FINNFUND

Annual Report 2013

Printout of the online Annual Report
www.annualreport.finnfund.fi/2013

Contents

Financials

Finnish Fund for Industrial Cooperation Ltd. (Finnfund) is a Finnish development finance company that provides long-term investment loans and risk capital for private projects in developing countries and Russia. We support profitable projects in challenging markets where commercial financing is hard to obtain.

Projects with links to Finland

Finnfund invests mainly with Finnish companies but we also finance their partners such as long-term customers, suppliers, subcontractors and companies that license technology. We can also provide financing for other projects that use Finnish technology or know-how, or generate significant environmental or social benefits.

Our financing is on market terms and depends on the risk profile of the project. In addition to long-term investment loans, we can also invest equity and offer subordinated loans or other mezzanine financing. Regardless of the form of finance, we always participate as a financial investor with a minority stake.

Finnpartnership is a business partnership programme financed by the Ministry for Foreign Affairs of Finland and operated by Finnfund. Finnpartnership provides financial support for Finnish companies' projects in developing countries and assists in seeking out new business opportunities and partners.

Solid experience of developing markets

Finnfund's customers have access to our contacts at other financial institutions and our comprehensive experience in developing countries. In addition, the involvement of a stable state-owned investor such as Finnfund often brings credibility to a project.

Most of our investments are in manufacturing but we also invest in other sectors such as telecommunications, forestry, renewable energy and health care.

Our network at your disposal

Apart from the projects of Finnish companies and their partners, Finnfund selectively finances the private sector in developing countries via venture capital funds. Cooperation with funds and development finance institutions provides us with valuable contacts and information about local markets in developing countries.

Finnfund is a member of the **Team Finland network** that promotes Finland's external economic relations and country brand, the internationalisation of Finnish companies as well as foreign investment directed at Finland. More than 70 local teams around the world handle its activities abroad.

Finnfund collaborates closely with other European development financiers. Finnfund is a member of **EDFI, the Association of European Development Finance Institutions.**

Finnpartnership

Finnpartnership is a business partnership programme financed by the Ministry for Foreign Affairs and operated by Finnfund. Finnpartnership offers financial support and advisory services for Finnish companies and other organisations planning commercially viable projects in developing countries.

Finnpartnership's services aim to increase commercial co-operation between companies in Finland and those in developing countries, to promote imports from developing countries, to stimulate their economic growth, to diversify their production and export structures and otherwise foster their development.

Business Partnership Support and new partners

Business Partnership Support is available for conducting feasibility studies, identifying business partners, training of developing country employees, providing expert services for capacity building, and importing from a developing country. Some changes were made to the general terms and conditions of the Business Partnership Support in 2013; new supportable project phases are vocational education and training and support for local education, and piloting technology and solutions.

Finnpartnership's Matchmaking service helps companies in developing countries in their search for Finnish business partners.

www.finnpartnership.fi

Cofinancing especially in low-income countries

Finnfund collaborates closely with other European development financiers. Especially in projects characterized by large scale and/or significant risks, it may be advisable to share risks and the burden of project preparation and monitoring. Natural partners for this are other public development financiers that also share similar objectives and business principles.

Along with fourteen other development financiers, Finnfund is a member of **EDFI, the Association of European Development Finance Institutions**. Within the group we share information on cofinancing opportunities, target markets and best practices are shared.

Most of Finnfund's investments in low-income countries involve cofinancing with other development financiers. We have collaborated extensively with the other Nordic development financiers (Swedfund, Norfund, and Danish IFU) as well as with our Dutch, British, German, Belgian, Swiss and French counterparts (FMO, CDC, DEG, BIO, Sifem and Proparco respectively).

In addition, Finnfund participates in European Financing Partners (EFP), which is a sizable cofinancing scheme between European Investment Bank and EDFI.

In 2011 Agence Française de Développement AFD, European Investment Bank, Finnfund and other ten EDFI members established the Interact Climate Change Facility ICCF, which provides long-term financing for renewable energy and energy efficiency projects in poor countries suffering from energy shortages.

Team Finland

The Team Finland network promotes Finland's external economic relations and country brand, the internationalisation of Finnish companies as well as foreign investment directed at Finland. Its aim is to intensify cooperation between Finnish players in these sectors.

The core of the Team Finland network consists of the Ministry of Employment and the Economy, the Ministry for Foreign Affairs and the Ministry of Education and Culture, as well as the publicly funded organizations and overseas networks whose performance they oversee. The Team Finland network is steered by the Government. More than 70 local teams around the world handle its activities abroad.

Finnfund's mission is to promote economic and social development in its target countries through investments in the private sector. Catalysing Finnish know-how for projects in developing countries is Finnfund's main niche. We seek to invest in win-win-win projects that bring local and Finnish parties together while also improving the environment. Clean technologies ranging from energy efficiency and renewable energy to waste management and recycling are a sector where Finnish companies have invested heavily over the decades becoming global leaders in a number of sub-sectors. They also are a prime example of an area, where we, together with the other members of Team Finland wish to make a difference.

Managing Director's report

A record-warm winter in 2013–14 reminded us in Finland of the threat from climate change. At the time of writing, a group of prominent corporate executives has been calling for more investment in renewable energy, and a study into whether Finland could be the first country in the world to stop using coal for generating power.

The underlying intention, and a worthy one, is to promote Finland's image as a front runner in clean technology. At the same time, though, it is worth examining what the most efficient ways are of stopping changes in the climate.

At Finnfund we believe that the finest prospects for curbing climate change lie in the developing world. That is where even the most obvious investments in energy efficiency are usually neglected, and the greatest opportunities for renewable energy and preventing deforestation are disregarded.

Finnfund's mission is not to curb climate change but to reduce poverty through profitable business. In the past few years, however, our primary objective has steered us increasingly towards the financing of climate-related projects in the developing countries. In a world where natural resources are dwindling and energy prices are rising, renewable energy, energy efficiency, recycling and sustainable forestry appear to be profitable investments and efficient ways of reducing poverty.

Naturally, we also study how projects aimed at promoting development will impact the climate. The figures suggest that the effects are staggeringly great. We have financed many projects that achieve an annual reduction in carbon dioxide emissions equivalent to the average annual emissions of tens of thousands of cars. For a few projects, the savings amount to the annual emissions of hundreds of thousands of cars.

"Finnfund's climate finance in the developing countries will curb climate change four times as efficiently as the corresponding investment in Finland."

There are two distinct explanations for the large numbers. Firstly, a typical climate-related investment in a developing country produces or saves more power than an equivalent investment in Finland or elsewhere in Europe. Where no investments of this type have been made, we can select the "low-hanging fruits". We only invest in wind power stations where the wind blows strongly all year long. In bioenergy we choose projects where there is an existing flow and stockpile of fuel in the form of waste from a processing plant. In energy efficiency we can finance in the developing countries investments that resemble those made in Finland decades ago. The projects vary but on average we can probably count on doubling the impact; *equipment financed by Finnfund to use renewable energy or to boost efficiency generates or saves twice as much power in the developing world as it would in Finland.*

The other explanation for the large climate benefits stems from the fact that the power sector in developing countries is inefficient. In the rich world, the energy generated from renewable sources or saved through improvements in efficiency typically replaces some of the output of a large, fairly efficient power station that burns fossil fuels. In developing countries the avoided alternative is far more expensive and far more dirty power from old and inefficient power stations or even more wasteful backyard generation. Nigeria, for example, uses several million small diesel generators that are estimated to emit three times as much carbon dioxide per unit of electricity as modern natural gas plants. On average, the difference between Finland and many low-income countries may be a factor of about two: *by replacing the poor options currently in use, a project financed by Finnfund to produce or save power eliminates twice the amount of emissions that it would eliminate in Finland*.

When double the output is combined with twice the emission reductions per unit of output, the result is astonishing. A typical investment by Finnfund in the developing countries to promote energy savings or renewable energy will curb climate change approximately four times as efficiently as the corresponding investment in Finland.

Via multiplier effects the impact can be even greater. Finnfund's largest investment decision in 2013 was for a 310 MW wind farm to the east of Lake Turkana, Kenya, which will probably be the largest wind power project in Africa when it is completed. Thanks to the strong, steady winds that blow across this area, the utilisation rate for turbines at Lake Turkana is expected to be more than twice the typical European rate. This means low generating costs, especially after the project's power lines, roads and other infrastructure have been built. It therefore seems likely that, once it starts running, Lake Turkana Wind Power will be followed by many other projects. As a result, a large amount of coal-burning power capacity will not be built.

Another, farther advanced example is a pellet factory that started up last year in Indonesia. The project, developed by Finnish entrepreneurs, produces pellets from agricultural waste that was previously dumped in the sea. The pellets are exported and used to substitute for coal. Financed by Finnfund, Dovre Plc of Finland and others, it is the country's only large pellet plant and the only one in the world to use this kind of waste stream. Encouraged by this model, several similar plants are now under development in Indonesia.

”Finnfund made investment decisions of EUR 90 million in 2013. Most of the investments were in renewable energy, improving energy efficiency, recycling and sustainable forestry.”

Finnfund has financed other pioneering climate-related projects in recent years, the success of which will serve as trail blazers and thereby achieve disproportionally great effects in curbing climate change, creating jobs and strengthening the tax base. Finnish clean technology and advanced practices are involved in several of these. We intend to cooperate ever more closely with

Finnish clean tech experts and their partners in the developing countries.

In 2013 Finnfund took decisions to invest in 20 projects with a total value of EUR 90 million. Most of the investments were in renewable energy, improving energy efficiency, recycling and sustainable forestry. Some of the projects, although assessed as having excellent development impacts, were regarded as high-risk and were made possible by the special risk finance arrangement agreed with the Finnish government in 2012.

Although no capital gains were recorded in 2013, the company's result was better than in the previous year. Disbursements were fewer than repayments and the investment portfolio shrank. The dip will probably be brief, because more investment decisions were made than in the previous year and the stock of undisbursed investments rose.

Many of the capital investments made by Finnfund in 2013 are not expected to produce a steady return but will generate most of their yield as capital gains at the time of exit. This trend will be partly counterbalanced by the special risk finance arrangement, by the fact that several projects will move this year from the construction phase to production, and by the recent decision to focus somewhat more on lending at the expense of equity investments. Nevertheless the company's annual results over the next few years will fluctuate considerably in line with the timing of exits and write-downs.

It is therefore valuable for the company to have the strong backing of its main shareholder, the Finnish government. The government budget for 2014 allocates EUR 10 million for raising Finnfund's equity. It has also been agreed that some of the income received by Finland from emissions trading last year will be allocated to development cooperation, a decision approved by parliament at the end of the year. This will provide the company with an extra capital injection of EUR 8 million. Although Finnfund has more debt than its Nordic peers, these capital increases will allow more investments in poor countries and in climate change mitigation without jeopardising access to refinancing.

I would like to thank Finnfund's customers, staff and other stakeholders for their support in 2013.

Jaakko Kangasniemi
CEO

Key figures 2009 - 2013

	2009	2010	2011	2012	2013
Number of project countries	24	29	27	30	33
Number of investments	132	142	137	143	149
Financing commitments, EUR million	152	87	32	56	90
Number of financing commitments	32	21	14	18	20
Disbursements, EUR million	70	69	43	59	34
Undisbursed investment decisions and commitments, EUR million	207	227	172	146	178
Portfolio, EUR million	188	241	253	274	250
Shareholders' capital, EUR million	148	162	186	203	215
Total assets/liabilities, EUR million	250	277	278	312	311
Number of personnel on average	43	46	49	49	49

Five years in review

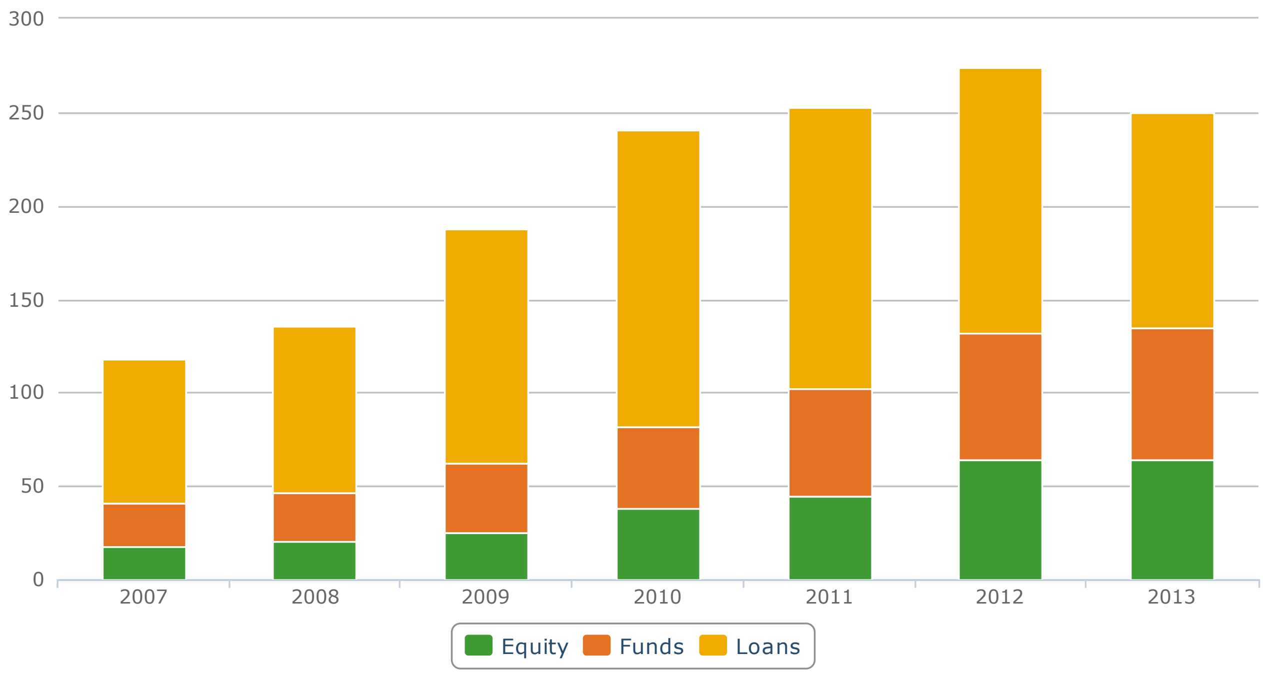
Operational analysis, EUR million	2009	2010	2011	2012	2013
Financial income	13.7	11.7	10.1	12.3	13.6
Financial expenses	-1.9	-1.8	-1.4	-1.6	-1.6
Net financial income	**11.8**	**9.9**	**8.7**	**10.7**	**12.0**
Other operating income	1.6	1.1	1.4	1.2	1.5
Administration, depreciation and amortisation and other operating expenses	-6.8	-6.8	-7.1	-7	-7.8
Profit before impairment, sales of assets and taxes	**6.6**	**4.2**	**3.0**	**4.9**	**5.7**
Impairment and sales of assets	-1.9	-5.3	7.4	-3.3	-3
Taxes	-0.3	-0.2	-1.2	-0.4	0
Net profit	**4.4**	**-1.3**	**9.2**	**1.2**	**2.7**

Balance sheet, EUR million	2009	2010	2011	2012	2013
Assets					
Tangible and intangible assets	0.4	0.3	0.1	0.1	0.1
Investments	187.5	240.8	252.3	274.1	250.0
Current assets	62.1	35.5	25.5	38.2	60.5
	250	**276.6**	**277.9**	**312.4**	**310.6**
Liabilities					
Equity	148.3	162.1	186.3	202.6	215.3
Liabilities	101.7	114.5	91.6	109.8	95.3
	250	**276.6**	**277.9**	**312.4**	**310.6**

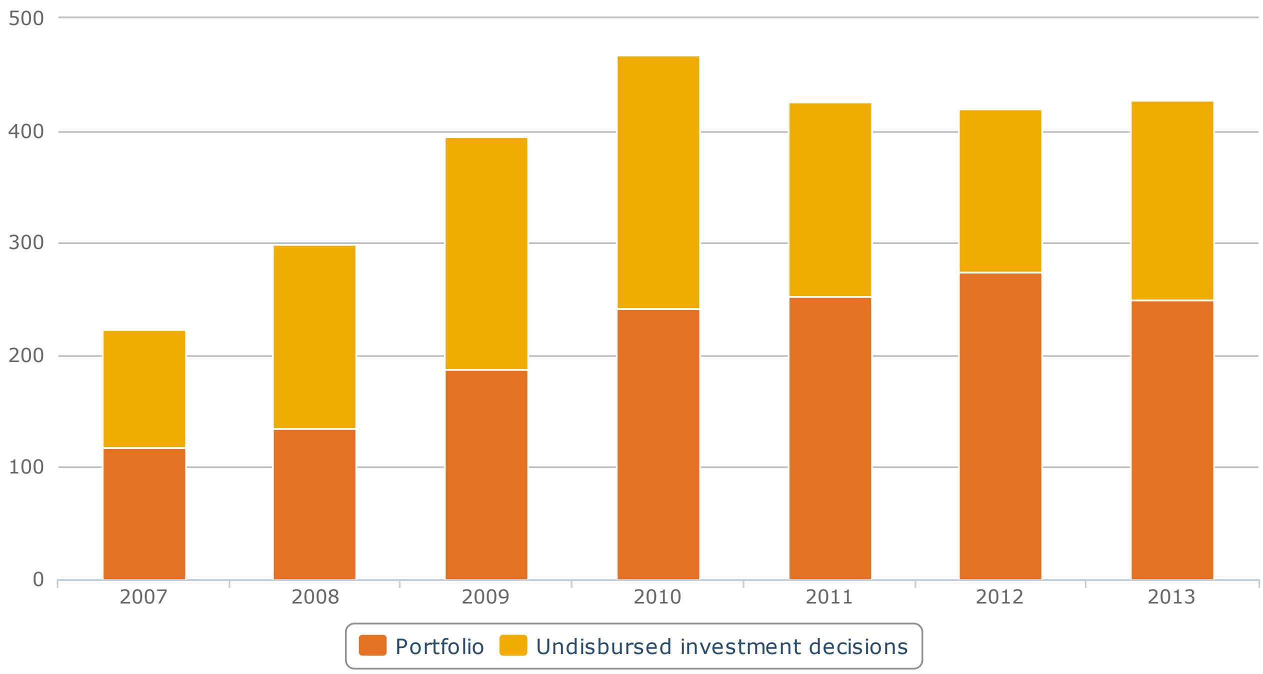
Financial indicators	2009	2010	2011	2012	2013
Equity ratio, %	59	59	67	65	69
Return on equity p.a., %	3.1	-0.8	4.9	0.6	1.3

Graphs

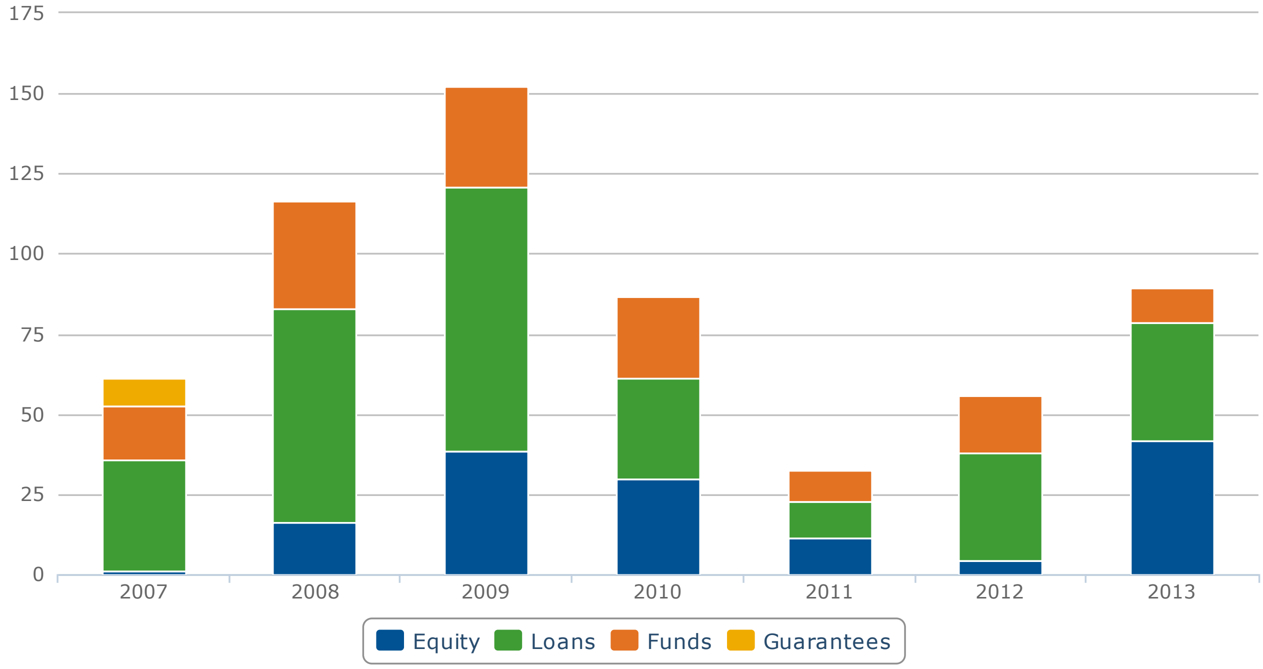
Portfolio, EUR million



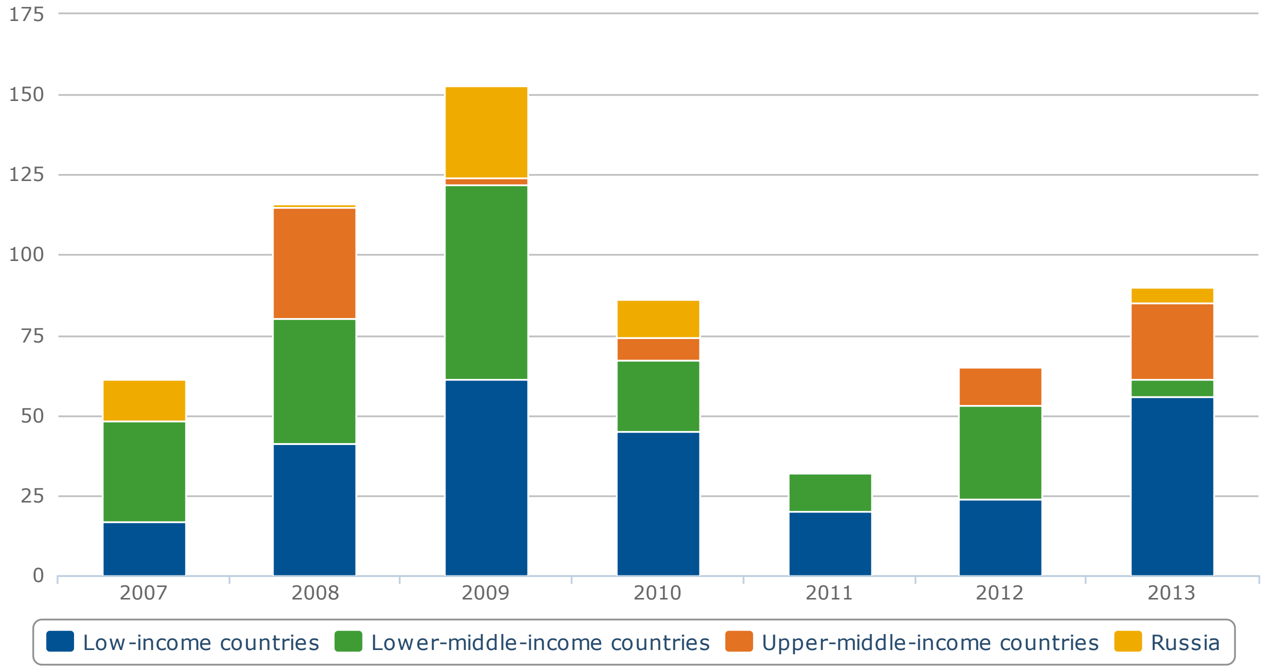
Portfolio and undisbursed investment decisions, EUR million



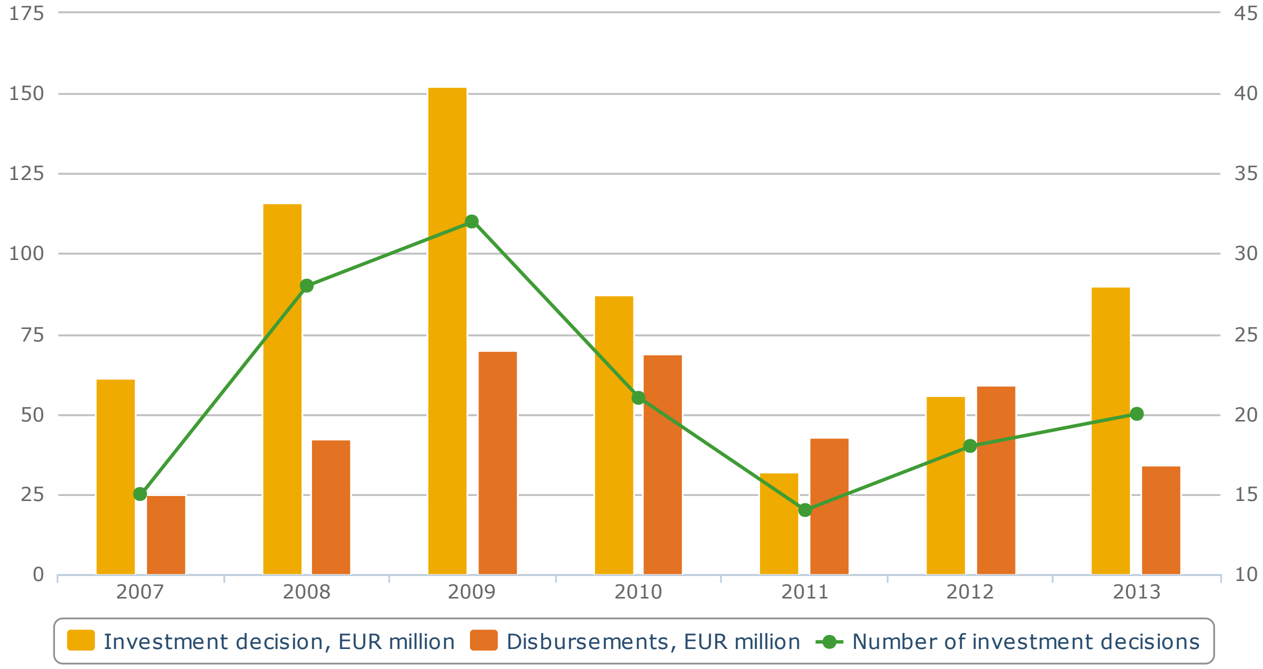
Investment decisions by instrument, EUR million



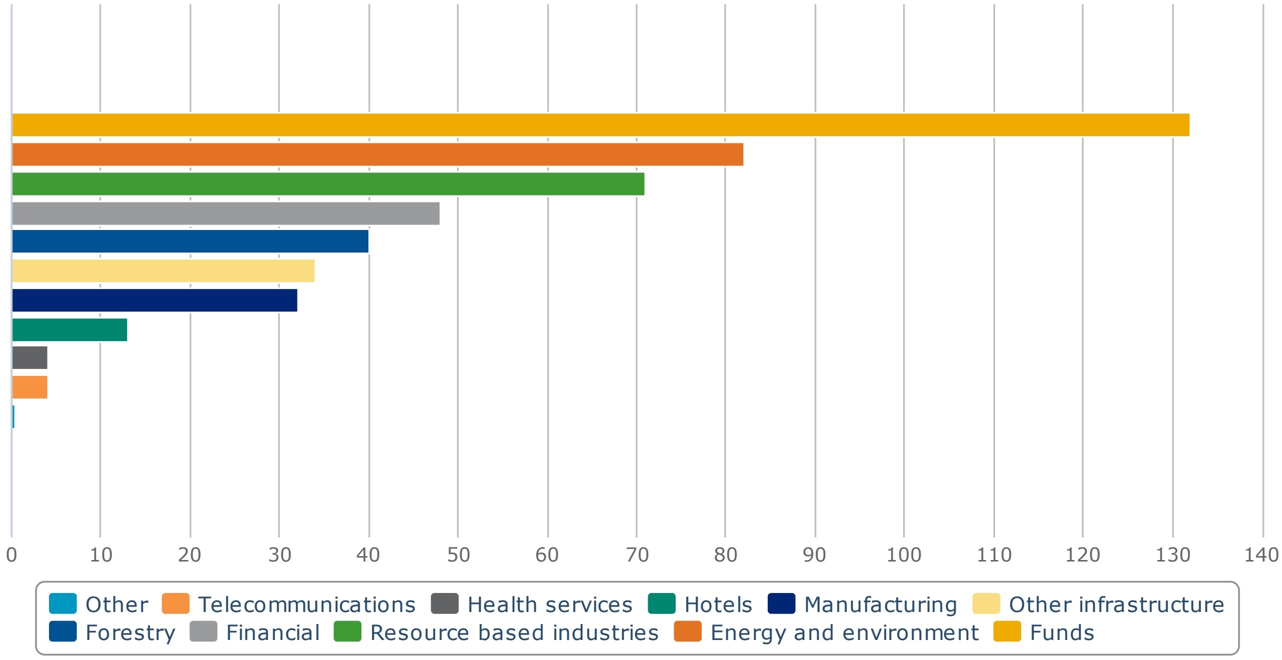
Investment decisions by income level of the country, EUR million



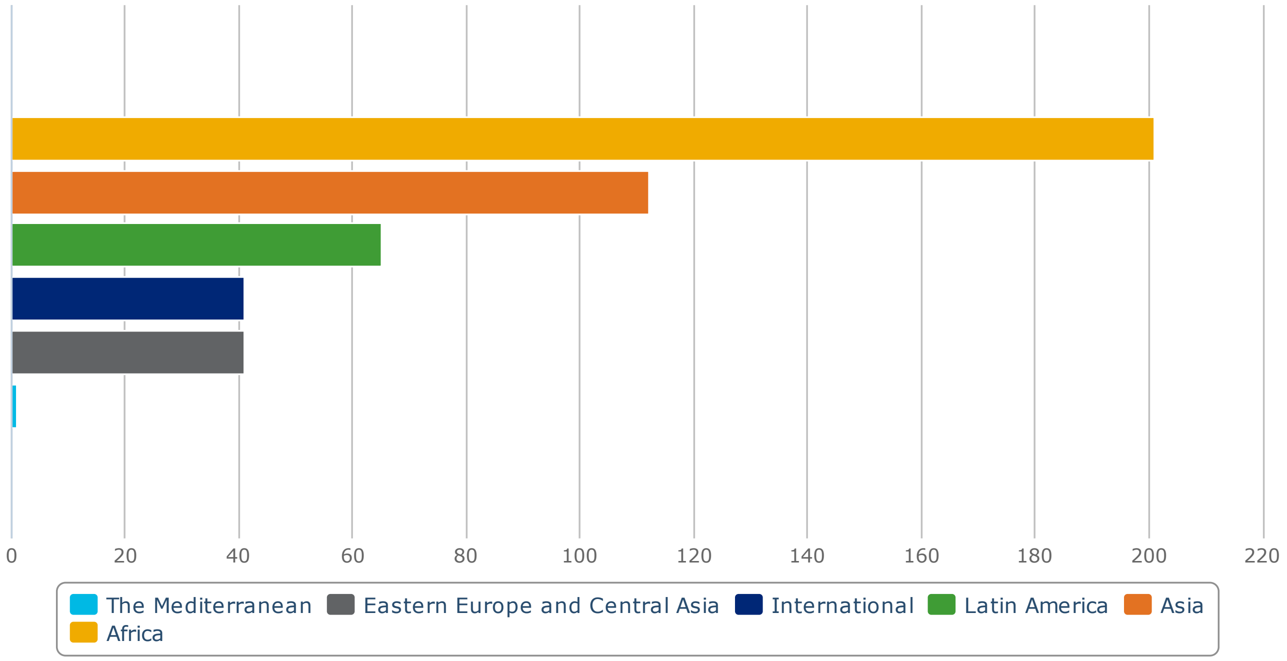
Investment decisions and disbursements



Portfolio and undisbursed investment decision and commitments by sector (total EUR 461 million)



Portfolio and undisbursed investment decision and commitments, geographical distribution (total EUR 461 million)



Shareholders and share capital, 31 December 2013

Share capital	EUR 138,963,780

State of Finland	92.1%
Finnvera Plc	7.8%
The Confederation of Finnish Industries	0.1%

Concrete results from Finnpartnership projects

In 2013 the demand for Finnpartnership's services rose. Finnpartnership received 124 new applications and granted Business Partnership Support for 96 projects, to the total sum of EUR 3.5 million. More information can be found in the **Board of Directors' Report**.

Twenty-three of the recipients of Business Partnership Support in 2010, that received over EUR 400,000, have submitted their final follow-up reports. These companies represent approximately a third of all the projects supported in 2010. One-fourth of them said operations were continuing well, whereas one-fifth of the companies said the project was still at the planning stage. The companies have invested EUR 12.7 million in their target countries, which is nearly thirty times the amount of support reimbursed. The other 46 companies will submit their reports in 2014.

The companies provide work for about 114 people. The number of directly employed persons is 79 and 9 per cent of these are women. Development impacts related to the transfer of know-how and technology were reported by 57 per cent of the projects. The aim of training in the projects is to develop human capital in the working population of the target country. Personnel were trained in one quarter of projects.

Matchmaking service connects companies in Finland and developing countries

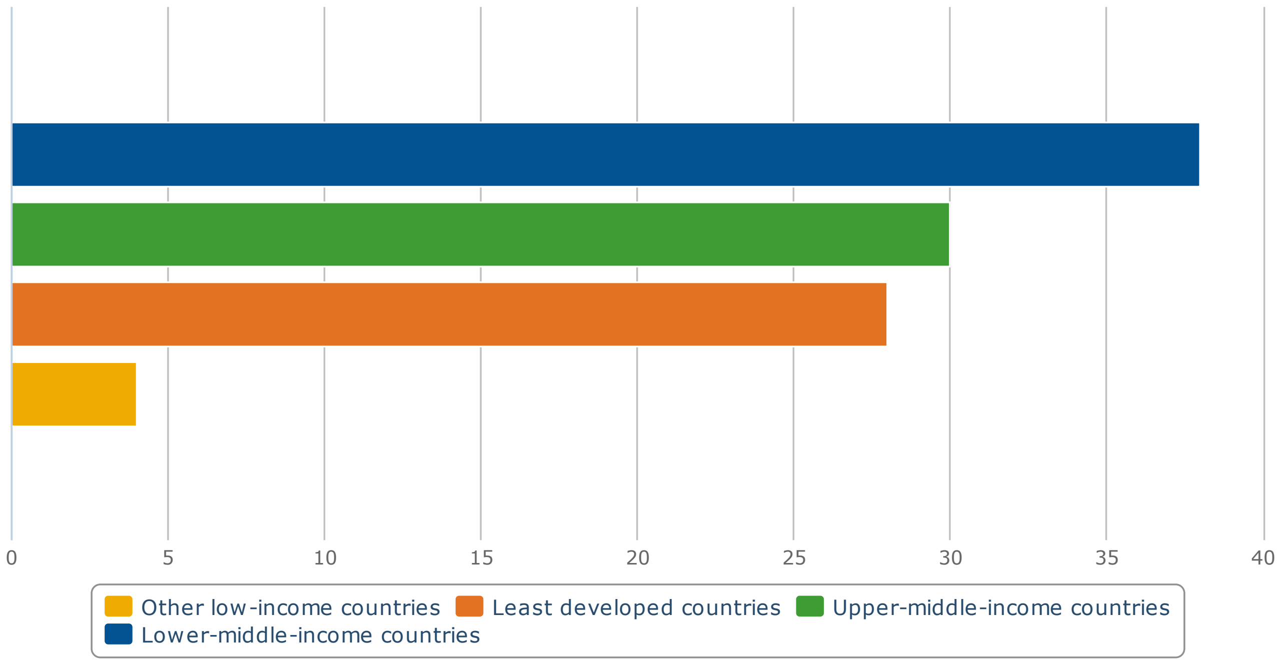
In 2013 the Matchmaking service was intensified and Finnpartnership received 245 matchmaking requests from companies operating in developing countries. During the year 36 applications were registered with the Matchmaking data base, of which 31 were from developing countries. In a follow-up survey about 19 per cent of the companies registered with the Matchmaking service stated that there has been at least communication between Finnish companies and companies in developing countries.

In 2013 the Ministry for Foreign Affairs decided that Finnfund will continue to manage Finnpartnership until the end of 2015 or until Finnpartnership is merged with Finnfund's operations.

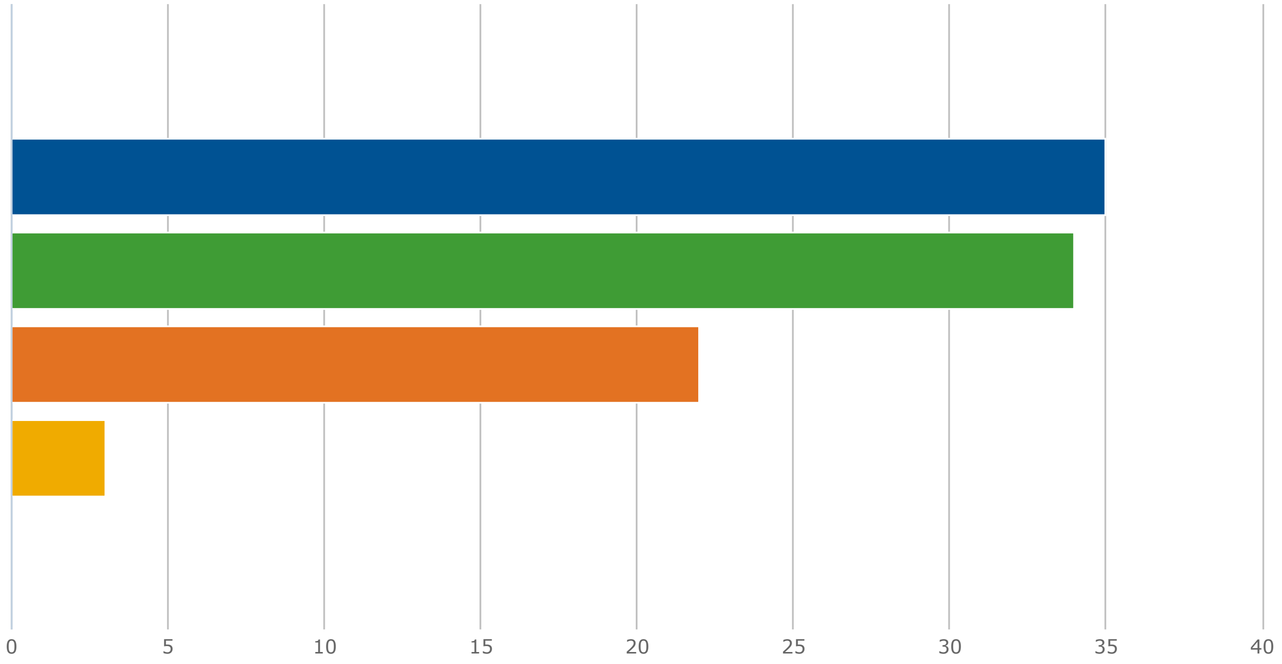
Examples of projects supported by Finnpartnership

China	production of bioethanol, buying/selling of emission permits, development of boating infrastructure, IT-applications, nursing homes
India	production of precast concrete, providing a system for cable production, hydraulic generators, consultation on information security, micro turbine power plants
Kenya	import of crafts, recycling of e-waste
Papua New Guinea	establishing a sawmill
Philippines	production of raw material for biofuels, software services
Tanzania	radiotelephone application
Vietnam	production of soft drinks
Zambia	technology for agricultural production

Amount of approved business partnership projects in 2013 (%)



Business Partnership Support granted in 2013 in euros (%)



Corporate governance

Finnfund is governed in accordance with the Act on a Limited Liability Company named Teollisen yhteistyön rahasto Oy (291/79 amended, ‘the Finnfund Act’), the Finnish Limited Liability Companies Act, and the Articles of Association of the company. In addition, it observes the corporate governance guidelines issued by the owner, the Finnish government, for state majority-owned unlisted companies and state special-purpose companies.

The governance principles laid out here are based on the Articles of Association that came into force on 1 January 2012.

Finnfund is governed by the General Meeting of Shareholders, the Supervisory Board, the Board of Directors, and the Managing Director. Their responsibilities are determined by the Finnish Limited Liability Companies Act and the Articles of Association of the company.

General meeting

The highest decision-making body in Finnfund is the General Meeting of Shareholders, which convenes at least once a year. The Annual General Meeting shall be held each year on a day, set by the Board of Directors, that is within six months of the end of the financial period.

The Annual General Meeting handles all of the matters designated for it in the Limited Liability Companies Act and the Articles of Association, such as the adoption of the financial statements; the assignment of the balance sheet result; the release from liability of the Supervisory Board members, directors and managing director; the election of Supervisory Board members, the directors and the auditor; and the determination of their remuneration.

In 2013, the Annual General Meeting was held in Helsinki on 11 April. The meeting discussed the matters specified in Article 11 of the Articles of Association and the increase in share capital. All of the company’s outstanding shares were represented at the meeting.

An extraordinary general meeting was held on 3 October in Helsinki. It discussed the election of new member to the Board of Directors. All the company’s outstanding shares were represented at the meeting.

Supervisory Board

The Supervisory Board is composed of 12 members. The Annual General Meeting elects the members, who serve for three years at a time. The term of office of a member of the Supervisory Board ends at the close of the third Annual General Meeting following election. Four members are up for re-election annually.

The Supervisory Board elects a chair and vice chair from among its members, for one year at a time.

List of the members of the **Supervisory Board.**

The task of the Supervisory Board is to supervise the administration of the company as attended to by the Board of Directors and the Managing Director, and to give a statement to the Annual General Meeting about the financial statements and the audit.

In addition, the Supervisory Board can give the Board of Directors instructions on matters of broad importance or significant principle.

Board of Directors

The Board of Directors has at least six and at most eight members. The board chair, a possible vice chair and its other members are chosen by a general meeting.

The term of a board member ends at the close of the next annual general meeting.

List of the members of the **Board of Directors.**

The tasks of the Board of Directors include but are not limited to making decisions regarding financing and investments and confirming the company's practical operating policy; deciding on authorisation to sign on behalf of the company; appointing the managing director and determining his or her salary and other compensation; and deciding on the calling of General Meetings and preparing material on the matters they will deal with.

Audit Committee of the Board of Directors

The Chair and 2 - 3 members of the Audit Committee are chosen by the Board from among its own members. The members shall be independent of the company and at least one must be independent of a major shareholder. Members are required to have the competence required for the committee's duties and at least one member shall be skilled particularly in accounting, bookkeeping or auditing. The Audit Committee is chosen for the term of the Board of Directors.

The task of the Audit Committee is to assist the Board in ensuring that the bookkeeping and financial control of the company is properly organised and that internal control and risk management, auditing and internal auditing are conducted in accordance with the law, regulations and the operating principles confirmed by the Board of Directors.

Managing Director

The task of the Managing Director is to attend to the company's day-to-day administration in accordance with the instructions and regulations issued by the Board of Directors.

The Board of Directors determines the salaries of the Managing Director, his deputy, and the members of the Management Team.

Management team

Finnfund's management constitutes the Management team, which is an advisory body assisting the managing director.

Remuneration

Supervisory Board

Members of the Supervisory Board have received fees as follows. The chair of the Supervisory Board received EUR 800 per meeting, the deputy chair EUR 600 per meeting and other members EUR 500 per meeting.

Fees paid (EUR) and participation at the meetings

Member	Fee	Present
Paloniemi, Aila, chair	4,000	5/5
Salolainen, Pertti, vice chair	3,000	5/5
Hietanen, Eija as of 11 April	1,500	3/3
Kallio, Seppo	1,000	2/5
Kantola, Tarja	2,000	4/5
Karetie, Simo	2,500	5/5
Lindtman, Antti	2,000	4/5
Lohela, Maria as of 11 April	1,000	2/3
Mattila, Pirkko until 11 April	-	0/2
Syvärinen, Katja	1,500	3/5
Toriseva, Seppo	2,500	5/5
Tölli, Tapani	2,000	4/5
Valkonen, Marjaana until 5 April	1,000	2/2
Virolainen, Anne-Mari	2,000	4/5

In 2013, the Supervisory Board met 5 times. The average attendance rate for members was 78 per cent.

Board of Directors

Members of the Board of Directors have received monthly fees and fees per meetings as follows. The chair of the Board of Directors received a monthly fee of EUR 1,100, the deputy chair a monthly fee of EUR 700, and the other members a monthly fee of EUR 600. In addition, all members received a fee of EUR 300 per meeting attended.

Fees paid (EUR) and participation at meetings

Member	Fee	Present
Honkaniemi, Arto, chair until 11 April	4,867	4/4
Laukkanen, Ritva, chair as of 11 April	12,233	9/9
Alanko, Kari, vice chair	12,300	13/13
Andersén, Tuukka	10,800	12/13
Hukka, Pekka as of 3 October	2,348	2/3
Juurikkala, Tuuli	10,800	12/13
Kerppola, Nora	11,100	13/13
Laatu, Riikka until 20 September	8,043	9/9
Leiwo-Svensk, Päivi	11,100	13/13
Pietikäinen, Markus	11,100	13/13

In 2013 the board met 13 times. The average attendance rate for members was 96 per cent.

Audit Committee

In 2013, members of the Audit Committee of the Board of Directors received a fee of EUR 300 per meeting attended.

Fees paid (EUR) and participation at meetings

Member	Fee	Present
Pietikäinen, Markus, chair	1,500	5/5
Andersén, Tuukka as of 25 April	900	3/3
Honkaniemi, Arto until 11 April	600	2/2
Juurikkala, Tuuli	1,500	5/5

There were no deputy members of the audit committee.

In 2013 the Audit Committee met 5 times. The average attendance rate for members was 100 per cent.

Managing Director

In the financial year 2013, managing director Jaakko Kangasniemi received taxable income from the company of EUR 195,638. The remuneration of the managing director consists of a fully fixed monthly salary. The managing director is not subject to the company's incentive system and was not paid a bonus in the financial year 2013.

The managing director's executive contract, agreed in 2002, was revised in 2012 in relation to pension rights. The retirement age was raised from 60 to 63 years and the pension type changed from defined-benefit to defined-contribution. The annual contribution level is 26.51 per cent of gross annual earnings.

The pension liability is covered partly by the group pension insurance and partly by an annual reserve in the company's balance sheet. In the financial year ending 31 December 2013 a reserve of EUR 43,364 was made for the pension liability.

The company may terminate the managing director's employment at six months' notice. Upon termination by the company, in addition to the salary for the term of notice, the managing director will receive an amount equal to six months' salary.

Because of the pension benefit change in the executive contract, the managing director forewent net pension benefits of EUR 74,308 accrued in earlier years. This loss of pension benefit has been counterbalanced by raising his gross monthly wage with effect from 1 January 2013 by EUR 1,347 which will provide full compensation by the time he reaches the age of 63.

If his employment ends before the age of 63 years, the company will pay him the amount of pension benefit lost through early termination of the contract. This compensation will be paid regardless of the reason for termination of contract and in addition to other entitlements under the law or his executive contract.

Management team

In the 2013 financial year, taxable income received from the company by the Management team, including the managing director and his deputy, totalled EUR 918,714.

The members of the Management team, with the exception of the managing director, are included in the incentive system covering all the company's personnel, according to which employees can receive an incentive corresponding to, at most, one month's salary if the targets set are met. The incentive system is based in part on the company's performance and partly on the team level performance. The Board of Directors decides on the incentive system and its key criteria on an annual basis.

In 2013, the members of the Management Team were Jaakko Kangasniemi, Managing Director, CEO; Jukka Ahmala, Director, Legal Affairs and Alternate to the Managing Director; Helena Arlander, Director, Portfolio and Risk Management; Minnamari Marttila, Director, Administration; Hanna Skelly, Director; and Associate Directors Mikko Kuuskoski and Antti Urvas.

Supervisory Board, Board of Directors and Audit Committee

Supervisory Board as of 11 April 2013	Board of Directors as of 11 April 2013
Aila Paloniemi Member of Parliament Chair as of 28 May 2013	**Ritva Laukkanen** Partner, Sagacitas Finance Partners Oy Ltd. Chair
Pertti Salolainen Member of Parliament Vice Chair as of 28 May 2013	**Kari Alanko** Deputy Director General Ministry for Foreign Affairs Vice Chair
Eija Hietanen Strategy Director The Central Organization of Finnish Trade Unions SAK	**Tuukka Andersén** Director of Finance Finnvera Plc
Seppo Kallio Director, The Central Union of Agricultural Producers and Forest Owners (MTK)	**Pekka Hukka** Counsellor of Foreign Affairs Ministry for Foreign Affairs as of 3 October 2013
Tarja Kantola Special Adviser to the Minister Ministry for Foreign Affairs	**Tuuli Juurikkala** Special Advisor Ministry of Finance
Simo Karetie Chief Policy Adviser The Confederation of Finnish Industries EK	**Nora Kerppola** Managing Director Nordic Investment Group Oy
Antti Lindtman Member of Parliament	**Riikka Laatu** Director Ministry for Foreign Affairs until 20 September 2013
Maria Lohela Member of Parliament	**Päivi Leiwo-Svensk** Chairman of the Board Oilon International Oy

Katja Syvärinen
Chief of Local Services
City of Vantaa

Markus Pietikäinen
Vice President
Wärtsilä Oyj

Seppo Toriseva
Entrepreneur

Tapani Tölli
Member of Parliament

Anne-Mari Virolainen
Member of Parliament

All members of the Supervisory Board and the Board of Directors are independent from the company.

Audit Committee as of 25 April 2013

Markus Pietikäinen, Chair

Tuukka Andersén

Tuuli Juurikkala

See also:

Supervisory Board on Finnfund's website ›

Board of Directors on Finnfund's website ›

Personnel on Finnfund's website ›

Investment	Operation	Finnish company*
ASIA		
Cambodia-Laos Development Fund	Private equity fund	
Mekong Brahmaputra Clean Development Fund L.P.	Private equity fund	
Tropical Asia Forest Fund	Private equity fund	
BANGLADESH		
Everest Power Generation Co. Ltd.	Power Plant	Wärtsilä Oyj
CHINA		
Avain China Holding Oy	Telecommunications	Avain Technologies Oy
Ceiko Suzhou Co., Ltd	Steel structures	Konepaja Ceiko Oy
China Finland Maanshan Steel Co.Ltd.	Metal products	Metalliset Oy
LVDU Lapland Food Co., Ltd.	Dairy products	Lapland Food Oy
Beijing DT Electronic Technology Company Limited	Radiation detectors	Detection Technology Oy
Norrhydro Hydraulic System (Changzhou) Co. Ltd.	Manufacturing of hydraulic sylinders	Norrhydro Group Oy
Outokumpu Stainless Steel (China) Co. Ltd.	Stainless steel products	Outokumpu Oyj
Shanghai Fimet Medical Instrument Co.	Dental chairs	Fimet Oy
Teknikum Suzhou Technology Co. Ltd.	Rubber and plastic products	Teknikum-yhtiöt Oy
XTC Company Oy	Electrical equipment	Mekitec Oy
INDIA		
Ashley Alteams India Pvt. Ltd.	Aluminium components	Alteams Group
Bharti Airtel Limited	Telecommunications	Nokia Siemens Networks Oy
Incap Contract Manufacturing Services Pvt. Ltd.	Contract manufacturer of electromechanics	Incap Oyj
Ojala (India) Engineering Pvt. Ltd.	Metal products	Ojala-Yhtymä Oy
Polygenta Technologies Ltd.	Polyester manufacturing	

Stera Engineering (India) Pvt. Ltd.	Contract manufacturer of electromechanics	Stera Technologies Oy
VME Precast Pvt. Ltd.	Concrete elements	Valkeakosken Betoni Oy
West Coast Paper Mills Limited	Paper mill	Metso Paper Oy
INDONESIA		
SaraRasa Biomass	Biofuels	
CAMBODIA		
First Finance Plc.	Microfinance	
MALAYSIA		
Polar Twin Advance (M) Sdn. Bhd.	Electronics	Polar Electro Oy
MONGOLIA		
Radisson BLU Hotel Ulaanbaatar	Hotel	
PHILIPPINES		
mBank Philippines	Microfinance	
SRI LANKA		
Lanka Orix Leasing Company Ltd.	Leasing	
South Asia Energy Management Systems (SAEMS)	Small hydropower	
THAILAND		
A.T. Biopower Co., Ltd.	Biopower plant	Pöyry Oyj
Siam Investment Fund II L.P.	Private equity fund	
Thai Biogas Energy Company	Biogas	
VIETNAM		
Mekong Enterprise Fund, Ltd.	Private equity fund	
SEAF Blue Waters Growth Fund Limited	Private equity fund	
AFRICA		
AfriCap Microfinance Investment Ltd.	Microfinance	
AfricInvest Fund Ltd.	Private equity fund	
Afrinord Hotel Investments A/S	Hotels	
Alios Finance SA	Leasing	
Atlantic Coast Regional Fund	Private equity fund	
Aureos Africa Fund LLC	Private equity fund	
B.O.A. Group S.A.	Bank	
Catalyst Fund	Private equity fund	
Fanisi Venture Capital Fund	Private equity fund	

Fidelity Equity Fund II Limited	Private equity fund	
GEF Africa Sustainable Forestry Fund, L.P.	Forestry Fund	
Green Resources AS	Forestry	
European Financing Partners	Development financing	
GroFin East Africa Fund LLC	Private equity fund	
Norsad Finance Limited	Development financing	
Silverlands Fund	Private equity fund	
ECP Africa Fund I LLC	Private equity fund	
UpEnergy Group	Wholesale trade	Climate Wedge Oy
CAPE VERDE		
Cabeólica S.A.	Wind power	
ETHIOPIA		
M-Birr Ltd.	Telecommunications	
Schulze Global Ethiopia Growth and Transformation Fund I	Private equity fund	
KENYA		
Elgon Road Developments Limited	Hotel	
Universal Corporation Ltd.	Medicines	
Lake Turkana Wind Power	Wind power	
NIGERIA		
Access Bank Plc	Bank	
African Foundries Limited	Steel	Wärtsilä Oyj
SIERRA LEONE		
Goldtree Sierra Leone Limited	Food production	
SOUTH AFRICA		
DBC South Africa Ltd.	Physiotherapy and rehabilitation	DBC International Oy
Evolution One LP	Private equity fund	
Horizon Fund III Trust	Private equity fund	
TANZANIA		
Kilombero Valley Teak Company Ltd.	Teak plantation	
Precision Air Services Ltd.	Airline company	
Tanira Ltd.	Hand pumps	Lojer Oy

THE MEDITERRANEAN

TURKEY		
PineBridge Blue Voyage Partners L.P.	Private equity fund	
Noksel A.S.	Steel pipes	Nokia Oyj

LATIN AMERICA AND THE CARIBBEAN

CENTRAL AMERICA		
CASEIF II Corporation Ltd.	Private equity fund	
Central American Mezzanine Infra Fund (CAMIF)	Private equity fund	
Central American Renewable Energy and Cleaner Production Facility (CAREC)	Private equity fund	
HONDURAS		
La Vegona	Hydropower	
Los Laureles	Small hydropower	
Mezapa Hydroelectric Project	Small hydropower	
LATIN AMERICA		
CEA Latin America Communication Partners	Private equity fund	
CIFI - Corporación Interamericana para el Financiamiento de Infraestructura, S.A	Bank	
Latin American Agribusiness Development Corporation (LAAD)	Bank	
SEAF Latam Growth Fund	Private equity fund	
Solidus Investment Fund S.A.	Microfinance	
The Forest Company Ltd.	Forestry	
NICARAGUA		
Banco Lafice-Bancentro S.A.	Bank	
URUGUAY		
Ontur International S.A.	Port	Oy Metsä-Botnia Ab

CENTRAL AND EASTERN EUROPE

BOSNIA AND HERZEGOVINA		
LOK Micro-Mikrokreditna Organizacija Sarajevo	Microfinance	
CENTRAL AND EASTERN EUROPE		
SEAF Central and East European Growth Fund LLC	Private equity fund	
SEAF South Balkan Fund B.V.	Private equity fund	

RUSSIA		
Mantsinen Machine Rental Oy	Logistics and material handling	Mantsinen Group Ltd. Oy
MP Russia Oy	Food products	Myllyn Paras Oy Konserni
OOO AVA-Peter	Hospital	Scanfert Oy
OOO Dan-Invest	Agriculture	Atria Oyj
OOO Volgastrap	Steel strips	Specta Group AG
Oy Nordic Russian Management Co - NORUM	Development financing	
Rani Plast Kaluga LLC	Plastic products	Ab Rani Plast Oy
UKRAINE		
Aqueduct Ltd.	Metal products	Macring Oy
ZAO Zaporozhkij Zavod Tjazhelogo Krasnostroenia	Cranes	Konecranes Oyj

INTERNATIONAL

Althelia Climate Fund SICAV-SIF	Environment fund	
Dasos Timberland Fund I	Forestry fund	Dasos Capital Oy
Global Environment Emerging Markets Fund III, L.P. (GEEMF)	Private equity fund	
Interact Climate Change Fund S.A.	Development financing	
MBH B.V.	Microfinance	
Moringa S.C.A. Sicar	Agroforestry fund	
Private Energy Market Fund Ky	Energy fund	Pöyry Plc
ShoreCap International Ltd.	Microfinance	
ShoreCap International Ltd. II	Microfinance	
WWB Isis Fund	Microfinance	

*) Shareholder or significant technology provider

Direct investments and Finnish skills

About three-quarters of Finnfund's investments have been made directly to project companies in developing countries. In a large proportion of these investments there is a linkage to Finnish companies. Finnfund's direct investments are **listed here**.

Finnfund's direct investments are spread over many sectors varying from engineering to plantation forestry and from pharmaceuticals to power. More than half of investments made in recent years can be regarded as climate finance because they have been used for projects in renewable energy, prevention of deforestation, energy and material efficiency or to improve the ability of poor people to adapt to the challenges posed by climate change.

The investments are also geographically diverse. Co-investments with Finnish companies are mostly in middle-income developing countries such as India, China and Ukraine, as well as in Russia. In low-income countries Finnfund mostly finances infrastructure, often together with other development finance institutions, although Finnish companies are often involved in these projects, too, as technology suppliers.

Finnfund's mission is to catalyse the investments and expertise of Finnish companies to developing countries. A pivotal role is to collaborate with the Finnish companies that have solutions to the burning problems of the developing world and therefore also opportunities in the markets of growth countries. These opportunities are often related to clean technology, which Finland would like to encourage to be implemented in developing countries. We focus on medium-sized companies and projects that are large enough for internationalisation but too small to partner with international development banks.

Finnfund's investment can be a loan or equity. We are always a minority shareholder in a project and the sponsor role is assumed by a partner with industry or country expertise, or both. Some investments are for expansion; others are greenfield. Finnfund's investments are aimed at development impacts, such as the creation of proper jobs, a tax base, higher export earnings and better or cheaper services or products for the people of developing countries. Different projects serve development in very different ways. For example, the impact of our investment in a Kenyan pharmaceuticals plant is mainly in public health and will bear fruit when medicine of lower cost and higher quality become available. On the other hand, projects to generate electricity for poor households have a mostly indirect impact, created when electricity allows thousands of small enterprises and their employees to work more productively.

Data collected from customers demonstrates that the companies financed by Finnfund employ 22,000 people directly and even hundreds of thousands indirectly but our participation plays a very variable role in creating or maintaining these jobs. Looking only at directly financed customer companies during the period while Finnfund has financed them, the net increase in jobs is about 6,900.

Finnfund expects its investee companies to assume corporate social responsibility and does not allow any corruption, tax avoidance or money-laundering. For example environmental affairs and working conditions are some of the aspects that have to meet international standards even if local legislation imposes looser demands or none at all.

Development impact via investments

About a quarter of Finnfund's investments are channelled to developing countries through private equity funds. Fund investments are targeted mainly at low-income countries, and especially Africa. Finnfund's fund investments are shown in the **project list**.

Using funds Finnfund supports mainly small and medium-sized local companies, where funding would be difficult or impossible to arrange directly cost-effectively. Finnfund concentrates on funds that provide capital for business expansion which often could not be implemented without the equity financing provided by funds.

Fund management companies usually have a local presence in their investee countries. Because risk capital for SMEs in low-income countries is a fairly recent phenomenon, the investments are usually made and managed by teams combining equity investment skills obtained in developed markets and a thorough understanding of the local market.

Finnfund has also invested in several sector funds that concentrate on industries such as renewable energy, sustainable forestry or microfinance. These funds typically operate in several countries, transferring skills across borders.

Other development finance institutions often co-invest in these funds with Finnfund. Sometimes insurance companies and pension funds of the investee country are also investing. However, foreign institutional investors do not usually participate until there is track record on successful investments. With the gradual development of a country or sector previously regarded as challenging, private equity investments become established and the funds begin to attract institutional investors too. Then, development finance institutions like Finnfund can move on to finance projects that do not yet have access to sufficient funding from commercial sources.

Funds are typically established for a term of approximately ten years. The fund usually invests the capital raised during the first few years, after which it concentrates on developing its investments and finally on exiting those. Finnfund's investment commitments to funds vary typically between 5 and 10 million euros. Finnfund participates in a total of 37 funds. At the end of 2013, its fund investments totalled some EUR 71 million, on average about EUR 1.9 million in each.

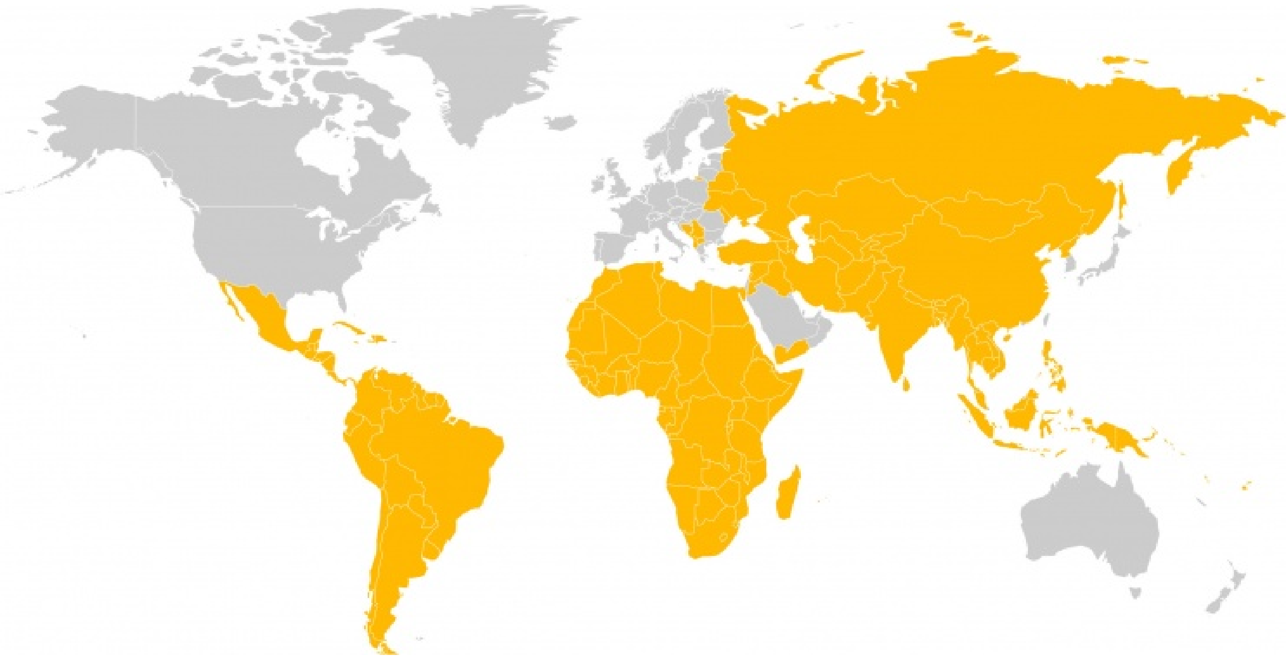
With fund investments, Finnfund aims at achieving development impacts in developing countries, such as job creation, improvements in productivity and living standards, products of higher quality or lower prices for poor consumers, an improvement in environmental conditions, and a broader tax base. In 2012 the companies funded through Finnfund's fund investments employed nearly 85,800 people. It should be noted that Finnfund's share in these funds is about 12 per cent and usually the companies have other financiers, too.

Most of the funds that invest in developing countries are registered in international financial centres. Funds investing in Africa are often registered in Mauritius. Another much-used country is Luxemburg. These domiciles are conduits, where capital from many different countries is pooled to investee countries. Taxes are not paid in the country where the fund is registered, but the investors and investees pay taxes in their own countries. In 2012 the companies financed by Finnfund via investment funds paid 268 million euros in taxes and similar levies.

Finnfund opposes to tax avoidance, corruption and money laundering in target countries or domiciles. We conduct background checks of fellow investors and fund management companies and require thorough due diligence on fund investee companies and reports on for example taxes paid. Alongside many other development finance institutions, we encourage countries of registration to create transparent regimes by investing only in funds registered in countries that comply with the progressively stricter requirements introduced by the OECD Global Forum. In November 2013 there were 21 countries* which no longer are eligible jurisdictions for new fund investments by Finnfund.

* Botswana, British Virgin Islands, Brunei, Costa Rica, Cyprus, Dominica, Guatemala, Lebanon, Liberia, Luxemburg, Marshall Islands, Nauru, Niue, Panama, Seychelles, Switzerland, Trinidad and Tobago, Turkey, United Arab Emirates and Vanuatu.

Finnfund's operational area



Energy-efficient stoves for Africans

UpEnergy, established in 2011, sells highly efficient wood stoves in Uganda via its own network and local partners.

UpEnergy has developed ways of recording the carbon savings of its stoves, in accordance with the voluntary Gold Standard emissions trading scheme of the World Wildlife Fund, or the United Nations' Clean Development Mechanism (CDM). By selling carbon credits to companies that produce greenhouse gases, it can reduce the cost of stoves.

The company meets all Finnfund's financing criteria. It operates in a poor country and its products improve the quality-of-life of the poor and the state of the environment. UpEnergy also has a minority Finnish shareholder, Climate Wedge.

Many positive impacts

Most poor families still cook food in the traditional way, in a pot perched on three stones over a fire. In the countryside the usual fuel is wood, in towns charcoal. Felling trees for fuel contributes to deforestation, and the loss of forest cover is a severe problem in countries like Uganda. In the towns, the fuel has to be purchased, a big item of expense for poor families.

UpEnergy's stoves burn wood more efficiently, creating a significant fuel saving. The stoves also produce far less carbon monoxide and particulate emissions. Smoky fires inside buildings and in doorways are major causes of respiratory disease, which is a bigger problem in Africa than malaria.

Continuing emphasis on Africa

UpEnergy intends to expand operations to new countries. Stove models suitable for local conditions are being trialled in Ruanda, and there are similar plans for Liberia and Sierra Leone.

In future, the product range may be widened to include other ways of helping the everyday lives of the poorest people, while improving energy efficiency and the state of the environment.

In April 2014 UpEnergy was ranked seventh of Ten Most Innovative Companies in Africa by Fast Company.

Investing in protecting forests

Althelia Climate Fund specializes in investments which help prevent deforestation and greenhouse gas emissions. It focuses on projects that will prevent deforestation and will generate ecologically sound production of for example agricultural products.

Certified emission reductions are sold on international markets. Examples of environmentally friendly produce are agricultural commodities like Fair Trade coffee or cocoa.

The Fund's target size is 150 million euros. The first round of funding in 2013 generated 60 million euros. Alongside Finnfund, the other subscribers are public and private players like the Swedish Evangelical Lutheran Church, the European Investment Bank and the Dutch development finance company FMO.

Althelia announced its first investment in February 2014, a conservation and sustainable land use project in Taita Hills, Southeast Kenya. The scheme combines forest conservation with job and livelihood creation for local communities. It aims to introduce more sustainable farming and charcoal production methods and thus boost the income of the local communities.

The Taita Hills project builds on existing projects in the area that protect 225,000 hectares between Kenya's two main national parks, Tsavo East and Tsavo West. Althelia's project will extend the protected area by another 200,000 hectares of land.

An estimated 200,000 local landowners and villagers will directly benefit. Moreover, endangered wild animals will be able to roam over a wide area and migrate annually between the national parks.

Promoting home purchase in Cambodia

First Finance is Cambodia's first, and so far only, financial institution specialising in granting loans for home purchase. Established in 2009 it has a clientele of lower middle-class homebuyers, who have limited access to bank loans for their first home.

Its customers are drawn from employees at low pay grades in the private sector and civic organisations. It also makes loans to small entrepreneurs.

So far the company has granted home loans to about thousand families. In addition to long-term loans for house purchase it provides shorter term credit for home renovation and acquiring furnishings.

Finnfund is supporting First Finance by investing in its convertible bonds. This will allow the company to expand its operations into the provinces of Cambodia and create new jobs.

It is Finnfund's first direct investment in Cambodia, one of the poorest countries of Southeast Asia.

Growth of home loan financing will promote the economic and social development of Cambodians. A housing loan can lift the living standards of poor families and a decent home makes it easier to hold down a job and educate the children.

It is hoped that the success of First Finance will encourage other finance companies to enter the field, increasing the supply of loans and creating competition that will benefit homebuyers.

Growth of the housing market will also create jobs in construction, building materials and related occupations like transport, and the expansion of enterprise will boost tax revenue vital for Cambodian development.

Power and development for Bangladesh

Meghna Group of Industries is one of the leading business conglomerates in Bangladesh. It is a family-owned group which turnover comes mainly from food and other branded staples. Many of its industrial units operate in Meghnaghat Industrial Park on the outskirts of the capital, Dhaka.

The industrial park already has a captive 60 megawatt power station. Everest Power Generation, a Meghna group company, is now augmenting this with additional 19 megawatt plant. The new power plant will play a key role in the group's expansion into new projects.

Employment for the poor

Some 6,700 Meghna employees work in the industrial park. The new power plant will indirectly support the creation of about 600 new jobs in an area that suffers from poverty.

Another way in which the plant will benefit the residents of the surrounding rural area is that any surplus electricity will be sold to the national power grid. Without a new power station, the industrial park would draw electricity from the national grid.

In Bangladesh the per capita consumption of electricity is one of the lowest in the world. Only about half of its 155 million inhabitants are within the reach of the power grid and power failures are common.

Power generating equipment from Wärtsilä

The total cost of the investment is about 21 million US dollars. It is being financed by Everest shareholders and loans from Finnfund and Standard Chartered Bank Bangladesh.

The main power generating equipment has been supplied by Wärtsilä, and was manufactured in Vaasa, Finland. The power station will run on natural gas, acquired from the national gas company.

Wärtsilä's equipment represents the best available technology. Its emissions are well below the average produced by power stations based on other fossil fuels. Plant efficiency, as a direct benefit, will be further boosted by utilising the heat it produces and there will be reduction in pollution as indirect benefit. Because of the plant's efficiency and low emissions, its owner can seek to sell certified emission reductions in line with the Clean Development Mechanism.

As a development finance institution, Finnfund has played a key role in facilitating the project. Despite the prominent position of the Meghna Group, it has a limited access to finance because local commercial banks are unable to grant long-term foreign currency loans.

Cost-effective wind power for Kenya

The wind farm will consist of 365 turbines for a total installed capacity of 310 megawatts. It will be the largest wind farm so far in sub-Saharan Africa. The construction will get underway during the spring 2014 and will take approximately 33 months to complete.

Besides Finnfund financiers include development finance institutions from Norway, Denmark, Germany, Netherlands and France – Norfund, IFU, DEG, FMO and Proparco.

The project consists of basic improvements to the existing road over a distance of about 200 kilometres, and construction of a village for contractors and permanent project employees. Kenyan government is responsible for construction of a power line of over 400 kilometres, required for electricity transmission.

The wind farm will be located in a dry, sparsely populated area where the population is mainly nomadic. A large corporate social responsibility programme has been drawn up to assist local inhabitants.

The wind farm will employ nearby residents. About 2,500 people will be needed to construct the wind farm. After it is complete, it will provide approximately 200 jobs.

Also schools and health facilities will be built.

When complete it will contribute 16 per cent of the total installed power generating capacity in Kenya.

Electricity generated at Lake Turkana will reduce the need to import fossil fuels from abroad. Kenya's current account will improve by an estimated 120-150 million euros annually. Clean and cheap electricity generated by the project is expected to cut carbon dioxide emissions by 790,000 tonnes a year. This is equivalent to the annual emissions of more than a quarter of a million of automobiles.

Ethiopia's first equity fund

For a decade the Ethiopian economy has grown at 10 per cent annually on average, becoming the largest economy of eastern Africa. Nonetheless, its private sector and especially companies with strong growth potential are being held back by a severe shortage of capital. Ethiopia's private equity market is extremely underdeveloped in proportion to the size of its economy. The country's reputation has been traditionally poor amongst foreign investors.

The country's first private equity fund, the Schulze Global Ethiopia Growth and Transformation Fund I (EGTF), was established in 2013 to amend the situation. It was established by Schulze Global Investments, a private management company mainly owned by the American Schulze family.

Alongside the Schulze family, EGTF's subscribers include Finnfund and other European development finance institutions as well as private investors. The fund is investing in Ethiopian SMEs in the fields of agriculture, agri-processing, healthcare, real estate, education, manufacturing, and ecotourism.

Schulze Global Investments has worked hard to lay the basis for an Ethiopian private equity fund. Almost all of the investment team are Ethiopians; half of its employees, including the head of the investment team, are women.

The launch of the fund will support the establishment of Ethiopia's private equity market, promote entrepreneurial activity and create jobs. Its operations are likely to attract other private equity funds and foreign direct investments into the country, increasing competition and capital availability, to the benefit of local companies and, ultimately, consumers and employees.

Ethiopia is a long-term partner country of Finnish development cooperation.

Finnpartnership

Vietnamese ICT company finds partnership in Finland

TMA Solutions (TMA) is a leading software company in Vietnam, with 16 years of experience in providing programming for global companies in the telecommunications, retail, finance, logistics, healthcare, and media & publishing sectors.

In 2011 TMA registered to Finnpartnership's Partner Search database. The database is a part of Finnpartnership's Matchmaking service, provided free of charge, where companies can seek new partners in Finland and in developing countries.

To date TMA has found two clients from Finland with the help of the Matchmaking Service and the company is looking for more clients or partners.

Vietnam's booming ICT sector

The Vietnamese ICT sector has grown rapidly in recent years. It has a lower cost level than many other countries, but has put a lot of effort into ICT training and education. Sixty per cent of the country's population is under the age of 30 and the literacy rate is above 90 per cent. There are about 60,000 ICT graduates per year.

The Vietnamese government has given strong support to the software industry, in the form of tax breaks, training and education, and technology parks. Vietnam has also adopted many international quality standards and methodologies for software development and testing.

Many leading companies in the ICT sector have already bought services from Vietnam. The current challenge is the lack of organisations to promote the software industry and connect Vietnamese software houses with overseas clients.

Smooth co-operation

One of TMA's clients in Finland is Tehostaja Oy, which provides cloud-based location services and process management applications for SMEs.

Tehostaja had earlier bought software services from Romania, but was looking for a more cost-efficient partnership. Because Finnpartnership had done a background check on TMA, the decision to begin co-operation was easier to reach. Finnpartnership uses outside experts to do background checks for some companies listed in the Partner Search database. Tehostaja's experience has been so positive that it is currently considering establishing an office in Vietnam.

Finnpartnership

Mobile service to help millions of farmers in East Africa

Sibesonke Ltd is a Finnish mobile-service company established in 2009 in Espoo. From the outset it has been directing its operations towards developing markets, and has successfully piloted a mobile farming service in Tanzania. Sibesonke received Business Partnership Support from Finnpartnership for conducting the preliminary studies before starting operations in Tanzania.

Sibesonke cooperates with the Tanzanian Ministry of Agriculture, Food Security and Cooperatives, and the Ministry of Livestock and Fisheries Development. The collaboration allows both Ministries to better reach the 33 million Tanzanian farmers with relevant up-to-date farming content on mobile phones. The aim of the project is to expand the service portfolio of life-relevant services and to make it accessible to large numbers of low-income people across Tanzania.

Support from Finnpartnership

It received support from Finnpartnership for partner identification, preliminary studies of the project and for employee training. Finnpartnership and other early-stage financiers play a vital role for start-up businesses focused on developing markets, Sibesonke says.

Help is needed in establishing a company in the target market, as well as in starting the actual business. Only after that can negotiations with the investors begin. Finnpartnership's support, alongside the entrepreneur's own capital and the work of business angels, is a prerequisite for success.

Strategic importance of solutions for higher farming productivity

Poor transport and communications infrastructure mean that farmers in countries like Tanzania struggle to get access to vital agricultural information, as well as training on proven farming practices. Sibesonke's mobile service offers cost-effective and scalable solutions to these challenges. Farmers get real-time weather forecasts and crop and livestock management tips, including advice on pests and disease treatment.

This collaboration in Tanzania is a major step for Sibesonke in expanding its award-winning and patented mobile community platform in East Africa. Emerging markets have not previously seen life-improving content on a social network for basic phones. Sibesonke's next services will address health questions of Tanzanians.

Report of the Board of Directors

Mission and strategy

Finnfund, formally the Finnish Fund for Industrial Cooperation Ltd, is a development finance company in which the Finnish government has a majority holding; it belongs to the administrative sector of the Ministry for Foreign Affairs and has a special development policy mission. The mission of the company is to promote economic and social development in target countries by providing financing for private-sector projects involving Finnish interests. Finnfund provides long-term risk capital to complement funding obtained from the financial markets, and it operates on a self-supporting basis. Finnfund targets financing to low-income and lower-middle-income developing countries, builds bridges between Finnish expertise and the needs of developing countries, and augments the developmental impacts of investments catalysed by Finnfund.

In 2013, the strategy of the company was revised in such a manner that Finnfund will strive to target more funding than before to poor countries and projects with good development impact potential. The company has sought added value by placing emphasis on direct investments, collaboration with Finnish companies, increasing risk-taking and an active approach in projects with promising development impact potential, where such a role is needed.

Funding and investments

During 2013, the willingness of Finnish companies to invest in developing countries still remained low. However, the volume of financing activities increased significantly on the previous year, when projects which had a positive effect on climate change and with excellent development impact potential were identified as targets for Finnfund financing operations, within the renewable energy and forestry sectors in particular.

In 2013, 20 (18 in 2012) new financing commitments were made, amounting to a total of EUR 90 million (EUR 56 million). Both the number of projects and their average size grew from the previous year. Calculated by value in euros, the growth from the year before can be considered considerable.

Many of the projects that were approved included elements that made them particularly complex to prepare. Indeed, 80 per cent of the projects undertaken were ones where Finnfund participation was considered to provide substantial added value.

Specifically, joint projects with Finnish enterprises principally concerned upper-middle-income developing countries.

The targeting of financing commitments made in 2013 for various income levels is shown in the table below.

Income level	number	%	EUR million	%
Least development countries	5	25	24.8	28
Low-income countries	2	10	30.7	34
Lower-middle-income countries	4	20	5.1	6
Upper-middle-income countries	8	40	23.9	27
Russia	1	5	5	5
Total	**20**	**100**	**89.5**	**100**

Nine (6) of the projects that were approved were equity investments or mezzanine financing that, when calculated according to their value in euros, accounted for an exceptionally high share, slightly over one-half, of all commitments made.

Nine (10) investment loan commitments were made, with a combined value of about one-third of the overall euro-value. Two (3) fund investments accounted for slightly over one-tenth of the total value in euros.

In terms of the number of commitments, most of the financing commitments (9 (6 in 2012)) went to Asia and the second most (7 (4 in 2012)) went to Africa. In monetary terms, however, Africa is clearly the most important area, accounting for almost 60 per cent of the money invested, while the share going to Asia was approximately one-fifth. China was the most popular individual country in terms of number of commitments, with four financing commitments − of relatively low monetary value − allocated to the country.

The volume of disbursements dropped to EUR 34 million from the previous year’s EUR 59 million, reflecting the low number of financing commitments made in 2012.

Of this amount, EUR 23 million (EUR 28 million) was allocated to low-income countries or the least developed countries, EUR 7 million (EUR 9 million) to lower-middle-income countries, EUR 2 million (EUR 11 million) to upper-middle-income countries, and EUR 1.5 million (EUR 11 million) to Russia.

Finnfund is actively involved in European Financing Partners (EFP), founded in 2004 as a joint financing venture of European development finance institutions and the European

Investment Bank (EIB), and in the Interact Climate Change Facility (ICCF) founded by the same actors and the French development funding provider AFD in 2011. ICCF invests in projects aimed at curbing climate change, such as renewable energy and energy efficiency.

At the end of 2013, undisbursed commitments totalled EUR 97 million (EUR 86 million). In addition, EUR 81 million (EUR 60 million) was tied up in investment commitments that had not yet progressed to the agreement stage.

Development and priorities

In autumn 2013, Finnfund published its second corporate social responsibility report in accordance with the Government Resolution on State Ownership Policy adopted on 3 November 2011. In 2013, corporate social responsibility reporting was developed on the basis of feedback received from stakeholder groups. The report is available on the **company's website**.

In autumn 2013, the Board of Directors adopted a revised **environmental and social-policy**, which is available on the company's website. The work for developing the operating methods and process for environmental and social impact assessment and reporting continued throughout the year under review.

The development of the assessment tool for development impact, developed in the previous year and introduced in the assessment of all projects in 2013, was continued during the year under review.

Co-operation with other members of the European Development Finance Institutions (EDFI) continued as in earlier years, through both concrete projects and the sharing and harmonisation of operating methods. Concrete examples of such cooperation include the above-mentioned joint financing ventures EFP and ICCF, and Afrinord, a joint venture owned primarily by Nordic development financiers that finance hotel projects in Africa. Finnfund also co-operated on various significant individual projects.

In autumn 2013, the Board of Directors adopted a new ICT strategy for 2014−2016. In addition, the company's data security and remote access policies were renewed in 2013, and systems and operating methods have been developed accordingly to better meet the needs of mobile work.

The Finnpartnership programme

Finnfund administers a business partnership programme called Finnpartnership. Launched in June 2006, it is financed by the Ministry for Foreign Affairs. In spring 2013, the Ministry for Foreign Affairs appointed a working group to prepare an amendment to the Act on a Limited Liability Company named Teollisen yhteistyön rahasto Oy (Finnfund), with the aim to make Finnpartnership a permanent part of Finnfund operations. The validity of the agreement concerning the administration of Finnpartnership was extended until the end of 2015, by which time Finnfund aims to have the amended Act enter into force.

Finnpartnership provides advisory services and business partnership support for the planning, development and implementation of commercially viable projects carried out by Finnish companies and other Finnish actors targeting developing countries; for technology and solution pilot projects; and for education and training.

Finnpartnership provides a matchmaking service for companies in developing countries, helping them find Finnish business partners. The matchmaking service has also been used by Finnish companies that are seeking business partners in developing countries.

In 2013, the demand for business partnership support and matchmaking services grew clearly from the previous year. The resources for the matchmaking service and its activity were increased notably in 2013, which resulted in strong growth in the demand for the service. Some adjustments were made to the conditions of business partnership support, and Team Finland cooperation was enhanced.

In 2013, a total of 121 (97) business partnership support applications were processed. Of these, 96 (77) applications were approved. Total support granted amounted to EUR 3.5 million (EUR 2.4 million).

Business partnership support was paid out to 80 (55) projects, totalling EUR 1.3 million (EUR 1.0 million).

In 2013, the matchmaking service received 245 (129) business initiatives from companies in developing countries.

Risk management

The Finnfund Board of Directors confirms the company's risk management principles and instruments. The company's management is responsible for the practical implementation of risk management on the basis of the guidelines confirmed by the Board of Directors. The company guidelines on asset and risk management were updated in 2013, regarding short-term investments in particular, but no substantial changes were made to the risk management principles.

Owing to the nature of its activities, the company is exposed to greater than average risks. Risk management includes risk identification, hedging, and reporting to the company's administrative bodies.

Finnfund's business concept involves active risk-taking in projects. This is taken into consideration in the terms and conditions of financing and in the active monitoring and control exercised during the investment period. Taking risks also means that some investments inevitably lose money, but the aim is to price all investments so as to hedge against risks and to diversify them so as not to compromise the operation of the company. The risk classification system developed by Finnfund and in use since 2005 is a key instrument in the assessment and monitoring of project risks. A risk assessment is conducted on all projects in the Finnfund investment portfolio at least once a year, and more often if necessary, if it is estimated that the risk level has changed.

On 8 October 2012, the Ministry for Foreign Affairs decided on the introduction of special risk financing to share investment risks between Finnfund and the Finnish government. The special risk financing is provided on the basis of a loss compensation commitment adopted by the government on 20 September 2012, whereby the government undertakes to compensate Finnfund for a maximum of 60 per cent of credit losses and investment losses in projects covered by special risk financing during the validity of the commitment. The loss compensation commitment and the related Ministry for Foreign Affairs decision are valid until 31 December 2015.

The decision to enter a particular project under special risk financing is made by the Finnfund Board of Directors. In order to be eligible for special risk financing, a project must have extremely high developmental impact potential and be aimed at a low-income or lower-middle-income country; it must also be too risky to otherwise qualify for Finnfund financing.

In 2013, the Board of Directors decided to enter 6 (2) projects under special risk financing. The aggregate value of the commitments is EUR 41.8 million (EUR 5.7 million). The government is responsible for EUR 21.3 million (EUR 2.4 million), or 51 per cent (42 per cent) of the investment risk. The loss compensation ceiling is EUR 50 million, and a maximum of EUR 5 million in compensation may be applied for in any given year.

The objective with regard to interest and exchange rate risks is to identify and hedge against any risks. Since the company's investments are targeted at developing countries and are often made in the local currency, managing exchange rate risks is exceptionally challenging. The objective is to cover the interest and exchange rate risks associated with lending fully and over the entire investment period. Managing exchange rate risks associated with equity and fund investments is more complicated. Here, the objective, on a case-by-case basis, is to cover currency positions that are certain or at least likely, and that can be hedged at a reasonable cost in relation to the benefits gained.

In order to manage its liquidity risk, Finnfund maintains liquidity that is adequate in view of the anticipated volume of disbursements. To cover future disbursements and maturing financing debts, in September 2013, Finnfund issued a EUR 50 million private placement bond with a maturity of five years, intended for Finnish investors. In addition, Finnfund has a committed credit facility of EUR 50 million at Nordea Bank, non-committed facilities in Nordic banks, and a commercial paper programme totalling EUR 100 million set up in 2010, which was not used at all at the end of 2013.

The refinancing risk associated with borrowing is managed by maintaining a sufficiently extensive group of financiers and a versatile range of instruments. The range of instruments is further increased by the bond issue mentioned above. An additional aim is that at least half of the borrowing should be long-term financing. At the end of the year under review, the average time to maturity of interest-bearing debt was 3.7 years.

In 2013, the company continued the action initiated in 2012 to improve its capacity for identifying, controlling, and combating data security risks.

Financial result and balance sheet

In 2013, Finnfund made a profit of approximately EUR 2.7 million (approximately EUR 1.2 million). The result was significantly higher than the year before and above budget.

The operational result is shown in the table below. Income from financing activities stood at EUR 11.9 million (EUR 10.7 million) and the result before value adjustment items, sales and taxes was EUR 5.7 (EUR 5.0 million).

No exits from projects occurred during the reporting period. However, income from fund investments was significantly higher than the year before and above budget. The administrative expenses increased over the year before, but they came in under budget.

Operational result, EUR 1,000	2013	2012	Change EUR	Change %
Financial income	13,558	12,301	1,257	10
Financial expenses	-1,643	-1,568	-75	5
Income from financing activities	**11,915**	**10,733**	**1,182**	**11**
Other operating income	1,558	1,203	355	30
Administrative expenses, depriciation and other expenses	-7,797	-6,977	-820	12
Result before value adjustment items, sales and taxes	**5,676**	**4,959**	**717**	**14**
Value adjustment items and sales	-2,946	-3,332	386	-12
Income taxes	-29	-387	358	-93
Net profit	**2,701**	**1,240**	**1,461**	**118**

Income

Dividend income was EUR 1.6 million (EUR 3.1 million). The dramatic drop in dividend income derives from the significant decrease in payment of dividends in one of the project companies.

Interest income from investment loans came to EUR 6.4 million (EUR 6.6 million), and other interest income was EUR 0.6 million (EUR 0.3 million). Overall interest income amounted to EUR 7.0 million (EUR 6.9 million). Other interest income consisted primarily of interest income from liquid assets, and this increase was due to the increase in liquidity.

Other income from long-term investment amounted to EUR 3.8 million (EUR 3.3 million), and this consisted of gains from fund investments (in 2012 gains from fund investments were EUR 1.1 million). No capital gains from sales were entered as income during the year under review, which was due to a delay in the exit from a specific project (in 2012, the capital gains from sales were EUR 2.2 million).

Other financial income without foreign exchange gains, at EUR 1.3 million (EUR 1.0 million), mainly consisted of arrangement fees, commitment fees, and other financing fees.

Investment income before taxes totalled EUR 13.6 million (EUR 14.4 million).

Foreign exchange gains amounted to EUR 5.0 million (EUR 5.7 million) and losses to EUR 5.0 million (EUR 5.5 million).

Other operating income amounted to EUR 1.6 million (EUR 1.2 million) and this comprises fees received for the administration of the Finnpartnership programme and other income from fees and charges.

Impairment losses

New recognised individual impairment losses amounted to EUR 9.1 million (EUR 6.9 million), representing about 3.6 per cent (2.5 per cent) of the balance sheet value of investment assets at the end of the year under review.

Reversals of previously recognised individual impairment losses amounted to EUR 12.8 million in 2013 (EUR 1.2 million). This was partly due to the positive change in the value of certain investments and partly due to the entry of previously recognised individual-impairment losses as final losses, and the reversal of the individual impairment losses previously recognised for them.

Impairment losses recognised for specific asset categories allocated to investments with reimbursement before 2005 were no longer processed (EUR 0.5 million) in 2013.

Expenses

Interest expenses were EUR 0.8 million, slightly down on the previous year (EUR 1.1 million). Interest expenses were incurred through borrowing in US dollars, which is used to refinance Finnfund investment loans denominated in US dollars, and through euro-denominated commercial papers issued in 2012 and the bond issued in autumn. The decrease in interest expenses was largely a result of the reduction in liabilities and the low interest rate.

Other financial expenses were EUR 0.8 million (EUR 0.5 million), including management fees of EUR 0.5 million (EUR 0.3 million) associated with fund investments. These fees were incurred for funds whose investment period has ended.

Investment losses amounted to EUR 6.6 million (EUR 0.4 million), which is almost exclusively attributable to previously recognised individual impairment losses.

Administrative expenses totalled EUR 7.8 million (EUR 7.0 million). The increase in expenses consists of several smaller items and is partly due to the substantial increase in project preparation activity.

Taxes recorded in the profit and loss account, totalling EUR 0.03 million (EUR 0.4 million), consist of those paid to the target countries on dividends received.

Balance sheet

The balance sheet total stood at EUR 311.0 million (EUR 312.4 million) as at the end of the year under review.

The balance sheet value of investment assets was EUR 250.0 million (EUR 274.1 million) as at the end of the year under review. Investment assets decreased by 8.8 per cent, as expected. The decrease in investment assets was a result of the repayments of investments being greater than reimbursements in new investments. However, the number of undisbursed commitments and decisions was much higher at the end of 2013 than at the end of 2012, on which basis the reduction is estimated to be temporary.

Loans (including subordinated loans and other mezzanine instruments) accounted for EUR 114.5 million or 46 per cent (141.7 million, 51.7 per cent), equity investments for EUR 64.4 million or 26 per cent (44.4 million, 23.5 per cent), and fund investments for EUR 71.0 million or 28 per cent (68.1 million, 24.8 per cent). The breakdown of investment assets by instrument changed over the course of the year, with the percentage of equity and fund investments growing while that of loans decreased substantially.

Liquidity stood at about EUR 55.1 million (EUR 33.4 million) at the end of the year, showing an increase of some 65 per cent on the previous year-end total. The increase in liquidity was a result of the bond issue of EUR 50 million in autumn 2013. The liquid assets are invested in domestic money-market instruments in accordance with the asset and risk management guidelines.

At the end of the financial period, the company's equity (share capital and retained earnings) totalled EUR 215.3 million (EUR 202.6 million) or 69 per cent of the balance sheet total (65 per cent).

The company executed two share issues in 2012, the latter of which was registered after the end of the financial period, on 3 January 2013. As a result of the share issue, the share capital was increased by EUR 4,999,870, standing at EUR 128,949,590, with 758,527 shares after the increase, with the Finnish government accounting for 694,191 (91.5) shares, Finnvera Plc for 63,349 (8.4 per cent) shares, and the Confederation of Finnish Industries EK for the remaining 987 (0.1 per cent) shares. Finnvera plc and the Confederation of Finnish Industries EK and did not subscribe to any of the new shares they were offered.

In 2013, the company executed one share issue. In the share issue, a maximum of 64,275 new shares were offered to existing shareholders, in proportion to their existing holdings, at the issue price of EUR 170 per share. The subscription period was 11 April to 7 June 2013. As a result of the share issue, the share capital was increased by EUR 10,014,190, with the Finnish government accounting for EUR 9,999,910 and the Confederation of Finnish Industries EK for the remaining EUR 14,280. A total of 58,907 new shares were issued pursuant to the issue decision. Finnvera plc did not subscribe to any of the new shares it was offered.

At the end of the financial period, the company's registered share capital stood at EUR 138,963,780 with 817,434 shares, with the Finnish government accounting for 753,014 shares (92.1 per cent), Finnvera plc for 63,349 shares (7.8 per cent), and the Confederation of Finnish Industries EK for the remaining 1,071 shares (0.1 per cent).

The company's shares have no nominal value. The equivalent value of a share in bookkeeping is EUR 170.

At the end of the year under review, the company's long-term interest-bearing debt stood at EUR 74.0 million (EUR 45.0 million) and short-term interest-bearing debt at EUR 20.0 million (EUR 63.0 million), totalling EUR 94.0 million (EUR 108.0 million). Long-term interest-bearing debt includes the bond issue of EUR 50 million in autumn 2013. In other respects, the interest-bearing liabilities are mainly denominated in US dollars, used to re-finance Finnfund investment loans denominated in US dollars.

The long-term debt as a percentage of all financing debt increased during the period under review with the bond issue and reversal of short-term debt, to about 78.7 per cent at the year-end. Financing liabilities decreased by some 13 per cent on the previous year.

Guarantee commitments totalled EUR 0.08 million (EUR 0.2 million) at the end of the year.

Key figures

	2013	2012	2011
Financial income, EUR million	18.5	20.0	30.0
Net profit, EUR million	2.7	1.2	9.2
Return on equity, %	1.3	0.6	4.9
Equity ratio, %	69.2	64.8	67.0

Formulae:

$$\text{Return on equity} = \frac{\text{Result before extraordinary items – taxes}}{\text{Equity}} \times 100\ \%$$

$$\text{Equity ratio} = \frac{\text{Equity}}{\text{Balance sheet total – advances received}} \times 100\ \%$$

Administration and personnel

In 2013, the Supervisory Board met five times, the Board of Directors met 13 times, and the audit committee of the Board of Directors met five times.

The Annual General Meeting, held on 11 April 2013, addressed the matters listed in Article 11 of the Articles of Association and decided to increase the company's share capital.

Members of the Supervisory Board at the Annual General Meeting for the period 2013−2016 were elected as follows: Eija Hietanen, Director of Strategy and Administration, Central Organisation of Finnish Trade Unions SAK; Pertti Salolainen, Member of Parliament; Seppo Toriseva, entrepreneur; Tapani Tölli, Member of Parliament; and Maria Lohela, Member of Parliament for the period 2013−2015 in place of Pirkko Mattila, Member of Parliament, who resigned, for the remaining term of office.

Members of the Board of Directors elected at the Annual General Meeting:

Ritva Laukkanen, Partner, Sagacitas Finance Partners Oy Ltd., Chair
Kari Alanko, Deputy Director General, Ministry for Foreign Affairs, Vice Chair
Tuukka Andersén, Director of Finance, Finnvera plc
Tuuli Juurikkala, Special Advisor, Ministry of Finance
Nora Kerppola, Managing Director, Nordic Investment Group Oy
Riikka Laatu, Deputy Director General, Ministry for Foreign Affairs
Päivi Leiwo-Svensk, Chairman of the Board, Oilon International Oy
Markus Pietikäinen, Vice President, Wärtsilä Oyj Abp

The members of the Board of Directors do not have deputy members.

At the Extraordinary General Meeting held on 3 October 2013, Counsellor Pekka Hukka was elected as permanent member of the Board of Directors in place of Riikka Laatu, who resigned on 20 September 2013.

The Board of Directors has an audit committee, with the following members since 25 April 2013:

Markus Pietikäinen, Vice President, Wärtsilä Oyj, Chair
Tuukka Andersén, Director of Finance, Finnvera plc
Tuuli Juurikkala, Special Advisor, Ministry of Finance

The company's auditors are PricewaterhouseCoopers Oy, authorised public accountants, with Juha Wahlroos APA as the Principal Auditor.

The company CEO is Jaakko Kangasniemi PhD (Agricultural Economics).

During the year under review, the company employed an average of 49 people (49). At year-end, the number of employees in contractual employment was 51 (52), of whom 47 (46) worked full-time. Of the 52 employees, 37 were women and 14 were men.

Total wages and salaries paid to personnel in 2011-2013 were as follows:

	2013	2012	2011
Average number of personnel	49	49	49
Total wages and salaries, EUR 1,000	3,840	3,636	3,414

The final accounts for 2013 include a provision for incentive bonuses earned in 2013, amounting to 6.71 per cent of payroll expenses (5.89 per cent). Incentives are partly based on meeting performance targets at company and function level, and partly based on individual performance.

In 2013, operation in the new organisation structure became established after the reorganisation implemented in 2012.

Outlook for 2014

In accordance with the development policy programme adopted by the government in February 2012, and with the goals set for the company by the Ministry for Foreign Affairs, Finnfund aims to improve the positive developmental impacts of its financing and to focus primarily on low-income and lower-middle-income developing countries. Finnfund aims to continue to work in close co-operation with Finnish enterprises in these countries in particular. In the future, investments in upper-middle-income developing countries will only be made selectively, mostly in projects that are estimated to generate significant environmental and developmental impacts, and to the achievement of which Finnfund can contribute substantial added value. In accordance with its strategy as updated in autumn 2013, Finnfund is prepared to assume a more active and risk-oriented role to provide a catalyst in some of its projects. To diversify and balance its portfolio, Finnfund will also participate in joint ventures, where risks and work can be shared with other development finance institutions, for example.

The amount of new investment commitments is estimated to remain at approximately the same level as in 2013. Since the number of undisbursed commitments and decisions was much higher at the end of 2013 than at the end of 2012, the number of disbursements is expected to increase clearly in 2014 and the investment assets to take a clear upward turn after the drop in 2013.

Liquidity will probably remain good in 2014. The supplementary budget confirmed at the end of 2013 and the budget for 2014 include an appropriation totalling EUR 18 million for an increase in the share capital of Finnfund in 2014. Company liquidity will be further enhanced by the bonds issued in 2013. Terms for Finnfund borrowing are estimated to remain reasonable.

The special risk financing approved by the Ministry for Foreign Affairs in 2012 improves Finnfund's chances of financing projects with a high level of financial risk, but with significant developmental impacts if successful.

The outlook for 2014 is moderate. The company's financial performance will be crucially affected by how the estimated value of its investment assets changes during the financial period and whether any profitable exits from projects occur. These are usually difficult to anticipate, although at the beginning of the year, one significant exit has advanced far enough to render the forecast profitable.

The administration of the Finnpartnership programme will continue as before. In 2014, preparation measures will be launched with the aim to incorporate the programme as a permanent part of Finnfund operations by the end of 2015.

Proposal of the Board of Directors for the distribution of profit

The company recorded a profit of EUR 2,701,933.38 in 2013. The Board of Directors proposes that the profit be transferred to the retained earnings account and set aside for disposal in accordance with Article 2 of the Articles of Association.

Profit and loss account

EUR 1 000

	Note	1 Jan. - 31 Dec. 2013	1 Jan. - 31 Dec. 2012
Other operating income	1	1,558	1,203
Staff expenses	2		
Wages and salaries	3	-3,840	-3,636
Social security expenses			
Pension expenses		-707	-613
Other social security expenses		-197	-211
Social security expenses		-904	-824
Staff expenses		-4,744	-4,460
Depreciation according to plan	4	-94	-67
Other operating expenses	5 6	-2,959	-2,449
OPERATING LOSS		**-6,239**	**-5,774**
Financial income			
Income from participating interests		1,658	2,817
Income from other investments		3,815	3,887
Other interest and financial income		13,044	13,291
Financial income total		18,517	19,995
Reduction in value of investments		3,698	-5,106
Financial expenses			
Interest and other financial expenses		-13,245	-7,487
Financial income and expenses	7	8,970	7,402
PROFIT BEFORE TAXES		**2,731**	**1,628**
Income taxes	8	-29	-387
PROFIT FOR THE FINANCIAL YEAR		**2,702**	**1,241**

Balance sheet

EUR 1 000

	Note	31 Dec. 2013	31 Dec. 2012
A S S E T S			
NON-CURRENT ASSETS			
Intangible and tangible assets	9		
Other capitalised long-term expenditure		92	29
Machinery and equipment		66	64
Total		158	93
Investments	10		
Participating interests		52,608	52,297
Receivables from participating interest	11	10,428	10,268
Other shares and similar rights of ownership		82,764	80,128
Other receivables	11	104,110	131,428
Total		249,910	274,122
NON-CURRENT ASSETS		**250,068**	**274,215**
CURRENT ASSETS			
Debtors			
Long-term			
Other debtors		1,570	1,884
Short-term			
Amounts owned by participating interest undertakings	12	314	403
Other debtors	13	498	
Prepayments and accrued income	14	2,989	2,528
Total		3,801	2,932
Debtors total		5,371	4,816
Financial securities	15		
Marketable securities		53,290	31,169
Cash in hand and at banks		1,848	2,181
CURRENT ASSETS		**60,509**	**38,166**
A S S E T S		**310,577**	**312,380**

	Note	31 Dec. 2013	31 Dec. 2012
L I A B I L I T I E S			
EQUITY	16		
Share capital	17	138,964	123,950
Share issue		0	5,000
Retained earnings		73,615	72,375
Profit for the financial year		2,702	1,241
EQUITY		**215,281**	**202,565**
CREDITORS			
Long-term	18		
Private placement	19	50,000	7,579
Loans from credit institutions		23,506	37,389
Other long-term creditors		62	19
Total		73,568	44,987
Short-term			
Loans from credit institutions		19,516	62,995
Advances received		0	14
Trade creditors		459	263
Other creditors		181	151
Accruals and deferred income	19	1,572	1,406
Total		21,728	64,829
CREDITORS		**95,296**	**109,815**
L I A B I L I T I E S		**310,577**	**312,380**

Cash flow statement

EUR 1 000

	2013	2012
CASH FLOW FROM OPERATIONS		
Payments received from operations	57,906	36,359
Disbursements to operations	-34,815	-59,627
Dividends received	1,532	2,427
Interest received	5,656	6,492
Interest paid	-857	-1,118
Payments received on other operating income	3,192	1,980
Payments of operating expenses	-7,927	-6,952
CASH FLOW FROM OPERATIONS (A)	**24,687**	**-20,439**
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-159	-19
Proceeds from assets sold	0	0
CASH FLOW FROM INVESTMENTS (B)	**-159**	**-19**
CASH FLOW FROM FINANCING		
New share issue	10,014	15,015
Short-term loans drawn	0	42,110
Short-term loans repaid	-40,933	-16,254
Long-term loans drawn	50,000	0
Long-term loans repaid	-22,062	-6,256
CASH FLOW FROM FINANCING (C)	**-2,981**	**34,615**
CHANGES IN EXCHANGE RATES (D)	**-141**	**198**
CHANGE IN LIQUID ASSETS (A+B+C+D) increase (+) decrease (-)	**21,406**	**14,355**
LIQUID ASSETS AT THE START OF THE FINANCIAL YEAR (1 Jan.)	**33,350**	**18,996**
LIQUID ASSETS AT THE END OF THE FINANCIAL YEAR (31 Dec.)	**54,756**	**33,350**
	21,406	**14,355**

Accounting policy

Portfolio

Equities and fund investments as well as loan receivables are valued at the lower of the acquisition cost or fair value in the financial statements. The value of investment is based on risk classification and other factors affecting the value. The value of the investments is monitored continuously.

In the profit and loss account write-offs and their cancellations have been included in the item of Reduction in value of investments.

Fund balance sheet values are compared with the fund manager's estimate of the portfolio's value. When the fund's investment period is ending or has ended, the balance sheet value can be no more than 90 per cent of the manager's valuation.

Special risk finance

Special risk finance is the term used to describe the class of projects in which Finnfund has been indemnified, by a decision of the Finnish government on 20 September 2012 and in force until 31 December 2015, against investment losses or write-offs. Projects indemnified before the deadline remain within this class afterwards. To be subject to indemnification, investments and loans must be separately approved by the Board of Directors.

Projects with the company's risk classification of C, CC or CCC are eligible for the special risk finance class. The corresponding level of losses indemnified by the government is 40, 50 and 60 per cent. The deferred value of claims on the government for its share of net losses from special risk finance projects is stated separately in the company's accounts. Separate application must be made to the government for payment of the indemnity, which cannot exceed EUR 5 million annually.

Other investments in current assets

Securities have been valued at the acquisition cost or the probable transfer price, whichever is lower.

Derivatives

Derivatives include foreign exchange forwards and a cross currency swap. The fair values of these derivatives are the banks' mark-to-market valuations on the balance sheet date. Changes in fair values from open derivative contracts are recognised on the profit and loss account under other financial income and expenses. Derivatives are used to hedge the principals of the loan investments.

Foreign currency items

Receivables, debts and liabilities denominated in foreign currency have been translated into euros at the exchange rate on the balance sheet date.

Intangible and tangible assets

Intangible and tangible assets are entered in the balance sheet at their acquisition cost less depreciation according to plan.

Planned depreciations:
Other capitalised long-term expenses 4-5 years
Machinery and equipment 3-5 years

Pensions

Pensions for the company's employees have been arranged in an external pension insurance company. Pension expenditure is booked in the year of accrual.

The Managing Director's pension liability is covered partly by an existing group pension insurance and partly by an annual reserve in the company's balance sheet. The annual payment is 26.51 per cent of the Managing Director's gross annual earnings.

Notes to the profit and loss account

EUR 1000

		2013	2012
1	**Other operating income**		
	Operating income from participating interests	26	59
	Remunerations	1,001	669
	Other operating income	531	475
		1,558	**1,203**
2	**Average number of staff employed**		
	Employees	49	49
3	**Wages and salaries**		
	Managing Director and his alternate	324	300
	The Board of Directors and the Supervisory Board	124	145
	The Board of Directors		
	Chair's monthly emoluments	1,100 €	
	Vice chair's monthly emoluments	700 €	
	Board members' monthly emoluments	600 €	
	Emolument per meeting of Board of Directors and Audit Committee	300 €	
	Supervisory Board		
	Chair's emolument per meeting	800 €	
	Vice chair's emolument per meeting	600 €	
	Board member's emolument per meeting	500 €	
	Managing Director has the right to retire at the age of 63. Retirement age is based on the contract renewed in 2012.		
4	**Depreciation**		
	Other capitalised long-term expenses	38	14
	Machinery and equipment	56	53
		94	**67**
5	**Other operating charges**		
	Voluntary staff expenses	410	355
	Office	357	353
	ICT	281	256
	Travel and negotiation expenses	836	719
	Entertainment and PR expenses	103	98
	External services	527	426
	Other expenses	445	242

6	**Auditor's remunerations**		
	Audit fee, end of financial year	5	4
	Audit fee, previous financial year	4	4
	Assignments	11	16
	Other services	11	50
		31	**74**
7	**Financial income and expenses**		
	Financial income		
	Dividends received		
	From participating interests	1,155	2,483
	From others	403	657
	Dividends received total	1,558	3,140
	Sales profit from investments		
	From participating interests	339	37
	From others	3,412	3,230
	Sales profit from investments total	3,751	3,267
	Interest income from investments		
	From participating interests	302	440
	From others	6,687	6,488
	Interest income from investments total	6,989	6,928
	Other interest income		
	From participating interests	165	347
	From others	1,095	651
	Exchange rate gain	4,959	5,662
	Other interest and financing income total	6,219	6,660
	Financial income	**18,517**	**19,995**
	Permanent write-offs of investments and their reversals		
	Equity and funds	-5,854	-3,627
	Loans	-3,217	-3,244
	Reversal of write-offs on shares and fund investments	6,006	330
	Reversal of write-offs on loans	6,764	891
	Write-offs of investments and their reversals	**3,699**	**-5,650**
	Provisional write-offs of investments and their reversals (investments made before 2005)	**0**	**544**
	Total write-offs	**3,699**	**-5,106**

	Interest and other financial expenses		
	Interest expenses to others	-795	-1,100
	Other financial expenses	-776	-869
	Loss from sales of assets	-6,644	0
	Exchange rate loss	-5,030	-5,517
	Interest and other financial expenses total	**-13,245**	**-7,486**
	Financial income and expenses	**8,971**	**7,403**
	The item Financing income and expenses includes loss of exchange (net)	**-72**	**145**
7	**Income from financing operations by income level**		
	Least developed countries (LDC)	3,899	1,572
	Other low-income countries (LIC)	1,014	974
	Lower-middle-income countries (LMIC)	6,149	6,812
	Upper-middle-income countries (UMIC)	3,703	5,113
	Other countries	1,665	1,160
		16,430	**15,631**
8	**Income taxes**		
	Withholding taxes on dividends	25	384
	Withholding taxes on emoluments	3	3
		28	**387**

Notes to the balance sheet

EUR 1000

9	Intangible and tangible assets	Other long-term expenses	Machinery and equipment	Total
	Acquisition cost 1 Jan. 2013	983	1,578	2,561
	Increases	101	59	160
	Acquisition cost 31 Dec. 2013	1,084	1,637	2,721
	Accumulated depreciations 1 Jan. 2013	-954	-1,515	-2,469
	Depreciation of the accounting period	-38	-56	-94
	Accumulated depreciations 31 Dec. 2013	-992	-1,571	-2,563
	Book value 31 Dec. 2013	**92**	**66**	**158**
	Book value 31 Dec. 2012	29	64	93

10	Investments / Shares and funds	Participating interests	Others	Total
	Acquisition cost 1 Jan. 2013	58,211	88,142	146,353
	Increases	1,153	13,704	14,857
	Decreases	-3,451	-8,602	-12,053
	Acquisition cost 31 Dec. 2013	55,913	93,244	149,157
	Individual write-offs accumulated as of 1 Jan. 2013	-5,913	-8,013	-13,926
	Reversal of write-offs	3,949	2,057	6,006
	Write-offs during the financial year	-1,341	-4,524	-5,865
	Individual write-offs accumulated as of 31 Dec. 2013	-3,305	-10,480	-13,785
	Book value 31 Dec. 2013	**52,608**	**82,764**	**135,372**

10	Investments / Loans	Participating interests	Others	Total
	Acquisition cost 1 Jan. 2013	15,477	148,737	164,214
	Increases	2,768	17,304	20,072
	Decreases	-5,818	-44,959	-50,777
	Acquisition cost 31 Dec. 2013	12,427	121,082	133,509
	Individual write-offs accumulated as of 1 Jan. 2013	-5,208	-17,310	-22,518
	Reversal of write-offs	3,396	3,368	6,764
	Write-offs during the financial year	-187	-3,030	-3,217
	Individual write-offs accumulated as of 31 Dec. 2013	-1,999	-16,972	-18,971
	Book value 31 Dec. 2013	**10,428**	**104,110**	**114,538**

		2013	2012
11	**Subordinated receivables**		
	Capital loans to participating interests	7,266	5,147
	Capital loans to others	32,104	29,133
		39,370	**34,280**
12	**Receivables from participating interests**		
	Interests	106	81
	Other	208	322
		314	**403**
13	**Other receivables**		
	Cross currency swaps		
	Nominal value EUR 12.176.560,12 / 10.9.2018		
	Fair value	491	0
	Currency forwards		
	Nominal value EUR 7.656.282,76 / 16.1.2014		
	Fair value	8	0
		499	**0**
14	**Prepayments and accrued income**		
	Interests	2,000	1,370
	Other	988	1,158
		2,988	**2,528**
15	**Marketable securities**		
	Repurchase price	53,461	31,622
	Book value	53,290	31,169
	Difference	**171**	**453**
16	**Shareholders' equity**		
	Share capital 1 Jan.	128,950	113,935
	Increase of share capital	10,014	10,015
	Share issue	0	5,000
	Share capital as of 31 Dec.	138,964	128,950
	Retained earnings 31 Dec.	73,615	72,375
	Profit/loss for the financial year	2,702	1,240
		215,281	**202,565**
17	**Share capital**		
	Number of shares	817,434	729,116
	Nominal value, EUR	170.00	170.00
18	**Long-term loans**		
	Private placements	50,000	7,579
	Loans from credit institutions	23,506	37,389
	Other long-term liabilities	62	19
		73,568	**44,987**

18	**Loans with maturity more than 5 years**		
	Loans from credit institutions	27,071	30,317
	Other long-term liabilities	0	19
		27,071	**30,336**
19	**Private placements**		
	Private placement 2013/2018	50,000	0
	Private placement 2011/2014	3,626	3,790
	Private placement 2011/2014	3,625	3,789
		57,251	**7,579**
19	**Accruals and prepaid income**		
	Wages including social expenses	1,251	1,159
	Interest	126	202
	Other	195	45
		1,572	**1,406**

Other supplementary information

EUR 1000

	2013	2012
Other contingent liabilities		
Guarantees		
Total amount	323	955
Outstanding	81	239
Undisbursed commitments		
Contractual commitments	96,900	86,400
Special risk finance		
Decisions of the Board of Directors	41,832	5,656
Government's indemnity	21,301	2,393
Government's indemnity, %	51%	42%
Disbursements	723	0

Other

The company acts as a lender in financial arrangements amounting to USD 50.6 million. For USD 47.3 million the risks have been contractually transferred to other financial institutions.

According to the rental agreement signed on 16 March 2007 Finnfund's share of the renovation costs is about EUR 50.000.

Customer's funds under management

As of 31 December 2013 there were EUR 746,464.08 of government's funds in the company's possession. The company manages government's funds according to the agreement with the Ministry for Foreign Affairs of the implementation of the Finnpartnership business partnership programme.

Receivables, liabilities and transactions with related parties

There has been no related party transactions which come under the disclosure obligation during the financial year.

Exchange rates	USD/EUR	1.3791
31 December 2013	RUB/EUR	45.3246

Signatures of Board of Directors' report and financial statements

Helsinki, 25 March 2014

Ritva Laukkanen Chairman	Kari Alanko Member of the Board
Tuukka Andersén Member of the Board	Pekka Hukka Member of the Board
Tuuli Juurikkala Member of the Board	Nora Kerppola Member of the Board
Päivi Leiwo-Svensk Member of the Board	Markus Pietikäinen Member of the Board
Jaakko Kangasniemi Managing Director, CEO	

Auditor's note

Our Auditor's report has been issued today.

Helsinki, 26 March 2014

PricewaterhouseCoopers Oy
Authorized Public Accountant

Juha Wahlroos
Authorized Public Accountant

Auditor's Report (translation from the Finnish original)

To the Annual General Meeting of Finnish Fund for Industrial Cooperation Ltd.

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Finnish Fund for Industrial Cooperation Ltd. for the year ended 31 December, 2013. The financial statements comprise the balance sheet, the income statement, the cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of financial statements and report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Supervisory Board and the Board of Directors or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the company´s financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit for the financial period is in compliance with the Limited Liability Companies Act and the articles of association of the company. We support that the members of the Supervisory Board as well as the members of the Board of Directors and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki 26 March 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant

Statement of the Supervisory Board

At the meeting held today, the Supervisory Board of the Finnish Fund for Industrial Cooperation Ltd. examined the report of the Board of Directors and the corporation's financial statements prepared by the Board of Directors and the Managing Director, and also the Auditors' Report for 2013. The Supervisory Board reports to the Annual General Meeting of Shareholders that the report of the Board of Directors and the accounts give no cause for comment neither does the proposal of the Board of Directors on how to deal with the distributable funds for the year.

The terms of office of the following members of the Supervisory Board expire this year: Seppo Kallio, Tarja Kantola, Katja Syvärinen and Anne-Mari Virolainen.

Helsinki, 2 April 2014

Aila Paloniemi

Eija Hietanen

Seppo Kallio

Tarja Kantola

Simo Karetie

Antti Lindtman

Maria Lohela

Pertti Salolainen

Katja Syvärinen

Seppo Toriseva

Tapani Tölli

Anne-Mari Virolainen