times 100$$

Capital adequacy ratio = calculated as per Financial Supervision Regulation no. 106.7

$$\text{Expense-income ratio} = \frac{\text{commissions expenses + depreciation and write-downs on tangible and intangible assets + other operating expenses}}{\text{net interest income + income from equity-linked investments + net commissions income + net income from securities transactions and currency operations + net income from saleable financial assets + net income from investment property + other operating income + share of associated companies' profits}}$$

Consolidated Profit and Loss Account

(EUR 1,000)	1 Jan–31 Dec 2006			1 Jan–31 Dec 2005		
Interest income (20)						
Interest from the public and public corporations	59,824			48,541		
Interest subsidy passed on to clients (21)	17,966			19,325		
Interest on export credit and special guarantee receivables	506			110		
Interest on domestic guarantee receivables	1,856			2,138		
Other interest income	4,442	+	84,594	3,500	+	73,614
Interest expenses (20)		-	34,528		-	26,911
Other interest support (21)		+	1,069		+	1,780
Net interest income		**+**	**51,135**		**+**	**48,483**
Income from equity investments (22)		+	755		+	701
Commissions income (23) (38)						
Export credit and special guarantees	35,003			36,348		
Other quarantee commissions	16,163			15,812		
Other	8,271	+	59,437	8,391	+	60,551
Commissions expenses (23)		-	1,062		-	2,268
Net income from securities transactions and currency operations (24)						
Net income from securities transactions	0			0		
Net income from currency operations	-1,659	-	1,659	2,801	+	2,801
Net income from saleable financial assets (25)		+	2,408		-	108
Net income from investment property (26)		-	191		+	393
Other operating income						
Credit loss compensation from the State	14,986			20,430		
Management fees	1,635			1,663		
Other (27)	6,818	+	23,439	9,206	+	31,299
Administrative expenses						
Personnel costs						
Salaries and fees	22,483			20,447		
Indirect employee costs						
Pensions	4,481			4,482		
Other indirect employee costs	1,732			1,517		
Other administrative expenses	13,536	-	42,232	13,270	-	39,716
Depreciation and write-downs on tangible and intangible assets (28)		-	5,359		-	6,102
Other operating expenses (27)		-	3,589		-	4,055
Write-down losses on credits and other receivables (29)						
Credits and domestic guarantees	35,160			52,104		
Export credit and special guarantees	4,843	-	40,003	-4,117	-	47,987
Write-down losses on other financial assets (29)		-	253		-	0
Share of associated companies' profits		+	2,605		+	1,513
Operating profit		**+**	**45,431**		**+**	**45,505**
Income taxes						
Taxes on the financial year and previous years		-	10,977		-	11,984
Profit from ordinary activities after taxes		**+**	**34,454**		**+**	**33,521**
Minority share of the profit or loss for the year		+	77		-	67
Profit for the financial year		**+**	**34,531**		**+**	**33,454**

Consolidated Balance Sheet

Assets (EUR 1,000)		**31 Dec 2006**		**31 Dec 2005**
Cash in hand		0		0
Receivables from credit institutions (1) (15) (16)				
Payable on demand	55,196		30,795	
Other	0	55,196	34	30,829
Receivables from the public and from public corporations (2) (15) (16)				
Credits	1,392,846		1,396,689	
Guarantee receivables	12,645		12,636	
Receivables from export credit and special guarantee operations	10,180	1,415,671	16 398	1,425,723
Debt securities (3) (15) (16)				
From public corporations	0		2,000	
From others	106,226	106,226	96,228	98,228
Shares and holdings (4) (37)		77,933		62,124
Shares and holdings in associated companies (4) (37)		52,052		47,107
Shares and holdings in Group companies (4) (37)		37		37
Intangible assets (6) (8)		10,681		11,791
Tangible assets (8)				
Investment property and shares and holdings in investment property (7)	3,120		1,845	
Other property and shares and holdings in real-estate corporations (7)	13,378		15,372	
Other tangible assets	2,709	19,207	2,946	20,163
Other assets				
Credit loss receivables from the State	6,592		11,380	
Other	8,049	14,641	7,251	18,631
Accrued income and prepayments (9)		15,058		13,355
Imputed tax receivables (10)		644		664
		1,767,346		**1,728,652**

Liabilities and shareholders' equity (EUR 1,000)			**31 Dec 2006**			**31 Dec 2005**
Liabilities						
Liabilities to credit institutions (15) (16)						
Other than payable on demand		701,024			693,859	
Liabilities to the public and to public corporations (15) (16)		63,723			74,095	
Debt securities in issue (11) (15) (16)						
Bonds	353,472			375,611		
Other	0	353,472		0	375,611	
Derivative contracts (5)		19,390			14,558	
Other liabilities (12)						
Other liabilities	15,731			16,101		
Compulsory provisions	2,250	17,981		2,250	18,351	
Accrued expenses and advances received (13) (16)		94,712			72,311	
Subordinated liabilities (14) (15) (16)						
Capital loan	11,500			11,500		
Other	5	11,505		5	11,505	
Imputed tax liability (10)		378	1 262 185		179	1 260 469
Shareholders' equity and minority share						
Share capital (18) (19)		196,605			196,605	
Above par value fund (18)		51,036			51,036	
Reserve fund (18)		0			177,334	
Unrestricted funds (18)						
Market value fund						
Valuation at market value	1,052			500		
Fund for domestic operations	129,852			0		
Fund for export credit guarantees and special guarantees	80,223			0		
Other	59	211,186		59	559	
Profit/loss for previous years (18)		3,229			2,516	
Profit for the financial year (18)		34,531			33,454	
Minority share of capital		8,574	505,161		6,679	468,183
			1,767,346			**1,728,652**
Commitments outside the balance sheet (35)						
Commitments given in favour of a third party on behalf of a client						
Guarantees		804,332			839,793	
Book value referred to in the Act on the State's Export Credit Guarantees		3,883,045			3,378,816	
Liability for special guarantees		85,764	4,773,141		153,586	4,372,195
Irrevocable commitments given in favour of a client						
Binding financing offers			209,281			179,745

Consolidated Cash Flow Statement

(EUR 1,000)		1 Jan–31 Dec 2006		1 Jan–31 Dec 2005
Cash flow from operations				
Repayment of loan receivables	+	320,473	+	288,892
Disbursement of loans granted	-	332,799	-	376,534
Interest received	+	59,381	+	48,735
Interest paid	-	32,934	-	27,030
Interest support received	+	21,428	+	18,467
Payments received on commissions and fees	+	79,254	+	70,374
Payments received on other operating income	+	29,997	+	26,058
Payments of operating expenses	-	45,737	-	45,026
Claims paid	-	20,844	-	10,185
Direct taxes paid	-	12,014	-	16,271
Cash flow from operations before extraordinary items	**+**	**66,205**	**-**	**22,520**
Cash flow from extraordinary items (net)	+	0	+	0
Cash flow from operations (A)	**+**	**66,205**	**-**	**22,520**
Cash flow from investments				
Investments in tangible and intangible assets	-	4,818	-	6,495
Tangible and intangible assets relinquished	+	0	+	0
Other investments	-	45,385	-	119,251
Other investments relinquished	+	31,316	+	88,642
Dividends from investments	+	227	+	683
Cash flow from investments (B)	**-**	**18,660**	**-**	**36,421**
Cash flow from financing				
Share issue	+	0	+	0
Disbursement of loans	+	188,704	+	814,772
Repayment of loans	-	203,884	-	670,115
Cash flow from financing (C)	**-**	**15,180**	**+**	**144,657**
Change in liquid assets (A+B+C) increase (+)/decrease (-)	**+**	**32,365**	**+**	**85,716**
Liquid assets at the start of the financial year		**129,057**		**43,341**
Liquid assets at the end of the financial year		**161,422**		**129,057**

Parent Company's Profit and Loss Account

(EUR 1,000)	1 Jan–31 Dec 2006			1 Jan–31 Dec 2005		
Interest income (20)						
Interest from the public and from public corporations	58,638			47,933		
Interest subsidy passed on to clients (21)	17,966			19,324		
Interest on export credit and special guarantees	506			110		
Interest on guarantee receivables	1,856			2,138		
Other interest income	4,194	+	83,160	3,187	+	72,692
Interest expenses (20)		-	32,777		-	25,653
Other interest support (21)		+	1,069		+	1,780
Net interest income		**+**	**51,452**		**+**	**48,819**
Income from equity investments (22)						
Companies in the same Group	83			0		
Associated companies	0			0		
Other companies	82	+	165	59	+	59
Commissions income (23)						
On export credit and special guarantees	35,003			36,348		
Other quarantee commissions	16,163			15,812		
Other	6,448	+	57,614	7,039	+	59,199
Commissions expenses (23)		-	1,055		-	2,268
Net income from securities transactions and currency operations (24)						
Net income from securities transactions	0			0		
Net income from currency operations	-1,707	-	1,707	2,827	+	2,827
Net income from saleable financial assets (25)		+	1,838		-	511
Net income from investment property (26)		-	214		+	320
Other operating income						
Credit loss compensation from the State	14,986			20,430		
Management fees	1,635			1,662		
Other (27)	7,451	+	24,072	8,366	+	30,458
Administrative expenses						
Personnel costs						
Salaries and fees	21,574			19,760		
Indirect employee costs						
Pensions	4,312			4,356		
Other indirect employee costs	1,677			1,467		
Other administrative expenses	12,625	-	40,188	12,249	-	37,832
Depreciation and write-downs on tangible and intangible assets (28)		-	5,237		-	4,475
Other operating expenses (27) (34)		-	3,503		-	3,908
Write-down losses on credits and other receivables (29)						
Credits and domestic guarantees	35,005			52,104		
Export credit and special guarantees	4,843	-	39,848	-4,117	-	47,987
Write-down losses on other financial assets (29)		-	0		-	0
Operating profit		**+**	**43,389**		**+**	**44,701**
Income taxes						
Taxes on the financial year and previous years		-	10,651		-	11,730
Profit from ordinary activities after taxes		**+**	**32,738**		**+**	**32,971**
Income and expenses for other than ordinary activities (30)		-	0		-	230
Profit for the financial year		**+**	**32,738**		**+**	**32,741**

Parent Company's Balance Sheet

Assets (EUR 1,000)		**31.12.2006**		**31.12.2005**
Receivables from credit institutions (1) (15) (16)				
Payable on demand	53,377		29,014	
Other	0	53,377	0	29,014
Receivables from the public and from public corporations (2) (15) (16)				
Credits	1,372,309		1,376,294	
Guarantee receivables	12,645		12,635	
Receivables from export credit and special guarantee operations	10,180	1,395,134	16,398	1,405,327
Debt securities (3) (15) (16)				
From public corporations	0		0	
From others	99,687	99,687	91,948	91,948
Shares and holdings (4) (37)		3,832		6,384
Shares and holdings in associated companies (4) (37)		13,746		13,937
Shares and holdings in Group companies (4) (37)		99,016		75,514
Intangible assets (6) (8)		10,643		11,747
Tangible assets (8)				
Investment property and shares and holdings in investment property (7)	2,700		2,157	
Other property and shares and holdings in real-estate corporations (7)	11,813		12,194	
Other tangible assets	2,597	17,110	2,797	17,148
Other assets				
Credit loss receivables from the State	6,593		11,380	
Other	7,953	14,546	7,182	18,562
Accrued income and prepayments (9)		13,266		11,006
Imputed tax receivables (10)		644		663
		1,721,001		**1,681,250**

Liabilities and shareholders' equity (EUR 1,000)			**31.12.2006**			**31.12.2005**
Liabilities						
Liabilities to credit institutions (15) (16)						
Payable on demand						
Other than payable on demand		701,024			693,858	
Liabilities to the public and to public corporations (15) (16)		31,861			38,098	
Debt securities in issue (11) (15) (16)						
Bonds	353,472			375,611		
Other	0	353,472		0	375,611	
Derivative contracts (5)		19,372			13,143	
Other liabilities (12)						
Other liabilities	15,851			15,995		
Compulsory provisions	2,250	18,101		2,250	18,245	
Accrued expenses and advances received (13) (16)		93,999			71,902	
Subordinated liabilities (14) (15) (16)						
Capital loans	11,500			11,500		
Other	5	11,505		5	11,505	
Imputed tax liability (10)		96	1,229,430		86	1,222,448
Shareholders' equity (18)						
Share capital (19)		196,605			196,605	
Above par value fund		51,036			51,036	
Reserve fund		0			177,334	
Unrestricted funds						
Market value fund						
Valuation at market value	276				245	
Fund for domestic operations	129,852					
Fund for export credit quarantees and special guarantees	80,223	210,351				
Profit for previous years		841			841	
Profit (loss) for the financial year		32,738	491,571		32,741	458,802
			1,721,001			**1,681,250**
Commitments outside the balance sheet (35)						
Commitments given in favour of a third party on behalf of a client						
Guarantees		804,332			839,793	
Book value referred to in the Act on the State's Export Credit Guarantees		3,883,045			3,378,816	
Current liability for special guarantees		85,764	4,773,141		153,586	4,372,195
Irrevocable commitments given in favour of a client						
Binding financing offers			209,281			179,745

Parent Company's Cash Flow Statement

(EUR 1,000)		1 Jan–31 Dec 2006		1 Jan–31 Dec 2005
Cash flow from operations				
Repayment of loan and guarantee receivables	+	318,336	+	283,092
Disbursement of loans granted	-	326,944	-	365,365
Interest received	+	57,985	+	47,819
Interest paid	-	31,223	-	24,744
Interest support received	+	21,428	+	18,467
Payments received on commissions and fees	+	77,564	+	69,134
Payments received on other operating income	+	28,123	+	25,172
Payments of operating expenses	-	43,374	-	44,870
Claims paid	-	20,844	-	10,185
Direct taxes paid	-	11,768	-	16,229
Cash flow from operations before extraordinary items	**-**	**69,283**	**-**	**17,709**
Payments on other than ordinary activities	-		-	0
Cash flow from operations (A)	**+**	**69,283**	**-**	**17,709**
Cash flow from investments				
Investments in tangible and intangible assets	-	4,754	-	5,725
Tangible and intangible assets relinquished	+	0	+	0
Other investments	-	25,019	-	17,803
Real property and other investments relinquished	+	7,637	+	1,224
Dividends from investments	+	165	+	59
Cash flow from investments (B)	**-**	**21,971**	**-**	**22,245**
Cash flow from financing				
Share issue	+	0	+	0
Disbursement of loans	+	188,704	+	809,097
Repayment of loans	-	203,685	-	669,863
Payments of group contribution	-	230	-	720
Cash flow from financing (C)	**-**	**15,211**	**+**	**138,514**
Change in liquid assets (A+B+C) increase (+)/decrease (-)	**+**	**32,101**	**+**	**98,560**
Liquid assets at the start of the financial year		**120,962**		**22,402**
Liquid assets at the end of the financial year		**153,063**		**120,962**

Notes to the Accounts

PRINCIPLES FOR DRAWING UP THE FINANCIAL STATEMENTS

By virtue of a decision issued by the Finnish Accounting Standards Board on 25 January 1999, Finnvera plc draws up its profit and loss account and its balance sheet according to the formulas applied to credit institutions, even though the company does not operate under the Credit Institutions Act. The financial statements of Finnvera plc and the Finnvera Group have therefore been compiled in accordance with the regulations given by the Financial Supervision for credit institutions. These financial statements have been drawn up in accordance with Financial Supervision's standard 3.1 "Financial Statements and Annual Report", which entered into force on 1 December 2005.

When Finnvera was founded, one of the goals was transparency of operations. Accordingly, the profit and loss account itemises all support received from the State. In addition, note no. 39 shows the separate results for domestic operations and for export credit and special guarantee operations, since these are not shown directly by the profit and loss account.

• Consolidated financial statements

The consolidated financial statements comprise the financial data of Finnvera plc and the subsidiaries under Finnvera's control. The financial statements of the subsidiaries have been combined using the past equity method. Their acquisition costs have been eliminated against the equity shown by the balance sheet at the time of the acquisition.

The financial statements of associated companies have been combined using the equity method, with the exception of real-estate companies and enterprises classified as venture capital investments made by Finnvera's subsidiaries. The real-estate companies do not have any essential effect on the availability of correct and sufficient information on the Group's performance and financial status. The Group's share of the profit or loss shown by the companies combined using the equity method, corresponding to the Group's holding in these companies, is shown as an item of its own in the consolidated financial statements.

Business transactions and mutual receivables and liabilities within the Group have been eliminated. After combining the financial statements of the subsidiaries using the past equity method, the shares that shareholders outside the Group have of the results and equity of these subsidiaries are shown as separate minority interests in the consolidated financial statements.

• Sums denominated in a foreign currency

Sums denominated in a foreign currency have been converted to euros using the exchange rates quoted on the last day of the financial period. Exchange rate differences have been entered as income or expenses in the profit and loss account.

• Bases for the classification and valuation of financial instruments

The Finnvera Group uses interest rate and currency derivatives only for hedging purposes. Derivatives have been valued at the acquisition cost allowed by the Credit Institutions Act since the debts to be hedged have also been valued at acquisition cost, with the exception of changes caused by currency exchange rates. Valuation at market value will be introduced when the IFRS is adopted in 2007.

There are no investments that would be kept to the maturity date.

The item 'Loans and other receivables' includes receivables from credit institutions and receivables from the public and from public corporations. Receivables from the public have been valued at the accrued acquisition cost minus write-down losses. The effective interest method will be adopted after the transitional period on 1 January 2007. During the transitional period, no discounting method is used for entering contract-specific and group-specific write-downs.

Saleable financial assets include debt securities as well as shares and holdings in companies other than Group companies or associated companies. The shares owned by Finnvera plc have been valued at market value. The market values are based on the enterprise's net asset value or productive value. Shares included in the fixed assets of subsidiaries are valued at acquisition cost or at acquisition cost minus write-downs, which is considered to correspond to market value. Write-downs are entered in the profit and loss account. The publicly quoted shares and investment fund units owned by the Group are valued at market value on the day of closing the books. The difference between their acquisition costs and market values has been entered in the market value fund under shareholders' equity.

Ownership of property has been divided into investment property and other property. Investment property means property that is not in the Group's own use. Investment property is valued at market value, and other property at acquisition cost minus depreciation and write-down losses.

In the parent company's separate financial statements, subsidiaries and associated companies are valued at acquisition cost minus any write-downs.

• Receivables

Receivables from credit institutions have been divided into those payable on demand and into other receivables. Receivables payable on demand are those that fall due for payment immediately or after a period of notice of at most one day.

Receivables from the public and from public corporations includes both credits and guarantee receivables from domestic operations and export credit and special guarantee receivables entered under export financing.

• Shares and holdings in Group, associated and other companies

In the balance sheet, shares and holdings have been broken down depending on the percentage of holding, with the exception of shares in real-estate companies, which are all presented under the balance sheet items 'Investment property and shares and holdings in investment property' or 'Other property and shares and holdings in real-estate corporations.

Shares and holdings in Group companies comprise shares in subsidiaries in which the holding exceeds 50 per cent. Associated companies refer to enterprises in which the holding is between 20 and 50 per cent. Other shares and holdings are investments in which the holding is under 20 per cent.

• Interest income and interest subsidy from the State

Interest on lending is entered on the accrual basis for the period during which the income is accumulated. However, postmaturity interest is entered as income on the payment basis. Because no discounting method is used for assessing write-downs, any unpaid interest on loans and other receivables is not entered as income for the year after the write-down loss has been entered. The effective interest method will be adopted in 2007.

Since 1993, Kera plc has received interest subsidy from the State. Tied in with the volume of lending, the subsidy is divided into a basic interest subsidy and into an additional interest subsidy, which is gradated on the regional basis and passed on directly to clients. In accordance with the above commitments, Finnvera plc receives interest subsidy on credits granted before 1999. The subsidy is based on the credit portfolio as at 31 December.

On the basis of a commitment given to Finnvera, concerning credits granted in 1999–2004, the State pays Finnvera a regional interest subsidy and a special interest subsidy, which is used to support the financing of small and medium-sized enterprises. Differing from the earlier commitments, this interest subsidy is calculated separately for each loan on the basis of the time elapsed, in the same way as interest.

In 2001, Finnvera also began to grant loans for investments and working capital that include support from the European Regional Development Fund (ERDF), as well as the national interest subsidy. In 2005, Finnvera began to give guarantees that include both national commission support from the State and commission support from the ERDF.

The interest subsidy passed on to clients – shown under interest income in the profit and loss account – comprises the additional interest subsidy, the interest subsidy on special loans, and the ERDF interest support and ERDF commission support. The basic interest subsidy on credits granted before 1999 is presented under the item ‘Other interest subsidy’.

• Income from equity investments

The item includes dividends and profit shares and other corresponding income that are obtained from stock and fund units.

• Commissions income

The item comprises commissions on export credit and special guarantees and other guarantees, as well as various handling fees and commissions on lending.

When long-term premiums have been paid in advance, the share that corresponds to the liability assumed during the financial year is entered as income for the year. Premiums that do not belong to the financial year are presented as advances received.

Guarantee commissions are allocated in the same way as interest income.

• Net income from saleable financial assets

The item shows profits and losses from the sale of shares and holdings in companies other than Group or associated companies, as well as write-downs on these shares and holdings.

• Net income from investment property

The item shows income and expenses from real property that is not in the Group’s own use.

• Write-down losses on credits and other commitments

The principle followed in entering the final credit and guarantee losses in the financial statements is that, when enterprises have become bankrupt, have ceased operation and have been deemed to be without means during realisation of their assets, the value entered in the books is one that can probably be recovered through security arrangements or some other means. The rest, including the principal and interest and commissions until the date of removing the sum from the books, is entered as credit or guarantee loss.

Besides these materialised losses, write-down losses are entered when there is objective evidence of their existence. Write-down losses are estimated during a two-phase process, based on risk classification:
– Major write-downs on individual receivables.
– Write-downs on groups of receivables, including the individual receivables on which no separate write-down was entered above.

The State of Finland and the European Regional Development Fund (ERDF) compensate Finnvera for some of the credit and guarantee losses incurred. The compensation is shown as an item of its own under other operating income.

The losses from export credit and special guarantees include claims payable on the basis of commitments, minus any assets recovered, as well as compulsory provisions for anticipated losses in export credit guarantee operations.

• Taxes

Taxes have been allocated in the financial statements on the basis of the tax calculation. The tax benefit to be obtained in future from the compulsory provisions and from deferred depreciation entered on fixed assets in 2003 is presented in the imputed tax receivables. The imputed tax liability shows the tax liability caused by market value changes entered in the market value fund.

NOTES TO THE BALANCE SHEET (1,000 e)	**Group**	**Finnvera plc**

Note no. 1

	Payable on demand	Other	Payable on demand	Other
Receivables from credit institutions				
Finnish credit institutions	55,161	0	53,374	0
Credit institutions abroad	35	0	3	0
	55,196	0	53,377	0

Note no. 2

	Group	Finnvera plc
Receivables from the public and public corporations, by sector		
Credits		
Enterprises	1,291,473	1,283,373
Financial and insurance institutions	1,034	1,034
Public Corporations	10,998	9,207
Households	78,695	78,695
Foreign countries	10,646	0
	1,392,846	1,372,309
Subordinated claims		
Subordinated loans		
To Group companies	145	336
To associated companies	4,409	500
To others	98,310	98,310
	102,864	99,146
Receivables for which no interest income has been accrued		
Loans and guarantees on which write-downs have been entered	113,131	112,821
Other zero-interest receivables	5,787	5,787
	118,918	118,608
Write-down losses at the start of the year	29,999	29,999
Change of receivable-specific write-down losses during the year	4,576	4,576
Change of group-specific write-down losses during the year	176	176
Write-down losses at the end of the year	34,751	34,751

Write-down losses are entered on the basis of objective evidence. Receivable-specific write-down losses are individual important write-downs. The objective evidence for group-specific write-down losses is determined with the help of clients' risk classification, taking into account the collateral and the State's commitment to compensate for Finnvera's credit losses.

Note no. 3

Debt securities, by financial instrument group and by type of claim	Publicly quoted	Other	Publicly quoted	Other
Issued by other than public corporations				
Saleable				
Certificates of deposit given by banks		4 540		0
Commercial papers		99 687		99 687
Other		2 000		0
		106 227		99 687

NOTES TO THE BALANCE SHEET (1,000 e)		**Group**		**Finnvera plc**

Note no. 4

Shares and holdings

	Publicly quoted	Other	Publicly quoted	Other
Other shares and holdings				
Kept for trading purposes				
Saleable	71,394	6,539	1,595	2,236
	71,394	6,539	1,595	2,236
Shares and holdings in associated companies		52,052		13,746
Shares and holdings in Group companies		37		99,016
	71,394	58,628	1,595	114,998

There are no shares and holdings in credit institutions.

Note no. 5

Derivative contracts

Nominal values of contracts	For hedging purposes	Kept for trading	For hedging purposes	Kept for trading
Currency derivatives	19,390		19,372	

Market values of contracts

For hedging purposes	Interest rate and currency swaps		Interest rate and currency swaps	
Nominal value of underlying instrument				
Under 1 year	82,010		82,010	
1–5 years	201,371		201,371	
5–15 years	153,185		121,324	
over 15 years	0		0	
Total	436,566		404,705	
Market value				
Positive				
Negative	-25,983		-21,703	

All derivative contracts have been made for hedging purposes and they are not entered in the balance sheet.

Note no. 6

Intangible assets	Group	Finnvera plc
IT expenses	9,577	9,577
Other development expenses	0	0
Goodwill	0	0
Other	1,104	1,066
	10,681	10,643

NOTES TO THE BALANCE SHEET (1,000 e)	**Group**	**Finnvera plc**

Note no. 7

Tangible assets

Land and water, buildings, and shares and holdings in real-estate corporations

	Book value	Book value
Land and water and buildings		
In own use	6,521	4,957
Investment property	1,407	271
	7,928	5,228
Shares and holdings in real-estate corporations		
In own use	6,857	6,856
Investment property	1,713	2,429
	8,570	9,285
Market value	16,498	14,513

Note no. 8

Changes in intangible and tangible assets during the year

Intangible assets		
Acquisition cost 1 Jan 2006	23,659	23,605
Additions	3,220	3,220
Deductions	0	0
Transfers between items	0	0
Acquisition cost 31 Dec 2006	26,879	26,825
Accumulated depreciation and write-downs 1 Jan 2006	11,868	11,857
Accumulated deprecation on deductions and transfers	0	0
Depreciation for the year	4,330	4,325
Write-downs	0	0
Accumulated depreciation 31 Dec 2006	16,198	16,182
Revaluation	0	0
Book value 31 Dec 2006	10,681	10,643
Book value 1 Jan 2006	11,792	11,748
Investment property		
Acquisition cost 1 Jan 2006	2,980	3,120
Additions	979	655
Deductions	-67	-67
Transfers between items	462	0
Acquisition cost 31 Dec 2006	4,354	3,708
Accumulated depreciation and write-downs 1 Jan 2006	1,135	963
Accumulated depreciation on deductions and transfers	0	0
Depreciation for the year	72	20
Write-downs	304	301
Accumulated depreciation 31 Dec 2006	1,511	1,284
Revaluation	277	277
Book value 31 Dec 2006	3,120	2,701
Book value 1 Jan 2006	1,845	2,157

NOTES TO THE BALANCE SHEET (1,000 e)	**Group**	**Finnvera plc**
Note no. 8 continues		
Other property and shares in real-estate corporations		
Acquisition cost 1 Jan 2006	19,561	16,383
Additions	64	0
Deductions	-1,408	-220
Transfers between items	-462	0
Acquisition cost 31 Dec 2006	17,755	16,163
Accumulated depreciation and write-downs 1 Jan 2006	4,189	4,189
Accumulated depreciation on deductions and transfers	0	0
Depreciation for the year	188	161
Write-downs	0	0
Accumulated depreciation 31 Dec 2006	4,377	4,350
Revaluation	0	0
Book value 31 Dec 2006	13,378	11,813
Book value 1 Jan 2006	15,372	12,194
Other tangible assets		
Acquisition cost 1 Jan 2006	8,151	7,863
Additions	618	618
Deductions	-63	-62
Transfers between items	0	0
Acquisition cost 31 Dec 2006	8,706	8,419
Accumulated depreciation and write-downs 1 Jan 2006	5,205	5,066
Accumulated depreciation on deductions and transfers	0	0
Depreciation for the year	792	756
Write-downs	0	0
Accumulated depreciation 31 Dec 2006	5,997	5,822
Revaluation	0	0
Book value 31 Dec 2006	2,709	2,597
Book value 1 Jan 2006	2,946	2,797
Note no. 9		
Accrued income and prepayments		
Interest	6,704	6,303
Other accrued income and prepayments	8,354	6,963
	15,058	13,266
Note no. 10		
Imputed tax receivables and liability		
Imputed tax receivables		
Calculated on accrual differences	59	59
Calculated on compulsory provisions	585	585
	644	644
Imputed tax liability		
On revaluation entered in the market value fund	378	97
Note no. 11		
Bonds and debentures in issue		
Bonds	353,472	353,472
Commercial papers	0	0
	353,472	353,472

NOTES TO THE BALANCE SHEET (1,000 e)	**Group**	**Finnvera plc**
Note no. 12		
Other liabilities		
Debt to the State as per repayment terms, associated with contributions received for the acquisition of venture capital companies	13,875	13,875
Reimbursements on credit losses	614	614
Other	1,242	1,362
	15,731	15,851
Compulsory provisions		
Export credit guarantee provision 1 Jan 2006	2,000	2,000
Addition during the year	0	0
Used during the year	0	0
Cancelled during the year	0	0
Export credit guarantee provision 31 Dec 2006	2,000	2,000
Other compulsory provisions		
Other compulsory provisions 1 Jan 2006	250	250
Addition during the year	0	0
Used during the year	0	0
Cancelled during the year	0	0
Other compulsory provisions 31 Dec 2006	250	250
Note no. 13		
Accrued expenses and advances received		
Interest	88,147	87,757
Other accrued expenses and advances received	6,565	6,242
	94,712	93,999

Note no. 14

Subordinated liabilities

Finnvera plc/Group	EUR	Interest %	Loan period
Capital loan from the State	11,500	0	20 years

The loan is to be used as an investment raising the share capital of Aloitusrahasto Vera Oy. The loan will be paid back in one instalment at the end of the loan period, provided that the restricted equity and other undistributable items, as shown by the balance sheet, remain fully covered after the payment. In the event that the venture capital company's financing operations show a loss, the corresponding sum will be deducted from the loan principal to be recovered.

Perpetual loans to Group companies	5	0	

NOTES TO THE BALANCE SHEET (1,000 e)	**Group**	**Finnvera plc**

Note no. 15

Maturity distribution of financial assets and liabilities

Receivables from credit institutions		
under 3 months	55,196	53,377
3–12 months	0	0
1–5 years	0	0
5–10 years	0	0
over 10 years	0	0
	55,196	53,377
Receivables from the public and from public corporations		
Credits		
under 3 months	70,171	69,412
3–12 months	230,788	228,364
1–5 years	877,340	860,954
5–10 years	214,547	213,579
over 10 years	0	0
	1,392,846	1,372,309
Debt securities		
under 3 months	101,627	99,687
3–12 months	4,600	0
1–5 years	0	0
5–10 years	0	0
over 10 years	0	0
	106,227	99,687
Liabilities to credit institutions		
under 3 months	0	0
3–12 months	21,510	21,510
1–5 years	629,514	629,514
5–10 years	50,000	50,000
over 10 years	0	0
	701,024	701,024
Liabilities to the public and to public corporations		
under 3 months	0	0
3–12 months	31,861	31,861
1–5 years	0	0
5–10 years	0	0
over 10 years	31,862	0
	63,723	31,861
Bonds and debentures in issue		
under 3 months	72,833	0
3–12 months	159,250	72,833
1–5 years	121,389	159,250
5–10 years	0	121,389
over 10 years	0	0
	353,472	353,472
Subordinated liabilities		
under 3 months	0	0
3–12 months	0	0
1–5 years	0	0
5–10 years	0	0
over 10 years	11,505	11,505
	11,505	11,505

NOTES TO THE BALANCE SHEET (1,000 e)	**Group**	**Finnvera plc**

Note no. 16

Breakdown of balance sheet items denominated in domestic and foreign currencies

	Domestic	Foreign	In the same Group	Domestic	Foreign
Receivables from credit institutions	43,597	11,599	0	42,067	11,310
Receivables from the public and public corporations	1,394,015	21,656	0	1,395,135	0
Debt securities	106,227	0	0	99,687	0
Other assets	179,392	10,860	0	172,802	0
	1,723,231	44,115	0	1,709,691	11,310
Liabilities to credit institutions	701,024	0	0	701,024	0
Liabilities to the public and to public corporations	0	63,723	0	0	31,861
Bonds and debentures in issue	50,000	303,472	0	50,000	303,472
Subordinated liabilities	11,505	0	0	11,505	0
Other liabilities					
Accrued expenses and advances received	91,843	2,869	0	91,531	2,468
Other	37,749	0	0	37,571	0
	892,121	370,064	0	891,631	337,801

Note no. 17

Financial assets valued at acquisition cost instead of market value

	Group	Finnvera plc
Shares in real-estate corporations in the company's own use are valued at acquisition cost minus write-down depreciation.	6,856	6,856

Note no. 18

Equity items

	Group	Finnvera plc
Share capital		
Book value as per 1 January 2006	196,605	196,605
+ increase during the year	0	0
- decrease during the year	0	0
Book value as per 31 December 2006	196,605	196,605
Above par value fund		
Book value as per 1 January 2006	51,036	51,036
+ increase during the year	0	0
- decrease during the year	0	0
Book value as per 31 December 2006	51,036	51,036
Reserve fund		
Book value as per 1 January 2006	177,334	177,334
+ increase during the year	32,741	32,741
- decrease during the year	-210,075	-210,075
Book value as per 31 December 2006	0	0
Market value fund		
Book value as per 1 January 2006	500	245
+ increase during the year	1,932	1,385
- decrease during the year	-1,380	-1,354
Book value as per 31 December 2006	1,052	276

NOTES TO THE BALANCE SHEET (1,000 e)

Note no. 18 continues

	Group	Finnvera plc
Fund for domestic operations		
Book value as per 1 January 2006	0	0
+ increase during the year	129,852	129,852
- decrease during the year	0	0
Book value as per 31 December 2006	129,852	129,852
Fund for export credit guarantees and special guarantees		
Book value as per 1 January 2006	0	0
+ increase during the year	80,223	80,223
- decrease during the year	0	0
Book value as per 31 December 2006	80,223	80,223
Other equity		
Book value as per 1 January 2006	36,028	33,582
+ increase during the year	34,531	32,736
- decrease during the year	-32,740	-32,741
Book value as per 31 December 2006	37,819	33,577

Note no. 19

	Shares	Holding %
Share capital	Shares	Holding %
State of Finland	11,565	100
The company does not possess any of its own shares.		

NOTES TO THE INCOME STATEMENT (1,000 e)

Note no. 20

	Group	Finnvera plc
Interest income		
On receivables from the public and from public corporations	59,824	58,638
Interest subsidy passed on to clients	17,966	17,966
Interest on guarantee receivables	1,856	1,856
Interest on export credit and special guarantee operations	506	506
Other interest income		
On receivables from credit institutions	1,439	1,399
On debt securities	2,786	2,612
Other	217	183
	84,594	83,160
Interest expenses		
On liabilities to credit institutions	20,580	20,580
On liabilities to the public and to public corporations	2,969	1,219
On bonds and debentures in issue	10,526	10,526
On subordinated liabilities	0	0
Other interest expenses	452	452
	34,527	32,777

NOTES TO THE INCOME STATEMENT (1,000 e)		**Group**		**Finnvera plc**

Note no. 21

Interest subsidy from the State and from the European Regional Development Fund (ERDF)

Deviating from the instructions issued by the Financial Supervision. Finnvera shows here an itemised account of interest subsidy from the State and the ERDF, which is an important item for Finnvera's performance and is included in the net income from financial operations. For credits granted before 1999, the basis for the interest subsidy is the credit portfolio as per 31 December 2006. For credits granted in 1999–2006, the interest subsidy is calculated on the basis of time elapsed, similar to interest. In 2001, Finnvera also began to grant loans for investments and working capital that include support from the ERDF, as well as national interest subsidy.

Interest subsidy is divided into two: subsidy passed directly on to clients and basic subsidy paid on credits granted before 1999. The interest subsidy passed on to clients is included in interest income, while the basic interest subsidy is presented as an item of its own before the net income from financial operations.

		Interest subsidy		Interest subsidy
Interest subsidy passed on to clients				
Regional interest subsidy	1,427		1,427	
Interest subsidy on special loans	9,617		9,617	
Interest subsidy from the ERDF	3,195		3,195	
National interest subsidy (ERDF)	3,727	17,966	3,727	17,966
Other interest subsidy				
Basic subsidy for credits granted before 1999		1,069		1,069
		19,035		19,035
Interest-subsidised credits and guarantees, in total, as per 31 December 2006		784,027		784,027

Note no. 22

	Group	Finnvera plc
Income from equity investments		
Dividends		
Investments classified into saleable financial assets	610	83
Investments classified into financial assets	0	0
kept for trading purposes	0	0
Companies in the same Group	0	82
Associated companies	145	0
	755	165

Note no. 23

	Group	Finnvera plc
Commissions income		
On export credit guarantees and special guarantees	35,003	35,003
On other guarantees	16,162	16,162
On credit operations	6,578	6,319
On interest equalization	1,563	0
On asset management and legal tasks	130	129
	59,436	57,613
Commissions expenses		
On reinsurance	960	961
On acquisition of funds	50	44
On payment transactions	45	50
Other	7	0
	1,062	1,055

NOTES TO THE INCOME STATEMENT (1,000 e) | Group | Finnvera plc

Note no. 24

Net income from securities transactions and currency operations

	Group: Sales profits and losses	Group: Changes in market value	Group: Total	Finnvera plc: Sales profits and losses	Finnvera plc: Changes in market value	Finnvera plc: Total
Net income from currency operations						
Deposits and debts denominated in a foreign currency	-1,659		-1,659	-1,707		-1,707
Item in total	-1,659	0	-1,659	-1,707	0	-1,707

Note no. 25

Net income from saleable financial assets

	Group: Sales profits and losses	Group: Changes in market value	Group: Total	Finnvera plc: Sales profits and losses	Finnvera plc: Changes in market value	Finnvera plc: Total
Assignment of financial assets	2,870		2,870	2,300		2,300
Write-downs	-462		-462	-462		-462
Cancellation of write-downs	0		0	0		0
Transfers from market value funds	0		0	0		0
	2,408		2,408	1,838		1,838

Note no. 26

	Group	Finnvera plc
Net income from investment property		
Rent income	279	144
Rent costs	-35	-35
Planned depreciation	-72	-20
Sales profits/losses	34	34
Profits/losses caused by valuation at market value	0	0
Write-down losses	-313	-301
Cancellation of write-down losses	0	0
Other income and expenses	-84	-36
	-191	-214

Note no. 27

	Group	Finnvera plc
Other operating income		
Other		
Rent income from property in own use	743	743
Profits from the sale of associated companies	1,117	2,034
Other income	4,958	4,674
	6,818	7,451
Other operating expenses		
Rent costs	2,326	2,290
Costs of property in own use	1,206	1,206
Losses from assignment of property in own use	0	0
Other expenses	57	7
	3,589	3,503

Note no. 28

	Group	Finnvera plc
Depreciation and write-downs on tangible and intangible assets		
Planned depreciation	5,359	5,237
Write-downs	0	0
Cancellation of write-downs	0	0
	5,359	5,237

NOTES TO THE INCOME STATEMENT (1,000 e)		**Group**		**Finnvera plc**

Note no. 29

Write-down losses on credits and domestic guarantees and on export credit and special guarantee operations, as entered in the profit and loss account

	Final credit and guarantee losses, gross	Deductions	Final credit and guarantee losses, gross	Deductions
On receivables from credit institutions	0	0	0	0
On credits	25,678	-3,352	25,523	-3,352
On guarantees and other items outside the balance sheet	8,618	-536	8,618	-536
Other	0	0	0	0
Total	34,296	-3,888	34,141	-3,888

	Group	Finnvera plc
+ Final credit and guarantee losses during the year, total	34,296	34,141
- Cancellation of losses entered in previous years	-3,888	-3,888
+/- Change in contract-specific write-down losses during the year	4,576	4,576
+/- Change in group-specific write-down losses during the year	176	176
Write-down losses on credits and guarantees, as shown by the profit and loss account, total	35,160	35,005
The State's and the ERDF's share of the final credit and guarantee losses		14,986

The State and the ERDF compensate Finnvera plc for the final losses on credits and guarantees granted without securing collateral. On 31 December 2006, these credits and guarantees totalled EUR 2,162 million. The compensation was 49.5% of the credit and guarantee losses recorded during the year.

	Group	Finnvera plc
Export credit and special guarantee operations		
Claims paid	2,758	2,758
+/- Change in claims provision during the year	3,813	3,813
- Recoveries accumulated	-1,728	-1,728
Write-down losses on export credit and special guarantees entered in the financial statements	4,843	4,843
Write-down losses on credits and domestic guarantees and on export credit and special guarantees, entered in the profit and loss account	40,003	39,848
Write-down losses on other financial assets		
Shares and holdings in Group companies	0	0
Shares and holdings in associated companies	252	0
Write-down losses, total	40,255	39,848

Note no. 30

	Group	Finnvera plc
Income and expenses on other than ordinary activities		
Group contribution	0	0

NOTES TO THE INCOME STATEMENT (1,000 e) — **Group** — **Finnvera plc**

Note no. 31

Income and operating profit/loss by business area

	Group Income	Group Operating profit/loss	Finnvera plc Income	Finnvera plc Operating profit/loss
Operations as per §4 of the Act on the State Guarantee Fund	38,738	23,044	38,738	23,044
Other financing operations	98,155	22,215	93,427	20,344
Venture capital investments	1,519	632	0	0
Eliminations	-1,546	804	0	0
	136,866	45,431	132,165	43,388

Assets and liabilities by business area

	Group Assets	Group Liabilities	Finnvera plc Assets	Finnvera plc Liabilities
Operations as per §4 of the Act on the State Guarantee Fund	180,392	83,116	180,392	83,116
Other financing operations	1,604,864	1,177,037	1,540,609	1,146,316
Venture capital investments	85,827	321	0	0
Eliminations	-103,737	1,711	0	0
	1,767,346	1,262,185	1,721,001	1,229,432

Personnel by business area, 31 Dec 2006

	Group	Finnvera plc
Operations as per §4 of the Act on the State Guarantee Fund	79	79
Other financing operations	331	324
Venture capital investments	8	0
Eliminations	0	0
	418	403

NOTES CONCERNING SECURITY AND CONTINGENT LIABILITIES (1,000 e)

Note no. 32

	Group	Finnvera plc
Security given		
Liabilities to credit institutions		
Assets pledged and mortgaged	1,163	0

Note no. 33

Provision of pension cover for employees

In addition to the pension insurance specified in the Employees' Pension Act, the upper management of Finnvera plc, Veraventure Ltd and Spikera Oy have a voluntary group pension insurance which makes it possible, with the employer's consent, to lower the retirement age to 60–63 years.

Note no. 34

	Group	Finnvera plc
Other liabilities concerning leases and rents		
Within one year	109	109
Within 1–5 years	1,234	1,234
After 5 years	10,627	10,627
	11,970	11,970

Leases do not include any particular terms concerning notices or redemption

NOTES CONCERNING SECURITY AND CONTINGENT LIABILITIES (1,000 e)	**Group**		**Finnvera plc**	

Note no. 35

Off-balance-sheet commitments as per 31 December 2006

	Total	Group companies and associated companies	Total	Group companies and associated companies
1. Commitments given in favour of a third party on behalf of a client				
Guarantees and pledges	804,333	0	804,333	0
Book value as per the Act on the State's Export Credit Guarantees	3,883,045	0	3,883,045	0
Liability for special guarantees	85,764	0	85,764	0
	4,773,142	0	4,773,142	0
2. Irrevocable commitments given in favour of a client				
Binding financing offers	209,281		209,281	
3. Outstanding commitments for export credit and special guarantees (net), 31 Dec 2006				
Export credit guarantees				
Buyer Credit Guarantees	4,205,658		4,205,658	
Credit Risk Guarantees	154,724		154,724	
Letter of Credit Guaranteest	111,690		111,690	
Investment Guarantees	84,430		84,430	
Bond Guarantees	205,136		205,136	
Finance Guarantees	226,891		226,891	
	4,988,529		4,988,529	
Special guarantees				
Environmental Guarantees	85,352		85,352	
Ship Guarantees	0		0	
Raw Material Guarantees	0		0	
Venture Capital Guarantees	412		412	
	85,764		85,764	
Export credit guarantees and special guarantees, total	5,074,293		5,074,293	
Provisions for export credit guarantees	-2 000		-2,000	
Grand total	5,072,293		5,072,293	

When the book value of commitments is calculated, the commitments arisen from current export credit guarantees are taken into account in their entirety insofar as the guaranteed capital is concerned, without any other items that might be indemnified in addition to the capital. Moreover, half of the liability arisen from binding guarantee offers is taken into account insofar as the guaranteed capital is concerned.

When the company's books were closed, the value of outstanding claims for indemnification totalled EUR 9,3 million. These commitments have not been entered as expenses in the financial statements because the claims are still being processed.

NOTES CONCERNING THE PERSONNEL AND MANAGEMENT (1,000 e)

Note no. 36

	Change during the year	Group	Change during the year	Finnvera plc
Personnel, on average				
Permanent full-time		387		371
Permanent part-time		25		24
Temporary		18		18
Total	6	430	-1	413
Salaries and fees, including fringe benefits, to the Managing Director				
CEO				242
of which bonuses				8

By agreement, the Managing Director's monthly salary is EUR 18,480. The total salary includes the taxable value of the car benefit. During 2006, the Managing Director was encompassed by the profit-sharing scheme concerning Finnvera's personnel. The maximum bonus to be paid on the basis of this scheme corresponds to four weeks' salary. The period of notice applied to the Managing Director is 6 months. In addition, the Managing Director is paid compensation corresponding to 18 months' salary if he is dismissed by the company. The Managing Director is included in the group pension insurance plan, according to which the retirement age is 60 years.

Salaries and fees paid to the members and deputy members of the Board of Directors, in total	183

Fees paid to the parent company's Board of Directors

Monthly fees: Chairman EUR 1,200; Vice Chairman EUR 700; members EUR 600; and deputy members EUR 300/meeting.
The meeting fee was raised by EUR 500 during 2006.

Salaries and fees paid to the members and deputy members of the Supervisory Board, in total	138

Fees paid to the Supervisory Board

Monthly fees: Chairman EUR 1,000; Vice Chairman EUR 600; and members EUR 500; plus a meeting fee of EUR 200/meeting.

NOTES CONCERNING SHAREHOLDINGS (1,000 e)

Note no. 37

Finnvera plc's shares and holdings *(holdings combined into the consolidated financial statements)* 35

Shares and holdings in group companies

Name and domicile of the company	Sector	Holding of all shares, %
Aloitusrahasto Vera Oy, Kuopio	Investment and development company	88.49
Kera Corporation, Kuopio	No operations	100.00
Kiinteistö Oy Puffetti Fastighets Ab, Vaasa	Real-estate company	69.74
Matkailunkehitys Nordia Oy, Kuopio	Investment and development company	63.52
Spikera Oy, Kuopio	Investment and development company	100.00
Finnish Export Credit Ltd, Helsinki	Export financing and interest equalization	100.00
Tietolaki Oy, Kuopio	No operations	100.00
Tietoraha Oy, Kuopio	No operations	100.00
Veraventure Ltd, Kuopio	Investment and development company	100.00

Shares and holdings in associated companies

Iin Micropolis Oy, Ii	Development company	23.08
Teollisen yhteistyön rahasto Oy, Helsinki	Investment and development company	20.00

Changes during the financial period

Huippupaikat Oy	shares sold	
Professia Oy	holding fallen under 20%	
Aloitusrahasto Vera Oy	additional investment	20,000
Veraventure Oy	additional investment	3,510

Shares and holdings in subsidiaries

Spikera Oy

Name and domicile of the company	Sector	Holding of all shares, %	Equity	Profit for the year
Alfalink Oy, Oulu	No operations	100.00	11	0
Apetta Oy, Kajaani	No operations	100.00	3	0
Deltalink Oy, Oulu	No operations	100.00	3	0
EL Assets Oy, Kuopio	Holding company	100.00	434	74
Kiinteistö Oy Kotkan Kisällinkatu 6, Kotka	Real-estate company	100.00	91	2
Polator Oy, Kuopio	Real-estate company	100.00	299	4
Postum Oy, Kuopio	Real-estate company	100.00	40	-1
Renatur Oy, Kuopio	No operations	100.00	8	0
Soljet Oy, Kuopio	No operations	100.00	8	0
Teknoinvest Oy, Oulu	No operations	100.00	2	0
Tornion Teknologiakeskus Oy, Tornio	No operations	100.00	9	0
Juolukkakiinteistöt Oy, Kemijärvi	Real-estate company	50.00	-39	-23
Myllymäen Teollisuuskiinteistö Oy, Jämsänkoski	Real-estate company	33.33	45	-14

NOTES CONCERNING SHAREHOLDINGS (1,000 e)

Note no. 37 continues

Aloitusrahasto Vera Oy

Finnester Coatings Oy	Electronics	20.00	63	0
Global Response Oy Ltd	Computer software	23.00	99	-120
GlobalWare Corporation Oy	Computer software	25.00	52	-53
Mikcell Oy	Industrial products and services	20.00	80	-23
MORS Software Oy	Electronics	20.00		First financial period
Whitevector Oy	Computer software	20.00	63	-24

Veraventure Oy

Etelä-Savon Pääomarahasto Oy, Mikkeli *	Venture capital investments	61.67	3,403	-505
Indekon Oy, Lappeenranta	Venture capital investments	46.53	3,404	-813
JyväsSeed Fund Oy, Jyväskylä	Venture capital investments	40.00	2,903	-46
Kainuun Pääomarahasto Oy, Kajaani	Venture capital investments	49.64	1,398	-66
Karhu Pääomarahasto Ky, Pori	Venture capital investments	22.60	1,082	-407
Karinvest Oy, Joensuu	Venture capital investments	28.08	2,975	-24
Luoteis-Venäjä Rahasto Oy, Imatra**	Venture capital investments	69.99		First financial period
Midinvest Oy, Jyväskylä	Venture capital investments	29.23	2,917	-181
Pikespo Invest Oy Ltd, Tampere	Venture capital investments	49.00	7,777	39
Savon Teknia Oy, Kuopio	Venture capital investments	49.42	4,917	-6
Spinno-seed Oy, Espoo	Venture capital investments	28.30	4,435	-164
Teknoventure Oy, Oulu	Venture capital investments	48.38	14,133	1,128
Uudenmaan Pääomarahasto Oy, Helsinki	Venture capital investments	40.00	3,444	-56
Oy Wedeco Ab, Vaasa	Venture capital investments	39.80	9,015	472

* Veraventure Ltd's share of votes in Etelä-Savon Pääomarahasto Oy 43.98%.
** Veraventure's share of votes in the holding in Luoteis-Venäjä Rahasto Oy 49.99%.

Matkailunkehitys Nordia Oy

FTM Incoming Oy, Helsinki	Travel agency	44.61	-222	-99
Hotelli Luostotuntuti Oy, Sodankylä	Hotel and restaurant business	49.95	288	34
Hotelli Mesikämmen Oy, Ähtäri	Hotel and restaurant business	25.00		First financial period
Kalajoen Kylpylähotelli Sani Oy, Kalajoki	Hotel and restaurant business	45.00		First financial period
Kiinteistö Oy Saimaan Lomaranta, Taipalsaari	Real-estate company	37.18	96	0
Kristina Cruises Oy, Kotka	Cruises	20.00	642	3,291
Kultaranta Golf Oy Naantali, Naantali	Golf course	30.00		First financial period
Levi Magic Oy, Kittilä	Project/No operations	22.56	319	-13
Lomakeskus Saimaanranta Oy, Taipalsaari	Hotel and restaurant business	47.41	-96	-41
Lomakouhero Oy, Karstula	Hotel and restaurant business	51.72	-99	3
Opteam Henkilöstöpalvelut Oy, Helsinki	Staffing services	38.50	326	211
Savonlinnan Seurahuone Oy, Savonlinna	Hotel and restaurant business	49.00	614	514
Yyterin Kylpylähotelli Oy, Pori	Hotel and restaurant business	50.00	698	362

OTHER NOTES

Note no. 38

Property management services offered to the public

Application for and renewal of mortgages and registrations of title.

OTHER NOTES (1,000 e)

Note no. 39

Separate result* of activities referred to in the Act on the State Guarantee Fund, §4, and its share of the total result of Finnvera plc

PROFIT AND LOSS ACCOUNT			Share of the activities defined in the act 1 Jan – 31 Dec 2006			Share of other activities 1 Jan – 31 Dec 2006			Finnvera total 1 Jan – 31 Dec 2006
Interest income									
Interest from the public and puplic corporations	0			58,638			58,638		
Interest subsidy passed on to clients	0			17,966			17,966		
Interest on guarantee recivables	509			1,853			2,362		
Other interest income	4,107	+	4,616	88	+	78,545	4,194	+	83,161
Interest expenses		-	0		-	32,777		-	32,777
Other interest support		+	0		+	1,069		+	1,069
Net interest income		**+**	**4,616**		**+**	**46,837**		**+**	**51,453**
Income from equity investments		+	0		+	165		+	165
Commissions income									
From export credit and special quarantees	35,003			0			35,003		
Other quarantee commissions	0			16,163			16,163		
Other	0	+	35,003	6,448	+	22,611	6,448	+	57,613
Commission expenses		-	967		-	88		-	1,055
Net income from securities transactions and currency operations		-	1,707		-	0		-	1,707
Net income from saleable financial assets		+	0		+	1,838		+	1,838
Net income from investment property		+	0		-	214		-	214
Other operating income									
Credit loss compensation from the state	0			14,986			14,986		
Management fees	826			809			1,635		
Other	0	+	826	7,452	+	23,246	7,452	+	24,072
Administrative expenses		-	8,634		-	31,555		-	40,189
Depreciation and write-downs on tangible and intangible assets		-	689		-	4,548		-	5,237
Other operating expenses		-	560		-	2,943		-	3,503
Write down losses on credits and other receivables									
Credits and domestic quarantees	0			35,005			35,005		
Export credit and special quarantees	4,843	-	4,843	0	-	35,005	4,843	-	39,848
Write-down losses on other financial assets		-	0		-	0		-	0
Operating profit		**+**	**23,044**		**+**	**20,344**		**+**	**43,388**
Income taxes		-	5,996		-	4,656		-	10,652
Profit from ordinary activities after taxes		**+**	**17,048**		**+**	**15,689**		**+**	**32,737**
Income and expenses for other than ordinary activities		-	0		-	0		-	0
Profit from the financial year		**+**	**17,048**		**+**	**15,689**		**+**	**32,737**

*) The separate result of export credit and special quarantee activities refers to the activities for wich the State is responsible and which have been defined in §4 of the Act on the State Guarantee Fund (44/1998).

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

The parent company's profit for the financial year was	EUR 32,736,518.59

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

Profit from domestic operations to the fund for domestic operations	EUR 15,688,518.59
Profit from operations involving export credit guarantees and special guarantees to the fund for export credit guarantees and special guarantees	EUR 17,048,000.00
	EUR 32,736,518.59

Helsinki, 15 March 2007

Kalle J. Korhonen

Pekka Huhtaniemi
Risto Suominen

Päivi Kerminen
Matti Viialainen

Jyrki Kiviharju
Pauli Heikkilä
Toimitusjohtaja

Pekka Laajanen

Martti Mäenpää

Auditors' Report

To the shareholders of Finnvera plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Finnvera plc for the financial period 1 January–31 December 2006. The Board of Directors and the Managing Director have drawn up the report of the Board of Directors and the financial statements, which comprise the balance sheets, the profit and loss accounts and the cash flow statements for the Group and for the parent company, as well as the notes to the financial statements. Based on our audit, we express an opinion on the financial statements, on the report of the Board of Directors and on the parent company's administration.

The audit has been conducted in accordance with generally accepted auditing standards. The accounts, the principles on which the report of the Board of Directors and the financial statements were prepared, the contents, and the presentation of information in the report of the Board of Directors and in the financial statements were examined in sufficient detail to enable us to conclude that the financial statements and the report of the Board of Directors do not contain any essential flaws or shortcomings. The examination of administration evaluated the legality of the activities of the members of the parent company's Supervisory Board and Board of Directors, as well as the legality of the activities of the Managing Director, in the light of the provisions of the Finnish Companies Act.

It is our opinion that the financial statements and the report of the Board of Directors were prepared in accordance with the Finnish Accounting Act and with other rules and regulations governing the preparation of financial statements and reports of Boards of Directors. The financial statements and the report of the Board of Directors give a true and fair view, as defined in the Accounting Act, of the Group's and the parent company's performance and financial status. The report of the Board of Directors is compatible with the financial statements. The financial statements, including the consolidated financial statements, can be adopted, and the members of the parent company's Supervisory Board and Board of Directors and the Managing Director can be discharged from liability for the financial period that we have audited. The proposal made by the Board of Directors for the handling of the distributable retained profits is in accordance with the Finnish Companies Act.

Helsinki, 20 March 2007

KPMG OY AB

Hannu Niilekselä
Authorised Public Accountant

Statement by the Supervisory Board

We have reviewed the financial statements of Finnvera plc, including the consolidated financial statements, for the period 1 January–31 December 2006, as well as the auditors' report issued on 20 March 2007.

We propose to the Annual General Meeting that the financial statements, in which the consolidated profit and loss account shows a profit of EUR 34,531,496.34 and the parent company's profit and loss account shows a profit of EUR 32,736,518.59, be adopted and that the parent company's profits be used in accordance with the proposal made by the Board of Directors.

Helsinki, 26 March 2007

Johannes Koskinen	Timo Kekkonen
Reijo Paajanen	Sinikka Hurskainen
Peter Boström	Iivo Polvi
Timo Vallittu	Kyösti Karjula
Markus Fogelholm	Eero Reijonen
Erkki K. Mäkinen	Leila Kurki
Susanna Haapoja	Heikki Ropponen
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