

The logo for SITRA, featuring the word "SITRA" in a bold, white, sans-serif font against a blue background.

BOARD REPORT AND FINANCIAL STATEMENTS 2009

**2009 ANNUAL REPORT OF
SITRA,
THE FINNISH INNOVATION FUND**

TO PARLIAMENT

Under Section 9, subsection 1, paragraph 9 of the Act on Sitra, the Finnish Innovation Fund (717/1990), Sitra's Supervisory Board hereby respectfully submits its annual report on Sitra's operations in 2009 to Parliament.

Helsinki, 3 March 2010

On behalf of Sitra, the Finnish Innovation Fund

Timo Kalli
Chairperson

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Secretary

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2009 ANNUAL REPORT OF SITRA, THE FINNISH INNOVATION FUND, TO PARLIAMENT

Under the Act on Sitra, the Finnish Innovation Fund (717/1990), Sitra's Supervisory Board comprises the Supervisory Council of the Bank of Finland, which is appointed by Parliament. Under Section 9(1)(9) of the Act, the Supervisory Board must submit an annual report on Sitra's operations to Parliament.

This annual report for 2009 includes the Supervisory Board's statement, Sitra's financial statements and report on operations, and an audit report by the auditors appointed by Parliament.

The Supervisory Board's Statement

The year 2009 marked the 42nd year of operation for Sitra, the Finnish Innovation Fund. During the year, Sitra continued its programme-based operations to accelerate systemic change. It strengthened the effectiveness of its programme operations through fund and venture capital investments targeted at the programme areas, by participating in national strategy processes, and by commissioning reports and organising various types of forums to expand general awareness about ongoing societal changes, among other measures. In Sitra's programme operations, the Energy Programme and the Growth Programme for the Mechanical Industry continued as planned. During the year, the Health Care Programme was concluded, while the Municipal Services Programme was launched. In addition, there were active preparations for the launch of the Landmarks Programme and the Public Leadership and Management Programme.

During the year under review, Sitra revised its strategy in order to further reinforce the stability of its operations. As the main goals of its strategy support, it set the comprehensive wellbeing of Finland's citizens and the nation's rise to become an international role model as a sustainable society. As part of its strategic work, Sitra expanded the range of means at its disposal. While maintaining its programme operations at the current level, Sitra's Board decided to maximise its facilitation of systemic change through experimental projects and development programmes as well as through intelligence activities such as foresight, studies and seminars. Through these revised intelligence activities, Sitra seeks to open up new perspectives and increase understanding of new phenomena and key societal challenges. The development programmes are also aimed at committing various actors to carry out measures that are required by these changes.

The Health Care Programme, which concluded during the year, sought solutions to improve health care services and promote cost-efficient operational methods. The programme was involved in various electronic data management projects that developed and piloted electronic health care solutions. The Kattava project (Comparison of implementing the electronic health records systems at the national level) drew up a comparison of how alternative national electronic patient record systems could be executed. The goal was a single, seamless, effective electronic personal health record for

citizens. The FeelGood co-operation project developed an electronic services ecosystem where a customer can participate in managing his or her health and illnesses in partnership with professionals. The programme's Maisema project developed analysis tools to make the costs of municipal social and health services transparent and comparable. The positive experiences from this project spawned the company Kuntamaisema Oy, which has carried on this work. Under the Health Coaching Programme (Terva), chronically-ill patients were supported in managing their own illnesses through means such as supportive advice from health coaches. According to the research project's final report, coaching significantly improved the chronically ill patients' quality of life and health. The venture capital fund Terveysrahasto Oy, which was launched under the auspices of the programme, has firmly established its operations.

The Energy Programme continued its work to increase the efficiency of communities' energy use and raise energy awareness. During the year, the Energy Programme launched the Low2No Sustainable building block design competition. In this pioneering project, the central criteria for all design were defined as sustainable development and user-driven, innovative solutions in energy-efficient urban construction. The multi-national winning team was selected in September. During the year, the programme also studied town planning alternatives to promote energy efficiency. These were used in the town planning of Skaftkärr, a new residential area in the town of Porvoo. The project's overriding goal is to find a model through which energy efficiency can become an integral part of the Finnish town planning system. In addition, the programme studied the improvement of the energy efficiency of existing building stock, for instance in the mass renovation of Helsinki's Maunula district. Conceptual opportunities in basic reconstruction were sought for industrial renovations. Public awareness of energy efficiency was raised through the Peloton and Ilmankos co-operation projects, among others. In the autumn 2009, Sitra studied the carbon footprint of its own operations. Then Sitra drew up a roadmap to reduce its own emissions. The programme's investment activity focused on energy-saving technologies and services as well as clean energy production.

The Growth Programme for the Mechanical Industry sought solutions as to how the sector can succeed and create new businesses in Finland in the future. The inter-

nationalisation of corporate activities and the building of new customer relationships globally were seen as an important operational strategy for enabling growth. The programme supported the internationalisation of growth companies in the sector through developing strategic business know-how. In addition, the programme carried out two country projects, through which domestic engineering industry companies were introduced to opportunities and operational environments in export markets. The first project focused on Germany, the second on China and the next on Russia. Also during the year, the programme carried out a study of successful operational models in the sector.

The Municipal Programme, which was launched during the year, drew up during 2009 business plans to establish two national service centres, in broad cooperation with other actors. One of these service centres focuses on information technology and the other on financial and personnel management. Municipality-specific negotiations began in late autumn. By year's end, 153 municipalities and 24 municipal federations had committed to join the negotiations. The service centres' aims include overhauling municipal information systems, with a particular focus on electronic services. The goal is to continue to be able to serve municipal residents well and cost-effectively in the future. During the year, the programme launched an MBA course along with the universities of Jyväskylä and Tampere, seeking tools to lead the constant process of change within municipalities, among other issues. The goal of the Municipal Reform Training project is to make education an established product for the municipal sector. In addition, the programme developed an electronic service voucher system in collaboration with private and public actors. The three-year health kiosk project is testing a U.S. concept whereby citizens can drop by at health care service points at shopping centres without making an appointment in advance.

During the year, there were active preparations for the launch of two new programmes. The Landmarks and Public Leadership and Management programmes both begin operations in early 2010. The Landmarks Programme's general goal is to innovate new, sustainable businesses for the countryside. The Public Leadership and Management Programme is aimed at reforming Finnish public administration. The target of this reform is guaranteeing quality services for all in the future by

increasing the public's opportunity to influence them and offering more choice. In addition, the programme seeks to develop multiple-producer models in order to boost productivity in municipal services.

Sitra's first development programme, Wellsprings of Finnish Vitality, began in autumn 2009 and ends in 2010. The programme's goal is to increase understanding of the depth of ongoing societal changes and to commit decision-makers and influential members of society to measures required by these changes. The activities centre on decision-maker forums.

Sitra's programme activities are evaluated by outside consultants when the programmes are up and running. These evaluations ensure that the operations meet the demands set for them in terms of quality and direction. An external evaluation carried out during the year noted, for instance, that the Growth Programme for the Mechanical Industry had raised timely, essential questions to develop the sector and as part of the public debate. During the year it was also decided that an overall evaluation of the impact of Sitra's completed programmes will be carried out in 2011. The evaluation will consider how well the programmes' targets were set and what effect the results have had two to four years after the conclusion of the programmes.

The Natural Resources Strategy work coordinated by Sitra was completed during the year. Sitra took part in the revision of the information society strategy coordinated by the Ministry of Transport and Communications, with responsibility for the strategy's vision section. The National Foresight Network, which Sitra maintains, continued its activities, but it was decided that these should be further focused.

Through business development and investments, Sitra enables and accelerates new business activity and the creation of new growth sectors within Sitra's programme areas in Finland. Sitra's investment activities consist of investments in companies and venture capital funds. During the year, Sitra's Business Development and Strategic Investments unit co-operated with the programme teams in the preparation and implementation of new investments. In particular, there was exchange of information related to new firms in the energy sector, use of expertise in the field from investment funds and joint evaluation of many possible investment targets. Together with the Growth Programme for the Mechanical Industry, Sitra prepared for three significant venture

capital investments. In 2009, Sitra continued to manage and develop the companies in its portfolio together with other co-investors. Sitra is committed to acting as a responsible owner and investor along with its co-investors, even during difficult economic situations, when this is justified by market conditions. At the start of the year, Sitra had 58 companies in its portfolio. Ten companies were exited during the year.

The market value of Sitra's endowment capital at the end of 2009 was € 679.3 million. The market value of the endowment capital has varied greatly with the movements in the stock market. The invested assets yielded +14.6% in 2009, whereas the yield in the previous year was -19.8%.

Sitra practices responsible investment activities. Its decision-making process takes into consideration

questions of social responsibility. The aim is to constantly improve the responsible investment methods and practices related to Sitra's endowment capital. A large proportion of the asset managers used by Sitra are already signatories to the UN Principles for Responsible Investing or otherwise take ethical perspectives into account.

According to the Supervisory Board's understanding, Sitra's finances are stable and its operations well managed. At its meeting on 3 March 2010, the Supervisory Board adopted Sitra's profit and loss account and balance sheet as proposed by the auditors. At the same meeting, the Supervisory Board approved the Board of Directors' proposal to carry forward the surplus of € 6,652,187.44 from the financial year 2009 to the retained surplus/deficit account.

Helsinki, 3 March 2010

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Sitra's financial statements for 2009

Board report

Sitra's operating environment

In 2009, Sitra's operational environment was dominated by a severe economic recession. The economy passed the lowest point of the downswing during the spring, partly due to broad stimulus measures, and by year's end there were signs of recovery. The first to recover were capital markets in emerging market areas. Towards the end of the year, the recovery on the stock markets was signalled by a decline in risk premiums and other trends.

Despite the weakening of the downturn on the financial markets, the real economy is expected to recover slowly. It appears now that the economies of the United States and the European Union will suffer longer-lasting impacts from the recession than emerging market areas. The levels of economic growth seen in the past are not expected to return within the next few years.

The economic recession also placed more focus on the challenges for Finland created by accelerating globalisation, population ageing, climate change and technological advancements. Up until now, Finland has been among the greatest beneficiaries of globalisation. Our progressive industrial and innovation policies, as well as our social and education policies, have played their own part in enabling our balanced and simultaneous well-being and economic growth. Now, however, our situation is rapidly deteriorating.

With the loss of jobs, our traditional industrial production-based business structure faces great pressures to change. At the same time our maintenance ratio is rapidly becoming distorted. Our nation faces a great structural change as it becomes a sustainable, information-intensive service society. At the same time the need for independent change agents such as Sitra will become greater than ever.

Sitra's task and objectives

Sitra, the Finnish Innovation Fund is a public fund. Its duty is to promote stable and balanced development in Finland, the qualitative and quantitative growth of its economy and its international competitiveness and co-operation. As an independent body operating directly under the Finnish Parliament, Sitra has an exceptionally good opportunity to quickly grasp the central questions of Finland's economic growth and well-being.

Sitra finances its operations mainly from the yield from its endowment capital, but also from the proceeds of its operative financing activities. As a result of its successful long-term financial management, Sitra was able to continue its operations at full capacity despite the general economic downswing in 2009. During the year, Sitra's investments in projects supporting its operations rose slightly (2008–2009: +8%) compared with the previous year's level. In 2010, investments will be Sitra's highest ever (2009–2010: +110%).

Thus Sitra operates counter-cyclically, seeking in this way to enable deep, systemic changes extending far into the future in its chosen programme areas, even during challenging times. However, it must be noted that if the prevailing economic situation remains poor for a long time, Sitra will also have to adapt its operations.

Sitra's unique role as an independent, impartial actor in the field of Finnish innovation was praised in an international evaluation published in October 2009. The evaluation of the innovation system, which was commissioned by the Ministry of Employment and the Economy and the Ministry of Education, emphasised Sitra's opportunities to make creative new proposals. It also drew attention to Sitra's ability to act in pioneering institutional and organisational innovation, such as in the 1990s when Sitra introduced venture capital investment to Finland. According to the report, Sitra brings diversity to the Finnish innovation system, which reduces the risks brought by overly one-sided ideas, operational methods and means of financing.

During the year, Sitra revised its strategy and sharpened its operational policies in order to better meet the challenges posed by the economic recession and global megatrends. Its strategic objective was defined as supporting the overall well-being of citizens and developing Finland as an international model of a sustainable society. Sitra seeks to achieve its strategic objectives by enabling comprehensive, systemic changes in the operational and programme areas approved by Sitra's Board of Directors and Supervisory Board.

In the future, Sitra will primarily focus on the types of national-level systemic changes that, when successfully carried out, will strengthen Finland's status as one of the world's most progressive welfare societies. Being a worldwide pioneer in areas such as new operational models for the public sector, health care IT solutions and energy efficient building will attract new investments to Finland. At the same time it facilitates Finnish com-

panies' export efforts in these future growth areas. For instance, Low2No, a sustainable building block project coordinated by Sitra and the City of Helsinki, seeks to create an international pioneering model for sustainable community planning.

Through its revised strategy, Sitra seeks to increase the volume and effectiveness of its investment operations by strengthening business development, particularly in the early stages of programmes. In practice, this means recognising new business opportunities and proactive development and opening of markets – before actual investment operations begin.

Based on its new strategy, Sitra also further specified its operational model and expanded the range of means at its disposal. The main approach toward systemic change remains programme operations, but in future co-operation between various programmes will be intensified in order to improve the overall effectiveness of Sitra's operations. In addition, Sitra seeks to improve its strategic agility through more effective so-called intelligence activities, short-term development programmes and experimental projects. Through its revised intelligence methods, it seeks to actively open new perspectives and reach a common understanding with decision-makers regarding the key societal challenges and new phenomena.

Development programmes such as Wellsprings of Finnish Vitality seek to expand understanding, create new strategic openings and common commitments by decision-makers. The experimental projects that are often associated with development programmes enable agile reaction to a rapidly changing operational environment. Experimental projects can test new operational models flexibly and innovatively. For instance, the Helsinki Design Lab forums bring together international decision-makers and design professionals to experiment with using design to develop solutions to social challenges, such as problems associated with boys' learning environments.

To ensure that Sitra's operations meet their set objectives in a quality manner, all of its programmes are evaluated on a regular basis by outside analysts during the programme periods. A comprehensive evaluation of the effectiveness of completed programmes will be carried out in 2011. The evaluation will consider how well the programmes' targets were set and their impact two to four years after the programmes have ended.

Operations in 2009

Foresight and creation of a common agenda

During the year, the National Foresight Network, which is maintained by Sitra, continued its operations. However, its operations have not completely met the expectations of Sitra and its partners. For this reason the network commissioned an external evaluation of its operations in late 2009. According to the study, the Foresight Network has not been able to create sufficiently strong strategic interpretations of the directions being taken by societal developments. Based on feedback that has been received and the issues raised by the study, the partnership between Sitra and the National Foresight Network will be developed during 2010.

As an independent actor, it is natural that Sitra deals with questions of national significance through various types of strategy processes and development programmes. With population growth and the rise in living standards, the sustainable use of natural resources has become part of the social and political agenda. The subject was taken up in the spring of 2009 as part of the Natural Resources Strategy for Finland process, which is co-ordinated by Sitra. The strategy, which was drawn up in collaboration with a broad-ranging group of experts, took as its starting points the sustainable use of natural resources as well as competitiveness. This innovative perspective also attracted international attention. The strategy drew up common targets and means for using natural resources in the future in a successful, sustainable manner while creating new businesses. Key areas of change that were identified included the bio-economy and its areas of application as well as know-how in material cycles. This strategy work won a prize at the national level of the European Business Awards for the Environment competition.

Another strategy process in which Sitra was involved during the year was the revision of the information society strategy co-ordinated by the Ministry of Transport and Communications. Sitra was responsible for the vision section of the strategy. This vision work was carried out openly, including online discussions. The vision's content emphasised the interoperability of public data systems and the use of open information as the basis for services that create prerequisites for citizens' good lives.

The economic downturn has spawned the need to extend our gaze into the post-crisis era and to seek out the factors that will lead to Finland's future success. Sitra's first development programme, Wellsprings of Finnish Vitality, began in the autumn of 2009 and concludes in the spring of 2010. The programme is looking for pathways to Finnish success as the global operational environment undergoes a dramatic transition. The development programme work consists of three decision-makers' forums and smaller workshops held in between them. Sitra's role is to be an enabler, organiser and producer of up-to-date information for experts and decision-makers. The programme's goal is to increase understanding of the depth of ongoing societal changes and to create a common commitment to measures in various sectors required by these changes, to do so in a way that crosses boundaries between sectors, and to launch experimental projects that promote a vibrant, sustainable service society.

Programme operations

Health Care Programme 2004–2009

The Health Care Programme, which concluded operations in late 2009, sought solutions to improve health care services and promote cost-effective operational methods. When the programme started, the major challenges were clear: the ageing population, the growing number of chronically-ill people and rapidly rising health care costs. As the programme progressed, it became increasingly clear that deep structural changes were needed in health care, along with smaller individual measures. The customer must become the driver of care and service, new technologies must be broadly adopted and care must be targeted based on results. In order to reach these demanding objectives and create a force for change, the programme closely collaborated with key actors in the field.

Cost-effective health care that serves the customer depends on interoperable information systems. Well-organised patient data management is a prerequisite for the shift to truly result-driven care. The programme was involved in several electronic data management projects that developed and piloted electronic solutions for health care. The KATTAVA project carried out a comparison of the implementation of alternative electronic health records systems at the national level. The

objective was a single, seamlessly and efficiently operating electronic patient record system. The FeelGood co-operation project developed an electronic services ecosystem where the customer participates in managing his or her health and illness in co-operation with professional personnel. Since the programme's conclusion, the project is being carried forward as a flagship project of the electronic systems departments of the Ministry of Social Affairs and Health and the Ministry of Finance.

The programme's Maisema project developed analysis tools to make municipalities' social and health service costs transparent and comparable. The project laid the groundwork for development of cost-effective, quality services and management based on up-to-date information. The positive experiences of the Maisema project spawned the company Kuntamaisema Oy, which is carrying on its activities. The operational models created are being used as part of the service centre projects led by Sitra's Municipal Programme.

The Health Care Programme's projects promoted customer empowerment, as the customer's independent operations reduce health care costs and improve care results. Under the health coaching programme (TERVA), the chronically-ill were supported in independent care with the encouraging counselling of a health coach, among other measures. The objectives were improving citizens' quality of life, improving resource targeting and developing new care models for chronic illnesses. According to the research project's final report, coaching significantly improved chronically ill patients' quality of life and health.

The opening of the Finnish Medical Society Duodecim's highly popular online health library service (terveyskirjasto.fi) for the free use of the public has demonstrated that citizens are willing to take an active role on behalf of their own health. Disseminating reliable health information to the public helps customers to better care for their own health.

The Health Care Programme has developed new business activities in the sector to develop and disseminate these innovations. The venture capital fund Terveystalousto Oy, which was launched with Sitra's support, has firmly established its operations. This new financing model has enabled the development of long-term operations. So far the fund has received € 53 million in investment commitments and invested in 12 companies in the sector.

Energy Programme 2008–2012

The aim of the Energy Programme is to increase the efficiency of communities' energy use and cut emissions. The programme's methods include improving the energy efficiency of the built environment through new operational models, co-operation and raising citizens' energy awareness. In addition, programme makes venture capital investments in promising growth-seeking companies.

The Energy Programme's Low2No Sustainable Building Block project design competition was announced in March 2009. In this major project, sustainable development was set as the central criterion for all design. The aim is to seek user-driven, innovative solutions for energy-efficient urban construction. The block is to become an international model site for sustainable building, where the carbon footprint of living, working, building and energy use is as minimal as possible. The project is also studying the indicators of sustainability and making the carbon footprint concept more visible and understandable. The goal is to make the Low2No project principles universal operational methods in Finnish construction. In addition, there will be attempts to attract new types of business to Finland with this pioneering community planning model.

The design competition for the sustainable building block in the Jätkäsaari district of Helsinki aroused broad international attention and attracted entries from 74 teams from around the world. The multi-national winning team was selected in September from five finalists.

Town planning is a tool that can be used to guide energy-smart construction. During the year, the programme also studied town planning alternatives to promote energy efficiency. These were used in the planning of Skaftkärr, a new residential area in the town of Porvoo. The project's overriding goal is to find a model through which energy efficiency will become an integral part of the Finnish town planning system. In co-operation with the local energy utility, the project is also seeking new types of business opportunities for the company in this passive-energy district.

Since communities renew themselves relatively slowly, the programme is studying the improvement of the energy efficiency of existing building stock through experimental projects. It is seeking to increase energy efficiency regionally, for instance in the mass renovation of Helsinki's Maunula district. The aim is that the concept created by this project can also be used in other regional ren-

ovation projects. Conceptual opportunities in basic reconstruction were also sought for industrial renovations.

The programme's other objectives include raising public consciousness of energy efficiency. The Peloton co-operation project's idea workshops promoted the empowerment of gatekeeper groups such as hardware dealers and journalists. Those who took part in the workshops were provided with toolsets to help them carry energy consciousness into their daily lives and work.

Arrangements for energy consultations in Finland were accelerated in co-operation with other actors in the sector. The ILMANKOS project, launched by the city of Tampere and partly funded by Sitra, successfully promoted concrete opportunities for city-dwellers to cut their energy use.

In the autumn of 2009, Sitra studied the carbon footprint of its own operations. The carbon footprint is a measurement by which the climate impact of various activities can be weighed on the same scale. Sitra then drew up a roadmap to reduce its own emissions.

The Energy Programme has also made venture capital investments in five companies. These investments focused on energy-saving technologies and services as well as clean energy production.

Growth Programme for the Mechanical Industry 2008–2011

The structural changes that beset traditional heavy industry are having a significant impact on Finland's mechanical industry operations. Production is being shifted to countries with lower labour costs while sub-contractors are expected to be more innovative in their operations. These trends were spurred further by the difficult economic situation during the year in review. The Growth Programme for the Mechanical Industry has sought solutions as to how to benefit from new opportunities in this in this field undergoing restructuring, so that the sector can continue to thrive and create new business in Finland in the future. At the moment, the engineering industry is Finland's largest industrial sector. Emerging as the main operational strategies to enable growth are internationalisation of company activities and building new customer relationships globally.

The programme has supported the internationalisation of growth companies in the sector through development of strategic business know-how. During the year in review, amid difficult economic conditions, it prepared for three major venture capital investments.

Through such investment, these enterprises gain access to financial resources, company-board know-how and the benefits offered by Sitra's networks.

During its two years of operations, the programme has implemented two country projects, through which domestic engineering industry companies were introduced to export markets. The first target country was Germany; the second is China and next is Russia. The German country project brought a good response, and several business relationships were formed during the project. The country projects' primary intent is to take growth companies in the sector to the target country to find out about the country's operational environment, markets and product development. Additionally, they generate information about how to approach markets in the target countries. Finnish product know-how is at a high level, but business expertise and moving onto international markets requires additional know-how.

During the year, the programme generated reports on operational methods of successful firms in the sector, and about main contractors' and subcontractors' mutual expectations. According to a book published by the programme entitled *The Success of the Mechanical Industry Takes Hold Through Networks*, subcontractors' success depends on being innovative in product development and taking the initiative. A subcontractor is also expected to innovate ways to help its customer to improve its products or lower its costs. In order to support innovative subcontracting, the programme helps companies in the sector to network.

Municipal Programme 2009–2013

The Municipal Programme, which was launched during the year under review, innovates and experiments with new types of operational methods to produce better services for municipal residents. The changes are particularly focused on the structures and processes of service production. The challenges of population ageing and economic recession require reform of municipalities' operational models.

During 2009, Sitra's Municipal Programme collaborated with more than 20 municipalities and municipal federations, the Association of Finnish Local and Regional Authorities and the state to draw up business plans to establish two national service centres. One of these service centres focuses on information technology and the other on financial and personnel manage-

ment. Municipality-specific negotiations began in late autumn. By year's end, 153 municipalities and 24 municipal federations had committed to join the negotiations. Negotiations continue until the spring of 2010, when Sitra and municipalities will decide on the establishment of service centres in the form of municipally-owned limited companies.

The service centres' aims include overhauling municipal information systems, with a particular focus on electronic services. If the applications and related processes used by municipalities can be optimised, resources can be shifted from administration to caregiving and other municipal core activities. The municipal sector stands to save billions of euros annually by streamlining processes and systems.

These changes require changes in management know-how. Along with the universities of Jyväskylä and Tampere, Sitra tailored an MBA course aimed at municipal leaders that seeks tools to lead the constant process of change within municipalities, among other issues. The goal of the Municipal Reform training programme, which was launched in 2009, is to make education an established product for the municipal sector. In the future, Sitra's Public Leadership and Management Programme will support the same target through broader means.

The Municipal Programme works to increase municipal residents' choice of services and opportunity to influence them. During the year in review, the programme developed an electronic service voucher system in collaboration with private and public actors. During the service voucher pilot project, citizens provided ideas for how the vouchers could be used through social media sites. According to those taking part in the public online discussion, service vouchers should be used to shorten waiting times and enhance preventive services in healthcare.

A three-year health kiosk project is testing a U.S. concept whereby citizens can drop by at health care service points at shopping centres without making an appointment in advance. This partially Sitra-funded project was launched during the year, with the model being tested at the Elo shopping centre in Ylöjärvi. In 2010 the first evaluations will be made as to how successfully the health kiosk has been able to reduce queues at health centres and complement standard health care service.

Profound changes in municipal service structures require regional co-operation as well as national

measures and perspective. As an independent actor Sitra can – and wants to – respond to challenges requiring these kinds of broad changes.

Landmarks Programme 2010–2013/14

The Landmarks Programme seeks to strengthen the role of Finland's rural areas through the development and adoption of new, sustainable societal and business models. The programme's preparatory phase began in April 2009, and programme operations began at the beginning of 2010. The aim is a profound change in the countryside's role in Finnish society.

During the preparatory phase, the Landmarks Programme carried out broad-ranging interviews with stakeholder representatives. Three regional workshops were held in various parts of Finland with a view to coming up with ideas for programme activities. More than 1,000 Finns took part in an open online workshop also aimed at brainstorming ideas. The programme commissioned a public opinion poll to survey Finns' relationship with the countryside. This barometer will be developed in co-operation with a broad range of stakeholder groups as a regularly recurring tool.

The programme encourages and innovates new activities in the sector through foresight and benchmarking. These activities fall into three key areas: the countryside as a source of well-being, ecologically-efficient decentralised solutions and natural resources as new business opportunities. The programme has diverse co-operation with other Sitra programmes. Examples of possible common operational areas with the Energy Programme, for instance, include ecologically-efficient decentralised residential solutions and decentralised energy production models.

Public Leadership and Management Programme 2010–2013

Finland faces major challenges: the public finance deficit is growing rapidly, the population is ageing and the need for services is growing while at the same time citizens are becoming more aware and expect flexibility in public services. In the Public Leadership and Management Programme's vision, Finland will become an international trailblazer in public administration reform. The reform is aimed at guaranteeing continued quality services for all in the future.

The Public Leadership and Management Programme's active preparatory phase began in the autumn of 2009

and programme operations began in early 2010. During the preparatory phase, the programme's focus areas and content were specified. In addition, it ensured that the programme would not repeat work that had already been done. In the autumn, the programme published a survey of international examples where public administration leadership has been improved. It also carried out a poll on the best ways to develop state administration. There were about 60 meetings with various stakeholder groups and two preparatory workshops.

The Public Leadership and Management Programme's objective is to offer citizens more choice and opportunity to influence matters, to develop multiple-producer models in order to boost productivity and create new business opportunities, to strengthen co-operation across boundaries in the public administration sector, and to create efficient, human-oriented public administration by improving leadership. The programme develops and experiments along with municipalities and the state administration to find new methods and concepts whereby customers, public administration employees and various service providers can add their own know-how and perspectives to service improvement work. The main focus of these experimental projects is leadership development. In these, leadership will always be developed in real administrative environments.

Business development and investment activities

In its chosen programme areas, Sitra seeks solutions to questions related to competitiveness and well-being, through business development, investment activities and other means. These may take place in its portfolio firms companies, in funds or in sectors selected in line with its strategy. Sitra's investment activities do not simply seek profits; they are also used to advance the establishment of new types of business and thus the creation of new growth sectors in Finland.

New growth sectors that are the subject of business development activities include the sustainable building and energy efficiency sectors as well as IT-based services. For instance, it seeks to make public sector support services more efficient through IT-based solutions. The aim is that both the public and private sectors can benefit from new operational models and forms of business.

Sitra's investment activities comprise direct investments in target companies and funds. Corporate financing is carried out either through programmes' deal-flow or on a considered discretionary basis as follow-on financing of the completed programmes' corporate portfolio. Domestic fund investments directly develop Finnish businesses and create new operational methods and models. Foreign fund investments bring Finnish companies information about markets and new technologies as well as foreign contacts and opportunities to gain financing from abroad.

Although during 2009 the emphasis was increasingly on investing in venture capital funds, Sitra continued the active management and development of the companies in its portfolio, along with its co-investors. The prevailing economic situation posed major challenges for executing follow-on investment rounds, and attracting new investors to finance these companies was particularly difficult. The timetable for financing rounds and related negotiations dragged on significantly longer than in preceding years. However, Sitra operates as a responsible owner and investor along with its co-investors, and even during this difficult economic situation it ensured follow-on financing for its best target companies, as long as this was justified financially and in market terms.

Despite the difficult economic situation, Sitra managed to fully exit 10 companies during the year and partially exit three others during the year in review. The price levels obtained from these sales did not match normal levels. Sitra often had to accept modest returns, although it also achieved some profitable exits.

In 2009 Sitra decided on € 5 million in supplementary financing for Terveysrahasto Oy, and invested USD 6 million in the Chrysalix Energy III fund. The latter investment allows Sitra to observe North American energy-sector start-up companies' deal flow and form contacts with U.S. and European investors in the sector. Sitra can also use the fund's expertise in evaluating its own investment targets. In addition, Sitra decided to invest in two domestic funds. One is the Folmer Equity Fund Ky I, which invests in the domestic SME sector and brings to the sector a new procedure for evaluating and developing companies' human resources. The other is a fund focused on promoting sustainable building in Finland. Sitra also continued close interaction with funds invested in during the preceding year. In particular, it

continued interaction related to new companies in the energy sector, took advantage of fund expertise in the sector and jointly evaluated several possible investment targets.

Administration

Supervisory Board

Sitra's Supervisory Board is made up of the Parliamentary Supervisory Council of the Bank of Finland, which is appointed by Parliament. During the year under review, the Supervisory Board convened four times. Its members are the MPs Timo Kalli (chairperson), Antti Kalliomäki (vice-chairperson), Liisa Jaakonsaari (until 8 Sept. 2009), Martti Korhonen, Mika Lintilä, Pekka Ravi, Tanja Karpela, Marja Tiura, Jutta Urpilainen (beginning 10 Sept. 2009) and Ben Zyskowicz. Anton Mäkelä, Master of Laws, acted as Secretary to the Board.

Board of Directors

Sitra's Board of Directors convened six times during the year. Its members are Chairman Raimo Sailas, State Secretary, Vice-Chairman Erkki Virtanen, Permanent Secretary, Harri Skog, Permanent Secretary, Professor Anne Kovalainen, Assistant Professor Anu Bradford and Sitra's President Mikko Kosonen.

Auditors

The following individuals, who were appointed by Parliament, acted as Sitra's auditors at the end of the year: Olli Nepponen MP as Chairperson (with Lenita Toivakka as Deputy), and members Eero Heinäluoma MP (Tarja Filatov), Esko Kiviranta MP (Jari Leppä), Markku Koskela, APA (Hannu Riippi, APA), and Kari Manner, APA (Eero Prepula, APA, CPFA). The Secretary was Professor Kalervo Virtanen, APA. The authorised public accounting firm PricewaterhouseCoopers Oy, appointed by the Supervisory Board, was responsible for Sitra's internal audit and for auditing Sitra's investments. The auditor in charge was Juha Wahlroos, APA.

Personnel

Sitra currently employs 115 people. The number of employees rose by 15 during the year in review because of preparations for the launch of two new programmes as well as an increase in direct influence work and activities with assistance from its own experts.

During the year, the whole of Sitra's common objectives were clarified. An incentive system was directed toward achievement of these targets. Sitra's values, which were updated in the early part of the year, and the operational approach associated with them, were linked to the revised incentive system. The staff induction process was updated to ensure that new professionals can rapidly fit into the staff.

During the year, many personnel events were arranged with the emphasis on sharing know-how. Speakers included experts from various projects run by Sitra and its partners. The entire staff was trained in communications skills as well as the use of the new enterprise resource planning system.

There was a focus on employees' occupational well-being from various perspectives. A study of each individual's resources was used as part of personnel metrics building, while the emphasis of occupational health was shifted toward preventative care.

Sitra's endowment capital

The origins of Sitra's endowment capital lie in a donation made by the Bank of Finland in 1967. The market value of Sitra's endowment capital at the end of 2008 was € 679.3 million. The market value of the endowment capital has varied greatly with the movements in the market that have taken place on the stock market. The invested assets yielded +14.6% in 2008, whereas the yield the preceding year was -19.8%.

Responsibility for managing most of Sitra's endowment capital investments has been entrusted to external asset management companies. During 2009, most direct mandates were converted into fund form. The share of fund investments is now 90% of the endowment capital (20% in the preceding year).

Domestic equity mandates in Alfred Berg Omaisuuendoito Suomi Oy and Danske Capital, Sampo Pankki Oyj

were converted into investments in Alfred Berg Finland and Danske Invest Suomi Yhteisöosake funds. Sitra also invested in the OP-Suomi Arvo fund and the OP-Focus fund, which invest in Finnish equity.

The international equity mandate managed by JP Morgan Asset Management Ltd was exchanged for an investment in the JP Morgan Global Equity fund, which pursues the same investment strategy. Morgan Stanley still manages one international equity mandate. Sitra also invested in Handelsbanken's Eurooppa Indeksi fund and in three funds investing in emerging markets (JP Morgan Emerging Markets Equity, Carnegie East European and HSBC GIF Indian Equity). Sitra also made three investments in the so-called cleantech-sector: the Fondita 2000+, eQ Clean Energy and Impax Environmental Markets funds.

Mandates for interest investments in the euro zone with Alfred Berg Omaisuuendoito Suomi Oy and Danske Capital, Sampo Pankki Oyj were converted into investments in the Alfred Berg Obligaatio, Alfred Berg Korke, Sampo Yhteisöobligaatio and Sampo Yhteisökorko funds. Interest investments were decentralised in euro zone corporate bonds. In May 2009, investments were made in the Blue Bay Investment Grade Bond fund and the Tapiola corporate bond fund.

Endowment capital investments have also been made in venture capital funds, hedge funds, real estate and a real estate fund. Investments in hedge funds were significantly reduced in 2009. The total allocation of Sitra's endowment capital in 2009 was the following: shares 41%, interest-bearing securities 52% and others 7%.

At Sitra, responsible investing means that we take into consideration questions of social responsibility in our decision-making. The aim is to constantly improve the responsible investment methods and practices related to Sitra's endowment capital. A large proportion of the asset managers used by Sitra are already signatories to the UN Principles for Responsible Investing or otherwise take ethical perspectives into account.

Proposal for the disposal of surplus

The Board of Directors proposes that the surplus for the year, amounting to € 6,652,187.44, be carried forward to the retained surplus/deficit account.

Profit and loss account

		1 Jan–31 Dec 2009	1 Jan–31 Dec 2008
		€	€
ORDINARY OPERATIONS			
New business development			
Income			
		141,838.97	594,359.52
		398,436.75	732,292.34
		1,236,026.18	783,133.08
	1)	1,776,301.90	2,109,784.94
Expenses			
	2)	-9,918,197.44	-14,024,556.04
	3)	-147,582.69	-190,440.43
		-1,399,814.13	-1,186,931.49
		-11,465,594.26	-15,401,927.96
		-9,689,292.36	-13,292,143.02
Programmes and other research and development			
Income			
	4)	1,263.07	2,307.28
Expenses			
	5)	-8,172,041.03	-6,341,606.58
	6)	-904,013.45	-715,602.71
		-6,386,589.92	-4,612,476.69
		-15,462,644.40	-11,669,685.98
		-15,461,381.33	-11,667,378.70
Administration			
Expenses			
	7)	-10,300,183.71	-9,050,882.29
	8)	-379,626.84	-393,471.12
		-3,603,472.15	-3,230,622.58
		7,786,404.05	5,799,408.18
		-6,496,878.65	-6,875,567.81
Profit/loss			
		-31,647,552.34	-31,835,089.53
INVESTMENT OPERATIONS			
	9)	35,789,395.92	40,527,792.56
	10)	2,510,343.86	-109,917,171.65
		38,299,739.78	-69,389,379.09
NET PROFIT/LOSS FOR THE YEAR			
		6,652,187.44	-101,224,468.62

Balance sheet

	31 December 2009	31 December 2008
	€	€
ASSETS		
Fixed assets		
Tangible and intangible assets		
Machinery and equipment	537,780.23	637,370.03
Shares and participations	14,518,176.31	14,518,176.31
Other investments	257,516.93	327,488.36
11)	15,313,473.47	15,483,034.70
Venture-capital investments		
Shares and participations	93,819,261.22	88,517,377.46
Capital loans	3,553,969.71	4,306,213.15
Other loans	3,620,963.88	1,603,244.90
12)	100,994,194.81	94,426,835.51
Endowment capital investments		
Bonds and notes	4,778,295.00	201,415,430.57
Shares and participations	26,166,908.70	106,252,028.61
Fund investments	534,573,906.85	120,192,413.73
Real estate investments	10,243,287.34	10,961,393.75
Other investments	1,106,719.93	127,303,539.12
13)	576,869,117.82	566,124,805.78
	693,176,786.10	676,034,675.99
Current assets		
Receivables		
Other receivables	340,847.71	8,787,142.28
Cash and bank receivables	4,012,269.50	2,299,147.84
	4,353,117.21	11,086,290.12
TOTAL ASSETS	697,529,903.31	687,120,966.11
EQUITY AND LIABILITIES		
Equity		
Endowment capital	235,463,097.04	235,463,097.04
Retained earnings	408,726,411.00	509,950,879.62
Net profit/loss for the year	6,652,187.44	-101,224,468.62
	650,841,695.48	644,189,508.04
Accumulated appropriations		
Reserves from funding operations	5,587,904.17	7,050,369.59
Liabilities		
Other short-term liabilities	7,467,199.98	6,634,600.98
Liabilities from funding operations	33,633,103.68	29,246,487.50
	41,100,303.66	35,881,088.48
TOTAL EQUITY AND LIABILITIES	697,529,903.31	687,120,966.11

Accounting principles

Sitra's accounts observe the principles laid down in the Finnish Accounting Act with the following exceptions:

- In the case of early-stage investments (seed funding), a risk reserve is made in accordance with the principle of prudence (reserves from funding operations).
- Expenses incurred from R&D relating to programme activities are entered as expenses, and the same applies to the associated loans for which repayment is conditional.
- Repayments related to financing decisions (income) are recorded only after payment has been received and the right of possession to the instruments has been transferred.

Structure of the financial statements

The notes to the profit and loss account and balance sheet have been adjusted to correspond to the current organisation structure. The figures for the previous year have been adjusted to make them comparable.

Valuation of investments

Shares, participations and bonds in endowment investments have been valued at the original acquisition cost or at market value in accordance with the lower of cost and market principle. Value adjustments have been made by acquisition item. Both Finnish and foreign shares have been entered according to their share price on the last day of the financial year. Bonds and debentures have been valued according to the price given by Investment Research Finland Ltd.

The balance sheet value of investments in portfolio companies and funds is recorded at their historical acquisition value or a lesser sum determined by internal valuation. The internal valuation procedure for direct investments is performed twice a year. Any necessary value adjustments made on the basis of the valuation are included in the financial statements. The value of investments in venture capital funds is calculated using the same principles, where applicable. The basis of their value is the same as that given by the funds for their portfolios.

Valuation of fixed assets

Planned depreciation on fixed assets is calculated from the original acquisition value as equal instalments according to the useful life of the fixed assets.

The planned depreciation periods are:

other capitalised expenditure	5 years
renovation of office premises	10 years
machinery and equipment	5 years
computer equipment	3 years

Depreciation on invested assets has been calculated in the same way as depreciation on fixed assets.

Items in foreign currencies

Receivables and payables in foreign currencies have been translated into euros at the average exchange rate in force on the last day of the financial year.

Notes to the financial statements

Notes to the profit and loss account (€ 1,000)

Further details on the content of the items in the profit and loss account are given in the notes. The number refers to the corresponding entry in the profit and loss account.

NEW BUSINESS DEVELOPMENT

	Programmes		Corporate funding		Fund investments		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
1 Income from investments								
Capital refunds	0	0	1	25	0	0	1	25
Shares in profit	0	0	0	0	398	732	398	732
Interest payments	27	8	56	81	0	0	83	89
Profit from sales	0	0	142	594	0	0	142	594
Dividends	24	0	36	15	190	574	250	589
Other income	22	0	880	81	0	0	902	81
Total	73	8	1,115	796	588	1,306	1,776	2,110
2 Investment expenses								
Investment expenses	-18	-56	-495	-192	0	-421	-513	-669
Value adjustment	-1,303	-334	-8,441	-14,871	-1,124	-4,651	-10,868	-19,856
Change in risk reserve	-138	-117	1,601	6,617	0	0	1,463	6,500
Total	-1,459	-507	-7,335	-8,446	-1,124	-5,072	-9,918	-14,025
3 Other expenses								
Other expenses	0	0	-148	-190	0	0	-148	-190

PROGRAMMES AND OTHER RESEARCH AND DEVELOPMENT

	2009	2008
4 Income from projects		
Health Care Programme	0	2
Energy Programme	0	0
Growth Programme for the Mechanical Industry	0	0
Municipal Programme	0	0
Strategic reform	0	0
Strategic processes	1	0
	1	2
5 Expenses from projects		
Health Care Programme	-741	-2,147
Energy Programme	-1,849	-416
Growth Programme for the Mechanical Industry	-263	-33
Municipal Programme	-3,143	-47
Strategic reform	-700	-1,416
Strategic processes	-1,476	-2,283
	-8,172	-6,342
6 Other expenses		
Health Care Programme	-175	-195
Energy Programme	-170	-94
Growth Programme for the Mechanical Industry	-85	-77
Municipal Programme	-207	-34
Strategic reform	-208	-124
Strategic processes	-59	-192
	-904	-716

ADMINISTRATION

	2009	2008
7 Personnel expenses		
Personnel expenses		
Wages and salaries	-7,681	-6,546
Pension expenses	-1,241	-1,068
Other statutory payroll expenses	-658	-613
Other payroll expenses	-720	-824
	-10,300	-9,051
Number of personnel at year end		
New business development	11	9
Programmes and other research and development	57	43
Administration and support operations	47	48
	115	100
Management remuneration		
Supervisory Board	30	31
Board	46	46
President	221	249
	297	326
<p>The Supervisory Board chairperson's monthly remuneration is € 454, the Supervisory Board vice-chairperson's monthly remuneration is € 337 and other members' monthly remuneration is € 227. The Secretary's remuneration is € 252 monthly.</p> <p>The Board chairperson's monthly remuneration is € 1,000, the Board vice-chairperson's monthly remuneration is € 840 and other members' monthly remuneration is € 670 monthly. The President is not paid a separate remuneration for Board membership.</p> <p>Sitra's Supervisory Board sets the President's salary basis and overall remuneration. Sitra's entire workforce is covered by the incentive remuneration system, which is set by the Board. In the 2009 financial statement, € 531,600 (6.9% of total salary expenditures) is reserved to be paid to personnel through the incentive remuneration system. In 2008, the corresponding figure was € 244,500 (3.7% of total salary expenditures). The current incentive remuneration system is capped at 15% of total salary expenditures for all of Sitra and at 25% at the individual level.</p>		
8 Depreciation		
Planned depreciation		
Machinery and equipment	-270	-280
Other capitalised expenditure	-97	-100
Renovation of office premises	-13	-13
	-380	-393

INVESTMENT OPERATIONS

	2009	2008
9 Income from endowment capital		
Profit from sales	17,318	11,679
Interest income	3,369	14,581
Bond price gains	7,211	1,431
Exchange rate gains	1,462	2,042
Dividend income	4,097	8,077
Rental income	829	838
Shares in profit	1,503	1,881
	35,789	40,528
10 Expenses from endowment capital		
Asset depreciation	-3,094	-79,893
Regained depreciation	17,321	2,729
Sales losses	-9,121	-26,393
Bond price losses	-664	-1,057
Exchange rate losses	-1,512	-2,547
Asset management fees	-412	-645
Real estate expenses	-167	-154
Value adjustment in real estate shares	147	-1,951
Other expenses	12	-5
	2,510	-109,917

Notes to the balance sheet (€ 1,000)

Further details regarding the contents of the balance sheet are given here.
The number refers to the corresponding entry in the balance sheet.

11 Tangible and intangible assets

During the year, Sitra acquired fixed assets amounting to € 0.2 million
(€ 0.2 million in 2008).

	Book value 1 Jan 2009	Increases	Decreases	Depreciation for the financial year 31 Dec 2009	Book value 31 Dec 2009
Machinery and equipment	381	171	0	270	282
Other capitalised expenditure	241	39	0	97	183
Renovation of office premises	87	0	0	12	75
Other tangible assets	256	0	0	0	256
	965	210	0	379	796

	2009	2008
Shares and participations		
Shares in office premises	14,509	14,509
Other shares	9	9
	14,518	14,518

	2009	Change	2008
12 Venture capital investments			
12.1 Programmes	9,835	1,406	8,429
12.2 Corporate funding	11,735	-4,741	16,476
12.3 Fund investments	76,717	7,767	68,950
12.4 Other investments	2,707	2,135	572
	100,994	6,567	94,427

12.1 Programmes

Shares, participations and other investments held by Sitra

	Shares and participations Holding	Amount	Capital loans and other loans Amount	Investment total
Health Care Programme				
Avain Technologies Oy	33%	1,500	359	1,859
Medhelp Group Oy	44%	6,278	1,407	7,685
Medixine Oy	18%	1,026	0	1,026
Prowellness Oy	20%	1,947	54	2,001
Telekardio Oy	30%	120	0	120
Vivago Oy	32%	2,907	620	3,527
		13,778	2,440	16,218
Energy Programme				
AW-Energy Oy	7%	578	0	578
Kodin Onnisset Oy	15%	180	570	750
Norrhydro Group Oy	18%	1,180	326	1,506
Scancool Oy Ab	17%	500	0	500
Viola Systems Oy	25%	800	0	800
		3,238	896	4,134
Growth Programme for the Mechanical Industry				
Fimet Oy	47%	496	0	496
Fluid House Oy	10%	150	1,000	1,150
Sabriscan Oy	19%	500	0	500
Shanghai Fimet Medical Instruments Co. Ltd	13%	278	0	278
		1,424	1,000	2,424
Municipal Programme				
Kuntamaisema Oy	40%	60	0	60
		60	0	60
Programmes, total				22,836
Cumulative change in value				-13,001
Book value				9,835

12.2 Business development and direct investments
Shares, participations and other investments held by Sitra

	Shares and participations Holding	Amount	Capital loans and other loans Amount	Investment total
Business development and strategic investments				
BioTie Therapies Oyj	9%	13,851	673	14,524
EC-Engineering Oy	32%	964	0	964
Fibrogen Inc.	3%	3,515	0	3,515
FIT Biotech Oyj Plc	23%	4,080	3,300	7,380
Helsinki Business and Science Park Oy	14%	168	0	168
Galilaeus Oy	60%	5,026	5,280	10,306
Innotalli Oy	44%	170	0	170
Ipsat Therapies Oy	18%	5,520	0	5,520
KC-Holding 3 Oy	42%	2,000	0	2,000
Mobidiag Oy	43%	3,243	1,290	4,533
Nexstim Oy	30%	5,282	980	6,262
Odum Oy	45%	885	0	885
Pharmatory Oy	24%	759	540	1,299
Quatrx Pharmaceuticals Co	2%	3,895	318	4,213
Stellac Oy	40%	1,868	0	1,868
Waterix Oy	49%	511	0	511
Watrec Oy	46%	739	0	739
Vivoxid Oy	36%	5,362	1,620	6,982
		57,838	14,001	71,839

	Shares and participations Holding	Amount	Capital loans and other loans Amount	Investment total
Private equity funds and operative investments				
Operative investments				
Akela Pharma Inc.	3%	8,829	0	8,829
Boneca Oy	33%	750	1,250	2,000
Deltagon Group Oy	17%	71	0	71
Efficas Inc.	4%	1,097	0	1,097
Enterprike Software Ltd	22%	22	661	683
Heptagon Oy	0%	5,648	0	5,648
Hidex Oy	38%	796	605	1,401
Innomedica Oy	50%	262	571	833
Juvantia Pharma Oy Ltd	52%	3,661	0	3,661
Kyrönmaan Juustomestarit Oy	14%	34	366	400
Labmaster Oy	30%	175	2,221	2,396
Leucoson Oy	0%	0	440	440
Neomed Oy	10%	13	136	149
Panphonics Oy	37%	1,534	0	1,534
Reactionlab Oy	38%	52	805	857
Seven Networks	1%	1,718	0	1,718
Solibri Oy	14%	150	472	622
Space Systems Finland Oy	13%	970	0	970
Staselog Oy	0%	0	100	100
Stick Tech Ltd Oy	12%	1,346	0	1,346
		27,128	7,627	34,755
New business development total				106,594
Cumulative change in value				-94,859
Book value				11,735

12.3 Fund investments

Sitra's fund investments

	Investment
Aloitusrahasto Vera Oy	2,000
Apple Tree Partners II L.P.	4,135
Atlas Venture Fund III	1,598
Baltic Investment Fund III	764
Bio Fund Ventures I jatkosijoitusrahasto Ky	12
Bio Fund Ventures I Ky	7,567
Bio Fund Ventures II jatkosijoitusrahasto Ky	750
Bio Fund Ventures II Ky	2,104
Bio Fund Ventures III Ky	3,934
Boston Millennia Partners L.P.	1,559
CapMan Russia Fund L.P.	3,378
Capricorn Cleantech Fund NV	10,000
Chrysalix Energy III Ltd	4,184
Crescendo III, L.P.	1,890
Diamondhead Ventures L.P.	1,997
EBRD North-West and West Russia Regional Venture Fund	0
Eqvitec Mezzanine Fund III Ky	4,897
Eqvitec Teknologiarahasto I Ky	1,826
Eqvitec Teknologiarahasto II Ky	3,925
Finnventure II Ky	31
Finnventure III Ky	3
Folmer Equity Fund I Ky	2,000
Hambros Advanced Technology Trust III L.P.	462
HealthCap 1999 K.B.	4,495
InnKap 2 Partners	955
InnKap 3 Partners	2,887
Matkailunkehitys Nordia Oy	3,229
MB Equity Fund Ky	0
Merlin Biosciences Fund L.P.	6,413
PMI Venture Fund L.P.	1,897
Russian Technology Fund L.P.	200
Sitra Management Oy	470
Strategic European Technologies N.V.	4,146
Technologieholding Central and Eastern European Fund N.V.	592
Trident Capital Fund V	2,168
Terveysrahasto Oy	19,602
Ventech Capital II, L.P.	4,482
Fund investments total	110,552
Cumulative change in value	-33,835
Book value	76,717

Through its wholly owned subsidiary Sitra Management Oy, Sitra has holdings in the following management companies and carried interest units:

Management companies:

Baltic SME Management B.V.
BIF Management Ltd
Oy Nordic Russian Management Company Ltd

Profit-distributing companies:

BIF Management Ltd
Bio Fund Management Oy
Eqvitec Partners Oy
RTF Founders L.P.

12.4 Other investments

	Shares and participations Holding	Amount	Capital loans and other loans Amount	Investment total
Easdaq S.A.	0%	138	0	138
East Office of Finnish Industries Oy	5%	50	0	50
Eigenvalue Oy	14%	432	0	432
Geniem Oy	0%	0	200	200
Hi-Col Oy	0%	0	275	275
Kibron Oy	0%	0	823	823
Kitewing Sports Oy Ab	0%	0	17	17
Kuntokumppanit Oy	0%	0	731	731
Lepo Product Oy	0%	0	5	5
Mega Elektroniikka Oy	0%	0	28	28
Navicre Oy	0%	0	252	252
Oseir Oy	0%	0	150	150
Ras-Met Oy	0%	0	395	395
Rinheat Oy	0%	0	1,601	1,601
Relaxbirth Oy	0%	0	20	20
7signal Oy	0%	0	20	20
u-Nav Microelectronics Corporation	1%	516	0	516
		1,136	4,517	5,653
Other investments				5,653
Cumulative change in value				-2,946
Book value				2,707

	2009	2008
13 Endowment capital investments		
Long-term investments		
Bonds and notes	4,778	201,415
Finnish shares	2,134	50,164
Foreign shares	24,033	56,088
Mutual fund investments	523,945	109,721
Private equity fund investments	10,629	10,472
Real estate investments	10,243	10,961
Short-term investments		
Certificates of deposit	574	120,121
Cash accounts	234	4,691
Other short-term investments	299	2,492
	576,869	566,125
Difference between the capitalised acquisition costs and market value of publicly quoted endowment capital securities included in the invested assets:		
Total market value	651,260	254,512
Corresponding book value	550,112	215,973
Difference	101,149	38,540
14 Other receivables		
Interest for the financial year has been entered as income from investment operations and came to € 0.1 million (€ 5.7 million in 2008).		
15 Other short-term liabilities		
Personnel expenses	2,495	1,932
Accounts payable	1,237	856
Debts to private equity funds	2,269	2,734
Other short-term liabilities	1,466	1,113
	7,467	6,635

16 Liabilities from funding operations

Liabilities for funding agreements arising from funding operations for which an agreement has been made and for which Sitra is liable.

Loans due for repayment entered as expenses, 31 December 2009

At the end of the financial year, the total of loans due for repayment entered as expenses stood at € 1.2 million (1.6 million in 2008). Of these loans, € 0.4 million (0.7) are such that their terms of repayment have been realised and the repayment will take place according to a fixed schedule and € 0.8 million (0.8) are loans for which the repayment is bound to royalties instead of a fixed schedule. The total of loans for which the terms of repayment have not been realised or for which an agreement on repayment has not yet been concluded stands at € 0.0 million (0.1).

Off-balance sheet liabilities 31 December 2009

	2009	2008
Funding decision taken, but no agreement signed		
Programmes	8,004	3,782
Health Care Programme	1,149	2,601
Energy Programme	3,193	1,105
Growth Programme for the Mechanical Industry	108	48
Municipal Programme	3,554	28
Strategic reform	1,157	1,729
Strategic processes	1,580	0
Corporate funding	4,749	5,929
Fund investments	6,000	3,000
Other investments	245	391
	21,736	14,831

Signatures to Sitra's board report and accounts

Helsinki, 11 February 2010

Raimo Sailas
Anu Bradford
Harri Skog

Erkki Virtanen
Anne Kovalainen
Mikko Kosonen

Auditors' report

As the auditors appointed by Parliament, we have audited the accounts, financial statements, annual report and administration of Sitra, the Finnish Innovation Fund for the financial period 1 January–31 December 2009 in accordance with good audit practices. The financial statements include a profit and loss account, balance sheet and notes to the financial statements.

Authorised Public Accountants PricewaterhouseCoopers have performed the internal audit and audit of funded projects. We have familiarised ourselves with the reports that have been prepared on the audits.

As our opinion, we state that the financial statements and annual report give a true and adequate picture

of the result and financial position of Sitra's activities, pursuant to the rules and regulations on drawing up financial statements and annual reports that are in force in Finland. There are no inconsistencies in the information in the annual report and financial statements.

We recommend the financial statements be adopted and that the members of the Board of Directors and President be discharged from liability for the financial period we have audited. We recommend that the surplus for the financial year is dealt with in the manner set out in the Board report.

Helsinki, 12 February 2010

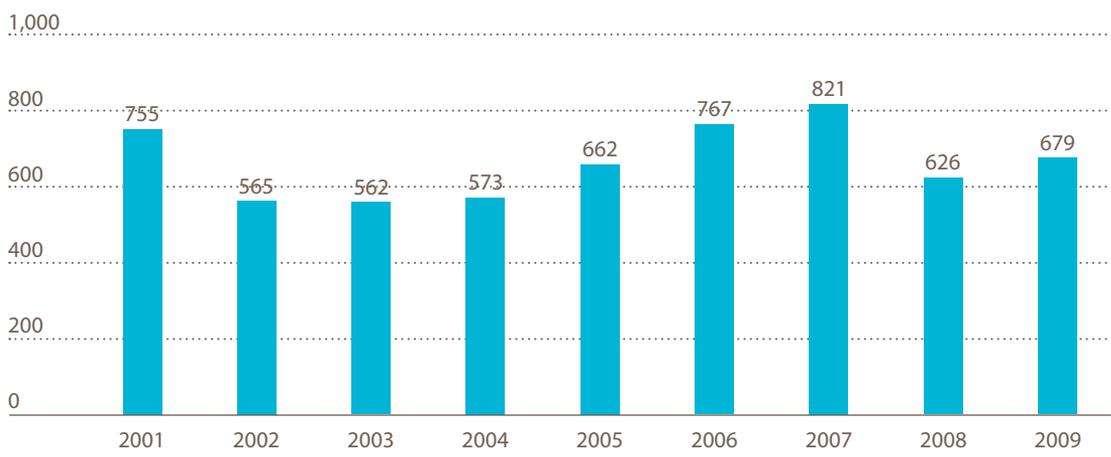
Olli Nepponen
Esko Kiviranta
Kari Manner, APA

Eero Heinäluoma
Markku Koskela, APA
./ Kalervo Virtanen, APA

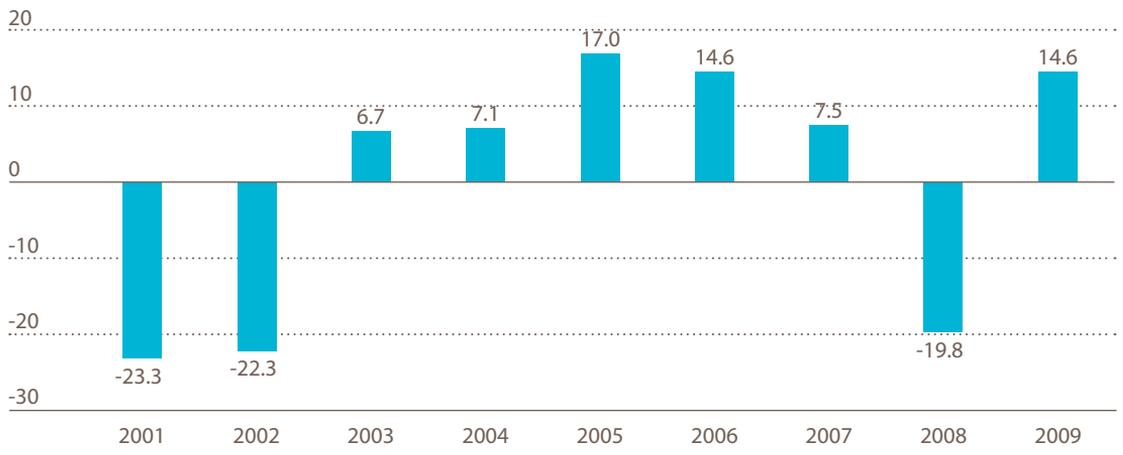
SITRA'S EQUITY 2001-2009, MILLION €



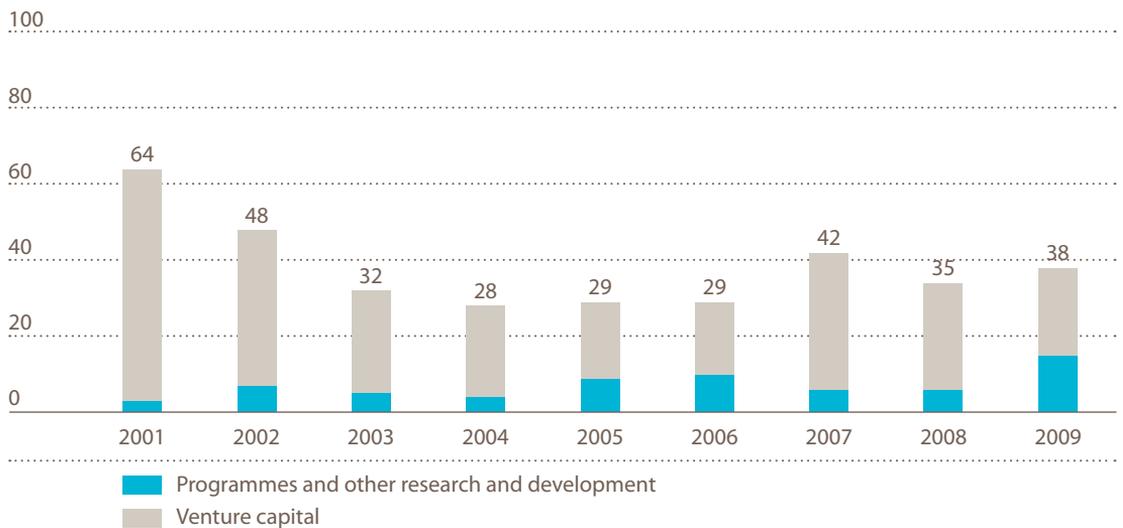
MARKET VALUE OF ENDOWMENT CAPITAL 2001-2009, MILLION €



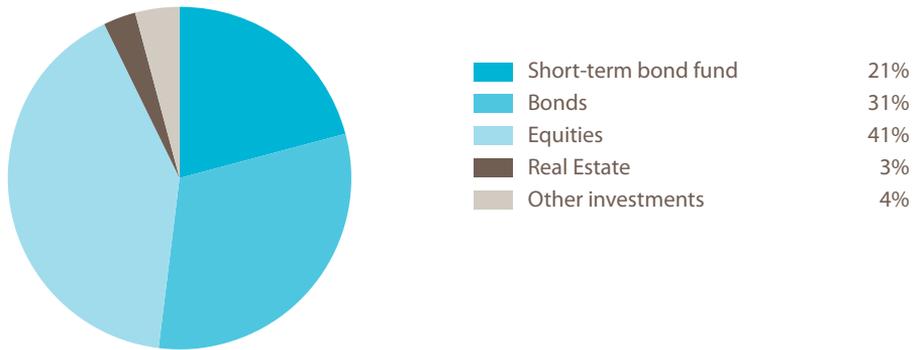
INCOME FROM ENDOWMENT CAPITAL, %



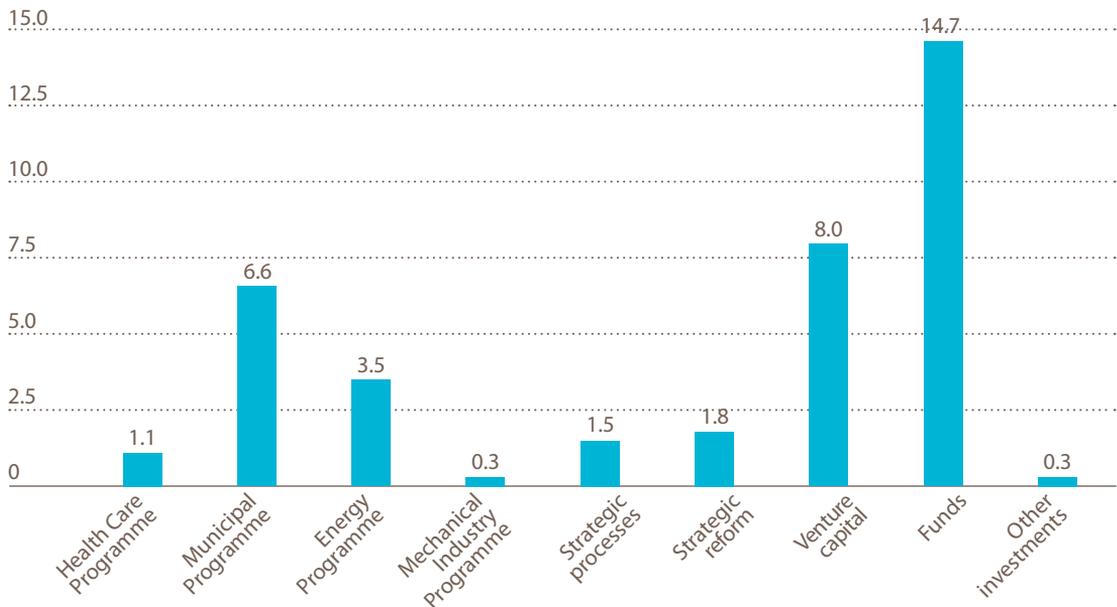
FUNDING DECISIONS 2001-2009, MILLION €



INVESTMENT PORTFOLIO 31 DECEMBER 2009



FUNDING DECISIONS BY AREAS OF OPERATION 2009, MILLION €





SITRA

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