

ANNUAL REPORT SUMMARY

1 9 9 9



NORVESTIA

N O R V E S T I A P L C



Norvestia in brief

- Norvestia is an investment company whose B share has been quoted on Helsinki Exchanges since 1985.
- Norvestia's activities are targeted at long-term investors.
- Norvestia's aim is to provide its shareholders with favourable appreciation in the long term, combined with a good dividend.
- Norvestia invests primarily in listed and non-listed stocks of Nordic companies.
- Norvestia acquired 28.2 % of the capital of Neomarkka plc and 50.1 % of the votes at the end of December. Neomarkka plc is a part of the Norvestia Group since the end of December 1999 and is listed on the Helsinki Exchanges I List.
- Norvestia's biggest owner Havsfrun, is listed on the Stockholm Exchange's O List. Havsfrun holds 27.6 % of the capital and 52.6 % of the votes in Norvestia.

Norvestia in 1999

- Net asset value per share before deferred taxes due EUR 23.96 (EUR 19.28 the previous year)
- Net asset value per share after deferred taxes due EUR 22.61 (EUR 18.12)
- Dividend payment EUR 1.26 per share (EUR 1.01 per share)
- Net asset value (adjusted for dividend) increased by 30.4% (8.1%) during the period under review
- Net asset value (adjusted for dividend) increased by EUR 28.1 million (EUR 7.3 million) during the period under review

Review by the Managing Director

The year 1999 will go down in history as an excellent year for stock exchanges. In the Nordic countries, only Danish investors have any cause for some dissatisfaction. Oslo Stock Exchange recovered well from the sharp decline in prices in the previous year. In both Finland and Sweden, quotations shot up still further in rises that can with full reason be described as explosive.

On Helsinki Exchanges, share prices rose an almost unbelievable 162% according to the HEX all-share index. No such boom in share prices has ever really been recorded on a 'respectable' securities market.

THE INDEX DOESN'T SAY EVERYTHING

Unfortunately, however, although it was naturally correctly calculated, the HEX index gives a completely misleading picture of what really happened on the Helsinki stock market. At the end of 1999, the Nokia share price was 3.5 times what it had been at the beginning of the year, and the Sonera price 4.5 times higher. These two companies together accounted for 74% of the exchange's market value, so their price trends were reflected with full force in the index. With the exception of Nokia and Sonera, only two companies managed to top the all-share index: Nokia's partners JOT Automation Group and PMJ automec. The HEX portfolio index, in which no company is allowed to weigh over 10%, ended up only 66%, but even this rise was only a dream for four listed companies out of five. If all the 90-odd companies listed for the whole of last year are put in order of size based on last year's price changes, the median increase for 1999 is a mere 12% .

Price trends last year were particularly marked by sharp polarization. The share prices of companies in telecommunications and information technology rose to a level that is difficult to explain even in view of the extremely interesting growth and profit prospects that these sectors enjoy. Most other share prices continued to linger at roughly the same low level as after the sharp slump in prices in autumn 1999.

Developments on Stockholm Stock Exchange followed the same pattern. Of the 75 Swedish companies on the A List, only one in five had a price that rose faster than the all-share index, which was up 66%. Among them, L.M. Ericsson, whose share rose a good 180%, was the most successful. The company accounted for 29% of the total market capitalization of Stockholm Stock Exchange. Even so, the Ericsson share trend was still modest compared with that of certain small IT companies travelling on the top of the global technology wave.

SOME THOUGHTS ABOUT TODAY'S PSYCHOLOGY

Share price trends in 1999 were a logical consequence of the dramatic change that took place in the operating environment for investment in the '80s and '90s, that is, in Norvestia's case, on Nordic stock markets. This transformation was brought about by certain developments shared by all industrialized countries, such as growing globalization, changing age structures, deregulation and the ever-expanding framework for the working of market forces. All these trends favoured equities as investments.

The proportion of these fast-growing markets accounted for by equity funds, pension funds and asset management companies is growing all the time. More and more frequently, these funds are

American or British. The flow of new capital into them, and thus into their local stock markets, seems unending. Is this a healthy development?

The answer is not all that obvious. Such growth leads to better liquidity, closer market monitoring and more efficient trading. On the other hand, well-functioning markets need innumerable completely independent actors. Equity trading is impossible if the buyer and seller do not have a very different idea of the company or a dissimilar investment situation. In addition, one thing we know about the business world and stock markets is that actual ownership and the related personal risk are very effective in sharpening up decision-making and prompting necessary action. Today, fewer and fewer portfolio managers who are investing other people's money, and not their own, are increasingly involved in making the investment decisions. These people often have the same kind of training, career and market vision behind them. They talk to analysts and stock brokers with similar backgrounds. Modern professional portfolio managers have practically all the key information they need available to them in real time. They often end up making similar investment decisions at roughly one and the same time, so share prices tend to grossly overreact. They all act, or are forced to act, in the short term.

No portfolio manager wants to arouse attention because of the poor price trends of his own portfolio. It is safest to invest in big, well-known companies with great market weight. The growing amount of share trading across national frontiers aggravates this trend. In addition, a portfolio manager will dare to buy the same shares as his professional colleagues only as long as they display what is called 'momentum' in the business. By focusing on fashionable index shares irrespective of their fundamental value, a portfolio manager can keep in step with the index in the short term, too, and thus probably hold onto his job. However, such share valuation is distorted, and works against profitable, well-managed companies that do not have enough index weight and do not represent fashionable sectors.

NORVESTIA FOLLOWS A CONSERVATIVE INVESTMENT STRATEGY

In terms of its portfolio management, Norvestia is a conservative investor which prefers to think for itself rather than operate on the terms of other market actors. It favours cautious, relatively reliable appreciation and low price risk based on market and fundamental analyses, and thus has no desire to follow the investor mainstream in seeking out the next month's likely climbers. That probably means we miss out on the shares that rocket upwards, but we also do not need to fear any dramatic price plunges. We also believe that, with our strategy, the long-term trend in our portfolio's value will be better.

With the exception of certain new listings, we decided last year not to contribute to the overheating of shares in the IT and electronics sectors, although we were well aware of the exceptionally fast growth of these companies and that their share appreciation would be more impressive than that of more conventional companies. On the other hand, the uncritical enthusiasm of investors about such companies has led to price levels that do not allow for any kind of setbacks in volume and profit growth in years to come. In many cases, the share price rise is based solely on expectations,



because there are no actual profits in sight. We have already seen examples of just how unrealistic investor expectations can be, and of how harshly the stock exchange can react when the truth dawns on investors.

In our view, it is possible to exceed the average price trend on the exchange in the long term through an investment strategy based on careful fundamental analysis. This strategy often means acting quite contrary to the investor mainstream in order to guarantee good timing. In prospective share purchases, we favour quality because this is one way to reduce the risk. By 'quality' we mean profitable companies, preferably with an international outlook, which have a dynamic and shareholder-friendly management, ideally a unique business idea, a strong market standing and promising future prospects. A steady rise in profits, accompanied by similar rises in dividends, is a crucial factor. As a major investor, Norvestia also has to take the liquidity of individual shares into account.

Reasonably priced growth companies always come close to the top in Norvestia purchases. When the market situation for technology shares returns to normal, this looks likely to us to be a good time to buy, assuming, of course, that the operating conditions of the companies concerned do not deteriorate in any way. This may in fact be the case if interest rates continue to rise rapidly

this year. The popular view is that rising interest rates are always bad news if a company's share price is based almost entirely on the anticipation of future profits.

STOCK EXCHANGE FOCUS ON VALUE SHARES

In 1999 we were primarily interested in profitable, healthy companies in conventional fields, although their growth prospects rarely competed with those of technology companies. On the other hand, the shares of many first-class companies had barely managed to recover from the dramatic collapse in prices in autumn 1998 because of the rouble and the Asian crises, and certain international hedge funds. The valuation of these shares was thus at an unsustainably low level from the long-term investor's point of view. So far, our analysis has been proved right, because we have enjoyed an annual yield rate of several dozen per cent on nearly all the share positions we built up last year, even in the short term. In our view, the risk from these investments has also been lower than average.

So far our investments have mostly been in Finnish companies. Their ready accessibility, the availability of fast and varied information, and our familiarity with the companies concerned are all clear advantages. Our augmented resources now give us the chance to further improve our market monitoring in Sweden, Norway and Denmark. These markets all differ in terms of their sectoral breakdown, susceptibility to economic flux and foreign presence. These are factors that can and will be utilized.

TECHNOLOGY WEIGHTING IN NON-LISTED SHARES

Norvestia has started to be increasingly interested in non-listed shares, and we have some clear advantages over venture capital funds in this respect. An non-listed company can indirectly affect the valuation of Norvestia shares if Norvestia, which is listed on exchange, is one of its shareholders. Share investors, on the other hand, can use Norvestia shares to acquire shares in interesting non-listed companies. Private individuals rarely have such an opportunity.

Venture capital funds are usually dissolved at some point and their holdings sold. Norvestia is a much longer-term shareholder. Although one goal of the investments made in non-listed companies is to get a market quotation for the shares, Norvestia can remain a shareholder after any possible stock exchange listing, too. In the case of a company seeking listing, we can offer expert assistance because we have ourselves been listed for a long time and have built up market experience. Unlike most venture capital companies, we can also offer local expertise on both Finland and Sweden.

Contrary to the situation as regards Norvestia stock exchange investments, technology companies are well represented in both our non-listed investments and in negotiations about future investments. Last year Norvestia was a major shareholder in PC-Superstore Oy and Tietovalta Oy. In both cases the main owners wanted to sell out, so we, too, gave up our shares. In the latter case, the agreed price was paid in TJ Group Oyj shares, which are listed on the HEX NM List. We also held negotiations last year with several Finnish and Swedish non-listed companies. These are nearly all IT companies which need capital to finance their growth and a mar

ket price for their shares, for instance for incentive schemes for their staff.

In November we again took a step towards non-listed companies when Neomarkka plc became a Norvestia subsidiary. In line with its investment strategy, which focuses on infrastructure investments, Neomarkka invests almost solely in companies without a market quotation. Neomarkka's liquidity management relies partly on listed shares, but all its actual investments so far have been in non-listed telephone companies.

SUBSTANTIAL GROWTH IN NET ASSET VALUE

The primary goal of Norvestia's management is to raise the net asset value of the company's shares. This figure measures infallibly how well we are managing our shareholders' capital and, combined with stock exchange psychology, should find reflection in the share price over the long term. A fall in net asset value that is difficult to explain, that is, a decline in the net asset value of most of investment companies globally, is also a result of stock exchange psychology.

Last year our net asset value again rose a good 30% after the deferred tax liability, if the April dividend distribution is taken into account. Some of this rise in value will be deducted from net asset value as actual or deferred tax. To make a fair comparison possible, the different tax treatment of, say, equity indexes or funds should be taken into account. If this is done, our net asset value rose 40%. Throughout 1999 a substantial proportion of Norvestia's assets were in the form of liquid funds - a good third at year end, for instance. Consequently, and in view of our cautious investment strategy, this increase in net asset value can, in my view, be considered extremely satisfactory. I should like to take this opportunity to thank the Norvestia staff, who can be credited for this good result.



Kim Lindström

Shares and other investments

31 December 1999

	Number of shares	Book value, 1 000 €	Market-value, 1 000 €	% of market value
NORVESTIA				
NON-CURRENT ASSETS		69	69	0.0
CURRENT ASSETS				
Stocks				
MAJOR LISTED COMPANIES				
Osuuspankkien Keskuspankki Oyj	952,400	8,112	10,667	6.2
Asko Oyj	104,100	1,608	1,832	1.1
Finnlines plc	41,550	951	1,288	0.8
Huhtamäki Van Leer Oyj	81,300	2,372	2,732	1.6
Kemira Oyj	760,000	4,583	4,598	2.7
Lassila & Tikanoja plc	95,000	2,107	2,328	1.4
Lännen Tehtaat plc	361,800	3,698	3,698	2.2
Orion Group	175,000	3,585	4,025	2.4
Partek Corp.	98,400	1,078	1,328	0.8
Atlantic Container AB	86,500	967	1,017	0.6
Getinge AB	50,000	505	561	0.3
		29,566	34,074	20.1
SMALL AND MEDIUM-SIZED LISTED COMPANIES				
Componenta Corp.	528,600	2,733	3,013	1.8
Comptel plc	10,000	190	698	0.4
Julius Tallberg-Kiinteistöt Oyj B	327,000	1,632	1,632	1.0
Kiinteistösjointus Oyj Citycon	2,271,000	2,429	2,657	1.6
Oyj Liinos Abp	34,900	314	482	0.3
Rocla Oyj	254,900	1,551	1,937	1.1
Technopolis Oulu Oyj	600,000	1,715	1,764	1.0
TJ Group plc	167,900	255	5,877	3.5
Elektronikgruppen BK AB B	259,100	1,203	2,512	1.5
Dansk Industri Invest A/S	41,303	388	388	0.2
Aktiv Kapital ASA	560,000	1,946	3,467	2.0
		14,356	24,427	14.4
NON-LISTED COMPANIES AND PRIVATE EQUITY FUNDS				
Sponsor Fund I Ky		3,760	3,760	2.2
Blic AB	254,310	3	3	0.0
Blic International AB	254,310	0	0	0.0
		3,763	3,763	2.2
OTHER NORDIC INVESTMENTS				
Zenit Fond		3,337	7,067	4.2
NON-NORDIC INVESTMENTS				
Fidelity Indonesia Fund	391,236	1,399	2,751	1.6
Fidelity Korea Fund	392,362	1,399	4,659	2.7
MSCI Malaysia Opals	35,000	1,460	1,845	1.1
MSCI Philippines Opals	40,000	1,523	1,617	1.0
MSCI Singapore Opals	40,000	1,546	2,476	1.5
MSCI Thailand Opals	40,000	1,294	1,409	0.8
		8,621	14,757	8.7
Stock index options, FOX	300	0	0	0.0
Stock index options, OMX	700	0	0	0.0
Total stocks		59,643	84,088	49.6
Current receivables		1,191	1,191	0.7
Money-market investments		28,019	28,019	16.5
Cash in hand and at bank		1,270	1,270	0.7
TOTAL CURRENT ASSETS		90,123	114,568	67.5
NORVESTIA'S TOTAL ASSETS		90,192	114,637	67.5

	Number of shares	Book value, 1 000 €	Market value, 1 000 €	% of market value
NEOMARKKA-KONSERNI				
NON-CURRENT ASSETS		65	65	0.0
CURRENT ASSETS				
Stocks				
LISTED COMPANIES				
Asko Oyj	8,100	132	142	0.1
Fortum Corp.	472,500	2,127	2,127	1.2
Huhtamäki Van Leer Oyj	4,100	130	138	0.1
OrionGroup	13,000	289	299	0.2
Neomarkka plc	2,000	14	14	0.0
Partek Corp.	3,400	36	46	0.0
Stockmann plc	8,000	104	114	0.1
		2,832	2,880	1.7
NON-LISTED COMPANIES				
Datatie Oy	54	4,710	4,710	2.8
Forssan Seudun Puhelin Oy	1	1	1	0.0
Joensuun Puhelin Oy	760	747	747	0.4
Kymen Puhelin Oy	135	111	111	0.1
Lännen Puhelin Oy	409	539	539	0.3
Oulun Puhelin Oy A-share	1	14	14	0.0
Oulun Puhelin Oy B-share	2,959	3,068	3,068	1.8
Porin Puhelin Oy	817	920	920	0.5
Puhelinosuuskunta KPY	7,618	10,667	10,667	6.3
Salon Seudun Puhelin Oy	145	173	173	0.1
		20,950	20,950	12.3
ALNUS OY				
Datatie Oy	1	88	88	0.1
Joensuun Puhelin Oy	70	73	73	0.0
		161	161	0.1
Total Stocks		23,943	23,991	14.1
Current receivables		520	520	0.3
Money-market investments		27,822	27,822	16.4
Cash in hand and at bank		3,252	3,252	1.9
TOTAL CURRENT ASSETS		55,537	55,585	32.7
NEOMARKKA GROUP'S TOTAL ASSETS		55,602	55,650	32.7
NORVESTIA GROUP'S TOTAL ASSETS				
Group eliminations		-234	-269	-0.2
NORVESTIA GROUP'S TOTAL ASSETS		145,560	170,018	100.0

Report by the Board of Directors January 1 – December 31, 1999

GOOD RESULTS ON THE EQUITY MARKET

The situation on the Nordic equity market was very good in 1999. Economic growth was better than in most other European countries, especially in Finland and Sweden. In both countries, total output rose a good 3.5%, compared with only some 1.5% in Denmark and Norway. In addition, both inflation and interest rates were at an all-time low throughout the industrialized world, although interest levels were rising.

On stock markets, 1999 was characterized by extremely strong global demand for technology shares. In several cases share prices rose many times over, while most other share prices increased only a small amount. Because of soaring Nokia and Sonera prices and the two companies' market dominance, the HEX all-share index shot up a good 162%, compared with 66% for the portfolio index. The value of only four Finnish listed companies did better than the all-share index. Similarly, because four fifths of all Finnish listed shares fell below the portfolio index, the picture given by the index rises just mentioned is not a completely reliable indication of general price trends in Helsinki.

In Sweden the situation was similar, although not as markedly so. L.M. Eriksson, which exercises crucial weight on the index, accounting for 29% of the total market capitalization of Swedish listed companies, enjoyed an extremely good price trend and contributed substantially to the higher index.

The percentage change in Nordic equity indices over the last two years was as follows:

	1999	1998
Finland/HEX all-share index	162.0	68.5
Finland/HEX portfolio index	66.2	15.0
Sweden/General index	66.4	10.2
Norway/OBX index	45.5	-26.7
Denmark/KFX index	16.6	4.2

Asian equity markets showed a clear turn for the better last year compared with the crisis period in 1998. In dollars, the sharpest price rises were in South Korea (93%), Indonesia (92%) and Singapore (73%).

NORVESTIA'S NET ASSET VALUE UP A GOOD 30 %

At the end of 1999, Norvestia's net asset value after the deferred tax liability on the unrealized appreciation of the portfolio was EUR 22.61 per share, compared with EUR 18.12 a year earlier. A dividend of EUR 1.01 (FIM 6.00) per share for 1998 was also paid out in spring 1999.

Including the impact of this dividend, net asset value per share rose a good EUR 5.50, or 30.4%. In comparing this increase with the index, one must remember that the tax impact of both realized and unrealized appreciation affect net asset value, whereas tax is not reflected at all in the index. Discounting this tax impact, net asset value would have risen 40%. One should also keep in mind that the rise in net asset value has been achieved at a much lower risk level than in a normal equities portfolio because the company has had substantial liquid assets invested in money market instruments all year. In view of these factors, the increase in net asset value can be described as extremely satisfactory.

The company's total net asset value after the deferred tax liability stood at EUR 115.5 million at the end of last year, compared with EUR 92.5 million at the same point in 1998. The Group had

EUR 108.1 million worth of equity investments at year end, representing 63.7% of total assets before the deduction of liabilities and minority interest. It should be noted, in comparing this with the previous year's figure (69.8%), that Neomarkka was not then part of the Norvestia Group.

At the end of 1999, EUR 55.8 million, or 32.8% of total assets, was invested in short-term certificates of deposit issued by Finnish banks. All in all, liquid assets came to slightly more, i.e. EUR 60.4 million. Shareholders' equity increased nearly 27% on the previous year-end, to EUR 97.8 million, corresponding to EUR 19.16 per share. On December 31, solvency stood at 94.4%, compared with 87.1% a year earlier.

SUBSTANTIAL SALES GAINS IN 1999

Net turnover rose 8.7% last year, to EUR 77.7 million. Of this figure, sales of securities accounted for 96%, dividend income plus tax rebates and withholding tax for 3%, and interest income for a good 1%. Profit before taxes, at EUR 35.6 million, almost tripled on the previous year, thanks to substantial sales gains during the year. This meant that the company's income tax also increased, from EUR 3.5 million in 1998 to EUR 9.9 million. Profit after taxes came to EUR 25.6 million, compared with EUR 9.1 million a year earlier.

At the end of 1999, net asset value included not only realized income tax but also the deferred tax on EUR 24.5 million of unrealized appreciation. The corresponding figure a year earlier had been EUR 21.2 million, while the deferred tax in 1999 was EUR 6.8 million and in 1998 EUR 5.9 million.

In 1998, profit per share before taxes was EUR 2.46, against EUR 6.97 in 1999. After taxes, the figures were EUR 1.77 and 5.01.

Operating expenses plus depreciation came to EUR 2.3 million, an increase on the previous year's EUR 2.0 million, partly because of the new Group structure. Personnel expenses accounted for 38% of operating expenses, which were only 2.0% of net asset value after the deferred tax, compared with 2.2% in 1998. Only a small amount was invested in machinery and equipment.

CAUTIOUS INVESTMENT STRATEGY

As before, Norvestia operated on the equity market with a relatively low risk profile. Following the dramatic fall in share prices in autumn 1998, the shares of many profitable and reputable companies were quoted at a historically low and attractive level last year. Fundamental analysis indicated that there was little risk of a further decline, while prognoses for these companies' future growth and results, and their existing financial standing suggested that their shares would certainly start increasing in value sooner or later.

The biggest equity purchases in line with this strategy in 1999 concerned the following companies: OKOBANK Osuuspankkien Keskuspankki, Huhtamäki van Leer, Orion Group, Componenta, Citycon, Kemira, Lassila & Tikanoja, Partek, Uponor (formerly Askko), Rocla and Finnlines. Most of these investments have also exceeded our expectations in the short term.

Only market psychology seemed able to explain the exceptionally brisk demand for technology shares, especially in November-December, as this could not readily be justified by conventional equity analysis. Norvestia therefore decided to follow a cautious approach to such equities, with the exception of issues and sales connected with stock exchange listing. In 1999, these were dom-

inated by telecommunications and telet technology companies. Share issuers usually aim at cautious pricing in connection with listing offers, which lowers the risk. Norvestia participated in offers by the following companies: Eimo, F-Secure (formerly Data Fellows), Janton, Liinos, Perlos, Sanitec, Sonera, SysOpen, TH Tiedonhallinta, TJ Group, HIQ International (Sweden), i-data (Denmark) and Navision Software (Denmark).

Norvestia was a major shareholder in the non-listed Internet company Tietovalta in 1999. The company was sold in November 1999 to TJ Group, at which point Norvestia's 384,000 Tietovalta shares representing 20.3% of the total number were exchanged for 491,808 shares in TJ Group, which was listed on the NM List from March onwards. During the year Norvestia held negotiations with several other non-listed companies concerning opportunities for cooperation and holdings.

The EUR 170.0 million total assets of the Norvestia Group were divided up as follows at the end of 1999:

	Norvestia	Neomarkka	Yhteensä
Major listed companies	20.1 %	1.7 %	21.8 %
Small and medium-sized listed companies	14.4 %	–	14.4 %
Non-listed companies, Nordic funds	6.4 %	12.4 %	18.8 %
Non-nordic investments	8.7 %	–	8.7 %
Financial assets	17.8 %	18.5 %	36,3 %
Total	67.4 %	32.6 %	100.0 %

NEOMARKKA BECOMES A NORVESTIA SUBSIDIARY

In autumn 1998 Norvestia had acquired Neomarkka (formerly Metsämarkka Oyj) shares corresponding to 3.0% of the total number and 32.6% of the votes. More shares representing 20% of equity capital were acquired in December the same year through a tender offer.

During 1999, ownership was increased by purchasing more Neomarkka shares on the market, leading at the end of November to a situation in which Norvestia's holding exceeded 50%. Since then Neomarkka has been a subsidiary consolidated in the Norvestia accounting. At the end of 1999 Norvestia owned 28.2% of Neomarkka's equity capital and 50.1% of the votes. The shares have been entered at a value of EUR 15.8 million in the parent company's financial statements. Neomarkka is listed on the Helsinki Exchanges I List. The last trade of the year was at EUR 7.00 per share. Neomarkka's net asset value per share after the deferred tax was EUR 9.15. Total net asset value topped EUR 55.3 million.

According to the operating plan adopted by the Neomarkka Board, the company invests primarily in the utilities sector, in enterprises such as telephone, power, water and sewage and waste management companies. The investments are mainly minority holdings in non-listed Nordic companies, though the main focus is on Finland.

Reviewing Neomarkka's investment strategy has involved substantial initial costs, but so far has generated rather little income. The company therefore showed a EUR 0.4 million loss for 1999. It has EUR 55.2 million in equity capital, equivalent to 99.3% of the balance sheet total. Neomarkka employed an average of three staff during 1999.

NORVESTIA'S SHARE PRICE RISING

In autumn 1998 Norvestia had acquired Neomarkka (formerly Metsämarkka Oyj) shares corresponding to 3.0% of the total number and 32.6% of the votes. More shares representing 20% of equity capital were acquired in December the same year through a tender offer.

During 1999, ownership was increased by purchasing more Neomarkka shares on the market, leading at the end of November to a situation in which Norvestia's holding exceeded 50%. Since then Neomarkka has been a subsidiary consolidated in the Norvestia accounting. At the end of 1999 Norvestia owned 28.2% of Neomarkka's equity capital and 50.1% of the votes. The shares have been entered at a value of EUR 15.8 million in the parent company's financial statements. Neomarkka is listed on the Helsinki Exchanges I List. The last trade of the year was at EUR 7.00 per share. Neomarkka's net asset value per share after the deferred tax was EUR 9.15. Total net asset value topped EUR 55.3 million.

According to the operating plan adopted by the Neomarkka Board, the company invests primarily in the utilities sector, in enterprises such as telephone, power, water and sewage and waste management companies. The investments are mainly minority holdings in non-listed Nordic companies, though the main focus is on Finland.

Reviewing Neomarkka's investment strategy has involved substantial initial costs, but so far has generated rather little income. The company therefore showed a EUR 0.4 million loss for 1999. It has EUR 55.2 million in equity capital, equivalent to 99.3% of the balance sheet total. Neomarkka employed an average of three staff during 1999.

NORVESTIA TO BECOME A HAVSFRUN GROUP SUBSIDIARY

Norvestia's share capital has stood at EUR 17.8 million (FIM 105.6 million) since 1994. It is divided into 300,000 A shares and 4,805,520 B shares. During 1997, 174,900 B shares were purchased for the company.

The Havsfrun Group, which is Norvestia's biggest shareholder, acquired more B shares in February 1999, bringing its total votes over 50%, and Norvestia became its subsidiary. On December 31, Havsfrun owned 300,000 A shares and 1,109,117 B shares, corresponding to 27.6% of Norvestia's capital and 52.6% of the votes.

Norvestia's second biggest shareholder, Sampo Life Insurance Company Ltd., held 13.7% of the shares and 9.0% of the votes. Altogether there were 5,256 shareholders.

BOARD RE-ELECTED

he annual general meeting elected the following members of the Board and auditors for a new term on March 24, 1999.

Re-elected:

- Tom Schubert, chairman
- Professor Olle Isaksson, deputy chairman
- Michael Frie, member
- Ralf Lehtonen, member
- Professor Jarmo Leppiniemi, member
- Pentti Mansukoski, member
- Claes Werkell, member
- Oscar von Sydow, deputy member
- Esa Raitanen, deputy member

Re-elected auditors:

Wilhelm Holmberg, Authorized Public Accountant
Carl Gustaf af Hällström, Authorized Public Accountant
Oy Ernst & Young, deputy auditor

At a meeting of the Board on April 27, 1999, Timo Löyttyniemi resigned as Managing Director. The Board would like to thank him for his excellent work for Norvestia since 1996.

Kim Lindström has been Managing Director since April 28, 1999.

The Norvestia staff includes both full-time and part-time employees in Helsinki and Sweden. During 1999 the average number of personnel was 12 (10).

The Board meeting on December 9, 1999 decided that Norvestia would put Helsinki Exchanges' new 'Guidelines for Insiders' into effect from the beginning of 2000, even though they do not come into force until March 1. The instructions extend the 'insider' concept and introduce new restrictions on a company trading in its own shares.

ACTIVE DIVIDEND POLICY

The Norvestia Board strives to make it possible to distribute a steady dividend in excess of the Finnish stock market average. The general objective is to distribute half of the declared profit.

In line with this policy, the Board proposes approval of a dividend of EUR 1.26 per share (FIM 7.50) for 1999. This would be a 25% increase on the previous year.

UNCERTAIN PROSPECTS FOR 2000

For both the company and its shareholders, a steady rise in net asset value and dividends paid is much more important than the profit written up. Net asset value is primarily influenced by the outcome of earlier investments and the future investment opportunities on Norvestia's selected markets.

The economic situation looks promising at the moment and prospects are good, especially in Europe. One negative factor for stock exchanges is that international interest rates may continue to rise during 2000. Uncertainty is also generated by the historically high level of share prices in the USA and the overheated demand for shares in the 'new economy'. It is probably unrealistic to expect that 2000 will be as good a year on exchange as 1999. On the other hand, it is possible that the obviously undervalued shares of companies operating in conventional sectors will come back into favour as investors become more aware of the price risks attached to soaring technology shares.

Consolidated profit and loss account

	Jan 1 – Dec 31 1999 1 000 FIM	Jan 1– Dec 31 1998 1 000 FIM	Jan 1 – Dec 31 1999 1 000 EUR	Jan 1 – Dec 31 1998 1 000 EUR
NET TURNOVER	462,272	425,135	77,749	71,503
Purchases of securities	-268,492	-452,092	-45,157	-76,036
Change in stock	31,744	113,586	5,339	19,104
Personnel expenses	-5,267	-4,539	-886	-763
Planned depreciation	-127	-206	-21	-35
Other operating charges	-8,494	-7,431	-1,429	-1,250
OPERATING PROFIT	211,636	74,453	35,595	12,523
Income from participations	-558	537	-94	90
Financial income and expenses	520	-232	87	-39
PROFIT BEFORE TAXES	211,598	74,758	35,588	12,574
Income taxes	-58,883	-20,878	-9,903	-3,512
Minority's share	-757	0	-127	0
PROFIT FOR THE FINANCIAL YEAR	151,958	53,880	25,558	9,062

Consolidated balance sheet

	Jan 1 – Dec 31 1999 1 000 FIM	Jan 1 – Dec 31 1998 1 000 FIM	Jan 1 – Dec 31 1999 1 000 EUR	Jan 1 – Dec 31 1998 1 000 EUR
Assets				
NON-CURRENT ASSETS				
Intangible assets	0	68	0	11
Tangible assets	733	292	123	49
Investments	61	83,768	10	14,089
	794	84,128	133	14,149
CURRENT ASSETS				
Stocks	495,590	329,203	83,353	55,368
Current receivables	10,173	11,352	1,711	1,910
Investments	332,016	101,375	55,841	17,050
Cash in hand and at bank	26,887	875	4,522	147
	864,666	442,805	145,427	74,475
	865,460	526,933	145,560	88,624
Liabilities and shareholder's equity				
SHAREHOLDER'S EQUITY				
Restricted shareholder's equity	105,608	105,608	17,762	17,762
Premium fund	51,672	51,672	8,691	8,691
Retained earnings	272,528	247,898	45,836	41,693
Profit for the financial year	151,958	53,880	25,558	9,062
	581,766	459,058	97,847	77,208
MINORITY SHARE	235,577	0	39,621	0
CURRENT LIABILITIES	48,117	67,875	8,092	11,416
	865,460	526,933	145,560	88,624

Consolidated statement of source and application of funds

	1.1.–31.12.1999 1 000 mk	1.1.–31.12.1998 1 000 mk	1.1.–31.12.1999 1 000 €	1.1.–31.12.1998 1 000 €
OPERATING ACTIVITIES				
Operating profit after financial items	211,598	74,758	35,588	12,573
Depreciation	127	206	21	35
Profits within the group	1,395	0	235	0
Shares in associated companies	558	-537	94	-90
Avoir Fiscal	-3,345	-2,808	-563	-472
Taxes paid	-32,607	-21,492	-5,484	-3,615
	177,726	50,127	29,891	8,431
CHANGES IN WORKING CAPITAL				
Increase (-) or decrease (+) in stocks	-31,746	-113,586	-5,339	-19,104
Increase (-) or decrease (+) in current receivables	4,353	-9,853	732	-1,657
Increase (-) or decrease (+) in liquid assets	-65,221	146,179	-10,969	24,586
Increase (-) or decrease (+) in current liabilities	-44,788	40,605	-7,533	6,829
	-137,402	63,345	-23,109	10,654
INVESTING ACTIVITIES				
Acquisitions of group and associated companies	13,452	-83,018	2,262	-13,963
Dividends received	2,987	0	502	0
Acquisitions of tangible and intangible assets	-171	-106	-29	-18
	16,268	-83,124	2,735	-13,981
FINANCING ACTIVITIES				
Dividends paid	-30,580	-30,582	-5,143	-5,144
Increase (+) or decrease (-) in liquid funds	26,012	-234	4,374	-40
Liquid funds 1.1.	875	1,109	147	187
Liquid funds 31.12.	26,887	875	4,521	147



NORVESTIA

N O R V E S T I A P L C

Pohjoisesplanadi 27 C
FIN-00100 Helsinki, Finland
Tel. + 358 9 622 6380
Fax + 358 9 622 2080
www.norvestia.fi