

18 January 2010 at 12.00 hours

**SOLIDIUM OY'S JULY-DECEMBER 2009 HALF YEAR REPORT**

- Solidium's investments amounted to 7,965 million euros at the end of the period. Investment yield was 29.7 % for the half year report period, and 48.8 % for the full year 2009
- Solidium used its full subscription entitlement in Kemira's 200 million euro share issue
- Extraordinary capital repayment of 6.7 million euros from Elisa
- Capital repayment of 19.4 million euros from Stora Enso
- Solidium signed a 300 million euro revolving credit facility agreement

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

" The positive developments in the equity markets were reflected in Solidium's equity investments. The strong balance sheet and the agreed credit facilities enable Solidium's participation in the development of Solidium's portfolio companies as well as allowing us to invest in new companies.

During the autumn, Solidium has been involved in the work of the Nomination Committees of six of our portfolio companies. The election of the Board of Directors in the Annual General Meeting is one of the key decisions taken by the owners and as such has significance for Solidium, as well. A Nomination Committee comprising owners as members is a good model for companies that are owned by large shareholders, who are committed to the long-term development of the company. The deployment of a Nomination Committee emphasises the responsibility of the owners in the election of the Board; furthermore, it adds transparency and a long-term dimension to the election."

**I SOLIDIUM'S INVESTMENTS****Events in the review period****Share issue by Kemira**

During the fourth quarter Kemira Oyj arranged a rights issue, thereby raising approximately 200 million euros new capital. The company will use the proceeds to pursue its growth strategy and to fund the flexible spin-off of Tikkurila Oy. In addition, the company will strengthen its balance sheet.

Solidium used its full subscription entitlement in the Kemira share issue and subscribed for new shares pro-rata with its shareholding for a total of 34.6 million euros. Solidium also participated in the underwriting commitment given by Kemira's four largest shareholders in connection with the share issue. Because the issue was subscribed for in full, the underwriting commitment was not taken up. Kemira paid a market-based remuneration for the underwriting commitment.

Solidium currently owns 25,896,087 shares in Kemira and its ownership in the company is 16.67% of the shares and votes post-issue (16.52 % pre-issue).

Kemira's objective is the spin-off of Tikkurila from Kemira and the listing of Tikkurila's shares on the Helsinki Stock Exchange when market circumstances allow. Kemira's Board of Directors has approved the planned listing procedure. The plan involves the distribution of a significant majority of the Tikkurila shares as dividend to Kemira shareholders. Kemira is not expected to arrange a primary or secondary issue to raise new capital in connection with the listing of Tikkurila.

### **Combination of Metso and Tamfelt**

On 5 November 2009, Metso Corporation announced that it had concluded a Combination Agreement with Tamfelt Oyj. Simultaneously, Metso offered to acquire all of Tamfelt's shares and options. Metso offered Tamfelt's shareholders three newly issued Metso shares for 10 Tamfelt's shares and cash to Tamfelt's stock option holders.

By 23 December 2009, 98% of Tamfelt's shareholders had accepted Metso's share exchange offer. Metso subsequently announced that the combination will be completed and that it would launch a redemption procedure for the acquisition of the entire share capital of Tamfelt. As a consequence of the completion of the share exchange offer, Solidium's holding in Metso has decreased from 11.1% to 10.4%.

The combination of Metso and Tamfelt strengthens Metso's service business operations in the pulp and paper industry sector, in particular. Metso's product and service range is complemented by Tamfelt's paper and board machine textile businesses. The combination helps Metso to offer its customers comprehensive solutions in the clothing of paper and board machines, in line with its main competitors. The combination creates new growth opportunities, especially outside Europe where Metso has an extensive installed machinery base and a wide sales and services network.

### **TeliaSonera and Altimo combine their MegaFon and Turkcell holdings**

On 12 November 2009, TeliaSonera AB and Altimo announced their agreement to merge their Turkcell and MegaFon holdings by assigning the direct and indirect shareholdings in both companies to an undertaking yet to be established. The new company will be founded in a country that applies western jurisdiction and it will be listed on the New York Stock Exchange. The purpose is to create a leading international operator, with over 90 million subscribers in Russia, Turkey and the CIS countries.

Once established, the new company will own a majority of the shares in both Turkcell and Megafon. AF Telecom, the third major shareholder in Megafon, is also invited to join the partnership. Provided AF Telecom joins, TeliaSonera and the Russian investors will have substantially similar ownership and equal influence over the new company.

TeliaSonera and Altimo have agreed to collaborate and align their efforts to resolve all ongoing legal disputes between each of them and Çukurova Group to make the establishment of the new company possible. TeliaSonera anticipates that through cooperation the disputes will be resolved in 2010. Once that has been achieved, it will take an estimated 12 months to get a market listing for the new company.

The agreement signed between TeliaSonera and Altimo is legally binding, but the transaction is subject to agreement on definitive documentation and regulatory approvals. When completed, Solidium believes that the arrangement means that MegaFon would start to pay dividends to its owners and, as a result, TeliaSonera's cash flow and its own capacity for dividend distribution are expected to improve.

#### **Extraordinary capital repayment by Elisa**

In connection with the publication of its third quarterly results, Elisa Corporation announced that it would make an extraordinary capital repayment of approximately 62 million euros (EUR 0.40 per share). Solidium's share of the capital repayment amounts to 6.7 million euros. The decision was based on the favourable development of the company's operation and performance as well as the capital structure, which is in line with the set targets. In the same connection, Elisa updated its dividend policy by adding a reference to potential additional dividends in the future.

#### **Capital repayment by Stora Enso**

In August, instead of paying out dividends, Stora Enso Oyj made its shareholders a capital repayment of 0.20 euros per share, totalling 158 million euros. Solidium's share of the capital repayment amounts to 19.4 million euros. This exceptional fund distribution procedure is due to the company's incorrect classification of restricted capital and non-restricted equity in 2001-2006.

#### **Decision on Sponda's taxation**

On 15 September 2009, Sponda Plc announced that the Helsinki Administrative Court had voted to uphold the Tax Ombudsman's appeal concerning the right granted by the Uusimaa Corporate Tax Office to deduct Sponda Kiinteistöt Oy's (previously Kapiteeli) confirmed losses of 558 million euros for the tax years 1996-1999. If the ruling is final, the resulting tax expense incurred by Sponda will be approximately 144 million euros with interest.

Sponda considers the ruling by Helsinki Administrative Court to be incorrect and the company has appealed to the Supreme Administrative Court. The ruling by the Supreme Administrative Court is expected by the end of 2010.

#### **Sampo became largest shareholder of Nordea**

Sampo plc announced on 10 December 2009 that its ownership in Nordea Bank AB (publ) exceeded 20 %. Thus Sampo will consolidate Nordea holding as an associated company in Sampo's financial statements.

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

The world's economies showed signs of tentative recovery towards the end of 2009. However, there are economic uncertainties: will growth continue when expansionary measures are withdrawn, what will be the full impact of unemployment on consumption and what are the effects of the budgetary deficit of several countries? Investors had put their faith in an economic recovery, and the returns from shares and corporate commercial paper loans were high in the review period.

#### *Total investments*

The total value Solidium's investments (equity investments and money market investments) was 7,965 million euros as of 31 December 2009. The value of investments rose by 1,817 million euros during the period. The total yield of Solidium's investments was 29.7 % during the review period, and 48.8 % in 2009. Annex 1 contains detailed information on the key investment indicators.

#### *Equity investments*

The Helsinki OMX weight-restricted HEX Cap GI general index rose by 25.5 % in the second half of the year and 44.5 % in the full year 2009. The value of Solidium's equity investments was 7,828 million euros in 31 December 2009. In the review period, the total yield of the equity investments amounted to 30.5 %, while the 2009 annual yield was 50.2 %. The change in the value of Solidium's equity investments in the review period was +1,833 million euros (including new Kemira shares subscribed in the share issue).

#### *Money market investments*

Short term interest rates continued to fall. Three month Euribor rates were 1.1 % p.a. at the commence of the review period (1 July 2009) and 0.7 % p.a. at year-end. At the end of the review period, Solidium's money market investments amounted to 136 million euros. The return on Solidium's money market investments in the review period was 0.2 %, totalling 0.4 million euros. The total amount of the cash reserves fluctuated in the review period, as Elisa Corporation made a capital repayment of 6.7 million euros, Stora Enso Oyj made a capital repayment of 19.4 million euros and Solidium participated in the Kemira Oyj share issue with 34.6 million euros. Solidium's cash reserve investment strategy is to invest in low risk money market instruments.

### **Nomination committee work**

Keijo Suila, Chairman of the Board of Directors of Solidium, has acted as Chairman of Stora Enso Oyj's Nomination Committee, while Solidium's Managing Director Kari Järvinen has acted as Chairman or member of the Nomination Committees of Kemira Oyj, Metso Corporation, Outokumpu Oyj, Rautaruukki Oyj and TeliaSonera AB. The Nomination Committees are charged with preparing the motions to the next Annual General Meeting concerning Board members and members' remuneration.

Solidium considers it beneficial to establish a Nomination Committee consisting of major shareholders in those companies which have large shareholders who are willing to participate actively in the preparation of proposals relating to the election of the Chairman and members of the Board as well as proposals on remunerations paid to the Board. In such companies, a Nomination Committee comprising major shareholders promotes the transparency and durability of the preparatory process for the election of Board members and the determination of remuneration.

Solidium believes that it is important for the Board's operation that the Board members' range of experience and professional competence covers different, relevant competence areas and that the Board members - specifically the Chairman of the Board - have the opportunity to devote sufficient time to their work on the Board of Directors.

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

### **Events in the review period**

Solidium's staff grew in August 2009 when three employees started work at Solidium. At the end of the review period, Solidium employed 11 persons.

On 30 November 2009, Solidium Oy signed a 300 million euro unsecured revolving credit facility. The credit line is intended for general corporate purposes and is a back-up facility for the commercial paper programme. These financing arrangements will enable the company to ensure, in line with its financing policy, that it has sufficient financial instruments at its disposal for its potential capital needs. The capital structure of Solidium may be complemented by other financial instruments in the future.

The size of Solidium's commercial paper programme has at the same time been increased from 100 million euros to 300 million euros. At the end of the review period, Solidium did not have interest bearing debt.

Solidium Oy's Annual General Meeting was convened in Helsinki on 30 October 2009. The meeting confirmed the financial statements for the period 1 May 2009 – 30 June 2009 and discharged the company's Board and Managing Director from liability for the accounts. The meeting adopted the Board's motion to refrain from paying a dividend for the financial year.

The number of Board members was confirmed at seven (7). The following people were appointed to the Board until the closure of the next Annual General Meeting: Keijo Suila (Chairman), Eija Ailasmaa (Vice Chairman), Jouni Hakala, Antti Herlin, Lauri Ihalainen, Marketta Kokkonen and Anni Vepsäläinen (members).

The meeting confirmed the following remunerations: Chairman of the Board, 5,500 euros per month, Vice Chairman of the Board, 3,000 euros per month and Board members, 2,500 euros per month. An amount of 600 euros was also confirmed as remuneration for attending a meeting.

The firm of authorized public accountants KPMG Oy Ab was appointed to audit Solidium Oy's accounts, with APA Sixten Nyman with principal responsibility, until the closure of the next Annual General Meeting. It was decided to pay the auditor's fee as invoiced.

### **Key financial figures**

Total assets, 31 Dec 2009	€5,738 million
Dividends and capital repayments received 1 July -31 Dec 2009	€26.1 million
Equity ratio, 31 Dec 2009	100 %
Number of personnel, 31 Dec 2009	11
Solidium's management cost ratio (annualised) *	0.05 %
Interest-bearing liabilities, 31 Dec 2009	€0 million
Market value of equity investments, 31 Dec 2009	€7,828 million

\* *Operating costs (excl. finance costs) / net asset value (average for period, deferred tax liabilities are not included)*

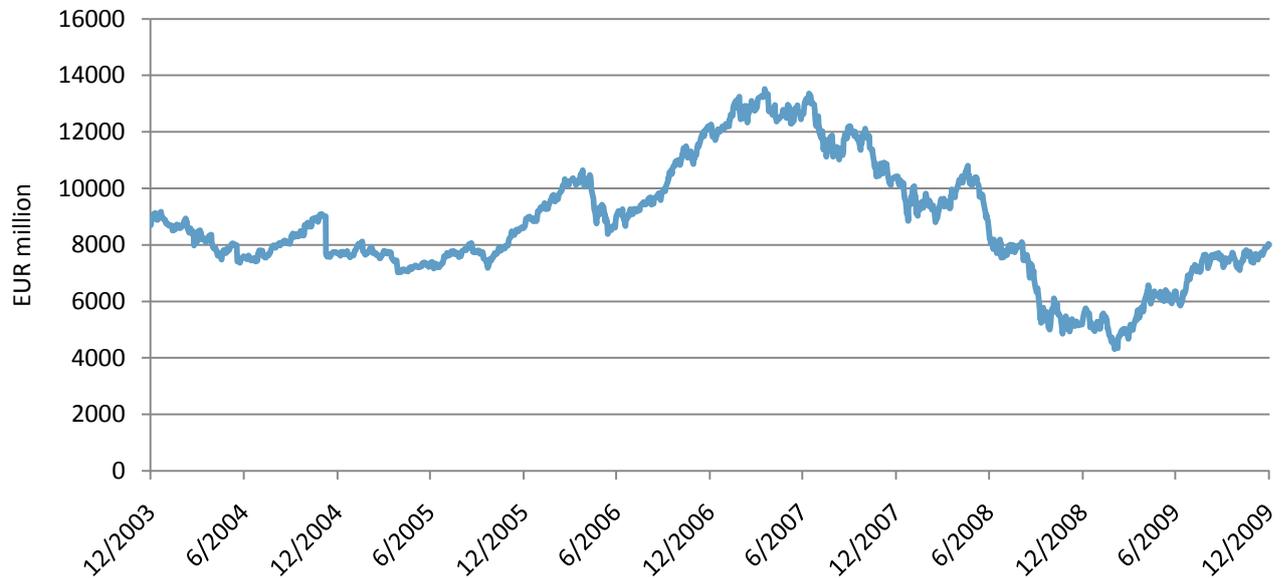
This review has not been audited.

Annex 1: Solidium's investments as at 31 December 2009

Solidium Oy

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*Solidium is a holding company wholly owned by the State of Finland, which cooperates with other investors. Solidium's holdings involve national interests, but its investment decisions are based on financial considerations. An active participant in the Finnish capital market, Solidium finances its activities with investment income and debt. Solidium's portfolio contains nine listed companies, in all of which Solidium has a minority holding (Elisa Corporation, Kemira Oyj, Metso Corporation, Outokumpu Oyj, Rautaruukki Corporation, Sampo plc, Stora Enso Oyj, Sponda Plc and TeliaSonera AB). The market value of Solidium's investments is some 8.0 billion euros. Further information: [www.solidium.fi](http://www.solidium.fi)*

**ANNEX 1: SOLIDIUM'S INVESTMENTS AS AT 31 DECEMBER 2009**
**VALUE OF TOTAL INVESTMENTS**


*Includes Money market investments. Period before 11 Dec 2008 refers to time when equity investments were held directly by the State of Finland.*

**INDICATORS**

	1 month	6 months	YTD	12 months	2 years
Yield, %	8,1	29,7	48,8	48,8	-10,1
Yield of benchmark index, % *)	6,3	25,5	44,5	44,5	-12,8
Volatility, %	-	24,5	-	32,9	36,7
Sharpe	-	2,7	-	1,4	-0,4
Beta	-	-	-	1,0	1,0
Alfa, %	-	-	-	4,4	3,0
Tracking Error, %	-	-	-	9,4	11,4
Information ratio	-	-	-	0,5	0,2

(Over-12-month indicators are annual)

\*) OMX Helsinki Cap GI

*Includes Money market investments.*

## PORTFOLIO WEIGHTS

	EUR	weight 31.12.2009, %
<b>Total</b>	<b>7 964 849 742</b>	<b>100,0</b>
Elisa	265 430 760	3,3
Kemira	269 060 344	3,4
Metso	386 574 919	4,9
Outokumpu	748 402 316	9,4
Rautaruukki	898 299 122	11,3
Sampo	1 349 346 962	16,9
Sponda	259 797 024	3,3
Stora Enso	527 675 716	6,6
Stora Enso A	325 236 231	4,1
Stora Enso R	202 439 485	2,5
TeliaSonera	3 123 770 080	39,2
Money mkt. inv.	136 492 498	1,7

