

ANNUAL REPORT 2006

GENERAL

The Jane and Aatos Erkkö Foundation was established in 2002 to support high-level research in the fields of medicine, technology and economy. In addition, the foundation also promotes arts and culture, as well as sports and physical education and well-being in accordance with the nation's interests.

2006 was the Foundation's fourth year and operations have already gained more established forms so that granted donations have increased as the financial resources of the foundation have accrued, thanks to donations and successful investment activities.

The operations of the Foundation during the year are marked by the tracking of granted donations and the processing of new donation applications.

An overall layout was created for the Foundation during 2006. The layout can be seen in the Foundation's printed forms and visiting cards and on the Foundation's website.

MANAGEMENT

Board of Directors

The composition of the Board of Directors in 2006 was as follows: Chairman Aatos Erkkö, vice chairman Jane Erkkö, members Jaakko Rauramo, Marja Leskinen and Sakari Alhopuro. The Board assembled three times during the operating year.

Financial committee

At its Annual General Meeting on 7 May 2006, the Board appointed a Financial committee. The committee consisted of chairman Nils Ittonen, and members Heli Rahka and Karl Tujulin, of which the latter also acted as committee secretary. The Financial committee assembled five times during the operating year.

Secretary General

Heli Rahka acted as the Foundation's secretary general.

DONATION

The Foundation received a donation of €20 million from Minister Aatos Erkkö in 2006. The funds will be used to further the Foundation's causes.

INVESTMENT AND FINANCING ACTIVITIES

During the year asset investment was continued according to the investment plan. Received at the beginning of the year, a donation of €20 million was invested gradually and evenly to the stock and interest market during the year. The main focus of stock investments and interest investments has been on European stocks and on the financial market, respectively.

Investments by the foundation have yielded a net return of €1,185,177.73 (€662,230.73 in 2005) during the year. Most of the return was formed by funds' profit shares, which amounted to a total of €1,252,419.70 (€676,256,20). The management expenses of the actual operations totalled €27,223.91 (€1,489.36). The surplus for the financial year totalled €17,594,234.96 (deficit €180,217.97).

At the turn of the year, the market capitalisation of the Foundation's assets was €42.6 million (€18.9 million). The assets' proportion of equity investments was 69 per cent, whereas the proportion of interest investments was 31 per cent. Calculated by using market values, the net return of the investments in 2005 totalled 12.4 per cent, or €4.6 million.

Asset management and investment operations have been performed according to the investment policy approved by the Board, and issues related to investment operations have been dealt with by the Foundation's Financial committee.

ACTUAL OPERATIONS

The operational scale of the Foundation has significantly extended so that the number of granted donations quadrupled in comparison to the previous year.

The Foundation granted donations worth a total of €3,563,718.86 during the year (€840,959.34 in 2005).

The following donations were granted:

€2,500,000 to the Institute for Molecular Medicine Finland

€550,000 to the Erkkola acquisition and €75,000 to future renovation

€150,000 to the World Childhood Foundation

€130,000 to research of the Aleksandria library

€50,000 to the reconstruction of S/S Turso

€16,000 to the History of Seafaring Education in Kotka

€15,000 to Finnish Customs' sniffer dog acquisitions

€15,000 to the North American tour of the Tero Saarinen Company

€10,000 to the Disabled War Veterans' Association of Finland, the Eljas Erkkö fund

€10,000 to the arrangement expenses of the 100th anniversary of J.H. Erkkö

€10,000 to support the activities of the Symphony Brass Band Sisu

€32,718.86 (USD 41,000) to the American Scandinavian Foundation/Spring Gala Dinner

AUDITING

In its Annual General Meeting on 7 May 2006, the Foundation's Board appointed Johanna Perälä, MBA and APA, Samuli Perälä, MBA and APA, as auditors, and Sari Airola, MBA and APA, and Henrik Sormunen, MBA and APA, as deputy auditors.

OPERATIONS IN THE FORTHCOMING YEAR

The donation received by the Foundation in 2006 strengthens the financial basis of the Foundation in such a way that the Foundation's operations can be developed further and donations can be granted in accordance with the manner as defined by the rules.