

18 January 2011 at  
12.00 hours

**SOLIDIDIUM OY'S JULY-DECEMBER 2010 HALF YEAR REPORT**

- Solididium's investment yield was 20.1% for the review period and 24.7% for the last 12 months
- Solididium paid 356 million euros in dividends to the State of Finland
- Solididium's net asset value increased during the review period by 856 million euros, amounting to 8,571 million euros at the end of the period, despite the payment of dividends
- Solididium sold shares in Sponda Plc for the sum of 176 million euros
- Solididium sold shares in Tikkurila Plc for the sum of 98 million euros
- Solididium received a total of 8.3 million euros in cash dividends during the review period
- Solididium's profit for the review period amounted to 61 million euros

Solididium's Managing Director Kari Järvinen's comments on the review period:

"The development of Solididium's portfolio during the past half year period was good. The value of the company's portfolio increased to 9,548 million euros and yield was 20.1 per cent. Solididium paid a dividend of 356 million euros to the State of Finland, which was equal to the cash dividend received by Solididium from its portfolio companies during Solididium's ended financial year.

During the review period, Solididium sold shares in two companies. Shares in Sponda were sold after a sharp rise in the price of the company's shares and, with the sale of these shares, Solididium achieved the objectives that it had set for its investment in Sponda in the share issue carried out in 2009. We remain the largest shareholder in Sponda with a holding of about 15 per cent following the sale of the shares. Solididium also sold its shares held in Tikkurila, completing our part in the process in which we were actively involved in planning Kemira's capital raising in autumn 2009 and the related spin-off of Tikkurila in early 2010. This series of measures has benefitted Kemira's shareholders, and Kemira was one of the companies that posted the best value performance in Solididium's portfolio last year. Even following the sale of our shares, Tikkurila still has good and extensive Finnish ownership including a Finnish anchor shareholder.

During the review period, we have raised two special themes from the owner's viewpoint: evaluation of board operations and management succession planning. Finnish listed companies' boards carry out regular self-evaluations on their work, but in my opinion these evaluations could still be further developed. The largest listed companies could consider introducing outside expert evaluation, if such evaluation is deemed to be helpful in developing operations and adapting best practices by the board. Timely preparation for changes in management is a key task of a board of directors. From the owner's point of view we have attached focus to the fact that management succession planning could be further developed, in order to secure well administered changes in management at any time.

Share prices have risen sharply from spring 2009 on. Still improving earnings are forecast for year 2011, but the duality of economic growth and problems pertaining to the Euro-

pean financial system bring challenges to the share price development during current year. We have confidence that Solidium's income from dividends will develop positively in the coming spring, which would enable us to pay increasing dividends to the State of Finland from the current financial year."

## **I SOLIDIUM'S INVESTMENTS**

### **Sale of shares in Sponda Plc**

On 16 November 2010, Solidium sold 53 million Sponda Plc shares, corresponding to approximately 19 per cent of the outstanding shares, in an accelerated bookbuilt offering at a price of 3.33 euros per share. A significant portion of the shares placed in the offering were purchased by Ilmarinen Mutual Pension Insurance Company and Varma Mutual Pension Insurance Company, with the remainder being placed with institutional investors in Finland and internationally.

Gross sales proceeds of the offering amounted to approximately 176 million euros, representing a pre-tax capital gain for Solidium of approximately 79.3 million euros. As a consequence of the sale, Solidium's holding in Sponda decreased from 34.3 per cent to 15.2 per cent of the outstanding shares, but Solidium remains the largest shareholder in Sponda.

### **Sale of shares in Tikkurila Plc**

On 25 November 2010, Solidium sold its entire holding in Tikkurila Plc in an accelerated bookbuilt offering. Before the disposal, Solidium owned 6,474,021 shares in Tikkurila, corresponding to 14.7 per cent of the outstanding shares. The execution price was 15.10 euros per share and gross sales proceeds from the offering amounted to approximately 98 million euros.

Finnish institutional investors acquired 74 per cent of the shares, and international institutional investors acquired 24 per cent. Ilmarinen Mutual Pension Insurance Company and Oras Invest were the key investors in the shares offered.

Solidium received Tikkurila shares in March 2010 when Kemira distributed 86 per cent of Tikkurila's shares to Kemira shareholders as dividend, in order to facilitate the spin-off and stock exchange listing of the paints manufacturer. Solidium reported a capital loss of 5.3 million euros on the sale, since Solidium received the Tikkurila shares as a dividend from Kemira at a book value of 15.80 euros per share.

### **Acquisition of shares in Elisa Corporation**

In November 2010, Solidium acquired a total of 170,000 Elisa Corporation shares from the market. The total price of the transactions was 2.7 million euros, with the average share price amounting to 15.64 euros. The acquisitions were made in order to ensure that Solidium's holding in Elisa would remain above 10 per cent if Elisa issues new shares as part of its current remuneration schemes.

### **Dividends and other profit distribution received by Solidium**

During the review period, Solidium received profit distribution from its portfolio companies (dividends and capital repayments) amounting to 8.3 million euros (26.1 million euros in 1 July – 31 December 2009). In total, profit distribution received during the 2010 calendar year was 440 million euros.

Profit distribution received during the financial year 1 July 2009 – 30 June 2010 totalled 458 million euros, of which cash dividends and cash capital repayments were 356 million euros.

### **Development of the investments and key indicators**

The total value of Solidium's investments (equity investments and money market investments) was 9,548 million euros on 31 December 2010 (8,272 million euros on 30 June 2010). The yield of Solidium's investments was 20.1 per cent in the review period and 24.7 per cent over the last 12 months. Annex 1 contains detailed information on the key investment indicators.

#### *Equity investments*

The value of Solidium's equity investments on 31 December 2010 stood at 9,275 million euros (7,914 million euros on 30 June 2010). In the review period, the total yield of the equity investments amounted to 20.9 per cent, while the yield for the last 12 months was 25.2 per cent. The OMX Helsinki Cap Total Return Index rose by 23.6 per cent in the review period and by 29.8 per cent over the last twelve months.

#### *Money market investments*

On 31 December 2010, Solidium's invested cash reserves stood at a total of 273 million euros (358 million euros on 30 June 2010). The return on the cash reserves in the review period amounted to 0.2 per cent. The amount of the cash reserves fluctuated in the review period as, on the one hand, Solidium received dividends from Elisa Corporation and sold Sponda Plc and Tikkurila Plc shares and, on the other hand, acquired shares in Elisa Corporation. Solidium's cash reserve investment strategy is to invest in low risk money market instruments.

### **Participation in the work of the Nomination Committees**

Managing Director Kari Järvinen was appointed to the Shareholders' Nomination Committee of Metso Corporation, Outokumpu Oyj, Rautaruukki Oyj, Sponda Plc and Tieto Corporation (in all of which he was elected Chairman) and to the Shareholders' Nomination Boards of Kemira Oyj, TeliaSonera AB and Tikkurila Plc. Keijo Suila, Chairman of the Board of Directors of Solidium, has acted as Chairman of Stora Enso Oyj's Shareholders' Nomination Board. The Nomination Boards are charged with preparing the motions to the 2011 Annual General Meetings concerning the election of Board members and their remuneration.

### **Developing the evaluation of board work**

The boards of most Finnish listed companies regularly evaluate their own work, in accordance with the Corporate Governance Code, with a so-called self-evaluation carried out internally by the board. However, Solidium sees that such evaluations could be further developed by having an outside expert evaluate the board's work on a regular interval. Such outside expert could, in addition to auditing the board's work, also facilitate improving the board's operations and methods as well as adapting best practices by the board. The London Stock Exchange Corporate Governance Code requires that all large listed companies have an outside evaluation of the board at least every three years.

Solidium strives to influence its portfolio companies so that the evaluation of their boards' work is further developed in the coming years.

### **Management succession planning**

Succession planning is a company's Board's task. One of the key factors in a company's success is a well-prepared process in which persons suitable for management duties are identified from among the company's personnel and offered the chance to improve their know-how for such management duties. Similarly, predicting possible situations in which changes occur and, if necessary, charting external potential candidates form a key part of the process of managing personnel changes.

Solidium strives to influence its portfolio companies so that their boards would utilise the best possible long-term processes for preparing for personnel changes occurring in the companies' management.

## **II SOLIDIUM OY IN THE REVIEW PERIOD**

### **General Meeting**

The Annual General Meeting of Solidium was held in Helsinki on 27 August 2010. The Annual General Meeting adopted the company's financial statements for the financial period 1 July 2009 to 30 June 2010 and discharged the members of the Board of Directors and the Managing Director from liability.

The General Meeting resolved, in accordance with the proposal of the Board that a dividend of 356 million euros be paid for the financial period.

It was confirmed that the Board of Directors shall have seven (7) members. The following persons, who gave their consent, were elected to the Board of Directors until the end of the next Annual General Meeting: Chairman Keijo Suila, Vice Chairman Eija Ailasmaa and regular members Jouni Hakala, Antti Herlin, Lauri Ihalainen, Marketta Kokkonen and Anni Vepsäläinen.

The Annual General Meeting confirmed that the Chairman of the Board of Directors shall receive a fee of 5,500 euros per month, the Vice Chairman 3,000 euros per month and the

members 2,500 euros per month. In addition, a meeting fee of 600 euros was confirmed for each meeting.

The firm of authorised public accountants KPMG Oy Ab, with APA Sixten Nyman as the principal auditor, was appointed as Solidium's auditor to serve for a term ending at the end of the next Annual General Meeting. The Annual General Meeting resolved to remunerate the auditors in accordance with their invoice.

### Events in the review period that affect Solidium's profits

Solidium Oy reported a capital gain of 79 million euros on the sale of shares in Sponda Plc and a capital loss of 5 million euros on the sale of Tikkurila Plc's shares. Financial income included 8 million euros in dividends received from Elisa Corporation.

### Key financial figures

|  | 1 July 2010 –<br>31 December<br>2010<br>(6 months) | 1 July 2009 –<br>31 December<br>2009<br>(6 months) | 1 July 2009 –<br>30 June 2010<br>(12 months) |
|--|--|--|--|
| Operating profit, EUR million                          | 71.1   | -1.6   | -3.7   |
| Profit for the period, EUR million                     | 60.9   | -1.4   | 397.3  |
| Return on investment at fair value, %                  | 20.1   | 29.7   | 34.6   |
| Dividends and capital repayments received, EUR million | 8.3  | 26.1   | 458.4  |
| Management cost ratio, %                               | 0.07   | 0.05   | 0.05   |
| Net asset value, EUR million                           | 8,571.3  | 7,390.3  | 7,714.8                                      |
| Shareholders' equity, EUR million                      | 5,841.7  | 5,738.1  | 6,136.8                                      |
| Interest-bearing liabilities, EUR million              | 0.0  | 0.0  | 0.0  |
| Equity ratio, %  | 99.7   | 100.0  | 99.9   |
| Average number of employees                            | 11   | 11   | 11   |

This half year report has not been audited.

Solidium's half year report is available on the company's website, [www.solidium.fi](http://www.solidium.fi), in the Publications and Media section.

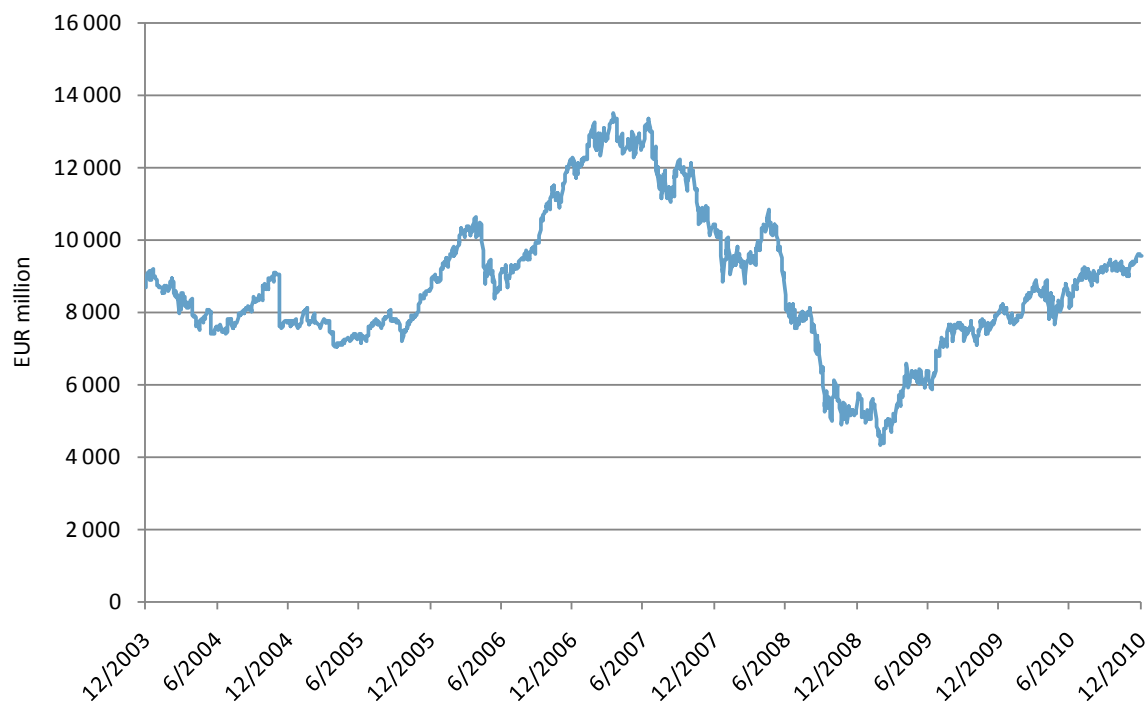
Annex 1: Solidium's investments as at 31 December 2010

Solidium Oy

Further information: Managing Director Kari Järvinen, tel. +358 (0)10 830 8905

*Solidium is a limited company wholly owned by the State of Finland. Its mission is to strengthen and stabilise Finnish ownership in nationally important companies and increase the value of its holdings in the long run. Investment activities are based on financial analysis. The core of*

*Solidium's investment strategy is proper, value enhancing asset management of the current holdings. Through its stakes, Solidium is a minority owner in ten listed companies: Elisa, Kemira, Metso, Outokumpu, Rautaruukki, Sampo, Sponda, Stora Enso, TeliaSonera and Tieto. The market value of Solidium's investments is approximately 9.4 billion euros at the date of this press release. Further information: [www.solidium.fi](http://www.solidium.fi).*

**ANNEX 1: SOLIDIUM'S INVESTMENTS AS AT 31 DECEMBER 2010**
**VALUE OF TOTAL INVESTMENTS**


Includes money market investments. The period before 11 Dec 2008 refers to the time when equity investments were held directly by the State of Finland.

**INDICATORS**

|                                | 1 month | 6 months | YTD  | 12 months | 2 years |
|--------------------------------|---------|----------|------|-----------|---------|
| Yield, %                       | 6,2     | 20,1     | 24,7 | 24,7      | 36,2    |
| Yield of benchmark index, % *) | 8,2     | 23,6     | 29,8 | 29,8      | 36,9    |
| Volatility, %                  | -       | 16,3     | -    | 20,9      | 27,5    |
| Sharpe                         | -       | 2,6      | -    | 1,1       | 1,3     |
| Beta                           | -       | -        | -    | 0,9       | 1,0     |
| Alfa, %                        | -       | -        | -    | -3,5      | -0,2    |
| Tracking Error, %              | -       | -        | -    | 5,6       | 7,7     |
| Information ratio              | -       | -        | -    | -0,9      | -0,1    |

(Over-12-month indicators are annual)

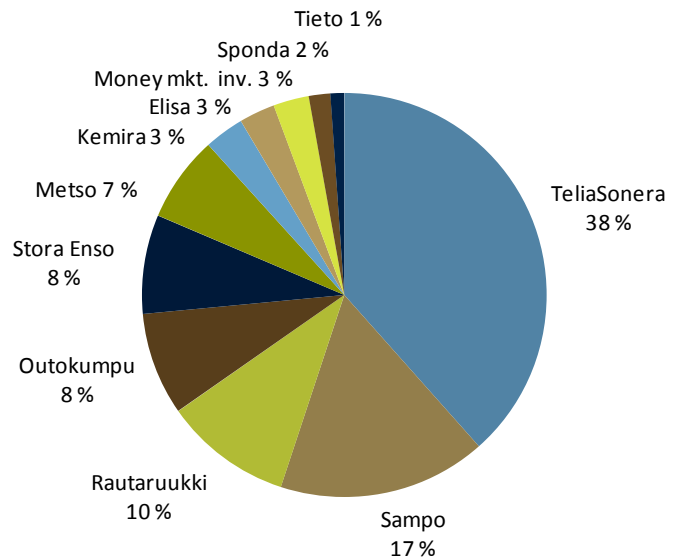
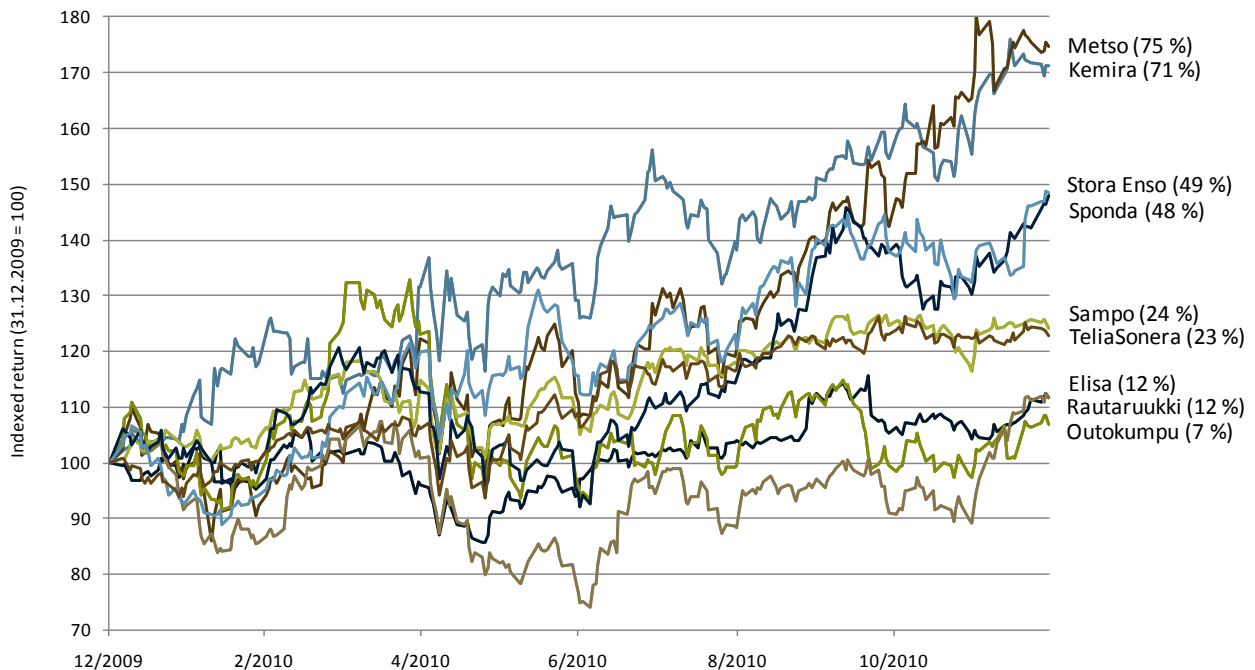
\*) OMX Helsinki Cap GI

YTD = year-to-date

Includes money market investments.

**PORTFOLIO WEIGHTS**

|                 | EUR                  |
|-----------------|----------------------|
| <b>Total</b>    | <b>9 548 490 471</b> |
| Elisa           | 273 352 270          |
| Kemira          | 302 984 218          |
| Metso           | 656 062 997          |
| Outokumpu       | 783 395 486          |
| Rautaruukki     | 974 547 048          |
| Sampo           | 1 589 565 604        |
| Sponda          | 163 595 331          |
| Stora Enso      | 757 730 628          |
| Stora Enso A    | 438 929 923          |
| Stora Enso R    | 318 800 705          |
| TeliaSonera     | 3 669 043 556        |
| Tieto           | 105 002 319          |
| Money mkt. inv. | 273 211 014          |


**SHARE YIELDS, LAST 12 MONTHS**


Note. Tieto was not in the portfolio at the beginning of the calendar year