

## Annual report 2013

### GENERAL

The Jane and Aatos Erkkö Foundation was established in 2002 to support high-level international medical, technological and economic research. The Foundation also supports arts and culture as well as sports and physical education and well-being in order to promote the nation's interests. Based on its founding charter, the Foundation's aims reflect the values of its founders and are broad-based to allow the Foundation to respond to the needs of a changing world.

### DONATIONS

The Foundation's operations continued to grow in 2013, along with the number of applications and enquiries with the Foundation. Above all, the Foundation's operations have expanded as a result of increased assets, which enabled the Foundation to multiply the amount of donations. In addition, the application preparation process and administrative work have been developed and made more efficient through an electronic application procedure.

In 2013, the Foundation acted in accordance with its purpose and bylaws by awarding a total of EUR 21,021,350 in donations.

The distributed donations are specified in Appendix 1.

Appendix 2 includes statistics on the Foundation.

### Decision-making principles

Recipients of donations were selected in accordance with the goals of the charter, and its broader purpose was taken into account when making decisions on donations. In line with the practice in previous years, the Board continued to grant donations for larger projects. The Foundation used the help of external experts in its decision-making if it deemed such help to be necessary.

In terms of scientific research, the Foundation targeted donations at projects that help Finnish researchers achieve an international level and status. In the selection of research projects, key criteria included project goals, the researcher's credentials and professional skills, the project implementation plan, its viability and the significance of the results.

The goals of the research plan were required to be clearly defined, but were allowed to include scientific risk-taking. Grants were awarded to young and advanced researchers alike, and their credentials were evaluated in relation to the stage of their career. Key indicators included scientific productivity, where emphasis was placed on quality and quantity.

Project implementation plans were required to be realistic and include descriptions of the research material and data collection methods as well as the processing and interpretation of results. In addition, the size of the material was required to be sufficient, and its collection methods were required to be functional and realistic in terms of schedule, among other aspects.

The expected significance of the results reflects the goals of the research and must be evaluated in proportion to the risks taken. If successful, high-risk projects often have high scientific significance, and they often raise new questions even if they fail.

In terms of cultural projects, the criteria included the quality of the project or performance in international comparison. Dance and music were well represented among the grant decisions, and the purpose was to target donations at young people as far as possible. Due to the diverse range of cultural projects, the selection criteria were more flexible.

#### Processing and reporting of donation decisions

The Foundation processes applications for donations on a continuous basis. The processing of applications is flexible. When researchers apply for donations for larger projects, the Secretary General meets the applicants or the head of the research team in person.

Incapacity issues are taken into account in the processing of donation and grant applications. The Foundation has determined related parties and the effects of any incapacity or conflicts of interests on processing and decision-making. The Foundation's officials and the members of its Board and other bodies report any commitments or conflicts of interests that affect the preparation of grant decisions and do not participate in the decision-making or the preceding process in case of a conflict of interest.

The Foundation requires successful applicants to submit reports on their project's progress and results.

The recipient of a donation or grant must report on their spending and results annually for long-term donations. For short-term donations, a report is required once the project has been completed.

When submitting an application to the Foundation, applicants provide personal information. This information is entered into a personal data register. Information on the Foundation's privacy policy concerning its registers of applicants and recipients is available on its website.

#### Communication

The Foundation reports on its activities openly, thereby allowing its operations to be monitored as closely as possible. Its website provides all essential information that is publicly available, such as the Foundation's goals pursuant to its founding charter, the Foundation's bylaws, the members of its Board of Trustees and Executive and Financial Committees, as well as the Foundation's annual report and financial result and balance sheet data. The website also contains information on any donations granted. In addition, the Foundation regularly issues press releases on the donations it has granted.

The Foundation submitted a statement on the report of the working group preparing the reform of the Foundations Act to the Ministry of Justice.

## INCOME STATEMENT AND INVESTMENT ACTIVITIES

### General

At the end of 2013, the Foundation's assets consisted of a securities portfolio in its direct ownership as well as Sanoma shares. In addition, the Foundation owns Oy Asipex Ab, which has a subsidiary, Asipex AG. These two companies constitute the Asipex Group.

The market value of the diversified investment assets in the direct ownership of the Foundation was EUR 127 million, including cash on hand. The market value of the Sanoma shares held by the Foundation (37,483,619 shares, or 23.02% of the shares and voting rights) was EUR 239 million. The market value of the Asipex Group's investment portfolio was EUR 402 million, including cash on hand. The total market value of the Foundation's assets was EUR 768 million. Of the total assets, 94% were invested in shares.

### Income statement

The deficit on ordinary activities amounted to EUR 19.7 million (9.2 million in 2012). Donation decisions in 2013 amounted to EUR 21.0 million, of which EUR 19.3 million was recognised as expenses (8.9 million in 2012). Operating costs in 2013 totalled EUR 0.3 million (0.3 million).

The book profit of the Foundation's investments was EUR 11.4 million (6.6 million). The largest items were EUR 7.5 million in income from dividends (EUR 0.2 million), EUR 3.4 million in proceeds from the sale of investments (EUR 0.5 million), EUR 3.2 million in investment write-ups (EUR 4.1 million), EUR 2.6 million in profit shares in funds (EUR 2.5 million) and EUR 5.4 million in impairment on Sanoma shares (EUR 0.0 million).

The deficit for 2013 was EUR 8.3 million (the surplus for 2012 was EUR 556.5 million; excluding the donation received in 2012, the deficit for the financial period stood at EUR 2.5 million). The amounts of donations granted in 2012 and 2013 exceeded the book net yield from investments. However, the market yield from investments (including Sanoma shares and the Asipex Group) exceeded the amounts of donations granted in 2012 and 2013.

### Investment activities

The total return on investments in the direct ownership of the Foundation amounted to 18% or EUR 18.9 million in 2013 (12% or EUR 11.3 million in 2012) when accounting for unrealised changes in market value. The return on share investments was 22% (15%), and the return on short-term fixed-income investments was 0.4% (5.0%). In absolute terms, the results of investment activities were excellent, and the yield on share investments surpassed benchmarks.

The yield review does not account for Sanoma shares or the Asipex Group. These included, the total return on the investments in the ownership of the Foundation amounted to 10% or EUR 76.0 million in 2013 (3% or EUR 23.0 million in 2012) when accounting for unrealised change in market value.

At the end of the year, the market capitalisation of the Foundation's assets (including the Asipex Group) was EUR 768 million (EUR 737 million). Share investments accounted for 94% (89%) and fixed-income investments for 6% (11%) of the total.

## Sanoma shares

The Foundation holds 37,483,619 Sanoma shares, which represent 23.02% of all Sanoma shares and voting rights. In May 2013, Jane Erkko gave up her right to dividends on the Sanoma shares that the Foundation received as legacy.

In 2013, the Foundation received EUR 7.1 million in dividend payments from Sanoma. The yield was negative in the amount of EUR 17 million, or -6% when accounting for unrealised changes in value.

## The Asipex Group

The Foundation owns the entire share capital of Oy Asipex Ab. The company is domiciled in Helsinki. It has full ownership of its Swiss subsidiary Asipex AG. Oy Asipex Ab engages in investment activities. Its entire share capital was transferred to the Foundation in the will of Aatos Erkko in 2012.

The total return on the Asipex Group's investments in 2013 was 20% (14%), or EUR 74 million (EUR 43 million), when accounting for unrealised changes in market value. The corresponding yield from share investments was 26% (18%). The 2013 yield in the stock market clearly surpassed benchmarks and was excellent.

As a company engaging in investment activities, the Asipex Group presents its income from investment activities in its net sales. In 2013, the Asipex Group's net sales were EUR 121.8 million (EUR 62.1 million). Its operating profit was EUR 25.6 million (EUR 14.0 million). Its financial income was EUR 0.2 million (EUR 87.0 million), and its profit for the period after taxes was EUR 25.4 million (EUR 79.6 million).

At the end of 2013, the Asipex Group's balance sheet stood at EUR 312.7 million (EUR 360.1 million).

Its equity capital amounted to EUR 312.0 million (EUR 340.4 million), and its equity ratio was 99.8% (94.5%). At the end of 2013, the book value of shares and funds included in inventories was EUR 296.2 million (EUR 274.3 million), and their market value stood at EUR 386.3 million (EUR 314.5 million).

The Asipex Group had an average of three employees in 2013.

## Risk management

The primary goal of investment activities is to retain and increase the long-term real value of the Foundation's assets. The Foundation's investment activities also aim to secure a steady cash flow and sufficient liquidity for its core operations. With a long investment horizon, the Foundation's investment strategy is share-oriented (share orientation was 94% at the end of 2013), and the investment portfolio is not generally hedged against risks. Short-term market fluctuations are not relevant to the Foundation when the goals rest on long-term real yield and cash flow.

In line with the Foundation's investment strategy, its investments are diversified geographically and by sector, company and currency. The Foundation's investments are in liquid securities and

funds that can be realised quickly. In other words, the Foundation has a very low funding and liquidity risk.

The domestic and international economic situations are reflected in the Foundation's investments. The risks are mainly related to the general market risk, that is, the performance of international stock markets and dividend income over the long term.

Assets have been managed and investments have been made in line with the investment policy approved by the Board of Trustees. Matters related to investments have been processed by the Financial Committee.

The Asipex Group's investment activities and risk management comply with the investment policy approved by its Board of Directors. The policy is in line with the investment policy of the Jane and Aatos Erkkö Foundation.

## ADMINISTRATION

### Board of Trustees

The Chairman of the Board is Nils Ittonen. His term of office will last until the next annual meeting. Jane Erkkö continues as Vice Chair of the Board. Her term of office will last over her lifetime or until she wishes to resign.

Jaakko Rauramo, Sakari Alhopuro and Heli Rahka were re-elected to the Board as members. In addition, Reetta Meriläinen and Juhani Mäkinen were elected to the Board. The Board members' term of office will last until the next annual meeting. The Board of Trustees convened four times in 2013.

### Financial Committee

In its annual meeting on 21 March 2013, the Board of Trustees appointed Nils Ittonen as Chairman of the Financial Committee and Marja Leskinen and Karl Tujulin as members of the Committee.

The Financial Committee closely follows developments in financial markets and general economic trends. It operates within the framework of the investment strategy adopted by the Board of Trustees. The Financial Committee convened four times in 2013.

### Executive Committee

In its annual meeting on 21 March 2013, the Board of Trustees appointed Nils Ittonen as Chairman of the Executive Committee and Jane Erkkö and Marja Leskinen as members of the Committee.

The Executive Committee prepares matters for the Board to decide on. The Committee convened four times in 2013.

## Officials

Marja Leskinen is the secretary general of the Foundation. Dita Eklund serves as a part-time clerical employee.

## AUDITING

In its annual meeting on 21 March 2012, the Board appointed Johanna Perälä, M.Sc. (Econ.), APA, and Samuli Perälä, M.Sc. (Econ.), APA, as the Foundation's auditors, along with Sari Airola, M.Sc. (Econ.), APA, and Henrik Sormunen, M.Sc. (Econ.), APA, as deputy auditors.

## OUTLOOK FOR 2014

The amount of donations to be granted annually can still be increased in a controlled manner. The recipients are selected in accordance with the goals of the founding charter, and the allocation of grants to larger projects will continue. The Foundation will continue to seek recipients whose support will in turn promote high-level scientific research on par with international standards.

Activities during the operating year will focus on the investigation and preparation of grants for projects that are in line with the Foundation's goals as well as on any related decisions. Operations will also include the monitoring and oversight of the donations and grants awarded.

The return on the Foundation's investments over the long and short terms as well as expected returns and the Foundation's financial situation will be considered when making decisions about donations.

## EVENTS AFTER THE REVIEW PERIOD

Ms Jane Erkko, the other founder of the Foundation, passed away at her home on Sunday, 16 March 2014, following a long illness. As the founder of the Foundation and Vice Chair of its Board, Jane Erkko actively promoted the goals set out in its charter to promote high-quality international research, arts and culture. Through her personal input, Jane Erkko highlighted the founders' values and objectives. The Foundation is grateful for her work and will cherish her memory.