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## Neomarkka in brief

- Neomarkka Plc is an investment company whose B share is quoted on the Helsinki Exchanges.
- Neomarkka targets a high absolute return on the net asset value regardless of the overall direction of equity and bond markets. The company seeks less variation in returns than is currently the case on equity markets.
- The company's investments are focused mainly on hedge funds. A smaller part of the net assets can be invested directly or indirectly using vehicles such as shares, bonds, derivatives and other securities.
- Novalis Plc is a fully-owned subsidiary of Neomarkka which manages the group's investments in unlisted telecommunications companies.

## The year 2003

- At year-end the net asset value was EUR 8.74 per share after deferred tax liability. The year before it was EUR 8.19, out of which a dividend of EUR 0.08 was distributed to the shareholders.
- Dividend-adjusted return on net asset value was 7.7 percent (-2.2%).
- The Board proposes that EUR 0.08 be distributed in dividend (EUR 0.08).
- Neomarkka Plc became a part of the Kaupthing Group as a result of a change in ownership in Neomarkka's parent company Norvestia Plc.
- During the year the allocation to hedge funds was increased to around half of the net assets.

## Report by the Managing Director



2003 was a good year for Neomarkka. Considering the risk level, the return on net assets was reasonably good in both absolute terms and compared with returns on the equity and bond markets. The low realized risk level of the investment portfolio permits the pursuit of a higher return by increasing leverage.

In the autumn Neomarkka became part of the Icelandic Kaupthing Group, after Kaupthing Bank hf. had acquired the majority of votes in Neomarkka's parent company Norvestia Plc. Kaupthing is an investment bank that operates mainly in the Nordic countries. The change was also reflected in the Board of Directors of Neomarkka, the composition of which was changed by an extraordinary meeting of shareholders held in October. The strategy of the new Board of Directors, which is explained in more detail in the Board report, will increase the focus on hedge fund investments.

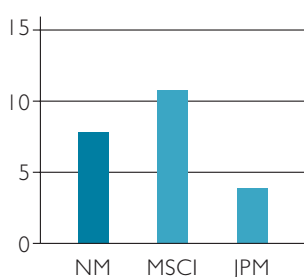
Neomarkka's average leverage in 2003 was 92%. This means that 92% of the company's net assets were invested outside risk-free instruments such as the money markets. The investment portfolio can be divided into three parts. The hedge fund investments, which on the declining equity markets of the previous year showed good returns, produced positive returns also in 2003. The return on Neomarkka's listed equity investments was excellent and clearly outperformed the equity markets, even when measured with risk-adjusted figures. As no private equity investments were realized, the return was limited to dividend yield.

The return on Neomarkka's net asset value per share, including dividends paid, was 7.7% in 2003. During the same period shares returned 10.7% measured by the MSCI World Free Yield Index (EUR) and euro-zone bonds returned 4.0% according to the JP Morgan Government Bond Index. Neomarkka's performance compared with the indexes is shown in the bar graphs below. The first presents returns for 2003, the second risk measured by volatility, and the third the Sharpe Ratio. The Sharpe Ratio for Neomarkka was 1.6; for the World Index it was 0.6, and for the JPM Index 0.4. A high Sharpe Ratio means that return was high with respect to the realized risk.

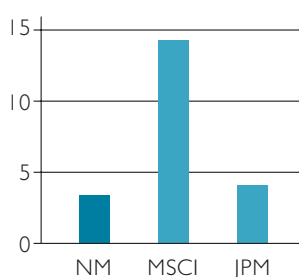
By increasing the proportion of hedge funds, we were able to reduce the volatility of our net asset value as expected. In 2003, the volatility of Neomarkka's net asset value was substantially below that of equity markets and even below that of bond markets. Realized volatility, however, merely indicates the realized variations in return. We consider it extremely important that hedge fund investments do not cause substantial other uncertainty, for example due to operational risk in the funds. For this reason we stress advance evaluation of risk factors in our fund analyses. Apart from the most obvious factors, we always investigate the background of funds carefully and subject the accuracy of the information that we receive to a thorough analysis.

At the beginning of 2004, approximately half of Neomarkka's net asset value was invested in hedge funds.

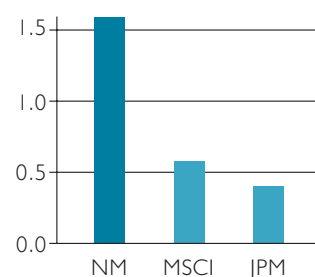
**Return 2003**



**Volatility 2003**



**Sharpe 2003 (rf=2,3%)**



NM = Neomarkka's net asset value  
 MSCI = Morgan Stanley World Free Yield Index (EUR)  
 JPM = JP Morgan EMU Government Bond (EUR)

We think that the quality of these funds and the diversification of the portfolio will allow a further increase in leverage. This means that hedge fund investments can be financed with borrowed capital.

Neomarkka's share price increased during the year. Including dividends, the share appreciated 19% in 2003 and 77% during the last three calendar years. The discount to net asset value per share narrowed substantially during the same period. During the second half of 2003, the discount was at its lowest, at approximately 19%. At the end of the year, the share price was again some 26% below the net asset value. Fluctuations in the discount are linked to the volatility of the share, which is substantially higher than the volatility of the net asset value. This would seem to be mainly because the liquidity of the share is not sufficient, and hence large trades affect the share price from time to time. In the future, Neomarkka will attempt to promote better liquidity, for example by increasing the company's transparency and by improving the flow of information.

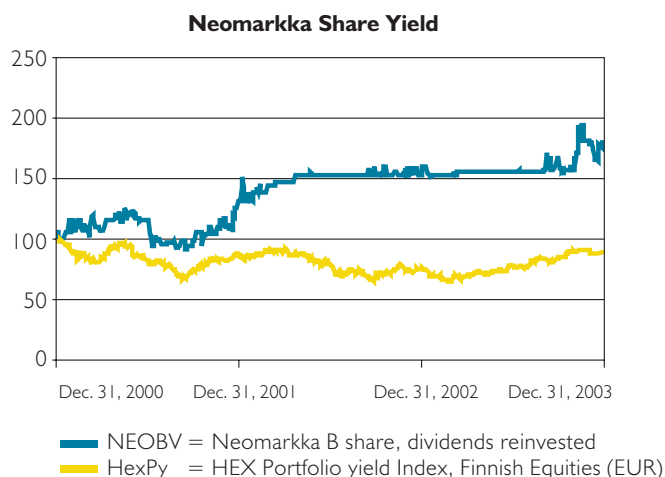
In March 2003, an upturn occurred on the world equity market after an unusually long decline. This upturn, which grew stronger as the uncertainties related to the Iraq war were resolved, has at least been in harmony with nine consecutive quarters of growth in the US GDP. In 2003 the rise in share prices was reasonably strong measured in local currencies. In the United States the S&P 500 returned 28%, in Japan the Nikkei 225

returned 25%, and in Finland the HEX Portfolio Index returned 23%. Since there were substantial changes in exchange rates, the World Index returned a more modest 11% expressed in euros. In considering whether the present share prices are justified, we can, just like a year ago, seek our point of reference from a valuation method based on corporate fundamentals. At that time, we noted that as far as the Helsinki Exchanges were concerned, the price to book median was unusually low. Now the price to book median is about 1.9, or the same as in February 2000 just before the stock bubble burst.

After a declining trend of some 20 years, long-term bond yields rose sharply in July 2003, after reaching a record low in June. In September, yields came back to a more moderate level, and stayed there until the end of the year. The present level of 10-year bond yields – slightly more than 4% – means that the expected total return on bonds will not be outstanding over the middle term. The total return on euro-zone bonds already fell to 4% in 2003, after having been 10% in 2002.

Neomarkka aims at a high absolute return, regardless of the overall direction of the equity and bond markets. With respect to risk, we seek less fluctuation in returns than is currently the case on equity markets.

Samuel von Martens  
Managing Director



# Consolidated Net Asset Value



Neomarkka Group, December 31	2003	2002	2001
<b>Net asset value/share, EUR</b>			
before deferred tax liability	8.74	8.19	8.46
after deferred tax liability	8.74	8.19	8.46
dividend paid	0.08	0.08	0.08
Assets	EUR million	EUR million	EUR million
Fixed assets	0.0	0.0	0.1
Current assets			
Listed shares	7.5	11.2	15.5
Hedge funds	24.9	18.0	1.1
Private equity	16.3	16.3	16.3
Financial assets	4.2	4.1	18.5
Total assets	52.9	49.6	51.5
Current liabilities	-0.3	-0.3	-0.5
<b>Before deferred tax liability</b>	52.6	49.3	51.0
Deferred tax liability <sup>*)</sup>	-0.0	-0.0	-0.0
<b>After deferred tax liability</b>	52.6	49.3	51.0
Number of shares	6,020,360	6,020,360	6,029,360

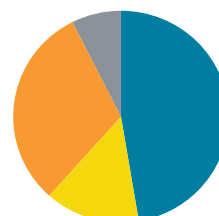
Publicly quoted securities are valued at the last trading price and funds are valued at the submitted final or estimated NAV. In cases where a last trading price is not available, the last bid is used. Private equity investments are valued at purchase expense or at the probable selling price in case it is lower than the purchase price.

<sup>\*)</sup> The deferred tax liability on inventories is EUR 1.2 million (EUR 0.5 million in 2002). It has been offset by deferred tax receivables in the NAV-calculations from December 31, 2001 onwards.

## Net Asset Value Reports

Neomarkka publishes monthly net assets value reports that provide investors with information on investments performance. As a rule, the reports are published within ten weekdays of the end of each calendar month in the form of stock exchange releases and on the Group's website at [www.neomarkka.fi/en](http://www.neomarkka.fi/en).

## Investments Dec. 31, 2003



	Market value EUR million	%
Hedge funds	24.9	47
Listed shares	7.5	14
Private equity	16.3	31
Other	3.9	8
	52.6	100

# Report by the Board of Directors

Neomarkka's Board of Directors has decided that the company's main mission is to create shareholder value by acting as a channel to investments that are otherwise fairly inaccessible to investors.

Investing will focus mainly on funds managed by successful investors who seek absolute return, in other words on hedge funds. Hedge funds usually target at professional investors and the minimum allowed investment can be fairly substantial.

A smaller part of net assets can be invested more traditionally, directly or indirectly using vehicles such as shares, bonds, derivatives and other securities. The company may increase its investments by borrowing.

On its investments Neomarkka targets a high absolute return regardless of the overall direction of the equity and bond markets. The company seeks less variation in returns than is currently the case on the equity markets.

## Development of Net Asset Value

At the end of 2003, the Group's net asset value after deferred tax liability was EUR 52.6 million (EUR 49.3 million in 2002). The change in net asset value was EUR 3.8 million (EUR -1.2 million), including the dividend paid to shareowners. The net asset value per share was EUR 8.74 (EUR 8.19). During the year, owners were paid a dividend of EUR 0.08 per share for 2002. The total return on net asset value per share was +7.7% (-2.2%), including the dividend paid to shareholders.

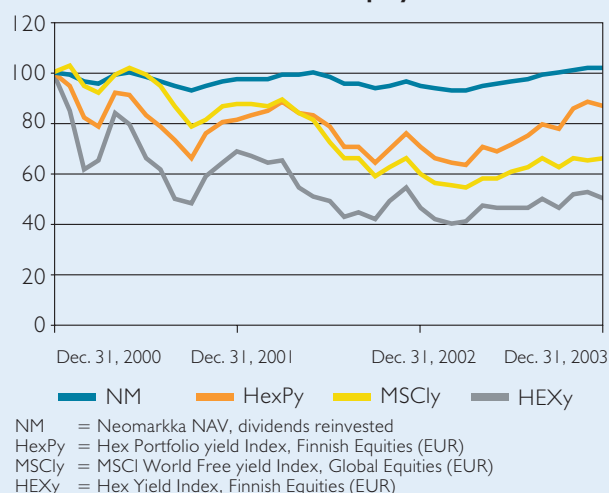
Annual volatility calculated from monthly returns on net assets was 3.5%. Volatility measures variation in returns, thereby describing the risk involved. The volatility of the HEX portfolio index calculated in the same manner was 19%, that of the MSCI World Index 14%, and that of the JP Morgan euro-zone bond index 4.1%.

## Neomarkka shares: Prices and volumes traded

The closing price of Neomarkka's B share on the last business day of the year was EUR 6.45 (EUR 5.50). The total return on the share was 18.7% for the year, including the dividend. At year end the price of the share was lower than its net asset value. The discount declined during the year from 33% to 26%.

During 2003, 131,107 B shares (168,858) were traded on Helsinki Exchanges. The volume corresponds to 2.2% of the number of B shares (2.9%) and EUR 0.8 million (EUR 0.9 million). The lowest closing price for the year was EUR 4.67 (EUR 4.64) and the highest closing price was EUR 7.00 (EUR 5.80). The value of all company shares on the last business day of the year at stock exchange prices amounted to EUR 38.9 million (EUR 33.2 million).

Net Asset Value and Equity Indexes



## Equity markets

There was an upturn on equity markets in 2003. Expressed in local currencies, the increase was substantial in most countries, but exchange rate movements were also great. The decline preceding the upturn had been unusually long. Its depth is depicted by the share indices in the table above. They are still relatively weak over a longer period.

Development of share indices until the end of 2003, including dividends:

	1 year	2 years	3 years
World/			
MSCI World Free (EUR)	+11%	-25%	-34%
Finland/HEX All-Share Index	+8.5%	-27%	-49%
Finland/HEX Portfolio Index	+23%	+6.1%	-13%
USA/S&P 500	+28%	+0.2%	-12%
Europe/Euro Stoxx 50	+19%	-23%	-37%
Japan/Nikkei 225	+25%	+3%	-21%
Neomarkka share price (dividend-adjusted)	+19%	+39%	+77%
Neomarkka net asset value (dividend-adjusted)	+7.7%	+5.3%	+2.4%

## Net turnover, financial result and financing

Consolidated net turnover totalled EUR 15.8 million (EUR 9.0 million in 2002). Net turnover mainly comprise income from the trade of securities, dividends received, and interest income. Operating expenses amounted to EUR 1.0 million (EUR 1.1 million). Financial result for the year came to EUR 1.6 million (EUR -2.1 million) and earnings per share to EUR 0.26 (EUR -0.35).

# Report by the Board of Directors

The most relevant indicator for an investment company is the change in its net asset value shown by the net asset value calculation, not earnings shown in the profit and loss account. The change in net asset value includes unrealised profits and losses, while earnings include only the latter; the difference at any given time may be substantial in either direction. The consolidated unrealised profits increased from EUR 1.8 million at the beginning of the year to EUR 4.0 million at the end. Hence, the change in net asset value exceeded earnings by the amount of this increase.

The consolidated equity ratio at year end was 99.5% (99.3%). Shareholder's equity per share was EUR 8.07 (EUR 7.88) at year end. The Group did not have any loans for investment purposes during the year.

Investments in fixed assets during the year were minor. At year end, tangible fixed assets after depreciation amounted to EUR 0.03 million (EUR 0.04 million).

## Adopting the IFRS rules

As of January 1, 2005, listed companies in EU countries must prepare their financial statements and bookkeeping according to IFRS rules (IAS). In the Neomarkka Group, preparations started during 2003.

The EU Commission has not yet approved all the IFRS rules. On the basis of present information the new rules for Neomarkka will mean that current assets are entered at market value. Now, current assets are entered at the lower of acquisition price or market value. Further, deferred tax liabilities and receivables will be entered in the balance sheet to the extent permitted by the prudence principle.

In Neomarkka's net asset value calculation investments are already entered at market value. Consequently, the financial results shown by the income statement in accordance with IFRS rules correspond on the whole to the change in net asset value shown by the present net asset value calculation. According to IFRS rules, the consolidated financial result for 2003 is estimated to be EUR 3,8 million.

## Investments

At year end the market value of Neomarkka's hedge fund investments was EUR 24.9 million (EUR 18.0 million) and the market value of listed shares and equity funds EUR 7.5 million (EUR 11.2 million). The value of Novalis Plc's unlisted investments at year end was EUR 16.3 million (EUR 16.3 million). The amount of money market investments was EUR 1.1 million (EUR 3.4 million). As a rule foreign exchange positions were hedged through forward contracts. At year end, the leverage was 93% of the net asset value (92%).

## Hedge funds and listed shares

Neomarkka Plc's portfolio of hedge funds and shares accounted on average for 60% of the consolidated net asset value.

At year end, the market value of hedge funds was 47% of the net asset value (36%). During the year, Neomarkka invested in four new funds and withdrew its investment from one. The diversification of the portfolio was improved by increasing both the number of hedge funds and the investment styles of the hedge funds.

The proportion of equity investments was reduced toward the end of the year so that at year end they accounted for 14% of net asset value (23%). During 2003, Neomarkka owned both Finnish and foreign shares.

In 2003, Neomarkka Plc's investment portfolio of hedge funds and shares returned 14.5% with an annual volatility of 5.7%, as calculated from monthly figures.

## Private equity investments

The investment portfolio of Novalis Plc, a wholly owned Neomarkka subsidiary, comprised unlisted Finnish telephone operators. The acquisition value of unlisted investments at the end of 2003 was EUR 16.3 million (EUR 16.3 million). During the past year, Novalis did not make any new investments or withdraw from any existing ones. Novalis Plc received dividends worth EUR 0.5 million (EUR 0.4 million) excluding *avoir fiscal*. The dividend yield on the private equity investments was 3.0% (2.7%).

The Neomarkka Board of Directors commissioned an independent valuation of Novalis Plc. In a statement issued in January 2004, FIM Corporate Finance Oy stated that based on their valuation and at the time of assessment, they found the valuation of Novalis Plc's current assets at acquisition price to be fair and justifiable. The value assessment is based on assumptions and therefore it does include uncertainty factors.

## Group structure and shareholders

Neomarkka Plc is the parent company in a Group that includes the wholly owned Neomarkka subsidiaries Novalis Plc and Alnus Oy. Neomarkka Plc is part of the Norvestia Group and after the change in ownership in Norvestia Plc of September 29, 2003, part of the Kaupthing Group. Kaupthing Bank, which is domiciled in Reykjavik, Iceland is listed on the Reykjavik and Stockholm exchanges.

At the end of 2003, Neomarkka Plc had 15,429 shareholders. At year end the holding of the largest, Norvestia Plc, was 32.49% of the shares (31.64%) and 53.09% of the votes (52.46%). At year end the holding of the second largest, Metsäliitto Osuuskunta, was 20.02% of the shares (19.97%) and 13.90% of the votes (13.87%). At year end the combined holding of the ten largest shareowners was 54.67% of the shares (53.79%) and 68.49% of the votes (67.86%).



## Board and auditors

The following persons were re-elected to the Board at the Annual General Meeting on March 12, 2003:

Professor Olle Isaksson, Gothenburg (chairman)  
Director Claes Werkell, Stockholm (vice chairman)  
PhD (Econ.) Stig-Erik Bergström, Espoo  
Finance Director Kari Haavisto, Helsinki  
Cabinet Chamberlain Bo C E Ramfors, London  
Director Håkan Gartell, Stockholm (deputy member)  
Managing Director Heikki Saarinen,  
Espoo (deputy member)

After the change in ownership in the parent company of Neomarkka Plc, Norvestia Plc, Neomarkka Plc held an Extraordinary Meeting of shareholders on October 20, 2003. At the meeting the following new members were elected:

Master of Science (Econ.) Sigurdur Einarsson,  
Seltjarnarnes, Iceland (chairman)  
MBA Mika Lehto, Helsinki (vice chairman)  
Master of Science (Econ.) Hreidar Már Sigurdsson,  
Reykjavik, Iceland  
CFO Hannu Anttila, Espoo and  
PhD (Econ.) Stig-Erik Bergström, Espoo,  
was re-elected.

The Board of Directors normally convenes 8 to 10 times a year. In 2003, the Board of Directors met 11 times. The meetings participation activity of the regular members was 93%.

At the Annual General Meeting Ernst & Young Oy, Authorized Public Accountants was chosen as auditor, with Carl-Gustaf af Hällström, Authorized Public Accountant, as responsible auditor.

## Auditing committee

Each year, the Board appoints an audit committee, the functions of which are to monitor the financial position of the company and oversee financial reporting, to assess internal control, the adequacy and regularity of risk management, and compliance with laws and regulations, to liaise with the auditor, and to review the auditor's reports. The auditing committee reports to the Board. Until October 20, 2003 the committee comprised Kari Haavisto (chairman) and Stig-Erik Bergström. Since October 20, 2003 the committee has comprised Hannu Anttila (chairman) and Mika Lehto. The audit committee convened three times during 2003.

## Company personnel

The company employs both full-time and part-time personnel. On average there were 4 employees (4).

## Cancellation of company shares

At the Annual General Meeting on March 12, 2003, Neomarkka decided to cancel the 16,600 B shares in its possession, which it had acquired earlier. The nominal value of the shares was EUR 66,400. As a result of this decision, the share capital decreased by 66,400 euros, which were transferred to the premium fund. The cancelled shares accounted for 0.27% of the share capital before cancellation and for 0.19% of the votes. The change was entered in the Trade Register on April 9, 2003.

Cancellation of the shares in the possession of the company increased Norvestia Plc's holding in Neomarkka by 0.09 percentage points in the case of the shares and 0.1 percentage points in that of the votes. Metsäliitto Osuuskunta's holding in Neomarkka rose by 0.05 percentage points (shares) and 0.03 percentage points (votes).

At its Annual General Meeting, the Neomarkka Board obtained authorization to acquire B shares up to the equivalent of five (5) per cent of all B shares with funds available for distribution. The Board did not exercise this authorization in 2003.

## Proposal for disposal of the profit

The Board proposes that EUR 0.08 (EUR 0.08) per share be distributed to shareholders from the parent company's distributable funds, a total of EUR 0.5 million (EUR 0.5 million).

## Dividend policy

Neomarkka targets a high absolute return regardless of the overall direction of equity and bond markets. The company seeks less variation in returns than is currently the case on equity markets.

The shareholder's total return comprises the change in share value and the dividend paid by the company. The Board will propose dividends when it judges that this leads to the best total return for shareholders.

## Prospects

Neomarkka intends to apply for a move to the Helsinki Exchanges Main List. According to the Board's assessment, the company will reach its shareholders better from the Main List, so transferring to this list will improve share liquidity and make market pricing more effective.

Neomarkka will invest a large proportion of its net asset value in hedge funds. The aim is to increase the company's leverage from the 93% level at the beginning of the year. Hedge fund investments may also be made with borrowed capital, in which case the company's leverage may exceed 100%. The reason for increasing leverage, which at the same time increases risk, is to seek a higher return level.

As before, the company may also have traditional investments on the equity and bond markets. In the short term, Neomarkka will probably keep the allocation to equity on the year-end level. In the present market situation Neomarkka is not likely to invest in bonds.

# Income Statements

## Consolidated Income Statement

EUR 1,000	Notes	Oct. 1-Dec. 31 2003	Oct. 1-Dec. 31 2002	Jan. 1-Dec. 31 2003	Jan. 1-Dec. 31 2002
<b>Net turnover</b>	1	<b>7,625</b>	<b>1,731</b>	<b>15,782</b>	<b>9,031</b>
Purchase of securities		-6,698	-1,881	-14,071	-21,526
Change in inventories		193	255	992	11,603
Personnel expenses	2	-98	-88	-400	-442
Depreciation		-2	-2	-9	-20
Other operating expenses		-213	-180	-569	-615
		-6,818	-1,896	-14,057	-11,000
<b>Operating profit/loss</b>		<b>807</b>	<b>-165</b>	<b>1,725</b>	<b>-1,969</b>
Financial income and expenses	3	1	3	2	7
<b>Profit/loss before taxes</b>		<b>808</b>	<b>-162</b>	<b>1,727</b>	<b>-1,962</b>
Taxes	5	-6	53	-165	-135
<b>Financial result</b>		<b>802</b>	<b>-109</b>	<b>1,562</b>	<b>-2,097</b>
Earnings/share before dilution, EUR		0.13	-0.02	0.26	-0.35
Earnings/share after dilution, EUR		0.13	-0.02	0.26	-0.35
Number of shares		6,020,360	6,036,960	6,020,360	6,036,960

## Parent Company Income Statement

EUR 1,000	Notes	Oct. 1-Dec. 31 2003	Oct. 1-Dec. 31 2002	Jan. 1-Dec. 31 2003	Jan. 1-Dec. 31 2002
<b>Net turnover</b>	1	<b>7,583</b>	<b>1,771</b>	<b>15,122</b>	<b>8,447</b>
Purchase of securities		-6,698	-1,881	-14,071	-21,526
Change in inventories		193	256	992	11,603
Personnel expenses	2	-71	-60	-297	-322
Depreciation		-2	-1	-9	-19
Other operating expenses		-208	-171	-536	-579
		-6,786	-1,857	-13,921	-10,843
<b>Operating profit/loss</b>		<b>797</b>	<b>-86</b>	<b>1,201</b>	<b>-2,396</b>
Financial income and expenses	3	-4	3	275	101
<b>Profit/loss before extraordinary items</b>		<b>793</b>	<b>-83</b>	<b>1,476</b>	<b>-2,295</b>
Extraordinary items	4	2	5	2	5
<b>Profit/loss before taxes</b>		<b>795</b>	<b>-78</b>	<b>1,478</b>	<b>-2,290</b>
Taxes	5	0	0	0	0
<b>Financial result</b>		<b>795</b>	<b>-78</b>	<b>1,478</b>	<b>-2,290</b>
Earnings/share before dilution, EUR		0.13	-0.01	0.24	-0.38
Earnings/share after dilution, EUR		0.13	-0.01	0.25	-0.38
Number of shares		6,020,360	6,036,960	6,020,360	6,036,960

# Balance Sheets

## Consolidated Balance Sheet

EUR 1,000	Notes	Dec. 31, 2003	Dec. 31, 2002
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible assets	6	28	37
Other investments	7	0	79
		28	116
<b>Current assets</b>			
Inventories	8	44,638	43,647
Deferred tax receivables	9	371	371
Current receivables	10	1,769	68
Money-market investments	11	1,109	3,354
Cash and cash equivalents		921	365
		48,808	47,805
		<b>48,836</b>	47,921
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Restricted shareholders' equity	12	24,082	24,148
Premium fund		66	0
Fund for own shares		0	79
Reserve fund		1,221	1,221
Retained earnings		314	121
Other unrestricted equity		21,327	24,100
Financial result		1,562	-2,097
		48,572	47,572
<b>Current liabilities</b>	13	264	349
		<b>48,836</b>	47,921

## Parent Company Balance Sheet

EUR 1,000	Notes	Dec. 31, 2003	Dec. 31, 2002
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible assets	6	26	35
Other investments	7	16,571	16,650
		16,597	16,685
<b>Current assets</b>			
Inventories	8	28,321	27,329
Deferred tax receivables	9	371	371
Current receivables	10	1,767	70
Money-market investments	11	1,109	2,784
Cash and cash equivalents		880	352
		32,448	30,906
		<b>49,045</b>	47,591
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Shareholders' equity</b>			
Restricted shareholders' equity	12	24,082	24,148
Premium fund		66	0
Fund for own shares		0	79
Reserve fund		1,221	1,221
Retained earnings		0	0
Other unrestricted equity		21,327	24,100
Financial result		1,478	-2,290
		48,174	47,258
<b>Current liabilities</b>	13	871	333
		<b>49,045</b>	47,591

# Cash Flow Statements

## Consolidated Cash Flow Statement

EUR 1,000	Oct. 1-Dec. 31 2003	Oct. 1-Dec. 31 2002	Jan. 1-Dec. 31 2003	Jan. 1-Dec. 31 2002
<b>Operating activities</b>				
Profit/loss before extraordinary items	808	-162	1 727	-1,962
Depreciation	2	2	9	20
Avoir fiscal and source tax credits	-6	53	-165	-135
	804	-107	1 571	-2,077
<b>Changes in working capital</b>				
Increase (-) or decrease (+) in inventories	-193	-296	-992	-11,603
Increase (-) or decrease (+) in current receivables	-1,754	49	-1,700	393
Increase (-) or decrease (+) in liquid assets	1,344	526	2,245	14,130
Increase (+) or decrease (-) in current liabilities	-350	-73	-85	-194
	-953	206	-532	2,726
<b>Cash flow in operating activities</b>	<b>-149</b>	<b>99</b>	<b>1,039</b>	<b>649</b>
<b>Investments</b>				
Change in tangible assets	0	0	0	5
	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
<b>Financing activities</b>				
Change in other investments	0	0	0	-46
Dividends paid	0	0	-483	-483
<b>Cash flow in financing activities</b>	<b>0</b>	<b>0</b>	<b>-483</b>	<b>-529</b>
Cash flow for the period	-149	99	556	125
Liquid funds at the beginning of period	<b>1,070</b>	266	<b>365</b>	240
<b>Liquid funds at the end of period</b>	<b>921</b>	<b>365</b>	<b>921</b>	<b>365</b>

## Parent Company Cash Flow Statement

EUR 1,000	Oct. 1-Dec. 31 2003	Oct. 1-Dec. 31 2002	Jan. 1-Dec. 31 2003	Jan. 1-Dec. 31 2002
<b>Operating activities</b>				
Profit/loss before extraordinary items	793	-83	1,476	-2,295
Depreciation	2	1	9	19
Avoir fiscal and source tax credits	0	8	0	0
	795	-74	1,485	-2,276
<b>Changes in working capital</b>				
Increase (-) or decrease (+) in inventories	-193	-296	-992	-11,603
Increase (-) or decrease (+) in current receivables	-1,751	59	-1,696	409
Increase (-) or decrease (+) in liquid assets	1,343	496	1,674	14,300
Increase (+) or decrease (-) in current liabilities	-374	-85	538	-183
	-975	174	-476	2,923
<b>Cash flow in operating activities</b>	<b>-180</b>	100	<b>1,009</b>	647
<b>Investments</b>				
Change in tangible assets	0	0	0	5
	<b>0</b>	0	<b>0</b>	5
<b>Financing activities</b>				
Change in other investments	0	0	0	-46
Dividends paid	0	0	-483	-483
Received or paid group contributions	2	5	2	5
<b>Cash flow in financing activities</b>	<b>2</b>	5	<b>-481</b>	-524
Cash flow for the period	-178	105	528	128
Liquid funds at the beginning of period	<b>1,058</b>	247	<b>352</b>	224
<b>Liquid funds at the end of period</b>	<b>880</b>	352	<b>880</b>	352

# Financial Statement Principles

## Scope and principles of the consolidated accounts

The consolidated accounts include the parent company Neomarkka Plc and its wholly owned subsidiaries Novalis Plc and Alnus Oy. The domicile of the Group companies is Helsinki.

The consolidated accounts were drawn up in accordance with the general instructions compiled by the Group's accounting committee.

Internal transactions and liabilities have been eliminated. Internal holdings have been eliminated on the acquisition cost principle.

Because of the nature of the company's operations, interest income derived from non-current loan receivables, which are normally entered under financial items, are entered under other income from operations.

## Valuation principles

### • Non-current assets

Non-current assets are owned by the parent company and one subsidiary. The balance sheet values for non-current assets are based on the original acquisition cost. Planned depreciations on tangible assets are in compliance with the maximum amount laid down in the Tax Act. Other capitalized expenditure will be depreciated over 5 years.

### • Inventories

Shares, market-money investments and other securities, which makeup the inventories, are entered at lowest value of the acquisition cost or the last trading price on the closing date or a corresponding price. Funds are entered at the declared or estimated net asset value. Unlisted shares and holdings are entered at the acquisition cost or a lower probable selling price. The acquisition value is calculated by the trading lot using the first in first out principle.

Current receivables are valued at the estimated total amount to be received. Liquid securities are valued at the acquisition cost.

### • Currency forward contracts

Currency forward contracts are valued at the mean rate on the European Central Bank's closing date. In the profit and loss account, changes in the value of contracts that hedge underlying investments are entered under adjustment items for purchases of securities. The nominal amount of currency forward contracts states the amount of currency in an agreed future transaction.

### • Exchange rates

Receivables and debts denominated in foreign currencies have been valued at the mean rate on the closing date or the previous business day.

### • Taxes

Due to the prudence principle calculatory tax receivables from confirmed losses are not entered in the financial statements as receivables, and consequently deferred tax liabilities from unrealised profits are not presented in the net asset value calculation. In the financial statement, the consolidated deferred tax receivables consist of avoiron fiscal tax credits from year 2000. These receivables are presented in balance sheet as long-term receivables from the year 2002 onwards. No other calculatory tax receivables have been entered in the financial statements.

# Notes to the Accounts

The group operates through Neomarkka Plc and Novalis Plc. Operations in the subsidiary Alnus Oy are negligible.

## Income Statement

### 1. Net turnover

EUR 1,000	Consolidated		Parent Company	
	2003	2002	2003	2002
Sales of securities	14,158	7,848	14,158	7,848
Dividend income	1,043	563	800	430
Membership dividends	251	305	0	0
Avoir fiscal and source tax credits	165	135	0	0
Interest income	165	180	164	169
	15,782	9,031	15,122	8,447

### 2. Personnel expenses

EUR 1,000	Consolidated		Parent Company	
	2003	2002	2003	2002
Wages and salaries	304	326	224	230
Pension expenses	43	57	27	39
Other personnel expenses	53	59	46	53
	400	442	297	322
Of which salaries and fees to the management				
Chairman of the Board	11	10	11	10
Board members	44	44	44	44
Managing Director	87	87	43	43
	142	141	98	97

### 3. Financial income and expenses

EUR 1,000	Consolidated		Parent Company	
	2003	2002	2003	2002
Dividend income, Group	0	0	287	94
Interest income, other	2	7	2	7
Interest expenses, Group	0	0	-14	0
	2	7	275	101

### 4. Extraordinary items

EUR 1,000	Consolidated		Parent Company	
	2003	2002	2003	2002
Group contribution from Alnus Oy	0	0	2	5

### 5. Taxes

EUR 1,000	Consolidated		Parent Company	
	2003	2002	2003	2002
Corporate tax from the result	-165	-135	0	0

# Notes to the Accounts

## Balance Sheet

### 6. Tangible assets

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
<b>Machinery and equipment</b>				
Acquisition cost Jan. 1	97	130	91	124
Increases	0	1	0	1
Decreases	0	-34	0	-34
Accumulated depreciation	-60	-40	-56	-37
Depreciation for the year	-9	-20	-9	-19
<b>Acquisition cost Dec. 31</b>	<b>28</b>	<b>37</b>	<b>26</b>	<b>35</b>

### 7. Other investments

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Acquisition cost Jan. 1	79	33	16,650	16,604
Increases	0	46	0	46
Decreases	-79	0	-79	0
<b>Acquisition cost Dec. 31</b>	<b>0</b>	<b>79</b>	<b>16,571</b>	<b>16,650</b>

Shares in subsidiaries	Business ID	Share capital EUR 1,000	No. of shares	Book value EUR 1,000	Share-holding %
Alnus Oy, Helsinki	0762281-4	168	1,000	171	100,0
Novalis Plc, Helsinki	1642820-4	2,000	2,000,000	16,400	100,0

Books closed December 31, 2003, length of financial year 12 months.

Own shares, EUR	No.	Nominal value	Book value	Acquisition value
Neomarkka Plc series B				
Balance Jan. 1	16,600	66,400	79,197	79,197
Cancelled own shares	-16,600	-66,400	-79,197	-79,197
<b>Balance Dec. 31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Shareholding before cancellation on April 9, 2003, was 0.27% and percentage of votes 0.19%.

### 8. Inventories

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Listed shares	5,891	8,995	5,891	8,995
Equity funds	0	1,664	0	1,664
Hedge funds	22,430	16,670	22,430	16,670
Private equity	5,650	5,651	0	0
Membership certificates	10,667	10,667	0	0
	<b>44,638</b>	<b>43,647</b>	<b>28,321</b>	<b>27,329</b>



(8. Inventories)

## Neomarkka Plc

Listed shares	No.	Book value EUR 1,000	Market value EUR 1,000	Acquisition value EUR 1,000
<b>Finnish companies</b>				
Aspocomp Group Oyj	25,000	194	290	194
Atria Yhtymä Oyj series A	20,000	176	181	176
Finnair Oyj	76,900	330	408	330
Finnlines Oyj	9,900	223	285	223
Fiskars Oyj series A	20,000	178	188	178
Fortum Oyj	20,000	112	164	112
HK Ruokatalo Oyj series A	40,000	160	260	160
Huhtamäki Oyj	27,000	209	252	209
Kemira Oyj	35,000	226	322	226
Kesko Oyj series B	25,000	257	347	257
Metso Oyj	15,000	145	145	205
M-Real Oyj series B	43,000	302	302	325
Nordea FDR	75,000	332	444	332
Okmetic Oyj	65,100	189	215	260
OKO Oyj series A	13,000	207	235	207
Olvi Oyj series A	10,000	90	132	90
Orion-yhtymä Oyj series B	3,000	47	51	47
Outokumpu Oyj series A	42,700	375	460	375
Pohjola Yhtymä Oyj series D	8,000	110	170	110
Polar Kiinteistöt Oyj series T	600,000	260	462	260
Raisio Yhtymä Oyj series V	185,300	177	230	177
Rautaruukki Oyj series K	40,000	187	234	187
Stora Enso Oyj series R	30,000	307	320	307
Tecnomen Oyj	135,000	57	185	57
UPM-Kymmene Oyj	22,000	311	333	311
Wärtsilä Oyj series B	18,200	238	277	270
		<b>5,399</b>	<b>6,892</b>	<b>5,585</b>
	No.	Book value EUR 1,000	Market value EUR 1,000	Acquisition value EUR 1,000
<b>Foreign companies</b>				
3 COM Cp nnm	7,000	29	45	29
Compuware Corp nnm	5,500	24	26	24
Fiat Spa	16,400	90	100	90
J Sainsbury Plc	33,000	128	146	128
KLM	3,750	26	48	26
Scottish & Newcastle Ltd	19,000	102	102	102
Strålfors AB series B	19,700	93	111	93
		<b>492</b>	<b>578</b>	<b>492</b>
<b>Listed shares totally</b>		<b>5,891</b>	<b>7,470</b>	<b>6,077</b>
	No.	Book value EUR 1,000	Market value EUR 1,000	Acquisition value EUR 1,000
<b>Hedge funds</b>				
Avenir kasvuosuus B	1,720	2,000	2,182	2,000
Eikos Fond	142	2,440	2,706	2,440
ER Global Markets sub fund E	990	1,000	1,011	1,000
Futuris Fond	12,247	2,203	2,724	2,203
GLG Market Neutral Fund D	18,336	3,500	4,160	3,500
Lynx Asset Management	101,662	1,978	2,123	1,978
Nektar Fond	11,263	2,293	2,463	2,293
Tanglin Fond	21,746	3,095	3,358	3,095
Vega Feeder Fund	276	2,864	2,864	3,000
Zenit Fond	304	1,057	1,273	1,057
		<b>22,430</b>	<b>24,864</b>	<b>22,566</b>

# Notes to the Accounts

(8. Inventories)

## Novalis Plc

Private equity	No.	Book value EUR 1,000	Market value EUR 1,000	Acquisition value EUR 1,000
Kymen Puhelin Oy	135	111	111	111
Lännen Puhelin Oy	569	717	717	717
Oulun Puhelin Oyj	746,250	3,081	3,081	3,081
Satakunnan Puhelin Oy	81,700	920	920	920
Tikka Communications Oy	830	821	821	821
		<b>5,650</b>	<b>5,650</b>	<b>5,650</b>

Membership certificates	No.	Book value EUR 1,000	Market value EUR 1,000	Acquisition value EUR 1,000
Puhelinosuuskunta KPY	7,618	<b>10,667</b>	<b>10,667</b>	<b>10,667</b>

According to an external evaluation (see the Board of Directors Report for more detail) the value of unlisted shares and membership certificates on the valuation date was at least equal to the acquisition cost.

**Total consolidated inventories** **44,638** **48,651** **44,960**

Derivative contracts	Nominal value EUR 1,000	Book value EUR 1,000	Market value EUR 1,000
Foreign-exchange derivatives			
Currency forward contract	15,608	246	246
Year 2002	10,102	51	51

## 9. Deferred tax receivables

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Avoir fiscal receivable from year 2000	<b>371</b>	371	<b>371</b>	371

### Other calculatory tax receivables and -liabilities, not entered in the financial statements

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Avoir fiscal and source tax credits	805	567	651	449
Calculatory tax receivables, 29% of running losses	1,303	1,826	1,303	1,826
Deferred tax liabilities from unrealised profits	-1,165	-526	-1,165	-526
Other calculatory tax receivables totally	<b>943</b>	1,867	<b>789</b>	1,749

Due to the prudence principle, these items have not been entered in the financial statements as receivables.

## 10. Current receivables

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Sales receivables	1,502	6	1,502	6
Receivables from Neomarkka Group	0	0	0	9
Other receivables	250	57	248	51
Interest receivables	17	5	17	4
	<b>1,769</b>	68	<b>1,767</b>	70

## 11. Money-market investments

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Market value	1,112	3,451	1,112	2,881
Book value	1,109	3,354	1,109	2,784
Excess value	<b>3</b>	97	<b>3</b>	97

## 12. Shareholders' equity

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Restricted shareholders' equity Jan. 1				
Series A	558	558	558	558
Series B	23,590	23,590	23,590	23,590
Cancelled own shares	-66	0	-66	0
<b>Restricted shareholders' equity Dec. 31</b>	<b>24,082</b>	24,148	<b>24,082</b>	24,148
Premium fund Jan. 1	0	0	0	0
Cancelled own shares	66	0	66	0
<b>Premium fund Dec. 31</b>	<b>66</b>	0	<b>66</b>	0
Fund for own shares Jan. 1	79	33	79	33
Transferred from retained earnings	0	46	0	46
Cancelled own shares	-79	0	-79	0
<b>Fund for own shares Dec. 31</b>	<b>0</b>	79	<b>0</b>	79
Reserve fund Jan. 1	1,221	1,221	1,221	1,221
<b>Reserve fund Dec. 31</b>	<b>1,221</b>	1,221	<b>1,221</b>	1,221
Retained earnings Jan. 1	-1,976	-1,869	-2,290	-1,990
Dividends paid	-483	-483	-483	-483
Transferred to fund for own shares	0	-46	0	-46
Transferred from other unrestricted equity	2,773	2,519	2,773	2,519
<b>Retained earnings Dec. 31</b>	<b>314</b>	121	<b>0</b>	0
Other unrestricted equity Jan. 1	24,100	26,619	24,100	26,619
Transferred to retained earnings	-2,773	-2,519	-2,773	-2,519
<b>Other unrestricted equity Dec. 31</b>	<b>21,327</b>	24,100	<b>21,327</b>	24,100
Profit/loss for the financial year	<b>1,562</b>	-2,097	<b>1,478</b>	-2,290
<b>Shareholders' equity Dec. 31</b>	<b>48,572</b>	47,572	<b>48,174</b>	47,258
<b>Parent company restricted shareholders' equity by share series</b>		<b>Dec. 31, 2003</b>		Dec. 31, 2002
	No.	Shareh. equity EUR 1,000	No.	Shareh. equity EUR 1,000
Series A (20 votes/share)	139,600	558	139,600	558
Series B (1 vote/share)	5,880,760	23,524	5,897,360	23,590
	<b>6,020,360</b>	<b>24,082</b>	6,036,960	24,148

The nominal value of shares has been altered to EUR 4,0. The change was registered on September 1, 2000. 16,600 own B shares were cancelled on April 9, 2003.

## 13. Current liabilities

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Accounts payable	68	72	68	72
Liabilities Havsfrun Group	0	3	0	3
Liabilities Neomarkka Group	0	0	621	0
Liabilities Norvestia Group	5	5	5	5
Accrued liabilities	88	124	74	108
Other current liabilities	103	145	103	145
	<b>264</b>	349	<b>871</b>	333

## 14. Pledges

EUR 1,000	Consolidated		Parent Company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
	none	none	none	none

# Board of Directors Proposal for the Distribution of Profits

On December 31, 2003, the Group's distributable assets amounted to EUR 23,202,540.19.

The parent company's distributable assets were EUR 22,804,751.59, putting a total EUR 22,804,751.59 at the disposal of the Annual General Meeting.

The Board of Directors proposes the distributable retained earnings to be used as follows:

EUR 0.08 per share to be distributed to 6,020,360 shares	481,628.80 EUR
Transferred to retained earnings	996,316.33 EUR
Other unrestricted equity	21,326,806.46 EUR
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	22,804,751.59 EUR

The company's other unrestricted equity was created by reducing the share capital. An amount corresponding to the reduction was transferred to a fund that can be used as decided by the Annual General Meeting.

If the Board's proposal is approved, the share capital of Neomarkka Plc will be as follows:

Share capital	24,081,440.00 EUR
Premium fund	66,400.00 EUR
Reserve fund	1,221,254.58 EUR
Retained earnings	996,316.33 EUR
Other unrestricted equity	21,326,806.46 EUR
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	47,692,217.37 EUR

According to the Board of Directors proposal, the payment record date is March 15, 2004. The Board proposes to the Annual General Meeting that the payment be made at the end of the record period, on March 22, 2004.

Helsinki, February 10, 2004

Sigurdur Einarsson  
Chairman

Mika Lehto  
Vice Chairman

Hannu Anttila

Stig-Erik Bergström

Hreidar Már Sigurdsson

Samuel von Martens  
Managing Director

# Auditor's Report

## **To the shareholders of Neomarkka Plc**

We have audited the accounting, the financial statements, the consolidated financial statements and the administration of Neomarkka Plc for the accounting period January 1-December 31, 2003. The financial statements, which include the report of the Board of Directors, the income statements and the balance sheets, cash flow statement and notes to the financial statements of the consolidated closing and of the closing of the parent company, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on the administration.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require, that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion, the financial statements for the financial period, showing a profit for the parent company amounting to EUR 1,477,945.13, have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the consolidated and parent company's results of operations and financial position. The financial statements including the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the period examined by us. The proposal by the Board of Directors regarding the handling of the result is in compliance with the Companies Act.

Helsinki, February 12, 2004

Ernst & Young Oy  
Authorized Public Accountant Firm

Carl Gustaf af Hällström  
Authorized Public Accountant

# Key Figures

## Key Figures from the Income Statement and Balance Sheet

EUR 1,000	2003	2002	2001	2000	1999
Net turnover	15,782	9,031	14,624	11,816	8,732
Operating profit/loss	1,725	-1,969	-2,138	-2,015	-410
% of net turnover	10.9	-21.8	-14.6	-17.1	-4.7
Profit/loss before e.o. items and taxes	1,727	-1,962	-2,099	-1,876	-352
% of net turnover	10.9	-21.7	-14.4	-15.9	-4.0
Profit/loss before taxes	1,727	-1,962	-2,099	-1,876	-352
% of net turnover	10.9	-21.7	-14.4	-15.9	-4.0
Financial result	1,562	-2,097	-2,176	-1,877	-333
Return on equity, % (ROE)	3.2	-4.3	-4.2	-3.5	-0.7
Return on investment, % (ROI)	3.6	-4.0	-4.1	-3.5	-0.6
Equity ratio, %	99.5	99.3	98.9	98.8	99.3
Net debt-equity ratio (Gearing), %	-4.2	-7.8	-35.3	-40.4	-56.3
Non-interest-bearing debt	264	349	543	626	381
Leverage, %	93	92	65	59	43

## Key Figures per Share (Series A and B)

	2003	2002	2001	2000	1999
Net asset value/share after deferred tax liability, EUR	8.74	8.19	8.46	8.78	9.15
Change in net asset value/share, adjusted for dividend, %	7.7	-2.2	-2.7	-3.1	-0.7
Discount in net asset value, %	26	33	44	57	23
Equity/share, EUR	8.07	7.88	8.31	8.75	9.14
Earnings/share (EPS), EUR	0.26	-0.35	-0.36	-0.31	-0.06
Dividend/share, EUR	0.08 <sup>1)</sup>	0.08	0.08	0.08	0.08
Dividend/earnings, %	30.9 <sup>1)</sup>	n.a.	n.a.	n.a.	n.a.
Effective dividend yield, %	1.2 <sup>1)</sup>	1.5	1.7	2.2	1.2
P/E-ratio	24.9	-15.8	-13.2	-12.2	-126.1
Share performance, EUR					
- average quotation	5.77	5.40	4.03	7.12	6.94
- lowest quotation	4.67	4.64	3.20	3.70	6.00
- highest quotation	7.00	5.80	4.75	11.00	7.65
- quotation at year end	6.45	5.50	4.75	3.80	7.00
Change in quotation, adjusted for dividend, %	19	17	27	-45	8
Market capitalization, EUR 1,000	38,737	33,098	28,538	23,404	42,250
Trading in shares, no.					
B shares	131,107	168,858	141,370	353,276	353,611
- % of shares	2.2	2.9	2.4	6.0	6.0
Adjusted and weighted average number of shares during the year					
A shares	6,024,817	6,036,960	6,036,960	6,037,678	6,038,960
B shares	139,600	139,600	139,600	139,600	139,600
B shares	5,885,217	5,897,360	5,897,360	5,898,078	5,899,360
Number of shares adjusted on Dec. 31					
A shares	6,020,360	6,036,960	6,036,960	6,036,960	6,038,960
B shares	139,600	139,600	139,600	139,600	139,600
B shares	5,880,760	5,897,360	5,897,360	5,897,360	5,899,360

<sup>1)</sup> The Boards proposal

# Calculation of Key Figures

Net turnover	=	Net turnover + other operating income	
Return on equity, % (ROE)	=	$\frac{\text{Profit/loss before extraordinary items - taxes}}{\text{Shareholders' equity + minority interest less deferred tax (average)}}$	x 100
Return on investment, % (ROI)	=	$\frac{\text{Profit/loss before extraordinary items + interest paid and other financial expenses}}{\text{Balance sheet total - interest-free debts (average)}}$	x 100
Equity ratio, %	=	$\frac{\text{Shareholders' equity + minority interest less deferred tax}}{\text{Balance sheet total - advances received}}$	x 100
Net debt-equity ratio (Gearing), %	=	$\frac{\text{Interest-bearing debts - cash in hand and at bank and money-market investments}}{\text{Shareholders' equity + minority interest}}$	x 100
Earnings per share (EPS), EUR	=	$\frac{\text{Profit/loss before extraordinary items +/- minority interest +/- share of associated company profits - taxes}}{\text{No. of shares, adjusted for share issues (average)}}$	
Equity/share, EUR	=	$\frac{\text{Shareholders' equity - minority interest less deferred tax}}{\text{No. of shares on Dec 31 adjusted for share issues}}$	
Dividend/share, EUR	=	$\frac{\text{Dividend for the financial year}}{\text{No. of shares on Dec 31 adjusted for share issues}}$	
Dividend /earnings, %	=	$\frac{\text{Dividend/share}}{\text{Earnings/share}}$	x 100
Effective dividend yield, %	=	$\frac{\text{Dividend/share}}{\text{Share price on Dec. 31 adjusted for share issues}}$	x 100
P/E ratio	=	$\frac{\text{Share price on Dec. 31 adjusted for share issues}}{\text{Earnings/share}}$	
Market capitalization	=	(No. of B shares - no. of own B shares) x closing price at year end + No. of A shares x average quotation	
Discount in net asset value, %	=	$\frac{\text{Net asset value/share after deferred tax liability - quotation at year end}}{\text{Net asset value/share after deferred tax liability}}$	x 100
Leverage, %	=	$\frac{\text{Inventories at market value}}{\text{Net asset value}}$	x 100

# Shareholders

## Neomarkka Plc's Largest Shareholders on December 31, 2003

	A-class shares	B-class shares	Shares total	Proportion of equity %	Proportion of votes %
Norvestia Oyj	139,400	1,816,387	1,955,787	32.49	53.09
Metsäliitto Osuuskunta		1,205,305	1,205,305	20.02	13.90
Riihimäen Seudun Osuuspankki		36,070	36,070	0.60	0.42
Svenska Lantbruksproducenternas, Centralförbund (SLC)		25,760	25,760	0.43	0.30
Salaojituksen Tukisäätiö		13,280	13,280	0.22	0.15
Turun Kaupungin Vahinkorahasto		12,655	12,655	0.21	0.14
Turun Kaupunki		11,540	11,540	0.19	0.13
Koillis-Savon Osuuspankki		11,000	11,000	0.18	0.13
Myllylahon Saha Oy		10,000	10,000	0.17	0.12
Uudenmaan Maataloustuottajain Säätiö		10,000	10,000	0.16	0.11
Others	200	2,728,763	2,728,963	45.33	31.51
<b>Total</b>	<b>139,600</b>	<b>5,880,760</b>	<b>6,020,360</b>	<b>100.00</b>	<b>100.00</b>

No B shares were held by members of the Board or the Managing Director on December 31, 2003.

## Ownership by Type of Shareholder

Type	Shareholders no.	Shareholders %	Shares total	Proportion of equity %	Proportion of votes %
Private companies	413	2.7	3,451,679	57.3	70.4
Financial institutions and insurance companies	73	0.5	102,360	1.7	1.2
Public bodies	96	0.6	76,215	1.3	0.9
Non-profit organisations	303	1.9	207,185	3.4	2.4
Households	14,539	94.3	2,032,823	33.8	23.4
Outside Finland	5	0.0	967	0.0	0.0
Nominee registered			149,131	2.5	1.7
<b>Total</b>	<b>15,429</b>	<b>100.0</b>	<b>6,020,360</b>	<b>100.0</b>	<b>100.0</b>

## Ownership by the Amount Held

Shares held	Shareholders no.	Shareholders %	Shares total	Proportion of equity %	Proportion of votes %
1 - 50	6,849	44.4	201,702	3.4	2.3
51 - 100	4,127	26.7	364,079	6.0	4.2
101 - 1,000	4,092	26.5	1,267,524	21.1	14.7
1,001 - 10,000	353	2.3	766,527	12.7	8.8
10,001 -	8	0.1	3,271,397	54.3	68.3
Nominee registered			149,131	2.5	1.7
<b>Total</b>	<b>15,429</b>	<b>100.0</b>	<b>6,020,360</b>	<b>100.0</b>	<b>100.0</b>



# Corporate Governance



Neomarkka Plc complies with Finnish legislation and its own articles of association in its corporate governance and management. The company also complies with the Helsinki Exchanges regulations on corporate governance.

## General meeting of shareholders

The general meeting is the company's highest decision-making body and normally convenes once a year. At the general meeting shareholders exercise their right to vote on company affairs. The general meeting deals with the matters laid down in the Companies Act and the Neomarkka Articles of Association, e.g. approves the financial statements and decides on dividend distribution and any changes in the Articles of Association. It also elects the chairman, vice chairman and other members of the Board of Directors and the auditors, and decides on their remuneration.

## Shares

Neomarkka Plc's B share is quoted on Helsinki Exchanges. The company has two share series: A shares and B shares. The A share carries 20 votes and the B share one vote. Information on the ownership structure can be found on page 22.

## Board of directors

According to Neomarkka's Articles of Association, the Board consists of three to seven regular members and a maximum of three deputy members. The term of a member begins after the general meeting and normally expires at the close of the following Annual General Meeting. The duties of the company's Board of Directors are laid down in the Companies Act and other applicable legislation. The Board is responsible for proper organization of the administration and operations of the company, and considers and decides on all major matters concerning said operations. The Board appoints the company's Managing Director, who is not a member of the Board.

The chairman of the Board convenes a board meeting whenever the affairs of the company so require. The Board of Directors constitutes a quorum when more

than half of all its members are present. The opinion supported by more than half of the members present or, if the votes fall even, the opinion supported by the chairman, will be the Board's decision.

The charter of the Board is normally formulated at the constituting meeting of the Board. The following decisions are included in the current charter:

- The Board complies with the Helsinki Exchanges recommendation for Corporate Governance.
- The Board is responsible for publishing monthly net asset value reports as soon as possible after the end of each month, and for submitting quarterly interim reports and the annual report. The auditors are given an opportunity to comment on the reports before the Board takes its decision and the reports are published.
- The Board decides on questions that concern the level of risk-taking in the company.
- The Board appoints an audit committee and decides on its charter. The committee has no autonomous authority. Responsibility for the functions allotted to the committee remains with the Board.
- The Board can establish other committees made up of Board members or give members of the Board special commissions. Such decisions must be entered in the minutes. Neither a Board committee, nor a member of the Board with a special commission has autonomous authority. Responsibility for the functions allotted remains with the Board.

Information on the Board of Directors is provided on pages 26-27.

## Audit committee

The Board annually appoints the chairman and members of the audit committee. The functions of the audit committee include monitoring the company's financial position, supervising the financial reporting, evaluating the adequacy and appropriateness of internal supervision and risk management, evaluating compliance with laws and regulations and maintaining contact with the auditor, examining the auditor's reports and evaluating any advisory services supplied by the auditor. The audit committee prepares the Board's proposal to the Annual General

# Corporate Governance

Meeting concerning appointment of the external auditor(s). The audit committee reports to the Board.

## Managing director

The Managing Director elected by the Board of Directors is responsible for the day-to-day management of the company according to instructions and orders issued by the Board. The Managing Director must ensure that the company's bookkeeping complies with the law and that financial matters are handled in a reliable manner. The Managing Director is in charge of the company's investment activities.

## Organization

The Managing Director of the company is Samuel von Martens. The company has no regular management group. Kristiina Vuorimies is the Financial Manager and Roger Lönnberg the Investment Manager.

## Remuneration

The AGM annually approves the fees paid to Board members, and the Board decides on the salary and other benefits of the Managing Director. The Board decides on any bonuses paid to the Managing Director and the personnel. The Board members are remunerated only by virtue of their Board membership.

In accordance with the decision of the Annual General Meeting on March 12, 2003, the Board members are remunerated as follows:

The chairman of the Board is paid an annual fee of EUR 10,650, the vice chairman EUR 8,900 and other regular members EUR 8,000. Deputy members are paid an annual fee of EUR 2,125, plus EUR 530 for every meeting attended. In addition, a meeting fee of EUR 350 is paid for work on Board committees. Board members are compensated for their travel and accommodation expenses.

The pension benefits of the Managing Director are based on the Finnish Employees' Pensions Act (TEL). The term of notice is one month, and the compensation for notice corresponds to a salary of six months.

## Supervision

### • Internal supervision and risk management

The aim of the internal supervision and risk management system is to ensure that the company operates in the most efficient and successful manner, that information is reliable, and that regulations and operating principles are followed. The Board carries the ultimate responsibility for supervision of the bookkeeping and financial management, and the Managing Director is in charge of practical organization of the supervision system. The company's financial situation and progress are monitored on a monthly basis, and the information is published in the annual report, interim reports and monthly net asset value reports.

### • Internal audit

The Board has established an audit committee subordinate to the Board to carry out the company's internal audit.

Due to the small number of employees in the Neomarkka Group, the current system of internal audit in the group is conducted in cooperation with its parent company Norvestia Plc. Internal group eliminations are checked and the items on the consolidated balance sheets are reconciled in connection with monthly Group and net asset value reporting, with the main focus on current assets, money-market investments and their market value.

## Insider administration

Neomarkka Plc complies with the Guidelines for Insiders issued by the Helsinki Exchanges.

According to the law, the members of the Board, the Managing Director and the auditors are considered the company's permanent insiders. The company has also defined certain other persons as insiders. All employees of Neomarkka and its parent company Norvestia Plc are listed as permanent insiders. The company maintains its insider register in the SIRE system at the Finnish Central Securities Depository Ltd.

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### **External audit**

According to the Articles of Association, the company has one or two regular auditors who must be auditors or auditing bodies authorized by the Central Chamber of Commerce. The general meeting of shareholders elects the auditors, and their term ends at the close of the following AGM. In connection with the annual financial statements, the auditors make their auditors' report to the company's shareholders.

The purpose of the statutory external audit is to verify that the financial statements give a true and fair view of the result and financial situation of the company. The audit constitutes an independent statement to the shareholders concerning management of the bookkeeping, financial statements and administration of the company.

The Neomarkka Group is audited continuously. The auditors normally go through the administration, bookkeeping, payroll administration, current asset bookkeeping and other areas of Group companies 3-4 times per year. In addition, the consolidated financial statements, the financial statements of the parent company and the statutory inspections are audited at year-end on the scale required by good auditing practice.

The auditors invoice for their expenses.

### **Web-pages**

The corporate governance description will be updated as changes occur. A valid description is maintained on the Group's web-site at [www.neomarkka.fi/en](http://www.neomarkka.fi/en).

# Board of Directors

## ■ Board of Directors

### Chairman

Director

**Sigurdur Einarsson**

Seltjarnarnes, Iceland

Born 1960

Master of Science (Econ.)

Executive Chairman of Kaupthing Bunadarbanki hf.

Chairman of the Board of the following companies:

Arion Custody Services

Kaupthing Bank A/S

Kaupthing Bank Luxembourg S.A.

Kaupthing Bunadarbanki hf.

Kaupthing Föroyar Virðisbrevamæklarafelag

Kaupthing New York

Kirna hf.

Norvestia Plc

Member of the Board of:

Kaupthing Bank Sverige

Kaupthing Sofi Plc

Main working experience:

Kaupthing Bank hf., Managing Director

Kaupthing hf., Deputy Managing Director

Kaupthing hf., Capital Markets, Executive Director

Islandsbanki hf., management posts

Den Danske Bank, management posts

University of Iceland, Associate Professor

Chairman of the Board of Neomarkka since October 20, 2003

Shareholding in Neomarkka: 0

### Vice chairman

Director

**Mika Lehto**

Helsinki

Born 1966

MBA

Executive Chairman of the Board of Kaupthing Sofi Plc

Chairman of the Board of Norventures Ltd.

Vice chairman of the Board of Norvestia Plc

Member of the Board of:

Alnus Oy

Huurre Group Oy

Novalis Plc

Main working experience:

Sofi Oy, Co-founder and Managing Director

Vice chairman of the Board of Neomarkka Plc since

October 20, 2003

Shareholding in Neomarkka: 0

## Members

CFO

**Hannu Anttila**

Espoo

Born 1955

Master of Science (Econ.)

CFO, Metsäliitto Group

Member of the Board of:

Metsä Tissue Oyj

Pellervon Taloudellinen Tutkimuslaitos

Metsä Group Financial Services Oy

Finnforest Oyj

Logisware Oy

Main working experience:

Metsä Tissue Oyj, Managing Director

Oy Metsä-Botnia Ab, Deputy Managing Director,

other management posts

Metsä-Serla Oy, management posts

Suomen Kuitulevy Oy (Enso Group),

Financial and Administrative Manager,

Deputy Managing Director

Member of the Board of Neomarkka Plc since

October 20, 2003

Shareholding in Neomarkka: 0

PhD (Economics)

**Stig-Erik Bergström**

Espoo

Born 1941

Chairman of the Board of Citycon Oyj

Vice chairman of the Board of Svenska Handelsbanken,

Region Bank Finland

Member of the Board of:

The Finnish Association of Professional Board Members

Norvestia Plc

Foundation of the Swedish School of Economics and

Business Administration

Swedish School of Economics and

Business Administration

Main working experience:

Stockmann Oyj, Deputy Managing Director

Midland Montagu Aktiebank, Managing Director

Rauma Repola Oy, Deputy Managing Director

Member of the Board of Neomarkka Plc since 2001

Shareholding in Neomarkka: 0

## CEO

### **Hreidar Már Sigurdsson**

Reykjavik, Iceland  
Born 1970  
Master of Science (Econ.)

CEO, Kaupthing Bunadarbanki hf.

Chairman of the Board of GIR Fund Management

Member of the Board of:

Arion Custody Service  
Kaupthing Advisory Company  
Kaupthing New York  
Kaupthing Securities  
Kirna hf.  
Lýsing hf.  
Norvestia plc  
Sparisjóður Kaupings hf.  
Uppspretta Icelandic Capital Venture

Main working experience:

Kaupthing New York, Managing Director  
Kaupthing Bank hf., Deputy Managing Director  
Kaupthing hf.; Deputy Managing Director

Member of the Board of Neomarkka Plc since October 20, 2003

Shareholding in Neomarkka: 0

## ■ Managing Director

Managing Director

### **Samuel von Martens**

Espoo  
Born 1965  
Master of Science (Engineering)

Managing Director of Neomarkka Plc and of Neomarkka's wholly-owned subsidiaries Novalis Plc and Alnus Oy

Member of the Board of Oulun Puhelin Oyj

Main working experience:

Managing Director of Neomarkka since November 1, 2000. Before moving to Neomarkka Samuel von Martens held management posts in investment operations in the Norvestia Group for two years. Prior to that, he worked in consulting and leading positions in technical and corporate planning for nine years in the Jaakko Pöyry Group.

Shareholding in Neomarkka: 0

## ■ Personnel

**Roger Lönnberg**, Investment Manager

**Kristiina Vuorimies**, Financial Manager

**Joanna Gädda**, Assistant (part-time)



# Information to Shareholders



## Annual General Meeting

Neomarkka Plc's Annual General Meeting will be held at

2 p.m. on Wednesday March 10, 2004  
in the Diana Auditorium,  
Erottajankatu 5, Helsinki.

A shareholder wishing to attend the AGM and to receive a ballot must be entered in the shareholders' register kept by Finnish Central Securities Depository Ltd. on the record date of February 27, 2004 and must so inform the company

by 4 p.m. on March 1, 2004 at the latest,  
by telephone +358 (0)9 6844 6514,  
telefax +358 (0)9 6844 6531  
or letter to the address Neomarkka Plc,  
Pohjoisesplanadi 27 C, FIN-00100 Helsinki.

Any proxies under which a specified person wishes to represent a shareholder and exercise the shareholder's voting right at the AGM should be forwarded to the above address before the end of registration period.

The Board of Directors proposes a dividend of EUR 0.08 per share from the year 2003, to be paid on March 22, 2004 to shareholders registered on March 15, 2004 in the list of shareholders maintained by the Finnish Central Securities Depository Ltd.

## The trading code for Neomarkka's B share

The trading code for Neomarkka's B share on the Helsinki Exchanges will change as of April 1, 2004, from NEOBV to NEMBV.

## Share register

Please inform your book-entry registrar of any changes in your personal, address or ownership data.

Dividends can no longer be paid or subscription rights exercised on share certificates that have not been exchanged for book-entry securities. An Oy Metsämarkka Ab shareholder can transfer any non-exchanged share into the book-entry system as a late entry through Okobank Oyj and branches of OKO banks dealing with securities.

Non-exchanged Metsä-Pohja Oy shares will be exchanged for Metsämarkka Oyj certificates of registration at the company offices, after which shareholders can transfer them through their banks to the book-entry system as Neomarkka Plc securities.

Oy Sijoitus Forestia Ab and Oy Lännen Metsä Ab have merged with Neomarkka Plc, and their share certificates can be exchanged for Neomarkka securities at Okobank Oyj and branches of OKO banks dealing with securities.

## Interim reports

In 2004, Neomarkka will be publishing its interim reports only on its website at [www.neomarkka.fi/en](http://www.neomarkka.fi/en). Interim reports can also be ordered from the company offices.

Publication dates:

January-March	April 23, 2004
January-June	August 10, 2004
January-September	October 19, 2004

as well as preliminary report of January-June interim report on July 28, 2004.

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## Contact information

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Business ID 0693494-7

neomarkka@neomarkka.fi  
firstname.lastname@neomarkka.fi

Web site: [www.neomarkka.fi/en](http://www.neomarkka.fi/en)  
Annual report: [www.neomarkka.fi/annual](http://www.neomarkka.fi/annual)

Neomarkka is a part of Norvestia Group,  
which in turn is a part of Kaupthing Group.  
The financial statements of these companies  
can be obtained from:

Norvestia Plc  
Pohjoisesplanadi 27 C  
FI-00100 Helsinki



Neomarkka Plc  
Pohjoisesplanadi 27 C  
FI-00100 Helsinki  
Phone: +358 (0)9 6844 650  
Fax: +358 (0)9 6844 6531  
[www.neomarkka.fi](http://www.neomarkka.fi)