

The logo for SITRA, consisting of the word "SITRA" in a bold, white, sans-serif font. The letters are closely spaced and have a modern, clean appearance. The logo is positioned in the upper right corner of a dark blue horizontal band.

**SITRA**

**BOARD REPORT AND FINANCIAL STATEMENTS 2008**

The text "Sitra, the Finnish Innovation Fund" is written in a smaller, italicized, sans-serif font. It is located in the bottom right corner of the page, set against a background of a repeating pattern of light-colored, overlapping rounded squares and lines.

*Sitra, the Finnish Innovation Fund*

**2008 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 2008 to Parliament.

Helsinki, 25 March 2009

On behalf of Sitra, the Finnish Innovation Fund

**Timo Kalli**

Chairperson

**Anton Mäkelä**

Secretary



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## **2008 ANNUAL REPORT OF SITRA, THE FINNISH INNOVATION FUND , TO PARLIAMENT**

*Under the Act on the Finnish National Fund for Research and Development (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 2008 includes the Supervisory Board's statement, Sitra's financial statements and report on operations, and an audit report by the auditors appointed by Parliament.*

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# THE SUPERVISORY BOARD'S STATEMENT

2008 marked the 41st year of operation for Sitra, the Finnish Innovation Fund. During the year, Sitra continued its programme-based operations as the basis for supporting systemic change, and 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 seminars. In Sitra's programme operations, the Health Care Programme continued as planned. The Food and Nutrition Programme and the India Programme were brought to a conclusion. The Energy Programme and Growth Programme for the Mechanical Industry were launched as new programmes. In addition, the launch of the Municipal Programme was prepared during 2008.

During the year under review, Sitra specified its operational policy so that it can give stronger support to the processes and goals put forward in the national innovation strategy drawn up on an initiative of the Ministry of Employment and the Economy. The basic strategic choices for Finnish innovation activity presented in the strategy work were: a world without borders, a demand and user orientation, a systemic approach and innovative individuals and communities.

The development of user-oriented operating models continued in the Health Care Programme with the Health Coaching Programme (Terva) for chronic illnesses, which is being implemented within the Päijät-Häme Social and Health Care Group, where patients are helped through supportive health coaching given by professionals. The programme continued the development work on an open ICT architecture during the year under review. The national plan on the implementation of e-services was completed in March, creating the framework for the specification project on a personal health record for citizens that will be financed by the programme. The cost analysis of health care and social services relating to the Maisema project expanded to ten municipalities, and the Jämsä and Jämsänkoski regions progressed from the analysis stage towards change management. A wide-ranging seminar was organised in October, in which necessary future changes in the structures and services of health care were set out by Finnish and international experts.

The Energy Programme focused on the issue of climate change through the efficient use of energy in the built environment and energy saving. During the year under review, energy-efficient construction projects, such as the construction of the Skaftskärr residential area in Porvoo and the Jätkäsaari sustainable construction project in Helsinki, got underway in the programme. The programme has representation in the Energy Efficiency Committee of the Ministry of Employment and the Economy. The Energy Programme capitalises on the insights created during Sitra's Environmental Programme on the new challenges and opportunities in the sector, and therefore the programme complies with Sitra's policy of more precisely sequencing the projects and of looking for synergy benefits between the projects.

The aim of the Growth Programme for the Mechanical Industry is to promote the internationalisation and structural reorganisation of the mechanical and metal products industry, which has grown strongly but faces challenges. The programme's operations started with an assessment of cooperation companies. The main focus of the programme is in making venture capital and fund investments. A major investment was made in the Finnish Eqvitec Mezzanine Fund III during the past year. In accordance with Sitra's policy, venture capital investments and fund investments are targeted at programme areas to support the effectiveness of the programme operations and the internationalisation of Finnish companies.

The general objectives of the Municipal Programme, which was in its preparation stage in 2008, are empowering residents, enhancing freedom of choice, increasing municipal productivity, renewing service production structures and optimising resources and costs. In addition, the programme will support change management and the dissemination and communication of international good practices. The preparation of the projects to achieve the objectives got underway during the year under review.

The Food and Nutrition Programme (ERA), which ended during the year under review, was involved during the year in the preparatory work for a joint research programme in the sector on weight control and the preparations for setting up a strategic centre

for science, technology and innovation in the field of food and nutrition. The priority of the operations of the Coeliac, Berry and Russia mini-clusters launched under the Food and Nutrition Programme ERA was internationalisation. The Coeliac mini-cluster examined the market and distributors in Great Britain; and the Russia cluster started export operations to the St Petersburg region. The research data on the health effects of berries compiled by the Berry cluster will be used in the forthcoming Berries and Health project. During the year, fourteen companies came within the scope of the mentoring operations launched under the ERA programme. The programme also focused on promoting the health of school children through public-private projects, of which the Smart Snacks project produced new information on young people's nutrition and created new collaborative relationships between companies and health-promoting actors. The programme produced a large amount of material on nutrition that is available to all, such as the *hyvävälipala.fi* website.

Expert exchanges and promoting the mobility of researchers were the priorities of the India Programme, which came to an end in spring 2008. A four-part seminar series that supported the enhancement of the cooperation network between Finland and India, especially in the environmental technology and health care sectors, was organised during the final stage of the programme. The programme promoted the creation of exchange relationships also in the design and culture sectors. The Sitra Fellowships programme initiated under Sitra's India Programme was continued in 2008 within the International Mobility Centre, CIMO.

Net Effect Oy performed the final evaluation of the programmes (Environmental, Russia and India programmes) that ended during the past year. The evaluation examined the achievement of the programmes' objectives, their social relevance and impacts. The results of the evaluation show that the programmes have been socially appropriate. The development measures that arose in the evaluation were taken into consideration in the preparatory work on Sitra's new programmes by opening up the preparation process further and by including Sitra's stakeholders to a greater extent in the preparations.

The generation of ideas for new programme themes was carried out in 2008 and the preparation work was carried out in stages. The proposals for preparing the programme themes were discussed at the Board's strategy meeting in September. The themes were developing the public administration management system, the vitality of rural areas, an available workforce, the Baltic as a region, and children's well-being and ability to cope. In December 2008, the Board of Sitra chose two new programmes from the above to be launched: the Rural Areas as a Resource for Finnish Competitiveness and the Development of Public Sector Leadership.

Sitra was involved in various ways in drawing up the national innovation strategy, the natural resources strategy and the forest strategy, and likewise in the operations of the National Foresight Network. In addition, the analysis and reform ambitions of the Finnish innovation system were overarching themes in a great number of Sitra's projects, seminars and reports. The subject is covered, for instance, in the following reports published in 2008: Sustainable Innovation; A Fugitive Success: Finland's Economic Future; Major Transition: New Approaches to Developing Knowledge Networks; and Transforming Finland.

The final evaluation was carried out in 2008 on the Technology Incubator Development Programme (Yrke), according to which the satisfaction of customers of incubator companies increased during the project and the growth by customer companies of incubators was faster than for other corresponding companies.

Responsibility for the functions launched by Sitra's PreSeed service for developing the financing capacity of growth companies in their early stages of life and the provision of pre-seed capital transferred during the financial year to Veraventure Oy, a subsidiary of Finnvera that has launched similar operations.

Sitra took part in the EASY development programme launched by the European Commission, through which promising European early-stage growth companies were supported and transnational investment operations were activated. Five trans-European investment forums were organised during the year, and Finnish companies and investors participated in all of them. Several transnational investments were carried

out during the project. A proposal was drawn up at the end of the year within the framework of the EASY programme on setting up a trans-European EASY fund in London.

Sitra's business development operations were carried out in the programme areas through venture capital and fund investments and by taking part in Board-level work in portfolio companies. Active fund investment operations in programme areas were restarted to support Sitra's own programme operations and to speed up the internationalisation of Finnish companies. Two significant fund investments were made during the year, one to support the Energy programme and the other to support the Growth Programme for the Mechanical Industry.

During the year, Sitra Ventures, which handles Sitra's venture capital investments, participated together with the programme teams in the preparation and implementation of new investments and in the further financing of portfolio companies. At the start of the year, the unit had 43 companies in its portfolio. Six companies were exited in full during the year and four partially.

The market value of Sitra's endowment capital at the end of 2008 was EUR 626 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 over the last ten years. The invested assets yielded -19.8% in 2008, whereas the yield the previous year was +7.5%.

Sitra's general guidelines on investing were updated in 2008. The range of fluctuation of interest investments was changed from the previous 20–40 per cent to 30–50 per cent. Commodities and forest property were added to the list of other possible investments, although investments in these categories were not made. Sitra's investment policy was clarified with the aim of further developing procedures and practices for responsibly investing the endowment capital.

According to the Supervisory Board's understanding, Sitra's finances are stable and its operations well managed. At its meeting on 25 March 2009, 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 deficit of 101 224 468.62 euros from the financial year 2008 to the retained surplus/deficit account.

*Helsinki, 25 March 2009*

**Timo Kalli**

**Martti Korhonen**

**Tanja Karpela**

**Antti Kalliomäki**

**Mika Lintilä**

**Marja Tiura**

**./ Anton Mäkelä**

**Liisa Jaakonsaari**

**Pekka Ravi**

**Ben Zyskowicz**

# BOARD REPORT

## Sitra's operating environment

During 2008, the sustained growth in the world economy came to an end. The general uncertainty in the world markets was linked to the financial crisis and its impacts on the real economy, and the full impact of the crisis has still to become clear. The loss in the banks' mutual confidence, which started from the trouble in the US financial markets, has created problems in all markets. The problems have spread to become an international breakdown in the financial markets.

Sitra finances its operations mainly from the yield from its endowment capital. Thanks to the surpluses accumulated during favourable investment years, Sitra's finances will also remain stable in the downturn. As a result of its long-term financial management, Sitra can continue its operations almost at full capacity even during challenging periods.

Even amid the acute problems brought about by the downturn, Sitra's task is to concentrate on preparing systemic changes that extend far into the future, the need for which will be required by technological development, globalisation, an ageing population and climate change. Sitra's resources are aimed at proactively promoting the positive development of the economy in Finland over the long term.

In addition to the unstable financial operating environment during the year under review, the publication in June 2008 of the proposal for a broad-based national innovation strategy also impacted on Sitra's operating policies. The Ministry of Employment and the Economy initiated the strategy work that clarified the means and goals of the innovation actors referred to in the Government Programme and a large number of experts, citizens and innovation actors, including Sitra, took part in the work. The strategy highlighted four national basic choices in innovation activities: 1) a world without borders, 2) a demand and user orientation, 3) a systemic approach and 4) innovative individuals and communities. During the year under review, Sitra's own strategy was clarified so that it supports these four basic principles as well as possible.



# Task and objectives

**S**itra, the Finnish Innovation Fund is a public fund. By law, it is Sitra's duty to promote stable and balanced development in Finland, the qualitative and quantitative growth of its economy and its international competitiveness and co-operation.

Sitra is independent and operates directly under the Finnish parliament. Sitra's task within the field of Finland's innovation actors is to support, through its programme operations, systemic change in the various sectors of society. Sitra's other operations support this strategic goal. Sitra's other operations include fund and venture capital investments that support the programme areas, strategy processes, and various kinds of reports and seminars.

As succeeding in the face of global challenges demands extensive changes, Sitra, as a stable public fund, can enable the development and piloting of new operating models. Pilot projects that are found to be successful are gradually rolled out through cooperation to be managed by a suitable party and as operating practices to be more broadly adopted by society. Sitra can, if necessary, take greater risks than average in funding innovative projects because Sitra's task is to look boldly into the future, even at the risk of failure, and actively and through foresight to look for answers to the key questions in terms of Finland's economic growth and well-being.

## SITRA AS THE IMPLEMENTER OF THE NATIONAL INNOVATION STRATEGY

Alongside the preparatory work on the national innovation strategy, Sitra clarified its own vision and strategy so that they support the processes and goals presented in the national innovation strategy: Sitra acts as an enabler of new systemic changes by engaging in foresight on the operating environment, through gaining the commitment of parties to common objectives and by developing new operating models. Sitra has the role of both visionary and implementer: future changes are prepared for through engaging in foresight on change areas and by developing new operating models and best practices through concrete actions.

**A world without borders** was specified as the first strategic choice in the national innovation strategy: Finnish innovation actors must open themselves up to global interaction. International cooperation at the business and strategy work level has been a feature of all Sitra's programmes. The reports drawn up in collaboration

with the world's top experts and the seminars that have been organised also support internationalisation. During the past year, Sitra organised the Future of the Public Sector seminar on progressive solutions and innovations for the challenges facing the future of the public sector.

The second strategic choice of the national innovation strategy is **demand and user orientation**, which is also the foundation of Sitra's programme operations and strategy work. User-oriented solutions were considered during the year under review, for example in the Helsinki Design Lab forum. The design activities launched during the year under review bring together experts from various sectors to create innovative, practical solutions that exploit design for concrete problems, such as problems making the everyday life of elderly people more difficult in their homes. Sitra's programmes also seek ways of empowering citizens. For example, the projects of the Food and Nutrition Programme produced a great deal of material on good nutrition that was made available to all. The Energy Programme encourages the public to use energy more effectively.

The third strategic choice of the national innovation strategy is **systemic change**. If the intention is to meet the greatest challenges of the age, then work has to be conducted across administrative boundaries that will enable the comprehensive reform of various systems and structural development work. As an independent actor, it is natural for Sitra to be involved in change work that crosses administrative boundaries. For example, during 2008 an open ICT architecture was further developed in the Health Care Programme to develop compatible IT systems and systems that cross sector boundaries. Another example of new types of activities that breakdown boundaries is the preparation of the natural resources strategy, which Sitra was asked to manage.

The fourth strategic choice in the national innovation strategy is **innovative individuals and communities**. A high regard for education and private entrepreneurship are important basic principles in Sitra's operations. This can be seen, for example, in the search for international business potential in the mechanical industry, the Transforming Finland report and co-operation with the Aalto University. Through the Health Fund (Terveysturva) of the Health Care Programme, Sitra has created structures that enable the development of new innovations as products to be brought to the market.

# Operations in 2008

Sitra's year of operation in 2008 was characterised by the focusing of the operations to support the national innovation strategy. Likewise, the effectiveness of Sitra's programme operations was maximised by looking for synergy benefits between the programmes. For example, the Maisema project in the Health Care Programme improved the financial management of 30 municipalities by increasing transparency using means such as those offered by information technology. The project generated great interest in the municipalities. The Municipal Programme, which got underway at the start of 2009, will continue the change management development work that has started in the municipalities.

Greater attention is being paid in Sitra's programme operations to the sequencing between the new and old programmes. The insights on new challenges and opportunities that were created during the Environmental Programme (2005–2007) are being capitalised on in the Energy Programme that got underway during the year under review. Similarly, closer cooperation with other innovation actors has been undertaken in the programme areas.

## SOLUTIONS FOR SOCIETAL CHALLENGES

### *Health Care Programme (2004–2009)*

During the past year, the Health Care Programme focused its operations more clearly on practices in the sector, cost control, and the adoption of strategic operating principles for enhancing information systems in cooperation with the responsible parties in the health care sector. Through the individual projects underway, the programme supports the reforms demanded by the Service Voucher Act and the Health Care Act.

The programme's objectives include creating user-oriented models to support patients in managing their own illnesses and in prevention. In the health coaching project for chronic illnesses (Terva), which is being carried out in the Päijät-Häme Social and Health Care Group, patients are supported in managing their own illnesses through supportive advice on health and rehabilitation given by professionals. At the end of the year and in line with the plans, there were 1,500 patients involved in the Terva project.

The programme has highlighted the opportunities presented by new technology: the website

Terveyskirjasto.fi is among the top twenty Finnish online brands, which demonstrates that the public is ready to adopt user-oriented practices. The national plan on the implementation of e-services was completed during the year under review, creating the framework for the specification project on a personal health record for citizens which will be financed by the programme. In the future, the health record will offer a common appointment system and a collection and monitoring system on customers' health data.

In the seminar in October 2008, in which diverse policies on the future of Finnish health care were presented, Professor Michael Porter of Harvard University put forward the idea that caring for patients and preventive work should switch from a performance-based practice to care management that takes place on the basis of care results. Likewise, the complete transparency of the costs should be ensured and access by citizens to the best possible treatment. To enable this, electronic patient data systems that operate effectively and support treatment must be introduced as soon as possible.

During 2008, the cost analysis for municipal services, and especially health care and social services, relating to the Maisema project was extended to ten municipalities. The Jämsä and Jämsänkoski region progressed from the analysis stage towards change management.

Business activities in the sector were developed in the Health Care Programme to develop and disseminate new innovations. Work started on preparing exports of new businesses to the United States in order to establish the international business potential of new practices and technologies. Terveysrahasto Oy (Health Fund), which was set up with support from Sitra, has established its operations. The aim is to diversify the service offering coming within the scope of health care. To date, the fund has received investment commitments totalling EUR 41 million and invested in a total of ten companies in the sector.

### *Energy Programme (2008–2012)*

The five-year Energy Programme, which started at the beginning of 2008, focused on the issue of climate change through the efficient use of energy in the built environment and energy saving. The aim of the project is to get energy consumption down in various areas of life and to create new business activity in the sector.

Of the long-term processes, the identification of the need for systemic change in public administration

and the markets got underway during the year under review. By participating in the work of the Ministry of Employment and the Economy's Energy Efficiency Committee, it will be possible to network extensively in the programme with actors in the energy sector. The work of the Committee comprises an important strategy process of the programme.

Several projects were launched in the programme during the year under review, such as the construction of an energy efficient residential area in Skaftskärr, Porvoo and the Helsinki Jätkäsaari sustainable construction project. The projects seek to influence regional energy solutions even in the planning phase. The most important projects from the consumer's perspective are the Ilmankos and Energy Citizen cooperation projects, which aim to activate citizens in saving energy.

Sitra makes investments in the programme areas to strengthen the effectiveness of the programme operations. Developing the investment capacity of a few SMEs in the energy sector got underway in the Energy Programme through the EASY project financed by the EU. EASY companies presented themselves at international Business Angels events.

#### ***Growth Programme for the Mechanical Industry (2008–2011)***

The aim of the Growth Programme for the Mechanical Industry, which launched during the year under review, is to promote the growth and internationalisation of the mechanical and metal products industry, which has experienced rapid growth. The programme promotes systemic change in the sector by networking with subcontracting and metal products companies in the SME sector, through business development and investing in the industry. In addition, the programme is examining the sector's international markets and operating models and will import the best practices to Finland, as well as organise country-specific seminars and workshops in order to clarify the particular characteristics of the target country. The programme's activities started during the year under review with an assessment of cooperation companies.

The main focus of the programme is on business development activities that take place through venture capital investment. EUR 50 million has been budgeted for the duration of the programme for investment in restructuring the sector, internationalisation and

business development, which will take place via the portfolio companies. During the operation of the programme, 5–7 investments will be made.

#### ***Municipal Programme (2009–2013)***

The preparation of the Municipal Programme got underway in August 2008 and the operations started at the beginning of 2009. The programme will realise Sitra's strategy as an enabler, visionary and implementer; the key objective is to support systemic change in the municipal sector, especially in municipalities that have merged and in other municipalities where change has been initiated. The general objectives of the Municipal Programme are empowering residents, enhancing freedom of choice, increasing municipal productivity, renewing service production structures and optimising resources and costs. In addition, the programme will support change management and the dissemination and communication of international good practices. The preparation of the projects to achieve the objectives got underway during the year under review.

#### ***Food and Nutrition Programme, ERA (2004–2008)***

During the year under review, the ERA programme and numerous actors in the food sector took forward the policies of the joint strategy for the sector that was published in 2006. For example, although the preparatory work carried out to establish a strategic centre for science, technology and innovation in the field of food and nutrition did not achieve its objectives, it nevertheless resulted in the preparation of a joint research programme in the sector on weight control. Furthermore, the setting up of a Strategic Centre for Science, Technology and Innovation in the field of food and nutrition was prepared in the Government's Centre of Expertise Programme (OSKE).

The ERA programme initiated mini-cluster and mentoring operations in the sector. The initiative for operations in the Coeliac, Russia and Berry clusters stemmed from the companies' own needs and the focus has been on internationalisation. During the year under review, the Coeliac mini-cluster examined the market and distributors in Great Britain; and the Russia cluster started export operations to the St Petersburg region. The research data on the health effects of berries compiled by the Berry cluster will be disseminated for use by companies in the sector in the forthcoming

Berries and Health project. Fourteen companies came within the scope of mentoring operations during the year. SMEs with growth potential were supported through the mentoring, which was assessed as being of high quality in the project's final evaluation, in expanding and developing business operations and in internationalisation. At the beginning of 2009, Tekes, the Finnish Funding Agency for Technology and Innovation, will start its Sapuska programme to support the development of the SME sector in the food industry, under which the mini-cluster and mentoring activities launched by the ERA programme will continue.

The ERA programme focused on promoting the health of school children through projects involving networks of companies and officials. The research results concerning the Smart Snacks project on the nutritional habits of children and the means to affect them were published during the year. In the research, the interventions proved successful in significantly reducing the amount of sugar in the daily nutrition of girls. In addition, better products in terms of children's nutrition were brought onto the market. At the end of the year, the Smart Snacks trademark was assigned from Sitra to the Finnish Heart Association.

A product that has been assessed in its own product group by experts as being nutritionally good can receive the heart symbol. Products bearing the heart symbol were actively launched during the year under review and all the major companies in the retail sector adopted it in their fruit and vegetable departments. The communications campaign on healthy nutrition by the Heart Association together with companies continued on the [jarkipalaa.fi](http://jarkipalaa.fi) website. A large amount of varied material has been produced in the programme that can be accessed and used by all. The stakeholder work in the Smart Snacks project and improving the food habits of school children through interventions were considered to be a success in the programme's final evaluation. The challenge now is to disseminate the results nationally and internationally.

On 17 April 2008, the Finnish Centre for Health Promotion granted the Health Act of the Year award to the ERA programme's health promotion project.

### **India Programme (2004–2008)**

The India Programme, which focused on internationalisation and knowledge production,

promoted the exchange of experts between India and Finland. During 2008, the programme brought influential Indians to Finland and organised a four-part seminar series to enhance the cooperation network between the countries, especially in the sectors of environmental technology and health care. Awareness about Finland was also increased among Indian decision-makers.

The focus of the programme's activities was on expert exchanges. The vision was that within a few years, the number of Indian students, teachers and researchers in Finnish universities would be such that their impact would be reflected as increased cooperation between the two countries, as the internationalisation of Finnish research and the success of the Finland of tomorrow. In addition to researcher mobility, Sitra's India Programme promoted the creation of exchange contacts during the year under review within the fields of design and culture.

The exchange of experts between India and Finland will continue in the future because the Sitra Fellowships programme initiated by Sitra was continued in 2008 within the International Mobility Centre, CIMO.

### **Evaluation of the programmes**

Net Effect Oy performed the final evaluation of the programmes (Environmental, Russia and India programmes) that ended during the year. The evaluation examined the achievement of the programmes' objectives, their social relevance and impacts. The results of the evaluation show that the programmes have been socially appropriate. They have focused on topical and socially important themes. The development measures that arose in the evaluation have been taken into consideration in the preparatory work on Sitra's new programmes by opening up the preparation process further and by including Sitra's stakeholders to a greater extent in the preparations.

### **Selection of new programmes**

The generation of programme ideas in the preparation process for the new programmes carried out during 2008 was open and took place over the Internet. Sitra's stakeholders and other experts were invited to join the process. 2 150 people were invited to participate in an online interview, and 604 participated. After the gathering of ideas, Sitra employees assessed the ideas in three workshops and came up with proposals for

new programme themes. In June, the Board of Directors chose the following themes for further preparation: developing the public administration management system, the vitality of rural areas, an available workforce, the Baltic as a region, and children's well-being and ability to cope. In December 2008, Sitra's Board decided that the new programmes to be launched in 2009 will be the Rural Areas as a Resource for Finnish Competitiveness and the Development of Public Sector Leadership.

### ***National strategy processes and Sitra***

As an independent actor, Sitra can take part in national strategy processes in various different ways. During the year under review, Sitra's name has been linked with the national innovation strategy, natural resources strategy and the forest strategy. In the work on the national innovation strategy launched in line with the Government Programme, Sitra was the other lead party alongside the Ministry of Employment and the Economy and took part in the work as one of the actors in the field of innovation. The results of the joint strategy work will be taken into consideration by Sitra in developing its own operations.

In the planning work on the national natural resources strategy, Sitra was invited to initiate and manage the strategy work. The strategy work will consider the types of goals and measures that can be employed in Finland to safeguard all-round prosperity based on natural resources. Sitra's task in this strategy work is to design, coordinate and report on the work process. The results of the work will be presented to the Prime Minister in spring 2009.

As a result of Esko Aho's, Sitra's President, chairmanship of the working group, the preparation of the forest strategy indirectly involved Sitra's operations.

## **FORESIGHT AND CHANGE**

### ***National Foresight Network – Foresight.fi***

Sitra took part during the year under review in the activities of the National Foresight Network. The aim of the foresight network is to more actively bring up the challenges and opportunities facing society for debate, as well as for research and decisions to be taken. The

2008 themes of the foresight network included the future of business and the role and task of the public sector. The themes were discussed in the network's workshops and the reports drawn up on their basis were published on the Foresight.fi website.

### ***Finland's capacity to change***

The analysis of the Finnish system of innovation and efforts to reform were overarching themes in a great number of Sitra's projects, seminars and reports during the year under review. The results all point in the same direction: Finland's system of innovation has worked well up until now, but now it is time to switch from a closed innovation system internal to the organisation to an interactive, international and open innovation environment. The Transforming Finland (Muutoksen Suomi) working group, put together by Sitra, states that the biggest challenges relate to institutions, such as the health care and education systems, whose task is to empower citizens to become developers of change.

## **BUSINESS DEVELOPMENT AND FUNDING**

Business development undertaken through the programme operations continued during the year under review. The main goal of business development is the development of new business concepts and supporting companies' growth strategies. Participating at the Board-level of portfolio companies and offering Sitra's expertise and network of contacts for the benefit of portfolio companies is an essential element of business development.

### ***Technology Incubator Development Programme (Yrke 2003–2007)***

The Technology Incubator Development Programme generated new business activity in Finland by developing the operations of incubators to better meet the needs of companies expanding internationally. The final evaluation of the project, which was performed in 2008, states that customer satisfaction of the incubators that took part in the project improved and that the customer companies of the incubators appeared to grow to a greater extent and faster than other corresponding companies. During the project, the amount of venture capital investments in incubator companies increased by over five-fold. The Yrke programme also gave rise to

a solid public-private partnership model for incubator operations when Technopolis Ventures Oy bought five incubator businesses.

### ***PreSeed service (2001–2007) and the EASY development programme (2006–2008)***

Responsibility for developing the investment capacity of growth companies in their initial stage of life and the provision of pre-seed capital, which was launched by Sitra's PreSeed service, was transferred during the year under review to Veraventure Oy, a subsidiary of Finnvera that has launched similar operations. The experiences gained by Sitra from the PreSeed operations were adapted for use in business funding in the Energy Programme.

Sitra actively continued its activities within the EASY development programme launched by the European Commission, within the framework of which five trans-European investment forums were held during the year under review. Finnish companies and investors took part in all the forums. During the programme, investment angels have jointly implemented, and will continue to implement, several cross-border investments. The key countries in the development programme put forward a proposal at the end of the year on setting up an EASY fund in London. An investment proposal on the idea was submitted to the European Investment Fund at the end of the year and Sitra's Board of Directors made a decision to invest EUR 3 million in the fund. The establishment of the fund will most likely be settled midway through 2009.

### ***Direct venture capital investments***

During the year under review, Sitra financed the portfolio companies operating in its programme areas. The goal of the investment activity, which is in line with Sitra's strategy, is to support the objectives of the programme operations also through business operations. Over the next few years, venture capital investments will be made, for example, in the subcontracting sector of the mechanical industry, which is facing several challenges, for which Sitra launched a new programme during the year to enhance the competitiveness of the sector.

Sitra bears responsibility for its portfolio companies and will continue its investment activities in the selected programme areas even during the recession, when portfolio companies may experience a critical period.

The operating plan for 2009 takes a countercyclical approach, whereby proactive action is taken even during a downturn.

Sitra operates on market terms in cooperation with other venture capital investors. In its operations, Sitra aims, on the one hand, to put together sufficient capital that companies can access and, on the other hand, to distribute the risk posed to individual investments. The key function of Sitra Ventures also includes the further financing of companies in the investment portfolio and exiting them in accordance with the plan drawn up for each company. At the start of the year, the unit had 43 companies in its portfolio. Six companies were exited in full during the year and four partially. At the end of the year, the number of company acquisitions clearly decreased because of the slowing economic growth and their execution was significantly more difficult than in previous years.

Sitra Ventures maintained its most important international contact networks to enable new joint investments. The contact network includes, for example, the Nordic Venture Network, the Nordic Life Sciences Seed Investor Network, and select venture capital funds.

### ***Fund investments***

Proactive fund investments were relaunched during the year under review in order to speed up the internationalisation of companies and to support Sitra's own programme operations. The main criteria for fund investments supporting business development were set as being that the investments should produce added value to Sitra's programmes or other operations.

Two significant fund investments were made during 2008: one to support the Energy Programme and the other to support the Growth Programme for the Mechanical Industry. Through its investment in the Energy Programme, Sitra gains access to the flow of projects in the European Cleantech sector and to the fund's expertise. An investment was made in the Finnish Eqvitec Mezzanine Fund III in relation to the future financing and restructuring needs under the Growth Programme for the Mechanical Industry.

In accordance with the policies that have been set, Sitra will divest itself of the remaining technology transfer companies. In 2008, Sitra exited Oy Culminatium Ltd, and negotiations on exiting the others got underway.



# 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 six times. Its members are the MPs Timo Kalli (chairperson), Antti Kalliomäki (vice-chairperson), Liisa Jaakonsaari, Martti Korhonen, Mika Lintilä, Pekka Ravi, Tanja Karpela, Marja Tiura and Ben Zyskowitz. Anton Mäkelä, Master of Laws, acted as Secretary to the Board.

## BOARD OF DIRECTORS

Sitra's Board of Directors convened eight times during the year. Its members are Chairman Raimo Sailas, State Secretary, Vice-Chairman Erkki Virtanen, Permanent Secretary, Harri Skog, Permanent Secretary, Anne Brunila, President, Professor Satu Lähteenmäki and Sitra's President Esko Aho (until 31 October 2008) and Sitra's President Mikko Kosonen (as of 17 November 2008). At its meeting on 19 December 2008, the Supervisory Board selected and appointed Professor Anne Kovalainen and Professor Anu Bradford as members of the Board from the beginning of 2009 in place of Anne Brunila, President, and Professor Satu Lähteenmäki.

## 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's vision was clarified during 2008 and work started on updating the values. The work was carried out in close cooperation with the staff. A personnel survey of the entire company was carried out in spring 2008. Sitra employees also participate in regular language training and various training events for developing personal skills.

IT Management led a major project to reform project management and documentation management during the year. As a result of the reforms to information management, Sitra's tools and materials are more easily available to the staff. The ending of some programmes and launch of new ones has meant a change in expert personnel.

## Sitra's endowment capital

The origins of Sitra's endowment capital lie in a donation made by the Bank of Finland in 1967. The yield on the endowment capital over the long term is good.

The market value of Sitra's endowment capital at the end of 2008 was EUR 626 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 over the last ten years. The invested assets yielded -19.8% in 2008, whereas the yield the previous year was +7.5%.

Responsibility for managing most of Sitra's endowment capital investments has been entrusted to external asset management companies. Forty-nine per cent of the endowment capital's market value consists of Finnish investment instruments. Alfred Berg Omaisuuudenhoito Suomi Oy, Danske Capital, and Sampo Pankki plc manage direct investments in Finnish equity, as well as the interest investments in the euro zone. Sitra has also invested in the OP-Suomi Arvo fund and the OP-Focus fund. ABN AMRO's Korke B-rahasto fund and the Sampo Yhteisökorkorahasto fund are used for Sitra's cash management.

International equity mandates are managed by Morgan Stanley & Co. and JP Morgan Asset

Management Ltd. In addition, Sitra has also made investments in the Handelsbanken Eurooppa Indeksi fund and in three funds that focus on emerging markets (JP Morgan Emerging Markets Equity, Carnegie East European and HSBC GIF Indian Equity). The share of fund investments is now 20% of the endowment capital (21% in the preceding year). One new investment was made in the Impax Environmental Markets fund in 2008. The fund management company, Impax Group, specialises in environmental technology companies and the fund invests in globally listed companies that have concentrated on alternative forms of energy, water purification, as well as preventing pollution and waste treatment technology. Two investments were made at the end of 2007 in the so-called cleantech sector: in the Fondita 2000+ fund and the eQ Clean Energy fund.

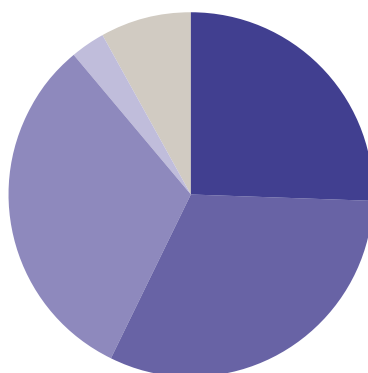
Endowment capital investments have also been made in venture capital funds, hedge funds, real estate and a real estate fund. The total allocation of Sitra's endowment capital in 2008 was the following: shares 32%, interest-bearing securities 58% and others 10%.

Sitra's general guidelines on investing, i.e. Sitra's investment policy, were updated in 2008. The range of fluctuation of interest investments was changed from the previous 20–40 per cent to 30–50 per cent. Commodities and forest property were added to the list of other possible investments, although investments in these categories were not made. Sitra's investment policy was clarified with the aim of developing the procedures and practices for responsibly investing the endowment capital. In future, the selection of investments will increasingly emphasise financial and social responsibility and environmental responsibility.






#### PROPOSAL FOR THE DISPOSAL OF DEFICIT

The Board of Directors proposes that the deficit for the year, amounting to EUR 101 224 468.62, be carried forward to the retained surplus/deficit account.

#### INVESTMENT PORTFOLIO 31 DEC 2008



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	Cash and cash equivalents 26 %
	Bonds 32 %
	Equities 32 %
	Real Estate 3 %
	Other Investments 8 %

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# PROFIT AND LOSS ACCOUNT

	1 Jan–31 Dec 2008	1 Jan–31 Dec 2007
	€	€
<b>ORDINARY OPERATIONS</b>		
<b>Venture capital investment</b>		
Income		
Profit from sales	594 359,52	9 261 402,21
Income from investment funds	732 292,34	1 399 049,53
Income from other investments	783 133,08	3 136 636,75
	2 109 784,94	13 797 088,49
Expenses		
Investment expenses	-14 024 556,04	-11 273 752,71
Other expenses	-190 440,43	-267 995,27
Share of general expenses	-1 186 931,49	-2 612 950,13
	-15 401 927,96	-14 154 698,11
	-13 292 143,02	-357 609,62
<b>Programmes and other research and development</b>		
Income		
Income from projects	2 307,28	4 760,85
Expenses		
Expenses from projects	-6 341 606,58	-5 345 168,26
Other expenses	-715 602,71	-716 696,86
Share of general expenses	-4 612 476,69	-3 914 840,08
	-11 669 685,98	-9 976 705,20
	-11 667 378,70	-9 971 944,35
<b>Administration</b>		
Expenses		
Personnel expenses	-9 050 882,29	-9 349 076,75
Depreciation	-393 471,12	-401 704,24
Other expenses	-3 230 622,58	-3 499 622,37
Transfer to operations	5 799 408,18	6 527 790,21
	-6 875 567,81	-6 722 613,15
<b>Profit/loss</b>	-31 835 089,53	-17 052 167,12
<b>INVESTMENT OPERATIONS</b>		
Income from endowment capital	40 527 792,56	121 512 190,12
Expenses from endowment capital	-109 917 171,65	-38 370 987,41
	-69 389 379,09	83 141 202,71
<b>Net profit/loss for the year</b>	-101 224 468,62	66 089 035,59

# BALANCE SHEET

	31 December 2008	31 December 2007
	€	€
<b>ASSETS</b>		
<b>Fixed assets</b>		
Tangible assets		
Machinery and equipment	637 370,03	758 699,79
Shares and participations	14 518 176,31	14 518 176,31
Other investments	327 488,36	363 795,49
	11) 15 483 034,70	15 640 671,59
Venture-capital investments		
Shares and participations	88 517 377,46	83 185 491,91
Capital loans	4 306 213,15	5 917 518,79
Other loans	1 603 244,90	1 883 108,06
	12) 94 426 835,51	90 986 118,76
Endowment capital investments		
Bonds and notes	201 415 430,57	166 574 767,44
Shares and participations	106 252 028,61	174 483 043,02
Fund investments	120 192 413,73	172 794 475,81
Real estate investments	10 961 393,75	12 941 048,25
Other investments	127 303 539,12	143 498 715,82
	13) 566 124 805,78	670 292 050,34
	676 034 675,99	776 918 840,69
<b>Current assets</b>		
Receivables		
Other receivables	14) 8 787 142,28	6 483 673,72
Cash and bank receivables	2 299 147,84	487 774,83
	11 086 290,12	6 971 448,55
<b>Total assets</b>	<b>687 120 966,11</b>	<b>783 890 289,24</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Endowment capital	235 463 097,04	235 463 097,04
Retained earnings	509 950 879,62	443 861 844,03
Net profit/loss for the year	-101 224 468,62	66 089 035,59
	644 189 508,04	745 413 976,66
<b>Accumulated appropriations</b>		
Reserves from funding operations	7 050 369,59	13 551 149,70
<b>Liabilities</b>		
Short-term		
Accrued expenses	15) 6 634 600,98	8 313 289,87
Liabilities from funding operations	16) 29 246 487,50	16 611 873,01
	35 881 088,48	24 925 162,88
<b>Total equity and liabilities</b>	<b>687 120 966,11</b>	<b>783 890 289,24</b>

# 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 and any necessary value adjustments made on the basis of the valuation at year end 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.

### VENTURE CAPITAL INVESTMENT

	Programmes		Corporate funding		Fund investments		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
<b>1 Income from investments</b>								
capital refunds	0	0	25	147	0	0	25	147
shares in profit	0	0	0	0	732	1 399	732	1 399
interest payments	8	344	81	2 412	0	0	89	2 756
profit from sales	0	0	594	9 261	0	0	594	9 261
dividends	0	7	15	74	574	0	589	81
other income	0	2	81	150	0	0	81	153
Total	8	353	796	12 044	1 306	1 399	2 110	13 797
<b>2 Investments expenses</b>								
investment expenses	-56	0	-192	-268	-421	-253	-669	-521
value adjustment	-334	-1 087	-14 871	-12 471	-4 651	-1 171	-19 856	-14 729
change in risk reserve	-117	-1 000	-6 617	4 976	0	0	6 500	3 976
Total	-507	-2 087	-8 446	-7 763	-5 072	-1 424	-14 025	-11 274
<b>3 Other expenses</b>								
other expenses	0	0	-190	-268	0	0	-190	-268

**PROGRAMMES AND OTHER RESEARCH AND DEVELOPMENT**

	<b>2008</b>	<b>2007</b>
<b>4 Income from projects</b>		
Health Care Programme	2	0
Food and Nutrition Programme	0	0
India Programme	0	0
Energy Programme	0	0
Growth Programme for the Mechanical Industry	0	0
Municipal Programme	0	0
Innovations and New Solutions Unit	0	0
Other research and development	0	5
	2	5
<b>5 Expenses from projects</b>		
Health Care Programme	-2 147	-2 054
Food and Nutrition Programme	-1 891	-1 017
India Programme	-350	-154
Energy Programme	-416	0
Growth Programme for the Mechanical Industry	-33	0
Municipal Programme	-47	0
Innovations and New Solutions Unit	-1 416	-2 120
Other research and development	-42	0
	-6 342	-5 345
<b>6 Other expenses</b>		
Health Care Programme	-195	-133
Food and Nutrition Programme	-185	-192
India Programme	-7	-8
Energy Programme	-94	0
Growth Programme for the Mechanical Industry	-77	0
Municipal Programme	-34	0
Innovations and New Solutions Unit	-124	-383
Other research and development	0	0
	-716	-716

## ADMINISTRATION

	2008	2007	2006
<b>7 Personnel expenses</b>			
Wages and salaries	-6 546	-6 785	-6 516
Pension expenses	-1 068	-1 088	-1 106
Other statutory payroll expenses	-613	-716	-596
Other payroll expenses	-824	-760	-741
	-9 051	-9 349	-8 959
Number of personnel at year end			
venture capital investment	9	20	24
programmes and other research and development	43	34	32
administration	48	46	42
	100	100	98
<b>8 Depreciation</b>			
Planned depreciation			
machinery and equipment	-280	-301	
other capitalised expenditure	-100	-87	
renovation of office premises	-13	-13	
	-393	-401	

## INVESTMENT OPERATIONS

	2008	2007
<b>9 Income from endowment capital</b>		
profit from sales	11 679	94 224
interest income	14 581	13 023
bond price gains	1 431	1 219
exchange rate gains	2 042	189
dividend income	8 077	9 270
rental income	838	1 662
shares in profit	1 881	1 925
	40 528	121 512
<b>10 Expenses from endowment capital</b>		
asset depreciation	-79 893	-20 929
regained depreciation	2 729	1 110
losses on sales	-26 393	-11 956
bond price losses	-1 057	-1 861
exchange rate losses	-2 547	-3 106
asset management fees	-645	-938
real estate expenses	-154	-283
value adjustment on real estate shares	-1 951	-413
other expenses	-5	6
	-109 917	-38 371

**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 EUR 0.2 million  
(EUR 0.7 million in 2007).

	<b>Book value 1 Jan 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>Depreciation for the financial year 31 Dec 2008</b>	<b>Book value 31 Dec 2008</b>
machinery and equipment	502	160	1	280	381
other capitalised expenditure	264	77	0	100	241
renovation of office premises	100	0	0	13	87
other tangible assets	256	0	0	0	256
	1 122	237	1	393	965

	<b>2008</b>	<b>2007</b>
shares and participations		
shares in office premises	14 509	14 509
other shares	9	9
	14 518	14 518

	<b>2008</b>	<b>Change</b>	<b>2007</b>
<b>12 Venture capital investments</b>			
Programmes	8 429	287	8 142
Corporate funding	16 476	-9 384	25 860
Fund investments	68 950	12 559	56 391
Other investments	572	-21	593
	94 427	3 441	90 986



## 12.1 Programmes

Shares, participations and other investments held by Sitra

	Shares and participations		Capital loans and	Investment total
	Holding	Amount	other loans Amount	
<b>Health Care Programme</b>				
Avain Technologies Oy	33%	1 500	359	1 859
Kuntamaisema Oy	40%	60	0	60
Medhelp Group Oy	47%	6 016	1 108	7 124
Medixine Ltd	18%	1 026	0	1 026
Prowellness Ltd	20%	1 947	54	2 001
Telekardio Oy	30%	60	0	60
Vivago Oy	32%	2 907	620	3 527
		13 516	2 141	15 657
<b>Food and Nutrition Programme</b>				
Efficas Inc.	6%	1 097	0	1 097
Fintorus Oy	33%	70	180	250
Kyrönmaan Juustomestarit Oy	14%	34	366	400
Neomed Ltd	10%	13	135	148
		1 214	681	1 895
<b>Energy Programme</b>				
AW-Energy Ltd	6%	500	0	500
		500	0	500
<b>Growth Programme for the Mechanical Industry</b>				
Fluid House Oy	10%	150	1 000	1 150
Sabriscan Ltd	19%	500	0	500
		650	1 000	1 650
			Programmes, total	19 702
			Cumulative change in value	-11 273
			Book value	8 429

## 12.2 Corporate funding

Shares, participations and other investments held by Sitra

	Shares and participations		Capital loans and	Investment total
	Holding	Amount	other loans Amount	
<b>Business development and technology commercialisation</b>				
Finn-Medi Research Ltd	18%	67	0	67
Helsinki Business and Science Park Ltd	14%	168	0	168
Innotalli Oy	44%	170	0	170
		405	0	405

Sitra Ventures Life Sciences	Shares and participations		Capital loans and other loans	Investment total
	Holding	Amount	Amount	
Akela Pharma Inc.	4%	8 829	0	8 829
Biotie Therapies Corp.	10%	14 855	673	15 528
Boneca Corporation	33%	750	1 250	2 000
BPM-Group Oy	45%	885	0	885
Delfin Technologies Ltd	37%	55	164	219
FibroGen Inc.	3%	3 515	0	3 515
FIT Biotech Oyj Plc	23%	4 080	3 300	7 380
Galilaeus Oy	60%	5 026	5 030	10 056
Hidex Oy	38%	796	605	1 401
Innomedica Ltd	51%	270	571	841
Ipsat Therapies Ltd	15%	3 386	1 272	4 658
Juvantia Pharma Oy Plc	52%	2 946	1 155	4 101
KC-Holding 3 Oy	42%	2 000	0	2 000
Labmaster Ltd	30%	175	2 221	2 396
Mobidiag Ltd	43%	3 243	1 290	4 533
Nexstim Oy	38%	5 282	0	5 282
Pharmatory Oy	24%	759	540	1 299
QuatrX Pharmaceuticals Company	1%	3 895	89	3 984
Reactionlab Oy	38%	52	805	857
Stick Tech Ltd Oy	12%	1 345	0	1 345
Vivoxid Ltd	36%	5 322	0	5 322
		67 466	18 965	86 431
<b>Other portfolio companies</b>				
B-Band Ltd	17%	100	0	100
DBC International Oy	5%	1 302	0	1 302
Deltagon Group Oy	17%	71	0	71
EC-Engineering Oy	32%	948	0	948
Enterprixe Software Ltd	22%	22	661	683
Fimet Oy	47%	496	0	496
Heptagon Oy	19%	5 648	0	5 648
Kuntokumppanit Oy	29%	833	844	1 677
Panphonics Oy	37%	1 534	0	1 534
Robogrind Oy	20%	200	560	760
Seven Networks Inc.	1%	1 653	0	1 653
Shanghai Fimet Medical Instruments Co. Ltd	13%	278	0	278
Solibri Inc.	14%	150	472	622
Space Systems Finland Ltd	29%	970	0	970
Staselog Ltd	0%	0	100	100
Stellac Oy	34%	1 491	0	1 491
Syncron Tech Oy	14%	72	0	72
Vioteq Ltd	0%	0	50	50
Waterix Ltd	49%	511	0	511
Watrec Ltd	25%	400	0	400
		16 679	2 687	19 366
			Corporate funding total	106 202
			Cumulative change in value	-89 726
			Book value	16 476

### 12.3 Fund investments

Sitra's investments in funds

	<b>Investment</b>
Aloitusrahasto Vera Oy	2 000
Apple Tree Partners II L.P.	4 144
Atlas Venture Fund III	1 608
Baltic Investment Fund III	764
Baring Capricorn Ventures	10
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.	4 000
Capricorn Cleantech Fund NV	10 000
Crescendo III, L.P.	1 890
Diamondhead Ventures L.P.	2 007
EBRD North-West and West Russia Regional Venture Fund	0
Eqvitec Mezzanine Fund III Ky	4 919
Eqvitec Teknologiarahasto I Ky	1 826
Eqvitec Teknologiarahasto II Ky	4 184
Finnventure II Ky	31
Finnventure III Ky	3
Hambros Advanced Technology Trust III L.P.	462
HealthCap 1999 K.B.	4 493
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.	4 354
Technologieholding Central and Eastern European Fund N.V.	1 202
Trident Capital Fund V	2 304
Terveysrahasto Oy	15 000
Ventech Capital II, L.P.	4 482
	<b>101 660</b>
	Cumulative change in value -32 710
	Book value 68 950

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

Management companies:

3TS Capital Partners Oy  
Baltic SME Management B.V.  
BIF Management Ltd  
Norum Russia General Partner Ltd  
Oy Nordic Russian Management Company Ltd

Carried interest units:

BIF Management Ltd  
Bio Fund Management Ltd  
Eqvitec Partners Oy  
RTF Founders L.P.  
TCEE FUND N.V.

#### 12.4 Other investments

	Shares and participations		Capital loans and other loans	Investment total
	Holding	Amount	Amount	
Chip-Man Technologies Ltd	0%	0	80	80
Dermagene Ltd	0%	0	40	40
Detrexim Oy	0%	0	20	20
Easdaq S.A.	0%	138	0	138
East Office of Finnish Industries Ltd	5%	50	0	50
Eigenvalue Oy	14%	432	0	432
Geniem Ltd	0%	0	200	200
Hi-Col Ltd	0%	0	275	275
Kibron Oy	0%	0	823	823
Kitewing Sports Oy Ab	0%	0	17	17
Lepo Product Oy	0%	0	5	5
Mega Electronics Ltd	0%	0	57	57
Navicre Oy	0%	0	252	252
Okmetec Oyj	0%	0	48	48
Optonex Oy	0%	0	170	170
Oseir Ltd	0%	0	150	150
Ras-Met Oy	0%	0	395	395
7signal Oy	0%	0	20	20
u-Nav Microelectronics Corporation	1%	516	0	516
		1 136	2 552	3 688
			Cumulative change in value	-3 116
			Book value	572

**13 Endowment capital investments**

	<b>2008</b>	<b>2007</b>
Long-term investments		
bonds and notes	201 415	166 575
Finnish shares	50 164	92 460
foreign shares	56 088	82 023
mutual fund investments	109 721	159 069
private equity fund investments	10 472	13 725
real estate investments	10 961	12 941
Short-term investments		
bonds and notes	0	9 215
certificates of deposit	120 121	130 614
cash accounts	4 691	2 670
other short-term investments	2 492	1 000
	566 125	670 292
Difference between the capitalised acquisition costs and market value of publicly quoted endowment capital securities included in the invested assets		
total market value	254 512	470 438
corresponding book value	215 973	333 552
difference	38 540	136 885

**14 Other receivables**

Interest for the financial year has been entered as income from investment operations and came to EUR 5.7 million (EUR 6.1 million in 2007).

**15 Other liabilities**

Other liabilities includes debts of EUR 2.7 million (EUR 3.5 million in 2007) to private equity funds, for which an investment agreement has been made and Sitra's liability has arisen.

**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 2008**

At the end of the financial year, the total of loans due for repayment entered as expenses stood at EUR 1.6 million (EUR 1.8 million in 2007). Of these loans, EUR 0.7 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 EUR 0.8 million (1.0) in 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 EUR 0.1 million (0.1).

**OFF-BALANCE SHEET LIABILITIES 31 DECEMBER 2008**

	2008	2007
<b>Funding decision taken, but no agreement signed</b>		
Programmes	4 283	6 780
Health Care Programme	2 601	2 167
Food and Nutrition Programme	501	1 610
Environmental Programme	0	2 224
Energy Programme	1 105	50
Russia Programme	0	173
India Programme	0	556
Growth Programme for the Mechanical Industry	48	0
Municipal Programme	28	0
Innovations and New Solutions Unit	1 228	405
Corporate funding	5 929	4 189
Fund investments	3 000	18 000
Other investments	391	25
	14 831	29 399

**SIGNATURES TO SITRA'S BOARD REPORT AND ACCOUNTS**

*Helsinki, 11 February 2009*

**Raimo Sailas**

**Erkki Virtanen**

**Anu Bradford**

**Anne Kovalainen**

**Harri Skog**

**Mikko Kosonen**

# AUDITOR'S 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 2008 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 deficit for the financial year is dealt with in the manner set out in the Board report.

*Helsinki, 13 February 2009*

**Olli Nepponen**

**Eero Heinäluoma**

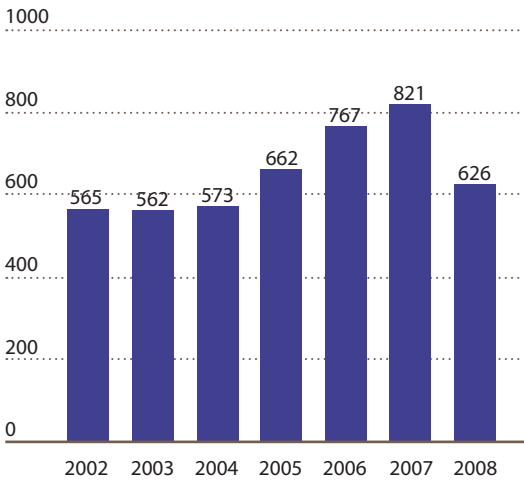
**Esko Kiviranta**

**Markku Koskela APA**

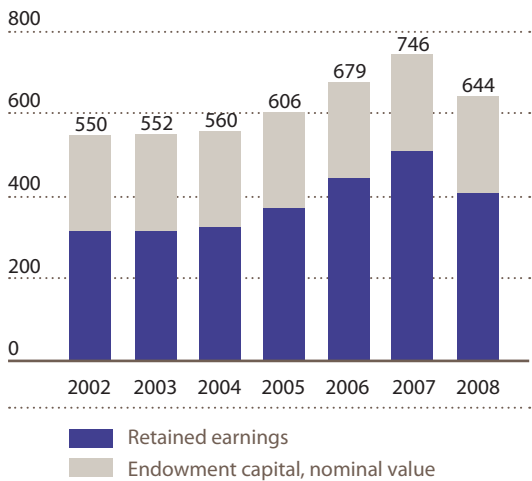
**Kari Manner APA**

**./ Kalervo Virtanen, APA**

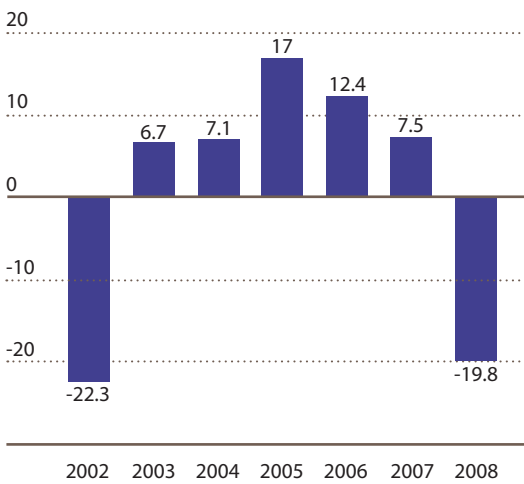
**MARKET VALUE OF ENDOWMENT CAPITAL 2002-2008**  
MILLION €



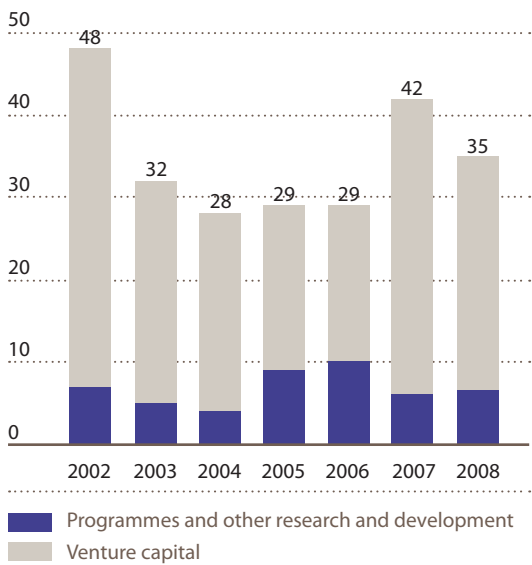
**SITRA'S EQUITY 2002-2008**  
MILLION €



**INCOME FROM ENDOWMENT CAPITAL 2002-2008**  
%



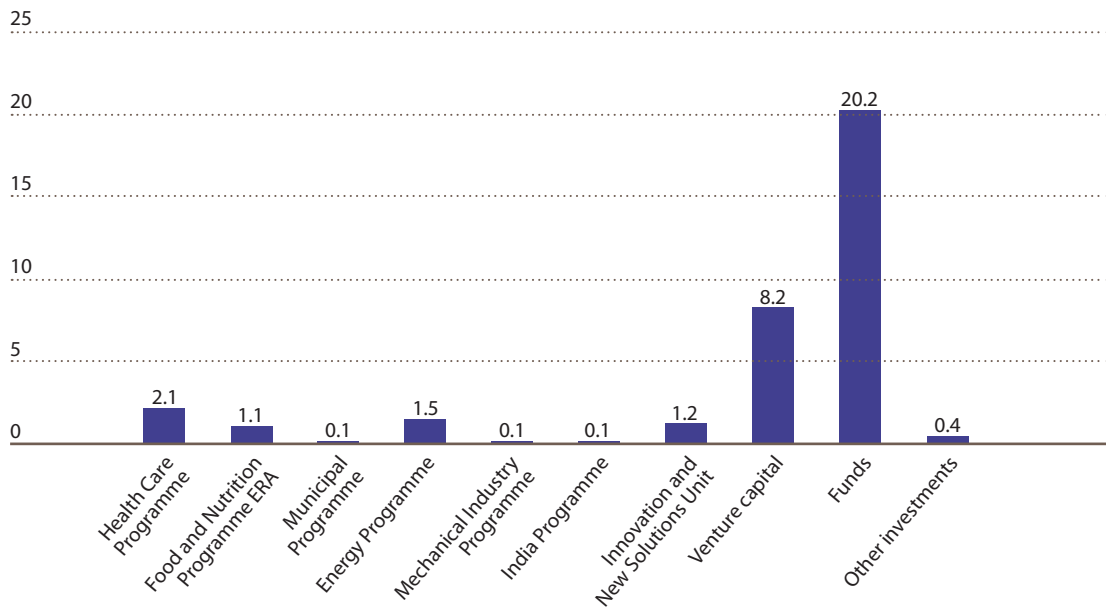
**FUNDING DECISIONS 2002-2008**  
MILLION €





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**FUNDING DECISIONS BY AREAS OF OPERATION 2008**  
**MILLION €**



The logo for SITRA, consisting of the word "SITRA" in a bold, blue, sans-serif font. The background of the entire page is a light gray with a repeating pattern of white, overlapping, rounded square shapes that resemble a grid or a stylized network.

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