

ANNUAL REPORT SUMMARY

2000



**NORVESTIA**

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

# NORVESTIA

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## *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 held 28.7% of the capital of Neomarkka plc and 50.4% of the votes at the end of December 2000. 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 AB Havsfrun, is listed on the Stockholm Exchanges' O List. Havsfrun holds 27.6% of the capital and 52.6% of the votes in Norvestia. Norvestia plc is a part of the Havsfrun Group since February 1999.
- Norventures Ltd, which was founded in May 2000, is a subsidiary specialized in venture capital investments. Investment areas are Nordic growth companies working in the IT, infocom and electronics sectors.

## *Norvestia Group in 2000*

- Net asset value per share before deferred taxes due 23.30 € (23.96 € previous year)
- Net asset value per share after deferred taxes due 22.56 € (22.61 €)
- Proposed dividend payment in Norvestia plc 1.40 €/share (1.26 €/share)
- Net asset value (adjusted for dividend) increased by 5.4% (30.4%) during the period under review
- Net asset value (adjusted for dividend) increased by 6.1 million € (28.1 million €) during the period under review

## *Review by the Managing Director*



Managing Director Claes Werkell

### **THE PAST YEAR**

In 2000, Norvestia managed to increase its net asset value by 5.4% before dividends. This may not seem much in absolute figures, but is still substantially above the average for most other Finnish investment companies and funds last year. Indices went down in Finland and in most other markets during the year, the Nasdaq index in the United States plummeting by almost 40%. As in the previous year, Denmark again showed the opposite trend, with a 23% rise in the all-share index.

The stocks to drop most steeply in the market have mostly been data communications and IT companies and related or attached companies. The quotations of these companies were already looking shaky in late 1999 and early 2000, so the stock market developments last year were not wholly surprising. As early as February–March, Norvestia repatriated some of its substantial index-linked investments thereby writing up considerable profits. The company's attitude towards individual stock prices became more cautious overall. The general picture was not uniform, however, since beneath the surface there was considerable price spread. The prices of some shares are still high, whereas many others are low, at least from a historical perspective.

The abrupt downturn in price trends and the volatility shown by world exchanges since spring 2000 has extended to 2001. Although prices have gone down and become a lot more reasonable in many cases, there is still a lot of uncertainty as regards the actual quotations and the trends in the economic environment affecting them.

The long-term price development of Norvestia shares is likely to follow the rise in the company's net asset value in the main, although share trends and net asset value may deviate in the short term. This is what happened in 2000 when the share price fell even though the dividend-adjusted net asset value increased. The Board of Directors and I agree that Norvestia's relatively good result has been eclipsed by unfounded, negative newspaper articles on the pay of the company's Swedish personnel. This will probably have a negative impact on our share quotation. It should be noted, of course, that the general decline in indices has been pulling all shares downwards regardless of any individual circumstances.

### **INVESTMENT PORTFOLIO 2000**

The proportion of money market investments in the parent company portfolio increased somewhat during the year while equity investments decreased correspondingly. The proportions were reversed in consolidated investments since Neomarkka invested a considerable part of its cash reserves in listed shares. The geographic breakdown of investments was altered by implementing considerable cuts outside the Nordic countries and some in Finland, while increasing investments in the other Nordic countries. Finnish shares still represent the clear majority, however, both in the parent company and in the Group as a whole.

A new subsidiary company Norventures Ltd was founded in the spring to manage the Group's venture capital investments in Nordic IT, telecommunications and electronics sectors. Norventures provides expansion capital in exchange for minority holdings in growth companies with a proven business model. The company made a couple of investments on the Swedish market during the year and several projects are being surveyed.

The subsidiary Neomarkka continued to focus on the telephone business but also started to place more emphasis on business investments in the municipal sector. Last year, the company also started to invest its active liquid assets in listed shares with rather less success, which means it recorded a loss for the financial year as a whole.

### **NORVESTIA'S INVESTMENT STRATEGY**

In 1996, Norvestia's Board of Directors decided to invest primarily in both listed and non-listed shares, mainly in the Nordic countries. In practice, it has strongly focused on Finnish equities. Norvestia's investment choices are essentially based on analysis of fundamentals, which has been applied with consistency and relatively strictly since Havsfrun became the company's principal owner in 1996.

Ever since, Norvestia has been striving to limit the effect of indices by not investing all its assets in equities. This is largely due to the long-lasting economic boom and an unprecedentedly strong and persistent upward trend on the stock market, which was not foreseeably self-evident.

Since 1996, Norvestia's result has been good overall, especially if the substantially lower investment risks are taken into account, but it has nevertheless not followed index development. Since January 1, 1996, the annual increase in the company's net worth, or net asset value after tax, including paid dividends has averaged 21.4%.

Norvestia aims to guarantee its shareholders a profit in the long term which is based on limited risk and corresponds to – or, in the best instance, exceeds – the risk-free interest rate, plus a company-specific risk premium. We intend to bring this off by combining relatively steady and favourable price development with stable and gradually increasing dividend distribution, which will account for some half of profits in the long term. The overall return on share investments fluctuates both historically and geographically, but is usually expressed as the government lending rate plus some six percentage points. In the current situation this is equivalent to a long-term return of about 11%.

The chosen method is a typical means of analysing fundamentals, which means that acquisitions are based on cautiously realistic estimates of profit-making potential rather than on current popularity on the stock exchange, other technical elements, or great hopes or promises for the future. Norvestia has also decided not to tie its portfolio to any index, partly because the indices have long been rising along with the upward trend on the stock market, which is difficult to explain. With emphasis on fundamentals analysis and absolute return, this method involves buying shares that are worth buying and refraining from buying – and correspondingly selling – shares that are considered too expensive regardless of whether they are included in an index or not, and notwithstanding their impact on it. In our investment activities we take into account the liquidity of shares in order to maintain maximum freedom of operations, and continued mobility and flexibility. This is why the company has frequently not made maximum investments if no interesting investment opportunities have arisen, but has placed some of its money in bonds, for example.

Greater diversity is therefore a good reason for investing outside Finland, not only in the Nordic countries but to a certain extent elsewhere, too – on the 'stockpicking' principle. This is a particularly sound practice at times when the equities market is characterized by a wide spread of prices and fundamentals analysis shows great deviation between the valuations of different shares and on different markets. A wide range of investments also spreads the risk, although price trends are substantially correlated in many respects.

However, stockpicking requires familiarity with several equity markets, which is difficult to gain by operating in one place. Along with pay increases in the past few years, it has also become rather expensive. For practical reasons, therefore, Norvestia's Board of Directors has striven to decentralize its administration and – especially outside Finland – to employ external portfolio managers to improve cost effectiveness, while essentially adhering to the same selection philosophy.

Hopefully, the current year will see a firmer transition to the planned, more diversified portfolio in accordance with the geographic goals that were set for Norvestia as long as five years ago. I shall also be assessing a number of other op-

tions for boosting out profits and profile. I hope that we can all concentrate a much greater part of our resources on the main business than was possible last year owing to the turbulence.

The development of the Group and its investment activities will likewise be largely dependent on the economic environment and general trends on the stock market in the future. Consequently, it is difficult, if not impossible, to predict the 2001 result with certainty. It is certain, however, that the company will continue to strive to distribute gradually but steadily growing annual dividends.



Claes Werkell

1) The figure is calculated by dividing the increase in net asset value, including paid dividends, by the number of years.

*Norvestia Group's assets*  
*31 December 2000*

	Number of shares	Book value, 1,000 €	Market value, 1,000 €	% of market value
<b>NORVESTIA PLC</b>				
<b>NON-CURRENT ASSETS</b>		81	81	0.0
<b>CURRENT ASSETS</b>				
<b>Stocks</b>				
<b>MAJOR LISTED COMPANIES</b>				
Osuuspankkien Keskuspankki Oyj A share	594,600	5,060	8,182	5.1
Elisa Communications Corporation	44,887	1,029	1,029	0.6
Fortum Corporation	200,000	870	870	0.5
Huhtamäki Van Leer Oyj	78,800	2,238	2,238	1.4
Instrumentarium Corporation	14,769	310	310	0.2
Kemira Oyj	705,000	3,807	3,807	2.4
Lassila & Tikanoja plc	95,000	1,767	1,767	1.1
Lännen Tehtaat plc	270,600	3,087	3,464	2.2
Nokia Corporation	2,000	95	95	0.1
Nokian Tyres plc	34,400	616	616	0.4
Orion Group B share	156,700	3,219	3,729	2.3
Partek Corporation	98,400	1,161	1,309	0.8
Pohjola Group Insurance Corporation B share	95,200	4,474	4,474	2.8
Sanitec Oyj Abp	14,396	122	122	0.1
Sonera Corporation	8,150	157	157	0.1
StoraEnso Oyj R share	84,900	845	1,070	0.7
UPM-Kymmene Corporation	43,900	1,206	1,605	1.0
Uponor Oyj	126,100	2,001	2,364	1.5
Wärtsilä Corporation B share	71,000	1,310	1,399	0.9
Atlantic Container AB	125,000	1,423	1,442	0.9
eHuset A/S B share	23,400	740	740	0.5
Electrolux AB B share	13,000	180	180	0.1
Getinge AB	50,000	505	637	0.4
Merkantidata ASA	51,800	216	216	0.1
Royal Caribbean Cruises Ltd	3,180	62	90	0.1
Tele Danmark AS	9,000	391	391	0.3
Telefonaktiebolaget L M Ericsson B share	32,500	396	396	0.2
Telia AB	151,000	829	829	0.5
Volvo AB B share	9,300	165	165	0.1
		38,281	43,693	27.4
<b>SMALL AND MEDIUM-SIZED LISTED COMPANIES</b>				
Componenta Corporation	484,200	1,022	1,022	0.7
F-Secure Corporation	10,000	52	52	0.0
Julius Tallberg-Kiinteistöt Oyj B share	60,000	252	252	0.2
Kiinteistösijoitus Oyj Citycon	2,194,000	2,062	2,062	1.3
Okmetic Oyj	66,500	343	343	0.2
Rocla Oyj	54,500	326	327	0.2
Technopolis plc	303,800	857	857	0.5
Wecan Electronics Oyj	4,600	42	48	0.0
Aktiv Kapital ASA	135,900	472	1,486	0.9
Dansk Industri Invest A/S	40,903	247	247	0.2
Elektronikgruppen BK AB B share	149,600	746	2,016	1.3
Maxim Pharmaceuticals Inc.	49,500	339	339	0.2
		6,760	9,051	5.7
<b>NON-LISTED COMPANIES AND PRIVATE EQUITY FUNDS</b>				
Sponsor Fund I Ky		3,300	3,300	2.1
Blic AB	254,310	3	3	0.0
		3,303	3,303	2.1
<b>OTHER INVESTMENTS</b>				
Evli Altius Fund A		3,364	3,389	2.1
Seligson Phoenix Fund A		3,202	3,202	2.0
Nektar Fund		3,545	3,726	2.3
Zenit Fund		3,337	8,551	5.4
		13,448	18,868	11.8
<b>Total stocks</b>		61,792	74,915	47.0
<b>Current receivables</b>		4,295	4,295	2.7
<b>Money-market investments</b>		26,174	26,174	16.4
<b>Cash in hand and at bank</b>		1,241	1,241	0.7
<b>TOTAL CURRENT ASSETS</b>		93,502	106,625	66.8
<b>NORVESTIA PLC'S TOTAL ASSETS</b>		93,583	106,706	66.8

	Number of shares	Book value, 1,000 €	Market value, 1,000 €	% of market value
<b>NORVENTURES LTD</b>				
<b>CURRENT ASSETS</b>				
<b>Stocks</b>				
<b>NON-LISTED COMPANIES</b>				
Polystar Instruments AB	240	1,717	1,717	1.1
Xdin AB	1,430,100	1,928	1,928	1.2
		3,645	3,645	2.3
<b>Total stocks</b>		3,645	3,645	2.3
<b>Current receivables</b>		479	479	0.3
<b>Cash in hand and at bank</b>		72	72	0.0
<b>TOTAL CURRENT ASSETS</b>		4,196	4,196	2.6
<b>NORVENTURES LTD'S TOTAL ASSETS</b>		4,196	4,196	2.6
<b>NEOMARKKA GROUP</b>				
<b>NEOMARKKA PLC</b>				
<b>NON-CURRENT ASSETS</b>		71	71	0.0
<b>CURRENT ASSETS</b>				
<b>Stocks</b>				
<b>MAJOR LISTED COMPANIES</b>				
Comptel Oyj	17,450	268	268	0.2
Elisa Communications Corporation	14,600	335	335	0.2
Fortum Corporation	390,300	1,698	1,698	1.1
Huhtamäki Van Leer Oyj	16,100	457	457	0.3
Instrumentarium Corporation	20,272	426	426	0.3
Nokia Corporation	33,000	1,568	1,568	1.0
Nokian Tyres plc	8,300	149	149	0.1
Orion Group B share	23,000	487	547	0.3
Partek Corporation	24,400	308	324	0.2
Perlos Corporation	25,250	555	555	0.3
Pohjola Group Insurance Corporation B share	11,000	517	517	0.3
Stockmann plc B share	30,750	320	320	0.2
StoraEnso Oyj R share	50,000	620	630	0.4
UPM-Kymmene Corporation	25,000	864	914	0.6
Uponor Oyj	35,400	625	664	0.4
Wärtsilä Corporation B share	30,000	567	591	0.4
Telefonaktiebolaget L M Ericsson B share	66,000	803	803	0.5
Tele Danmark AS	13,000	564	564	0.3
Telia AB	118,000	648	648	0.4
		11,779	11,978	7.5
<b>OTHER INVESTMENTS</b>				
Carnegie Medical		1,174	1,174	0.7
Carnegie Worldwide		1,135	1,135	0.7
Evli Emergin Technologies B		376	376	0.2
SEB Lux Teknologifund		381	381	0.3
		3,066	3,066	1.9
<b>NOVALIS PLC</b>				
Forssan Seudun Puhelin Oy	1	1	1	0.0
Joensuun Puhelin Oy	830	821	821	0.5
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	1.9
Satakunnan Puhelin Oy	81,700	920	920	0.6
Puhelinosuuskunta KPY	7,618	10,667	10,667	6.7
Salon Seudun Puhelin Oy	145	173	173	0.1
		16,314	16,314	10.2
<b>Total stocks</b>		31,159	31,358	19.6
<b>Current receivables</b>		883	883	0.6
<b>Money-market investments</b>		21,181	21,181	13.3
<b>Cash in hand and at bank</b>		169	169	0.1
<b>TOTAL CURRENT ASSETS</b>		53,392	53,591	33.6
<b>NEOMARKKA GROUP'S TOTAL ASSETS</b>		53,463	53,662	33.6
Group eliminations		-4,748	-4,748	-3.0
<b>NORVESTIA GROUP'S TOTAL ASSETS</b>		146,494	159,816	100.0

# *Report by the Board of Directors for the financial year January 1 – December 31, 2000*

## **NET ASSET VALUE AND SHARE PRICE**

On December 31, 2000, the Group's net asset value after the deferred tax liability on the unrealized appreciation of the portfolio stood at EUR 22.56 per share, compared with EUR 22.61 a year earlier. In 2000, the dividend per share was EUR 1.26. The total increase during the year is therefore EUR 1.21, which corresponds to a 5.4% rise.

At year end the price of Norvestia's B share stood at EUR 11.70. During 2000, 622,838 B shares changed hands, at the average price of EUR 14.45. The lowest market quotation was EUR 11.55 and the highest EUR 18.00. The decrease in net asset value, or the difference between the stock exchange quotation and the net asset value per share after tax, was 48% on December 31, 2000, compared with 33% a year earlier.

## **NET TURNOVER AND RESULT**

Consolidated turnover was EUR 70.6 million in 2000 (EUR 77.7 million the previous year). Profit before taxes and appropriations stood at EUR 19.1 million (35.6). Profit after tax was EUR 14.4 million (25.6). Earnings per share before appropriations and taxes stood at EUR 3.75 (6.97), and after taxes at EUR 2.82 (5.01).

## **OPERATING EXPENSES**

Consolidated operating expenses, including depreciations, stood at EUR 4.8 million (2.3). When comparing the two financial periods it should be noted that Neomarkka only became a Norvestia subsidiary in December 1999. Neomarkka's operating expenses for 2000, totalling EUR 1.8 million, are included in the 2000 figures, whereas the company's 1999 expenses, EUR 0.2 million, only represented a single month. Moreover, investments in Norventures and Novalis have increased expenses but not brought in any profit so far. In 2000, the controversy concerning Swedish salaries generated extra internal personnel expenses and EUR 0.2 million worth of expenses paid to parties outside the company, e.g. for an extraordinary audit and extraordinary general meetings of shareholders in December. Certain other one-off expenses totalled EUR 0.4 million.

Operating expenses accounted for only 4.2% (2.0) of net asset value after deferred tax liabilities. The above-mentioned rise results from the investment strategies of Norvestia, Norventures and Neomarkka, which have focused on thoroughly worked investment activities instead of index portfolios. This focus aims combining low risk and good profit, and has proved successful in the past year. Norvestia was thus able to increase its net asset value while indices were declining overall.

## **STOCK MARKET**

The stock market saw two conflicting trends in the first year of the new millenium. In March, most indices peaked higher than ever, but after that prices took a downward turn which lasted for the rest of the year. Norvestia surveys showed that there was a risk of a strong decline in prices as early as February. This is why the company gave up its investments in Asia by Board decision, thereby writing up substantial profits. After the spring, the market mood became very nervous and the volatility of equity markets reached a record high, historically speaking. The daily fluctuations in share prices were from time to time enormous. For example, the Helsinki Exchanges' Hex all-share in-

dex went down 16.0% in a single trading day on July 27, 2000, the largest change in one day in the history of the index.

Prices of 'new economy' shares, i.e. e-business, IT and telecom, fell particularly steeply, but the trading year was bleak in almost all other sectors, too. Out of Helsinki Exchanges' 16 sectoral indices only four showed a profit during the year. The index for banks and financial institutions was the most successful, showing a 40% increase. In contrast, the prices of some, mainly small, technology companies practically collapsed, ending up 90% below their peak. Investors regained their lost realism and the over-sized growth expectations of listed companies were revised strongly downwards.

Other exchanges set questionable records, too: the New York Nasdaq Composite index dropped 39% during the year, the worst result in Nasdaq's 30-year history. The Dow Jones index also fell 6% last year, the sharpest decline in its twenty-year history, ending a nine-year upward trend.

There are several different reasons for the dramatic developments and turbulence on world exchanges last year. Early in the year markets were upset by central banks' tightening financial policies, the rapid rise in the price of oil, and fear of inflation. After that, the main problem was the concern felt about economic trends in the USA, which have a substantial effect on the world economy, and have been rising continuously for the past ten years. According to recent economic indicators, the upward trend seems to be coming to an end. The markets fear that the USA's gross national product is about to take a plunge and that its economy is facing recession. Several listed companies have in fact reported bleaker prospects for the future, usually causing their share prices to take a very sharp fall.

Index trends on various exchanges during the financial year were as follows:

Finland/HEX all-share index	-10.6%
Finland/HEX portfolio index	-24.9%
Sweden/general index	-12.0%
Norway/OBX index	-1.7%
Denmark/KFX index	+22.8%
USA/Nasdaq Composite index	-39.3%
Japan/Nikkei 225 index	-27.2%

## **INVESTMENTS**

Considering the market circumstances described above, Norvestia's investment activities generated a good result in 2000. Dividend-adjusted net asset value went up 5.4% during the year, compared with a 24.9% decline in the HEX portfolio index over the corresponding period. Return on net asset value was also better than that of almost any fund investing in Finland in 2000.

Norvestia was able to perform well because the downward trend in technology shares had very little impact on the result of its investment activities. In 2000, Norvestia did not invest in new technology companies it considered expensive. Shares acquired through listing issues were mainly sold as soon as they began to be traded on exchange. A shareholding in TJ Group was sold at a good profit at the beginning of the year. Norvestia's subsidiary Norventures Ltd, which was founded during the year, invests in non-listed growth companies in technology sectors.

In accordance with its chosen strategy, Norvestia's equities portfolio comprised mainly 'basic industry' shares. During the financial year these shares showed well below average price fluctuation and prices developed satisfactorily under the circumstances. However, the general turbulence on the stock exchange spread outside the technology sector, too, and from a historical perspective the prices of some basic industry shares sank very low in 2000.

#### NORVESTIA GROUP

Norvestia plc is the parent company of the Norvestia Group, whose subsidiaries are Neomarkka plc and Norventures Ltd. On December 31, 2000, Norvestia held 28.7% of Neomarkka's share capital and 50.4% of its total votes. Norvestia's shareholding in Norventures Ltd, entirely through its subsidiary Norvestia S.A., totalled 94% of share capital and votes. The remaining 6% was owned by Norventures' personnel. When comparing these figures with the previous financial year, it should be noted that Neomarkka only became a Norvestia subsidiary in December 1999, before which it was an associated company.

Norventures Ltd is in charge of the Group's venture capital investments in IT, infocom and electronics companies in the Nordic countries. Norventures's investment strategy includes technology companies with good future profit potential. The company is actively involved in the growth processes of its target companies and supports their further international expansion. During the financial year, Norventures invested in the Swedish IT companies Polystar Instruments AB and Xdin AB. The Managing Director of Norventures Ltd is Mr. Visa Koskiahde.

Neomarkka's B share is quoted on the Helsinki Exchanges I List. Its price was EUR 3.80 at year end and net asset value per share after deferred tax liabilities EUR 8.78. Samuel von Martens was elected the new Managing Director of the company in November.

Neomarkka's Board of Directors has decided on a plan of operations which specifies that the company should invest in stable infrastructure sectors, e.g. telephone companies, municipal energy companies and water and sewage works. Investments are meant to comprise mainly minority holdings in unlisted Nordic companies, focusing particularly on Finland.

In December, Neomarkka established a subsidiary named Novalis Plc for its investments in the telephone sector.

#### EQUITY PORTFOLIO

Market value breakdown of the Group's equity investments in percentages are as follows:

	2000	1999
Major listed companies	34.9%	21.8%
Small and medium-sized listed companies	5.7%	14.4%
Non-listed companies and private equity funds	14.6%	18.8%
Other investments	13.7%	8.7%
Financial assets	34.1%	36.5%
Intra-group eliminations	-3.0%	-0.2%

The book value of Norvestia Group's equities portfolio was EUR 146.5 million (145.6) on December 31, 2000 and the market value EUR 159.8 million (170.0).

#### CONSOLIDATED LIQUIDITY AND SOLVENCY

Norvestia Group's liquid assets totalled EUR 48.8 million (60.4) at the end of the year. The year-end equity ratio stood at 97.9% (94.4). Shareholders' equity totalled EUR 105.8 million (97.8). Norvestia has booked EUR 1.4 million of its remaining commitment to invest in Sponsor Fund Ky as a liability.

#### PERSONNEL AND INVESTMENTS

Norvestia employs both full- and part-time staff in Finland and Sweden. During 2000, the Norvestia Group employed some 18 (12) people. This change in the personnel figure is due to the fact that Neomarkka only became a subsidiary in December 1999. Only minor investments were made in machines and equipment during the year. Net investments stood at EUR 0.0 million (0.0).

#### OWNERS

There were hardly any changes among the ten major owners during the year. At year-end the Havsfrun Group held 27.6% of the share capital and 52.6% of votes.

Sampo Life Insurance Company Ltd. acquired 14,600 shares and was Norvestia's second biggest shareholder, with a 14% holding of the capital and 9.2% of votes. The ten major shareholders held a total of 49.7% of share capital and 67.1% of votes.

#### BOARD OF DIRECTORS, AUDITORS AND MANAGING DIRECTOR

The Ordinary General Meeting elected the members and deputy members of the Board of Directors, and auditors and deputy auditors, on March 22, 2000.

#### Members of the Board:

Tom Schubert, chairman  
 Olle Isaksson, deputy chairman  
 Ralf Lehtonen, member  
 Jarmo Leppiniemi, member  
 Bo C E Ramfors, member  
 Claes Werkell, member  
 Michael Frie, deputy member  
 Oscar von Sydow, deputy member

#### Auditors:

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

Claes Werkell was elected Managing Director to replace Kim Lindström on July 17, 2000. Upon Claes Werkell's appointment Tom Schubert left his position as chairman of the Board, and was replaced by the deputy chairman.

Ralf Lehtonen and Jarmo Leppiniemi resigned from the Board on July 18. At the ensuing meetings they were replaced by deputy members Michael Frie and Oscar von Sydow.

On December 11, 2000, an Extraordinary General Meeting of shareholders elected Olle Isaksson chairman of the Board and Bo C E Ramfors deputy chairman.

#### NOMINAL VALUE OF SHARES

The Annual General Meeting decided to lower Norvestia's equity capital by EUR 588,321. This corresponds to the value



of shares redeemed or annulled by the company during 1997. At the same time the nominal value of the share was raised from EUR 3.36 (FIM 20) to EUR 3.50. Share capital was increased by EUR 695,584 through a bonus issue, and this was transferred from non-restricted shareholders' equity to equity capital. After these changes, the company's equity capital stands at EUR 17,869,320. It is divided into 300,000 A shares and 4,805,520 B shares.

#### **EXTRAORDINARY GENERAL MEETING**

The company held an Extraordinary General Meeting on December 11, 2000 at the request of the Finnish Shareholders' Association to decide upon an extraordinary audit. The focus of the audit was to be the work done by the company's Swedish personnel, their pay and the decision-making process involved in these matters, the company's public reporting on these events and the measures taken when the company changed its Managing Director. A shareholders' representative stated that a reliable, independent inquiry into these matters was absolutely necessary and in the interests of both the company and its shareholders.

At the Extraordinary General Meeting the Board of Directors, the regular auditors and Hannu Vänskä, Authorized Public Accountant, submitted their reports, which were released unabridged as stock exchange bulletins the same day.

The Board said in its report that the personnel in question have been used by the company since 1996 under unanimous Board decisions. The Board considers it to be in the interests of the company to employ personnel outside Finland, and thought it expedient to make use of the skills and capacity of the Swedish parent company, too. This has been done by paying employees by the hour on the cost price principle and in proportion to Norvestia's needs. The parent company and the subsidiary share the general personnel expenses of Group employees in proportion to the extent each utilizes their services.

The Board decisions are based on the belief that this administrative model is expedient and reasonable, suits the company's needs, and serves its interests. No previous Boards or special auditing committees have criticized the arrangement. If Norvestia had not been able to use the Group's shared Swedish personnel at cost price, it would have had to acquire the corresponding resources in some other way.

The company's regular auditors inquired into the matter as part of their own regular audit and also employed outside legal experts to ensure a valid judicial assessment of the matter. Their inquiries did not lead to any significant comment on the wages paid or related circumstances. In other respects the matter is dealt with in the auditors' report to the Extraordinary General Meeting and the auditor's report for 2000 included in the company's annual report.

Hannu Vänskä, Authorized Public Accountant, was appointed by the Board to draw up an independent audit and assessment on the Swedish pay issue. His report was presented to the Board and consequently to the General Meeting. It confirmed the auditors' conclusions and stated that substantially the affair had been appropriately handled in a way which has complied with unanimous Board decisions.

The Extraordinary General Meeting decided unanimously, in accordance with a Board motion, to employ two independent auditors to obtain an independent account without delay, so as to be able to answer the questions presented by the

Finnish Shareholders' Association in writing. One auditor would be appointed by the Finnish Bar Association and the other by the Finnish Institute of Authorized Public Accountants. Accordingly, the auditors appointed for the task are Matti Manner, a lawyer from Turku, and Mårten Forss, an Authorized Public Accountant from Helsinki. They are due to deliver their audit report in March, in good time before the Ordinary General Meeting.

The Extraordinary General Meeting also voted on whether to apply for a special audit in compliance with section 10, paragraph 14, of the Companies Act. The majority thought such an audit unnecessary and voted against it, but shareholders with a total of 10% of company shares were in favour of it, which made it possible to put in for a Provincial State Office ruling on the need to apply for an audit. No application concerning a special audit is submitted, however.

The Extraordinary General Meeting had the right to nominate and elect extra auditors and a specific 'minority auditor', but the meeting renounced this possibility unanimously. Furthermore, the Meeting was authorized to complement the Board by electing new members, but this right was also unanimously waived.

To conclude, the Board would like to say that the audits already carried out and in progress are well able to meet the high requirements set for a professional, precise and independent audit. Therefore, all questions are likely to receive a reliable and independent reply in accordance with these requirements.

#### **DIVIDEND POLICY**

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

#### **SUGGESTED DIVIDEND DISTRIBUTION**

The Board proposes that EUR 7.1 million (6.4) be distributed to shareholders in dividends, corresponding to EUR 1.40 (1.26) per share.

#### **PROSPECTS**

Stock market trends will remain closely tied to economic development in the USA. The next few months will show whether the profit warnings issued by several companies are merely a passing market disturbance or whether the American economy is drifting towards deeper recession. The US Federal Reserve already lowered its funds rate by 1% at the beginning of 2001 in order to boost the economy, and interest rates have taken a downward turn. There is a conflict between falling interest rates and a serious recession. Substantial potential tax cuts in the future are also expected to counteract recession.

The number of shares that seem to be increasingly attractive after a year of falling prices has increased markedly. Norvestia will strive to recognize undervalued shares in the future, too, and to make use of opportunities to buy and sell that may occur on a sharply fluctuating market with a wide price spread.

## *Consolidated profit and loss account*

	Jan 1 – Dec 31 2000 1,000 €	Jan 1 – Dec 31 1999 1,000 €
NET TURNOVER	70,644	77,749
Purchases of securities	-60,017	-45,157
Change in stock	13,008	5,339
Personnel expenses	-1,852	-886
Planned depreciation	-49	-21
Goodwill depreciation	71	-
Other operating charges	-2,919	-1,429
<hr/>		
OPERATING PROFIT	18,886	35,595
Share of results of associated companies	0	-94
Financial income and expenses	243	87
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PROFIT BEFORE TAX AND MINORITY INTERESTS	19,129	35,588
Income tax	-6,072	-9,903
Minority interests	1,336	-127
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PROFIT FOR THE FINANCIAL YEAR	14,393	25,558

## Consolidated balance sheet

	Dec 31 2000 1,000 €	Dec 31 1999 1,000 €
<b>Assets</b>		
NON-CURRENT ASSETS		
Tangible assets	141	123
Investments	10	10
	<hr/>	<hr/>
	151	133
CURRENT ASSETS		
Stocks	96,360	83,353
Current receivables	1,145	1,711
Money-market investments	47,355	55,841
Cash in hand and at bank	1,483	4,522
	<hr/>	<hr/>
	146,343	145,427
	<hr/>	<hr/>
	146,494	145,560
<b>Liabilities and shareholders' equity</b>		
SHAREHOLDERS' EQUITY		
Restricted shareholders' equity	17,869	17,762
Premium fund	8,691	8,691
Retained earnings	64,850	45,836
Profit for the financial year	14,393	25,558
	<hr/>	<hr/>
	105,803	97,847
MINORITY INTERESTS	37,662	39,621
CURRENT LIABILITIES	3,029	8,092
	<hr/>	<hr/>
	146,494	145,560

## Consolidated cash flow statement

	Jan 1 – Dec 31 2000 1,000 €	Jan 1 – Dec 31 1999 1,000 €
<b>OPERATING ACTIVITIES</b>		
Operating profit after financial items	19,129	35,588
Depreciation	49	21
Profits within the group	-	235
Shares in associated companies	-	94
Avoir Fiscal	-2,815	-563
Goodwill depreciation	-71	-
Taxes paid	-7,578	-5,484
	<u>8,714</u>	<u>29,891</u>
<b>CHANGES IN WORKING CAPITAL</b>		
Increase (-) or decrease (+) in stocks	-13,008	-5,339
Increase (-) or decrease (+) in current receivables	939	732
Increase (-) or decrease (+) in liquid assets	8,486	-10,969
Increase (-) or decrease (+) in current liabilities	-1,116	-7,533
	<u>-4,699</u>	<u>-23,109</u>
<b>INVESTING ACTIVITIES</b>		
Acquisitions of group and associated companies	-184	2,263
Dividends received	-	502
Acquisitions of tangible and intangible assets	-67	-29
	<u>-251</u>	<u>2,736</u>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	-6,803	-5,143
<b>CASH FLOW FOR THE YEAR</b>	<b>-3,039</b>	<b>4,375</b>
Liquid funds 1.1.	4,522	147
Liquid funds 31.12.	1,483	4,522
Increase (+) or decrease (-) in liquid funds	<u>-3,039</u>	<u>4,375</u>



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