

## Interim report 1 January – 30 June 2006

Finnvera promotes the competitiveness of Finnish enterprises, enabling the optimum financial solutions for their start-up, growth and international success.

Finnvera's vision 2006–2011

### Impacts of Finnvera's Activities

Finnvera contributes to the competitiveness of Finnish enterprises so that enterprises have the potential to do business and grow in Finland and to expand internationally. Finnvera seeks, and provides financing for, enterprises at various stages of change. These enterprises have potential for successful business but are unable to obtain financing on market terms.

Each year, the Ministry of Trade and Industry sets ownership and industrial policy goals for Finnvera. These goals determine the impacts on employment, enterprise, industrial and regional policies, and on the promotion of exports that should be achieved through Finnvera's financing programmes.

The goals set for Finnvera concerning the advancement of new job opportunities and enterprise activities and the financing of growth enterprises are associated with the Government's Entrepreneurship Policy Programme. The level of the goals also depends on the funds allocated to Finnvera in the State Budget for domestic financing.

### Employment

#### Nearly 6,000 new jobs

During the first half of 2006, Finnvera's domestic financing contributed to the creation of 5,930 (6,052) new jobs. The goal set for the whole year of 2006 is 10,500 new jobs.

Of the new jobs, 42 per cent were created in industry (40), 25 per cent in services to business (21), and 23 per cent in trade and consumer services (23). Jobs created in tourism and in rural trades together accounted for 10 per cent of the total (14).

The impact of export financing on employment and new enterprise is seen as investments made by major export enterprises and their contract manufacturers and subcontractors. This in turn is reflected as jobs created or kept.

#### Over 2,000 starting enterprises

During the period under review, altogether 2,033 (1,747) starting enterprises received financing from Finnvera. The goal set for 2006 is to provide financing for a total of 3,100 starting enterprises. An enterprise that has been founded at most two years before Finnvera's financing decision is considered to be a starting enterprise.

### Financing for company reorganisations continued to be in demand

For SMEs, changes of generation and other changes of ownership and company reorganisations often require external financing. During the first six months of 2006, Finnvera provided a total of EUR 64.1 million (EUR 66.5 million) for ownership changes in almost 650 enterprises (599).

Financing granted for ownership changes helped create or secure nearly 1,880 jobs (1,766).

### Financing for almost 780 growth enterprises

Finnvera's goal for 2006 is to provide financing for about 1,000 growth enterprises. 'Growth enterprise' refers to a small or medium-sized enterprise where, based on corporate analysis, annual turnover is anticipated to grow on average by at least 10 per cent during the next three years.

During the first half of the year, 773 growth enterprises (519) received financing from Finnvera. Of these, 57 per cent were industrial enterprises (58), 20 per cent provided services for business (23), and 17 per cent were engaged in trade and consumer services (14).

### Involved in nearly 4,900 projects

During the period under review, Finnvera provided financing for nearly 4,900 projects pertaining to the domestic operations of enterprises. The total need for financing in these projects amounted to EUR 1.2 billion (EUR 1.1 billion). Finnvera's average share of financing for the projects was 43 per cent (46). Investments made in these projects totalled EUR 615.0 million, or 10 per cent more than during the corresponding period in 2005 (EUR 558.6 million). Financing for working capital totalled EUR 420.5 million (EUR 412.1 million).

Investments accounted for 51 per cent (50) and working capital financing for 35 per cent (37) of the total value of projects associated with the domestic operations of enterprises that had received financing from Finnvera. Financing provided for the export efforts of enterprises accounted for six per cent of total projects; this is double the amount during the same period in 2005.

### Balanced development through financing granted on regional policy grounds

Financing granted on regional policy grounds promotes balanced regional development in Finland and helps create preconditions for the establishment and growth of enterprises in national assisted areas.

Thanks to regional interest-subsidised loans, enterprises in national assisted areas can obtain financing for their investments and working capital on more advantageous terms. The regionally graded credit and guarantee loss compensation provided by the State also makes it possible for Finnvera to take higher risks, especially in the least developed areas.

In total, EUR 256.2 million was granted to areas assisted on regional policy grounds during the first six months of the year (EUR 260.8 million). This was 49 per cent (51) of all domestic financing provided by Finnvera. Interest-subsidised regional policy loans accounted for EUR 66.6 million (EUR 72.3 million), or a little over a quarter of all financing granted to assisted areas. Altogether 47 per cent (50) of the new jobs created with the help of Finnvera's financing came about in areas assisted on regional policy grounds.

When the number of enterprises financed by Finnvera are compared to the total number of enterprises in the same region, the highest ratios are observed in Kainuu, Satakunta, Lapland, Northern Savo and Northern Karelia. The lowest ratios are in Uusimaa and especially in the Helsinki area.

Finnvera acts as an intermediary for the enterprise support programmes of the European Regional Development Fund (ERDF) in Objective 1 regions in Eastern and Northern Finland and in Objective 2 regions in Western and Southern Finland. During the period under review, ERDF-supported loans to SMEs totalled EUR 66.7 million (EUR 63.6 million). ERDF support is included in Finnvera's investment and working capital loans, entrepreneur loans, microloans and loans for women entrepreneurs.

Since February 2005, Finnvera has also been able to give guarantees supported by the ERDF to Objective 1 regions in Eastern and Northern Finland. During the period under review, these ERDF guarantees totalled EUR 9.6 million (EUR 5.6 million).

ERDF financing helped to create or keep 1,543 jobs in the Objective regions (1,676) during the first half of the year.

To cover some of the financing granted to SMEs, Finnvera can apply for a portfolio guarantee from the European Investment Fund (EIF). In that case, the guarantee commission is lower than normally. The total value of these growth guarantees given by Finnvera during the first six months of the year was EUR 22.0 million (EUR 37.8 million).

### Domestic financing in great demand

In the same way as in previous years, the favourable economic situation of SMEs was reflected in the demand for Finnvera's financing during the first half of 2006. In particular, as company reorganisations continued to be popular and as enterprises were willing to make investments and needed financing for their working capital, demand for financing remained high among SMEs.

During the first six months of 2006, Finnvera's financing for the domestic operations of enterprises totalled EUR 522.4 million (EUR 508.0 million). This was three per cent more than during the corresponding period in 2005. During the period under review, loans accounted for 42 per cent of all financing, or EUR 217.3 million (EUR 239.1 million); domestic guarantees accounted for 44 per cent, or EUR 232.0 million (EUR 245.0 million); and export guarantees accounted for 14 per cent, or EUR 73.2 million (EUR 23.9 million).

Compared against the first six months of 2005, the financing granted by Finnvera for the domestic operations of enterprises rose the most in areas covered by the Regional Offices of Lappeenranta, Lahti, Vaasa and Uusimaa. When the financing given by Finnvera is related to the total number of businesses in each area, the most financing was given in areas covered by the Regional Offices of Kajaani, Pori, Oulu and Tampere. The volume of financing granted during each review period varies from one region to the next, depending on

the financing and investment needs of enterprises. Some individual major projects may bring considerable changes to the regional breakdown of the demand for financing.

In total, EUR 311.2 million (EUR 296.9 million), or 60 per cent, of domestic financing was given to industrial enterprises (58). As in previous years, the main industrial sector financed was the metals industry, which received a total of EUR 153.0 million. Financing for the wood products industry totalled EUR 26.5 million. Services to business accounted for EUR 84.7 million (EUR 70.6 million), or 16 per cent, of total financing during the period, while trade and consumer services accounted for EUR 84.5 million (EUR 87.3 million), which is also 16 per cent.

Compared against the first half of 2005, the most rapid growth took place in financing for services to business. Financing for industry also increased slightly. Financing for trade and consumer services decreased when compared against the first half of 2005.

During the period under review, Finnvera obtained 2,473 new clients (2,671); on 30 June 2006, there were 27,743 clients (26,938). The figure was three per cent higher than at the same time the year before and one per cent higher than at the beginning of the year. During the first six months of the year, the number of clients increased the most rapidly in the Regional Offices of Uusimaa, Pori and Vaasa.

#### **Outstanding commitments increased by two per cent**

On 30 June 2006, the outstanding commitments given by Finnvera for the domestic operations of enterprises totalled EUR 2,433.8 million (EUR 2,385.3 million). Outstanding commitments were two per cent higher than at the same time in 2005. Loans accounted for 58 per cent and domestic guarantees and export guarantees for 37 per cent of outstanding commitments.

#### **Promotion of exports**

##### **More guarantee offers for SMEs**

Finnvera works to secure the competitiveness of Finnish enterprises on the export market by offering them various arrangements for covering risks arising from export and project financing. These arrangements should be of at least the same standard as those applied in Finland's main competitor countries.

Another goal is to promote the investments of enterprises by granting investment guarantees.

Promotion of the export efforts of Finnish companies affects both employment and enterprise.

During the first six months of 2006, the value of export credit guarantees offered for the financing of exports totalled EUR 2,086.5 (EUR 3,083.1 million).

The value of guarantees offered for exports by SMEs totalled EUR 27.3 million (EUR 9.9 million). The biggest guarantee offers pertained to exports to Russia, Vietnam and Saudi Arabia. The greatest number of individual guarantees was granted for export transactions planned to take place in Russia.

Applications concerning concessional credits granted by the Ministry for Foreign Affairs for projects in developing countries are sent to Finnvera, which acts as the guarantor of these credits and participates in assessment of the eligibility of projects for guarantees and interest support. During the first half of the year, Finnvera received four applications for concessional credits (5); their value was EUR 53.9 million (EUR 30.3 million).

##### **The United States, Thailand and Uruguay topping the list of outstanding commitments**

The outstanding commitments of Finnvera's foreign risk-taking (offers given and current commitments together) totalled EUR 5,054.0 million at the end of the period under review (EUR 4,402.7 million). Of this sum, industrialised countries accounted for 47 per cent, or EUR 2,383.6 million; Latin America for 17 per cent, or EUR 842.5 million; Asia for 15 per cent, or EUR 749.7 million; and the CIS countries for 14 per cent, or EUR 728.2 million.

In the group of industrialised countries, the highest outstanding commitments pertained to the United States, in Asia to Thailand, and in Latin America to Uruguay. Among individual countries, the second highest outstanding commitments after the United States pertained to Russia.

The importance of Finnvera's export financing is accentuated in countries with high political risk, in new customer relationships and in long-term projects of great value. The cruise ship *Genesis*, ordered by Royal Caribbean Cruises Ltd from the Turku shipyard of Aker Yards during the period under review, will bring 5,800 person-years of work to the shipyard company. A passenger ferry ordered by AS Tallink Grupp of Estonia will give 800 person-years of work to the shipyard and to cooperation partners.

#### **Business Operations**

A precondition for economic affluence and growth is that as many new and small enterprises as possible can grow profitably and thereby create new business and new jobs. By means of its financing schemes, Finnvera strives to promote both the willingness and prerequisites of enterprises to grow and develop further.

At the start of 2006, Finnvera's operations were reorganised to meet the financing needs of enterprises better at various stages of development. The biggest change was the establishment of a new business unit focusing on financing for growing and internationalising enterprises.

As of 1 April 2006, Finnvera's operations are divided into four business areas: domestic regional financing; financing for growth and internationalisation; export financing; and venture capital investments. Regional financing consists of financing for regional enterprises and for micro-enterprises employing fewer than 10 people. Regional enterprises mean enterprises that employ more than 10 people and are important actors in their own regions but have no need for rapid growth or internationalisation.

The new division into business units ensures the availability of the best know-how needed for serving enterprises at various stages of development.

#### **Regional Financing**

During the period under review, the financing granted by the Regional Financing business unit accounted for EUR 412.3 million, or 79 per cent, of all financing provided by Finnvera for the domestic operations of enterprises. Micro-enterprises received EUR 172.6 million and regional enterprises EUR 239.7 million. The total number of financing decisions that concerned micro-enterprises and regional enterprises was 4,686.

In all, 47 per cent of regional financing was given to areas eligible for support on regional policy grounds.

At the end of the period under review, most clients (83 per cent) that had received financing from Finnvera for their domestic operations were micro-enterprises. Regional enterprises accounted for 16 per cent. Out of new jobs, 59 per cent were created in micro-enterprises and 36 per cent in regional enterprises.

Regional financing was mainly allocated to the metals industry, trade sectors, tourism and the wood products industry.

In financing for regional enterprises, especially in services provided for starting micro-enterprises, Finnvera is engaged in close cooperation with other regional players. To get a positive financing decision from Finnvera, a starting enterprise must have feasible business and financing plans and the entrepreneur must already have sufficient competence when launching the business. In this way, the potential for successful business can best be ensured.

#### **Financing for Growth and Internationalisation**

The business unit that focuses on the provision of financing for growing and internationalising enterprises started operations in April 2006 and was under active development during the period under review. The operating model will be ready by the end of 2006.

The unit's clients are SMEs that have a growth strategy and that base their growth on exports and/or internationalisation.

During the period under review, financing for growth and internationalisation accounted for EUR 110.0 million, or 21 per cent, of all financing given for the domestic operations of enterprises. Altogether 179 financing decisions were issued for growing and internationalising enterprises. On 30 June, the business unit had nearly 400 clients; this is one per cent of all client enterprises that had received financing for their domestic operations. The volume of financing and the number of clients are expected to rise during the second half of the year.

In all, 56 per cent of financing for growing and internationalising enterprises went to areas eligible for support on regional policy grounds. During the first half of the year, most of the financing in this sector was allocated to the metals and electronics industry and to services to business.

In 2004, Finnvera, Finpro, Tekes and the Employment and Economic Development Centres began to develop a new Growth Enterprise Services model. The model is one element on the slate of services designed for clients seeking financing for growth and internationalisation. Through this model, public enterprise service organisations work together and offer their clients a comprehensive service package consisting of services provided by various public actors. Enterprises can use this service package for their development, internationalisation or for securing financing.

##### **Cooperation with nearby areas in Russia**

Since 2003, the Ministry for Foreign Affairs and Finnvera have together supported SMEs in their efforts to become established on the Russian market. This cooperation also continues in 2006. Based on Finnvera's surveys, a proposal was made to grant a total of about EUR 430,000 for altogether 17 projects during the first half of 2006. Companies have mostly been interested in St. Petersburg and in the Leningrad Region.

Finnvera and the Guarantee Fund owned by the Leningrad Regional Administration launched a joint development project in 2005 as part of the cooperation in nearby areas supported by the Finnish Ministry of Trade and Industry. During the first half of this year, Finnvera's experts in the metals and tourism sectors have given consultancy help to the Guarantee Fund in order to develop corporate analysis practices. The project will come to a close at the end of this year.

Finnvera's representation office in St. Petersburg provides assistance for enhancing knowledge of Russia and for maintaining network contacts in Russian areas close to Finland. The representation office works in close cooperation with Finpro's Trade Center, located in the same premises in St. Petersburg.

### Export Financing

During the first six months of the year, Finnvera received 136 guarantee applications pertaining to foreign risk-taking (123); their total value was EUR 2,198.7 million (EUR 2,021.4 million). During the same period, guarantee offers numbered 123 (87); their total value was EUR 2,011.2 million, or slightly less than the year before (EUR 2,320.8 million).

Industrialised countries accounted for 63 per cent of all guarantees offered, or EUR 1,258.9 million; the CIS countries accounted for 16 per cent, or EUR 327.4 million; Asian countries for 10 per cent, or EUR 195.1 million; Latin American countries for 7 per cent, or EUR 142.2 million; and countries in the Middle East and North Africa for 4 per cent, or EUR 87.6 million.

The biggest guarantee sums were offered for export projects to take place in the United States, Russia, Italy, Canada, Brazil and Thailand. The greatest numbers of guarantees were granted for numerous fairly small export transactions in Russia, Iran and Turkey. Finnvera gave the biggest guarantee offers to shipyards and shipping companies, the telecommunications sector, and to the wood-processing industry.

### Decline in the value of export credit guarantees that came into effect

The total value of export credit guarantees that came into effect during the first half of the year was EUR 461.3 million; this is one third less than during the same period last year (EUR 678.0 million). The guarantees cover political and/or commercial risks pertaining to 24 countries. Among the guarantees that came into effect, the greatest outstanding commitments concerned Ukraine, Estonia, Turkey and Sweden. Of the guarantees that came into effect, the wood-processing sector accounted for 31 per cent, or EUR 142.2 million, and telecommunications for 29 per cent, or EUR 131.9 million.

In May 2006, Finnvera signed a guarantee agreement with Kreditanstalt für Wiederaufbau of Germany concerning the financing of a board mill investment by Modern Karton Sanayi Ticaret A.S. of Turkey. Depending on the amount of Finnish deliveries, Finnvera's share out of the financial arrangement of about EUR 200 million may rise to approximately EUR 100 million. The other participants in the arrangement, aside from Kreditanstalt für Wiederaufbau, are IFC, WestLB AG, Fortis Bank N.V. and Euler-Hermes. The principal supplier of equipment for the investment is Metsä Paper Oy.

During the first six months of 2006, Finnvera participated in financial arrangements for container handling equipment to be supplied to various ports. For instance, Kalmar Industries Oy Ab signed a deal with the Jamaican Port Authority; the transaction is financed by HSBC Bank plc.

### A guarantee offer for the world's biggest cruise vessel from Finnvera

During the first half of the year, the total value of applications received by Finnvera for Bond Guarantees covering domestic risks and associated with export projects in the shipyard industry came to EUR 45.7 million (EUR 148.4 million). There were no applications for Finance Guarantees (EUR 460.1 million).

In February, a decision was made to give an offer for a Buyer Credit Guarantee to Royal Caribbean Cruises Ltd of the USA. The offer pertained to the order for the cruise vessel Genesis from the Turku shipyard of Aker Yards. The purchase price of the vessel is about EUR 900 million. The buyer credit as per the offer is at most 80 per cent of the purchase price, and Finnvera's guarantee coverage for the credit is at most 80 per cent. The Genesis will be delivered by the shipyard in autumn 2009.

A Buyer Credit Guarantee associated with the fast passenger ferry ordered by AS Tallink Grupp of Estonia came into effect in June. Finnvera's guarantee covers 80 per cent of the credit of EUR 88.0 million. The vessel will be delivered by the Helsinki shipyard of Aker Yards in spring 2007.

The value of offers given for Bond Guarantees totalled EUR 75.3 million (EUR 58.2 million); the value of guarantees that came into effect was EUR 29.6 million (EUR 28.5 million). The exporter can use a Bond Guarantee to insure security given for a foreign buyer.

No Finance Guarantees were granted during the first six months of the year (EUR 704.1 million), and no Finance Guarantees came into effect (0).

During the period under review, no offers for Ship Guarantees were given to Finnish shipyards or shipping companies (EUR 176.0 million); nor did any Ship Guarantees come into effect (EUR 101.4 million).

Finnvera's outstanding Bond Guarantees for the shipyard industry totalled EUR 73.3 million as per 30 June 2006. Finnvera's outstanding Finance Guarantees pertained to a credit arrangement of at most EUR 384 million made by Skandinaviska Enskilda Banken. The arrangement is used to finance the building of the cruise vessels ordered by Royal Caribbean Cruises from the Turku shipyard of Aker Yards. The Finance Guarantee covers 50 per cent of the credit.

### A steady number of clients

On 30 June 2006, Finnvera had 200 clients engaged in exports or in the financing of exports. This is slightly less than the figure the year before. SMEs accounted for a good one third of exporter clients.

### Finnish Export Credit Ltd

Finnish Export Credit administers the interest equalization system for officially supported export credits and domestic ship financing in accordance with the OECD Arrangement. Interest equalization is based on law. By means of interest equalization, Finnish Export Credit provides financial institutions with the opportunity to arrange internationally competitive, long-term and fixed-interest financing on OECD terms for Finnish export projects.

Finnish Export Credit also promotes exports by acting as a lender in cases when, according to tax treaties between Finland and the borrower's country, the credit gets more favourable tax treatment when Finnish Export Credit acts as the lender.

Finnish Export Credit is a subsidiary owned 100% by Finnvera plc. Like its parent company, it is an internationally approved official export credit agency (ECA).

In the interest equalization system, a financial institution arranges for its client – usually a buyer of Finnish capital goods or services – a fixed-interest credit on OECD terms. By means of an interest equalization agreement made with Finnish Export Credit, the financial institution converts the fixed-interest asset into a floating rate asset. On 30 June, Finnish Export Credit had cooperation agreements with 16 banks and three specialised credit institutions or ECAs.

The total value of interest equalization offers given during January–June 2006 amounted to EUR 2,680.2 million; the value of interest equalization commitments made on the basis of signed credit agreements totalled EUR 952.8 million, and the value of interest equalization agreements concluded was EUR 712.3 million.

On 30 June, the value of all interest equalization agreements in force totalled EUR 1,557.0 million. The maturity of outstanding agreements extends until 2014.

During the period under review, Finnish Export Credit acted as a lender in three new export credit arrangements. Their equivalent value totalled EUR 267.1 million. The loan portfolio managed by the company totalled EUR 473.6 million on 30 June 2006.

### Veraventure Ltd

Veraventure Ltd, founded in April 2003, is a venture capital investment company owned 100% by Finnvera plc. For its own part, Veraventure is responsible for the investment activities of regional funds organised as limited companies, and for the development of these activities.

In its operations, Veraventure complies with the Ministry of Trade and Industry's guidelines on regional venture capital investments and on the Finnvera Group's investment activities, and with the objectives set by the parent company. As the management company of the fund Aloitusrhasto Vera Oy, which began operations in autumn 2005, Veraventure Ltd is responsible for the fund's investment activities and for the development of target enterprises.

In regional venture capital investments, the company's goal is to support and promote regional industrial policy together with local players, to supplement the financial market in equity investments, to ensure the availability of financing options for potential growth enterprises and to complement Finnvera's financial instruments and know-how.

Veraventure Ltd has investments in a total of 15 funds.

#### Ensuring continuity by raising the share capital

Veraventure acts as a fund of funds. It makes investments in Finnish regional funds organised as limited companies. The investments are equity investments. In addition, Veraventure acts as an intermediary for the EU and the ERDF, making investments into regional funds.

On 10 May 2006, the Annual General Meeting of Veraventure Ltd decided to raise the company's share capital by EUR 2,334,000. Finnvera plc subscribed all the shares that were issued. The raising of the share capital helped ensure the continuity of Veraventure's investment activities

#### Luoteis-Venäjä Rahasto Oy established

During the period under review, Veraventure Ltd made an additional investment in the capital fund Uudenmaan Pääomarahasto Oy. The fund was established in 2005 and its investment operations have got off to a good start. Veraventure's holding in the fund is 40 per cent. The fund is managed by Sentica Partners Oy.

Moreover, during the period under review, Veraventure Ltd made a substantial contribution to the establishment of a new fund, Luoteis-Venäjä Rahasto Oy. The goal of the fund is to promote industrial and enterprise activities in the areas of Southern Karelia, Southern Savo and Kymenlaakso and to diversify, vitalise and strengthen industrial and business structures in these areas by making equity investments and external capital investments in small and medium-sized unlisted enterprises.

The fund makes investments in Finnish enterprises that operate, or are about to locate, in the above areas. These investments are then used for the enterprises' projects and activities in Russia. The fund's investment targets are enterprises that engage in business operations in Russia, or plan to launch such operations, as well as local enterprise arrangements that support Russian business. Veraventure provided the fund with ERDF financing from the Interreg IIIA programme, as well as the associated national financing. Veraventure has a share of 69.99 per cent of the fund's capital and a share of 49.99 per cent of votes. The fund is managed by Imatran Seudun Kehitysyhtiö Oy.

#### Aloitusrahasto Vera Oy

Aloitusrahasto Vera Oy began operations on 15 August 2005. The establishment of a new national seed fund for venture capital investments was proposed in the strategy to revise the system of seed financing and services for starting innovative enterprises. In June 2005, Finnvera plc used the capital loan of EUR 11.5 million that it had received from the Ministry of Trade and Industry as the share capital and above par value fund of Aloitusrahasto Vera Oy. The other shareholders in the company are the Finnish Association of Graduate Engineers and the Finnish National Fund for Research and Development (Sitra). The investments made in the fund total EUR 13.6 million.

#### Investments in innovative technology and service enterprises at their initial stages

The fund's operations are guided by the conditions of the capital loan granted by the Ministry of Trade and Industry, by the outlines defining the Finnvera Group's venture capital investments, and by the strategic goals set by the parent company.

The fund invests in technology enterprises at their initial stages and in innovative service enterprises. The target enterprises must have the potential to develop into growth enterprises. As concerns its equity investments and external capital investments, the fund complies with the European Union's rules on state subsidies.

The fund works as a venture capital investor supplementing the financial market when an enterprise cannot yet obtain financing from private or public venture capital investors. The purpose of the fund is to eliminate the point of discontinuity between the financing schemes for product development and private venture capital investment.

#### More applications than anticipated

By the end of June 2006, the company had received 232 applications for financing, which exceeds the advance estimate. The positive investment decisions made by the fund's Board total EUR 7.3 million; investments have been made in 32 enterprises. During the period under review, 17 decisions proceeded to the implementation stage. In addition, 28 projects passed the first handling by the Board. In all, 123 applications had fallen through by the end of June.

Finnvera's Regional Offices, technology centres and Sitra cooperate in the screening of applications. Regional Offices and technology centres have made initial assessments of the projects and have presented them to the management company. Within its own sphere of management, Sitra has made independent investment proposals to the Board of the fund. Tekes is an important source of financing for many enterprises included in Aloitusrahasto Vera's list of projects. Private venture capital investment companies have also referred some of their projects at the start-up stage to Aloitusrahasto Vera.

Aloitusrahasto Vera Oy does not have any employees; practical operations are managed by Veraventure Ltd.

#### Matkailunkehitys Nordia Oy

Matkailunkehitys Nordia Oy is a venture capital investment fund organised as a limited company and established in 1989. It is owned by Finnvera plc (64 per cent) and Sitra (36 per cent).

Matkailunkehitys Nordia Oy invests in travel industry enterprises and in enterprises providing services to promote well-being, work ability and fitness. These growth-oriented enterprises must have the prerequisites for profitable business.

Nordia operates side by side with the entrepreneurs as a temporary minority holder and developer. Through venture capital investments and participation in the development of the enterprise, Nordia strives to achieve sound, profitable and socially responsible business that has direct or indirect employment effects in the enterprise's operating area. Another goal is to promote the business of enterprises that serve as the travel-industry enterprise's subcontractors or other cooperation partners.

During spring 2006, Nordia made one initial investment and one continuation investment. On 30 June, Nordia had investments in 18 companies. The target for the second half of the year is 1–4 new investments. Nordia continues to make investments using its current assets as well as assets that are returned from previous investments.

#### The company's financial trend

The Finnvera Group's profit for the period under review totalled EUR 21.6 million. The profit for the same period last year had been EUR 17.3 million. In other words, financial performance improved by EUR 4.3 million. The most notable change was that, after taking into account the credit loss compensation paid by the State, the parent company's credit and guarantee losses were EUR 5.9 million less than during the same period last year.

Other major items improving the financial performance from the previous year were the increase of EUR 1.7 million in the net interest income and EUR 1.5 million in commissions income.

The profit of the parent company, Finnvera plc, came to EUR 19.6 million, or EUR 3.6 million more than for the period 1 January–30 June 2005. 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 8.5 million after imputed taxes. Correspondingly, the result of Finnvera plc's other activities totalled EUR 11.1 million after imputed taxes.

In the result for the whole Group, the share of the profit or loss of associated companies came to EUR 1.9 million, which was derived from the profits made by the Finnish Fund for Industrial Cooperation Ltd and Huippupaikat Oy.

Commissions income include EUR 18.1 million as commissions from the parent company's export credit guarantees and special guarantees, and EUR 7.9 million as domestic guarantee commissions included in other guarantee commissions. Other commissions income include EUR 2.6 million as fees collected on loans and guarantees, and EUR 1.8 million as the Group's other commissions income.

The exchange rate loss of EUR 1.2 million on currency operations stemmed from the fall in the exchange rate of the US dollar during the first half of the year.

Other operating income includes the management fee paid by the State Guarantee Fund for management of the 'old' liability for export credit guarantee and special guarantee products arisen before 1999. During the period under review, the management fee was EUR 0.4 million (EUR 0.6 million). The management fee associated with financing provided by the European Regional Development Fund (ERDF) amounted to EUR 0.5 million during the first six months of the year (EUR 0.4 million). Since the separate result of export credit and special guarantee activities shows a surplus of EUR 11.4 million (EUR 14.2 million), it does not give rise to receivables from the State Guarantee Fund.

The interest subsidy paid by the State and by the ERDF to Finnvera plc totalled EUR 9.6 million (EUR 10.4 million). The basic interest subsidy on credits granted before 1999 totalled EUR 0.5 million (EUR 0.9 million). The interest subsidy passed on directly to clients for reducing their interest rates on loans amounted to EUR 9.1 million (EUR 9.5 million), of which EUR 1.6 million came from the ERDF and EUR 1.9 million was national interest support associated with that of the ERDF. Granting of credits eligible for interest support from the ERDF began on 1 April 2001.

The mean interest rate that the clients of Finnvera plc paid for loans on 30 June 2006 was 4.34 per cent (3.53), while the mean interest rate for borrowing was 2.94 per cent (2.14).

The parent company's final credit and guarantee losses for the period under review amounted to EUR 10.8 million. EUR 2.2 million of losses recorded earlier was cancelled; thus,

net losses came to EUR 8.6 million (EUR 10.4 million). In addition, the profit and loss account includes an increase of EUR 0.5 million in write-down losses. Thus the write-down losses on credits and guarantees recorded in the profit and loss account totalled EUR 9.1 million. When the credit loss compensation from the State – included in other operating income – is taken into account, Finnvera plc's share of the losses was EUR 4.0 million, or 47.1 per cent of credit and guarantee losses. Compared against the situation for 1 January–30 June 2005, credit and guarantee losses fell by EUR 9.4 million. The reduction in write-down losses accounted for EUR 7.5 million of this sum. Owing to random factors included in credit loss entries, and the updating of risk classification data, the positive trend during the first half of the year does not necessarily describe the situation for the entire financial period.

During the period under review, the parent company's losses on export credit guarantees and special guarantees came to EUR 2.4 million. This was caused by a write-down made on recovery receivables. Claims paid totalled only EUR 28,000.

On 30 June, Finnvera's outstanding credits amounted to EUR 1,382.1 million (EUR 1,376.3 million). Domestic guarantees totalled EUR 826.8 million as per 30 June 2006 (EUR 824.1 million). In addition, outstanding Environmental Guarantees and Ship Guarantees – both included in special guarantees – totalled EUR 107.3 million and EUR 6.6 million, respectively. The entire Group's loan receivables stood at EUR 1,402.6 million on 30 June 2006.

The book value of Finnvera plc's liability, as referred to in the Act on the State's Export Credit Guarantees, totalled EUR 3,815.5 million as per 30 June 2006 (EUR 3,314.0 million). Outstanding commitments arising from export credit guarantees and special guarantees (current commitments and offers given) totalled EUR 5,441.6 million at the end of the period under review (EUR 4,786.0 million).

On 30 June 2006, the claims presented to the parent company stood at EUR 10.8 million (EUR 12.0 million); a provision of EUR 2.0 million for these has been entered into the books.

The parent company's non-performing and other zero-interest claims totalled EUR 95.1 million as per 30 June 2006. On 30 June 2005, they had been EUR 99.4 million.

### Capital adequacy and acquisition of funds

Including the profit for the period under review, the Finnvera Group's capital adequacy was 17.4 per cent as at 30 June 2006. Capital adequacy rose by 0.4 per cent from the start of the year. The Group's own assets stood at EUR 439.2 million, while the risk-weighted receivables, investments and commitments outside the balance sheet totalled EUR 2,518.0 million. The Group's own assets increased by EUR 12.2 million, while the risk-weighted receivables, investments and commitments outside the balance sheet increased by EUR 9.7 million. Subsidiaries and associated companies had an effect of EUR 4.8 million on the unrestricted shareholders' equity of the Group. The return on equity was 8.0 per cent (8.4).

In June, Finnvera plc withdrew a loan of EUR 40 million from the European Investment Bank and issued a bond of EUR 50 million. In total, EUR 70.3 million in loans were paid back.

### Risk Management

Commitments in domestic risk-taking remained almost unchanged during the first half of the year and totalled EUR 2.4 billion on 30 June. The risk level of commitments rose slightly from the end of 2005 in line with the targets set. The main factor affecting the change in the risk level was a moderate increase in commitments whose risk categories were lower the average.

Owing to offers given in the telecommunications and shipping sectors, foreign risk-taking, as defined the Act on the State's Export Credit Guarantees, increased by 25 per cent during the first half of the year, to EUR 5.2 billion as at 30 June. Most of the increase in commitments pertained to industrialised countries; since these are considered to entail virtually no risks, the level of political risks did not rise. A small percentage of commitments concern areas where risks have clearly risen during the first half of the year. The dispute between Argentina and Uruguay also increases the risk associated with the pulp mill under construction in Uruguay.

Commitments arising from foreign companies and Finnish shipyards rose by 20 per cent during the first half of the year, to EUR 4.5 billion on 30 June. The increase in commitments pertained to enterprises at, or close to, the investment level. Thus the risk level of commitments improved slightly despite the fact that some risk concentrations continued to grow.

The risk level of commitments arising from commercial bank and enterprise risks in export and special guarantee operations fell during the first half of the year, owing to the favourable trend continuing in the world economy. In some areas, crises either deepened or were expected to deepen; this meant a slight increase in the political risk arising from commitments in these areas.

As at 30 June 2006, in total EUR 49 million of risks arising from export credit guarantees had been reinsured (EUR 65 million). Finnvera did not acquire new reinsurance coverage for outstanding commitments during the period under review.

The management of operative risks constituted a central object of development during the first half of the year. The plan for the development of Finnvera's operative risk management was approved in February 2006. Accordingly, all business units and support units charted their operative risks by the end of June 2006. The results obtained from this charting of risks and from the earlier charting of information security risks will be utilised during the latter half of the year when assessing the severity of operative risks and when developing any techniques for risk abatement that might be needed. In other respects, development of operative risk management will continue during 2007.

### Changes in Group Structure

In May, Finnvera plc subscribed all 2,334 new shares issued by Finnvera's subsidiary Veraventure Ltd to raise its share capital.

Professia Oy was merged with Media Tampere Ltd, whose name was changed to Professia Oy. Finnvera holds 7.24 per cent of the new company. Professia Oy is no longer included among Finnvera's associated companies.

After these changes, on 30 June, the Group comprised six subsidiaries, one company providing services in the sector of business premises, and three associated companies.

### Administration and Personnel

The central objectives in Finnvera's new strategy are: promoting the growth and internationalisation of enterprises; improving the services offered to starting and regional SMEs; and further development of the export credit guarantee system. The new division into business areas, implemented in line with these objectives, came into effect on 1 April 2006. Business operations are divided into four areas: regional financing; financing for growth and internationalisation; export financing; and venture capital investments.

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.

### 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); and Timo Vallittu, Chairman of the Chemical Workers' Union (Central Organisation of Finnish Trade Unions SAK).

The following members were re-elected: Peter Boström, Managing Director (Swedish People's Party); Markus Fogelholm, Managing Director (Finnish Bankers' Association); Susanna Haapoja, Member of Parliament (Finnish Centre Party); Sinikka Hurskainen, Member of Parliament (Finnish Social Democratic Party); Leila Kurki, Senior Adviser (Finnish Confederation of Salaried Employees STTK); Erkki K. Mäkinen, Managing Director (Federation of Finnish Enterprises); Pia Peltoniemi, Adviser (Finnvera plc); Pekka Pokela, Director (Confederation of Finnish Industries EK); Iivo Polvi, Member of Parliament (Left Alliance); Eero Reijonen, Member of Parliament (Finnish Centre Party); Heikki Ropponen, Deputy Managing Director (Federation of Finnish Commerce); and Osmo Soininvaara, Member of Parliament (Green League).

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 (Ministry of Trade and Industry) continues to chair 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 of Foreign Affairs), was elected Second Vice Chairman.

The following regular members were re-elected: Päivi Kerminen, Governmental Counsellor (Ministry of Labour); Martti Mäenpää, Director General (Technology Industries of Finland);

Risto Suominen, Director (Federation of Finnish Enterprises ); and Matti Viialainen, Deputy Director (Central Organisation of Finnish Trade Unions SAK).

Elise Pekkala, Governmental Counsellor (Ministry of Trade and Industry), and Kristina Sarjo, Financial Counsellor (Ministry of Finance), continue as deputy members.

### **Leader of the Unit of Financing for Growth and Internationalisation**

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

### **A new role for 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 Finnvera's – and before that Kera's – subsidiary, Spikera Oy has worked for property acquisitions and for the organisational arrangements of development companies since 1992.

### **Personnel**

On 30 June 2006, the Finnvera Group had 429 employees (418), of whom 417 had permanent contracts (407) and 12 had temporary contracts (11).

### **Industrial and Ownership Policy**

#### **Exemption of Finnvera plc from income tax**

The Cabinet Committee on Economic Policy supported the proposal that Finnvera plc be exempted from income tax as of 1 January 2007.

The Ministry of Finance will prepare the measures required by the tax exemption.

#### **Finnvera involved in development of the Finnish innovation environment**

By cooperating more closely with organisations such as the ones participating in the Growth Enterprise Services – Finpro, Tekes, and the Employment and Economic Development Centres – Finnvera contributes to the construction of the Finnish innovation environment. The goal of the cooperation is to provide growth-oriented enterprises with the best available know-how and to lower the risks associated with the growth and internationalisation of enterprises. This goal has also had an effect on Finnvera's new division into business areas and on the establishment of the Unit of Financing for Growth and Internationalisation.

### **Finnvera's ethical guidelines**

Finnvera's Management Group has confirmed new guidelines concerning disqualification, bribery, insider information and the principles of good conduct. These guidelines were adopted in May.

The principles on disqualification concern all company employees and members of the administrative bodies, especially when they participate in the preparation, recommendation or presentation of decisions or in the actual decision-making process.

The ethical guidelines clarify situations where distinctions need to be made concerning bribery and hospitality. At the same time, special attention is paid to the personnel's impartiality and objectivity.

Training about the ethical guidelines has been arranged for the entire personnel.

### **Environmental policy and publicity policy of export credit guarantee activities**

Finnvera's environmental policy was updated in spring 2005. It defines the system applied by Finnvera to review the environmental impacts of export credit guarantee projects.

All export credit guarantee projects have been classified in terms of their environmental impacts since 2002. Basic data on the most important projects have been published since 2003.

The publicity of documents associated with the review of environmental risks in 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, first requested to see documents on certain export projects from the years 1994–2002. The case has been processed both by Helsinki Administrative Court and the Supreme Administrative Court.

Finnvera strives to as much openness as possible, but is restricted by §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. Owing to the above obligation to maintain confidentiality, Finnvera did not relinquish the documents requested.

In April 2006, Helsinki Administrative Court gave its decision where it dismissed the appeal filed by the Finnish Association for Nature Conservation. The decision is final.

### **International cooperation**

Finnvera is active in several European networks and associations set up by financial institutions for SMEs. Through this cooperation, Finnvera can contribute to the development of prerequisites for small and medium-sized enterprises within the EU and can obtain valuable information for the development of its own operations.

International cooperation and exchange of information with the OECD, the EU and the Berne Union are an essential element of export credit guarantee operations. They help maintain common principles and help develop guarantee activities.

In April, the OECD Working Party on Export Credits and Credit Guarantees revised and sharpened the Action Statement on Bribery and Officially Supported Export Credits, which had originally been approved in 2000. The goal is to adopt more effective anti-bribery measures in projects that are financed by means of officially supported export credits.

Exporters and financiers have already been required to give a transaction-specific anti-bribery assurance every time they apply for Finnvera's export credit guarantee. Now it will additionally be verified whether the exporter is mentioned on the publicly available debarment lists of the World Bank or other major international financial institutions. At the same time, it will be checked whether the exporter or the exporter's agent is currently under charge for bribery or has been convicted for bribery within the past five years. If credible and sufficient evidence of bribery is presented during an export transaction, the relevant authorities shall be informed thereof.

### **Paris Club**

As Finland's representative, Finnvera participated in the meetings of the Paris Club, the forum for public creditors. The Paris Club met five times during the first half of 2006.

The Paris Club discusses public debt servicing problems experienced by countries in financial difficulties. Framework agreements are made on the rescheduling of debts, after which countries sign bilateral rescheduling agreements.

On 15 February 2006, Finland signed a bilateral rescheduling agreement with Iraq concerning the repayment of a debt of approximately EUR 115 million.

In accordance with an agreement signed previously, Nigeria paid back its debt prematurely in early 2006. Similarly, Algeria paid the rest of its debt, in total about EUR 10 million, prematurely at the end of June. In August, Russia will repay Finland prematurely EUR 222 million of its debts dating back to the Soviet era. The repayment period granted to Russia would have extended up to 2020. Russia's total debt to Finland is EUR 250 million, of which about EUR 25 million is offset by supplies of goods and services.

These payments will be made to the State Guarantee Fund; thus they will not affect Finnvera plc's financial performance.

### **Future Prospects**

In 2006, the world economy is expected to continue on a path of solid growth and to reach the same level as in 2005. It is thought that economic growth in the euro area and in Japan will pick up, offsetting the slowdown that is anticipated in the United States. The threat of a downturn on the housing market and rising oil prices continue to be the biggest risks for growth in the United States. Rapid growth will continue in Asia, and China and India will taken on even stronger roles as engines of growth in the world economy.

The end of a favourable period and the increased unwillingness to take risks on the international capital market will cause problems for developing markets. Especially countries that are burdened by heavy debts and deficits and are unable to adapt quickly to the changed circumstances are in danger of drifting into an economic crisis.

At present, Finnish export companies have a good number of orders on hand. The current trend could be predicted over a year ago, when the number of applications for export credit guarantees in the technology industry began to rise.

A strong upward trend is expected to continue in exports. More and more subcontracting is associated with exports. Finnish export companies have taken measures to improve their competitiveness partly by outsourcing their production and partly by moving production closer to the markets, to countries with lower production costs. For its own part, Finnvera has worked to ensure the competitiveness of exports by paying attention to the financing needs of domestic subcontractors, by adopting a more flexible interpretation of the concept 'Finnish interest', and by improving its reinsurance options.

Finnvera has given a record number of guarantees and guarantee offers to Finnish shipyards for ship transactions. Buyers are often able to secure their financing purely from commercial sources; therefore, not all guarantee offers are expected to come into effect. In spite of this, the risk concentration in ship financing will probably remain and grow. Besides ship financing, the exports of telecommunications networks and the exports of forest industry machinery and equipment will continue to be the main sectors of export credit guarantees, when measured by the volume of commitments. In ship financing, most applications for guarantees are expected to concern exports to industrialised countries, whereas in the other sectors the principal regions for exports are Russia, Latin America, the Middle East and Southern Asia. In some cases, guarantees are requested for exports to countries where commercial financiers have ceased, or are about to cease, their risk-taking. In these countries, both risk-taking and the assessment of risks is also difficult for Finnvera. At this writing, such countries include Iran, Lebanon and Sri Lanka.

The economic expectations of small and medium-sized enterprises have continued to improve since late 2005. During the early part of the year, economic expectations have been very positive, and the same strong trend is expected to persist over the next 12 months. Prospects are positive in all sectors, although in trade, expectations have fallen slightly since last autumn. Young and growth-oriented enterprises have the most positive outlook on the near future.

Alongside the prevailing economic expectations, which are nearly exceptionally positive, SMEs believe that their turnover and capital adequacy will rise during the next 12 months. It is also anticipated that the value of exports and imports will continue growing.

Expectations that SMEs have for their investments are the only exception to this otherwise positive picture of the near future. The volume of investments is still expected to rise, though clearly less than in autumn 2005. For several years now, replacement investments have accounted for a major portion of all production investments made by SMEs; companies have been very careful when making investments that would increase capacity.

Demand for Finnvera's financing depends not only on investments but also on company reorganisations and, in particular, on changes of generation, which is one field of priority in implementation of the Government's Entrepreneurship Policy Programme. Increasingly often, SMEs also need financing for growth and for the development and internationalisation of operations.

Strong demand for Finnvera's financing is expected to continue in Finland for the rest of the year. Even though many enterprises can carry out their projects by means of increased cash flow financing and with the help of banks and financial companies, Finnvera is needed to share project risks. Finnvera's financing is particularly important for starting and growing SMEs.

Finnvera is needed especially when an enterprise is starting its operations, during the growth and internationalisation stage, and for sharing risks in export transactions concerning capital goods.

Finnvera plc is negotiating with the Ministry of Trade and Industry and the Ministry of Finance about the provision of additional capital for Aloitusrahassto Vera Oy in order to secure the continuity of investment activities. It is to be expected that during the second half of 2006, Aloitusrahassto Vera will have a substantial increase in capital.

Finnvera's own financial performance for 2006 is anticipated to improve slightly on 2005, owing to smaller credit losses during the first half of the year. Rising interest rates also have a positive effect on Finnvera's financial performance after a time-lag. However, even a single major credit loss or claim during the second half of the year may reverse the trend that now looks positive.

#### FINNVERA PLC

9.8.2006

#### KEY INDICATORS AS AT 30 JUNE

	PARENT		PARENT		PARENT		PARENT		PARENT	
	GROUP	COMPANY	GROUP	COMPANY	GROUP	COMPANY	GROUP	COMPANY	GROUP	COMPANY
	YEAR 2006	YEAR 2006	YEAR 2005	YEAR 2005	YEAR 2004	YEAR 2004	YEAR 2003	YEAR 2003	YEAR 2002	YEAR 2002
TURNOVER, EUR MILLION	79.3	77.2	79.6	78.3	74.7	75.0	75.5	76.5	69.6	70.3
OPERATING PROFIT OR LOSS, EUR MILLION	28.5	26.4	23.0	21.7	28.3	29.8	21.3	24.0	11.5	16.5
% OF TURNOVER	35.9	34.2	28.9	27.6	37.9	39.8	28.2	31.4	16.5	23.5
BALANCE SHEET TOTAL, EUR MILLION	1,779.3	1,733.1	1,754.6	1,707.2	1,553.5	1,509.0	1,528.5	1,530.0	1,504.1	1,497.9
OUTSTANDING COMMITMENTS, EUR MILLION	7,704.2	7,683.7	6,997.7	6,986.1	6,032.6	5,996.4	5,727.0	5,736.2	4,579.4	4,594.4
INCOME-EXPENSE RATIO	2.5	2.5	2.5	2.6	2.5	2.7	2.3	2.4	2.3	2.4
CAPITAL ADEQUACY RATIO	17.4	18.5	15.8	17.0	17.0	17.0	14.8	15.1	14.4	14.3
CREDIT LOSSES AND CLAIMS PAID (NET CLAIMS) EUR MILLION	11.5	11.5	18.4	18.4	9.1	9.1	11.7	11.7	12.5	12.5
CREDIT AND DOMESTIC GUARANTEE LOSSES	9.1	9.1	18.4	18.4	9.5	9.5	10.2	10.2	11.8	11.8
EXPORT CREDIT GUARANTEE CLAIMS	2.4	2.4	0.0	0.0	-0.4	-0.4	1.5	1.5	0.7	0.7
SPECIAL GUARANTEE LOSSES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PERSONNEL ON AVERAGE	429	413	418	409	418	407	411	405	404	399

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

1.1. - 30.6.2006 1.1. - 30.6.2005 1.1. - 31.12.2005

#### INTEREST INCOME

Interest from the public and from public corporations	28,013	24,052	48,541
Interest subsidy passed on to clients	9,092	9,539	19,325
Interest on domestic guarantee receivables	816	845	110
Interest on export credit and special guarantee receivables	139	19	2,138
Other interest income	2,205 + 40,265	1,565 + 36,020	3,500 + 73,614

#### INTEREST EXPENSES

- 15,464 - 13,301 - 26,911

#### OTHER INTEREST SUPPORT

+ 515 + 880 + 1,780

#### NET INTEREST INCOME

+ 25,316 + 23,599 + 48,483

#### INCOME FROM EQUITY INVESTMENTS

+ 370 + 336 + 701

#### COMMISSIONS INCOME

+ 30,391 + 28,941 + 60,550

#### COMMISSIONS EXPENSES

- 555 - 1,396 - 2,267

#### NET INCOME FROM SECURITIES TRANSACTIONS AND CURRENCY OPERATIONS

Net income from securities transactions	0	0	0
Net income from currency operations	-1,177 - 1,177	1,988 + 1,988	2,802 + 2,802

<b>NET INCOME FROM SALEABLE FINANCIAL ASSETS</b>	-	14	+	225	-	107	
<b>NET INCOME FROM INVESTMENT PROPERTY</b>	+	128	+	417	+	393	
<b>OTHER OPERATING INCOME</b>							
Credit loss compensation from the State	4,523		5,611		20,430		
Management fees	960		1,076		1,662		
Operating support	0		0		336		
Other	3,288	+	8,771	4,084	+	10,771	
					8,870	+	31,298
<b>ADMINISTRATIVE EXPENSES</b>							
<b>Personnel costs</b>							
Salaries and fees	11,270		10,542		20,447		
Indirect employee costs							
Pensions	2,303		2,435		4,482		
Other indirect employee costs	865		741		1,517		
<b>Other administrative expenses</b>	6,657	-	21,095	7,065	-	20,783	
					13,271	-	39,717
<b>DEPRECIATION AND WRITE-DOWNS ON TANGIBLE AND INTANGIBLE ASSETS</b>	-	2,322	-	2,156	-	6,102	
<b>OTHER OPERATING EXPENSES</b>	-	1,790	-	2,105	-	4,055	
<b>WRITE-DOWN LOSSES ON CREDITS AND OTHER RECEIVABLES</b>							
Credits and domestic guarantees	9,085		18,481		52,101		
Export credit and special guarantees	2,365	-	11,450	-33	-	18,448	
					-4,117	-	47,987
<b>WRITE-DOWN LOSSES ON OTHER FINANCIAL ASSETS</b>	-	0	-	3	-	0	
<b>SHARE OF ASSOCIATED COMPANIES' PROFITS</b>	+	1,902	+	1,625	+	1,513	
<b>OPERATING PROFIT</b>	+	28,475	+	23,011	+	45,505	
<b>INCOME TAXES</b>							
Taxes on the financial year and previous years	6,965		5,709		12,029		
Change in imputed tax receivables	10	-	6,975	13	-	5,722	
					-45	-	11,984
<b>PROFIT FROM ORDINARY ACTIVITIES AFTER TAXES</b>	+	21,500	+	17,289	+	33,521	
<b>MINORITY SHARE OF THE PROFIT OR LOSS FOR THE PERIOD</b>	+	104	+	60	-	67	
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	+	21,604	+	17,349	+	33,454	
<b>CONSOLIDATED BALANCE SHEET</b>							
		30.6.2006		30.6.2005		31.12.2005	
<b>ASSETS</b>							
<b>Cash in hand</b>		0		1		0	
<b>Receivables from credit institutions</b>							
Payable on demand	74,853		76,253		30,795		
Other	0	74,853	33	76,286	34	30,829	
<b>Receivables from the public and from public corporations</b>							
Credits	1,402,613		1,387,600		1,396,689		
Guarantee receivables	12,949		17,071		12,636		
Receivables from export credit and special guarantee operations	14,282	1,429,844	14,287	1,418,958	16,398	1,425,723	
<b>Debt securities</b>							
From public corporations	0		0		2,000		
From others	105,335	105,335	104,696	104,696	96,228	98,228	
<b>Shares and holdings</b>		59,052		47,729		62,124	
<b>Shares and holdings in associated companies</b>		53,942		47,950		47,107	
<b>Shares and holdings in Group companies</b>		37		134		37	
<b>Derivative Contracts</b>		884		0		0	
<b>Intangible assets</b>							
Consolidation difference	0		1,379		0		
Other expenses with long-term effects	11,579	11,579	11,808	13,187	11,791	11,791	
<b>Tangible assets</b>							
Investment property and shares and holdings in investment property	2,065		3,710		1,845		
Other property and shares and holdings in real-estate corporations	14,104		13,066		15,372		
Other tangible assets	2,838	19,007	3,163	19,939	2,946	20,163	
<b>Other assets</b>							
Credit loss receivables from the State	6,491		6,534		11,380		
Other	7,128	13,619	7,724	14,258	7,251	18,631	
<b>Accrued income and prepayments</b>		10,445		10,861		13,355	

<b>Imputed tax receivables</b>			654		612		664
			<b>1,779,251</b>		<b>1,754,611</b>		<b>1,728,652</b>
<b>CONSOLIDATED BALANCE SHEET</b>							
			<b>30.6.2006</b>		<b>30.6.2005</b>		<b>31.12.2005</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
<b>LIABILITIES</b>							
<b>Liabilities to credit institutions</b>							
Other than payable on demand			751,399		790,296		731,680
<b>Liabilities to the public and to public corporations</b>							
			36,406		39,805		39,513
<b>Debt securities in issue</b>							
Bonds			386,930		386,930		386,930
Other			0	386,930	0	386,930	0
							386,930
<b>Other liabilities</b>							
Other liabilities			16,238		17,747		16,101
Compulsory provisions			2,250	18,488	2,000	19,747	2,250
							18,351
<b>Accrued expenses and advances received</b>							
			84,088		68,486		72,311
<b>Subordinated liabilities</b>							
Capital loans			11,500				11,500
Other			5	11,505	5	5	5
							11,505
<b>Imputed tax liability</b>							
			275	1,289,091	0	1,305,269	179
							1,260,469
<b>SHAREHOLDERS' EQUITY</b>							
<b>Share capital</b>							
			196,605		196,605		196,605
<b>Above par value fund</b>							
			51,036		51,036		51,036
<b>Reserve fund</b>							
			210,075		177,334		177,334
<b>Unrestricted funds</b>							
<b>Market value fund</b>							
Valuation at market value			1,028				500
Other			59	1,087	59	59	59
							559
<b>Profit/loss for previous years</b>							
			3,229		2,516		2,516
<b>Profit for the financial period</b>							
			21,604		17,349		33,454
<b>Minority share of capital</b>							
			6,524	490,160	4,443	449,342	6,679
							468,183
			<b>1,779,251</b>		<b>1,754,611</b>		<b>1,728,652</b>
<b>COMMITMENTS OUTSIDE THE BALANCE SHEET</b>							
<b>Commitments given in favour of a third party on behalf of a client</b>							
Guarantees			826,808		824,136		839,793
The book value referred to in the Act on the State's Export Credit Guarantees			3,815,468		3,313,990		3,378,816
Liability for special guarantees			139,334	4,781,610	193,293	4,331,419	153,586
							4,372,195
<b>Irrevocable commitments given in favour of a client</b>							
Binding financing offers			217,924		181,139		179,745
<b>Derivative instruments (interest rate, share, currency and other)</b>							
			<b>30 June2005</b>		<b>30 June2005</b>		<b>31 December 2005</b>
<b>Values of underlying instruments</b>			<b>For hedging purposes</b>	<b>Other</b>	<b>For hedging purposes</b>	<b>Other</b>	<b>For hedging purposes</b>
							<b>Other</b>
<b>Interest rate derivatives</b>							
Interest rate swaps			50,000	0	50,000	0	50,000
			<b>50,000</b>	<b>0</b>	<b>50,000</b>	<b>0</b>	<b>50,000</b>
<b>Currency derivatives</b>							
Interest rate and currency swaps			410,748	0	374,751	0	410,748
			<b>410,748</b>	<b>0</b>	<b>374,751</b>	<b>0</b>	<b>410,748</b>
<b>Credit equivalent amounts of contracts</b>							
Interest rate contracts				2,000		250	250
Currency contracts				77,750		63,944	77,750
				<b>79,750</b>		<b>64,194</b>	<b>78,000</b>

**Capital adequacy**

Primary assets	483,557	431,712	456,391
Secondary assets	5	5	11,505
Total assets after deductions	439,180	390,902	426,987

Risk-weighted receivables, investments and off-balance-sheet commitments	2,518,049	2,466,272	2,508,353
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Capital adequacy ratio - %	17.4	15.8	17.0
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Ratio between primary assets and risk-weighted receivables, investments and off-balance-sheet commitments - %	19.2	17.5	18.2
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The profit shown by the Interim Report is included in primary assets.

**Key indicators**

Return on equity - %	8.0	8.4	7.4
Expense-income ratio	0.4	0.4	0.4

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

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

The figures have not been audited.