

ANNUAL REPORT  
2007



SITRa

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- 1 Sitra in brief – Building a successful Finland for tomorrow
- 2 President’s review – Well-being, efficiency, growth
- 4 Our strategy: A rapid response to today’s challenges
- 6 Sitra – 40 years of innovation
- 8 Events in Sitra’s anniversary year
- 10 New directions for Finnish health care
- 12 Delicious and good for you
- 14 Expert exchange for future networking
- 16 Boosting environmental business
- 18 Russia – closer than ever
- 20 New programme areas
- 22 We work flexibly and internationally
- 24 Board of Directors and Supervisory Board
- 26 Organisation
- 27 Contact information

## APPENDIX

Board report and financial statements for 2007

## Programmes

### Continuing programmes

Health Care	10
Food and Nutrition	12
India	14

### Completed programmes

Environment	16
Russia	18

### New programmes

Energy	20
Mechanical Industry	21
Municipal Services	21

# BUILDING A SUCCESSFUL FINLAND FOR TOMORROW

Sitra, the Finnish Innovation Fund, is an independent public foundation promoting the well-being of Finnish society under the supervision of the Finnish Parliament.

Sitra's responsibilities are set down in law. Since its establishment, Sitra's duties have been to promote stable and balanced development in Finland, the qualitative and quantitative growth of its economy and its international competitiveness and cooperation.

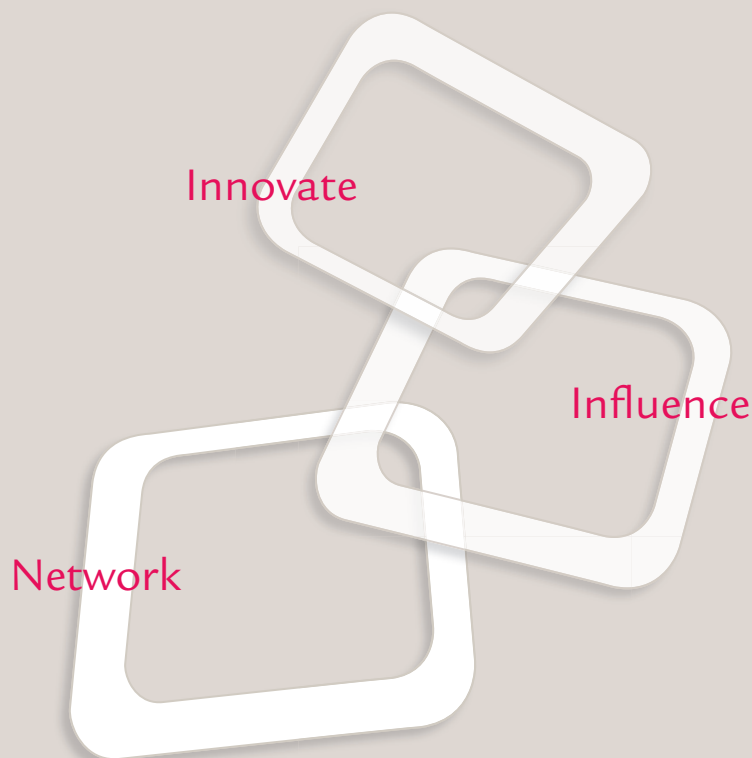
Our operations are governed by a vision of a successful and skilled Finland. We have always approached our operations with a strong belief in the future and in the ability of the latest technology to generate well-being.

Sitra is quick to address questions central to the growth of the Finnish economy and to the well-being of its citizens. Sitra's independent and autonomous position provides it with an ideal foundation with which to carry out this task.

Currently, we have organised our operations into fixed-period programmes by which we aim to achieve the maximum possible social impact. All our activities have a strong international dimension.

Our current programmes focus on health care, food and nutrition, energy, mechanical industry and India and they are geared to improve Finnish competences and competitiveness in collaboration with other partners. The programmes comprise studies, strategy processes, innovative experiments, business development and corporate funding.

Our activities are financed by the yield from our endowment capital and the return on investment activities. Esko Aho is the President of Sitra, which has a workforce numbering 100.





The year 2007 was the 40th anniversary of Sitra's founding. In honour of our anniversary year, we published the first work on our own history, *Sitra - Tulevaisuus tehtävänä* (Sitra - the Future as a Mission). This history provides an interesting perspective on the broad outline of our fund. The gist of it can be summed up in two words: economy and society.

# WELL-BEING, EFFICIENCY AND GROWTH

**O**ur fundamental task is to promote economic growth and internationalisation in a long-term perspective. In this regard, it is part of our responsibilities to forecast the future of society and develop new operating models to deal with future changes.

Sitra must serve both social goals and economic efficiency and growth, equally. It is in this that Sitra's uniqueness and the reason for its existence lie.

Today our fundamental task looks more urgent than ever. Globalisation, rapid technological advances, the climate change that is casting a shadow over the future of humanity, and the ageing of the population are forcing us to see things in a new light and to open-mindedly reform the way in which we operate. If Finland as a nation is to succeed, we will need seamless cooperation between the private and public sectors and an open-minded global approach. These are the areas that Sitra is now focusing on.

The programme-based strategy that was approved in 2004 meant more to Sitra than just the focusing of resources on a few areas: health care, environmental technology, food and nutrition, Russia and India. At the same time, our focus shifted from creating new things to reforming existing ones. We are having to question old truths in a way that is bound to give rise to much more criticism than implementing projects in entirely new areas did.

Our role as a socially influential organisation was further reinforced last spring when we contributed background material to the government formation talks. Our aim is to ensure that Sitra has a permanent role in setting goals at national level in the future.

The programme-based strategy is here to stay. The programmes, which ended in 2007, the Russia Programme

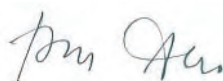
and the Environmental Programme, were successful and attained the goals set for them. More importantly, the new operating models we developed with our partners will live on. Now that the programmes have ended, their responsibilities are transferred to permanent players.

In the autumn, we made decisions on starting new programmes. The Environmental Programme will have a natural successor in the Energy Programme, which will focus primarily on solutions that make communities more energy efficient.

During this decade, Finland has lost a lot of ground in information technology manufacturing. In order to prevent the same from happening in the mechanical industry, we will start a programme to promote growth in productivity and internationalisation in this sector, but also in Finnish industry and services in general.

In health-care development projects, we have encountered increasing pressure to develop new models for business operations for the production of public services. Municipal finances, in particular, now desperately need to find new ways of combining the public good with efficiency and productivity if we are to keep the basic structures of our welfare society on a solid footing. For this purpose, Sitra has already started the construction of a specific municipal programme. The actual work will begin in 2009.

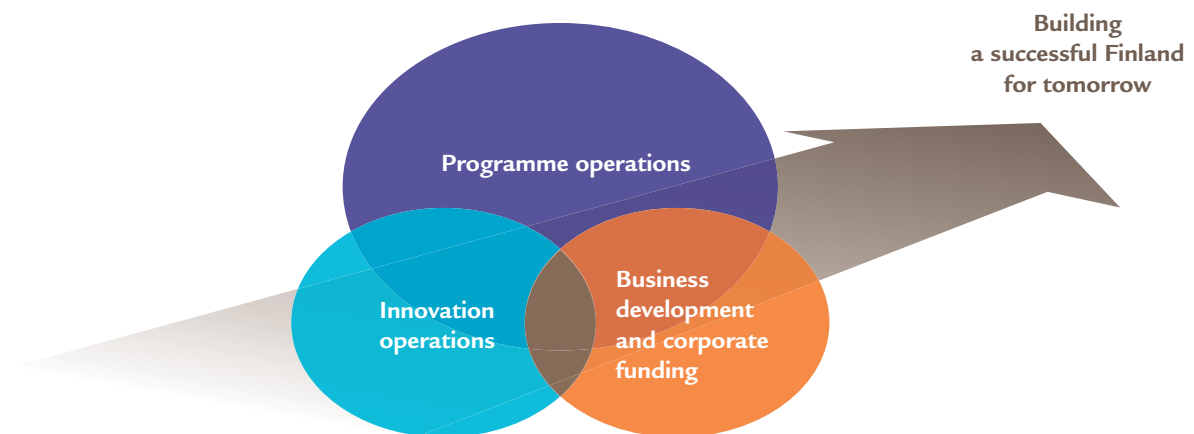
I want to thank everyone at Sitra, our Board of Directors, our Supervisory Board and our auditors for their excellent cooperation and for a good year in terms of both operations and finances in 2007. It has been a pleasure to work with you all and to spend Sitra's anniversary year together. We are well placed to continue our good work.



**Esko Aho**  
President

# OUR STRATEGY: A RAPID RESPONSE TO TODAY'S CHALLENGES

Sitra's objective is to reinforce the well-being of Finns. We work with the leading experts and authorities in the field to find ways of facing the future that enable Finland to succeed in a changing world and to secure the well-being of everyone in Finland.



**S**itra possesses a unique potential for acting as a social innovator and for promoting networking in the business and public sectors. Sitra is an independent public fund and there is demand for the expertise and contribution of the experts Sitra employs. As an independent fund, we are in a position to respond rapidly to problems that arise in society and to other phenomena that require new approaches. Sitra brings added value to Finnish society by implementing forward-looking innovative programmes and by promoting society's capacity for renewal together with various bodies in the private and public sectors.

## EFFECTIVENESS

The cornerstones of Sitra's operations are the programmes and innovation activity, together with corporate develop-

ment and funding. All these various activities have a shared goal: to support the programme activity organised by Sitra and to help Finland stay successful in the future.

Sitra started programme-based operations in 2004. The first programmes, which ended in 2007, were the Russia Programme and the Environmental Programme; they were successful and received positive feedback from partners in the private and public sectors. The good results were encouraging, and it was decided that programme-based operations should continue.

In 2008, two new programmes, the Energy Programme and a programme focusing on the mechanical industry, will start and preparation will begin on a third programme that will deal with the reform of municipal services production. The new programmes will look for answers to questions concerning climate change, inefficient energy use and the

ageing of the population. Solutions will also be sought to challenges brought by international subcontracting operations and the growing need for municipal services.

### **VERSATILITY**

Sitra's programmes bring together actors and experts in the programme area, produce reports and research, and generate and test new operating models and innovations in the programme area.

The main purpose of Sitra's Innovations and New Solutions unit is to prepare new programmes, support existing programmes and ensure that they have a social impact. In order to succeed in doing this, extensive anticipatory work is needed, including a systematic study of the key threats and opportunities for Finland's future and the social impact they are estimated to have.

### **FUNDING AND DEVELOPMENT**

Sitra's corporate funding promotes the goals of the programmes by funding both start-ups and more mature companies.

In addition to direct investments and knowledge capital, Sitra may support the goals of the programmes through establishing new funds.

When Sitra started making venture-capital investments in Finland some 20 years ago, it was among the first in the country to do so. Today, Finnish venture capitalists have investments in over 700 companies with a total turnover of over € 8.3 billion. These companies employ over 42,000 people.

Sitra's PreSeed funding and the Development Programme for Business Incubators (Yrke) ended in 2007. The PreSeed project resulted in a register of nearly 400 business angels and collected capital for start-ups. The project operations will be transferred to Finnvera in accordance with the policy outlined in the Government Programme. Yrke identified good practices for business incubators for the productisation of knowledge-based innovations on the international market.

### **GLOBAL AND FLEXIBLE**

In a global economy, it is impossible to solve Finland's problems in Finland alone; as a result, Sitra's programmes are part of international networks with leading organisations in the field.

The programmes started by Sitra have a fixed term. The strategy is to start operations, create new operating models and find successors to continue them after the programme ends. This makes it possible to accept new challenges.

### **FUNDING BASE**

Sitra's operations are funded with endowment capital and returns from corporate funding operations. Sitra's annual budget comes to about € 45 million.



**FURTHER INFORMATION:**  
[www.sitra.fi/en/corporate\\_funding](http://www.sitra.fi/en/corporate_funding)

## **EASY ACTIVATES EUROPEAN INVESTMENT OPERATIONS**

In November 2006, the European Commission started the EASY Project (early stage investors for high growth businesses). Participants in the programme include 17 partners from 11 countries. The Finnish organisation invited to the project was Sitra, whose PreSeed operations in creating a venture-capital market with its INTRO marketplace and as an activator of business angels interested the European partners.

Start-ups and early-stage innovations need capital in order to grow and thrive. EASY has activated European business angels and started European-wide investment activity. The aim is to create a European marketplace.

Operations throughout Europe make it possible to efficiently circulate business expertise across borders. The internationalisation of a growing company can derive considerable support from having a highly motivated investor and part-owner in the target country.

The operations of EASY are on a practical level. The programme has arranged several trans-European investment events, introduced business angels to promising companies, and brought private and public sector investors more closely together. Sitra will be involved in the operations of the PreSeed project and, consequently, the EASY project, until the expertise connected with them can become part of Finnvera's operations during 2008.

In order to ensure that Europe is a united and strong entity – a union, in other words – cross-border capital investment is needed.

# SITRA – 40 YEARS OF INNOVATION

1967

Parliament ratifies the constitution of the Finnish National Fund for Research and Development at its anniversary session on 5 December 1967. The Bank of Finland provides FIM 100 million in endowment capital to the Fund.

1969

Futurology, the futures studies and forecasting of technical developments are made part of the Fund's programme.

1972

Sitra begins to fund product development that is beneficial for industry.

1976

Funding for the electronics and electrical industry surpasses that for mechanical engineering.

1980

A project on recombinant DNA, funded by Sitra, becomes the starting point of genetic research in Finland.

1981

A report on the Finnish economy in 2010 commissioned by Sitra predicts phenomena such as cars running partly on electricity.

1967

1977

19

1974

The oil crisis makes energy projects a focus area for the Fund's operations.

1970

The Datasitra project starts. With funding from the Bank of Finland, Sitra acquires a Univac 1108 mainframe computer for use by the Finnish universities.

1978

Sitra is given responsibility for annual management training in economic policy for the country's top decision makers. The training continues until 2005.

1986

Representatives of Sitra travel to the United States to study venture-capital operations.

1983

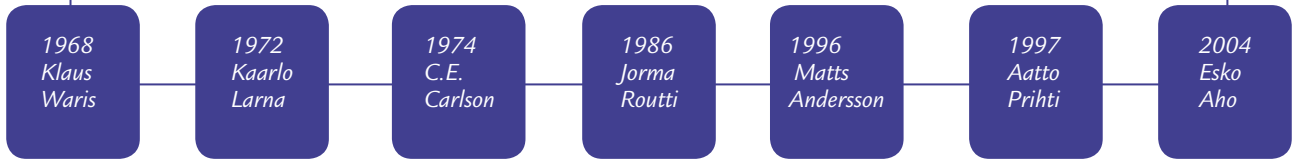
Tekes, the Finnish Funding Agency for Technology and Innovation, is founded. Sitra is forced to assess its future position as a funding body for product development.

1968

Sitra's operations begin. The acronym Sitra is adopted. The Fund has the returns from the endowment capital at its disposal, some FIM 7 million. For a while, Sitra is the most prominent funding body for research and development operations in Finland. Initially, over half of the funding is granted to universities, research institutions and research groups.



## Presidents



**1991**

*Sitra is transferred from being under the supervision of the Bank of Finland to being an independent public foundation under the auspices of the Finnish Parliament.*

**2000**

*The Finland 2015 programme, which studies global challenges and seeks answers to them, begins.*

**1996**

*A new strategy is drawn up for Sitra, according to which the operations are focused on venture-capital investments in early-stage enterprises and research and education on the future of Finland.*

**2004**

*Sitra changes over to programme-based operations. The first programme areas are innovations, health care, food and nutrition, the environment, Russia and India.*



**1992**

*Sitra is the biggest single venture-capital investor, both in terms of the number of target companies and of the volume of investments.*

**1998**

*Sitra begins to develop regional venture-capital investments. The national information society strategy is reviewed. An information society project for Karelia, the Learning Upper Karelia, is started, as also is the Seniori 2000 project to study home help services for the elderly.*

**2002**

*An international evaluation of Sitra finds that Sitra has been doing the right things in the right way. It is also found that the challenge for Sitra is to find the strategies needed for continued success.*

**1987**

*Corporate funding is focused on the commercialisation of technology and on building domestic and international cooperation networks. Sitra takes on the task of developing the venture-capital market, with methods including direct venture-capital investments by Sitra itself in start-up technology enterprises.*

# EVENTS IN SITRA'S ANNIVERSARY YEAR

1 *Sitra offered Duodecim's Terveyskirjasto health-care library to the general public free of charge. The library is a comprehensive source of health information incorporating a high level of expertise, and is available at [www.terveyskirjasto.fi](http://www.terveyskirjasto.fi).*

2 *Sitra does not work in isolation, because it is essential to cooperate with expert partners and build global networks. At the end of August, a partner seminar was focused on various aspects of Asia and the innovation environment.*

3 *How can Europe secure its energy supply in the future? What new solutions are needed in Europe's energy policy? These were some of the questions discussed at the Energizing Europe conference organised by Sitra and the Alfred Herrhausen Society of Deutsche Bank.*

4 *It is important that society enables people to live a good life. But it is also important that people take responsibility for their own well-being. That is why Sitra was one of the driving forces behind *Elämä pelissä*, a health-focused lifestyle makeover television series.*



5 *The Learning by Doing national technology week for the young encouraged schoolchildren to become creative. The Technology Education NOW! project arranged by the University of Oulu organised events at 29 schools all over Finland, where schoolchildren got hands-on experience of technology in various workshops. Sitra supported these events.*

6 This is a good time for the food industry to invest in product development, when well-being and health are megatrends. There are now opportunities to conquer new markets. This requires capital, and the event *Investing in the Food Chain*, held in November, provided solid information on the subject.

7 In honour of its anniversary year, Sitra published its history, *Sitra – Tulevaisuus tehtävänä* (*Sitra – the Future as a Mission*), a closer look at 40 years of innovation and social impact. The history also explores Sitra's role in a changing world.

8 Sitra employees past and present spent a pleasant evening at the Sitra staff party, which this year had a historical and musical theme.

9 On Boxing Day, Finnish television (YLE TV1) broadcast the documentary *Kansanluonto*, combining stunning footage of natural landscapes with lively modern folk music and Finnish people's musings on nature throughout the years of the country's independence. Sitra was one of the funding bodies that contributed to the making of this documentary made in honour of the 90th anniversary of Finnish independence.



10 Finland's 90th anniversary was Sitra's 40th. Sitra's anniversary seminar featured many distinguished speakers, including the President of Finland Tarja Halonen, Prime Minister Matti Vanhanen, Speaker of the Parliament Sauli Niinistö, and Jorma Ollila, Chairman of Nokia Group and Royal Dutch Shell, together with a number of international experts, who encouraged the distinguished audience to consider the European and global challenges of the 2000s.



# NEW DIRECTIONS FOR FINNISH HEALTH CARE

One of the most pressing social questions at present is how to ensure that adequate health-care services of a high standard can be provided as the population ages and the generations entering the job market grow smaller.

**S**itra's Health Care Programme has made its own significant contribution to solving the challenges faced by health care today by looking for new operating methods and by putting health-care ICT systems to more efficient use than hitherto.

Adequate health-care services of a better standard than today will not be possible in the future unless ways can be found to make the processes involved more efficient and unless crucial aspects of the processes are altered. In order to do this, information is needed on how health-care expenditure is focused. This has been studied within the programme using a model developed in the Finnish municipality of Raisio, where the roles of purchaser and provider have been clearly separated. According to early results from the Maisema project, the purchaser-provider model provides a local authority with much better ways to plan, manage, implement and monitor health-care expenditure and thus improve the quality of local services.

## ONLINE HEALTH-CARE INFORMATION MAKES FOR EASIER ACCESS

One of the areas that the Health Care Programme focused on was how to improve the compatibility of online health-care information systems. The aim is to ensure that information is easily accessible, not only for professionals but also, and especially, for the general public.

Sitra has been able to consistently intensify its cooperation with its partners. November saw the completion of SAINI, a national-level first report on online health-care services; the report was produced in cooperation between ministries and Sitra. The report was needed because the 'one-stop-shop' principle can only be implemented if a national action plan exists to back it up.

## PREVENTING MARGINALISATION – PROMOTING ACTIVE CLIENTSHIP

The Health Coaching Programme (TERVA) is a system that provides health coaches who give patients information about their long-term illnesses and how to manage them. The programme looks for ways of responding cost-effectively to the growing numbers of people with long-term illnesses as the population ages, and also strives to give patients a more active role in their own treatment.

The project has the benefit of solid Finnish partnership expertise from Tekes and the Päijät-Häme Social and Health Care Group and the international experience of Pfizer Oy, a company with about a decade's worth of international experience of coaching.

Sitra operates in many sectors of society, including in health care, in promoting networking between the private and public sectors. One example of such operations is Sitra's investments in Terveysrahasto, a health-care fund that makes investments in public-private-partnership health-care services.

During the year under review, Sitra was openly invited to participate in the preparation of the new Government Programme for the first time. Submissions were made to the programme that will respond to citizens' changing health-care needs. From the perspective of the Health Care Programme, this has opened the door on rapid development work in the field on an unprecedented scale, something that will be seen in public services towards the end of this decade.



FURTHER INFORMATION:  
[www.sitra.fi/en/programmes](http://www.sitra.fi/en/programmes)

Mirja Gröhn,  
Business Director



## FINNS DISCOVER THE TERVEYSKIR- JASTO HEALTH- CARE LIBRARY

In 2007, Sitra celebrated its 40th anniversary by making a contribution to the empowerment of health-care clients. Specifically, Sitra decided to offer the contents of Duodecim's Terveyskirjasto health-care library to the general public free of charge.

Free access to an expert source of health information was very well received. During the first year, up to 20 million articles were viewed on the Terveyskirjasto.fi website. Every month, there are about 80,000 visits to the site.

The Terveyskirjasto health-care library helps clients care for themselves, but it also advises people on when they should see a doctor. According to a user survey, about one in five users felt that the website had considerably reduced his or her need to visit his or her local health-care centre. Then again, 3.4 per cent of the users had realised that they should see a doctor.

As a result of the good response to the Terveyskirjasto.fi health-care library, it will continue to be available to the public and the website will be developed so as to make it an integral part of the health-care process in Finland in the future.

## SMART SNACKS

The Smart Snacks project funded by Sitra brings together research institutions, NGOs and companies in cooperatively promoting health and creating the concept of smart food.

People develop an individual lifestyle, including eating habits, in their childhood and youth. Consequently, the programme has started projects that research and influence young people's nutritional habits through interventions and pilot projects. Bodies responsible for projects include the University of Kuopio and the National Public Health Institute. The research results include new information on ways of improving the lifestyles of children and young people.

In 2007, one of the focus areas was school-children's snacks. The University of Turku studied the eating habits of 7th to 9th graders and what snacks they ate, and explored ways of influencing snack habits by using a snack vending machine that provided healthy snacks.

More than half of the 900 children who participated in the study considered the snack vending machine a good choice. The most popular smart snacks were a chocolate-flavoured milk drink, sandwiches, juice and snack biscuits. The vending machines clearly contributed to reducing children's consumption of sweets.

Experience of the snack vending machine was so encouraging that companies are now developing new healthy snacks designed to appeal to young people. A commercial version of the vending machine is being developed. Healthy snacks are also promoted through the practical advice on the [www.hyvalipala.fi](http://www.hyvalipala.fi) website.

The lessons learned in Finland as a model country for healthy eating are also attracting interest from abroad, since children's weight problems are on the increase in many countries. In addition to Finnish school meals, we will, in future, be able to provide other well-researched operating models to promote health, too.

*Markku Mikola,  
Project Manager*



# DELICIOUS AND GOOD FOR YOU

One of the key principles of Sitra's Food and Nutrition Programme (ERA), applied to all operations, is to encourage co-operation between organisations in the field. Research institutions, food industry companies and the authorities have built new types of networks to look for a way to make Finland a model country of healthy nutrition.

**N**utrition experts agree that the health trend will continue and grow stronger. This creates considerable market potential for healthy foods that promote well-being and for functional foods. The ERA Programme has drawn up a strategy for the food and nutrition sector together with its partners in order to ensure that the Finnish raw materials and food industry expertise can be converted into export products. The strategy defines the research areas that are important for the future and the challenges to commercialisation.

The closer contact between researchers and industry achieved during the programme has been an important step forward. A Strategic Centre for Science, Technology and Innovation in the field of food and nutrition is still pending until a wider agreement on the matter is reached, but the sector is now actively discussing matters and work on developing healthy foods has clearly increased in R&D.

## CLUSTERS AND MENTORS IN SUPPORT OF GROWTH

The programme has promoted growth and internationalisation in Finnish food industry SMEs by putting together mini-clusters that implement practical measures, setting up a mentoring team of leading experts and by promoting venture-capital investments. There are three mini-clus-

ters: the Russia, Berry and Coeliac clusters. They comprise a total of almost 100 growth-oriented SMEs.

Fourteen of the companies in the Russia cluster founded a joint export venture, Fintorus Oy, to handle food exports to Russia. Fintorus enables the cost-effective export of small consignments of food. The Northwest Russia Fund and Sitra are the venture-capital investors for the project.

## INVESTMENTS IN GROWING COMPANIES

When the programme started, venture-capital investments in Finland were very modest, despite the fact that access to venture capital is essential for corporate growth and internationalisation. During the programme, Sitra has invested in a number of Finnish food industry companies and worked on improving cooperation with the foreign investment funds in the sector in order to build awareness of Finnish development work in the food industry.

In order to become more familiar with the way foreign companies operate in the international market in the sector, Sitra made an investment in the American company Efficas Inc. in 2007. The company licenses health-promoting food supplements.

Smart food has begun to be seen as a competitive advantage and it is believed that it will provide new avenues of specialisation and internationalisation.



FURTHER INFORMATION:  
[www.sitra.fi/en/programmes](http://www.sitra.fi/en/programmes)

# EXPERT EXCHANGE FOR FUTURE NETWORKING

Sitra's India Programme, which is due to be completed in 2008, has been creating the knowledge base needed for Finnish expertise on India. The aim has been to produce in-depth information on India today and to distribute this information to the media and decision makers. The programme has also worked to build networks between experts in Finland and India.

**I**ndia is worth the attention, because the country's economic growth is rapid and relies increasingly on knowledge and service production. This creates a multitude of opportunities for cooperation between Finnish and Indian companies, universities and research institutions. In order to initiate such activities, a body was needed that would produce and disseminate information, and the India Programme has been performing this function.

## **REAL INFORMATION ABOUT INDIA – ELIMINATE STEREOTYPES**

Sitra's India Programme has published good quality information about the culture, society and business practices in India, with information on the current state of various sectors and growth centres, of which there are many more than Delhi and Mumbai.

The Suomalaisten Intiat (Finnish Indias) book series provides practical information about India. The series approaches each topic from an individual's perspective and moves towards a general level. Real people allow the reports to get beyond facts and statistics, something that people working in India and with Indian partners have found very useful.

## **CONTACTS BETWEEN UNIVERSITIES IN INDIA AND FINLAND**

India offers Finnish universities and research institutions considerable potential for international cooperation, but in India, there are considerable differences in academic standards between individual universities. In order to shed some light on this, the India Programme commissioned a report entitled Higher Education and Research in India, which provides basic information on the university system in India.

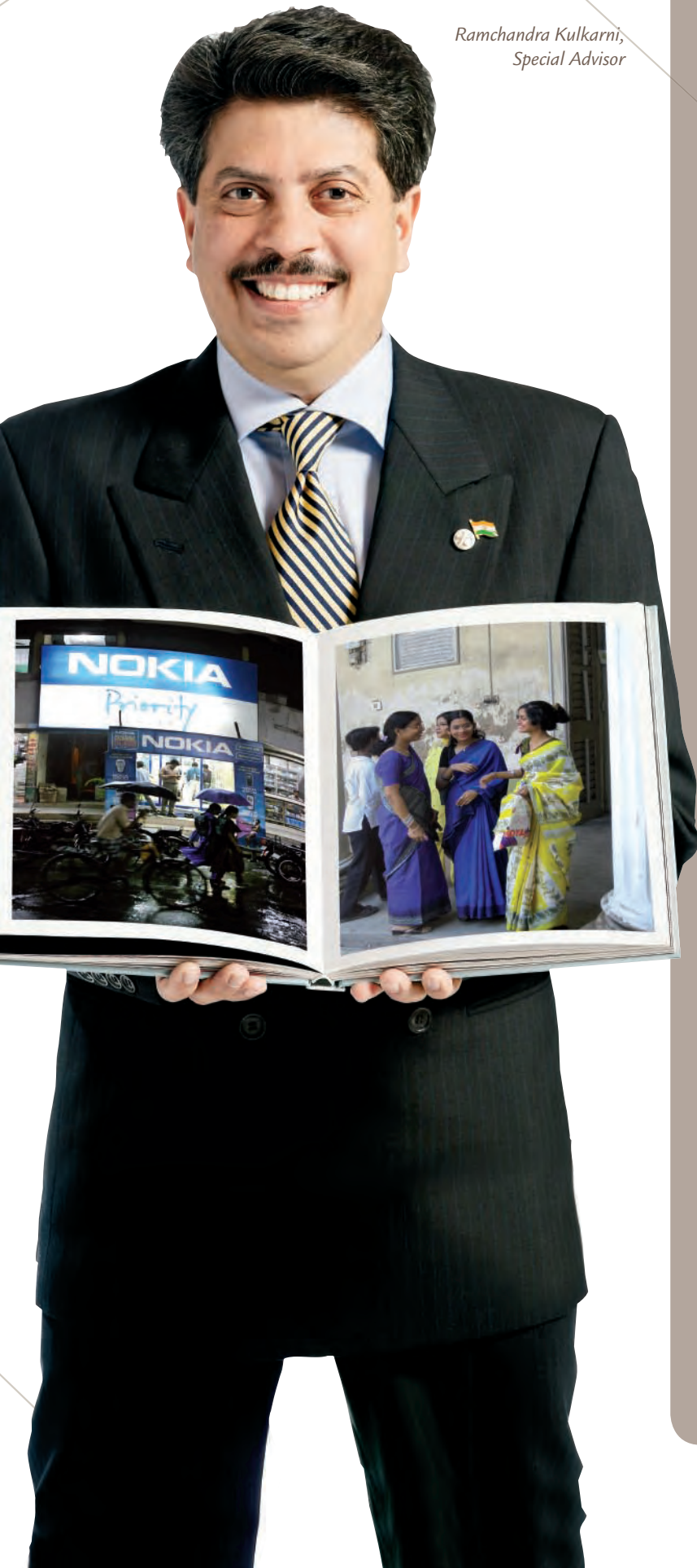
In order to build contacts between universities in India and Finland and to instigate researcher exchanges, Sitra allocated funding for grants for postgraduate students and researchers in 2007. Universities in India were given information on the opportunities these grants offered for studies or research in Finland. Events were also arranged for representatives of Finnish and Indian universities.

To mark the conclusion of the India Programme, Sitra arranged four seminars dealing with topics such as the potential for cooperation between India and Finland in health-care and clean technologies.



FURTHER INFORMATION:  
[www.sitra.fi/en/programmes](http://www.sitra.fi/en/programmes)





Ramchandra Kulkarni,  
Special Advisor



## GRANTS BRING TALENT TO FINLAND

In a global economy, international networks help companies and research institutions find new partners and new forms of cooperation for various projects. One important way of creating such networks is to have promising students and researchers in different fields visit each other's universities and research institutions. In the interest of promoting this, Sitra allocated a total of €200,000 in Sitra Fellowship grants to be distributed to Indian experts.

The implementation of the Sitra Fellowships project is the responsibility of the Centre for International Mobility (CIMO), and cooperation has been a success.

By Christmas 2007, 73 applications had been received and grants were awarded to 16 highly qualified applicants. Most of the grants were awarded to Indian postgraduate students and researchers coming to Finland. One Finn was also given a grant for studies in India. Since there were a great many extremely meritorious applications for Sitra Fellowship grants, CIMO awarded its own grants to an additional five applicants. A total of 21 people received a grant.

Grants will also be awarded in 2008. The Ministry of Education considers the system to be a good one and is now considering ways of maintaining an exchange of expertise in the future.

# BOOSTING ENVIRONMENTAL BUSINESS

It can genuinely be considered a step forward when people change the way they think about something. During the Environmental Programme, policy makers, investors and influential business people have all recognised the business potential of cleantech. At the same time, they have realised that it is important to develop technologies that reduce the environmental load in order to combat climate change.

**D**uring the Environmental Programme, cleantech business activity was initiated by coordinating Finnish activity in the sector and promoting cooperation among the various stakeholders. Programme results that have a significant impact on future developments in the sector include the drafting of a national action plan, founding an environmental forum for businesses in order to promote environmental business, and preparations for a possible Nordic cleantech fund.

The changed attitude to environmental technology was evident in practice in many ways. For example, during the programme, the turnover of environmental enterprises rose from the modest growth at the start of the 2000s to 18 per cent growth in 2006. Sitra's report relied on a sample of 300 companies.

The new practices created during the programme must be established as part of everyday work in the sector in order to ensure that the business opportunities offered by the clean technologies demanded to combat climate change and promote environmental protection can be used in full. The Environmental Programme was successful in this and the operating models that were developed found new users. As an example, the cleantech logo that

was developed for clean technologies will be turned into a brand after the end of the programme under the direction of Finpro, while Statistics Finland will handle statistics on environmental business operations.

## A GLOBAL CHALLENGE

There is global concern for the environment and the climate issue cannot be solved separately by individual governments. The Environmental Programme created international networks with the Baltic countries, Russia, China and the United States. The programme was also involved in starting the new Scandinavian event Cleantech Capital Day and the EU's eco-innovation activity.

Sitra's partners in the programme, the Confederation of Finnish Industries and its sectoral organisation, Tekes – the Finnish Funding Agency for Technology and Innovation, the Ministry of Trade and Industry, and the Ministry of the Environment, received the message that the environment can and should be the focus of business. Environmental technology also became a topic of political debate in a completely new way once it was included in the Government Programme.



FURTHER INFORMATION:

[www.sitra.fi/en/programmes/completedprogrammes](http://www.sitra.fi/en/programmes/completedprogrammes)

*Elina Auri,  
Programme Assistant*



## SITRA INITIATES FORESIGHT

In 2005, Sitra initiated environmental sector foresight by gathering together authorities, funding bodies and entrepreneurs in the sector. Foresight was promoted throughout the programme period as part of the National Foresight Network.

Environmental sector foresight explored the future outlook of the sector and its business potential, took new initiatives, and studied weak signals for future trends and technologies. Actors in the sector drew on the foresight studies when drafting a national action plan for the cleantech sector, which will provide guidelines for the sector after the programme has ended.

In 2007, the Environmental Programme participated in a number of international forums to highlight its work and to transfer its initiatives and its national operating model to its international interest groups.

As the programme ended, it was found that there are global business opportunities in the sector and that interest groups in the business sector and in society at large considered the forecasting work done by Sitra to be useful, recognising the importance of continuing the work under the auspices of the Ministry of the Environment.



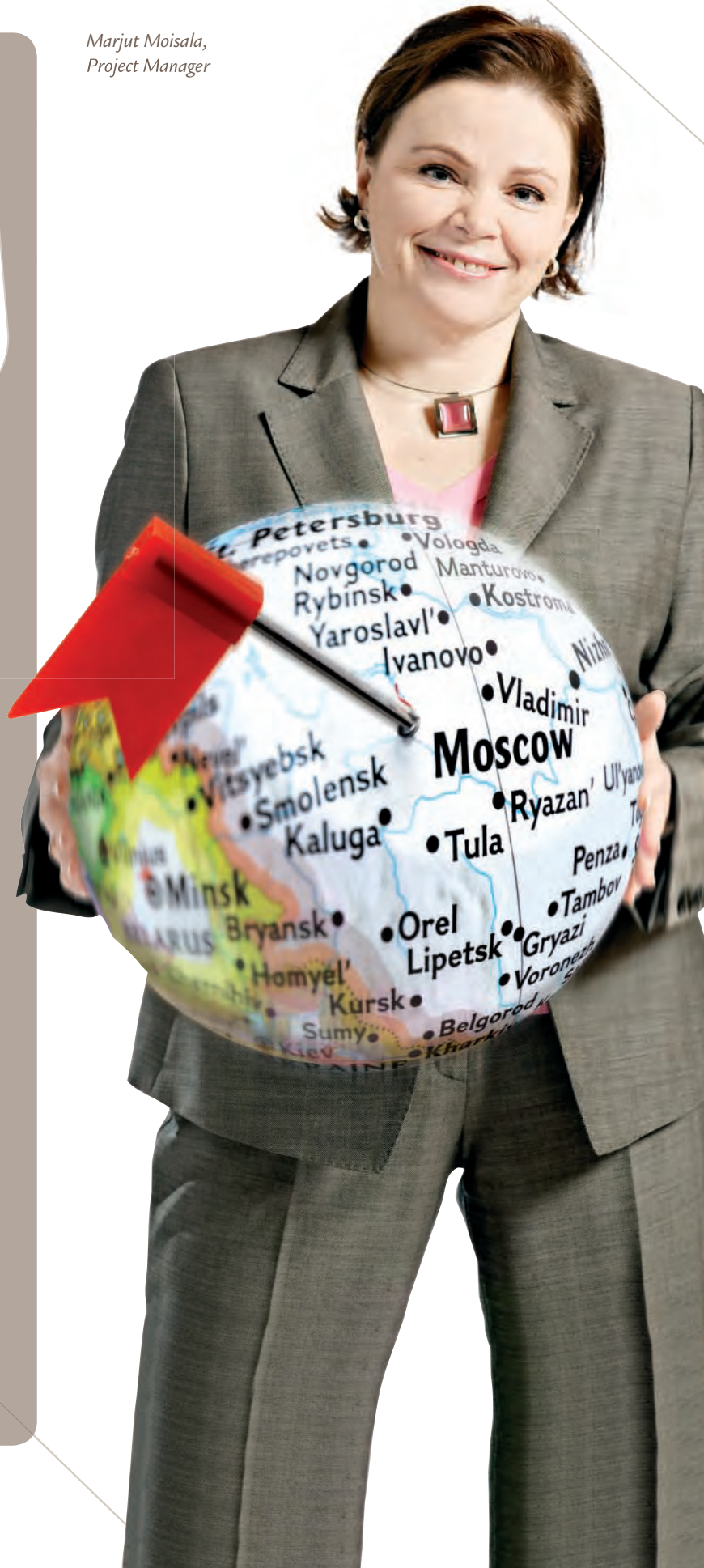
## FORUMS REVEAL THE POTENTIAL

When the launch of the Russia Programme was decided on in 2004, it was considered important to network decision makers from the public and private sectors in Finland and Russia. The means selected for doing this was to establish forums to which influential decision makers and representatives of business life from both countries were invited. The idea behind the forums was to enable frank and confidential discussion between all the participants in a spirit of goodwill, enabling recognition of genuine potential for partnership.

During the programme, several such forums have been arranged. The themes have focused on individual sectors and have dealt with topics such as construction, forestry and environmental issues, and also the international developments in logistics and the innovation society. The forums helped the participants understand the fundamental requirements for operations and the development trends in one another's markets.

Both the Finnish and Russian participants felt that the forums for open discussion were useful and that they were a beneficial form of cooperation for the public and private sectors and a fertile breeding ground for new partnerships and ideas. This type of activity will continue to be needed in order to boost cooperation on a central government level.

Marjut Moisala,  
Project Manager



# RUSSIA – CLOSER THAN EVER

Sitra strives to encourage the Finnish business sector to grow and become more international. Consequently, it fits in well with Sitra's goals to initiate the Russia Programme in 2004. After all, Russia is the fastest developing market among Finland's neighbouring countries.

**T**here has been a change in interaction between Finland and Russia during the duration of Sitra's three-year Russia Programme. Business-sector decision makers can see the business potential of the growing Russian market, and foreign and economic policy deals with the challenges and opportunities of Russia on a daily basis. Russia has acquired more weight in the eyes of influential figures in business and politics.

The Russia Programme developed new operating models between Finnish and Russian decision makers. The Programme arranged several forums, during which open discussions were held about new possible forms of cooperation and mutually beneficial partnerships. The relationships between the two countries improved and economic sectors became integrated in fields that were of interest to businesses in both countries.

The Russia Programme created a new concept – the industrial park – for Finnish SMEs. The industrial park has proved to be a safe way for Finnish companies to establish themselves in Russia when they want to expand into the Russian market. In addition to manufacturing enterprises, the project has also attracted enterprises producing auxiliary services and a private real estate investment company as administrator.

The Russia Programme put together clusters for the environmental management and energy production sec-

tors; the clusters comprise big spearheading companies together with SMEs in the sectors. Finnish companies strive to take part in the environmental projects and to start up business operations in Russia. Meanwhile, the Russians are very interested in developing environmentally friendly and energy-saving solutions and to benefit from the Finns' experience.

## NETWORKING WITH RUSSIA

The Russia Programme networked with key players and interest organisations in the field. The new and more active stance towards managing partnerships in Russia is evident in, for instance, the fact that partners want the operations created during the programme to continue and are planning to initiate new industrial park projects.

The programme offered new ways of expanding business operations into the Russian market and built awareness among businesses about the business potential of the Russian market. The Russian Embassy and the Trade Representation of the Russian Federation supported completion of the programme and the mutual benefits of the programme received recognition in both Finland and Russia. The media also began to take an interest in representing Russia in an accurate, contemporary way.



FURTHER INFORMATION:

[www.sitra.fi/en/programmes/completedprogrammes](http://www.sitra.fi/en/programmes/completedprogrammes)

# NEW PROGRAMME AREAS

Programme-based operations have proved an efficient way of attaining Sitra's basic goals. Sitra's Board has decided to continue programme-based operations, where Sitra concentrates its operations on selected focus areas.

On the basis of preparations by Sitra and external experts, Sitra's Board decided that the new programme areas scheduled to start in 2008 will be development of networked operating models for the energy sector and the mechanical industry. During 2008, preparation will also begin on a third new programme, which will deal with the reform of municipal services production.

## THE ENERGY PROGRAMME HELPS BUILD AN ENERGY-EFFICIENT FINLAND

During 2007, Sitra drafted background reports on the players in the Finnish energy sector and the future outlook, complete with threats and opportunities. On the basis of the reports, Sitra decided to start an Energy Programme that will focus on finding solutions that improve the effectiveness of community energy use and that will put such solutions into practice.

The programme will work on finding the best solutions for improving the effectiveness of energy use in the community structure. The means that the programme has at its disposal include studying where energy can best be saved, demonstration projects, capital investments, and launching innovations and new operating models.

The Energy Programme is looking for leading experts in the field, both in Finland and abroad, to act as partners. The aim is to make Finland a leading country in the energy efficiency of communities.

The programme also hopes to influence attitudes to saving energy. The knowledge and innovations involved in improving the effectiveness of energy use can also hold commercial potential.

In order to develop the sector and support the aims of the programme, Sitra will invest venture capital in companies in the sector on the basis of commercial principles.

### Energy Programme 2008–2012

Partners in the programme include national and international research institutions and other players in the field and organisations such as Tekes, the Energy Technology Cluster Programme, the Ministry of the Environment and individual municipalities.

The programme draws on the results of Sitra's Environmental Programme.



This will enable the implementation of demonstration projects by new companies that still have a fairly narrow capital base.

### **NEW DEVELOPMENT IN THE MECHANICAL INDUSTRY**

The big spearheading companies in the mechanical industry subcontract much of the manufacturing of their products, and subcontracting chains are worldwide. This demands that Finnish subcontractors revitalise themselves and develop new operating models. Sitra hopes to promote the growth of those subcontracting companies with the will and potential to develop. Consequently, development of the mechanical industry has been chosen as a new programme area for Sitra.

The aim of the programme is to promote the establishment of globally operating subcontracting in Finland. Competitiveness in the sector is improved through streamlining operations and promoting networking.

The programme is firmly focused on the future and improves subcontracting companies' growth potential in many different ways. The programme makes market-based venture-capital investments in companies and participates in planning structural arrangements in the sector. Experts

### **Growth Programme for the Mechanical Industry 2008–2010**

The partners in the programme are Tekes, Finnvera, Technology Industries of Finland and organisations in the sector.

will also participate in the practical development of companies, either in an administrative capacity or possibly as consultants.

### **PROGRAMME FOR THE DEVELOPMENT OF MUNICIPAL SERVICE PRODUCTION**

During 2008, preparation will also begin at Sitra on a programme that will develop new production models for municipal services. The municipal services sector is facing new challenges caused by aspects such as the increased need for municipal services that is a consequence of the ageing of the population, growing regional disparities and labour shortages. The programme will start in 2009 and it will draw on the results of Sitra's Health Care Programme.

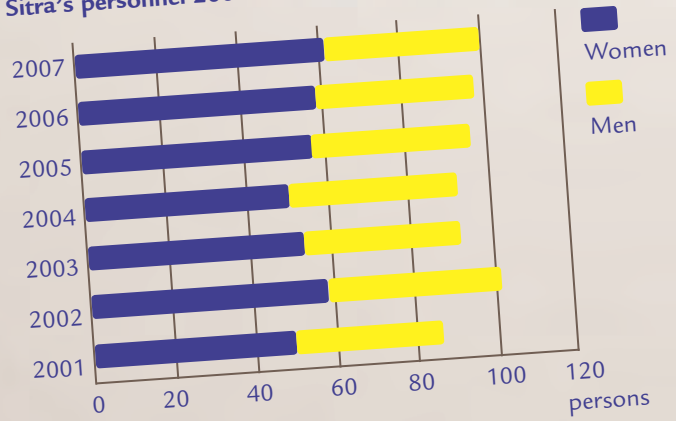


FURTHER INFORMATION:  
[www.sitra.fi/en/programmes](http://www.sitra.fi/en/programmes)

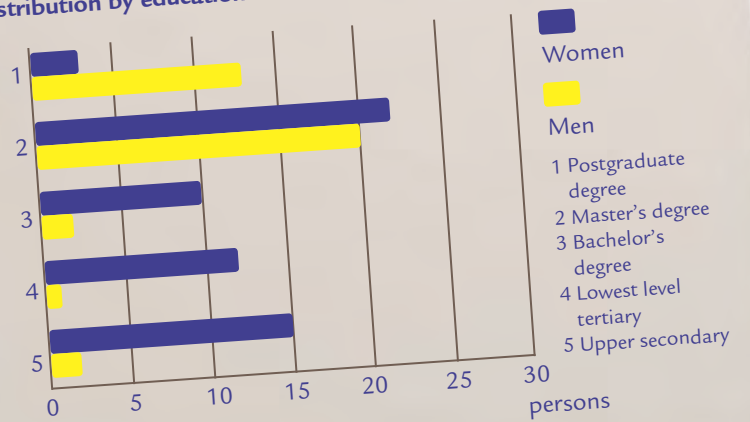
*Pekka Ahlström,  
Anne Puukko,  
Tapio Anttila,  
Piia Laaksonen*



Sitra's personnel 2001–2007



Distribution by education 2007





# WE WORK FLEXIBLY AND INTERNATIONALLY

When Sitra looks for solutions to the future challenges facing Finland, the work is done at a global level. At Sitra, we take it for granted that the programme operations in our focus areas are international and that partnerships are sought across the world.

**T**he aim is to establish cooperation with the pioneers in the sector concerned, which will enable us to find the best practices for Sitra's programme operations and for Finnish society.

Both Finland and Sitra are of considerable interest internationally. Foreign delegations regularly visit Sitra, and visitors from Sitra are well received all over the world.

In 2007, Sitra started international exchange of expertise. Expert exchange is one of the focus areas of the India Programme, and the exchange programme with India helped build awareness of Indian business practices.

## THE CHANGING ORGANISATION

Sitra and its staff have to possess a certain agility if Sitra is to be able to respond to the challenges of any given time. Flexibility is a prominent feature of Sitra's strategy. At Sitra, focus areas are selected on the basis of preparatory studies; fixed-term programme operations in support of development of the chosen sector are then started.

Allied with an organisational change in 2007, the Innovations and New Solutions unit was founded in support of

programme operations. The tasks of the new unit include supporting the social capacity for change through suitable strategy processes in certain specific operating areas.

The first programmes within the programme-based operations were completed at the end of 2007. They have shown that fixed-term and focused operations bring visible results.

## MANAGEMENT IN KEY ROLE

The successful introduction of a flexible operating model requires smooth cooperation and agreement on the goals. During 2007, Sitra continued to develop managerial work with the help of assessment and studies.

In an international and changing organisation, it is also of paramount importance that staff are committed to the work community. The staff's well-being at work and their commitment have been made key points of the work of management and at staff meetings.

## BOARD OF DIRECTORS 2007

**Anne Brunila,**  
*President*  
*Finnish Forest Industries*  
*Member of the Board*  
*since 2007*



**Harri Skog,**  
*Permanent Secretary*  
*Ministry of Education*  
*Member of the Board*  
*since 2007*



*Vice-chairperson*  
**Erkki Virtanen,**  
*Permanent Secretary*  
*Ministry of Employment*  
*and the Economy*  
*Member of the Board*  
*since 1998*

## Supervisory Board 2007

Chairperson  
**Seppo Kääriäinen, MP**

Vice-chairperson  
**Antti Kalliomäki, MP**

**Liisa Jaakonsaari, MP**  
**Martti Korhonen, MP**  
**Mika Lintilä, MP**  
**Pekka Ravi, MP**  
**Tanja Saarela (Karpela), MP**  
**Marja Tiura, MP**  
**Ben Zyskowitz, MP**

Secretary  
**Anton Mäkelä, L.I.B.**

**Timo Kalli, MP**  
Chairperson as of 7 March 2008



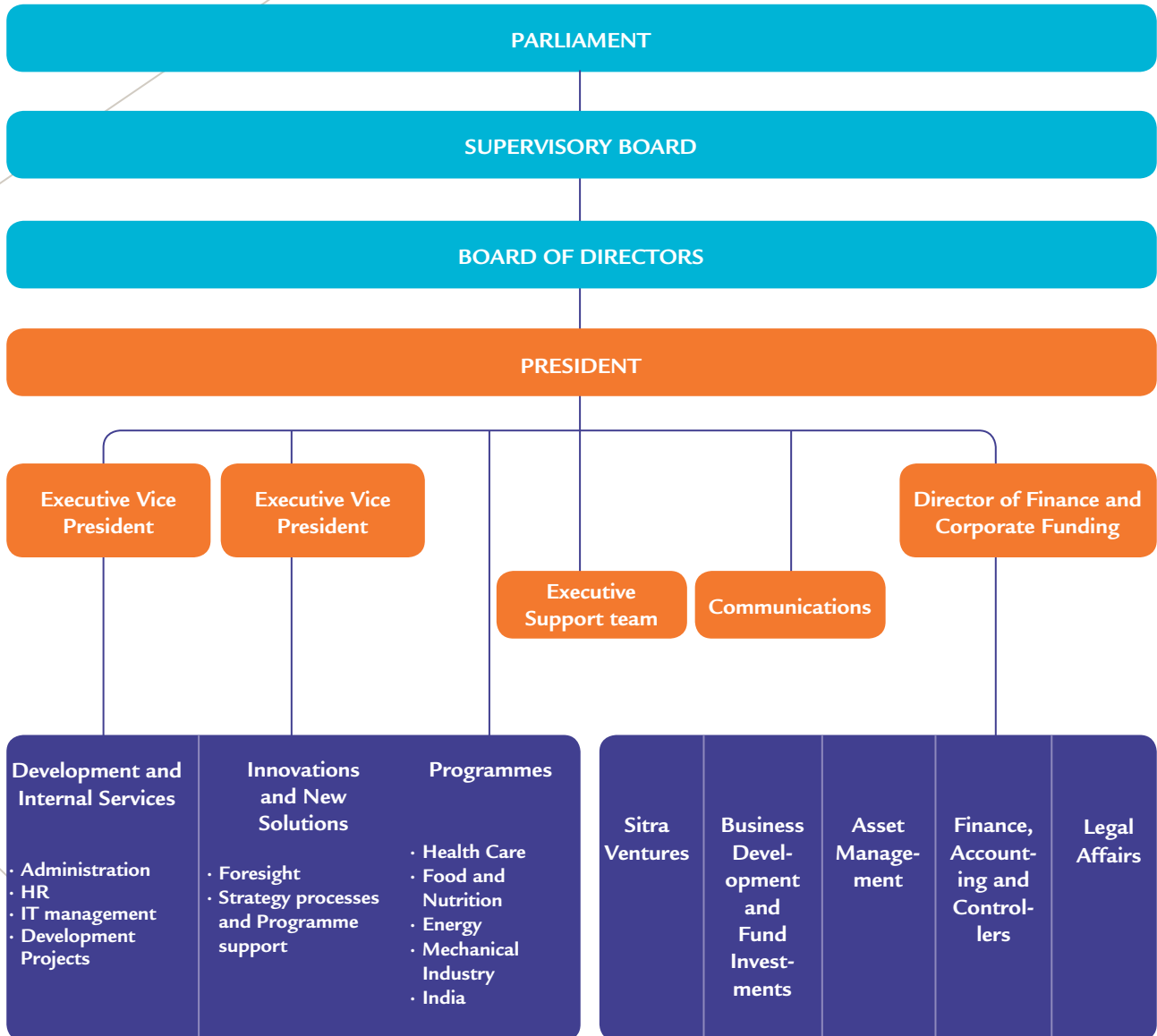
*Secretary*  
**Jaana Ekström,**  
*Executive Assistant*  
*Sitra*

*Chairperson*  
**Raimo Sailas,**  
*Permanent State Secretary*  
*Ministry of Finance*  
*Member of the Board since 1995*

**Satu Lähtenmäki,**  
*Professor*  
*Turku School of Economics*  
*and Business Administration*  
*Member of the Board since 2003*

**Esko Aho,**  
*President of Sitra*  
*Member of the Board*  
*since 2004*

## SITRA ORGANISATION 2008



## CONTACT INFORMATION 2008

### SENIOR MANAGEMENT OF SITRA

**Esko Aho**, President

**Mikko Kosonen**, Executive Vice President (innovation operations)

**Kari Tolvanen**, Executive Vice President (development and internal services)

**Magnus Sjöblom**, Director of Finance and Corporate Funding

### OTHER OPERATIONS

#### HEALTH CARE PROGRAMME

**Hannu Hanhijärvi**, Executive Director

#### FOOD AND NUTRITION PROGRAMME

**Anu Harkki**, Executive Director

#### ENERGY PROGRAMME

**Jukka Noponen**, Executive Director

#### GROWTH PROGRAMME FOR THE MECHANICAL INDUSTRY

**Mauri Heikintalo**, Executive Director

#### INDIA PROGRAMME

**Vesa-Matti Lahti**, Research Manager

#### SITRA VENTURES

**Pauli Marttila**, Director

#### BUSINESS DEVELOPMENT AND FUND INVESTMENTS

**Anu Nokso-Koivisto**, Director

#### LEGAL AFFAIRS

**Jorma Jaalivaara**, Head of Legal Affairs

#### COMMUNICATIONS

**Laura Niemi**, Communications Manager

### SITRA AT YOUR SERVICE

#### Sitra, the Finnish Innovation Fund

Itämerentori 2, P.O.Box 160

FI-00181 Helsinki

Telephone +358-9-618 991

Telefax +358-9-645 072

E-mail [firstname.lastname@sitra.fi](mailto:firstname.lastname@sitra.fi)



Contact details for Sitra staff available on  
[www.sitra.fi/en](http://www.sitra.fi/en)





**SITRA**

**The Finnish Innovation Fund**  
Itämerentori 2, P.O.Box 160  
FI-00181 Helsinki  
Telephone +358-9-618 991  
Telefax +358-9-645 072  
[www.sitra.fi](http://www.sitra.fi)



BOARD REPORT AND  
FINANCIAL STATEMENTS

2007

Sitra, the Finnish  
Innovation Fund



2007 ANNUAL REPORT OF SITRA,  
THE FINNISH INNOVATION FUND, TO PARLIAMENT

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 2007 to Parliament.

Helsinki, 27 March 2008

On behalf of Sitra, the Finnish Innovation Fund

**Timo Kalli**  
Chairperson

**Anton Mäkelä**  
Secretary



# CONTENTS

THE SUPERVISORY BOARD'S STATEMENT 6

SITRA'S FINANCIAL STATEMENTS FOR 2007 8

Board report 8

Profit and Loss Account 14

Balance sheet 15

Principles for the financial statements 16

Notes to the financial statements 17

AUDITORS' REPORT 28

## 2007 Statutory 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 statutory report for 2007 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

2007 was the 40th year in the history of Sitra, the Finnish Innovation Fund. During 2007, Sitra focused on programme-based operations in its chosen focus areas, in accordance with its strategy. The Health Care, India and Food and Nutrition Programmes all continued according to plan. In 2007, the Russia Programme and the Environmental Programme were concluded according to plan. At the end of the year under review, two new programme areas were selected: the energy sector and the mechanical industry sector. A new unit, the Innovations and New Solutions unit, was founded during the year in support of programme operations and to implement strategy processes to be decided separately.

In the spring, the Innovations and New Solutions unit implemented two workshop processes dealing with Finland's future challenges and opportunities on the themes 'Innovation activity and policy' and 'The environment and energy'. A training programme for members of parliament was arranged, dealing with the key national and global challenges for the Finnish economy and society. In addition to these, several workshops were arranged during the autumn, for instance, in preparation for the Helsinki Design Lab event and creating an overview of business skills needs.

The Maisema project, which was started to improve the cost structure, productivity and quality of health care services, continued in cooperation with municipalities in the regions of Vaasa, Jämsä-Jämsänkoski and Raisio, using the 'Raisio model'. Work on developing the ICT systems progressed to a point where it will be possible to introduce online prescriptions starting in 2008. The SAINI project, connected with the Health Care Programme, produced a proposal for a national structure for online health-care services. The TERVA project, which is in progress in the Päijät-Häme region, is testing the potential for caring for patients with long-term illnesses in their own home environment, using expert phone advice to guide home care.

The new mini-cluster model that has been created within the Food and Nutrition Programme ERA in support of SMEs in the sector has been tested for just over a year now with three pilot clusters: the Coeliac, Berry and Russia mini-clusters. The Russia cluster founded Fintorus Oy, an export and logistics company, in summer 2007. The mentoring of SMEs started by the ERA programme was in full swing during the year. Schoolchildren's health was promoted through an extensive public-private project and a campaign by the Finnish Heart Association and various companies, which resulted in a website providing information on nutrition and healthy foods.

The measures in the Environmental Programme, which ended at the end of the year, aimed at improving the growth of Finnish environmental business and promoting internationalisation. Sitra launched the new Cleantech Finland brand to promote cooperation among companies in the environmental sector and marketing in the international arena. The task of the Environmental Programme in its last year of operations was to ensure the continuity of projects within the national plan for the sector. Other organisations continuing the operations of the Environmental Programme are the Finnish Cleantech Cluster and the environmental forum for businesses founded by the Confederation of Finnish Industries.

During 2007, the Russia Programme arranged three forums, in which new models for cooperation and partnership were created between influential parties in key Finnish and Russian business sectors. The industrial park project launched by Sitra has also acted as a model for other players and their new projects. The Environmental Programme and the Russia Programme's joint Russian network for environmental companies investigated projects in waste management and independent energy production in Russia. The programme ended at the end of 2007.

In 2007, the key aim of the India Programme was to promote an exchange of researchers and postgraduate students between India and Finland. Preparations were also made for seminars on various topics to be held in spring 2008, networking players in the areas in question both in Finland and India for cooperation. The India Programme will finish in spring 2008.

In 2007, the Technology Incubator Development Programme (Yrke) arranged a monitoring period for the Programme, with the aim of improving the competitiveness of incubators in a changing funding situation and provide training for the managers of incubators to commercialise incubator services. Yrke-Akatemia, a training programme for incubator managers and staff, was completed, and other measures connected with the completion of the Yrke project were prepared.

During the year, one national INTRO business forum and two international EASY forums funded by the European Commission. The aim set in connection with the drafting of the Government Programme, that Sitra's PreSeed operations would be transferred to Veraventure Oy and the Finnvera Group, was implemented at year end.

During the year, Sitra Ventures, which handles Sitra's venture capital investments, actively participated with programme organisations in the preparation and implementation new investments and in further financing of portfolio companies. The Sitra Industry Ventures investment portfolio included 47 companies at the end of the year under review.

The nominal value of Sitra's endowment capital is EUR 235 million and the market value of the capital was EUR 821 million at year end. The yield on endowment capital investments was 7.5 %. The endowment capital is invested in accordance with the investment policy confirmed by the Supervisory Board, and no changes were made to the policy during the year.

The composition of the Supervisory Board and the Board of Directors, and the names of the auditors are provided in the Board of Directors' Report.

According to the Supervisory Board's understanding Sitra's finances are stable and its operations well managed. At its meeting on 27 March 2008, 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 net profit of EUR 66,089,035.59.

*Helsinki, 27 March 2008*

**Timo Kalli**

**Antti Kalliomäki**

**Liisa Jaakonsaari**

**Martti Korhonen**

**Mika Lintilä**

**Pekka Ravi**

**Tanja Karpela**

**Marja Tiura**

**Ben Zyskowicz**

**./ Anton Mäkelä**

# SITRA'S FINANCIAL STATEMENTS FOR 2007

## Board report

### Operating environment

2007 was a time of strong growth in the global economy. As in the previous year, the developing economies acted as growth engines, but the Eurozone and Finland also attained growth figures in excess of the long-term averages. However, the problems on the US credit market which started early in the year exercised a negative effect on the international monetary and stock market, especially towards the end of the year.

During the year under review, the Finnish economy grew at a good rate, but the growth rate slowed down towards the end of the year. The current account surplus improved on the previous year, and the employment rate improved as a result of strong domestic consumption.

### Sitra's operations

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 cooperation.

Sitra's operations are funded with the profits accruing from equity capital and corporate financing. The yield was good from investments and funding during the year. The total sum of Sitra's investment decisions came to EUR 42.1 million and the profit for the year totalled EUR 66.1 million.

#### Focus areas of the programme-based operations

2007 was the 40th anniversary of Sitra, the Finnish Innovation Fund. During 2007, Sitra focused on programme-based operations in its chosen focus areas, in

accordance with its strategy. The programmes established national and international networks with leading authorities in their respective fields, with the aim of building a successful Finland for tomorrow.

In 2007, both the Russia Programme and the Environmental Programme were concluded according to plan. The new practices that were established during the programmes have been transferred to other players in the field.

The Health Care, India, and Food and Nutrition Programmes all continued according to plan. At the end of the year under review, two new programme areas were selected: the energy sector and the mechanical industry sector.

A new unit, the Innovations and New Solutions unit, was founded during the year in support of programme operations and to implement strategy processes to be decided separately.

#### Generating information

The means that Sitra's programme operations have at their disposal are reports, strategy processes, experimental projects, development of business operations and corporate funding. The methods used vary from programme to programme.

Reports and strategies were drawn up in, for instance, the Food and Nutrition Programme ERA, which worked with companies and researchers in the sector to compile a strategy report that outlines research and business development in the sector. The Russia Programme published a number of reports on the potential and requirements for business operations in Russia. Meanwhile, the India Programme provided information on the higher education system in India to Finnish partners in universities and business life.

During the year under review, the Technology Incubator Development Programme (Yrke) collected the commercialisation data of universities for 2000–2005. The results were turned into an international comparison with conclusions. The early part of the year also saw the completion of a report, drawn up in support of cooperation between higher education institutions and companies, concerning the contractual usage on the commercialisation of innovations associated with research.

### Corporate funding within the programmes

Where corporate funding was concerned, the ERA Programme made its first foreign investment in the US company Efficas Inc. in the interests of transferring expertise and international business practices to Finland. The Environmental Programme raised awareness among Finnish venture capitalists and other financiers about cleantech companies as an investment, and preparation was also under way for a venture-capital fund that would make investments in the Nordic countries in order to reinforce funding for the environmental business. Preparations for the fund included the compilation of a database of 2000 Nordic companies for the fund's use.

The Health Care Programme was involved in establishing the Terveysrahasto Oy health-care fund. The flow of projects to the fund, which supports the development and renewal of commercial health services, was dynamic in 2007.

## Innovation operations

During the year under review, a new Innovations and New Solutions unit was founded in support of programme operations and to implement national-level strategy processes. The operations of the unit comprise aspects such as forecasting changes in the operating environment in society at large. This forecasting will also be used to look for new programme ideas for Sitra. The national forecasting network will be reinforced by developing a national forecasting network service. The Innovations and New Solutions unit also organises the evaluation of the effectiveness of programmes upon their completion.

In the spring, the Innovations and New Solutions unit implemented two workshop processes dealing

with Finland's future challenges and opportunities on the themes 'Innovation activity and policy' and 'The environment and energy'.

A training programme for members of parliament was arranged, dealing with the key national and global challenges for the Finnish economy and society. In addition to these, several workshops were arranged during the autumn, for instance, in preparation for the Helsinki Design Lab event and to create an overview of business skills needs.

## Programme operations

### Health Care Programme

The Health Care Programme focuses on finding new solutions to improve health-care services and, in its third year of operations, the programme focused on four key subject areas: the evaluation of the demand for care and the associated care needs, improving the transparency of means of operation in the health-care services, improving the user friendliness of electronic patient databases, and improving the patient's own operating potential so that he or she can take part in his or her own care in a more independent capacity than previously.

The Maisema project, which was established to improve the cost structure, productivity and quality of health-care services, continued in cooperation with municipalities in the Vaasa, Jämsä-Jämsänkoski and Raisio regions, using the 'Raisio model'. The project has inspired nearly a hundred municipalities to consider joining the Maisema project.

Development of electronic patient databases has made progress as expected under the new legislation. The introduction of electronic prescriptions will begin in 2008. The electronic patient databases in use at present have proved more unreliable than expected and also more difficult to use. These problems may mean that the project will have to re-evaluate how to complete the development work so as to get the best possible end results.

During the year under review, the SAINI project, connected with the Health Care Programme, produced a proposal for a national structure for online health-care services; the report can now be used as a basis for developing a uniform online service. The purpose of the online service is to offer the patient comprehensive

and reliable information on both the operations of the health-care services and hospital care.

The TERVA project, which is in progress in the Päijät-Häme region, is testing the potential for caring for chronically ill patients in their own home environment, using expert phone advice to guide home care. Results from the project are expected at the end of 2009.

### **Food and Nutrition Programme**

The Food and Nutrition Programme ERA looks for concepts that will help make Finland a model country for healthy and internationally competitive nutrition. The programme's operating plan for 2007 was implemented according to plan. There were slightly fewer venture-capital investments than planned and in accordance with a decision by the Board of Directors of the Finnish Food and Drink Industries' Federation, the industry decided to withdraw from the plan to establish a strategic centre for science, technology and innovation in the field of food and nutrition since the will and resources were clearly lacking. The preparatory work for the strategic centre has nevertheless promoted cooperation in the industry.

The new mini-cluster model that has been created in support of SMEs in the sector has been tested for just over a year now with three pilot clusters: the Coeliac, Berry and Russia mini-clusters. Some 15 players have taken part in the operation of the Coeliac cluster during the year. Several companies capable of international operations stand out among the group. The companies in question together with the Finnish Coeliac Society and a coeliac research team from the University of Tampere arranged events promoting internationalisation during the year. The internationalisation of smaller companies that still operate only on the domestic market is supported through a project started with Foodwest Oy and Finpro, concentrating on improving export capacity in addition to actual internationalisation measures.

The Russia cluster founded Fintorus Oy, an export and logistics company, in July. In addition to Sitra and the Northwest Russia Fund, the shareholders in the company include 17 other companies. Fintorus Oy set up a subsidiary in St. Petersburg called Finprodi. The company will be operational in early 2008.

The mentoring of SMEs started by the programme was in full swing during the year.

The ERA programme focused on promoting the

health of schoolchildren through an extensive public-private partnership project. In addition to this, young people's nutrition was promoted through a campaign by the Finnish Heart Association and various companies, which resulted in a website providing information on nutrition and healthy foods. The Smart Snack vending machine project was carried out by companies in cooperation with the University of Turku, and it showed that a vending machine is a good way of encouraging young people to choose healthy snacks. The concept that was developed on the basis of the results is now commercially available.

### **Environmental Programme**

The challenges and opportunities of the environmental business and clean technology became topics of public interest during the year as a consequence of the debate on climate change and energy production and energy use.

The measures in the Environmental Programme, which ended at the end of the year, aimed at improving the growth of Finnish environmental business and promoting internationalisation. As the programme ended, a report by Sitra showed that the sector was growing rapidly in a profitable way and company order books were full.

The task of the Environmental Programme in its last year of operations was to ensure the continuity of projects within the national plan. The cooperation built up during the programme made it possible to successfully transfer tasks to other players. In addition to this, the aims of the national plan were incorporated into the Government Programme.

The Environmental Programme launched the new Cleantech Finland brand to promote cooperation among companies in the environmental sector and marketing in the international arena. Responsibility for developing the brand was transferred to Finpro when the programme ended. The Environmental Programme developed the way statistics are kept in the sector in Finland and in Europe. Statistics Finland will start monitoring the business operations and keeping statistics on them in 2008. The forecasting of future trends will be transferred to the Ministry of the Environment in 2008. The international networks created will also continue operations.

Other organisations continuing the operations of the Environmental Programme are the Finnish



Cleantech Cluster and the environmental forum for businesses founded by the Confederation of Finnish Industries. The founding of the forum was one of the key goals of the national plan.

### **Russia Programme**

The Russia programme strives to raise awareness about Russia, providing companies with up-to-date information on Russia and the opportunities available there. The programme ended at the end of 2007.

During 2007, the Russia Programme arranged three forums in which new models for cooperation and partnership were created between influential parties in key Finnish and Russian business sectors. The forums were the Finnish-Russian environmental sector forum held in March, the innovation and funding forum dealing with potential cross-border cooperation held in St. Petersburg in October, and the Finnish-Russian Partnership Forum, which was also the closing event for Sitra's Russia Programme. A great many new contacts were forged and, on the Russian side, there were representatives of new commercial players for the future, which served to reinforce faith that Russia is opening up and becoming part of the international economic community and cooperation within it.

The Integraatio project built networks between Finnish SMEs in Finland and in Russia, and many of the companies in the project had already established operations in Russia or had started subcontractor operations. The industrial park project is awaiting building permission. The industrial park project launched by Sitra has also acted as a model for other players and their new projects.

The Environmental Programme and the Russia Programme's joint Russian network for environmental companies investigated projects on waste management and independent energy production in Russia, and international sources of funding for cooperation projects between the private and public sectors.

### **India Programme**

In 2007, the key aim of the India Programme was to promote an exchange of researchers and postgraduate students between India and Finland. The Sitra Fellowships grant system was established in order to promote contacts and exchanges between the universities and research institutions in the two countries concerned. The implementation of the Sitra Fellowships project is

the responsibility of the Centre for International Mobility (CIMO), and cooperation has been a success.

By Christmas 2007, 73 applications had been received and grants were awarded to 16 highly qualified applicants. Most of the grants were awarded to Indian postgraduate students and researchers coming to Finland.

During 2007, preparations were also made for seminars on various topics to be held in spring 2008, networking players for cooperation in the areas in question both in Finland and India. The India Programme will finish in spring 2008.

## **New programmes**

During the year under review, there were also preliminary studies for new programmes to be selected in the following fields: new production models for municipal services, the global structures of the mechanical industry, the energy sector and security technology. On the basis of the preparatory work, the Board of Directors decided in the autumn to start two new programmes as of the beginning of 2008: the Energy Programme and the Growth Programme for the Mechanical Industry. The year 2008 will also see the preparation of a third new programme, which will deal with the reform of municipal service production. It will be launched at the beginning of 2009.

## **Business Development and Corporate Funding**

### **Technology Incubator Development Programme (Yrke)**

In 2007, the Technology Incubator Development Programme (Yrke) arranged a monitoring period for the Programme, with the aim of improving the competitiveness of incubators in a changing funding situation and to provide training for the managers of incubators to commercialise incubator services. The incubators were also given commercialisation training for a fee, and a mentoring event where early-stage venture capitalists participated was arranged. Yrke-Akatemia, a training programme for incubator managers and staff, was completed.

During the project, which started in 2003, the number of new incubator companies per year seems to have stabilised at about 160, compared with about 100 at the start of the project. The best company list grew even more than this, and the number of new growth-oriented companies in product business grew from 70 at the outset to 130 companies.

During the year under review, preparation to wind up the project started. This included preparing to transfer responsibility for the reporting system created within the programme, for organising the stakeholder seminar and for awarding the incubator company of the year award to the Finnish Science Park Association.

Sitra's holdings in three technology commercialisation companies, Licentia Oy, Innokarelia Oy and Tuotekehitys Tamlink Oy, were sold.

### **PreSeed Services**

The purpose of Sitra's PreSeed service, started in 2000, is to improve the investment facilities of technology start-up enterprises and to arrange initial funding for them.

During the year, one national INTRO business forum and two international EASY forums were funded by the European Commission in Helsinki and Estoril. The forums introduced a total of 51 companies, 17 of which were Finnish early-stage companies. A total of 400 or so business angels and other investors from 20 countries took part in the events. The international investment forums have worked in excess of expectations; for instance, seven out of 21 companies presented at the Helsinki EASY forum have already secured the investment they were seeking. The EASY forums and experience of them have led to the creation of the first trans-European fund concept. In addition to Sitra, the project includes partners from Italy, the UK and the US, and also the European Investment Fund. If implemented, the new fund would make investments in promising growth-oriented European companies in association with business angels. During the year, the project progressed to the point of funding negotiations.

The aim, set in connection with the drafting of the Government Programme, that Sitra's PreSeed operations would be transferred to Veraventure Oy and the Finnvera Group, was implemented at year end. In 2008, Sitra will continue to transfer certain projects, such as the EASY project, to Veraventure Oy.

### **Venture-capital investments – Sitra Ventures**

During the year, Sitra Ventures, which handles Sitra's venture-capital investments, actively participated with programme organisations in the preparation and implementation of new investments and in further financing of portfolio companies. At the same time, the unit handled the management of venture-capital investments made by Sitra in previous years. There were 47 companies in the Ventures portfolio at year end. Resources were channelled according to the strategy into the preparation of investments in new programmes as exits from target companies permitted.

The market climate in venture-capital investments remained favourable and further funding of target companies was successful. In several cases, it was also possible to recruit new venture capitalists to secure the operations and growth of companies. A decision was made to continue investment in the case of fifteen portfolio companies, totalling EUR 8.8 million. Exits were implemented from 12 target companies. There were also partial exits from two companies. The exits returned assets of EUR 0.4 million more than had originally been invested in the companies in question. The year's biggest transaction was the exit from Neorem Magnets, a company in Ulvila that manufactures special magnets.

Active and long-term development of international contacts made it possible to obtain international capital for Finland and joint investments with foreign investors in Finnish companies. In addition to meetings with international venture capitalists, Sitra continued its cooperation with Nordic early-stage Life Sciences investors within the Nordic Life Sciences Seed Investor Network and participated in the operations of the Nordic Venture Network, founded by management companies investing chiefly in ICT.

## **Administration**

### **Supervisory Board**

Sitra's Supervisory Board is made up of the Supervisory Council of the Bank of Finland, which is appointed by Parliament. In 2007, the Supervisory Board convened five times. Its members were the following MPs at the end of 2007: Seppo Kääriäinen (Chairperson), Antti Kalliomäki (Vice-Chairperson), Liisa Jaakonsaari, Martti Korhonen, Mika Lintilä, Pekka Ravi, Tanja

Saarela (Karpela), Marja Tiura and Ben Zyskowicz. Anton Mäkelä, Senior Lawyer, acted as Secretary to the Board.

#### Board of Directors

Sitra's Board of Directors convened six times during the year. Its members were Raimo Sailas, State Secretary (Chairperson); Erkki Virtanen, Permanent Secretary (Vice-Chairperson); Harri Skog, Permanent Secretary; Anne Brunila, President; Satu Lähteenmäki, Professor and Esko Aho, Sitra's President.

#### Auditors

Sitra's auditors, appointed by Parliament, were the following at the end of 2007: 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 the targets of Sitra's financing activities. The auditor in charge was Juha Wahlroos, APA.

## Personnel

During the year, there were six staff events where the topics dealt with included Sitra's strategic choices. Two manager forums that develop managerial work were held and a separate project for the evaluation and development of managerial work was started. There was also language training for staff, and members of staff also took part in various training events to boost their personal expertise.

In information management, the project for new client and event management, project management and document management was almost completed. At year end, training for the whole staff in using these new tools was started. The training will continue well into 2008.

The efficiency of administrative services was improved by outsourcing the telephone switchboard and replacing the entire phone system.

## Endowment capital

During the year under review, the market value of Sitra's endowment capital increased to EUR 821 million from EUR 767 million at the end of the previous year. The invested assets produced an annual yield of 7.5 per cent. Responsibility for managing most of Sitra's endowment capital has been entrusted to external asset-management companies.

Fifty-seven per cent of the market value of the endowment capital consists of Finnish instruments. ABN AMRO Omaisuuudenhoito Suomi Oy and Danske Capital, Sampo Pankki Oyj manage the Finnish equity portfolio, as well as the interest-bearing instruments in the Eurozone. Sitra has also invested in Finnish value shares in the OP-Suomi Arvo fund. Sitra has also invested in the OP Focus fund. In August, Sitra made an investment in the Sampo Yhteisökorokorahasto fund used in Sitra's cash management alongside ABN AMRO's Korko B-rahasto fund.

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). In December, investments were made in funds that invest in cleantech companies: Fondita 2000+ and eQ Clean Energy.

Sitra also has holdings in three hedge funds: Union Bancaire Privée's Selectinvest, ABN AMRO's Multi Strategy and OKO Equity Hedge. Additional investments were made in the two former funds in July 2007.

Some of Sitra's endowment capital is also invested in venture-capital funds and real estate, and an investment in ABN AMRO Property Securities Fund Europe. The Innopoli 2 property in Espoo was sold in August 2007.

## Proposal for the Disposal of Profit

The Board of Directors proposes that the net profit for the year, amounting to € 66 089 035.59, be carried forward.

## Profit and loss account

		1 Jan – 31 Dec 2007 €	1 Jan – 31 Dec 2006 €
<b>ORDINARY OPERATIONS</b>			
<b>Venture-capital investment</b>			
Income			
Profit from sales		9 261 402,21	25 110 512,81
Income from investment funds		1 399 049,53	811 113,22
Income from other investments		<u>3 136 636,75</u>	<u>2 517 228,94</u>
	1)	13 797 088,49	28 438 854,97
Expenses			
Investment expenses	2)	-11 273 752,71	-6 027 432,23
Other expenses	3)	-267 995,27	-442 866,63
Share of general expenses		<u>-2 612 950,13</u>	<u>-2 991 321,94</u>
		-14 154 698,11	-9 461 620,80
		-357 609,62	18 977 234,17
<b>Programmes and other research and development</b>			
Income			
Income from projects	4)	4 760,85	10 294,07
Expenses			
Expenses from projects	5)	-5 345 168,26	-4 726 313,24
Other expenses	6)	-716 696,86	-628 054,51
Share of general expenses		<u>-3 914 840,08</u>	<u>-3 716 707,79</u>
		-9 976 705,20	-9 071 075,54
		-9 971 944,35	-9 060 781,47
<b>Administration</b>			
Expenses			
Personnel expenses	7)	-9 349 076,75	-8 959 373,85
Depreciation	8)	-401 704,24	-289 544,00
Other expenses		-3 499 622,37	-3 065 932,37
Transfer to operations		<u>6 527 790,21</u>	<u>6 708 029,73</u>
		-6 722 613,15	-5 606 820,49
<b>Profit/loss</b>		-17 052 167,12	4 309 632,21
<b>INVESTMENT OPERATIONS</b>			
Income from endowment capital	9)	121 512 190,12	80 009 281,97
Expenses from endowment capital	10)	<u>-38 370 987,41</u>	<u>-11 200 329,77</u>
		83 141 202,71	68 808 952,20
<b>Net profit</b>		<u>66 089 035,59</u>	<u>73 118 584,41</u>

## Balance sheet

	31 Dec 2007	31 Dec 2006
	€	€
<b>ASSETS</b>		
<b>Fixed assets</b>		
Tangible assets		
Machinery and equipment	758 699,79	596 043,02
Shares and participations	14 518 176,31	14 518 176,31
Other investments	363 795,49	266 483,27
	11) <u>15 640 671,59</u>	<u>15 380 702,60</u>
Venture-capital investments		
Shares and participations	83 185 491,91	90 869 500,60
Capital loans	5 917 518,79	8 023 367,90
Other loans	1 883 108,06	3 247 644,32
	12) <u>90 986 118,76</u>	<u>102 140 512,82</u>
Endowment capital investments		
Bonds and notes	166 574 767,44	128 168 408,59
Shares and participations	174 483 043,02	217 156 724,11
Fund investments	172 794 475,81	106 546 650,71
Real estate investments	12 941 048,25	26 806 997,58
Other investments	143 498 715,82	119 664 573,06
	13) <u>670 292 050,34</u>	<u>598 343 354,05</u>
	776 918 840,69	715 864 569,47
<b>Current assets</b>		
Receivables		
Other receivables	14) 6 483 673,72	4 466 596,58
Cash and bank receivables	487 774,83	2 829 894,93
	<u>6 971 448,55</u>	<u>7 296 491,51</u>
<b>Total assets</b>	<u>783 890 289,24</u>	<u>723 161 060,98</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Endowment capital	235 463 097,04	235 463 097,04
Retained earnings	443 861 844,03	370 743 259,62
Net profit for the year	66 089 035,59	73 118 584,41
	745 413 976,66	679 324 941,07
<b>Accumulated appropriations</b>		
Reserves from funding operations	13 551 149,70	17 527 496,85
<b>Liabilities</b>		
Short-term		
Other liabilities	15) 8 313 289,87	9 799 332,74
Liabilities from funding operations	16) <u>16 611 873,01</u>	<u>16 509 290,32</u>
	24 925 162,88	26 308 623,06
<b>Total equity and liabilities</b>	<u>783 890 289,24</u>	<u>723 161 060,98</u>

## 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 PreSeed funding, business development operations and R&D related to programme activities are entered as expenses, and the same applies to associated debts the repayment of which 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 Profit and Loss Account and Balance Sheet have been adjusted to correspond to the new organisation. 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 effected according to acquisitions. 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

Depreciation according to plan on fixed assets is calculated in equal instalments of the original acquisition value for the useful life of the asset.

Useful life as used in depreciation according to plan:	
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.

### 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 (in € 1,000)

Further details are given here of the different items in the Profit and Loss Account. The number refers to the corresponding entry in the Profit and Loss Account.

#### VENTURE-CAPITAL INVESTMENT

	Programmes		Corporate funding		Fund investments		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>1 Income from investments</b>								
capital refunds	0	0	147	48	0	0	147	48
shares in profit	0	0	0	0	1 399	811	1 399	811
interest payment	344	135	2 412	602	0	1 408	2 756	2 144
profit from sales	0	1 216	9 261	23 895	0	0	9 261	25 111
dividends	7	6	74	217	0	47	81	271
other income	2	0	150	54	0	0	153	54
Total	353	1 357	12 044	24 816	1 399	2 266	13 797	28 439
<b>2 Investment expenses</b>								
expenses	0	-580	-268	-1 355	-253	0	-521	-1 935
value adjustment	-1 087	551	-12 471	2 203	-1 171	-28	-14 729	2 726
change in risk reserve	-1 000	-887	4 976	-5 931	0	0	3 976	-6 818
Total	-2 087	-916	-7 763	-5 083	-1 424	-28	-11 274	-6 027
<b>3 Other expenses</b>								
other expenses	0	0	-268	-441	0	-2	-268	-443

## PROGRAMMES AND OTHER RESEARCH AND DEVELOPMENT

	2007	2006
<b>4 Income from projects</b>		
Innovation Programme	0	0
Health Care Programme	0	0
Food and Nutrition Programme	0	0
Environmental Programme	0	0
Russia Programme	0	0
India Programme	0	0
Innovations and New Solutions Unit	0	0
Other research and development activities	5	10
	5	10
<b>5 Expenses from projects</b>		
Innovation Programme	-321	-1 217
Health Care Programme	-2 054	-740
Food and Nutrition Programme	-1 017	-632
Environmental Programme	-728	-1 134
Russia Programme	-612	-508
India Programme	-154	-347
Innovations and New Solutions Unit	-459	0
Other research and development activities	0	-148
	-5 345	-4 726
<b>6 Other expenses</b>		
Innovation Programme	0	-32
Health Care Programme	-133	-148
Food and Nutrition Programme	-192	-251
Environmental Programme	-145	-108
Russia Programme	-168	-73
India Programme	-8	-15
Innovations and New Solutions Unit	-70	0
Other research and development activities	0	-1
	-716	-628



## ADMINISTRATION

	2007	2006	2005
<b>7 Personnel expenses</b>			
Wages and salaries	-6 785	-6 516	-6 406
Pension expenses	-1 088	-1 106	-1 107
Other statutory payroll expenses	-716	-596	-788
Other payroll expenses	-760	-741	-739
	<hr/>	<hr/>	<hr/>
	-9 349	-8 959	-9 040
Personnel at year-end:			
Venture capital investment	20	24	29
Programmes and other research and development	34	32	25
Administration	46	42	42
	<hr/>	<hr/>	<hr/>
	100	98	96

Wages and salaries and other payroll expenses from project personnel were € 0.1 million (€ 0.1 million in 2006) and are included in expenses from projects.

	2007	2006
<b>8 Depreciation</b>		
Depreciation according to plan:		
machinery and equipment	-301	-224
other capitalised expenditure	-87	-53
renovation of office premises	-13	-13
	<hr/>	<hr/>
	-401	-290

## INVESTMENT OPERATIONS

	2007	2006
<b>9 Income from endowment capital</b>		
profit from sales	94 224	55 512
interest income	13 023	8 664
bond price gains	1 219	148
exchange rate gains	189	364
dividend income	9 270	10 124
rental income	1 662	2 324
shares in profit	1 925	2 874
	121 512	80 009
<b>10 Expenses from endowment capital</b>		
asset depreciations	-20 929	-5 467
regained depreciations	1 110	1 980
losses on sales	-11 956	-2 635
bond price losses	-1 861	-1 707
exchange rate losses	-3 106	-2 163
asset management fees	-938	-710
real estate expenses	-283	-508
value adjustment om real estate shares	-413	0
other expenses	6	10
	-38 371	-11 200

## Notes to the balance sheet (in € 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 assets

During the year Sitra acquired fixed assets amounting to € 0.7 million (€ 0.6 million in 2006).

	Book value 1.1.2007	Increases	Decreases	Depreciation for the financial period 31.12.2007	Book value 31.12.2007
machinery and equipment	349	455	0	301	503
other capitalised expenditure	154	197	0	87	264
renovation of office premises	113	0	0	13	100
other tangible assets	247	9	0	0	256
	862	662	0	401	1 123

	2007	2006
shares and participations		
shares in office premises	14 509	14 509
other shares	9	9
	14 518	14 518

### 12 Venture-capital investments

	2007	Change	2006
Programmes	8 142	1 530	6 612
Corporate funding	25 860	-9 901	35 761
Fund investments	56 391	-2 078	58 469
Other investments	593	-706	1 299
	90 986	-11 155	102 141

## 12.1 Programmes

Shares, participations and other investments held by Sitra

	Shares and participations		Capital loans and other loans	Investment total
	Holding	Amount	Amount	
<b>Health Care Programme</b>				
Avain Technologies Oy	33%	1 500	359	1 859
IST International Security Technology Oy	32%	2 234	620	2 854
Medhelp Group Oy	50%	6 585	1 107	7 693
Medixine Oy	18%	1 026	0	1 026
Prowellness Oy	19%	1 747	272	2 019
		13 092	2 358	15 450
<b>Food and Nutrition Programme</b>				
Efficas Inc.	6%	1 007	0	1 007
Fintorus Oy	33%	70	0	70
Neomed Oy	10%	13	135	148
Kyrönmaan Juustomestarit Oy	14%	34	366	400
		1 124	501	1 625
<b>Environmental Programme</b>				
AW-Energy Oy	6%	500	0	500
Stellac Oy	15%	750	0	750
Syncron Tech Oy	27%	144	0	144
Waterix Oy	34%	410	0	410
Watrec Oy	25%	400	0	400
		2 204	0	2 204
			Program total	19 279
			Cumulative change in value	-11 137
			<b>Book value</b>	<b>8 143</b>

## 12.2 Corporate funding

Shares, participations and other investments held by Sitra

	Shares and participations		Capital loans and other loans	Investment total
	Holding	Amount	Amount	
<b>Business development and commercialisation of technologies</b>				
Culminatum Oy	3%	14	0	14
Finn-Medi Tutkimus Oy	18%	67	0	67
Helsinki Business and Science Park Oy	14%	168	0	168
Innotalli Oy	43%	170	0	170
		419	0	419

Sitra Ventures	Shares and participations		Capital loans and	Investment
	Life Sciences	Holding	Amount	
			Amount	total
Akela Pharma Inc.	7%	8 829	0	8 829
Biotie Therapies Oyj	16%	14 855	673	15 528
Boneca Oy	33%	750	1 250	2 000
BPM-Group Oy	45%	885	0	885
CTT Cancer Targeting Technologies Oy	50%	3 500	0	3 500
Delfin Technologies Oy	37%	55	164	219
FibroGen Inc.	3%	3 515	0	3 515
FIT Biotech Oyj Plc	63%	4 080	2 500	6 580
Galilaeus Oy	60%	5 026	4 662	9 688
Hidex Oy	38%	796	605	1 401
Innomedica Oy	51%	270	571	841
Ipsat Therapies Oy	15%	3 386	0	3 386
Juventus Pharma Oy Ltd	52%	2 946	1 155	4 101
Karyon Oy	48%	607	0	607
Karyon-CTT Oy	0%	0	405	405
KC-Holding 3 Oy	42%	2 000	0	2 000
Labmaster Oy	30%	175	2 221	2 396
Mobidiag Oy	43%	3 243	790	4 033
Nexstim Oy	46%	5 282	0	5 282
Pharmatory Oy	24%	759	540	1 299
QuatrX Pharmaceuticals Company	1%	3 895	0	3 895
Reactionlab Oy	38%	52	805	857
Stick Tech Ltd Oy	12%	1 345	0	1 345
Vivoxid Oy	35%	4 022	1 300	5 322
		70 273	17 641	87 914
<b>Other portfolio companies</b>				
Add2phone Oy	18%	1 960	0	1 960
B-Band Oy	25%	151	0	151
CadFaster Oy	3%	0	615	615
DBC International Oy	6%	1 302	0	1 302
Deltagon Group Oy	17%	71	0	71
EC-Engineering Oy	32%	948	0	948
Enterprise Software Ltd	22%	22	661	683
Fimet Oy	47%	496	0	496
Fluid House Oy	10%	150	1 000	1 150
Geniem Oy	17%	336	200	536
Heptagon Oy	19%	3 836	0	3 836
Kuntokumppanit Oy	29%	833	844	1 677
Nesenta Oy	50%	4	2 013	2 017
Panphonics Oy	36%	1 334	0	1 334
Robogrind Oy	20%	200	560	760
Sabriscan Oy	19%	500	0	500
Seven Networks Inc.	1%	1 653	0	1 653
Shanghai Fimet Medical Instruments Co. Ltd	13%	278	0	278
Solibri Oy	14%	150	472	622
Space Systems Finland Oy	13%	220	750	970
Staselog Oy	0%	0	100	100
u-NAV Microelectronics Corporation	1%	168	348	516
Vioq Oy	0%	0	50	50
		14 612	7 613	22 225
			Corporate funding total	110 558
			Cumulative change in value	-84 698
			<b>Book value</b>	<b>25 860</b>

## 12.3 Fund investments

Sitra's investments in funds

	<b>Amount</b>
Aloitusrahassto Vera Oy	2 000
Apple Tree Partners II L.P.	4 130
Atlas Venture Fund III	1 608
Baltic Investment Fund III	764
Baring Capricorn Ventures	211
Bio Fund Ventures I jatkosijoitusrahasto Ky	500
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
Crescendo III, L.P.	1 890
Diamondhead Ventures L.P.	3 091
EBRD North-West and West Russia Regional Venture Fund	458
Eqvitec Teknologiarahasto I Ky	1 869
Eqvitec Teknologiarahasto II Ky	4 204
Finnventure II Ky	31
Finnventure III Ky	3
Hambros Advanced Technology Trust III L.P.	604
HealthCap 1999 K.B.	4 498
InnKap 2 Partners	955
InnKap 3 Partners	2 887
Matkailunkehitys Nordia Oy	3 229
MB Equity Fund Ky	7
Merlin Biosciences Fund L.P.	6 413
Norum Russia Fund III	4 000
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	2 579
Terveysrahasto Oy	10 000
Ventech Capital II, L.P.	4 482
	84 450
	Cumulative change in value -28 060
	<b>Book value 56 390</b>

Sitra has holdings in the following management companies and carried interest units through its 100% subsidiary Sitra Management Oy.

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  
Russian Technology Fund Management Ltd

Carried interest units:

BIF Management Ltd  
Bio Fund Management Oy  
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 Oy	0%	0	40	40
Detrexim Oy	0%	0	20	20
Easdaq S.A.	0%	138	0	138
Eigenvalue Oy	14%	432	0	432
Hi-Col Oy	0%	0	275	275
Kibron Oy	0%	0	823	823
Kitewing Sports Oy Ab	0%	0	17	17
Mega Elektroniikka Oy	0%	0	85	85
Navicre Oy	0%	0	252	252
Okmetec Oyj	0%	0	96	96
Oseir Oy	0%	0	150	150
Ras-Met Oy	0%	0	395	395
7signal Oy	0%	0	20	20
		570	2 253	2 823
			Cumulative change in value	-2 230
			<b>Book value</b>	<b>593</b>

	2007	2006
<b>13 Endowment capital investments</b>		
Long-term investments		
bonds and debentures	166 575	128 168
Finnish shares	92 460	135 559
foreign shares	82 023	81 598
mutual fund investments	159 069	89 318
private equity fund investments	13 725	17 228
real-estate investments	12 941	26 807
Short-term investments		
bonds and notes	9 215	5 467
certificates of deposit	130 614	107 560
cash accounts	2 670	6 438
other short-term investments	1 000	200
	<hr/>	<hr/>
	670 292	598 343
Difference between the capitalised acquisition costs and market value of publicly quoted endowment capital securities		
total market value	470 438	464 739
corresponding book value	333 552	306 475
difference	<hr/>	<hr/>
	136 885	158 264

**14 Other receivables**

Interest for the financial year has been entered as income from investment operations and came to € 6.1 million (€ 3.8 million in 2006).

**15 Other liabilities**

Accrued liabilities include € 3.5 million (€ 5.2 million in 2006) debts to private equity funds where agreement has already been made and for which Sitra's liability exists.

**16 Liabilities from funding operations**

Debts arising from funding agreements where agreements have already been made and for which Sitra is liable.



## Loans due for repayment entered as expenses 31 December 2007

Loans due for repayment have been entered as expenses. They amounted to € 1.8 million at the end of the year (€ 2.2 million in 2006). Of these loans, € 0.7 million (0.8) are sums for which the terms of repayment have been fulfilled and the repayment of which follows a fixed schedule, and € 1.0 million (1.3) are sums for which repayment is bound to royalties instead of a fixed schedule. Loans for which the terms of repayment have not been fulfilled or for which the terms of repayment have not been agreed amounted to € 0.1 million (0.1).

## Off-balance sheet liabilities 31 December 2007

### Where funding has been agreed but no agreement yet signed

	2007	2006
Programmes	6 780	6 993
Innovation Programme	0	596
Health Care Programme	2 167	3 684
Food and Nutrition Programme	1 610	1 781
Environmental Programme	2 224	496
Energy Programme	50	0
Russia Programme	173	0
India Programme	556	436
Innovations and New Solutions Unit	405	179
Corporate funding	4 189	7 135
Fund investments	18 000	2 061
Other investmentst	25	848
	29 399	17 216

## Signatures to Sitra's Board Report and Accounts 2007

*Helsinki, 10 March 2008*

**Raimo Sailas**

**Erkki Virtanen**

**Anne Brunila**

**Satu Lähteenmäki**

**Harri Skog**

**Esko Aho**

# AUDITORS' REPORT

Having been appointed by the Finnish Parliament as auditors we have examined the bookkeeping, the financial statements, the Board report and administration of Sitra, the Finnish Innovation Fund for the financial period 2007 to the extent required by good auditing practice.

Authorised Public Accountants PricewaterhouseCoopers Oy have performed the internal audit and audit of funded projects. We have familiarised ourselves with their reports of these audits.

The financial statements, which show a net profit

of € 66.089.035,59 have been drawn up in accordance with current legislation. The financial statements and the Board report present a correct and adequate description of the Fund's activities and its financial position.

We recommend that the financial statements be adopted and that members of the Board of Directors and the president be discharged of responsibility for the financial period covered by our audit. We recommend that the proposal for the net profit for the year made by the Board of Directors in their report be approved.

*Helsinki, 13 March 2008*

**Olli Nepponen**

**Eero Heinäluoma**

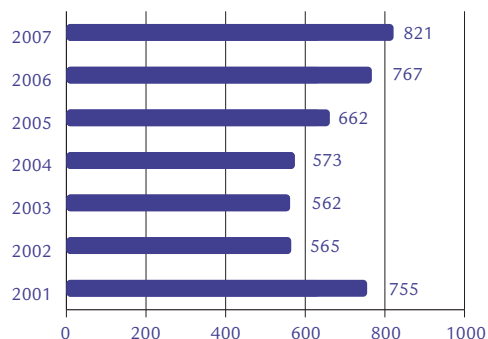
**Markku Koskela**  
**Authorised Public Accountant**

**Esko Kiviranta**

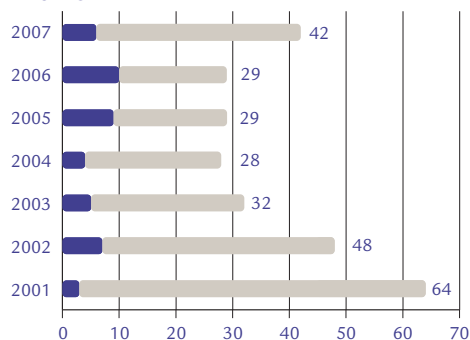
**Kari Manner, KHT**  
**Authorised Public Accountant**

**./. Kalervo Virtanen, KHT**

**Market value of endowment capital 2001–2007**  
million €

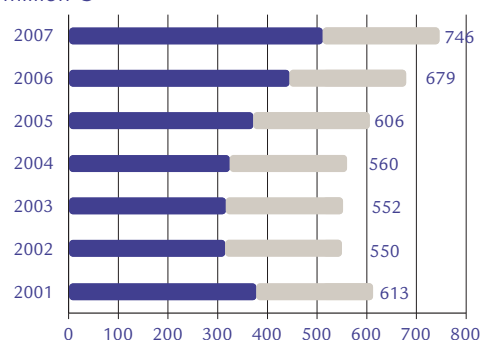


**Funding decisions 2001–2007**  
million €



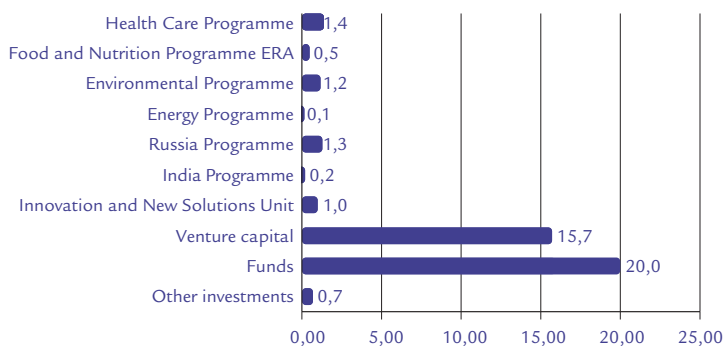
■ Programmes and other research and development  
■ Venture capital

**Sitra's equity 2001–2007**  
million €



■ Retained earnings  
■ Endowment capital, nominal value

**Funding decisions by area of operations 2007**  
million €





**SITRA**

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