

Norvestia in brief

- *Norvestia's B share has been quoted on Helsinki Exchanges since 1985. The company's operations focus on long-term investors and it invests primarily in listed Nordic shares and funds.*
- *Norvestia's aim is to provide its shareholders with favourable appreciation in the long term, combined with good dividend.*
- *Norvestia plc is the parent company of Norvestia Group, which also includes the subsidiaries Norventures Ltd and Neomarkka plc and its subsidiaries.*
- *The Norvestia subsidiary Neomarkka invests mainly in listed and unlisted companies with absolute return as its aim (an annual increase in net asset value regardless of market trends). Neomarkka's wholly owned subsidiary Novalis plc manages Neomarkka Group's investments in the telecommunications sector.*

Year 2001

- *The parent company's direct investments decreased by EUR 30 million, whereas its externally managed investments grew by EUR 20 million and its money market investments by EUR 10 million.*
- *Net asset value per share after deferred tax liability was EUR 22.36 at year-end (against EUR 22.56 in 2000, of which EUR 1.40 per share was distributed in dividend).*
- *Net asset value per share (dividend-adjusted) after deferred tax liability grew 5.3% in the year under review (5.4%).*
- *The Board of Directors proposes that EUR 1.40 per share be distributed as dividend (EUR 1.40).*

Review by the Managing Director



Managing Director
Claes Werkell

the current situation this is equivalent to a long-term return of about 11%. Norvestia aims to achieve a good, steady return in order to guarantee a relatively steady upward share price trend, combined with a gradually climbing annual dividend. In the long term, dividend is about 50% of profits.

However, one financial year does not always give a true picture of a company's performance as this may be greatly affected by chance and company investment policy, the success of which depends on market trends. Performance over a somewhat longer period also affected by changing circumstances is a much more reliable yardstick.

Dear shareholders,

Norvestia's returns for last year can be viewed from two different standpoints: as absolute return or as relative return, compared with overall stock market trends. In absolute terms the company's return was fair, but fell far short of its long-term objective. Compared with the stock market overall, however, Norvestia's return for 2001 was very good and considerably better than that of most other asset managers.

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. The overall return on share investments fluctuates both historically and geographically, but the average return is sometimes considered to equal the government lending rate plus some six percentage points. In

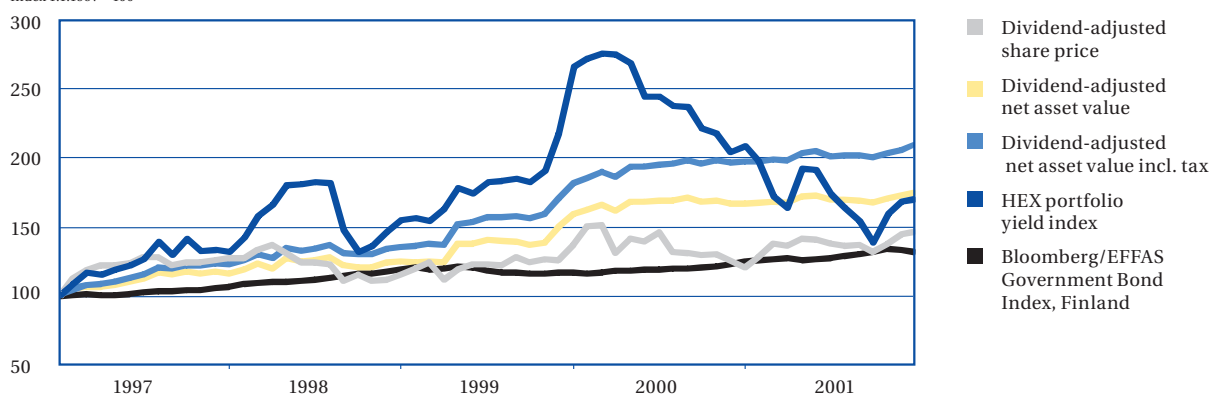
Norvestia's return 1997–2001

The light blue curve in the chart below depicts Norvestia's return since 1997, i.e. the increase in net asset value as it would have been before taxes and dividends. Returns comprise profits and losses, dividends received and interest income, less operating expenses. They are subject to taxes and dividends.¹⁾

The diagram and table below show that Norvestia's performance for the past five-year period is in line with its demanding long-term result target. The company more than doubled its equity before taxes and dividends. This success is naturally the sum of many different factors, also good luck. The stock exchange has fluctuated sharply in the past five years, and another measurement period might have resulted in a very different picture. However, performance over the five-year period gives a more fair picture of the company's investment policy, compared with a single year.

Net asset value and price trends

Index 1.1.1997 = 100



¹⁾ For a fair comparison between a company like Norvestia and share indices or funds, it should be noted that there are differences in their taxation treatment. Indices and funds do not pay taxes on their profits, unlike holders of fund units. Investment companies also pay annual avoiv fiscal on their returns. This tax benefits the shareholders indirectly, however, since dividend is tax-exempt income for them.

Low volatility

The chart and the table showing returns indicate that the return on Norvestia's investments has been not only good, but also steady. In addition, the standard deviation or volatility of returns has been low and risk-adjusted returns are good. The Sharpe ratio is often used to measure return against risk. In Norvestia's case, the ratio is better than usual, mainly thanks to the good absolute returns on its investments and low volatility. In such cases it is usual to comment that not only is absolute return high, but also risk-adjusted return, indicating that they were not based on high-risk investments.

The guiding principle of Norvestia's investment operations is to diversify and ensure that overall risks are controllable, securing steady asset growth. We think this is the way to achieve good returns. So far we have been fairly successful in our attempts to reach this goal.

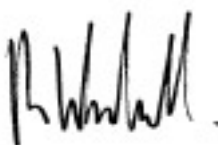
Skilful investment management

For the reasons stated above we have reason to be fairly satisfied with our performance during the past five years. This is naturally due to our skilled employees, especially the three portfolio managers bearing most of the responsibility for our investments. The company's fine social spirit and corporate culture have also played a significant role in ensuring the continuity which is essential for good performance and an obvious advantage for our future.

Future prospects

The situation on the stock market continues unpredictable. Regardless of sinking share prices, valuation levels for individual shares and several markets are still quite high. As before, Norvestia's performance will be greatly affected by economic development and share prices both in Finland and abroad.

So far Norvestia has managed to perform relatively well in different and constantly changing circumstances. Nevertheless, this does not guarantee that we will be able to continue doing so, although that is our aim. Shareholders may rest assured, however, that Norvestia will persist in striving for the best possible steady returns at limited risk, making for continued, steady and gradual growth of annual dividends.



Claes Werkell

Group volatility and return

	Dividend-adjusted share price	Dividend-adjusted net asset value incl. income tax	Dividend-adjusted net asset value	HEX portfolio yield index	Bloomberg/ EFFAS Bond Index, Finland
Annual volatility*	18.20%	4.60%	5.20%	23.90%	2.70%
Annual return**	8.00%	15.90%	11.80%	11.20%	5.90%
Sharpe ratio***	0.24	2.69	1.57	0.32	0.83

* Calculated on the basis of monthly returns in 2000 and 2001.

** The cumulative returns for 1997–2001 have been translated into annual returns.

*** An indicator of 'risk-adjusted return' (return less risk-free bond interest rate) divided by annual volatility. These calculations use a three-months Finnish market rate of 1997–2001 as the risk-free interest rate. The higher the Sharpe ratio, the better the return on an investment in relation to its risk.

Investments December 31st, 2001

	Number of shares/units	Book value, 1,000 €	Market value, 1,000 €	Share of market value
NORVESTIA PLC				
MAJOR LISTED COMPANIES				
Comptel Oyj	87,625	193	273	0,3%
Elisa Communications Corporation A-share	175,637	2,390	2,390	2,3%
Fortum Corporation	200,000	908	950	1,0%
Huhtamäki Oyj	51,800	1,546	1,839	1,9%
Lännen Tehtaat plc	153,350	1,741	1,794	1,8%
Nokia Corporation	20,000	298	579	0,6%
Nokian Tyres plc	29,200	961	1,025	0,9%
Orion Group plc B-share	63,200	1,258	1,258	1,3%
Partek Corporation	98,400	895	895	0,9%
Perlos Oyj	29,600	225	345	0,4%
Pohjola Group Insurance Corporation B-share	126,400	2,509	2,509	2,5%
Wärtsilä Corporation B-share	71,000	1,310	1,477	1,5%
eHuset A/S B-share*	23,400	0	0	0,0%
Merkantidata ASA	224,800	300	300	0,3%
Nasdaq 100 UTS	29,100	1,123	1,285	1,3%
		15,657	16,919	17,0%
SMALL AND MEDIUM-SIZED LISTED COMPANIES				
Kiinteistösi joitus Oyj Citycon	1,283,000	1,309	1,309	1,3%
Wecan Electronics Oyj	95,600	393	526	0,5%
Dansk Industri Invest A/S	40,903	165	165	0,2%
Elektronikgruppen BK AB B-share	53,400	315	413	0,4%
Optimum Optik AB	1,886,980	297	304	0,3%
		2,479	2,717	2,7%
PRIVATE EQUITY FUND				
Sponsor Fund I Ky		2,971	2,971	3,0%
		2,971	2,971	3,0%
FUNDS				
Conventum Euro Value Fund B	17,119	1,427	1,427	1,4%
Conventum Finland Value Fund B	17,130	1,060	1,072	1,1%
Evli Altius Fund B	49,543	5,046	5,310	5,3%
Ramsay & Tuutti Avenir Fund B	2,396	2,523	2,737	2,7%
Seligson Phalanx Fund A	290,440	766	851	0,9%
Seligson Phoenix Fund A	336,451	3,365	3,852	3,9%
Didner & Gerge Stockfund	31,737	2,011	2,402	2,4%
Futuris Fund	16,442	2,733	3,069	3,1%
Lancelot Merlin Fund	1,324	1,643	1,658	1,7%
Nektar Fund	22,390	3,546	4,105	4,1%
Zenit Fund	2,481	3,337	9,437	9,5%
MSCI Taiwan Opals Fund	46,278	3,240	4,490	4,5%
		30,697	40,410	40,6%
BOND				
Sonera Group Bond, coupon 5,625%, expires 14.3.2005	nominal value 2,000	1,620	1,981	2,0%
		1,620	1,981	2,0%
NORVESTIA PLC IN TOTAL		53,424	64,998	65,3%
NORVENTURES LTD				
NON-LISTED COMPANIES				
NSD Products Oy	4,189	109	109	0,1%
Polystar Instruments AB	240	1,717	1,717	1,7%
		1,826	1,826	1,8%
NORVENTURES LTD IN TOTAL		1,826	1,826	1,8%

* A bankruptcy petition was filed against eHuset in July 2001. The share was delisted from the Copenhagen Stock Exchanges July 10th, 2001.

	Number of shares/units	Book value, 1,000 €	Market value, 1,000 €	Share of market value
NEOMARKKA-GROUP				
NEOMARKKA PLC				
MAJOR LISTED COMPANIES				
Aspocomp Group Oyj	5,000	56	60	0,1%
Finnlines Oyj	7,500	163	173	0,2%
Fiskars Corporation A-share	10,000	82	85	0,1%
Fortum Corporation	152,700	725	725	0,7%
HK Ruokatalo Oyj A-share	17,500	53	58	0,1%
Huhtamäki Oyj	16,100	498	572	0,6%
Kemira Oyj	20,000	120	133	0,1%
Kesko Oyj B-share	17,000	154	175	0,2%
Orion Group plc B-share	18,000	358	358	0,4%
Partek Corporation	24,400	222	222	0,2%
Polar Kiinteistöt Oyj T-share	100,000	35	36	0,0%
Raisio-Yhtymä Oyj V-share	50,000	47	47	0,1%
Rautaruukki Oyj K-share	20,000	80	82	0,1%
Sanoma WSOY Oyj B-share	28,000	300	300	0,3%
Stockmann plc B-share	30,750	412	412	0,4%
Uponor Oyj	35,000	632	656	0,7%
Wärtsilä Corporation B-share	30,000	567	624	0,6%
YIT-Yhtymä Oyj	9,000	115	121	0,1%
Adecco SA	2,700	164	164	0,2%
Alcatel AS	4,000	77	77	0,1%
AOL Time Warner	6,000	219	219	0,2%
Aventis S.A.	4,900	391	391	0,4%
Business Objects SA	6,100	169	229	0,2%
Canon Inc.	7,000	273	273	0,3%
Cemex SA Spon ADR rep5	10,500	285	294	0,3%
Chubb plc	78,000	194	220	0,2%
Computer Associates Intl	8,900	334	348	0,4%
Diageo plc	34,000	386	439	0,4%
Elan Corporation ADR	6,300	322	322	0,3%
Fast Retailing Co Ltd	700	71	71	0,1%
John Hancock Financial Services Inc.	5,500	213	258	0,3%
Nestle SA registered	1,850	431	442	0,4%
Principal Financial Group	8,000	188	218	0,2%
Secom Co Ltd	4,000	228	228	0,2%
Skandia Försäkrings AB	21,500	176	176	0,2%
State Street Corp.	5,700	326	338	0,3%
Tomra Systems ASA	31,500	341	341	0,3%
UBS AG	4,900	277	277	0,3%
Vestas Wind Systems A/S	7,300	224	224	0,2%
VNU NV	3,411	118	118	0,1%
Vodafone Group plc	99,000	281	292	0,3%
		10,307	10,798	10,9%
FUNDS				
Evli Emerging Technologies B	5,796	125	125	0,1%
SEB Lux Teknologifond	82,420	236	236	0,2%
Seligson Phoenix Fund A	381,775	4,000	4,372	4,4%
Zenit Fund	283	1,058	1,075	1,1%
		5,419	5,808	5,8%
NOVALIS PLC				
NON-LISTED COMPANIES				
Kymen Puhelin Oy	135	111	111	0,1%
Lännen Puhelin Oy	569	717	717	0,7%
Oulun Puhelin Oyj	746,250	3,081	3,081	3,1%
Satakunnan Puhelin Oy	81,700	920	920	0,9%
Tikka Communications Oy	830	822	822	0,9%
Puhelinosuuskunta KPY	7,618	10,667	10,667	10,7%
		16,318	16,318	16,4%
NEOMARKKA-GROUP IN TOTAL		32,044	32,924	33,1%
Group eliminations		-235	-235	-0,2%
NORVESTIA-GROUP IN TOTAL		87,059	99,513	100,0%

Report by the Board of Directors for January 1–December 31, 2001

Stock market

The downward trend in share prices, which began in spring 2000 continued throughout most of 2001. The HEX portfolio index went down 22.3% and the Nokia-dominated HEX all-share index 32.4%. From the beginning of 2000 to the end of 2001, the total fall in the HEX portfolio index was 41.6% and in the HEX all-share index 39.6%. Apart from a few exceptions, share indexes all over the world declined sharply in the year under review. The Nasdaq technology-based index, for example, dropped 21.1% and the more general S&P 500 index 13.0%. It can well be said that the beginning of the new millennium has not been easy for equity investors.

The main reason for the downward trend in share prices is the markets' constant concern about developments in the US economy, which is of utmost importance to the economy of the world at large. The key figures indicating the state of the US economy kept weakening throughout 2001. Unemployment increased, consumer confidence was shaken, and industrial output fell considerably. This had a direct impact on the business world, which reported poorer profits and issued profit warnings. Weak economic development spread to other continents as well, and Europe's economic growth figures, for example, had to be revised downwards.

The US economy was already falling before the world-shaking terrorist attack of September 11. Capital markets all over the world were thrown into momentary disorder, making prevailing economic trends even more negative. When US stock exchanges finally opened after the attack, the market situation was very nervous. The Dow Jones index, for example, went down 14.3% in the following week, its weakest weekly performance in 70 years. Since then, however, prices have returned to the level before the terrorist attack, or even partly exceeded them.

The US Federal Reserve (FED) has tried to bring the country's negative economic development to a halt by lowering interest rates. From 6% at the beginning of 2001, the key rate was lowered 11 times, to only 1.75% at year-end, the lowest funds rate in decades. In order to revive the world economy, other central banks also lowered their rates several times in 2001.

From a historical point of view it is extremely unusual to find so much similarity in the trends in different countries' share indices as in the past 12 months. Because of economic integration and rapidly advancing information technology, however, the economies of different countries are also more closely linked, and this is reflected in the price of shares, too. In technical terms, the correlation between different share indices has increased significantly. From an investor's point of view this is a negative development, since it reduces the benefits to be derived from spreading investments

over several different markets. Investors will probably have to come to terms with this phenomenon in the future, since integration of the world economy seems to be spreading further.

Index trends on various exchanges in 2001:

Finland/HEX all-share index	-32.4%
Finland/HEX portfolio index	-22.3%
Sweden/SAX index	-16.9%
Norway/OBX index	-17.0%
Denmark/KFX index	-13.7%
USA/Nasdaq Composite index	-21.1%
USA/S&P 500 index	-13.0%
Japan/Nikkei 225 index	-23.5%

Norvestia's share price	+17.1%
Norvestia's dividend-adjusted net asset value	+5.3%

Net asset value and share price

On December 31, 2001, the Group's net asset value after the deferred tax liability on the unrealized appreciation of the portfolio stood at EUR 22.36 per share (EUR 22.56 at the end of 2000). The net asset value includes 29.3% of Neomarkka's net asset value, which corresponds to Norvestia's holding of the company's total shares.

In May 2001, Norvestia distributed EUR 1.40 per share in dividends. Taking this into account, the company's net asset value went up by EUR 1.20 in the year under review, equal to a 5.3% rise from January 1.

The company's shares were quoted at EUR 13.70 at the end of the year (11.70), which equals a 38.7% discount in net asset value (48.1%). The price of Norvestia shares went up about 17% in 2001.

Net turnover and result

Norvestia Group's turnover mainly comprises sales of securities, dividends received (including tax credits) and interest income. Net turnover for 2001 was EUR 74.0 million (70.6) and operating expenses EUR 3.4 million (4.8). The Group's operating expenses were 2.2% (3.0%) of net asset value after the deferred tax liability. The parent company's turnover for 2001 was EUR 58.1 million (58.8) and operating expenses EUR 1.7 million (2.6). These expenses made up 1.5% (2.3%) of the entire Group's net asset value after the deferred tax liability.

Consolidated profit was EUR 7.1 million (14.4) and the parent company's EUR 7.7 million (15.0). Profit before minority interests and taxes was EUR 8.6 (19.1) million at Group level and EUR 10.9 million for the parent company (21.1). For an investment company, the crucial figure is not the book result but the change in net asset value, because the result includes unrealized losses but not unrealized profits.

Investments

Considering the market circumstances described above, Norvestia's investment activities generated a relatively good result in 2001. Dividend-adjusted net asset value went up a good five per cent during the year, while the HEX portfolio index declined 18%. Return on net asset value was also better than that of most equity or asset allocation funds investing in Finland in 2001.

Norvestia was able to perform well thanks to its careful choice of shares and successful timing of share acquisitions. Since 2000, Norvestia has considered the shares of many, especially technology companies, overpriced and consequently invested little in this sector. This has proved the right choice and the slump in the prices of technology shares has had hardly any impact on Norvestia's net asset value.

After the terrorist attack in September, capital markets all over the world were in turmoil. Norvestia made use of the market situation, buying the shares of companies whose prices seemed to have plummeted unreasonably and thus making a steady profit. In addition, some index funds and corporate loans were added to the portfolio. These investments proved successful and many of them have already been sold at a good profit.

In 2001, Norvestia reduced its investments in Finnish shares because the portfolio had been too heavily concentrated in Finland, making risk management difficult. Norvestia altered the composition of its portfolio by increasing its investments in a variety of funds, using assets from sales of shares. The better spread of investments reduced the risk level and the volatility of returns on net asset value.

In view of the market situation, the funds owned by Norvestia generated good returns. A big amount of Norvestia's fund holdings comprise hedge funds where the return is not directly linked to general price trends on the stock market. Hedge funds' investment strategy aims for good returns regardless of prevailing general market trends.

In 2001, Norvestia sold mostly OKOBANK and Kemira shares, making a good profit on the sale of its entire holding in the latter. It bought mostly Pohjola shares, most of which were sold after the dividend distribution in April.

Norvestia group

Norvestia plc belongs to the Havsfrun Group and is itself the parent company of the Norvestia Group, whose subsidiaries are Norventures Ltd and Neomarkka plc and its subsidiaries. AB Havsfrun is domiciled in Stockholm.

The parent company Norvestia plc invests mainly in listed Nordic shares and funds.

Neomarkka is quoted on the Helsinki Exchanges I List. On December 31, 2001, Norvestia held 29.3% of its share capital and 50.8% of the votes.

Neomarkka invests primarily in unlisted Finnish infrastructure sector companies engaging in telecommunications and municipal business operations. Neomarkka showed a EUR 2.2 million loss for the review period, mainly caused by losses on listed shares and holdings.

In October 2001, Norventures Ltd became Norvestia's wholly-owned subsidiary when the latter bought the 6% holding previously held by Norventures' personnel.

Norventures has been focusing its investment operations on unlisted IT, infocom and electronics companies in the Nordic countries. Last year showed, however, that the chance of success in this field is considerably weaker than expected, and subsequently only a few investments were actually made. In relation to the expected profit, the cost of maintaining a separate company proved unreasonable for an investor in Norventures' league. Norventures was responsible for about one fifth of Norvestia's operating expenses (excluding Neomarkka), whereas its investments only equalled about 2% of Norvestia's. Consequently, the company ceased active operations in the last quarter. The parent company is managing Norventures' remaining investments on its behalf.

Norventures showed a loss of EUR 1.7 million for the review period and a total deficit of some EUR 2.1 million. This has been wholly covered with a group subsidy from Norvestia plc.

The subsidiaries Norvestfinans Oy Ab and Norvestia Capital Oy, which had no active operations, were closed down during the year.

Neomarkka

Subsidiary Neomarkka's investments are almost equally divided between unlisted telephone shares, listed shares and money market investments. The investments made in telephone shares as well as the money market investments produced a surplus for 2001, but like the year before, depreciations on listed shares caused the company to show a loss.

Neomarkka's operations are focused on a demanding field. The decision-making processes in the infrastructure sector are often complicated and lengthy, and Neomarkka's investments are not as extensive as originally planned. Investments in listed companies made in order to ensure a better profit on cash funds have been showing losses. Neither Norvestia nor the other shareholders can be satisfied with the company's performance.

Neomarkka's telecom investments

In 1998 and 1999, Neomarkka bought EUR 21 million worth of shares and holdings in unlisted data and tele-operator companies. In 2000, it sold its holding in Datatie Oy. Neomarkka telecom shares are currently managed by the company's wholly-owned subsidiary Novalis Plc. The acquisition price of the remaining shares in Novalis is EUR 16.3 million. The holding was acquired in order to retain a footing in the continuing consolidation expected in the telecommunications sector, thus benefiting from the holding's increase in value.

Because the telecommunications sector has experienced steep fluctuations in the last couple of years, the Neomarkka Board of Directors had two external valuations of these telecommunication shares made. The first valuation was carried out by FIM Corporate Finance in early autumn and the second by PCA Corporate Finance early in the new year. Both valuations reached the same conclusion: the value of the shares at the time of valuation was at least the same as their acquisition price. Since the valuations are based on future expectations, they involve an element of uncertainty, of course. Future developments may result in a positive or negative difference between the share prices and their book values.

In 2001, telecommunications companies distributed EUR 0.5 million in dividends, making dividend income about 3%.

Equity portfolio

Market value breakdown of the Group's equity investments excluding money-market investments:

	2001	2000
Major listed companies	27.9%	50.9%
Small and medium-sized listed companies	2.7%	8.1%
Non-listed companies	21.0%	21.0%
Funds and bonds	48.4%	20.0%

The book value of Norvestia Group's equity portfolio was EUR 87.1 million (96.4) on December 31, 2001 and the market value EUR 99.5 million (109.9). The book value of the parent company's portfolio was EUR 53.4 million (61.8) and the market value EUR 65.0 million (74.9). The Group's money-market investments totalled EUR 53.4 million (74.9) and those of the parent company EUR 35.9 million.

Consolidated liquidity and solvency

Norvestia Group's liquid assets totalled EUR 54.7 million (48.8) at the end of the year. The year-end equity ratio stood at 98.2% (97.9%). Shareholders' equity totalled

EUR 105.7 million (105.8). Norvestia has entered EUR 1.3 million (1.4) of its remaining commitment to invest in Sponsor Fund Ky as a liability.

Personnel and investments

In 2001, the Norvestia Group employed in average 15 (18) people, and the parent company 8 (9). No major investments were made in machines and equipment during the year (EUR 0.0 million). The downsizing of Norventures reduced the number of the Group's permanent employees by three as of the beginning of 2002.

Shareholders

At the end of December 2001, Norvestia shareholders numbered slightly less than 5,000 (a good 5,000). 29.3% of company shares were in foreign ownership (28.1%). The biggest shareholder is the Havsfrun Group, which is quoted on the Stockholm Stock Exchange O list. Havsfrun bought 60,500 Norvestia B shares last year and had a 28.8% holding at year-end, which corresponds to 53.4% of votes.

Norvestia's second biggest shareholder Sampo Life Insurance Company Ltd. acquired 30,000 B shares in 2001, holding 14.6% of shares and 9.5% of votes at year-end. The ten major shareholders held a total of 50.1% of shares and 67.4% of votes.

General meeting and its follow-up meeting

The General Meeting elected the members and vice members of the Board of Directors, and auditors and vice auditors, on March 27, 2001.

Members of the Board:

Olle Isaksson, chairman
Bo C E Ramfors, vice chairman
Stig-Erik Bergström, member
Michael Frie, member
Claes Werkell, member
Håkan Gartell, vice member

Auditors:

Wilhelm Holmberg, Authorized Public Accountant
Carl Gustaf af Hällström, Authorized Public Accountant
Hannu Vänskä, Authorized Public Accountant
Yrjö Tuokko, Authorized Public Accountant
and

Vice auditor: Tilintarkastajien Oy Ernst & Young

The General Meeting authorized the Board of Directors to buy a maximum 255,276 of the company's B shares.

The authorization to make these acquisitions in the company's name is valid for one year, until March 26, 2002. The Board is entitled to use assets available for profit distribution in order to acquire the maximum amount of B shares, corresponding to five per cent of the total on the day of the Meeting. The shares may also be acquired for the purpose of conveyance. A separate decision by the General Meeting is required for conveyance of the shares. The Board has made no acquisitions.

As reported earlier in stock exchange bulletins and interim reports, the question of discharge from liability was discussed at the follow-up meeting to the General Meeting. Since no demands have been made on this subject, it should no longer be a matter for discussion.

Dividend policy

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

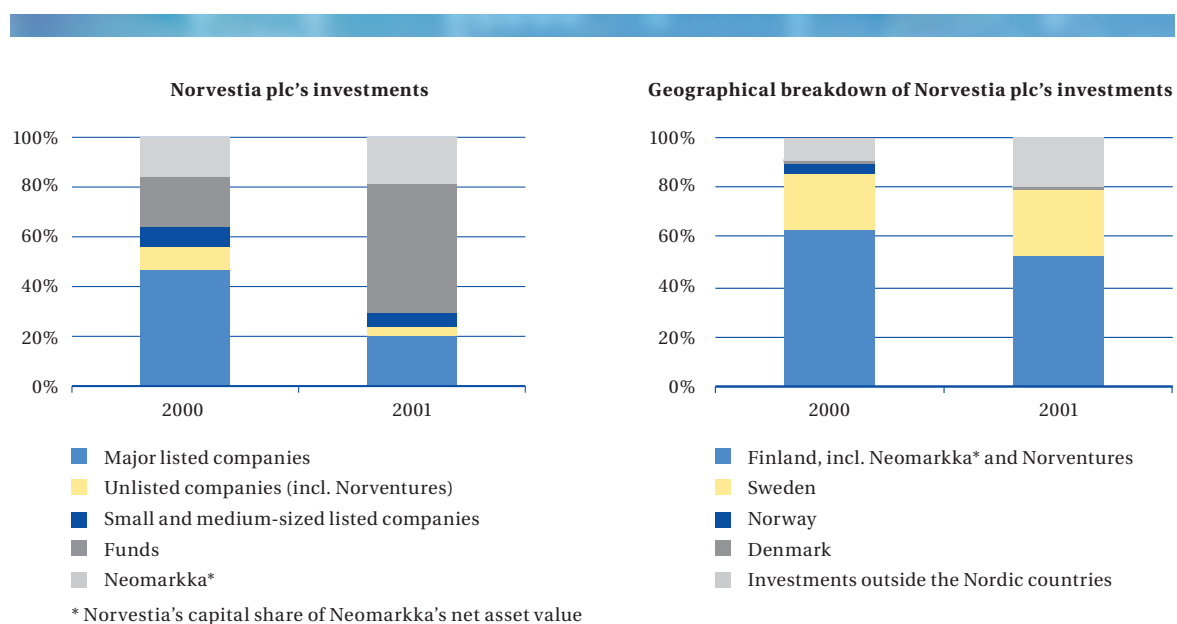
Suggested dividend distribution

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

Future prospects

Future stock market trends are still uncertain. There are some faint signs that the US economy may start growing again in 2002, but it is too early to draw any conclusions on the subject with any degree of certainty. Although share prices have gone down considerably in the past two years, the average valuation of US shares is still high. The financial performance of US companies has plummeted in step with share quotations, and subsequently relative price levels are still very high from a historical perspective. No permanent stock market recovery is to be expected before companies start to perform better.

In accordance with our chosen strategy, Norvestia continues to focus mainly on value shares, i.e. shares offered at prices which are low both historically speaking and in relation to the company's net asset value and performance expectations. Nevertheless, Norvestia may also invest in growth companies if this is analytically justifiable. Investment levels and the ratio between shares, funds and interest-yielding investments are assessed in accordance with the situation at any given time.



Consolidated income statement

1,000 €	Jan 1–Dec 31 2001	Jan 1–Dec 31 2000
NET TURNOVER	74,009	70,644
Purchases of securities	-52,829	-60,017
Change in stock	-9,301	13,008
Personnel expenses	-1,341	-1,852
Planned depreciation	-46	-49
Goodwill depreciation	50	71
Other operating charges	-1,971	-2,919
OPERATING PROFIT	8,571	18,886
Financial income and expenses	30	243
PROFIT BEFORE TAX AND MINORITY INTERESTS	8,601	19,129
Income tax	-3,164	-6,072
Minority interests	1,623	1,336
PROFIT FOR THE FINANCIAL YEAR	7,060	14,393

Consolidated balance sheet

1,000 €	Dec 31 2001	Dec 31 2000
Assets		
NON-CURRENT ASSETS		
Tangible assets	127	141
Investments	10	10
	137	151
CURRENT ASSETS		
Stocks	87,059	96,360
Current receivables	1,519	1,145
Money-market investments	53,374	47,355
Cash in hand and at bank	1,289	1,483
	143,241	146,343
	143,378	146,494
Liabilities and shareholders' equity		
SHAREHOLDERS' EQUITY		
Restricted shareholders' equity	17,869	17,869
Premium fund	8,691	8,691
Retained earnings	72,062	64,850
Profit for the financial year	7,060	14,393
	105,682	105,803
MINORITY INTERESTS	35,472	37,662
CURRENT LIABILITIES	2,224	3,029
	143,378	146,494

Consolidated cash flow statement

1,000 €	Jan 1–Dec 31 2001	Jan 1–Dec 31 2000
OPERATING ACTIVITIES		
Operating profit after financial items	8,601	19,129
Depreciation	46	49
Avoir fiscal	-2,730	-2,815
Goodwill depreciation	-50	-71
Taxes paid	-864	-7,578
	5,003	8,714
CHANGES IN WORKING CAPITAL		
Increase (-) or decrease (+) in stocks	9,301	-13,008
Increase (-) or decrease (+) in current receivables	-446	939
Increase (-) or decrease (+) in liquid assets	-6,020	8,486
Increase (-) or decrease (+) in current liabilities	-329	-1,116
	2,506	-4,699
INVESTING ACTIVITIES		
Acquisitions of group and associated companies	-188	-184
Investments in tangible- and intangible assets	-32	-67
	-220	-251
FINANCING ACTIVITIES		
Dividends paid	-7,483	-6,803
	-7,483	-6,803
CASH FLOW FOR THE YEAR		
	-194	-3,039
Liquid funds 1.1.	1,483	4,522
Liquid funds 31.12.	1,289	1,483
Increase (+) or decrease (-) in liquid funds	-194	-3,039

Company management

Election of Board members

According to Norvestia's Articles of Association the Board of Directors comprises of 3–8 regular members and at most 4 vice members. The General Meeting of the Shareholders elects Board Members for a term lasting up to the following General Meeting. The Meeting also appoints a chairman and a vice chairman from among the ordinary Board members.

Duties of the Board of Directors

The Board of Directors is in charge of organizing the company's management and operations in a rational manner, and of ensuring that it follows laws and other regulations. The Board must also make the proper arrangements for bookkeeping and asset management.

Board of Directors' work procedures

Each year, at a meeting usually held after the General Meeting, the Board lays down its own working procedures and rules of procedure for the Managing Director. The former include instructions on the form and content of Board meetings, the company's financial reporting, investments, external communications, etc. The Board checks and approves all lists of approvals and authorizations and rights to sign for the company. The Board selects an auditing committee from among its members.

The chairman of the Board is responsible for calling a Board meeting whenever necessary.

Regular Board meetings deal with internal reports on the company's operations and performance and approve external reports, such as interim reports, bulletins on financial statements, and annual reports. Strategic questions are discussed as necessary.

An agenda is drawn up for each Board meeting and distributed to the members in advance. All meetings are minuted and the minutes are then examined and distributed to the members of the Board and auditors.

Meetings

The Board of Directors usually convenes between five and eight times a year. In 2001, the Board met eight times.

Managing Director

The Managing Director attends to the day-to-day management in accordance with instructions and orders issued by the Board of Directors, ensures that the company's books are kept in accordance with the law and that its operations are in keeping with any other statutory regulations. The Managing Director is also responsible for the safety of the company's asset management arrangements.

Auditing committee

The primary duty of the auditing committee is to monitor the work of the auditors and any issues that may appear in that context. The committee reports to the Board regularly.

Key terms

Net asset value

Net asset value is of big importance to an investment company like Norvestia. The report on net asset value is a calculation of the difference between the market value of Norvestia's assets and that of its liabilities at a given time. Thus, net asset value indicates the success of investments and changes in the value of assets. Only realized profits are shown in the company's income statement.

Publicly listed securities, investment funds and derivatives are valued at the most recent closing price. If no such price exists, the buy quotation is used instead. Unlisted shares and holdings have been valued at their book value.

Norvestia Group's net asset value includes a proportion of Neomarkka's net asset value corresponding to the size of Norvestia's holding. Both Norvestia and Neomarkka calculate and publish their net asset values each month. Net asset value may differ from the book value of assets and liabilities. Discount in net asset value is the difference between net asset value per share and the price of the B share.

The financial results for the year and the last few financial years are important for dividend distribution, since they constitute the distributable assets.

Taxation

The net asset value published monthly is calculated both before and after the deferred tax liability. Net asset value before the deferred tax liability is calculated after the taxes on the financial year's profit, which include capital gain tax, for example. Investment companies pay tax on realized returns in accordance with the corporate tax rate valid at any given time. Deferred tax liability is calculated on unrealized appreciation or a value figure indicating that the market value of a company's portfolio exceeds its book value. The computational tax liability for 2001 has been calculated at a 29% tax rate.

In comparing an investment company like Norvestia with investment funds, for example, the differences in taxation should be taken into account. This applies to both profit distribution and the taxation of appreciation.

As an investment company, Norvestia takes the impacts of taxation fully into account in its reports on rises and falls in net asset value. There are also differences between the tax status of investment companies and that of investment funds as regards dividend distribution.

Volatility

Volatility measures how much risk is involved in the assets, that is the extent of fluctuation in asset value. Changes in net asset value indicate the degree of risk involved in Norvestia's assets. The average volatility of the HEX portfolio index was 29.5% in 2001. Norvestia's volatility in dividend-adjusted net asset value was much lower, at 4.8%. Low volatility is part of Norvestia's strategy, which generally presupposes low risk and steady returns.

Absolute return

The absolute return objective means that the company aims to increase its net asset value each year regardless of prevailing market trends, instead of striving to exceed the returns of a particular share index, for instance.