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Annual Report
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REVIEW BY THE MANAGING DIRECTOR



In 1999, a substantial contribution was made to consolidating the financial basis for the company's operations when the Finnish Government decided in its Programme to invest an additional FIM 1 billion in the company.



According to the legislative amendments ratified in January, Finnish Industry Investment Ltd will continue to engage in active venture capital and private equity investment but will also increase emphasis on direct investments. In future, venture capital investments will focus on funds financing companies at the seed or growth stage. The primary target for direct investments will be important new investment projects and sectoral and corporate restructuring.

Strong growth in venture capital investment

According to advance information provided by the Finnish Venture Capital Association, the number of venture capital investments in Finland totalled 350 in 1999, representing total capital of FIM 1.7 billion, or a rise of 55% on the previous year. The new fund investments amounted to FIM 3.9 billion, and total assets managed by the company rose to nearly FIM 12 billion. According to statistics compiled by the European Private Equity & Venture Capital Association, Finland rates third in Europe after Britain and the Netherlands in terms of annual investment adjusted to GDP.

Investments in IT and biotechnology

The bulk of the investments made in venture capital and private equity funds during the year under review, FIM 238.9 million, went into IT and biotechnology funds. At the end of 1999, the company's total of FIM 770.5 million in investments and current investment commitments was distributed as follows: FIM 443.6 million in venture capital funds providing capital for innovative businesses, FIM 62.8 million in regional funds, FIM 207.3 million in funds providing financing for restructuring of industry and businesses, and FIM 56.8 million in direct investments. Taking into account investments in venture capital and private equity funds, the Start Fund of Kera Oy, and direct investments, the company has made venture capital investments in 170 Finnish businesses, representing a total turnover of FIM 21.9 billion and employing 33,460 people.

High growth and sales gains figures for fund portfolios

Of Finnish Industry Investment Ltd's total investments and investment commitments, FIM 336.7 million had been paid out in the form of investments in venture capital and private equity funds or direct investments to the target companies at the end of the review year. Capital gains and income from interest and dividend on venture capital investments amounted to a total of FIM 26 million in 1999. The company's money market and bond investments totalled FIM 343 million at the end of the year, and the income from such investments came to FIM 10.5 million. Consolidated operating profit for the year stood at FIM 26.1 million, compared with FIM 17.4 million for the previous year.

Investments to promote Finnish business and industry

The widening field for investment activities and the additional investment by the State in Finnish Industry Investment Ltd imply both greater challenges and more resources for the company. Finnish Industry Investment plays an important role in seeking to support commercialization of new innovations by establishing venture capital funds that focus on providing high tech companies with seed capital at their early stages or with venture capital for expansion at later stages. In addition, the company holds a key position in setting up venture capital funds with a regional focus and in channelling financing to funds from those EU sources for which venture capital constitutes an eligible investment.

The company will increase direct investments, providing a growing new field for its operations. Such activity will open up a new channel for financing major investments, corporate restructuring and launches of important new industrial projects.



Juha Marjosola
Managing Director

INVESTMENT ACTIVITIES

In 1999, Finnish Industry Investment Ltd focused its investments on venture capital and private equity funds to help provide financing for high tech companies, in particular. During the financial year, Finnish Industry Investment Ltd intensified its cooperation with the European Union's investors.



In the year under review, Finnish Industry Investment Ltd focused its investments on venture capital and private equity funds providing financing for high tech companies. In this field it cooperated with other investors, including the European Investment Bank (EIB). Other fields for investment included venture capital and private equity funds providing capital for bio and environmental technology companies and regional and private equity funds.

New cooperation with the European Investment Bank and the European Investment Fund.

Cooperation between the company and the European Investment Bank (EIB) brings the vast capital markets of Europe within the reach of Finnish businesses. The EIB makes investments in mezzanine and equity funds with a view to fuelling economic growth, creating jobs and promoting the competitiveness of European business and industry.

In their joint operations, the company and the EIB played equal roles as initial investors for both EQVITEC Technology Mezzanine Fund I L.P. and Finnventure Rahasto V ET L.P.

In parallel with Finnish Industry Investment Ltd, the European Investment Fund invested in SFK 99-Rahasto L.P., Aboa Venture II L.P., and EQVITEC Teknologiarahasto I L.P.

Investment in a bio and environmental technology fund provides important opportunities

The company invested FIM 20 million in Bio Fund Ventures II L.P., a fund which primarily provides financing for unlisted businesses utilizing biological know-how that focus on health, nutrition or the environment, for example. Expanding unlisted companies are eligible for investment. At the first closing the committed capital totalled FIM 240.5 million. The second closing took place at FIM 373.5 million.

Finnish Industry Investment joins in a private equity fund to provide financing for growth-stage businesses

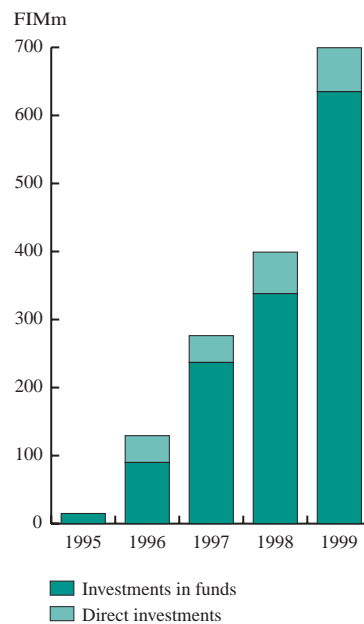
The EQT Finland fund was launched in 1999. The fund provides financing for medium-sized Finnish companies, primarily those which have an established position on the relevant market and potential for expansion, but whose growth is impeded by lack of capital. Finnish Industry Investment placed a FIM 50 million commitment in the fund, and the total amount of capital committed in the fund is FIM 822.5 million. A large part of the fund capital comes from international investors.

Number of regional funds invested in goes up to nine

In 1999, the company invested in one regional fund, Aboa Venture II L.P. Finnish Industry Investment's investment is FIM 8 million and the total capital of the fund is FIM 57.2 million. The fund provides financing for unlisted small and medium-sized Finnish growth-stage enterprises, mainly in western Finland.

Finnish Industry Investment Ltd has invested a total of FIM 62.8 million in nine regional funds. The company's investments account for 22.6% of the FIM 278.2 million in aggregate capital of these funds.

Direct investments and investments in funds



Investments in technology sector funds focused on financing growth-stage high tech companies

In 1999, Finnish Industry Investment focused on improving the financing potential for technology-intensive companies by investing in three specialist funds. The fund management companies aim to make a major contribution to developing the target enterprises and helping them to go international.

EQVITEC Technology Mezzanine Fund I L.P.

Finnish Industry Investment was an initial investor in EQVITEC Technology Mezzanine Fund I L.P. This fund provides funding for small and medium-sized growth-oriented technology enterprises in which a share capital investment backed by mezzanine financing will help the company to grow and develop. The fund size is EUR 57.2 million. Finnish Industry Investment's commitment is EUR 17 million.

Finnventure Rahasto V ET L.P.

Finnish Industry Investment put EUR 16.8 million into Finnventure Rahasto V ET L.P., which is a technology-oriented fund parallel to CapMan Finnventure Rahasto V L.P. It invests mainly in Internet, telecommunications and IT companies, and investments are primarily in share capital. The size of the parallel fund is EUR 34 million, or around FIM 202 million, and it is part of a FIM 400 million allocation for technology investments.

SFK 99-Rahasto L.P.

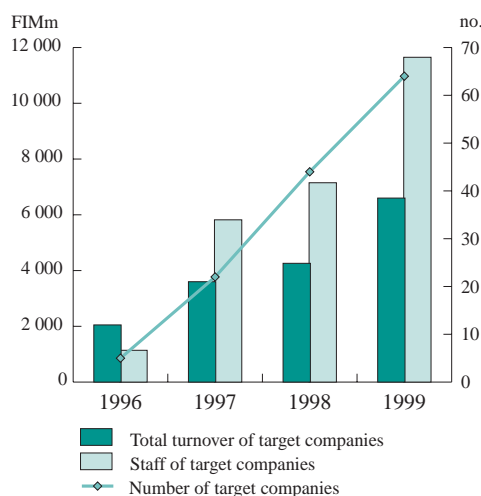
At the beginning of 1999, Finnish Industry Investment invested EUR 3 million in SFK 99-Rahasto L.P. The target companies in its focus area are expanding information, telecommunications, electronics and software enterprises. It also invests in forest and environmental technology production and service companies. At the first closing the fund's equity stood at EUR 36.2 million, and on final closing it amounted to EUR 60 million.

A growing proportion of Finnish Industry Investment's fund investments in seed and growth-stage companies

Finnish Industry Investment financing has helped to improve the growth potential of 135 companies. In 1999, investment focused on finance for new technology enterprises. About 47% of the new investments made by funds were in technology companies.

Investment has extended to even smaller growth enterprises. At the same time their turnover has risen faster, partly because of the venture capital input and partly because of the improved economic situation.

Turnover and staffing of target companies



Finnish Industry Investment concentrates mainly on venture capital funds

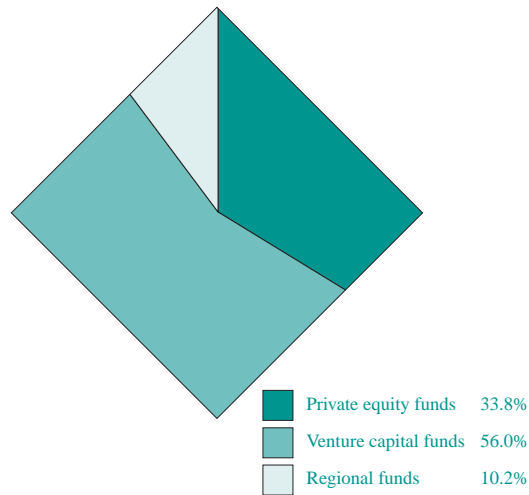
The company has made investment commitments to 26 venture capital funds, with a total investment capital of FIM 5.1 billion. These funds have cumulatively made 173 investments, 162 of which were under management at the end of 1999. Funds were managed by 74 professionals at 15 management companies.

By the end of 1999, investors had paid FIM 1.9 billion into funds involving Finnish Industry Investment. 91% of this had been employed for investments, 5% was liquid and 4% had been spent on management and establishment costs.

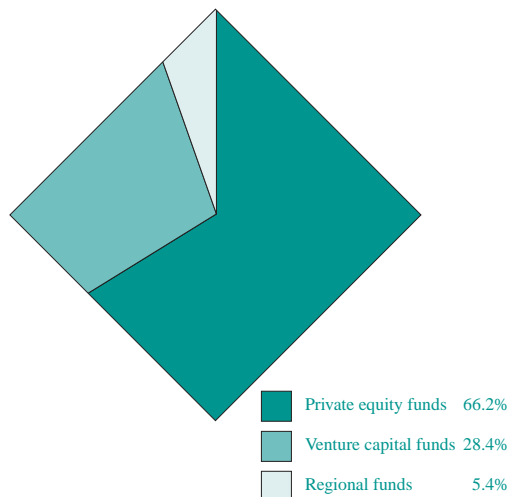
Finnish Industry Investment mainly focused on venture capital funds investing in innovative growth-oriented companies. The company's contribution to the total capital of such funds is proportionately the largest, at 24%.

Finnish Industry Investment's total investment commitments were FIM 614.3 million; FIM 462.3 million of this was unpaid commitment, putting the capital balance of investments made at FIM 152.0 million. A total of FIM 56.7 million in capital and earnings from fund investments had been paid back by December 31.

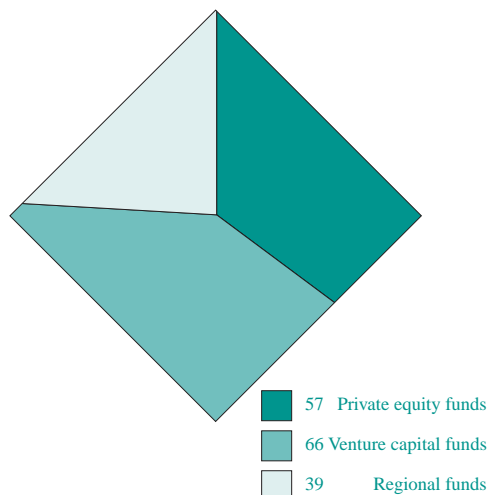
Breakdown of Finnish Industry Investment's FIM 614.3 million in fund investments, by type of investment



Funds' FIM 5.1 billion investment capital, by type of investment



Funds' 162 investments, by type of investment



START FUND OF KERA OY

Start Fund of Kera Oy, part of the Finnish Industry Investment Group, achieved its targets in 1999. Operations concentrated mainly on follow-up investments. An initial new investment was made in one target company. The company also exited from several investments according to plan.



Finnish Industry Investment owns 66.6% of Start Fund of Kera Oy, which has been a subsidiary of the Finnish Industry Investment Group since 1998. 1999 was Start Fund of Kera Oy's ninth year of operations. It is managed by SFK Finance Oy. Start Fund of Kera Oy has consistently made minority equity investments in Finnish SMEs engaged in industrial production

which have good job creation potential. The company's aim is to provide its partnership companies with the best possible foundation for success. Apart from financing, it has provided representatives to work on company boards and to back up day-to-day management. At the end of the financial year, Start Fund of Kera had investments in altogether 34 target companies with total assets of FIM 60.8 million.

In 1999, the company's investments were mainly follow-ups to target companies already in its portfolio. It made one important initial investment in a top Finnish technology enterprise.

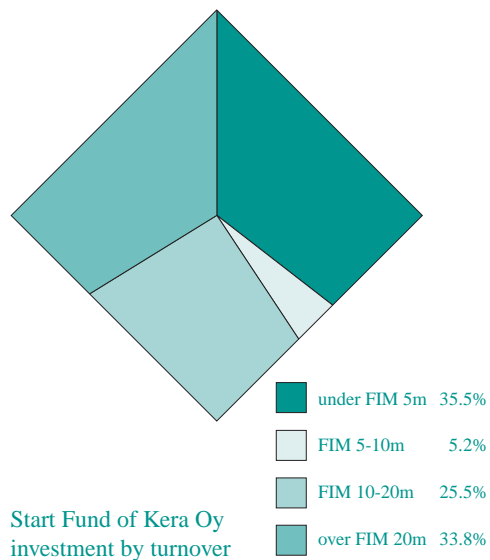
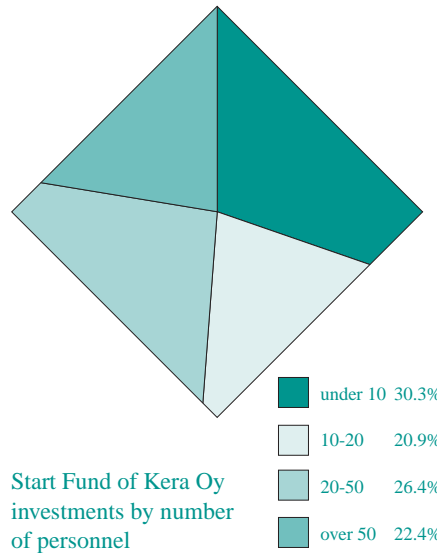
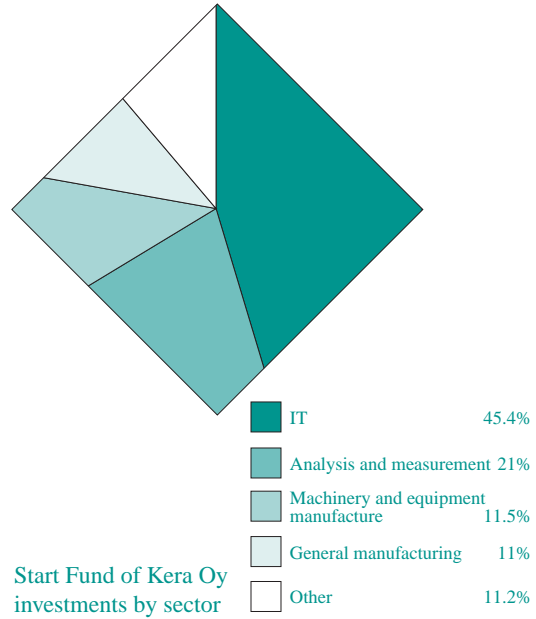
Start Fund of Kera successfully exited from several target companies during the year in accordance with its declared goals.

Iobox Oy

This company produces wireless value-added services in the field of communication, information and electronic commerce. It was founded at the beginning of 1999, when two other venture capital investors – a Finnish and a foreign technology-oriented venture capital fund – also started to provide finance, with Start Fund of Kera acting as the leading investor. The company's operations and products were actively developed. It succeeded in attracting the interest of some major international venture capitalists in the autumn, when the second round of financing was successfully completed largely with international funding.

Investments in future years to be limited to follow-up

In line with the strategy laid down by the Ministry of Trade and Industry in 1998, the company will no longer make any new initial investments. Investment will thus be limited to follow-up in targets already involving the company. The aim here is to realize the investment in the next few years.



REPORT BY THE BOARD OF DIRECTORS

JANUARY 1 – DECEMBER 31, 1999

Developments in the venture capital investment industry



venture capital investment continued to grow vigorously in Finland in 1999. According to information from the European Private Equity and Venture Capital Association, Finland ranks third in Europe in the volume of such investment when annual investment volume is set against GDP. Some FIM 3.9 billion in new capital was accumulated in funds, and the total amount of investments made during the year was

around FIM 1.7 billion. Most of the investors continued to be insurance companies, pension funds and banks.

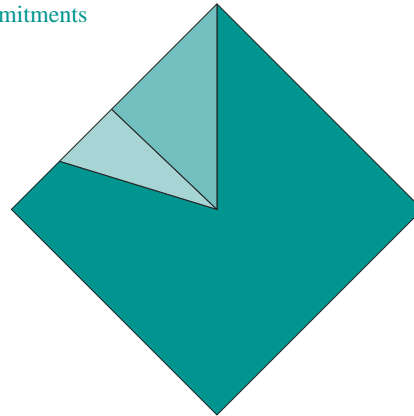
According to data from the Finnish Venture Capital Association, the total sum of such capital under management rose to around FIM 11.9 billion. Public State-owned investors accounted for around FIM 1.7 billion of this total.

Investment activities

Finnish Industry Investment has contributed to developing Finnish venture capital markets by investing actively in new venture capital

Investments and current investment commitments

	Fund investments	FIM 614.3m
	Direct investments	FIM 56.8m
	Majority holding in Start Fund of Kera Oy	FIM 99.4m
	TOTAL	FIM 770.5m



and private equity funds. The aim has been to further encourage the channelling of private assets into venture capital investment.

During the year, the main investments were in funds specializing in growth-oriented technology companies with a global perspective. Thus investments were made in joint projects with the European Investment Bank, European Investment Fund and European Regional Development Fund aimed at efficiently and sensibly channelling venture finance funding from European Union sources into Finnish funds and target enterprises. The company did not itself make any direct investments in such companies in 1999.

The company made six fund investments in 1999, totalling FIM 296.9 million. FIM 187.8 million of the new commitments made during the year applied to funds making equity capital investments, FIM 101.1 million concerned mezzanine financing and FIM 8.0 million was for regional venture capital investment. One follow-up investment of FIM 3.5 million was made directly in a target company during the year.

At year end, the company's total investments and commitments comprised 26 fund investments, four direct investments and the majority holding in Start Fund of Kera Oy.

The Group company Start Fund of Kera Oy made initial and follow-up investments totalling FIM 13.4 million in eight companies in 1999. It exited completely from seven partnership companies and partly from three. The company's portfolio comprised 34 com-

panies at year end. The book value of its investments was FIM 60.8 million.

The capital of the funds invested in by the Finnish Industry Investment Group is FIM 5.1 billion. Investors have paid a total of FIM 1.9 billion into these funds, or, about 36% of the total investment. At the end of 1999 the funds had invested in 135 target companies.

Capital for investment

Finnish Industry Investment Ltd is a State-owned investment company. Its initial capital in 1995 was FIM 320 million, but the State made further investments of FIM 80 million in 1997 and 205 million in 1998. At the end of the 1999 financial year the company's restricted equity totalled FIM 605 million. The supplementary budget in December 1999 approved a further FIM 250 million government investment in the company. Investments and investment commitments came to FIM 770.5 million at the end of 1999, and investment projects in progress totalled some FIM 300 million.

Future prospects

According to the Government Programme, the Finnish State is to invest the privatization proceeds from the sale of other State holdings in Finnish Industry Investment Ltd to strengthen its operating potential. The

planned additional investment during the term of the present Government will be one billion Finnish marks. Amendments to the act on the company's operations were drafted during the year under review, and a new act came into effect on January 5, 2000, providing the framework for an expansion of the company's investment activities.

These will put even more emphasis on the commercialization of innovations by setting up funds specializing in finance for seed and growth-stage technology enterprises. Another area of focus will be direct investment designed to promote major investments related to corporate development and restructuring and the launch of important new industrial projects. The expanding area of investment and rising need for investment capital will call for further reinforcement of the company's resources.

Profit, balance sheet and shareholders' equity

Finnish Industry Investment Ltd's investments in bonds, certificates of deposit and commercial papers at the end of 1999 totalled FIM 343 million. Venture capital and private equity investments in funds and direct investments in target companies totalled FIM 308.2 million.

Interest income from money market and bond investments totalled FIM 10.5 million. Sales gains and income from interest and dividends on venture capital investments came to FIM 26 million. Fixed expenses totalled 5.5 million compared with 4.9 million in 1998. After taxes, profit for the year came to FIM 22.4 million, against FIM 18 million the previous year.

The Group company Start Fund of Kera Oy made a profit of FIM 10.1 million in 1999, compared with a FIM 6.6 million loss in 1998. At year end, shareholders' equity stood at FIM 141 million (FIM 127.9 million the previous year).

The consolidated balance sheet total at year end was FIM 711.5 million (FIM 692.0 million in 1998). Consolidated shareholders' eq-

uity stood at FIM 664 million (FIM 643.8 million in 1998).

Investments are valued in accordance with principles recommended by the Finnish Venture Capital Association.

Administration

The Annual General Meeting of Shareholders of Finnish Industry Investment Ltd held on March 25, 1999 elected Markku Tapio chairman of the Board of Directors, with Satu Huber, Pertti Kohi, Kalle J. Korhonen, Antti Paasio, Harri Pynnä and Sirkka-Liisa Roine as regular Board members.

Hannu Niilekselä of KPMG Wideri Oy Ab, Authorized Public Accountants, and Hannu Vänskä of Arthur Andersen Oy, Authorized Public Accountants, were elected auditors.

The members of the Investment Council elected by the Board of Directors on June 8, 1999 were Jarmo Leppiniemi, Maija-Liisa Friman, Eero Hovi, Pertti Karhinen, Juha Korkeaoja, Pekka Kuosmanen, Raimo Kärkkäinen, Reijo Laitinen, Martti Mäenpää and Ulla Sirkeinen. Jarmo Leppiniemi is chairman of the Council.

The Managing Director of Finnish Industry Investment Ltd is Juha Marjosola, M.Sc. (Econ.).

Board's proposal for the distribution of profit

The Group's distributable non-restricted shareholders' equity stood at FIM 59 million on December 31, 1999. The parent company's non-restricted shareholders' equity on the same date was FIM 55.9 million, including FIM 22.4 million in profit for the year. The Board proposes that a dividend of FIM 6,200 per share be distributed from the profits at the disposal of the annual general meeting, or a total of FIM 7,502,000. The remaining FIM 48,303,405.26 would be carried over on the profit and loss account. The Board proposes that the dividend should be paid out on April 7, 2000.

INCOME STATEMENT

	GROUP		PARENT COMPANY	
	Jan. 1–Dec. 31, 1999	Jan. 1–Dec. 31, 1998	Jan. 1–Dec. 31, 1999	Jan. 1–Dec. 31, 1998
Other income from business operations	20 944 574.01	322 098.00		
Personnel expenses	-2 699 434.99	-2 333 726.00	-2 622 474.99	-2 254 535.70
Depreciation	-171 817.74	-180 161.00	-171 817.74	-163 034.00
Depreciation on goodwill	-3 040 649.00	-253 387.00		
Other business expenses	-9 425 978.91	-3 027 473.00	-2 664 557.08	-2 439 117.91
OPERATING PROFIT	5 606 693.37	-5 472 649.00	-5 458 849.81	-4 856 687.61
Financial income and expenses				
Profit from investment of non-current assets	26 976 029.85	16 582 665.00	24 507 154.88	16 371 748.66
Other financial and interest income	13 285 534.55	20 218 748.00	11 977 612.60	20 057 449.96
Write-downs on investments of non-current assets	-7 764 000.00	-6 810 284.00		-6 254 033.70
Profit+/loss- before extraordinary items, reserves and taxes	38 104 257.77	24 518 480.00	31 025 917.67	25 318 477.31
Direct taxes	-8 586 151.00	-7 334 200.00	-8 586 151.00	-7 334 200.00
Profit for the period before minority interest	29 518 106.77	17 184 280.00		
Minority interest	-3 379 742.36	182 568.00		
PROFIT FOR THE PERIOD	26 138 364.41	17 366 848.00	22 439 766.67	17 984 277.31

BALANCE SHEET

	GROUP		PARENT COMPANY	
	Jan. 1–Dec. 31, 1999	Jan. 1–Dec. 31, 1998	Jan. 1–Dec. 31, 1999	Jan. 1–Dec. 31, 1998
ASSETS				
NON-CURRENT ASSETS				
Intangible assets	88 759.01	128 629.00	88 759.86	128 628.60
Consolidated goodwill	11 909 211.00	14 949 860.00		
Tangible assets	395 819.00	387 387.00	395 819.02	281 536.00
Investments				
Shares in Group companies			99 396 015.51	99 396 015.51
Other investments				
Shares and holdings	239 986 147.00	159 846 850.00	190 221 627.51	112 558 369.46
Other non-current investments	38 050 928.00	42 248 314.00	18 601 360.00	18 601 360.00
Total investments	278 037 075.00	202 095 164.00	308 219 003.02	230 555 744.97
Non-current assets, total	290 430 864.01	217 561 040.00	308 703 581.90	230 965 909.57
CURRENT ASSETS				
Current receivables	12 242 532.00	7 410 297.00	9 726 192.86	4 465 560.08
Securities under financial assets	342 964 245.27	414 833 503.00	342 964 245.27	414 833 503.44
Cash in hand and at bank	65 830 341.00	52 221 478.00	1 547 183.72	290 013.63
Current assets, total	421 037 118.27	474 465 278.00	354 237 621.85	419 589 077.15
Assets, total	711 467 982.28	692 026 318.00	662 941 203.75	650 554 986.72

	GROUP		PARENT COMPANY	
	Jan. 1–Dec. 31, 1999	Jan. 1–Dec. 31, 1998	Jan. 1–Dec. 31, 1999	Jan. 1–Dec. 31, 1998
LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	121 000 000.00	121 000 000.00	121 000 000.00	121 000 000.00
Reserve fund	256 000 000.00	256 000 000.00	256 000 000.00	256 000 000.00
Issue premium fund	228 000 000.00	228 000 000.00	228 000 000.00	228 000 000.00
Other shareholders' equity				
Profit for the previous year	32 828 209.28	21 390 361.00	33 445 638.59	21 390 361.28
Profit for the financial year	26 138 364.41	17 366 848.00	22 439 766.67	17 984 277.31
Other shareholders' equity, total	58 966 573.69	38 757 209.00	55 885 405.26	39 374 638.59
Shareholders' equity, total	663 966 573.69	643 757 209.00	660 885 405.26	644 374 638.59
Minority interest	45 419 974.00	42 040 232.00		
LIABILITIES				
Current				
Accounts payable	33 350.00	224 323.00	29 553.60	222 178.34
Other liabilities	68 753.59	884 123.00	68 753.59	853 338.75
Accrued liabilities and deferred income	1 979 331.00	5 120 431.00	1 957 491.30	5 104 831.04
Current liabilities, total	2 081 434.59	6 228 877.00	2 055 798.49	6 180 348.13
Liabilities, total	711 467 982.28	692 026 318.00	662 941 203.75	650 554 986.72

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	GROUP		PARENT COMPANY	
	Jan. 1–Dec. 31, 1999	Jan. 1–Dec. 31, 1998	Jan. 1–Dec. 31, 1999	Jan. 1–Dec. 31, 1998
SOURCE OF FUNDS				
Funds generated from operations				
Net profit	26 138 365	17 366 848	22 439 767	17 984 277
Write-down	7 765 000	6 810 284		6 254 034
Depreciation	3 212 467	433 548	171 818	163 034
Funds generated from operations, total	37 115 832	24 610 680	22 611 584	24 401 345
Share issue		205 000 000		205 000 000
Dividend distributed	5 929 000		5 929 000	
APPLICATION OF FUNDS				
Investments	80 467 550	160 996 218	77 909 490	160 786 883
Change in operating margins	-49 280 718	68 614 462	-61 226 906	68 614 462
CHANGE IN OPERATING MARGINS				
Cash in hand and at banks	13 608 863	103 458	1 257 170	103 458
Short-term financial assets	-67 037 023	73 299 060	-66 608 625	73 299 060
Current liabilities	4 147 442	-4 788 056	4 124 550	-4 788 056
	-49 280 718	68 614 462	-61 226 906	68 614 462

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1999

Accounting principles used in the consolidated financial statements

Finnish Industry Investment Ltd's subsidiary Start Fund of Kera Oy has been included in the consolidated financial statements using the acquisition cost method. The difference in shareholders' equity corresponding to the acquired share of the cost of acquiring the subsidiary is entered as goodwill. Consolidated goodwill is depreciated over five years. The minority interest has been separated from consolidated shareholders' equity and result and entered as a separate item. Start Fund of Kera Oy's partnership companies and the parent company's partnership funds have not been consolidated, but are valued in the consolidated financial statements at acquisition cost or market value, whichever is lower. Market value was defined following the Finnish Venture Capital Association's recommendations.

Valuation principles used in the financial statements

Physical fixed assets

Fixed assets are entered in the balance sheet at acquisition cost less planned depreciation.

Intangible assets

Intangible rights
Consolidated goodwill
Other intangible assets
Tangible assets
Machinery and equipment

Securities under fixed assets and other non-current investments

Holdings and shares and other non-current investments are valued in the balance sheet at acquisition cost or market value, whichever is lower. Market value has been defined following the recommended principles of the Finnish Venture Capital Association.

Securities under financial assets

Securities under financial assets are valued at acquisition cost or market value, whichever is lower. The difference between acquisition cost and nominal value is accrued as interest income.

straight-line depreciation	5 years
straight-line depreciation	5 years
straight-line depreciation	5 years
reducing balance	25% '99 30% '98

Income statement

In the income statement, the basic formula given in section 1 of the Accounting Decree has been used, according to the State Accounting Committee decision.

Income typical of venture capital investment, such as dividends, shares of profit and interest, is entered under 'financial income and expenses'.

Sales gains arising in exits are entered under 'other business income'.

	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
OTHER BUSINESS INCOME				
Sales gains on shares	20 911 757	239 346		
Other income	32 817	82 752		
	<u>20 944 574</u>	<u>322 098</u>		
FINANCIAL INCOME AND EXPENSES				
On investments of non-current assets				
Dividend	7 177 227	1 396 343	6 576 117	1 396 343
Shares of profits	17 818 907	15 040 748	17 818 907	14 860 805
Other financial income	1 979 896	145 573	112 131	114 600
	<u>26 976 030</u>	<u>16 582 665</u>	<u>24 507 155</u>	<u>16 371 749</u>
Other financial and interest income				
Income from money market investments	10 496 786	18 582 937	10 496 786	18 582 937
Income from capital investments	2 788 749	1 635 811	1 480 827	1 474 512
	<u>13 285 535</u>	<u>20 218 748</u>	<u>11 977 613</u>	<u>20 057 450</u>
Write-down of shares under fixed assets				
	-7 764 000	-6 810 284		-6 254 034
PERSONNEL EXPENSES				
Salaries and fees	2 268 246	1 926 768	2 194 246	1 870 000
Pension expenses	297 699	287 591	297 699	287 591
Other personnel expenses	133 490	119 367	130 530	96 945
	<u>2 699 435</u>	<u>2 333 726</u>	<u>2 622 475</u>	<u>2 254 536</u>
DEPRECIATION AND WRITE-DOWNS ON FIXED ASSETS				
Depreciation on tangible and intangible assets				
	171 818	180 161	171 818	163 034
Depreciation on consolidated goodwill	3 040 650	253 387		
	<u>3 212 468</u>	<u>433 548</u>	<u>171 818</u>	<u>163 034</u>

Changes in acquisition costs of fixed assets

	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
INTANGIBLE ASSETS				
Acquisition cost Jan. 1	200 018	125 574	200 018	125 574
Increases		87 761		74 444
Decreases		-9 904		
Accumulated depreciation	-71 390	-29 014	-71 390	-29 014
Depreciation during the period	-39 869	-45 788	-39 869	-42 376
BALANCE SHEET Dec. 31	88 759	128 629	88 759	128 629
CONSOLIDATED GOODWILL				
Acquisition cost at beginning of year	15 203 248			
Increases		15 203 248		
Decreases				
Accumulated depreciation at beginning of year	-253 387			
Depreciation during the period	-3 040 650	-253 387		
BALANCE SHEET Dec. 31	11 909 211	14 949 861		
MACHINERY AND EQUIPMENT				
Acquisition cost Jan. 1	972 463	827 023	866 612	827 024
Increases	361 232	831 714	361 232	39 588
Decreases	-220 851	-484 154	-115 000	
Accumulated depreciation	-585 076	-464 418	-585 076	-464 418
Depreciation during the period	-131 949	-322 778	-131 949	-120 658
BALANCE SHEET Dec. 31	395 819	387 387	395 819	281 536

Financial securities under current assets

	Accrual value	Market value	Difference 31.12.1999
Bonds	179 172 968	175 814 370	
Certificates of deposit and commercial papers	167 232 507	167 149 875	
	346 405 475	342 964 245	3 441 230

The lower market value is used as the book value

Increases and decreases in shareholders' equity items during the period

	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
Share capital Jan. 1	121 000 000	80 000 000	121 000 000	80 000 000
Rights issue of share capital		41 000 000		41 000 000
SHARE CAPITAL Dec. 31	121 000 000	121 000 000	121 000 000	121 000 000
RESERVE FUND Dec. 31	256 000 000	256 000 000	256 000 000	256 000 000
ISSUE PREMIUM FUND Jan. 1	228 000 000	64 000 000	228 000 000	64 000 000
Rights issue premium		164 000 000		164 000 000
Issue premium fund Dec. 31	228 000 000	228 000 000	228 000 000	228 000 000
Retained profit/loss Jan. 1	38 757 209	21 390 361	39 374 639	21 390 361
Dividend distributed	5 929 000		5 929 000	
RETAINED PROFIT/LOSS Dec. 31	32 828 209	21 390 361	33 445 639	21 390 361
PROFIT FOR THE PERIOD	26 138 365	17 366 848	22 439 767	17 984 277
SHAREHOLDERS' EQUITY, TOTAL	663 966 574	643 757 209	660 885 405	644 374 638

Contingent liabilities

	GROUP		PARENT COMPANY	
	1999	1998	1999	1998
LEASING LIABILITIES	61 311	96 012	61 311	34 388
INVESTMENT COMMITMENTS	468 080 363	262 897 709	462 312 419	253 039 765
PLEDGES GIVEN FOR OTHERS		464 344		

Shares, holdings and other investments owned by the Group and parent company

EQUITY INVESTMENTS

Company	Group			Parent company			Per partnership company's last financial statements		
	holding %	nominal value	book value	holding %	nominal value	book value	result	shareholders' equity *	date
ACA Systems Oy	26.77	37 500					150 900	256 899	30.04.1999
Brossco Systems Oy	30.00	337 950	508 000				1 094	657 923	31.12.1998
Buscom Oy	7.69	922 500							
Detection Technology Oy	25.09	67 000	2 500 000				63 893	3 113 259	31.12.1998
EcoPower Technology Oy	40.73	483 000	573 882				-123 225	1 080 866	31.12.1998
Elesco Holding Oy	29.00	1 450 000	1 088 000				1 241 905	7 574 734	31.12.1998
Enviro-Invest Oy	21.00	13 030					35 823	793 724	31.03.1999
Environics Industry Oy	14.92	45 450							
Environics Oy	5.86	102 075							
Fincitec Oy	39.07	1 718 000	4 475 000				1 535 833	10 169 608	31.01.1999
Finnish Measurement Systems FMS Oy	37.74	200 000	450 000				-488 226	567 651	31.12.1998
High Speed Tech Oy Ltd	14.20	154 980		14.20	154 980				
Hämeen Lanka Oy	35.27	930 000	3 499 962				-2 482 918	4 345 898	31.12.1998
Idesco Oy	41.12	2 471 200	563 000				-721 537	4 284 471	31.12.1998
Ima Engineering Oy	35.91	195 000	600 000				-1 128 038	851 867	30.09.1999
Iobox Oy	10.82	28 300	5 094 000						
Jopamac Oy	25.00	520 000	1 500 000				774 807	-2 395 859	31.12.1998
Kupari Solutions Oy	33.33	300 000	900 000						**
MAP Medical Technologies Oy	13.76	690 000	1 168 000						
Multicom Software Oy	44.94	1 000 000	1 000 000				195 563	1 498 687	31.12.1998
Fluid-Bag Oy Ab	25.00	2 900 000	2 025 000				-869 505	7 588 652	31.12.1998
Okmetic Oyj	7.00	2 559 000	17 900 657	7.00	2 559 000	17 900 657			
Plasma Modules Oy	34.65	950 100					513 494	2 545 499	31.12.1998
Plastilon Oy	24.43	399 000	399 000				-1 138 661	7 337 314	31.12.1998
POM Technology Oy Ab	19.94	289 000	1 673 000						
Rados Technology Oy	15.43	1 955 000	2 974 000						
Roctex Oy	25.00	1 000 000					-5 970 971	-3 721 768	31.12.1998
Sample Rate Systems Oy	25.61	57 500	987 500				40 552	1 150 393	31.12.1998
Setec Oyj	15.40	3 076 500	20 326 982	15.40	3 076 500	20 326 982			
Suomen Kerta Oy	27.78	500 000	375 000				-574 765	955 341	31.12.1998
Tooler Oy	28.97	507 000	507 000				3 639 982	8 170 314	31.12.1998
Vista Communication Instruments Oy	37.35	162 930	1 125 000				-3 863 577	-1 110 079	31.12.1998
Voicebit Oy	32.50	260 000	1 800 000				-362 763	702 049	31.12.1998
Wallas-Marín Oy	20.01	55 600	30 480				-632 120	-338 329	31.12.1998
TOTAL			74 043 464			38 227 639			

Start Fund of Kera Oy subsidiary 66.67 57 618 990 99 396 016

* including capital loan

** 1st financial period

HOLDINGS IN LIMITED PARTNERSHIPS

Fund	Group			Parent company			Per partnership company's last financial statements		
	holding %	investment commitment	book value	holding %	investment commitment	book value	result	shareholders' equity	date
Aboa Venture II L.P.	15.33	8 000 000	1 028 150	15.33	8 000 000	1 028 150			
Aura Capital Rahasto V L.P.	13.33	4 000 000	1 364 322	13.33	4 000 000	1 364 322			
Bio Fund Ventures II L.P.	8.32	20 000 000	111 000	8.32	20 000 000	111 000			
EQT Finland C.V.	6.08	50 000 000	5 000 000	6.08	50 000 000	5 000 000			
EQVITEC Technology Mezzanine Fund I L.P.	99.70	101 077 410	1 667 777	99.70	101 077 410	1 667 777			*
EQVITEC Teknologiarahasto I L.P.	18.26	74 000 000	18 170 876	18.26	74 000 000	18 170 876			
Etelä-Pohjanmaan Rahasto L.P.	33.32	5 000 000	2 499 200	33.32	5 000 000	2 499 200			*
Etelä-Savon Pääomarahasto L.P.	14.88	4 500 000	877 500	14.88	4 500 000	877 500			
Fenno Rahasto L.P.	7.92	20 000 000	14 305 857	7.92	20 000 000	14 305 857			
Finnventure Rahasto III L.P.	13.66	20 000 000	16 000 000	13.66	20 000 000	16 000 000			
Finnventure Rahasto IV L.P.	5.66	20 000 000	10 400 000	5.66	20 000 000	10 400 000			
Finnventure Rahasto V ET L.P.	49.51	100 000 000		49.51	100 000 000				*
Forenvia Venture I L.P.	31.34	20 000 000	13 965 825	15.67	10 000 000	6 982 913	-627 997	29 113 246	31.12.1998
Kareliaventure Rahasto L.P.	33.32	6 500 000	788 162	33.32	6 500 000	788 162			*
Karhu Pääomarahasto L.P.	21.48	4 000 000	1 532 910	21.48	4 000 000	1 532 910	-735 787	17 668 756	31.12.1998
Lahden Alueen Pääomarahasto L.P.	28.40	4 000 000	708 000	28.40	4 000 000	708 000	-434 697	1 396 870	31.12.1998
MB Equity Fund L.P.	17.44	15 000 000	10 538 403	17.44	15 000 000	10 538 403			
MB Equity Fund II L.P.	9.99	25 000 000	4 662 542	9.99	25 000 000	4 662 542			
MB Mezzanine Fund II L.P.	5.00	50 000 000	14 143 488	5.00	50 000 000	14 143 488			
Metal Fund L.P.	33.33	5 000 000	899 960	33.33	5 000 000	899 960			*
Profita Fund I L.P.	18.07	15 000 000	9 899 097	18.07	15 000 000	9 899 097			
Savon Kasvurahasto I L.P.	12.90	6 000 000	1 090 028	12.90	6 000 000	1 090 028			
SFK 99-Rahasto L.P.	6.35	17 837 190	3 186 975	6.35	17 837 190	3 186 975			
Sponsor Fund I L.P.	3.33	20 000 000	10 809 068	3.33	20 000 000	10 809 068			
Tasku L.P.	32.23	20 000 000	8 361 978	32.23	20 000 000	8 361 978	-1 804 438	11 733 286	31.12.1998
Telecomia Venture I L.P.	34.02	20 000 000	13 931 564	17.01	10 000 000	6 965 782	-608 908	26 859 094	31.12.1998
TOTAL		654 914 600	165 942 683		634 914 600	151 993 988			

The Group's share of value of investments reported by funds based on its holding percentage (calculated per Finnish Venture Capital Association recommendations) is around FIM 190 million and that of the parent company around FIM 175 million.

* 1st financial period

OTHER INVESTMENTS

Target	Group		Parent company	
	type of investment	book value	type of investment	book value
ACA Systems Oy	Subordinated loan	375 000		
Aquamec Oy	Loan	700 000		
Atmel Finland Development Center Oy	Loan	1 500 000		
Bidecon Oy	Subordinated loan			
Brossco Systems Oy	Partly subordinated loan	724 600		
Buscom Oy	Convertible bond	1 285 000		
Detection Technology Oy	Convertible bond	2 500 000		
EcoPower Technology Oy	Convertible bond	475 000		
Elcoteq Network Oyj	Equity-rated debenture loan	15 000 000	Equity-rated debenture loan	15 000 000
Elesco Holding Oy	Convertible bond	2 250 000		
Enviro-Invest Oy	Convertible bond			
Environics Oy	Convertible bond	250 244		
Idesco Oy	Convertible bond	1 674 000		
Ima Engineering Oy	Convertible bond	500 000		
Jopamac Oy	Convertible bond	747 600		
Kupari Solutions Oy	Convertible bond	600 000		
Okmetic Oyj	Subordinated loan	3 601 360	Rated as subordinated loan	3 601 360
Plasma Modules Oy	Convertible bond	270 050		
Plastilon Oy	Convertible bond	356 000		
Sample Rate Systems Oy	Convertible bond	737 500		
Suomen Kerta Oy	Partly subordinated loan	2 400 000		
Tooler Oy	Subordinated loan	1 000 000		
Vista Communication Instruments Oy	Subordinated loan	104 574		
Wallas-Marin Oy	Partly subordinated loan	1 000 000		
TOTAL		38 050 928		18 601 360
Total investments		278 037 074		308 219 004

Changes in the value of holdings, shares and other investments held by Group and parent company

	Group				Parent company			
	Shares	Holdings in funds	Receivables	Total	Shares	Holdings in funds	Receivables	Total
Acquisition cost Jan. 1, 1999	120 215 064	87 425 890	55 898 360	263 539 314	142 452 255	77 342 747	18 601 360	238 396 362
Increases	12 190 506	91 731 938	5 290 568	109 213 012	3 502 017	87 641 938		91 143 955
Decreases	7 102 489	13 215 145	3 294 000	23 611 634	490 000	12 990 697		13 480 697
Acquisition cost Dec. 31, 1999	125 303 081	165 942 683	52 494 928	343 740 692	145 464 272	151 993 988	18 601 360	316 059 620
Accumulated depreciation and write-downs Jan.1,1999	47 739 617		10 200 000	57 939 617	7 840 617			7 840 617
Write-downs	3 520 000		4 244 000	7 764 000				
Book value Dec. 31, 1999	74 043 464	165 942 683	38 050 928	278 037 075	137 623 655	151 993 988	18 601 360	308 219 003

Helsinki, March 10, 2000




Markku Tapio
Chairman of the Board



Kalle J. Korhonen
Vice Chairman of the Board



Satu Huber



Pertti Kohi



Antti Paasio



Harri Pynnä



Sirkka-Liisa Roine



Juha Marjosola
Managing Director

The financial statements have been prepared in accordance with Generally Accepted Finnish Auditing Standards. The auditors' report has been submitted today.

Helsinki, March 13, 2000



KPMG WIDERI OY AB
Hannu Niilekselä, APA



ARTHUR ANDERSEN OY
Hannu Vänskä, APA

AUDITORS' REPORT

To the shareholders
of Finnish Industry Investment Ltd

We have audited the accounting, financial statements and corporate governance of Finnish Industry Investment Ltd for the period January 1 – December 31, 1999. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements and balance sheets, and notes to the accounts, were prepared by the Board of Directors and the Managing Director. Based on our audit, we express the following opinion on these financial statements and the corporate governance.

We have conducted our audit in accordance with the Finnish Auditing Standards. The accounting and the principles, content and presentation of the financial statements were audited to verify that they were free of material

misstatement. The purpose of the audit of corporate governance is to ensure that the Board of Directors and the Managing Director have legally complied with the provisions of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations covering the preparation of financial statements. They give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations, and of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the period audited by us.

The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

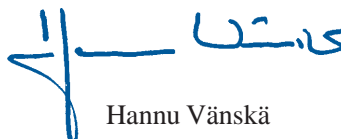
Helsinki, March 13, 2000

KPMG WIDERI OY AB



Hannu Niilekselä
Authorized Public Accountant

ARTHUR ANDERSEN OY



Hannu Vänskä
Authorized Public Accountant

BOARD OF DIRECTORS



Front row:

<p>Chairman Markku Tapio Director General Ministry of Trade and Industry</p>	<p>Juha Marjosola Managing Director Finnish Industry Investment Ltd</p>
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Back row, left to right:

<p>Antti Paasio Professor Turku School of Economics and Business Administration</p>	<p>Vice Chairman Kalle J. Korhonen Director General Ministry of Trade and Industry</p>	<p>Satu Huber Director of Finance State Treasury</p>
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<p>Pertti Kohi Financial Counsellor Ministry of Finance</p>	<p>Sirkka-Liisa Roine Managing Director Finnish Foundation for Share Promotion</p>	<p>Harri Pynnä Corporate Executive Vice President General Counsel Fortum Corporation</p>
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INVESTMENT COUNCIL

Chairman

Jarmo Leppiniemi, Professor, Helsinki School of Economics and Business Administration

Members

Maija-Liisa Friman, Managing Director, Gyproc Oy
Eero Hovi, Researcher, Finnish Metal Workers' Union
Pertti Karhinen, Managing Director, Finndomo Oy
Juha Korkeaaja, MP
Pekka Kuosmanen, MP
Raimo Kärkkäinen, Deputy Director,
 The Central Organization of Finnish Trade Unions

Reijo Laitinen, MP
Martti Mäenpää, Director General,
 National Technology Agency
Ulla Sirkeinen, Director,
 Confederation of Finnish Industry and Employers TT

PERSONNEL



Juha Marjosola
Managing Director
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mobile phone +358 50 62 636
juha.marjosola@teollisuussijoitus.fi



Finnish Industry Investment employs a skilled and professional team with extensive experience in investment, corporate financing and business management who are keen to serve you in all matters related to venture capital and private equity investments. Their many years of experience and wide professional capabilities ensure that you get expert service.

The management group comprises Managing Director Juha Marjosola and Directors Riitta Jääskeläinen and Kimmo Viertola. Ms Jääskeläinen is also Managing Director of the subsidiary Start Fund of Kera Oy. Jaana Ekström, Assistant to the Management, and Investment Assistant Taina Vilppala provide the management group with expert support.



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Taina Vilppala
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Finnish Industry Investment Ltd 1999

- ◆ Total investments and investment commitments FIM 770.5 million, of which FIM 300.4 million committed in 1999.
- ◆ Profit for the year FIM 22.4 million.
- ◆ Balance sheet total FIM 662.9 million, of which shareholders' equity totalled FIM 660.9 million.
- ◆ Revised act on company's operations took effect on January 5, 2000.

Operational targets

- ◆ To improve the prospects for early-stage companies to obtain finance.
- ◆ To participate in corporate restructuring and major new investment projects.
- ◆ To channel venture capital financing from the European Union into Finland.

Investments in

- ◆ venture capital funds
- ◆ unlisted Finnish enterprises